TSX:EQB | EQB.PR.C

EQB Inc. | Fourth Quarter Report 2023

RETURNS
+16% ROE 10-YEAR AVERAGE

GROWTH
12.7% EPS GROWTH 10-YEAR CAGR

WEALTH
230% 10-YEAR TSR

DRIVE CHANGE
TO ENRICH PEOPLE'S LIVES

INNOVATION
TECHNOLOGY TO BETTER SERVE CANADIANS

SCALE
EQB WELCOMES CONCENTRA BANK

GAINS
578,000 CUSTOMERS

SUSTAINABILITY
CARBON NEUTRAL IN SCOPE 1 & 2 GHG EMISSIONS

For the four and ten months ended October 31, 2023

Note: all cover measures as at October 31, 2023.

Canada's Challenger Bank™

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Caution regarding forward-looking statements

Statements made in the sections of this report including those entitled “EQB corporate profile”, “Overall business performance and guidance”, “Challenger approach”, “Diversification, scale and social purpose”, “Building long-term franchise value”, “Provision for credit losses”, “Credit portfolio quality”, “Liquidity investments and equity securities”, “Capital position”, “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 EQB’s objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to EQB’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”, “guidance”, “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 the actual results, level of activity, closing of transactions, performance or achievements of EQB 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, global geopolitical risk, business acquisition, legislative and regulatory developments, changes in accounting standards, the nature of EQB customers and rates of default, and competition as well as those factors discussed under the heading “Risk Management” herein and in EQB’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 EQB and the Canadian economy. Although EQB 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 EQB in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its loan business, a continuation of the current level of economic uncertainty that affects real estate market conditions including, without limitation, impacts as a result of COVID-19, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. EQB does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

“The image on the cover of this report is a powerful expression of our commitment to challenge the status quo in Canadian banking. We believe the confidence depicted is synonymous with EQB’s bold ambition to drive change that enriches people’s lives. Our approach is unique in the market and is clearly demonstrated with the strikingly beautiful image presented.”

EQB strategy

Supported by its proven business model, EQB Inc. and its subsidiaries use a time-tested strategy and approach to drive change in Canadian banking to enrich people's lives.

Customer and service mission

Being the best at service, from building great digital experiences to empowered customer-facing teams solving customer needs

Differentiated value creation model

Deliver long-term shareholder value through disciplined capital allocation and business management that generates 15-17% ROE annually[(1)]

Innovating and advocating for Canadians

Innovate across product and technology as Canada's leading digital bank and advocate for regulatory change to benefit Canadians, including Open Banking

Robust risk management

Consistently achieve the lowest credit losses of all Canadian bank peers by leveraging a prudent risk appetite and benefitting from decades of underwriting expertise

Building long-term franchise value

Allocate capital and investment dollars consistently to build lasting franchise value that translates into superior performance through cycles

Quick facts

> 578,000

Customers directly served by Equitable Bank, growing by hundreds every day

7th largest bank

Equitable Bank is 7th largest bank in Canada by assets, and the owner of Concentra Trust – the 7th largest trust company in Canada

$111 billion

Assets under Management & Assets under Administration[(1)], diversified across Personal Banking, Commercial Banking and Trust company services

> 6 million

Canadians indirectly served with products and services delivered by Canadian Credit Unions to their members

EQ Bank was once again ranked the Number 1 bank in Canada for the third consecutive year on Forbes World's Best Banks

Carbon neutral

Scope 1 and 2 carbon neutral and first Canadian bank to disclose Scope 3 carbon emissions

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

Note: Quick facts as at October 31, 2023

EQB corporate profile

EQB Inc. (TSX: EQB and EQB.PR.C, "EQB") operates through subsidiaries, including its wholly owned subsidiary, Equitable Bank, Canada's Challenger Bank™.

Equitable Bank's mission is to drive change in Canadian banking to enrich people's lives.

Equitable Bank (the "Bank") serves 578,000 Canadians and nearly 200 Canadian credit unions, with more than six million members, through two main business lines: Personal Banking - including EQ Bank, the leading digital bank in Canada - and Commercial Banking. As a leader in Canadian banking, EQ Bank was chosen by Forbes and Canadian consumers as Canada's Top Schedule I Bank in 2021, 2022 and 2023.

As October 31, 2023, EQB's total assets under management and administration[(1)] were $111 billion, with total loans under management of $62 billion and on-balance sheet assets of $53 billion. Equitable Bank and Concentra Bank are regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI).

EQB is a member of the S&P/TSX Composite, the S&P/TSX Bank, S&P/TSX Dividend Aristocrats, S&P/TSX Small Cap, S&P Canada BMI, and MSCI Small Cap (Canada) indices.

Equitable Bank's credit rating by DBRS is investment grade BBB (high) and in Q2 2023 Fitch affirmed its BBB- rating, while raising its outlook to 'stable', a signal of the Bank's strength and stability on the back of consistent profitability, sound credit fundamentals and diversified assets and funding.

Canadians choose Equitable Bank for smarter products, unmatched value, and exceptional service. To deliver all three, the Bank specializes in market segments where it can improve the banking experience and deliver unique value, by rethinking conventional approaches and pushing for smarter ways to do business. The Bank differentiates by providing a host of challenger bank retail services, single-family mortgage lending, reverse mortgage lending, insurance lending, commercial real estate mortgage lending, specialized commercial financing, equipment financing, credit union services and trust services.

The Bank's challenger approach has allowed it to become a leading single-family residential lender. With a commercial lending focus on serving customers who build and renovate much-needed rental apartment supply, the

Bank has become an active participant in the insured multi-unit residential securitization market in Canada. Innovations in the independent mortgage broker channel reflect the Bank's long-term focus on providing great service to brokers and mortgage customers.

EQ Bank is the first-born all-digital bank in Canada, providing great experience and value to Canadians, and serving as a convenient and value-added alternative to traditional banks. It was the first to move to a cloud-based platform and its digital capabilities are proven and differentiated to support cost-effective product development and delivery and fintech collaborations.

The Bank operates with a fintech mindset and collaborates with partners to innovate rapidly to deliver best-in-class digital banking services to Canadian consumers. The Bank's relationships with market leaders like Wise, Wealthsimple, nesto, Ratehub, Flinks, Borrowell, Bloom, FinanceIT, ClearEstate and other fintechs continue to help the Bank reach new customers and deliver value to Canadians.

A strategic advantage of Equitable Bank's business model is the ability to deploy deposits consistently and profitably across its diverse personal and commercial lending operations. This approach to diversifying assets and deposit-funding sources allows the Bank to achieve its corporate growth objectives and reduces its risk profile.

Equitable Bank's talented teams are the foundation of its success. The Bank employs over 1,700 challengers who are aligned to drive change in Canadian banking. The Bank's inclusive, welcoming, and pride-inducing workplace earned it the honour of being recognized as one of the top 50 organizations on the 2023 list of Canada's Best Workplaces™.

(1) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

Change of EQB's fiscal year

EQB has changed its fiscal reporting period to end on October 31 rather than December 31. With this change, EQB's reporting cycle is now consistent with Canada's publicly traded banks.

During the transition, comparative periods will differ. For this report:

- **Q4 2023**: as at or for the four months ended October 31, 2023, and is presented compared to Q4 2022 (three months ended December 31, 2022) and Q2 2023 (three months ended June 30, 2023). Results for current and future periods will not show a Q3 2023 period.
- **Fiscal year 2023**: as at or for the ten months ended October 31, 2023, and is presented compared to the twelve months ended December 31, 2022.

For the Q1 2024 report, the data will be presented as at or for the three months ended January 31, 2024 and compared to Q4 2022 (three months ended December 31, 2022) and Q4 2023 (four months ended October 31, 2023).

The change to fiscal calendar will not result in changes to the dividend payment schedule. EQB will continue to pay dividends on the last business day of March, June, September, and December.

Selected Financial Highlights

Select financial and other highlights	As at or for years ended				
	Ten months 31-Oct-23	**31-Dec-22**	**31-Dec-21**	**2023 (ten months) vs. 2022 (twelve months)**	
Adjusted results ($000s)[1]					
Net interest income	**834,112**	736,729	582,609	97,383	13%
Non-interest revenue	**110,361**	48,716	60,298	61,645	127%
Revenue	**944,473**	785,445	642,907	159,028	20%
Non-interest expenses	**415,184**	326,529	259,451	88,655	27%
Pre-provision pre-tax income[2]	**529,289**	458,916	383,456	70,373	15%
Provision for credit losses (recoveries)	**38,856**	18,238	(7,674)	20,618	113%
Income before income taxes	**490,433**	440,678	391,130	49,755	11%
Income tax expense	**126,163**	113,942	98,065	12,221	11%
Net income	**364,270**	326,736	293,065	37,534	11%
Earnings per share – diluted ($)	**9.40**	9.17	8.38	0.23	3%
Return on equity (%)[3]	**17.1**	15.7	16.7		1.4%
Efficiency ratio (%)[3][4]	**44.0**	41.6	40.4		2.4%
Net interest margin (%)[2]	**1.97**	1.87	1.81		0.10%
Reported results ($000s)					
Net interest income	**838,279**	733,405	582,609	104,874	14%
Non-interest revenue	**137,385**	48,781	60,298	88,604	182%
Revenue	**975,664**	782,186	642,907	193,478	25%
Non-interest expenses	**434,743**	376,471	260,176	58,272	15%
Pre-provision pre-tax income[2]	**540,921**	405,715	382,731	135,206	33%
Provision for credit losses (recoveries)	**38,856**	37,258	(7,674)	1,598	4%
Income before income taxes	**502,065**	368,457	390,405	133,608	36%
Income tax expense	**130,475**	98,276	97,875	32,199	33%
Net income	**371,590**	270,181	292,530	101,409	38%
Earnings per share ($) – basic	**9.67**	7.63	8.49	2.04	27%
Earnings per share ($) – diluted	**9.59**	7.55	8.36	2.04	27%
Return on equity (%)	**17.5**	12.9	16.7		4.6%
Efficiency ratio (%)	**44.6**	48.1	40.5		(3.5%)
Net interest margin (%)[2]	**1.98**	1.86	1.81		0.12%
Revenue per average full time equivalent ($)[3]	**567**	464	554	103	22%
Balance sheet and other information ($ millions)					
Total assets	**52,933**	51,145	36,159	1,852	3%
Assets under management[2]	**67,932**	61,569	42,020	6,426	10%
Loans – Personal & Commercial	**47,361**	46,510	32,901	851	2%
Loans under management[2]	**62,397**	57,078	38,670	5,319	9%
Assets under administration[2]	**43,173**	41,234	-	1,939	5%
Total deposit principal	**31,577**	30,831	20,695	1,165	4%
EQ Bank deposit principal	**8,233**	7,923	6,968	410	5%
Total risk-weighted assets[3]	**19,809**	18,926	13,310	883	5%
Credit quality (%)					
Reported provision for credit losses – rate[3]	**0.10**	0.10	(0.03)		-
Net impaired loans as a % of total loan assets	**0.76**	0.28	0.27		0.48%
Net allowance for credit losses as a % of total loan assets	**0.22**	0.18	0.15		0.04%

Select financial and other highlights	As at or for years ended				
	Ten months 31-Oct-23	31-Dec-22	31-Dec-21	2023 (ten months) vs. 2022 (twelve months)	
Share information					
Common share price – close ($)	**68.82**	56.73	68.91	12.09	21%
Book value per common share ($)[3]	**70.33**	62.65	55.24	7.68	12%
Common shares outstanding (thousand)	**37,879**	37,564	34,071	315	1%
Common share market capitalization ($ millions)	**2,607**	2,131	2,348	476	22%
Common shareholders' equity ($ millions)[3]	**2,664**	2,354	1,882	310	13%
Dividends declared – common share ($)	**1.10**	1.21	0.74	(0.11)	(10%)
Dividends declared – preferred share – Series 3 ($)	**1.11**	1.49	1.49	(0.38)	(26%)
Dividend yield – common shares (%)[3]	**2.2**	2.0	1.4		0.3%
Capital ratios and leverage ratio (%)[5]					
Common equity tier 1 ratio	**14.0**	13.7	13.3		0.3%
Tier 1 capital ratio	**14.6**	14.7	13.9		(0.1%)
Total capital ratio	**15.2**	15.1	14.2		0.1%
Leverage ratio	**5.3**	5.3	4.9		-
Business information					
Employees – average full time equivalent	**1,721**	1,386	1,036	335	24%
EQ Bank customers (thousand)	**401**	308	250	93	30%

(1) Adjusted measures and ratios are Non-Generally Accepted Accounting Principles (GAAP) measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs, and other non-recurring items which management determines would have a significant impact on a reader's assessment of business performance. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

(2) These are non-GAAP measures, see Non-GAAP financial measures and ratios section of this MD&A.

(3) See Glossary section of this MD&A.

(4) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies.

(5) Regulatory capital requirements for Equitable Bank are determined in accordance with OSFI's Capital Adequacy Requirements (CAR) Guideline, which is based on the capital standards developed by the Basel Committee on Banking Supervision. Leverage ratio is calculated using OSFI's Leverage Requirements (LR) Guideline. See Glossary section of this MD&A.

Selected financial highlights – eight quarters

Select financial highlights	2023			2022				2021
	Four months Q4	Q2	Q1	Q4[3]	Q3	Q2	Q1	Q4
Adjusted results ($000s)[1]								
Net interest income	**345,783**	251,699	236,630	218,775	187,264	167,604	163,086	155,952
Non-interest revenue	**49,503**	32,883	27,975	16,317	9,481	(2,528)	25,446	15,911
Revenue	**395,286**	284,582	264,605	235,092	196,745	165,076	188,532	171,863
Non-interest expenses	**173,012**	121,910	120,262	102,259	78,903	75,567	69,800	69,702
Pre-provision pre-tax income[2]	**222,274**	162,672	144,343	132,833	117,842	89,509	118,732	102,161
Provision for credit losses (recoveries)	**19,566**	13,042	6,248	7,776	5,354	5,233	(125)	(1,420)
Income before income taxes	**202,708**	149,630	138,095	125,057	112,488	84,276	118,857	103,581
Income tax expense	**55,673**	34,124	36,366	32,562	30,339	22,742	26,447	22,985
Net income	**147,035**	115,506	101,729	92,495	82,149	61,534	92,410	80,596
Earnings per share – diluted ($)	**3.80**	2.98	2.62	2.46	2.35	1.75	2.64	2.30
Return on equity (%)	**16.5**	18.3	16.9	15.9	15.6	12.1	19.2	17.1
Efficiency ratio (%)	**43.8**	42.8	45.4	43.5	40.1	45.8	37.0	40.6
Net interest margin (%)[2]	**2.00**	1.99	1.92	1.87	1.94	1.81	1.87	1.81
Reported results ($000s)								
Net interest income	**345,783**	251,699	240,797	218,325	186,251	166,657	162,172	155,952
Non-interest revenue	**49,503**	60,848	27,034	16,382	9,481	(2,528)	25,446	15,911
Revenue	**395,286**	312,547	267,831	234,707	195,732	164,129	187,618	171,863
Non-interest expenses	**181,165**	127,030	126,548	139,180	84,082	78,276	74,933	70,427
Pre-provision pre-tax income[2]	**214,121**	185,517	141,283	95,527	111,650	85,853	112,685	101,436
Provision for credit losses (recoveries)	**19,566**	13,042	6,248	26,796	5,354	5,233	(125)	(1,420)
Income before income taxes	**194,555**	172,475	135,035	68,731	106,296	80,620	112,810	102,856
Income tax expense	**53,409**	41,550	35,516	22,912	28,717	21,784	24,863	22,795
Net income	**141,146**	130,925	99,519	45,819	77,579	58,836	87,947	80,061
Earnings per share ($) – basic	**3.67**	3.41	2.58	1.20	2.24	1.69	2.55	2.32
Earnings per share ($) – diluted	**3.64**	3.39	2.56	1.19	2.22	1.67	2.51	2.29
Return on equity (%)	**15.8**	20.8	16.5	7.7	14.8	11.6	18.3	17.0
Efficiency ratio (%)	**45.8**	40.6	47.2	59.3	43.0	47.7	39.9	41.0
Net interest margin (%)[2]	**2.00**	1.99	1.95	1.85	1.93	1.80	1.86	1.81
Revenue per average full-time equivalent ($)[3]	**227**	180	159	139	141	122	155	148
Balance sheet and other information ($ millions)								
Total assets	**52,933**	53,319	51,793	51,145	40,150	39,418	37,150	36,159
Assets under management[2]	**67,932**	65,910	63,336	61,569	47,331	45,767	43,422	42,020
Loans – Personal & Commercial	**47,361**	47,437	46,580	46,510	36,792	36,246	34,217	32,901
Loans under management[2]	**62,397**	60,112	58,238	57,078	43,872	42,505	40,403	38,670
Assets under administration[2]	**43,173**	42,037	41,469	41,234	-	-	-	-
Total deposits principal	**31,577**	31,783	31,278	30,831	23,824	23,533	22,080	20,695
EQ Bank deposits principal	**8,233**	8,204	8,097	7,923	7,562	7,588	7,261	6,968
Total risk-weighted assets	**19,809**	19,427	18,981	18,926	15,459	14,748	14,018	13,310

Select financial highlights

	2023			2022				2021
	Four months Q4	Q2	Q1	Q4[3]	Q3	Q2	Q1	Q4
Credit quality (%)								
Reported provision for credit losses – rate	**0.12**	0.11	0.05	0.25	0.06	0.06	(0.001)	(0.02)
Net impaired loans as a % of total loan assets	**0.76**	0.47	0.32	0.28	0.23	0.18	0.22	0.27
Net Allowance for credit losses as a % of total loan assets	**0.22**	0.20	0.19	0.18	0.15	0.14	0.14	0.15
Share information								
Common share price – close ($)	**68.82**	70.00	58.30	56.73	46.44	53.15	71.74	68.91
Book value per common share ($)	**70.33**	67.33	64.47	62.65	61.14	59.25	57.64	55.24
Common shares outstanding (thousands)	**37,879**	37,730	37,680	37,564	34,205	34,161	34,130	34,071
Common shareholders market capitalization ($ millions)	**2,607**	2,641	2,197	2,131	1,588	1,816	2,449	2,348
Common shareholders' equity ($ millions)	**2,664**	2,538	2,429	2,354	2,091	2,024	1,967	1,882
Dividends – common share ($)	**0.38**	0.37	0.35	0.33	0.31	0.29	0.28	0.19
Dividends – preferred share – Series 3 ($)	**0.37**	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Dividend yield – common shares (%)	**2.0**	2.3	2.3	2.5	2.3	1.9	1.5	1.0
Capital ratios and leverage ratio (%)								
Common Equity Tier 1 ratio	**14.0**	14.1	14.0	13.7	13.3	13.5	13.5	13.3
Tier 1 capital ratio	**14.6**	14.8	15.0	14.7	13.7	14.0	14.0	13.9
Total capital ratio	**15.2**	15.4	15.5	15.1	14.0	14.3	14.3	14.2
Leverage ratio	**5.3**	5.2	5.3	5.3	5.1	5.1	5.1	4.9
Business information								
Employees – average full time equivalent	**1,743**	1,740	1,685	1,635	1,373	1,295	1,219	1,191
EQ Bank customers (thousand)	**401**	368	336	308	293	280	266	250

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

(2) These are non-GAAP measures and ratios, see Non-GAAP financial measures and ratios section of this MD&A.

(3) Q4 2022 results included two months of Concentra Bank's contribution to income statement measures and to denominators of several measures.

Overall business performance and guidance

Annual performance overview

In 2023, EQB results reflected growth and stability delivered through effective management of risks across credit, liquidity, and market / interest rate risk and prudent management of capital. Total lending portfolio growth was aligned to expectations with moderating originations, driven primarily by rising interest rates and slowing of the Canadian residential housing market, offset by higher loan retention. Non-interest revenue continued to increase with higher fee-based revenue including from Concentra Trust services to credit unions and gains on sale from multi-unit residential securitization. Earnings and efficiency reflected contributions from Concentra Bank and the achievement of full annualized synergy targets ahead of schedule.

The outcome of this progress was adjusted Return on Equity (ROE) of 17.1%, which is above historical averages and 2023 annual guidance, a 12% increase in book value per share (BVPS) over the 10-month period to $70.33, and record adjusted after-tax earnings of $364.3 million, +11% y/y. As a reminder, year-over-year income statement measures compare a 12-month period of 2022 to a 10-month period for 2023. On a per-month basis, adjusted after-tax earnings per month increased in 2023 to $36.4 million, up 34% y/y vs. $27.2 million (reported: $37.2 million, up 65% y/y vs. $22.5 million).

- **Revenue**(1): +20% y/y to $944.5 million adjusted (+25% y/y to $975.7 million reported). Net interest margin expanded +10bps y/y to 1.97% due to the ongoing benefits of funding diversification realized through growth in both EQ Bank deposits and covered bonds as well as the allocation of capital to higher margin lending activities. Aligned to management's strategy, non-interest revenue increased to 12% of total adjusted revenue (14% reported, including the one-time strategic investment gain of $28 million) vs. 6% in 2022 - adjusted and reported.
- **Earnings**(1): 10-month adjusted net income of $364.3 million ($371.6 million reported), +$38 million higher than 12-month net income in 2022, mostly driven by NIM expansion (1.97% NIM in 2023 vs. 1.87% in 2022), portfolio growth including the impact of the Concentra Bank acquisition, and significant growth of non-interest revenue. Non-interest revenue growth was largely contributed by the increase in fee-based revenue (including from Concentra Trust), higher gains on sale and retained interest related to multi-unit residential business, and net gains on derivatives. Efficiency ratio was flat y/y at 44.0% adjusted (44.6% reported), as strong revenue growth offset the addition of expenses associated with Concentra Bank, net of synergies captured through the year. Moderating expense growth in recent quarters has resulted from the net effect of continuing to invest in EQ Bank products, services and marketing to build long-term franchise value, offset by the benefits of synergy capture from integrating Concentra Bank. While additional earnings synergies continue to be expected over time, the most significant drivers of expense savings were substantially delivered in 2023.
- **Liquidity, interest rate risk and capital management**: Equitable Bank's risk position remained strong and conservative through 2023 as a result of prudent management. Liquid assets represented 7.2% of total assets, which covers 66% of all demand deposits. The Bank also maintains sufficient contingent funding to cover the remainder, including access to committed ABCP funding programs, CMHC's Mortgage-Backed Security (MBS)and Canada Mortgage Bond (CMB) programs, and the Bank of Canada's Standing Term Liquidity Facility. In its management of interest rate risk, the Bank targets the duration of equity to approximately one year, which limits its economic exposure to significant movements in interest rates. EQB's interest rate sensitivity as a measure of Economic Value of Shareholders' Equity (EVE) is (1.2%) or ($32.2 million), which represents the potential impact associated with an immediate and sustained 100 bps parallel increase in interest rates. Equitable Bank's capital position increased to 14.0% CET1 (from 13.7% in 2022) with strong organic capital generation supported by consistent and strong ROE through each quarter of 2023. More detail on Equitable Bank's practices and approach to risk management can be reviewed in the Risk Management section of this MD&A.

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[1] Adjusted measures and ratio are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results and Non-GAAP financial measures and ratios in this MD&A. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

- **Portfolio growth**: Total loans under management (both on and off-balance sheet) grew 9% y/y to $62 billion, driven by strong retention and growth in high quality markets including multi-unit residential, and decumulation mortgages. Uninsured single-family residential mortgages grew moderately y/y, due to higher renewal rates and lower unscheduled repayments.
- **PCLs and Impaired loans**: 2023 PCL $38.9 million or 10 bps compared to 2022 PCL $37.3 million (10 bps) – note that in 2022, $19.0 million of the provision related to Day 1 provisions associated with the acquisition of loans with Concentra Bank. Of the $38.9 million PCL in 2023, loans in stage 1 and 2 accounted for 28% of the total and stage 3 was 72%. Stage 1 and 2 provisions in 2023 are associated with organic portfolio growth, changes to macroeconomic conditions and associated loss modelling. The stage 3 provisions of $27.9 million were primarily driven by the equipment financing business, which contributed $20.9 million, while commercial lending contributed $5.0 million - mainly related to a single commercial property with a provision of $4.4 million in Q4. Actual losses in 2023 were $17.2 million and represent 4 bps of total loan assets, also driven primarily by the equipment finance business where leases are priced to account for anticipated credit losses. Secured real estate lending had a net recovery of $2.3 million in the year (realized losses net of recoveries) versus $0.6 million loss in 2022.
- **Commercial real estate – consistent focus on affordable housing**: The Bank prioritizes commercial lending on multi-unit residential properties in major cities across the country. In parallel, the Bank focuses on the insured multi-unit residential market, with more than 70% of its total Commercial loans under management insured including construction loans under various CMHC programs. The Bank has historically limited its exposure to commercial office. As a result, approximately 1% of the Bank's loan assets are offices and the average LTV of these loans is 60%. As the Bank intentionally focused more on multi-unit residential and insured lending, office lending balances declined 10% through the year. Equitable Bank's office lending is largely restricted to properties located in major urban centres and smaller buildings that often have tenants like medical and professional practices.

On October 16, 2023, OSFI published a response to its consultation regarding debt serviceability measures and proposed changes to address risks to banks related to mortgages in negative amortization. This challenge arises when customers have fixed monthly payments which, as interest rates rise, no longer cover the interest required leading to an increase in the outstanding principal. Equitable Bank and Concentra Bank do not offer products with this structure. In the case of Equitable Bank's Adjustable-Rate Mortgages (ARM), payments adjust as rates change in order to maintain the amortization schedule. The Bank does not offer single-family mortgages with amortization periods more than 30 years.

During 2023, the Department of Finance Canada conducted a consultation to review the Canada Mortgage Bond program and determine whether to consolidate the program with the regular Government of Canada borrowing program. On November 20, 2023, the Department of Finance Canada affirmed that the federal government will support the enhancement of the CMB program, increasing the annual issuance limit from $40 billion to up to $60 billion, which ended speculation that the program would end. In its 2023 Fall Economic Statement, the government also indicated it intended to begin purchasing up to $30 billion in CMBs annually beginning in February 2024. In addition, the federal government has removed the Goods and Services Tax on new rental housing construction with the goal of incentivizing further support for the supply of rental apartments for Canadians. Other provincial governments including Ontario have announced the parallel removal of their provincial sales taxes in support of stimulating the construction of rental supply. The Bank is supportive of the newly proposed Canadian Mortgage Charter, which is consistent with the Bank's beliefs and practices of providing tailored relief to mortgage holders experiencing financial difficulty. In addition, the Fall Economic Statement included a policy statement on Consumer-Driven Banking. Equitable Bank has been a vocal proponent of Open Banking and is excited about the potential benefits to Canadians across products and value.

Acquisition of alternative asset manager ACM Advisors Ltd.

On October 3, 2023, EQB Inc. and leading Canadian alternative asset manager ACM Advisors Ltd. (ACM) announced that they have entered into a definitive agreement for EQB Inc. to acquire a majority (75%) ownership interest in ACM.

With a 30-year track record of creating, structuring, and managing pooled Canadian commercial mortgage funds, ACM has become one of the most well-respected alternative fund managers in Canada with assets under management of approximately $5 billion. ACM focuses on commercial mortgage assets, an asset class that EQB understands well through ownership of Equitable Bank.

The addition of ACM marks EQB's entry into wealth and asset management and provides EQB with specialized capabilities to serve a new set of Canadian customers (e.g., pension plans, investment funds, charitable foundations, corporations, and accredited retail investors).

This acquisition represents further diversification of EQB's business and will add to EQB's growing fee-based revenue. Since ACM manages assets on behalf of others, there is no added credit or balance sheet exposure for EQB. Upon acquisition, ACM's proven management team will continue to serve its primarily institutional investors and borrowing partners while pursuing ambitious growth plans and strategies. EQB Inc. will leverage cash to complete the acquisition, supported by existing lending facilities at EQB Inc., and a de minimis number of EQB Inc. shares to be issued at closing, at a price based on the volume weighted average trading price. The issuance of any EQB Inc. shares is subject to Toronto Stock Exchange (TSX) acceptance or approval.

EQB Inc. expects the acquisition to close prior to the end of December 31, 2023, subject to the satisfaction of customary closing conditions and receipt of required regulatory approvals. No assurances can be provided on the timing or success of completion of the acquisition given factors outside EQB Inc.'s control.

2023 performance vs. guidance

The table below summarizes EQB's key adjusted financial metrics[1] at October 31, 2023 relative to Q2 updated guidance:

	10-month period to October 31, 2023	
	Actual results	**Guidance from Q2**
Return on equity (ROE)[1]	**17.1%**	16%+
Pre-Provision Pre-tax Income (PPPT)[1]	**$529 million**	$490-520 million
Diluted EPS[1]	**$9.40**	$9.00-9.20
Dividend Growth[2]	**24%**	20-25%
BVPS Growth[3]	**12.3%**	11-13%
CET1 Ratio	**14.0%**	13%+

(1) Adjusted measures and ratio are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results and Non-GAAP financial measures and ratios in this MD&A. (2) Dividend growth is calculated by comparing dividends paid and to be paid during the 12-month period to December 31, 2023 vs. the 12-month period to December 31, 2022. (3) BVPS refers to book value per common share and the actual reflects YTD growth from December 31, 2022.

The table below summarizes key portfolio metrics at October 31, 2023.

($ millions)	31-Oct-23	YTD growth	2023 10-month guidance to October 31, 2023
Loans Under Management[1]	**$62,397**	9%	n/a
Personal Lending[1]	**21,868**	5%	5-8%
Commercial Lending[1]	**9,978**	8%	8-12%
EQ Bank deposits[2]	**8,233**	4%	5-10%

(1) This is a non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

(2) Includes deposit principal, but not accrued interest

2024 Guidance

EQB's business model is proven to perform across economic and credit cycles, and recent diversification in sources of funding, assets and revenue are intended to strengthen EQB's positioning and risk management profile. Higher interest rates have shifted economic conditions in Canada, with inflation and affordability remaining important macroeconomic challenges that might impact growth across various business lines.

Equitable Bank has maintained a sharp focus on contributing to improving housing supply in Canada by providing funding to finance, build and renovate multi-unit rental apartments. This is reflected in insured multi-unit residential mortgages growing 27% y/y to $20 billion or 32% of total loans under management for the Bank in 2023, with higher growth expectations continued for fiscal 2024 further enabled by the Federal Government's focus on improving housing supply and the CMB funding program increasing from $40 billion in 2023 to $60 billion in 2024.

In Personal Banking, strategic focus will remain on its rapidly growing reverse mortgage business, with guidance in 2024 of 40-60% for the overall decumulation business. Industry research, including recent reports from CMHC, indicate a strong and rising preference among Canadians to age-in-place. This purpose-driven business has significant runway to realize its long-term potential and is expected, over time, to become a more material contributor to earnings growth.

The Bank will continue to benefit from newer sources of non-interest revenue growth as it continues to expand service and support to Canadian credit unions and their customers, including through Concentra Trust, plus other new fee-based revenue growth opportunities associated with innovative payment solutions and services for EQ Bank customers.

New origination growth for traditional single family uninsured lending is expected to continue to be subdued in the first half of 2024, with potential for increasing momentum in the second half of the year depending on market conditions, including future Bank of Canada interest rate decisions.

Growth of the EQ Bank platform will remain a top strategic priority in 2024, with significant new plans to build awareness among Canadians. A substantial focus on customer franchise growth, supported by the development of new "more make, less take" digital features, with a mission to provide Canadians with industry leading experiences and bring innovative services to the market.

Credit risk monitoring is informed by leveraging Moody's Analytics, as well as economic and social indicators published by the Bank of Canada and Statistics Canada. For general business guidance and projections, consensus estimates from Canadian bank economists is also being considered. Please see Financial Statements Note 10(e), which contains forward looking indicators.

EQB Inc., in addition to owning Equitable Bank, is expected to benefit from the acquisition of ACM Advisors in fiscal 2024 with anticipated fee-based revenue growth and earnings accretion.

2024 Guidance – Adjusted Measures(1):

The following guidance for 2024 is presented inclusive of expected contributions of ACM and on an adjusted basis(1):

- ROE: 15%+
- Pre-provision, pre-tax income: $660-700 million
- Diluted EPS: $11.75-12.25
- Dividend: +20-25%
- Book Value Per Share (BVPS): +13-15%
- CET1: 13%+

Actual performance may be impacted by further material changes to current economic forecasts related to unemployment, GDP growth, interest rates, the residential housing market and commercial real estate sector.

EQB provides the following directional 2024 guidance for loan portfolios and EQ Bank customers:

Area	Description	2024 Guidance[1]
Total loans under management	On and off-balance sheet loans	8-12%
Single Family Residential Lending	Uninsured residential mortgages	5-10%
Wealth Decumulation	Reverse mortgages and insurance lending	40-60%
Commercial lending (excluding multi-unit residential)	Loans to small businesses and entrepreneurs and equipment financing	5-10%
Multi-unit residential loans under management	On and off-balance sheet multi-unit residential lending	20-25%
EQ Bank	Customer growth	30-40%

(1) Guidance represents expected growth rates from October 31, 2023 to October 31, 2024. Guidance is forward-looking information; readers should refer to the Caution regarding forward-looking statements section herein. The purpose of the guidance provided herein is to assist readers in understanding the expected and targeted financial results, and this information may not be appropriate for other purposes.

Additional guidance measures

Net Interest Margin (NIM)[1]: Equitable Bank's matched funding approach and disciplined hedging strategy is intended to stabilize lending portfolio margins over time. Bank of Canada interest rate increases in 2022 and 2023 supported an expansion in NIM through the lower deposit beta of EQ Bank deposits, and as rates on certain funding sources moved less significantly than Equitable Bank Prime Rate. Similarly, some margin variability may arise in 2024, the direction and magnitude of which will depend on changes in rates earned on lending assets (e.g., movement in Equitable Prime Rate) relative to changes in fundings costs, including deposit rates of EQ Bank.

Non-interest revenue: Please refer to Table 3: Non-interest revenue for detail on recent performance.

- **Fees:** EQB expects traditional fee and other income to increase in line with the lending portfolio and the contribution of Concentra Bank and Concentra Trust's fee-based revenue. In addition, product launches such as fintech payments as a service (e.g., Bank Identification Number (BIN) sponsorship) should contribute to expected fee income growth in 2024. In addition to the Bank, EQB Inc.'s acquisition of ACM is expected to contribute to the anticipated 15-20% fee-based revenue growth y/y for EQB.
- **Multi-unit residential:** In November, the federal government confirmed its proposed increase in the annual limit for CMB from $40 billion to up to $60 billion with the stated goal to unlock low-cost financing for multi-unit residential market. The Bank's multi-unit residential business is expected to continue to make a strong contribution to this market in 2024, which is anticipated to lead to gains on sale associated with securitization activities. Amounts fluctuate from period-to-period based on margins and volumes derecognized, which are driven by size and timing of CMB issuances.
- **Strategic investments and derivatives:** EQB expects the value of its investment portfolios to reflect market performance in 2024 and does not forecast gains or losses on investments or derivatives.

Provision for credit losses: As interest rates have increased, many single-family lending customers have experienced an increase in monthly payments at the point of mortgage renewal. For the Bank, at the end of Q4 2023, nearly 80% of its uninsured residential mortgage customers have had their mortgages originated or renewed in this higher rate environment, and are not expected to have a material increase in payment upon renewal. In the Commercial portfolio, the majority of the portfolio is comprised of floating rate loans, which are tied to Equitable Bank's Prime Rate. Current net allowance for credit losses is $104 million and represents 0.22% of total loan assets. This allowance rate is informed both by modelling expected losses and by making forward-looking business judgements. Taking this into account, management believes the Bank is appropriately provisioned for expected losses given current market conditions and analysis of forward-looking economic scenarios.

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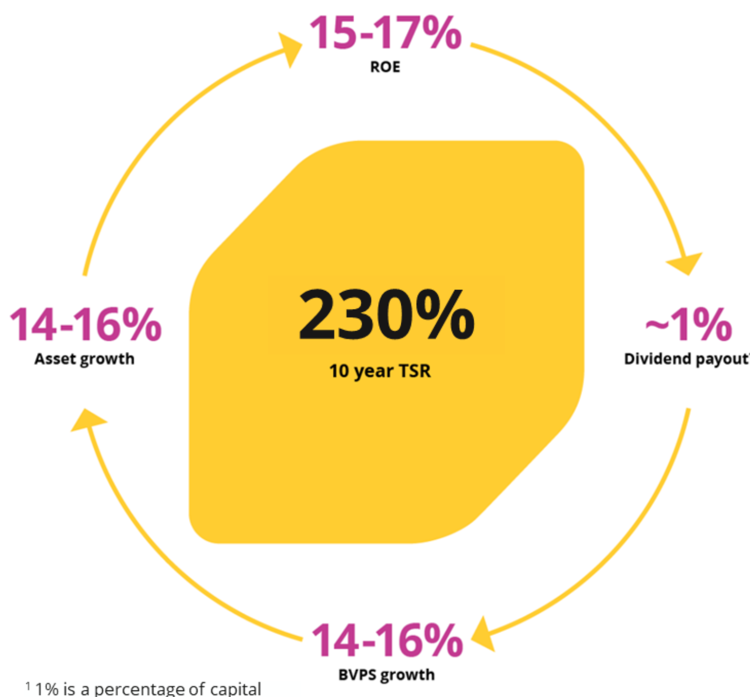
[1] This is a non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

Non-interest expenses: EQB targets achieving an ROE greater than 15% while continuing to invest in its businesses to maximize its long-term franchise value. This high threshold for target ROE is a constant. EQB achieves this by managing rigorously across pricing, resources and capital deployment, including investing in high return business growth through both lending and innovation. EQB typically targets flat operating leverage as it invests in growth while maintaining its best-in-class efficiency relative to other publicly traded Canadian banks. In 2024, the business expects to make significant investments in long-term franchise value, including accelerating the growth of EQ Bank across brand, marketing and product/experience development and the creation and launch of its business banking capability, and investing in risk management and compliance capabilities to support the growing scale and complexity of the Bank. EQB's efficiency ratio deteriorated in 2023 over 2022 due to the addition of Concentra Bank but continued to improve toward a more traditional trend line as the integration progressed through the year. Alongside fee-based revenue with EQB Inc.'s acquisition of ACM, EQB's non-interest expenses will include the contributions of ACM following the anticipated closing of the acquisition.

EQB's Challenger approach

Proven value creation model with ROE as the North Star

For more than 50 years, EQB's wholly owned subsidiary Equitable Bank and its operating companies[(1)], have proudly served and addressed the unique financial services needs of Canadians. The Bank's purpose is clear and succinct: To drive change in Canadian banking to enrich people's lives. Canada's Challenger Bank™ encapsulates the belief that the status quo in banking needs to be challenged for the betterment of customers and that Equitable Bank is the best positioned to do this as the challenger in the market and advocates for innovation and change in the industry in areas that include open banking and payments modernization. With customer service, experience, and value at the heart of its approach, Equitable Bank seeks to build and deliver unique experiences that create differentiated value for Canadians and for EQB shareholders.



In 2024, EQB will proudly celebrate the 20th anniversary of becoming a public company and its two-decade track record of delivering +16% ROE on average annually through its consistent value creation model. ROE serves as the guidepost and north star and is relied upon to drive business decisions, including pricing, prioritization, and investments. Adhering to this guidepost enables EQB to organically build capital, which in turn fuels growth and creates significant flexibility to manage through economic cycles. Focus on ROE affords EQB great flexibility in managing its businesses. In favourable economic conditions, EQB is able to accelerate the growth of its asset base and generate capital that helps fund growth; while in periods of economic uncertainty or challenge, as experienced during the mid-2000s and again in 2023, EQB maintains profitability at attractive levels.

This approach puts the diligent deployment of shareholders' capital towards delivering great customer value and employee experience.

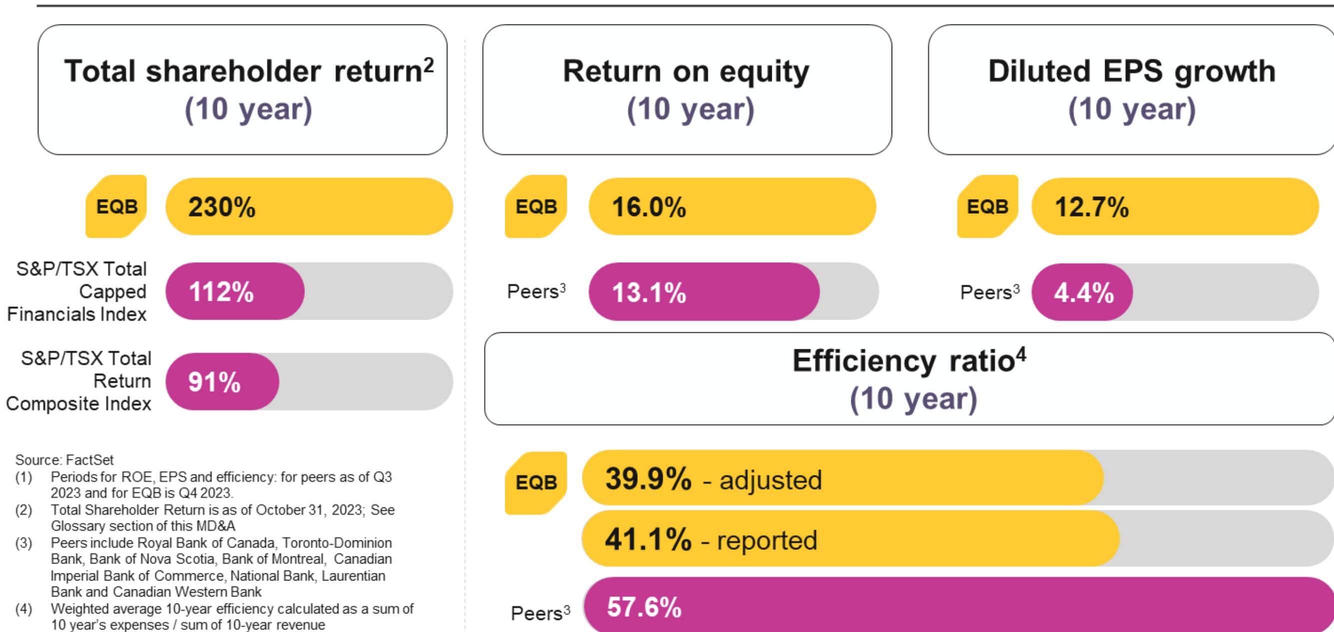
(1) Inclusive of operating companies of Equitable Trust, Bennington Financial Services, Concentra Bank and Concentra Trust.

By consistently managing the business to deliver a target 15-17%, EQB builds sufficient capital to both distribute dividends to shareholders (approximately 10-12% of net income available to common shareholders) and to grow book value by 14-16% annually. This organic growth of regulatory capital allows the Bank to increase lending assets by 14-16% annually, while maintaining stronger capital ratios than other publicly traded Canadian banks.

EQB's value creation philosophy is deeply ingrained in its approach to building long-term franchise value. Equitable Bank continues to expand services, launch new and differentiated businesses, and grow market share, all while delivering on its purpose of enriching people's lives. The Bank's expertise in risk management and, capabilities built over the years in underwriting more complex secured credit, help generate stable and consistent returns for its shareholders. This history of purposeful investment and operations has led to strong results, including high capital and liquidity positions, and the lowest realized credit loss performance among peers. Looking to 2024, EQB will continue to invest purposefully in expanding its products and services, reaching even more Canadians, while delivering results to shareholders for whom high ROE continues to be a top expectation.

Value creation model leads to standout performance vs. peers

The success of EQB's value creation model has been demonstrated in performance and momentum. EQB has significantly outperformed the Canadian banking peer group averages over the past ten years.

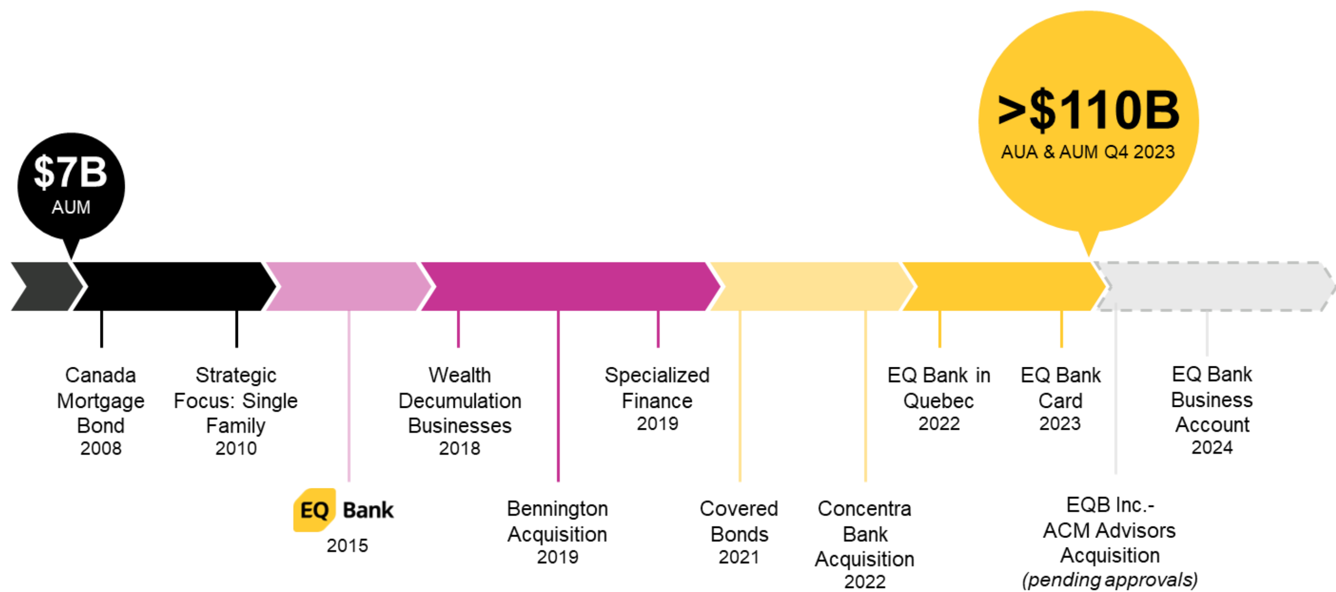


Diversification, scale, and social purpose

In 2023, EQB added to its track record of scaling and diversifying its business lines and revenue. Based on scale, the business looks different today than this time last year, and has more growth opportunities, but serves the same unifying purpose and applies the same proven financial disciplines. Equitable Bank has now completed its first full year post the Concentra acquisition and has been successful in supporting its newly acquired Trust business which serves personal, corporate, and indigenous estates. It has strengthened its Credit Union partnerships by expanding its consulting, securitization, foreign-exchange and digital banking services. The Bank also has steadily invested in its next horizon of organic opportunities, including driving growth of EQ Bank and the Bank's Payments-as-a-Service platform. In the last 12 months, EQ Bank has launched popular new personal banking products like the EQ Bank Card, mobile wallet enabled payments, First Home Savings Account (FHSA), and has expanded its presence into Quebec. The Commercial Banking business also continues to grow steadily in both insured and uninsured lending portfolios. EQB Inc., the parent holding company of Equitable Bank and Concentra Bank and Trust, recently announced the agreement to acquire a majority interest in ACM Advisors which will add a new business for EQB Inc. in the wealth and asset management industry.

Path toward greater diversification

Since its beginnings as a Trust company in 1970, Equitable Bank has evolved into one of the leading diversified financial services participants in its core markets, with particular depth in real-estate lending that allows it to serve clients that bigger competitors have chosen not to serve due to the clients' unique needs. Equitable Bank continues to embody this Challenger philosophy by bringing new products and services to market that address the needs of Canadians in differentiated ways.



Equitable Bank takes pride in challenging the status quo in Canadian banking and financial services, as evidenced by the launch of EQ Bank's fully digital FHSA, the upcoming launch of EQ Bank's Business Account, and the expansion into alternative asset management through EQB Inc.'s announced acquisition of ACM. EQB remains passionate about serving Canadians with complex and personalized needs, and is excited about growing in and shaping its core markets.

Growth in EQ Bank

2023 was a year of tremendous growth for the EQ Bank digital bank on the back of strong momentum from its service launch in Quebec, the introduction of the EQ Bank Card, and its "Make Bank" marketing campaign. In 2023, EQ Bank's reach grew by ~93,000 customers and today it serves more than 400,000 Canadians from coast to coast with $8.2 billion in total deposits. This summer saw EQ Bank launch a fully digital, no-fee FHSA with attractive interest rates to support Canadians with their home-ownership aspirations. EQ Bank's recently launched mobile wallet payment capabilities further extended the convenience and choice of payments to EQ Bank Card customers.

Looking ahead to 2024, EQ Bank will stay true to its purpose of driving positive change in Canadian banking, as it prepares to launch Business Banking across Canada. This new offering will make it easier for business customers to move money, and introduce additional ways to make their money grow. These are the types of Challenger businesses the Bank aspires to build for Canadians. The Bank also expects to drive significant long-term franchise value through these businesses. The success of EQ Bank's digital banking platform was again recognized internationally as it was named among the World's Best Banks and as Canada's Best Bank, for the third consecutive year, in the Forbes 2023 World's Best Banks survey.

Responsible lending to meet Canada's growing housing demands

While scale and growth are important drivers for Equitable Bank's diversification, social purpose is core to how the Bank thinks of its businesses. Equitable Bank has demonstrated a strong track record of launching new businesses that address the needs of under-served Canadians. Affordable housing is an area where the Bank has focused extensively since its inception, and to which it will continue to deploy resources.

The central thrust of Equitable Bank's Commercial Business is focused on providing solutions for the urban housing market in Canada. The commercial lending business focuses on supporting the development and renovation of apartments, construction of condominiums, and other types of multi-unit residential properties in major cities across the country. Canada has been urbanizing since its founding which, combined with the diversity of employment and high levels of immigration, creates robust and consistent demand for housing units in major urban centres.

Equitable Bank has supported housing development for Canadians through a variety of financing solutions such as:

- Supporting CMHC programs for apartment construction, purchase, and refinancing
- Lending to commercial asset owners to fund new construction across a range of apartment building sizes
- Providing financing for construction of condominium buildings
- Lending to specialized landlords that buy older rental stock with a view to renovating the property with more efficient mechanical systems, upgrading the building envelope and improving appliances and interior finishes

Equitable Bank's social purpose aligns well to its value creation model and helps to continuously invest shareholder capital in growing and diversifying the business. As the Bank identifies and targets new market opportunities, it focuses on building clear and distinctive value propositions for Canadians. The approach to managing risk is steadfast and remains a critical part of building long-term franchise value and delivering attractive shareholder returns.

Continued evolution of EQB's revenue mix

Growth in Payments-as-a-Service

EQB has continued to innovate and pursue opportunities to improve return on capital by prioritizing and building non-interest-based revenue streams. Equitable Bank's Payments-as-a-Service business serves as the card infrastructure partner for Blackhawk Network's Joker Prepaid Visa Card. The Joker Visa card was launched in February 2023 and enables retailers across Canada to sell white-labelled open-loop cards to in-store shoppers and offers consumers flexibility, ease, and choice in paying for purchases. This partnership with Blackhawk Network is one of three major BIN sponsorship additions to Equitable Bank's Payments business since 2022.

Acquisition of ACM Advisors Ltd.

The expected completion of EQB Inc.'s acquisition of a majority stake in ACM will not only mark EQB Inc.'s entry into a new market segment, but it will also further the diversification of revenue streams. ACM is a leading Canadian alternative asset manager that offers institutional and accredited retail investors an opportunity to participate in pooled commercial mortgage funds. The acquisition is expected to scale EQB's total assets under management by an additional ~$5 billion, while boosting fee-based revenues, and building additional stability and diversification into the revenue mix. ACM will operate as an independent majority owned subsidiary of EQB Inc., separate and distinct from EQB's wholly owned subsidiary, Equitable Bank.

Strength in Concentra Trust

When Equitable Bank completed the acquisition of Concentra in 2022, the Trust business was a completely new platform for the Bank. It presented an opportunity to deepen relationships with Credit Unions and independent Wealth advisory firms across Canada and generate significant fee-based revenues that allow the Bank to build more balance into its revenue mix. The Concentra Trust business evolved this year by building foundational capabilities, refining the product mix and pricing, and investing in digitization for future growth. Additionally, Equitable Bank and Concentra Bank are focused on increasing capabilities in target areas such as trust opportunities with First Nations to enable the Credit Union network to deepen engagement with these communities. In 2023, Concentra's Trust business contributed over 20% of EQB's total non-interest revenues.

Year one support for Credit Unions across Canada

Equitable Bank's relationships with and support for Credit Unions across Canada goes beyond Trust services. The Bank, through Concentra Bank and Concentra Trust, provides consulting services to Credit Unions, manages surplus deposits, and offers wholesale banking solutions for credit unions to participate in and refer syndicated lending opportunities. Credit Union partners have allowed the Bank to get closer to their communities and drive impact beyond banking. This year, the Bank awarded $200,000 to Credit Unions across Canada through Concentra's long-standing "Empowering Your Community" program where grants are awarded to Credit Unions to help them support local causes that generate impact in their immediate communities.

Building Long-term Franchise Value

Investing to create long-term value for EQB and Canadians

EQB continues to successfully deliver profitable and consistent growth over the long term, while strategically choosing the markets in which it wants to compete. Equitable Bank is passionate about market and customer segments that are not being adequately served by other banks in Canada and invests deeply in places where it can grow franchise value. Accordingly, the Bank continues to explore products and offerings that its banks and subsidiaries are best suited to provide through their Challenger mindsets and unique capabilities.

The Bank's track record of innovative offerings spans its history and has accelerated in the last ten years with notable products like Reverse Mortgages (REM), launched in 2018. Recognizing a gap in the market and an opportunity to provide Canadian seniors the chance to unlock equity in their properties, the Bank continues to expand distribution of the REM business and generate significant volume through direct-to-consumer channels. The expansion of Equitable Bank's wealth decumulation business continued with the launch of Insurance Lending, also in 2018, allowing Canadians to access funds secured by their life insurance policies. In the ten months of fiscal 2023, the Bank's Insurance Lending portfolio grew 50%, proving yet again that the Bank is creating differentiated offerings to meet the needs of Canadians throughout important life stages and events.

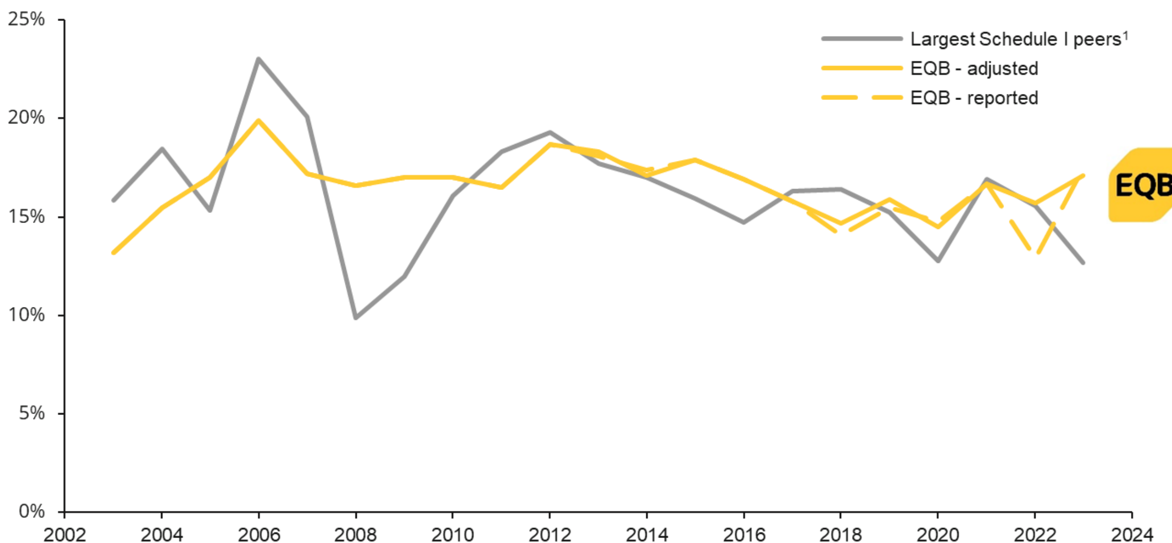
EQ Bank's upcoming Business Banking account was born from an understanding that many Canadian small- and micro-business owners are unsatisfied with their existing business accounts that usually come with high fees, low interest

rates, and lengthy, paper-based onboarding processes. EQ Bank has reimagined the business banking experience and expects to launch Business Account featuring no monthly fees, free unlimited transactions, compelling interest rates and a seamless digital-first customer experience. The Bank firmly believes that now is the time to extend its digital banking platform from personal banking to business banking to become the first bank in Canada to offer a purpose-built, end-to-end digital banking solution for this important constituency.

ROE continues to be paramount when it comes to strategic investments and business expansion into new areas. In the future, inorganic growth opportunities will continue to play a role in the growth of EQB's franchise when such opportunities are well supported by EQB's unwavering commitment to ROE, and when aligned to strategic priorities, including expanding non-interest revenue.

EQB's business practices have driven consistent performance over the last 20 years, including through the global financial crisis of the mid-2000s, rapidly changing economic cycles of the pandemic, and the uncertainty and instability in the global banking industry over the past year. EQB's consistency stems from its unwavering focus on its north-star ROE measure, alongside closely managing margins, being selective about where it grows the business and portfolio, and the Bank mitigating losses through effective risk management, monitoring, and conservative lending strategies, including requiring security with nearly all lending (e.g., real estate and equipment).

Return on Equity of Canadian Banks 2003 - 2023



(1) Peers include Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce and National Bank

Capital allocation and risk management

Equitable Bank has a disciplined capital allocation and risk management approach. Prudent risk management practices across credit, market, and liquidity risks are deeply ingrained in the Bank's culture and are non-negotiable. Ultimately, this discipline delivers consistent ROE for shareholders and performance through cycles. The Bank's robust credit underwriting framework and lending processes are complemented by high capital levels to protect against possible tail risks. Through a year with significant turbulence in the U.S. banking industry combined with global geopolitical uncertainty, Equitable Bank's operating model remains clear and distinct versus peers in Canada and the United States. By being prudent and proactive in managing risk, the Bank seeks to protect its customers, employees, and shareholders, and to enhance its long-term franchise value.

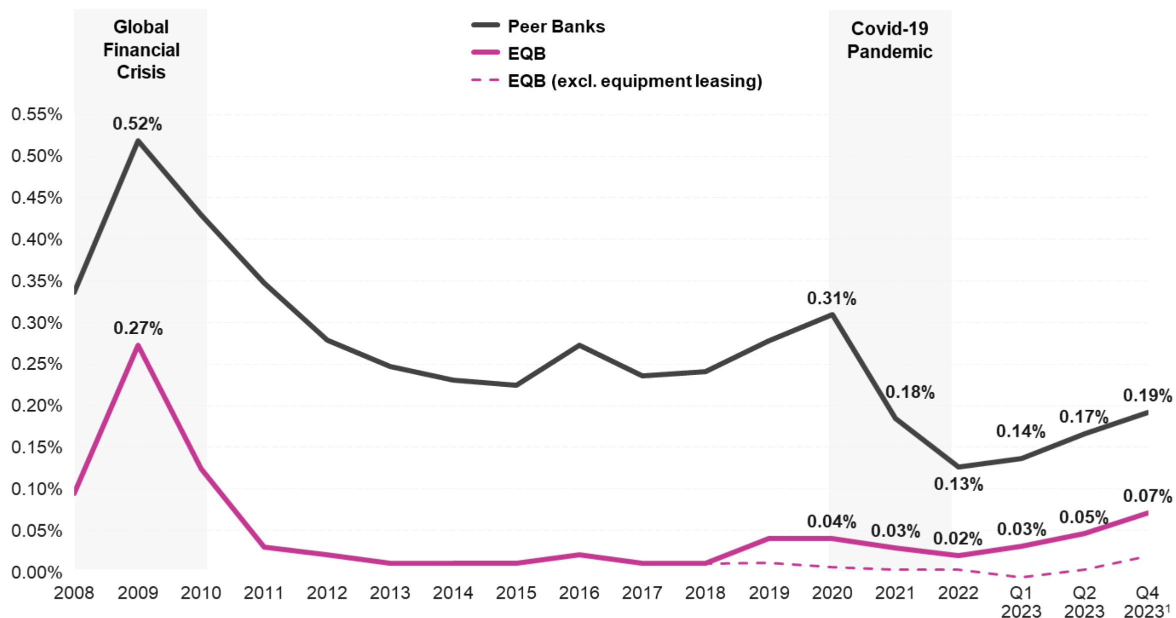
Credit Risk

Equitable Bank considers credit risk management a strategic advantage and employs a consistent approach to credit through business and economic cycles. The Bank's credit risk practices include limiting exposure to higher risk markets and mitigating the risk of loss through protection beyond the borrower's ability to repay, most often through secured lending (over 97% of loans are secured by assets in a first lien position). These are some examples of the Bank's best-in-class credit risk practices:

- The Bank mitigates potential for credit losses by maintaining conservative Loan to Value (LTV) ratios for the portfolio. As at October 2023, the average LTV of the overall uninsured single family lending portfolio was 62% and the average LTV of newly originated loans in Q4 2023 was 71%. Lower LTVs provide a cushion to both the customer and Equitable Bank in the event of asset price declines or a default when there is a need for a recovery.
- The Bank always maintains first lien positions on uninsured loans. This is a critical lever in managing downside risk that helps in limiting the exposure to credit losses as a share of the total mortgage.
- The Bank lends to credit worthy residential borrowers. The average credit score for uninsured residential mortgages borrowers is greater than 700. The typical customer is often a sole proprietor that does not have salaried income, where lenders with less robust underwriting practices have difficulty in understanding such customers and their true credit risk profile.
- For commercial lending, a key focus of the Bank is to obtain high quality covenants, most commonly personal guarantees to help mitigate risk of default and as secondary source of repayment.
- In the best interests of Canadian consumers and of Equitable Bank, amortization periods for single family residential mortgages are limited to 30 years, an example of the Bank's prudent lending approach that remains consistent across cycles.

By applying these credit risk management practices, Equitable Bank has achieved the lowest credit loss rate as a percentage of loan assets among all Schedule I banks in the S&P/TSX Bank Index over the last fifteen plus years. The result of this rigorous credit risk management is an **average Stage 3 provision for credit losses of 0.03%** of total loan assets over the past ten years.

Historical Loss Rates, Select Canadian Banks



1. Q4 2023 EQB figures, Q3 2023 Peer Bank figures
Defined as Stage 3 losses under IFRS 9 methodology divided by gross loans receivable
Bank Peers include RY, TD, BNS, CM, BMO, NA, CWB, and LB
Source: Company filings; Equitable analysis

Commercial banking contributes almost half of Equitable Bank's earnings and demonstrates a proven business model that deserves shareholder confidence. The Bank is cautious about capital allocation and as noted previously, focuses its commercial lending on the multi-unit residential property market. Given recent weakness in the office property market and ongoing scrutiny, Equitable Bank's lending on office properties constitutes approximately 1% of the Bank's total loan assets. Within this small office loan portfolio, the average LTV is 60%, with further safeguards built-in through a focus on vocational offices occupied by dentists, doctors and other service providers. Such offices are essential for providing patient care and generate ongoing income for their tenants who rely on physical space to conduct their work. Similarly, the Bank has negligible exposure to hotel, shopping malls and big box retail sectors, which are not lending priorities and cumulatively, account for approximately 1% of EQB's total assets.

Going forward, there will be continued focus on asset classes that are in great demand (e.g., multi-unit residential) and in geographic areas with strong population growth forecasts. By following such practices, the Bank minimizes its exposure to adverse market conditions and ensures the quality and stability of its commercial real estate portfolio.

Market risk

Equitable Bank has a low appetite for market risk, which includes interest rate risk and equity price risk. To mitigate market risk driven by changes in interest rate, Equitable Bank aims to match assets and liabilities with similar duration. The Bank maintains a hedging program to manage its economic value to its target risk. The Bank manages a simulated interest rate change sensitivity models to estimate the efforts of various interest rate change scenarios on net interest income and on the economic value of shareholders' equity (EVE). Economic Value of Shareholders' Equity (EVE) is (1.2%) or $32.2 million loss if there is an immediate and sustained 100 bps parallel increase in interest rates. See the Risk Management section of this MD&A for more detail.

Liquidity risk

Equitable Bank adheres to prudent standards to manage its liquidity, standards that well exceed regulatory guidelines and surpass Canadian Bank peers. The Bank's comprehensive liquidity management framework ensures that Equitable Bank always has sufficient sources of funding to support its operations and growth and is built on the following key principles:

1. Maintain a diversified funding profile that consists of retail deposits, brokered deposits, securitization programs, institutional deposit notes, covered bonds, and wholesale funding facilities. This diversification reduces reliance on any single source of funding and enhances access to cost-effective and stable funding.
2. Monitor and manage liquidity position and stress scenarios (on a daily basis). These metrics help assess the Bank's ability to withstand various liquidity shocks and comply with regulatory requirements and internal targets. As at October 31, 2023, Equitable Bank's Liquidity Coverage Ratio was well in excess of the regulatory minimum of 100%.
3. Regularly review and update the contingency funding plan (CFP), which outlines the roles and responsibilities, governance structure, escalation procedures, communication strategy and potential actions to be taken in the event of a liquidity crisis. The Bank's CFP is tested periodically through simulations and drills to ensure its effectiveness and readiness.

Consistent with management's conservative liquidity approach, only 4% of Equitable Bank's total funding is contributed by uninsured demand/redeemable deposits.

Management's Discussion and Analysis

For the four and ten months ended October 31, 2023

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 EQB Inc. (EQB) for the four and ten months ended October 31, 2023. This MD&A should be read in conjunction with EQB's unaudited interim consolidated financial statements for the four months ended October 31, 2023 (see Tables 22-24 in the Fourth quarter results section of this report) and the audited consolidated financial statements and accompanying notes for the ten months ended October 31, 2023. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at December 7, 2023.

EQB's continuous disclosure materials, including interim filings, annual MD&A and Consolidated Financial Statements, Annual Information Form, Environmental, Social, and Governance (ESG) Performance Report, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on EQB's website at eqbank.investorroom.com and on SEDAR at www.sedar.com.

Acquisition of Concentra Bank

On November 1, 2022, Equitable Bank completed its acquisition of Concentra Bank. Results for full-year 2022 and Q4 2022 include two-month contributions from Concentra Bank and Concentra Trust while 2023 results include contribution throughout the period.

Both 2022 and 2023 results contain several items related to transaction and integration adjustments. Refer to "Adjustments to financial results" for the income statement impact and Note 5 to the financial statements for details of the purchase price allocation.

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Adjustments to financial results

Adjustments impacting current and prior periods:

To enhance comparability between reporting periods, increase consistency with other financial institutions, and provide the reader with a better understanding of EQB's performance, adjusted results were introduced starting in Q1 2022. Adjusted results are non-GAAP financial measures.

Adjustments listed below are presented on a pre-tax basis:

2023

- $28.0 million related to a strategic investment,
- $15.1 million acquisition and integration-related costs associated with Concentra and ACM,
- $3.5 million intangible asset amortization,
- $3.3 million net fair value amortization adjustments
- $0.9 million other expenses.

2022

- $2.2 million interest earned on the escrow account where the proceeds of the subscription receipts are held(1),
- $49.9 million acquisition and integration-related costs,
- $19.0 million provision credit for credit losses recorded on purchased loan portfolios,
- $3.3 million net fair value-related amortization recorded for November and December 2022,
- $2.2 million interest expenses paid to subscription receipt holders(2) in connection with the Concentra acquisition
- $3.8 million increase in future tax expense associated with additional 1.5% tax rate introduced for banks in 2022.

(1) The net proceeds from the issuance of subscription receipts were held in an escrow account and the interest income earned was recognized upon closing of the Concentra acquisition. (2) The interest expense refers to the dividend equivalent amount paid to subscription receipt holders. The subscription receipt holders were entitled to receive a payment equal to the common share dividend declared multiplied by the number of subscription receipts held on the common share dividend payment date. These subscription receipts were converted into common shares at a 1:1 ratio upon the closing of the Concentra acquisition.

The following table presents a reconciliation of GAAP reported financial results to non-GAAP adjusted financial results. For additional adjusted measures and information regarding non-GAAP financial measures, please refer to the Non-GAAP financial measures and ratios section of this MD&A.

Reconciliation of reported and adjusted financial results	**As at or for the quarter ended**			**For the year ended**	
($000, except share and per share amounts)	**31-Oct-23**	**30-Jun-23**	**31-Dec-22**	**31-Oct-23**	**31-Dec-22**
Reported results					
Net interest income	**345,783**	251,699	218,325	**838,279**	733,405
Non-interest revenue	**49,503**	60,848	16,382	**137,385**	48,781
Revenue	**395,286**	312,547	234,707	**975,664**	782,186
Non-interest expense	**181,165**	127,030	139,180	**434,743**	376,471
Pre-provision pre-tax income(3)	**214,121**	185,517	95,527	**540,921**	405,715
Provision for credit loss	**19,566**	13,042	26,796	**38,856**	37,258
Income tax expense	**53,409**	41,550	22,912	**130,475**	98,276
Net income	**141,146**	130,925	45,819	**371,590**	270,181
Net income available to common shareholders	**138,797**	128,594	43,514	**364,592**	264,615
Adjustments					
Net interest income – earned on the escrow account	**-**	-	(2,220)	**-**	(2,220)
Net interest income – fair value amortization/adjustments	**-**	-	3,324	**(4,167)**	3,324
Net interest income – paid to subscription receipt holders	**-**	-	(654)	**-**	2,220
Non-interest revenue – strategic investment	**-**	(27,965)	-	**(27,965)**	-
Non-interest revenue – fair value amortization/adjustments	**-**	-	(65)	**941**	(65)
Non-interest expenses – acquisition-related costs(1)	**(6,972)**	(3,377)	(36,921)	**(15,093)**	(49,942)
Non-interest expenses – other expenses	**-**	(858)	-	**(858)**	-
Non-interest expenses – intangible asset amortization	**(1,181)**	(885)	-	**(3,542)**	-
Non-interest expenses – fair value amortization/adjustments	**-**	-	-	**(66)**	-
Provision for credit loss – purchased loans	**-**	-	(19,020)	**-**	(19,020)
Pre-tax adjustments	**8,153**	(22,844)	56,326	**(11,631)**	72,221
Income tax expense – tax impact on above adjustments(2)	**2,264**	(7,425)	15,271	**(4,311)**	19,435
Income tax expense – 2022 tax rate adjustment	**-**	-	(5,621)	**-**	(3,769)
Post-tax adjustments	**5,889**	(15,419)	46,676	**(7,320)**	56,555
Adjusted results					
Net interest income	**345,783**	251,699	218,775	**834,112**	736,729
Non-interest revenue	**49,503**	32,883	16,317	**110,361**	48,716
Revenue	**395,286**	284,582	235,092	**944,473**	785,445
Non-interest expense	**173,012**	121,910	102,259	**415,184**	326,529
Pre-provision pre-tax income(3)	**222,274**	162,672	132,833	**529,289**	458,916
Provision for credit loss	**19,566**	13,042	7,776	**38,856**	18,238
Income tax expenses	**55,673**	34,124	32,562	**126,163**	113,942
Net income	**147,035**	115,506	92,495	**364,270**	326,736
Net income available to common shareholders	**144,686**	113,175	90,190	**357,272**	321,170
Diluted earnings per share					
Weighted average diluted common shares outstanding	**38,117,929**	37,975,115	36,632,711	**38,013,724**	35,031,166
Diluted earnings per share – reported	**3.64**	3.39	1.19	**9.59**	7.55
Diluted earnings per share – adjusted	**3.80**	2.98	2.46	**9.40**	9.17
Diluted earnings per share – adjustment impact	**0.16**	(0.41)	1.27	**(0.19)**	1.62

(1) Includes costs associated with ACM acquisition.

(2) Income tax expense associated with non-GAAP adjustment was calculated based on the statutory tax rate applicable for that period, taking into account the federal tax rate increase.

(3) This is a non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

Detailed financial summary

Income statement and earnings summary

Table 1: Income Statement highlights

($000s, except per share amounts)	2023	2022	Change	
Adjusted results[(1)]				
Revenue	**944,473**	785,445	159,028	20%
Non-interest expenses	**415,184**	326,529	88,655	27%
Provision for credit losses	**38,856**	18,238	20,618	113%
Income tax expenses	**126,163**	113,942	12,221	11%
Net income	**364,270**	326,736	37,534	11%
Earnings per share – diluted ($)	**9.40**	9.17	0.23	3%
Reported results				
Revenue	**975,664**	782,186	193,478	25%
Non-interest expenses	**434,743**	376,471	58,272	15%
Provision for credit losses	**38,856**	37,258	1,598	4%
Income tax expenses	**130,475**	98,276	32,199	33%
Net income	**371,590**	270,181	101,409	38%
Earnings per share – diluted ($)	**9.59**	7.55	2.04	27%

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Net interest income

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

Table 2: Net interest income

($000s, except percentages)		2023				2022
	Average Balance	**Revenue/ Expense**	**Average rate[(1)]**	Average Balance	Revenue/ Expense	Average rate[(1)]
Revenues derived from:						
Cash and debt securities	**3,428,695**	**130,792**	**4.58%**	2,000,381	52,255	2.61%
Equity securities	**55,534**	**2,463**	**5.33%**	83,389	3,772	4.52%
Single family mortgages– insured[(3)]	**10,921,546**	**305,702**	**3.36%**	8,823,632	209,303	2.37%
Single family mortgages– uninsured[(3)]	**19,175,503**	**957,418**	**5.99%**	15,483,030	646,368	4.17%
Decumulation loans	**1,222,703**	**67,634**	**6.64%**	541,751	28,434	5.25%
Consumer lending	**840,845**	**79,103**	**11.30%**	142,734	13,225	9.27%
Total Personal loans	**32,160,597**	**1,409,857**	**5.26%**	24,991,147	897,330	3.59%
Commercial loans	**8,205,992**	**623,274**	**9.12%**	6,617,098	433,940	6.56%
Equipment financing	**1,262,367**	**99,642**	**9.48%**	902,233	84,728	9.39%
Insured multi-unit residential mortgages	**5,680,227**	**137,446**	**2.91%**	4,712,730	120,353	2.55%
Total Commercial loans	**15,148,586**	**860,362**	**6.82%**	12,232,061	639,021	5.22%
Average interest-earning assets	**50,793,412**	**2,403,474**	**5.68%**	39,306,978	1,592,378	4.05%
Expenses related to:						
Deposits	**31,408,726**	**1,078,755**	**4.12%**	24,118,643	562,843	2.33%
Securitization liabilities	**15,541,453**	**402,343**	**3.11%**	13,075,227	252,286	1.93%
Others	**1,962,818**	**88,264**	**5.40%**	1,567,362	40,520	2.59%
Average interest-bearing liabilities	**48,912,997**	**1,569,362**	**3.85%**	38,761,232	855,649	2.21%
Adjusted net interest income and margin[(2)]		**834,112**	**1.97%**	39,306,978	736,729	1.87%
Interest earned on the subscription receipt escrow account	**-**	**-**		154,079	2,220	
Interest paid to subscription receipt holders		**-**			(2,220)	
Net fair value amortization – assets	**(107)**	**2,976**		(69,215)	21,714	
Net fair value amortization – liabilities		**1,191**			(25,038)	
Reported net interest income and margin	**50,793,305**	**838,279**	**1.98%**	39,391,842	733,405	1.86%

(1) Average rates are calculated based on the daily average balances outstanding during the period.

(2) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

(3) The presentation has changed for single family mortgages from previous periods from "alternative and prime" to "uninsured and insured" to better align characteristics of mortgages within each lending portfolio, including both asset yield and capital required. Prior period comparatives have been updated to conform to current period's presentation.

2023 v 2022

Adjusted net interest income for the ten-month period was $834.1 million (reported $838.3 million), +13% (reported +14%) compared to 12 months in 2022. Average adjusted net interest income per month for 2023 was $83.4 million, up 36% from 2022 (reported $83.8 million, +37%). The increase was primarily driven by expanded net interest margin through the year, continued growth in the on-balance sheet loan portfolio, and Concentra Bank's full-period contribution (ten months in 2023 vs two months in 2022).

Adjusted NIM +10bps (reported +12bps), largely fuelled by growing yield in those higher spread conventional loan assets.

Non-interest revenue

Table 3: Non-interest revenue(1)

($000s)	2023	2022	Change	
Fees and other income	**46,895**	31,081	15,814	51%
Gains (losses) on strategic investments	**28,975**	(5,294)	34,269	n.m.
Net gains (losses) on other investments	**5,467**	(2,760)	8,227	n.m.
Gain on sale and income from retained interests	**56,384**	26,765	29,619	111%
Net losses on securitization activities and derivatives	**(336)**	(1,011)	675	n.m.
Total non-interest revenue– reported	**137,385**	48,781	88,604	182%
Gains on strategic investments	**(27,965)**	-	(27,965)	n.m.
Fair value amortization/adjustment on other investments	**941**	(65)	1,006	n.m.
Total non-interest revenue – adjusted(2)	**110,361**	48,716	61,645	127%

n.m. - not meaningful

(1) Prior period comparatives have been reclassified to conform to current period presentation. (2) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

2023 v 2022

The growth in adjusted non-interest revenue (NIR) was largely driven by the increase in fee-based revenue, higher gains on sale related to retained interests, and net gains on investments.

Fees and other income benefited from growing lending activities, EQ Bank card usage, and full-period contribution of Concentra Bank and Concentra Trust.

Gain on sale revenue grew as transaction volumes doubled last year's level, driven by increased activity in Equitable Bank's insured multi-unit residential lending business, and continued growth in funding available to support these markets.

Provision for credit losses

Table 4: Provision for credit losses

($000s, except percentages)	2023	2022	Change	
Stage 1 and 2 provision	**10,907**	29,822	(18,915)	(63%)
Stage 3 provision	**27,949**	7,436	20,513	276%
Total Provision for credit losses – reported	**38,856**	37,258	1,598	4%
Less: Provision for credit losses – purchased loans	**-**	*(19,020)*		n.m.
Total Provision for credit losses – adjusted(1)	**38,856**	18,238	20,618	113%

n.m. not meaningful

The Provision for Credit Losses represents the net addition to EQB's Allowance for Credit Losses (ACL), accounting for any recoveries during the period. The ACL is the reserve set aside on the balance sheet to absorb future expected credit losses and is discussed in detail in the "Credit portfolio quality" section of this MD&A.

In 2023, the stage 1 and 2 provision was $10.9 million (relatively steady vs. the adjusted(1) provision of $10.8 million in 2022) , and reflected macroeconomic forecasts used in EQB's loss modeling and consideration of variables like interest rate volatility and a housing market dynamics, impacted by factors that include monetary policy. Note, the stage 1 and 2 provisions of $29.8 million in 2022 include $19.0 million in Day 1 provisions on loans acquired as part of the Concentra Bank acquisition (without this acquisition-related provision, stage 1 and 2 provision in 2022 would have been $10.8 million).

Stage 3 provisions are related to impaired loans. The increase in stage 3 provision mainly resulted from the impact of non-performing equipment leases. Management carefully reviewed each impaired loan to assess the adequacy of its allowances and concluded that this level of provision and the resulting allowance for credit losses appropriately reflect the estimates of likely credit losses on EQB's impaired loan balances.

[1] Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Non-interest expenses

Table 5: Non-interest expenses and efficiency ratio

($000s, except percentages and FTE)	2023	2022	Change	
Compensation and benefits	**199,752**	183,605	16,147	9%
Technology and system costs	**61,662**	58,741	2,921	5%
Regulatory, legal and professional fees	**43,159**	41,450	1,709	4%
Product costs	**66,542**	38,862	27,680	71%
Marketing and corporate expenses	**52,674**	38,677	13,997	36%
Premises	**10,954**	15,136	(4,182)	(28%)
Total non-interest expenses – reported	**434,743**	376,471	58,272	15%
Less:				
Integration related costs and other expenses	***(19,559)***	*(49,942)*		*n.m.*
Total non-interest expenses – adjusted[(1)]	**415,184**	326,529	88,655	27%
Efficiency ratio – reported	**44.6%**	48.1%		(3.5%)
Efficiency ratio – adjusted[(1)]	**44.0%**	41.6%		2.4%
Full-time employee equivalent (FTE) – period average	**1,721**	1,386	335	24%

n.m. not meaningful

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Measured by adjusted efficiency ratio[(1)], EQB delivered an efficient cost structure in the ten months of 2023, a result of its proven branchless model and continued investment in building and innovation.

Total adjusted non-interest expenses[(1)] included the full contribution from Concentra Bank through the ten months ended October 31, 2023 (vs. two months in fiscal 2022):

- **Compensation & benefits** increased as a result of growing the scale of personal and commercial lending businesses, and enhancing capabilities across technology, digital banking and customer service required to support the Bank's rapidly growing customer base, expansion into the Quebec market, launch of the new EQ Bank card, and modernization of internal platforms as Equitable Bank progresses toward the goal of becoming the first cloud-only bank in Canada.
- **Technology and system** increased due to from maintenance, support, and enhancements to digital capabilities, cloud-first technology platforms, integration of Concentra's technology operations, and strengthening cyber security.
- **Product, marketing, and innovation** increased due to growth in product costs on the new EQ Bank card, introduction of the first fully digital FHSA, the mobile wallet, and the planned launch of EQ Bank Business Banking. Marketing spend increases were primarily related to incremental spend on the successful "Make Bank" campaign for EQ Bank, and media and promotional spending in support of reverse mortgage products.
- **Regulatory and professional fees** increased largely due to business advisory services rendered.
- **Premises** declined due to a reduction in temporary office space prior to the anticipated move to EQB's new headquarters in Toronto in 2024.

Business line overview

Personal Banking

5.99% Average Yield[1]

713 Average Credit Score[2]

62% Average LTV[3]

33% Insured[4]

[1]The average yield is the weighted average interest rate of Equitable Bank's uninsured single family mortgages.
[2]The credit score reported here represents the weighted credit score of Equitable Bank's uninsured single family mortgages.
[3]The LTV represents the average LTV of existing uninsured residential mortgages and is computed based on the current property values that are estimated using a Housing Price Index.
[4]The ratio presents the percentage of insured personal loans over total personal loans.

Personal Banking operates through five businesses lines – EQ Bank, Residential Lending, Wealth Decumulation, Consumer lending, and Payments-as-a-Service in support of fintech partners. These businesses provide innovative products and services that disrupt the status quo in Canadian banking by giving customers better financial value and a superior end-to-end experience. EQB's personal banking customer segments are diverse: students, the self-employed, entrepreneurs, newcomers to Canada, high-net worth individuals, Canadians planning retirement, and retirees. As EQ Bank prepares for the launch of business banking in 2024, it will soon support small- and micro-business owners who are underserved by big banks. The Bank continues to look for opportunities to create better banking experiences and to address segments underserved by other financial institutions. The Bank's competition includes other Schedule I banks, trust companies, mortgage lenders, credit unions and certain fintechs.

The table below summarizes portfolio measures as at year ended October 31, 2023: .

($ billions)		2023 Actual	Y/Y Growth[(2)]
EQ Bank	**Deposits**	**8.2**	4%
Single Family Residential Lending	Uninsured	**19.5**	3%
Wealth Decumulation	Reverse mortgages	**1.3**	42%
	Insurance lending	**0.13**	50%
Consumer Lending		**0.94**	6%
Total Conventional loans[(1)]		**21.9**	5%
Single Family Residential Lending	Insured	**10.5**	(6%)
Total Personal Banking loans		**32.4**	1%

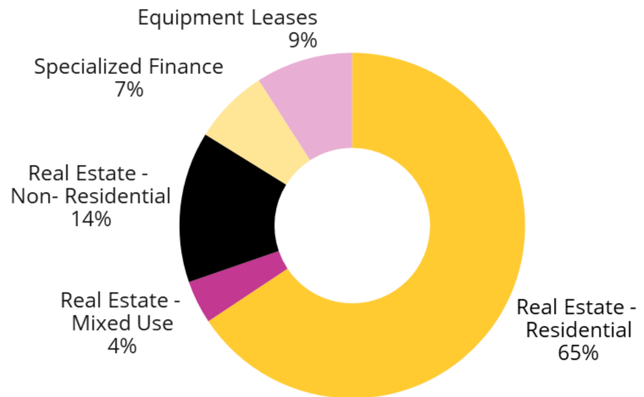
(1) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A. (2) Y/Y growth is comparing October 31, 2023 to December 31, 2022.

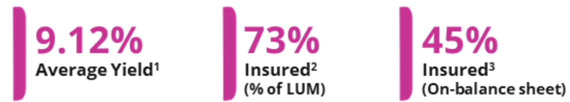
Among key 2023 milestones, the Bank:

- Launched the EQ Bank Card in January 2023, offering free ATM withdrawals in Canada, cash back on spending and high interest paid on the card balance
- Launched a highly awaited fully digital, no-fee First Home Savings Account (FHSA)
- Launched Payments-as-a-Service business to support fintech partners in Canada, including the launch of various prepaid cards in collaboration with Berkeley Payments and the Joker Prepaid Visa Card in collaboration with Blackhawk Network
- Expanded distribution for reverse mortgages through a new multimedia ad campaign
- Posted record levels of customer retention in the uninsured single-family residential lending business
- Achieved all-time high Net Promoter Score from brokers in uninsured single-family residential lending
- Enhanced Technology across fulfillment, renewals, and mortgage servicing to enhance the user experience

Commercial Banking

Equitable Bank's Commercial Banking operates through seven business lines – Business Enterprise Solutions, Commercial Finance Group, Multi-unit Insured, Specialized Finance, Equipment Financing, Credit Union Services, and Concentra Trust.



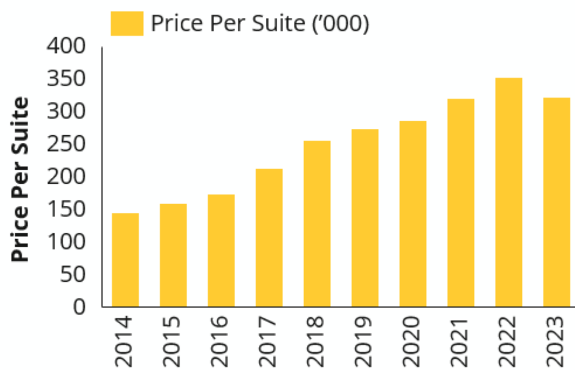


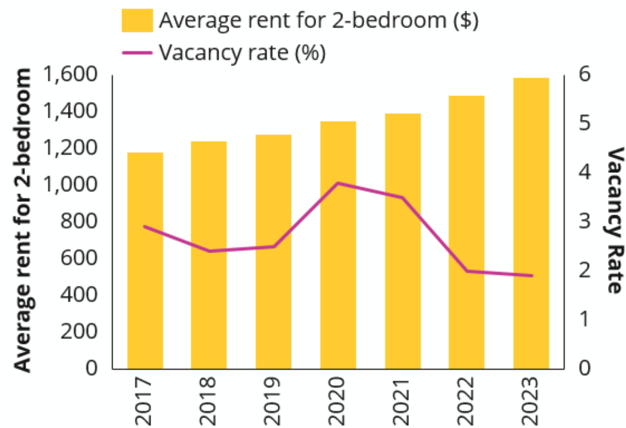
[1]The average yield is the weighted average interest rate of Equitable Bank's Conventional commercial loans.
[2]The ratio presents the percentage of insured commercial loans over the total commercial loans under management.
[3]The ratio presents the percentage of insured commercial loans over the commercial loans on balance sheet.

The business is focused on providing banking solutions for the urban housing market in Canada including the development and renovation of apartments, condominiums, and other types of multi-residential properties in major cities across the country. Multi-unit residential lending represents 65% of Commercial's on-balance sheet lending and nearly 80% of on-balance sheet loans associated with real-estate secured lending. It is geared to support growing and densifying urban centers where mortgage loans are backed by in-demand real estate assets that provide housing and services that support urban living. Real estate assets that are most susceptible to changing economic environment, notably hotels, are not core to the business.

The Commercial Lending business has several competitive advantages that propel its success. First, Equitable Bank has established strong relationships with its clients and partners through whom it has built a deep understanding of the urban housing market and the trends and challenges that affect it. Second, apartment buildings have retained their values as rents have increased, in the face of housing shortages and despite the headwinds of higher interest rates. Third, the Bank has a strategic focus on financing the construction of new apartment buildings and renovating existing housing stock, which are both areas of significant demand and opportunity in the urban housing market. For many years, very few new apartment buildings were built in Canada, creating a substantial gap between supply and demand that the Bank's financing solutions work to narrow.

The charts below demonstrate 1) the average price for multi-unit residential buildings in the GTA(1), and 2) the average rent for a 2-bedroom apartment and vacancy rate for multi-unit residential housing across Canada(2):





(1) Colliers GTA Multifamily Market Report. (2) CMHC Rental Market Survey Report.

The table below summarizes portfolio measures at year end October 31, 2023:

($ billions)		2023 Actual	Y/Y Growth[1]
Business Enterprise Solutions	Loans to entrepreneurs and SMEs[2]	**1.4**	8%
Commercial Finance Group	Loans to medium sized institutional & corporate investors	**6.1**	8%
Specialized Finance	Specialized lending to medium sized and corporate investors	**1.1**	10%
Equipment Financing	Equipment leases to entrepreneurs and SMEs[2]	**1.4**	7%
Total Conventional loans[3]		**10.0**	8%
Insured Multi-Unit Residential	CMHC insured real estate mortgages[4]	**5.0**	(6%)
Total Commercial Banking loans on balance sheet		**15.0**	3%
Total insured multi-unit residential mortgages under management[5]		**20.0**	27%

(1) Y/Y growth is comparing October 31, 2023 to December 31, 2022. (2) Small or medium-sized enterprises. (3) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A. (4) Insured multi-unit residential include only on-balance sheet loans. (5) includes on and off-balance sheet insured multi-unit residential loans

Among 2023 key milestones:

- Equitable Bank's commercial loan portfolio grew to $15.0 billion. Strong retention offset lower origination compared to 2022
- Originations within Business Enterprise Solutions hit a record high in Q4 2023, at nearly $200 million
- Equitable Bank's insured commercial construction lending portfolio grew 75% and CMHC-insured term loans grew 27% year-over-year reflecting the focus on prudently managing risk in a challenging economic climate

Balance sheet review

Balance sheet summary

Table 6: Balance sheet highlights

($ millions, except percentages)	31-Oct-23	31-Dec-22	Change	
Total assets	**52,933**	51,145	1,788	3%
Loan principal – Personal[1]	**32,416**	32,112	304	1%
Loan principal – Commercial[1]	**14,983**	14,541	442	3%
Total deposits principal[1]	**31,577**	30,831	746	2%
EQ Bank deposit principal[1]	**8,233**	7,923	310	4%
Total liquid assets as a % of total assets[2]	**7.20%**	7.70%		(0.5%)

(1) The principal numbers are reported on a consolidated basis, including Concentra, prior to any acquisition-related fair value adjustments that are captured in balance sheet measures. The Personal loan principal balance includes interests capitalized for Reverse Mortgage. Prior period comparatives have been updated to conform to current period presentation. (2) This is a Non-GAAP measure, refer to the Non-GAAP financial measures and ratios section of this MD&A.

Total assets were up +3% from December 31, 2022, an outcome of organic growth in both the Personal and Commercial portfolios. On-balance sheet loans within these two businesses grew +1% and +3%, respectively. EQ Bank deposit principal exceeded $8.2 billion at October 31, 2023.

Total loan principal

EQB's strategy is to maintain a diverse portfolio of loans to optimize ROE while managing credit risk rigorously. Table 7 presents EQB's loan principal by lending business and Table 8 provides continuity schedules for the on-balance sheet loan portfolio.

Table 7: Loan principal by lending business[1]

($000s)	31-Oct-23	31-Dec-22	Change	
Single family mortgages – insured[2]	**10,547,686**	11,249,787	(702,101)	(6%)
Single family mortgages – uninsured[2]	**19,467,440**	18,949,300	518,140	3%
Decumulation loans[3]	**1,460,098**	1,021,667	438,431	43%
Consumer lending	**940,847**	891,656	49,191	6%
Total Personal Lending – on balance sheet	**32,416,071**	32,112,410	303,661	1%
Commercial loans	**8,623,561**	7,939,766	683,795	9%
Equipment financing	**1,354,906**	1,262,584	92,322	7%
Insured multi-unit residential mortgages	**5,004,523**	5,339,046	(334,523)	(6%)
Total Commercial Lending – on balance sheet	**14,982,990**	14,541,396	441,594	3%
Total Loans – on balance sheet	**47,399,061**	46,653,806	745,255	2%
Insured multi-unit residential mortgages – derecognized	**14,998,436**	10,424,114	4,574,322	44%
Total Commercial Lending – loans under management[4]	**29,981,426**	24,965,510	5,015,916	20%
Total Loans under management[4]	**62,397,497**	57,077,920	5,319,577	9%

(1) The principal numbers are reported on a consolidated basis, including Concentra, excluding any acquisition-related fair value adjustments that are captured in balance sheet measures. (2) The presentation of single-family mortgages changed in Q2 2023 from "alternative and prime" to "uninsured and insured" to better align characteristics of mortgages within each portfolio, including both asset yield and capital required. Prior period comparatives have been updated to conform to current period's presentation. (3) Beginning this reporting period, the loan portfolio balance includes capitalized interest for reverse mortgage since Q4 2023. Prior period comparatives have been updated to conform to current period presentation. (4) This is a non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

Growth was driven by the conventional loan portfolio within both Personal Banking and Commercial Banking businesses.

Within Personal Banking, uninsured single family and decumulation lending contributed to portfolio growth through the period. Single family residential business had lower originations through the year; however, benefitted from higher renewal rate and lower unscheduled payments. Decumulation lending portfolio grew strongly through the period, driven by origination and accrued interest through the period.

Commercial loans grew across Commercial Finance Group, Business Enterprise Solutions, and Specialized Finance grew 9% y/y with more moderate originations relative to 2022, but lower level of attrition seen in the portfolio. The Equipment Financing portfolio surpassed $1.3 billion, supported by organic growth and a active leasing market. Insured multi-unit mortgages under management increased by 27% y/y to $20.0 billion from $15.8 billion in 2022 due to continued strong activity in the multi-unit affordable housing and rental sector. Of the overall on-balance sheet portfolio, over 65% is associated with multi-unit residential properties, inclusive of both CMHC insured residential apartments. "Commercial Loans" in the table includes both CMHC insured construction and other multi-unit residential lending (e.g., retirement homes, student residences, loans being readied for CMHC funding).

Table 8: On-Balance Sheet loan principal continuity schedule[1]

($000s, except percentages)	As at or for the ten months ended October 31, 2023		
	Personal	**Commercial**	**Total**
2022 closing balance	**32,112,410**	**14,541,396**	**46,653,806**
Originations	**6,827,898**	**8,109,316**	**14,937,214**
Derecognition	**-**	**(5,244,786)**	**(5,244,786)**
Net repayments	**(6,524,237)**	**(2,422,936)**	**(8,947,173)**
2023 closing balance	**32,416,071**	**14,982,990**	**47,399,061**
% Change from 2022	**1%**	**3%**	**2%**
Net repayments percentage[2]	**20.3%**	**16.7%**	**19.2%**

($000s, except percentages)	As at or for the twelve months ended December 31, 2022		
	Personal	**Commercial**	**Total**
2021 closing balance	22,309,375	10,499,700	32,809,075
Loans purchased on November 1	7,712,290	1,099,729	8,812,019
Originations	7,586,633	7,709,552	15,296,185
Derecognition	-	(2,474,380)	(2,474,380)
Net repayments	(5,495,888)	(2,293,205)	(7,789,093)
2022 closing balance	32,112,410	14,541,396	46,653,806
% Change from 2021	44%	38%	42%
Net repayments percentage[2]	24.6%	21.8%	23.7%

(1) The principal numbers are reported on a consolidated basis, including Concentra, prior to acquisition-related fair value adjustments that are captured in balance sheet measures. (2) Net repayments percentage is calculated by dividing net repayments by the previous period's closing balance.

Credit portfolio quality

Equitable Bank regularly evaluates the profile of its loan portfolio and adjusts decisions and activities based on a range of inputs. These include borrower behaviours and external variables, including real estate values, equipment resale values, and economic conditions. When judging that the risk associated with a particular region or product is no longer acceptable, the Bank adjusts underwriting criteria so that the policies continue to be prudent and reflective of current and expected economic conditions, thereby safeguarding the future health of the portfolio.

There are several aspects of the Bank's risk management approach and existing loan portfolios that have and will continue to help mitigate the risk of credit losses. The Bank remains appropriately reserved for credit losses given the composition of its loan portfolios and current economic forecasts. Allowances for Credit Losses, net of cash reserves, as a percentage of total loan assets equaled 22bps at October 31, 2023 compared to 18bps at December 31, 2022.

Equitable Bank's general approach to lending is sound and the Bank has modest exposure to higher risk lending markets:

- The Bank focuses on 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 borrowers will default and the loss in the event they do.

- Commercial Banking lending, including equipment financing, is diversified across industries and geographies. Commercial Banking has defined asset-class exposure limits and focuses on assets that the Bank believes will be resilient through an economic cycle, such as multi-unit residential and mixed-use properties. These segments make up 42% of the Commercial loan portfolio, while categories such as shopping centres and hotels, which the Bank believes are more sensitive to economic conditions, comprise 4.2% and 0.2% of Commercial loans or 1.3% and 0.1% of the total loan portfolio, respectively. Similarly, less than 1.1% of the Bank's loan assets are offices with an average LTV of 60%, where lending is largely restricted to properties located in major urban centres and smaller buildings.
- In Equitable Bank's Equipment Financing business, a cash security deposit is required on most, higher-risk leases and in some cases additional real assets are pledged.

Equitable Bank's loan portfolios have protection beyond a borrower's ability to repay:

- Underwriting focuses foremost on a borrower's ability to repay a loan. The average credit score of the Bank's uninsured single family residential borrowers, inclusive of Concentra Bank, was 713 at October 31, 2023, consistent with June 30, 2023 and December 31, 2022. Similarly, the average credit score of small business mortgage borrowers was 731. These credit scores are indicative of a borrower's positive repayment histories and lower propensity to default under normal economic conditions.
- 52% of loans under management are insured against credit losses, ultimately with the backing of the Government of Canada.
- Over 97% of the Bank's uninsured loan portfolio is secured by assets. Uninsured mortgage loans are supported by first-position claims on real estate and leases by first position claims on equipment, so EQB has a real asset with tangible value behind almost every loan. While the consumer portfolio is not secured, relationships with origination partners include preferential return against lending receivables.
- If the prices of the assets securing mortgage loans decline, the Bank is further protected by a portfolio with a low overall LTV ratio. The average LTV on the Bank's uninsured residential mortgage portfolio was 62% at October 31, 2023.
- Further to this collateral, almost all uninsured commercial mortgage borrowers and the majority of leases are backed by personal guarantees and/or corporate covenants. In the mortgage business, due diligence involves assessing the financial capacity of borrowers and guarantors.

Allowance for Credit Losses

Stage 1 and 2 reserves increased year over year mostly due to growing loan assets, and higher expected loss rates.

Stage 3 allowances are associated with Equitable Bank's impaired loans and determined on a loan-by-loan basis. Management believes that these allowances are adequate as at October 31, 2023. Stage 3 allowances on the Bank's loan portfolio are generally supported by up-to-date, independent property appraisals.

Table 9: Loan credit metrics – Allowance for Credit Losses (ACL)

($000s, except percentages)	31-Oct-23	31-Dec-22	Change	
Stage 1 and 2 allowance for credit losses	**101,161**	89,931	11,230	12%
Stage 3 allowance for credit losses	**17,994**	6,851	11,143	163%
Total Allowance for Credit Losses	**119,155**	96,782	22,373	23%
Net ACL – total net of cash reserves[1]	**104,338**	82,693	21,645	26%
Net ACL as a % of total loan assets	**0.22%**	0.18%		0.04%
Net ACL as a % of uninsured loan assets	**0.35%**	0.29%		0.06%
Net ACL as a % of gross impaired	**27%**	60%		(33%)

(1) The newly acquired consumer lending portfolio is backed by guarantees of $14.8 million (December 31, 2022 - $14.1 million) provided by a third party.

The table below provides allowance metrics that illustrate stage migration and loss rate dynamics:

Table 10: Stage 1 and 2 loan credit metrics

	31-Oct-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22
Stage 1 – proportion of loan assets[1]	**72.1%**	78.3%	77.5%	78.5%	82.1%
Stage 1 – effective allowance rate[2]	**0.13%**	0.12%	0.12%	0.11%	0.09%
Stage 2 – proportion of loan assets	**27.1%**	21.2%	22.3%	21.2%	17.7%
Stage 2 – effective allowance rate	**0.32%**	0.38%	0.35%	0.37%	0.36%

(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 net allowance for loans in the stage divided by the period end loan balances in that stage.

Table 11: Stage 1 and 2 Allowance for credit losses by lending business

($000s, except percentages and bps)	31-Oct-23	30-Jun-23	Change	31-Dec-22	Change
Uninsured Personal loans – stage 1 & 2 allowances	**27,876**	26,191	1,685	21,053	6,823
as a % of uninsured personal loans (bps)	***13***	*13*	-	*11*	*2*
Consumer lending – stage 1 & 2 allowances net of cash reserves[1]	**7,452**	6,959	493	5,723	1,729
as a % of consumer lending (bps)	***80***	*80*	-	*65*	*15*
Uninsured Commercial loans – stage 1 & 2 allowances	**24,363**	26,846	(2,483)	26,023	(1,660)
as a % of uninsured commercial loans (bps)	***37***	*39*	*(2)*	*38*	*(1)*
Equipment financing – stage 1 & 2 allowances	**24,462**	23,214	1,248	21,749	2,713
as a % of equipment financing (bps)	***181***	*176*	*5*	*173*	*8*
Insured Personal and Commercial loans – stage 1 & 2 allowances	**1,216**	1,602	(386)	1,635	(419)
as a % of insured personal and commercial loans (bps)	***0.70***	*0.90*	*(0.20)*	*0.93*	*(0.23)*
Total loans – stage 1 & 2 allowances net of cash reserves	**85,369**	84,814	555	76,183	9,186
as a % of total loans (bps)	***18***	*18*	-	*16*	*2*

(1) The newly acquired consumer lending portfolio is backed by guarantees of $14.8 million (December 31, 2022 - $14.1 million) held for a limited financial guarantee provided by a third party.

Compared to December 31, 2022, Stage 1 and 2 allowances against uninsured Personal loans and equipment financing increased by 2 bps and 8 bps, respectively, while uninsured Commercial loans decreased by 1 bp. The Bank leverages macroeconomic forecasts from Moody's Analytics and uses them in credit loss modelling. For a summary of key forecast assumptions for each scenario, please refer to Note 10 (d & e) to the 2023 consolidated financial statements.

Impaired loans

Table 12: Impaired loan metrics

($000s, except percentages)	31-Oct-23	31-Dec-22	Change	
Gross impaired loan assets	**379,590**	138,513	241,077	174%
Net impaired loan assets	**361,596**	131,662	229,934	175%
Net impaired loan assets as a % of total loan assets	**0.76%**	0.28%		0.48%

Net impaired loans as at October 31,2023 were $362 million, +$230 million (+0.48% relative to total loan assets) from December 31, 2022. The majority of the increase in net impaired loan assets was attributable to higher delinquent personal and commercial mortgages, which occurred in the following business: uninsured residential mortgages (+$69 million), conventional commercial loans (+$151 million) and equipment financing (+$10 million). The increase was mainly because of portfolio growth and higher defaults.

Despite the increase in impaired loans, the Bank has rigorously assessed each of these loans and takes appropriate steps to ensure a successful resolution. In most cases, LTVs are within acceptable thresholds, providing a buffer for the Bank and reducing the risk of potential credit losses. Additionally, the Bank has action plans in place to address the impaired loans and is closely monitoring the situation. Management believes the Bank is well reserved to manage credit losses that may arise from impaired loans.

Deposits and funding

Deposits

Equitable Bank's deposits provide a reliable and diversified base of funding that can be effectively matched against loan maturities. Term deposits consistently contributed approximately 80% of total funding with demand deposits representing the remaining.

EQ Bank deposits grew 4% through the year to $8.2 billion. The mix of EQ Bank deposits shifted to term through the year as customers locked in higher rates for longer durations. Equitable Bank benefits from EQ Bank's term deposits, as funding duration is closely aligned to loan durations which reduces demands on Equitable Bank's liquidity portfolio.

Credit union deposits are primarily sourced through the excess liquidity of the Bank's credit union customers and are typically subject to seasonal fluctuations associated with their agricultural customer base. Overall credit union balances are unchanged from December 2022; however, the portion that are demand deposits has increased.

Wholesale deposit funding: In May 2023, Equitable Bank issued its fourth covered bond, sourcing €300 million and increasing its overall covered bond program balance from $1.2 billion to $1.7 billion as at October 31, 2023. Deposit notes declined, driven by the repayment of $350 million note that matured in September 2023.

Table 13: Deposit principal

($000s)	30-Oct-23	31-Dec-22	Change	
Term deposits:				
Brokered	**15,877,380**	15,653,371	224,009	1%
EQ Bank	**4,644,623**	3,729,785	914,838	25%
Credit unions	**1,908,415**	2,016,627	(108,212)	(5%)
Deposit notes	**1,592,417**	1,961,029	(368,612)	(19%)
Covered bonds	**1,701,796**	1,242,608	459,188	37%
Corporate and institutional	**111,644**	260,320	(148,676)	(57%)
Total	**25,836,275**	24,863,740	972,535	4%
Share of term deposits of total (%)	***82%***	*81%*		
Demand deposits:				
Brokered	**542,836**	707,327	(164,491)	(23%)
EQ Bank	**3,588,092**	4,193,476	(605,384)	(14%)
Credit unions	**479,451**	369,851	109,600	30%
Strategic partnerships	**996,627**	505,836	490,791	97%
Corporate and institutional	**133,869**	190,587	(56,718)	(30%)
Total	**5,740,875**	5,967,077	(226,202)	(4%)
Share of demand deposits of total (%)	***18%***	*19%*		
Total deposit principal	**31,577,150**	30,830,817	746,333	2%
EQ Bank deposit principal (excludes accrued interest)	**8,232,715**	7,923,261	309,454	4%

Securitization liabilities

A portion of EQB's securitization transactions do not qualify as loans for balance sheet derecognition and therefore the associated obligations are recognized on the consolidated balance sheet and accounted for as securitization liabilities. The securitization liability was $14.5 billion at October 31, 2023 (December 31, 2022 – $15.0 billion). EQB's securitization liability also included $2.7 billion (December 31, 2022 – $2.2 billion) of securitizations through two funding programs which are sponsored by Domestic Systemically Important Banks (D-SIBs) and provide EQB with a source of matched funding for qualifying uninsured single-family mortgages.

Funding facilities

Secured funding facilities

Equitable Bank has two credit facilities with major Schedule I Canadian banks to fund residential mortgages prior to securitization with an aggregate capacity of $1.6 billion (December 31, 2022 – $1.1 billion). As at October 31, 2023, the outstanding balance on these facilities was $1.1 billion (December 31, 2022 – $737 million).

Concentra Bank maintains a $25 million (December 31, 2022 – $400 million) secured credit facility with a major Schedule I Canadian bank to support issued letters of credit. In addition, Concentra Bank maintains a $100 million (December 31, 2022 – $100 million) secured line of credit with SaskCentral, which is used primarily for settlement and clearing purposes. As at October 31, 2023 and December 31, 2022, there were no amounts outstanding under either of these facilities.

Unsecured funding facilities

EQB has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility of up to $200 million and a term loan facility of up to $275 million. As at October 31, 2023, EQB had an outstanding balance of $373 million (December 31, 2022 – $468 million) on the above facilities including deferred cost of $0.5 million and prepaid interest of $1.9 million.

Equitable Bank launched a new Bearer Deposit Notes ("BDN") program in September 2023. This program furthered the Bank's funding diversity in capital markets through issuance of short-term unsecured notes, expanding the investor base and adding complementary funding sources to the Bank's established funding channels.

Equitable Bank also has access to liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at October 31, 2023 and December 31, 2022, no drawdown was made on these facilities.

Details related to these funding facilities can be found in Note 17 to the 2023 consolidated financial statements.

Liquidity investments and equity securities

Retail and securitization funding markets continue to be liquid and efficient

Equitable Bank maintains liquid assets at a level that it believes are sufficient to meet its upcoming obligations even through periods of disruption in financial markets or challenging economic conditions. The size and composition of the liquidity portfolio at any point in time is influenced by several factors such as expected future cash needs and the availability of various funding sources. Further, the Bank applies 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.

In addition to assets that are held for the purpose of providing liquidity protection, the Bank maintains a portfolio of liquid equity securities (54% of which are investment-grade preferred shares). The Bank is able to liquidate this portfolio in the event of financial stress.

Please refer to the Risk Management section of this document for more details on the Bank's Liquidity and Funding Risk policies and procedures.

Table 14: Liquid assets

($000s, except percentages)	31-Oct-23	31-Dec-22	Change	
Eligible deposits with regulated financial institutions[1]	**516,551**	493,682	22,869	5%
Debt securities	**60,508**	60,301	207	0%
Debt instruments issued or guaranteed by Government of Canada or provincial governments:				
Investments purchased under reverse repurchase agreements	**908,833**	200,432	708,401	353%
Loans and investments held in the form of debt securities[2], net of obligations under repurchase agreements	**2,235,278**	3,110,029	(874,751)	(28%)
Liquid assets held for regulatory purposes	**3,721,170**	3,864,444	(143,274)	(4%)
Other deposits with regulated financial institutions[3]	**33,322**	1,424	31,898	n.m.
Equity securities[4]	**40,455**	72,369	(31,914)	(44%)
Total	**3,794,947**	3,938,237	(143,290)	(4%)
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**7.0%**	7.6%		(0.6%)
Total liquid assets as a % of total assets	**7.2%**	7.7%		(0.5%)

n.m. not meaningful

(1) Eligible deposits with regulated financial institutions represent deposits of Equitable Bank and its subsidiaries, which are held at major Canadian financial institutions and excludes $171.8 million (December 31, 2022 – $251.1 million) of restricted cash held as collateral with third parties for Equitable Bank's interest rate swap transactions, issuance of letters of credit, loan origination and servicing activities, BIN sponsorship and banking settlements in the normal course of business and $595.4 million (December 31, 2022 – $486.5 million) of cash held in trust accounts and deposits held with banks as collateral for Equitable Bank's securitization activities.

(2) Loans held in the form of debt securities represent loans securitized and retained by Equitable Bank and are reported in the Loans receivable balances. Investments held in the form of debt securities include MBS and CMB 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 EQB Inc.

(4) Equity securities are 54% investment-grade publicly traded preferred shares and 46% publicly traded common shares.

Liquid assets[1] were $3.8 billion as at October 31, 2023, 4% lower than December 2022, reflecting the level of liquidity required after taking into account declining demand deposits and the anticipated cash flow needs for upcoming quarters.

(1) This is a non-GAAP measures, see Non-GAAP financial measures and ratios section of this MD&A.

Other assets and other liabilities

Please refer to Notes 14 and 18 to EQB's 2023 consolidated financial statements for a detailed breakdown of Other assets and Other liabilities as at October 31, 2023 and December 31, 2022.

Other assets

Other assets were $653 million as at October 31, 2023, up $114 million or 21% relative to December 2022, mainly driven by higher accounts receivables due to increasing lending activity and timing for settlement, increased BIN sponsorship receivables, higher fair value gains on derivative instruments, and income taxes recovery.

Other liabilities

Other liabilities were $602 million as at October 31, 2023, $45 million or 8% above December 2022, largely a result of higher loan serving fee payable and deferred revenue associated with growing securitization activity, and customer overpayment, offset in part by decreased realty tax withheld, and lower fair value losses on EQB's derivative positions.

Off-balance sheet arrangements

EQB engages in certain financial transactions that, for accounting purposes, are not recorded on its consolidated balance sheets. Off-balance sheet transactions are generally undertaken for risk, capital, and funding management purposes. These include certain securitization transactions, the commitments EQB makes to fund its pipeline of loan originations, and letters of credit issued in the normal course of business (see Note 24 to the 2023 consolidated financial statements in EQB's report).

Securitization of financial assets

Certain securitization transactions qualify for derecognition when EQB has transferred substantially all of the risks, rewards, and control associated with the securitized assets. The outstanding securitized loan principal that qualified for derecognition totalled $15.0 billion at October 31, 2023 (December 31, 2022 – $10.4 billion).

The securitization liabilities associated with these transferred assets were approximately $15.2 billion at October 31, 2023 (December 31, 2022 – $10.6 billion). The securitization retained interests recorded with respect to certain securitization transactions were $559.3 million at October 31, 2023 (December 31, 2022 – $373.4 million) and the associated servicing liability was $81.2 million at October 31, 2023 (December 31, 2022 – $58.2 million).

Commitments and letters of credit

The Bank provides commitments to extend credit to borrowers and had outstanding commitments to fund $5.8 billion of loans and investments in the ordinary course of business at October 31, 2023 (December 31, 2022 – $4.3 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 $68.5 million were outstanding at October 31, 2023 (December 31, 2022 – $86.1 million), none of which were claimed.

Related party transactions

Certain of EQB's 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. See Note 25 to the 2023 consolidated financial statements for further details.

Capital position

Equitable Bank manages its capital in accordance with guidelines established by OSFI, based on standards issued by the Bank for International Settlements' Basel Committee on Banking Supervision (BCBS). 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 minimum 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%. To govern the quality and quantity of capital necessary based on Equitable Bank's inherent risks, it utilizes an Internal Capital Adequacy Assessment Process (ICAAP).

Regulatory Capital Developments

Effective April 1, 2023, Equitable Bank adopted Basel III banking reforms in accordance with OSFI's announced revised capital, leverage, liquidity, and disclosure requirements to help Canadian deposit-taking institutions (DTIs) more effectively manage risks and sustain resilience. The Basel III reforms implemented include:

- CAR with revised standard approach for credit risk and operational risk
- Leverage Requirements (LR)
- Liquidity Adequacy Requirements (LAR)
- Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements
- Pillar 3 Disclosures

The Bank assessed the impact of these changes on its capital position, increased risk sensitivity, segmentation requirements and targeted optionality. Although the results are very much contingent on the composition of the Bank's assets, the overall impact is not significant given the Bank's long history of consistency with prudent lending practice, moderate risk appetite and rigorous risk framework (see "Risk Management" section of this MD&A). On October 20, 2023, OSFI released an update of CAR (2024 Capital Adequacy Requirements) that take effect fiscal Q1 2024, which include changes in capital requirements associated with negative amortization mortgages with growing balance, where payments are insufficient to cover the interest components. Equitable Bank does not have residential mortgage products with these features. Ongoing updates to CAR do have the potential to change the treatment of current lending portfolio and impact future risk-weighted assets.

2023 results reflect the revised Basel III disclosures and prior periods have not been restated.

Risk weighted assets (RWA) of Equitable Bank

In 2023, Equitable Bank's RWA increased $884 million (+5% y/y) mainly driven by organic growth of the conventional Personal loan portfolios, as well as higher operational risk capital charges which is driven by increased revenue. From June 30, 2023, RWA increased $382 million (+2% q/q) with similar drivers.

Risk weighted assets of Equitable Bank

Table 15: Risk-weighted assets of Equitable Bank

($000s, except percentages)			As at October 31, 2023
	Assets / Amounts	**Risk Weighting**	**Risk-weighted assets**
On balance sheet:			
Cash and cash equivalents	**1,283,346**	**20%**	**251,685**
Securities purchased under reverse repurchase agreements	**908,833**	**0%**	**354**
Investments	**2,120,645**	**14%**	**299,880**
Loans – Personal	**32,442,232**	**26%**	**8,595,551**
Loans – Commercial	**15,020,060**	**47%**	**7,114,549**
Securitization retained interests	**559,271**	**100%**	**559,271**
Other assets	**663,024**	**22%**	**146,880**
Total Equitable Bank assets subject to risk rating	**52,997,411**		**16,968,170**
Less: Eligible Stage 1 and 2 allowance	**(101,161)**		**-**
Total Equitable Bank assets	**52,896,250**		**16,968,170**
Off-balance sheet:			
Loan commitments			**847,367**
Derivatives			**115,441**
Other			**4,537**
Total credit risk			**17,935,514**
Operational risk[1]			**1,873,725**
Total (under Basel III reform)			**19,809,239**

($000s, except percentages)			As at December 31, 2022
	Assets / Amounts	**Risk Weighting**	**Risk-weighted assets**
On balance sheet:			
Cash and cash equivalents	1,231,339	18%	221,934
Securities purchased under reverse repurchase agreements	200,432	0%	612
Investments	2,289,301	7%	169,667
Loans – Retail	32,038,686	25%	7,987,516
Loans – Commercial	14,561,461	51%	7,393,299
Securitization retained interests	373,455	100%	373,455
Other assets	538,762	54%	290,562
Total Equitable Bank assets subject to risk rating	51,233,436		16,437,045
Less: Eligible Stage 1 and 2 allowance	(89,931)		-
Total Equitable Bank assets	51,143,505		16,437,045
Off-balance sheet:			
Loan commitments			785,474
Derivatives			168,268
Other			49,310
Total credit risk			17,440,097
Operational risk[1]			1,485,563
Total (under Basel III)			18,925,660

(1) For operational risk, Equitable Bank previously used the Basic Indicator Approach and switched to Simplified Standardized Approach effective April 1, 2023 in accordance with OSFI CAR Guideline requirements. The RWA for operational risk is determined by multiplying the operational risk capital charge by 12.5.

Capital measures

Table 16: Capital measures of Equitable Bank

($000s, except percentages)	31-Oct-23	31-Dec-22	Change	
Common Equity Tier 1 Capital (CET1):				
Common shares	**930,178**	928,778	1,400	0%
Contributed surplus	**13,886**	12,537	1,349	11%
Retained earnings	**2,057,262**	1,856,084	201,178	11%
Accumulated other comprehensive loss (AOCI)[2]	**(49,956)**	(33,759)	(16,197)	48%
Less: Regulatory adjustments to CET1 Capital	**(187,870)**	(170,504)	(17,366)	10%
Common Equity Tier 1 Capital[1]	**2,763,500**	2,593,136	170,364	7%
Additional Tier 1 capital (AT1):				
Non-cumulative preferred shares	**72,554**	183,541	(110,987)	(60%)
Additional Tier 1 capital issued by a subsidiary to third parties (amount allowed in AT1)	**57,628**	-	57,628	n.m.
Tier 1 Capital[1]	**2,893,682**	2,776,677	117,005	4%
Tier 2 Capital:				
Eligible Stage 1 and 2 allowance	**101,162**	89,931	11,231	12%
Additional Tier 1 capital issued by a subsidiary to third parties (amount allowed in Tier 2)	**6,719**	-	6,719	n.m.
Less: Transitional adjustment in response to COVID-19[3]	**-**	(10,647)	10,647	n.m.
Tier 2 Capital[1]	**107,881**	79,284	28,597	36%
Total Capital[1]	**3,001,563**	2,855,961	145,602	5%
Total risk-weighted assets (RWA)[1]	**19,809,239**	18,925,660	883,579	5%
Capital ratios and Leverage ratio[1]:				
CET1 ratio	**14.0%**	13.7%		0.3%
Tier 1 capital ratio	**14.6%**	14.7%		(0.1%)
Total capital ratio	**15.2%**	15.1%		0.1%
Leverage ratio	**5.3%**	5.3%		-%

n.m. not meaningful

(1) See Glossary section of this MD&A. (2) 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 value is excluded. (3) This transitional adjustment was discontinued starting Q1 2023. On March 27, 2020, OSFI announced several actions to address operational issues stemming from the economic impact of COVID-19, including the introduction of a transitional arrangement for expected credit loss provisioning on capital. This transitional arrangement resulted in a portion of allowances that would otherwise be included in Tier 2 capital of Equitable Bank to be included in CET1 capital. The adjustment is equal to the increase in Stage 1 and Stage 2 allowances relative to December 31, 2019. This increase is tax-effected and subject to a scaling factor that will decrease over time. The scaling factor has been set at 70% for 2020, 50% for 2021, and 25% for 2022. This phase-out arrangement has ended at the end of 2022 and thus there would be no impact on Equitable Bank's CET1 and Tier 2 capital starting Q1 2023.

Capital ratios

Equitable Bank's CET1 ratio was 14.0%, up 30 bps from December 31, 2022 mainly due to organic capital growth that added to earnings retained within the Bank. Tier 1 capital ratio was 14.6%, 1 bp lower than December 2022, due primarily to lower additional Tier 1 capital associated with the preferred shares issued by Concentra Bank to third parties. Total capital ratio was 15.2%, an increase of 1 bp, resulting from the same impact as noted above for CET1 ratio.

Relative to Q2 2023, the Bank's capital ratios decreased due to a $100 million dividend payment to its parent company, EQB Inc., which was used to repay a portion of EQB's outstanding credit facilities.

Regulatory capital components

The CET1 capital grew $170 million compared to December 31, 2022, mainly contributed by strong net earning growth, offset in part by the dividend distribution described above. Additional Tier 1 capital decreased $53 million as a portion of the preferred shares issued by Concentra Bank to third parties is not recognized as Tier 1 capital for Equitable Bank. The increase in Total Capital was mainly driven by organic CET1 capital growth.

Leverage ratio

Canadian banks are required to report on OSFI's Leverage Ratio based on Basel III guidelines. OSFI has established minimum Leverage Ratio targets on a confidential and institution-by-institution basis. Equitable Bank remained fully compliant with its regulatory requirements and its Leverage Ratio was 5.3% at October 31, 2023, consistent with both December 31, 2022 and June 30, 2023 levels.

Stress test

As part of its capital management process, Equitable Bank performs stress tests on a regular basis to understand the potential impact of extreme but plausible adverse economic scenarios. Equitable Bank uses 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 Equitable Bank's financial position across a range of economic scenarios.

Based on the results of the stress tests performed to date, management has determined that even in the most adverse scenario analyzed, Equitable Bank has sufficient capital to absorb the potential losses modelled without impairing the viability of the institution and that it would remain profitable in each year of the testing horizon.

Shareholders' equity

Common and preferred shares

At October 31, 2023, EQB had 37,879,352 common shares and 2,911,800 Series 3 preferred shares issued and outstanding. In addition, there were 1,173,719 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $64.3 million. For additional information on outstanding stock options and their associated exercise prices, please refer to Note 20 (a) to the 2023 consolidated financial statements.

Normal course issuer bid (NCIB)

During the ten months ended October 31, 2023, no common or preferred shares were purchased or cancelled under the NCIB.

Common share dividends

Despite changes to its fiscal reporting calendar, EQB will maintain the same dividend payment schedule for future periods (the last business day of March, June, September, and December).

On December 7, 2023, EQB's Board declared a quarterly dividend of $0.40 per common share, payable on December 29, 2023, to common shareholders of record at the close of business on December 20, 2023. This dividend represents a 5% and 21% increase over dividends declared in August 2023 and November 2022, respectively.

On February 7, 2022, EQB's Board of Directors reinstated EQB's common share Dividend Reinvestment Plan (DRIP). Participation in the plan is optional under the terms of the plan. Shareholders may elect to reinvest their cash dividends to purchase additional common shares at a 2% discount to the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the dividend payment date. Common shares issued through the DRIP are issued from treasury stock. EQB maintains the right to suspend the DRIP in future periods.

Preferred shares of EQB

On December 7, 2023, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on December 29, 2023, to preferred shareholders of record at the close of business on December 20, 2023.

Preferred shares of Concentra Bank

As at October 31, 2023, Concentra Bank has $111 million in preferred shares issued and outstanding.

Fourth quarter results

EQB delivered adjusted quarterly earnings[1] of $147 million during the four months ended October 31, 2023, up 27% compared to Q2 2023 and 59% above Q4 2022. Adjusted EPS[1] for the quarter was $3.80, versus $2.98 in Q2 and $2.46 in Q4 2022.

Besides one extra month in this quarter, strong performance contributed to organic growth of the Bank's loans under management, up 4% and 9% from Q2 2023 and Q4 2022, respectively.

Net interest income

The table below details EQB's NII and NIM for the four months ended October 31, 2023, with comparisons to Q2 2023 and Q4 2022, by product and portfolio.

(1) This is a non-GAAP measures, see Non-GAAP financial measures and ratios section of this MD&A.

Table 17: Net interest income

($000s, except percentages)	For the quarter ended					
	31-Oct-23		31-Jun-23		31-Dec-22	
	Revenue/ Expense	Average rate[1]	Revenue/ Expense	Average rate	Revenue/ Expense	Average rate
Revenues derived from:						
Cash and debt securities	**55,656**	**4.61%**	39,111	4.60%	26,925	3.75%
Equity securities	**645**	**5.80%**	828	4.74%	923	5.29%
Single family mortgages– insured[3]	**122,090**	**3.39%**	91,534	3.34%	71,975	2.78%
Single family mortgages– uninsured[3]	**412,205**	**6.33%**	285,560	5.96%	209,462	4.68%
Decumulation loans	**30,899**	**6.73%**	19,585	6.85%	12,557	5.79%
Consumer lending	**32,983**	**11.14%**	23,899	11.77%	13,225	9.19%
Total Personal loans	**598,177**	**5.50%**	420,578	5.24%	307,219	4.14%
Commercial loans	**263,160**	**9.26%**	187,053	9.13%	156,922	8.04%
Equipment financing	**42,034**	**9.60%**	29,375	9.45%	25,624	8.89%
Insured multi-unit residential mortgages	**56,670**	**2.95%**	40,303	2.85%	34,609	2.71%
Total Commercial loans	**361,864**	**6.96%**	256,731	6.81%	217,155	6.17%
Average interest-earning assets	**1,016,342**	**5.88%**	717,248	5.66%	552,222	4.73%
Expenses related to:						
Deposits	**461,849**	**4.33%**	322,503	4.12%	228,256	3.15%
Securitization liabilities	**165,770**	**3.29%**	118,416	3.11%	84,689	2.19%
Others	**42,940**	**5.70%**	24,630	5.21%	20,502	4.49%
Average interest-bearing liabilities	**670,559**	**4.08%**	465,549	3.84%	333,447	2.89%
Adjusted net interest income and margin[2]	**345,783**	**2.00%**	251,699	1.99%	218,775	1.87%
Interest earned on the subscription receipt escrow account	**-**		-		2,220	
Interest paid to subscription receipt holders	**-**		-		654	
Net fair value amortization – assets	**-**		-		21,714	
Net fair value amortization – liabilities	**-**		-		(25,038)	
Reported net interest income and margin	**345,783**	**2.00%**	251,699	1.99%	218,325	1.85%

(1) Average rates are calculated based on the daily average balances outstanding during the period.

(2) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

(3) The presentation has changed for single family mortgages from previous quarters from "alternative and prime" to "uninsured and insured" to better align characteristics of mortgages within each lending portfolio, including both asset yield and capital required. Prior period comparatives have been updated to conform to current period's presentation.

Q4 2023 v Q2 2023

Net interest income +37%, primarily driven by asset growth across its conventional loan portfolios, plus the contribution of one additional month included in this four-month quarter.

NIM expanded mainly due to higher prepayment income, higher yields on the conventional loan business and cost of funds increasing more slowly, reflecting continued optimization with new funding sources, such as new bearer deposit notes.

Q4 2023 v Q4 2022

Adjusted and reported net interest income[1] in Q4 2023 were $345.8 million (+58%), mainly benefiting from asset growth, higher NIM and the inclusion of one extra month in Q4 2023.

Adjusted NIM[1] +13bps (reported +15bps) for the reasons noted above, plus growing asset yields on the conventional loan portfolio, higher prepayment income, and the weighted average impact of including Concentra Bank's assets and funding for four months versus two months in Q4 2022.

Non-interest revenue

Table 18: Non-interest revenue[1]

($000s)	For the quarter ended				
	31-Oct-23	**30-Jun-23**	**Change**	**31-Dec-22**	**Change**
Fees and other income[3]	**18,508**	14,489	28%	10,503	76%
Gains (losses) on strategic investments	**3,655**	27,933	(87%)	(5,137)	n.m.
Net gains on other investments[3]	**4,428**	1,726	157%	(77)	n.m.
Gain on sale and income from retained interests	**25,948**	16,104	61%	9,247	181%
Net (losses) gains on securitization activities and derivatives	**(3,036)**	596	n.m.	1,846	n.m.
Total non-interest revenue– reported	**49,503**	60,848	(19%)	16,382	202%
Fair value amortization adjustment on other investments	**-**	-	n.m.	(65)	n.m.
Gains on strategic investments	**-**	(27,965)	n.m.	-	n.m.
Total non-interest revenue – adjusted[2]	**49,503**	32,883	51%	16,317	203%

n.m. - not meaningful

(1) Prior period comparatives have been reclassified to conform to current period presentation.

(2) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

(3) The grouping for certain gains reported under Net gains (losses) on loans and investments in Q1 2023, was changed to Fees and other income starting Q2 2023. Prior period grouping has not been changed.

Q4 2023 v Q2 2023

Total adjusted non-interest revenue (NIR)[1] $49.5 million (+51%), largely due to an increase in gains on sale revenue (volume growth), higher net gains on strategic investments and debt securities, and one extra month of fee-based revenue in this quarter, offset in part by the fair value losses associated with securitization activities.

Q4 2023 v Q4 2022

Total adjusted NIR[1] tripled the Q4 2022 level, primarily driven by increased gain on sale (volume +273%), higher net gains on strategic and other investments, and additional two-months of fees income from Concentra Bank in this quarter versus Q4 2022, partially offset by net losses on derivative instruments.

[1] Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Provision for credit losses

Table 19: Provision for credit losses

($000s, except percentages)	For the quarter ended				
	31-Oct-23	**30-Jun-23**	**Change**	**31-Dec-22**	**Change**
Stage 1 and 2 provision	**2,279**	5,883	(61%)	24,525	(91%)
Stage 3 provision	**17,287**	7,159	141%	2,271	661%
Total Provision for credit losses (recoveries) – reported	**19,566**	13,042	50%	26,796	(27%)
Less: Provision for credit losses – purchased loans	**-**	-	*n.m.*	*(19,020)*	*n.m.*
Total Provision for credit losses (recoveries) – adjusted[1]	**19,566**	13,042	50%	7,776	152%

n.m. not meaningful. (1) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Q4 2023 v Q2 2023

Provision for stage 1 and 2 dropped $3.6 million in this quarter, while stage 3 provision increased by $10.1 million due to higher delinquent commercial loan balances outstanding at October 31, 2023.

Q4 2023 v Q4 2022

Total provision increased due to the same reason cited above when compared to Q2 2023. Stage 1 and 2 provision declined relative to 2022, as Q4 2022 included Day 1 provision associated with acquired loans of $19.0 million.

Non-interest expenses

Table 20: Non-interest expenses and efficiency ratio

($000s, except percentages and FTE)	For the quarter ended				
	30-Oct-23	**30-Jun-23**	**Change**	**31-Dec-22**	**Change**
Compensation and benefits	**81,683**	59,707	37%	64,999	26%
Technology and system costs	**25,551**	17,937	42%	23,969	7%
Regulatory, legal and professional fees	**17,877**	12,419	44%	11,303	58%
Product costs	**29,719**	18,866	58%	14,943	99%
Marketing and corporate expenses	**22,548**	15,455	46%	20,146	12%
Premises	**3,787**	2,646	43%	3,820	(1%)
Total non-interest expenses – reported	**181,165**	127,030	43%	139,180	30%
Less:					
Integration related costs and other expenses	**(8,153)**	(5,120)	n.m.	(36,921)	n.m.
Total non-interest expenses – adjusted[1]	**173,012**	121,910	42%	102,259	69%
Efficiency ratio – reported	**45.8%**	40.6%	5.2%	59.3%	(13.5%)
Efficiency ratio – adjusted[1]	**43.8%**	42.8%	1.0%	43.5%	0.3%
Full-time employee equivalent (FTE) – period average	**1,743**	1,740	0%	1,635	7%

n.m. not meaningful. (1) Adjusted measures and ratios are Non-GAAP measures and ratios. For additional information, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Q4 2023 v Q2 2023

Compared to Q2 2023, adjusted non-interest expenses +42% (reported +43%), mainly due to one extra month's expenses added in this quarter. Other contributors include higher employee compensation, banking system maintenance costs, transaction service fees, and consulting fees associated with business growth, as well as increase in capital tax.

Q4 2023 v Q4 2022

Adjusted non-interest expenses +69% (reported +30%), mainly for the same reasons described above, plus the full contribution from Concentra in this quarter.

Total loan principal continuity

The following table provides quarterly on-balance sheet loan principal continuity schedules by lending business for Q4 2023 and Q4 2022:

Table 21: On-Balance Sheet loan principal continuity schedule[1]

($000s, except percentages)	As at or for the four months ended October 31, 2023		
	Personal	Commercial	Total
Q2 2023 closing balance	**32,397,957**	**15,122,507**	**47,520,464**
Originations[3]	**2,861,250**	**3,576,170**	**6,437,420**
Derecognition	**-**	**(2,618,633)**	**(2,618,633)**
Net repayments	**(2,843,136)**	**(1,097,054)**	**(3,940,190)**
Q4 2023 closing balance	**32,416,071**	**14,982,990**	**47,399,061**
% Change from Q2 2023	**0%**	**(1%)**	**0%**
Net repayments percentage[2]	**8.8%**	**7.3%**	**8.3%**

($000s, except percentages)	As at or for the three months ended December 31, 2022		
	Personal	Commercial	Total
Q3 2022 closing balance	24,237,002	12,454,029	36,691,031
Loans purchased on November 1	7,712,290	1,099,729	8,812,019
Originations[3]	1,811,011	2,083,559	3,894,570
Derecognition	-	(702,592)	(702,592)
Net repayments	(1,647,893)	(393,329)	(2,041,222)
Q4 2022 closing balance	32,112,410	14,541,396	46,653,806
% Change from Q3 2022	32%	17%	27%
Net repayments percentage[2]	6.8%	3.2%	5.6%

(1) The principal numbers are reported on a consolidated basis, including Concentra, prior to acquisition-related fair value adjustments that are captured in balance sheet measures. (2) Net repayments percentage is calculated by dividing net repayments by the previous period's closing balance.
(3) Originations includes the net movement on Reverse Mortgage capitalized interest that incurred in the period. Prior period comparatives have been updated to conform to current period presentation.

Q4 2023 v Q2 2023

Personal Banking portfolio grew sequentially mainly driven by strong originations in the reverse mortgage business, a result of successful consumer advertising that increased market awareness and new customer acquisition.

Commercial conventional loans also increased due to steady origination levels. The growth was offset by increased securitization and derecognition activity in the multi-unit residential business.

Q4 2023 v Q4 2022

Please refer to Total loan principal under the "Balance sheet review" section of this MD&A for a discussion of the loan portfolio growth over the past ten months.

Interim financial statements

Table 22: Unaudited interim consolidated statement of income

($000, except per share amounts)	For the quarter ended		
	31-Oct-23	**30-Jun-23**	**31-Dec-22**
Interest income:			
Loans – Personal	**598,177**	420,578	327,596
Loans – Commercial	**361,864**	256,731	218,428
Investments	**24,613**	18,856	10,754
Other	**31,688**	21,083	19,298
	1,016,342	717,248	576,076
Interest expense:			
Deposits	**461,786**	322,503	244,413
Securitization liabilities	**165,853**	118,416	93,163
Funding facilities	**24,719**	11,891	11,025
Other	**18,201**	12,739	9,150
	670,559	465,549	357,751
Net interest income	**345,783**	251,699	218,325
Non-interest revenue:			
Fees and other income	**18,508**	14,489	10,503
Net gain (loss) on loans and investments	**8,083**	29,659	(5,214)
Gains on sale and income from retained interests	**25,948**	16,104	9,247
Net (losses) gains on securitization activities and derivatives	**(3,036)**	596	1,846
	49,503	60,848	16,382
Revenue	**395,286**	312,547	234,707
Provision for credit losses	**19,566**	13,042	26,796
Revenue after provision for credit losses	**375,720**	299,505	207,911
Non-interest expenses:			
Compensation and benefits	**81,683**	59,707	64,999
Other	**99,482**	67,323	74,181
	181,165	127,030	139,180
Income before income taxes	**194,555**	172,475	68,731
Income taxes			
Current	**28,803**	26,612	22,154
Deferred	**24,606**	14,938	758
	53,409	41,550	22,912
Net income	**141,146**	130,925	45,819
Dividends on preferred shares	**2,349**	2,331	2,305
Net income available to common shareholders	**138,797**	128,594	43,514
Earnings per share			
Basic	**3.67**	3.41	1.20
Diluted	**3.64**	3.39	1.19

Table 23: Unaudited interim consolidated statement of comprehensive income

($000s)	For the quarter ended		
	31-Oct-23	**30-Jun-23**	**31-Dec-22**
Net income	**141,146**	130,925	45,819
Other comprehensive income – items that will be reclassified subsequently to income:			
Debt instruments at Fair Value through Other Comprehensive Income:			
Net unrealized losses from change in fair value	**(18,624)**	(31,474)	(1,788)
Reclassification of net losses to income	**16,252**	32,302	3,985
Other comprehensive income – items that will not be reclassified subsequently to income:			
Equity instruments designated at Fair Value through Other Comprehensive Income:			
Reclassification of (losses) gains from AOCI on sale of investments	**(10,951)**	-	604
Net unrealized losses from change in fair value	**(2,985)**	(30,989)	(1,543)
Reclassification of net losses to retained earnings	**6,128**	4,936	798
	(10,180)	(25,225)	2,056
Income tax recovery (expense)	**2,746**	7,005	(185)
	(7,434)	(18,220)	1,871
Cash flow hedges:			
Net unrealized gains from change in fair value	**27,911**	28,856	5,050
Reclassification of net gains to income	**(27,014)**	(11,082)	(1,396)
	897	17,774	3,654
Income tax expense	**(249)**	(4,936)	(958)
	648	12,838	2,696
Total other comprehensive (loss) income	**(6,786)**	(5,382)	4,567
Total comprehensive income	**134,360**	125,543	50,386

Table 24: Unaudited interim consolidated statement of cash flows

($000s)	For the quarter ended		
	31-Oct-23	**30-Jun-23**	**31-Dec-22**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	**141,146**	130,925	45,819
Adjustments for non-cash items in net income:			
Financial instruments at fair value through profit or loss	**27,349**	56,610	(8,202)
Amortization of premiums/discounts on investments	**3,455**	2,439	274
Amortization of capital assets and intangible costs	**14,992**	11,919	19,130
Provision for credit losses	**19,566**	13,042	26,796
Securitization gains	**(20,513)**	(13,690)	(7,197)
Stock-based compensation	**1,060**	808	840
Dividend income earned, not received	**(416)**	(27,964)	-
Income taxes	**53,409**	41,550	22,912
Securitization retained interests	**33,392**	22,055	15,197
Changes in operating assets and liabilities:			
Restricted cash	**103,052**	(203,717)	(107,948)
Securities purchased under reverse repurchase agreements	**300,097**	(476,322)	549,640
Loans receivable, net of securitizations	**(128,862)**	(943,719)	(1,138,391)
Other assets	**33,951**	(65,068)	176,042
Deposits	**(188,034)**	549,817	417,239
Securitization liabilities	**(892,589)**	89,135	680,398
Obligations under repurchase agreements	**252,520**	(28,940)	(83,574)
Funding facilities	**244,579**	718,291	85,314
Subscription receipts	**-**	-	(232,018)
Other liabilities	**101,566**	57,750	(136,172)
Income taxes paid	**(8,459)**	(34,342)	(30,909)
Cash flows from (used in) operating activities	**91,261**	(99,421)	295,190
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares	**3,369**	2,707	225,890
Term loan facility	**-**	-	275,000
Dividends paid on preferred shares	**(2,349)**	(2,331)	(2,304)
Dividends paid on common shares	**(14,367)**	(13,945)	(12,387)
Cash flows (used in) from financing activities	**(13,347)**	(13,569)	486,199
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	**(279,527)**	(162,220)	(518,429)
Proceeds from sale or redemption of investments	**245,386**	374,215	281,762
Net change in Canada Housing Trust re-investment accounts	**146,567**	(58,762)	177,457
Purchase of capital assets and system development costs	**(14,358)**	(12,372)	(30,703)
Investment in subsidiary	**-**	-	(495,369)
Cash flows from (used in) investing activities	**98,068**	140,861	(585,282)
Net increase in cash and cash equivalents	**175,982**	27,871	196,107
Cash and cash equivalents, beginning of period	**373,492**	345,621	298,999
Cash and cash equivalents, end of period	**549,474**	373,492	495,106
Cash flows from operating activities include:			
Interest received	**903,914**	743,478	514,579
Interest paid	**(554,032)**	(432,654)	(143,439)
Dividends received	**29,180**	1,022	1,045

Accounting standards and policies

Accounting policy changes

EQB's significant accounting policies are essential to an understanding of its reported results of operations and financial position. Accounting policies applied by EQB in the fiscal 2023 consolidated financial statements are the same as those applied by EQB as at and for the year ended December 31, 2022.

Future Changes in Accounting Policies

Interest rate benchmark reform

In August 2020, the International Accounting Standards Board (IASB) issued the Interest Rate Benchmark Reform Phase 2, which included amendments to IFRS 9, IAS 39, IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 4, and IFRS 16 Leases (IFRS 16). These amendments addressed issues that arise from the implementation of the reforms, including the replacement of a benchmark with an alternative one.

Various interest rates and other indices that are deemed to be "benchmarks" - including Interbank Offered Rate (IBOR) benchmarks such as the Canadian Dollar Offered Rate (CDOR) - continue to be impacted by reforms resulting from international regulatory guidance and proposals. As a result of the global benchmark reform initiative, efforts to transition away from IBORs to alternative reference rates (ARR) have either concluded or have been continuing in various countries.

In Canada, this process has been led by the Canadian Alternative Reference Rate working group (CARR). As a result of this initiative, in December 2021, CARR recommended to Refinitiv Benchmark Services (UK) Limited (RBSL), the CDOR administrator, to cease the calculation and publication of CDOR after June 30, 2024. Following a public consultation by RBSL, it was announced on May 16, 2022, that it will stop publishing all three remaining CDOR tenors after June 28, 2024. Six-month and twelve-month CDOR tenors had previously ceased to be published effective May 17, 2021. Immediately after the announcement by CARR, the OSFI published their supervisory expectations for federally regulated financial institutions (FRFIs) to transition from CDOR. Included in this announcement was that OSFI expects all new derivative contracts (bilateral, cleared, and exchange-traded) and securities (assets and debt liabilities) to transition to ARR by June 30, 2023, with no new CDOR exposure being booked after that date, with limited exceptions for risk mitigation requirements to reduce the overall sensitivity of the assets or liabilities to CDOR risk. After June 30, 2023, market participants are expected to only trade Canadian Overnight Repo Rate Average (CORRA) based swaps and futures, except when reducing existing CDOR related exposure or if hedging CDOR loan related exposure. OSFI also expects all agreements referencing CDOR to be transitioned by June 28, 2024.

EQB has incorporated these developments into its plan to transition away from CDOR and EQB continues to monitor developments and best practice guidance with respect to transition activities.

Please refer to Note 3 to the audited consolidated financial statements for more details.

Critical accounting estimates

The preparation of the consolidated financial statements requires management to make estimates, judgements 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 reporting period. Estimates and underlying assumptions are reviewed by management on an ongoing basis. Critical estimates and judgments utilized in preparing EQB'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, fair values of net identifiable assets acquired, liabilities assumed and intangible assets recognized in a business combination, and income taxes.

In making estimates and judgments, management uses external information and observable market inputs where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the current market volatility and uncertainty due to geopolitical unrest, the current interest rate environment, and inflationary pressures. 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 judgments and estimates in a number of areas. Management must exercise significant experienced credit judgment 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 incorporates 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 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 judgments directly impact the measurement of ECL.

As a result of the geopolitical unrest, the current interest rate environment, and inflationary pressures, the macroeconomic environment continues to experience 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.

Fair value of assets, liabilities and intangible assets on Concentra Bank's acquisition

On November 1, 2022, Equitable Bank acquired 100% ownership in Concentra Bank by paying $495.4 million in purchase consideration and recognized assets, liabilities, goodwill and intangible assets on its consolidated balance sheet. For the loans and receivables acquired and deposit liabilities assumed, management carried out valuation adjustments to principal book values by applying an income approach that requires the cash flows relating to the financial instruments to be discounted to present value at prevailing market interest rates at the valuation date. In determining these cash flows, management exercised significant judgment in determining estimates relating to liquidation rates, prepayment rates, and repricing adjustments, including credit spreads.

Equitable Bank recognized some of Concentra's core deposits and Trust relationships as intangible assets. Core deposits are expected to provide a stable, low-cost source of funding to Equitable Bank, and existing Trust relationships with credit unions and individual trust clients will provide a new source of revenue and generate new clients for Equitable Bank by generating trust income. The valuation of core deposit intangible asset was carried out using the differential income approach, being the difference between the cost of funds for the acquired deposits and the cost of funds from alternative sources (deposit spread). The valuation of core deposit intangible asset required management to make significant judgments and estimates relating to cash flow discount rates and deposit spreads.

For further information regarding critical accounting estimates, please refer to Notes 2(d) and 10(d) to (f) to the 2023 consolidated financial statements.

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is accumulated and communicated to senior management, including the President and Chief Executive Officer and the Chief Financial Officer, on a timely basis to enable appropriate decisions to be made regarding public disclosure. Management has evaluated the effectiveness of EQB's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) as at October 31, 2023. Based on that evaluation, Management has concluded that these disclosure controls and procedures were effective.

Internal control over financial report

EQB Inc.'s Internal Control over Financial Reporting framework is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. EQB has evaluated the design and operational effectiveness of its Internal Controls over Financial Reporting (ICOFR) as at October 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting. This evaluation was conducted in accordance with the Integrated (2013) Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, a recognized control model, and the requirements of National Instrument 52-109 of the Canadian Securities Administrators. Based on this evaluation, management has concluded that EQB's Internal Controls over Financial Reporting were effective as at October 31, 2023.

Changes in Internal control over financial reporting

Equitable Bank's Senior Vice-President and Chief Risk Officer left the Bank on August 31, 2023.

There were no changes to EQB's internal control over financial reporting that occurred during the fourth quarter of 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risk management

Through its wholly owned subsidiary, Equitable Bank (the Bank), EQB 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 its business, financial condition, and operating results. These factors may also influence an investor's decision to buy, sell or hold shares in EQB. Many of these risk factors are beyond EQB'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.

The yellow tinted sections in the "Credit Risk", "Liquidity and Funding Risk", and "Market Risk" below form an integral part of the 2023 consolidated financial statements as they present required IFRS disclosures as set out in IFRS 7 Financial Instruments: Disclosures, which permits cross-referencing between the notes to the financial statements and the MD&A. See Note 4 of the 2023 consolidated financial statements.

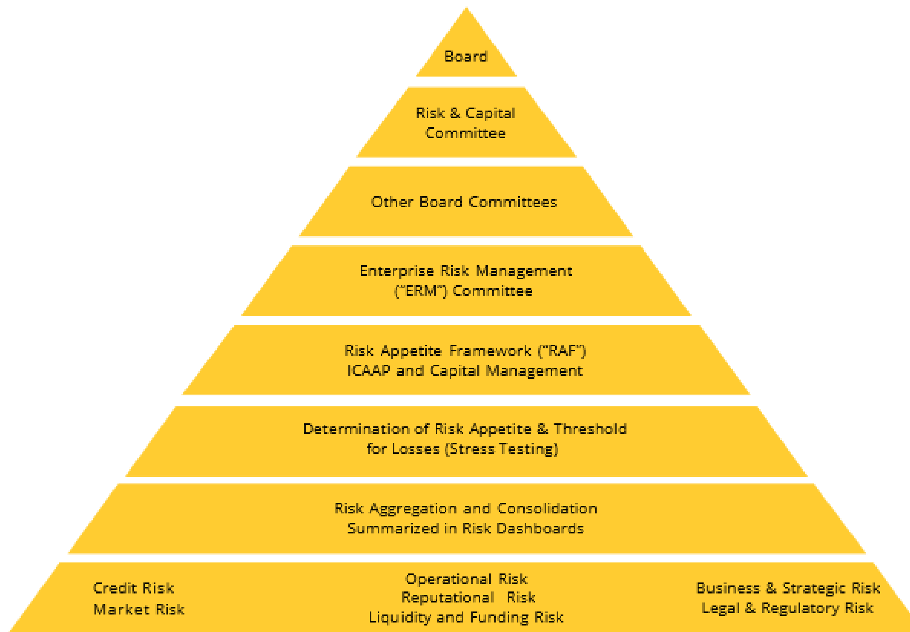
The Bank's business activities, including its use of financial instruments, expose the Bank to various risks, the most significant of which are credit risk, liquidity and funding risk, and market risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Bank's Enterprise Risk Management (ERM) framework. The ERM framework is designed to ensure that all risks are managed within the Bank's pre-defined risk appetite thresholds outlined in its Risk Appetite Framework (RAF). The ERM and RAF are designed to align the Bank's overall corporate strategy, financial and capital plans, business unit strategies and day-to-day operations, as well as its risk management policies and practices (i.e., risk limits, risk selection/underwriting guidelines and criteria, etc.) across the organization. The ERM and RAF are updated by senior management and approved by the Board on an annual basis, or more frequently, if required.

The ERM covers the type and amount of risk that the Bank is capable and willing to take on in support of its business operations and strategy. The ERM is designed to ensure active monitoring of all key current and emerging risks on a continuous basis, and to provide the Board with timely periodic updates on risk management practices and related economic capital requirements. It also sets out the Bank's approach for identifying, assessing, managing and reporting on key risks, including the establishment of roles, responsibilities, processes, and tools to be used. To ensure that all significant and emerging risks are considered, management reviews the risk profile with respect to each of the Bank's core risks on a continuous basis, and report to the Board at least quarterly. The ERM is also designed to ensure that the potential for loss remains within acceptable Board-approved limits.

Equitable Bank's Enterprise Risk Management Framework:



The Risk and Capital Committee (RCC): The RCC of the Board assists the Board in fulfilling its oversight and governance responsibilities for the management of the Bank's core and emerging risks and the adequacy of its Internal Capital Adequacy Assessment Process (ICAAP), as well as strategic and capital plans. The RCC specifically assists the Board in fulfilling its oversight role for credit, liquidity and funding, and market risks and receives ongoing periodic reports from the ERM Committee and Asset and Liability Committee (ALCO) in this regard. The RCC also has primary oversight responsibility for operational risk, business and strategic risk, and reputational risk. In addition, the mandate of the RCC requires that the Committee review and approve the significant risk management policies and frameworks developed and implemented to identify, measure, mitigate, monitor, and report on the Bank's core risks, along with its risk-based capital requirements and the results of its stress testing for all key risks. At present, the RCC is comprised of five independent directors, including the Chairs of the Audit Committee and Human Resources and Compensation Committee. It meets quarterly with the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and the Chief Risk Officer (CRO).

To ensure capital allocation and risk management are aligned, the Bank's ICAAP, which is reviewed annually with the RCC, determines the ongoing capital needs of the business and reviews those needs in the context of its operating environment and strategic plans. Material risks are regularly stress tested to determine their impact on capital and to establish internal capital adequacy targets on a go-forward basis.

The RCC is supported by the following board and management level committees:

Credit Risk Sub-Committee: The credit risk sub-committee of the RCC is responsible for approving lending transactions which exceed the credit limits that have been delegated to management by the Board.

ERM Committee: The ERM Committee is chaired by the CRO and consists of members of senior management, and assists the RCC in fulfilling its oversight and governance responsibilities vis-à-vis the Bank's risk management practices and ICAAP. To ensure that all significant risks that the Bank faces are actively managed and monitored, the ERM Committee reviews and monitors the Bank's key and emerging risks, risk trends, the results of its enterprise-wide stress and scenario tests, relevant policies and related risk management considerations/actions to be taken. It reports to the RCC at least quarterly.

Asset and Liability Committee: The RCC oversees the Bank's ALCO, which identifies the liquidity as well as the market risks faced by the Bank, sets appropriate risk limits and controls, and monitors those risks and adherence to Board approved limits. The ALCO is chaired by the CEO and is comprised of members of senior management.

Other Board Committees that monitor the organizations activities and overall risk profile are as follows:

Audit Committee: The Audit Committee of the Board assists the Board in fulfilling its oversight responsibilities with respect to the quality and integrity of the Bank's financial reporting processes and the performance of the internal audit function. The Audit Committee is assisted in fulfilling its mandate by the Bank's Finance and Internal Audit departments. Internal Audit undertakes regular and independent reviews of the Bank's risk management controls and procedures, the results of which are reported to the Audit and other applicable Board Committees.

Governance and Nominating Committee: The Governance and Nominating Committee of the Board maintains primary oversight over the Bank's *Legal and Regulatory Risk*; this includes oversight of the Bank's Compliance function and ensures the Bank's compliance with all legal and regulatory requirements, including compliance with the consumer protection provisions of the Financial Consumer Protection Framework. The Committee also is responsible for overall corporate governance which includes Board membership (including recruitment), Board effectiveness, development of corporate governance guidelines (including a code of conduct), transactions involving related parties, as well as oversight of conflict of interest, whistleblower and privacy programs. Further, this committee is responsible for the oversight of the Bank's environmental sustainability and corporate social responsibility initiatives (ESG) in conjunction with the review of Bank's annual ESG report, as well as the Bank's Public Accountability Statement, and monitors trends and best practices in ESG.

Human Resources and Compensation Committee: The Human Resources and Compensation Committee of the Board assists the Board in ensuring that the Bank's compensation policies and practices are aligned with its risk appetite and risk management frameworks. This ensures that the incentive for management to assume risks in the pursuit of business objectives is aligned with the Bank's Board-approved risk appetite.

Under the Bank's risk management framework, senior management reports on all key risk issues to at least one of the aforementioned committees of the Board on a quarterly basis.

The Bank's approach to enterprise-wide risk management aligns with the three lines of defense model:

i. Business Unit Leaders are the 'first line', and are primarily accountable for identifying, assessing, managing and reporting risk within their functional areas of responsibility.

ii. The Risk Oversight functions, which include the Finance, Risk and Compliance departments, are accountable for independent oversight of the Business Unit operations from a 'second line' perspective. Given the size and complexity of the Bank's operations and risk profile, business line management leverages the skills of the 'second line' as subject matter experts to assist in the design of risk monitoring practices. Due to the inherent expertise embedded in the 'second line', the performance of some traditional 'first line' oversight functions may be undertaken by the 'second line'.

iii. Internal Audit is accountable for independent assurance as the 'third line of defense'.

The following sections provide updates on Equitable Bank's credit risk and liquidity risk profiles:

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 investment in debt and equity securities. The Bank's exposure to credit risk is monitored by senior management and the ERM 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 mortgages on real estate located across Canada. All mortgages are individually evaluated by the Bank's or its agents' underwriters using internal and external credit risk assessment

tools, and are assigned risk ratings in accordance with the level of credit risk attributed to each loan.

Each transaction is approved independently in accordance with the authorization structure set out in the Bank's policies. Its underwriting approach, particularly in core lending business, places a strong emphasis on security evaluation and judgmental analysis of the risks in the transaction. As a result, for borrowers who have good equity and debt service ratios, Equitable Bank can underwrite mortgages on terms favourable to the Bank in situations where other lenders may not be able to reach a satisfactory business transaction. The Bank originates insured Single Family prime mortgages through third party agents, in addition to originating them internally. As part of risk management practices, the Bank ensures that these third party sourced prime mortgages are underwritten to the high standards required of both Bank originated mortgages, as well as those required by its mortgage insurers. The Bank also conducts periodic reviews of its mortgage underwriting and servicing policies, procedures, and practices vis-à-vis the applicable requirements outlined by its mortgage insurers to ensure that the Bank remains compliant with their ongoing operational requirements.

The Bank has implemented several Risk Appetite measures which allow the Bank to monitor and control inherent risks at the enterprise and portfolio levels. These measures vary by business unit as may be appropriate and include a combination of approaches such as geographic concentrations, loan classifications, asset concentration limits, and industrial segmentation limits. These limits are monitored and reported to senior management and the Board on a regular basis and are also used to inform the strategic planning process.

The Bank has clearly defined underwriting policies and procedures that the Bank adheres to in its mortgage underwriting process. These include a maximum LTV ratio on all uninsured commercial and residential mortgage loans; certain standards with regard to the asset quality and debt service coverage of commercial properties; standards for the marketability of the properties taken as security, including geographic market restrictions; and requirements surrounding the overall credit quality and integrity of all borrowers. The Bank also actively analyzes the profile of its lending businesses and new mortgage originations in tandem with external market conditions, including market values and employment conditions that prevail in those markets where the Bank lends. When the Bank judges that the risk associated with a particular region or product is increasing, the Bank adjusts its underwriting criteria to ensure that underwriting policies continue to be prudent and reflective of current and expected economic conditions, and thereby safeguard the future health of the portfolio. When appropriate, the Bank also responds to the changing marketplace with initiatives designed to increase or decrease its mortgage originations, as required, while continuing to ensure a prudent credit risk profile across its entire portfolio.

Adding new products and diversifying is an important means to reduce risk if executed effectively. The Bank follows established change management policies and procedures to ensure the successful implementation of new offerings. The Bank continues to diversify into adjacent personal businesses such as the offering of reverse mortgages to qualifying homeowners. These reverse mortgages enable homeowners to convert a portion of their home equity into cash on a tax-free basis while remaining in their principal residence. The Bank also offers lines of credit to individuals aged over fifty, secured against the Cash Surrender Value (CSV) of the borrower's participating whole life insurance policy.

Through its Commercial Lending platform, the Bank continues diversifying into 'Specialized Finance' – with a focus on 'Lend to Lender' arrangements.

The Commercial Lending platform also includes Bennington Financial Corporation which serves the brokered equipment financing market in Canada with a focus on transportation, construction, and food service equipment. Since acquiring Bennington over 4 years ago, the Bank continues to enhance its competitive position in the equipment financing market using its challenger bank platform and access to cost-effective funding sources.

The Bank categorizes individual credit exposures in its lending portfolios using an internal risk rating system that rates each exposure in the portfolio on the basis of perceived risk, or probability of, a potential financial loss. This allows us to focus on monitoring and managing higher risk exposures. The risk rating of each exposure is initially determined during the underwriting process and subsequently either confirmed or revised (as a result of certain trigger events) using customized risk grids applicable to the property type of the underlying exposure. In case of impairment, probable recovery is determined using a combination of updated property-specific information, historical loss experience, and experienced credit judgment to determine the impairment provision that may be required.

The Bank invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. However, such investments 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 credit risk, the Bank establishes policies with exposure limits based on credit rating and investment type. Securities rated BBB- and higher ("low risk") comprised 97% of the Bank's corporate bond portfolio at October 31, 2023 (December 31, 2022 – 94%).

The Bank also invests in preferred shares comprising 29% of the total securities portfolio, to generate returns that meet certain internally acceptable ROE thresholds. These securities also represent a potential source of liquidity for the Bank. However, such investments expose the Bank to credit risk – should the issuer of these securities be unable to make timely dividend payments or, under a worst-case scenario, the issuer becomes insolvent. To limit its exposure to credit risk, the Bank establishes policies with exposure limits based on credit rating and investment type. Securities rated P-2 or higher comprised 4% of the Bank's total equity securities portfolio at October 31, 2023, compared to 17% a year earlier. Securities rated P-3 or higher comprised 20% of the total equity securities portfolio at the end of October 2023 (December 31, 2022 – 44%).

The Bank's rating scale for the credit quality of its counterparties is based on both internal and external credit grading systems. Table 26 below maps these grading systems against the categories on the Bank's credit risk exposure ratings scale. It presents the long-term Standard & Poor's equivalent grades for the Bank's cash and cash equivalents, debt and equity securities, and derivative counterparties. Low risk denotes that there is a very low risk of either default or loss, standard risk that there is a low risk of default or loss, and high risk that there is some concern that default or loss could occur.

Cash and cash equivalents and derivatives ratings are based on the issuer grade of the respective financial institution, their subsidiaries or other financial intermediaries. Debt securities, including corporate bonds, are categorized based on short-term or long-term issue grades, depending on the maturity dates of the securities. Preferred share securities are categorized based on the DBRS preferred share rating scale used in the Canadian securities market. Lending exposures are categorized according to the Bank's internal risk rating framework, which is based on the likelihood of default.

The Bank assigns economic and regulatory capital for its counterparty credit exposures in accordance with OSFI's CAR Guideline, which is based on standards issued by the BCBS. All deemed credit exposures, such as counterparty credit risk that may arise through deposits placed with banks, derivatives contracts and other activities, are regularly assessed to ensure that such activities are consistent with the Bank's Board-approved RAF and do not expose the Bank to undue risk of loss. All related counterparty credit limits are approved by senior management and monitored on an ongoing basis to ensure that all such exposures are maintained within approved limits.

Table 25: 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**
Mortgages receivable:			
Mortgage risk rating	**0 – 3**	**4 – 5**	**6 – 8**

The Bank has assessed the credit quality of the Bank's assets at October 31, 2023 and December 31, 2022, 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 financial assets classified as debt instruments in accordance with IFRS 9, 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 26: Credit quality analysis

($000s)				**As at October 31, 2023**
	Stage1	**Stage2**	**Stage3**	**Total**
Loans receivable:				
Low risk	**14,721,283**	**2,433,376**	**-**	**17,154,659**
Standard risk	**18,975,447**	**9,798,761**	**-**	**28,774,208**
High risk	**528,370**	**643,459**	**-**	**1,171,829**
Impaired	**-**	**-**	**379,590**	**379,590**
Total	**34,225,100**	**12,875,596**	**379,590**	**47,480,286**
Less allowance	**(55,962)**	**(43,477)**	**(17,994)**	**(117,433)**
	34,169,138	**12,832,119**	**361,596**	**47,362,853**

($000s)				**As at October 31, 2023**
	Stage1	**Stage2**	**Stage3**	**Total**
Loan commitments:				
Low risk	**2,407,447**	**400,891**	**-**	**2,808,338**
Standard risk	**1,467,184**	**494,386**	**-**	**1,961,570**
High risk	**1,859**	**19,526**	**-**	**21,385**
Total	**3,876,490**	**914,803**	**-**	**4,791,293**
Less allowance	**(1,488)**	**(234)**	**-**	**(1,722)**
	3,875,002	**914,569**	**-**	**4,789,571**

($000s)				As at December 31, 2022
	Stage1	Stage2	Stage3	Total
Loans receivable:				
Low risk	15,180,145	1,495,428	-	16,675,573
Standard risk	21,133,205	8,049,427	-	29,182,632
High risk	295,309	314,970	-	610,279
Impaired	-	-	138,513	138,513
Total	36,608,659	9,859,825	138,513	46,606,997
Less allowance	(50,691)	(37,768)	(6,851)	(95,310)
	36,557,968	9,822,057	131,662	46,511,687

($000s)				As at December 31, 2022
	Stage1	Stage2	Stage3	Total
Loan commitments:				
Low risk	1,327,738	27,041	-	1,354,779
Standard risk	1,344,033	725,438	-	2,069,471
High risk	1,089	15,593	-	16,682
Total	2,672,860	768,072	-	3,440,932
Less allowance	(1,042)	(430)	-	(1,472)
	2,671,818	767,642	-	3,439,460

The following table sets out the credit analysis for financial assets measured at FVTPL and for equity securities measured at FVOCI.

Table 27: Credit analysis for financial assets

($000s)	**31-Oct-23**	31-Dec-22
Debt Instruments:		
Loan receivables – FVTPL		
Low risk	**471,853**	430,253
Standard risk	**756**	854
Carrying amount	**472,609**	431,107
Investments – FVTPL		
Low risk	**125,654**	136,921
Standard risk	**-**	679
High risk	**51,903**	50,612
Carrying amount	**177,557**	188,212
Equity Instruments:		
Equity Securities – FVTPL		
High risk	**17,629**	21,274
Carrying amount	**17,629**	21,274
Equity Securities – FVOCI		
Low risk	**4,988**	14,400
Standard risk	**18,947**	34,885
High risk	**28,751**	10,883
Carrying amount	**52,686**	60,168

Cash and cash equivalents

The Bank held cash and cash equivalents of $549.5 million as at October 31, 2023. The cash and cash equivalents are held with financial institutions that are rated at least BBB- to AA+, based on S&P ratings.

Collateral held as security

All mortgages are secured by real estate property located in Canada. Appraised values for collateral held against mortgages are obtained at the time of origination and are generally not updated, except when a mortgage is individually assessed as impaired. For impaired mortgages, the most recent appraised value of collateral at October 31, 2023 was $831 million (December 31, 2022 – $224 million). At October 31, 2023, the appraised values of collateral held for mortgages considered past due but not impaired, as determined when the mortgages were originated, was $516 million (December 31, 2022 – $261 million). It is the Bank's policy to pursue the orderly and timely realization of collateral.

Real estate from foreclosures that were owned and held for sale at October 31, 2023 amounted to $0.2 million (December 31, 2022 – $0.4 million) and are included in Other assets (Note 14) in the consolidated balance sheet. The Bank does not use the real estate obtained through foreclosure for its own operations.

Leases are secured by first charges against the equipment leased and may include guarantees and other additional charges against other assets such as real estate. Values for the equipment securing leases are typically determined at the origination of the lease and generally not updated, except when a lease is individually assessed as impaired. For impaired leases, the value of expected realizations from charges and against equipment and other security at October 31, 2023 was $21 million (December 31, 2022 – $9 million).

The Bank does not hold collateral against investments in debt and equity securities, however, securities received under reverse repurchase agreements are allowed to be sold or re-pledged in the absence of default by the owner. The Bank has a commitment to return collateral to the counterparty in accordance with the terms and conditions stipulated by the master repurchase agreement. The Bank has no contractual agreement with any counterparty that required it to post increased collateral in the event of its credit rating being downgraded.

The contractual amount outstanding on financial assets written off to date that are still subject to enforcement activity amounted to $3.3 million (December 31, 2022 – $3.3 million).

Credit concentration risk

A component of credit risk that is closely monitored and measured within the exposures in the Bank's unsecuritized portfolio, is credit concentration risk. By way of definition, credit concentration risk results if an unduly large proportion of the Bank's lending business involves a single person, organization or group of related persons or organizations, a single geographic area, a single industry or a single category of investment. The ability of these counterparties to meet contractual obligations may be similarly affected by changing economic or other conditions. On a regular basis, with the approval of the Board, the Bank establishes credit limits for exposure to certain counterparties, industries or market segments, monitor these credit exposures, and prepare detailed analyses and reports assessing overall credit risk within the Bank's lending exposures and investment portfolios.

Management believes that it is adequately diversified by borrower, property type and geography. At October 31, 2023, no individual borrower represented more than $216 million (December 31, 2022 – $158 million) or 0.78% (December 31, 2022 – 0.70%) of uninsured loan principal outstanding. See Table 13 of the Q4 2023 unaudited Supplemental Financial Information Report for a breakdown of loan principal outstanding by geography.

The table below provides a breakdown of Equitable Bank's loan principal by insured vs uninsured and by lending business.

Table 28: Loan principal by lending business

($000s, except percentages)	31-Oct-23	30-Jun-23	Change	31-Dec-22	Change
Insured:					
Personal	**10,547,687**	10,863,782	(316,095)	11,249,787	(702,100)
Commercial	**6,809,589**	6,933,999	(124,410)	6,356,334	453,255
Total loan principal outstanding	**17,357,276**	17,797,781	(440,505)	17,606,121	(248,845)
Total loan principal outstanding percentage	**37%**	38%	(1%)	38%	(1%)
Uninsured:					
Personal	**21,868,384**	21,534,175	334,209	20,862,623	1,005,761
Commercial	**8,173,401**	8,188,509	(15,108)	8,185,062	(11,661)
Total loan principal outstanding	**30,041,785**	29,722,684	319,101	29,047,685	994,100
Total loan principal outstanding percentage	**63%**	62%	1%	62%	1%

As part of Equitable Bank's risk management, it lends at lower LTV's, adding further credit loss protection to its loan portfolio. The average LTV on the Bank's uninsured residential mortgage portfolio was 62% at October 31, 2023 (June 30, 2023 – 63%, December 31, 2022 – 65%). The table below presents the Bank's average uninsured residential LTVs on existing loans by province.

Table 29: Average loan-to-value of existing uninsured residential mortgages[(1)(2)(3)(4)]

($000s, except percentages)	31-Oct-23	30-Jun-23	Change	31-Dec-22	Change
Albert, Manitoba & Saskatchewan	**61%**	63%	(2.%)	63%	(2%)
Atlantic provinces & Quebec	**62%**	64%	(2%)	66%	(4%)
British Columbia and territories	**62%**	65%	(3%)	66%	(4%)
Ontario	**62%**	63%	(1%)	66%	(4%)
Total Canada	**62%**	63%	(1%)	65%	(3%)

(1) Geographic location based on the address of the property mortgaged. (2) Based on property values estimated using the Teranet National Bank House Price Indices, adjusting for the Bank's unique portfolio by using sub-indices corresponding to the 11 cities in Teranet-National Bank National Composite 11 to estimate property values loan by loan. The index is based on actual transaction dates and prices, which EQB believes to be most accurate and representative; however, may lag other indices leveraging data tied to date of sale. (3) The LTV of the Bank's HELOC (HELOC, SHELOC and Reverse Mortgage) products is not included in this table. (4) Equitable Bank has arrangements with other lenders to participate in its single-family residential loans in certain circumstances, namely if Equitable Bank wants to cap the value of its own exposure to stay within the boundaries of its risk appetite while still meeting a borrower's needs. The arrangements, which have been entered into in the normal course of business at arm's length and on market terms, are structured such that the other lenders' participation would always bear the first loss on the mortgage. The loan-to-value ratios above therefore do not take into account the other lenders' participation in order to reflect both the substance and legal form of Equitable Bank's exposure. Equitable Bank underwrites the loans based on the total value of its own advance and the other lender's participation to ensure that the borrower is able to service the aggregate amount of the loan. Other lenders' participation in Equitable Bank's (including Concentra) single family residential loans was $85.5 million at October 31, 2023.

Within Commercial Banking, the Bank prioritizes lending against multi-unit residential rental properties, including affordable housing. Due to the strong demand in Canada for housing and the Bank's focus and capabilities in the insured lending market, over two thirds of the Bank's total Commercial loans are backed by credit insurance. By design, less than 1.1% of total Bank assets are offices and this small portfolio has an average LTV of 60%. The Bank is selective in lending to commercial offices, largely restricting loans to properties located in major urban centres and smaller buildings. The Bank has limited exposure to hotels, shopping malls, big box retail and large commercial office. The Bank restricts LTVs, today averaging 63%, for uninsured commercial loans.

Table 30: Commercial loans under management by business[(1)]

($000s, except percentages)	31-Oct-23	30-Jun-23	Change	31-Dec-22	Change
Mortgages – to Corporates	**2,830,654**	2,895,401	(64,747)	2,971,525	(140,871)
Mortgages – to Small Business	**1,437,946**	1,351,892	86,054	1,327,917	110,029
Specialized financing loans	**1,078,594**	1,026,748	51,846	1,069,963	8,631
Construction loans[(3)]	**3,276,367**	3,047,115	229,252	2,570,361	706,006
Equipment financing	**1,354,906**	1,320,927	33,979	1,262,584	92,322
Insured multi-unit residential mortgages[(2)]	**20,002,959**	18,071,995	1,930,964	15,763,160	4,239,799
Total	**29,981,426**	27,714,078	2,267,348	24,965,510	5,015,916

(1) The numbers in this table are reported on consolidated basis, including Concentra, prior to acquisition-related fair value adjustments that are captured in balance sheet measures. (2) Insured against credit loss by the Canada Mortgage and Housing Corporation. (3) 54% of construction loans is insured by CMHC.

Liquidity and funding risk

The Bank defines Liquidity and Funding risk as the possibility that it will be unable to generate sufficient funds in a timely manner and at a reasonable price to meet its financial obligations as they come due. These financial obligations mainly arise from the maturity of deposits, maturity of mortgage-backed securities, and commitments to extend credit. Funding and Liquidity Risk may also be affected if an unduly large proportion of the Bank's deposit-taking business involves a single person, organization or group of related persons/organizations or a single geographic area.

In accordance with the RAF, the Board defines the Bank's liquidity and funding risk tolerance as 'low', and also reviews and approves the limits to measure and control this risk. These limits are articulated via Board-approved Liquidity and Funding Risk Management Policy – which is updated annually, at a minimum. This Policy requires the Bank to maintain a pool of high-quality liquid assets and stipulates various liquidity ratios and limits, concentration limits and, among other considerations, ongoing periodic liquidity stress testing requirements.

The Bank also adheres to OSFI's Liquidity Adequacy Requirement (LAR) Guideline, which provides the framework within which OSFI assesses whether a federally regulated financial institution maintains adequate liquidity. The Bank's liquidity position and adherence to the requirements are monitored on a daily basis by senior management. Key metrics are also reported monthly to the ALCO and, quarterly, both to the ERM Committee and the RCC of the Board. Any exceptions to established Policy or regulatory limits are reported immediately to the ALCO or to the Board, as applicable.

The Bank's practice is to hold a sufficient amount of liquidity on its balance sheet to ensure that it remains well positioned to manage unexpected events that may reduce/limit its access to funding. Senior management closely monitors the Bank's liquidity position on a daily basis and ensure that the level of liquid resources held, together with its ability to raise new deposits, is sufficient to meet funding commitments, deposit maturity obligations, and properly discharge other financial obligations. Actual liquidity may vary from period to period, mainly due to the timing of anticipated cash flows and funding seasonality. In addition to funding and liquidity management policies and procedures, the Bank has also developed a Liquidity and Funding Risk Contingency Plan, an OSFI-mandated Comprehensive Recovery Plan, which outlines actions to be undertaken to address the outflow of funds in the event of a funding or liquidity crisis, and a Resolution Plan.

Table 31: Assets held for liquidity protection

($000s, except percentages)	**Policy minimum**	**2023**	2022
Liquidity assets held for regulatory purposes		**3,721,170**	3,864,444
Liquidity assets as a % of minimum required policy liquidity[(1)]	**100%**	**228%**	315%

(1) For purposes of this calculation, the Bank's Liquidity and Funding Risk Management Policy requires the value of assets held for liquidity protection to be reduced to reflect their estimated liquidity value.

Stress and scenario testing is an integral part of the Bank's Liquidity and Funding Risk Management framework and supports the development of action plans to address funding needs in stressed environments. The Bank manages its funding needs to ensure the ability to meet its financial commitments in a timely manner and at reasonable prices, even in times of stress. The Bank's stress-testing models consider scenarios that incorporate institution- specific, market-specific and combination events. These scenarios model cash flows over a one-year period incorporating such factors as a decline in capacity to raise new deposits, lower liquidity values for market investments and an accelerated redemption of notice deposits. To establish these scenarios, the Bank assesses its fundraising capacity and establishes assumptions related to the cash flow behavior of each type of asset and liability. In each scenario, the Bank targets to hold sufficient liquid assets and have fundraising capacity sufficient to meet all obligations for at least a three-month forecast period while maintaining normal business activities. As at October 31, 2023, the Bank held sufficient liquid assets and maintained sufficient funding capacity to meet all funding obligations over the one-year forecasting period under all considered scenarios.

Equitable Bank continues to actively diversify funding sources to proactively manage its funding risk profile. This diversification has been accomplished through the launch of the direct-to-consumer platform, EQ Bank, the addition of several large bank sponsored funding facilities, a deposit note program, and new securitization vehicles. Also, in 2020, the Bank began to issue deposits from Equitable Trust, a wholly owned subsidiary that is an approved issuer of deposits eligible for CDIC insurance coverage. More recently, the Bank became an issuer of Covered Bonds and accessed the market with an inaugural issuance of a €350 million bond issued to 40 investors from 15 countries across Europe. Total issuance up to October 31, 2023 is €900 million. While this program expands the Bank's suite of funding tools, it also significantly expands the underlying investor base and broadens the geographic distribution of funding.

The following table summarizes contractual maturities of the Bank's financial liabilities.

Table 32: Contractual obligations[1]

($000s)					Payments due by period
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Deposits principal and interest	**27,661,496**	**16,235,866**	**9,767,718**	**1,626,897**	**31,015**
Securitization liabilities principal and interest	**30,562,513**	**5,822,450**	**10,858,450**	**6,653,735**	**7,227,878**
Funding facilities principal and interest	**1,059,787**	**1,059,787**	**-**	**-**	**-**
Other liabilities	**425,328**	**359,514**	**37,666**	**15,272**	**12,876**
Total 2023 contractual obligations	**59,709,124**	**23,477,617**	**20,663,834**	**8,295,904**	**7,271,769**
Total 2022 contractual obligations	52,551,711	21,327,576	18,938,112	7,830,181	4,455,842

(1) The balances for financial liabilities will not agree with those in our consolidated balance sheet as this table incorporates all on and off-balance sheet obligations, on an undiscounted basis, including both principal and interest. Prior year amounts have been adjusted accordingly.

See Note 24 to the 2023 consolidated financial statements for credit commitments and contingencies as at October 31, 2023 and December 31, 2022.

Market risk

Market Risk consists of interest rate risk and equity price risk and is broadly defined as the possibility that changes in either market interest rates or equity prices may have an adverse effect on Equitable 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, such as optionality features embedded in its cashable deposits or mortgage commitments. For the interest sensitivity position of the Bank at October 31, 2023, see Note 25 to the consolidated financial statements. With respect to equity price risk, the value of the Bank's securities portfolio may be impacted by market determined variables which are beyond its control, such as benchmark yields, credit and/or market spreads, implied volatilities, the possibility of credit migration and default, among others. Overall, Equitable Bank has a 'low' appetite for market risk.

With respect to structural interest rate risk, Equitable Bank's objective is to manage and control its interest rate risk exposures within acceptable parameters and the primary method of mitigating this risk involves funding Bank assets with liabilities of a similar duration. The Bank also maintains a hedging program to manage its economic value to its target risk. The responsibility for managing the Bank's interest rate risk resides with the ALCO, which meets monthly to review and approve all Treasury- related policies, to review key interest rate risk metrics, and to provide direction on the Bank's operating and funding strategy. Also, senior management continuously reviews the Bank's interest rate risk profile and monitors its ongoing funding strategy through the daily interest rate-setting process.

Equitable Bank monitors interest rate risk through simulated interest rate change sensitivity models to estimate the effects of various interest rate change scenarios on net interest income and on the economic value of shareholders' equity (EVE). 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. Management considers this measure to be more comprehensive than measuring changes in net interest income, as it captures all interest rate mismatches across all terms. Certain assumptions that are based on actual experience are also built into the simulations, including assumptions related to the pre-maturity

redemption of deposits and early payouts of mortgages.

The table below illustrates the results of management's sensitivity modeling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest-rate changes on EVE and NII during the month period following October 31, 2023. The estimate of sensitivity to interest rate changes is dependent on several assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 33: 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	**(782)**	**4,488**
Impact on EVE(1)	**(32,237)**	**6,390**
EVE impact as a % of common shareholders2 equity	**(1.2%)**	**0.2%**

(1) EVE numbers are reported on a pre-tax basis. (2) Interest rate is not allowed to decrease beyond a floor of 0% and is therefore not allowed to be negative.

The management of Equity Price risk is assigned to the ALCO by the RCC of the Board. The ALCO manages the Company's securities portfolio in accordance with its *'Marketable Securities Policy'* and takes into consideration the following factors:

- General economic conditions and the possible effect of inflation or deflation;
- The expected tax consequences of investment decisions or business strategies;
- The credit quality of each investment and its role within the overall portfolio;
- The expected total return from income and the appreciation of capital;
- The Bank's need for liquidity, available capacity, and regularity/stability of earnings; and
- Each investment's special relationship or special value, if any, to the overall objectives of the portfolio.

The ALCO reviews the investment performance, composition, quality, and other pertinent characteristics of the securities portfolio at least ten times a year. This information is also presented to, and reviewed by, the RCC of the Board at least quarterly, or more frequently, if required.

Operational risk

Equitable Bank defines Operational risk as the possibility that a loss could result from various sources including, but not limited to, people, inadequate or failed internal processes or systems, or from external events. This definition specifically excludes legal risk – which is included under the *Legal and Regulatory* Risk category below.

Operational risk is present in virtually all business activities of the Bank and includes such considerations as fraud, damage to equipment, system failures, data entry errors, model risk, cyber security and business continuity. The Bank also considers natural disasters in its assessment of operational risk, to the extent that they may impact collateral values or other pertinent loan loss drivers. As outlined in the Bank's RAF, the Bank has a 'low' appetite and a 'low-to-medium' tolerance for Operational Risk. The Bank recognizes that while the nature of operational risk is such that there is little or no expected reward in taking on this risk, the costs to attempt to eliminate operational risk may be excessive. The primary financial measure of operational risk is actual losses incurred.

The Bank's Operational Risk Management program includes the following key components:

- **Governance:** While Operational risk may not be completely eliminated, proactive management of this risk is very important to mitigate exposure to financial losses, reputational damage and/or regulatory fines. The Bank has implemented a Board-approved Operational Risk Management Policy and an Operational Risk Management Framework, which are jointly designed to monitor, review and report on operational risk management across the Bank. Both the Policy and the related Framework articulate the Bank's governance practices for the proper management of Operational risk and include clear accountabilities for the three-lines-of-defense (i.e., Business Units, Risk Management and related oversight functions such as Compliance and Finance, and Internal Audit) – in

alignment with both the BCBS's 'Principles for the Sound Management of Operational Risk', and with OSFI's related 'Operational Risk Management Guideline'.

- **Training:** All employees within the organization are required to play a role in managing Operational risk. In this regard, the Bank conducts operational risk management and cyber security awareness training and testing for all employees across the Bank – to provide them with an overview of the various types of operational risks, and their respective roles and responsibilities in helping to protect the interests and assets of the Bank.
- **Risk and Control Self-Assessments (RCSA's):** These tools are used on an ongoing basis to help identify and evaluate operational risk factors within the individual businesses and functional units, as well as on a Bank-wide basis. These tools assist in proactively identifying and assessing key operational risks inherent in the Bank's material activities and systems, and to evaluating the effectiveness of controls to manage these risks.
- **Key Risk Indicators (KRI's):** The Bank uses KRI's to measure, monitor and report on the level of operational risk on a business/functional unit basis, as well as across the organization. These KRI's also serve as early warning triggers to highlight potential issues before the Bank experiences an incident or loss event.
- **Other Operational Risk Management (ORM) Tools:** In addition to the RCSA's and KRI's noted above, several other operational risk management tools are in use as part of the Bank's ORM program. These include an operational risk and control taxonomy, operational risk event collection and analysis, and change management risk and control assessment.
- **Risk Measurement and Reporting:** On a regular monthly basis, the Bank's centralized Operational Risk Management Team consolidates key operational risk management trends, significant events, if any, and KRI's across the Bank; these are reported to the ERM committee and to the RCC of the Board on a quarterly basis, at a minimum.
- **Business Continuity Management:** The Bank maintains a robust Business Continuity Management program to ensure that Equitable Bank has the capability to sustain, manage and recover critical operations and processes in the event of a business disruption, thereby minimizing any adverse effects on its customers, partners, and other stakeholders. Equitable Bank's Business Continuity Management Program is comprised of various plans (i.e., Crisis Management Plan, Business Continuity Plans, Disaster Recovery Plan and Recovery Plan) to ensure the ability to operate as a going concern in the event of a severe business disruption. All key business units within the organization are required to maintain, and regularly test and review, their business continuity plans.
- **Enterprise Change Management:** Effective change management is key to successful implementation and execution of business strategies and objectives. The Bank is committed to effective management of changes through use of established controls and processes that consider the materiality and risk of each change before it is undertaken. The Bank's change management practices involve assessment of change materiality, and appropriate engagement of key stakeholders and support areas. All material changes are subject to a comprehensive assessment of impact to the Bank's core risks to ensure appropriate identification and mitigation of risks. In addition, all material changes are subject to a more detailed assessment of operational risks to ensure appropriate identification and mitigation of risks as part of the project management, implementation plans, post implementation activities, and operational execution.
- **Fraud:** The Bank maintains a robust control framework designed to manage the risks related to misrepresentation and fraudulent activities across the Bank.

  The Bank's approach to fraud risk management has been to:

  - Utilize established Operational Risk Management tools as well as specific fraud related tools and processes to support the identification, assessment, measurement and mitigation of fraud risk;
  - Establish the reporting and monitoring processes to support the approach; and
  - Establish a culture of risk awareness and understanding throughout all business units within the organization so that fraud risk and its associated implications are considered in all significant decisions.

  Equitable Bank has processes to keep its fraud controls relevant, agile, and current to accommodate new products,

new channels, and evolving fraud trends. The existing fraud risk management program utilizes proactive measures to deter, prevent and detect fraud, rather than solely relying upon reactive measures. The Bank's fraud risk management framework is oriented around its three lines of defense model. The first line business unit processes in mortgage underwriting and deposit taking form the primary layer of defense against external fraudulent activities. Here the businesses focus on early detection and rejection of potentially fraudulent transactions. Remaining vigilant, particularly in the face of regulatory changes, tightening mortgage qualification criteria, and changing housing prices, the Bank has continually enhanced its capabilities through the adoption of new technologies, the maintenance and use of data strategically, and the continual development of training and awareness programs for staff.

Operating as a 2nd line centre of excellence in conjunction with Compliance and AML teams, the Bank operates a Central Fraud team to provide independent oversight of 1st line activities, expert assistance in detection, the development and delivery of training, as well as policy development and Quality Assurance. The Bank's Internal Audit team provides 3rd line oversight of fraud prevention activities. The 2nd and 3rd lines provide independent reporting to committees of the Board on a regular basis.

- **Model Risk:** Equitable Bank defines Model risk as the potential for adverse consequences arising from decisions based on incorrect or misused models and their outputs. It can lead to financial loss, reputational risk, or incorrect business and strategic decisions. Model Risk is viewed by the Bank as a key component of 'Operational risk'.

  The Bank has a 'low' appetite and tolerance for Model risk and have implemented the principles set out OSFI Guideline E-23: Enterprise-Wide Model Risk Model Risk Management. A Model Risk Policy, Model Validation Standard, and Model Validation Procedures are in place to ensure the effective identification and mitigation of Model Risk, especially as it relates to credit risk.

- **Technology and Cyber Security:** Equitable Bank remains focused on the confidentiality, integrity and availability of its information and cyber security controls that protect the Bank's network, data and infrastructure. The cyber security risk landscape includes numerous cyber threats such as hacking threats, identity theft, denial of service, and advanced persistent threats. These and other cyber threats continue to become more sophisticated, complex, and potentially damaging. Third party service providers that the Bank uses may also be subject to these threats which can increase the risk of negative impact from a cyber attack. The Bank continually assesses the performance of third-party suppliers against industry standards. In addition, the Bank has limited control over the safety of its clients' personal devices that may be used to conduct transactions. To manage these risks, the Bank's defense systems are designed as an integral part of both existing Bank infrastructure, and architecture and development for its digital banking platform.

  The Bank views cyber risk as a key component of Operational Risk and proactively maintains a "defense in depth" strategy with developed standards and procedures to prevent, detect, respond, manage, and address cyber security threats from all types of malicious attackers that attempt to steal sensitive information, cause a system failure or denial of service on websites or other types of service disruption.

  The Bank's 'Cyber Security Policy' establishes the requirements and sets out the overall framework for managing cyber and information security related risks across the organization. These include developing and implementing the appropriate activities to detect, respond to and contain the impact of cyber security threats, along with implementing the appropriate safeguards to ensure the delivery of critical infrastructure services.

  Also, KRI's have been established to measure, monitor, and report this risk to the Board on a regular, periodic basis. Furthermore, the Bank has an established Technology Roadmap with the objective of continuously improving the strength of its practices and capabilities.

  The Bank works closely with critical cyber security and software suppliers to ensure that its technology capabilities remain cyber resilient and effective in the event of any unforeseen cyber-attack. Internal teams receive daily cyber security updates, rehearse incident table-top exercises, and take specialized training to thwart current and evolving cyber threats.

Risks are actively managed through information security management programs which include regular vulnerability assessments conducted by qualified third parties on an annual basis, completion of the OSFI Cyber Security Self-Assessment and continuous improvements to the Bank's security and change management practices based on best practices from recognized industry associations.

The Bank has not experienced any material cyber security breaches and has not incurred any material expenses with respect to the remediation of such cyber events.

Security risks continue to be actively monitored and reviewed, leveraging the expertise of the Bank's service providers and vendors, reviewing industry best practices and regularly re-assessing controls in place to mitigate the risks identified.

- **Data Management and Privacy Risk:** The use and management of data and its governance are becoming increasingly important as the Bank continues to invest in digital solutions and innovation, moving its core banking system to the cloud and the ongoing expansion of business activities. There are regulatory compliance risks associated with data management and privacy as well, which form part of the Bank's Regulatory Compliance Management Program as discussed in the *Legal and Regulatory Risk* section below. The Bank has established a dedicated Enterprise Data team that works closely with data owners and other stakeholders on technology managed data assets to ensure the Bank effectively addresses current and future data needs (quality, security, integrity), and that the Bank is positioned to address emerging requirements from a data management planning and governance perspective.
- **Third Party Risk:** Third party suppliers are integral to the Equitable Bank's business operations and the Bank has designed a program to provide oversight for third party relationships. The Bank's approach to third party risk mitigation is outlined in policies and procedures that establish the minimum requirements for identifying and managing risks throughout the engagement life cycle with a third party. Performance monitoring and due diligence reviews are conducted on a regular basis. A higher level of due diligence is focused on material arrangements to ensure that service levels are met, and that systems of controls are adequate. Outsourcing arrangements are reviewed on a regular (annual) basis to assess materiality, and to ensure regulatory requirements are met. The Bank continues to evolve and improve its capabilities in this area and are implementing enhancements in line with the revised regulatory requirements (i.e., OSFI B-10 Third-Party Risk Management).
- **Operational risk loss events:** The Bank has a process and procedures in place for monitoring and reporting operational losses as well as near miss events. A near miss is an event that otherwise meets the definition of an operational loss event, but for which no financial loss has been incurred, not because of effective control but because of fortuitous circumstances. The Bank's established processes include completing root cause analysis and action plans for loss and near miss events within defined thresholds. This helps ensure that actions are taken to mitigate future recurrence and potential negative impacts to financial, regulatory compliance, or to the image/ reputation of the bank. During 2023, the Bank did not experience any material operational risk loss events.

Legal and regulatory risk

Legal and Regulatory risk is defined as the possibility that a loss could result from exposure to fines, penalties, or punitive damages from civil litigation, contractual obligations, criminal or supervisory actions, as well as private settlements; and from not complying with regulatory requirements, regulatory changes or regulators' expectations.

In accordance with the Board-approved RAF, the Bank has a 'low' appetite and a 'low' tolerance for legal and regulatory risk. The Bank undertakes reasonable and prudent measures designed to achieve compliance with governing laws and regulations; this includes the Bank's Regulatory Compliance Management (RCM) Program – which is designed to identify and manage continuously evolving legal and regulatory requirements. The Bank also undertakes reasonable and prudent measures designed to achieve compliance with governing laws and regulations and promote a strong culture of compliance management across the organization. Business units are engaged in the identification and proactive management of the Bank's legal and regulatory risks, while the Compliance, Legal, Anti-Money Laundering and Risk Management teams assist them by providing ongoing guidance and oversight. Management of these risks also includes the timely escalation of issues to senior management and to the Board.

The Bank's RCM Program provides a control framework to manage and mitigate exposure to regulatory risk – consistent with all applicable Canadian regulatory expectations, such as those mandated by OSFI, the CDIC, FINTRAC, and Financial Consumer Agency of Canada (FCAC).

Business and strategic risk

Business and Strategic risk is defined as the possibility that the Bank could experience material losses or reputational damage as a result of its business plans and/or strategies, the implementation of those strategies, or the failure to properly respond to changes in the external business environment. Business and Strategic risk management includes the following components:

- **Competitive Risk:** Competitive risk is the risk of an inability to build or maintain a sustainable competitive advantage in a given market or markets and includes potential for the loss of market share due to competitors offering superior products or services. Competitive risks can arise from within or outside the financial sector, from traditional or non-traditional competitors. The banking business is highly competitive, and the Bank's products compete with those offered by other banks, trust companies, insurance companies, and other financial services companies in the jurisdictions in which it operates. Many of these companies are strongly capitalized and hold a larger share of the Canadian banking market. There is always a risk that there will be new entrants in the market with more efficient systems and operations that could impact the Bank's lending or deposit-taking market share.

  The Bank does not use proprietary retail branches to originate deposits or loan exposures. Deposits are raised directly through the Bank's online digital platform. Additionally, the Bank relies primarily on business conducted on behalf of investing clients by members of the Canadian Investment Regulatory Organization (CIRO) and the Registered Deposit Brokers Association (RDBA) to distribute its deposit products. Lending exposure originations depend on a network of independent mortgage and lease brokers, brokerage firms and mortgage banking organizations. Under adverse circumstances, it may be difficult to attract enough new deposits from agents or lending business from brokers to meet current operating requirements. The potential failure to sustain or increase current levels of deposits or lending originations from these sources could negatively affect the financial condition and operating results of the Bank.

- **Systemic Risk:** Systemic risk is a risk that the financial system as a whole, or major part of it, may collapse with the likelihood of material damage to the economy, resulting in financial, legal, operational, and reputational risks for the Bank. The Bank significantly operates in Canada and deposits its monies with Canadian federally regulated financial institutions designated as Domestic Systemically Important Banks (DSIB). An event of systemic crisis may result in higher unemployment and lower family income, corporate earnings, business investment and consumer spending and could adversely affect the demand for the Bank's loan products resulting in higher provisions for credit losses.

  The Board has approved a 'low-to-medium' appetite and tolerance for Business and Strategic risk. The Bank believes that this risk is best managed via a robust and dynamic annual strategic planning process that includes establishing Board-approved business growth strategies and quantifiable performance targets for each business line over the forthcoming three-to-five-year period. Management of this risk also includes regular monitoring of actual versus forecasted performance and an effective internal monitoring and reporting process – to the ERM Committee and the Board.

- **Environmental and Climate Risk:** Environmental risk is the possibility of loss of strategic, financial, operational, or reputational value resulting from the impact of environmental issues or concerns, including climate change, and related social risk. These risks are categorized by the industry as either: physical risks, including risks arising from a changing climate leading to the potentially increased frequency of climate-related natural disasters; or transition risks, those that result from the transition to a low-carbon economy. Transition risks are broader and could surface for the Bank in the form of emerging regulatory and legal requirements, disruptions to its operations and services, as well as through its customers themselves. To manage this risk, the Bank evaluates environmental factors as part of underwriting processes. The Bank considers the environmental risk associated with Single Family residential lending to be low so does not conduct environmental assessments for each of those loans. For most of the Bank's commercial loan portfolio, it employs third-party consultants to carry out detailed environmental assessments. The Bank also maintains a diversified lending portfolio, which improves its resilience to geographic or sectoral specific environmental developments or events. The Bank is committed to measuring, managing, and reducing its

environmental footprint. Starting in 2022, the Bank has regularly disclosed its climate change related information to CDP (formerly known as Carbon Disclosure Project).

The Bank considers this risk to be a component of Business and Strategic risk and evaluates future risks on a quarterly basis as part of its ERM Committee meetings. The Bank conducts analyses of environmental and climate risk at periodic intervals to determine its potential impact on the Bank's assets in certain geographical regions which are prone to such disasters, including an extensive stress test on earthquake risk, and risk related analysis on geographies that are prone to flooding. Based on the results of these stress tests and analysis, refinements are made to the Bank's RAF, where considered appropriate and prudent.

Going forward, as the Bank continue to elaborate on its definition and management of climate-related risk, it intends to leverage the framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD) or its successors. The Bank believes this framework can be used to evaluate any risk, since it considers governance, strategy, risk management, and metrics and targets. The further development of industry views and agreement on standard taxonomy in area such as Physical Risk, Transition Risk, and Liability Risk will inform the further development of the Bank's own risk classification.

Reputational risk

Reputational risk is the possibility that current and potential customers, counterparties, analysts, shareholders, investors, regulators, or others will have an adverse opinion of the Bank – irrespective of whether these opinions are based on facts or merely public perception. Such an event could result in potential losses to the Bank arising from a decline in business volumes, challenges accessing funding markets, or increased funding costs.

In accordance with the Board-approved RAF, the Bank's appetite and tolerance for Reputational risk both remain 'low' and it believes that the pursuit of its long-term goals requires the proper conduct of business activities in accordance with the Bank's established Code of Conduct and business principles, as well as with all applicable laws and regulations. The Bank also maintains a Board- approved Reputational Risk Management Policy which, along with related compliance policies and procedures and ERM practices, is sufficiently designed to identify, assess and manage the reputational and other non-financial considerations present within the business.

Glossary

- **Book value per common share:** is calculated by dividing common shareholders' equity by the number of common shares outstanding.
- **Capital ratios:** A detailed calculation of all Capital ratios can be found in Table 16 of this MD&A.
  - **CET1 ratio:** this measure of capital strength is defined as CET1 Capital as a percentage of total risk weighted assets. This ratio is calculated for Equitable Bank in accordance with the guidelines issued by OSFI. CET1 Capital is defined as shareholders' equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income.
  - **Tier 1 and Total Capital ratios:** these adequacy ratios are calculated for Equitable 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, as well as additional Tier 1 capital issued by a subsidiary to third parties that is allowed in Tier 1, to CET1 capital. Tier 2 Capital is equal to Equitable Bank's eligible Stage 1 and 2 allowance plus additional Tier 1 capital issued by a subsidiary to third parties that is allowed in Tier 2 capital. 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.
- **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 EQB's asset cash flows, less the present value of liability cash flows on a pre-tax basis. EVE is a comprehensive measure of 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 EQB's cost structure relative to revenue generation. This ratio is derived by dividing non-interest expenses by revenue. A lower efficiency ratio reflects a more efficient cost structure.
- **Liquidity coverage ratio (LCR):** this ratio, calculated according to OSFI's Liquidity Adequacy Requirements, measures Equitable Bank's ability to meet its liquidity needs for a thirty-calendar day liquidity stress scenario. It is equal to high-quality liquid assets divided by expected total net cash outflows over the next thirty calendar days.
- **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 principal outstanding during the period. For Q4 2023, this is annualized from four months to twelve months, and for fiscal year 2023, it is annualized from ten months to twelve months.
- **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 weighted average common shareholders' equity outstanding during the period.
- **Revenue per full time equivalent (FTE):** is calculated as revenue for the period divided by the average number of full-time equivalent employees during that period.
- **Risk-weighted assets (RWA):** represents Equitable Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline.

Non-Generally Accepted Accounting Principles (GAAP) financial measures and ratios

This section provides further discussion regarding the variety of financial measures to evaluate EQB's performance.

Non-GAAP measures

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

Adjusted results

In addition to the adjusted results that are presented in the "Adjustments to financial result" section of this MD&A, additional adjusted financial measures and ratios are described as follows:

- **Adjusted efficiency ratio:** it is derived by dividing adjusted non-interest expenses by adjusted revenue. A lower adjusted efficiency ratio reflects a more efficient cost structure.
- **Adjusted return on equity (ROE):** it is calculated on an annualized basis and is defined as adjusted net income available to common shareholders as a percentage of weighted average common shareholders' equity (reported) outstanding during the period.

Other non-GAAP financial measures and ratios:

- **Assets under administration (AUA):** is sum of (1) assets over which EQB's subsidiaries have been named as trustee, custodian, executor, administrator or other similar role; (2) loans held by credit unions for which EQB's subsidiaries act as servicer.
- **Assets under management (AUM):** is the sum of total assets reported on the consolidated balance sheet and loan principal derecognized but still managed by EQB.

($000s)	31-Oct-23	30-Jun-23	Change	31-Dec-22	Change
Total assets on the consolidated balance sheet	**52,933,454**	53,318,703	(1%)	51,144,957	3%
Loan principal derecognized	**14,998,436**	12,591,570	19%	10,424,114	44%
Assets under management	**67,931,890**	65,910,273	3%	61,569,071	10%

- **Conventional lending:** are the total on-balance sheet loan principal excluding insured single-family mortgages and insured multi-unit residential mortgages.
- **Liquid assets:** is a measure of EQB'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 14 of this MD&A.
- **Loans under management (LUM):** is the sum of loan principal reported on the consolidated balance sheet and loan principal derecognized but still managed by EQB. A detailed calculation can be found in Table 7 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 and Table 17 of this MD&A.
- **Pre-provision pre-tax income (PPPT):** this is the difference between revenue and non-interest expenses.
- **Total loan assets:** this is calculated on a gross basis (prior to allowance for credit losses) as the sum of both **Loans – Personal** and **Loans – Commercial** on the balance sheet and adding their associated allowance for credit losses**.**

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Management's responsibility for financial reporting

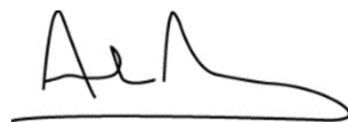
The consolidated financial statements of EQB Inc. (EQB) are prepared by management, which is responsible for the integrity and fairness of the information presented. The information provided herein, in the opinion of management, has been prepared, within reasonable limits of materiality, using appropriate accounting policies that are in accordance with IFRS Accounting Standards (IFRS) as well as the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI) as these apply to its subsidiary, Equitable Bank. The consolidated financial statements reflect amounts which must, out of necessity, be based on informed judgments and estimates of the expected effects of current events and transactions.

Management maintains and monitors a system of internal controls to meet its responsibility for the integrity of the consolidated financial statements. These controls are designed to provide reasonable assurance that EQB's consolidated assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial records form a reliable base for the preparation of accurate and timely financial information. Management also administers a program of ethical business conduct, which includes quality standards in hiring and training employees, written policies, and a written corporate code of conduct. Management's responsibility also includes maintaining adequate accounting records and an effective risk management system.

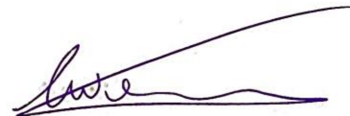
The Board of Directors of EQB (the Board), oversees management's responsibility for the consolidated financial statements through the Audit Committee. The Audit Committee conducts a detailed review of the consolidated financial statements with management and internal and external auditors before recommending their approval to the Board.

EQB's subsidiary, Equitable Bank, is a Schedule I Bank under the Bank Act (Canada) and is regulated by OSFI. On a regular basis, OSFI conducts an examination to assess the operations of Equitable Bank and its compliance with statutory requirements and sound business practices.

KPMG LLP has been appointed as external auditors by the shareholders to examine the consolidated financial statements of EQB in accordance with Canadian generally accepted auditing standards. The external auditors are responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with IFRS. The auditors have unrestricted access to and periodically meet with the Audit Committee, with and without management present, to discuss their audits and related matters.



Andrew Moor
President and Chief Executive Officer



Chadwick Westlake
Chief Financial Officer

December 7, 2023

Independent auditor's report

To the Shareholders of EQB Inc.

Opinion

We have audited the consolidated financial statements of EQB Inc. (the Entity), which comprise:

- the consolidated balance sheets as at October 31, 2023 and December 31, 2022
- the consolidated statements of income and comprehensive income for the periods then ended
- the consolidated statements of changes in shareholders' equity for the periods then ended
- the consolidated statements of cash flows for the periods then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the period ended October 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the allowance for credit losses for loans

Description of the matter

We draw your attention to Notes 2(d), 3(a)(ii) and 10(d) to the financial statements. The Entity's allowance for credit losses (ACL) for loans is $119,155 thousand. The Entity's ACL is estimated using statistical models that involve a number of inputs and assumptions. ACL is calculated using an expected credit loss (ECL) model which measures the credit losses using a three-stage approach based on the extent of credit deterioration of the financial assets since initial recognition. Probability of default (PD) and loss given default (LGD) are inputs used to estimate ECL and are modelled using forward-looking macroeconomic variables that are closely related with credit losses in the relevant portfolios, and are probability weighted using five macroeconomic scenarios.

Management exercises significant judgment in determining:

- whether there has been a significant increase in credit risk since initial recognition
- the forward-looking macroeconomic variables that are relevant for each portfolio
- probability weights that are applied to the macroeconomic scenarios
- the amount of ECL by exercising experienced credit judgment in considering reasonable and supportable information not already incorporated in models (hereafter, referred to as ‘overlays’)

In addition, as a result of geopolitical unrest, the current interest rate environment, and inflationary pressures, the macroeconomic environment continues to experience volatility and uncertainty. This had a direct impact on forward-looking macroeconomic variables, probability weights and overlays.

Why the matter is a key audit matter

We identified the assessment of the ACL for loans as a key audit matter. Significant auditor judgment was required because of the use of complex models and there is a higher degree of measurement uncertainty due to the significant judgments described above. Assessing the ACL for loans required significant auditor effort and specialized skills and knowledge to apply audit procedures and evaluate the results of those procedures.

How the matter was addressed in the audit

The following were the primary procedures we performed to address this key audit matter. We evaluated the design and tested the operating effectiveness of certain controls over the Entity’s ACL process with the involvement of credit risk and economics professionals with specialized skills and knowledge. This included controls related to:

- monitoring and validation of the models used to derive the PD and LGD inputs
- monitoring of the methodology for identifying whether there has been a significant increase in credit risk
- the review of the forward-looking macroeconomic variables that were relevant for each portfolio and probability weights that were applied to the macroeconomic scenarios
- the review of the methodologies and assumptions for determining overlays adjusting the modelled results.

We involved credit risk and economics professionals with specialized skills and knowledge who assisted in evaluating:

- The models for determining PD and LGD by assessing the model monitoring methodology and checking the accuracy of quantitative measures, where applicable
- The new models for determining PD and LGD by assessing the model methodology, model validation testing completed and checking the accuracy of quantitative measures, where applicable
- The methodology used to determine a significant increase in credit risk by assessing the methodology for compliance with IFRS 9 and checking the accuracy of quantitative measures, where applicable
- The forward-looking macroeconomic variables that were relevant to each portfolio by comparing against external macroeconomic data
- The probability weights that were applied to the macroeconomic scenarios through the application of our knowledge of the economy
- The methodologies and assumptions for determining the overlays adjusting the modelled results through the application of our industry knowledge and relevant experience.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon and the Management's Discussion and Analysis, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control.

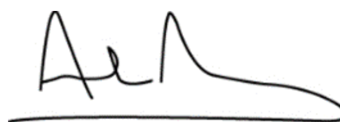
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditor's report is Steven Watts.
Toronto, Canada
December 7, 2023

Consolidated Balance Sheet

($000s) As at	Note	**October 31, 2023[1]**	December 31, 2022
Assets:			
Cash and cash equivalents	7	**549,474**	495,106
Restricted cash	7	**767,195**	737,656
Securities purchased under reverse repurchase agreements	8	**908,833**	200,432
Investments	9	**2,120,645**	2,289,618
Loans – Personal	10,11	**32,390,527**	31,996,950
Loans – Commercial	10,11	**14,970,604**	14,513,265
Securitization retained interests	11	**559,271**	373,455
Deferred tax assets[2]	16	**14,230**	-
Other assets	14	**652,675**	538,475
		52,933,454	51,144,957
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits	15	**31,996,450**	31,051,813
Securitization liabilities	11	**14,501,161**	15,023,627
Obligations under repurchase agreements	11	**1,128,238**	665,307
Deferred tax liabilities	16	**128,436**	72,675
Funding facilities	17	**1,731,587**	1,239,704
Other liabilities	18	**602,039**	556,876
		50,087,911	48,610,002
Shareholders' Equity:			
Preferred shares	19	**181,411**	181,411
Common shares	19	**471,014**	462,561
Contributed surplus		**12,795**	11,445
Retained earnings		**2,185,480**	1,870,100
Accumulated other comprehensive (loss) income	20	**(5,157)**	9,438
		2,845,543	2,534,955
		52,933,454	51,144,957

Michael Hanley
Chair of the Board



Andrew Moor
President and Chief Executive Officer

See accompanying notes to the consolidated financial statements.

(1) Effective January 1, 2023, EQB changed its fiscal year-end reporting date from December 31st to October 31st. These consolidated financial statements have been prepared for a 10-month period ended October 31, 2023. The comparative amounts presented in these consolidated financial statements are for a 12-month period and therefore, are not entirely comparable. Refer to Note 2(f). (2) Effective January 1, 2023, EQB changed the presentation of its deferred tax assets and liabilities on its consolidated balance sheet (refer to note 2(g). Prior year presentation has not been changed.

Consolidated Statement of Income

($000s, except per share amounts) Period/Year ended	Note	**2023[1]**	2022
Interest income:			
Loans – Personal		**1,410,571**	917,708
Loans – Commercial		**860,363**	640,293
Investments		**65,362**	21,337
Other		**70,123**	36,893
		2,406,419	1,616,231
Interest expense:			
Deposits		**1,077,520**	578,998
Securitization liabilities	11	**402,443**	260,761
Funding facilities		**44,527**	19,979
Other		**43,650**	23,088
		1,568,140	882,826
Net interest income		**838,279**	733,405
Non-interest revenue[2]:			
Fees and other income		**46,895**	31,081
Net gains (losses) on loans and investments		**34,442**	(8,054)
Gains on sale and income from retained interests	11	**56,384**	26,765
Net losses on securitization activities and derivatives		**(336)**	(1,011)
		137,385	48,781
Revenue		**975,664**	782,186
Provision for credit losses	10	**38,856**	37,258
Revenue after provision for credit losses		**936,808**	744,928
Non-interest expenses:			
Compensation and benefits		**199,752**	183,605
Other	21	**234,991**	192,866
		434,743	376,471
Income before income taxes		**502,065**	368,457
Income taxes:	16		
Current		**84,066**	84,903
Deferred		**46,409**	13,373
		130,475	98,276
Net income		**371,590**	270,181
Dividends on preferred shares		**6,998**	5,566
Net income available to common shareholders		**364,592**	264,615
Earnings per share:	22		
Basic		**9.67**	7.63
Diluted		**9.59**	7.55

See accompanying notes to the consolidated financial statements.

(1)Effective January 1, 2023, EQB changed its fiscal year-end reporting date from December 31st to October 31st. These consolidated financial statements have been prepared for a 10-month period ended October 31, 2023. The comparative amounts presented in these consolidated financial statements are for a 12-month period and therefore, are not entirely comparable. Refer to Note 2(f). (2) Effective January 1, 2023, EQB changed the presentation of the line items under the Non-interest revenue (refer to Note 2(h)). Prior year presentation has been updated accordingly.

Consolidated Statement of Comprehensive Income

($000s) Period/Year ended	Note	**2023[1]**	2022
Net income		**371,590**	270,181
Other comprehensive income – items that may be reclassified subsequently to income			
Debt instruments at Fair Value through Other Comprehensive Income:			
Reclassification of losses from AOCI on sale of investment		**-**	(1,010)
Net unrealized losses from change in fair value		**(36,208)**	(33,678)
Reclassification of net losses to income		**37,432**	10,315
Other comprehensive income – items that will not be reclassified subsequently to income			
Equity instruments designated at Fair Value through Other Comprehensive Income:			
Reclassification of (losses) gains from AOCI on sale of investment		**(10,951)**	604
Net unrealized losses from change in fair value		**(34,767)**	(13,156)
Reclassification of net losses to retained earnings		**11,042**	3,843
		(33,452)	(33,082)
Income tax recovery		**9,210**	9,033
		(24,242)	(24,049)
Cash flow hedges	12		
Net unrealized gains from change in fair value		**40,951**	53,926
Reclassification of net (gains) losses to income		**(38,718)**	2,103
		2,233	56,029
Income tax expense		**(631)**	(14,693)
		1,602	41,336
Total other comprehensive (loss) income		**(22,640)**	17,287
Total comprehensive income		**348,950**	287,468

See accompanying notes to the consolidated financial statements.

(1) Effective January 1, 2023, EQB Inc. changed its fiscal year-end reporting date from December 31st to October 31st. These consolidated financial statements have been prepared for a 10-month period ended October 31, 2023. The comparative amounts presented in these consolidated financial statements are for a 12-month period and therefore, are not entirely comparable. Refer to note 2(f).

Consolidated Statement of Changes in Shareholders' Equity

($000s)								2023[1]
					Accumulated other comprehensive income (loss)			
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cashflow hedges	Financial instruments at FVOCI	Total	Total
Balance, beginning of year	181,411	462,561	11,445	1,870,100	42,016	(32,578)	9,438	2,534,955
Net income	-	-	-	371,590	-	-	-	371,590
Realized losses on sale of shares	-	-	-	(7,722)	-	-	-	(7,722)
Transfer of AOCI losses to retained earnings					-	8,045	8,045	8,045
Other comprehensive income, net of tax	-	-	-	-	1,602	(24,242)	(22,640)	(22,640)
Exercise of stock options	-	13,161	-	-	-	-	-	13,161
Share issuance costs, net of tax	-	(6,230)	-	-	-	-	-	(6,230)
Dividends:								
Preferred shares	-	-	-	(6,998)	-	-	-	(6,998)
Common shares	-	-	-	(41,490)	-	-	-	(41,490)
Stock-based compensation	-	-	2,872	-	-	-	-	2,872
Transfer relating to the exercise of stock options	-	1,522	(1,522)	-	-	-	-	-
Balance, end of year	181,411	471,014	12,795	2,185,480	43,618	(48,775)	(5,157)	2,845,543

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($000s)								2022
					Accumulated other comprehensive income (loss)			
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cashflow hedges	Financial instruments at FVOCI	Total	Total
Balance, beginning of year	70,607	230,160	8,693	1,650,757	680	(8,263)	(7,583)	1,952,634
Net income	-	-	-	270,181	-	-	-	270,181
Realized losses on sale of shares	-	-	-	(2,839)	-	-	-	(2,839)
Transfer of AOCI losses to retained earnings	-	-	-	-	-	(299)	(299)	(299)
Investment elimination on acquisition	-	-	-	-	-	33	33	33
Other comprehensive income, net of tax	-	-	-	-	41,336	(24,049)	17,287	17,287
Common shares issued	-	223,112	-	-	-	-	-	223,112
Exercise of stock options	-	9,274	-	-	-	-	-	9,274
Purchase of treasury preferred shares	(183)	-	-	-	-	-	-	(183)
Net loss on cancellation of treasury preferred shares	-	-	-	(6)	-	-	-	(6)
Dividend payout from principal	-	(655)	-	-	-	-	-	(655)
Dividends:								
Preferred shares	-	-	-	(5,566)	-	-	-	(5,566)
Common shares	-	-	-	(42,427)	-	-	-	(42,427)
Stock-based compensation	-	-	3,422	-	-	-	-	3,422
Transfer relating to the exercise of stock options	-	670	(670)	-	-	-	-	-
Shares on acquisition	110,987	-	-	-	-	-	-	110,987
Balance, end of year	181,411	462,561	11,445	1,870,100	42,016	(32,578)	9,438	2,534,955

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Consolidated Statement of Cash flows

($000s) Period/Year ended	2023[1]	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**371,590**	270,181
Adjustments for non-cash items in net income:		
Financial instruments at fair value through profit or loss	**45,533**	(10,816)
Amortization of premiums/discount on investments	**7,678**	1,215
Amortization of capital assets and intangible costs	**39,155**	46,870
Provision for credit losses	**38,856**	37,258
Securitization gains	**(46,948)**	(22,418)
Stock-based compensation	**2,871**	3,422
Dividend income earned, not received	**(28,380)**	-
Income taxes	**130,475**	98,276
Securitization retained interests	**75,304**	53,834
Changes in operating assets and liabilities:		
Restricted cash	**(29,539)**	(193,620)
Securities purchased under reverse repurchase agreements	**(708,401)**	349,598
Loans receivable, net of securitizations	**(1,126,698)**	(5,061,011)
Other assets	**(57,566)**	168,660
Deposits	**865,734**	3,702,998
Securitization liabilities	**(519,066)**	925,452
Obligations under repurchase agreements	**462,931**	(711,456)
Funding facilities	**491,883**	685,469
Other liabilities	**108,201**	(157,502)
Income taxes paid	**(90,318)**	(156,525)
Cash flows from operating activities	**33,295**	29,885
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**6,931**	231,731
Term loan facility	**-**	275,000
Dividends paid on preferred shares	**(6,998)**	(5,566)
Dividends paid on common shares	**(41,490)**	(42,427)
Cash flows (used in) from financing activities	**(41,557)**	458,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(989,055)**	(585,721)
Investment in subsidiary	**-**	(495,369)
Proceeds from sale or redemption of investments	**1,007,663**	559,680
Net change in Canada Housing Trust re-investment accounts	**78,988**	(168,787)
Purchase of capital assets and system development costs	**(34,966)**	(76,571)
Cash flows from (used in) investing activities	**62,630**	(766,768)
Net increase (decrease) in cash and cash equivalents	**54,368**	(278,145)
Cash and cash equivalents, beginning of year	**495,106**	773,251
Cash and cash equivalents, end of year	**549,474**	495,106
Cash flows from operating activities include:		
Interest received	**2,137,216**	1,437,499
Interest paid	**(1,221,598)**	(560,656)
Dividends received	**31,243**	4,074

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Notes to consolidated financial statements

($000s, except per share amounts)

Note 1 – Reporting Entity

EQB Inc. (EQB) was formed on January 1, 2004 as the parent company of its wholly owned subsidiary, Equitable Bank. EQB 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

The consolidated financial statements of EQB have been prepared in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been approved by EQB's Board of Directors for issue on December 7, 2023.

(b) Basis of measurement

The 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 at fair value through profit or loss and fair value through other comprehensive income.

(c) Functional currency

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

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

The preparation of the consolidated financial statements requires management to make estimates, judgements 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 reporting period. Estimates and underlying assumptions are reviewed by management on an ongoing basis. Critical estimates and judgments utilized in preparing EQB'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, fair values of net identifiable assets acquired, liabilities assumed and intangible assets recognized in a business combination, and income taxes.

In making estimates and judgments, management uses external information and observable market inputs where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the current market volatility and uncertainty due to geopolitical unrest, the current interest rate environment, and inflationary pressures. 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 judgments and estimates in a number of areas. Management must exercise significant experienced credit judgment 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 incorporates 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 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 judgments directly impact the measurement of ECL.

As a result of the geopolitical unrest, the current interest rate environment, and inflationary pressures, the macroeconomic environment continues to experience 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 10(e).

Fair values of assets, liabilities and Intangible assets on Concentra Bank's acquisition

On November 1, 2022, Equitable Bank acquired 100% ownership in Concentra Bank (Concentra) by paying $495,369 in purchase consideration and recognized assets, liabilities, goodwill and intangible assets on its consolidated balance sheet (Refer Note 5). For the loans and receivables acquired and deposit liabilities assumed, management carried out valuation adjustments to principal book values by applying an income approach that requires the cash flows relating to the financial instruments to be discounted to present value at prevailing market interest rates at the valuation date. In determining these cash flows, management exercised significant judgment in determining estimates relating to liquidation rates, prepayment rates, and repricing adjustments, including credit spreads.

Equitable Bank recognized some of Concentra's core deposits and Trust relationships as intangible assets. Core deposits are expected to provide a stable, low-cost source of funding to Equitable Bank, and existing Trust relationships with credit unions and individual trust clients will provide a new source of revenue and generate new clients for Equitable Bank by generating trust income. The valuation of core deposit intangible asset was carried out using the differential income approach, being the difference between the cost of funds for the acquired deposits and the cost of funds from alternative sources (deposit spread). The valuation of core deposit intangible asset required management to make significant judgments and estimates relating to cash flow discount rates and deposit spreads.

(e) Consolidation

The consolidated financial statements as at and for the ten months fiscal period ended October 31, 2023 and twelve months year ended December 31, 2022 include the assets, liabilities and results of operations of EQB and its subsidiaries, after the elimination of intercompany transactions and balances. EQB has control over 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.

EQB has a 100% ownership interest in Equitable Bank. Equitable Bank is the parent company of its wholly owned subsidiaries, Equitable Trust, Concentra Bank, Concentra Trust, Bennington Financial Services, EQB Covered Bond (Legislative) GP Inc., and EQB Covered Bond (Legislative) Guarantor Limited Partnership. All these subsidiaries have been consolidated in the consolidated financial statements of EQB as at October 31, 2023.

(f) Fiscal year-end reporting date change

Effective January 1, 2023, EQB changed its fiscal year-end reporting date from December 31st to October 31st. These financial statements have been prepared for a 10-month period ended October 31, 2023. The comparative amounts presented in these financial statements are for a 12-month period and therefore, are not entirely comparable.

EQB changed its fiscal year-end reporting date to October 31st, to align with industry practice and investor expectations.

(g) Change in presentation – Deferred taxes

Effective January 1, 2023, EQB has changed the presentation of its Deferred tax assets and liabilities. The net deferred tax assets and liabilities at the consolidated level are now presented separately for each legal entity, and are netted at the legal entity level. The change in presentation is prospective, as the comparative prior year balances were immaterial.

(h) Change in presentation – Non-interest revenue

Effective January 1, 2023, EQB has changed the presentation of the line items under its Non-interest revenue in the Consolidated Statement of Income. In prior years, EQB presented three line items under its Non-interest revenue i.e. "Fees and other income", "Net gains (losses) on loans and investments", and "Gains on securitization activities and income from securitization retained interests". EQB now presents four line items under its Non-interest revenue as presented in the Consolidated Statement of Income above. The comparative balances have been updated accordingly. The change in presentation does not constitute a restatement.

Note 3 – Significant Accounting Policies

The following note describes EQB's significant accounting policies. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Financial instruments

EQB's Consolidated Balance Sheet consists primarily of financial instruments. The majority of EQB's net income is derived from interest income and expenses, as well as gains and losses related to the respective financial instruments.

Financial assets include cash and cash equivalents, restricted cash, securities purchased under reverse repurchase agreements, investments, loans receivable – personal, loans receivable – commercial, securitization retained interests and derivative financial instruments. Financial liabilities include deposits, securitization liabilities, obligations under repurchase agreements, accounts payable, funding facilities and derivative financial instruments.

(i) Classification and measurement of financial instruments

Financial assets are measured on initial recognition at fair value and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost (AMC), based on the business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

i. Debt Instruments

On initial recognition, all debt instruments, including loans, are classified based on:

- The business model under which the asset is held; and
- The contractual cash flow characteristics of the financial instrument

Business model assessment

Business model assessment involves determining whether financial assets are held and managed by EQB for generating and collecting contractual cash flows, selling the financial assets or both. EQB assesses the business model at a portfolio level using judgment and is supported by relevant objective evidence including:

- how the performance of the asset is evaluated and reported to EQB's management;
- the frequency, volume, reason and timing of sales in prior periods and expectations about future sale activity;
- whether the assets are held for trading purposes i.e., assets that are acquired by EQB principally for the purpose of selling or repurchase in the near term, or held as part of a portfolio that is managed together for short-term profits; and
- the risks that affect the performance of assets held within a business model and how those risks are managed.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement, i.e. if they represent cash flows that are solely payments of principal and interest (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, EQB considers the contractual terms of the instrument. This includes assessing whether the financial asset contains any contractual terms that could change the timing or amount of contractual cash flows such that the financial asset would not meet the SPPI criteria. In making the assessment EQB considers:

- contingent events that would change the amount and/or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- associated penalties relating to prepayments;
- terms that limit EQB's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Debt instruments measured at AMC

Debt instruments are measured at AMC using the effective interest rate method, if they are held within a business model whose objective is to hold the financial asset for collecting contractual cash flows where those cash flows represent SPPI. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

AMC is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization of these deferred costs is included in Interest income in the Consolidated Statement of Income.

Impairment on debt instruments measured at AMC is calculated using the ECL approach. Loans and debt securities measured at AMC are presented net of the Allowance for Credit Losses (ACL) in the Consolidated Balance Sheet.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold the financial asset for collection of contractual cash flows and for selling financial assets, where the cash flows represent payments that are SPPI. Subsequent to initial recognition, the assets are fair valued and unrealized gains and losses are recorded in Other comprehensive income (OCI). Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest revenue in the Consolidated Statement of Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income – Investments in the Consolidated Statement of Income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the ECL approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Consolidated Balance Sheet, which remains at its fair value. Instead, an amount equal to the impairment is recognized in Accumulated other comprehensive income (AOCI) with a corresponding charge to Provision for credit losses in the Consolidated Statement of Income. The accumulated allowance recognized in AOCI is recycled to the Consolidated Statement of Income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are SPPI. These instruments are measured at fair value in the Consolidated Balance Sheet, with transaction costs recognized immediately in the Consolidated Statement of Income as part of Non-interest revenue. Realized and unrealized gains and losses are recognized as part of Non-interest revenue in the Consolidated Statement of Income.

ii. Equity instruments

Equity instruments are measured at FVTPL, unless they are not held for trading purposes and an irrevocable election is made to designate these instruments at FVOCI upon initial recognition. The measurement election is made on an instrument-by-instrument basis. For equity instruments measured at FVTPL, changes in fair value and dividends received are recognized as part of Non-interest revenue – Net gains (losses) on loans and investments in the Consolidated Statement of Income. EQB has elected to measure certain equity investments at FVOCI that are held for longer term investment purposes. These instruments are measured at fair value in the Consolidated Balance Sheet, with transaction costs being added to the cost of the instrument. Dividends are recorded in Interest income – Investments in the Consolidated Statement of Income. Unrealized fair value gains/losses are recognized in OCI and are not subsequently reclassified to the Consolidated Statement of Income when the instrument is derecognized or sold.

iii. Financial assets and liabilities designated at FVTPL

Financial assets and financial liabilities classified in this category are those that have been designated by EQB on initial recognition. Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial assets and financial liabilities designated at FVTPL are recorded in the Consolidated Balance Sheet at fair value. For assets designated at FVTPL, changes in fair values are recognized in Non-interest revenue in the Consolidated Statement of Income. For liabilities designated at FVTPL, all changes in fair value are recognized in Non-interest revenue in the Consolidated Statement of Income, except for changes in fair value arising from changes in EQB's own credit risk which are recognized in OCI and are not subsequently reclassified to the Consolidated Statement of Income upon derecognition/extinguishment of the liabilities.

iv. Financial liabilities

Financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost, except for liabilities mandatorily measured/designated as at FVTPL.

(ii) Impairment

Scope

EQB applies the three-stage approach to measure ACL, using the ECL approach as required under IFRS 9, for the following categories of financial instruments that are not measured at FVTPL:

- Financial assets at AMC
- Debt securities as at FVOCI; and
- Off-balance sheet loan commitments

ECL is calculated based on the stage in which the financial instrument falls at the reporting date. Financial

instruments migrate through the three stages based on the change in their risk of default since initial recognition.

ECL model

EQB's ACL calculation is an output of an ECL model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The ECL model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of the financial instrument, depending on credit deterioration of the instrument since its inception. The ACL calculated using the ECL model reflects an unbiased, probability-weighted credit loss which considers five macroeconomic scenarios based on reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. Forward-looking macroeconomic variables are explicitly incorporated into the estimation of ECL.

Measurement of ECL

The ECL model measures credit losses using the following three-stage approach based on the extent of credit deterioration of the financial asset since initial recognition:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to twelve months ECL is recorded. ECL is computed using a probability of default (PD) occurring over the next twelve months. For those instruments with a remaining maturity of less than twelve months, a PD corresponding to the remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to initial recognition but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the PD over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the ACL captures lifetime ECL.

The PD, exposure at default (EAD), and loss given default (LGD) are inputs used to estimate ECL. PD and LGD are modelled using forward-looking macroeconomic variables that are closely related with credit losses in the relevant portfolios, and are probability-weighted using five macroeconomic scenarios.

Details of these statistical parameters/inputs are as follows:

- PD is an estimate of the likelihood of default over a given time horizon and is expressed as a percentage.
- EAD is the expected exposure in the event of default at a future default date and is expressed as an amount.
- LGD is an estimate of the loss arising in the event a default occurs at a given time and is based on the difference between the contractual cash flows due and those that EQB would expect to receive, including from the realization of any collateral. It is expressed as a percentage of the EAD.

Forward-looking macroeconomic variables

The measurement of ACL for each stage and the assessment of SICR considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking macroeconomic variables requires significant judgment.

EQB relies on a broad range of forward-looking macroeconomic variables, such as expected GDP growth, unemployment rates, house price indices, commercial property index, Canadian equity index, West Texas intermediate oil price, and household income. The inputs used in the model for calculating ECL may not always capture all characteristics of the market at the balance sheet date. To capture portfolio characteristics and risks, qualitative adjustments are made using management's experienced credit judgment.

Multiple forward-looking macroeconomic scenarios

EQB determines ECL using five probability-weighted forward-looking macroeconomic scenarios obtained on a periodic basis from Moody's Analytics economic forecasting services. These macroeconomic scenarios include a 'base-case' scenario which represents the most likely outcome and four additional macroeconomic scenarios representing more optimistic and more pessimistic outcomes.

Assessment of significant increase in credit risk

The determination of whether ECL on a financial instrument is calculated on a 12 month period or lifetime basis is dependent on the stage the financial asset falls into at the reporting date. A financial instrument moves across stages based on an increase or decrease in its risk of default at the reporting date compared to its risk of default at initial recognition, as measured by changes to borrower level information and the macroeconomic outlook.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, EQB considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative analysis and qualitative information, based on EQB's historical experience and experienced credit judgment, delinquency and monitoring, and forward-looking macroeconomic variables. With regards to delinquency and monitoring, there is a rebuttable presumption that the risk of default of the financial instrument has significantly increased since initial recognition when contractual payments are more than 30 days past due. The estimation and application of the assessment of quantitative and qualitative information for the assessment of SICR requires significant judgment.

Modified financial assets

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows.

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the modification is substantial. If the modification is substantial, the original asset is derecognized and a new asset is recognized at fair value. The new financial asset is generally recorded in Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. Where the modification does not result in derecognition, the date of the origination continues to be used to determine the significant increase in credit risk.

Definition of default

EQB considers a financial instrument to be in default when:

- the borrower is unlikely to pay its credit obligations to EQB in full, without recourse by EQB to actions such as realization of collateral (if any is held); or
- the borrower is past due more than 90 days on any credit obligation to EQB, except for certain credit card balances for which the default occurs when the payments are 180 days past due.

EQB classifies a loan receivable as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection, either in whole or in part, of principal or interest, or the loan is past due 90 days, or 180 days for credit cards.

(iii) Determination of fair value of financial instruments

When a financial instrument is initially recognized, its fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subsequent to initial recognition, 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 where an active market is not available, 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. See Note 6 for the valuation methods and assumptions used to estimate fair values of financial instruments.

(iv) Derecognition of financial instruments

Financial assets

EQB derecognizes a financial asset when:

- the contractual rights to receive the cash flows from the asset have expired; or
- EQB has transferred its rights to receive future cash flows from the financial asset, or it retains the contractual rights to receive the cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients and either:
  - EQB has transferred substantially all the risks and rewards of ownership of the financial asset; or
  - EQB has neither retained nor transferred substantially all the risks and rewards of ownership in the financial asset, but has transferred control of the asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by EQB is recognized as a separate asset or liability in the Consolidated Balance Sheet. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in the Consolidated Statement of Income.

If the transfer of assets does not meet the criteria for derecognition, EQB continues to recognize the financial asset and also recognizes a financial liability for the consideration received upon the transfer in the Consolidated Balance Sheet.

The derecognition criteria is also applied to the transfer of part of an asset, rather than a whole, or to a group of similar financial assets in their entirety, when applicable. When it is applied to part of an asset, the part comprises of specifically identified cash flows, a fully proportionate share of the asset, or a fully proportionate share of a specifically identified cash flow from the asset.

Financial liabilities

EQB derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Balance Sheet when EQB has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions.

(b) Investments

Investments are recognized on settlement date and initially measured at fair value and subsequently measured depending upon their classification as follows:

- Debt securities classified as AMC; these investments are subsequently measured at amortized cost using the effective interest rate method;
- Debt securities classified as at FVOCI; these investments are subsequently measured at fair value, with fair value changes recorded in other comprehensive income and moved to the Consolidated Statement of Income on derecognition;

- Debt and Equity securities classified as at FVTPL; these investments are subsequently measured at fair value, with fair value changes recorded in the Consolidated Statement of Income; and
- Equity securities designated as at FVOCI; these investments are subsequently measured at fair value, with fair value changes recorded in other comprehensive income and moved to retained earnings on derecognition.

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in Consolidated Statement of Income in the same manner as financial assets measured at amortized cost:

- Interest revenue using the effective interest rate method; and
- ACL and reversals.

When a debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from OCI to the Consolidated Statement of Income.

EQB elects to present changes in the fair value of certain investments in equity instruments through OCI when they are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to Consolidated Statement of Income and no impairment is recognized in Consolidated Statement of Income. Dividends are recognized in Consolidated Statement of Income, unless they clearly represent a recovery of part of the cost of investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of the investment.

(c) Loans receivable

Loans receivable measured at amortized cost

Loans are initially recognized at fair value and subsequently measured at amortized cost, plus accrued interest, using the effective interest rate method, and are reported net of unamortized origination fees, commitment income, premiums or discounts and an allowance for ECL. Net fees relating to loan origination are amortized to income on an effective yield basis over the term of the loans to which they relate and are included in Interest income – Loans in the Consolidated Statement of Income.

Loans receivable measured at FVTPL

Certain loans measured at FVTPL are carried at fair value with changes in fair value included in Non-interest revenue – Net gains (losses) on securitization activities and derivatives in the Consolidated Statement of Income. Net fees relating to loan origination are recognized in income as incurred and are included in Interest income – Loans in the Consolidated Statement of Income.

(d) Cash and cash equivalents

Cash and cash equivalents consist of deposits with regulated financial institutions and highly liquid short-term investments, including government guaranteed investments and other money market instruments, whose term to maturity at the date of purchase are three months or less and are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Interest earned on cash and cash equivalents is included in Interest income – Other in the Consolidated Statement of Income.

(e) Securities purchased under reverse repurchase agreements

Securities purchased under reverse repurchase agreements represent purchases of Government of Canada guaranteed debt securities and are treated as collateralized lending transactions as they represent the purchase of securities with a simultaneous agreement to sell them back at a specified price on a specified future date, which is generally short term. These receivables are classified and measured at amortized cost plus accrued interest on the Consolidated Balance Sheet. The interest income earned from these investments is recorded on an accrual basis using the effective interest rate method and is included in Interest income – Investments in the Consolidated Statement of Income.

(f) Securitizations

In the normal course of business, EQB securitizes insured residential loans through the Government of Canada's National Housing Act (NHA) Mortgage-Backed Securities (MBS) and Canada Mortgage Bond (CMB) programs, which are facilitated by the Canada Mortgage and Housing Corporation (CMHC). EQB securitizes the loans through the creation of MBS and the ultimate sale of MBS to third party investors or the Canada Housing Trust (CHT).

EQB also securitizes uninsured residential loans by entering into an agreement to sell these loans into a program sponsored by a major Schedule I Canadian bank.

Securitized loans and securitization liabilities

Insured loans in MBS that are sold to third parties and do not qualify for derecognition continue to be classified as Loans receivable on the Consolidated Balance Sheet and they are measured at amortized cost, plus accrued interest, and are reported net of unamortized origination fees, commitment income, premiums or discounts and insurance costs. Net fees and any premium or discount relating to loan origination are amortized to income on an effective yield basis over the term of the loans to which they relate and are included in Interest income – Loans in the Consolidated Statement of Income.

Sale of uninsured residential loans do not qualify for derecognition and are classified as Loans receivable on the Consolidated Balance Sheet. These loans are measured at amortized cost, plus accrued interest, and are reported net of unamortized origination fees, commitment income, premiums or discounts. Net fees and any premium or discount relating to loan origination are amortized to income on an effective yield basis over the term of the loans to which they relate, and are included in Interest income – Loans in the Consolidated Statement of Income.

In addition, these transactions are considered secured financing and result in the recognition of securitization liabilities. Securitization liabilities 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 financing. Interest expense is recognized over the expected term of borrowing by applying the effective interest rate to the carrying amount of the liability.

Securitization retained interest and servicing liability

In certain securitization transactions that qualify for derecognition, EQB has a continuing involvement in the securitized asset that is limited to retained rights in future excess interest and the liability associated with servicing these assets. Under IFRS 9, the securitization retained interest is classified as AMC. The servicing liability is reported as part of Other liabilities. During the life of the securitization, as cash is received, and servicing fees are paid, the retained interests and the servicing liability are amortized and recognized in the Consolidated Statement of Income under Gains on sale and income from retained interests.

Gains on securitization

When a sale results in derecognition, the related loans are removed from the Consolidated Balance Sheet and a gain or loss is recognized in the Consolidated Statement of Income under Non-interest revenue – Net losses on securitization activities and derivatives.

(g) Purchased loans

All purchased financial assets are initially measured at fair value on the date of acquisition. The fair value of loans purchased is determined by estimating the principal and interest cash flows expected to be collected and discounting those cash flows at a market rate of interest. The fair value adjustment set up for these loans on the date of acquisition is amortized over the life of these loans and included in Interest income – Loans in the Consolidated Statement of Income.

On the date of acquisition, purchased performing loans follow the same accounting treatment as originated performing loans, and are included in Stage 1. As a result, immediately after the date of acquisition, a 12-month allowance is recorded in provision for credit losses in the Consolidated Statement of Income. Subsequent to the

acquisition date, ACLs are estimated in a manner consistent with EQB's impairment policy that is applied to loans that are originated.

Purchased credit impaired loans are reflected in Stage 3 and are subject to lifetime allowance for credit losses. Any changes in expected cash flows since the date of acquisition are recorded as a charge/recovery in the provision for credit losses in the Consolidated Statement of Income.

(h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Goodwill represents the excess purchase price paid over the fair value of identifiable assets acquired and liabilities assumed in a business combination on the date of acquisition.

Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually and when an event or change in circumstances indicates that the carrying amount may be impaired. Goodwill is carried at cost less accumulated impairment losses and is included in Other assets on the Consolidated Balance Sheet.

(i) Foreign currency translation

On initial recognition, monetary assets and liabilities denominated in foreign currencies are translated into Canadian Dollars at rates prevailing on the date of the transaction. At the balance sheet date, these foreign currency monetary assets and liabilities are remeasured into Canadian Dollars at rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the translation on remeasurement or settlement of these items are recognized in Fees and other income in the Consolidated Statement of Income.

(j) Derivative financial instruments

EQB uses derivative financial instruments primarily to manage exposure to interest rate risk. Derivative instruments that are typically used are interest rate swaps, bond forwards, total return swaps, and cross currency swaps. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the maturity characteristics of existing assets and liabilities. Bond forwards are used to hedge interest rate exposures resulting from changes in interest rates between the time EQB commits to funding a loan it intends to securitize through the MBS and CMB programs, and the date of securitization. Total return swaps are used to hedge the risk of changes in future cash flows related to EQB's Restricted share unit (RSU), Performance share unit (PSU), Treasury share unit (TSU), and Deferred share unit (DSU) plans. EQB also uses total return swaps to hedge the reinvestment risk between the amortizing MBS and the bullet CMB related to its CMB activities.

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when the following conditions are met:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

Separated embedded derivatives are presented with other derivative assets and liabilities in the Consolidated Balance Sheet.

Cash flow hedges

In order for a derivative to qualify as an accounting hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability, or cash flow being hedged, the hedging instrument, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting changes in the amount of future cash flows being hedged.

Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using quantitative statistical measures of correlation. The change in the fair value of the hedging instrument will be recorded on the Consolidated Balance Sheet under AOCI as either deferred gains or losses during the hedge term only to the extent of the effective portion of the hedges. Any ineffectiveness in the hedging relationship, occurring as a result of mismatch in critical terms such as tenor and timing of cash flows between hedging instruments and hedged items, is included in Non-interest revenue – Gains on securitization activities and income from securitization retained interests in the Consolidated Statement of Income as it occurs.

EQB's cash flow hedges include hedges of anticipated highly probable cash flows on fixed rate liabilities arising from accounting for securitization transactions as secured financing under *IAS 39, Financial Instruments: Recognition and Measurement*. EQB enters into bond forwards (including certain embedded derivatives) to hedge this cash flow risk and applies hedge accounting to these derivative financial instruments. EQB also enters into interest rate swaps to hedge future cash flows related to its floating rate liabilities. To the extent that changes in the fair value of the derivative do not exceed the changes in the fair value of the hedged item they are recorded in OCI, net of tax. The cumulative amounts deferred in AOCI are reclassified to Interest expense – Securitization liabilities in the Consolidated Statement of Income, over the term of the related hedged item.

EQB's cash flow hedges also include Total return equity swap contracts (TRS) used to hedge the risk of changes in future cash flows related to its RSU, PSU, and TSU plans. The value of RSUs, PSUs, and TSUs issued is linked to the price of EQB's common shares over the period the TRS is in effect. The fair value of the TRS is included in Other assets and/or Other liabilities in the Consolidated Balance Sheet and the effective portion of the changes in fair values of these TRS is recorded in OCI, net of tax. The cumulative amounts deferred in AOCI are reclassified to Non-interest expense – Compensation and benefits in the Consolidated Statement of Income, over the vesting period of the RSUs, PSUs or TSUs.

Fair value hedges

In order for a derivative to qualify as an accounting hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability or cash flow being hedged, the hedging instrument, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting changes in the fair value of the hedged asset or liability.

Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using quantitative statistical measures of correlation. Hedge ineffectiveness, if any, are a result of differences in maturities and prepayment frequency between hedging instruments and hedged items.

EQB enters into interest rate swap agreements to manage interest rate exposures on fixed rate deposits used to fund floating rate loans. The fair values of these interest rate swap agreements are included in Other assets and/or Other liabilities with changes in fair value recorded in Interest expense – Deposits. Changes in the fair value of deposits attributable to the hedged risks are also included in Interest expense – Deposits. For most hedging relationships, EQB has applied hedge accounting.

EQB enters into interest rate swap agreements to manage interest rate exposures on fixed rate securitization liabilities. The fair value of these interest rate swap agreements is included in Other assets and/or Other liabilities with changes in fair value recorded in Non-interest revenue – Net gains on securitization activities and derivatives. Changes in fair value of the securitization liability attributable to the hedged risk, is also included in Non-interest revenue – Gains on securitization activities and income from securitization retained interests. EQB applies hedge accounting to these derivatives.

EQB also enters into interest rate swap agreements to manage interest rate exposures on fixed rate loan assets. The fair value of these interest rate swap agreements is included in Other assets and/or Other liabilities with

changes in fair value recorded in Interest income Loans – Personal and/or Loans – Commercial. Changes in fair value of the loan assets attributable to the hedged risk, is also included in Interest income Loans – Personal and/or Loans – Commercial. EQB applies hedge accounting to these derivatives.

EQB enters into interest rate swap agreements to manage interest rate exposures on its investment in fixed rate provincial bonds. The fair value of these interest rate swap agreements is included in Other assets and/or Other liabilities with changes in fair value recorded in Non-interest revenue – Net gain (loss) on investments. Changes in fair value of the provincial bonds is attributable to the hedged risk and is also included in Non-interest revenue – Net gain (loss) on investments. EQB applies hedge accounting to these derivatives.

EQB enters 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. EQB applies hedge accounting to these derivatives.

EQB's hedging activities are transacted with approved counterparties, which are limited to Canadian chartered banks, their subsidiaries and other financial intermediaries.

Non hedge accounting

EQB uses TRSs to hedge the risk of changes in future cash flows related to its DSU plan. The value of the DSU is linked to the price of EQB's common shares over the period the TRS is in effect. The fair value of the TRS is included in Other assets and/or Other liabilities in the Consolidated Balance Sheet and changes in fair value of these TRSs being recorded in Non-interest expense – Compensation and benefits in the Consolidated Statement of Income for the period in which the changes occur. EQB does not apply hedge accounting to these derivative instruments.

EQB enters into bond forwards to manage interest rate exposures for certain loan commitments and funded loans until the date they are securitized. The fair values of these bond forwards are included in Other assets and/or Other liabilities with changes in fair value recorded in Non-interest revenue – Gains on sale and income from retained interests. Changes in fair value of loans and loan commitments are also included in Non-interest revenue – Gains on sale and income from retained interests. EQB does not apply hedge accounting to these derivative instruments.

EQB also enters into foreign exchange forwards to manage foreign exchange exposures on certain foreign currency liabilities. The fair value of these foreign exchange forwards is included in Other assets and/or Other liabilities with changes in fair value recorded in Non-interest revenue – Fees and other income. Changes in foreign currency translation of foreign currency liabilities are also included in Non-interest revenue – Fees and other income. EQB does not apply hedge accounting to these derivative instruments.

(k) Leases

As a Lessor:

Identification of a lease

At the inception of each lease, EQB assesses if it is a finance lease or an operating lease. The assessment is based on substantially transferring all the risks and rewards to the lessee. If substantially all of the risks and rewards incidental to ownership are transferred to the lessee, the lease is considered a finance lease, otherwise it is considered an operating lease.

Recognition

At the lease commencement date, EQB includes assets held under a finance lease in Loans – Commercial, on its Consolidated Balance Sheet at an amount equal to the net investment in equipment financing. The investment in a finance lease is initially measured at the present value of the lease payments that are not received at the commencement date, discounted using the interest rate implicit in the lease. The interest rate is adjusted for all the initial direct costs associated with the origination of finance lease that are factored into the determination of the interest rate implicit in the lease. Lease payments included in the measurement of investment in equipment financing include fixed and variable lease payments, less incentives payable.

Subsequent measurement

The net investment in equipment financing includes gross minimum lease payments receivable, less the unamortized portion of unearned finance income, security deposits held, and the allowance for credit losses. The finance income earned is included in Interest income – Commercial Loans in the Consolidated Statement of Income on a basis that reflects a constant periodic rate of return on the gross investment in equipment financing receivables.

As a Lessee:

Identification of a lease

At the inception of a contract, EQB assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess if the contract conveys the right to control the use of an identified asset, EQB assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly in the contract and is physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not considered as identified;
- EQB has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- EQB has the right to direct the use of the asset. EQB has this right when it has the decision-making rights that are most relevant to changing the purpose of the asset use throughout the period of use.

Recognition

EQB recognizes a Right-of-Use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, EQB's incremental borrowing rate.

Subsequent measurement

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end on the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortized cost using the effective interest rate method. The liability is remeasured if there are changes to the lease rates, or changes to EQB's assessment of whether it will exercise the extension or termination options per the lease contracts.

After the commencement date, if a lease is remeasured, an adjustment is made to the ROU asset. In the event

that the carrying amount of the ROU asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining amount is recognized in the Consolidated Statement of Income.

The ROU assets and corresponding lease liabilities are included in Other Assets and Other Liabilities on EQB's Consolidated Balance Sheet.

Short-term leases and leases of low-value assets

EQB has elected not to recognize a ROU asset or lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets. EQB recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Compensation plans

EQB offers several benefit programs to eligible employees. These benefits include a deferred profit sharing plan, employee stock purchase plan, annual bonuses, and compensation in the form of share-based payments.

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term bonus plans if EQB has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Deferred profit sharing plan (DPSP)

EQB has a DPSP under which EQB pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions are recognized as an expense in income when they are due in respect of service rendered before the end of the reporting period.

(iii) Stock-based compensation

Stock option plan

EQB has a stock option plan for eligible employees. Under this plan, options are periodically awarded to participants to purchase common shares at prices equal to the closing market price of the shares or the volume-weighted average closing price of EQB's common shares on the TSX for the five consecutive trading days immediately prior to the date the options were granted. EQB uses the fair value-based method of accounting for stock options and recognizes compensation expense based on the fair value of the options on the grant date, determined by using the Black-Scholes option pricing model. The fair value of the options is recognized on a straight-line basis over the vesting period of the options granted as compensation expense with a corresponding increase in Contributed surplus. The awards are delivered in tranches; each tranche is considered a separate award and is valued and amortized separately. Expected forfeitures are factored into determining the stock option expense and the estimates are periodically adjusted in the event of actual forfeitures or for changes in expectations. The Contributed surplus balance is reduced as the options are exercised and the amount initially recorded for the options in Contributed surplus is reclassified to capital stock. Compensation expense related to the stock-based compensation plan is included in Non-interest expense – Compensation and benefits in the Consolidated Statement of Income.

Restricted share unit (RSU) plan

EQB has an RSU plan and may grant RSUs and/or Performance Share Units (PSUs) to eligible employees on an annual basis. The expense related to the award of these units is included in Non-interest expense – Compensation and benefits in the Consolidated Statement of Income over the vesting period and any corresponding liability is included in Other liabilities in the Consolidated Balance Sheet. Since each RSU or PSU represents a notional common share, any changes in unit value and re-invested notional dividend

amounts are recognized in the Consolidated Statement of Income. Each RSU or PSU held at the end of the vesting period including those acquired as dividend equivalents will be paid to the eligible employee in cash, the value of which will be based on the volume-weighted average closing price of EQB's common shares on the TSX for the five consecutive trading days immediately prior to vesting. The value of PSUs may be increased or decreased up to 25%, based on EQB's relative total shareholder return compared to a defined peer group of financial institutions in Canada, and the incremental expense or recovery on those shares is recorded when EQB can reliably estimate the actual payout.

Deferred share unit (DSU) plan

EQB has a DSU plan for Directors. The obligation that results from the award of a DSU is recognized in income upon the grant of the unit and the corresponding amount is included in Other liabilities in the Consolidated Balance Sheet. A Director will be credited with additional DSUs whenever a cash dividend is declared by EQB. The change in the obligation attributable to the change in stock price of EQB and dividends paid on common shares is recognized in Non-interest expense – Other in the Consolidated Statement of Income for the period in which the changes occur. The redemption value of each DSU is the volume-weighted average trading price of the common shares of EQB on the TSX for the five trading days immediately prior to the redemption date.

Treasury share unit (TSU) plan

EQB has a TSU plan for its eligible employees and may grant Treasury Performance Share Units (TPSUs), under the TSU plan adopted in 2022, for a term of ten years. Under the plan, 50% of the TPSUs cliff vest after 3 years, and the remaining 50% cliff vest after 4 years, subject to performance conditions. Under the plan, each TPSU represents one notional common share and earns notional dividends, which are reinvested into additional TPSUs when cash dividends are paid on EQB's common shares. When the TPSUs vest, the eligible employee can elect to settle in shares issued from treasury, or in cash. The expense related to the award of these units is included in Non-interest expense – Compensation and benefits in the Consolidated Statement of Income over the vesting period and any corresponding liability is included in Other liabilities in the Consolidated Balance Sheet.

Employee stock purchase (ESP) plan

EQB has an ESP plan for eligible employees. Under this plan, employees have the option of directing a portion of their gross salary towards the purchase of EQB's common shares. EQB matches a fixed portion of employee share purchases up to a specified maximum. Employer contributions are recognized in Non-interest expense – Compensation and benefits in the period incurred.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that it relates to items recognized directly in OCI or equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

EQB follows the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities represent the amount of tax applicable to temporary differences between the carrying amounts of the assets and liabilities and their values for tax purposes. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the years that include the date of enactment or substantive enactment.

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, usually in respect of income taxes levied by the same tax authority on the same taxable entity, and EQB intends to settle current tax liabilities and assets on a net basis or settle the tax assets and

liabilities simultaneously.

Deferred tax assets and liabilities are offset if EQB has a legally enforceable right to set off the deferred tax assets and liabilities related to income taxes levied by the same tax authority on either the same taxable entity; or different taxable entities, but the entities intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously for each future period in which these differences reverse.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(n) Capital assets

Capital assets are carried at cost less accumulated depreciation. Depreciation is calculated using a declining balance method over the estimated useful lives of the assets at the following annual rates as this most closely reflects the pattern of consumption of the future economic benefits:

Capital asset categories	Rate of depreciation
Furniture, fixtures and office equipment	10% to 20%
Computer hardware and software	20% to 33%

Leasehold improvements are depreciated on a straight-line basis over the lesser of the lease term and the estimated useful life of the asset.

Depreciation methods, useful lives and residual values are reassessed at each financial year end and adjusted appropriately.

(o) Intangible assets

Intangible assets are comprised of internally generated system, software development costs and core deposits and Trust business relationships acquired. An intangible asset is recognized only when its cost can be reliably measured and includes all directly attributable costs necessary to create the asset to be capable of operating in the manner intended by management. Research costs are expensed and eligible development costs are capitalized. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any, in the Consolidated Balance Sheet. EQB's intangible assets are amortized on a straight-line basis over their expected useful lives, ranging from 3 to 10 years. Amortization expenses are included in Non-interest expenses – Other in the Consolidated Statement of Income.

Intangible assets, including those under development are assessed for indicators of impairment at each reporting period. If there's an indication that impairment exists, EQB performs an impairment test by comparing the carrying amount of the intangible asset to its recoverable amount. If the recoverable amount is less than its carrying amount, the carrying amount is written down to its recoverable amount and an impairment loss is recognized in the Consolidated Statement of Income.

(p) Deposits

Deposits are comprised of Guaranteed Investment Certificates (GIC), High Interest Savings Accounts (HISA), institutional deposit notes and covered bonds. Deposits, with the exception of those designated as at fair value through profit or loss, are recorded on the Consolidated Balance Sheet at amortized cost plus accrued interest, using the effective interest rate method.

Deferred deposit agent commissions are accounted for as a component of deposits and are amortized on an effective yield basis through Interest expense – Deposits. Commissions relating to deposits designated at fair value through profit or loss are expensed as incurred.

(q) Covered bond

In the normal course of business, EQB sells uninsured residential loans to a separate guarantor entity, EQB Covered Bond (Legislative) Guarantor Limited Partnership (Guarantor LP), established by EQB exclusively for its 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 Sheet 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 Sheet. 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 recorded over the expected term of borrowing by applying the effective interest rate to the carrying amount of the liability and is recorded under Interest expense – Deposits in the Consolidated Statement of Income. The Guarantor LP is consolidated with EQB, as EQB has the decision-making power and ability to use that power to affect EQB's returns.

(r) Obligations under repurchase agreements

Investments sold under repurchase agreements represent sales of Government of Canada guaranteed debt securities by EQB effected with a simultaneous agreement to purchase the assets back at a specified price on a specified future date, which is generally short term. Repurchase agreements are treated as borrowings and are carried at amortized cost, plus accrued interest, using the effective interest rate method, recorded in the Consolidated Balance Sheet at the respective prices at which the investments were originally sold plus accrued interest. Interest expense relating to repurchase agreements is recorded in Interest expense – Other in the Consolidated Statement of Income.

(s) Funding facilities

Funding facilities are recorded in the Consolidated Balance Sheet at amortized cost and interest expense is recorded using the effective interest rate method.

(t) Share capital Issuance costs

Incremental costs directly attributable to the issuance of an equity instrument are deducted from the initial measurement of the equity instruments and are presented net of tax.

(u) Treasury preferred shares

Under the Normal course issuer bid (NCIB) program, EQB repurchases and cancels its issued preferred shares. These repurchased preferred shares are deducted from the outstanding preferred shares under the Shareholders' Equity at cost. Any gain or loss arising on the difference between the carrying value and the purchase consideration is recognized in Retained Earnings.

(v) Earnings per share

Earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the year. Net income available to common shareholders is determined by deducting the dividend entitlements of preferred shareholders from net income. Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities or contracts that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share calculations is determined using the treasury stock method. Under this method, stock options whose exercise price is less than the average market price of EQB's common shares are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

(w) Interest

Interest income and interest expense are recognized in the Consolidated Statement of Income using the effective interest rate method and the rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability. The effective interest rate is the rate that exactly discounts the estimated future cash flow payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, management estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. Under IFRS 9, for financial assets that become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income reverts back to the gross basis. The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

(x) Fees

Non-interest revenue includes some ancillary fees related to the administration and servicing of loan portfolios, transaction fees, syndication and servicing fees, trustee administration fees, and advisory support, plan administration and service fees from credit unions. These fees are measured based on the consideration specified in the agreements with customers and are accrued and recognized as the related services are rendered.

(y) Provisions

A provision is recognized if, as a result of a past event, EQB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

(z) Write-off

EQB writes off an impaired financial asset, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is determined after giving consideration to the expected proceeds from the realization of collateral. In subsequent periods, recoveries if any, against written off loans are credited to the provision for credit losses in the Consolidated Statement of Income.

Future Changes in Accounting Policies

Interest rate benchmark reform

In August 2020, the IASB issued the Interest Rate Benchmark Reform Phase 2, which included amendments to IFRS 9, IAS 39, IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 4, and IFRS 16 Leases (IFRS 16). These amendments addressed issues that arise from the implementation of the reforms, including the replacement of a benchmark with an alternative one.

Various interest rates and other indices that are deemed to be “benchmarks” (including Interbank Offered Rate (IBOR) benchmarks such as the Canadian Dollar Offered Rate (CDOR)) continue to be impacted by reforms resulting from international regulatory guidance and proposals. As a result of the global benchmark reform initiative, efforts to transition away from IBORs to alternative reference rates (ARR) have either concluded or have been continuing in various countries.

In Canada, this process has been led by the Canadian Alternative Reference Rate working group (CARR). As a result of this initiative, in December 2021, CARR recommended to Refinitiv Benchmark Services (UK) Limited (RBSL), the CDOR administrator, to cease the calculation and publication of CDOR after June 30, 2024. Following a public consultation by Refinitiv Benchmark Services (UK) Ltd (RBSL), it was announced on May 16, 2022, that it will stop

publishing all three remaining CDOR tenors after June 28, 2024. Six-month and twelve-month CDOR tenors had previously ceased to be published effective May 17, 2021. Immediately after the announcement by CARR, the Office of the Superintendent of Financial Institutions (OSFI) published their supervisory expectations for federally regulated financial institutions (FRFIs) to transition from CDOR. Included in this announcement was that OSFI expects all new derivative contracts (bilateral, cleared, and exchange-traded) and securities (assets and debt liabilities) to transition to alternative reference rates by June 30, 2023, with no new CDOR exposure being booked after that date, with limited exceptions for risk mitigation requirements to reduce the overall sensitivity of the assets or liabilities to CDOR risk. After June 30, 2023, market participants are expected to only trade CORRA based swaps and futures, except when reducing existing CDOR related exposure or if hedging CDOR loan related exposure. OSFI also expects all agreements referencing CDOR to be transitioned by June 28, 2024.

EQB has incorporated these developments into its plan to transition away from CDOR and EQB continues to monitor developments and best practice guidance with respect to transition activities. EQB's IBOR transition is being led by the Treasury department within EQB's Finance division which also manages the technology impacted by the change and is best equipped to make the required changes to ensure all impacted business lines in EQB are provided with the required information needed to successfully navigate the transition and achieve their business objectives.

EQB's focus has been to assess the risk and uncertainty relating to the transition to alternate reference rates, the use of fallback language where appropriate, and other factors relating to reform that could otherwise adversely affect EQB's operations and cash flows. For derivative financial instruments, EQB has executed the IBOR Fallbacks Protocol which includes language specifying the actions to be taken in the event of a permanent cessation of the original reference rate (i.e., CDOR). Under this protocol, benchmark rates will fall back to a new benchmark in contracts that are governed by Master ISDA agreements and existed before the effective date. In situations where both counterparties have not executed the protocol, bilateral agreements will be executed to reflect the changes. For new ISDA trades, executed on or after the protocol supplement's effective date, the new definitions/benchmark will automatically apply and will reference new benchmark rates. Contracts that are governed by the IBOR Fallbacks Protocol utilize the fixed Spread Adjustment as published and defined by Bloomberg. This adjustment is applied to the new benchmark rate.

As of June 30, 2023, unless the derivatives hedge or reduce CDOR exposures transacted before June 30, 2023 (a practice that is permitted by the CARR Working Group), the EQB has not entered into any new CDOR based derivatives. EQB is also updating those lending facilities impacted by the benchmark change. Fallback language is in place for these non-derivative contracts. For non-derivative contracts not governed by the IBOR Fallbacks Protocol, a bilateral agreement will be negotiated and executed, specifying the new benchmark rate to be used and any necessary spread adjustments.

For the CDOR transition to alternative benchmark rates, we continue to be exposed to and actively monitor risks including:

- Market Risk – the differences in rates between CDOR with CORRA could result in financial and valuation impacts if not hedged accordingly. To mitigate this risk, new derivatives contracts are being executed with reference to the revised benchmark and legacy contracts are covered by the IBOR Fallbacks Protocol.

- Operational Risk – the changes in the benchmark rates will require coordination across various business lines to ensure information is correctly input and changes are reflected in operational processes. A summary of products impacted, and relevant areas is being led by the Finance division.

- Funding Risk – if funding vehicles are not transitioned to the new benchmark, the ability to source adequate funding would be impaired. Funding agreements include fallback language and negotiations

are under way to finalized required changes.

- Model Risk – the change in reference rate impacts several inputs/variables included in EQB's models. Treasury maintains these required models and hence is leading the transition to the new benchmark rate.

The following table presents the approximate notional amounts of EQB's derivatives and the gross outstanding balances of our non-derivative financial assets and financial liabilities maturing after June 30, 2024 that are indexed to CDOR as of October 31, 2023, and are expected to be affected by IBOR reform.

($000s)	2023
	Amounts exposed to CDOR
Non-Derivative assets	**45,969**
Non-Derivative liabilities	**1,566,817**
Derivative notional amounts in a hedging relationship	**4,183,772**
Derivative notional amounts not in a hedging relationship	**5,705,427**
	11,501,985

Note 4 – Risk Management

EQB, 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 EQB. Many of these risk factors are beyond EQB's direct control. The use of financial instruments exposes EQB to credit risk, liquidity risk, and market risk. Our risk management practices and key measures for these risks have been included in the Risk Management section of EQB's Management's Discussion and Analysis and where these risks are related to financial instruments, they have been included in a yellow tint.

Note 5 – Business Combination

Concentra Bank

On November 1, 2022, EQB acquired 100% ownership in Concentra Bank (Concentra), Canada's 13th largest Schedule I bank. Concentra is domiciled in Canada and is regulated by OSFI. Concentra provides commercial and retail banking and trust services to Canadian credit unions and retail and commercial clients. Concentra has also been providing fiduciary and trustee services for over 65 years to registered plans, corporate trusts and personal trusts and estates through its federally regulated subsidiary, Concentra Trust. EQB's acquisition of Concentra accelerates its growth, diversifies its funding and revenue sources, and provides a strong growth platform to serve the Credit Unions.

EQB paid $495,369 in purchase consideration for the acquisition and recognized goodwill of $40,651. The purchase price was financed through a combination of new equity issuance of $230,000 via the subscription receipts and $275,000 draw down from an unsecured Term Loan facility from a consortium of Schedule I banks (refer to Note 17). The purchase price consideration is subject to final closing purchase price adjustments. The following table presents the fair values of the assets and liabilities acquired as of the date of acquisition:

($000s)	November 1, 2022
Assets:	
Cash and cash equivalents	**56,280**
Restricted cash	**81,872**
Investments	**1,238,591**
Loans – Personal	**7,534,498**
Loans – Commercial	**1,080,093**
Securitization retained interests	**74,526**
Other assets	**167,585**
	10,233,445
Liabilities:	
Deposits	**6,699,826**
Securitization liabilities	**2,733,001**
Preferred shares	**110,988**
Deferred tax liabilities	**97,073**
Funding facilities	**79,107**
Other liabilities	**75,345**
	9,795,340
Fair value of identifiable net assets acquired	**438,105**
Intangible assets recognized	**23,000**
Deferred tax on intangible assets	**(6,387)**
Goodwill	**40,651**
Total purchase consideration	**495,369**

Goodwill of $40,651 comprises the value of expected synergies arising from the acquisition, mainly pertaining to accelerated growth in the asset base, diversified revenue through new services and distribution, and new sources of funding that have not been separately recognized as an intangible asset. The core deposit base acquired as part of the acquisition that provides long-term, stable, low-cost source of funds to EQB has been separately recognized as an intangible asset. Some other deposit sources with higher interest rates and potential lack of stability as a long-term funding source have not been included as part of the core deposit base for being separately recognized as an intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

Loans – Personal and Commercial comprises gross amounts of $8,885,392, all of which are expected to be collectible at the acquisition date.

Transaction costs of $20,662 and restructuring costs of $42,827 relating to the acquisition were expensed and are included in non-interest expenses. The attributable share issuance costs of $18,192 have been charged directly to equity.

From the date of acquisition on November 1, 2022 to December 31, 2022, Concentra Bank contributed $26,416 of revenues and $35,432 to loss before tax of the group. If the combination had taken place on January 1, 2022, management estimates that the revenue for the year for the group would have been $937,577 and profit before tax would have been $424,267 for the year ended December 31, 2022.

ACM Advisors Ltd

On October 3, 2023, EQB announced that it had entered into a definitive agreement to acquire a 75% interest in ACM Advisors Ltd (ACM) for cash and share consideration. The acquisition is subject to customary closing conditions and regulatory approvals and is expected to close in Q1 2024.

Note 6 – Financial Instruments

EQB's business activities result in a Consolidated Balance Sheet that consist primarily of financial instruments. The majority of EQB'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 at FVOCI and FVTPL

These financial assets and financial liabilities are measured on the Consolidated Balance Sheet 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 profit or loss and are guaranteed by Canada Deposit Insurance Corporation (CDIC). This guarantee from CDIC is reflected in the fair value measurement of the deposit liabilities.

(v) Securitization liabilities

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

(vi) Derivatives

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

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at October 31, 2023 and December 31, 2022. The tables do not include assets and liabilities that are not financial instruments.

($000s)						October 31, 2023
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	549,474	549,474	549,474
Restricted cash	-	-	-	767,195	767,195	767,195
Securities purchased under reverse repurchase agreements	-	-	-	908,833	908,833	908,833
Investments	195,186	1,742,510	52,686	130,263	2,120,645	2,097,149
Loans – Personal	-	-	-	32,390,527	32,390,527	31,954,331
Loans – Commercial[1]	481,793	-	-	13,168,127	13,649,920	13,439,734
Securitization retained interests	-	-	-	559,271	559,271	542,900
Other assets:						
Derivative financial instruments[2]:						
Interest rate swaps	179,050	-	-	-	179,050	179,050
Cross-currency interest rate swaps	47,797	-	-	-	47,797	47,797
Total return swaps	16,989	-	-	-	16,989	16,989
Bond forwards	18,366	-	-	-	18,366	18,366
Foreign exchange forwards	9,038	-	-	-	9,038	9,038
Other	-	-	-	58,298	58,298	58,298
Total financial assets	948,219	1,742,510	52,686	48,531,988	51,275,403	50,589,154
Financial liabilities:						
Deposits	-	-	-	31,996,450	31,996,450	31,737,600
Securitization liabilities	-	-	-	14,501,161	14,501,161	13,977,423
Obligations under repurchase agreements	-	-	-	1,128,238	1,128,238	1,128,238
Funding facilities	-	-	-	1,736,636	1,736,636	1,736,595
Other liabilities:						
Derivative financial instruments[2]:						
Interest rate swaps	113,010	-	-	-	113,010	113,010
Cross-currency interest rate swaps	32,545	-	-	-	32,545	32,545
Total return swaps	4,067	-	-	-	4,067	4,067
Bond forwards	2,179	-	-	-	2,179	2,179
Foreign exchange forwards	472	-	-	-	472	472
Loan commitments	3,620	-	-	-	3,620	3,620
Other	-	-	-	425,555	425,555	425,899
Total financial liabilities	155,893	-	-	49,788,040	49,943,933	49,161,648

(1) Loans – Commercial does not include $1,320,684 (December 31, 2022 - $1,196,033) of equipment financing, 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, 2022
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	495,106	495,106	495,106
Restricted cash	-	-	-	737,656	737,656	737,656
Securities purchased under reverse repurchase agreements	-	-	-	200,432	200,432	200,432
Investments	209,486	1,781,445	60,168	238,519	2,289,618	2,287,200
Loans – Personal	-	-	-	31,996,950	31,996,950	31,386,026
Loans – Commercial[1]	431,107	-	-	12,886,125	13,317,232	13,116,633
Securitization retained interests	-	-	-	373,455	373,455	364,806
Other assets:						
Derivative financial instruments[2]:						
Interest rate swaps	166,601	-	-	-	166,601	166,601
Cross-currency interest rate swaps	38,982	-	-	-	38,982	38,982
Total return swaps	14,513	-	-	-	14,513	14,513
Bond forwards	9,579	-	-	-	9,579	9,579
Foreign exchange forwards	5,744	-	-	-	5,744	5,744
Other	-	-	-	27,542	27,542	27,542
Total financial assets	876,012	1,781,445	60,168	46,955,785	49,673,410	48,850,820
Financial liabilities:						
Deposits	-	-	-	31,051,813	31,051,813	30,742,559
Securitization liabilities	-	-	-	15,023,627	15,023,627	14,546,013
Obligations under repurchase agreements	-	-	-	665,307	665,307	665,064
Funding facilities	-	-	-	1,247,010	1,247,010	1,247,008
Other liabilities:						
Derivative financial instruments[2]:						
Interest rate swaps	161,623	-	-	-	161,623	161,623
Cross-currency interest rate swaps	48,514	-	-	-	48,514	48,514
Total return swaps	7,267	-	-	-	7,267	7,267
Bond forwards	258	-	-	-	258	258
Foreign exchange forwards	2,157	-	-	-	2,157	2,157
Loan commitments	935	-	-	-	935	935
Other	-	-	-	334,458	334,458	333,458
Total financial liabilities	220,754	-	-	48,322,215	48,542,969	47,754,856

(1) Loans - Commercial does not include $1,320,684 (December 31, 2022 - $1,196,033) of equipment financing, 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 Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

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

Level 3: valuation techniques with significant unobservable market inputs.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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

($000s) October 31, 2023	Level 1	Level 2	Level 3	Total financial assets/financial liabilities at fair value
Financial assets:				
Investments	2,022,784	-	74,365	2,097,149
Loans – Personal	-	-	31,954,331	31,954,331
Loans – Commercial	-	481,793	12,957,941	13,439,734
Securitization retained interests	-	542,900	-	542,900
Other assets:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	179,050	-	179,050
Cross currency interest rate swaps	-	47,797	-	47,797
Total return swaps	-	632	16,357	16,989
Bond forwards	-	18,366	-	18,366
Foreign exchange forwards	-	9,038	-	9,038
Other	-	58,298	-	58,298
Total financial assets	2,022,784	1,337,874	45,002,994	48,363,652
Financial liabilities:				
Deposits	-	31,737,600	-	31,737,600
Securitization liabilities	-	11,275,334	2,702,089	13,977,423
Other liabilities:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	113,010	-	113,010
Cross-currency interest rate swaps	-	32,545	-	32,545
Total return swaps	-	662	3,405	4,067
Bond forwards	-	2,179	-	2,179
Foreign exchange forwards	-	472	-	472
Loan commitments	-	-	3,620	3,620
Funding facilities	-	1,736,595	-	1,736,595
Other	-	425,899	-	425,899
Total financial liabilities	-	45,324,296	2,709,114	48,033,410

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

($000s) December 31, 2022	Level 1	Level 2	Level 3	Total financial assets/financial liabilities at fair value
Financial assets:				
Investments	1,200,491	1,025,210	61,499	2,287,200
Loans – Personal	-	-	31,386,026	31,386,026
Loans – Commercial	-	431,107	12,685,526	13,116,633
Securitization retained interests	-	364,806	-	364,806
Other assets:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	166,601	-	166,601
Cross currency interest rate swaps	-	38,982	-	38,982
Total return swaps	-	-	14,513	14,513
Bond forwards	-	9,579	-	9,579
Foreign exchange forwards	-	5,744	-	5,744
Other	-	27,542	-	27,542
Total financial assets	1,200,491	2,069,571	44,147,564	47,417,626
Financial liabilities:				
Deposits	-	30,742,559	-	30,742,559
Securitization liabilities	-	12,375,544	2,170,469	14,546,013
Other liabilities:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	161,623	-	161,623
Cross-currency interest rate swaps	-	48,514	-	48,514
Total return swaps	-	2,670	4,597	7,267
Bond forwards	-	258	-	258
Foreign exchange forwards	-	2,157	-	2,157
Loan commitments	-	-	935	935
Funding facilities	-	1,247,008	-	1,247,008
Other	-	334,458	-	334,458
Total financial liabilities	-	44,914,791	2,176,001	47,090,792

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

Note 7 – Cash and Cash Equivalents and Restricted Cash

($000s)	**October 31, 2023**	December 31, 2022
Deposits with regulated financial institutions	**299,481**	495,106
Highly liquid short-term investments	**249,993**	-
Cash and cash equivalents	**549,474**	495,106
Restricted cash – securitization	**597,635**	488,165
Restricted cash – interest rate swaps	**61,175**	132,926
Restricted cash – other programs	**108,385**	116,565
Restricted cash	**767,195**	737,656

Restricted cash – securitization represents deposits held in trust in connection with EQB's securitization activities. These deposits include cash accounts held at a major Schedule I Canadian Bank that hold principal and interest payments collected from securitized loans awaiting payment to their respective investors, deposits

held as collateral by third parties for EQB's securitization hedging activities and deposits held in interest reinvestment accounts in connection with EQB's participation in the CMB program.

Restricted cash – interest rate swaps represent deposits held as collateral by third parties for EQB's interest rate swap transactions. The terms and conditions of these arrangements with counterparties are governed by the International Swaps and Derivatives Association, Inc. (ISDA) agreements.

Restricted cash – other programs represent deposits held as collateral in connection with EQB's Home Equity line of credit, servicing business, deposit and covered bond programs. These balances may be drawn upon only in the event of insufficient cashflows from the underlying programs. These balances also include deposits held in trust by third party originators for the use in funding loans on EQB's behalf, and may be drawn upon only in the event that the related origination and servicing agreements are terminated.

Note 8 – Securities Purchased Under Reverse Repurchase Agreements

As at October 31, 2023, the fair value of financial assets accepted as collateral that EQB is permitted to sell or repledge in the absence of default is $907,808 (December 31, 2022 – $199,249). EQB is obliged to return equivalent securities at the repurchase date, and EQB did not sell or repledge any of the collateral as at the period ended October 31, 2023.

Note 9 – Investments

Carrying value of investments is as follows:

($000s)	**October 31, 2023**	December 31, 2022
Equity securities measured at FVOCI	**52,686**	60,168
Equity securities measured at FVTPL	**17,629**	21,274
Debt securities measured at FVOCI	**1,742,510**	1,781,445
Debt securities measured at FVTPL	**177,557**	188,212
Debt securities measured at AMC	**130,263**	238,519
	2,120,645	2,289,618

EQB 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 October 31, 2023, EQB earned dividends of $30,805 (2022 − $3,335) on these Equity securities. During the period, EQB sold/redeemed Equity securities of $23,853 (2022 − $28,437) and recognized a loss on sale of $11,042 (2022 – loss on sale of $3,843) in Retained earnings.

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

($000s)	**2023**	2022
Equity securities measured at FVOCI	**(23,723)**	(8,709)
Equity securities measured at FVTPL	**(202)**	(26,112)
Debt securities measured at FVOCI	**(455)**	28,364
Debt securities measured at FVTPL	**(6,657)**	(15,607)

Note 10 – Loans Receivable

(a) Loans receivable

($000s)						October 31, 2023
	Gross amount	**Allowance for credit losses**				**Net amount**
		Stage 1	**Stage 2**	**Stage 3**	**Total**	
Loans – Personal	**32,445,945**	**29,947**	**21,758**	**3,713**	**55,418**	**32,390,527**
Loans – Commercial	**15,034,341**	**27,503**	**21,953**	**14,281**	**63,737**	**14,970,604**
	47,480,286	**57,450**	**43,711**	**17,994**	**119,155**	**47,361,131**

($000s)						December 31, 2022
	Grossamount	Allowance for credit losses				Net amount
		Stage 1	Stage 2	Stage 3	Total	
Loans – Personal	32,041,682	28,303	13,432	2,997	44,732	31,996,950
Loans – Commercial	14,565,315	23,430	24,766	3,854	52,050	14,513,265
	46,606,997	51,733	38,198	6,851	96,782	46,510,215

Loans – Personal include certain uninsured residential loans with a carrying value of $2,382,931 (December 31, 2022 – $1,576,832) that have been sold but are not derecognized. EQB issues Euro denominated covered bonds in Europe by securitizing uninsured residential loans on properties in Canada. These uninsured residential loans are sold and held in a separate guarantor entity i.e. EQB Covered Bond (Legislative) Guarantor Limited Partnership (Guarantor LP), established by EQB exclusively for the Covered Bonds Program (the Program). The legal title on the uninsured residential loans that are secured under the Program are held by the Guarantor LP. The residential loans sold to the Guarantor LP under the Program do not qualify for derecognition as EQB continues to be exposed to substantially all of the risks and rewards associated with the transferred assets and retains control of the assets. A key risk associated with transferred loans to which EQB remains exposed after the transfer to the Program, is the risk of prepayment. As a result, the loans continue to be recognized on EQB's Consolidated Balance Sheet at amortized cost and are accounted for as collateral for the secured funding arrangement, with the corresponding liability presented under Deposits.

Loans – Commercial include certain loans measured at FVTPL that are held for securitization activities. As at October 31, 2023, the carrying value of these loans was $481,037 (December 31, 2022 – $430,253) and included fair value adjustment of ($8,614) (December 31, 2022 – ($2,555)).

Loans – Commercial also include certain loans that are designated and measured at FVTPL. As at October 31, 2023, the carrying amount of these loans was $756 (December 31, 2022 – $854) and included fair value adjustment of ($87) (December 31, 2022 – ($81)).

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

($000s)	**2023**	2022
Net losses in fair values for loans measured at FVTPL included in gains on securitization activities	**(6,059)**	(4,469)
Net (losses) gains in fair values for loans measured at FVTPL and recognized in net gain (loss) on loans and investments	**(6)**	3

Loans – Commercial include loans of $852,440 (December 31, 2022 – $774,377) invested in certain asset-backed structured entities. EQB holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. EQB 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, EQB does not control these structured entities and has not consolidated them.

Loans – Commercial also include EQB's net investment in equipment financing of $1,320,684 (December 31, 2022 – $1,196,033). The following table shows the maturity analysis of undiscounted minimum financing payments reconciled to the net investment in equipment financing:

($000s)	**October 31, 2023**	December 31, 2022
Minimum financing payments:		
Less than 1 year	**575,378**	498,476
1 year to less than 2 years	**453,655**	402,513
2 years to less than 3 years	**308,662**	282,251
3 years to less than 4 years	**149,400**	145,359
4 years to less than 5 years	**49,576**	45,451
More than 5 years	**9,941**	7,329
Non performing leases – net	**10,666**	19,704
Total undiscounted financing payments receivable	**1,557,278**	1,401,083
Less:		
Fair value on acquisition	**(3,904)**	(7,734)
Security deposits held	**(4,433)**	(5,834)
Unearned finance income	**(198,988)**	(168,307)
Allowance for credit losses	**(29,269)**	(23,175)
Net investment in equipment financing	**1,320,684**	1,196,033

For the period ended October 31, 2023, EQB earned finance income of $94,928 (December 31, 2022 – $84,821) from its investment in equipment financing. As at October 31, 2023, all of EQB's equipment financing is fixed rate financing with terms ranging from one to seven years, and approximately 76% of EQB's equipment financing is concentrated in the following five industry segments:

	October 31, 2023	December 31, 2022
Transportation – Long Haul	**44.5%**	45.1%
Transportation – Vocational	**14.5%**	12.8%
Construction	**9.7%**	9.8%
Agriculture, forestry, fishing and hunting	**4.2%**	4.1%
Food and Crop production	**3.4%**	5.1%

(b) Impaired and past due loans

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

($000s)			**October 31, 2023**	December 31, 2022
	Gross[1]	**Allowance for credit losses**	**Net**	Net
Loans – Personal	**121,790**	**3,713**	**118,077**	49,154
Loans – Commercial – Conventional and Insured	**222,303**	**9,473**	**212,830**	62,170
Loans – Commercial – Equipment financing	**35,497**	**4,808**	**30,689**	20,338
	379,590	**17,994**	**361,596**	131,662

(1) Gross balances include loans amounting to $9,962 (December 31, 2022 - $11,332) that are insured.

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

($000s)				**October 31, 2023**
	30 – 59 days	**60 – 89 days**	**90 days or more[1]**	**Total**
Loans – Personal	**154,744**	**73,277**	**3,764**	**231,785**
Loans – Commercial – Conventional and Insured	**68,726**	**35,994**	**-**	**104,720**
Loans – Commercial – Equipment financing	**29,198**	**14,077**	**-**	**43,275**
	252,668	**123,348**	**3,764**	**379,780**

($000s)				December 31, 2022
	30 – 59 days	60 – 89 days	90 days or more[1]	Total
Loans – Personal	75,685	21,843	3,729	101,257
Loans – Commercial – Conventional and Insured	1,820	4,096	-	5,916
Loans – Commercial – Equipment financing	13,186	3,508	-	16,694
	90,691	29,447	3,729	123,867

(1) Includes balances of $3,764 (December 31, 2022 - $3,729) relating to credit card customers that are past 89 days and less than 180 days.

(c) Allowance for credit losses

($000s)				October 31, 2023
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Personal	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	28,303	13,432	2,997	44,732
Provision for credit losses:				
Transfers to (from) Stage 1	4,182	(3,914)	(268)	-
Transfers to (from) Stage 2	(9,325)	10,497	(1,172)	-
Transfers to (from) Stage 3	(2,166)	(10,752)	12,918	-
Re-measurement[1]	3,958	15,618	8,059	27,635
Originations	9,998	-	-	9,998
Discharges	(5,003)	(3,123)	(17,072)	(25,198)
Write-off	-	-	(1,691)	(1,691)
Realized losses	-	-	(968)	(968)
Recoveries	-	-	910	910
Balance, end of year[2][3]	29,947	21,758	3,713	55,418

($000s)				October 31, 2023
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	23,430	24,766	3,854	52,050
Provision for credit losses:				
Transfers to (from) Stage 1	19,114	(19,038)	(76)	-
Transfers to (from) Stage 2	(7,331)	7,417	(86)	-
Transfers to (from) Stage 3	(774)	(2,569)	3,343	-
Re-measurement[1]	(13,813)	15,535	23,128	24,850
Originations	10,623	-	-	10,623
Discharges	(3,746)	(4,158)	(420)	(8,324)
Write-off	-	-	(17,821)	(17,821)
Realized losses	-	-	-	-
Recoveries	-	-	2,359	2,359
Balance, end of year[2][3]	27,503	21,953	14,281	63,737

(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 (2) The allowance for credit losses includes allowance on loan commitments amounting to $1,722 (December 31, 2022 - $1,472). (3) Guarantees of $14,089 (December 31, 2022 - $14,817) relating to the consumer credit portfolio has not been netted-off.

($000s)				December 31, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Personal	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	6,502	4,944	632	12,078
Provision for credit losses:				
Transfers to (from) Stage 1	3,435	(3,139)	(296)	-
Transfers to (from) Stage 2	(4,808)	4,895	(87)	-
Transfers to (from) Stage 3	(12)	(40)	52	-
Re-measurement[(1)]	(465)	2,061	782	2,378
Originations	4,398	-	-	4,398
Discharges	(1,095)	(1,207)	-	(2,302)
Loans acquired on business combination[(2)]	20,348	5,918	1,937	28,203
Write-off	-	-	-	-
Realized losses	-	-	(110)	(110)
Recoveries	-	-	87	87
Balance, end of year[(3)]	28,303	13,432	2,997	44,732

($000s)				December 31, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	21,411	13,504	1,956	36,871
Provision for credit losses:				
Transfers to (from) Stage 1	11,672	(10,960)	(712)	-
Transfers to (from) Stage 2	(6,345)	6,806	(461)	-
Transfers to (from) Stage 3	(115)	(891)	1,006	-
Re-measurement[(1)]	(11,514)	12,206	7,301	7,993
Originations	12,250	-	-	12,250
Discharges	(4,653)	(1,451)	-	(6,104)
Loans acquired on business combination[(2)]	724	5,552	2,180	8,456
Write-off	-	-	(6,861)	(6,861)
Realized losses	-	-	(571)	(571)
Recoveries	-	-	16	16
Balance, end of year[(3)]	23,430	24,766	3,854	52,050

(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. (2) Guarantees of $14,817 relating to the consumer credit portfolio has not been netted-off. (3) The allowance for credit losses includes allowance on loan commitments amounting to $1,722 (December 31, 2022 – $1,472).

(d) Key inputs, assumptions and model techniques

EQB'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 with each scenario.

In addition, these elements are also subject to a high degree of judgment which could have a significant impact on the level of ACL recognized. The inputs and models used for calculating ECL may not always capture all characteristics of the market. Qualitative adjustments may be made by management for certain portfolios as temporary adjustments in circumstances where the assumptions and/or modelling techniques do not capture all relevant risk factors.

In considering the assumptions for calculating ECL, EQB has also considered geopolitical tensions, the current interest rate environment, and inflationary pressures. EQB has applied experienced credit judgment in the assessment of underlying credit deterioration and migration of balances to progressive stages.

(e) Forward-looking macroeconomic scenarios

EQB subscribes to Moody's Analytics economic forecasting services and leverages its forward-looking macroeconomic information to model ECL. EQB 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 various performing loan portfolios:

										October 31, 2023
					Downside Scenarios					
	Base-Case Scenario		Upside Scenario		Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	5.72	5.62	4.59	5.10	6.92	5.91	8.22	6.34	9.73	7.21
Real GDP growth rate %[1]	0.65	1.96	1.48	2.49	(0.44)	1.88	(1.01)	1.63	(2.00)	1.33
Home Price Index growth rate %[2]	(2.71)	(0.21)	(0.60)	3.74	(3.93)	(1.48)	(10.77)	(1.14)	(15.87)	(7.20)
Commercial PropertyIndex growth rate %	(0.71)	2.79	2.04	4.30	(2.55)	2.20	(9.20)	3.89	(14.54)	1.07
Household incomegrowth rate %	(1.47)	(1.75)	0.81	2.41	(2.17)	1.28	(3.60)	0.42	(5.00)	(1.13)
Canadian Equity index %	1.47	14.54	8.75	(3.11)	(9.20)	6.48	(22.88)	12.48	(39.74)	35.63
West Texas Intermediate oil price %	5.16	(2.93)	11.22	9.75	(18.94)	14.17	(33.84)	22.98	(40.52)	36.22

(1) Beginning October 31, 2023, the Real GDP is being presented as the average growth rate over the period. (2) The Home Price Index growth rate % used by EQB is the Moody's Analytics Home and Land Price Index

	Base-Case Scenario		Upside Scenario		Downside Scenarios					December 31, 2022
					Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	5.88	5.69	4.94	5.10	6.95	6.03	8.01	6.55	9.35	7.57
Real GDP growth rate %	0.47	8.51	2.29	10.04	(1.27)	8.65	(1.94)	7.03	(3.44)	5.74
Home Price Indexgrowth rate %[1]	(1.97)	(2.74)	(0.11)	0.49	(3.24)	(5.08)	(9.95)	(5.80)	(15.23)	(12.17)
Commercial Property Index growth rate %	(1.48)	1.30	1.57	3.21	(4.12)	0.67	(11.93)	1.60	(18.54)	(2.03)
Household income growth rate %	(2.17)	(0.59)	(1.12)	1.46	(3.50)	(1.57)	(4.58)	(2.67)	(5.75)	(4.71)
Canadian Equity index %	(4.86)	4.11	1.80	4.13	(18.15)	3.47	(29.07)	5.67	(33.66)	4.27
West Texas Intermediate oil price %	(10.24)	(5.41)	(12.90)	(4.75)	(18.19)	(2.52)	(12.28)	(4.07)	(15.00)	(2.90)

(1) The Home Price Index growth rate % used by EQB is the Moody's Analytics Home and Land Price Index

(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 the five macroeconomic scenarios, and other factors considered when applying experienced credit judgment. Changes in these inputs, assumptions, models, and judgments 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 EQB's ACL using only the base-case scenario and protracted slump scenario instead of the five probability-weighted macroeconomic scenarios for performing loans:

($000s)	**October 31, 2023**	December 31, 2022
ACL – Five probability-weighted macroeconomic scenarios (actual)	**101,161**	89,931
ACL – Base-case scenario only	**85,231**	84,088
ACL – Protracted slump only	**221,284**	156,576
Difference – Actual versus base-case scenario only	**15,930**	5,843
Difference – Actual versus protracted slump only	**(120,123)**	(66,645)

Impact of staging on ACL

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

($000s)	**October 31, 2023**	December 31, 2022
ACL – Loans in Stage 1 and Stage 2 (actual)	**101,161**	89,931
ACL – Assuming all loans in Stage 1	**85,302**	79,221
Lifetime ACL impact	**15,859**	10,710

Note 11 – Derecognition of Financial Assets

In the normal course of business, EQB 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 EQB's continuing involvement. EQB transfers its financial assets through sale and repurchase agreements and its securitization activities.

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

Obligations under repurchase agreements

Obligations under repurchase agreements are transactions in which EQB sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. EQB continues to recognize the securities in their entirety on the Consolidated Balance Sheet because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and the obligation to pay the repurchase price is recognized as a financial liability.

Securitizations

EQB securitizes insured residential loans by selling its issued MBS to third party investors including to the CMHC sponsored CHT under the CMB program. EQB may also retain certain issued MBS as part of its liquidity management strategy, as well as to manage interest rate risk associated with EQB's participation in the CMB program. The CHT periodically issues CMB, which are guaranteed by the government, and sells them to third party investors. Proceeds from the CMB issuances are used by the CHT to purchase MBS from eligible MBS issuers who participate in the issuance of a particular CMB series.

Not all securitization transactions qualify for derecognition as EQB may continue to be exposed to substantially all of the risks and rewards associated with the transferred assets or it neither transfers nor retains substantially all the risks and rewards and retains control of the assets. A key risk associated with transferred loans to which EQB remains exposed after the transfer in such securitization transactions is the risk of prepayment. As a result, the loans continue to be recognized on the Consolidated Balance Sheet at amortized cost and are accounted for as secured financing transactions, with the loans transferred pledged as collateral for these securitization liabilities.

EQB's securitization activities include selling uninsured loans by entering into an agreement with other Schedule I banks and participating in a securitization program sponsored by those banks. Under this agreement, EQB sells the loans to the program and they remain in the program until maturity. The bank that sponsors the securitization program retains all of the refinancing risks related to the program. The sale of these loans does not qualify for derecognition as EQB continues to be exposed to substantially all of the risks and rewards associated with the transferred assets. As a result, the loans continue to be recognized on the Consolidated Balance Sheet at amortized cost and the proceeds received are recognized under securitization liabilities. The loans transferred are pledged as collateral for these securitization liabilities.

i) MBS securitizations

For MBS securitization liabilities, principal payments collected from the underlying loans are passed on to the MBS investors, reducing the amount of the liability outstanding on a monthly basis. Interest on the MBS securitization liability is calculated at the MBS coupon rate and is paid monthly to the MBS investors.

ii) CMB securitizations

As part of a CMB transaction, EQB may enter into total return swaps with highly rated counterparties, exchanging the cash flows of the CMB for those of the MBS transferred to CHT. Any excess or shortfall in these cash flows is absorbed by EQB. For transactions that fail derecognition, these swaps are not recognized on EQB's Consolidated Balance Sheet as the underlying cash flows of these derivatives are captured through the continued recognition of the loans and their associated CMB securitization liabilities. Accordingly, these swaps are recognized on an accrual basis and are not fair valued through EQB's Consolidated Statement of Income. As at October 31, 2023, the notional amount of these swaps was $2,566,319 (December 31, 2022– $2,794,596).

CMB securitization liabilities are non-amortizing bond liabilities with fixed maturity dates. Principal payments collected from the loans underlying the MBS sold to the CHT are held in trust for the CHT and invested in eligible investments until the maturity of the bond. To the extent that these eligible investments are not EQB's own issued MBS, the investments are recorded on EQB's Consolidated Balance Sheet under Investments – Canada Housing Trust re-investment accounts. Interest on the CMB securitization liabilities is calculated at the CMB coupon rate and is paid to the CMB holders on a monthly, quarterly, or semi-annual basis.

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)				
	October 31, 2023		2022	
	Securitized assets	**Assets sold under repurchase agreements**	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	**15,138,612**	**1,128,238**	15,540,197	665,307
Carrying amount of associated liability	**14,501,161**	**1,128,238**	15,023,627	665,307
Carrying value, net position	**637,451**	**-**	516,570	-
Fair value of assets	**14,648,752**	**1,128,238**	15,068,979	665,064
Fair value of associated liability	**13,977,423**	**1,128,238**	14,546,013	665,064
Fair value, net position	**671,329**	**-**	522,966	-

EQB estimates that the principal amount of securitization liabilities will be paid as follows:

($000s)	MBS Liabilities	CMB Liabilities	Other Securitization Liabilities	Total Liabilities
2024	**2,119,810**	**414,518**	**1,446,271**	**3,980,599**
2025	**2,690,349**	**423,105**	**796,831**	**3,910,285**
2026	**2,401,678**	**569,880**	**410,023**	**3,381,581**
2027	**826,468**	**515,709**	**30,663**	**1,372,840**
2028	**609,781**	**379,452**	**9,699**	**998,932**
Thereafter	**304,215**	**766,270**	**-**	**1,070,485**
	8,952,301	**3,068,934**	**2,693,487**	**14,714,722**

(b) Transfers that are derecognized in their entirety

Certain securitization transactions undertaken by EQB result in EQB derecognizing the transferred assets in their entirety. This is the case where EQB has securitized and sold pools of residential loans with no prepayment option to third parties. EQB does not retain substantially all the risks and rewards of ownership and transfers control over the assets. EQB retains some continuing involvement in the transaction which is represented by the retained interests and the associated servicing liabilities. There is no credit risk associated with the securitization retained interest as the derecognized loans are insured.

EQB also achieves derecognition on the securitization and sale of certain pools of residential loans with a prepayment option. In these transactions, EQB securitizes and sells pools of residential loans and then engages in a transaction to transfer its rights in the excess interest spread and/or any prepayment risk, thereby transferring substantially all the risks and rewards of ownership in the asset and derecognizing the asset in its entirety. During the period EQB derecognized $4,668,215 (2022 – $nil) of multi-unit residential loans with prepayment option.

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

($000s)	**2023**	2022
Loans securitized and sold	**5,244,786**	2,474,380
Carrying value of Securitization retained interests	**258,591**	147,582
Carrying value of Securitized loan servicing liability	**34,713**	18,307
Gains on loans securitized and sold	**46,948**	22,418
Income from securitization activities and retained interests	**9,436**	4,347

The expected undiscounted cash flows payable to the investors on EQB's securitization activities and transfers that are derecognized in their entirety are as follows:

($000s)	Securitization Liabilities
2024	**1,366,331**
2025	**1,650,243**
2026	**1,724,063**
2027	**1,632,927**
2028	**3,180,541**
Thereafter	**7,700,426**
	17,254,531

Note 12 – Derivative Financial Instruments

(a) Hedge instruments

Cash flow hedges

EQB's securitization activities are subject to interest rate risk, which represents the potential for changes in interest rates between the time EQB commits to funding a loan it intends to securitize through the issuance of a securitization liability, and the time the liability is actually issued. EQB utilizes derivative financial instruments in the form of bond forwards and interest rate swaps to hedge this exposure, with the intent to manage the change in cash flows of the future interest payments on the highly probable forecasted issuance of the securitization liability. EQB applies hedge accounting to these derivative financial instruments to minimize the volatility in income caused by changes in interest rates.

EQB also uses bond forwards to hedge changes in future cash flows from changes in interest rates attributable to highly probable forecasted issuance of fixed rate liabilities. EQB applies hedge accounting to these derivative financial instruments to minimize the volatility in income caused by changes in interest rates.

EQB hedges the risk of changes in future cash flows related to its floating rate securitization liabilities by entering into interest rate swaps. EQB applies hedge accounting to these derivative financial instruments to minimize the volatility in income caused by changes in interest rates.

EQB also hedges the risk of changes in future cash flows related to its RSU plan by entering into total return equity swap contracts with third parties, the value of which is linked to the price of EQB's common shares. Changes in the fair value of these derivative financial instruments offset the compensation expense related to the change in share price, over the period in which the swap is in effect. EQB applies hedge accounting to these derivative financial instruments to minimize the volatility in income caused by changes in EQB's share price.

EQB hedges the risk of changes in future cash flows related to its TSU plan by entering into a total return equity swap with third parties with values linked to the price of EQB's common shares. Changes in the fair value of these derivative financial instruments offset the compensation expense related to the change in share price, over the period in which the swap is in effect. EQB applies hedge accounting to these derivative financial instruments to minimize the volatility in income caused by changes in EQB's share price.

EQB also hedges the risk of changes in future cash flows related to its DSU plan by entering into a total return equity swap contract with a third party. The value of this derivative financial instrument is linked to the price of EQB's common shares. Changes in fair value of the derivative offsets Non-interest expense – other related to the change in share price, over the period in which the swap is in effect. EQB does not apply hedge accounting to this derivative financial instrument.

Fair value hedges

EQB enters into hedging transactions to manage interest rate exposures on loan commitments and certain deposits used to fund floating rate loans. The hedging instruments used to manage these exposures are interest rate swaps and bond forwards. EQB does not apply hedge accounting to these hedging relationships.

EQB enters into hedging transactions to manage interest rate exposure on certain loan assets, securitization liabilities, and deposit liabilities. EQB also enters into interest rate swap agreements to manage interest rate exposures on its investment in fixed rate provincial bonds. EQB applies hedge accounting to all these relationships.

EQB enters into cross currency interest rate swap agreements to manage interest and foreign exchange exposures on fixed rate foreign currency covered bond liabilities. EQB applies hedge accounting to these relationships.

EQB also enters into hedging transactions to manage foreign exchange exposure on certain foreign currency liabilities. EQB does not apply hedge accounting to these hedging relationships.

(b) Other derivatives

Total return swaps

As part of its CMB activities, EQB may assume reinvestment risk between the amortizing MBS and the bullet CMB for securitized loans which are derecognized. EQB assumes this risk by entering into total return swaps with highly rated counterparties and exchanging the cash flows of the CMB for those of the MBS transferred to the CHT. These swaps are recognized on EQB's consolidated balances sheets and fair valued through EQB's Consolidated Statement of Income.

As part of covered bond activities to manage cash flows between Equitable Bank and its subsidiary Guarantor LP, Equitable Bank and Guarantor LP each enter into an interest rate (total return) swap agreement with a third party interest rate swap provider. These two swaps are offsetting, with the net effect that Equitable Bank pays cash flows based on Canadian floating rate to Guarantor LP, and receives Guarantor LP's cash flows from the collateral assets. Interest rate swap provider earns an intermediation fee.

These swaps are recognized on EQB's Consolidated Balance Sheet and fair valued through EQB's Consolidated Statement of Income.

(c) Financial impact of derivatives

The fair values and notional amounts of derivatives outstanding are as follows:

($000's, except percentages)								October 31, 2023
Derivative instrumentand term (years)	Notional amount	Average Rate/ Price[1]	Positive current replacement cost[2]	Credit equivalent amount[3]	Risk-weighted balance[4]	Fair Value		
						Assets	Liabilities	Net[5]
Cash flow hedges: Bond forwards – hedge accounting								
1 or less	**252,600**	**4.09%**	**5,624**	**4,582**	**2,951**	**9,281**	**(160)**	**9,121**
Interest rate swaps – hedge accounting								
1 or less	**30,000**	**0.64%**	**361**	**180**	**36**	**1,377**	**-**	**1,377**
1 to 5	**453,000**	**2.94%**	**4,774**	**2,811**	**562**	**20,892**	**(158)**	**20,734**
Total return swaps – hedge accounting								
1 or less	**3,311**	**68.60**	**-**	**42**	**8**	**-**	**(49)**	**(49)**
1 to 5	**17,503**	**69.80**	**166**	**224**	**45**	**115**	**(613)**	**(498)**
Total return swaps – non-hedge accounting								
1 or less	**9,056**	**N/A**	**55**	**116**	**23**	**517**	**-**	**517**
Fair value hedges:								
Interest rate swaps – hedge accounting								
Fair value hedges:								
1 or less	**5,246,527**	**4.72%**	**1,075**	**31,070**	**6,214**	**7,337**	**(20,675)**	**(13,338)**
1 to 5	**2,947,963**	**3.76%**	**14,529**	**24,895**	**4,978**	**64,705**	**(12,811)**	**51,894**
5 and above	**791,110**	**3.42%**	**4,487**	**5,304**	**1,061**	**33,678**	**(7,827)**	**25,851**
Cross-currency								
Interest rate swaps – hedge accounting								
1 or less	**524,300**	**0.01%**	**-**	**25,527**	**5,105**	**-**	**(32,545)**	**(32,545)**
1 to 5	**1,171,450**	**2.83%**	**28,647**	**99,554**	**30,122**	**47,797**	**-**	**47,797**
Interest rate swaps – non-hedge accounting								
1 or less	**2,770,000**	**0.30%**	**1,450**	**24,661**	**4,932**	**8,481**	**(14,572)**	**(6,091)**
1 to 5	**733,094**	**3.89%**	**6,123**	**19,565**	**3,913**	**11,487**	**(10,341)**	**1,146**
5 and above	**334,048**	**1.19%**	**6,029**	**13,836**	**2,767**	**10,730**	**(24,800)**	**(14,070)**
Bond forwards – non-hedge accounting								
1 or less	**628,810**	**N/A**	**1,803**	**8,593**	**4,018**	**9,085**	**(2,019)**	**7,066**
Foreign exchange forwards - non-hedge accounting								
1 or less	**330,435**	**N/A**	**1,025**	**3,307**	**662**	**9,038**	**(472)**	**8,566**
Other derivatives:								
Total return swaps								
1 or less	**551,049**	**N/A**	**74**	**247**	**32**	**172**	**(15)**	**157**
1 to 5	**2,491,947**	**N/A**	**2,012**	**1,247**	**249**	**3,330**	**(1,101)**	**2,229**
5 and above	**2,138,793**	**N/A**	**4,946**	**1,158**	**232**	**12,855**	**(2,289)**	**10,566**
Interest rate swaps 1 to 5	**4,811,627**	**N/A**	**20,363**	**33,042**	**6,608**	**20,363**	**(21,826)**	**(1,463)**
	26,236,623		**103,543**	**299,961**	**74,518**	**271,240**	**(152,273)**	**118,967**

(1) Average rate or average price are on initiation of the derivatives, and refer to the average bond forward rate, the average rate on the fixed-leg of an interest rate swap, and the average share price of the total return swap. These rates/prices are applicable to derivatives in hedge accounting relationships only. (2) Positive current replacement cost represents the cost of replacing all contracts that have a positive fair value, using current market rates. It reflects the unrealized gains on derivative instruments. (3) Credit risk equivalent represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy Requirements Guideline. (4) Risk-weighted balance is determined by applying the standardized approach for counterparty credit risk to the credit equivalent amount, as prescribed by OSFI. (5) Derivative financial assets are included in Other assets (Note 14) and derivative financial liabilities are included in Other liabilities (Note 18).

($000's, except percentages)								December 31, 2022
Derivative instrumentand term (years)	Notional amount	Average Rate/ Price[1]	Positive current replacement cost[2]	Credit equivalent amount[3]	Risk-weighted balance[4]	Fair Value		
						Assets	Liabilities	Net[5]
Cash flow hedges: Bond forwards – hedge accounting								
1 or less	381,300	3.45%	6,425	7,992	6,921	6,212	-	6,212
Interest rate swaps – hedge accounting								
1 to 5	547,000	1.19%	15,873	6,712	1,342	41,710	-	41,710
Total return swaps – hedge accounting								
1 or less	3,557	68.75	-	20	4	-	(623)	(623)
1 to 5	10,611	68.94	-	58	12	-	(1,765)	(1,765)
Total return swaps – non-hedge accounting								
1 or less	8,413	N/A	-	46	9	-	(282)	(282)
Fair value hedges:								
Interest rate swaps – hedge accounting								
Fair value hedges:								
1 or less	3,335,054	4.06%	6,672	29,869	5,974	6,671	(29,577)	(22,906)
1 to 5	3,093,618	3.24%	19,629	34,692	6,938	38,586	(45,505)	(6,919)
5 and above	457,620	3.45%	2,161	4,661	932	6,265	(5,454)	811
Cross-currency								
Interest rate swaps – hedge accounting								
1 to 5	1,259,130	1.30%	28,760	90,085	18,017	38,982	(48,514)	(9,532)
Interest rate swaps – non-hedge accounting								
1 or less	221,580	N/A	2,630	1,455	291	4,231	(3,516)	715
1 to 5	445,657	N/A	8,846	20,151	4,030	14,801	(10,862)	3,939
5 and above	206,090	N/A	1,707	8,720	1,745	5,850	(17,277)	(11,427)
Bond forwards – non-hedge accounting								
1 or less	373,750	N/A	2,649	6,992	4,600	3,367	(258)	3,109
Foreign exchange forwards - non-hedge accounting								
1 or less	346,042	N/A	2,202	4,015	803	5,744	(2,157)	3,587
Other derivatives:								
Total return swaps								
1 or less	652,958	N/A	127	491	98	-	(78)	(78)
1 to 5	2,536,016	N/A	2,959	1,541	308	3,779	(1,026)	2,753
5 and above	2,335,621	N/A	7,508	2,336	467	10,734	(3,493)	7,241
Interest rate swaps 1 to 5	3,198,206	N/A	48,487	73,321	14,664	48,487	(49,432)	(945)
	19,412,223		156,635	293,157	67,155	235,419	(219,819)	15,600

(1) Average rate or average price are on initiation of the derivatives, and refer to the average bond forward rate, the average rate on the fixed-leg of an interest rate swap, and the average share price of the total return swap. These rates/prices are applicable to derivatives in hedge accounting relationships only. (2) Positive current replacement cost represents the cost of replacing all contracts that have a positive fair value, using current market rates. It reflects the unrealized gains on derivative instruments. (3) Credit risk equivalent represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy Requirements Guideline. (4) Risk-weighted balance is determined by applying the standardized approach for counterparty credit risk to the credit equivalent amount, as prescribed by OSFI. (5) Derivative financial assets are included in Other assets (Note 14) and derivative financial liabilities are included in Other liabilities (Note 18).

Cash flow hedges:

The following table presents the effects of cash flow hedges on EQB's Consolidated Statement of Income:

($000s)				**2023**
	Gains (losses) on hedging instrument	**Gains (losses) on hedged Item**	**Hedge ineffectiveness recognized in income**	**Hedging gain or loss recognized in OCI**
Cash flow hedges:				
Interest rate risk:				
Bond forwards	**39,260**	**(36,006)**	**4,563**	**34,697**
Interest rate swaps	**4,595**	**(4,595)**	**-**	**4,595**
Equity price risk:				
Total return swaps	**1,659**	**(1,659)**	**-**	**1,659**
	45,514	**(42,260)**	**4,563**	**40,951**

($000s)				2022
	Gains (losses) on hedging instrument	Gains (losses) on hedged Item	Hedge ineffectiveness recognized in income	Hedging gain or loss recognized in OCI
Cash flow hedges:				
Interest rate risk:				
Bond forwards	18,619	(20,043)	830	17,789
Interest rate swaps	39,170	(39,170)	-	39,170
Equity price risk:				
Total return swaps	(3,030)	3,030	-	(3,030)
	54,759	(56,183)	830	53,929

The following table presents the effects of cash flow hedges on EQB's Consolidated Statement of Comprehensive Income on a pre-tax basis:

($000s)						**2023**
					Balance in cash flow hedge AOCI	
	AOCI as at January 1, 2023	**Net gains (losses) recognized in OCI**	**Amount reclassified to income as the hedged item affects income**	**AOCI as at October 31, 2023**	**Active hedges**	**Discontinued hedges**
Cash flow hedges:						
Interest rate risk:						
Bond forwards	**9,901**	**34,697**	**(31,344)**	**13,254**	**8,829**	**4,425**
Interest rate swaps	**48,004**	**4,595**	**(6,842)**	**45,757**	**22,110**	**23,647**
Equity price risk:						
Total return swaps	**(1,273)**	**1,659**	**(544)**	**(158)**	**(158)**	**-**
	56,632	**40,951**	**(38,730)**	**58,853**	**30,781**	**28,072**

($000s)						2022
					Balance in cash flow hedge AOCI	
	AOCI as at January 1, 2022	Net gains (losses) recognized in OCI	Amount reclassified to income as the hedged item affects income	AOCI as at December 31, 2022	Active hedges	Discontinued hedges
Cash flow hedges:						
Interest rate risk:						
Bond forwards	(9,894)	17,789	2,006	9,901	6,070	3,831
Interest rate swaps	9,853	39,170	(1,019)	48,004	39,148	8,856
Equity price risk:						
Total return swaps	633	(3,030)	1,124	(1,273)	(1,273)	-
	592	53,929	2,111	56,632	43,945	12,687

Fair value hedges:

The following table presents the effects of fair value hedges on EQB's Consolidated Balance Sheet and the Consolidated Statement of Income:

($000s)							**2023**
	Hedge ineffectiveness			**Carrying amounts for hedged items**[1]		**Accumulated amount of fair value hedge gains (losses) on the hedged item**	
	Gains (losses) on hedging instrument	**Gains (losses) on hedged item**	**Total**	**Active hedges**	**Discontinued hedges**	**Active hedges**	**Discontinued hedges**
Fair value hedges:							
Interest rate risk:							
Loans	**50,290**	**(45,083)**	**5,207**	**2,026,974**	**2,401,343**	**(43,035)**	**(54,875)**
Deposits	**21,662**	**(23,405)**	**(1,743)**	**(5,436,680)**	**(3,554,367)**	**16,103**	**13,318**
Securitization liabilities	**(3,242)**	**3,558**	**316**	**(99,745)**	**(300,142)**	**8,194**	**1,390**
Bonds	**32,518**	**(32,057)**	**461**	**1,225,872**	**256,642**	**(44,456)**	**(3,358)**
Interest rate and foreign exchange risk:							
Covered bonds	**24,210**	**(23,526)**	**684**	**(1,732,332)**	**-**	**(6,156)**	**-**
	125,438	**(120,513)**	**4,925**	**(4,015,911)**	**(1,196,524)**	**(69,350)**	**(43,525)**

($000s)							2022
	Hedge ineffectiveness			Carrying amounts for hedged items[1]		Accumulated amount of fair value hedge gains (losses) on the hedged item	
	Gains (losses) on hedging instrument	Gains (losses) on hedged item	Total	Active hedges	Discontinued hedges	Active hedges	Discontinued hedges
Fair value hedges:							
Interest rate risk:							
Loans	87,307	(90,302)	(2,995)	1,086,801	2,877,486	(31,010)	(60,247)
Deposits	(55,980)	55,516	(464)	(2,994,253)	(1,371,554)	62,882	838
Securitization liabilities	(9,869)	9,418	(451)	(293,144)	(244,145)	5,187	997
Bonds	8,227	(7,380)	847	732,583	263,951	(16,895)	3,951
Interest rate and foreign exchange risk:							
Covered bonds	11,312	(8,768)	2,544	(1,288,125)	-	17,370	-
	40,997	(41,516)	(519)	(2,756,138)	1,525,738	37,534	(54,461)

(1) Represents the carrying value of hedged items designated in qualifying hedging relationships.

Note 13 – Offsetting Financial Assets and Financial Liabilities

The disclosures in the table below include financial assets and financial liabilities that may or may not be offset in the consolidated financial statements but are subject to agreements with netting arrangements which covers similar financial instruments irrespective of whether they are offset in the consolidated financial statements. Such agreements include derivative agreements, collateral support agreements and repurchase agreements. Financial instruments include derivatives, securities purchased under reverse repurchase agreements and obligations under repurchase agreements.

EQB's derivative transactions are entered into under ISDA master agreements. In general, amounts owed by each counterparty under an agreement are aggregated into a single net amount being payable by one party to the other. In certain cases all outstanding transactions under an agreement may be terminated and a single net amount including pledges is due or payable in settlement of these transactions.

EQB's securities purchased under reverse repurchase agreements and obligations under repurchase agreements are covered by industry standard master agreements, which include netting provisions.

EQB pledges and in certain cases receives collateral in the form of cash or securities in respect of the financial instruments. Such collateral is subject to the credit support agreement associated with ISDA agreements, or subject to global master repurchase agreements. Under these agreements, cash or securities pledged/received as collateral can be sold during the term of the transaction but must be returned when the collateral is no longer required and/or on maturity. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

As of October 31, 2023, the approximate market value of cash and securities collateral pledged by EQB that are subject to credit support agreements was $1,333,652 (December 31, 2022 − $1,072,639).

As of October 31, 2023, the approximate market value of cash and securities collateral accepted that may be sold or repledged by EQB was $1,019,444 (December 31, 2022 − $41,796). There was no collateral sold or repledged in 2023 and 2022.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

($000s)						October 31, 2023
				Related amounts not offset on the consolidated balance sheet		
Types of financial assets	**Gross amounts of recognized financial assets**	**Gross amounts of recognized financial liabilities offset on the consolidated balance sheet**	**Net amounts of financial assets presented on the consolidated balance sheet**	**Financial instruments**	**Financial collateral (including cash collateral received)**	**Net amount**
Derivatives held for risk management:						
Interest rate swaps	**179,050**	**-**	**179,050**	**-**	**(126,972)**	**52,078**
Total return swaps	**16,989**	**-**	**16,989**	**-**	**(16,831)**	**158**
Cross-currency interest rate swaps	**47,797**	**-**	**47,797**	**-**	**-**	**47,797**
Foreign exchange forwards	**9,038**	**-**	**9,038**	**-**	**(8,580)**	**458**
Securities purchased under reverse repurchase agreements	**908,833**	**-**	**908,833**	**-**	**(908,833)**	**-**
	1,161,707	**-**	**1,161,707**	**-**	**(1,061,216)**	**100,491**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

($000s)						October 31, 2023
				Related amounts not offset on the consolidated balance sheet		
Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset on the consolidated balance sheet	Net amounts of financial liabilities presented on the consolidated balance sheet	Financial instruments	Financial collateral (including cash collateral received)	Net amount
Derivatives held for risk management:						
Interest rate swaps	**113,010**	**-**	**113,010**	**-**	**(87,584)**	**25,426**
Total return swaps	**4,067**	**-**	**4,067**	**-**	**(229)**	**3,838**
Cross-currency interest rate swaps	**32,545**	**-**	**32,545**	**-**	**-**	**32,545**
Foreign exchange forwards	**472**	**-**	**472**	**-**	**-**	**472**
Obligations under repurchase agreements	**1,128,238**	**-**	**1,128,238**	**(1,128,159)**	**-**	**79**
	1,278,332	**-**	**1,278,332**	**(1,128,159)**	**(87,813)**	**62,360**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

($000s)						December 31, 2022
				Related amounts not offset on the consolidated balance sheet		
Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset on the consolidated balance sheet	Net amounts of financial assets presented on the consolidated balance sheet	Financial instruments	Financial collateral (including cash collateral received)	Net amount
Derivatives held for risk management:						
Interest rate swaps	166,601	-	166,601	-	(79,655)	86,946
Total return swaps	14,513	-	14,513	-	(14,513)	-
Cross-currency interest rate swaps	38,982	-	38,982	-	-	38,982
Foreign exchange forwards	5,744	-	5,744	-	(2,762)	2,982
Securities purchased under reverse repurchase agreements	1,156	-	1,156	-	(1,156)	-
	226,996	-	226,996	-	(98,086)	128,910

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

($000s)						December 31, 2022
				Related amountsnot offset on the consolidated balance sheet		
Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset on the consolidated balance sheet	Net amounts of financial liabilities presented on the consolidated balance sheet	Financial instruments	Financial collateral (including cash collateral received)	Net amount
Derivatives held for risk management:						
Interest rate swaps	161,623	-	161,623	-	(124,699)	36,924
Total return swaps	7,267	-	7,267	-	(7,052)	215
Cross-currency interest rate swaps	48,514	-	48,514	-	-	48,514
Foreign exchange forwards	2,157	-	2,157	-	(497)	1,660
Obligations under repurchase agreements	664,151	-	664,151	(555,444)	-	108,707
	883,712	-	883,712	(555,444)	(132,248)	196,020

Note 14 – Other Assets

($000s)	**October 31, 2023**	December 31, 2022
Intangible assets	**154,250**	145,495
Prepaid expenses and other	**93,562**	42,733
Goodwill	**57,595**	57,595
Property and equipment	**31,521**	27,646
Income taxes receivable	**27,124**	12,004
Accrued interest and dividends on non-loan assets	**12,407**	7,559
Right-of-use assets	**3,688**	8,529
Receivable relating to securitization activities	**893**	1,120
Real estate owned	**395**	375
Derivative financial instruments:		
Interest rate swaps	**226,847**	205,583
Bond forwards	**18,366**	9,579
Total return swaps	**16,989**	14,513
Foreign exchange forwards	**9,038**	5,744
	652,675	538,475

(a) Intangible assets

Intangible assets include system software development costs relating to EQB's information systems, core customer deposits and Trust business relationships.

(b) Goodwill

For the purpose of impairment testing, goodwill is allocated to the Cash Generating Units (CGU) as follows:

($000s)	**October 31, 2023**	December 31, 2022
Equitable Bank	**39,560**	-
Bennington Financial Services	**18,035**	16,944
Concentra Bank	**-**	40,651
	57,595	57,595

During the period, EQB allocated the goodwill arising on Concentra's acquisition between the CGUs that would ultimately benefit from the synergies arising on the acquisition. No impairment losses on goodwill were recognized during the period ended October 31, 2023 and December 31, 2022.

The recoverable amounts for the above CGUs are calculated based on the value in use, determined by discounting three to ten-years future cash flows expected to be generated from the continuing use of the CGUs' assets and their perpetual terminal cash flows. No impairment losses were recognized during the period ended October 31, 2023 and December 31, 2022 because the recoverable amounts of these CGUs were determined to be higher than their carrying amounts.

The key assumptions used in the calculation of value in use are for the CGUs are listed in the table below. The values assigned to the key assumptions represent management's assessment of future trends and is based on historical data from both external and internal sources, and best estimates.

(%)	**October 31, 2023**	December 31, 2022
Discount rate	**13.2% to 18%**	18%
Terminal value growth rate	**0% to 3%**	0%

(c) Right-of-use assets

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

($000s)	**October 31, 2023**	December 31, 2022
Carrying amount of right-of-use assets	**3,688**	8,529
Depreciation charge for right-of-use assets	**3,285**	3,468
Cash outflows for lease liabilities	**4,192**	3,153
Interest expense on lease liabilities	**257**	376

During the period, EQB derecognized $2,817 (2022 – $105) of right-of-use assets, and $2,778 (2022 – $157) of related right-of-use liabilities as a result of exiting certain leases. This transaction resulted in a loss of $907 (2022 – gain of $52) inclusive of exit costs being recognized within Non-interest expenses in the Consolidated Statement of Income.

Note 15 – Deposits

($000s)	October 31, 2023	December 31, 2022
Term and other deposits	**31,577,150**	30,830,817
Fair value on acquisition	**(67,110)**	(123,751)
Accrued interest	**524,703**	380,628
Deferred deposit agent commissions	**(38,293)**	(35,881)
	31,996,450	31,051,813

Deposits also include $1,709,181 (December 31, 2022 – $1,245,294) of funding from the covered bond program. This funding is secured against $2,385,035 (December 31, 2022 – $1,577,979) of residential loans reported on the Consolidated Balance Sheet under Loans – Personal.

Fair value on acquisition includes the unamortized fair value adjustments on acquisition of Concentra on November 1, 2022. These fair value balances are amortized over the life of the acquired deposits under Interest expense – Deposits in the Consolidated Statement of Income.

Note 16 – Income Taxes

(a) Income tax provision:

($000s)	2023	2022
Current tax expense:		
Current year	**83,559**	82,718
Adjustments for prior years	**507**	2,185
	84,066	84,903
Deferred tax expense:		
Reversal of temporary differences	**48,744**	11,775
Adjustments for prior years	**(2,517)**	(2,160)
Changes in tax rates	**182**	3,758
	46,409	13,373
Total income tax expense	**130,475**	98,276

The provision for income taxes shown in the Consolidated Statement 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)	2023	2022
Canadian statutory income tax rate[1]	**27.2%**	27.0%
Increase (decrease) resulting from:		
Tax-exempt income	**(1.0%)**	(1.7%)
Future tax rate changes	**0.1%**	1.0%
Non-deductible expenses and other	**(0.3%)**	0.4%
Effective income tax rate	**26.0%**	26.7%

(1) The increase in statutory tax rate is due to the additional 1.5% (prorated for 2022) Federal tax imposed on Canadian financial institutions.

(b) Deferred tax:

Net deferred income tax liabilities are comprised of:

($000s)	October 31, 2023	December 31, 2022
Deferred income tax assets:		
Tax losses[1]	11,148	8,734
Allowance for credit losses	18,072	15,930
Leasing activities	7,535	9,817
Share issue expenses	3,768	2,324
Net loan fees	317	3,296
Other	13,315	6,684
	54,155	46,785
Deferred income tax liabilities:		
Securitization activities	132,186	92,749
Equipment financing activities[2]	7,821	113
Deposit agent commissions	7,005	7,234
Intangible costs	21,349	19,364
	168,361	119,460
Net deferred income tax liabilities[3]	114,206	72,675

(1) Deferred tax asset pertains to income tax losses of approximately $43,259 from Equitable Trust (2022 – $32,392). (2) The deferred tax liability relating to equipment financing activities pertains to the temporary difference resulting from difference in accounting treatment versus tax treatment for equipment financing receivable. (3) The corresponding amounts to the change in deferred tax balances is a tax charge to Statement of Income of $46,409 (2022 – $13,373, and a tax charge of $1,288 for business combination), and a tax recovery of $4,879 (2022 – $5,127) to Stockholders' Equity. Certain taxable temporary differences associated with investments in subsidiaries did not result in the recognition of deferred tax liabilities as at October 31, 2023. The total amount of these temporary differences was $1.793 billion as at October 31, 2023 (December 31, 2022 – $1.740 billion).

Deferred income tax assets and liabilities are reflected on the Consolidated Balance Sheet as follows:

($000s)	October 31, 2023	December 31, 2022
Deferred tax assets	14,230	-
Deferred tax liabilities	128,436	72,675
Net deferred tax liabilities	114,206	72,675

Note 17 – Funding Facilities

(a) Secured funding facilities:

EQB has two credit facilities totaling $1,600,000 (December 31, 2022 – $1,100,000) with major Schedule I Canadian banks to finance residential loans prior to securitization. Equitable Bank also has access to liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at October 31, 2023, EQB had an outstanding balance of $1,058,619 (December 31, 2022 – $737,040) on facilities from the Schedule I Canadian banks. The facilities from Schedule I Canadian banks carry interest rates at 1-month CDOR plus 0.70% to 0.85%.

Concentra Bank maintains a $25,000 (December 31, 2022 – $400,000) secured credit facility with a major Schedule I Canadian bank to backstop issued letters of credit. The credit facility carries interest rates at Banker's Acceptance plus 0.50%. Concentra Bank also maintains $100,000 (December 31, 2022 – $100,000) secured line of credit with SaskCentral which is used primarily for settlement and clearing purposes. The line of credit carries interest rates at Prime less 0.50%. As at October 31, 2023, there were no amounts outstanding under either of these facilities.

(b) Unsecured funding facilities:

EQB has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility (Revolving Facility) of up to $200,000 and a term loan facility (Term Loan) of up to $275,000. As at October 31, 2023, EQB had an outstanding balance of $372,619 (December 31, 2022 – $467,701) on the above facilities including deferred cost of $486 (December 31, 2022 – $609), prepaid interest of $1,912 (December 31, 2022 – $6,697). The Revolving and Term Loan facilities carry interest rates at 1-month CDOR plus applicable margins.

In 2023, EQB established a Bearer Deposit Notes (BDN) program through which it issues short-term unsecured notes. As at October 31, 2023 the outstanding balance of the notes issued under the program was $300,349 including deferred costs of $25 and discounts of $2,626. The interest rates on the outstanding BDN ranges from 5.15% to 5.85%.

Concentra Bank also maintains a BDN program. As at October 31, 2023 there were no notes outstanding under Concentra's program (December 31, 2022 – $34,963).

Note 18 – Other Liabilities

($000s)	**October 31, 2023**	December 31, 2022
Accounts payable and accrued liabilities	**317,997**	207,651
Securitized loan servicing liability	**81,150**	58,180
Loan realty taxes	**21,292**	57,541
Unearned revenue	**18,299**	2,417
Right-of-use liabilities	**4,561**	10,333
Loan commitments	**3,620**	935
Income taxes payable	**2,847**	-
Derivative financial instruments:		
Interest rate swaps	**145,555**	210,137
Total return swaps	**4,067**	7,267
Bond forwards	**2,179**	258
Foreign exchange forwards	**472**	2,157
	602,039	556,876

Note 19 – Shareholders' Equity

(a) Capital stock:

Authorized:

Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 1, par value $25.00 per share
Unlimited number of non-cumulative floating rate preferred shares, Series 2, par value $25.00 per share
Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 3, par value $25.00 per share
Unlimited number of non-cumulative floating rate preferred shares, Series 4, par value $25.00 per share
Unlimited number of non-voting Class A Series 1 and 2 preferred shares without par value
Unlimited number of common shares, no par value

Issued and outstanding shares:

($000's, except shares and per share amounts)	October 31, 2023			December 31, 2022		
	Number of shares	**Amount**	**Dividends paid per share**	Number of shares	Amount	Dividends paid per share
Preferred Shares,Series 3:						
Balance, beginning of year	**2,911,800**	**70,424**		2,919,400	70,607	
Treasury Preferred Shares, Series 3 cancelled	**-**	**-**		(7,600)	(183)	
Balance, end of year	**2,911,800**	**70,424**	**1.12**	2,911,800	70,424	1.49
Class A Series 1:	**3,888,500**	**97,212**		-	-	
Upon acquisition	-	-		3,888,500	97,212	
Balance, end of year	**3,888,500**	**97,212**	**0.75**	3,888,500	97,212	0.25
Class A Series 2:	**551,000**	**13,775**		-	-	
Upon acquisition	**-**	**-**		551,000	13,775	
Balance, end of year	**551,000**	**13,775**	**1.52**	551,000	13,775	0.46
Common shares:						
Balance, beginning of year	**37,564,114**	**462,561**		34,070,810	230,160	
New shares issued	**-**	**-**		3,266,000	223,112	
Issuance on exercise of stock options	**227,896**	**7,362**		118,970	3,528	
Issuance under DRIP	**87,342**	**5,799**		108,334	5,746	
Issuance costs – net of tax	**-**	**(6,230)**				
Dividend paid from principal	**-**	**-**			(655)	
Transferred from contributed surplus relating to the exercise of stock options	**-**	**1,522**		-	670	
Balance, end of year	**37,879,352**	**471,014**	**1.10**	37,564,114	462,561	1.21

(b) Preferred shares:

Series 3 – 5-year rate reset preferred shares

Holders of Series 3 preferred shares were entitled to receive a fixed quarterly non-cumulative preferential cash dividend, as and when declared by the Board of Directors, at a per annum rate of 6.35% per share for an initial 5-year period ended September 30, 2019. Thereafter, the dividend rate was reset at a level of 4.78% per share over the then five-year Government of Canada bond yield. The rate was reset to 5.969% per share per annum on September 30, 2019. Series 3 preferred shares are redeemable in cash at EQB's option, subject to prior regulatory approval, on September 30 every five years thereafter, in whole or in part, at a price of $25.00 per share plus all declared and unpaid dividends at the date fixed for redemption. Series 3 preferred shares are convertible at the holder's option to non-cumulative floating rate preferred shares, Series 4 (Series 4 preferred shares), subject to certain conditions, on September 30 every five years thereafter.

Series 4 – floating rate preferred shares

Holders of the Series 4 preferred shares will be entitled to receive a floating rate quarterly non-cumulative preferential cash dividend equal to the 90-day Canadian Treasury Bill Rate plus 4.78%, as and when declared by the Board of Directors. Series 4 preferred shares are redeemable in cash at EQB's option, subject to prior regulatory approval, on (i) September 30, 2024 and on September 30 every five years thereafter, in whole or in part, at a price of $25.00 per share plus all declared and unpaid dividends at the date fixed for redemption; or (ii) $25.50 plus all declared and unpaid dividends to the date fixed for redemption in the case of redemptions onany

other date on or after September 30, 2019. Series 4 preferred shares are convertible at the holder's option to non-cumulative 5-year rate reset preferred shares, Series 3 (Series 3 preferred shares), subject to certain conditions, on September 30, 2024 and on September 30 every five years thereafter.

Class A – Series 1 preferred shares

Holders of Class A – Series 1 preferred shares, issued by Concentra Bank, are entitled to an annual, non-cumulative fixed dividend of $0.99 per share, with the dividend rate resetting every five years equal to the Government of Canada five-year bond yield plus 3.59%. The Series 1 dividend rate was last reset on January 31, 2021.

Class A – Series 2 preferred shares

Holders of Class A – Series 2 preferred shares, issued by Concentra Bank, are entitled to a non-cumulative floating quarterly dividend at a rate equal to the 90-day Canadian treasury bill rate plus 3.59%.

Subject to a minimum number of shares remaining outstanding in each of the Class A shares, holders of Class A – Series 1 preferred shares have the right to exchange their shares for an equal amount of Class A – Series 2 preferred shares, or vice-versa, every 5 years following the expiration of the initial period ended January 31, 2021.

The Class A – Series 1 and Series 2 preferred shares are redeemable at the option of EQB for $25 per share subject to the approval of OSFI and the requirement of the Bank Act (Canada).

Upon occurrence of a Non-Viability Contingent Capital (NVCC) trigger event, the Class A – Series 1 and Series 2 preferred shares will immediately be cancelled for no consideration and the stated capital in respect of these classes of shares will immediately be reduced to $nil. From and after such date, the Class A – Series 1 and Series 2 shareholders shall have no right to receive or assert a claim for any amount in respect of dividends or any payment upon a distribution of assets in the event of the liquidation, dissolution or winding-up.

Class B preferred shares

Class B preferred shares, issued by Concentra Bank are entitled to preferential dividends as and when declared by the Board. The Class B preferred shares may be issued at any time or from time to time in one or more series provided each series of Class B preferred shares ranks in parity with every other series of Class B preferred shares with respect to dividends and return of capital. Before issuance of a series, the Board shall fix the number of shares that will form such series and determine the designation, rights, privileges, restrictions and conditions specific to that series, subject to any limitations set out in the Bank Act (Canada) and the approval of OSFI. There are currently no series of Class B preferred shares approved for issuance.

(c) Dividend reinvestment plan:

EQB had activated a dividend reinvestment plan in Q1 2019 and later suspended it in Q1 2021. In Q1 2022, EQB reactivated the plan. Participation in the plan was optional and under the terms of the plan, cash dividends on common shares were used to purchase additional common shares at the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the dividend payment date, adjusted with discount. At the option of EQB, the common shares may have been issued from EQB's treasury or acquired from the open market at market prices.

(d) Dividend restrictions:

EQB's subsidiary, Equitable Bank, is subject to minimum capital requirements, as prescribed by OSFI under the Bank Act (Canada). EQB must notify OSFI prior to the declaration of any dividend and must ensure that any such dividend declaration is done in accordance with the provisions of the Bank Act (Canada), and those OSFI guidelines relating to capital adequacy and liquidity.

(e) Normal course issuer bid (NCIB):

On December 21, 2020, the EQB announced that the Toronto Stock Exchange has approved a NCIB pursuant to which EQB may repurchase for cancellation up to 2,288,490 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. On December 21, 2022, the NCIB was renewed and approved by the Toronto Stock Exchange, pursuant to which EQB may repurchase for cancellation up to 3,025,798 of its common shares and 288,680 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. EQB only intends to purchase a maximum of 1,150,000 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 EQB's discretion. As at October 31, 2023, EQB had repurchased and cancelled 88,200 Series 3 – 5-year rate reset preferred shares at a volume weighted average price of $25.91. No common shares have been purchased and cancelled under the NCIB.

Note 20 – Stock-based Compensation

(a) Stock-based compensation plan:

Under EQB's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven or ten years and vest over a four-year period. At October 31, 2023, the maximum number of common shares available for issuance under the plan was 4,000,000 (December 31, 2022 − 4,000,000). The outstanding options expire on various dates to October 2033. A summary of EQB's stock option activity and related information for the period ended October 31, 2023 and December 31, 2022 is as follows:

($000's, except share, per share and stock option amounts)	**October 31, 2023**		December 31, 2022	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	**1,229,851**	**49.03**	1,123,002	41.75
Granted	**209,037**	**67.33**	253,816	73.83
Exercised	**(227,896)**	**32.30**	(118,970)	29.65
Forfeited/cancelled	**(37,273)**	**71.64**	(27,997)	64.37
Outstanding, end of year	**1,173,719**	**54.82**	1,229,851	49.03
Exercisable, end of year	**641,645**	**44.19**	658,941	36.44

The following table summarizes information relating to stock options outstanding and exercisable as at October 31, 2023:

		Options outstanding	Options exercisable
Exercise price ($)	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Number exercisable**
35.84	56,832	0.3	56,832
27.63	3,500	0.8	3,500
27.83	132,032	1.4	132,032
33.89	167,296	2.4	167,296
46.21	2,000	2.8	2,000
56.63	4,000	3.0	3,000
45.48	146,450	3.3	106,855
32.83	1,250	3.6	500
46.96	25,000	4.0	12,500
62.85	3,000	4.3	1,500
69.16	184,162	4.3	92,061
76.77	3,000	4.8	1,500
79.01	3,000	5.0	750
80.86	3,000	5.1	750
68.78	5,000	5.1	1,250
75.72	203,441	5.3	51,998
72.21	5,500	5.4	1,375
54.09	4,000	5.5	1,000
55.30	6,000	5.5	1,500
58.88	1,786	5.6	447
57.32	12,000	5.8	3,000
67.12	185,870	9.3	-
62.88	2,500	9.5	-
73.50	8,100	10.0	-
67.60	5,000	10.0	-

Under the fair value-based method of accounting for stock options, EQB recorded compensation expense in the amount of $2,872 (2022 − $3,422) related to grants of options under the stock option plan. This amount was credited to Contributed surplus. The fair value of options granted during 2023 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)	2023	2022
Risk-free rate	3.1%	1.7%
Expected option life (years)	5.5	4.8
Expected volatility	31.1%	30.4%
Expected dividends	2.2%	1.8%
Weighted average fair value of each option granted	18.24	17.46

(b) Employee share purchase plan:

EQB has an ESP plan for eligible employees. Under the plan, eligible employees can contribute between 1% and 10% of their annual base salary towards the purchase of common shares of EQB. For each eligible contribution, EQB contributes 50% of the employee's contribution to purchase common shares of EQB

up to a certain maximum per employee. During the period, EQB expensed $1,737 (2022 − $1,477) under this plan.

(c) Deferred share unit plan:

EQB has a DSU plan for Directors. Under the plan, notional units are allocated to a Director from time to time by the Board of Directors and the units vest at the time of the grant. Directors can elect, on a one-time annual basis, to receive up to 100% of their annual compensation in the form of DSUs, allocated at each quarter and on a pro-rata basis. A Director will be credited with additional DSUs whenever a cash dividend is declared by EQB. When an individual ceases to be a Director (the Separation Date) the individual may elect up to two separate redemption dates to be paid out the value of the DSUs. The redemption date elected by the participant is a date after the Separation Date and no later than December 15 of the first calendar year commencing after the Separation Date. The redemption value of each DSU redeemable by a Director is the volume-weighted average trading price of the common shares of EQB on the TSX for the five trading days immediately prior to the redemption date.

In the event of any stock dividend, stock split, reverse stock split, consolidation, subdivision, reclassification, or any other change in the capital of EQB affecting its common shares, EQB will make, with respect to the number of DSUs outstanding under the DSU Plan, any proportionate adjustment as it considers appropriate to reflect that change. The DSU plan is administered by the Board or a committee thereof.

EQB hedges the risk of change in future cash flows related to the DSU plan. Please refer to Note 12 – Derivative Financial Instruments for further details.

A summary of EQB's DSU activity for the period ended October 31, 2023 and year ended December 31, 2022 is as follows:

	October 31, 2023	December 31, 2022
	Number of DSUs	Number of DSUs
Outstanding, beginning of year	**145,695**	138,379
Granted	**16,502**	16,510
Dividend Reinvested	**1,920**	2,945
Paid out	**(20,328)**	(12,139)
Outstanding, end of year	**143,789**	145,695

During the period 20,328 DSUs were paid out (2022 – 12,139). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the period ended October 31, 2023 amounted to $1,400 (2022 – $1,165). The liability associated with DSUs outstanding as at October 31, 2023 was $9,718 (December 31, 2022 – $8,261) and was included in other liabilities on the Consolidated Balance Sheet.

(d) Restricted share unit plan:

EQB has a RSU plan for eligible employees. Under the plan, RSUs or PSUs are awarded by the Board to eligible employees during the annual compensation process and vest at the end of three years (cliff vest). Under the plan, each RSU or PSU represents one notional common share and earns notional dividends, which are re-invested into additional RSUs or PSUs when cash dividends are paid on EQB's common shares. Each RSU or PSU held at the end of the vesting period, including those acquired as dividend equivalents, will be paid to the eligible employees in cash, the value of which will be based on the volume-weighted average trading price of EQB's common shares on the TSX for the five consecutive trading days immediately prior to, and including the vesting date. The value of PSUs may be increased or decreased up to 25%, based on EQB's relative total shareholder return compared to a defined peer group of financial institutions in Canada.

EQB hedges the risk of change in future cash flows related to the RSU and PSU plans. Please refer to Note12 – Derivative Financial Instruments for further details.

A summary of EQB's RSU and PSU activity for the period ended October 31, 2023 and December 31, 2022is as follows:

	October 31, 2023	December 31, 2022
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of year	**132,179**	131,995
Granted	**138,542**	84,122
Dividend reinvested	**4,375**	4,140
Vested and paid out	**(5,446)**	(75,258)
Forfeited/cancelled	**(17,763)**	(12,820)
Outstanding, end of year	**251,887**	132,179

During the period, 5,446 (2022 – 72,258) RSUs and PSUs were vested and paid out for a total value of $355 (2022 – $4,529). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the period amounted to $4,487 (2022 – $4,182). The liability associated with RSUs andPSUs outstanding as at October 31, 2023 was $8,271 (December 31, 2022 – $3,333) and was included in otherliabilities on the Consolidated Balance Sheet.

(e) Treasury share unit plan:

Effective January 1, 2023, EQB granted Treasury Share Units (TSUs) to eligible employees in the form of Treasury Performance Share Units (TPSUs), under the TSU plan adopted in 2022, for a term of ten years. Under the plan, 50% of the TPSUs cliff vest after 3 years, and the remaining 50% cliff vest after 4 years, subject to performance conditions. Under the plan, each TPSU represents one notional common share and earns notional dividends, which are reinvested into additional TPSUs when cash dividends are paid on EQB's common shares. When the TPSUs vest, the eligible employee can elect to settle in shares issued from treasury, or in cash.

As at October 31, 2023, the maximum number of common shares available for issuance under the TSU plan was 300,000. The outstanding TPSUs expire in February 2033.

Under EQB's TSU plan, the activity for the period ended October 31, 2023 and December 31, 2022 is as follows:

	October 31, 2023	December 31, 2022
	Number of TPSUs	Number of TPSUs
Outstanding, beginning of year	**-**	-
Granted	**47,936**	-
Dividend reinvested	**783**	-
Forfeited/cancelled	**(3,676)**	-
Outstanding, end of year	**45,043**	-

Compensation expense, including offsetting hedges, relating to TPSUs outstanding for the year amounted to $639 (2022 – $nil). The liability associated with TPSUs outstanding as at October 31, 2023 was $626 (December 31, 2022 – $nil) and is included in other liabilities on the Consolidated Balance Sheet. No TPSUs were vested and paid out during the period (2022 – $nil).

Note 21 – Non-interest Expenses - Other

($000s)	2023	2022
Technology and system costs	**61,662**	58,741
Product costs	**66,542**	38,862
Regulatory, legal and professional fees	**43,159**	41,450
Marketing and corporate expenses	**49,133**	38,677
Premises	**14,495**	15,136
	234,991	192,866

Note 22 – 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 period, taking into account the dilutioneffect of stock options using the treasury stock method.

($000's, except share, per share and stock option amounts)	2023	2022
Earnings per common share − basic:		
Net income	**371,590**	270,181
Dividends on preferred shares	**6,998**	5,566
Net income available to common shareholders	**364,592**	264,615
Weighted average basic number of common shares outstanding	**37,708,123**	34,688,502
Earnings per common share − basic	**9.67**	7.63
Earnings per common share − diluted:		
Net income available to common shareholders	**364,592**	264,615
Weighted average basic number of common sharesoutstanding	**37,708,123**	34,688,502
Adjustment to weighted average number of commonshares outstanding:		
Stock options	**305,600**	342,664
Weighted average diluted number of common shares outstanding	**38,013,723**	35,031,166
Earnings per common share − diluted	**9.59**	7.55

For the period ended October 31, 2023, the calculation of the diluted earnings per share excluded 543,754 (2022 – 438,196) average options outstanding with a weighted average exercise price of $71.08 (2022 − $72.05) as the exercise price of these options was greater than the average price of EQB's common shares.

Note 23 – Capital Management

Equitable Bank manages its capital in accordance with guidelines established by OSFI, based on standards issued by the Bank for International Settlements' 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 EQB's inherent risks, Equitable Bank utilizes an Internal CapitalAdequacy Assessment Process (ICAAP).

Equitable Bank's CET1 Ratio was 14.0% as at October 31, 2023, while Tier 1 Capital and Total Capital Ratios were 14.6% and 15.2%, respectively. EQB's Capital Ratios as at October 31, 2023 exceeded the regulatory minimums.

During the period, EQB complied with all external capital requirements.

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

($000s)	October 31, 2023	December 31, 2022
	Revised Base III[(1)]	Base III
Common Equity Tier 1 Capital:		
Common shares	**930,178**	928,778
Contributed surplus	**13,886**	12,537
Retained earnings	**2,057,262**	1,856,084
Accumulated other comprehensive loss[(1)]	**(49,956)**	(33,759)
Less: Regulatory adjustments	**(187,870)**	(170,504)
Common Equity Tier 1 Capital	**2,763,500**	2,593,136
Additional Tier 1 Capital:		
Non-cumulative preferred shares	**72,554**	183,541
Additional Tier 1 capital issued by a subsidiary to third parties	**57,628**	-
Tier 1 Capital	**2,893,682**	2,776,677
Tier 2 Capital:		
Eligible stage 1 and 2 allowance	**101,162**	79,284
Additional Tier 1 capital issued by a subsidiary to third parties (amount allowed in Tier 2)	**6,719**	-
Tier 2 Capital	**107,881**	79,284
Total Capital	**3,001,563**	2,855,961

(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 24 – Commitments and Contingencies

(a) Lease commitments:

($000s)	October 31, 2023	December 31, 2022
Less than 1 year	**938**	6,058
1-5 years	**37,360**	40,248
Greater than 5 years	**84,820**	85,130
	123,118	131,436

The lease commitments for October 31, 2023 include the commitments relating to a new Toronto office premise lease, signed in February 2020. The lease commitments for October 31, 2023 also includes commitments relating to a new temporary office lease signed in December 2022.

In addition to these minimum lease payments for premises rental, EQB will pay its share of common area maintenance and realty taxes over the terms of the leases. Lease expense recognized in the Consolidated Statement of Income for 2023 amounted to $8,571 (2022 – $11,562).

(b) Credit commitments:

As at October 31, 2023, EQB had outstanding commitments to fund $5,780,730 (December 31, 2022 – $4,255,117) of loans and investments in the ordinary course of business. Of these commitments, $2,437,509 (December 31, 2022 – $1,671,463) are expected to be funded within 1 year and $3,343,221 (December 31, 2022 – $2,583,654) after 1 year.

EQB has issued standby letters of credit which represent assurances that EQB will make payments in the event that a borrower cannot meet its obligations to a third party. Letter of credits in the amount of $65,538 were

outstanding as at October 31, 2023 (December 31, 2022 − $86,104).

(c) Contingencies:

EQB is subject to various other claims and litigation arising from time to time in the ordinary course of business. Management has determined that the aggregate liability, if any, which may result from other various outstanding legal proceedings would not be material and no other provisions have been recorded in these consolidated financial statements.

Note 25 – Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. EQB's related parties include key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of EQB directly and indirectly. EQB considers the members of the Board of Directors, the CEO, CFO and the CRO as part of key management personnel.

These financial statements present the consolidated results of EQB and all its subsidiaries, therefore transactions with the subsidiaries are not reported as related party transactions.

(a) Key management personnel compensation table

($000s)	**2023**	2022
Short-term employee benefits	**3,802**	4,345
Post-employment benefits	**53**	54
Termination benefits	**1,043**	-
Share-based payments (net)	**3,095**	3,131
	7,993	7,530

(b) Share transactions, shareholdings and options of key management personnel and related parties:

As at October 31, 2023, key management personnel held 587,980 (December 31, 2022 – 608,923) common shares and 6,000 (December 31, 2022 – 22,000) preferred shares. These shareholdings include common shares of 9,291 (December 31, 2022 – 25,260) that were beneficially owned by the non-management Directors or held by related party entities whose controlling shareholders are Directors of EQB. In addition, key management personnel held 378,910 (December 31, 2022 – 496,746) options to purchase common shares of EQB at prices ranging from $27.83 to $75.72.

(c) Other transactions:

As at October 31, 2023, deposits of $835 (December 31, 2022 – $909) were held by key management personnel and related party entities whose controlling shareholders are Directors of EQB and trusts beneficially owned by the Directors.

Note 26 – Interest Rate Sensitivity

The following table shows EQB's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or re-pricing date, as at October 31, 2023.

($000's, except percentages)	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
Assets:								
Cash and cash equivalents and restricted cash	**1,247,915**	**-**	**-**	**1,247,915**	**-**	**-**	**68,754**	**1,316,669**
Effective interest rate	***4.98%***	**-**	**-**	***4.98%***	**-**	**-**	***0.00%***	***4.72%***
Securities purchased under reverse purchase agreements	**-**	**908,833**	**-**	**908,833**	**-**	**-**	**-**	**908,833**
Effective interest rate	**-**	***4.99%***	**-**	***4.99%***	**-**	**-**	**-**	***4.99%***
Investments	**14,768**	**222,242**	**189,154**	**426,164**	**1,041,628**	**745,814**	**(92,961)**	**2,120,645**
Effective interest rate	***9.71%***	***5.25%***	***1.20%***	***3.61%***	***2.21%***	***2.27%***	***0.00%***	***2.61%***
Loan receivable – Personal	**3,756,925**	**2,569,708**	**9,718,643**	**16,045,276**	**16,046,516**	**46,995**	**251,740**	**32,390,527**
Effective interest rate	***9.60%***	***5.46%***	***5.44%***	***6.42%***	***4.73%***	***9.55%***	***0.00%***	***5.54%***
Loan receivable – Commercial	**7,342,545**	**519,913**	**1,151,483**	**9,013,941**	**4,155,834**	**1,656,620**	**144,209**	**14,970,604**
Effective interest rate	***8.82%***	***5.96%***	***5.68%***	***8.26%***	***4.73%***	***3.71%***	***0.00%***	***6.69%***
Securitized Retained Interest	**-**	**-**	**-**	**-**	**-**	**-**	**559,271**	**559,271**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**666,905**	**666,904**
Total assets	**12,362,153**	**4,220,696**	**11,059,280**	**27,642,129**	**21,243,978**	**2,449,429**	**1,597,918**	**52,933,454**
Liabilities:								
Deposits[2]	**1,081,440**	**10,444,766**	**11,024,767**	**22,550,973**	**9,325,906**	**23,464**	**96,107**	**31,996,450**
Effective interest rate	***3.38%***	***4.01%***	***4.36%***	***4.15%***	***3.87%***	***3.97%***	***0.00%***	***4.06%***
Securitization liabilities	**-**	**2,185,076**	**2,849,518**	**5,034,594**	**8,311,212**	**1,079,246**	**76,109**	**14,501,161**
Effective interest rate	**-**	***4.65%***	***3.08%***	***3.76%***	***2.28%***	***2.80%***	***0.00%***	***2.82%***
Obligations Under REPO	**-**	**1,127,791**	**-**	**1,127,791**	**-**	**-**	**447**	**1,128,238**
Effective interest rate	**-**	***5.30%***	**-**	***5.30%***	**-**	**-**	***0.00%***	***5.30%***
Funding Facilities	**-**	**1,694,238**	**40,000**	**1,734,238**	**-**	**-**	**(2,651)**	**1,731,587**
Effective Interest rate	**-**	***5.95%***	***5.58%***	***5.95%***	**-**	**-**	**-**	***5.95%***
Other liabilities and deferred taxes	**-**	**-**	**-**	**-**	**-**	**-**	**730,475**	**730,475**
Shareholders' equity	**-**	**-**	**75,000**	**75,000**	**-**	**-**	**2,770,543**	**2,845,543**
Total liabilities and shareholders' equity	**1,081,440**	**15,451,871**	**13,989,285**	**30,522,596**	**17,637,118**	**1,102,710**	**3,671,030**	**52,933,454**
Off-balance sheet items[3]	**-**	**(2,104,332)**	**4,535,023**	**2,430,691**	**(1,683,417)**	**(747,274)**	**-**	**-**
Excess (deficiency) of assets over liabilities, shareholders' equity and off-balance sheet items	**11,280,713**	**(13,335,507)**	**1,605,018**	**(449,776)**	**1,932,443**	**599,445**	**(2,073,112)**	**-**

(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 EQB'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.

($000's, except percentages)

	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 − 2022	12,593,282	3,670,668	11,263,643	27,527,593	20,395,837	2,297,737	923,790	51,144,957
Total liabilities and shareholders' equity −2022	850,092	12,615,873	14,161,063	27,627,028	19,060,854	1,261,376	3,195,699	51,144,957
Off-balance sheet items − 2022[2]	-	(2,485,030)	2,542,654	57,624	90,306	(147,930)	-	-
Excess (deficiency) of assets over liabilities, shareholders' equity and off-balance sheet items – 2022	11,743,190	(11,430,235)	(354,766)	(41,811)	1,425,289	888,431	(2,271,909)	-

(1) Accrued interest is included in "Non-interest sensitive" assets and liabilities. (2) Off-balance sheet items include EQB'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.

Directors

Michael Emory
Founder and Executive Chair of the Board of Trustees, Allied Properties REIT

Susan Ericksen
Corporate Director

Michael Hanley
Chair of the Board and a Corporate Director

Kishore Kapoor
President and Chief Executive Officer, RF Capital Group Inc.

Yongah Kim
Associate Professor of Strategic Management, Rotman School of Management

Marcos Lopez
Corporate Director and Principal, Alpenglow Capital Inc. a venture and growth capital investment firm

Andrew Moor
President and Chief Executive Officer of EQB and Equitable Bank

Rowan Saunders
President and Chief Executive Officer, Definity Financial Corporation

Vincenza Sera
Corporate Director

Michael Stramaglia
Corporate Director and President and Founder of Matrisc Advisory Group Inc., a risk management consulting firm

Carolyn Schuetz
Corporate Director

Executive Officers

Andrew Moor
President and Chief Executive Officer

Chadwick Westlake
Senior Vice-President and Chief Financial Officer

Dan Broten
Senior Vice-President and Chief Technology Officer

Marlene Lenarduzzi
Senior Vice-President and Chief Risk Officer

Darren Lorimer
Senior Vice-President and Group Head, Commercial Banking

Gavin Stanley
Senior Vice-President and Chief Human Resources Officer

Mahima Poddar
Senior Vice-President and Group Head, Personal Banking

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Toronto Stock Exchange Listings

Common Shares: EQB
Preferred Shares: EQB.PR.C

Analyst Conference Call and Webcast

Friday, December 8, 2023,
8:00 a.m. EST
Live: 416.764.8609
Replay and
archive: eqbank.investorroom.com

Investor Relations
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More comprehensive investor information including supplemental financial reports, quarterly news releases, and investor presentations is availablein the Investor Relations section at eqbank.investorroom.com

Transfer Agent and Registrar

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Annual and Special Meeting of Shareholders

Wednesday, April 10, 2024
10:00 a.m. EST

Dividend Reinvestment Plan

Equitable's dividend reinvestment plan allows common shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage and commission fees. For information about participation in the plan, please contact the Transfer Agent and Registrar.

Equitable Bank's ESG Performance Report and Public Accountability Statement 2023 will be available in March 2024 at eqbank.investorroom.com

Eligible dividends

Equitable designates all common and preferred share dividends paid to Canadian residents as "eligible dividends" as defined in the Income Tax Act (Canada), unless otherwise indicated.

Online

For product, corporate, financial and shareholder information:
eqbank.investorroom.com