

EQB Inc.

Third Quarter Report 2022

For the three and nine months ended
September 30, 2022

TSX.EQB | EQB.PR.C

**DRIVE CHANGE
IN CANADIAN
BANKING**

**TO ENRICH
PEOPLE'S
LIVES**

16.6%¹

ROE 10-year average

370K+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 September 30, 2022



Table of contents

Management's discussion and analysis of financial condition and results of operations.....	1
Cautionary note regarding forward-looking statements.....	1
Overall financial results and highlights.....	2
EQB corporate profile.....	6
Overall business performance and outlook.....	7
How EQB performed – detailed financial summary.....	12
Adjustments to financial results.....	25
Accounting policy changes.....	27
Critical accounting estimates.....	27
Off-balance sheet activities.....	28
Related party transactions.....	28
Risk management.....	29
Share information.....	31
Responsibilities of management and the board of directors.....	31
Changes in internal control over financial reporting.....	32
Non-Generally Accepted Accounting Principles (GAAP) financial measures and ratios.....	32
Glossary	34
Consolidated balance sheets (unaudited)	35
Consolidated statements of income (unaudited)	36
Consolidated statements of comprehensive income (unaudited)	37
Consolidated statements of changes in shareholders' equity (unaudited)	38
Consolidated statements of cash flows (unaudited)	40
Notes to interim consolidated financial statements.....	41
Shareholder & corporate information.....	63

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

For the three and nine months ended September 30, 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 EQB Inc. (EQB) for the three months (quarter) and nine months ended September 30, 2022. This MD&A should be read in conjunction with EQB's unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 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 EQB'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 November 8, 2022. EQB's continuous disclosure materials, including interim filings, annual MD&A and Consolidated Financial Statements, Annual Information Form, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on EQB's website at eqbank.investorroom.com and on SEDAR at www.sedar.com.

On October 25, 2021, EQB split its 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 in the sections of this report including those entitled "EQB corporate profile", "Overall business performance and outlook", "Detailed financial summary", "Provision for credit losses", "Credit quality and allowance for credit losses", "Liquidity investments and equity securities", "Deposits", "Capital management", "Risk management", and in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws (forward-looking statements). These statements include, but are not limited to, statements about EQB's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to EQB's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "guidance", "planned", "estimates", "forecasts", "outlook", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur", "be achieved", "will likely" or other similar expressions of future or conditional verbs.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of EQB to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions including, without limitation, impacts as a result of COVID-19, global geopolitical risk, business acquisition, legislative and regulatory developments, changes in accounting standards, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" herein and in EQB's documents filed on SEDAR at www.sedar.com.

Overall financial results and highlights

Select financial and other highlights	As at or for the three months ended					For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change
Operating results (\$ thousands)								
Net interest income	186,251	166,657	12%	150,852	23%	515,080	426,657	21%
Non-interest revenue	9,481	(2,528)	475%	11,248	(16%)	32,399	44,387	(27%)
Revenue	195,732	164,129	19%	162,100	21%	547,479	471,044	16%
Non-interest expenses	84,082	78,276	7%	67,442	25%	237,291	189,749	25%
Pre-provision pre-tax income ⁽²⁾	111,650	85,853	30%	94,658	18%	310,188	281,295	10%
Provision for credit losses	5,354	5,233	2%	(3,500)	253%	10,462	(6,254)	267%
Income before income taxes	106,296	80,620	32%	98,158	8%	299,726	287,549	4%
Income tax expense	28,717	21,784	32%	25,685	12%	75,364	75,081	0%
Net income	77,579	58,836	32%	72,473	7%	224,362	212,468	6%
Operating performance								
Earnings per share (\$)								
Basic	2.24	1.69	33%	2.10	7%	6.48	6.17	5%
Diluted	2.22	1.67	33%	2.07	7%	6.41	6.08	5%
Return on equity (%) ⁽³⁾	14.8	11.6	3.2%	16.0	(1.2%)	14.9	16.6	(1.7%)
Efficiency ratio (%) ⁽³⁾⁽⁴⁾	43.0	47.7	(4.7%)	41.6	1.4%	43.3	40.3	3.0%
YTD Operating leverage (%) ⁽³⁾	(8.9)	(11.4)	2.5%	(3.3)	(5.6%)	(8.9)	(3.3)	(5.6%)
Net interest margin (%) ⁽²⁾	1.93	1.80	0.13%	1.83	0.10%	1.86	1.81	0.05%
Revenue per full time equivalent ⁽³⁾	141	122	16%	149	(5%)			
Select balance sheet and other information (\$ millions)								
Total assets	40,150	39,418	2%	34,425	17%			
Assets under management ⁽²⁾	47,331	45,767	3%	40,172	18%			
Loans receivable	36,792	36,246	2%	31,475	17%			
Loans under management ⁽²⁾	43,853	42,492	3%	37,121	18%			
Total deposits principal	23,824	23,533	1%	19,758	21%			
Total EQ Bank deposits principal	7,562	7,588	(0%)	6,914	9%			
Total other deposits principal	16,262	15,945	2%	12,844	27%			
Total risk-weighted assets ⁽³⁾	15,459	14,748	5%	12,427	24%			
Credit quality (%)								
Provision for credit losses – rate ⁽³⁾	0.06	0.06	-%	(0.05)	0.11%	0.04	(0.03)	0.07%
Net impaired loans as a % of total loan assets	0.23	0.18	0.05%	0.23	-%			
Allowance for credit losses as a % of total loan assets	0.15	0.14	0.01%	0.17	(0.02%)			
Adjusted results (\$ thousands)⁽¹⁾								
Net interest income	187,264	167,604	12%	150,852	24%	517,954	426,657	21%
Revenue	196,745	165,076	19%	162,100	21%	550,353	471,044	17%
Non-interest expenses	78,903	75,567	4%	67,442	17%	224,270	189,749	18%
Pre-provision pre-tax income ⁽²⁾	117,842	89,509	32%	94,658	24%	326,083	281,295	16%
Income before income taxes	112,488	84,276	33%	98,158	15%	315,621	287,549	10%
Income tax expense	30,339	22,742	33%	25,685	18%	79,528	75,081	6%
Net income	82,149	61,534	34%	72,473	13%	236,093	212,468	11%
Adjusted performance⁽¹⁾								
Earnings per share – diluted (\$)	2.35	1.75	34%	2.07	14%	6.75	6.08	11%
Return on equity (%) ⁽³⁾	15.6	12.1	3.5%	16.0	(0.4%)	15.6	16.6	(1.0%)
Efficiency Ratio (%) ⁽³⁾⁽⁴⁾	40.1	45.8	(5.7%)	41.6	(1.5%)	40.8	40.3	0.5%
YTD Operating leverage (%) ⁽³⁾	(1.4)	(4.4)	3.0%	(3.3)	1.9%	(1.4)	(3.3)	1.9%
Net interest margin (%) ⁽²⁾	1.94	1.81	0.13%	1.83	0.11%	1.87	1.81	0.06%
Market capitalization (\$ millions) ⁽⁵⁾	1,739	1,986	(12%)	2,431	(28%)			

Select financial and other highlights (continued)	As at or for the three months ended					For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change
Common share information								
Common share price – close (\$)	46.44	53.15	(13%)	71.45	(35%)			
Book value per common share (\$) ⁽³⁾	61.14	59.25	3%	52.90	16%			
Common shares outstanding	34,204,632	34,160,770	0%	34,029,266	1%			
Common share market capitalization (\$ millions)	1,588	1,816	(13%)	2,431	(35%)			
Common shareholders' equity ⁽³⁾	2,091	2,024	3%	1,800	16%			
Dividends declared per:								
Common share (\$)	0.31	0.29	7%	0.19	68%	0.88	0.56	59%
Preferred share (\$)	0.37	0.37	-%	0.37	-%	1.11	1.11	-%
Dividend yield – common shares (%) ⁽³⁾	2.3	1.9	0.4%	1.0	1.3%	2.8	1.1	1.7%
Capital ratios and leverage ratio (%)⁽⁶⁾								
Common equity tier 1 ratio	13.3	13.5	(0.2%)	13.7	(0.4%)			
Tier 1 capital ratio	13.7	14.0	(0.3%)	14.3	(0.6%)			
Total capital ratio	14.0	14.3	(0.3%)	14.6	(0.6%)			
Leverage ratio	5.1	5.1	-%	5.0	0.1%			
Business information								
Employees – full time equivalent	1,393	1,352	3%	1,087	28%			
EQ Bank customers	292,715	279,939	5%	237,358	23%			

(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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

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

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

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

(5) 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.

(6) 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 Glossary section of this MD&A.

Select financial highlights

	2022			2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating results (\$ thousands)								
Net interest income	186,251	166,657	162,172	155,952	150,852	141,839	133,966	131,117
Non-interest revenue	9,481	(2,528)	25,446	15,911	11,248	16,935	16,204	20,833
Revenue	195,732	164,129	187,618	171,863	162,100	158,774	150,170	151,950
Non-interest expenses	84,082	78,276	74,933	70,427	67,442	64,990	57,317	55,348
Pre-provision pre-tax income ⁽²⁾	111,650	85,853	112,685	101,436	94,658	93,784	92,853	96,602
Provision for credit losses	5,354	5,233	(125)	(1,420)	(3,500)	(1,982)	(772)	103
Income before income taxes	106,296	80,620	112,810	102,856	98,158	95,766	93,625	96,499
Income tax expense	28,717	21,784	24,863	22,795	25,685	24,965	24,431	25,075
Net income	77,579	58,836	87,947	80,061	72,473	70,801	69,194	71,424
Operating performance								
Earnings per share (\$)								
Basic	2.24	1.69	2.55	2.32	2.10	2.05	2.01	2.09
Diluted	2.22	1.67	2.51	2.29	2.07	2.02	1.98	2.07
Return on equity (%)	14.8	11.6	18.3	17.0	16.0	16.5	17.1	18.2
Efficiency ratio (%) ⁽³⁾	43.0	47.7	39.9	41.0	41.6	40.9	38.2	36.4
YTD Operating leverage (%)	(8.9)	(11.4)	(5.8)	(6.0)	(3.3)	4.8	14.5	4.7
Net interest margin (%) ⁽²⁾	1.93	1.80	1.86	1.81	1.83	1.81	1.77	1.74
Revenue per full time equivalent	141	122	155	148	149	152	155	164
Select balance sheet and other information (\$ millions)								
Total assets	40,150	39,418	37,150	36,159	34,425	32,342	31,355	30,746
Assets under management ⁽²⁾	47,331	45,767	43,422	42,020	40,172	37,928	36,742	35,936
Loans receivable	36,792	36,246	34,217	32,901	31,475	29,893	28,892	28,272
Loans under management ⁽²⁾	43,853	42,492	40,393	38,663	37,121	35,373	34,174	33,347
Total deposits principal	23,824	23,533	22,080	20,695	19,758	18,413	17,427	16,376
Total EQ Bank deposits principal	7,562	7,588	7,261	6,968	6,914	6,531	5,798	4,556
Total other deposits principal	16,262	15,945	14,819	13,727	12,844	11,882	11,629	11,820
Total risk-weighted assets	15,459	14,748	14,018	13,310	12,427	11,461	10,911	10,426
Credit quality (%)								
Provision for credit losses – rate	0.06	0.06	(0.001)	(0.02)	(0.05)	(0.03)	(0.01)	0.001
Net impaired loans as a % of total loan assets	0.23	0.18	0.22	0.27	0.23	0.41	0.36	0.42
Allowance for credit losses as a % of total loan assets	0.15	0.14	0.14	0.15	0.17	0.19	0.22	0.23
Adjusted results (\$ thousands)⁽¹⁾								
Net interest income	187,264	167,604	163,086	155,952	150,852	141,839	133,966	131,117
Revenue	196,745	165,076	188,532	171,863	162,100	158,774	150,170	151,950
Non-interest expenses	78,903	75,567	69,800	69,702	67,442	64,990	57,317	55,348
Pre-provision pre-tax income ⁽²⁾	117,842	89,509	118,732	102,161	94,658	93,784	92,853	96,602
Income before income taxes	112,488	84,276	118,857	103,581	98,158	95,766	93,625	96,499
Income tax expense	30,339	22,742	26,447	22,985	25,685	24,965	24,431	25,075
Net income	82,149	61,534	92,410	80,596	72,473	70,801	69,194	71,424
Adjusted performance⁽¹⁾								
Earnings per share – diluted (\$)	2.35	1.75	2.64	2.30	2.07	2.02	1.98	2.07
Return on equity (%)	15.6	12.1	19.2	17.1	16.0	16.5	17.1	18.2
Efficiency ratio (%)	40.1	45.8	37.0	40.6	41.6	40.9	38.2	36.4
YTD Operating leverage (%)	(1.4)	(4.4)	3.7	(5.7)	(3.3)	4.8	14.5	4.7
Net interest margin (%) ⁽²⁾	1.94	1.81	1.87	1.81	1.83	1.81	1.77	1.74
Market capitalization (\$ millions) ⁽⁴⁾	1,739	1,986	2,679	2,348	2,431	2,257	2,140	1,704

Select financial highlights (continued)								
	2022			2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Common share information								
Common share price – close (\$)	46.44	53.15	71.74	68.91	71.45	66.52	63.10	50.50
Book value per common share (\$)	61.14	59.25	57.64	55.24	52.90	50.97	48.93	46.68
Common shares outstanding	34,204,632	34,160,770	34,130,326	34,070,810	34,029,266	33,932,814	33,917,172	33,748,148
Common share market capitalization (\$ millions)	1,588	1,816	2,449	2,348	2,431	2,257	2,140	1,704
Common shareholders' equity	2,091	2,024	1,967	1,882	1,800	1,730	1,660	1,575
Dividends declared per:								
Common share (\$)	0.31	0.29	0.28	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 (%)	2.3	1.9	1.5	1.0	1.0	1.1	1.2	1.6
Capital ratios and leverage ratio (%)								
Common Equity Tier 1 ratio	13.3	13.5	13.5	13.3	13.7	14.4	14.5	14.6
Tier 1 capital ratio	13.7	14.0	14.0	13.9	14.3	15.0	15.2	15.3
Total capital ratio	14.0	14.3	14.3	14.2	14.6	15.4	15.6	15.8
Leverage ratio	5.1	5.1	5.1	4.9	5.0	5.2	5.1	5.1
Business information								
Employees – full time equivalent	1,393	1,352	1,219	1,161	1,087	1,047	968	925
EQ Bank customers	292,715	279,939	266,188	250,423	237,358	221,945	201,887	173,399

(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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

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

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

(4) 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.

EQB corporate profile

EQB Inc. (TSX: EQB and EQB.PR.C) 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. As a leader in the industry, 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 370,000 Canadians with assets under management⁽¹⁾ of over \$47 billion and total on-balance sheet assets of over \$40 billion as at September 30, 2022. EQB is a member of the S&P/TSX Composite, the S&P/TSX Bank, S&P/TSX Dividend Aristocrats, S&P/TSX Small Cap, S&P Canada BMI, and MSCI Small Cap (Canada) indices.

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

Canadians choose Equitable Bank for smarter products with exceptional service. To deliver both, we 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. We differentiate by providing a host of challenger bank retail 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 platform. Our technology is proven, differentiated and



supports cost-effective product development and fintech collaborations. We rely on cloud and API-first design principles, which differentiate 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 other fintechs continue to help us reach new customers and deliver extra value to Canadians.

A differentiating factor in our business model 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. As of November 1, 2022 with the close of Concentra Bank, we now employ about 1,800 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 ratios section of this MD&A.

Overall business performance and outlook

Overall business performance

Third quarter adjusted EPS⁽¹⁾ of \$2.35 (reported \$2.22) increased 14% (reported 7%) year-over-year and 34% (reported 34%) quarter-over-quarter. This record Q3 performance reflected strategic growth in conventional lending, funding diversification, the benefits of EQ Bank deposits and core revenue growth.

During Q3, Conventional loan⁽²⁾ growth in all business lines continued to meet or exceed annual targets, pushing EQB one step closer toward achieving full-year 2022 guidance. Conventional lending portfolio growth of +29% year-over-year included Personal Banking +27% and Commercial Banking +34%. EQB's insured multi-family real estate business continued strong growth with loans under management +18% year-over-year, supporting increasing securitization activity which contributed \$10.3 million to non-interest revenue in the quarter.

Consistent risk and margin management, with strong capital and liquidity levels are critical performance priorities at all times - and were achieved in Q3. EQB's approach to credit is foundational to its success, including limiting exposure to higher risk lending markets and mitigating the risk of loss through protection beyond the borrower's ability to repay. The results of this approach translated in Q3 to a PCL ratio of 6 bps, consistent with Q2 levels, and credit losses for Q3 of \$1.8 million, or 0.005% of total loan assets. As predicted, margins continue to be strong due to systems and tools EQB has put in place to monitor and manage ROE.

EQB's total non-interest revenue increased to \$9.5 million in the quarter, up from -\$2.5 million in Q2. This non-interest revenue remains below expectations due to the impact of non-core, mark-to-market adjustments in strategic investments, which were -\$7.4 million in Q3, improving from -\$8.7 million in Q2. These investments were selected to advance EQB's knowledge and provide unique access to innovative technologies, products and business models and have resulted in a net positive mark-to-market gains of \$17.0 million over the past eight quarters. Management believes these strategic investments will continue to yield overall positive returns and high ROE over the medium and long term.

EQ Bank's customer base increased 23% year-over-year and 5% quarter-over-quarter at the end of Q3. As of November 1, 2022, EQ Bank now serves more than 295,000 Canadians. At \$7.6 billion, EQ Bank deposits were consistent sequentially, but +9% year-over-year. As Bank of Canada rates have risen, EQ Bank has also increased its deposit rate for customers, while balancing the benefits of expanding margin with growing the deposit base at a more moderate pace. EQB expects customer growth to accelerate through Q4 and onward with the upcoming launch of the EQ Bank payment card, customer launch in Quebec and the recent introduction of a strategic marketing campaign designed to enhance consumer awareness of the many benefits of using EQ Bank's innovative services for everyday banking.

Adding to funding diversification benefits, Equitable Bank completed its third covered bond issuance of €250 million in October, bringing the total to €550 million issued in 2022, ahead of initial targets. This remains the lowest source cost of wholesale funding for the Bank with higher capacity to issue now available to Equitable Bank following the closing of the Concentra Bank acquisition.

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

The table below summarizes EQB's key financial metrics at September 30, 2022.

	YTD 2022 Results	2022 Outlook ⁽²⁾
Adjusted Return on equity (ROE) ⁽¹⁾	15.6%	15% +
Adjusted Pre-Provision Pre-tax Income (PPPT) Growth ⁽¹⁾	16%	12% +
Adjusted Diluted EPS Growth ⁽¹⁾	11%	8-10%
Dividend Growth	59%	51% increase announced in Q1 2022 followed by sequential quarterly increases ⁽³⁾
BVPS Growth ⁽⁴⁾	16%	12% +
CET1 Ratio	13.3%	13% +

(1) Adjusted measures and ratio are Non-GAAP measures and ratios. Adjusted measure 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 Adjustments to financial results and Non-GAAP financial measures and ratios in this MD&A. (2) Guidance represents expected growth rates from December 31, 2021 to December 31, 2022. (3) Dividends are expected to increase between 20-25% from the levels that otherwise would have been paid 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.

Business outlook and confirming 2022 Guidance

EQB expects the financial results for 2022 to remain within the original full-year guidance for most measures, as outlined in the table above. With a resilient and diverse business model built for stability and growth across economic cycles, overall conventional lending portfolios remain on track to achieve the growth guidance communicated for 2022, which excludes the incremental contributions of the Concentra Bank acquisition that will impact Q4.

EQB expects that the actions taken by the Bank of Canada (BoC) to reduce inflation through rapid increases in the overnight rate will continue to reduce housing market activity. The Bank anticipates additional rate increases as well as lower housing sales activity compared to the record levels in the recent past with some offset provided by higher renewals and retention rates.

In addition to the impact of higher interest rates on the housing market, expected slowing in Equitable Bank's originations will be due to a combination of deliberate risk-managed actions taken by management in the first three quarters, and a strategic plan to normalize growth in Equitable Bank's risk-weighted assets (RWA) to a long-term target of growing RWA approximately 15% annually. These actions were anticipated in setting the original guidance for 2022.

EQB's strategy and credit risk monitoring are informed by leveraging Moody's Analytics, economic and social indicators published by the BoC and Statistics Canada. For general business guidance and projections, EQB also considers consensus estimates from Canadian bank economists. Please see Financial Statements Note 7(e), which contains forward looking indicators.

Total lending growth will be impacted by lower expectations for prime insured residential lending due to management's focus on conventional lending; however, conventional lending is expected to remain at or above a range of +12-15%.

EQ Bank deposits are expected to end 2022 below initial guidance due to the strategic focus on margin management. The upcoming roll out of the new EQ Bank payment card, EQ Bank launch in Quebec, and the new Make Bank marketing campaign are expected to continue to extend our mission of changing banking for Canadians.

The table below summarizes key portfolio metrics at September 30, 2022. Overall total lending growth across Personal and Commercial Banking in Q3 was 14% or 24% year-over-year, compared to a full year 2022 outlook of 12-15%.

Personal Banking

(\$ billions)		30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	2022 Outlook ⁽¹⁾
EQ Bank	Deposits	7.6	7.6	(0%)	6.9	9%	20% - 30%
Single Family Residential Lending	Alternative mortgages	16.5	16.3	1%	13.3	24%	12% - 15%
Wealth Decumulation	Reverse mortgages	0.51	0.42	22%	0.17	194%	150% +
	Insurance lending	0.08	0.07	9%	0.04	91%	100% +
Total Conventional loans⁽²⁾		17.1	16.8	2%	13.5	27%	12%-15%
Single Family Residential Lending	Prime mortgages	7.1	7.2	(2%)	7.8	(9%)	0% - 5%
Total Personal Banking loans		24.2	24.0	1%	21.3	14%	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 ratios section of this MD&A.

Commercial Banking

(\$ billions)		30-Sep-22	31-Jun-22	Change	30-Sep-21	Change	2022 Outlook ⁽¹⁾
Business Enterprise Solutions	Loans to entrepreneurs and SMEs ⁽²⁾	1.3	1.2	7%	1.0	26%	10% - 15%
Commercial Finance Group	Loans to medium sized institutional & corporate investors	5.0	4.5	10%	3.8	33%	10% - 15%
Specialized Finance	Specialized lending to medium sized and corporate investors	0.75	0.74	2%	0.51	48%	20% - 30%
Equipment Leasing	Equipment leases to entrepreneurs and SMEs ⁽²⁾	0.97	0.90	7%	0.68	42%	10% - 15%
Total Conventional loans⁽³⁾		8.0	7.4	8%	6.0	34%	10%-15%
Multi-Unit Insured	CMHC insured real estate mortgages ⁽⁴⁾	4.5	4.8	(6%)	4.1	8%	0% - 5%
Total Commercial Banking loans		12.5	12.1	3%	10.1	24%	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 ratios section of this MD&A. (4) Insured Multi-unit residential include only on-balance sheet loans.

Performance and outlook on key measures

- **Net Interest Margin (NIM):** EQB's 2022 guidance was for consistent-to-moderate expansion from the 1.81% at Q4 2021. Adjusted Q3 2022 NIM of 1.94% and YTD 1.87% are performing above expectations driven by diversification of funding sources with cost of funds increases lower than the increasing yield on assets. This was partially offset by declines in mortgage prepayment income driven by consumer choice in the context of a rapid rise in interest rates. We anticipate continued NIM improvement with new asset origination and assets repricing through renewal, and mortgage prepayment income recovering in 2023.
- **Non-interest revenue:** EQB expects fee and other income to increase in line with the lending portfolio. Gains on sale from securitization activities recovered rapidly in Q3 driven by activity in EQB's multi-family portfolio and are expected to normalize below current levels but make a significant contribution to NIR in Q4 and 2023. Amounts fluctuate from period-to-period based on margins and volumes derecognized, which are driven by customer preferences. The strategic investment portfolio generated further mark-to-market reductions in Q3 driven by fluctuations in equity market values in North America including private equities. These investments are expected to continue to generate high ROE for EQB over the medium and long term. EQB does not forecast gains or losses on derivative transactions or investments. *Please refer to Table 3: Non-interest revenue for a detailed breakdown of non-interest revenue.*
- **Provision for credit losses (PCL):** Allowances for Credit Losses as a percentage of EQB's portfolio returned to approximate pre-pandemic levels. As a result, PCLs are expected to primarily be driven by growth in the size of the portfolio, assuming current economic forecasts prove to be accurate, geopolitical unrest does not increase, and borrower behaviour is consistent with what EQB's credit loss models anticipate.
- **Adjusted non-interest expenses⁽¹⁾:** Expense growth is expected to be lower on an adjusted basis compared to the growth in the first half of 2022, excluding costs associated with Equitable Bank's agreement to acquire and integrate Concentra Bank. Operating leverage on adjusted results is expected to be within range of the guidance of approximately flat for 2022. Acquisition and integration-related spending remains on target.
- **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 percentage points for Canadian banks and life insurance companies on taxable income above \$100 million annually. EQB continues to evaluate the impact of the proposed change in the event that it is substantially enacted.

Preliminary 2023 Guidance

Consistent with Q3 2021 for 2022 guidance, EQB is providing initial guidance for 2023. This will be further refined with Q4 2022 results published in February 2023. Guidance includes Concentra Bank and is shown adjusted from December 2022 to December 2023 for acquisition and integration related costs.

2023 preliminary outlook:

- ROE: 15%+, subject to refinement of Concentra Bank integration and synergy assumptions including the offset of additional common shares outstanding as of November 1, 2022 with issuance of common shares associated with the conversion of the subscription receipts
- Adjusted pre-provision, pre-tax⁽¹⁾ growth of 25-35%
- Adjusted Diluted EPS⁽¹⁾ growth 10-15%
- Dividend Growth 20-25%
- BVPS growth: 12-15%
- CET1: 13%+

(1) Adjusted measures and ratio are Non-GAAP measures and ratios. Adjusted measure 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 Adjustments to financial results, and Non-GAAP financial measures and ratios in this MD&A.

This guidance may be impacted by further changes from current economic forecasts related to unemployment, GDP growth, interest rates, the residential and commercial housing market.

In addition, we are providing initial directional guidance for 2023:

(\$ billions)		2023 Guidance ⁽¹⁾
Single Family Residential Lending	Alternative mortgages	3-5%
Wealth Decumulation	Reverse mortgages	60-80%
	Insurance lending	100%+
EQ Bank	Deposits	20-30%
Business Enterprise Solutions	Loans to entrepreneurs and SMEs ⁽²⁾	10-15%
Commercial Finance Group	Loans to medium sized institutional & corporate investors	10-15%
Specialized Finance	Specialized lending to medium sized and corporate investors	15-25%
Equipment Leasing	Equipment leases to entrepreneurs and SMEs ⁽²⁾	10-15%

(1) Guidance represents expected growth rates, post-Concentra acquisition: from December 31, 2022 to December 31, 2023. (2) Small or medium-sized enterprises.

Concentra Bank acquisition closed November 1, 2022

On February 7, 2022, Equitable Bank announced it had reached a definitive agreement to 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 to enable Equitable Bank to acquire 100% of Concentra Bank upon completion of the acquisition. Concurrently, Equitable Bank's parent, EQB 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 September 29, 2022, Equitable Bank received approval from the federal Minister of Finance to proceed with the agreement to acquire Concentra Bank.

On November 1, 2022, Equitable Bank completed the acquisition of Concentra Bank with the first two months of combined results to be reported with Q4 2022 EQB results.

In March 2022, Equitable Bank and Concentra Bank jointly formed a Transformation Management Office with dedicated resources, which is now mobilizing on executing integration plans and beginning to reach out to Concentra customers. The Bank will seek to ensure customers are well-served through this integration and that EQB furthers the important relationships it inherited with credit unions to become an integral and valued partner to the credit union system.

For additional information, please see the recent press release regarding the Concentra Bank acquisition here: <https://eqbank.investorroom.com/2022-11-01-Equitable-Bank-completes-acquisition-of-Concentra-Bank>

How EQB performed – detailed financial summary

Income statement and earnings summary

Table 1: Income statement highlights

(\$'000s, except per share amount)	For the three months ended					For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change
Operating results								
Net income	77,579	58,836	32%	72,473	7%	224,362	212,468	6%
Diluted EPS (\$)	2.22	1.67	33%	2.07	7%	6.41	6.08	5%
Revenue	195,732	164,129	19%	162,100	21%	547,479	471,044	16%
Provision for credit losses	5,354	5,233	02%	(3,500)	253%	10,462	(6,254)	267%
Non-interest expenses	84,082	78,276	7%	67,442	25%	237,291	189,749	25%
Adjusted results⁽¹⁾								
Net income	82,149	61,534	34%	72,473	13%	236,093	212,468	11%
Diluted EPS (\$)	2.35	1.75	34%	2.07	14%	6.75	6.08	11%
Revenue	196,745	165,076	19%	162,100	21%	550,353	471,044	17%
Non-interest expenses	78,902	75,567	4%	67,442	17%	224,270	189,749	18%

(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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Dividends

Common share dividends

On November 8, 2022, EQB's Board of Directors (the Board) declared a quarterly dividend of \$0.33 per common share, payable on December 30, 2022, to common shareholders of record at the close of business on December 15, 2022.

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

Preferred share dividends

On November 8, 2022, the Board declared a quarterly dividend of \$0.373063 per preferred share, payable on December 30, 2022, to preferred shareholders of record at the close of business on December 15, 2022.

Net interest income

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

Table 2: Net Interest Income

	(\$000s, except percentages)									
	For the three months ended						For the nine months ended			
	30-Sep-22		30-Jun-22		30-Sep-21		30-Sep-22		30-Sep-21	
	Revenue/ Expense	Average rate ⁽¹⁾	Revenue/ Expense	Average rate ⁽¹⁾	Revenue/ Expense	Average rate ⁽¹⁾	Revenue/ Expense	Average rate ⁽¹⁾	Revenue/ Expense	Average rate ⁽¹⁾
<i>Revenues derived from:</i>										
Cash and equivalents	11,676	3.07%	8,074	1.74%	4,392	0.97%	25,329	1.97%	13,143	0.95%
Equity securities	879	4.66%	835	4.07%	2,040	4.90%	2,849	4.32%	5,238	4.77%
Alternative single-family mortgages	178,753	4.34%	151,449	3.86%	126,293	3.97%	467,895	4.00%	371,474	4.22%
Prime single-family mortgages	39,271	2.15%	34,410	1.86%	36,932	1.85%	106,340	1.92%	114,864	1.91%
Decumulation loans	7,478	5.40%	4,971	4.67%	1,946	3.97%	15,877	4.87%	4,253	3.95%
Total Personal loans	225,502	3.71%	190,830	3.25%	165,171	3.16%	590,112	3.36%	490,591	3.29%
Conventional commercial loans	112,022	6.60%	83,291	5.35%	65,559	5.09%	264,488	5.66%	190,793	5.26%
Equipment leases	21,516	9.27%	19,278	9.49%	15,926	9.80%	59,104	9.61%	44,917	10.05%
Insured multi-unit residential mortgages	39,041	3.13%	30,971	2.70%	25,718	2.43%	98,273	2.86%	75,920	2.45%
Total Commercial loans	172,579	5.43%	133,540	4.59%	107,203	4.27%	421,865	4.84%	311,630	4.34%
Average interest earning assets	410,636	4.25%	333,279	3.60%	278,806	3.39%	1,040,155	3.76%	820,602	3.48%
<i>Expenses related to:</i>										
Deposits	146,202	2.44%	106,221	1.87%	74,787	1.56%	334,585	1.98%	228,989	1.71%
Securitization liabilities	64,567	2.01%	53,741	1.75%	52,269	1.77%	167,598	1.82%	163,439	1.87%
Others	13,616	3.02%	6,660	1.56%	898	0.50%	22,892	1.84%	1,517	0.61%
Average interest-bearing liabilities	224,385	2.33%	166,622	1.82%	127,954	1.62%	525,075	1.92%	393,945	1.76%
Net interest income and margin	186,251	1.93%	166,657	1.80%	150,852	1.83%	515,080	1.86%	426,657	1.81%
Interest paid to subscription receipt-holders	1,013	0.01%	947	0.01%	-	-	2,874	0.01%	-	-
Adjusted ⁽²⁾ net interest income and margin	187,264	1.94%	167,604	1.81%	150,852	1.83%	517,954	1.87%	426,657	1.81%

(1) Average rates are calculated based on the daily average balances outstanding during the period. (2) Adjusted measures and ratios are Non-GAAP measures and ratios. 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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Q3 2022 v Q3 2021

Adjusted net interest income⁽¹⁾ was \$187.3 million, up 24% year-over-year (reported net interest income \$186.3 million, up 23%), driven by asset growth across conventional loans⁽²⁾ and 11 bps increase in adjusted net interest margin⁽¹⁾ (NIM), reported net interest margin increased 10 bps.

Adjusted NIM⁽¹⁾ rose to 1.94% in the quarter (reported NIM 1.93%), mainly due to asset mix shifting towards higher spread conventional loans⁽¹⁾ and decreased size of lower margin liquid assets, and two prime rate increases. This increase was offset in part by higher funding costs and lower levels of prepayment income within our Personal loan portfolio.

Q3 2022 v Q2 2022

Adjusted net interest income⁽¹⁾ was up \$19.7 million or 12% (reported net interest income was up \$19.6 million) mainly driven by both asset growth and 13 bps increase in NIM – adjusted and reported. The higher NIM resulted from the same reasons discussed above when comparing Q3 2022 with same quarter of last year.

YTD 2022 v YTD 2021

Adjusted net interest income⁽¹⁾ was \$518.0 million (reported net interest income was \$515.1 million), increased by 21% from the same period of last year – adjusted⁽¹⁾ and reported - benefiting from asset growth and 6 bps increase in adjusted NIM (5 bps increase in reported NIM).

On a year-to-date basis, NIM grew as a result of growth in higher yielding conventional loan⁽²⁾ assets and despite declining spread and reduced prepayment income from our Personal loan portfolio.

(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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

Non-interest revenue

Table 3: Non-interest revenue

(\$000s)	For the three months ended					For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change
Fees and other income	6,679	7,866	(15%)	5,629	19%	20,578	16,802	22%
Net (loss) gain on loans and investments	(294)	(8,184)	96%	1,391	(121%)	(19,580)	204	(9,698%)
Net (loss) gain on strategic investments	(7,403)	(8,655)	14%	3,178	(333%)	(158)	7,811	(102%)
Securitization activities:								
Gains on securitization and income from retained interests	10,277	2,197	368%	3,282	213%	17,518	16,442	7%
Fair value gains (losses) on derivative financial instruments	222	4,248	(95%)	(2,232)	110%	14,041	3,128	349%
Total	9,481	(2,528)	475%	11,248	(16%)	32,399	44,387	(27%)

Q3 2022 v Q3 2021

Non-interest revenue dropped compared with Q3 2021, primarily as a result of:

- Mark-to-market losses on EQB's strategic investments due to the decline in equity markets during the quarter; and
- Net losses 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;

Offset by:

- Higher gains on securitization and income from retained interests, due to increased derecognition volumes and despite lower gain-on-sale margin;
- Unrealized fair value gains on derivative positions associated with securitization activities compared to losses in the same quarter of prior year; and
- Higher fees and other income, associated with growth in EQB's servicing business.

Q3 2022 v Q2 2022

Non-interest revenue increased substantially, mainly due to:

- An increase in gains on securitization and income from retained interests, due to higher derecognition volumes and gain on sales margin;
- Lower net loss on certain equity and debt security investments; and
- A decrease in losses on strategic investments;

Offset by:

- Lower unrealized fair value gains on derivative positions associated with securitization; and
- Reduced fees and other income, resulting from a lower volume of servicing activities.

YTD 2022 v YTD 2021

Non-interest revenue decreased on a year-to-date basis, mainly driven by the same reasons as stated above when comparing Q3 2022 with Q3 2021, most significantly strategic investment losses in Q2 and Q3 relative to gains in comparable periods, offset by unrealized fair value gains on derivative positions, increased fee income and gain on securitization income.

Non-interest expenses

Table 4: Non-interest expenses and efficiency ratio

(\$000s, except percentages and FTE)	For the three months ended					For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change
Compensation and benefits	41,767	40,067	4%	33,430	25%	118,606	94,799	25%
Technology and system costs	11,572	11,250	3%	11,544	0%	34,772	31,753	10%
Regulatory, legal and professional fees	11,570	8,492	36%	5,646	105%	30,147	15,776	91%
Product costs	8,618	8,090	7%	7,032	23%	23,919	19,995	20%
Marketing and corporate expenses	6,902	6,564	5%	5,792	19%	18,531	15,679	18%
Premises	3,653	3,813	(4%)	3,998	(9%)	11,316	11,747	(4%)
Total – reported	84,082	78,276	7%	67,442	25%	237,291	189,749	25%
Less: integration related costs	(5,179)	(2,709)	91%	-	N/A	(13,021)	-	N/A
Total – adjusted ⁽¹⁾	78,902	75,567	4%	67,442	17%	224,270	189,749	18%
Efficiency ratio – reported	43.0%	47.7%	(4.7%)	41.6%	1.4%	43.3%	40.3%	3.0%
Efficiency ratio – adjusted ⁽¹⁾	40.1%	45.8%	(5.7%)	41.6%	(1.5%)	40.8%	40.3%	0.5%
Full-time employee (FTE) – period average	1,373	1,295	6%	1,068	29%	1,287	1,007	28%

(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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

EQB continues to operate efficiently on both an absolute basis and relative to other financial institutions, particularly taking into account the scale of Equitable Bank and its branchless operating model. EQB operated more efficiently during the quarter on an adjusted basis compared to last quarter and a year ago, as revenue grew faster than expenses largely as a result of conventional loan⁽²⁾ growth, higher net interest margin and growth in non-interest revenue. Efficiency ratio for the nine-month period is slightly higher as revenue was adversely impacted by net losses on certain equity and debt holdings incurred throughout the year.

Q3 2022 v Q3 2021

Total adjusted⁽¹⁾ non-interest expenses increased \$11.5 million, or 17% (reported \$16.6 million or 25%), primarily due to:

- An increase in compensation and benefits costs driven by an increase in staffing and higher accruals for employee incentives;
- Higher product costs arising from amortization of capitalized project costs and increased transaction fees; and
- Higher corporate expenses compared to Q3 2021 when a sales tax recovery was recorded.

Q3 2022 v Q2 2022

Total adjusted⁽¹⁾ non-interest expenses increased sequentially by \$3.3 million or 4%, mostly due to higher compensation and benefits costs as a result of staffing growth.

Total reported non-interest expenses increased sequentially by \$5.8 million or 7%, with the incremental change driven by mostly due to \$2.4 million higher legal and professional fees for the Concentra acquisition.

(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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

YTD 2022 v YTD 2021

Total year-to-date adjusted⁽¹⁾ non-interest expenses increased \$34.5 million largely due to the same reasons cited above when comparing Q3 2022 with the prior-year quarter. In addition, technology and system spending rose during the past nine months as we committed to advance our digital capability and cloud-first technology.

Total year-to-date reported non-interest expenses increased \$47.5 million, with total year-to-date expenses related to the Concentra acquisition totaling \$13.0 million.

Provisions for credit losses (PCL)**Table 5: Provisions for credit losses**

(\$000s, except percentages)	For the three months ended					For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change
Stage 1 and 2 provision (recovery)	2,973	3,547	(16%)	(4,752)	163%	5,297	(13,140)	140%
Stage 3 provision	2,381	1,686	41%	1,252	90%	5,165	6,886	(25%)
Total	5,354	5,233	2%	(3,500)	253%	10,462	(6,254)	267%
PCL – rate	0.06%	0.06%	-%	(0.05%)	0.11%	0.04%	(0.03%)	0.07%

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

Q3 2022 v Q3 2021

The Stage 1 and 2 provision recorded in the quarter versus a recovery a year ago, reflecting changes in the macroeconomic forecasts used in EQB's loss modeling and consideration of variables like interest rate volatility and a housing market correction resulting from central bank monetary tightening actions.

Stage 3 provisions – those related to impaired loans – increased primarily associated with impaired Commercial loans. Management carefully reviewed each impaired loan to assess the adequacy of its allowances and concluded that this level of provision and the resulting allowance for credit losses appropriately reflects the estimates of likely credit losses on EQB's impaired loan balances.

Q3 2022 v Q2 2022

Total PCL was relatively consistent with Q2 level, where the increase in Stage 3 provisions (same reason as cited above) was offset by a drop in Stage 1 and 2 amounts.

YTD 2022 v YTD 2021

On a year-to-date basis, total PCLs increased by \$16.7 million, mainly due to the movement in Stage 1 and 2 provisions that was built up since the second quarter of this year.

(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 Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Balance sheet summary

Table 6: Balance sheet highlights

(\$000s, except percentages)	30-Sep-22	30-Jun-22	Change	31-Dec-21	Change	30-Sep-21	Change
Total assets	40,150,109	39,417,758	2%	36,159,070	11%	34,425,067	17%
Loan principal – Personal	24,217,721	24,005,406	1%	22,302,540	9%	21,289,942	14%
Loan principal – Commercial	12,454,029	12,137,197	3%	10,499,700	19%	10,083,804	24%
Total deposits principal	23,824,471	23,533,206	1%	20,694,623	15%	19,758,125	21%
EQ Bank deposits principal	7,561,845	7,587,541	(0%)	6,968,110	9%	6,913,970	9%
Total liquid assets ⁽¹⁾ as a % of total assets	8.0%	7.8%	0.2%	8.5%	(0.5%)	9.3%	(1.3%)

Total assets increased by 17% from a year ago reflecting growth of 29% in wider margin conventional loans⁽¹⁾ within the Personal Banking and Commercial Banking loan portfolios. To fund these assets, EQB grew its deposits balances by 21%, including 9% growth in EQ Bank deposits.

Total loan principal

EQB's strategy is to maintain a diverse portfolio of loan assets to optimize ROE and maintain credit risk at an acceptable level. Table 7 presents EQB's loan principal by lending business and Table 8 provides continuity schedules for on-balance sheet loan assets.

Table 7: Loan principal by lending business

(\$000s)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Alternative single-family mortgages	16,492,710	16,264,259	1%	13,262,144	24%
Prime single-family mortgages	7,131,381	7,246,522	(2%)	7,811,329	(9%)
Decumulation loans	593,630	494,625	20%	216,469	174%
Total Personal Lending – on balance sheet	24,217,721	24,005,406	1%	21,289,942	14%
Conventional commercial loans	7,042,207	6,483,352	9%	5,286,344	33%
Equipment leases	965,155	902,054	7%	680,642	42%
Insured multi-unit residential mortgages	4,446,667	4,751,791	(6%)	4,116,818	8%
Total Commercial Lending – on balance sheet	12,454,029	12,137,197	3%	10,083,804	24%
Total Loans – on balance sheet	36,671,750	36,142,603	1%	31,373,746	17%
Insured multi-unit residential mortgages – derecognized	7,181,301	6,349,413	13%	5,746,788	25%
Total Loans – off balance sheet	7,181,301	6,349,413	13%	5,746,788	25%
Total Loans under management ⁽¹⁾	43,853,051	42,492,016	3%	37,120,534	18%

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

Table 8: On-balance sheet loan principal continuity schedule

(\$000s, except percentages)	As at or for the three months ended September 30, 2022		
	Personal	Commercial	Total
Q2 2022 closing balance	24,005,406	12,137,197	36,142,603
Originations	1,568,482	1,780,758	3,349,240
Derecognition	-	(893,190)	(893,190)
Net repayments	(1,356,167)	(570,736)	(1,926,903)
Q3 2022 closing balance	24,217,721	12,454,029	36,671,750
% Change from Q2 2022	1%	3%	1%
% Change from Q3 2021	14%	24%	17%
Net repayments percentage ⁽¹⁾	5.6%	4.7%	5.3%

(\$000s, except percentages)	As at or for the three months ended September 30, 2021		
	Personal	Commercial	Total
Q2 2021 closing balance	20,099,934	9,687,735	29,787,669
Originations	2,492,238	1,296,086	3,788,324
Derecognition	-	(218,074)	(218,074)
Net repayments	(1,302,230)	(681,943)	(1,984,173)
Q3 2021 closing balance	21,289,942	10,083,804	31,373,746
% Change from Q2 2021	6%	4%	5%
Net repayments percentage ⁽¹⁾	6.5%	7.0%	6.7%

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

Q3 2022 v Q3 2021

Total on-balance sheet loan principal increased by \$5.3 billion year over year, driven by growth in conventional lending across both Personal Banking and Commercial Banking.

Sixty percent of principal growth was contributed by our alternative single family mortgages business within Personal Banking, as a result of strong demand for residential housing over the past 12 months, our broad and deep broker partnerships and service excellence in the mortgage broker channel, as well as lower attrition rates.

The increase in conventional commercial loans added 33% to overall growth due to strong originations and lower attrition rates over the year within its three business lines: Commercial Finance Group, Business Enterprise Solutions, and Specialized Lending.

Equipment leasing principal grew \$284 million or 42% with growth focused on the logistics and transportation sectors, traditionally the lowest risk segments of this business.

Q3 2022 v Q2 2022

During the quarter, steady originations, plus lower attrition levels led to \$0.5 billion of on-balance sheet loan growth.

Credit quality and allowance for credit losses

There are several aspects of EQB's risk management approach and existing loan portfolios that have and will continue to help mitigate the risk of credit losses. EQB remains appropriately reserved for credit losses given the composition of its loan portfolios and expected current economic forecasts. Allowances for Credit Losses as a percentage of total loan assets equaled 15 bps at quarter-end compared to 14 bps at Q2 2022 and 17 bps a year ago.

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

- EQB focuses on lending in urban and suburban markets that have diversified employment bases and more liquid real estate markets. This approach results in lower risk as it reduces both the probability that borrowers will default and the loss in the event they do.
- Commercial Banking lending, including equipment leasing, is diversified across industries and geographies. Commercial Banking has defined asset-class exposure limits and focuses on assets that EQB believes will be resilient through an economic cycle, such as multi-unit residential and mixed-use properties. These segments make up 49% of the Commercial loan portfolio, while categories such as shopping centres and hotels, which EQB believes are more sensitive to economic conditions, comprise 3.7% and 0.2% of Commercial loans or 1.2% and 0.1% of the total loan portfolio, respectively.
- In equipment leasing, EQB requires a cash security deposit on most of the higher-risk leases and in some cases requires additional real assets to be pledged.

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

- Underwriting focuses foremost on a borrower's ability to repay a loan. The average Beacon score of EQB's alternative single family residential borrowers was 715 at September 30, 2022, up 2 points from the prior quarter and 8 points from last year. Similarly, the average Beacon score of small business mortgage borrowers was 744 versus 739 in Q2 2022 and Q3 2021. These credit scores are indicative of a borrowers' positive repayment histories and lower propensity to default under normal economic conditions.
- 46% of loans under management are insured against credit losses, ultimately with the backing of the Government of Canada.
- Almost 100% of EQB's loan portfolio is secured. Uninsured mortgage loans are supported by first-position claims on real estate and our leases by first position claims on equipment, so EQB has a real asset with tangible value behind almost every loan.
- If the prices of the assets securing mortgage loans decline, EQB is further protected by a portfolio with a lower overall loan to value (LTV) ratio. The average LTV on EQB's uninsured residential mortgage portfolio was 63% at September 30, 2022.
- Further to this collateral, almost all uninsured commercial mortgage borrowers and the majority of leases are backed by personal and/or corporate covenants. In the mortgage business, due diligence on borrowers and guarantors involves assessing their financial capacity.

Allowance for credit losses

Total allowance for credit losses increased year over year and over the prior quarter mainly due to growth in EQB's loan portfolio and changes in forward-looking macroeconomic factors which drive Stage 1 and 2 allowances.

Table 9: Allowance for credit losses

(\$000s, except percentages)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Stage 1 and 2	51,658	48,685	6%	49,493	4%
Stage 3	3,533	2,955	20%	2,649	33%
Total	55,191	51,640	7%	52,142	6%
Total as a % of total loan assets	0.15%	0.14%	0.01%	0.17%	(0.02%)
Total as a % of uninsured loan	0.23%	0.23%	-%	0.29%	(0.06%)
Total as a % of gross impaired	63%	76%	(13%)	70%	(7%)

In Q3 2022, EQB increased reserves for Stage 1 and 2 Personal loans and equipment leases based on the expected loss rates in those businesses.

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

Table 10: Stage 1 and 2 loan credit metrics

(Percentages)	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21
Stage 1 – proportion of loan assets ⁽¹⁾	82.1%	87.6%	88.2%	88.3%	92.3%
Stage 1 – effective allowance rate ⁽²⁾	0.09%	0.09%	0.09%	0.10%	0.11%
Stage 2 – proportion of loan assets	17.7%	12.2%	11.6%	11.4%	7.4%
Stage 2 – effective allowance rate	0.36%	0.43%	0.43%	0.49%	0.78%

(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.

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

(\$000s, except percentages and bps)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Uninsured Personal loans – stage 1 and 2 allowances	13,239	11,450	16%	12,250	8%
<i>as a % of uninsured personal loans (bps)</i>	8	7	1	10	(2)
Uninsured Commercial loans – stage 1 and 2 allowances	19,412	20,080	(3%)	21,742	(11%)
<i>as a % of uninsured commercial loans (bps)</i>	30	34	(4)	43	(13)
Equipment leases – stage 1 and 2 allowances	18,879	17,069	11%	15,446	22%
<i>as a % of equipment leases (bps)</i>	200	194	6	235	(35)
Insured Personal and Commercial loans – stage 1 and 2	128	86	49%	55	133%
<i>as a % of insured personal and commercial loans (bps)</i>	0.10	0.06	0.04	0.04	0.06
Total loans – stage 1 and 2 allowances	51,658	48,685	6%	49,493	4%
<i>as a % of total loans (bps)</i>	14	13	1	16	(2)

EQB leverages macroeconomic forecasts from Moody's Analytics and uses them in credit loss modelling. A summary of key forecast assumptions for each scenario, please refer to Note 7 (d & e) to the Q3 2022 interim consolidated financial statements.

Table 12 presents expected credit losses by macroeconomic scenario. IFRS 9 requires EQB to weight these scenarios to determine its expected loss. The scenario weightings remain unchanged since December 31, 2020.

Table 12: Expected future credit losses by macroeconomic scenario

(\$000s, except percentages)	Base Case	Upside Scenario	Slower Growth	Moderate	Protracted Slump
Weighting for financial statement ECL calculation (%)	50	15	20	10	5
Expected credit losses if each scenario weighted 100%	49,117	41,601	53,399	56,453	90,687
Difference vs. financial statement ECL	(2,541)	(10,057)	1,741	4,795	39,029

Stage 3 allowances

Stage 3 allowances are determined loan by loan, and management believes that they are adequate at the end of Q3 2022. Stage 3 allowances on EQB'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 management's experienced credit judgment, management believes that the total allowance for credit losses represents a reasonable estimate of future losses. 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 estimates due to the weightings EQB applies to the underlying economic scenarios.

Impaired loans

Impaired loans at the end of the quarter were \$87.9 million, up \$13.3 million and \$20.1 million from Q3 2021 and Q2 2022, respectively. The year-over-year increase in impaired loan balances was mainly attributable to a \$19.7 million net increase in conventional commercial loans (with LTVs between 45% – 85%), offset by reductions of \$2.8 million in single family mortgages and \$3.6 million in equipment leases.

Management has evaluated each impaired loan and does not expect to incur material losses on these loans.

Table 13: Impaired loan metrics

(\$000s, except percentages)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Gross impaired loan assets	87,875	67,728	30%	74,611	18%
Net impaired loan assets	84,342	64,773	30%	71,962	17%
Net impaired loan assets as a % of total loan assets	0.23%	0.18%	0.05%	0.23%	-%

Liquidity investments and equity securities

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

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

In addition to assets that are held for the purpose of providing liquidity protection, EQB maintains a portfolio of liquid equity securities (82% of which are investment-grade preferred shares) to yield tax-preferred dividend income. EQB has the ability to liquidate this portfolio in the event of financial stress.

Table 14: Liquid assets

(\$000s, except percentages)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Eligible deposits with regulated financial institutions ⁽¹⁾	298,078	538,636	(45%)	636,351	(53%)
Debt securities	22,744	27,969	(19%)	51,353	(56%)
Debt instruments issued or guaranteed by Government of Canada or provincial governments:					
Investments purchased under reverse repurchase agreements	750,072	420,009	79%	600,007	25%
Loans and investments held in the form of debt securities ⁽²⁾ net of obligations under repurchase agreements	2,051,917	1,991,215	3%	1,743,027	18%
Liquid assets held for regulatory purposes	3,122,811	2,977,829	5%	3,030,738	3%
Other deposits with regulated financial institutions ⁽³⁾	922	872	6%	10,150	(91%)
Equity securities ⁽⁴⁾	79,551	88,898	(11%)	146,825	(46%)
Total liquid assets	3,203,284	3,067,599	4%	3,187,713	0%
Total assets held for regulatory purposes as a % of total Equitable Bank assets	7.8%	7.6%	0.2%	8.8%	(1.0%)
Total liquid assets as a % of total assets	8.0%	7.8%	0.2%	9.3%	(1.3%)

(1) Eligible deposits with regulated financial institutions represent deposits of Equitable Bank and its subsidiaries, which are held at major Canadian financial institutions and excludes \$152.9 million (June 30, 2022 – \$130.5 million, September 30, 2021 – \$37.2 million) of restricted cash held as collateral with third parties for Equitable Bank's interest rate swap transactions, issuance of letters of credit, loan servicing activity and banking settlements in the normal course of business and \$394.9 million (June 30, 2022 – \$426.8 million, September 30, 2021 – \$429.4 million) of cash held in trust accounts and deposits held with banks as collateral for Equitable Bank's securitization activities. (2) Loans held in the form of debt securities represent loans securitized and retained by Equitable Bank and are reported in Loans receivable balances. Investments held in the form of debt securities include Mortgage-Backed Securities (MBS) and Canada Mortgage Bonds (CMB) purchased from third parties, and provincial bonds. The investments' reported values represent the fair market values associated with these securities. (3) Other deposits with regulated financial institutions are deposits held by EQB Inc. (4) Equity securities are 82% investment-grade publicly traded preferred shares and 18% publicly traded common shares.

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

Liquid assets⁽²⁾ were \$3.2 billion at Q3 2022, slightly higher than both Q2 2022 and Q3 2021 levels. The current level of liquid assets reflects the level of liquidity required based on anticipated cash needs for upcoming quarters.

Deposits

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

Table 15: Deposits principal

(\$000s)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Brokered deposits:					
Term	12,511,263	11,869,556	5%	9,941,469	26%
Demand	850,770	918,097	(7%)	902,515	(6%)
	13,362,033	12,787,653	4%	10,843,984	23%
EQ Bank deposits:					
Term	3,055,028	2,306,170	32%	880,053	247%
Demand	4,506,817	5,281,371	(15%)	6,033,917	(25%)
	7,561,845	7,587,541	(0%)	6,913,970	9%
Strategic partnerships	357,315	379,096	(6%)	429,024	(17%)
Deposit notes	1,715,494	1,922,576	(11%)	1,052,951	63%
Covered bonds	827,784	856,340	(3%)	518,196	60%
Total	23,824,471	23,533,206	1%	19,758,125	21%

(1) See Glossary section of this MD&A. (2) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

Capital management

Management believes that Equitable Bank's current level of capital and earnings in future periods will be sufficient to support strategic objectives and ongoing growth. Equitable Bank's Capital ratios at the end of Q3 2022 exceeded regulatory minimums and target levels. Equitable Bank's CET1 ratio declined 0.2% from preceding quarter and 0.4% from last year mainly due to strategic deployment of capital organically to grow conventional loan⁽¹⁾ portfolios.

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 Q3 2022 and was fully compliant with its regulatory requirements. The Leverage ratio was consistent with last quarter and up 0.1% from last year.

As part of the capital management process, Equitable Bank stress tests the loan portfolio on a regular basis to understand the potential impact of extreme but plausible adverse economic scenarios. Equitable Bank uses these tests to analyze the impact that an increase in unemployment, rising interest rates, a decline in real estate prices, and other factors could have on the Equitable Bank's financial position across a range of economic scenarios.

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

Table 16: Capital measures of Equitable Bank

(\$000s, except percentages)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Total risk-weighted assets (RWA) ⁽³⁾	15,458,591	14,748,207	5%	12,427,049	24%
Common Equity Tier 1 Capital:					
Common shares	356,739	353,819	1%	217,240	64%
Contributed surplus	11,999	11,198	7%	9,364	28%
Retained earnings	1,838,792	1,772,898	4%	1,577,018	17%
Accumulated other comprehensive loss (AOCI) ⁽²⁾	(34,928)	(30,311)	(15%)	(8,998)	(288%)
Less: Regulatory adjustments to Common Equity Tier 1 Capital	(122,816)	(111,370)	(10%)	(90,402)	(36%)
Common Equity Tier 1 Capital ⁽³⁾	2,049,786	1,996,234	3%	1,704,222	20%
Additional Tier 1 capital:					
Non-cumulative preferred shares	72,554	72,554	-%	72,554	-%
Tier 1 Capital ⁽³⁾	2,122,340	2,068,788	3%	1,776,776	19%
Tier 2 Capital:					
Eligible Stage 1 and 2 allowance	51,658	48,685	6%	49,493	4%
Less: Transitional adjustment in response to COVID-19	(3,733)	(3,213)	(16%)	(6,525)	43%
Tier 2 Capital ⁽³⁾	47,925	45,472	5%	42,968	12%
Total Capital ⁽³⁾	2,170,265	2,114,260	3%	1,819,744	19%
Capital ratios and Leverage ratio: ⁽³⁾					
CET1 ratio	13.3%	13.5%	(0.2%)	13.7%	(0.4%)
Tier 1 capital ratio	13.7%	14.0%	(0.3%)	14.3%	(0.6%)
Total capital ratio	14.0%	14.3%	(0.3%)	14.6%	(0.6%)
Leverage ratio	5.1%	5.1%	-%	5.0%	0.1%

(1) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A. (2) As prescribed by OSFI (under Basel III rules), AOCI is part of the CET1 in its entirety, however, the amount of cash flow hedge reserves that relate to the hedging of items that are not fair value is excluded. (3) See Glossary section of this MD&A.

Adjustments to financial results

On February 7, 2022, Equitable Bank (the bank) announced a definitive agreement to acquire a majority interest in Concentra Bank (Concentra), subject to customary closing conditions and regulatory approvals. On September 28, 2022, the Bank received approval from the Ministry of Finance to acquire Concentra and subsequently closed the transaction on November 1, 2022. The EQB.R subscription receipts were converted to common shares and proceeds were used to fund the transaction. Beginning in Q4 2021, Equitable Bank incurred certain acquisition costs. To enhance comparability between reporting periods, increase consistency with other financial institutions, and provide the reader with a better understanding of EQB's performance, adjusted results were introduced starting in Q1 2022. Adjusted results are non-GAAP financial measures.

Adjustments impacting current and prior periods:

Concentra acquisition/integration costs, pre-tax:

- Q3 2022 – \$5.2 million of acquisition and integration-related costs and \$1.0 million of interest expense paid to subscription receipt holders⁽¹⁾, and
- Q2 2022 – \$2.7 million of acquisition and integration-related costs and \$0.9 million of interest expenses paid to subscription receipt holders.

(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 were converted into common shares at a 1:1 ratio upon the closing of the Concentra acquisition. The net proceeds from the issuance were held in an escrow account and the interest income earned is not recognized until the closing date.

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

Reconciliation of reported and adjusted financial results	As at or for the three months ended			For the nine months ended	
	30-Sep-22	30-Jun-22	30-Sep-21	30-Sep-22	30-Sep-21
Reported financial results (\$thousands)					
Net interest income	186,251	166,657	150,852	515,080	426,657
Non-interest revenue	9,481	(2,528)	11,248	32,399	44,387
Revenue	195,732	164,129	162,100	547,479	471,044
Non-interest expense	84,082	78,276	67,442	237,291	189,749
Pre-provision pre-tax income	111,650	85,853	94,658	310,188	281,295
Provision for credit loss	5,354	5,233	(3,500)	10,462	(6,254)
Income tax expense	28,717	21,784	25,685	75,364	75,081
Net income	77,579	58,836	72,473	224,362	212,468
Net income available to common shareholders	76,493	57,750	71,374	221,101	209,144
Adjustments (\$ thousands)					
Interest expenses – paid to subscription receipt holders ⁽¹⁾	1,013	947	-	2,874	-
Non-interest expenses – acquisition / integration related costs	5,179	2,709	-	13,021	-
Pre-tax adjustments	6,192	3,656	-	15,895	-
Income tax expense ⁽²⁾	1,622	958	-	4,165	-
Post-tax adjustments	4,570	2,698	-	11,730	-
Adjusted financial results (\$ thousands)					
Net interest income	187,264	167,604	150,852	517,954	426,657
Non-interest revenue	9,481	(2,528)	11,248	32,399	44,387
Revenue	196,745	165,076	162,100	550,353	471,044
Non-interest expense	78,903	75,567	67,442	224,270	189,749
Pre-provision pre-tax income	117,842	89,509	94,658	326,083	281,295
Provision for credit loss	5,354	5,233	(3,500)	10,462	(6,254)
Income tax expense	30,339	22,742	25,685	79,528	75,081
Net income	82,149	61,534	72,473	236,093	212,468
Net income available to common shareholders	81,063	60,448	71,374	232,831	209,144
Diluted earnings per share (\$, except number of shares)					
Weighted average number of diluted common shares outstanding	34,450,617	34,479,387	34,492,008	34,491,452	34,414,146
Diluted earnings per share - reported	2.22	1.67	2.07	6.41	6.08
Diluted earnings per share - adjusted	2.35	1.75	2.07	6.75	6.08
Impact of adjustments on diluted earnings per share	0.13	0.08	-	0.34	-

(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 were converted into common shares at a 1:1 ratio upon the closing of the 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. (2) Income tax expense associated with non-GAAP adjustment was calculated based on the statutory tax rate applicable for that period.

Accounting policy changes

EQB's significant accounting policies are essential to an understanding of its reported results of operations and financial position. Accounting policies applied by EQB in the Q3 2022 interim consolidated financial statements are the same as those applied by EQB as at and for the year ended December 31, 2021.

Future Changes in Accounting Policies

On December 16, 2021, the Canadian Alternative Reference Rate working group (CARR) recommended the administrator, Refinitiv Benchmark Services UK Limited (RBSL), cease publication of Canadian Dollar Offered Rate (CDOR) settings immediately after June 30, 2024, using a two-stage transition approach. By the end of the first stage on June 30, 2023, they expect all new derivative contracts and securities to have transitioned to the Canadian Overnight Repo Rate Average (CORRA), with the exception of derivatives that hedge or reduce CDOR derivatives or securities transacted before June 30, 2023, or for loans before June 30, 2024. All remaining CDOR exposures should be transitioned to CORRA by June 30, 2024, marking the end of the second stage.

Following public consultation, on May 16, 2022, RBSL announced that all remaining CDOR settings will cease publication immediately after June 30, 2024 according to the CARR recommendation. EQB continues to assess the impact of this announcement.

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 EQB's consolidated financial statements affect the assessment of the allowance for credit losses on loans, impairment of other financial instruments, fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes, 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 the geo-political unrest, the current interest rate environment, and inflationary pressures , the macroeconomic environment has experienced significant volatility and uncertainty. These factors have 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 at September 30, 2022 and has also exercised its significant experienced credit judgment in determining the amount of the ECL by considering reasonable and supportable information that was not already incorporated in the ECL modelling process.

Refer to Notes 2(d) and 7(d) to (f) to the Q3 2022 interim consolidated financial statements for further discussion.

Off-balance sheet activities

EQB 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 EQB 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 EQB's 2021 Annual Report).

Securitization of financial assets

Certain securitization transactions qualify for derecognition when EQB 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 \$7.2 billion at September 30, 2022 (June 30, 2022 – \$6.3 billion, September 30, 2021 – \$5.7 billion). The securitization liabilities associated with these transferred assets were approximately \$7.6 billion at September 30, 2022 (June 30, 2022 – \$6.7 billion, September 30, 2021 – \$5.8 billion). The securitization retained interests recorded with respect to certain securitization transactions were \$276.5 million at September 30, 2022 (June 30, 2022 – \$227.0 million, September 30, 2021 – \$204.8 million) and the associated servicing liability was \$43.9 million at September 30, 2022 (June 30, 2022 – \$40.0 million, September 30, 2021 – \$38.7 million).

Commitments and letters of credit

EQB provides commitments to extend credit to borrowers. EQB had outstanding commitments to fund \$4.0 billion of loans in the ordinary course of business at September 30, 2022 (June 30, 2022 – \$3.9 billion, September 30, 2021 – \$3.6 billion).

EQB 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 \$50.2 million were outstanding at September 30, 2022 (June 30, 2022 – \$51.1 million, September 30, 2021 – \$46.4 million), none of which were drawn upon.

Related party transactions

Certain of EQB'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

EQB is exposed to risks that are similar to those of other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect the business, financial condition and operating results. These factors may also influence an investor's decision to buy, sell or hold shares in EQB. Many of these risk factors are beyond EQB's direct control. The Board plays an active role in monitoring EQB'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 EQB, please refer to the section entitled Risk Management in EQB's 2021 Annual Report which is available on EQB's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

Credit risk

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

EQB's primary lending business is providing first or insured mortgages on real estate located across Canada. EQB also provides other forms of secured financing which mainly include insurance lending 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.

EQB invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. These investments also expose EQB 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, EQB 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 EQB's corporate bond portfolio at September 30, 2022 (December 31, 2021 – 100%, September 30, 2021 – 100%).

EQB invests in equity securities to generate returns that meet certain internally acceptable ROE thresholds. Preferred share securities rated P-2 or higher comprised 19% or \$26 million of the total equity securities portfolio at September 30, 2022, compared to 35% or \$51 million a year ago. Preferred share securities rated P-3 or higher comprised 49% of the total equity securities portfolio at the end of Q3 2022.

Table 17: Credit risk exposure ratings scale

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

Management assessed the credit quality of EQB's assets at September 30, 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 EQB's debt instruments, for which a loss allowance is calculated, including contractual amounts of undrawn loan commitments, based on EQB's credit risk exposure rating scale.

Table 18: Credit quality analysis

(\$000s)	September 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Low risk	14,008,293	916,699	-	14,924,992
Standard risk	15,994,069	5,423,356	-	21,417,425
High risk	252,331	164,669	-	417,000
Impaired	-	-	87,875	87,875
Total	30,254,693	6,504,724	87,875	36,847,292
Less allowance	(27,923)	(23,402)	(3,533)	(54,858)
	30,226,770	6,481,322	84,342	36,792,434
Loan commitments:				
Low risk	1,472,476	11,780	-	1,484,256
Standard risk	1,407,636	314,119	-	1,721,755
High risk	462	3,493	-	3,955
Total	2,880,574	329,392	-	3,209,966
Less allowance	(286)	(47)	-	(333)
	2,880,288	329,345	-	3,209,633

Liquidity and funding risk

Liquidity and Funding risk is defined as the possibility that EQB will be unable to generate sufficient funds in a timely manner and at a reasonable price to meet 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 EQB. Funding and Liquidity Risk may also be affected if an unduly large proportion of EQB's deposit-taking business involves a single person, organization or group of related persons/organizations or a single geographic area.

Management has a low tolerance for liquidity and funding risk and adheres to a Liquidity and Funding Risk Management policy that requires EQB to maintain a pool of high-quality liquid assets. EQB closely monitors the liquidity position daily and ensures that the level of liquid resources held, together with EQB's ability to raise new deposits, is sufficient to meet funding commitments, deposit and bond maturity obligations, and properly discharge other financial obligations. Despite these precautions, there is a risk that a disruption in funding markets may be so severe or prolonged that EQB 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 and Equity Price risk. Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect EQB's profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of EQB's assets or liabilities have unmatched terms, interest rates or other attributes. For EQB's interest sensitivity position at September 30, 2022 see Note 20 to the interim consolidated financial statements.

EQB 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 EQB's economic value of shareholders' equity (EVE) and its NII. The table below illustrates the results of management's sensitivity modelling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest rate changes on EVE and on NII during the 12-month period following September 30, 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 19: 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	20,832	(23,033)
Impact on EVE ⁽²⁾	(25,385)	(10,275)
EVE impact as a % of common shareholders' equity	(1.2%)	(0.5%)
200 basis point shift		
Impact on net interest income	41,698	(44,686)
Impact on EVE ⁽²⁾	(51,558)	(50,718)
EVE impact as a % of common shareholders' equity	(2.5%)	(2.4%)

(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 EQB's securities portfolio due to volatility in financial markets. EQB mitigates this risk by investing only in high-quality, liquid shares and actively monitors the investment portfolio.

On a monthly basis, 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

On November 1, 2022, EQB converted 3,266,000 subscription receipts to common shares with gross proceeds of \$230 million contributing to funding of the Concentra Bank acquisition.

At November 8, 2022, EQB had 37,471,106 common shares and 2,911,800 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 1,304,044 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of \$62.8 million.

Normal course issuer bid (NCIB)

During the nine months ended September 30, 2022, EQB repurchased and cancelled 7,600 preferred shares at an average price of \$24.93. No preferred shares were purchased and cancelled during the third quarter.

As at September 30, 2022, no common shares were purchased or cancelled under the NCIB.

Responsibilities of management and the board of directors

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

In addition, EQB's Audit Committee, on behalf of the Board, performs an oversight role with respect to all public financial disclosures 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 EQB's internal control over financial reporting that occurred during the third quarter of 2022 that have materially affected, or are reasonably likely to materially affect, EQB's internal control over financial reporting.

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

This section provides further discussion regarding the variety of financial measures and ratios to evaluate EQB'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 EQB's financial condition and results of operations. Readers are cautioned that non-GAAP measures often do not have any standardized meaning, and therefore, are unlikely to be comparable to similar measures presented by other companies. The primary non-GAAP measures used in this MD&A are:

Adjusted results

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

Reconciliation of adjusted efficiency ratio

(\$000s, except percentages)	For the three months ended						For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change	
Non-interest expenses – reported	84,082	78,276	7%	67,442	25%	237,291	189,749	25%	
Adjustments on a pre-tax basis:									
Non-interest expenses – acquisition / integration related costs	(5,179)	(2,709)	91%	-	N/A	(13,021)	-	N/A	
Non-interest expenses – adjusted	78,903	75,567	4%	67,442	17%	224,270	189,749	18%	
Revenue – reported	195,732	164,129	19%	162,100	21%	547,479	471,044	16%	
Adjustment on a pre-tax basis:									
Interest expenses – paid to subscription receipt holders	1,013	947	7%	-	N/A	2,874	-	N/A	
Revenue – adjusted	196,745	165,076	19%	162,100	21%	550,353	471,044	17%	
Efficiency ratio – adjusted	40.1%	45.8%	(5.7%)	41.6%	(1.5%)	40.8%	40.3%	0.5%	

Reconciliation of adjusted return on equity (ROE)

(\$000s, except percentages)	For the three months ended					For the nine months ended		
	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change	30-Sep-22	30-Sep-21	Change
Net income available to common shareholders – reported	76,493	57,750	32%	71,374	7%	221,101	209,144	6%
Adjustments on an after-tax basis:								
Costs associated with Concentra acquisition	4,570	2,698	69%	-	N/A	11,730	-	N/A
Net income available to common shareholders – adjusted	81,063	60,448	34%	71,374	14%	232,831	209,144	11%
Weighted average common equity outstanding – adjusted	2,066,734	2,001,383	3%	1,764,632	17%	1,992,412	1,688,350	18%
Return on equity - adjusted	15.6%	12.1%	3.5%	16.0%	(0.4%)	15.6%	16.6%	(1.0%)

Other non-GAAP financial 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 EQB.

(\$000s)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Total assets on the consolidated balance sheet	40,150,109	39,417,758	2%	34,425,067	17%
Loan principal derecognized	7,181,301	6,349,413	13%	5,746,788	25%
Assets under management	47,331,410	45,767,171	3%	40,171,855	18%

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

(\$000s)	30-Sep-22	30-Jun-22	Change	30-Sep-21	Change
Alternative single family mortgages	16,492,710	16,264,259	1%	13,262,144	24%
Reverse mortgages	514,020	421,406	22%	174,844	194%
Insurance lending	79,610	73,219	9%	41,625	91%
Total Conventional loans – Personal	17,086,340	16,758,884	2%	13,478,613	27%
Business Enterprise Solutions	1,318,727	1,228,665	7%	1,043,089	26%
Commercial Finance Group	4,973,158	4,516,012	10%	3,736,987	33%
Specialized finance	750,322	738,675	2%	506,268	48%
Equipment leasing	965,155	902,054	7%	680,642	42%
Total Conventional loans – Commercial	8,007,362	7,385,406	8%	5,966,986	34%
Total Conventional loans	25,093,702	24,144,290	4%	19,445,599	29%

Liquid assets: is a measure of EQB's cash or assets that can be readily converted into cash, which are held for the purposes of funding loans, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 14 of this MD&A.

Loans under management (LUM): is the sum of loan principal reported on the consolidated balance sheet and loan principal derecognized but still managed by EQB. A detailed calculation can be found in Table 7 of this MD&A.

Net interest margin (NIM): this profitability measure is calculated on an annualized basis by dividing net interest income by the average total interest earning assets for the period. A detailed calculation can be found in Table 2 of this MD&A.

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

Glossary

- **Book value per common share:** is calculated by dividing common shareholders' equity by the number of common shares outstanding.
- **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 Equitable Bank in accordance with the guidelines issued by OSFI. CET1 Capital is defined as shareholders' equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income.
 - **Tier 1 and Total Capital ratios:** these adequacy ratios are calculated for Equitable Bank, in accordance with the guidelines issued by OSFI by dividing Tier 1 or Total Capital by total RWA. Tier 1 Capital is calculated by adding non-cumulative preferred shares to CET1 Capital. Tier 2 Capital is equal to the sum of Equitable 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 16 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 EQB'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 EQB'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.
- **Liquidity coverage ratio (LCR):** this ratio, calculated according to OSFI's Liquidity Adequacy Requirements, measures Equitable Bank's ability to meet its liquidity needs for a 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.
- **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.
- **Revenue per full time equivalent (FTE):** is calculated as revenue for the period divided by the number of full-time equivalent employees as at the end of that period.
- **Risk-weighted assets (RWA):** represents Equitable Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline.

Consolidated Balance sheets (unaudited)

(\$000s) As at	Note	September 30, 2022	December 31, 2021	September 30, 2021
Assets:				
Cash and cash equivalents		298,999	773,251	646,501
Restricted cash		547,836	462,164	466,641
Securities purchased under reverse repurchase agreements		750,072	550,030	600,007
Investments	6	1,092,628	1,033,438	829,561
Loans – Personal	7,8	24,343,276	22,421,603	21,413,300
Loans – Commercial	7,8	12,448,825	10,479,159	10,061,492
Securitization retained interests		276,464	207,889	204,820
Other assets	9	392,009	231,536	202,745
		40,150,109	36,159,070	34,425,067
Liabilities and shareholders' equity				
Liabilities:				
Deposits	10	24,048,937	20,856,383	19,932,120
Securitization liabilities	8	11,611,083	11,375,020	11,195,418
Obligations under repurchase agreements	8	748,881	1,376,763	804,300
Deferred tax liabilities	11	75,755	63,141	70,118
Funding facilities	12	800,283	200,128	330,479
Subscription receipts	13	232,018	-	-
Other liabilities	14	471,499	335,001	221,354
		37,988,456	34,206,436	32,553,789
Shareholders' equity:				
Preferred shares	15	70,424	70,607	71,195
Common shares	15	236,368	230,160	228,645
Contributed surplus	16	10,908	8,693	8,272
Retained earnings		1,839,561	1,650,757	1,578,128
Accumulated other comprehensive income (loss)		4,392	(7,583)	(14,962)
		2,161,653	1,952,634	1,871,278
		40,150,109	36,159,070	34,425,067

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of income (unaudited)

(\$000s, except per share amounts)	Note	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest income:					
Loans – Personal		225,502	165,171	590,112	490,591
Loans – Commercial		172,579	107,203	421,865	311,630
Investments		3,377	4,223	10,583	10,946
Other		9,178	2,209	17,595	7,435
		410,636	278,806	1,040,155	820,602
Interest expense:					
Deposits		153,638	75,358	348,523	229,836
Securitization liabilities		64,567	52,269	167,598	163,439
Funding facilities		6,180	327	8,954	670
		224,385	127,954	525,075	393,945
Net interest income		186,251	150,852	515,080	426,657
Non-interest revenue:					
Fees and other income		6,679	5,629	20,578	16,802
Net (loss) gain on loans and investments		(7,697)	4,569	(19,738)	8,015
Gains on securitization activities and income from securitization retained interests	8	10,499	1,050	31,559	19,570
		9,481	11,248	32,399	44,387
Revenue		195,732	162,100	547,479	471,044
Provision for credit losses		5,354	(3,500)	10,462	(6,254)
Revenue after provision for credit losses		190,378	165,600	537,017	477,298
Non-interest expenses:					
Compensation and benefits		41,767	33,430	118,606	94,799
Other		42,315	34,012	118,685	94,950
		84,082	67,442	237,291	189,749
Income before income taxes		106,296	98,158	299,726	287,549
Income taxes:					
Current	11	17,142	23,102	62,749	65,842
Deferred		11,575	2,583	12,615	9,239
		28,717	25,685	75,364	75,081
Net income		77,579	72,473	224,362	212,468
Dividends on preferred shares		1,086	1,099	3,261	3,324
Net income available to common shareholders		76,493	71,374	221,101	209,144
Earnings per share:	17				
Basic		2.24	2.10	6.48	6.17
Diluted		2.22	2.07	6.41	6.08

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of comprehensive income (unaudited)

(\$000s)	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income	77,579	72,473	224,362	212,468
Other comprehensive income – items that will be reclassified subsequently to income:				
Debt instruments at fair value through other comprehensive income:				
Reclassification of losses from AOCI on sale of investment	(84)	-	(1,010)	-
Net unrealized losses from change in fair value	(2,510)	(502)	(31,890)	(3,730)
Reclassification of net losses (gains) to income	1,324	(1,264)	6,330	54
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	(4,910)	1,151	(11,613)	17,253
Reclassification of net losses to retained earnings	-	-	3,045	-
	(6,180)	(615)	(35,138)	13,577
Income tax recovery (expense)	1,625	163	9,218	(3,566)
	(4,555)	(452)	(25,920)	10,011
Cash flow hedges:				
Net unrealized gains from change in fair value	2,967	3,189	48,876	19,254
Reclassification of net losses (gains) to income	1,126	(61)	3,499	(295)
	4,093	3,128	52,375	18,959
Income tax expense	(1,075)	(822)	(13,735)	(4,980)
	3,018	2,306	38,640	13,979
Total other comprehensive (loss) income	(1,537)	1,854	12,720	23,990
Total comprehensive income	76,042	74,327	237,082	236,458

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of changes in shareholders' equity (unaudited)

	(\$000s) Three month period ended							September 30, 2022	
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Accumulated other comprehensive income (loss)			Total	
					Cash Flow Hedges	Financial Instruments at FVOCI	Total		
Balance, beginning of period	70,424	234,372	10,106	1,773,658	36,302	(30,311)	5,991	2,094,551	
Net income	-	-	-	77,579	-	-	-	77,579	
Transfer of losses of AOCI to retained earnings	-	-	-	-	-	(62)	(62)	(62)	
Other comprehensive income, net of tax	-	-	-	-	3,018	(4,555)	(1,537)	(1,537)	
Exercise of stock options	-	1,974	-	-	-	-	-	1,974	
Dividends:									
Preferred shares	-	-	-	(1,086)	-	-	-	(1,086)	
Common shares	-	-	-	(10,590)	-	-	-	(10,590)	
Stock-based compensation	-	-	824	-	-	-	-	824	
Transfer relating to the exercise of stock options	-	22	(22)	-	-	-	-	-	
Balance, end of period	70,424	236,368	10,908	1,839,561	39,320	(34,928)	4,392	2,161,653	
	(\$000s) Three month period ended							September 30, 2021	
Balance, beginning of period	72,001	224,997	8,237	1,513,118	(8,273)	(8,543)	(16,816)	1,801,537	
Net income	-	-	-	72,473	-	-	-	72,473	
Other comprehensive income, net of tax	-	-	-	-	2,306	(452)	1,854	1,854	
Exercise of stock options	-	3,060	-	-	-	-	-	3,060	
Purchase of treasury preferred shares	(806)	-	-	-	-	-	-	(806)	
Net loss on cancellation of treasury preferred shares	-	-	-	(71)	-	-	-	(71)	
Dividends:									
Preferred shares	-	-	-	(1,099)	-	-	-	(1,099)	
Common shares	-	-	-	(6,293)	-	-	-	(6,293)	
Stock-based compensation	-	-	623	-	-	-	-	623	
Transfer relating to the exercise of stock options	-	588	(588)	-	-	-	-	-	
Balance, end of period	71,195	228,645	8,272	1,578,128	(5,967)	(8,995)	(14,962)	1,871,278	

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of changes in shareholders' equity (unaudited)

	(\$000s) Nine month period ended							September 30, 2022	
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Accumulated other comprehensive income (loss)			Total	
					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	-	-	-	224,362	-	-	-	224,362	
Realized loss on sale of shares	-	-	-	(2,251)	-	-	-	(2,251)	
Transfer of losses of AOCI to retained earnings	-	-	-	-	-	(745)	(745)	(745)	
Other comprehensive income, net of tax	-	-	-	-	38,640	(25,920)	12,720	12,720	
Exercise of stock options	-	5,841	-	-	-	-	-	5,841	
Purchase of treasury preferred shares	(183)	-	-	-	-	-	-	(183)	
Net loss on cancellation of treasury preferred shares	-	-	-	(6)	-	-	-	(6)	
Dividends:									
Preferred shares	-	-	-	(3,261)	-	-	-	(3,261)	
Common shares	-	-	-	(30,040)	-	-	-	(30,040)	
Stock-based compensation	-	-	2,582	-	-	-	-	2,582	
Transfer relating to the exercise of stock options	-	367	(367)	-	-	-	-	-	
Balance, end of period	70,424	236,368	10,908	1,839,561	39,320	(34,928)	4,392	2,161,653	
	(\$000s) Nine month period ended							September 30, 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	-	-	-	212,468	-	-	-	212,468	
Other comprehensive income, net of tax	-	-	-	-	13,979	10,011	23,990	23,990	
Exercise of stock options	-	8,775	-	-	-	-	-	8,775	
Purchase of treasury preferred shares	(1,282)	-	-	-	-	-	-	(1,282)	
Net loss on cancellation of treasury preferred shares	-	-	-	(91)	-	-	-	(91)	
Dividends:									
Preferred shares	-	-	-	(3,324)	-	-	-	(3,324)	
Common shares	-	-	-	(18,844)	-	-	-	(18,844)	
Stock-based compensation	-	-	1,884	-	-	-	-	1,884	
Transfer relating to the exercise of stock options	-	1,704	(1,704)	-	-	-	-	-	
Balance, end of period	71,195	228,645	8,272	1,578,128	(5,964)	(8,998)	(14,962)	1,871,278	

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of cash flows (unaudited)

(\$000s) Three and nine month periods ended	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	77,579	72,473	224,362	212,468
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	(3,990)	(5,240)	(2,614)	(10,852)
Amortization of premiums/discount on investments	311	22	941	68
Amortization of capital assets and intangible costs	9,696	8,555	27,740	23,789
Provision for credit losses	5,354	(3,500)	10,462	(6,254)
Securitization gains	(8,973)	(3,084)	(15,221)	(15,439)
Stock-based compensation	824	623	2,582	1,884
Income taxes	28,717	25,685	75,364	75,081
Securitization retained interests	13,477	11,395	38,637	33,295
Changes in operating assets and liabilities:				
Restricted cash	9,447	40,654	(85,672)	37,398
Securities purchased under reverse repurchase agreements	(330,063)	(499,992)	(200,042)	(149,804)
Loans receivable, net of securitizations	(577,886)	(1,588,722)	(3,922,620)	(3,260,888)
Other assets	(6,277)	(8,276)	(7,382)	(3,078)
Deposits	382,733	1,350,465	3,285,759	3,359,352
Securitization liabilities	245,281	(284,294)	245,054	(792,361)
Obligations under repurchase agreements	(65,613)	603,029	(627,882)	552,423
Funding facilities	88,903	330,479	600,155	330,479
Subscription receipts	1,197	-	232,018	-
Other liabilities	(34,422)	3,544	(21,331)	15,191
Income taxes paid	(31,958)	(10,485)	(125,616)	(43,016)
Cash flows (used in) from operating activities	(195,663)	43,331	(265,306)	359,736
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares	1,974	3,060	5,841	8,775
Dividends paid on preferred shares	(1,086)	(1,099)	(3,261)	(3,324)
Dividends paid on common shares	(10,590)	(6,293)	(30,040)	(18,844)
Cash flows used in financing activities	(9,702)	(4,332)	(27,460)	(13,393)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(8,466)	(189,056)	(67,292)	(673,906)
Proceeds on sale or redemption of investments	44,150	244,963	277,918	474,429
Net change in Canada Housing Trust re-investment accounts	(51,141)	(29,530)	(346,244)	(29,619)
Purchase of capital assets and system development costs	(19,688)	(10,627)	(45,868)	(28,489)
Cash flows (used in) from investing activities	(35,145)	15,750	(181,486)	(257,585)
Net (decrease) increase in cash and cash equivalents	(240,510)	54,749	(474,252)	88,758
Cash and cash equivalents, beginning of period	539,509	591,752	773,251	557,743
Cash and cash equivalents, end of period	298,999	646,501	298,999	646,501
Cash flows from operating activities include:				
Interest received	362,766	256,184	922,920	764,336
Interest paid	(152,137)	(112,378)	(417,217)	(386,564)
Dividends received	859	1,198	3,029	4,114

See accompanying notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(\$000s, except per share amounts)

Note 1 – Reporting Entity

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

Note 2 – Basis of Preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements of EQB 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 EQB's 2021 annual audited consolidated financial statements.

EQB 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 September 30, 2022.

These interim consolidated financial statements were approved for issuance by EQB's Board of Directors (the Board) on November 8, 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 EQB and its subsidiaries is Canadian dollars, which is also the presentation currency of the Consolidated Financial Statements.

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

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the periods. Estimates and underlying assumptions are reviewed by management on an ongoing basis. The critical estimates and judgements utilized in preparing EQB's consolidated financial statements affect the assessment of the allowance for credit losses on loans, impairment of other financial instruments, fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes, 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 current market volatility and uncertainty due to geo-political unrest, the current interest rate environment, and inflationary pressures. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

Allowance for credit losses under IFRS 9

The expected credit loss (ECL) model requires management to make 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 incorporates 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 geo-political unrest, the current interest rate environment, 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 nine months ended September 30, 2022 and September 30, 2021 include the assets, liabilities, and results of operations of EQB and its subsidiaries, after the elimination of intercompany transactions and balances. EQB 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 EQB in these interim Consolidated Financial Statements are the same as those applied by EQB as at and for the year ended December 31, 2021, as described in Note 3 of the audited Consolidated Financial Statements in EQB's 2021 Annual Report.

Future Changes in Accounting Policies

On December 16, 2021, the Canadian Alternative Reference Rate working group (CARR) recommended the administrator, Refinitiv Benchmark Services UK Limited (RBSL), cease publication of Canadian Dollar Offered Rate (CDOR) settings immediately after June 30, 2024, using a two-stage transition approach. By the end of the first stage on June 30, 2023, they expect all new derivative contracts and securities to have transitioned to the Canadian Overnight Repo Rate Average (CORRA), with the exception of derivatives that hedge or reduce CDOR derivatives or securities transacted before June 30, 2023, or for loans before June 30, 2024. All remaining CDOR exposures should be transitioned to CORRA by June 30, 2024, marking the end of the second stage.

Following public consultation, on May 16, 2022, RBSL announced that all remaining CDOR settings will cease publication immediately after June 30, 2024 according to the CARR recommendation. EQB continues to assess the impact of this announcement.

Note 4 – Risk Management

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

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

Note 5 – Financial Instruments

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

(a) Valuation methods and assumptions

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

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

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

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

(ii) Financial instruments classified as at Fair Value through Other Comprehensive Income (FVOCI) and Fair value through Profit and Loss (FVTPL)

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

(iii) Loans receivable

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

(iv) Deposits

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

(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 asset and liability and their estimated fair value as at September 30, 2022 and December 31, 2021. The tables do not include assets and liabilities that are not financial instruments.

(\$000s)					September 30, 2022	
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	298,999	298,999	298,999
Restricted cash	-	-	-	547,836	547,836	547,836
Securities purchased under reverse repurchase agreements	-	-	-	750,072	750,072	750,072
Investments	200,376	411,315	57,973	422,964	1,092,628	1,086,205
Loans – Personal	-	-	-	24,343,276	24,343,276	23,731,312
Loans – Commercial ⁽¹⁾	90,064	-	-	11,413,262	11,503,326	11,314,605
Securitization retained interests	-	-	-	276,464	276,464	265,164
Other assets:						
Derivative financial instruments ⁽²⁾ :						
Interest rate swaps	155,181	-	-	-	155,181	155,181
Cross-currency interest rate swaps	371	-	-	-	371	371
Total return swaps	15,680	-	-	-	15,680	15,680
Bond forwards	1154	-	-	-	1154	1154
Foreign exchange forwards	16,754	-	-	-	16,754	16,754
Other	-	-	-	7,387	7,387	7,387
Total financial assets	479,580	411,315	57,973	38,060,260	39,009,128	38,190,720
Financial liabilities:						
Deposits	-	-	-	24,048,937	24,048,937	23,702,664
Securitization liabilities	-	-	-	11,611,083	11,611,083	11,202,274
Obligations under repurchase agreements	-	-	-	748,881	748,881	748,881
Subscription receipts	-	-	-	232,018	232,018	232,018
Funding facilities	-	-	-	802,382	802,382	802,381
Other liabilities:						
Derivative financial instruments ⁽²⁾ :						
Interest rate swaps	129,351	-	-	-	129,351	129,351
Cross-currency interest swaps	94,781	-	-	-	94,781	94,781
Total return swaps	10,149	-	-	-	10,149	10,149
Bond forwards	191	-	-	-	191	191
Foreign exchange forwards	-	-	-	-	-	-
Loan commitments	634	-	-	-	634	634
Other	-	-	-	234,381	234,381	234,381
Total financial liabilities	235,106	-	-	37,677,682	37,912,788	37,157,705

(1) Loans – Commercial does not include \$945,499 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
Obligations under repurchase agreements	-	-	-	1,376,763	1,376,763	1,376,763
Funding facilities	-	-	-	200,128	200,128	200,128
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
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 \$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 other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability.

Level 3: valuation techniques with significant unobservable market inputs.

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

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

(\$000s)				Total financial assets/financial liabilities at fair value
September 30, 2022	Level 1	Level 2	Level 3	
Financial assets:				
Investments	807,448	226,401	52,356	1,086,205
Loans – Personal	-	-	23,731,312	23,731,312
Loans – Commercial	-	90,064	11,224,541	11,314,605
Securitization retained interests	-	265,164	-	265,164
Other assets:				
Derivative financial instruments ⁽¹⁾ :				
Interest rate swaps	-	155,181	-	155,181
Cross-currency interest swaps	-	371	-	371
Total return swaps	-	57	15,623	15,680
Bond forwards	-	1,154	-	1,154
Foreign exchange forwards	-	16,754	-	16,754
Other	-	7,387	-	7,387
Total financial assets	807,448	762,533	35,023,832	36,593,813
Financial liabilities:				
Deposits	-	23,702,664	-	23,702,664
Securitization liabilities	-	9,069,109	2,133,165	11,202,274
Subscription receipts	-	232,018	-	232,018
Funding facilities	-	802,381	-	802,381
Other liabilities:				
Derivative financial instruments ⁽¹⁾ :				
Interest rate swaps	-	129,351	-	129,351
Cross-currency interest swaps	-	94,781	-	94,781
Total return swaps	-	5,446	4,703	10,149
Bond forwards	-	191	-	191
Foreign exchange forwards	-	-	-	-
Loan commitments	-	-	634	634
Other	-	234,381	-	234,381
Total financial liabilities	-	34,270,322	2,138,502	36,408,824

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

(\$000s)				Total financial assets/financial liabilities at fair value
December 31, 2021	Level 1	Level 2	Level 3	
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
Foreign exchange forwards	-	1,741	-	1,741
Bond forwards	-	124	-	124
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
Funding facilities	-	200,128	-	200,128
Other liabilities:				
Derivative financial instruments ⁽¹⁾ :				
Cross-currency interest rate swaps	-	22,078	-	22,078
Interest rate swaps	-	10,589	-	10,589
Bond forwards	-	2,727	-	2,727
Foreign exchange forwards	-	712	-	712
Total return swaps	-	634	12,557	13,191
Loan Commitments	-	-	24	24
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)	September 30, 2022	December 31, 2021	September 30, 2021
Equity securities measured at FVOCI	57,973	92,761	95,652
Equity securities measured at FVTPL	14,632	26,214	26,940
Debt securities measured at FVOCI	411,315	577,532	361,186
Debt securities measured at FVTPL	185,744	170,959	167,328
Debt securities measured at AMC	422,964	165,972	178,455
	1,092,628	1,033,438	829,561

EQB has elected to designate certain Equity securities to be measured at FVOCI as these investments are expected to be held for the long term. For the period ended September 30, 2022, EQB earned dividends of \$2,479 (September 30, 2021 – \$3,246) on these Equity securities. During the period, EQB redeemed Equity securities of \$24,165 (September 30, 2021 – \$8,855) and recognized a loss on sale of \$3,045 (September 30, 2021 – \$nil) in Retained earnings.

As at September 30, 2022, EQB had a commitment to invest \$25,315 (September 30, 2021 – \$20,763) in certain investment securities measured at FVTPL.

Debt securities measured at AMC includes \$226,401 (December 31, 2021 – \$nil, September 30, 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)	September 30, 2022	September 30, 2021
Equity securities measured at FVOCI	(8,567)	17,253
Equity securities measured at FVTPL	(23,568)	1,250
Debt securities measured at FVOCI	(26,571)	(3,675)
Debt securities measured at FVTPL	(11,675)	6,400

Note 7 – Loans Receivable

(a) Loans receivable

(\$000s)	September 30, 2022					Net amount
	Gross amount	Allowance for credit losses			Total	
		Stage 1	Stage 2	Stage 3		
Loans – Personal	24,357,160	5,705	7,537	642	13,884	24,343,276
Loans – Commercial	12,490,132	22,504	15,912	2,891	41,307	12,448,825
	36,847,292	28,209	23,449	3,533	55,191	36,792,101

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

Loans – Personal include certain uninsured residential loans with a carrying value of \$1,674,923 (December 31, 2021 – \$723,500) that have been sold but are not derecognized. EQB issues Euro denominated covered bonds in Europe by securitizing uninsured residential loans on properties in Canada. These uninsured residential loans are sold and held in a separate guarantor entity i.e. EQB Covered Bond (Legislative) Guarantor Limited Partnership (Guarantor LP), established by EQB exclusively for the Covered Bond Program (the Program). The legal title on the uninsured residential loans that are secured under the Program are held by the Guarantor LP. The residential loans sold to the Guarantor LP under the Program do not qualify for derecognition as EQB continues to be exposed to substantially all of the risks and rewards associated with the transferred assets and retains control of the assets. A key risk associated with transferred loans to which EQB remains exposed after the transfer in the Program is the risk of prepayment. As a result, the loans continue to be recognized on EQB'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 September 30, 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 September 30,

2022, the carrying value of these loans was \$89,186 (December 31, 2021 – \$167,372, September 30, 2021 – \$103,827) and included fair value adjustment of (\$68) (December 31, 2021 – \$1,915, September 30, 2021 – (\$718)).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in Non-interest revenue in the Consolidated Statements of Income. As at September 30, 2022, the carrying amount of these loans was \$878 (December 31, 2021 – \$1,018, September 30, 2021 – \$1,050) and included fair value adjustment of (\$12) (December 31, 2021 – (\$19), September 30, 2021 – (\$12)).

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

(\$000s)	September 30, 2022	September 30, 2021
Net (losses) in fair values for loans measured at FVTPL included in gains on securitization activities	(1,982)	(761)
Net gains (losses) in fair values for loans measured at FVTPL and recognized in net loss on loans and investments	2	(43)

Loans – Commercial include loans of \$693,227 (December 31, 2021 – \$568,137, September 30, 2021 – \$467,806) invested in certain asset-backed structured entities. EQB holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. EQB does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from these investments. Consequently, EQB does not control these structured entities and has not consolidated them.

Loans – Commercial also include EQB's net investment in finance leases of \$945,499 (December 31, 2021 – \$716,651, September 30, 2021 – \$664,186).

At September 30, 2022, EQB had commitments to fund a total of \$4,004,132 (December 31, 2021 – \$3,653,459, September 30, 2021 – \$3,629,097) loans in the ordinary course of business.

(b) Impaired and past due loans

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

(\$000s)	September 30, 2022			December 31, 2021	September 30, 2021
	Gross ⁽¹⁾	Allowance for credit losses	Net	Net	Net
Loans – Personal	22,965	642	22,323	20,720	25,129
Loans – Commercial – Conventional and Insured	45,627	2,113	43,514	47,835	24,934
Loans – Commercial – Finance Leases	19,283	778	18,505	19,825	21,899
	87,875	3,533	84,342	88,380	71,962

(1) Gross balances include insured loans amounting to \$4,790 (December 31, 2021 – \$6,710, September 30, 2021 – \$6,788).

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

(\$000s)				September 30, 2022
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Personal	47,629	14,693	-	62,322
Loans – Commercial – Conventional and Insured	270	-	-	270
Loans – Commercial – Finance Leases	8,897	3,380	-	12,277
	56,796	18,073	-	74,869

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

(c) Allowance for credit losses

(\$000s)				September 30, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	Total
	Stage 1	Stage 2	Stage 3	Total
Loans – Personal				
Balance, beginning of period	6,502	4,944	632	12,078
Provision for credit losses:				
Transfers to (from) Stage 1	2,862	(2,588)	(274)	-
Transfers to (from) Stage 2	(3,174)	3,205	(31)	-
Transfers to (from) Stage 3	(7)	(23)	30	-
Re-measurement ⁽¹⁾	(2,821)	2,897	305	381
Originations	3,153	-	-	3,153
Discharges	(810)	(898)	-	(1,708)
Write-off	-	-	-	-
Realized losses	-	-	(90)	(90)
Recoveries	-	-	70	70
Balance, end of period	5,705	7,537	642	13,884

(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)				September 30, 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	8,172	(7,506)	(666)	-	
Transfers to (from) Stage 2	(3,752)	4,123	(371)	-	
Transfers to (from) Stage 3	(99)	(661)	760	-	
Re-measurement ⁽¹⁾	(9,695)	7,462	5,412	3,179	
Originations	10,026	-	-	10,026	
Discharges	(3,559)	(1,010)	-	(4,569)	
Write-off	-	-	(3,644)	(3,644)	
Realized losses	-	-	(571)	(571)	
Recoveries	-	-	15	15	
Balance, end of period	22,504	15,912	2,891	41,307	

(\$000s)				September 30, 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	1,881	(934)	(947)	-	
Transfers to (from) Stage 2	(1,804)	2,011	(207)	-	
Transfers to (from) Stage 3	(5)	(11)	16	-	
Re-measurement ⁽¹⁾	(6,580)	(2,467)	734	(8,313)	
Originations	2,624	-	-	2,624	
Discharges	(382)	(205)	-	(587)	
Write-off	-	-	-	-	
Realized losses	-	-	(614)	(614)	
Recoveries	-	-	7	7	
Balance, end of period	8,962	3,287	674	12,923	

(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)	September 30, 2021			
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	Total
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	6,469	(5,885)	(584)	-
Transfers to (from) Stage 2	(880)	1,355	(475)	-
Transfers to (from) Stage 3	(42)	(767)	809	-
Re-measurement ⁽¹⁾	(8,367)	(614)	7,540	(1,441)
Originations	2,797	-	-	2,797
Discharges	(394)	(940)	-	(1,334)
Write-off	-	-	(7,182)	(7,182)
Realized losses	-	-	(13)	(13)
Recoveries	-	-	21	21
Balance, end of period	22,215	15,029	1,975	39,219

(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 \$333 (December 31, 2021 – \$256, September 30, 2021 – \$231).

(d) Key inputs, assumptions and model techniques

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

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

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

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

(e) Forward-looking macroeconomic scenarios

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

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

September 30, 2022										
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	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
Unemployment rate (%)	5.7	5.7	4.8	5.1	6.8	6.1	7.9	6.6	9.2	7.6
Real GDP growth rate (%)	2.7	8.7	4.7	10.0	0.9	8.8	0.6	6.4	(1.0)	4.8
Home Price Index growth rate (%)	2.0	(3.8)	3.9	(0.6)	0.7	(6.1)	(6.3)	(6.7)	(11.8)	(13.0)
Commercial Property Index growth rate (%)	0.3	0.5	3.4	2.3	(1.8)	(0.6)	(9.8)	0.2	(16.0)	(3.8)
Household income growth rate (%)	(0.3)	(0.3)	0.2	1.5	(2.4)	(3.2)	(3.2)	(2.4)	(4.8)	(3.9)

December 31, 2021										
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	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
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)

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

(f) Sensitivity of allowance for credit losses

ECL is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, the probability weightings of the five macroeconomic scenarios used by EQB, 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 EQB's ACL using only the base-case scenario and protracted slump scenario instead of the five probability-weighted macroeconomic scenarios for performing loans:

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
ACL – Five probability-weighted macroeconomic scenarios (actual)	51,658	46,361	49,493
ACL – Base-case scenario only	49,117	42,614	45,299
ACL – Protracted slump only	90,687	86,842	89,723
Difference – Actual versus base-case scenario only	2,541	3,747	4,194
Difference – Actual versus protracted slump only	(39,029)	(40,481)	(40,230)

Impact of staging on ACL

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

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
ACL – Loans in Stage 1 and Stage 2 (actual)	51,658	46,361	49,493
ACL – Assuming all loans in Stage 1	48,254	43,569	46,770
Lifetime ACL impact	3,404	2,792	2,723

Note 8 – Derecognition of Financial Assets

In the normal course of business, EQB enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of EQB's continuing involvement. EQB transfers its financial assets through its securitization activities and sale of assets under repurchase agreements. For further details, refer to Note 10 to the audited Consolidated Financial Statements in EQB'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 fair values related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

(\$000s)	September 30, 2022		December 31, 2021		September 30, 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	11,850,542	748,881	11,453,867	1,376,763	11,229,716	804,300
Carrying amount of associated liability	11,611,083	748,881	11,375,020	1,376,763	11,195,418	804,300
Carrying value, net position	239,459	-	78,847	-	34,298	-
Fair value of assets	11,429,761	748,881	11,415,719	1,376,763	11,277,119	804,300
Fair value of associated liability	11,202,274	748,881	11,412,638	1,376,763	11,314,070	804,300
Fair value, net position	227,487	-	3,081	-	(36,951)	-

The carrying amount of assets includes \$0 (December 31, 2021 – \$3,872, September 30, 2021 – \$5,505) of EQB's net investment in finance leases that were securitized and not derecognized. The carrying value of associated liability

includes \$0 (December 31, 2021 – \$2,969, September 30, 2021 – \$4,305) of liabilities pertaining to finance leases securitized.

EQB's outstanding securitization liabilities are as follows:

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
Securitization principal	11,634,869	11,405,519	11,217,472
Deferred net discount and issuance costs	(51,180)	(49,205)	(46,122)
Accrued interest	27,394	18,706	24,068
	11,611,083	11,375,020	11,195,418

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

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

(\$000s)	September 30, 2022	September 30, 2021
Loans securitized and sold	1,771,788	980,803
Carrying value of Securitization retained interests	107,212	53,272
Carrying value of Securitized loan servicing liability	12,900	10,528
Gains on loans securitized and sold	15,221	15,439
Income from securitization activities and retained interests	16,338	4,131

Note 9 – Other Assets

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
Intangible assets	122,356	92,571	89,950
Prepaid expenses and other	25,638	16,761	14,372
Goodwill	16,944	16,944	16,944
Income taxes receivable	15,886	-	-
Property and equipment	13,415	14,100	13,349
Right-of-use assets	5,216	7,466	8,314
Accrued interest and dividends on non-loan assets	2,610	2,802	3,140
Receivable relating to securitization activities	804	9,678	13,122
Real estate owned	-	53	-
Derivative financial instruments:			
Interest rate swaps	155,552	64,213	30,883
Foreign exchange forwards	16,754	1,741	2,293
Total return swaps	15,680	5,083	9,487
Bond forwards	1,154	124	891
	392,009	231,536	202,745

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

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

(\$000s)	September 30, 2022	September 30, 2021
Carrying amount of right-of-use assets	5,216	8,314
Depreciation charge for right-of-use assets	2,538	2,505
Cash outflows for lease liabilities	2,292	2,246
Interest expense on lease liabilities	288	391

In 2022, due to an early termination, EQB derecognized \$105 of right-of-use assets, derecognized \$157 of related right-of-use liabilities, and recognized a gain of \$52 in the Consolidated Statements of Income for the nine months period ended September 30, 2022.

Note 10 – Deposits

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
Term and other deposits	23,824,471	20,694,623	19,758,125
Accrued interest	262,199	196,617	203,720
Deferred deposit agent commissions	(37,733)	(34,857)	(29,725)
	24,048,937	20,856,383	19,932,120

Deposits also include \$826,112 (December 31, 2021 – \$498,907, September 30, 2021 – \$521,387) of funding from the covered bond program. These funding is secured against \$1,676,094 (December 31, 2021 – \$723,967, September 30, 2021 – \$801,225) of residential loans reported on the Consolidated Balance Sheet under Loans – Personal.

Note 11 – Income Taxes

(a) Income tax provision:

(\$000s)	September 30, 2022	September 30, 2021
Current tax expense:		
Current year	60,561	66,316
Adjustments for prior years	2,188	(474)
	62,749	65,842
Deferred tax expense:		
Reversal of temporary differences	14,767	8,814
Adjustments for prior years	(2,162)	446
Changes in tax rates	10	(21)
	12,615	9,239
Total income tax expense	75,364	75,081

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:

(Percentages)	September 30, 2022	September 30, 2021
Canadian statutory income tax rate	26.1%	26.2%
Increase (decrease) resulting from:		
Tax-exempt income	(2.1%)	(0.4%)
Non-deductible expenses and other	1.1%	0.3%
Effective income tax rate	25.1%	26.1%

(b) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
Deferred income tax assets:			
Tax losses	7,085	1,479	352
Allowance for credit losses	9,123	8,314	9,058
Other	7,155	6,335	6,838
Net loan fees	3,370	3,572	2,667
Share issue expenses	-	2	3
	26,733	19,702	18,918
Deferred income tax liabilities:			
Securitization activities	74,444	57,295	56,423
Leasing activities	9,444	9,040	16,663
Deposit agent commissions	7,371	6,918	6,461
Intangible costs	11,229	7,714	7,301
Net origination fees	-	-	-
Other	-	1,876	2,188
	102,488	82,843	89,036
Net deferred income tax liabilities	75,755	63,141	70,118

Note 12 - Funding Facilities

(a) Secured funding facilities:

EQB has two credit facilities totaling \$1,100,000 with major Schedule I Canadian banks to finance residential loans prior to securitization. Equitable Bank also has access to liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at September 30, 2022, EQB had an outstanding balance of \$677,382 (December 31, 2021 - \$200,128, September 30, 2021 - \$330,479) on facilities from the Schedule I Canadian banks.

(b) Unsecured funding facilities:

The Bank has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility (Revolving Facility) of up to \$125,000 and a term loan facility (Term Loan) of up to \$275,000. As at September 30, 2022, the Bank had an outstanding balance of \$122,901 (December 31, 2021 - \$nil, September 30, 2021 - \$nil) on the Revolving Facility including deferred cost of \$451, prepaid interest of \$1,648 and no drawdown on the Term Loan.

Note 13 – Subscription receipts

On February 16, 2022, EQB 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 are to be used by EQB to fund a portion of the purchase price for the acquisition of Concentra Bank. Equitable Bank closed the acquisition of Concentra Bank on November 1, 2022. Until October 31, 2022, the funds from the subscription receipts were held in an escrow account and invested in short-term, risk-free interest-bearing securities.

As at September 30, 2022, EQB had an outstanding subscription receipts balance of \$232,018 and a corresponding asset amounting to \$226,401, presented under Investments (refer to Note 6).

Note 14 – Other Liabilities

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable and accrued liabilities	166,445	143,931	114,958
Securitized loan servicing liability	43,851	38,507	38,673
Loan realty taxes	18,271	50,405	12,727
Right-of-use liabilities	6,806	8,597	9,236
Unearned revenue	1,021	818	33
Loan commitments	633	24	95
Income taxes payable	-	43,422	21,487
Derivative financial instruments:			
Interest rate swaps	224,132	32,667	16,389
Total return swaps	10,149	13,191	7,674
Bond forwards	191	2,727	-
Foreign exchange forwards	-	712	82
	471,499	335,001	221,354

Note 15 – Shareholder's Equity

Normal course issuer bid (NCIB):

On December 21, 2020, EQB announced that the Toronto Stock Exchange had approved a NCIB pursuant to which EQB may repurchase for cancellation up to 2,288,490 of its common shares and 297,250 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. On December 21, 2021, the NCIB was renewed and approved by the Toronto Stock Exchange, pursuant to which EQB 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. EQB only intends to purchase a maximum of 1,150,000 common shares under the terms of the NCIB. The actual number of preferred shares purchased under the NCIB and the timing of any such purchases will be at EQB's discretion. During the nine months ended September 30, 2022, EQB repurchased and cancelled 7,600 Series 3 – 5-year rate reset preferred shares (September 30, 2021 – 53,000) at a volume weighted average price of \$24.93 (September 30, 2021 – \$25.90). In total, EQB has repurchased and cancelled 88,200 preferred shares at a volume weighted average price of \$25.91 as at September 30, 2022. No common shares have been purchased and cancelled under the NCIB.

Note 16 – Stock-based Compensation

(a) Stock-based compensation plan:

Under EQB's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years and vest over a four-year period. As at September 30, 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 August 2029. A summary of EQB's stock option activity and related information for the periods ended September 30, 2022 and September 30, 2021 is as follows:

(\$000s, except share, per share and stock option amounts)	September 30, 2022		September 30, 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	253,816	73.83	222,920	69.06
Exercised	(56,718)	32.27	(281,118)	31.22
Forfeited/cancelled	(15,582)	65.59	(30,904)	51.11
Outstanding, end of period	1,304,518	48.12	1,143,546	40.69
Exercisable, end of period	712,779	35.33	600,158	31.64

Under the fair value-based method of accounting for stock options, EQB has recorded compensation expense in the amount of \$2,582 (September 30, 2021 – \$1,884) related to grants of options under the stock option plan. This amount has been credited to Contributed surplus. The fair value of options granted during the period ended September 30, 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)	September 30, 2022	September 30, 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	17.46	17.18

(b) Other stock based plans:

EQB 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 EQB's 2021 Annual Report.

Under the DSU plan, the activity for the periods ended September 30, 2022 and September 30, 2021 is as follows:

	September 30, 2022	September 30, 2021
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	138,379	136,438
Granted	13,345	11,902
Dividend reinvested	2,126	1,046
Outstanding, end of period	153,850	149,386

The liability associated with DSUs outstanding as at September 30, 2022 was \$7,170 (September 30, 2021 – \$11,025). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the nine months ended September 30, 2022 amounted to \$936 (September 30, 2021 – \$920).

Under EQB's RSU and PSU plan, the activity for the periods ended September 30, 2022 and September 30, 2021 is as follows:

	September 30, 2022	September 30, 2021
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of period	131,995	168,016
Granted	84,122	58,824
Dividend reinvested	3,369	1,794
Vested and paid out	(629)	(4,158)
Forfeited/cancelled	(9,223)	(14,344)
Outstanding, end of period	209,634	210,132

The liability associated with RSUs and PSUs outstanding as at September 30, 2022 was \$5,521 (September 30, 2021 – \$9,473). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the nine months ended September 30, 2022 amounted to \$2,829 (September 30, 2021 – \$846).

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 dilution effect of stock options using the treasury stock method.

(\$000s, except share, per share and stock option amounts)	September 30, 2022	September 30, 2021
Earnings per common share – basic:		
Net income	224,362	212,468
Dividends on preferred shares	3,261	3,324
Net income available to common shareholders	221,101	209,144
Weighted average basic number of common shares outstanding	34,127,182	33,912,574
Earnings per common share – basic	6.48	6.17
Earnings per common share – diluted:		
Net income available to common shareholders	221,101	209,144
Weighted average basic number of common shares outstanding	34,127,182	33,912,574
Adjustment to weighted average number of common shares outstanding:		
Stock options	364,270	501,572
Weighted average diluted number of common shares outstanding	34,491,452	34,414,146
Earnings per common share – diluted	6.41	6.08

For the period ended September 30, 2022, the calculation of the diluted earnings per share excluded 426,235 (September 30, 2021 – 167,968) average options outstanding with a weighted average exercise price of \$72.13 (September 30, 2021 – \$68.92) as the exercise price of these options was greater than the average price of EQB'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 Common Equity Tier 1 (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 Equitable Bank's inherent risks, Equitable Bank maintains a Capital Management Policy and utilizes an Internal Capital Adequacy Assessment Process (ICAAP).

Equitable Bank's CET1 Ratio was 13.3% as at September 30, 2022, while Tier 1 Capital and Total Capital Ratios were 13.7% and 14.0% respectively.

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

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

(\$000s)	September 30, 2022	December 31, 2021	September 30, 2021
Common Equity Tier 1 (CET1) Capital:			
Common shares	356,739	217,474	217,240
Contributed surplus	11,999	9,785	9,364
Retained earnings	1,838,792	1,649,890	1,577,018
Accumulated other comprehensive loss ⁽¹⁾	(34,928)	(8,263)	(8,998)
Less: Regulatory adjustments	(122,816)	(94,082)	(90,402)
CET1 Capital	2,049,786	1,774,804	1,704,222
Additional Tier 1 Capital:			
Non-cumulative preferred shares	72,554	72,554	72,554
Tier 1 Capital	2,122,340	1,847,358	1,776,776
Tier 2 Capital:			
Eligible stage 1 and 2 allowance	51,658	46,361	49,493
Less: Regulatory adjustments	(3,733)	(5,442)	(6,525)
Tier 2 Capital	47,925	40,919	42,968
Total Capital	2,170,265	1,888,277	1,819,744

(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 – Subsequent Events

On November 1, 2022, Equitable Bank acquired 100% ownership in Concentra Bank (Concentra). Concentra is a Schedule I chartered bank domiciled in Canada that carries on business pursuant to the Bank Act (Canada) and is regulated by OSFI. Concentra provides commercial and retail banking services to Canadian credit unions and retail and commercial clients. Concentra has also been providing fiduciary and trustee services for over 65 years to registered plans, corporate trusts and personal trusts and estates through its federally regulated subsidiary, Concentra Trust.

Equitable Bank paid \$495,369 in purchase consideration for the acquisition. The purchase price was financed through a combination of new equity issuance of \$230,000 via the subscription receipts (refer to note 13) and \$275,000 draw down from an unsecured Term Loan facility from a consortium of Schedule I banks (refer to note 12 (b)).

Due to the proximity of the close date to the release date of the Bank's consolidated financial statements, we have not finalized the initial accounting for the acquisition, as the valuation of assets acquired and liabilities assumed including loans, intangible assets, goodwill, deposits and contingent liabilities has not been completed.

Note 20 – Interest Rate Sensitivity

The following table shows EQB's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or re-pricing date, as at September 30, 2022.

(\$000s, except percentages)								September 30, 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	10,499,524	3,676,856	9,398,486	23,574,866	14,260,912	1,495,179	819,152	40,150,109	
Total liabilities and shareholders' equity	(122,902)	(11,919,818)	(10,097,011)	(22,139,731)	(13,969,791)	(1,243,276)	(2,797,311)	(40,150,109)	
Off-balance sheet items ⁽³⁾	-	(2,599,412)	778,319	(1,821,093)	1,552,934	268,159	-	-	
Interest rate sensitivity gap	10,376,622	(10,842,374)	79,794	(385,958)	1,844,055	520,062	(1,978,159)	-	
Cumulative gap ⁽²⁾	10,376,622	(465,752)	(385,958)	(385,958)	1,458,097	1,978,159	-	-	
Cumulative gap as a percentage of total assets	25.84%	(1.16%)	(0.96%)	(0.96%)	3.63%	4.93%	-%	-%	

(\$000s, 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%	-%	-%	

(\$000s, except percentages)								September 30, 2021	
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive ⁽¹⁾	Total	
Cumulative gap ⁽²⁾⁽³⁾	6,788,387	(834,255)	32,912	32,912	1,302,253	1,752,654	-	-	
Cumulative gap as a percentage of total assets	19.72%	(2.42%)	0.10%	0.10%	3.78%	5.09%	-%	-%	

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

Shareholder and Corporate Information

Corporate Head Office

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

Regional Offices:

Toronto

4200-181 Bay Street
Toronto, Ontario
Canada, M5J 2T3

Calgary

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

Halifax

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

Montreal

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

Regina

300-4561 Parliament Ave,
Regina, Saskatchewan
Canada, S4W 0G3

Saskatoon

333 3rd Ave N
Saskatoon, Saskatchewan
Canada, S7K 2M2

Vancouver

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

Website

www.equitablebank.ca

Toronto Stock Exchange Listings

Common Shares: EQB
Preferred Shares: EQB.PR.C

Quarterly Conference Call and Webcast

Wednesday, November 9, 2022,
8:30 a.m. EST
Live: 416.764.8609
Replay: 416.764.8677
(code 753301)
Archive: www.equitablebank.ca

Investor Relations

Richard Gill
Vice President, Corporate
Development & 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