EQUITABLE

First Quarter Report 2022

For the three months ended
March 31, 2022

TSX.EQB | EQB.PR.C | EQB.R

DRIVE CHANGE IN CANADIAN BANKING TO ENRICH PEOPLE'S LIVES

16.6%[1]
ROE 10-year average

340K+[2]
Customers

Carbon Neutral
Scope 1 & 2 GHG emissions

CANADA'S CHALLENGER BANK™

540%[1]
10-year total shareholder return

15.7%[1]
EPS growth 10-year CAGR

1. As at December 31, 2021
2. As at March 31, 2022

Equitable Bank | EQ Bank

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

For the three months ended March 31, 2022

Management's Discussion and Analysis (MD&A) is provided to enable readers to assess the financial position and the results of the consolidated operations of Equitable Group Inc. (Equitable or the Bank) for the three months (quarter) ended March 31, 2022. This MD&A should be read in conjunction with the Bank's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2022, together with accompanying notes, which have been prepared in accordance with International Accounting Standard (IAS) 34. This MD&A should also be read in conjunction with the Bank's audited consolidated financial statements for the year ended December 31, 2021, together with accompanying notes. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at May 10, 2022. The Bank'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 the Bank's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

On October 25, 2021, we split our common shares on a two-for-one basis. All common share numbers and per common share amounts presented in this MD&A have been retroactively adjusted to reflect this share split.

Cautionary note regarding forward-looking statements

Statements made by the Bank in the sections of this report including those entitled "Business Overview", "Economic and business outlook", "Financial results summary", "Provision for credit losses", "Credit quality and allowance for credit losses", "Liquidity investments and equity securities", "Deposits", "Capital management – Equitable Bank", "Risk Management", and in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws (forward-looking statements). These statements include, but are not limited to, statements about the Bank's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Bank's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "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 the Bank to be materially different from those expressed or implied by such forward- looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions including, without limitation, impacts as a result of COVID-19, global geopolitical risk, legislative and regulatory developments, changes in accounting standards, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" herein and in the Bank's documents filed on SEDAR at www.sedar.com.

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

Although the Bank believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by the Bank in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its loan business, a continuation of the current level of economic uncertainty that affects real estate market conditions including, without limitation, impacts as a result of COVID-19, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Equitable does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

Select financial and other highlights	As at or for the three months ended				
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Operating results ($ thousands)					
Net interest income	**162,172**	155,952	4%	133,966	21%
Non-interest income	**25,446**	15,911	60%	16,204	57%
Revenue	**187,618**	171,863	9%	150,170	25%
Non-interest expenses	**74,933**	70,427	6%	57,317	31%
Pre-provision pre-tax income[(2)]	**112,685**	101,436	11%	92,853	21%
Provision for credit losses	**(125)**	(1,420)	(91%)	(772)	(84%)
Income tax expense	**24,863**	22,795	9%	24,431	2%
Net income	**87,947**	80,061	10%	69,194	27%
Operating performance					
Earnings per share ($)					
Basic	**2.55**	2.32	10%	2.01	27%
Diluted	**2.51**	2.29	10%	1.98	27%
Return on equity (%)[(3)]	**18.3**	17.0	1.3%	17.1	1.2%
Efficiency Ratio (%)[(3)(4)]	**39.9**	41.0	(1.1%)	38.2	1.7%
YTD Operating leverage (%)[(3)]	**(5.8)**	(6.0)	0.2%	14.5	(20.3%)
Net interest margin (%)[(2)]	**1.86**	1.81	0.05%	1.77	0.09%
Select balance sheet and other information ($ millions)					
Total assets	**37,150**	36,159	3%	31,355	18%
Assets under management[(2)]	**43,422**	42,020	3%	36,742	18%
Loans receivable	**34,217**	32,901	4%	28,892	18%
Loans under management[(2)]	**40,393**	38,663	4%	34,174	18%
Total deposits principal	**22,080**	20,695	7%	17,427	27%
Total EQ Bank deposits principal	**7,261**	6,968	4%	5,798	25%
Total other deposits principal	**14,819**	13,727	8%	11,629	27%
Total risk-weighted assets[(3)]	**14,018**	13,310	5%	10,911	28%
Common shareholders' equity[(3)]	**1,967**	1,882	5%	1,660	18%
Credit quality (%)					
Provision for credit losses – rate[(3)]	**(0.001)**	(0.02)	0.02%	(0.01)	0.01%
Net impaired Loans as a % of total loan assets	**0.22**	0.27	(0.05%)	0.36	(0.14%)
Allowance for credit losses as a % of total loan assets	**0.14**	0.15	(0.01%)	0.22	(0.08%)
Adjusted results ($ thousands, unless stated otherwise)[(1)]					
Net interest income	**163,086**	155,952	5%	133,966	22%
Revenue	**188,532**	171,863	10%	150,170	26%
Non-interest expenses	**69,800**	69,702	0%	57,317	22%
Pre-provision pre-tax income	**118,732**	102,161	16%	92,853	28%
Income tax expense	**26,447**	22,985	15%	24,431	8%
Net income	**92,410**	80,596	15%	69,194	34%
Earnings per share – diluted ($)	**2.64**	2.30	15%	1.98	33%
Return on equity (%)[(3)]	**19.2**	17.1	2.1%	17.1	2.1%
Efficiency Ratio (%)[(3)]	**37.0**	40.6	(3.6%)	38.2	(1.2%)
YTD Operating leverage (%)[(3)]	**3.7**	(5.7)	9.4%	14.5	(10.8%)
Net interest income (%)[(2)]	**1.87**	1.81	0.06%	1.77	0.10%
Common shareholders' equity[(3)]	**1,972**	1,883	5%	1,660	19%
Market capitalization ($ millions)[(5)]	**2,679**	2,348	14%	2,140	25%
Revenue per full time equivalent[(3)]	**155**	148	5%	155	-%

(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. For additional information and a reconciliation of reported results to adjusted results, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (2) These are non-GAAP measures, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (3) For information about these financial and banking measures and terms, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (4) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies. (5) Market capitalization is the sum of common share market capitalization plus the number of subscription receipts outstanding multiplied by the corresponding market price as listed on the Toronto Stock Exchange (TSX) at period end.

Select financial and other highlights (continued)	As at or for the three months ended				
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Common share information					
Common share price – close ($)	**71.74**	68.91	4%	63.10	14%
Book value per common share ($)[1]	**57.64**	55.24	4%	48.93	18%
Common shares outstanding	**34,130,326**	34,070,810	0%	33,917,172	1%
Common share market capitalization ($ millions)	**2,449**	2,348	4%	2,140	14%
Dividends declared per:					
Common share ($)	**0.28**	0.19	51%	0.19	51%
Preferred share ($)	**0.37**	0.37	-%	0.37	-%
Dividend yield – common shares (%)[1]	**1.5**	1.0	0.5%	1.2	0.3%
Capital ratios and leverage ratio (%)[2]					
Common equity tier 1 ratio	**13.5**	13.3	0.2%	14.5	(1.0%)
Tier 1 capital ratio	**14.0**	13.9	0.1%	15.2	(1.2%)
Total capital ratio	**14.3**	14.2	0.1%	15.6	(1.3%)
Leverage ratio	**5.1**	4.9	0.2%	5.1	-%
Business information					
Employees – full time equivalent	**1,219**	1,161	5%	968	26%
EQ Bank customers	**266,188**	250,423	6%	201,887	32%

(1) For information about these financial and banking measures and terms, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (2) 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. See Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Select financial highlights

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating results ($ thousands)								
Net interest income	**162,172**	155,952	150,852	141,839	133,966	131,117	127,431	118,707
Non-interest income	**25,446**	15,911	11,248	16,935	16,204	20,833	21,277	12,623
Revenue	**187,618**	171,863	162,100	158,774	150,170	151,950	148,708	131,330
Non-interest expenses	**74,933**	70,427	67,442	64,990	57,317	55,348	53,065	51,467
Pre-provision pre-tax income(2)	**112,685**	101,436	94,658	93,784	92,853	96,602	95,643	79,863
Provision for credit losses	**(125)**	(1,420)	(3,500)	(1,982)	(772)	103	(2,357)	8,847
Income tax expense	**24,863**	22,795	25,685	24,965	24,431	25,075	24,072	18,534
Net income	**87,947**	80,061	72,473	70,801	69,194	71,424	73,928	52,482
Operating performance								
Earnings per share ($)								
Basic	**2.55**	2.32	2.10	2.05	2.01	2.09	2.17	1.53
Diluted	**2.51**	2.29	2.07	2.02	1.98	2.07	2.15	1.52
Return on equity (%)(3)	**18.3**	17.0	16.0	16.5	17.1	18.2	19.8	14.7
Efficiency ratio (%)(3)(4)	**39.9**	41.0	41.6	40.9	38.2	36.4	35.7	39.2
YTD Operating leverage (%)(3)	**(5.8)**	(6.0)	(3.3)	4.8	14.5	4.7	2.2	(2.7)
Net interest margin (%)(2)	**1.86**	1.81	1.83	1.81	1.77	1.74	1.69	1.64
Select balance sheet and other information ($ millions)								
Total assets	**37,150**	36,159	34,425	32,342	31,355	30,746	30,447	29,957
Assets under management(2)	**43,422**	42,020	40,172	37,928	36,742	35,936	35,511	34,662
Loans receivable	**34,217**	32,901	31,475	29,893	28,892	28,272	27,592	27,709
Loans under management(2)	**40,393**	38,663	37,121	35,373	34,174	33,347	32,551	32,331
Total deposits	**22,080**	20,695	19,758	18,413	17,427	16,376	16,373	15,636
Total EQ Bank deposits	**7,261**	6,968	6,914	6,531	5,798	4,556	4,319	3,288
Total other deposits	**14,819**	13,727	12,844	11,882	11,629	11,820	12,054	12,348
Total risk-weighted assets	**14,018**	13,310	12,427	11,461	10,911	10,426	10,180	9,936
Common shareholders' equity(3)	**1,967**	1,882	1,800	1,730	1,660	1,575	1,501	1,427
Adjusted results ($ thousands, unless stated otherwise)(1)								
Net interest income	**163,086**	155,952	150,852	141,839	133,966	131,117	127,431	118,707
Revenue	**188,532**	171,863	162,100	158,774	150,170	151,950	148,708	131,330
Non-interest expenses	**69,800**	69,702	67,442	64,990	57,317	55,348	53,065	51,467
Pre-provision pre-tax income	**118,732**	102,161	94,658	93,784	92,853	96,602	95,643	79,863
Income tax expense	**26,447**	22,985	25,685	24,965	24,431	25,075	24,072	18,534
Net income	**92,410**	80,596	72,473	70,801	69,194	68,864	70,910	49,259
Earnings per share – diluted ($)	**2.64**	2.30	2.07	2.02	1.98	3.98	4.13	2.86
Return on equity (%)(3)	**19.2**	17.1	16.0	16.5	17.1	17.5	19.0	18.3
Efficiency ratio (%)(3)	**37.0**	40.6	41.6	40.9	38.2	36.4	35.7	39.2
YTD Operating leverage (%)(3)	**3.7**	(5.7)	(3.3)	4.8	14.5	4.7	2.2	(2.7)
Net interest margin (%)(2)	**1.87**	1.81	1.83	1.81	1.77	1.74	1.69	1.64
Common shareholders' equity(3)	**1,972**	1,883	1,800	1,730	1,660	1,575	1,501	1,427
Market capitalization ($ millions)(5)	**2,679**	2,348	2,431	2,257	2,140	1,704	1,263	1,200
Revenue per full time equivalent(3)	**155**	148	149	152	155	164	166	149

(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. For additional information and a reconciliation of reported results to adjusted results, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (2) These are non-GAAP measures, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (3) For information about these financial and banking measures and terms, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (4) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies. (5) Market capitalization is the sum of common share market capitalization plus the number of subscription receipts outstanding multiplied by the corresponding market price as listed on the Toronto Stock Exchange (TSX) at period end.

Select financial highlights (continued)	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Credit quality (%)								
Provision for credit losses – rate[1]	**0.001**	(0.02)	(0.05)	(0.03)	(0.01)	0.001	(0.03)	0.13
Net impaired loans as a % of total loan assets	**0.22**	0.27	0.23	0.41	0.36	0.42	0.33	0.54
Allowance for credit losses as a % of total loan assets	**0.14**	0.15	0.17	0.19	0.22	0.23	0.25	0.27
Common share information								
Common share price – close ($)	**71.74**	68.91	71.45	66.52	63.10	50.50	37.55	35.70
Book value per common share ($)[1]	**57.64**	55.24	52.90	50.97	48.93	46.68	44.62	42.45
Common shares outstanding	**34,130,326**	34,070,810	34,029,266	33,932,814	33,917,172	33,748,148	33,644,488	33,614,634
Common share market capitalization ($ millions)	**2,449**	2,348	2,431	2,257	2,140	1,704	1,263	1,200
Dividends declared per:								
Common share ($)	**0.28**	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Preferred share ($)	**0.37**	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Dividend yield – common shares (%)[1]	**1.5**	1.0	1.0	1.1	1.2	1.6	1.9	2.3
Capital ratios and leverage ratio (%)[2]								
Common Equity Tier 1 ratio	**13.5**	13.3	13.7	14.4	14.5	14.6	14.3	14.0
Tier 1 capital ratio	**14.0**	13.9	14.3	15.0	15.2	15.3	15.0	14.7
Total capital ratio	**14.3**	14.2	14.6	15.4	15.6	15.8	15.5	15.2
Leverage ratio	**5.1**	4.9	5.0	5.2	5.1	5.1	4.9	4.8

(1) For information about these financial and banking measures and terms, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (2) 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. See Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Adjusted financial results

On February 7, 2022, Equitable Bank announced that it entered into a definitive agreement to acquire a majority interest in Concentra Bank (Concentra), subject to customary closing conditions and regulatory approvals. The acquisition is expected to close in the second half of 2022. As a result of the announced agreement, Equitable Bank incurred certain acquisition costs beginning in Q4 2021. To enhance comparability between reporting periods, increase consistency with other financial institutions, and provide the reader with a better understanding of the Bank's performance, adjusted results were introduced starting Q1 2022. Adjusted results are non-GAAP financial measures.

Adjustments impacting current and prior periods:

Concentra acquisition/integration costs, pre-tax:

- Q1 2022 – $5.1 million of acquisition and integration related costs and $0.9 million of interest expenses paid to subscription receipt holders[1], and
- Q4 2021 – $0.7 million of acquisition costs.

(1) The interest expense refers to the dividend equivalent amount paid to subscription receipt holders. The subscription receipt holders are 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 will be converted into common shares at a 1:1 ratio upon the closing of Concentra acquisition. The net proceeds from the issuance are held in an escrow account and the interest income earned is not recognized until the closing date. In the event that the acquisition does not close, the interest that accrues to the investment will be paid to the subscription receipt holders, along with the return of their initial investment.

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 other financial and banking measures and terms section of this MD&A.

Reconciliation of reported and adjusted financial results	**As at or for the three months ended**		
	31-Mar-22	31-Dec-21	31-Mar-21
Reported financial results ($ thousands)			
Net interest income	**162,172**	155,952	133,966
Non-interest income	**25,446**	15,911	16,204
Revenue	**187,618**	171,863	150,170
Non-interest expense	**74,933**	70,427	57,317
Pre-provision pre-tax income	**112,685**	101,436	92,853
Provision for credit loss	**(125)**	(1,420)	(772)
Income tax expense	**24,863**	22,795	24,431
Net income	**87,947**	80,061	69,194
Net income available to common shareholders	**86,858**	78,973	68,080
Adjustments ($ thousands)			
Interest expenses – paid to subscription receipt holders(1)	**914**	-	-
Non-interest expenses – acquisition/integration related costs	**5,133**	725	-
Pre-tax adjustments	**6,047**	725	-
Income tax expense(2)	**1,584**	190	-
Post-tax adjustments	**4,463**	535	-
Adjusted financial results ($ thousands)			
Net interest income	**163,086**	155,952	133,966
Non-interest income	**25,446**	15,911	16,204
Revenue	**188,532**	171,863	150,170
Non-interest expense	**69,800**	69,702	57,317
Pre-provision pre-tax income	**118,732**	102,161	92,853
Provision for credit loss	**(125)**	(1,420)	(772)
Income tax expense	**26,447**	22,985	24,431
Net income	**92,410**	80,596	69,194
Net income available to common shareholders	**91,321**	79,508	68,080
Diluted earnings per share ($, except number of shares)			
Weighted average number of diluted common shares outstanding	**34,545,393**	34,538,314	34,314,264
Diluted earnings per share - reported	**2.51**	2.29	1.98
Diluted earnings per share - adjusted	**2.64**	2.30	1.98
Impact of adjustments on diluted earnings per share	**0.13**	0.01	-

(1) The interest expense refers to the dividend equivalent amount paid to subscription receipt holders. The subscription receipt holders are 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 will be converted into common shares at a 1:1 ratio upon the closing of Concentra acquisition. The net proceeds from the issuance are held in an escrow account and the interest income earned is not recognized until the closing date. In the event that the acquisition does not close, the interest that accrues to the investment will be paid to the subscription receipt holders, along with the return of their initial investment. (2) Income tax expense associated with non-GAAP adjustment was calculated based on the statutory tax rate applicable for that period.

Business overview

Equitable Group Inc. (TSX: EQB, EQB.PR.C and EQB.R) operates through its wholly owned subsidiary, Equitable Bank, Canada's Challenger Bank™. We serve Canadians through two business lines – Personal Banking and Commercial Banking – and with recognized brands including EQ Bank, we were chosen by Forbes as Canada's top Schedule I bank in both 2022 and 2021. Equitable Bank's purpose is to drive change in Canadian banking to enrich people's lives.

Equitable Bank is regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI) and serves more than 340,000 Canadians with assets under management[1] of over $43 billion and total on-balance sheet assets of over $37 billion as at March 31, 2022. Equitable 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.

For more details on our business lines and products, please refer to the Business Overview and Outlook section in our 2021 MD&A.

Canadians choose Equitable Bank for smarter products, with exceptional service. To deliver both, we choose to specialize in market segments where we can improve the banking experience and operate with sustainable competitive advantage. As a challenger bank, we rethink conventional approaches and push for smarter ways to do business that benefit both our customers and our Bank. In practice, we differentiate by providing a host of challenger bank deposit services, alternative single-family lending, reverse mortgage lending, insurance lending, specialized commercial financing, and equipment leasing. Our challenger mindset has allowed us to become a leading alternative single family residential lender in Canada and the country's largest multi-residential insured securitizer. Our innovations in the independent mortgage broker channel reflect our long-term focus on providing great service. As a branchless digital bank, we stay lean and nimble, allowing us to act quickly and profitably on new opportunities.

Our EQ Bank digital platform is the first born all digital bank in Canada, and the first to move to a cloud-based system. Our technology is proven, differentiated and supports cost-effective product development and fintech collaborations. We rely on cloud and API-first design principles which differentiates us from larger banks with legacy technology systems. Our scale enables us to move quickly and build on our technology platform.

We adopted a fintech mindset several years ago and collaborate with partners to innovate with a view to providing best-in-class digital services to Canadian consumers across commonly used banking products. Our relationships with market leaders like Wise, Nesto, Ratehub, Flinks, Borrowell, and others have become cornerstones for reaching new customers and delivering extra value to our accountholders.

Another differentiating factor in our business model compared to other challenger banks around the world is our ability to consistently and profitably deploy deposits within our lending operations. We operate with an integrated balance sheet and lend across a growing range of personal and commercial asset categories. Our approach to diversifying assets and deposit funding sources allows us to achieve our corporate growth objectives and reduces our risk profile.

The foundation of Equitable Bank's successes rests with our talented teams. We employ over 1,200 Challengers who are aligned to drive change in Canadian banking. Equitable Bank's inclusive, welcoming, and pride-inducing workplace has earned it the honour of being recognized as one of the top 50 organizations on the 2021 list of Canada's Best Workplaces™ in Financial Services and Insurance.

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

Economic and business outlook

Economic outlook

Equitable Bank's strategy and credit risk monitoring is informed by leveraging Moody's Analytics, economic and social indicators published by the Bank of Canada (BoC) and Statistics Canada. For general business guidance and projections, the Bank also considers consensus estimates from Canadian bank economists.

Our lead economic indicator is the unemployment rate, which further improved to 5.3% as reported by Statistics Canada on April 8, 2022 for the month of March 2022 (compared to 5.5% in February 2022). This is the lowest rate on record since comparable data became available in 1976. Lower unemployment levels are generally linked to lower defaults as household income remains stable.

The economy is expected to grow by 4.25% in 2022 before slowing in 2023 to 3.25%. Further supporting this economic growth is an increase in planned immigration levels: up to 431,000 new Canadians are expected in 2022, up from 405,000 in 2021. The federal government's immigration plan was also increased to 447,000 for 2023 and 451,000 for 2024. This high level of immigration is expected to result in continuing strong demand for housing that is the largest component of the Bank's lending businesses.

On April 13, 2022, the BoC announced a second increase in its policy rate in 2022, with an increase of 50 bps to 1%. The current view is that the economy has momentum and is moving into excess demand with Consumer Price Index growth of 6.7% year over year as reported by Statistics Canada as of March 2022, representing the largest increase since January 1991. Inflation is expected to average 6% in the first half of 2022 and remain high for the remainder of the year before dropping in the back half of 2023 and 2024. Geopolitical unrest has resulted in market fluctuations and supply chain disruptions that have driven up commodity prices and the cost of energy. The BoC continues to signal that it will use monetary policy tools to lower inflation to target levels over time.

General sentiment from market analysts and economists is that rising interest rates will naturally slow mortgage demand from the current historic highs. Equitable continues to generate originations aligned with expectations, with robust demand in Western Canada and some modest moderation in demand in Eastern Canada.

Business outlook

The first quarter of 2022 represented the strongest quarter of earnings ever for Equitable Bank. With this starting point, and current business pipeline, the Bank is reaffirming the previously communicated 2022 growth guidance across asset classes with overall lending growth of 12-15% and return on equity (ROE) of 15%+ for 2022 on an adjusted basis, excluding the costs and timing impact of the Concentra Bank acquisition.

For our digital bank, EQ Bank customers increased 32% year over year and 6% during the quarter. As of May 1, 2022, we now have more than 270,000 Canadians entrusting their savings to us and using our platform for everyday transactions. Digital transaction activity in Q1 increased 91% from a year ago while the number of customers with more than one product grew 15%. Both metrics are strong indicators that EQ Bank continues to gain traction with Canadians and our success was once again acknowledged by Forbes which named EQ Bank the top Schedule I bank in Canada for the second consecutive year on their World's Best Banks 2022 list. EQ Bank deposits continue to grow in importance to the Bank. Deposit balances grew to $7.3 billion at March 31, 2022, a 25% increase year over year. We anticipate further growth in EQ Bank following the introduction of AI identity verification technology in Q2 2022 allowing for a better onboarding experience for our customers, plus the launch of the EQ Bank payments card and EQ Bank in Québec expected later in 2022.

During the quarter, Conventional loans[1] increased $1.4 billion or 7% and $5.8 billion or 35% year over year. Continued growth is expected particularly within Single Family Alternative business where the portfolio increased 37% year over year in Q1, in part through our deep and committed broker relationships founded on service excellence. We also remain positive in our outlook for our decumulation businesses of reverse mortgages and insurance lending, which collectively grew 23% quarter over quarter and 216% year over year.

The Commercial Bank business lines generated strong growth, adding $1.4 billion in Conventional loans[1] over the past year driven by success in specialized finance and equipment leasing which increased 178% and 31% year over year, respectively. These businesses generate attractive returns on capital with growth continuing through expanding broker and direct client relationships.

We continue to focus on diversification in our sources of funding. The Bank successfully closed two deposit notes for a combined $500 million in February. Market demand for both were outstanding: the 1.8-year notes were oversubscribed by 2.4x and the 4-year notes were 1.9x oversubscribed. The Bank is a regular issuer of deposit notes and covered bonds as they provide a competitive funding advantage.

The table below summarizes key portfolio metrics at March 31, 2022. Overall total lending growth in Q1 was 4% or 19% year over year, compared to a full year 2022 outlook of 12-15%. This includes:

Personal Banking

($ billions)		**31-Mar-22**	31-Dec-21	Change	31-Mar-21	Change	**2022 Outlook[1]**
EQ Bank	Deposits	**7.3**	7.0	4%	5.8	25%	**20% - 30%**
Single Family Residential Lending	Alternative mortgages	**15.4**	14.4	7%	11.3	37%	**12% -15%**
Wealth Decumulation	Reverse mortgages	**0.30**	0.25	23%	0.08	262%	**150% +**
	Cash surrender value loans	**0.06**	0.05	20%	0.03	91%	**100% +**
Total Conventional loans[2]		**15.8**	14.7	7%	11.4	39%	**12%-15%**
Single Family Residential Lending	Prime mortgages	**7.4**	7.6	(2%)	8.0	(7%)	**0% - 5%**
Total Personal Banking loans		**23.2**	22.3	4%	19.4	20%	**12% - 15%**

(1) Outlook represents expected growth rates from December 31, 2021 to December 31, 2022. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

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Commercial Banking

($ billions)		31-Mar-22	31-Dec-21	Change	31-Mar-21	Change	2022 Outlook[1]
Business Enterprise Solutions	Loans to entrepreneurs and SMEs[2]	**1.1**	1.1	6%	1.0	19%	**10% - 15%**
Commercial Finance Group	Loans to medium sized institutional & corporate investors	**4.1**	3.9	4%	3.5	16%	**10% - 15%**
Specialized Finance	Specialized lending to medium sized and corporate investors	**0.71**	0.65	11%	0.26	178%	**20% - 30%**
Equipment Leasing	Equipment leases to entrepreneurs and SMEs[2]	**0.77**	0.73	5%	0.59	31%	**10% - 15%**
Total Conventional loans[3]		**6.7**	6.4	5%	5.3	26%	**10%-15%**
Multi-Unit Insured	CMHC insured real estate mortgages[4]	**4.2**	4.1	2%	4.1	2%	**0% - 5%**
Total Commercial Banking loans		**10.9**	10.5	4%	9.4	16%	**10% - 15%**

(1) Outlook represents expected growth rates from December 31, 2021 to December 31, 2022. (2) Small or medium-sized enterprises. (3) This is a Non-GAAP measure, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (4) Insured Multi-unit residential include only on-balance sheet loans.

Additional key metrics outlook

- **Net Interest Margin (NIM):** 2022 guidance was consistent to slightly positive expansion. While margin expanded in Q1, we continue to expect the full-year 2022 outlook for NIM to remain strong, stable, and approximately consistent to 2021. This is due to the impact on margin from an expected decline in prepayment income as a result of rising interest rates, offset by our asset diversification and pricing strategies. We have also put in place systems and tools over the years to manage margins, even in a changing rate environment.
- **Non-interest income:** Gains from strategic investments were above expectations in the first quarter, and we expect overall non-interest revenue to return to more normalized levels in coming quarters from these investments. We expect fee and other income to increase in line with our portfolio, and gains on securitization activities to remain stable or increase relative to Q1 2022 levels. Gains on securitization activities may fluctuate from period to period based on margins and volumes derecognized which are driven by customer preferences. We do not forecast gains or losses on derivative transactions or investments.
- **Provision for credit losses (PCL):** PCLs should return to historical levels as Allowances for Credit Losses as a percentage of our portfolio approaches pre-pandemic levels and assuming economic forecasts prove to be accurate, the Canadian economy remains open, geopolitical unrest does not increase, and borrower behaviour is consistent with what our credit loss models anticipate. If economic forecasts worsen or our borrowers react more negatively than expected to credit stress, provisions could elevate further in future quarters.
- **Adjusted non-interest expenses:** We anticipate expenses to increase on an adjusted basis from Q1 levels for Q2 and for the remainder of the year. We continue to target overall flat operating leverage for 2022 on a full year adjusted results basis. We expect to continue to invest in preparation for the closing of the Concentra Acquisition and all spending remains within the expected integration budget communicated as part of the acquisition announcement.
- **Income tax:** On April 7, 2022, the federal government delivered its fiscal budget where it proposed an increase in the corporate tax rate of 1.5% for Canadian banks and life insurance companies on taxable income above $100 million. We are currently evaluating the impact of the proposed change in the event that it is substantially enacted.

Concentra Bank Acquisition

On February 7, 2022, Equitable Bank announced it had reached a definitive agreement by which it will acquire a majority common equity interest in Concentra Bank. Equitable Bank also entered into support agreements with additional Concentra shareholders representing a majority of the remaining shareholders which will enable Equitable Bank to acquire 100% of Concentra Bank after completion of the acquisition. Concurrently, Equitable Bank's parent, Equitable Group Inc., announced a $200 million bought deal offering of subscription receipts, as well as a fully-committed credit facility syndicated from several banks to help finance the transaction. On February 16, 2022, the subscription receipt offering successfully closed for cash proceeds of $230 million including a 15% over-allotment option granted to the underwriters.

On March 1, 2022, Equitable Bank formally filed its application to acquire a significant and controlling interest in Concentra Bank and Concentra Trust with the Office of the Superintendent of Financial Institutions (OSFI). If recommended by OSFI, the acquisition proposal will be submitted to the Minister of Finance for approval. On April 6, 2022, Equitable Bank received an unconditional clearance from the Competition Bureau of Canada in the form of an advance ruling certificate issued in connection with the acquisition.

Equitable Bank expects to close the acquisition later in the second half of 2022, subject to the satisfaction of customary closing conditions and receipt of required regulatory approvals, including those required under the Bank Act (Canada) and the Trust and Loan Companies Act (Canada). No assurances can be provided on the timing or success of completion of the acquisition given factors outside Equitable Bank's control.

While regulatory review and approvals proceed, Equitable Bank with Concentra Bank have jointly formed a Transformation Management Office with dedicated resources to develop formal integration plans, refine synergy expectations, and lead change management and communication efforts. These activities have commenced and are expected to continue until close, and are limited to the extent that both banks must operate independently from each other until the day of close. During this period, Concentra Bank's customers are being well served and it continues to work as a constructive partner to the credit union system, a relationship Equitable Bank plans to foster and grow.

Financial summary

Performance overview

Equitable started 2022 with record quarterly earnings, delivering diluted earnings per share (EPS) of $2.51 and $2.64 on a reported and adjusted basis[1], respectively, fueled by strong growth in revenue and a best-in-class efficiency ratio. Adjusted net interest income[1] increased 22% (Reported +21%) from last year to $163 million (Reported – $162 million) due to rapid growth in the Bank's wider margined Conventional loan[2] assets, and notwithstanding increasing funding costs and lower prepayment income. Non-interest income increased 57% to $25.4 million, primarily benefiting from net gains on strategic investments.

- Adjusted net income[1] was $92.4 million (reported – $87.9 million), up $11.8 million or 15% and $23.2 million or 34% from last quarter and from a year ago, respectively
- Adjusted diluted EPS[1] increased by 15% to $2.64 (reported – $2.51), compared to $2.30 (reported – $2.29) in Q4 2021 and up 33% relative to the $1.98 in Q1 2021
- Adjusted ROE[1] was 19.2% (reported – $18.3%) compared to 17.1% in both Q4 and Q1 2021, exceeding our target, and despite being suppressed by 0.5% as a result of the additional capital held above our target CET1 ratio floor of 13.0%
- Book value per share grew 4% in the quarter and 18% year over year to $57.64
- CET1 Capital ratio of 13.5% was above our target floor and exceeded the regulatory minimum
- Realized losses were 0.003% of total loan assets or $1.0 million for the quarter compared to $1.8 million in the last quarter and $2.5 million in the same quarter of 2021

Refer to the table below for a summary of key financial metrics at March 31, 2022.

	Q1 2022 Results	**2022 Outlook[1]**
Adjusted Return on equity (ROE) [2]	**19.2%**	15% +
Adjusted Pre-provision pre-tax Income (PPPT) Growth[2]	**28%**	12% +
Adjusted Diluted EPS Growth[2]	**33%**	8% – 10%
Dividend Growth	**51%**	51% increase announced in Q1 2022 followed by quarterly[3] increases
BVPS Growth[4]	**18%**	12% +
CET1 Ratio	**13.5%**	13% +

(1) Guidance represents expected growth rates from December 31, 2021 to December 31, 2022. (2) Adjusted measures and ratio are Non-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. For additional information and a reconciliation of reported results to adjusted results, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (3) The dividend declared on February 7, 2022 represented a 51% increase over the dividend declared in February 2021. Dividends are expected to increase between 20% – 25% from the levels that otherwise would have been paid out in 2021 had capital distributions by banks not been restricted by OSFI at the onset of the pandemic. (4) BVPS refers to book value per common share.

(1) Adjusted measures and ratios are Non-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. For additional information and a reconciliation of reported results to adjusted results, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A

Performance against strategic priorities

Strategic Objectives for 2022	Q1 Accomplishments
Grow core assets	• Increased our Alternative single family portfolio by 37% over the prior year • Grew our Commercial loan business by 16% from a year ago, led by an increase of 26% for our conventional commercial portfolio • Delivered 35% year over year total Conventional loan(1) growth in the quarter • Loan pipeline continues to grow with higher market demand for Equitable products • Introduced Equitable Connect, a digital portal that enables mortgage brokers to more easily submit and manage client documentation and conditions fulfilment during the origination process
Grow adjacent assets through expanded distribution	• Decumulation assets increased three-fold to $363 million, led by reverse mortgages portfolio growth of +262%, as we expanded brand awareness and distribution • Extended our insurance lending offering with the addition of a new product (Immediate Financing Arrangement (IFA)) and a new partner (Equitable Life of Canada) • Grew our specialized financing portfolio rapidly to $715 million, more than doubling its size over the past 12 months • Increased our equipment leasing portfolio by $183 million or 31% year over year, with 63% of leases being of Prime quality
Stronger direct customer relationships	• Grew our EQ Bank deposits to $7.3 billion, up 25% from last year • Expanded the EQ Bank depositor base year over year by 32% to over 266,000 customers with more than 15,000 customers added in Q1 2022 • Increased an already high level of customer engagement measured by use of services each month and the number of products held by each customer • Transformed the EQ Bank account opening experience with the introduction of AI identity verification technology to make account signup easier

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

Dividends

Common share dividends

On May 10, 2022, the Bank's Board of Directors (the Board) declared a quarterly dividend of $0.29 per common share, payable on June 30, 2022, to common shareholders of record at the close of business on June 15, 2022.

On February 7, 2022, Equitable's Board of Directors reinstated Equitable'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 from treasury. Equitable maintains the right to suspend the DRIP in future periods.

Preferred share dividends

On May 10, 2022, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on June 30, 2022, to preferred shareholders of record at the close of business on June 15, 2022.

Significant transactions

Subscription receipts

On February 16, 2022, Equitable Group Inc. issued 3,266,000 subscription receipts on a bought deal basis, at a price of $70.50 each, for gross proceeds of $230 million. The gross proceeds, less associated fees, will be used by its subsidiary, Equitable Bank, to fund a portion of the purchase price for the acquisition of Concentra Bank. Prior to closing, the funds are held in an escrow account and invested in short-term, risk-free, interest-bearing securities. The interest income earned from these investments is not recognized until the acquisition closes. In the event that the acquisition does not close, the interest that accrues to the investment will be paid to the subscription receipt holders, along with the return of their initial investment. Each subscription receipt entitles the holder to receive, upon closing of the acquisition, one common share of Equitable Group Inc.

Funding facilities

On March 29, 2022, Equitable Group Inc. entered into two funding agreements with a syndicate of Schedule I banks for senior unsecured funding facilities, comprised of a $75 million revolving three-year term funding facility and a $275 million non-revolving three-year term loan. Equitable Group Inc. expects to use a portion of the $275 million non-revolving facility to fund a portion of the purchase price and associated expenses of the Concentra Bank acquisition. As at March 31, 2022, Equitable Group Inc. had an outstanding balance, net of deferred costs, of $74.6 million on the revolving facility. No drawdown was made on the term loan.

Financial review – earnings

Table 1: Income statement highlights

($000s, except per share amounts)	For the three months ended				
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Net income	**87,947**	80,061	10%	69,194	27%
Diluted EPS ($)	**2.51**	2.29	10%	1.98	27%
Revenue	**187,618**	171,863	9%	150,170	25%
Provision for credit losses	**(125)**	(1,420)	(91%)	(772)	(84%)
Non-interest expenses	**74,933**	70,427	6%	57,317	31%
Adjusted Results[(1)]:					
Net income	**92,410**	80,596	15%	69,194	34%
Diluted EPS ($)	**2.64**	2.30	15%	1.98	33%
Revenue	**188,532**	171,863	10%	150,170	26%
Non-interest expenses	**69,800**	69,702	0%	57,317	22%

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

Net interest income

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

Table 2: Net interest income

($000s, except percentages)	For the three months ended					
		31-Mar-22		31-Dec-21		31-Mar-21
	Revenue/ Expense	**Average rate[(1)]**	Revenue/ Expense	Average rate[(1)]	Revenue/ Expense	Average rate[(1)]
Revenues derived from:						
Cash and equivalents	**5,579**	**1.27%**	4,418	0.93%	4,188	0.92%
Equity securities	**1,135**	**4.29%**	1,184	3.76%	1,331	4.15%
Alternative single family mortgages	**137,692**	**3.76%**	132,877	3.80%	120,350	4.39%
Prime single family mortgages	**32,660**	**1.74%**	34,838	1.77%	39,745	1.97%
Decumulation loans	**3,428**	**4.21%**	2,639	4.07%	962	3.92%
Total Personal loans	**173,780**	**3.09%**	170,354	3.08%	161,057	3.37%
Conventional commercial loans	**69,175**	**4.88%**	68,531	5.03%	62,602	5.38%
Equipment leases	**18,310**	**10.16%**	17,250	9.86%	13,808	10.18%
Insured multi-unit residential mortgages	**28,261**	**2.71%**	24,981	2.37%	24,848	2.52%
Total Commercial loans	**115,746**	**4.38%**	110,762	4.28%	101,258	4.43%
Average interest earning assets	**296,240**	**3.39%**	286,718	3.33%	267,834	3.55%
Expenses related to:						
Deposits	**82,162**	**1.57%**	78,695	1.54%	77,599	1.88%
Securitization liabilities	**49,290**	**1.68%**	51,096	1.68%	55,892	1.91%
Others	**2,616**	**0.71%**	975	0.41%	377	0.81%
Average interest bearing liabilities	**134,068**	**1.57%**	130,766	1.55%	133,868	1.89%
Net interest income and margin	**162,172**	**1.86%**	155,952	1.81%	133,966	1.77%

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

Q1 2022 v Q1 2021

NII was up $28.2 million or 21% year over year primarily due to growth in average asset balances of 16% and a 9 bps increase in NIM.

Table 3(a): Factors affecting Q1 2022 v Q1 2021 NIM

	Impact (in bps)	Drivers of change
Business mix	20	• Asset mix shift towards our higher yielding Conventional loans[2] • Decrease in the relative size of our low yielding cash and equivalents *Offset in part by*: • Funding mix shift towards higher rate EQ Bank deposits and deposit notes
Rates/spread[1]	(11)	• Lower spreads within both Alternative single family and conventional commercial portfolios as loans were originated at lower yield over the past year while higher yielding loans rolled-off *Offset in part by*: • Higher yield earned on cash and equivalents compared to prior year
Other	-	• Fair-value adjustments and other • Net cost savings associated with $687 million of Alternative single family mortgages insured in Q2 2020 *Offset in part by*: • Lower levels of early discharge within our Personal loan portfolio • Interest paid to subscription receipt holders
Change in Total NIM	9	

(1) The rate effect is calculated after adjusting for the impact of business mix changes. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Q1 2022 v Q4 2021

NII increased 4% driven by a 3% increase in average asset balances and a 5 bps increase in NIM.

Table 3(b): Factors affecting Q1 2022 v Q4 2021 NIM

	Impact (in bps)	Drivers of change
Business mix	6	• Asset mix shift toward our high yielding Conventional loans[2] • Decrease in the relative size of our low yielding cash and equivalents *Offset in part by*: • Funding mix shift towards higher rate deposit notes
Rates/spread[1]	(3)	• Lower spreads within our Conventional loan[2] portfolio as higher yielding loans rolled-off *Offset in part by*: • Higher yield earned on cash and equivalents
Other	2	• Fair-value adjustments and other *Offset in part by:* • Lower levels of early discharge within both our Personal and Commercial business • Interest paid to subscription receipt holders
Change in Total NIM	5	

(1) The rate effect is calculated after adjusting for the impact of business mix changes. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Non-interest income

Table 4: Non-interest income

($000s)	For the three months ended				
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Fees and other income	**6,033**	5,355	13%	5,575	8%
Net loss on loans and investments	**(11,103)**	(647)	(1,616%)	(4,067)	(173%)
Net gain on strategic investments	**15,901**	8,990	77%	2,606	510%
Securitization activities:					
Gains on securitization and income from retained interests	**5,044**	3,851	31%	4,592	10%
Fair value gains (losses) on derivative financial instruments	**9,571**	(1,638)	684%	7,498	28%
Total	**25,446**	15,911	60%	16,204	57%

Q1 2022 v Q1 2021

Non-interest income increased compared to the prior year, mainly due to:

- Higher net gains on strategic investments which more than doubled in size from a year ago; and
- An increase in unrealized fair-value gains on derivative financial instruments related to securitization activities;

Offset by:

- Higher net loss on certain equity and debt security investments fair valued through the income statement for the purposes of offsetting fair value changes in derivatives associated with our securitization activities.

Q1 2022 v Q4 2021

Non-interest income increased 60% from the preceding quarter, primarily as a result of:

- Unrealized fair-value gains on derivative positions associated with securitization activities compared to losses in the prior quarter;
- Growth in net gain on strategic investments; and
- Higher gains on securitization and income from retained interests, due to increased derecognition volumes and gain on sale margin;

Offset by:

- Higher net loss on certain equity and debt security investments.

Non-interest expenses

Table 5: Non-interest expenses and efficiency ratio

($000s, except percentages and FTE)	For the three months ended				
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Compensation and benefits	**36,772**	34,166	8%	28,973	27%
Technology and system costs	**11,950**	11,557	3%	9,917	21%
Regulatory, legal and professional fees	**10,085**	6,383	58%	4,531	123%
Product costs	**7,211**	7,212	(0%)	6,178	17%
Marketing and corporate expenses	**5,065**	7,178	(29%)	3,933	29%
Premises	**3,850**	3,931	(2%)	3,785	2%
Total – reported	**74,933**	70,427	6%	57,317	31%
Less: integration related costs	**(5,133)**	(725)	608%	-	N/A
Total – adjusted(1)	**69,800**	69,702	0%	57,317	22%
Efficiency ratio – reported	**39.9%**	41.0%	(1.1%)	38.2%	1.7%
Efficiency ratio – adjusted(1)	**37.0%**	40.6%	(3.6%)	38.2%	(1.2%)
Full-time employee (FTE) – period average	**1,191**	1,121	6%	948	26%

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

We continue to operate efficiently on both an absolute basis and relative to other financial institutions, particularly taking into account the scale of our operations, in part due to our branchless operating model. Our adjusted efficiency ratio for the quarter was 37.0%. This performance bested our target operating range and improved from the 40.6% in Q4 2021 and 38.2% in Q1 2021. Efficiency increased during the quarter as a result of strong revenue growth and expense management initiatives.

Q1 2022 v Q1 2021

Total non-interest expenses increased $17.6 million or 31%, primarily because of:

- An increase in compensation and benefits costs which resulted from a 26% increase in FTE, annual inflationary salary adjustments, $0.5 million related to the Transformation Management Office that has been established for the Concentra acquisition; and a higher incentive accrual;
- Growth in regulatory, legal and professional fees largely due to $4.6 million of expenses incurred as a result of the Concentra acquisition, and higher CDIC premiums due to growth in insurable deposits;
- An increase in technology and system costs as we continued to enhance our platforms and build business capacities through use of digital and cloud-first technology;
- Higher marketing costs in relation to reverse mortgages and the EQ Bank smarter banking campaign, as well as our recent launch of the CSV Immediate Financing Arrangement (IFA); and
- Higher product costs due to amortization of investments for projects completed over the past 12 months.

Q1 2022 v Q4 2021

Total expenses were up sequentially by $4.5 million or 6% over the prior quarter, mostly due to:

- An increase in regulatory, legal and professional fees for costs incurred in relation to the Concentra acquisition mentioned above; and
- Higher compensation and benefits costs resulting from headcount growth and a seasonal increase in benefit costs;

Offset by:

- Lower corporate expenses.

Provisions for credit losses (PCL)

Table 6: Provision for credit losses

($000s, except percentages)					**For the three months ended**
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Stage 1 and 2 recovery	**(1,223)**	(3,132)	61%	(3,094)	60%
Stage 3 provision	**1,098**	1,712	(36%)	2,322	(53%)
Total	**(125)**	(1,420)	(91%)	(772)	(84%)
PCL – rate[1]	**(0.001%)**	(0.02%)	0.02%	(0.01%)	0.01%

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

The Provision for Credit Losses represents the addition to our Allowance for Credit Losses (ACL), net of any recoveries, during the period. The ACL is the reserve set aside on our balance sheet to absorb future expected losses and is discussed in detail in the *Credit Quality and Allowance for Credit Losses* section of this MD&A.

Q1 2022 vs Q1 2021

During the quarter, the reversal of Stage 1 and 2 allowances exceeded provisions for Stage 3 loans, resulting in a net recovery of $0.1 million as compared to $0.8 million in Q1 2021. The release of $1.2 million of Stage 1 and 2 allowances reflected favourable macroeconomic forecasts and was deemed appropriate by management based on our expected loss modeling and a current assessment of the impact of the rising interest rate environment and geopolitical unrest.

Stage 3 provisions – those related to impaired loans – decreased primarily due to a decline in both impaired Personal loans and equipment leases.

Q1 2022 vs Q4 2021

Net PCL recovery decreased from Q4 2021, due to reduced Stage 1 and 2 allowances releases in the quarter. Stage 3 provisions decreased slightly by $0.6 million as a result of declining impaired loan balances. Upon careful review, management concluded that this level of provision and the resulting allowance for credit losses appropriately reflects the estimates of likely credit losses on the Bank's impaired loan balances.

Financial review – balance sheet

Table 7: Balance sheet highlights

($000s, except percentages)	**31-Mar-22**	31-Dec-21	Change	31-Mar-21	Change
Total assets	**37,149,968**	36,159,070	3%	31,354,537	18%
Loan principal – Personal	**23,204,641**	22,302,540	4%	19,375,939	20%
Loan principal – Commercial	**10,916,342**	10,499,700	4%	9,410,787	16%
Deposit principal	**22,080,328**	20,694,623	7%	17,426,816	27%
EQ Bank deposit principal	**7,260,667**	6,968,110	4%	5,797,651	25%
Total liquid assets as a % of total assets[1]	**8.2%**	8.5%	(0.3%)	10.2%	(2.0%)

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

Total assets increased by $5.8 billion or 18% from a year ago reflecting the growth of $5.8 billion or 35% in our wider margin Conventional loans[1] within our Personal and Commercial loan portfolios. To fund these assets, Equitable grew its deposits balances by $4.7 billion or 27%.

Total loan principal

Equitable's strategy is to maintain a diverse portfolio of loan assets to optimize ROE and maintain credit risk at an acceptable level. Table 8 presents Equitable's loan principal by lending business and Table 9 provides continuity schedules for on-balance sheet loan assets.

Table 8: Loan principal by lending business

($000s)	**31-Mar-22**	31-Dec-21	Change	31-Mar-21	Change
Alternative single family mortgages	**15,399,287**	14,392,904	7%	11,257,582	37%
Prime single family mortgages	**7,441,873**	7,613,131	(2%)	8,003,269	(7%)
Decumulation loans	**363,481**	296,505	23%	115,088	216%
Total Personal Lending – on balance sheet	**23,204,641**	22,302,540	4%	19,375,939	20%
Conventional commercial loans	**5,980,823**	5,675,250	5%	4,755,189	26%
Equipment leases	**772,868**	732,682	5%	589,456	31%
Insured multi-unit residential mortgages	**4,162,651**	4,091,768	2%	4,066,142	2%
Total Commercial Lending – on balance sheet	**10,916,342**	10,499,700	4%	9,410,787	16%
Total Loans – on balance sheet	**34,120,983**	32,802,240	4%	28,786,726	19%
Insured multi-unit residential mortgages – derecognized	**6,272,342**	5,860,830	7%	5,386,980	16%
Total Loans – off balance sheet	**6,272,342**	5,860,830	7%	5,386,980	16%
Total Loans under management	**40,393,325**	38,663,070	4%	34,173,706	18%

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

Table 9: On-balance sheet loan principal continuity schedule

($000s, except percentages)	As at or for the three months ended March 31, 2022		
	Personal	**Commercial**	**Total**
Q4 2021 closing balance	**22,302,540**	**10,499,700**	**32,802,240**
Originations	**1,965,598**	**1,544,372**	**3,509,970**
Derecognition	**-**	**(488,358)**	**(488,358)**
Net repayments	**(1,063,497)**	**(639,372)**	**(1,702,869)**
Q1 2022 closing balance	**23,204,641**	**10,916,342**	**34,120,983**
% Change from Q4 2021	**4%**	**4%**	**4%**
% Change from Q1 2021	**20%**	**16%**	**19%**
Net repayments percentage(1)	**4.8%**	**6.1%**	**5.2%**
($000s, except percentages)	As at or for the three months ended March 31, 2021		
	Personal	Commercial	Total
Q4 2020 closing balance	19,306,186	8,851,167	28,157,353
Originations	1,340,994	1,380,414	2,721,408
Derecognition	-	(257,164)	(257,164)
Net repayments	(1,271,241)	(563,630)	(1,834,871)
Q1 2021 closing balance	19,375,939	9,410,787	28,786,726
% Change from Q4 2020	0%	6%	2%
Net repayments percentage(1)	6.6%	6.4%	6.5%

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

Q1 2022 v Q1 2021

Total on-balance sheet loan principal increased by $5.3 billion year over year, driven by growth in our conventional lending businesses.

Within Personal lending, Alternative single family mortgages were the primary driver of loan growth with an increase of $4.1 billion or 37% year over year, resulting from continued high demand for residential housing and the Bank's leading position in the mortgage broker channel. Originations in the quarter were 63% above last year, propelled by our broad and deep broker partnerships and service excellence. Portfolio growth also benefited from lower attrition rates in the quarter relative to a year ago.

Commercial lending growth was largely driven by a $1.2 billion increase in Conventional commercial loans due to strong originations in our Commercial Finance Group business, more favourable conditions in the small business sector, and growth in our specialized financing business. Equipment leases increased by $183 million or 31%, with growth focused on the logistics and transportation sectors, traditionally the lowest risk segments of this business.

Q1 2022 v Q4 2021

Total on-balance sheet loan principal increased by $1.3 billion from the preceding quarter, primarily fueled by strong quarterly origination levels in Conventional loans[1] and a decline in attrition rates in those businesses.

Credit quality and allowance for credit losses

There are several aspects of our risk management approach and existing loan portfolios that have and will continue to help mitigate the effects of the pandemic on our credit losses. We remain appropriately reserved for credit losses and our allowances have gradually reverted back to pre-pandemic levels over the past year. Allowances for Credit Losses as a percentage of total loan assets equaled 14 bps at quarter-end compared to 22 bps a year ago and 14 bps at Q4 2019 prior to the pre-pandemic.

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

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

- We focus our lending in urban and suburban markets that have diversified employment bases and more liquid real estate markets. This approach results in lower risk as it reduces both the probability that our borrowers will default and our loss in the event they do.
- Our Commercial lending businesses, including leasing, are diversified across industries and geographies. Our Commercial business has defined asset-class exposure limits and focuses on assets that we believe will be resilient through an economic cycle such as multi-unit residential and mixed-use properties. These segments make up 51% of our Commercial loan portfolio while categories such as shopping centres and hotels, which we believe are more sensitive to economic conditions, comprise 3.3% and 0.4% of our Commercial loans or 1.1% and 0.1% of the total loan portfolio, respectively.
- In our equipment leasing business, we require a cash security deposit on most of our higher-risk leases and in some cases require additional real assets to be pledged.

Our loan portfolios primarily have protection beyond a borrower's ability to repay:

- Our underwriting focuses foremost on a borrower's ability to repay a loan. The average Beacon score of our Alternative single family residential borrowers was 710 at March 31, 2022, 3 points higher than the preceding quarter and up 5 points year-over-year. Similarly, the average Beacon score of our small business mortgage borrowers was 737. These credit scores are indicative of our borrowers' positive repayment histories and lower propensity to default under normal economic conditions.
- 48% of our loans under management are insured against credit losses, ultimately with the backing of the Government of Canada.
- Almost 100% of our loan portfolio is secured. Our uninsured mortgage loans are supported by first-position claims on real estate and our leases by first position claims on equipment, so we have a real asset with tangible value behind almost every loan.
- If the prices of the assets securing our mortgage loans decline, we are further protected by the low LTVs at which we lend. The average LTV on our uninsured residential mortgage portfolio was 58% at March 31, 2022.
- Further to this collateral, almost all our uninsured commercial mortgage borrowers and the majority of our leases are backed by personal and/or corporate covenants. In our mortgage business, our due diligence on borrowers and guarantors involves assessing their financial capacity.

Allowance for credit losses

Our total allowance for credit losses decreased by $15.1 million or 24% year over year and $1.1 million or 2% over the prior quarter mainly due to a decline in Stage 1 and 2 allowances.

Stage 1 and 2 allowances decreased primarily because of sequential improvements in forward-looking macroeconomic factors, resulting in release of allowances built up since mid-2020.

Table 10: Allowance for credit losses

($000s, except percentages)	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Allowance for credit losses – Stage 1 and 2	**45,138**	46,361	(3%)	59,539	(24%)
Allowance for credit losses – Stage 3	**2,718**	2,588	5%	3,368	(19%)
Allowance for credit losses – total	**47,856**	48,949	(2%)	62,907	(24%)
Allowance for credit losses – total as a % of total loan assets	**0.14%**	0.15%	(0.01%)	0.22%	(0.08%)
Allowance for credit losses – total as a % of uninsured loan	**0.23%**	0.25%	(0.02%)	0.41%	(0.18%)
Allowances for credit losses – total as a % of gross impaired	**62%**	54%	8%	58%	4%

In Q1 2022, improving macroeconomic variables allowed for a lower level of reserves to be maintained on our loan portfolio, triggering a release of allowances previously provided for. The allowance release was largely due to a decline in expected loss rates on both our Stage 1 and 2 loans. The table below provides allowance metrics that illustrate stage migration and loss rate dynamics:

Table 11: Stage 1 and 2 loan credit metrics

(Percentages)	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
Stage 1 – proportion of loan assets(1)	**88.2%**	88.3%	92.3%	91.6%	87.7%
Stage 1 – effective allowance rate(2)	**0.09%**	0.10%	0.11%	0.13%	0.14%
Stage 2 – proportion of loan assets	**11.6%**	11.4%	7.4%	8.0%	11.9%
Stage 2 – effective allowance rate	**0.43%**	0.49%	0.78%	0.81%	0.67%

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

On a year over year basis, Stage 1 and 2 allowances against our uninsured personal loans, uninsured commercial loans, and equipment leases declined by $7.6 million, $4.3 million, and $2.5 million, respectively.

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

($000s, except percentages and bps)	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Uninsured Personal loans – stage 1 and 2 allowances	**10,144**	11,446	(11%)	17,711	(43%)
as a % of uninsured personal loans (bps)	***7***	*8*	*(1)*	*17*	*(10)*
Uninsured Commercial loans – stage 1 and 2 allowances	**19,469**	19,487	(0%)	23,813	(18%)
as a % of uninsured commercial loans (bps)	***35***	*37*	*(2)*	*52*	*(17)*
Equipment leases – stage 1 and 2 allowances	**15,442**	15,361	1%	17,983	(14%)
as a % of equipment leases (bps)	***205***	*216*	*(11)*	*305*	*(100)*
Insured Personal and Commercial loans – stage 1 and 2	**83**	67	24%	32	157%
as a % of insured personal and commercial loans (bps)	***0.06***	*0.05*	*0.01*	*0.02*	*0.04*
Total loans – stage 1 and 2 allowances	**45,138**	46,361	(3%)	59,539	(24%)
as a % of total loans (bps)	***13***	*14*	*(1)*	*21*	*(8)*

We obtain macroeconomic forecasts from Moody's Analytics and use them in our credit loss modelling. Generally, macroeconomic forecasts have improved across all significant factors since Q2 2020 and have caused our Expected Credit Losses (ECL) to decrease since then. We compared these forecasts to those of other Canadian economists, and the estimates that we used appear to be generally aligned with market consensus. For a summary of key forecast assumptions for each scenario, please refer to Note 7(c) to the Q1 2022 interim consolidated financial statements.

Table 13: Expected future credit losses by macroeconomic scenario

($000s, except percentages)	Base Case	Upside Scenario	Slower Growth	Moderate Recession	Protracted Slump
Weighting for financial statement ECL calculation (%)	**50**	**15**	**20**	**10**	**5**
Expected credit losses if each scenario weighted 100%	**42,144**	**36,213**	**46,773**	**53,658**	**78,295**
Difference vs. financial statement ECL	**(2,994)**	**(8,926)**	**1,634**	**8,519**	**33,157**

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

Stage 3 allowances relate to impaired loans and were down by $0.7 million from Q1 2021 but up slightly by $0.1 million from last quarter. Stage 3 allowances are determined loan-by-loan, and management believes that they are adequate at the end of Q1 2022. Stage 3 allowances on Equitable's mortgages are generally supported by up-to-date, independent property appraisals.

Taking into account all known information and acknowledging the high level of uncertainty inherent in current economic forecasts and our experienced credit judgment, we believe that the total allowance for credit losses represents a reasonable estimate of future losses. Our estimates are subject to uncertainty and actual losses may differ materially if one or more of the underlying assumptions do not materialize as expected. Actual losses may also differ from our estimates due to the weightings we apply to the underlying economic scenarios.

Impaired loans

Impaired loans at the end of the quarter were $77.2 million, down $31.4 million from a year ago and $13.8 million from the preceding quarter.

The decrease in impaired loan balances over the past 12 months was mainly attributable to a net reduction in single family mortgages of $26.8 million and equipment leases of $6.9 million, offset in part by a $6.0 million net addition in Conventional commercial loans. Management does not expect to incur material loss on these loans.

On a quarter over quarter basis, the impaired loan balance dropped $13.8 million, mainly because one Conventional commercial loan resolved during the quarter.

Table 14: Impaired loan metrics

($000s, except percentages)	**31-Mar-22**	31-Dec-21	Change	31-Mar-21	Change
Gross impaired loan assets	**77,212**	90,968	(15%)	108,639	(29%)
Net impaired loan assets	**74,494**	88,380	(16%)	105,271	(29%)
Net impaired loan assets as a % of total loan assets	**0.22%**	0.27%	(0.05%)	0.36%	(0.14%)

Liquidity investments and equity securities

Retail and securitization funding markets continue to be liquid and efficient.

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

In addition to assets that are held for the purpose of providing liquidity protection, we also maintain a portfolio of liquid equity securities (77% of which are investment-grade preferred shares) to yield tax-preferred dividend income. We have the ability to liquidate this portfolio in the event of financial stress.

Table 15: Liquid assets

($000s, except percentages)	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Eligible deposits with regulated financial institutions(1)	**699,326**	762,651	(8%)	588,012	19%
Debt securities	**43,612**	40,916	7%	127,566	(66%)
Debt instruments issued or guaranteed by Government of Canada or provincial governments:					
Investments purchased under reverse repurchase agreements	**-**	550,030	(100%)	350,037	(100%)
Loans and investments held in the form of debt securities(2), net of obligations under repurchase agreements	**2,164,588**	1,548,908	40%	1,994,458	9%
Liquid assets held for regulatory purposes	**2,907,526**	2,902,505	0%	3,060,073	(5%)
Other deposits with regulated financial institutions(3)	**25,955**	10,600	145%	8,254	214%
Equity securities(4)	**111,705**	143,299	(22%)	118,578	(6%)
Total liquid assets	**3,045,186**	3,056,404	(0%)	3,186,905	(4%)
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**7.9%**	8.0%	(0.1%)	9.8%	(1.9%)
Total liquid assets as a % of total assets	**8.2%**	8.5%	(0.3%)	10.2%	(2.0%)

(1) Eligible deposits with regulated financial institutions represent deposits of Bank which are held at major Canadian financial institutions and excludes $72.6 million (December 31, 2021 – $62.7 million, March 31, 2021 – $11.1 million) of restricted cash held as collateral with third parties for the Bank's interest rate swap transactions, issuance of letters of credit, loan servicing activity and banking settlements in the normal course of business and $376 million (December 31, 2021 – $399.5 million, March 31, 2021 – $521.5 million) of cash held in trust accounts and deposits held with banks as collateral for the Bank's securitization activities. (2) Loans held in the form of debt securities represent loans securitized and retained by the Bank and are reported in our Loans receivable balances. Investments held in the form of debt securities include MBS securities purchased from third parties and provincial bonds. The investments' reported values represent the fair market values associated with these securities. (3) Other deposits with regulated financial institutions are deposits held by Equitable Group Inc. (4) Equity securities are 77% investment-grade publicly traded preferred shares and 23% publicly traded common shares.

To ensure institutions have sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days, OSFI has mandated that Canadian deposit-taking institutions monitor and report their Liquidity Coverage Ratio (LCR)(1). At March 31, 2022, our LCR was well in excess of the regulatory minimum of 100%.

Liquid assets were $3.0 billion at Q1 2022, slightly below the liquidity level of Q4 2021 and Q1 2021. The current level of liquid assets reflects the level of liquidity required based on anticipated cash needs for upcoming quarters.

Deposits

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

During the quarter, the Bank achieved a new milestone in its deposit note program as it closed of a dual-tranche fixed-rate deposit note issuance with a combined amount of $500 million, including a $250 million 1.8-year tranche and a $250 million 4-year tranche. The two deposit notes were priced respectively at 123 and 162 basis points over the interpolated Government of Canada curve.

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

Table 16: Deposit principal

($000s)	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Brokered deposits:					
Term	**11,066,252**	10,370,958	7%	9,395,250	18%
Demand	**954,830**	1,004,691	(5%)	647,418	47%
	12,021,082	11,375,649	6%	10,042,668	20%
EQ Bank deposits:					
Term	**2,486,567**	1,525,299	63%	590,795	321%
Demand	**4,774,100**	5,442,811	(12%)	5,206,856	(8%)
	7,260,667	6,968,110	4%	5,797,651	25%
Strategic partnerships	**389,713**	396,866	(2%)	533,631	(27%)
Deposit notes	**1,935,380**	1,451,940	33%	1,052,866	84%
Covered bonds(1)	**473,486**	502,058	(6%)	-	N/A
Total	**22,080,328**	20,694,623	7%	17,426,816	27%

(1) Covered bonds represent an issuance of €350 million, converted into Canadian currency at the period end spot rate. Changes from period to period represent fair-value adjustments.

Capital management – Equitable Bank

We believe that Equitable Bank's current level of capital and earnings in future periods will be sufficient to support our strategic objectives and ongoing growth. Equitable Bank's Capital ratios at the end of Q1 2022 exceeded regulatory minimums and our target levels. Our CET1 ratio increased by 20bps from the preceding quarter mainly due to quarterly earnings' retention and unrealized gains on our derivative position that were recorded as part of the Other Comprehensive income (OCI) and a $50 million capital injection from its parent company, Equitable Group Inc., to support the Bank's growth. CET1 ratio was 100 bps below last year due to strategic deployment of capital organically to grow our conventional assets, which led to a corresponding increase in risk weighted assets.

Canadian banks are required to report on OSFI's Leverage ratio which is based on Basel III guidelines. OSFI has established Leverage Ratio targets on a confidential and institution-by-institution basis. Equitable Bank's Leverage ratio was 5.1% at the end of Q1 2022 and the Bank was fully compliant with its regulatory requirements. The Leverage ratio was consistent with last year, and up from last quarter by 0.2% mainly due to capital growth as explained above.

As part of our capital management process, we stress test the loan portfolio on a regular basis to understand the potential impact of extreme but plausible adverse economic scenarios. We use these tests to analyze the impact that an increase in unemployment, rising interest rates, a decline in real estate prices, and other factors could have on our financial position. In light of COVID-19, we also run a variety of financial and capital stress tests to ensure we are positioned to manage through any of the potential scenarios that may transpire.

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

Table 17: Capital measures of Equitable Bank

($000s, except percentages)	**31-Mar-22**	31-Dec-21	Change	31-Mar-21	Change
Total risk-weighted assets (RWA)[2]	**14,018,221**	13,309,550	5%	10,911,018	28%
Common Equity Tier 1 Capital:					
Common shares	**277,763**	217,474	28%	216,541	28%
Contributed surplus	**10,449**	9,785	7%	8,813	19%
Retained earnings	**1,727,721**	1,649,890	5%	1,448,144	19%
Accumulated other comprehensive loss (AOCI)[1]	**(22,508)**	(8,263)	(172%)	(12,219)	(84%)
Less: Regulatory adjustments to Common Equity Tier 1 Capital	**(104,251)**	(94,082)	(11%)	(77,052)	(35%)
Common Equity Tier 1 Capital[2]	**1,889,174**	1,774,804	6%	1,584,227	19%
Additional Tier 1 capital:					
Non-cumulative preferred shares	**72,554**	72,554	-%	72,554	-%
Tier 1 Capital[2]	**1,961,728**	1,847,358	6%	1,656,781	18%
Tier 2 Capital:					
Eligible Stage 1 and 2 allowance	**45,138**	46,361	(3%)	59,538	(24%)
Less: Transitional adjustment in response to COVID-19	**(2,599)**	(5,442)	52%	(10,233)	75%
Tier 2 Capital[2]	**42,539**	40,919	4%	49,305	(14%)
Total Capital[2]	**2,004,267**	1,888,277	6%	1,706,086	17%
Capital ratios and Leverage ratio:[2]					
CET1 ratio	**13.5%**	13.3%	0.2%	14.5%	(1.0%)
Tier 1 capital ratio	**14.0%**	13.9%	0.1%	15.2%	(1.2%)
Total capital ratio	**14.3%**	14.2%	0.1%	15.6%	(1.3%)
Leverage ratio	**5.1%**	4.9%	0.2%	5.1%	-%

(1) As prescribed by OSFI (under Basel III rules), AOCI is part of the CET1 in its entirety, however, the amount of cash flow hedge reserves that relate to the hedging of items that are not fair value is excluded. (2) See Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Accounting policy changes

The Bank's significant accounting policies are essential to an understanding of its reported results of operations and financial position. Accounting policies applied by the Bank in the Q1 2022 interim consolidated financial statements are the same as those applied by the Bank as at and for the year ended December 31, 2021. Please refer to Note 3 to the interim consolidated financial statements for further discussion.

Critical accounting estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the periods. Estimates and underlying assumptions are reviewed by management on an ongoing basis.

The critical estimates and judgments utilized in preparing the Bank's consolidated financial statements affect the assessment of the allowance for credit losses on loans, impairment of other financial instruments, fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes, and income taxes.

In making estimates and judgments, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the COVID-19 pandemic, the spread of variants, inflationary forces, geopolitical unrest, all of which create significant economic volatility and uncertainty. 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 judgement in determining whether there has been a significant change in credit risk since initial recognition and in estimating the amount of ECL. The measurement of ECL considers the incorporation of forward-looking macroeconomic variables and probability weightings of macroeconomic scenarios, which requires significant judgment.

Management also exercises significant experienced credit judgment in determining the amount of ECLs at each reporting date by considering reasonable and supportable information that is not already incorporated in the modelling process. Changes in these inputs, assumptions, models, and judgments directly impact the measurement of ECL.

As a result of the COVID-19 pandemic, the macroeconomic environment has experienced significant volatility and uncertainty. This, along with inflationary concerns and geopolitical unrest, has resulted in a direct impact on the forward-looking macroeconomic variables which management uses as part of its underlying assumptions for calculating the ECL. Management has used the latest forward-looking macroeconomic variables provided by Moody's Analytics economic forecasting services for calculating the ECL.

Recognizing continued economic uncertainty, management has applied the same probability-weights to the macroeconomic scenarios as at December 31, 2021 and has also exercised its significant experienced credit judgment in determining the amount of the ECL by considering reasonable and supportable information that was not already incorporated in the ECL modelling process.

Refer to Notes 2(d) and 7(d) to (f) to the Q1 2022 interim consolidated financial statements for further discussion.

Off-balance sheet activities

The Bank engages in certain financial transactions that, for accounting purposes, are not recorded on its interim consolidated balance sheets. Off-Balance sheet transactions are generally undertaken for risk, capital, and funding management purposes. These include certain securitization transactions, the commitments the Bank makes to fund its pipeline of loan originations, and letters of credit issued in the normal course of business (see Note 22 to the annual audited consolidated financial statements in the Bank's 2021 Annual Report).

Securitization of financial assets

Certain securitization transactions qualify for derecognition when the Bank has transferred substantially all of the risks and rewards or control associated with the securitized assets. The outstanding securitized loan principal that qualified for derecognition totaled $6.3 billion at March 31, 2022 (December 31, 2021 – $5.9 billion, March 31, 2021 – $5.4 billion). The securitization liabilities associated with these transferred assets were approximately $6.7 billion at March 31, 2022 (December 31, 2021 – $5.9 billion, March 31, 2021 – $5.4 billion). The securitization retained interests recorded with respect to certain securitization transactions were $220.7 million at March 31, 2022 (December 31, 2021 – $207.9 million, March 31, 2021 – $187.9 million) and the associated servicing liability was $40.7 million at March 31, 2022 (December 31, 2021 – $38.5 million, March 31, 2021 – $36.1 million).

Commitments and letters of credit

The Bank provides commitments to extend credit to our borrowers. The Bank had outstanding commitments to fund $4.1 billion of loans in the ordinary course of business at March 31, 2022 (December 31, 2021 – $3.7 billion, March 31, 2021 – $2.9 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 $52.0 million were outstanding at March 31, 2022 (December 31, 2021 – $46.8 million, March 31, 2021 – $28.2 million), none of which were drawn upon.

Related party transactions

Certain of the Bank's key management personnel have transacted with it and/or invested in its deposits, and/or the Series 3 preferred shares in the ordinary course of business, on market terms and conditions. See Note 23 to the annual audited consolidated financial statements in the 2021 management's discussion and analysis for further details.

Risk management

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

For a detailed discussion of our approach to risk management and the risks that affect the Bank, including risk associated with COVID-19, please refer to the section entitled Risk Management in the Bank's 2021 Annual Report which is available on the Bank's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

Credit risk

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

The Bank's primary lending business is providing first or insured mortgages on real estate located across Canada. The Bank also provides other forms of secured financing which mainly include cash surrender value loans and equipment leasing. For information related to the credit quality of the portfolio, see the section entitled "Credit quality and allowance for credit losses" of this MD&A.

The Bank invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. These investments also expose the Bank to credit risk, should the issuer of these securities be unable to make timely interest payments or, under a worst-case scenario, if the issuer becomes insolvent. To limit its exposure to this credit risk, the Bank establishes policies with exposure limits based on credit rating and investment type. Securities rated BBB- and higher (which is considered "low risk") comprised 100% of the Bank's corporate bond portfolio at March 31, 2022 (December 31, 2021 – 100%, March 31, 2021 – 100%).

We also invest in equity securities to generate returns that meet certain internally acceptable ROE thresholds. Preferred share securities rated P-2 or higher comprised 19% or $32 million of the total equity securities portfolio at March 31, 2022, compared to 38% or $45 million a year ago. Preferred share securities rated P-3 or higher comprised 52% of the total equity securities portfolio at the end of Q1 2022.

Table 18: Credit risk exposure ratings scale

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

We have assessed the credit quality of the Bank's assets as at March 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 the debt instruments of the Bank, for which a loss allowance is calculated, including contractual amounts of undrawn loan commitments, based on the Bank's credit risk exposure rating scale.

Table 19: Credit quality analysis

($000s)				March 31, 2022
	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Low risk	14,024,686	530,758	-	14,555,444
Standard risk	15,928,696	3,344,832	-	19,273,528
High risk	266,721	92,292	-	359,013
Impaired	-	-	77,212	77,212
Total	30,220,103	3,967,882	77,212	34,265,197
Less allowance	(27,809)	(17,049)	(2,718)	(47,576)
	30,192,294	3,950,833	74,494	34,217,621
Loan commitments:				
Low risk	1,159,592	289	-	1,159,881
Standard risk	1,436,808	108,080	-	1,544,888
High risk	367	94	-	461
Total	2,596,767	108,463	-	2,705,230
Less allowance	(265)	(15)	-	(280)
	2,596,502	108,448	-	2,704,950

Liquidity and funding risk

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

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

Market risk

Market Risk consists of Interest rate, Equity price and Foreign currency rate risks. Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect the Bank's profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of the Bank's assets or liabilities have unmatched terms, interest rates or other attributes. For the interest sensitivity position of the Bank as at March 31, 2022, see Note 19 to the interim consolidated financial statements.

The Bank closely monitors interest rates and acts upon any mismatches in a timely manner to ensure that any sudden or prolonged change in rates would not adversely affect the Bank's economic value of shareholders' equity (EVE) and its NII. The table below illustrates the results of management's sensitivity modelling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest rate changes on EVE and on NII during the 12-month period following March 31, 2022. The estimate of sensitivity to interest rate changes is dependent on a number of assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 20: Net interest income shock

($000s, except percentages)	Increase in interest rates	Decrease in interest rates(1)
100 basis point shift		
Impact on net interest income	**19,809**	**909**
Impact on EVE(2)	**(30,377)**	**(3,798)**
EVE impact as a % of common shareholders' equity	**(1.5%)**	**(0.2%)**
200 basis point shift		
Impact on net interest income	**34,202**	**782**
Impact on EVE(2)	**(63,340)**	**(6,076)**
EVE impact as a % of common shareholders' equity	**(3.1%)**	**(0.3%)**

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

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

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

The Asset and Liability Committee (ALCO) reviews the investment performance, composition, and quality of the portfolio, at least 10 times a year. This information is also reviewed by a Committee of the Board quarterly.

Share information

At May 10, 2022, the Bank had 34,131,076 common shares and 2,918,300 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 1,304,583 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $62.7 million. Equitable Group Inc. also had 3,266,000 subscription receipts issued and outstanding for gross proceeds of $230 million.

Normal course issuer bid (NCIB)

During the quarter ended March 31, 2022, Equitable did not purchase or cancel any preferred or common shares under the NCIB expiring on December 22, 2022.

Responsibilities of management and the board of directors

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

In addition, the Bank's Audit Committee, on behalf of the Board, performs an oversight role with respect to all public financial disclosures made by the Bank and has reviewed and approved this MD&A and the accompanying interim consolidated financial statements and accompanying notes.

Changes in internal control over financial reporting

There were no changes in the Bank's internal control over financial reporting that occurred during the first quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

Non-Generally Accepted Accounting Principles (GAAP) financial measures and other financial and banking measures and terms

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

Non-GAAP measures

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

Adjusted results

In addition to the adjusted results that are presented in the Adjusted financial result section of this MD&A, additional adjusted financial measures are disclosed as follows:

- **Reconciliation of adjusted efficiency ratio**

($000s, except percentages)				For the three months ended	
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Non-interest expenses – reported	**74,933**	70,427	6%	57,317	31%
Adjustments on a pre-tax basis:					
Non-interest expenses – acquisition/integration related costs	**(5,133)**	(725)	608%	-	N/A
Non-interest expenses – adjusted	**69,800**	69,702	0%	57,317	22%
Revenue – reported	**187,618**	171,863	9%	150,170	25%
Adjustment on a pre-tax basis:					
Interest expenses – paid to subscription receipt holders	**914**	-	N/A	-	N/A
Revenue – adjusted	**188,532**	171,863	10%	150,170	26%
Efficiency ratio – adjusted	**37.0%**	40.6%	(3.6%)	38.2%	(1.2%)

- **Reconciliation of adjusted return on equity (ROE)**

($000s, except percentages)				For the three months ended	
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Net income available to common shareholders – reported	**86,858**	78,973	10%	68,080	28%
Adjustments on an after-tax basis:					
Costs associated with Concentra acquisition	**4,463**	535	734%	-	N/A
Net income available to common shareholders – adjusted	**91,321**	79,508	15%	68,080	34%
Weighted average common equity outstanding – adjusted	**1,926,646**	1,841,008	5%	1,617,447	19%
Return on equity - adjusted	**19.2%**	17.1%	2.1%	17.1%	2.1%

Other non-GAAP measures and ratios

- **Assets under management (AUM):** is the sum of total assets reported on the consolidated balance sheet and loan principal derecognized but still managed by the Bank.

($000s)	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Total assets on the consolidated balance sheet	**37,149,968**	36,159,070	3%	31,354,537	18%
Loan principal derecognized	**6,272,342**	5,860,830	7%	5,386,980	16%
Assets under management	**43,422,310**	42,019,900	3%	36,741,517	18%

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

($000s)	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Alternative single family mortgages	**15,399,287**	14,392,904	7%	11,257,582	37%
Reverse mortgages	**304,285**	247,363	23%	84,027	262%
Cash surrender value loans	**59,196**	49,142	20%	31,061	91%
Total Conventional loans – Personal	**15,762,768**	14,689,409	7%	11,372,670	39%
Business Enterprise Solutions	**1,154,573**	1,086,826	6%	966,317	19%
Commercial Finance Group	**4,111,394**	3,942,836	4%	3,532,112	16%
Specialized finance	**714,856**	645,588	11%	256,760	178%
Equipment leasing	**772,868**	732,682	5%	589,456	31%
Total Conventional loans – Commercial	**6,753,691**	6,407,932	5%	5,344,645	26%
Total Conventional loans	**22,516,459**	21,097,341	7%	16,717,315	35%

- **Loans under management (LUM):** is the sum of loan principal reported on the consolidated balance sheet and loan principal derecognized but still managed by the Bank. A detailed calculation can be found in Table 8 of this MD&A.
- **Net interest margin (NIM):** this profitability measure is calculated on an annualized basis by dividing net interest income by the average total interest earning assets for the period. A detailed calculation can be found in Table 2 of this MD&A.
- **Pre-provision pre-tax income:** is the difference between revenue and non-interest expenses.

Other financial and banking measures and terms

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

($000s)	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Shareholders' equity	**2,037,836**	1,952,634	4%	1,731,779	18%
Preferred shares	**(70,607)**	(70,607)	0%	(72,194)	(2%)
Common shareholders' equity	**1,967,229**	1,882,027	5%	1,659,585	19%
Common shares outstanding	**34,130,326**	34,070,810	0%	33,917,172	1%
Book value per common share – reported	**57.64**	55.24	4%	48.93	18%

- **Capital ratios:**
  - **CET1 ratio:** this key measure of capital strength is defined as CET1 Capital as a percentage of total RWA.This ratio is calculated for the Bank in accordance with the guidelines issued by OSFI. CET1 Capital is defined as shareholders' equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income.
  - **Tier 1 and Total Capital ratios:** these adequacy ratios are calculated for the Bank, in accordance with the guidelines issued by OSFI by dividing Tier 1 or Total Capital by total RWA. Tier 1 Capital is calculated by adding non-cumulative preferred shares to CET1 Capital. Tier 2 Capital is equal to the sum of the Bank's eligible Stage 1 and 2 allowance. Total Capital equals to Tier 1 plus Tier 2 Capital.
  - **Leverage ratio:** this measure is calculated by dividing Tier 1 Capital by an exposure measure. The exposure measure consists of total assets (excluding items deducted from Tier 1 Capital) and certain off- balance sheet items converted into credit exposure equivalents. Adjustments are also made to derivatives and secured financing transactions to reflect credit and other risks.

  A detailed calculation of all Capital ratios can be found in Table 17 of this MD&A.

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

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

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

($000s, except percentages)					For the three months ended
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Non-interest expenses	**74,933**	70,427	6%	57,317	31%
Revenue	**187,618**	171,863	9%	150,170	25%
Efficiency ratio – reported	**39.9%**	41.0%	(1.1%)	38.2%	1.7%

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

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

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

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

($000s, except percentages)				For the three months ended	
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Provision for credit losses	**(125)**	(1,420)	(91%)	(772)	(84%)
Divided by: average loan principal	**33,461,612**	32,087,993	4%	28,472,040	18%
Provision for credit losses – rate	**(0.001%)**	(0.02%)	0.02%	(0.01%)	0.01%

• **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 equity outstanding during the period.

($000s, except percentages)				For the three months ended	
	31-Mar-22	31-Dec-21	Change	31-Mar-21	Change
Net income available to common shareholders	**86,858**	78,973	10%	68,080	28%
Weighted average common equity outstanding	**1,923,879**	1,841,008	5%	1,617,447	19%
Return on equity - reported	**18.3%**	17.0%	1.3%	17.1%	1.2%

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

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

• **Total shareholder return (TSR):** is defined as total return of stock to an investor including stock appreciation and dividends.

Consolidated balance sheets (unaudited)

($000s) As at	Note	**March 31, 2022**	December 31, 2021	March 31, 2021
Assets:				
Cash and cash equivalents		**725,281**	773,251	596,267
Restricted cash		**448,631**	462,164	532,693
Securities purchased under reverse repurchase agreements		**-**	550,030	350,037
Investments	6	**1,220,397**	1,033,438	611,718
Loans – Personal	7,8	**23,324,211**	22,421,603	19,507,100
Loans – Commercial	7,8	**10,893,131**	10,479,159	9,384,917
Securitization retained interests	8	**220,685**	207,889	187,866
Other assets	9	**317,632**	231,536	183,939
		37,149,968	36,159,070	31,354,537
Liabilities and Shareholders' Equity				
Liabilities:				
Deposits	10	**22,238,382**	20,856,383	17,609,846
Securitization liabilities	8	**10,966,178**	11,375,020	11,731,668
Obligations under repurchase agreements	8	**880,203**	1,376,763	-
Deferred tax liabilities	11	**64,488**	63,141	63,269
Funding facilities	12	**324,575**	200,128	-
Subscription receipts	13	**230,386**	-	-
Other liabilities	14	**407,920**	335,001	217,975
		35,112,132	34,206,436	29,622,758
Shareholders' equity:				
Preferred shares	15	**70,607**	70,607	72,194
Common shares	15	**232,854**	230,160	224,397
Contributed surplus	16	**9,357**	8,693	7,722
Retained earnings		**1,727,169**	1,650,757	1,449,715
Accumulated other comprehensive loss		**(2,151)**	(7,583)	(22,249)
		2,037,836	1,952,634	1,731,779
		37,149,968	36,159,070	31,354,537

See accompanying notes to the consolidated financial statements.

Consolidated statements of income (unaudited)

($000s, except per share amounts) Three month period ended	Note	**March 31, 2022**	March 31, 2021
Interest income:			
Loans – Personal		**173,780**	161,057
Loans – Commercial		**115,746**	101,258
Investments		**3,855**	2,899
Other		**2,859**	2,620
		296,240	267,834
Interest expense:			
Deposits		**84,472**	77,785
Securitization liabilities		**49,290**	55,892
Bank facilities		**306**	191
		134,068	133,868
Net interest income		**162,172**	133,966
Non-interest income:			
Fees and other income		**6,033**	5,575
Net loss on loans and investments		**4,798**	(1,461)
Gains on securitization activities and income from securitization retained interests	8	**14,615**	12,090
		25,446	16,204
Revenue		**187,618**	150,170
Provision for credit losses		**(125)**	(772)
Revenue after provision for credit losses		**187,743**	150,942
Non-interest expenses:			
Compensation and benefits		**36,772**	28,973
Other		**38,161**	28,344
		74,933	57,317
Income before income taxes		**112,810**	93,625
Income taxes:			
Current		**23,516**	22,042
Deferred		**1,347**	2,389
		24,863	24,431
Net income		**87,947**	69,194
Dividends on preferred shares		**1,089**	1,114
Net income available to common shareholders		**86,858**	68,080
Earnings per share:	17		
Basic		**2.55**	2.01
Diluted		**2.51**	1.98

See accompanying notes to the consolidated financial statements.

Consolidated statements of comprehensive income (unaudited)

($000s) Three month period ended	March 31, 2022	March 31, 2021
Net income	**87,947**	69,194
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	**(21,369)**	(1,658)
Reclassification of net losses to income	**2,277**	1,139
Other comprehensive income – items that will not be reclassified subsequently to income:		
Equity instruments designated at Fair Value through Other Comprehensive Income:		
Net unrealized (losses) gains from change in fair value	**(1,425)**	9,728
Reclassification of net losses to retained earnings	**1,209**	-
	(19,308)	9,209
Income tax recovery (expense)	**5,063**	(2,418)
	(14,245)	6,791
Cash flow hedges:		
Net unrealized gains from change in fair value	**26,241**	13,910
Reclassification of net losses (gains) to income	**429**	(465)
	26,670	13,445
Income tax expense	**(6,993)**	(3,533)
	19,677	9,912
Total other comprehensive income	**5,432**	16,703
Total comprehensive income	**93,379**	85,897

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in shareholders' equity (unaudited)

($000s)								March 31, 2022
					Accumulated other comprehensive income (loss)			Total
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Cash Flow Hedges	Financial Instruments at FVOCI	Total	
Balance, beginning of period	**70,607**	**230,160**	**8,693**	**1,650,757**	**680**	**(8,263)**	**(7,583)**	**1,952,634**
Net Income	**-**	**-**	**-**	**87,947**	**-**	**-**	**-**	**87,947**
Realized loss on sale of shares	**-**	**-**	**-**	**(896)**	**-**	**-**	**-**	**(896)**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**19,677**	**(14,245)**	**5,432**	**5,432**
Exercise of stock options	**-**	**2,405**	**-**	**-**	**-**	**-**	**-**	**2,405**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(1,089)**	**-**	**-**	**-**	**(1,089)**
Common shares	**-**	**-**	**-**	**(9,550)**	**-**	**-**	**-**	**(9,550)**
Stock-based compensation	**-**	**-**	**953**	**-**	**-**	**-**	**-**	**953**
Transfer relating to the exercise of stock options	**-**	**289**	**(289)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**70,607**	**232,854**	**9,357**	**1,727,169**	**20,357**	**(22,508)**	**(2,151)**	**2,037,836**
($000s)								March 31, 2021
Balance, beginning of period	72,477	218,166	8,092	1,387,919	(19,943)	(19,009)	(38,952)	1,647,702
Net Income	-	-	-	69,194	-	-	-	69,194
Other comprehensive income, net of tax	-	-	-	-	9,912	6,791	16,703	16,703
Exercise of stock options	-	5,226	-	-	-	-	-	5,226
Purchase of treasury preferred shares	(283)	-	-	-	-	-	-	(283)
Net loss on cancellation of treasury preferred shares	-	-	-	(10)	-	-	-	(10)
Dividends:								
Preferred shares	-	-	-	(1,114)	-	-	-	(1,114)
Common shares	-	-	-	(6,274)	-	-	-	(6,274)
Stock-based compensation	-	-	635	-	-	-	-	635
Transfer relating to the exercise of stock options	-	1,005	(1,005)	-	-	-	-	-
Balance, end of period	72,194	224,397	7,722	1,449,715	(10,031)	(12,218)	(22,249)	1,731,779

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows (unaudited)

($000s) Three month period ended	**March 31, 2022**	March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**86,858**	69,194
Adjustments for non-cash items in net income:		
Financial instruments at fair value through income	**(1,727)**	(7,390)
Amortization of premiums/discount on investments	**300**	18
Amortization of capital assets and intangible costs	**8,833**	7,337
Provision for credit losses	**(125)**	(772)
Securitization gains	**(4,628)**	(4,178)
Stock-based compensation	**953**	635
Income taxes	**24,863**	24,431
Securitization retained interests	**12,418**	10,679
Changes in operating assets and liabilities:		
Restricted cash	**13,533**	(28,654)
Securities purchased under reverse repurchase agreements	**550,030**	100,166
Loans receivable, net of securitizations	**(1,342,712)**	(647,107)
Other assets	**(4,267)**	5,907
Deposits	**1,409,648**	1,028,166
Securitization liabilities	**(401,560)**	(260,329)
Obligations under repurchase agreements	**(496,560)**	(251,877)
Funding facilities	**124,447**	-
Subscription receipts	**230,386**	-
Other liabilities	**46,697**	35,578
Income taxes paid	**(65,042)**	(17,225)
Cash flows from operating activities	**192,345**	64,579
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**2,405**	5,226
Dividends paid on preferred shares	**(1,089)**	(1,114)
Dividends paid on common shares	**(9,550)**	(6,274)
Cash flows used in financing activities	**(8,234)**	(2,162)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(57,900)**	(31,307)
Proceeds on sale or redemption of investments	**111,468**	16,355
Net change in Canada Housing Trust re-investment accounts	**(273,221)**	(425)
Purchase of capital assets and system development costs	**(12,428)**	(8,516)
Cash flows used in investing activities	**(232,081)**	(23,893)
Net (decrease) increase in cash and cash equivalents	**(47,970)**	38,524
Cash and cash equivalents, beginning of period	**773,251**	557,743
Cash and cash equivalents, end of period	**725,281**	596,267
Cash flows from operating activities include:		
Interest received	**271,048**	338,505
Interest paid	**(122,071)**	(139,957)
Dividends received	**1,271**	1,482

See accompanying notes to the consolidated financial statements.

Notes to consolidated financial statements

($000s, except per share amounts)

Note 1 – Reporting Entity

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

Note 2 – Basis of Preparation

(a) Statement of compliance

These interim consolidated financial statements of Equitable Group Inc. have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These interim consolidated financial statements should be read in conjunction with the Bank's 2021 annual audited consolidated financial statements.

Equitable Group Inc. has 100% ownership interest in Equitable Bank, Equitable Trust Co., Bennington Financial Services, EQB Covered Bond (Legislative) GP Inc., and EQB Covered Bond (Legislative) Guarantor Limited Partnership. All these subsidiaries have been consolidated in these interim financial statements as at March 31, 2022.

These interim consolidated financial statements were approved for issuance by the Bank's Board of Directors (the Board) on May 10, 2022.

(b) Basis of measurement

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

(c) Functional currency

The functional currency of the Bank and its subsidiaries is Canadian dollars, which is also the presentation currency of the consolidated financialstatements.

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

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

In making estimates and judgements, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been made taking into consideration the economic impact of the COVID-19 pandemic, and the economic volatility and uncertainty due to geo-political 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 judgements and estimates in a number of areas. Management must exercise significant experienced credit judgement in determining whether there has been a significant increase in credit risk since initial recognition and in estimating the amount of ECL. The measurement of ECL considers the incorporation of forward-looking macroeconomic variables and probability weightings of macroeconomic scenarios, which requires significant judgement. Management also exercises significant experienced credit judgement in determining the amount of ECL at each reporting date by considering reasonable and supportable information that is not already incorporated in the modelling process. Changes in these inputs, assumptions, models, and judgements directly impact the measurement of ECL.

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

(e) Consolidation

The interim consolidated financial statements as at and for the three months ended March 31, 2022 and March 31, 2021 include the assets, liabilities, and results of operations of the Bank and its subsidiaries, after the elimination of intercompany transactions and balances. The Bank has control of its subsidiaries as it is exposed to and has rights to variable returns from its involvement with the subsidiaries and it has the ability to affect those returns through its power over their relevant activities.

Note 3 – Significant Accounting Policies

The significant accounting policies applied by the Bank in these interim consolidated financial statements are the same as those applied by the Bank as at and for the year ended December 31, 2021 as described in Note 3 of the audited consolidated financial statements in the Bank's 2021 Annual Report.

Note 4 – Risk Management

The Bank, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results, which may also influence an investor to buy, sell or hold shares in the Bank. Many of these risk factors are beyond the Bank's direct control. The use of financial instruments exposes the Bank to credit risk, liquidity risk and market risk.

A discussion of the Bank's risk exposures and how it manages those risks can be found in the Risk Management section of the Management's Discussion & Analysis of the Bank's 2021 Annual Report and the 2022 first quarter report.

Note 5 – Financial Instruments

The Bank's business activities result in a Consolidated Balance Sheets that consist primarily of financial instruments. The majority of the Bank's net income is derived from gains, losses, income and expenses related to these financial assets and liabilities.

(a) Valuation methods and assumptions

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

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

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

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

(ii) Financial instruments classified as at FVOCI and FVTPL

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

(iii) Loans receivable

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

(iv) Deposits

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

(v) Securitization liabilities

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

(vi) Derivatives

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

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at March 31, 2022 and December 31, 2021. The tables do not include assets and liabilities that are not financial instruments.

($000s)						March 31, 2022
	FVTPL – Mandatorily	**FVOCI – Debt instruments**	**FVOCI – Equity instruments**	**Amortized cost**	**Total carrying value**	**Fair value**
Financial assets:						
Cash and cash equivalents	-	-	-	725,281	725,281	725,281
Restricted cash	-	-	-	448,631	448,631	448,631
Securities purchased under reverse repurchase agreements	-	-	-	-	-	-
Investments	217,374	558,239	76,702	368,082	1,220,397	1,216,511
Loans – Personal	-	-	-	23,324,211	23,324,211	22,925,861
Loans – Commercial[1]	144,687	-	-	9,991,764	10,136,451	10,057,717
Securitization retained interests	-	-	-	220,685	220,685	220,173
Other assets:						
Derivative financial instruments[2]:						
Interest rate swaps	122,538	-	-	-	122,538	122,538
Total return swaps	14,175	-	-	-	14,175	14,175
Bond forwards	12,109	-	-	-	12,109	12,109
Other	-	-	-	7,323	7,323	7,323
Total financial assets	510,883	558,239	76,702	35,085,977	36,231,801	35,750,319
Financial liabilities:						
Deposits	-	-	-	22,238,382	22,238,382	22,028,943
Securitization liabilities	-	-	-	10,966,178	10,966,178	10,718,517
Obligations under repurchase agreements	-	-	-	880,203	880,203	880,203
Subscription receipts	-	-	-	230,386	230,386	230,386
Other liabilities:						
Derivative financial instruments[2]:						
Interest rate swaps	40,124	-	-	-	40,124	40,124
Cross-currency interest rate swaps	48,328	-	-	-	48,328	48,328
Total return swaps	5,709	-	-	-	5,709	5,709
Bond forwards	309	-	-	-	309	309
Foreign exchange forwards	3,801	-	-	-	3,801	3,801
Loan commitments	6,991	-	-	-	6,991	6,991
Funding facilities	-	-	-	325,024	325,024	325,024
Other	-	-	-	301,092	301,092	301,092
Total financial liabilities	105,262	-	-	34,941,265	35,046,527	34,589,427

(1) Loans – Commercial does not include $756,680 (December 31, 2021 - $716,651) of Finance leases, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

($000s)						December 31, 2021
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	773,251	773,251	773,251
Restricted cash	-	-	-	462,164	462,164	462,164
Securities purchased under reverse repurchase agreements	-	-	-	550,030	550,030	551,426
Investments	197,173	577,532	92,761	165,972	1,033,438	1,033,743
Loans – Personal	-	-	-	22,421,603	22,421,603	22,283,623
Loans – Commercial[(1)]	168,390	-	-	9,594,118	9,762,508	9,788,189
Securitization retained interests	-	-	-	207,889	207,889	207,901
Other assets:						
Derivative financial instruments[(2)]:						
Interest rate swaps	64,213	-	-	-	64,213	64,213
Total return swaps	5,083	-	-	-	5,083	5,083
Bond forwards	124	-	-	-	124	124
Foreign exchange forwards	1,741	-	-	-	1,741	1,741
Other	-	-	-	7,133	7,133	7,133
Total financial assets	436,724	577,532	92,761	34,182,160	35,289,177	35,178,591
Financial liabilities:						
Deposits	-	-	-	20,856,383	20,856,383	20,816,341
Securitization liabilities	-	-	-	11,375,020	11,375,020	11,412,638
Other liabilities:						
Derivative financial instruments[(2)]:						
Interest rate swaps	10,589	-	-	-	10,589	10,589
Cross-currency swaps	22,078	-	-	-	22,078	22,078
Total return swaps	13,191	-	-	-	13,191	13,191
Bond forwards	2,727	-	-	-	2,727	2,727
Foreign exchange forwards	712	-	-	-	712	712
Loan commitments	24	-	-	-	24	24
Funding facilities	-	-	-	200,128	200,128	200,128
Other	-	-	-	244,381	244,381	244,381
Total financial liabilities	49,321	-	-	34,052,675	34,101,996	34,099,572

(1) Loans – Commercial does not include $756,680 (December 31, 2021 - $716,651) of Finance leases, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

(b) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated Balance Sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

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

Level 3: valuation techniques with significantunobservable 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 Sheets, except for certain financial instruments whose carrying amount always approximates their fair values due to their short-term nature:

($000s) **March 31, 2022**	**Level 1**	**Level 2**	**Level 3**	**Total financial assets/financial liabilities at fair value**
Financial assets:				
Investments	**935,134**	**225,781**	**55,596**	**1,216,511**
Loans – Personal	**-**	**-**	**22,925,861**	**22,925,861**
Loans – Commercial	**-**	**144,687**	**9,913,030**	**10,057,717**
Securitization retained interests	**-**	**220,173**	**-**	**220,173**
Other assets:				
Derivative financial instruments(1):				
Interest rate swaps	**-**	**122,538**	**-**	**122,538**
Total return swaps	**-**	**2,305**	**11,870**	**14,175**
Bond forwards	**-**	**12,109**	**-**	**12,109**
Other	**-**	**7,323**	**-**	**7,323**
Total financial assets	**935,134**	**734,916**	**32,906,357**	**34,576,407**
Financial liabilities:				
Deposits	**-**	**22,028,943**	**-**	**22,028,943**
Securitization liabilities	**-**	**9,363,220**	**1,355,297**	**10,718,517**
Subscription receipts	**-**	**230,386**	**-**	**230,386**
Other liabilities:				
Derivative financial instruments(1):				
Interest rate swaps	**-**	**40,124**	**-**	**40,124**
Cross-currency interest rate swaps	**-**	**48,328**	**-**	**48,328**
Total return swaps	**-**	**283**	**5,426**	**5,709**
Bond forwards	**-**	**309**	**-**	**309**
Foreign exchange forwards	**-**	**3,801**	**-**	**3,801**
Funding facilities	**-**	**325,024**	**-**	**325,024**
Loan commitments	**-**	**-**	**6,991**	**6,991**
Other	**-**	**301,092**	**-**	**301,092**
Total financial liabilities	**-**	**32,341,510**	**1,367,714**	**33,709,224**

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

($000s) December 31, 2021	Level 1	Level 2	Level 3	Total financial assets/financial liabilities at fair value
Financial assets:				
Investments	992,086	-	41,657	1,033,743
Loans – Personal	-	-	22,283,623	22,283,623
Loans – Commercial	-	168,390	9,619,799	9,788,189
Securitization retained interests	-	207,901	-	207,901
Other assets:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	64,213	-	64,213
Total return swaps	-	1,819	3,264	5,083
Bond forwards	-	124	-	124
Foreign exchange forwards	-	1,741	-	1,741
Other	-	7,133	-	7,133
Total financial assets	992,086	451,321	31,948,343	33,391,750
Financial liabilities:				
Deposits	-	20,816,341	-	20,816,341
Securitization liabilities	-	9,908,510	1,504,128	11,412,638
Other liabilities:				
Derivative financial instruments[(1)]:				
Interest rate swaps	-	10,589	-	10,589
Cross-currency interest rate swaps	-	22,078	-	22,078
Total return swaps	-	634	12,557	13,191
Bond forwards	-	2,727	-	2,727
Foreign exchange forwards	-	712	-	712
Loan Commitments	-	-	24	24
Funding facilities	-	200,128	-	200,128
Other	-	244,381	-	244,381
Total financial liabilities	-	31,206,100	1,516,709	32,722,809

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

Note 6 – Investments

Carrying value of investments is as follows:

($000s)	**March 31, 2022**	December 31, 2021	March 31, 2021
Equity securities measured at FVOCI	**76,702**	92,761	91,284
Equity securities measured at FVTPL	**25,136**	26,214	1,135
Debt securities measured at FVOCI	**558,239**	577,532	153,568
Debt securities measured at FVTPL	**192,238**	170,959	167,730
Debt securities measured at AMC	**368,082**	165,972	198,001
	1,220,397	1,033,438	611,718

The Bank has elected to designate certain Equity securities to be measured at FVOCI as these investments are expected to be held for the long term. For the period ended March 31, 2022, the Bank earned dividends of $917 (March 31, 2021 − $1,090) on these Equity securities. During the period, the Bank sold/redeemed Equity securities of $14,626 (March 31, 2021 − $5,750) and recognized a loss on sale of $1,209 (March 31, 2021 − $nil) in Retained earnings.

As at March 31, 2022 the Bank had a commitment to invest $25,612 (March 31, 2021 − $22,757) in certain equity securities measured at FVTPL.

Debt securities measured at AMC includes $225,781 (December 31, 2021 – $nil, March 31, 2021 – $nil) of subscription receipts currently held in escrow. Refer to note 13.

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

($000s)	**March 31, 2022**	March 31, 2021
Equity securities measured at FVOCI	**(216)**	9,728
Equity securities measured at FVTPL	**(15,416)**	(30)
Debt securities measured at FVOCI	**(19,093)**	(518)
Debt securities measured at FVTPL	**3,072**	(1,378)

Note 7 – Loans Receivable

(a) Loans receivable

($000s)						**March 31, 2022**
		Allowance for credit losses				
	Gross amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Net amount**
Loans – Personal	**23,334,761**	**4,835**	**5,315**	**400**	**10,550**	**23,324,211**
Loans – Commercial	**10,930,437**	**23,239**	**11,749**	**2,318**	**37,306**	**10,893,131**
	34,265,198	**28,074**	**17,064**	**2,718**	**47,856**	**34,217,342**

($000s)						December 31, 2021
		Allowance for credit losses				
	Gross amount	Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Personal	22,433,681	6,502	4,944	632	12,078	22,421,603
Loans – Commercial	10,516,030	21,411	13,504	1,956	36,871	10,479,159
	32,949,711	27,913	18,448	2,588	48,949	32,900,762

($000s)						March 31, 2021
		Allowance for credit losses				
	Gross amount	Stage 1	Stage 2	Stage 3	Total	Net amount
Loans – Personal	19,526,333	12,808	4,903	1,522	19,233	19,507,100
Loans – Commercial	9,428,591	23,593	18,235	1,846	43,674	9,384,917
	28,954,924	36,401	23,138	3,368	62,907	28,892,017

Loans – Personal include certain uninsured residential loans with a carrying value of $676,908 (December 31, 2021 - $723,500) that have been sold but are not derecognized. The Bank 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 the Bank 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 the Bank 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 the Bank remains exposed after the transfer in the Program is the risk of prepayment. As a result, the loans continue to be recognized on the Bank's Consolidated Balance Sheets at amortized cost and are accounted for as collateral for the secured funding arrangement, with the corresponding liability presented under Deposits.

As at March 31, 2022, Loans – Commercial include certain loans measured at FVTPL with changes in fair value included in gains on securitization activities and income from securitization retained interests. As at March 31, 2022, the carrying value of these loans was $143,731 (December 31, 2021 – $167,372, March 31, 2021 – $89,242) and included fair value adjustment of ($3,495) (December 31, 2021 – $1,915, March 31, 2021 – ($785)).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in Non- interest income in the Consolidated Statements of Income. As at March 31, 2022, the carrying amount of these loans was $956 (December 31, 2021 – $1,018, March 31, 2021 – $1,099) and included fair value adjustment of ($56) (December 31, 2021 – ($19), March 31, 2021 – ($11)).

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

($000s)	**March 31, 2022**	March 31, 2021
Net losses in fair values for loans measured at FVTPL included in gains on securitization activities	**(5,409)**	(828)
Net losses in fair values for loans measured at FVTPL and recognized in net loss on loans and investments	**-**	(44)

Loans – Commercial include loans of $627,261 (December 31, 2021 – $568,137, March 31, 2021 – $225,099) invested in certain asset-backed structured entities. The Bank holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. The Bank does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from these investments. Consequently, the Bank does not control these structured entities and has not consolidated them.

Loans – Commercial also include the Bank's net investment in finance leases of $756,680 (December 31, 2021 – $716,651, March 31, 2021 – $569,879).

At March 31, 2022, the Bank had commitments to fund a total of $4,143,187 (December 31, 2021 − $3,653,459, March 31, 2021 – $2,903,944) loans in the ordinary course of business.

(b) Impaired and past due loans

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

($000s)			**March 31, 2022**	December 31, 2021	March 31, 2021
	Gross[(1)]	**Allowance for credit losses**	**Net**	Net	Net
Loans – Personal	**17,960**	**400**	**17,560**	20,720	45,230
Loans – Commercial – Conventional and Insured	**38,602**	**1,572**	**37,030**	47,835	34,104
Loans – Commercial – Finance Leases	**20,650**	**746**	**19,904**	19,825	25,937
	77,212	**2,718**	**74,494**	88,380	105,271

(1) Gross balances include loans amounting to $5,929 (December 31, 2021 – $6,710, March 31, 2021 – $8,061) that are insured.

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

($000s)				March 31, 2022
	30 – 59 days	**60 – 89 days**	**90 days or more**	**Total**
Loans – Personal	**21,672**	**10,514**	**-**	**32,186**
Loans – Commercial – Conventional and Insured	**604**	**-**	**-**	**604**
Loans – Commercial – Finance Leases	**7,772**	**2,263**	**-**	**10,035**
	30,048	**12,777**	**-**	**42,825**

($000s)				December 31, 2021
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Personal	26,388	10,465	-	36,853
Loans – Commercial – Conventional and Insured	-	-	-	-
Loans – Commercial – Finance Leases	7,381	2,600	-	9,981
	33,769	13,065	-	46,834

($000s)				March 31, 2021
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Personal	43,509	13,238	-	56,747
Loans – Commercial – Conventional and Insured	865	39,320	-	40,185
Loans – Commercial – Finance Leases	7,700	4,416	-	12,116
	52,074	56,974	-	109,048

(c) Allowance for credit losses

($000s)				March 31, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans - Personal	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	6,502	4,944	632	12,078
Provision for credit losses:				
Transfers to (from) Stage 1	1,077	(938)	(139)	-
Transfers to (from) Stage 2	(1,238)	1,238	-	-
Transfers to (from) Stage 3	(3)	(4)	7	-
Re-measurement(1)	(2,260)	279	(66)	(2,047)
Originations	1,021	-	-	1,021
Discharges	(264)	(204)	-	(468)
Write-off	-	-	-	-
Realized losses	-	-	(69)	(69)
Recoveries	-	-	35	35
Balance, end of period	4,835	5,315	400	10,550

($000s)				March 31, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	21,411	13,504	1,956	36,871
Provision for credit losses:				
Transfers to (from) Stage 1	2,800	(2,322)	(478)	-
Transfers to (from) Stage 2	(284)	363	(79)	-
Transfers to (from) Stage 3	(10)	(271)	281	-
Re-measurement(1)	(2,209)	890	1,572	253
Originations	2,739	-	-	2,739
Discharges	(1,208)	(415)	-	(1,623)
Write-off	-	-	(939)	(939)
Realized losses	-	-	-	-
Recoveries	-	-	5	5
Balance, end of period	23,239	11,749	2,318	37,306

(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.

($000s)				March 31, 2021
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Personal	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	13,228	4,893	1,685	19,806
Provision for credit losses:				
Transfers to (from) Stage 1	752	(406)	(346)	-
Transfers to (from) Stage 2	(764)	897	(133)	-
Transfers to (from) Stage 3	(3)	(5)	8	-
Re-measurement(1)	(973)	(374)	530	(817)
Originations	717	-	-	717
Discharges	(149)	(102)	-	(251)
Write-off	-	-	-	-
Realized losses	-	-	(223)	(223)
Recoveries	-	-	1	1
Balance, end of period	12,808	4,903	1,522	19,233

($000s)				March 31, 2021
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	22,632	21,880	1,859	46,371
Provision for credit losses:				
Transfers to (from) Stage 1	2,227	(2,045)	(182)	-
Transfers to (from) Stage 2	(335)	525	(190)	-
Transfers to (from) Stage 3	(16)	(396)	412	-
Re-measurement(1)	(1,636)	(1,345)	2,223	(758)
Originations	907	-	-	907
Discharges	(186)	(384)	-	(570)
Write-off	-	-	(2,286)	(2,286)
Realized losses	-	-	-	-
Recoveries	-	-	10	10
Balance, end of period	23,593	18,235	1,846	43,674

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

The Stage 1 and 2 allowance for credit losses includes allowance on loan commitments amounting to $280 (March 31, 2021 – $179).

(d) Key inputs, assumptions and model techniques

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

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

In addition, these elements are also subject to a high degree of judgement which could have a significant impact on the level of ACL recognized. The inputs and models used for calculating ECL may not always capture all characteristics of the market. Qualitative adjustments or overlays may be made by the 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, the Bank has also considered the COVID-19 pandemic, and the geo-political and inflationary pressures brought to current economic conditions and outlook. The Bank has applied experienced credit judgement in the assessment of underling credit deterioration and migration of balances to progressive stages. Utilization of a payment deferral program was not necessarily considered an immediate trigger for a loan to migrate to a progressive stage.

(e) Forward-looking macroeconomic scenarios

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

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

										March 31, 2022
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	6.2	5.9	5.7	5.0	6.8	6.5	7.3	7.7	8.1	9.1
Real GDP growth rate %	5.0	2.1	7.2	2.6	3.1	2.0	0.5	2.0	(3.5)	1.9
Home Price Index growth rate %	5.6	0.1	6.4	1.0	4.9	(0.5)	1.3	(1.5)	(2.1)	(4.0)
Commercial Property Index growth rate %	6.5	1.3	7.8	2.3	5.1	0.8	0.6	0.0	(3.8)	(2.0)
Household income growth rate %	(1.4)	(0.3)	0.4	0.6	(2.0)	(0.9)	(2.8)	(1.6)	(4.1)	(2.8)

	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					Scenario 1		Scenario 2		Scenario 3	
December 31, 2021	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 %	6.9	6.2	6.4	5.2	7.5	6.7	8.1	7.9	8.8	9.4
Real GDP growth rate %	5.2	2.5	7.9	2.9	2.8	2.6	0.1	2.5	(5.9)	2.5
Home Price Index growth rate %	5.5	0.1	7.0	1.6	4.9	(0.5)	1.4	(1.5)	(2.0)	(4.0)
Commercial Property Index growth rate %	6.8	1.4	7.8	2.3	5.4	1.0	0.8	0.3	(3.7)	(1.5)
Household income growth rate %	(0.6)	(0.1)	2.3	0.8	(3.0)	(0.5)	(4.3)	(1.0)	(6.9)	(2.4)

	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					Scenario 1		Scenario 2		Scenario 3	
March 31, 2021	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	8.5	7.1	8.0	6.1	8.9	7.6	9.6	8.8	10.3	10.3
Real GDP growth rate %	7.2	3.1	10.2	3.5	4.4	3.1	2.2	3.0	(3.7)	3.1
Home Price Index growth rate %	4.7	1.7	6.2	3.2	4.0	1.1	0.6	0.1	(2.8)	(2.5)
Commercial Property Index growth rate %	9.2	3.4	11.2	4.3	7.5	3.1	2.4	2.8	(2.3)	(1.2)
Household income growth rate %	1.2	0.3	4.1	1.2	(0.2)	0.0	(2.5)	(0.5)	(5.1)	(2.0)

(f) Sensitivity of allowance for credit losses

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

Impact of probability-weighting on ACL

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

($000s)	**March 31, 2022**	December 31, 2021	March 31, 2021
ACL – Five probability-weighted macroeconomic scenarios (actual)	**45,138**	46,361	59,539
ACL – Base-case scenario only	**42,144**	42,614	54,468
ACL – Downside scenario only	**78,295**	86,842	104,641
Difference – Actual versus base-case scenario only	**2,994**	3,747	5,071
Difference – Actual versus downside scenario only	**(33,157)**	(40,481)	(45,102)

Impact of staging on ACL

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

($000s)	**March 31, 2022**	December 31, 2021	March 31, 2021
ACL – Loans in Stage 1 and Stage 2 (actual)	**45,138**	46,361	59,539
ACL – Assuming all loans in Stage 1	**42,950**	43,569	56,302
Lifetime ACL impact	**2,188**	2,792	3,237

Note 8 – Derecognition of Financial Assets

In the normal course of business, the Bank enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of the Bank's continuing involvement. The Bank transfers its financial assets through its securitization activities and sale of assets under repurchase agreements. For further details, refer to Note 10 to the audited consolidated financial statements in the Bank's 2021 Annual Report.

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

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

($000s)	**March 31, 2022**		December 31, 2021		March 31, 2021	
	Securitized assets	**Assets sold under repurchase agreements**	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	**11,070,136**	**880,203**	11,453,867	1,376,763	11,678,703	-
Carrying amount of associated liability	**10,966,178**	**880,203**	11,375,020	1,376,763	11,731,668	-
Carrying value, net position	**103,958**	**-**	78,847	-	(52,965)	-
Fair value of assets	**10,826,933**	**880,203**	11,415,719	1,376,763	11,782,740	-
Fair value of associated liability	**10,718,517**	**880,203**	11,412,638	1,376,763	11,917,116	-
Fair value, net position	**108,416**	**-**	3,081	-	(134,376)	-

The carrying amount of assets includes $3,402 (December 31, 2021 – $3,872, March 31, 2021 – $28,702) of the Bank's net investment in finance leases that were securitized and not derecognized. The carrying value of associated liability includes $1,912 (December 31, 2021 – $2,969, March 31, 2021 – $23,202) of liabilities pertaining to finance leases securitized.

The Bank's outstanding securitization liabilities are as follows:

($000s)	**March 31, 2022**	December 31, 2021	March 31, 2021
Securitization principal	**10,989,834**	11,405,519	11,745,542
Deferred net discount and issuance costs	**(48,188)**	(49,205)	(41,574)
Accrued interest	**24,532**	18,706	27,700
	10,966,178	11,375,020	11,731,668

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

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

($000s)	March 31, 2022	March 31, 2021
Loans securitized and sold	**488,358**	256,771
Carrying value of Securitization retained interests	**25,213**	13,702
Carrying value of Securitized loan servicing liability	**4,728**	3,342
Gains on loans securitized and sold	**4,628**	4,178
Income from securitization activities and retained interests	**9,987**	7,912

Note 9 – Other Assets

($000s)	March 31, 2022	December 31, 2021	March 31, 2021
Intangible assets	**100,533**	92,571	77,585
Prepaid expenses and other	**19,125**	16,761	10,664
Goodwill	**16,944**	16,944	16,944
Property and equipment	**13,658**	14,100	14,565
Receivable relating to securitization activities	**10,008**	9,678	14,224
Right-of-use assets	**6,619**	7,466	9,707
Accrued interest and dividends on non-loan assets	**1,923**	2,802	1,517
Real estate owned	**-**	53	930
Derivative financial instruments:			
Interest rate swaps	**122,538**	64,213	22,649
Total return swaps	**14,175**	5,083	12,624
Bond forwards	**12,109**	124	2,530
Foreign exchange forwards	**-**	1,741	-
	317,632	231,536	183,939

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

Note 10 – Deposits

($000s)	March 31, 2022	December 31, 2021	March 31, 2021
Term and other deposits	**22,080,328**	20,694,623	17,426,816
Accrued interest	**195,461**	196,617	210,760
Deferred deposit agent commissions	**(37,407)**	(34,857)	(27,730)
	22,238,382	20,856,383	17,609,846

Deposits also include $470,584 (December 31, 2021 – $498,907, March 31, 2021 – $nil) of funding from the covered bond program. This funding is secured against $677,244 (December 31, 2021 – $723,967, March 31, 2021 – $nil) of Loans – Personal.

Note 11 – Income Taxes

(a) Income tax provision:

($000s)	**March 31, 2022**	March 31, 2021
Current tax expense:	**23,516**	22,042
Deferred tax expense:		
Reversal of temporary differences	**1,347**	2,389
Changes in tax rates	**-**	-
	1,347	2,389
Total income tax expense	**24,863**	24,431

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

($000s)	**March 31, 2022**	March 31, 2021
Canadian statutory income tax rate	**26.2%**	26.3%
Increase (decrease) resulting from:		
Tax-exempt income	**(5.0%)**	(0.4%)
Non-deductible expenses and other	**0.8%**	0.2%
Effective income tax rate	**22.0%**	26.1%

(b) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

($000s)	**March 31, 2022**	December 31, 2021	March 31, 2021
Deferred income tax assets:			
Tax losses	**1,071**	1,479	4,955
Allowance for credit losses	**7,973**	8,314	11,001
Share issue expenses	**-**	2	4
Net loan fees	**8,964**	3,572	915
Other	**4,789**	6,335	2,853
	22,797	19,702	19,728
Deferred income tax liabilities:			
Securitization activities	**59,672**	57,295	51,944
Leasing activities	**7,964**	9,040	18,056
Deposit agent commissions	**7,305**	6,918	6,286
Intangible costs	**8,746**	7,714	5,155
Other	**3,598**	1,876	1,556
	87,285	82,843	82,997
Net deferred income tax liabilities	**64,488**	63,141	63,269

Note 12 – Funding Facilities

(a) Secured funding facilities:

The Bank has two credit facilities totaling $850,000 with major Schedule I Canadian banks to finance insured residential loans prior to securitization. The 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 March 31, 2022, the Bank had an outstanding balance of $250,006 (December 31, 2021 – $200,128, March 31, 2021 – $nil) on facilities from the Schedule I Canadian banks.

(b) Unsecured funding facilities:

During the period, the Bank entered into 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 $75,000 and a term loan facility ("Term Loan") of up to $275,000. As at March 31, 2022, the Bank had an outstanding balance of $74,569 on the Revolving Facility including deferred cost of $449, and no drawdown on the Term Loan.

Note 13 – Subscription receipts

On February 16, 2022, the Bank issued 3,266,000 subscription receipts for gross proceeds of $230,253 at an offer price of $70.50 per subscription receipt. The net proceeds from the issuance will be used by the Bank to fund a portion of the purchase price for the acquisition of Concentra Bank. The closing of the acquisition is expected to occur in the second half of 2022. Until then, the funds from the subscription receipts are held in an escrow and invested in short-term, risk-free interest-bearing securities. As at March 31, 2022, the Bank had outstanding subscription receipts balance of $230,386, and the corresponding asset amounting to $225,781 is presented under Investments (refer to Note 6).

Note 14 – Other Liabilities

($000s)	**March 31, 2022**	December 31, 2021	March 31, 2021
Accounts payable and accrued liabilities	**204,415**	143,931	110,666
Loan realty taxes	**45,207**	50,405	38,945
Securitized loan servicing liability	**40,702**	38,507	36,144
Right-of-use liabilities	**7,925**	8,597	10,186
Income taxes payable	**3,539**	43,422	737
Unearned revenue	**871**	818	73
Loan commitments	**6,991**	24	35
Derivative financial instruments:			
Interest rate swaps	**88,451**	32,667	13,655
Total return swaps	**5,709**	13,191	6,984
Bond forwards	**309**	2,727	299
Foreign exchange forwards	**3,801**	712	251
	407,920	335,001	217,975

Note 15 – Shareholder's Equity

(a) Normal course issuer bid (NCIB):

On December 21, 2020, the Bank announced that the Toronto Stock Exchange had approved a NCIB pursuant to which the Bank may repurchase for cancellation up to 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, 2021, the NCIB was renewed and approved by the Toronto Stock Exchange, pursuant to which the Bank may repurchase for cancellation up to 2,325,951 of its common shares and 289,340 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. The Bank only intends to purchase a maximum of 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 the Bank's discretion. During the three months period ended March 31, 2022, the Bank did not repurchase and cancel any of its Series 3 – 5-year rate reset preferred shares (December 31, 2021 – 80,600, at a volume weighted average price of $26.01, March 31, 2021 – 11,700, at a volume weighted average price of $25.01). No common shares have been purchased and cancelled under the NCIB.

Note 16 – Stock-based Compensation

(a) Stock-based compensation plan:

Under the Bank's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years and vest over a four-year period. As at March 31, 2022, the maximum number of common shares available for issuance under the plan was 4,000,000. The outstanding options expire on various dates to February 2029. A summary of the Bank's stock option activity and related information for the periods ended March 31, 2022 and March 31, 2021 is as follows:

($000's, except share, per share and stock option amounts)	**March 31, 2022**		March 31, 2021	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**1,123,002**	**41.75**	1,232,648	33.66
Granted	**224,530**	**75.72**	219,920	68.96
Exercised	**(46,512)**	**31.77**	(169,024)	30.92
Forfeited/cancelled	**-**	**-**	-	-
Outstanding, end of period	**1,301,020**	**47.97**	1,283,544	40.07
Exercisable, end of period	**720,386**	**35.29**	707,478	31.63

Under the fair value-based method of accounting for stock options, the Bank has recorded compensation expense in the amount of $953 (March 31, 2021 – $635) related to grants of options under the stock option plan. This amount has been credited to Contributed surplus. The fair value of options granted during the period ended March 31, 2022 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)	**March 31, 2022**	March 31, 2021
Risk-free rate	**1.7%**	0.5%
Expected option life (years)	**4.8**	4.8
Expected volatility	**30.4%**	35.1%
Expected dividends	**1.8%**	2.0%
Weighted average fair value of each option granted	**17.91**	17.16

(b) Other stock based plans:

The Bank has an Employee share purchase (ESP) plan, a Restricted share unit (RSU and PSU) plan for eligible employees, and a Deferred share unit (DSU) plan for Directors. For details on the plans, refer to Note 19 to the audited consolidated financial statements in the Bank's 2021 Annual Report.

Under the DSU plan, the activity for the periods ended March 31, 2022 and March 31, 2021 is as follows:

	March 31, 2022	March 31, 2021
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**138,379**	136,438
Granted	**756**	1,064
Dividend reinvested	**486**	402
Outstanding, end of period	**139,621**	137,904

The liability associated with DSUs outstanding as at March 31, 2022 was $10,156 (March 31, 2021 – $8,676). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the three months ended March 31, 2022 amounted to $76 (March 31, 2021 – $77).

Under the Bank's RSU and PSU plan, the activity for the periods ended March 31, 2022 and March 31, 2021 is as follows:

	March 31, 2022	March 31, 2021
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of period	**131,994**	168,016
Granted	**83,697**	58,824
Dividend reinvested	**829**	664
Vested and paid out	**-**	-
Forfeited/cancelled	**(565)**	(1,208)
Outstanding, end of period	**215,955**	226,296

The liability associated with RSUs and PSUs outstanding as at March 31, 2022 was $6,027 (March 31, 2021 – $6,095). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the three months ended March 31, 2022 amounted to $395 (March 31, 2021 – $688).

Note 17 – Earnings Per Share

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

($000's, except share, per share and stock option amounts)	**March 31, 2022**	March 31, 2021
Earnings per common share − basic:		
Net income	**87,947**	69,194
Dividends on preferred shares	**1,089**	1,114
Net income available to common shareholders	**86,858**	68,080
Weighted average basic number of common shares outstanding	**34,085,536**	33,836,080
Earnings per common share − basic	**2.55**	2.01
Earnings per common share − diluted:		
Net income available to common shareholders	**86,858**	68,080
Weighted average basic number of common sharesoutstanding	**34,085,536**	33,836,080
Adjustment to weighted average number of commonshares outstanding:		
Stock options	**459,857**	478,184
Weighted average diluted number of common sharesoutstanding	**34,545,393**	34,314,264
Earnings per common share − diluted	**2.51**	1.98

For the period ended March 31, 2022, the calculation of the diluted earnings per share excluded 332,031 (March 31, 2021 – 76,652) average options outstanding with a weighted average exercise price of $71.8 (March 31, 2021 − $67.8) as the exercise price of these options was greater than the average price of the Bank's common shares.

Note 18 – Capital Management

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

The Bank's CET1 Ratio was 13.5% as at March 31, 2022, while Tier 1 Capital and Total Capital Ratios were 14% and 14.3% respectively. The Bank's Capital Ratios at March 31, 2022 exceeded the regulatory minimums.

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

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

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

($000s)	**March 31, 2022**	December 31, 2021	March 31, 2021
Common Equity Tier 1 Capital ("CET1"):			
Common shares	**277,763**	217,474	216,541
Contributed surplus	**10,449**	9,785	8,813
Retained earnings	**1,727,721**	1,649,890	1,448,144
Accumulated other comprehensive loss(1)	**(22,508)**	(8,263)	(12,219)
Less: Regulatory adjustments	**(104,251)**	(94,082)	(77,052)
Common Equity Tier 1 Capital	**1,889,174**	1,774,804	1,584,227
Additional Tier 1 Capital:			
Non-cumulative preferred shares	**72,554**	72,554	72,554
Tier 1 Capital	**1,961,728**	1,847,358	1,656,781
Tier 2 Capital:			
Eligible stage 1 and 2 allowance	**45,138**	46,361	59,538
Less: Regulatory adjustments	**(2,599)**	(5,442)	(10,233)
Tier 2 Capital	**42,539**	40,919	49,305
Total Capital	**2,004,267**	1,888,277	1,706,086

(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 19 – Interest Rate Sensitivity

The following table shows the Bank's position with regard to interest rate sensitivity of assets, liabilities and equity on thedate of the earlier of contractual maturity or re-pricing date, as at March 31, 2022.

($000's, except percentages)								**March 31, 2022**
	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	**7,952,102**	**2,579,602**	**8,552,318**	**19,084,022**	**16,095,793**	**1,270,272**	**699,881**	**37,149,968**
Total liabilities and shareholders' equity	**(74,569)**	**(12,924,201)**	**(6,471,086)**	**(19,469,856)**	**(14,102,259)**	**(927,026)**	**(2,650,827)**	**(37,149,968)**
Off-balance sheet items(3)	**-**	**1,181,036**	**(785,397)**	**395,639**	**(456,953)**	**61,314**	**-**	**-**
Interest rate sensitivity gap	**7,877,533**	**(9,163,563)**	**1,295,835**	**9,805**	**1,536,581**	**404,560**	**(1,950,946)**	
Cumulative gap(2)	**7,877,533**	**(1,286,030)**	**9,805**	**9,805**	**1,546,386**	**1,950,946**	**-**	**-**
Cumulative gap as a percentage of total assets	**21.20%**	**(3.46%)**	**0.03%**	**0.03%**	**4.16%**	**5.25%**	**-%**	**-%**

($000's, except percentages)								December 31, 2021
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive(1)	Total
Cumulative gap(2)(3)	7,310,131	(570,847)	226,774	226,774	1,585,421	1,897,849	-	-
Cumulative gap as a percentage of total assets	20.22%	(1.58%)	0.63%	0.63%	4.38%	5.25%	-%	-%

($000's, except percentages)								March 31, 2021
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive(1)	Total
Cumulative gap(2)(3)	6,450,026	(263,483)	148,856	148,856	1,338,744	1,687,421	-	-
Cumulative gap as a percentage of total assets	20.57%	(0.84%)	0.47%	0.47%	4.27%	5.38%	-%	-%

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

Shareholder and Corporate Information

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

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

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

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

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

Website
www.equitablebank.ca

Toronto Stock Exchange Listings
Common Shares: EQB
Preferred Shares: EQB.PR.C
Subscription Receipts: EQB.R

Quarterly Conference Call and Webcast
Wednesday, May 11, 2022,
8:30 a.m. EST
Live: 416.764.8609
Replay: 416.764.8677
(code 369923)
Archive: www.equitablebank.ca

Investor Relations
Richard Gill
Vice President, Corporate Development and Investor Relations
416.513.3638
Email: investor_enquiry@eqbank.ca

More comprehensive investor information including supplemental financial reports, quarterly news releases, and investor presentations is available in the Investor Relations at www.equitablebank.ca

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario
Canada, M5J 2Y1
1.800.564.6253
Email:
service@computershare.com

Annual Meeting of Shareholders
Wednesday, May 18, 2022
10:00 a.m. EST
virtual only format by way of live webcast:
https://eqbank.investorroom.com/