TSX:EQB | EQB.PR.C

EQB Inc. | Annual Information Form

RETURNS

+16% ROE 10-YEAR AVERAGE

GROWTH

11.4% EPS GROWTH 10-YEAR CAGR

WEALTH

305% 10-YEAR TSR

DRIVE CHANGE

TO ENRICH PEOPLE'S LIVES

INNOVATION

TECHNOLOGY TO BETTER SERVE CANADIANS

SCALE

EQB WELCOMES CONCENTRA BANK

GAINS

488K CUSTOMERS

SUSTAINABILITY

CARBON NEUTRAL IN SCOPE 1 & 2 GHG EMISSIONS

February 16, 2023

Note: all cover measures as at December 31, 2022

Canada's Challenger Bank ™

EQB

Equitable Bank | EQ Bank

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Note: Unless otherwise specified, all information presented herein is as of December 31, 2022.

Forward-looking statements

Statements made by EQB Inc. (EQB) in this report, 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", "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" in EQB's Management's Discussion and Analysis (MD&A) for the year ended December 31, 2022, and in its documents filed on SEDAR at www.sedar.com.

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate, and liquidity conditions affecting EQB and the Canadian economy. Although EQB believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by EQB in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its loan business, a continuation of the current level of economic uncertainty that affects real estate market conditions including, without limitation, impacts as a result of COVID-19, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. Additionally these assumptions and risk factors include: the failure to receive regulatory approvals (including stock exchange) or otherwise satisfy the conditions to the completion of the Offering or delay in completing the Offering; changes in the terms of the Offering; the failure to receive or fulfill or delay in receiving or fulfilling regulatory notifications, waiting periods and approvals required in connection with the Acquisition and uncertainty regarding the length of time required to complete the Acquisition. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. EQB does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

Corporate structure

Name, address and incorporation

EQB Inc. (TSX: EQB and EQB.PR.C, formerly known as Equitable Group Inc.) was formed on January 1, 2004 pursuant to a Certificate of Amalgamation issued under the Business Corporations Act (Ontario). Articles of Amendment dated September 1, 2009 and August 8, 2014 were filed in connection with the creation and issuance of the Series 1 Preferred Shares and Series 3 Preferred Shares of EQB, respectively.

During the year, Equitable Group Inc. filed articles of amendment and changed its legal name to *EQB Inc.*, effective June 6, 2022. The Equitable Bank and EQ Bank names have not changed. EQB's ticker symbols on the Toronto Stock Exchange remained unchanged.

On October 15, 2021, EQB filed an Articles of Amendment to effect a two-for-one share split.

EQB's registered and head office are in the Equitable Bank Tower, located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario, M4V 3A1.

Intercorporate relationships

EQB directly holds 100% of all issued and outstanding shares of its subsidiary, Equitable Bank (the Bank), and has limited business activities outside the ownership of the Bank. Equitable Bank is a Schedule I bank under the *Bank Act* (Canada) (Bank Act) and was formed effective July 1, 2013 through the issuance of Letters Patent of Continuance dated June 26, 2013. Equitable Bank's activities are supervised by the Office of the Superintendent of Financial Institutions Canada (OSFI).

On October 2018, Equitable Bank received approval from the Minister of Finance to incorporate a wholly owned trust subsidiary, Equitable Trust (the Trust). In January 2019, the Trust obtained the "Order to Commence and Carry on Business" from OSFI effective December 19, 2018.

On January 1, 2019, Equitable Bank acquired Bennington Financial Corp. (Bennington), a privately owned company serving the brokered equipment leasing market in Canada.

On November 1, 2022, Equitable Bank acquired Concentra Bank (Concentra), a Canadian mid-market bank and the provider of wholesale banking and trust solutions to Canadian credit unions.

Description of the business

Business overview

EQB serves 488,000 Canadians and 200 Canadian credit unions and their 5 million members through its subsidiary Equitable Bank. Equitable Bank operates through main divisions each with multiple diverse business lines - Personal Banking and Commercial Banking, with recognized brands including Equitable Bank, EQ Bank, Bennington Financial and Concentra Trust. As a leader in the industry, Equitable Bank was chosen by Forbes as Canada's Top Schedule I Bank in both 2022 and 2021.

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.

Canadians choose Equitable Bank for smarter products, unmatched value, and exceptional service. To deliver both, Equitable Bank specializes in market segments where it improves the banking experience and delivers unique value. As a challenger bank, it rethinks conventional approaches and push for smarter ways to do business that benefit both its customers and the bank. Equitable Bank differentiates by providing a host of challenger bank retail services, alternative single-family lending, reverse mortgage lending, insurance lending, specialized commercial financing, equipment leasing, and credit union services and trust.

Equitable Bank's challenger mindset has allowed it to become a leading alternative single-family residential lender in Canada and the country's largest multi-residential insured securitizer. Its innovations in the independent mortgage broker channel reflect its long-term focus on providing great service.

As a branchless digital bank, EQ Bank stays lean and nimble, allowing it to act quickly and profitably on new opportunities. The EQ Bank digital platform is the first-born all-digital bank in Canada and the first to move to a cloud-based platform. Its technology is proven, differentiated and supports cost-effective product development and fintech collaborations. Its scale enables it to move quickly and build on its technology platform.

EQB has adopted a fintech mindset and collaborate with partners to innovate with a view to providing best-in-class digital services to Canadian consumers across commonly used banking products. Its relationships with market leaders like Wise, Nesto, Ratehub, Flinks, Borrowell, Neo Financial, FinanceIT, ClearEstate and other fintechs continue to help it reach new customers and deliver extra value to Canadians.

A differentiating factor in EQB's business model is its ability to consistently and profitably deploy deposits within its diverse lending operations. EQB operates with an integrated balance sheet and lends across a growing range of personal and commercial asset categories. Its approach to diversifying assets and deposit funding sources allows it to achieve its corporate growth objectives and reduces its risk profile.

The foundation of Equitable Bank's success rests with its talented teams. With the addition of Concentra Bank, Equitable Bank now employs nearly 1,700 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.

Personal Banking

Personal Banking operates through five businesses lines – EQ Bank, Residential Lending, Wealth Decumulation, and now consumer lending through partnerships, a segment added with the Concentra Bank acquisition, and payments as a service supporting its fintech partners. Equitable Bank's businesses provide innovative products and services that disrupt the status quo in banking by giving customers better financial value and a superior end-to-end experience. Its customer segments are diverse: it serves students, the self-employed, entrepreneurs, high-net worth individuals, Canadians planning retirement and retirees. It looks for opportunities to create better banking experiences and to address segments underserved by other financial institutions. Its competition includes other Schedule I banks, trust companies, mortgage lenders, and certain fintechs.

Commercial Banking

Equitable Bank's Commercial Banking operates through seven business lines – Business Enterprise Solutions, Commercial Finance Group, Multi-unit Insured, Specialized Finance, and Equipment Financing, Credit Union and Concentra Trust – serving over 23,000 business customers.

Equitable Bank's businesses compete based on service excellence, the breadth and strength of its partnerships, and its in-depth market knowledge. Its competition varies widely across each business line and can include the large Canadian banks, but more commonly smaller banks and other independent financial institutions and lenders.

Loan portfolio and sources of revenue

The details of Equitable Bank's loan portfolio, including geographic and property type distribution, can be found in its Supplemental Information and Regulatory Disclosures Report available at eqbank.investorroom.com.

Credit risk inherent in the loan portfolios is managed through Equitable Bank's lending policies and procedures, the establishment of lending limits, and documented approval process. Underwriting criteria are intended to minimize risks inherent in Equitable Bank's target markets and include prescribed loan-to-value ratios and strict debt-service ratio guidelines.

Equitable Bank's primary sources of revenue are interest income as well as commitment, renewal, servicing and other ancillary fees derived from its lending activities, credit union and trust services. In addition, Equitable Bank earns gains on the sale of securitized and derecognized loans, as well as interest, dividend income, and capital gains from its investments.

Table 1: Primary sources of revenue

($000s, except percentages)	2022 Amount	2022 % of total	2021 Amount	2021 % of total
Interest income:				
Loans – Personal	**917,708**	**117%**	660,945	103%
Loans – Commercial	**640,293**	**82%**	422,392	66%
Investments	**21,337**	**3%**	14,437	2%
Other	**36,893**	**5%**	9,546	1%
	1,616,231	**207%**	1,107,320	172%
Interest expense:				
Deposits	**578,998**	**74%**	307,684	48%
Securitization liabilities	**260,761**	**33%**	214,535	33%
Funding facilities	**19,979**	**3%**	901	0%
Other	**23,088**	**3%**	1,591	0%
	882,826	**113%**	524,711	82%
Net interest income	**733,405**	**94%**	582,609	91%
Non-interest revenue				
Fees and other income	**31,055**	**4%**	22,157	3%
Net (loss) gain on loans and investments	**(25,689)**	**(3%)**	16,358	3%
Gains on securitization activities and income from securitization retained interests	**43,415**	**6%**	21,783	3%
	48,781	**6%**	60,298	9%
Revenue	**782,186**	**100%**	642,907	100%

Loan distribution

Loans are originated through a network of brokers, business partners, and other third-party distribution agents. The majority of the loans funded in 2022 were originated through the independent broker channel.

Equitable Bank has long-standing arrangements with First National Financial LP (First National). These arrangements provide the Bank with the opportunity to acquire eligible insured multi-unit residential, insured and conventional single family residential, and conventional commercial loans at market competitive rates. These volumes are mainly comprised of lower-margin CMHC-insured multi-unit residential and Prime loans. Equitable Bank maintains renewal rights over the loans originated under this agreement, and those renewal rights survive the agreement itself. The Bank also outsources the servicing function for all loans acquired through these arrangements to First National and pays it a market rate for this service.

With respect to Equitable Bank's arrangements with First National, it is under no obligation to acquire any loans under the arrangements, but when it does, such transactions are done on market terms and in accordance with the Bank's prudent origination criteria. In 2022, Equitable Bank purchased $2.4 billion worth of loans under the arrangement and paid $9.7 million in servicing fees. These transactions are monitored by management on a regular basis and are reviewed by EQB's Board of Directors (Board) on an annual basis.

First National's Executive Chairman and Co-Founder, Stephen Smith, is EQB's largest shareholder, holding approximately 17.4% of its outstanding common shares as at December 31, 2022. Mr. Smith does not control either EQB or Equitable Bank, and does not have representation on EQB's Board.

The remainder of Equitable Bank's loan originations in 2022 were sourced from brokers with five providing more than 5% each, and all remaining brokers originating less than 5% each, of total originations.

Sources of funding

Equitable Bank continues to diversify its sources of funding to support its lending businesses. These sources include brokered term and demand deposits, EQ Bank term and demand deposits, deposits sourced from credit unions, corporate and institution, strategic partners, securitizations through CMHC-sponsored programs, and wholesale activities including its deposit note and covered bond programs, as well as various funding facilities.

Deposit taking

Equitable Bank is a federally regulated deposit taking institution and offers diversified deposit products under the brands of Equitable Bank, EQ Bank, Equitable Trust, and Concentra Trust.

Equitable Bank branded deposit offerings, which primarily consist of brokered GICs and HISAs, provide a reliable and stable source of funding that can be effectively matched against loan maturities. Equitable Bank branded deposits are sourced primarily through a national distribution network of brokers, dealers and investment advisors, and strategic partners who are members of the Investment Industry Regulatory Organization of Canada (IIROC), the Mutual Fund Dealer's Association (MFDA), or the Registered Deposit Brokers Association (RDBA).

Equitable Bank's EQ Bank digital banking platform offers a channel to attract deposits directly from Canadians. EQ Bank deposits increased to $7.9 billion (December 31, 2021 – $7.0 billion). Equitable Bank expects these balances will continue to grow over time with continued expansion of its functionality, products and services.

Equitable Bank's wholly owned subsidiary, Equitable Trust, offers brokered GICs and HISAs that increased to approximately $975.2 million at December 31, 2022 (December 31, 2021 – $654.3 million).

Equitable Bank acquired Concentra Bank and its wholly owned subsidiary, Concentra Trust (collectively Concentra) on November 1, 2022. Concentra offers term and demand deposit products to credit unions and commercial business clients, totaling $2.4 billion and $0.5 billion as at December 31, 2022, respectively.

Equitable Bank's deposit note issuance increased to $1.96 billion at December 31, 2022 (December 31, 2021 – $1.45 billion). During the year, Equitable Bank also completed its second and third covered bonds issuances of €300 million in May and €250 million in October, respectively, which are under a $2 billion legislative covered bond program. The covered bond program represents an important milestone, providing the Bank with funding that is significantly lower cost than other available wholesale sources. In addition to helping to diversify its sources of funding, the Bank expects this program to continue to create cost-of-funds tailwinds as it matures. Both the deposit notes and covered bond issuances provide institutional investors with access to uninsured deposits through capital markets and help the Bank further diversify its deployment of funding.

All Equitable Bank and its subsidiaries deposit products are eligible for Canada Deposit Insurance Corporation (CDIC) insurance, with the exception of institutional deposit notes, covered bonds, Commercial / Credit Union deposits.

Securitization

Equitable Bank regularly securitizes insured residential loans by issuing mortgage-backed securities (MBS), either to third party investors or to the CMHC sponsored Canada Housing Trust No. 1 (CHT) under the Canada Mortgage Bond (CMB) program. Securitization is another tool that enables the Bank to effectively manage its funding costs and diversify its funding sources. When Equitable Bank securitizes loans, it applies IFRS derecognition rules to determine whether it has effectively transferred substantially all the risks and rewards associated with the loans. If Equitable Bank is able to structure and execute transactions that transfer substantially all the risks and rewards or control associated with the loans to third parties, it may fully or partially derecognize the securitized loans and record an upfront gain on sale. In some cases, Equitable Bank retains residual interests in the loans which are recorded as securitization retained interests and servicing liabilities on EQB's consolidated balance sheet.

Equitable Bank has two revolving credit facilities provided by a D-SIB and a syndicate of D-SIBs to fund insured residential mortgages prior to securitization.

Equitable Bank utilizes two other funding programs which are sponsored by D-SIBs and provide Equitable Bank with a source of matched funding for its uninsured single-family loans. Once securitized, loans remain in the facility until they mature. Equitable Bank bears no risk for the funding of the facility itself.

Funding facilities

In addition to the above funding facilities that are used to support the Bank's securitization activities, EQB or Equitable Bank also enters into various funding arrangements as described below.

EQB has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility of up to $200 million and a term loan facility of up to $275 million, which are mainly utilized to finance the acquisition of Concentra Bank.

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.

Concentra Bank maintains a $400 million secured credit facility with a major Schedule I Canadian bank to backstop issued letters of credit and for general liquidity management. Concentra Bank also maintains $100 million secured line of credit with SaskCentral, which is used primarily for settlement and clearing purposes.

Concentra Bank has also established Bearer Deposit Notes ("BDN") program through which it issues short-term unsecured notes.

Seasonality

EQB's revenues and expenses are not subject to a material degree of seasonality. Loan originations are seasonal, which reflects sales activity patterns in the Canadian residential real estate market. Specifically, loan origination levels in Alternative Single Family tend to reach seasonally low levels in the first quarter and peak in the latter half of the year.

Competitive conditions

Equitable Bank's products compete with those offered by other chartered banks, trust companies, insurance companies, equipment leasing companies and other financial institutions and intermediaries in the jurisdictions in which it operates.

Employees and facilities

Equitable Bank is licensed to conduct business across Canada. At December 31, 2022, Equitable Bank had nearly 1,700 employees operating out of leased offices in Toronto, Oakville, Montreal, Calgary, Vancouver, Halifax and Regina, and a property owned in Saskatoon.

Environmental, Social and Governance

Each year the Bank publishes its Environmental, Social and Governance (ESG) Performance Report, which provides details of the Bank's ESG priorities, strategies, and performance. This document can be found in the at eqbank.investorroom.com/esg-overview.

Supervision and regulation

Equitable Bank and its subsidiary, Concentra Bank are federally regulated Schedule I banks and the Bank Act governs their activities. Equitable Trust and Concentra Trust are federally regulated trust companies and their activities are governed by the Trust and Loan Companies Act (TLCA). These two Acts prohibit Equitable Bank, Concentra Bank, Equitable Trust and Concentra Trust from engaging in or carrying on any business other than the business of financial services, except as specifically permitted. All entities are supervised by OSFI which examines the affairs and business of each institution to ensure compliance with applicable regulations and to ensure that each deposit taking institution is in sound financial condition. OSFI is responsible to the Minister of Finance and its examination reports are submitted to the Minister of Finance.

Equitable Bank, Concentra Bank, Equitable Trust and Concentra Trust are also subject to regulation by the CDIC, which insures certain deposits held at member institutions, and by the Financial Consumer Agency of Canada (FCAC). The FCAC is responsible for enforcing *the Financial Consumer Agency of Canada Act*, and the consumer-related provisions of the federal statutes that govern financial institutions, which includes the Bank Act and its regulations. Equitable Bank and Concentra Bank are also subject to oversight by the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC). As Canada's financial intelligence unit, FINTRAC administers the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. These regulations apply to all federally regulated financial institutions in Canada and set out the expectations and obligations for detecting and deterring money laundering and the financing of terrorist activities.

Risk factors

Equitable Bank, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results, and which may influence an investor 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 and limits that are best suited to manage these risks. The Risk and Capital Committee assists the Board in its oversight of EQB's management of its key risks.

The key risks faced by EQB are described in the "Risk Management" section of its 2022 MD&A.

Three-year history

Business line and product diversification

Lending and service expansions

- In December 2022, Equitable Bank launched EQ Bank offerings in Quebec.
- In November 2022, Equitable Bank furthered standing relationship with credit unions and expanded its business in consumer lending through the acquisition of Concentra Bank
- In January 2022, Equitable Bank introduced a new insurance lending product, Immediate Financing Arrangement (IFA)
- In November 2021, Equitable Bank expanded its EQB Evolution Suite® prime mortgage solutions to Quebec.
- In 2021, Equitable Bank extended its insurance lending offering through its new partnerships with four insurance companies.
- In November 2020, Equitable Bank introduced Reverse Mortgage Flex, a new product that allows homeowners to access more money than previously available.

Funding source diversification

- On November 1, 2022, Equitable Bank completed its acquisition of Concentra Bank, through which it further diversified its funding sources to credit unions and commercial clients.
- On November 1, 2022, Equitable Bank converted the 3,266,000 subscription receipts that were issued for the acquisition of Concentra Bank into common shares on one-for-one basis upon closing.
- In October 2022, Equitable Bank issued its third legislative covered bond in Europe for €250 million, which was priced at a spread of 37 bps over EUR mid swaps.
- In May 2022, Equitable Bank issued its second legislative covered bond in Europe for €300 million, which was priced at a spread of 20 bps over EUR mid swaps.
- In February 2022, Equitable Bank issued two deposit notes for a combined total of $500 million, with $250 million at 1.8-year fixed-rate tranche and $250 million at 4-year fixed-rate tranche, priced respectively at 123 and 162 basis points over comparable term Government of Canada bonds.
- In February 2022, Equitable Bank issued 3,266,000 subscription receipts at a price of $70.50 each.
- In December 2021, Equitable Bank issued a $400 million 2.5-year fixed rate deposit note, which was priced at 93 bps over comparable term Government of Canada bonds.
- In September 2021, Equitable Bank issued its first legislative covered bond in Europe for €350 million, which was priced at a spread of 15 bps over EUR mid swaps.
- In June 2021, Equitable Bank completed a re-opening of $150 million 2.25-year fixed rate deposit note, which was priced at 90 bps over the interpolated Government of Canada curve.
- In June 2021, Equitable Bank launched US Dollar Accounts through its EQ Bank platform.
- In March 2021, Equitable Bank issued a $250 million 4-year fixed rate deposit note, which was priced at 120 bps over comparable term Government of Canada bonds.
- In December 2020, Equitable Bank commenced offering USD denominated GICs through its broker channels.
- In November 2020, Equitable Bank launched TFSA and RSP savings accounts and GICs through its EQ Bank platform.
- In November 2020, Equitable Bank issued a $250 million 5-year fixed-rate deposit note, which was priced at 145 bps over comparable term Government of Canada bonds.
- In September 2020, Equitable Bank issued a $200 million 3-year fixed-rate deposit note, which was priced at 150 bps over comparable term Government of Canada bonds.
- In July 2020, Equitable Bank launched Joint Savings Accounts through its EQ Bank platform.
- In April 2020, Equitable Bank began offering USD denominated HISAs through its broker channels.
- In January 2020, Equitable Bank introduced HISAs through its subsidiary, Equitable Trust.

Contingent liquidity sources

- In October 2022, EQB entered into a Second Amending Agreement to Credit Agreement (defined below), which increased the maximum size of the revolving facility portion of the Credit Agreement from $125 million to $200 million.
- In May 2022, EQB entered into a First Amending Agreement to Credit Agreement, which increased the maximum size of the revolving facility portion of the Credit Agreement from $75 million to $125 million.
- In March 2022, EQB entered into a funding agreement (Credit Agreement) with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a $75 million revolving facility and a $275 million non-revolving term loan.
- In March 2021, Equitable Bank terminated its $35 million credit facility with a D-SIB.
- In December 2020, Equitable Bank terminated its $400 million secured backstop funding facility.
- In March 2020, Equitable Bank gained access to the Bank of Canada's Standing Term Liquidity Facility and the loan facility for ELA advances.

Regulatory capital

On March 27, 2020, OSFI announced several actions to address operational risk in Canada's banking sector stemming from the economic impact of COVID-19 including the introduction of a transitional arrangement for expected credit loss provisioning on capital. For Equitable Bank, this transitional arrangement resulted in a portion of allowances that would otherwise be included in Tier 2 capital of Equitable Bank to be included in CET1 capital. The adjustment is equal to the increase in Stage 1 and Stage 2 allowances relative to December 31, 2019. This increase is tax-effected and subject to a scaling factor that will decrease over time. The scaling factor is set at 70% for 2020, 50% for 2021, and 25% for 2022.

Credit rating

EQB and its debt instruments are rated by Fitch and DBRS.

Fitch provided updates on its assessment of EQB's rating on February 7, 2022, after the announced agreement to purchase Concentra Bank. Fitch affirmed its rating of Equitable Bank, which is BBB-, with a stable outlook.

DBRS provided updates on its assessment of EQB's rating on November 28, 2022. DBRS upgraded its ratings on both EQB and EQB's primary operating subsidiary, Equitable Bank. The trends on all ratings are now Stable. With these changes, DBRS now provides ratings of:

- EQB Inc.:
  - Long-Term Issuer rating of BBB, with a stable trend
  - Long-Term Senior Debt rating of BBB, with a stable trend
- Equitable Bank:
  - Long-Term Issuer rating of BBB (high), with a stable trend
  - Long-Term Deposits rating of BBB (high), with a stable trend
  - Long-Term Senior Debt rating of BBB (high), with a stable trend
  - Subordinated Debt rating of BBB, with a stable trend

These ratings are subject to periodic review by Fitch and DBRS.

Acquisition of Concentra Bank

On February 7, 2022 EQB announced its wholly owned subsidiary Equitable Bank had reached a definitive purchase agreement (the Acquisition Agreement) with Credit Union Central of Saskatchewan, a central credit union existing under The Credit Union Central of Saskatchewan Act, 2016 (Saskatchewan), and Concentra Bank (Concentra), a Schedule I bank existing under the Bank Act (Canada), pursuant to which Equitable Bank agreed to acquire 84% of the issued and outstanding common shares in the capital of Concentra, subject to customary closing conditions, including applicable regulatory notifications, waiting periods and approvals. Equitable Bank also entered into support agreements with additional Concentra shareholders representing a majority of the remaining 16% common share equity interest in Concentra. Together, these agreements enabled Equitable Bank to acquire 100% of Concentra Bank (collectively the Acquisition).

On November 1, 2022, Equitable Bank completed its acquisition of Concentra Bank. It paid $495 million in consideration for the Acquisition and recognized goodwill of $40.7 million and intangible assets of $23 million. The purchase price was financed through a combination of new common equity issuance of $230 million converted from the Subscription Receipts on 1:1 ratio and $275 million drawdown from the funding facilities under the Credit Agreement. The purchase price allocation may be refined as it completes its valuation of the fair value of assets acquired and liabilities assumed.

Dividends

Dividends are payable on EQB's common shares and Series 3 Preferred Shares. EQB's Series 3 Preferred Shares are non-cumulative and have preference over the common shares with respect to the payment of dividends.

EQB has a policy of maintaining a balance between the distribution of profits to shareholders via the payment of dividends and the retention of earnings to fund its business and strategic objectives. It does not set a specific dividend payout ratio target. The declaration and payment of dividends is within the discretion of EQB's Board of Directors and is dependent on several factors, including the capital and liquidity positions of Equitable Bank. EQB's liquidity position is impacted by the dividends received from Equitable Bank.

The declaration and payment of dividends by Equitable Bank to EQB is also within the discretion of Equitable Bank's Board of Directors and is subject to regulatory restrictions. Equitable Bank is precluded from paying or declaring a dividend if there are reasonable grounds for believing that it is, or that payment would cause Equitable Bank to be, in contravention of any regulation made under the Bank Act with respect to the maintenance of adequate capital and liquidity or with any direction given by OSFI with respect to such matters.

In Q3 2019, the Board decided to further strengthen EQB's dividend philosophy and committed to growing its dividend at an annual rate of between 20% to 25% for each of the next five years.

In March 2020, the Board put planned dividend increases on hold because of regulatory guidance from OSFI meant to support the financial and operational resilience of all federally regulated banks. On November 4, 2021, OSFI lifted its restrictions on capital distributions.

Q1 2022, EQB once again increased its common share dividend, reflecting its dividend growth philosophy.

On February 16, 2023, EQB's Board declared a quarterly dividend of $0.35 per common share, payable on March 31, 2023, to common shareholders of record at the close of business on March 15, 2023. This dividend represents a 6% increase over dividends declared in November 2022.

On September 3, 2019, EQB announced that the dividend rate applicable to Series 3 Preferred Shares for the five-year period from, and including, September 30, 2019 to, but excluding, September 30, 2024 would be

5.969% per annum, or $0.373063 per preferred share per quarter, compared to the previous dividend of 6.35% or $0.396875 per preferred share per quarter.

On February 16, 2023, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on March 31, 2023, to preferred shareholders of record at the close of business on March 15, 2023.

The table below provides a summary of annual dividends per share declared for 2022 and the two preceding years. These dividends are designated as eligible dividends for the purpose of the Income Tax Act (Canada) and any similar provincial and territorial legislation.

On October 25, 2021, EQB split its common shares on a two-for-one basis. The dividend per common share amounts presented below have been retroactively adjusted to reflect this share split.

Type of Shares	**2022**	2021	2020
Common Shares	**$1.21**	$0.74	$0.74
Series 3 Preferred Shares	**$1.49**	$1.49	$1.49

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.

During the year, EQB has made dividend equivalent payments to holders of Subscription Receipts in respect of each of their Subscription Receipts that are equal to the dividends declared by EQB on each common share. Such dividends equivalent payments were not treated as a dividend for the purposes of the Income Tax Act (Canada) (the Tax Act) and no part of such payment benefited from the gross-up and dividend tax credit rules normally applicable in respect of taxable dividends received by individuals from "taxable Canadian corporations" as defined in the Tax Act.

Description of capital structure

General description of share capital

EQB's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2022, 37,564,114 common shares and 2,911,800 Series 3 Preferred Shares were issued and outstanding. The material provisions of the common shares and the preferred shares are summarized or otherwise referred to below.

Common shares

Holders of EQB's common shares are entitled to one vote per share at all meetings of the shareholders of EQB except meetings at which only holders of any series of preferred shares are entitled to vote. After payment of all outstanding obligations, including preferred shares, the holders of common shares are entitled to receive EQB's remaining property upon the liquidation, dissolution or winding-up thereof.

On October 15, 2021, EQB filed an Articles of Amendment to effect a two-for-one share split (Share Split). The Share Split was implemented by way of a subdivision whereby common shareholders of record as of the close of business on October 15, 2021 received one additional share for each share held on October 25, 2021. This Share Split did not impact a shareholder's proportionate interest in EQB and all subsequent dividends declared has reflected the Share Split.

Upon closing of the Acquisition on November 1, 2022, holders of Subscription Receipts automatically received, without payment of additional consideration or further action, one common share for each Subscription Receipt held. Further details on the terms of the Subscription Receipts are available in the Prospectus Supplement to the Short Form Base Shelf Prospectus dated June 12, 2020 filed by EQB on February 9, 2022.

Preferred shares

The preferred shares are issuable from time to time in one or more series. The Board is authorized to fix, before issue, the number, consideration per share, the designation, and the provisions attaching to the preferred shares of each series, which may include voting rights. The preferred shares of each series will rank pari passu with the preferred shares of every other series and will be entitled to preference over the common shares and any assets in the event of EQB's liquidation, dissolution or winding-up. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the preferred shares of all series will participate ratably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums that would be payable on the return of capital if all amounts so payable were paid in full, as the case may be.

The provisions of the preferred shares, including the Series 3 Preferred Shares and EQB's non-cumulative floating rate Series 4 preferred shares ("Series 4 Preferred Shares"), are described on pages 7 through 17 of the prospectus supplement of EQB dated July 25, 2014 in connection with the public offering of the Series 3 Preferred Shares, and those pages are incorporated herein by reference.

On August 22, 2019, EQB announced that it did not intend to exercise its right to redeem all or any part of its outstanding non-cumulative redeemable 5-year rate reset Preferred Shares, Series 3 (the "Series 3 Preferred Shares") on September 30, 2019. As a result, holders of Series 3 Preferred Shares had the right, at their option, to convert all or part of their Series 3 Preferred Shares on a one-for-one basis, into non-cumulative floating rate Preferred Shares, Series 4 ("Series 4 Preferred Shares"). On September 16, 2019, EQB announced that after taking into account all election notices received, less than the minimum 800,000 shares required to give effect to the conversion were tendered. As a result, no Series 4 Preferred Shares were issued and holders of Series 3 Preferred Shares retained their shares.

Normal course issuer bid (NCIB)

On December 21, 2022, EQB announced that it has received the approval of the TSX to renew its NCIB for common shares and its non-cumulative 5-Year rate reset preferred shares, Series 3. EQB intends to only purchase a maximum of 1,150,000 common shares and 288,680 of its Series 3 preferred shares under the terms of the NCIB, representing, respectively, approximately 3.8% and 10% of the public float of such shares as of December 9, 2022. Purchases under the renewed NCIB may commence on December 23, 2022 and continue until December 22, 2023, when the NCIB expires, or on such earlier date as the NCIB is complete.

During the year and prior to the December 21, 2022 renewal, EQB repurchased 7,600 preferred shares through the facilities of the TSX and alternative Canadian trading systems at a weighted-average price of approximately $24.93 per share for a total cash consideration of approximately $200 thousand (including commission). No Common Shares were repurchased in the year.

Preferred shares issued by Concentra Bank

As at December 31, 2022, Concentra Bank has $111 million in preferred shares issued and outstanding, which are included in EQB's consolidated financial statements. For more detail, please see Note 19 – Shareholders' Equity in the EQB's consolidated financial statements.

Market for securities

Trading price and volumes

EQB's common shares and Series 3 Preferred Shares are traded on the TSX under the symbols EQB and EQB.PR.C, respectively. The following table sets out the price range and trading volume for these securities on the TSX for each month of the year ended December 31, 2022.

Table 2: Price ranges and trading volumes by security type – common and Series 3 preferred shares

Months in 2022	Common Shares		Series 3 Preferred Shares	
	Price Range	Volume	Price Range	Volume
January	\$66.48 - \$76.48	1,275,535	\$25.62 - \$26.05	40,676
February	\$69.26 - \$78.68	1,999,246	\$25.27 - \$25.81	37,702
March	\$70.08 - \$77.88	1,988,420	\$25.23 - \$25.84	27,912
April	\$57.40 - \$72.80	2,146,138	\$24.52 - \$25.53	28,199
May	\$51.73 - \$64.81	2,388,880	\$24.63 - \$25.17	26,294
June	\$51.18 - \$64.00	1,432,538	\$24.42 - \$25.38	21,060
July	\$50.68 - \$56.94	1,008,615	\$23.75 - \$24.75	18,534
August	\$52.33 - \$58.94	1,472,598	\$23.91 - \$24.95	21,012
September	\$44.81 - \$54.27	1,346,175	\$22.05 - \$24.50	58,996
October	\$45.60 - \$49.38	1,108,096	\$21.89 - \$24.00	20,325
November	\$45.17 - \$60.75	2,327,846	\$21.72 - \$24.04	20,278
December	\$55.19 - \$62.16	1,312,686	\$22.65 - \$24.00	27,550

To support the acquisition of Concentra Bank, EQB issued 3,266,000 subscription receipts in February 2022, which were traded on the TSX under the symbols EQB.R. All the subscription receipts have been converted into common shares on one-for-one basis upon the closing on November 1, 2022. The table below lays out the price range and trading volume for the subscription receipts on the TX for each month in the fiscal year of 2022.

Table 3: Price ranges and trading volumes – subscription receipts

Months in 2022	Subscription receipts	
	Price Range	Volume
January	N/A	N/A
February	\$70.50 - \$76.00	313,343
March	\$68.70 - \$76.50	88,062
April	\$57.00 - \$71.00	232,106
May	\$51.00 - \$64.22	71,066
June	\$52.18 - \$63.11	13,254
July	\$51.29 - \$55.48	16,515
August	\$52.25 - \$58.83	11,849
September	\$45.15 - \$53.99	23,963
October	\$45.72 - \$49.15	12,123
November	N/A	N/A
December	N/A	N/A

Directors and executive officers

Directors

The following are the directors of EQB as at February 17, 2022. Directors are elected annually and hold office until the next annual meeting of shareholders, which is scheduled for May 18, 2022.

Name and Municipality of Residence	Principal Occupation	Director Since
Michael Emory Toronto, Ontario, Canada	President and Chief Executive Officer, Allied Properties REIT	May 2014
Susan Ericksen Cumming, Georgia, USA	Corporate Director	November 2018
Michael Hanley Mount-Royal, Quebec, Canada	Corporate Director	November 2022
Kishore Kapoor Winnipeg, Manitoba, Canada	President and Chief Executive Officer, RF Capital Group Inc.	November 2016
Yongah Kim Toronto, Ontario, Canada	Associate Professor of Strategic Management, Rotman School of Business, University of Toronto	December 2020
David LeGresley Toronto, Ontario, Canada	Chair of the Board and a Corporate Director	May 2011
Marcos Lopez, Calgary, Alberta, Canada	Corporate Director and Principal, Alpenglow Capital Inc.	November 2022
Lynn McDonald Toronto, Ontario, Canada	Corporate Director	May 2011
Andrew Moor Toronto, Ontario, Canada	President and Chief Executive Officer of EQB and Equitable Bank	May 2007
Rowan Saunders Toronto, Ontario, Canada	President and Chief Executive Officer, Definity Financial Corporation	May 2013
Carolyn Schuetz* Toronto, Ontario, Canada	Corporate Director	November 2022
Vincenza Sera Toronto, Ontario, Canada	Corporate Director	May 2013
Michael Stramaglia Toronto, Ontario, Canada	Corporate Director and President and Founder of Matrisc Advisory Group Inc., a risk management consulting firm	May 2014

*Director of Equitable Bank only

All directors have held their principal occupations above for the past five years or more, except for:

- Kishore Kapoor, who serves as President and Chief Executive Officer of RF Capital Group Inc. since October 2020. He also was the Interim President and Chief Executive Officer of GMP Capital Inc. in 2019. He was a Corporate Director from 2011 to 2019.
- Yongah Kim, who currently is the Associate Professor of Strategic Management at Rotman and a core faculty member in the Leadership Development Lab and the Self-Development Lab of the Desautels Centre for Integrative Thinking. From 2015-2020, she was Senior Partner at McKinsey & Company, Canada.

- Marcos Lopez, who from 2015 to 2019 served as President and Chief Executive Officer of Solium Capital Inc. (now Shareworks by Morgan Stanley). Following the acquisition of Solium by Morgan Stanley in 2019, he served as Managing Director and Head of Shareworks from 2019 to 2020, Managing Director and Co-Head of Morgan Stanley at Work from 2019 to 2021, and as Advisor from January to June 2022.
- Carolyn Schuetz, who from 2017-2020 served as Global Chief Operating Officer, Group Retail Banking and Wealth Management, HSBC Holdings plc.

The Committees of the Board are as follows:

Committee	Members
Audit Committee	Kishore Kapoor (Chair) Lynn McDonald Rowan Saunders
Governance and Nominating Committee	Vincenza Sera (Chair) Michael Emory Lynn McDonald Michael Stramaglia
Human Resources and Compensation Committee	Susan Ericksen (Chair) Michael Emory Yongah Kim Rowan Saunders
Risk and Capital Committee	Michael Stramaglia (Chair) Susan Ericksen Kishore Kapoor Yongah Kim Vincenza Sera
Credit Risk Sub-Committee (Sub-committee of the Risk and Capital Committee)	Michael Emory (Chair) Susan Ericksen Vincenza Sera

Executive officers(1)

The following are the executive officers of Equitable and/or Equitable Bank as at February 17, 2022:

Name and Municipality of Residence	Position
Andrew Moor Toronto, Ontario	President and Chief Executive Officer
Ron Tratch Toronto, Ontario	Senior Vice-President and Chief Risk Officer
Chadwick Westlake Mississauga, Ontario	Senior Vice-President and Chief Financial Officer
Dan Broten Etobicoke, Ontario	Senior Vice-President and Chief Technology Officer
Jody Sperling Thornhill, Ontario	Senior Vice-President and Chief Human Resources Officer
Darren Lorimer Etobicoke, Ontario	Senior Vice-President and Group Head, Commercial Banking
Mahima Poddar Toronto, Ontario	Senior Vice-President and Group Head, Personal Banking

(1) Executive officers are defined as the President and Chief Executive Officer and his direct reports.

All of the above executive officers have held their present positions or other management positions with EQB or Equitable Bank for the past five years with the exception of:

- Chadwick Westlake who held various Senior Vice President positions at Scotiabank from November 2016 until November 2018, and the position of Executive Vice President of Enterprise Productivity & Canadian Banking Finance from November 2018 until November 2020

At December 31, 2022, the directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 296,040 (2021 – 553,511) common shares of Equitable, representing 0.79% (2021 – 1.62%) of the outstanding common shares.

Cease trade orders, bankruptcies, penalties or sanctions

To EQB’s knowledge, after due inquiry, no director or executive officer of Equitable:

(a) is, at the date of this Annual Information Form (AIF) or has been within the last 10 years, a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued:

   (i) while the director or executive officer was acting in the capacity of a director, chief executive officer or chief financial officer; or

   (ii) after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) is, as at the date of this AIF, or has been within the last 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, or within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

To the best of EQB’s knowledge , after due inquiry, no director or executive officer of EQB has been subject to: (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of interest

To EQB’s knowledge, no director or executive officer of Equitable has an existing or potential material conflict of interest with Equitable or any of its subsidiaries.

Legal proceedings and regulatory actions

Legal proceedings

In the ordinary course of business, Equitable Bank is routinely involved with or a party to legal proceedings. A description of certain legal proceedings in which Equitable Bank is a party is set out in Note 23 to its 2022 audited consolidated financial statements, which are incorporated herein by reference.

Regulatory actions

In the ordinary course of business, Equitable may be subject to penalties or sanctions imposed by regulatory authorities from time to time in relation to administrative matters, including late filings or reporting, which may be considered penalties or sanctions pursuant to Canadian securities regulators but which are not, individually or in the aggregate, material, nor would they likely be considered important to a reasonable investor making an investment decision.

During the 2022 financial year, Equitable did not face any penalties imposed by securities regulatory authorities or enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority, as such terms may be defined by National Instrument 14-101[(1)].

Interest of management and others in material transactions

To EQB's knowledge, no director, or executive officer, or any of their associates or affiliates has or had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect EQB.

Material contracts

Except for the following and for the contracts described in the section "Three-Year History" above, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to EQB and that were entered into in or before the most recently completed financial year, but that are still in effect:

On February 7, 2022, EQB announced that its wholly owned subsidiary Equitable Bank, had entered into a Share Purchase Agreement, by which Equitable Bank acquired Concentra Bank and the Acquisition has been competed on November 1, 2022.

On February 9, 2022, EQB entered into an agreement with a syndicate of underwriters for the issuance of 3,266,000 subscription receipts (including the exercised over-allotment option) on a bought deal basis, which were offered at a price of $70.50 per subscription receipt for gross proceeds of approximately $230 million. EQB has also granted the syndicate of underwriters an Over-Allotment Option. Upon closing of the Acquisition, all the subscription receipts have been converted into EQB's common shares at one-for-one ratio.

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(1) National Instrument 14-101 limits the meaning of 'securities legislation' to Canadian provincial and territorial legislation and 'securities regulatory authority' to Canadian provincial and territorial securities regulatory authorities.

On March 29, 2022, EQB entered into a credit agreement, with a major financial institution as administrative agent, a major financial institution as swingline lender and a syndicate of lenders (the "Credit Agreement"). The Credit Agreement is comprised of (i) a revolving term credit facility in the amount of $75 million maturing on March 28, 2025 and (ii) a three-year term loan credit facility in the amount of $275 million. On March 29, 2022, EQB made a drawdown for the full amount available under the revolving term credit facility.

On May 30, 2022 EQB entered into a First Amending Agreement to Credit Agreement (the “First Amendment”), which amended the Credit Agreement it entered into on March 29, 2022. The First Amendment increases the maximum size of the revolving term credit facility portion of the Credit Agreement from $75 million to $125 million. As at May 30, 2022, the full amount of the revolving term credit facility has been drawn.

On October 18, 2022 EQB entered into a Second Amending Agreement to Credit Agreement (the “Second Amendment”), which amended the Credit Agreement it entered into on March 29, 2022, and the First Amendment dated May 30, 2022. The Second Amendment increases the maximum size of the revolving term credit facility portion of the Credit Agreement from $125 million to $200 million, amends certain existing definitions, and introduces some new definitions in the Credit Agreement. As at October 31, 2022 the full amount of the revolving term credit facility has been drawn.

EQB utilized $275 million ($200 million revolving and $75 million term loan) to finance the acquisition of Concentra Bank.

Copies of these documents are available on SEDAR at sedar.com.

Concentra Bank maintains a $400 million secured credit facility with a major Schedule I Canadian bank to backstop issued letters of credit and for general liquidity management. Concentra Bank also maintains $100 million secured line of credit with SaskCentral, which is used primarily for settlement and clearing purposes. As at December 31, 2022, there were no amounts outstanding under either of these facilities.

Concentra Bank has established Bearer Deposit Notes (“BDN”) program through which it issues short-term unsecured notes. As at December 31, 2022, the outstanding balance of the notes issued under the BDN program was $35.0 million.

Transfer agent and registrar

Computershare Investor Services Inc. is the transfer agent and registrar for EQB's common shares and Series 3 Preferred Shares at the following address: 100 University Avenue, 8^{th} Floor, Toronto, Ontario, M5J 2Y1.

Experts

EQB's auditor is KPMG LLP and it is located at the Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5. KPMG LLP is independent of Equitable in accordance with the ethical requirements that are relevant to the audit of the financial statements in Canada.

KPMG LLP has been EQB's auditor since 2002. In 2018, EQB's Audit Committee submitted the audit for tender as a matter of corporate governance. It received proposals from all the firms to which it sent the tender and decided, after a robust assessment, to remain with KPMG.

Audit Committee information

The following Audit Committee information is presented as of February 16, 2023.

Composition of the Audit Committee

The following directors are members of the Audit Committee: Kishore Kapoor (Chair), Lynn McDonald and Rowan Saunders. All members are financially literate and independent as defined by Canadian securities laws. The mandate of the Audit Committee is attached to this AIF as Schedule "A".

Relevant education and experience of Audit Committee members

The education and experience of each Audit Committee member that is relevant to the performance of their responsibilities are as follows:

Kishore Kapoor (Chair) – Mr. Kapoor is the President and Chief Executive Officer of RF Capital Group Inc. Mr. Kapoor also serves as a director and a member of the Audit Committee of Richardson Financial Group Limited, and as a director of RF Capital Group and Richardson Wealth. From May 2006 to March 2017 he served as a director of Manitoba Telecom Services and Audit Committee Chair. Until 2011 he was President of Wellington West Holdings Inc., the parent company of a number of subsidiaries that provided wealth management and corporate finance services to retail and institutional clientele in Canada. From November 2003 to June 2005 Mr. Kapoor was Executive Vice-President of Corporate Development at Loring Ward International Inc., a public company formed to hold the U.S. operations of Assante Corporation, previously one of the largest wealth management firms in Canada, and served as its Executive Vice-President, Corporate Development from March 1994 until November 2003. Mr. Kapoor has a Bachelor of Science degree from the University of Manitoba and is a Chartered Accountant and former tax partner with KPMG LLP. He has been a member of our Audit Committee since November 2016 and the Committee Chair since May 2017.

Lynn McDonald – Ms. McDonald, a Corporate Director, is a former Managing Director at CIBC World Markets and a former Deputy Minister and Executive Director of the Office of the Premier and Cabinet Office for the Ontario Government. She currently serves as an independent director of the Ontario Hospital Association and its wholly-owned subsidiary, OHA Legacy Fund, where she also serves as Chair. She previously served as Chair of the Board of Frontier College, a national literacy organization, and as Chair of the College's Finance and Audit Committee. She is also a former director and Chair of the Finance and Audit Committee of Bridgepoint Active Care Foundation, and a former Governor of Trent University and Chair of the University's Investment and Audit Committee. Ms. McDonald earned a Bachelor of Arts (Honours) degree in Economics from the University of Waterloo and is a member of the Institute of Corporate Directors. Ms. McDonald has been a member of our Audit Committee since May 2015.

Rowan Saunders – Mr. Saunders is President and Chief Executive Officer of Definity Financial Corporation. Previously he was President and Chief Executive Officer of Royal & Sun Alliance Insurance Company of Canada for 12 years. Mr. Saunders is a past Chair, and a current director and Audit Committee Chair of the Insurance Bureau of Canada, a past member of the Financial Services Commission of Ontario's CEO Advisory Committee, and a former director of the Institute for Catastrophic Loss Reduction, and Facility Association. Mr. Saunders received a Bachelor of Arts degree from York University, holds the Canadian Risk Management designation and is a Fellow of the Insurance Institute of Canada. Mr. Saunders has been a member of our Audit Committee since May 2013.

Pre-approval policies and procedures

The Audit Committee has adopted a policy for the pre-approval of services that may be performed by EQB's external auditor. The Policy specifies the scope of services permitted to be performed by the external auditor as well as those services they are prohibited from providing to ensure their independence is not compromised. The policy states all audit, audit-related and tax services shall be pre-approved by the Audit Committee, together with the associated fees for those services. The policy also delegates authority to the Chair of the Audit Committee to approve permissible non-audit services and their fees between Committee meetings and report such approval to the Audit Committee at its next scheduled meeting. On a quarterly basis the Audit Committee is presented with a summary report of all services approved by the Audit Committee or the Committee Chair on a year-to-date basis that are currently underway or have been completed since the prior quarter's report, as well as details of any proposed engagement for consideration by the Committee. In making its determination regarding the services to be performed by the external auditor, the Committee considers compliance with applicable legal and regulatory requirements as well as whether the provision of the services could negatively impact auditor independence. The policy does not delegate any responsibilities of the Audit Committee to EQB's management.

External auditor service fees

Table 4: External auditor service fees

($000s)	**2022(1)(2)**	2021(1)(2)(3)
Audit fees	**1,958**	867
Audit-related fees	**262**	200
Tax compliance fees	**11**	23
Other tax fees	**-**	13
Other fees	**10**	-
Total	**2,241**	1,103

(1) Amounts exclude CPAB fees and HST. (2) In accordance with the respective Engagement Letters, the fees reported above are subject to a technology and support charge in the amount of $157. (3) Comparative amounts have been reclassified to conform to the current year's presentation.

Audit fees

Audit fees include amounts paid or accrued for professional services rendered by the auditors in connection with the audit of EQB's annual consolidated financial statements, including Concentra Bank's annual consolidated financial statements beginning in 2022, the opening Concentra Bank balance sheet on the date of acquisition as well as the purchase price allocation, the review of EQB's interim financial statements, and accounting advisory services related to the audited financial statements.

Audit-related fees

Audit-related fees relate to specified procedures reports to support EQB's participation in CMHC-sponsored securitization programs, consent letters for EQB's prospectus offerings, and AMF Reporting.

Tax fees

Tax fees paid for professional services primarily related to the review of EQB and its subsidiaries' corporate tax returns and commodity tax return.

Other fees

Other fees relate to due diligence services in support of the acquisition of Concentra Bank and translation services.

Additional information

Additional information relating to EQB can be found at sedar.com and at eqbank.investorroom.com.

Additional financial information is provided in EQB's audited consolidated financial statements and MD&A for the year ended December 31, 2022. Information related to directors' and officers' remuneration and indebtedness, principal holders of EQB's securities, and securities authorized for issuance under equity compensation plans is contained in EQB's Management Information Circular for its most recent annual meeting of shareholders. All of these documents can be obtained at sedar.com or from EQB's corporate website eqbank.investorroom.com.

Copies of the reports referred to in this section may be obtained from EQB's Corporate Secretary's office at Equitable Bank Tower, 30 St. Clair Avenue West, Suite 700, Toronto, Ontario, M4V 3A1 or by contacting the EQB at: investor_enquiry@eqbank.ca

Schedule "A"

Audit Committee Mandate

This mandate provides terms of reference for the Audit Committee of EQB Inc. and its wholly-owned subsidiary, Equitable Bank (collectively EQB).

A. ROLE

1. The role of the Audit Committee (the "Committee") is to assist the Board of Directors in its oversight of:
   (i) the quality and integrity of EQB's financial statements and related management's discussion and analysis and reliable, accurate and clear financial reporting to shareholders;
   (ii) reviewing the qualifications, independence and service quality of the external auditors;
   (iii) overseeing the design and effectiveness of internal controls, including internal controls over financial reporting and disclosure controls; and
   (iv) overseeing the Internal Audit and Finance functions and evaluating their effectiveness.

2. To perform such other duties as may be delegated to the Committee by the Board from time to time.

3. To act as the audit committee for any federally-regulated subsidiary of the Bank that requires an audit committee under applicable law.

B. RESPONSIBILITIES

The Committee shall have the accountabilities and responsibilities set out below:

Financial Reporting

1. Review and recommend for Board approval and disclosure to the public the interim and annual consolidated financial statements of EQB Inc. and the related management's discussion and analysis (MD&A), the annual financial statements of the Bank, and the external auditor's opinion on these financial statements. Satisfy itself that the financial statements present fairly the financial position, results of operations, and EQB's cash flows.
2. As part of these reviews, the Committee should discuss with management and the external auditor:
   a) key areas of risk for material misstatement of the financial statements, including critical accounting policies, models and estimates and other areas of measurement uncertainty or judgment underlying the financial statements and MD&A;
   b) areas requiring significant auditor judgment as it relates to their evaluation of accounting policies, accounting estimates and financial statement disclosures;
   c) whether estimates/models and judgments made by management are within an acceptable range and in accordance with International Financial Reporting Standards and industry practice;
   d) any material proposed changes in accounting standards or regulations relevant to EQB's financial statements;
   e) significant or unusual transactions, and the impact of material subsequent events between the reporting date and the approval date on the financial statements and the MD&A;
   f) reports prepared by the external auditor for the Committee summarizing their key findings and required communications in respect of the annual audit and interim reviews; and
   g) tax matters that are material to the financial statements.

3. Review for and recommend for Board approval, earnings news releases or other material financial news releases.
4. Review financial information and any earnings guidance provided to analysts and any rating agencies prior to public disclosure.
5. Keep abreast of trends and best practices in financial reporting including considering, as they arise, topical issues and their application to EQB.
6. Review any investment or transaction that could adversely affect the well-being of EQB.
7. Review and recommend for Board approval EQB Inc.'s Annual Information Form.
8. Review and assess the adequacy of procedures for the review of financial information extracted or derived from the financial statements that is to be publicly disclosed and has not otherwise been reviewed by the Committee.
9. Review the process relating to, and the certifications of, the Chief Executive Officer and the Chief Financial Officer on the integrity of EQB's interim and annual financial statements and other disclosure documents as required.
10. Review with Management any litigation claim or other contingency that could have a material impact on EQB's financial statements.

Internal Controls

1. Require management to implement and maintain appropriate internal control processes and procedures, including internal controls over financial reporting and disclosure, and controls related to the prevention, identification and detection of fraud, as part of the Bank's Internal Control Framework, and review, evaluate and approve these procedures.
2. Review the external auditor's annual report on EQB's internal controls over financial reporting.
3. Review reports from management and Internal Audit on the design and operating effectiveness of internal controls, adequacy of reporting practices, disclosure controls, and any significant control breakdowns, including any reports concerning significant deficiencies and material weaknesses in the design or operation of internal controls.
4. Discuss with the external auditor the adequacy and effectiveness of the Bank's controls related to the prevention, identification and detection of fraud;
5. Review as required correspondence relating to inquiries or investigations by regulators concerning internal controls.
6. Review and approve the procedures established for the receipt, retention and treatment of complaints received by EQB regarding accounting, internal accounting controls or auditing matters, including confidential, anonymous submissions from employees as part of EQB's Whistleblower Policy, and receive reports from the Chief Compliance Officer as required under this Policy.

Internal Audit Function

1. Review and approve at least annually the organizational structure, resources and budget of the Internal Audit function.
2. Approve the appointment or removal of the Chief Auditor.
3. Review and approve annually the mandate of Internal Audit (developed in accordance with the professional standards of the Institute of Internal Auditors) and review the annual independence attestation.
4. Review and approve the annual audit plan including the risk assessment methodology, and satisfy itself that the plan is appropriate, risk-based and addresses all relevant activities and significant risks over a measurable cycle.

5. Review on a quarterly basis with the Chief Auditor the status of the audit plan and any changes needed, including a review of the results of audit activities, any significant issues reported to management and management's response and/or corrective actions, the status of identified control weaknesses, and ensure that Internal Audit's recommendations are acted upon within an appropriate timeframe.
6. Annually assess the effectiveness and performance of the Chief Auditor, taking into account the objectivity and independence of the Internal Audit function and any regulatory findings with respect to the Internal Audit function, and provide the results to the Chief Executive Officer as input into the compensation approval process.
7. Ensure the Chief Auditor has unfettered access and a direct reporting line to the Audit Committee to raise any internal audit, organizational or industry issues or issues with respect to the relationship and interaction between Internal Audit, management, the external auditor and/or regulators.
8. Discuss with Chief Auditor the overall design and operating effectiveness of the system of internal controls, risk management and governance systems and processes.
9. Review any difficulties encountered by Internal Audit in the course of internal audits, including any restrictions on audit scope or access to required information.
10. Review the results of independent quality assurance review of the Internal Audit function conducted at least every five years.
11. Oversee that deficiencies identified by supervisory authorities related to the Internal Audit function are remedied within an appropriate timeframe and report to the Board on the progress of necessary corrective actions.

External Auditor

1. Oversee the work of the external auditor who reports directly to the Audit Committee.
2. Recommend to the Board, subject to shareholder approval, the appointment or termination of the external auditor.
3. Review and approve the external auditor's engagement letter and annual audit plan, ensuring the audit plan is risk-based and covers all relevant activities over a measurable cycle, and monitor the plan's execution. Review with the external auditor any proposed change to the scope of the plan, including any change to the materiality level, and ensure that the work of the internal and external auditors is coordinated.
4. Review and recommend to the Board for approval the annual fee for the audit of EQB's financial statements. As part of this review the Committee should satisfy itself that the level of audit fees is commensurate with the scope of work undertaken and that any fee reduction continues to ensure a quality audit.
5. Review a formal written statement from the external auditor delineating all relationships between the external auditor and EQB that may impact its independence and objectivity, consistent with the rules of professional conduct of the Canadian provincial chartered accountants institutes or other regulatory bodies, as applicable.
6. Annually review the external auditor's opinion on EQB's annual financial statements, including the key audit matters and critical audit matters contained therein.
7. Review and assess, at least annually, the qualifications, effectiveness, independence and service quality provided by the external auditor, including a review and assessment of the lead audit partner, taking into consideration the opinions of management and Internal Audit, and any concerns raised by EQB's regulators about the external auditor's independence. Discuss the findings of the assessment with the external auditor and report on the overall effectiveness of the external auditor to the Board.
8. Conduct a comprehensive review of the external auditor at least every 5 years. As part of this review, the Committee should periodically consider whether to put the external audit contract out for tender, taking into consideration the length of the current audit firm's tenure and the risks it may pose to the audit firm's objectivity and independence, and approve the criteria for tendering the contract.

9. Approve, in accordance with the established pre-approval policy, any service to be provided by the external auditor to EQB or its subsidiaries, including audit and audit-related services and permitted tax and non-audit services.
10. Delegate the authority to pre-approve non-audit services to a member of the Committee;
11. Review any audit or non-audit service pre-approved by the delegate of the Committee.
12. Review at least annually the total fees billed and paid to the external auditor by the required categories.
13. Review and discuss with the external auditor annually the Canadian Public Accountability Board's public report and any findings specific to an inspection of EQB's audit.
14. Review at least annually a report from the external auditor which describes or includes:
    (i) the firm's internal quality control practices and procedures;
    (ii) any material issues raised by their most recent internal quality control review, peer review, or by governmental or professional inquiry or investigation within the preceding five years regarding one or more independent audits carried out by the external auditor and any steps taken to deal with such issues.
15. Monitor the rotation plan for partners on the audit engagement.
16. Review and approve policies and procedures for the employment of current or former partners or employees of the current or former external auditor, as required by applicable laws.
17. Review with the external auditor any issues or difficulties and management's response, and resolve any disputes between the external auditor and management.
18. Review all substantive correspondence between the external auditor and management about audit findings.
19. Review and approve transfers of tax liability between EQB Inc. and the Bank pursuant to Canadian tax laws.

Finance Function

1. Review and approve at least annually the organizational structure, resources and budget of the Finance function.
2. Approve the appointment or removal of the Chief Financial Officer.
3. Review and approve annually the mandate of the Chief Financial Officer.
4. Annually assess the effectiveness and performance of the Chief Financial Officer, taking into account any regulatory findings with respect to the Finance function, and convey the results to the Chief Executive Officer as input into the compensation approval process.
5. Periodically engage an independent third party to assess the effectiveness of the Finance function, review the results of that assessment and Management's response, and report such results to the Board.
6. Oversee that any deficiencies identified related to the Finance function are remedied within an appropriate time frame and report to the Board on the progress of necessary corrective actions.
7. Ensure the Chief Financial Officer has unfettered access and a functional reporting line to the Committee to raise any financial reporting issues or issues with respect to the relationship and interaction among the Finance Department, management, the external auditor and/or regulators.

Other

1. Review such returns of the Bank as the Superintendent of Financial Institutions may specify.
2. Review and assess the adequacy of this mandate at least annually and where necessary, recommend changes to the Board for approval.
3. Review EQB's investor relations activities.
4. Annually evaluate the Committee's effectiveness with respect to this mandate.

5. Participate as required or as determined by the Committee Chair in internal or external educational sessions to enhance familiarity with the Committee's responsibilities. The Bank shall provide appropriate funding for such sessions.
6. Have unrestricted access to the external auditor, management and Bank employees and have the authority to retain and terminate external counsel and other advisors to assist it in fulfilling its responsibilities, at the expense of the Bank. The Committee shall also have access to any and all books and records.
7. Perform such other functions and tasks imposed on the Committee by regulatory requirements or delegated to it by the Board.
8. Prepare a report on its activities on an annual basis for inclusion in EQB Inc.'s Management Information Circular.

C. MEMBERSHIP

1. The Committee shall consist of a minimum of three independent directors, as defined in applicable laws, rules and regulations and pursuant to the director independence policy. No member of the Committee may be an officer or employee of the Bank or its subsidiary or affiliates. No members of the Committee may be a person who is "affiliated" with the Bank as such term is defined in the Bank Act.
2. Each Committee member must be financially literate or become financially literate within a reasonable period of time after appointment to the Committee. Financially literate means the ability to read and understand financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by EQB's financial statements.
3. Committee members are appointed annually by the Board upon the recommendation of the Governance and Nominating Committee, with such appointments to take effect immediately following the annual meeting of shareholders. Members shall hold office until their successors are appointed, or until they cease to be directors of EQB.
4. No Committee member may serve on the audit committees of more than two other public companies, unless the Governance and Nominating Committee and/or the Board determines that this simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee.

D. VACANCIES

1. Vacancies may be filled for the remainder of the current term of appointment of Committee members by the Board.

E. CHAIR AND SECRETARY

1. The Board shall appoint from the Committee membership, a Chair for the Committee who shall preside at all meetings. In the absence of the appointed Chair, the Committee members may appoint a Chair from the members to preside at that meeting. The Chair shall work with management to develop the Committee's meeting agendas and annual workplan.

2. The Corporate Secretary, or their designate shall act as secretary at Committee meetings and record and maintain minutes of all meetings of the Committee and subsequently present them to the Committee for approval.

F. MEETINGS AND QUORUM

1. The Committee shall meet at least quarterly, or more frequently as circumstances dictate to carry out its mandate. Meetings shall be convened at such times, places and in such a manner as determined by the Committee Chair.
2. Meetings of the Committee may be called by the Committee Chair, by any 2 Committee members, or by the external auditor. Members may participate in meetings in person or by telephone, electronic or other communication facilities. A member participating by such means is deemed to be present at that meeting.
3. The Committee may invite any director, officer or employee or any other person to attend meetings to assist the Committee with its deliberations.
4. Notice of Committee meetings shall be sent to each Committee member in writing or by telephone or electronic means, at least 24 hours before the time and date set for the meeting, at the member's contact information recorded with the Corporate Secretary. A member may in any manner waive notice of a meeting of the Committee and attendance at a meeting is a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is now lawfully called.
5. Notice of each Committee meeting shall also be given to the external auditor and the Internal Auditor, to attend and be heard at each meeting.
6. Quorum for a meeting of the Committee shall be a majority of its members, subject to a minimum of two members.
7. Written resolutions in lieu of a meeting of the Bank's Audit Committee are permitted solely in accordance with the Bank Act (Canada).
8. Matters decided by the Committee shall be by majority vote.
9. The Committee shall meet at the beginning and/or at the end of each regularly scheduled meeting with only members of the Committee and the Chair of the Board present. The Committee shall also meet in separate private sessions with each of the external auditor, the head of Internal Audit and the Chief Financial Officer.

G. REPORT TO THE BOARD

1. The Committee Chair shall report to the Board after each Committee meeting on material matters reviewed by, and recommendations made by, the Committee.

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This mandate was last reviewed and approved by the Board on November 8, 2022.