

EQUITABLE

Fourth Quarter Report 2021

For the three and twelve months
ended December 31, 2021

TSX.EQB | EQB.PR.C

**DRIVE CHANGE
IN CANADIAN
BANKING
TO ENRICH
PEOPLE'S
LIVES**

16.6%

ROE 10-year average

325K+

Customers

**Carbon
Neutral**

Scope 1 & 2 GHG emissions

**CANADA'S
CHALLENGER
BANK™**

540%

10-year total
shareholder return

15.7%

EPS growth 10-year CAGR



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

For the three months and year ended December 31, 2021

Management's Discussion and Analysis (MD&A) is provided to enable readers to assess the financial position and the results of the consolidated operations of Equitable Group Inc. (Equitable or the Bank) for the three months (quarter) and year ended December 31, 2021. This MD&A should be read in conjunction with Equitable's unaudited interim consolidated financial statements for the fourth quarter (see Tables 25-27 in the *Fourth Quarter Overview* section of this report) and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2021. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at February 7, 2022. Equitable's continuous disclosure materials, including interim filings, annual MD&A and Consolidated Financial Statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Bank's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

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

Cautionary note regarding forward-looking statements

Statements made by Equitable in the sections of this report including those entitled "*Business Overview*", "*Investing in EQB – High Performance with Strong Capital*", "*Equitable Bank's Focus on ESG – And First Schedule 1 Canadian to Disclose Scope 3 Emissions*", "*Economic and Business Outlook*", "*Strategic Priorities and Partnerships*", "*Differentiated Approach to Capital Allocation*", "*Announced Agreement to Acquire Concentra Bank*", "*Capital, Liquidity and Funding*", "*COVID-19 Impact*", "*Financial and Strategic Initiatives Results*", "*Personal Banking*", "*Commercial Banking*", "*Provision for Credit Losses*", "*Credit Quality and Allowance for Credit Losses*", "*Liquidity Investments and Equity Securities*", "*Deposits*", "*Capital Management – Equitable Bank*", "*Fourth Quarter Overview*", "*Risk management*", 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 Equitable's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to Equitable's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "planned", "estimates", "forecasts", "outlook", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur", "be achieved", "will likely" or other similar expressions of future or conditional verbs.

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

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate, and liquidity conditions affecting Equitable and the Canadian economy. Although Equitable 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 Equitable in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its loan business, a continuation of the current level of economic uncertainty that affects real estate market conditions including, without limitation, impacts as a result of COVID-19, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Equitable does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

Select financial and other highlights	As at or for the years ended				
	31-Dec-21	31-Dec-20	31-Dec-19	2021 vs. 2020	
Operating results (\$ thousands)					
Net interest income	582,609	497,406	462,648	85,203	17%
Non-interest income	60,298	59,427	34,416	871	1%
Revenue	642,907	556,833	497,064	86,074	15%
Non-interest expenses	260,176	214,060	199,573	46,116	22%
Pre-provision pre-tax income ⁽¹⁾	382,731	342,773	297,491	39,958	12%
Provision for credit losses	(7,674)	42,280	18,394	(49,954)	(118%)
Income tax expense	97,875	76,689	72,618	21,186	28%
Net income	292,530	223,804	206,479	68,726	31%
Operating performance					
Earnings per share – basic (\$)	8.49	6.52	6.05	1.97	30%
Earnings per share – diluted (\$)	8.36	6.47	5.99	1.89	29%
Return on equity (%) ⁽¹⁾	16.7	14.8	15.5	N/A	1.9%
Efficiency ratio (%) ⁽¹⁾⁽²⁾	40.5	38.4	40.2	N/A	2.1%
Operating leverage (%) ⁽¹⁾	(6.0)	4.7	(1.4)	N/A	(10.7%)
Net interest margin (%) ⁽¹⁾	1.81	1.70	1.74	N/A	0.11%
Select balance sheet and other information (\$ millions)					
Total assets	36,159	30,746	28,392	5,413	18%
Assets under management ⁽¹⁾	42,020	35,936	33,005	6,084	17%
Loans receivable	32,901	28,272	26,608	4,629	16%
Loans under management ⁽¹⁾	38,663	33,347	31,123	5,316	16%
Total deposits	20,695	16,376	15,232	4,319	26%
Total EQ Bank deposits	6,968	4,556	2,667	2,412	53%
Total other deposits	13,727	11,820	12,565	1,907	16%
Total risk-weighted assets ⁽¹⁾	13,310	10,426	9,761	2,884	28%
Common shareholders' equity	1,882	1,575	1,395	307	19%
Credit quality (%)					
Provision for credit losses – rate ⁽¹⁾	(0.03)	0.15	0.07	N/A	(0.18%)
Net impaired loans as a % of total loan assets	0.27	0.42	0.44	N/A	(0.15%)
Allowance for credit losses as a % of total loan assets	0.15	0.23	0.14	N/A	(0.08%)
Common share information					
Common share price – close (\$)	68.91	50.50	54.68	18.41	36%
Book value per common share (\$) ⁽¹⁾	55.24	46.68	41.53	8.56	18%
Common shares outstanding	34,070,810	33,748,148	33,595,186	322,662	1%
Common share market capitalization (\$ millions)	2,348	1,704	1,837	644	38%
Dividends declared per:					
Common share (\$)	0.74	0.74	0.65	-	0%
Preferred share (\$)	1.49	1.49	1.56	-	0%
Dividend yield ⁽¹⁾ – common shares (%) ⁽¹⁾	1.4	1.8	1.5	N/A	-
Capital ratios and leverage ratio (%)⁽¹⁾					
Common equity tier 1 ratio	13.3	14.6	13.6	N/A	(1.3%)
Tier 1 capital ratio	13.9	15.3	14.4	N/A	(1.4%)
Total capital ratio	14.2	15.8	14.7	N/A	(1.6%)
Leverage ratio	4.9	5.1	4.9	N/A	(0.2%)
Business information					
Employees – full-time equivalent	1,161	925	871	236	26%
Revenue per full-time equivalent (\$ thousands)	554	602	571	(48)	(8%)
EQ Bank customers	250,423	173,399	95,535	77,024	44%

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

Select financial highlights

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating results (\$ thousands)								
Net interest income	155,952	150,852	141,839	133,966	131,117	127,431	118,707	120,151
Non-interest income	15,911	11,248	16,935	16,204	20,833	21,277	12,623	4,694
Revenue	171,863	162,100	158,774	150,170	151,950	148,708	131,330	124,845
Non-interest expenses	70,427	67,442	64,990	57,317	55,348	53,065	51,467	54,180
Pre-provision pre-tax income	101,436	94,658	93,784	92,853	96,602	95,643	79,863	70,665
Provision for credit losses	(1,420)	(3,500)	(1,982)	(772)	103	(2,357)	8,847	35,687
Income taxes	22,795	25,685	24,965	24,431	25,075	24,072	18,534	9,008
Net income	80,061	72,473	70,801	69,194	71,424	73,928	52,482	25,970
Operating performance								
Earnings per share - basic (\$)	2.32	2.10	2.05	2.01	2.09	2.17	1.53	0.74
Earnings per share - diluted (\$)	2.29	2.07	2.02	1.98	2.07	2.15	1.52	0.73
Return on equity (%)	17.0	16.0	16.5	17.1	18.2	19.8	14.7	7.2
Efficiency ratio (%)	41.0	41.6	40.9	38.2	36.4	35.7	39.2	43.4
YTD Operating leverage (%)	(6.0)	(3.3)	4.8	14.5	4.7	2.2	(2.7)	(6.3)
Net interest margin (%)	1.81	1.83	1.81	1.77	1.74	1.69	1.64	1.71
Select balance sheet and other information (\$ millions)								
Total assets	36,159	34,425	32,342	31,355	30,746	30,447	29,957	29,154
Assets under management	42,020	40,172	37,928	36,742	35,936	35,511	34,662	33,936
Loans receivable	32,901	31,475	29,893	28,892	28,272	27,592	27,709	26,781
Loans under management	38,663	37,121	35,373	34,174	33,347	32,551	32,331	31,496
Total deposits	20,695	19,758	18,413	17,427	16,376	16,373	15,636	15,475
Total EQ Bank deposits	6,968	6,914	6,531	5,798	4,556	4,319	3,288	2,707
Total other deposits	13,727	12,844	11,882	11,629	11,820	12,054	12,348	12,768
Total risk-weighted assets	13,310	12,427	11,461	10,911	10,426	10,180	9,936	9,916
Common shareholders' equity	1,882	1,800	1,730	1,660	1,575	1,501	1,427	1,378
Credit quality (%)								
Provision for credit losses - rate	(0.02)	(0.05)	(0.03)	(0.01)	0.001	(0.03)	0.13	0.54
Net impaired loans as a % of total loan assets	0.27	0.23	0.41	0.36	0.42	0.33	0.54	0.47
Allowance for credit losses as a % of total loan assets	0.15	0.17	0.19	0.22	0.23	0.25	0.27	0.26
Common share information								
Common share price - close (\$)	68.91	71.45	66.52	63.10	50.50	37.55	35.70	29.04
Book value per common share (\$)	55.24	52.90	50.97	48.93	46.68	44.62	42.45	41.00
Common shares outstanding	34,070,810	34,029,266	33,932,814	33,917,172	33,748,148	33,644,488	33,614,634	33,614,634
Common share market capitalization (\$ millions)	2,348	2,431	2,257	2,140	1,704	1,263	1,200	976
Dividends declared per:								
Common share (\$)	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Preferred share (\$)	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Dividend yield - common shares (%)	1.0	1.0	1.1	1.2	1.6	1.9	2.3	1.6
Capital ratios and leverage ratio (%)								
Common Equity Tier 1 ratio	13.3	13.7	14.4	14.5	14.6	14.3	14.0	13.5
Tier 1 capital ratio	13.9	14.3	15.0	15.2	15.3	15.0	14.7	14.3
Total capital ratio	14.2	14.6	15.4	15.6	15.8	15.5	15.2	14.7
Leverage ratio	4.9	5.0	5.2	5.1	5.1	4.9	4.8	4.7

Business overview

325,000+ Customers	\$42.0B Assets Under Management	\$21.1B Conventional Loans	\$20.7B Total Customer Deposits	42% Engaged Digital Customers	#1 Single Family Alternative Market Share	13.3% CET1 Capital Ratio	1,100+ Employees
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Equitable Group 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, chosen by Forbes as Canada’s #1 bank in 2021. Equitable Bank’s purpose is to driving change in Canadian banking to enrich people’s lives.

Equitable is regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI) and serve more than 325,000 Canadians with assets under management of over \$42 billion. Equitable is a member of the S&P/TSX Composite, the S&P/TSX Bank, S&P/TSX Dividend Aristocrats, S&P/TSX Small Cap, S&P Canada BMI, and MSCI Small Cap (Canada) indices.

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

broker channel reflects our long-term focus on providing great service. As a branchless digital bank, we stay lean and

nimble, which allows us to act quickly and profitably on new opportunities.

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

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

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

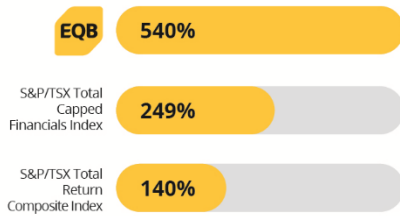
The foundation of the Equitable Bank’s successes rests with our talented teams. We employ over 1,100 Challengers who are aligned to drive change in Canadian banking. Equitable Bank’s inclusive, welcoming, and pride-inducing workplace has earned it the honour of being recognized as one of the top 50 organizations on this year's Best Workplaces™ in Canada List.



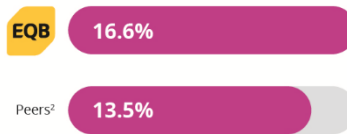
Investing in EQB – High Performance with Strong Capital

Equitable has significantly outperformed our peer group averages over the past ten years with a priority focus on Return on Equity (ROE) as our north star financial objective.

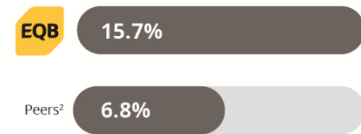
Total shareholder return (10 year)



Return on equity (10 year)



EPS growth (10 year¹)



¹ Represents diluted EPS growth 10-year CAGR from 2012 through 2021.

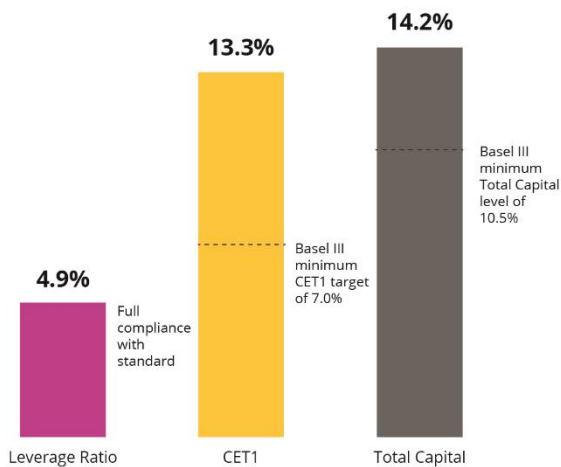
² Peers refer to Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank, Canadian Western Bank and Laurentian Bank of Canada.

Capital Strength

Equitable Bank has one of the highest CET1 ratios of all Canadian banks, despite being measured under the less favourable standardized risk weight model.

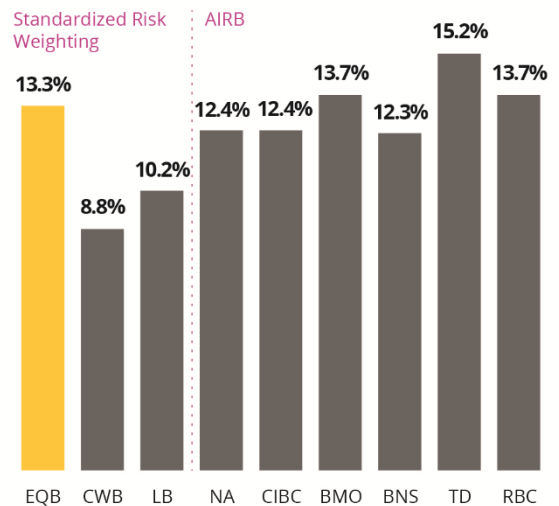
Equitable Bank Regulatory Capital Ratios

Q4 2021



CET1 Ratio, 9 Largest Canadian Banks

Q4 2021

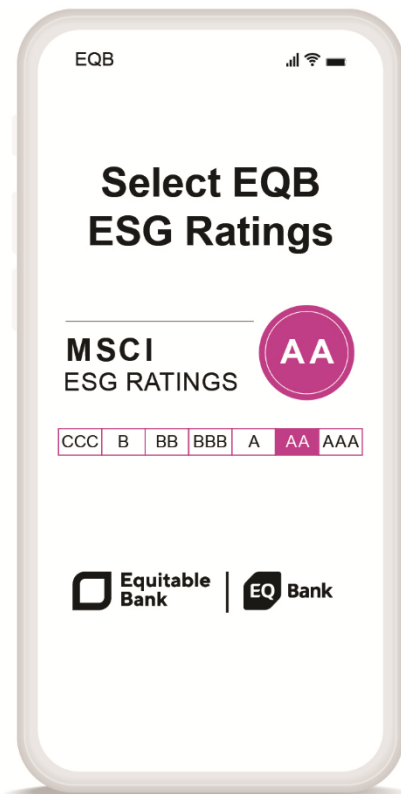
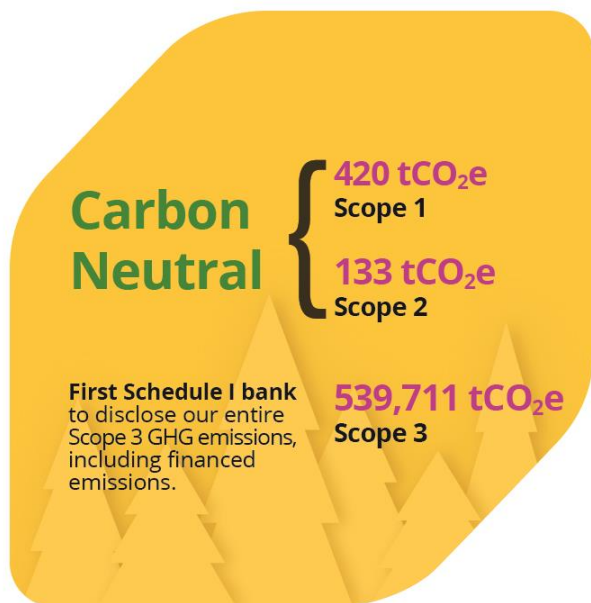


Equitable Bank's Focus on ESG – And First Schedule I Canadian Bank to Disclose Scope 3 Emissions

To achieve our purpose of enriching people's lives as Canada's Challenger Bank, we follow best Environmental, Social and Governance (ESG) practices but also make decisions differently than some other institutions. The result has been positive for all stakeholders.

Our approach begins with our Board of Directors. The members of our Board challenge our strategy in all its forms with particular focus on risk management, talent development, recruitment and retention, equity diversity and inclusion (EDI) and environmental and social governance. We see these areas as fundamental to the Equitable Bank's sustainability and future success. Through their actions, our Board has built a strong governance framework designed to create value for stakeholders, enhance long-term corporate sustainability and reduce business risk.

Greenhouse Gas (GHG) Emissions



We understand that good governance is not just about structure or framework – it is about invested people acting in a principled manner to move forward together, which is what we did in 2021. We are particularly proud of the strides made during the year in developing an environmental roadmap and putting substance behind our pledges. As a result, we became the first Schedule I Canadian bank to disclose our entire Scope 3 GHG emissions portfolio (539,711 tonnes of carbon dioxide equivalent (tCO₂e) arising from our own operations as well as from our lending portfolio (otherwise known as financed emissions). This significant accomplishment was enabled by Equitable Bank's sophisticated data management systems and comprehensive understanding of customers' business activities. Tracking in the prior year showed that our Scope 1 and Scope 2 GHG emissions were 553 tCO₂e, an amount we fully offset through the purchase of Verified Carbon Standard (VCS) emission reduction credits in 2021. As a digital bank, our emissions per dollar of revenue are far below branch-based banks in Canada but we intend to continue to challenge ourselves to do more for

the environment in future years. In 2022, we are particularly focused on working with suppliers to reduce the GHG emissions associated with our operations.

Equity, diversity and inclusion are critically important to our success and sustainability. Our Board is committed to supporting the development of a diverse, equitable and inclusive workplace culture and an environment that is actively anti-racist. This commitment is shared by the Management Committee of the Bank which is accountable for performance. Today, we are proud to operate with a diverse Board of Directors (50% of independent members are women) and a diverse workforce (50% of whom self-identify as a member of a visible minority or racialized group). At Equitable, everyone is respected equally, and offered equal opportunities in our workplace.

We encourage all stakeholders to review our 2022 ESG report and 2022 Management Information Circular at www.equitablebank.ca for more information. Both documents will be published this spring. Our ESG report will reflect upon our recent experiences with investors, rating agencies, regulators, and other stakeholders to address ESG issues.

Economic and business outlook

Equitable Bank's consistently strong capital and liquidity, coupled with a robust risk management framework, as well as diversified sources and uses of capital, position us to grow profitably and in a risk-managed way even in challenging economic environments. Equitable demonstrated its resilient performance in the pandemic-challenged years of 2020 and 2021.

To develop our 2022 business plans and drive our credit-loss models, we leveraged Moody's Analytics and statistics published by the Bank of Canada and Statistic Canada for information on general economic indicators. For general business guidance and projections, we also considered consensus estimates from Canadian bank economists.

General Guiding Economic Outlook

The COVID-19 global pandemic has triggered uncertainty and significant shifts in forecasts of growth.

Key indicator	2021 ¹	2022 Expectation ¹	Comments
GDP Growth	4.5%	3.5 – 4%	Continued growth in national economy carrying over from 2021 due to consumption growth from pent-up demand and business investment. Service sector growth expected to be strong, solid goods consumption due to dissipating supply chain constraints
Unemployment	5.9%	5.6 – 6.0%	Labour growth in the past few months is leading to unemployment rate returning to pre-pandemic levels. Labour shortages expected to persist until early 2023, pushing up average wages. Productivity rates remain lower but are expected to increase as restrictions lift and normal operations resume

(1) Sources: The Bank of Canada, Statistics Canada, Moody's Analytics, Canadian Bank Economics Reports

Key indicator	2021 ¹	2022 Expectation ¹	Comments
House Price Index (HPI)	10.3%	6.0 – 7.5%	Limited supply, increased prices, and higher interest rates are expected to slow housing sales in 2022, although housing turnover in resale markets will continue to remain elevated above normal levels.
Consumer Price Index (CPI)	3.4%	2.1 – 3.5%	The Bank of Canada expects inflation to be elevated in the first half of 2022, and start to ease back towards target levels late 2022.
Immigration	401,000	411,000	Well up from 185,000 in 2020. Some expectations that the 411,000 target from the Government of Canada will increase even higher than the current 411,000. 2023 target remains 421,000

The Bank of Canada (BoC) uses monetary tools to maintain price stability within targeted levels. In recent years, the BoC has reduced interest rates to historically low levels (0.25% since March 2020) and engaged in buying Government of Canada bonds (known as Quantitative Easing) to offset the impact of the pandemic on the nation's economy and support the liquidity of the financial system. Due to a strong economic recovery in 2021 and the highest level of inflation in 30 years, the BoC recently signaled a change in monetary policy. In the fall of 2021, it curtailed what it called its "extraordinary monetary policy support" in the form of bond purchasing. In its first policy interest rate announcement of 2022 (on January 26), the BoC kept its overnight rate at 0.25% but noted that interest rates "will need to increase, with the timing and pace of those increases guided by the BoC's commitment to achieving" its 2% inflation target. The BoC also noted in its January 2022 report that elevated housing market activity continues to put upward pressure on prices.

Like other banks, we may not consistently realize our financial performance goals if business or competitive conditions, funding availability, capacity in securitization markets, the regulatory environment, the housing market, the economic impact of COVID-19, or general economic conditions differ from expectations.

Digital

Digital adoption continues to grow. More than 76%² of Canadian customers are using online and mobile banking to conduct most of their banking transactions. The ease and convenience of digital has also led customers to interact more frequently with their banks, with over 61%³ interacting at least once a week up from 50%⁴, with an expectation of this to continue to grow as an addressable market.

(1) Sources: The Bank of Canada, Statistics Canada, Moody's Analytics, Canadian Bank Economics Reports

(2) <https://cba.ca/technology-and-banking>

(3) <https://www.pwc.com/us/en/industries/banking-capital-markets/library/digital-banking-consumer-survey.html>

(4) <https://www.accenture.com/ca-en/insights/banking/consumer-study-making-digital-banking-more-human?src=SOMS>

We are aware and sensitive to the fact that different age groups have unique preferences and different expectations of their digital banking experiences. A recent US survey by EY found that 51%¹ of consumers born between 1997 and 2011 (Gen Z) name a fintech company as their most trusted financial brand rather than a bank. This likely reflects the fact that the Gen Z cohort has grown up in the fintech era. In thinking about the future, we keep close watch to understand consumer preferences and expectations. As a digital-first Challenger Bank, we believe we have a natural advantage. We look to align our practices to what our customers want and expect. It is why we put a premium on functionality and ease of use, provide superior deposit rates, low and no-cost banking services with transparent terms and invest in meaningful innovations that create customer engagement. We also believe Canadians of all ages prefer working with digital banks that share their personal values and social concerns. By keeping those values and concerns at the forefront of our decisions, we will remain a go-to Challenger Bank for all Canadians.

Housing

We remain constructive in our outlook of the Canadian housing market, and our ability to continue to grow within our 2022 core business guidance. Canada recorded 667,000² home sales in 2021 and over 270,000³ housing starts – a key economic development gauge and the highest on record. In 2022, home sales and housing starts are expected to be 580,000⁴ and 225,000⁵, respectively. Even with this level of growth, we continue to support the perspective that there is a significant imbalance in supply and demand. Household formation continues to outstrip the completion of new housing units, partially due to increased immigration rates pushing up demand.

Immigration growth will create additional demand for the construction of both single family residential and multi-family residential properties. Our Bank lends on both forms of housing and is a top choice for new immigrants. Although the federal government, through CMHC, has created new affordable housing construction incentives (its MLI Select program launches in March 2022), many believe it will take years to correct this supply-demand imbalance.

As a provider of reverse mortgages, we also stand to benefit from Canada's aging demographics. The desire to age at home among Canadian seniors was already very high and has increased due to COVID-19 – likely with some impact on home resale activity and therefore market supply – while rising home prices has created equity that Equitable Bank can help customers unlock to finance their retirement lifestyles.

Business Outlook

The Canadian financial industry (which includes 33 domestic banks and more than 200 credit unions/caisses populaires) remains much more consolidated than the United States or Europe. While competitive, Canada remains largely dominated by the six Domestic Systemically Important Banks (D-SIBs), who collectively manage 90% of total assets under management in Canada. This concentration presents significant continued long-term opportunity for banks like Equitable Bank to create new and distinct offerings for Canadians, consistent with our value proposition of smarter products with exceptional service.

(1) https://www.ey.com/en_us/nextwave-financial-services/how-financial-institutions-can-win-the-battle-for-trust

(2) <https://creastats.crea.ca/en-CA/>

(3) <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410013501>

(4) <https://thoughtleadership.rbc.com/the-fever-breaks-canadas-housing-market-will-cool-but-stay-strong-in-2022/>

(5) <https://www.conferenceboard.ca/e-library/abstract.aspx?did=11243>

With our focused strategy, increasingly diversified funding costs and technological capabilities, we are well positioned to win with emerging trends. This includes how we focus on the mortgage broker channel. Our constructive view of this channel is really driven by the value of the advice brokers provide to their customers, ultimately ensuring that they get the best mortgage for their needs. This very much aligns with our focus of driving change in Canadian banking to enrich people's lives.

After record growth in 2021, we are providing the following results guidance for 2022:

Medium-term core guidance	2022 Adjusted ¹	2021 Results	3 Year Trailing Average
ROE	15% +	16.7%	15.7%
Pre-Provision Pre-Tax Income Growth (PPPT) Growth	12% +	12%	19%
Diluted EPS Growth	8% - 10%	29%	20%
Dividend Growth	51% increase announced in Q1 2022 followed by quarterly ² increases	0%	11%
BVPS Growth	12% +	18%	15%
CET1 Ratio	13% +	13.3%	13.8%

(1) In Q1 2022 Equitable will introduce adjusted earnings to account for the costs associated with the announced agreement to acquire Concentra Bank.

(2) The dividend declared on February 7, 2022 represents a 51% increase over the dividend declared in February 2021. Dividends are expected to increase between 20% - 25% from the levels that otherwise would have been paid out in 2021 had capital distributions not been restricted by OSFI at the onset of the pandemic.

This guidance is founded in diversified conventional loan growth, our core earnings engine. Our EPS growth guidance reflects the relative year-over-year impact of provision for credit losses (PCL) reversals in 2021, while our expectations of strong PPPT growth excludes this impact.

In November 2021 we provided early guidance that we are now confirming for 2022. For greater detail on each asset category please refer to the business line sections respectively for outlook. While we intend to introduce segmented earnings for the Personal Banking and Commercial Banking in the first quarter of 2022, we have not separated out our earnings guidance for 2022 at this level at this time.

Y/Y Growth	2022 Guidance	2021 Results	3 Year Trailing Average
Total Lending	12% – 15%	16%	12%
Risk Weighted Assets	16% – 18%	28%	15%
EQ Bank Deposits	20% – 30%	53%	49%
Single Family Alternative	12% – 15%	30%	12%
Reverse Mortgages	150% +	325%	334%
Cash Surrender Value Loans	100% +	84%	434%
Business Enterprise Solutions	10% – 15%	16%	10%
Commercial Finance Group	10% – 15%	22%	12%
Insured Multi-unit Residential	0% – 5%	7%	6%
Specialized Financing	20% – 30%	122%	45%
Equipment Leasing	10% – 15%	31%	19%

In addition to the medium-term objectives above, we rely on the following key metrics to assess the performance of the business relative to our peers and the effectiveness of our strategy:

	2022 Guidance	2021 Results	3 Year Trailing Average
Net Interest Margin	1.80% – 1.85%	1.81%	1.75%
PCLs	Normalized Trend	(0.03%)	0.06%
Operating Leverage	Flat	(6.0%)	(0.9%)

As we continue to execute on our strategic plan and live our vision as Canada's Challenger Bank™, we remain focused on capital and risk management. Our decisions are guided not just by short-term financial returns but by a longer-term view that protects our depositors, builds value for our shareholders, leads to strong customer retention and affinity, and considers our role in understanding and addressing climate change. We are determined to avoid the reputational and regulatory issues that many banking industry participants have faced around the globe.

Impact of Concentra Bank Acquisition on Guidance

In general, we refer you to our news release here www.equitablebank.ca and the *Announced agreement to acquire Concentra Bank* section below for accretion guidance outlined for ROE, earnings, and our balance sheet. All guidance is subject to closing conditions and regulatory approvals, which may impact timelines or accuracy.

Expenses – Our Investments

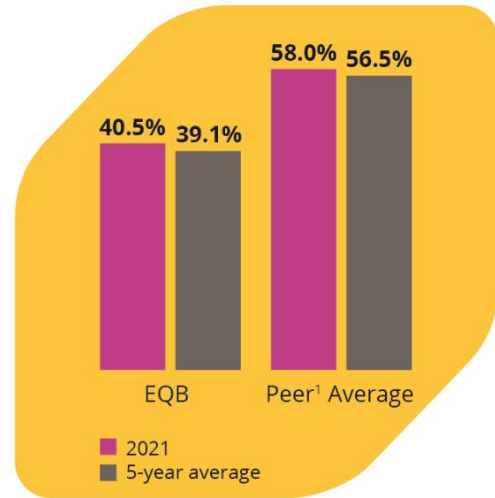
To achieve our ROE and growth objectives, we plan to continue to invest in people, processes, and technology. While non-interest expenses increased by 22% in 2021, these expenses allowed us to retain and acquire talent in a competitive hiring market, and to invest in technological improvements. We expect expense growth to be lower in 2022, but we view continued investment in people, processes and technology as an enabler of business growth at our historical levels of ROE achievement.

Our 2021 efficiency ratio of 40.5%, compared to guidance of 39-41%, continues to illustrate the advantages of our branchless digital business model over our industry peer group and demonstrates Equitable’s ability to readily manage overhead expenses in an ever-changing environment.

With a sizable portion of our costs being discretionary, we are able to manage expenses to ensure we deliver our north star ROE targets. Decisions on expense levels are made to balance the benefit of strong short-term returns and investments required to ensure future growth and long-term value. In 2022, we expect to grow expenses in line with revenue resulting in flat operating leverage. Our efficiency ratio should remain relatively consistent with 2021 levels. Expense levels may fluctuate from period to period due to costs associated with the planned acquisition of Concentra Bank, the launch of our EQ Bank payments solutions, and the timing of marketing campaigns. As we continue to build more products, there may be a mismatch in benefit realization from these initiatives and their associated costs. Generally, the costs are amortized on a straight-line basis, but it takes time to build portfolios or acquire new customers. Although capitalization of internal development costs generally helps align the cost and benefits, this alignment is never exact.

We will be introducing adjusted earnings in Q1 2022 to account for planned one-time and integration costs for the acquisition of Concentra Bank, which also accounted for \$0.7 million additional one-time spend in our Q4 2021 results.

Efficiency Ratio (2021 and 5-year Average)



¹ Peers refer to Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank, Canadian Western Bank and Laurentian Bank of Canada.

Strategic priorities and partnerships



In 2021, our strategic priorities included:

- Grow market share in core assets through superior customer service
- Grow adjacent assets through expanded distribution
- Build stronger direct customer relationships via enhanced digitization
- Issue covered bonds
- Complete Advanced Internal Rating-Based (AIRB) model recalibration and validation

Please refer to our *Financial and Strategic Initiatives Results* section for progress against these priorities.

Growth and Innovation with Partnerships

Fintech partnerships enable exploration of opportunities aligned with both our asset and deposit strategies. We are focused on:

- Investments that enable participation in new businesses delivered through innovative platforms
- Partnerships in distribution, marketing, and white label opportunities that serve our customers and generate interest and non-interest revenue for our Bank
- Engagements with external technology solutions, leveraging APIs to offer an innovative range of services

The graphic below highlights some key partnerships and clients by product group



Canada’s banking sector has embarked on a payments modernization journey with the two primary systems being replaced with Lynx and Real-Time Rail. We are readying ourselves for this advancement in several ways. In the second half of 2022, we intend to introduce an EQ Bank payment card. It will allow customers to use their funds to make ecommerce and in-store purchases along with cash withdrawals, all with no fees, attractive rewards, and a seamless all-digital experience.

The EQ Bank Payment card will add an important new level of convenience for customers and cement our status as an attractive chequing account alternative. The card will also add an interchange-based revenue stream for the Bank. We recently entered a multi-year strategic arrangement with Mastercard as a formative step in our payments plan. Our plan includes offering credit card services to fintechs and others by positioning Equitable Bank for what’s known in the industry as BIN sponsorship. A key pillar of our payments strategy includes connecting directly to the Real-Time Rail (Real-Time Rail is a Payments Canada project – please refer to the *Payments Modernization* section of this MD&A for further details). This will allow us to better enable real-time payments and associated innovation to our customers and enable Equitable to play a crucial role in the ongoing modernization of the Canadian payments landscape.

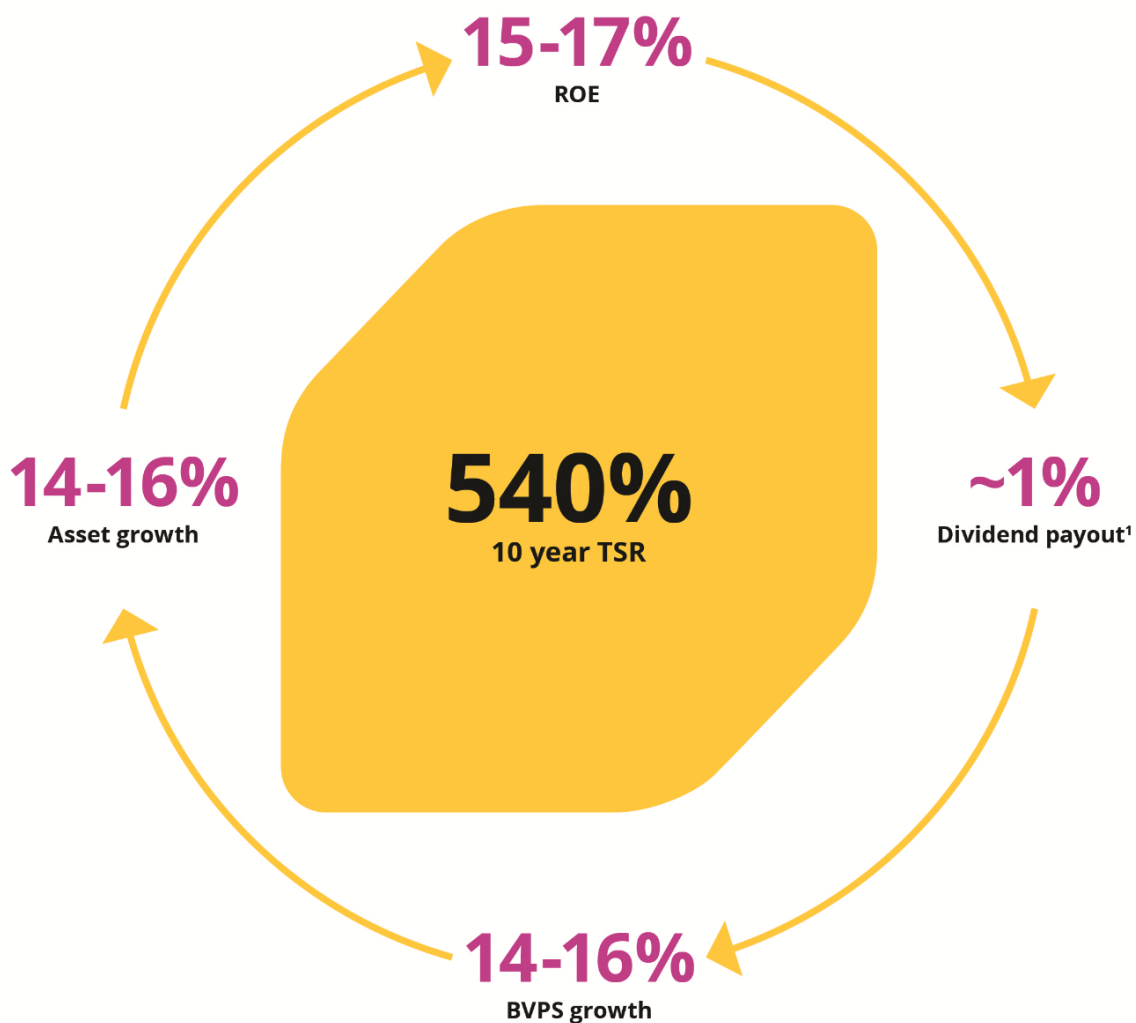
Consumer-directed finance (also known as Open Banking) is on the federal government’s policy agenda. Our Bank’s open APIs and openness to fintech collaborations position us well for what we expect to be a transformational industry change.

Differentiated approach to capital allocation

For 51 years, Equitable Bank has been a proud Canadian Financial Institution. Since establishing our bank license in 2013 and launching our digitally native cloud-based EQ Bank platform in 2016, we have become one of the fastest growing, consistent, and predictable performance leaders for investors.

The discipline we apply to adhering to our value creation formula and the distinct trade-offs we make in allocating our shareholders' capital are key drivers of our track record. In our 2015 annual report, we highlighted our approach to value creation and are proud to still hold consistent to this Equitable value-creation equation today.

We distinguish ourselves from other Canadian banks by way of our consistent long-standing principle of creating value through capital allocation. We operate within the same general regulatory framework as other Schedule I banks, including D-SIBs. However, they apply an Advanced Internal Rating-Based (AIRB) approach to capital while we use a Standardized Approach. Although the Standardized Approach under the capital adequacy guidelines offers the benefit of simplicity, it is generally more punitive with respect to capital allocation relative to AIRB.



¹ 1% is a percentage of capital

The rate at which a bank increases BVPS and EPS for any period is described by the following two identities (ROE being return on equity and Payout Ratio being the percentage of dividend per share relative to diluted EPS):

$$\text{Change in BVPS} = \text{Opening BVPS} (\text{ROE} \times (1 - \text{Payout Ratio}))$$

$$\text{Change in EPS} = \text{ROE} \times \text{Change in BVPS from prior period}$$

In recent years, Equitable has consistently generated ROE of greater than 15%, while paying out approximately 10% of earnings. If we assume that our Bank's management has the tools and discipline to maintain ROE and the Payout Ratio at the same levels, the implication is that BVPS and EPS grow at a compound rate of over 15% annually. This basic value creation formula can be tested against our Bank's 10-year historical results:

- Our diluted EPS compound annual growth rate was 15.7% while BVPS grew 15.9%.
- Our TSR of 540%, relative to peers at 208%.

Our current Price/Earnings-to-Growth (PEG) ratio is 0.58, indicating that the EQB stock remains undervalued based on our future earnings expectations relative to our peers.

Over the past 10 years, we have generated an average ROE of 16.7% and paid out approximately 1.7% of capital, equivalent to approximately 10% of earnings.

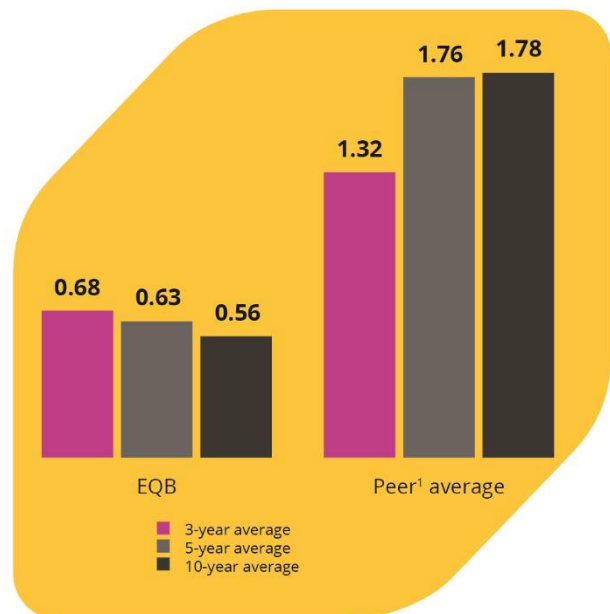
How We Create Value with Each Capital Allocation Decision

In evaluating capital allocation decisions, we apply a rigorous and methodical approach to evaluating opportunities, including returns on loans on a risk adjusted basis and investing in products, services, and new capabilities. We have a long history of using a proprietary ROE calculator to maintain a disciplined approach to loan pricing and provide the right return for the capital deployed. We apply a similar discipline to innovation and the broader digitization of Equitable Bank. To effectively evaluate these opportunities, we have developed thresholds for investing with high minimum net present value expectations, shorter repayment periods, ROE hurdles of 15%+, cost of ownership considerations, reduction of technical debt, and a consideration for API-first approaches. We prioritize spending on products and services that would best support our growing customer base where we have a strategic advantage without necessarily being everything to every customer.

When evaluating capital allocation to EQ Bank, our goal is to increase the value we deliver to our digital customers as a means of building franchise value. We focus on driving customer lifetime value of 7-10x and balance that against the cost of customer acquisition. In general, we direct a minimum of 30%-40% of our initiative spending on innovation as a target vs sustaining and enhancing the current product suite.

Evaluating progress against our digital strategy is critical to our evolution. We gauge our success by measuring customer engagement through customer satisfaction scores and feedback, the number of products held by a customer and the frequency of use of EQ Bank's various services. In Q3 2021, we began disclosing these metrics and over the past

PEG Ratio (Historical Average)



¹ Peers refer to Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank, Canadian Western Bank and Laurentian Bank of Canada.

three years, the average number of products held by a customer has increased by 32% while the use of EQ Bank services grew by 13%.

Key examples of capital allocation effectiveness:

Select Investments	Results
Bennington Financial Acquisition	<ul style="list-style-type: none"> Acquired for \$47MM at 1.3x P/BV in December 2018 Since acquisition, Bennington’s portfolio has grown at 18.7% 3-Year CAGR Diversified into new asset class Bennington's ROE more than exceeds Equitable's north star ROE target
Reverse Mortgages	<ul style="list-style-type: none"> Commenced lending in 2019 for modest capital investment Portfolio increased 325% year-over-year in 2021 and exceed targets In September 2021, Ontario Teachers’ Pension Plan Board announced an agreement to acquire HomeEquity Bank, estimated at a very significant multiple of book value demonstrating the value of this business
Covered Bonds	<ul style="list-style-type: none"> Issued €350 million of covered bonds in September 2021, 3x oversubscribed to 40 new investors across 15 countries Lowest cost of wholesale funding at 55 basis points below GICs Capital cost of setting up program will be paid back in the first year following issuance
US Dollar Accounts	<ul style="list-style-type: none"> US Dollar account launched on EQ Bank in June 2021 and has attracted \$165 million deposits Added a new foreign exchange revenue stream for EQ Bank

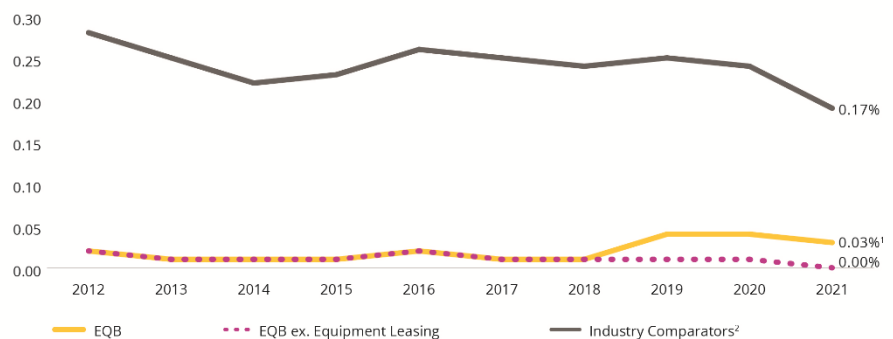
Overall, we have prioritized capital allocation in a manner that generates sustainable returns for investors, while servicing the needs of our customer base and making progress on our long-term objectives. We are confident that our allocation decisions today will translate into sustainable growth and attractive returns for the Bank in the years to come.

Our Capital Deployment Strategy Translates to the Lowest Credit Losses Among Peers

Our prudent capital strategy has a material impact on reducing the risk we assume, allowing us to make lending decisions that minimize losses.

We have a mature risk management framework that guides all our activities. We operate within a strict risk appetite and we will not stretch that appetite to achieve our growth objectives. While our risk weighted assets (RWA) grew faster than our long-term goals in 2021 following lower levels in 2020 due to the pandemic, our 3-year average RWA growth is 15%, exactly within our value creation formula. Our rigorous framework has resulted in an

Credit Losses to Total Loans

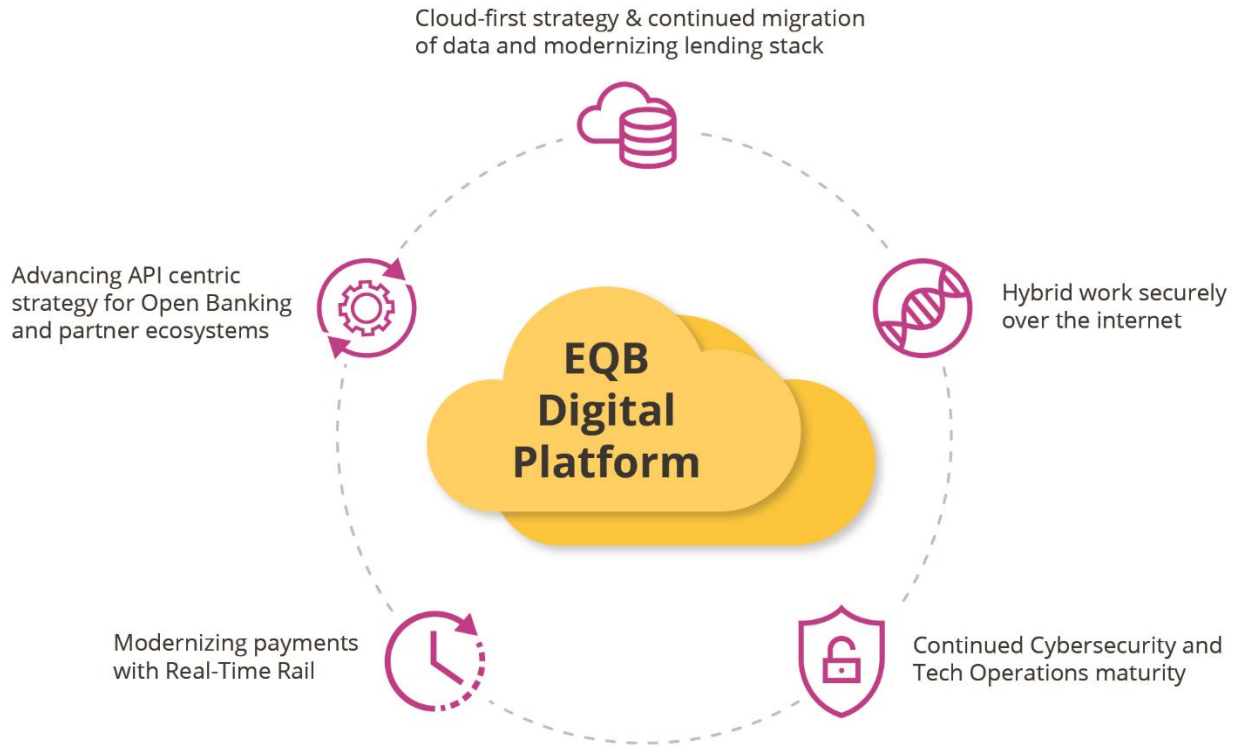


¹ EQB's credit losses are defined as Stage 3 losses under IFRS 9 methodology.

² Industry Comparators refer to Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank, Canadian Western Bank, Laurentian Bank of Canada and Home Capital Group.

average provision for credit loss rate of just 0.04% over the past five years - the lowest among all Schedule I banks in the S&P/TSX Bank Index.

2022+ Continued Improvement Anchored in Technology and Innovation



We think about technology as both a critical enabler for our employees and as a core capability to deliver innovative experiences and offerings for our customers. Equitable Bank's digital platform is Cloud-first, which provides us core capabilities to scale our business in a secure and cost-effective way, while also granting access to advanced and modern platform tools and security on Microsoft Azure.

Our growing team of technologists is leveraging these capabilities strategically to leap-frog towards modern ways of working, such as our path to enable our employees to work securely over the internet. In true challenger fashion, this innovative solution for the Bank will improve our cybersecurity posture, employee efficiency and engagement, while also reducing the complexity and cost of our operating environment.

We continue to evolve the API centric architecture of our digital platform to offer services and products created by the Equitable Bank as well as those from our fintech partners. Utilizing APIs allows us to efficiently build a true digital offering: differentiating customer experiences that are scalable with real-time integrations end-to-end. The digital platform is now being extended to drive efficiency in our lending businesses - from digitization of underwriting to credit risk management. Our modern technology platform is well positioned to support Equitable Bank's continued growth and efficiently meet the needs of Open Banking and real-time payments.

Behind the digital platform, we are fueled by continued investment in technology talent and maturation of our cybersecurity and the operations of technology. We maintain a key focus on building maturity with lean processes and teams that allow for empowerment and agility of technologists with their daily work.

All of this guides and informs how we invest and allocate capital across the Equitable Bank. Going forward we will continue to enact very intentionally against our technology strategy to deliver value.

Select Projects	Timing	Comments
EQ Bank Payments and BIN sponsorship	Late 2022	EQ Bank Card will offer important convenience to customers and a new revenue stream for the Bank. BIN sponsorship to allow Equitable Bank to use the payments infrastructure to earn additional fee income and meet a clear market need
EQ Bank Quebec Launch	Late 2022	Undergoing assessments of the Quebec landscape for EQ Bank launch, including impacts to customer facing digital platforms
Open Banking (OB)	2023	With a cloud based digital core banking system and microservices heavy stack, continue aligning to the infrastructure OB demands
Azure Cloud Migration	2022-23	Levering Azure to run nearly 75% of the infrastructure, with a plan to re-engineer and migrate the remainder in 2022
Lending Technology Stack Modernization	2023	Enhancing customer and broker-facing capabilities across the stack
Data Maturity	2022-23	Enhancing analytical environments with strategic Cloud data platforms
Cybersecurity and Technology Operations Maturity	2022	Continued enablement of best-in-class governance frameworks to drive consistency and zero trust framework
Hybrid Work and new Office at 25 Ontario St, Toronto, Ontario	Q2 2023	Modernizing our infrastructure to eliminate our corporate network and enabling all work to be done securely over the internet when working remotely or in the office
AIRB	Late 2023	Improving the sophistication of our capital management



Continued Critical Themes of Innovation Focus for Capital Allocation and Change

Open Banking

Open Banking will change the way Canadians experience digital banking. The user experience will be much more seamless, efficient, and secure. The streamlined data sharing in the financial ecosystem will bring more choices of financial products for Canadians and spur new innovations.

Canada's Open Banking journey has been slow so far, as compared to other jurisdictions around the world. With a customer centric approach, the open data economy would ensure a fair market with user-permissioned data available for newer and smaller players bringing innovation and cost reduction in the industry.

EQ Bank, Canada's Challenger Bank™ believes Open Banking will have a significant positive impact on the economy by improving the product offerings tailored to customer needs and giving more control to consumers. EQ Bank is a strong supporter of Open Banking in Canada and the benefits it will bring to Canadian society. Given our Challenger Bank culture, our agile and scalable technology infrastructure, and our security posture, EQ Bank is in a unique position to innovate and create a better banking experience for Canadians when Open Banking arrives in Canada.

EQ Bank's value proposition in Open Banking ecosystem:

- (i) **Partnership for products and services:** Open Banking opens avenues for EQ Bank to partner with other entities to provide new products and services to its customers via its platform. EQ Bank's philosophy is anchored in leveraging partnerships for innovative products and services.
- (ii) **EQ product and service availability:** By exposing its own product and services at external engagement points like product comparison websites, financial products recommendation services, EQ Bank will bring new customers onboard via this channel.
- (iii) **Fintech driven user experience backed by EQ Bank products:** Fintechs can drive innovation by building customer centric front-end applications and fit for purpose niche products. EQ Bank, with its easy-to-integrate open APIs, can position itself as a white-labeled banking product servicer for fintechs, bringing a new customer base to Equitable Bank.

Payments Modernization

Payments modernization continues to be a top priority for Equitable Bank due to the growing need for real-time money movement in Canada and to meet the needs of customers on our digital banking platform. We are working closely with Payments Canada and the broader industry to support the successful launch of the Real-Time Rail (RTR). We are excited by the potential of RTR to drive innovation in how Canadians make payments and to increase competition in the wider payments eco-system.

We believe this will ultimately benefit Canadian consumers and businesses in moving money faster, cheaper and with richer contextual data through the ISO 20022 data standard. Participating directly in RTR and the Payments Modernization efforts will position Equitable Bank to play a meaningful role in driving this innovation and improving access to the real-time payments platform for the broader payments eco-system.

Announced agreement to acquire Concentra Bank

On February 7, 2022, Equitable Bank announced its intent to acquire Concentra Bank, the 13th largest Schedule I bank in Canada. To effect the acquisition, we entered into definitive agreements with the Credit Union Central of Saskatchewan (SaskCentral) to acquire their 84% ownership interest and support agreements with additional Concentra shareholders representing a majority of the remaining 16%. The acquisition is subject to customary closing conditions and regulatory approvals and is expected to close in the second half of 2022.

Strategic Rationale

This is the largest ever acquisition for Equitable Bank, and directly aligns with the Bank's strategic priorities, including:

1. Growth with complementary conventional assets
2. Diversifies and enhances revenue & funding sources
3. Expands the reach of Canada's Challenger Bank™
4. Financially compelling and accretive to earnings within one year of closing, while maintaining strong capital.

Scale is important as it enables banks to grow efficiently and cost effectively in serving customers, improves competitiveness, and enhances financial and organizational strength. The scale we achieve by adding Concentra will address these fundamentals and accelerate Equitable Bank's expansion plan by up to three years. Most importantly, our more formidable scale will allow us to better serve our purpose of driving change in banking to enrich people's lives. Simply put, our scale will allow Equitable to be bigger and better for all stakeholders.

Why Concentra Bank

Culturally and operationally, Concentra and Equitable are well aligned. Concentra's approach to customer service excellence and innovation reflects a challenger mindset. Concentra employs a talented team that is committed to growth and community building with high integrity. Like Equitable Bank, Concentra is active in residential mortgage and commercial lending, asset classes we know well and find attractive from a risk return perspective. Also similar, Concentra is a branchless financial institution devoted to providing Canadians with best-in-class financial services. Concentra is forward-looking with digital capabilities and fintech partnerships, highly aligned with Equitable Bank's focus.

Concentra's trust services to credit unions, including registered plan offerings to credit union members, are new areas for Equitable to pursue that will add to our growth potential.

This broader scale creates capacity to expand our existing \$2 billion covered bond program which will further enhance funding diversification and contribute to our low cost-of-funds strategy.

Attractive Accretion and Synergies

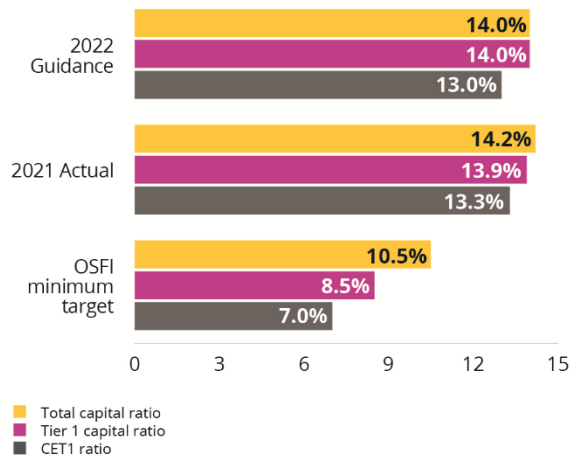
This acquisition is consistent with Equitable Bank's disciplined capital allocation and risk management approach. It is expected to deliver mid-single digit accretion to adjusted EPS in the first full year following the closing of the acquisition.

We encourage all stakeholders to review the news release announcing this transaction. For further information, please refer to our website at www.equitablebank.ca.

Capital, liquidity and funding

Capital

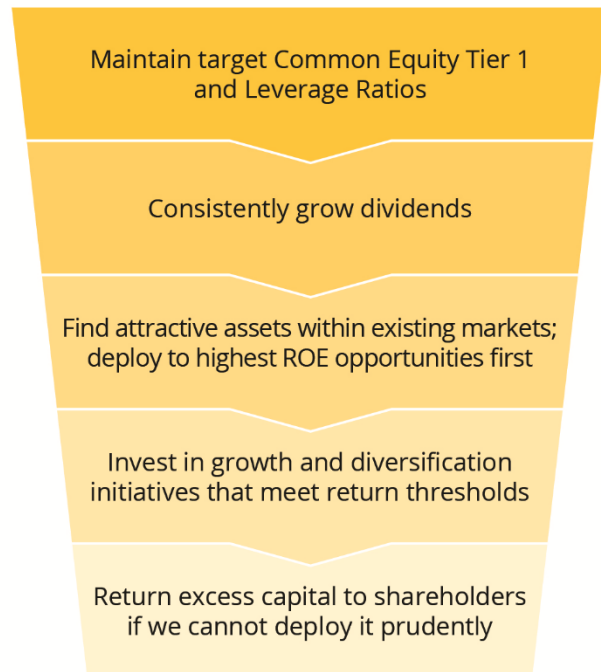
Capital Ratios



The Bank’s capital position is fundamental to our future success. We evaluate our capital using Total Capital, Tier 1, and CET1 Ratios as defined by OSFI, which measure the Bank’s loss-absorbing ability, relative to the size of our risk-adjusted asset base. Even as a Standardized bank on our journey to AIRB, our capital position remains one of the highest amongst Canadian banks, well above regulatory minimums, and positions us for strong future growth. We deployed \$126 million of excess capital that accumulated during the first year of the pandemic and increased our Risk Weighted Assets in 2021. We believe that the best returns for our shareholders arise from deploying capital in interest income-generating, core lending products. We aim to be highly capitalized, particularly compared to other standardized banks, as a matter of principle.

Capital Management Framework

Strong capital base allows us to pursue our growth objectives while returning capital to shareholders



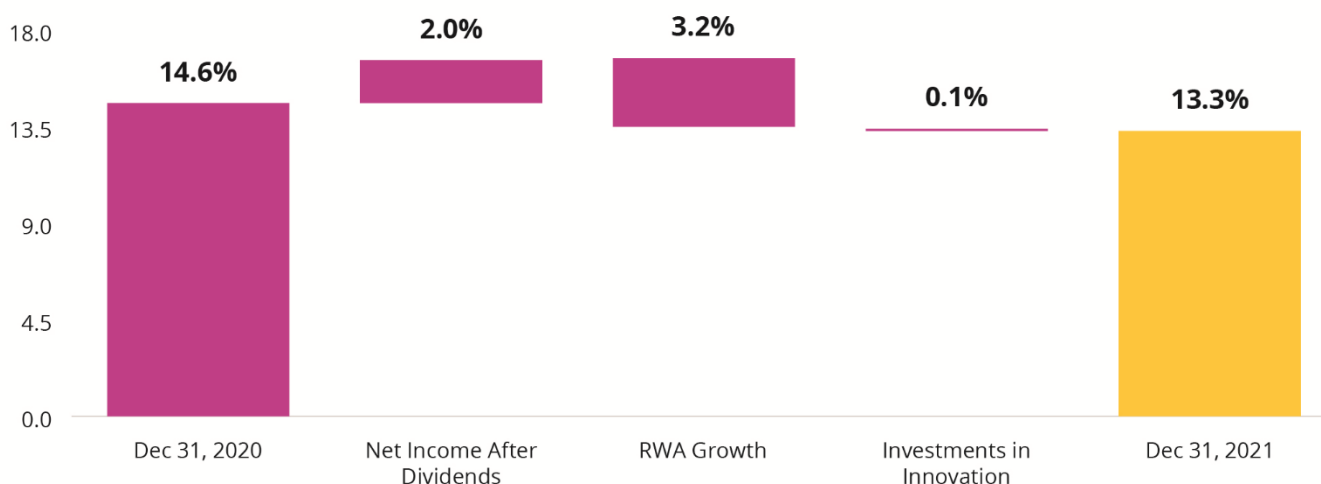
Our financial forecasts and stress testing indicate that our capital levels are very strong and would allow Equitable Bank to withstand a wide range of severe stress events. The transition to AIRB is an important step in the Bank’s maturity and sophistication. We continue to advance this initiative with the objective of refining our risk rating models and capital allocation methodology, as well as filing our pre-application package with OSFI in 2022, subject to additional evaluation underway as part of our agreement to acquire Concentra Bank. Subject to any shifts in timing, our objective is now to transition to AIRB in late 2023. We note that setting objectives for obtaining regulatory approval to operate on an AIRB basis may include assumptions outside of the Bank’s control, and that unforeseen delays may occur. The benefits of AIRB include improving the sophistication of our risk management, allocating AIRB levels of capital to our risks, and introducing capital methodologies that enable us to compete more effectively across a broader range of assets, and free up more capital to further grow risk weighted assets in a prudent manner. Our ongoing analysis continues to confirm that AIRB has the potential to have a meaningful impact on our total RWA and a related potential economic benefit to the Bank. This analysis suggests that our CET1 Ratio could improve by as much as 200-400 bps under AIRB after full adoption.

On January 31, 2022, OSFI completed its Basel III reforms and released final capital and liquidity rules. We continue to assess the impact of these rule changes but anticipate that they will not have a material impact to our capital and liquidity management once they take effect in the second quarter of 2023. As a diversified challenger bank, these final guidelines continue to substantiate our rationale for pursuing AIRB approval.

Capital Deployment

In 2019, the Board announced its intention to grow the Bank's dividends by 20% to 25% per year over the ensuing five years. These plans were placed on hold as a result of regulatory guidance from OSFI to the industry to restrict capital distribution. In November 2021, these restrictions were lifted and the Bank's Board is pleased to resume its planned dividend increases beginning in March 2022 with a 51% increase over the dividend declared in November 2021.

Change in Equitable Bank CET1 Capital Ratio



We intend to achieve our growth organically over the medium-term but will continue to examine non-organic growth opportunities that will enable us to achieve our strategic objectives and diversify our distribution capabilities and revenue sources. We intend to maintain access to the capital markets, so that we have the capacity to finance acquisitions that create value for our shareholders. This approach is demonstrated by our recently announced intention to acquire Concentra Bank by raising equity through subscription receipts and a term facility offered by a syndicate of Canadian banks.


Normal Course Issuer Bid

On December 21, 2021, Equitable announced that it received the approval of the TSX to renew its NCIB of up to 2,325,951 of its Common Shares and 289,340 of its Non-Cumulative 5-Year Rate Rest Preferred Shares Series 3, representing approximately 10% of its public float of each class of shares as at December 10, 2021. Equitable intends to purchase a maximum of 1,150,000 Common Shares under the terms of the NCIB which will expire on December 22, 2022. Purchases under the renewed NCIB may occur until the NCIB maturity date or on such earlier date as the NCIB is complete. Between December 23 and December 31, 2021, Equitable did not purchase and cancel any preferred or common shares.

Liquidity and Funding

Managing Equitable's liquidity and funding risk is a central focus. Our objective is to hold sufficient liquidity so that we remain well positioned to manage unexpected events that may reduce access to funding. Equitable monitors its level of liquidity by measuring liquid assets relative to the minimum requirements under its liquidity policy. These minimum requirements ensure adequate liquidity under both business-as-usual and contingent scenarios. At December 31, 2021, the Bank held liquidity in excess of its policy threshold.

In addition, Equitable Bank measures liquidity as mandated by OSFI using the Liquidity Coverage Ratio (LCR) metric. At December 31, 2021, our LCR was well in excess of the regulatory minimum of 100%. From an absolute dollar perspective, Equitable increased its liquid assets held for regulatory purposes to \$2.9 billion at December 31, 2021 from \$2.8 billion at December 31, 2020. The increase in liquid assets was a result of higher near-term funding requirements and a shift in deposit mix.



Equitable Bank
€350,000,000
0.010% Covered Bonds
Due 2024

Diversification of funding is a strategic priority. Our most significant funding development in 2021 was the receipt of approval from CMHC on Equitable Bank's \$2 billion legislative covered bond program. On September 16, 2021, we completed our first issuance of €350 million covered bonds in Europe, which attracted interest from more than 40 investors across 15 countries. The issue was close to three times oversubscribed, and the bonds were priced at a spread of 15 bps over EUR mid swaps. Inclusive of all costs, this transaction introduces a source

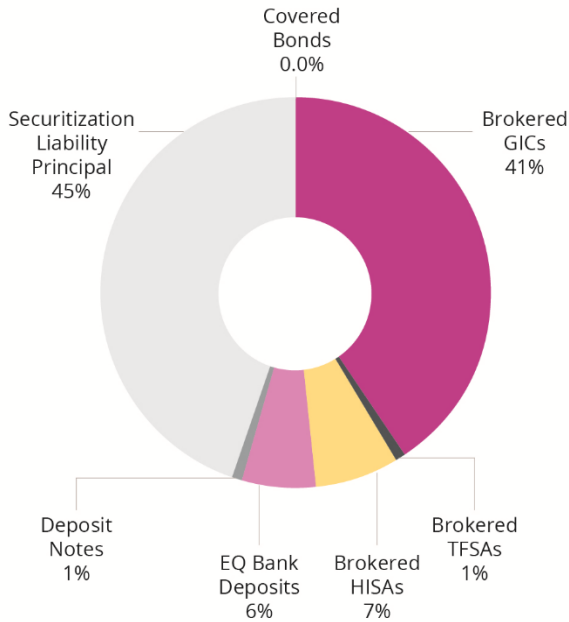
of wholesale funding that is the lowest available to the Bank by greater than 55 basis points.

We are committed to a long-term deposit note program. In 2021, we completed three issuances for a total of \$800 million. This included our largest-ever and best-priced institutional placement of a \$400 million 2.5-year fixed rate deposit note in November, which was priced at 93 bps over comparable term Government of Canada bonds. This offering was approximately three times oversubscribed, reflecting investors' recognition of Equitable Bank in the fixed income market and the strength of our deposit note program. We intend to continue offering deposit notes regularly in Canada.

All of these funding sources lowered our risk profile and positioned us for continued balance sheet growth, all while still allowing us to offer competitive rates to our customers.

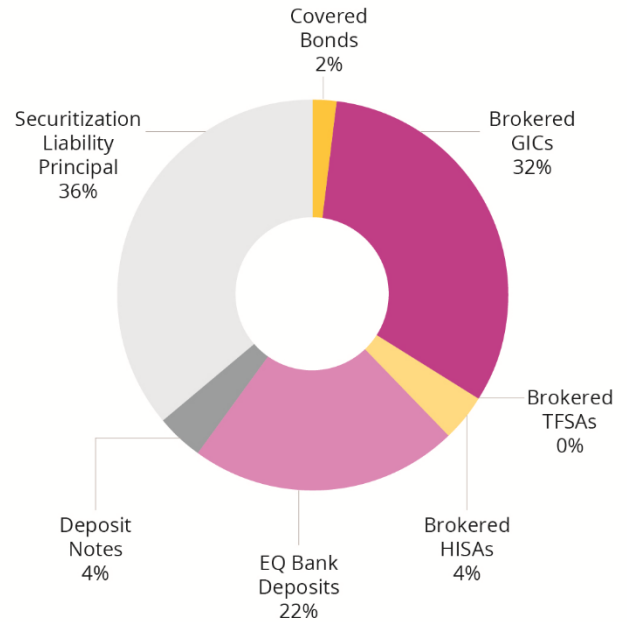
31-Dec-16

\$18B total funding
87% term funded



31-Dec-21

\$32B total funding
74% term funded



COVID-19 impact

It has now been nearly two years since the World Health Organization declared the outbreak of COVID-19 a global pandemic on March 11, 2020. The disruptive effects were felt immediately across Canada and around the world. Equitable responded quickly and in a comprehensive, thoughtful manner. As our country continues to experience successive waves of COVID-19 and temporary lockdowns, some economic uncertainty remains. Equitable Bank is committed to supporting Canadians at all times, especially during this challenging era by offering better financial value and services, all while continuing to apply our long-standing, rigorous approach to risk management.

As we launch into 2022, our hope is that our communities remain safe and healthy, that the economy continues its path to growth and stability, and we can all return to a sense of normal, together again.

Ensuring Employee Safety and Business Continuity

While some in person office work began in the second half of 2021, as lockdown measures eased, the pandemic situation reversed late in the year with the onset of the Omicron variant. At the time of writing, approximately 95% of employees are working from home. We have made significant investments to further improve the ability of our staff to work securely in a hybrid environment – whether in the office or at home. This innovative use of technology is foundational to our Challenger mindset, with the Bank aspiring to be the first bank in Canada to have a simplified and modern solution that is highly efficient as well as secure.

Productivity remains high even as we head into the third year of the pandemic with employees continuing to productively work from home. To help employees cope with the stress that accompanies a health crisis of this nature, Equitable Bank reinforced its health support system within its broader employee health and wellness programs. Additional offerings for employees included compensation for commuting to work when necessary, voluntary Rapid Antigen Testing program at all office locations, monetary benefits for home office purchases, expansion of our gym membership reimbursement to include home workout equipment, and the creation of a fully virtual platform that includes physical workouts, mindfulness, nutrition classes, yoga and more.

Serving Customers

Canada's Challenger Bank™ plays an important role for customers by providing a safe place to store value and by lending capital to help people buy homes and build businesses through our Personal and Commercial banking operations. Through the pandemic lockdowns, the Bank continued to support Canadians by maintaining lending activities, expanding product and service offerings, and continuing to pay attractive rates of interest on our conveniently accessible savings products.

Maintaining Lending Activities and Managing Credit Risk

The Bank continued to lend in all asset categories in 2021 on the belief that we could play a constructive role in providing liquidity to the Canadian economy.

Our provision for credit losses was increased significantly in the first quarter of 2020, and through 2021 we released a combined \$16.3 million. Allowances for credit losses as a percentage of total loan assets is 0.15%, near pre-pandemic levels but still elevated due to continued lockdowns and the emergence of new COVID-19 variants of concern. Our ACL reflects management's best estimate of expected credit losses based on loan specific characteristics and expected macro economic forecasts as required by IFRS9 accounting standards for both performing and impaired loans. We have modeled these expected losses based on our current book of business, macroeconomic forecasts provided by Moody's Analytics, and applying our experienced credit judgement. Although we monitor and evaluate our risk models for predictability, there is no certainty that these expected losses will materialize in the amount or the timing projected by our models.

Financial and strategic initiatives results

Performance Against 2021 Strategic Priorities

In 2021, Equitable successfully delivered on its ambitious growth agenda and generated a new all-time annual earnings record. Overall asset growth met and in some cases exceeded our high growth targets. Our focus on uninsured loans resulted in a 31% increase in conventional loans year-over-year, positioning Equitable for continued success in 2022. To help fund this growth, EQ Bank grew its deposits to \$7.0 billion (+53% year-over-year) and its customer base to over 250,000 (+44% year-over-year). Our best-in-class efficiency ratio in 2021 was 40.5%, within our 2021 target of 39-41%.

Strategically, operationally, and financially, 2021 was considerably productive:

- Net income grew by \$68.7 million or 31% in 2021 to \$293 million
- Net interest income increased by \$85.2 million or 17% to \$583 million
- Diluted Earnings Per Share (EPS) grew from \$6.47 to \$8.36
- ROE was 16.7%, within our target range, and despite being suppressed by 1.1% due to additional capital held above our CET1 ratio target of 13.0%, reflecting the Equitable value creation approach which has delivered consistently high ROE for over a decade
- Book value per share grew 18% to \$55.24
- Capital ratios were above our target and exceeded the regulatory minimum
- Realized losses remained low at 3bps of total assets or \$9.6 million

The rise in net interest income was mainly driven by growth in Conventional loans, widened spreads arising from lower funding costs, and higher net prepayment income. We recorded a PCL reversal during the year as previously expected credit losses did not materialize and macro-economic forecasts continued to improve. Non-interest revenue was lower year-over-year due to a return to normalized gains on securitization activity compared to 2020 when the volumes were higher and margins wider due to the funding market disruption.

This strong performance was supported by our people and technology as we committed to invest in our employees, digitalization, and IT infrastructure. Non-interest expenses were up \$46.1 million or 22% from 2020 to \$260 million.

Our accomplishments in 2021, coupled with our differentiated approach to capital allocation, lay the foundation for more success in future years.

Dividends

Common share dividends

On February 7, 2022, Equitable's Board declared a quarterly dividend of \$0.28 per common share, payable on March 31, 2022, to common shareholders of record at the close of business on March 15, 2022. This dividend represents a 51% increase over dividends declared in November 2021. As noted previously, the Board intended to grow the dividend 20-25% annually for five years beginning in 2019, but this plan was deferred and the rate of this increase generally reflects that deferral.

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

Preferred share dividends

On February 7, 2022, the Board declared a quarterly dividend of \$0.373063 per preferred share, payable on March 31, 2022, to preferred shareholders of record at the close of business on March 15, 2022.

Strategic Objectives for 2021	Accomplishments
Grow market share in core assets through superior customer experience	<ul style="list-style-type: none"> • Increased our Personal loan business year-over-year by 16%, led by growth in the Alternative single family portfolio of 30% • Grew our Commercial loan business by 19% year-over-year, led by an increase of 28% within conventional commercial including equipment leases • Delivered record conventional loan growth in the year of \$4.9 billion or 31% • Increased our loan pipeline on higher market demand, service excellence, and system enhancements to better serve our customers and partners • Launched the Evolution Suite® prime mortgage solutions in Quebec, now serving Canadians coast-to-coast
Grow adjacent asset volumes through expanded distribution	<ul style="list-style-type: none"> • Decumulation assets increased to 297 million, led by reverse mortgages +325% as we built brand awareness and increased our market penetration • Partnered with Coast Capital and Alterna to offer Equitable's reverse mortgage product to their eligible members • Extended our CSV lines of credit offering to qualifying insurance policy holders through our new partnership with Sun Life, Manulife, Desjardins, and Foresters Financial • Expanded our specialized financing business to a record level of \$646 million • Grew our equipment leasing portfolio by \$174 million or 31% year-over-year, led by \$105 million or 83% growth in prime leases
Build stronger direct customer relationships via enhanced digitization to drive excellent customer experience	<ul style="list-style-type: none"> • Grew our EQ Bank deposits to \$7.0 billion, up 53% from last year • Expanded our EQ Bank depositor base by 44% year-over-year to over 250,000 customers • Launched EQ Bank Mortgage Marketplace, a new digital platform that allows our customers to shop over 2,000 mortgage products offered by Canadian lenders • Named Canada's #1 Bank on the Forbes World's Best Banks 2021 list • Introduced EQ Bank US Dollar Accounts • Launched revamped EQ Bank digital experience for Interac® e-Transfers • Increased the number of currencies offered through our innovative and cost-effective international money transfer service to 49 • Continued to maintain high level of customer engagement measured by use of services each month and the number of products held by each customer
Issue covered bonds	<ul style="list-style-type: none"> • Issued 3-year covered bonds of €350 million with broad investor participation
Complete AIRB model recalibration and validation	<ul style="list-style-type: none"> • Recalibration and back-testing of our suite of AIRB models reinforced the strategic benefits of the AIRB program

Personal Banking

4.10% Average Yield¹

707 Average Beacon²

60% Average LTV³

39% Insured⁴

¹ The average yield is the weighted average interest rate of the Bank's Alternative single family mortgages.

² The beacon score reported here represents the current weighted average beacon score of the Bank's Alternative single family mortgages.

³ The LTV represents the average LTV of existing uninsured residential mortgages and is computed based on the current property values that are estimated using a Housing Price Index.

⁴ The ratio presents the percentage of insured personal loans over total personal loans.

Personal Banking operates through three businesses lines – EQ Bank, Residential Lending, and Wealth Decumulation. Our businesses serve customers with innovative products and services that disrupt the status quo of banking by giving customers better financial value and an end-to-end customer experience. Our customer segments transverse all stages of life including students, the self employed, entrepreneurs, high net worth individuals, Canadians seeking retirement and retirees. We specifically look for opportunities to create better banking experiences and to address segments underserved by other financial institutions. Our competition includes other Schedule 1 banks, trust companies, mortgage lenders, and certain fintechs.

The table below summarizes key portfolio metrics as at year end December 31, 2021.

		2021 Actual	Y/Y Growth	2022 Outlook ⁽¹⁾
EQ Bank	Deposits	\$7.0 billion	53%	20%-30%
Single Family Residential Lending	Alternative Mortgages	\$14.4 billion	30%	12%- 15%
	Prime Mortgages	\$7.6 billion	(7%)	0%-5%
Wealth Decumulation	Reverse Mortgages	\$0.25 billion	325%	150% +
	Cash Surrender Value Loans	\$0.05 billion	84%	100% +

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

Among our 2021 key milestones, we:

- Achieved record volume in our single-family Alternative mortgages business with originations up 119% year-over-year
- Launched EQB Evolution Suite® prime mortgage solutions in Quebec in Q4 2021
- Introduced EQ Bank US Dollar Account and mortgage lending within the EQ Bank platform in Q2 2021
- Increased the total number of EQ Bank transactions by 95% and increased the number of EQ Bank customers who have more than one product with us by 120%
- Expanded distribution for our decumulation business, including launching and generating significant volume through a direct-to-consumer channel for reverse mortgages and doubling of the number of insurance lending partner advisors

Strategic Objectives for 2022	Description
Grow core assets	<ul style="list-style-type: none"> • Increase our alternative mortgages commitment rate through solutions-based underwriting • Launch new origination and servicing programs to increase fee income
Grow adjacent assets through expanded distribution	<ul style="list-style-type: none"> • Launch direct to consumer online application capabilities for select products • Continue to build the breadth and depth of broker and partner relationships
Stronger direct customer relationships	<ul style="list-style-type: none"> • Launch new products and several product variations • Improve customer experience and engagement

Outlook

EQ Bank



EQ Bank’s compelling value proposition and expansion into a broader ecosystem of banking products has been met with increased consumer interest. COVID-19 also accelerated a push to digital offerings and forever changed our perception around the digital world. As a result, EQ Bank experienced significant growth in 2021. In the fourth quarter, we opted not to follow the one-time rate campaigns of competitors in favour of maintaining our brand promise of rate equality across the customer base. As a result, we did not see deposit growth between Q3 and Q4 but we also avoided material cost of funds increases for our shareholders. We expect moderate growth for our EQ Bank deposits in the first half of 2022 as this trend continues but expect strong growth in Q3 and Q4 as these pressures subside and we launch EQ Bank payment cards, expand to Quebec, and further enhance our onboarding experience.

The opportunity in digital banking is significant as Canadians continue to gain comfort with pure digital solutions, show increased desire to save, and gain awareness of the superior value proposition our Challenger Bank solutions offer. Per IMF estimates, Canadian households accumulated more excess savings during the pandemic than any other G7 country. Along side increased consumer interest, EQ Bank continues our focus on efficient marketing campaigns to maintain our low cost of customer acquisition as well as product development that drives up the lifetime value of our customers.

During 2021, EQ Bank was named on Forbes list of the World’s Best Banks 2021, including #1 Bank in Canada. EQ Bank was also honoured by Ratehub.ca by winning its Personal Finance Award for having Canada’s top high-interest savings, RRSP savings, TFSA Savings Accounts.

EQ Bank’s ongoing focus on creating a differentiated customer experience, including an end-to-end redesign of the Interac® e-Transfer experience in Q3 2021, resulted in 89% of customers indicating they were satisfied or very satisfied with their experience and a material increase in customer satisfaction over the last two quarters of 2021. Over the three years ended 2021, the average number of products held by a customer increased by 32%, while engagement among our customers, measured by transaction frequency increased by 13% amidst significant customer growth overall. Securing the

primary banking relationship, defined as multiple EQ Bank products inclusive of the account where recurring income or payroll is deposited, is a key strategic priority for EQ Bank in 2022 and beyond.

Residential Lending

The Canadian housing market continued to demonstrate significant resilience in 2021 with elevated activity and strength in mortgage rate spreads. Macroeconomic forecasts continue to demonstrate some uncertainty, but the general trend has improved leading into 2022. The Bank of Canada is now expected to raise interest rates in the middle quarters of 2022 which may reduce affordability. However, strong employment signals and sustained immigration should result in continued growth for both our Alternative and prime insured mortgage businesses, as we expand distribution channels and increase conversion rates. The integration of and investment in new technologies will also enhance the customer experience and efficiencies within our business.

Wealth Decumulation

Equitable Bank delivered on its ambitious plans for its Reverse Mortgage and Insurance Lending businesses in 2021. We believe that Canadian demographics continue to point to a significant growth opportunity for these businesses and that the momentum achieved in 2021 is sustainable. Equitable plans to capture a larger share of the market in 2022 by increased consumer marketing investment for Reverse Mortgages and the launch of an Immediate Financing Arrangement (IFA) product suite within Insurance Lending. This launch was announced at the end of January 2022.

Commercial Banking

5.20% Average Yield¹

42% Insured²

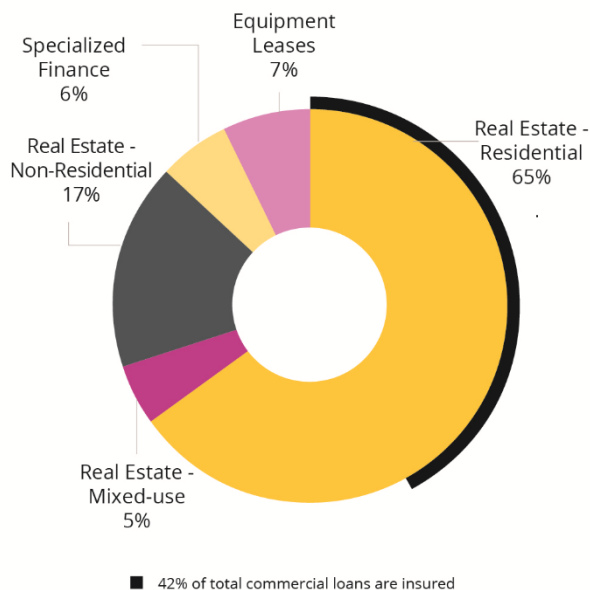
¹ The average yield is the weighted average interest rate of the Bank's Conventional commercial loans.

² The ratio represents the percentage of insured commercial loans over total commercial loans.

Our Commercial Banking operates through five business lines – Business Enterprise Solutions, Commercial Finance Group, Multi-unit Insured, Specialized Finance, and Equipment Leasing – serving over 18,000 business customers. Our businesses compete in the market based on service excellence, the breadth and strength of our partnerships, and our in-depth market knowledge. Our competition varies widely across each business line and can include the large banks but more commonly the smaller banks and other independent financial institutions and lenders.

Commercial Banking experienced strong growth in 2021 despite business lockdowns and other COVID-19 related challenges for our clients. The table below summarizes key portfolio metrics at year end December 31, 2021 and our outlook for 2022.

Commercial Loans by Industry Type



		2021 Actual	Y/Y Growth	2022 Outlook ⁽¹⁾
Business Enterprise Solutions	Loans to entrepreneurs and SMEs ⁽²⁾	\$1.1 billion	16%	10% - 15%
Commercial Finance Group	Loans to institutional and corporate investors	\$3.9 billion	22%	10% - 15%
Multi-Unit Insured	CMHC Insured Real Estate Mortgages ⁽³⁾	\$4.1 billion	7%	0% - 5%
Specialized Finance	Total Loans	\$0.6 billion	122%	20% - 30%
Equipment Lending	Total Loans	\$0.7 billion	31%	10% - 15%

(1) Outlook represents expected growth rate from December 31, 2021 to December 31, 2022. (2) Small or medium-sized enterprises. (3) Insured Multi-unit residential include only on-balance sheet loans.

Among our 2021 key milestones, we:

- Delivered record originations across the Commercial Banking business lines including total conventional origination growth of 51%, leading to portfolio growth of 28%
- Completed the roll out of the RAISE underwriting platform, a multi-year project undertaken to digitize our core Commercial underwriting processes
- Grew the lower risk “prime” equipment finance assets with these loans now comprising 32% of the equipment leasing portfolio
- Completed the technology integration and onboarding of new partner relationships to grow CMHC insured originations in future years

Strategic Objectives for 2022	Description
Grow core assets	<ul style="list-style-type: none"> • Enhance service levels by increased digitization of “front end” client onboarding processes and “back end” underwriting and servicing capabilities • Build the breadth and depth of broker and partner relationships by delivering exceptional service • Increase capabilities and leverage market opportunities of CMHC insured construction and term lending
Grow adjacent assets through expanded distribution	<ul style="list-style-type: none"> • Leverage established specialized expertise to grow lending to other lenders • Build internal capabilities and technology solutions to deliver outstanding service
Stronger direct customer relationships	<ul style="list-style-type: none"> • Increase direct client origination and deepen relationships through expanded distribution and building internal capabilities

Outlook**Commercial Real Estate Lending (Commercial Finance Group, Business Enterprise Solutions, and Insured Multi-unit Residential)**

Equitable Bank’s Commercial real estate lending experienced strong growth in 2021 despite lingering pandemic related challenges. Strong opportunities persist for further growth in 2022. We believe that population growth, demand for housing units and densification of in Canada’s major urban centres provide attractive opportunities for growth in multi-family lending. Other long-term shifts such as an ageing population, the growth of the self-employed sector, the increasing need for self-storage units and the increasing demand for industrial space to support growing logistics and distribution businesses provide other opportunities for Commercial real estate lending growth and align well to existing products and our lending focus. Commercial real estate lending focuses on building the breadth and depth of partner and broker relationships, which it expects to lead to continued success in 2022 and beyond. The strategic objective of building more direct business through leveraging our deep real estate expertise and market knowledge is expected to continue to pay dividends.

Specialized Finance

As planned, growth in commitments in 2020 led to strong loan growth in 2021 as utilization rates increased and additional facilities were added. Providing outstanding lending solutions to other lenders remains a focus for Equitable. With the continued expansion of our capabilities, strong market conditions and our unique and customized lending approach, high loan growth is anticipated in 2022.

Equipment Lending (Bennington Financial Group)

Bennington Financial provides unique and innovative commercial vehicle and equipment leasing services to small businesses across Canada. As the impact of COVID-19 subsided during 2021, Bennington Financial executed on its plan to grow originations with a focus on quality. A key focus has been on the growth in the prime segment which also serves to reduce the risk profile of the equipment leasing book. With the focus on building the depth of broker relationships and the continued strength of the logistics, transportation and construction segments, Bennington is confident in its ability to deliver its annual growth plans of 10% to 15%.

Financial review – earnings

Table 1: Income statement highlights

(\$000s, except per share amounts)	2021	2020	Change	
Net income	292,530	223,804	68,726	31%
EPS – diluted	8.36	6.47	1.89	29%
Revenue	642,907	556,833	86,074	15%
Provision for credit losses	(7,674)	42,280	(49,954)	(118%)
Non-interest expenses	260,176	214,060	46,116	22%

Net interest income

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

Table 2: Net interest income

(\$000s, except percentages)	2021			2020		
	Average Balance	Revenue/Expense	Average rate ⁽¹⁾	Average Balance	Revenue/Expense	Average rate ⁽¹⁾
<i>Revenues derived from:</i>						
Cash and equivalents	1,866,291	17,561	0.94%	1,875,950	22,509	1.20%
Equity securities	141,412	6,422	4.54%	114,278	6,374	5.58%
Alternative single family mortgages	12,297,513	504,350	4.10%	11,313,808	532,981	4.71%
Prime single family mortgages	7,971,634	149,703	1.88%	7,417,506	155,678	2.10%
Decumulation loans	172,393	6,892	4.00%	48,939	2,206	4.51%
Total Personal loans	20,441,540	660,945	3.23%	18,780,253	690,865	3.68%
Conventional commercial loans	4,988,293	259,325	5.20%	4,185,720	237,876	5.68%
Equipment leases	621,733	62,167	10.00%	502,608	55,306	11.00%
Insured multi-unit residential mortgages	4,154,490	100,900	2.43%	3,866,261	108,735	2.81%
Total Commercial loans	9,764,516	422,392	4.33%	8,554,589	401,917	4.70%
Average interest earning assets	32,213,759	1,107,320	3.44%	29,325,070	1,121,665	3.82%
<i>Expenses related to:</i>						
Deposits	18,481,560	307,684	1.66%	15,739,574	364,047	2.31%
Secured backstop funding facility ⁽²⁾	-	-	N/A	-	2,483	N/A
Securitization liabilities	11,804,162	214,535	1.82%	11,214,298	250,690	2.24%
Others	488,957	2,492	0.51%	608,177	7,039	1.16%
Average interest bearing liabilities	30,774,679	524,711	1.71%	27,562,049	624,259	2.26%
Net interest income and margin		582,609	1.81%		497,406	1.70%

(1) Average rates are calculated based on the daily average balances outstanding during the year. (2) Since its establishment in June 2017, there were no draws on the secured backstop funding facility. The facility was effectively terminated on December 11, 2020.

NII was up \$85.2 million or 17% year-over-year due to 10% growth in average assets and an 11 bps increase in NIM.

Table 3: Factors affecting 2021 v 2020 NIM

	Impact (in bps)	Drivers of change
Business mix	8	<ul style="list-style-type: none"> • Growth in our higher spread Conventional commercial mortgages • Decrease in relative size of our low yielding cash and equivalents <i>offset in part by:</i> <ul style="list-style-type: none"> • Funding mix shift towards our relatively higher rate EQ Bank deposits and deposit notes
Rates/spread ⁽¹⁾	(6)	<ul style="list-style-type: none"> • Lower yield earned on cash and equivalents, and equity securities • Lower spreads on Commercial mortgages originated over the past year
Other	9	<ul style="list-style-type: none"> • Higher levels of early discharge within our Personal loan portfolio driving prepayment income • Net cost savings associated with \$687 million of Alternative single family mortgages insured in Q2 2020 • Cost savings from the termination of our secured backstop funding facility in Q4 2020 • Fair value adjustments and other
Change in Total NIM	11	

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

Non-interest income

Table 4: Non-interest income

(\$000s)	2021	2020	Change	
Fees and other income	22,157	22,589	(432)	(2%)
Net (loss) gain on loans and investments	(443)	6,803	(7,246)	(107%)
Net gain on strategic investments	16,801	418	16,383	3,919%
Securitization activities:				
Gains on securitization and income from retained interests	20,292	30,183	(9,891)	(33%)
Fair value gains (losses) on derivative financial instruments	1,491	(566)	2,057	363%
Total	60,298	59,427	871	1%

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

- Higher net gains on our strategic investments driven by dividends received from an equity investment; and
- Net unrealized fair value gains on derivative positions associated with securitization activities compared to losses in the prior year;

Offset by:

- A decrease in gains on securitization and income from retained interest, mainly due to lower gain on sale margin. The abnormally high gain on sale margin in 2020 was driven by wider-spread multi-unit residential mortgages originated during the pandemic related funding market disruption; and
- A net loss on certain loans and security investments versus a gain last year.

Non-interest expenses

Table 5: Non-interest expenses and efficiency ratio

(\$000s, except percentages and employees)	2021	2020	Change	
Compensation and benefits	128,965	108,185	20,780	19%
Technology and system costs	43,310	36,878	6,432	17%
Product costs	27,207	21,237	5,970	28%
Marketing and corporate expenses	22,857	17,429	5,428	31%
Regulatory, legal and professional fees	22,159	19,441	2,718	14%
Premises	15,678	10,890	4,788	44%
Total	260,176	214,060	46,116	22%
Efficiency ratio	40.5%	38.4%	N/A	2.1%
Full-time employee (FTE) – year average	1,036	890	146	16%

We continue to operate efficiently on both an absolute basis and relative to other financial institutions, particularly after taking into account the scale of our operations and branchless operating model. Our efficiency ratio for the year was 40.5%, within our target range of 39-41%. This reflects higher investment in 2021 following some reduced investments during the pandemic, with targeted higher investment in new products, people, process and technology.

Total operating expenses increased by \$46.1 million or 22% compared to 2020 mainly due to:

- Higher compensation and benefits costs, resulting from a 16% increase in FTE, annual salary adjustments ensuring we compensate our top talent in reflection of wage growth in the Canadian market, and a higher incentive payout;
- An increase in technology and system costs to support, maintain, and enhance our core banking systems, the EQ Bank platform, and our IT infrastructure to facilitate an evolving work-from-home operating model;
- Higher product costs, mainly driven by amortization of capitalized costs for projects completed over the past 12 months;
- Growth of marketing costs as we launched an extensive campaign to promote our reverse mortgage business and EQ Bank products compared to 2020 when our focus was more on lower cost and small-scale marketing activity;
- Growth in regulatory, legal and professional fees related to business consulting fees, higher CDIC premiums due to an increase in insurable deposits, and costs related to the announced agreement to acquire Concentra Bank; and
- An increase in premises costs largely due to accelerated amortization of leasehold improvements associated with certain office leases that were terminated early given the work-from-home environment and plan for the Toronto office move in 2023.

Excluding amortization and depreciation costs for our premises, and product and technology initiatives, expenses would have increased 16% year-over-year, down from 22% reported.

Provision for credit losses (PCL)

Table 6: Provision for credit losses

(\$000s, except percentages)	2021	2020	Change	
Stage 1 and 2 (recovery) provision	(16,272)	30,788	(47,060)	(153%)
Stage 3 provision	8,598	11,492	(2,894)	(25%)
Total	(7,674)	42,280	(49,954)	(118%)
PCL – rate	(0.03%)	0.15%	N/A	(0.18%)

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

During the year, we released \$16.3 million of Stage 1 and 2 allowances through the income statement that had been built up during the onset of the pandemic. The release of allowances was the function of Macroeconomic forecasts which continued to improve throughout the year and the absence of realized losses that were expected to materialize during the last 12 months. The level of Stage 1 and 2 allowances is deemed appropriate based on our expected loss modeling and experienced credit judgement.

Stage 3 provisions – those related to impaired loans – decreased by \$2.9 million as a result of a decline in impaired lease formations. Management concluded that this level of provision and the resulting allowance for credit losses appropriately reflects the estimates of the likely credit losses on our impaired loan balances.

Financial review – balance sheet

Table 7: Balance sheet highlights

(\$000,000s, except percentages)	31-Dec-21	31-Dec-20	Change	
Total assets	36,159	30,746	5,413	18%
Loan principal – Personal	22,303	19,306	2,997	16%
Loan principal – Commercial	10,500	8,851	1,649	19%
Total deposits	20,695	16,376	4,319	26%
Total EQ Bank deposits	6,968	4,556	2,412	53%
Total liquid assets as a % of total assets ⁽¹⁾	8.5%	9.5%	N/A	(1.0%)

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

Total assets increased by \$5.4 billion or 18% from last year mainly driven by growth of \$4.9 billion or 31% in our wider margin Conventional loans within our Personal and Commercial loan portfolios. To fund these assets, we grew our deposits by \$4.3 billion led by EQ Bank deposits which grew 53% year-over-year or \$2.4 billion.

Total loan principal

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

Table 8: Loan principal by lending business

(\$000s)	31-Dec-21	31-Dec-20	Change	
Alternative single family mortgages	14,392,904	11,050,456	3,342,448	30%
Prime single family mortgages	7,613,131	8,170,752	(557,621)	(7%)
Decumulation loans	296,505	84,978	211,527	249%
Total Personal Lending – on balance sheet	22,302,540	19,306,186	2,996,354	16%
Conventional commercial loans	5,675,250	4,466,513	1,208,737	27%
Equipment leases	732,682	558,987	173,695	31%
Insured multi-unit residential mortgages	4,091,768	3,825,667	266,101	7%
Total Commercial Lending – on balance sheet	10,499,700	8,851,167	1,648,533	19%
Total Loans – on balance sheet	32,802,240	28,157,353	4,644,887	16%
Insured multi-unit residential mortgages – derecognized	5,860,830	5,189,264	671,566	13%
Total Loans – off balance sheet	5,860,830	5,189,264	671,566	13%
Total Loans under management	38,663,070	33,346,617	5,316,453	16%

Table 9: On-balance sheet loan principal continuity schedule

(\$000s, except percentages)	As at or for the year ended December 31, 2021		
	Personal	Commercial	Total
2020 closing balance	19,306,186	8,851,167	28,157,353
Originations	8,374,520	5,669,070	14,043,590
Derecognition	-	(1,292,643)	(1,292,643)
Net repayments	(5,378,166)	(2,727,894)	(8,106,060)
2021 closing balance	22,302,540	10,499,700	32,802,240
% Change from 2020	16%	19%	16%
Net repayments percentage ⁽¹⁾	27.9%	30.8%	28.8%

(\$000s, except percentages)	As at or for the year ended December 31, 2020		
	Personal	Commercial	Total
2019 closing balance	18,250,574	8,259,779	26,510,353
Originations	5,853,469	4,219,089	10,072,558
Derecognition	-	(1,251,960)	(1,251,960)
Net repayments	(4,797,857)	(2,375,741)	(7,173,598)
2020 closing balance	19,306,186	8,851,167	28,157,353
% Change from 2019	6%	7%	6%
Net repayments percentage ⁽¹⁾	26.3%	28.8%	27.1%

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

Within Personal Banking business line, single family was the primary driver of loan growth with an increase of \$3.3 billion or 30% year-over-year. This strong performance reflects a return to our pre-pandemic risk appetite and the resiliency of the Canadian housing market throughout the pandemic. This success was propelled by record yearly origination volumes which doubled from the prior year and was supported by our superior customer service and deep broker partnerships.

Commercial lending increased \$1.6 billion or 19% in 2021, led by conventional commercial loans which grew by \$1.2 billion or 27%. Growth in conventional commercial loans was driven by record originations in our Commercial Finance Group, Business Enterprise Solutions, and Specialized Finance. Also in conventional lending, Equipment Leasing increased \$174 million or 31% year-over-year, with higher origination volumes in the logistics and transportation sector, traditionally the lowest risk segment of the business.

Credit quality and allowance for credit losses

We regularly evaluate the profile and lending practices within our loan portfolio. This includes borrower behaviours and external variables, including real estate values, equipment resale values, and economic conditions. When we judge that the risk associated with a particular region or product is no longer acceptable, we adjust underwriting criteria so that our policies continue to be prudent and reflective of current and expected economic conditions, thereby safeguarding the future health of our portfolio.

There are several aspects of our risk management approach and existing loan portfolios that have and will continue to help mitigate the effects of the pandemic on our credit losses. We remain well reserved for credit losses with allowances as a percentage of total loan assets equaling 15 bps at the end of 2021, compared to 23 bps in 2020 and 14 bps at the end of 2019.

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

- We focus our lending in urban and suburban markets that have diversified employment bases and more liquid real estate markets. This approach results in lower risk as it reduces both the probability that our borrowers will default and our loss in the event that they do.
- Our commercial lending businesses, including leasing, are diversified across industries and geographies. Our commercial business has defined asset-class exposure limits and focuses on assets that we believe will be resilient through an economic cycle such as multi-unit residential and mixed-use properties. These segments now make up 52% of our Commercial loan portfolio while categories such as shopping centres and hotels comprise 4.0% and 0.4% of our Commercial loans or 1.3% and 0.1% of our total loan portfolio, respectively.
- Alberta is expected to show strong economic growth in 2022. Despite this optimistic outlook, Equitable recognizes that many of the markets it operates in are significantly influenced by commodity prices and we have chosen to provide additional disclosure on our exposure in this province in an effort to assist investors measure risks. Our uninsured Personal loans in Alberta total \$944 million or 3% of our assets. Our uninsured commercial loans in Alberta total \$375 million or only 1% of our assets, primarily consisting of multi-unit residential construction and mixed-use properties. Further, the vast majority of these loans are mortgage loans secured by real estate in Edmonton and Calgary, cities with broader economic foundations than other parts of the province.
- We require a cash security deposit on most of our higher risk leases and in some cases require additional real assets to be pledged. For example, we may place a lien on real estate owned by our lessees.

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

- Our underwriting focuses foremost on a borrower's ability to repay a loan. The average Beacon score of our Alternative single family residential borrowers was 707 at December 31, 2021, up from 702 a year ago. Similarly, the average Beacon score of our small business mortgage borrowers was 735. These higher credit scores are indicative of our borrowers' positive repayment histories and lower propensity to default under normal economic conditions.
- 49% of our loans under management are insured against credit losses, ultimately with the backing of the Government of Canada.
- Almost 100% of our loan portfolio is secured. Our uninsured mortgage loans are supported by first-position claims on real estate and our leases by first-position claims on equipment, so we have a real asset with tangible value behind almost every loan.
- If the prices of the assets securing our mortgage loans decline, we are further protected by the low LTVs at which we lend. The average LTV on our uninsured residential mortgage portfolio was 60% at December 31, 2021.
- Further to this collateral, almost all of our uninsured commercial mortgages and the majority of our leases are backed by personal and/or corporate covenants. In our mortgage business, our due diligence on borrowers and guarantors involves assessing their financial capacity.

Allowance for Credit Losses

Our total allowance for credit losses decreased by \$17.2 million or 26% year-over-year mainly due to a decline in Stage 1 and 2 allowances.

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

Table 10: Loan credit metrics

(\$000s, except percentages)	31-Dec-21	31-Dec-20	Change	
Allowance for credit losses – Stage 1 and 2	46,361	62,633	(16,272)	(26%)
Allowance for credit losses – total	48,949	66,177	(17,228)	(26%)
Allowance for credit losses – total as a % of total loan assets	0.15%	0.23%	N/A	(0.08%)
Allowance for credit losses – total as a % of uninsured loan assets	0.25%	0.45%	N/A	(0.20%)
Allowances for credit losses – total as a % of gross impaired	54%	54%	N/A	-

The movement in Stage 1 and 2 allowances is a function of changes in both the probability that loans will default and the expected loss rates on loans. During the year, improving macroeconomic variables allowed for a lower level of reserves to be maintained on our loan portfolio, triggering a release of allowances previously provided for. The allowance release was largely due to a decline in expected loss rates on both our Stage 1 and 2 loans and a shift in loans from Stage 2 back to Stage 1.

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

Table 11: Stage 1 and 2 loan credit metrics

(Percentages)	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20
Stage 1 – proportion of loan assets ⁽¹⁾	88.3%	92.3%	91.6%	87.7%	83.6%
Stage 1 – effective allowance rate ⁽²⁾	0.10%	0.11%	0.13%	0.14%	0.15%
Stage 2 – proportion of loan assets	11.4%	7.4%	8.0%	11.9%	15.9%
Stage 2 – effective allowance rate	0.49%	0.78%	0.81%	0.67%	0.59%

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

On a year-over-year basis, Stage 1 and 2 allowances against our uninsured Personal loans, uninsured Commercial loans and equipment leases declined by \$6.7 million, \$5.8 million, and \$3.9 million, respectively.

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

(\$000s, except percentages and bps)	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Uninsured Personal loans – stage 1 and 2 allowances <i>as a % of uninsured personal loans (bps)</i>	11,446 8	12,250 10	(7%) (2)	18,121 18	(37%) (10)
Uninsured Commercial loans – stage 1 and 2 <i>as a % of uninsured commercial loans (bps)</i>	19,487 37	21,742 43	(10%) (6)	25,253 58	(23%) (21)
Equipment leases – stage 1 and 2 allowances <i>as a % of equipment leases (bps)</i>	15,361 216	15,446 235	(1%) (19)	19,240 363	(20%) (147)
Insured Personal and Commercial loans – stage 1 and <i>as a % of insured personal and commercial loans (bps)</i>	67 0.05	55 0.04	22% 0.07	19 0.01	253% 0.04
Total loans – stage 1 and 2 allowances <i>as a % of total loans (bps)</i>	46,361 14	49,493 16	(6%) (2)	62,633 22	(26%) (8)

We obtain macroeconomic forecasts from Moody's Analytics and use them in our credit loss modelling. Generally, macroeconomic forecasts have improved across all significant factors since Q2 2020 and have caused our Expected Credit Losses (ECL) to decrease since then. We compared these forecasts to those of other Canadian economists, and the estimates that we used appear to reasonably be in line with market consensus. For a summary of key forecast assumptions for each scenario, please refer to Note 9(e) to the 2021 consolidated financial statements.

Table 13: Expected future credit losses by macroeconomic scenario

(\$000s, except percentages)	Base Case	Upside Scenario	Slower Growth	Moderate Recession	Protracted Slump
Weighting for financial statement ECL calculation (%)	50	15	20	10	5
Expected credit losses if each scenario weighted 100%	42,614	36,303	47,962	56,740	86,842
Difference vs. financial statement ECL	(3,747)	(10,058)	1,601	10,379	40,481

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

Stage 3 allowances relate to impaired loans and were down by \$1.0 million from a year ago. Stage 3 allowances are determined loan-by-loan and we believe that they are adequate at each period end. Stage 3 allowances on our mortgages are generally supported by up-to-date, independent property appraisals.

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

Impaired Loans

Impaired loans at the end of 2021 were \$91.0 million, down \$30.6 million from the prior year.

The improvement in impaired loan balances over the past 12 months was mainly attributable to a net reduction in single family mortgages of \$41.4 million, and impaired equipment leases of \$7.9 million, offset in part by net additions of \$18.6 million in conventional commercial loans with LTVs between 57% and 85%. As a result, Management does not expect to incur material loss on these loans.

Table 14: Impaired loan metrics

(\$000, except percentages)	31-Dec-21	31-Dec-20	Change	
Gross impaired loan assets	90,968	121,548	(30,580)	(25%)
Net impaired loan assets	88,380	118,004	(29,624)	(25%)
Net impaired loan assets as a % of total loan assets	0.27%	0.42%	N/A	(0.15%)

Liquidity investments and equity securities

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

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

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

Table 15: Liquid assets

(\$000s, except percentages)	31-Dec-21	31-Dec-20	Change	
Eligible deposits with regulated financial institutions ⁽¹⁾	762,651	553,554	209,097	38%
Debt securities	40,916	137,938	(97,022)	(70%)
Debt instruments issued or guaranteed by Government of Canada or provincial governments:				
Investments purchased under reverse repurchase agreements	550,030	450,203	99,827	22%
Loans and Investments held in the form of debt securities ⁽²⁾ , net of obligations under repurchase agreements	1,548,908	1,651,860	(102,952)	(6%)
Liquid assets held for regulatory purposes	2,902,505	2,793,555	108,950	4%
Other deposits with regulated financial institutions ⁽³⁾	10,600	4,188	6,412	153%
Equity securities ⁽⁴⁾	143,299	112,447	30,852	27%
Total	3,056,404	2,910,190	146,214	5%
Liquid assets held for regulatory purposes as a % of total Equitable Bank assets	8.0%	9.1%	N/A	(1.1%)
Total liquid assets as a % of total assets	8.5%	9.5%	N/A	(1.0%)

(1) Eligible deposits with regulated financial institutions represents deposits of Bank which are held at major Canadian financial institutions and excludes \$62.7 million (December 31, 2020 – \$28.7 million) of restricted cash held as collateral with third parties for the Bank's interest rate swap transactions, issuance of letters of credit, loan servicing activity and banking settlements in the normal course of business and \$399.5 million (December 31, 2020 – \$475.4 million) of cash held in trust accounts and deposits held with banks as collateral for the Bank's securitization activities. (2) Loans held in the form of debt securities represent loans securitized and retained by the Bank and are reported in our Loans receivable balances. Investments held in the form of debt securities include MBS securities purchased from third parties and provincial bonds. The investments' reported values represent the fair market values associated with these securities. (3) Other deposits with regulated financial

institutions are deposits held by Equitable Group Inc. (4) Equity securities are 82% investment grade publicly traded preferred shares and 18% publicly traded common shares.

To ensure institutions have sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days, OSFI has mandated that Canadian deposit-taking institutions monitor and report their Liquidity Coverage Ratio (LCR)⁽¹⁾. At December 31, 2021, our LCR was well in excess of the regulatory minimum of 100%.

Liquid assets were \$3.1 billion at year end, up \$146 million from last year, reflecting the level of liquidity required due to growth in demand deposits and anticipated cash flow needs for the upcoming quarters.

Other assets

Please refer to Note 13 to our 2021 audited annual consolidated financial statements for details of our Other assets balances at December 31, 2021 and 2020.

Other assets were \$231.5 million at December 31, 2021, an increase of \$43.5 million or 23% over last year. Overall, the increase in Other assets was mainly due to:

- \$42.5 million increase in the fair value of outstanding derivative financial instruments; and
- \$21.4 million increase in intangible assets for system-related investments;

Offset by:

- \$10.1 million decrease in income taxes recoverable; and
- \$8.4 million decrease in receivables relating to securitization activities, largely due to the timing of cash settlements.

Deposits

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

Table 16: Deposit principal

(\$000s)	31-Dec-21	31-Dec-20	Change	
Brokered deposits:				
Term	10,370,958	9,647,939	723,019	7%
Demand	1,004,691	675,358	329,333	49%
	11,375,649	10,323,297	1,052,352	10%
EQ Bank deposits:				
Term	1,525,299	962,170	563,129	59%
Demand	5,442,811	3,593,436	1,849,375	51%
	6,968,110	4,555,606	2,412,504	53%
Strategic partnerships	396,866	692,785	(295,919)	(43%)
Deposit notes	1,451,940	804,323	647,617	81%
Covered bonds	502,058	-	502,058	N/A
Total	20,694,623	16,376,011	4,318,612	26%

(1) See Non-GAAP Financial Measures section of this MD&A.

Securitization liabilities

A large portion of the Bank's securitization transactions do not qualify the loans for balance sheet derecognition and therefore the associated obligations are recognized on the consolidated balance sheets and accounted for as securitization liabilities. The Securitization liability was \$11.4 billion at December 31, 2021, up \$0.6 billion or 5% from last year. Our securitization liability also included \$1.5 billion (December 31, 2020 – \$653.8 million) of securitizations through a funding program which is sponsored by a Domestic Systemically Important Bank (D-SIB) and provides the Bank with a source of matched funding for qualifying uninsured single family mortgages.

Funding facilities

The Bank has two revolving credit facilities each with a D-SIB to fund insured residential mortgages prior to securitization, with an aggregate capacity of \$700 million (December 31, 2020 – \$600 million). At December 31, 2021, the balance outstanding on the facilities was \$200 million (December 31, 2020 – \$nil). Our use of these facilities is a function of our Prime Single Family and Insured multi-unit residential activity levels, the timing of mortgage securitizations and sales, and the availability of other funding sources.

The Bank also has access to liquidity programs sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. The Bank had no outstanding balance on these facilities as at December 31, 2021 (December 31, 2020 – \$nil).

On March 31, 2021, the Bank terminated its \$35 million credit facility with a D-SIB. The facility was secured by a portion of the Bank's investments in equity securities. There was no outstanding balance on this facility as at March 31, 2021 (December 31, 2020 – \$nil).

Details related to these funding facilities can be found in Note 16 to our 2021 audited consolidated financial statements.

Other liabilities and deferred income taxes

Please refer to Notes 15(b) and 17 to our 2021 audited consolidated financial statements for a detailed breakdown of Deferred income tax liabilities and Other liabilities as at December 31, 2021 and December 31, 2020.

Other liabilities and Net deferred income tax liabilities, on an aggregate basis, increased by \$128 million to \$398 million mainly driven by:

- \$75.3 million increase in accounts payable and accrued liabilities due to an increase in cash margin held associated with our derivative transactions, cash held in escrow for mortgage funding, higher broker commissions payable due to growth in volumes, and a rise in general accrued liabilities due to business growth;
- \$43.4 million of income taxes payable compared to a receivable last year;
- \$6.9 million increase in mortgage realty taxes due to timing of collections relative to remittances; and
- \$3.4 million increase in mortgage servicing liabilities;

Offset by:

- \$3.8 million reduction in right-of-use liabilities.

Contractual obligations by year of maturity are outlined in Table 32 – Contractual obligations. There were no material changes to contractual obligations that are outside the ordinary course of the Bank's operations during 2021.

Shareholders' equity

Total shareholders' equity increased \$305 million or 19% to \$1.95 billion at December 31, 2021, from \$1.65 billion a year ago. The increase reflects the earnings retained by the Bank, net of dividends paid, and net fair value gains recognized through other comprehensive income on our preferred share investments and derivative cash flow hedges associated with securitization activity.

On December 21, 2020, Equitable announced that it received the approval of the Toronto Stock Exchange (TSX) for an NCIB of up to 2,288,490 of its Common Shares and 297,250 of its Series 3 preferred shares, until December 22, 2021.

On December 21, 2021, Equitable announced that it received the approval of the TSX to renew its NCIB of up to 2,325,951 of its Common Shares and 289,340 of its Series 3 preferred shares, which will expire on December 22, 2022.

As at December 31, 2021, Equitable had purchased and cancelled 80,600 Series 3 preferred shares at an average price of \$26.01. No common shares have been purchased and cancelled under the NCIB.

On October 25, 2021, Equitable completed a two-for-one stock split (Share Split) which was implemented by way of a subdivision whereby common shareholders of record as of the close of business on October 15, 2021 received one additional share for each share held on October 25, 2021. This Share Split will not impact a shareholder's proportionate interest in Equitable and all future dividends declared afterwards.

At December 31, 2021, the Bank had 34,070,810 common shares and 2,919,400 Series 3 preferred shares issued and outstanding (December 31, 2020 – 33,748,148 common shares and 2,996,700 Series 3 preferred shares).

During 2021, 243,920 options were granted. In addition, 322,662 stock options were exercised that contributed \$10.1 million to common share capital. At December 31, 2021, there were 1,123,002 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of \$46.9 million. For additional information on outstanding stock options and their associated exercise prices, please refer to Note 19(a) to the 2021 audited consolidated financial statements.

Capital management – Equitable Bank

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

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

We believe that Equitable Bank's current level of capital and earnings in future periods will be sufficient to support our strategic objectives and ongoing growth. Equitable Bank's Capital ratios at December 31, 2021 exceeded the regulatory minimums and our target levels. Our CET1 was down 130 bps from last year due to strategic deployment of capital organically to grow our conventional assets, which had a corresponding increase in risk weighted assets .

Canadian banks are required to report on OSFI's Leverage Ratio based on Basel III guidelines. OSFI has established minimum Leverage Ratio targets on a confidential and institution-by-institution basis. Equitable Bank's Leverage Ratio

was 4.9% at December 31, 2021 and the Bank remained fully compliant with its regulatory requirements. Our Leverage ratio decreased relative to 2020 as a result of notable asset growth.

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

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

Table 17: Capital measures of Equitable Bank

(\$000s, except percentages)	31-Dec-21	31-Dec-20	Change	
Total risk-weighted assets (RWA)	13,309,550	10,426,077	2,883,473	28%
Common Equity Tier 1 Capital:				
Common shares	217,474	215,536	1,938	1%
Contributed surplus	9,785	9,184	601	7%
Retained earnings	1,649,890	1,386,197	263,693	19%
Accumulated other comprehensive loss (AOCI) ⁽¹⁾	(8,263)	(19,009)	10,746	(57%)
Less: Regulatory adjustments to Common Equity Tier 1 Capital	(94,082)	(66,448)	(27,634)	42%
Common Equity Tier 1 Capital	1,774,804	1,525,460	249,344	16%
Additional Tier 1 capital:				
Non-cumulative preferred shares	72,554	72,554	-	0%
Tier 1 Capital	1,847,358	1,598,014	249,344	16%
Tier 2 Capital:				
Eligible Stage 1 and 2 allowance	46,361	62,633	(16,272)	(26%)
Less: Transitional adjustment in response to COVID-19	(5,442)	(15,873)	10,431	(66%)
Tier 2 Capital	40,919	46,760	(5,841)	(12%)
Total Capital	1,888,277	1,644,774	243,503	15%
Capital ratios and Leverage ratio:				
CET1 ratio	13.3%	14.6%	N/A	(1.3%)
Tier 1 capital ratio	13.9%	15.3%	N/A	(1.4%)
Total capital ratio	14.2%	15.8%	N/A	(1.6%)
Leverage ratio	4.9%	5.1%	N/A	(0.2%)

(1) As prescribed by OSFI (under Basel III rules), AOCI is part of the CET1 in its entirety, however, the amount of cash flow hedge reserves that relate to the hedging of items that are not fair value is excluded.

Table 18: Risk-weighted assets of Equitable Bank

(\$000s, except percentages)	For the year ended December 31, 2021		
	Amounts	Risk Weighting	Risk-weighted Amounts
On balance sheet:			
Cash and cash equivalents	1,224,815	15%	182,061
Securities purchased under reverse repurchase agreements	550,030	0%	1,924
Investments	1,033,438	19%	199,552
Loans – Personal	22,433,047	22%	5,028,592
Loans – Commercial	10,514,076	53%	5,624,190
Securitization retained interests	207,889	100%	207,889
Other assets	231,526	52%	119,405
Total Equitable Bank assets subject to risk rating	36,194,821		11,363,613
Less: Eligible Stage 1 and 2 allowance	(46,361)		-
Total Equitable Bank assets	36,148,460		11,363,613
Off-balance sheet:			
Loan commitments			827,033
Derivatives			49,988
Other			9,591
Total credit risk			12,250,225
Operational risk ⁽¹⁾			1,059,325
Total			13,309,550

(\$000s, except percentages)	For the year ended December 31, 2020		
	Amounts	Risk Weighting	Risk-weighted Amounts
On balance sheet:			
Cash and cash equivalents	1,057,475	16%	173,157
Securities purchased under reverse repurchase agreements	450,203	1%	2,401
Investments	589,876	27%	159,561
Loans – Personal	19,463,507	19%	3,703,288
Loans – Commercial	8,870,694	52%	4,618,890
Securitization retained interests	184,844	100%	184,844
Other assets	188,049	43%	81,593
Total Equitable Bank assets subject to risk rating	30,804,648		8,923,734
Less: Eligible Stage 1 and 2 allowance	(62,633)		-
Total Equitable Bank assets	30,742,015		8,923,734
Off-balance sheet:			
Loan commitments			577,497
Derivatives			18,165
Other			13,331
Total credit risk			9,532,727
Operational risk ⁽¹⁾			893,350
Total			10,426,077

(1) For operational risk, Equitable Bank uses the Basic Indicator Approach – calculated as 15% of the previous three-year average of net interest income and non-interest income, excluding gain or loss on investments. The risk-weighted equivalent is determined by multiplying the capital requirement for operational risk by 12.5.

Fourth quarter overview

Equitable produced an all-time record Q4 EPS of \$2.29, up \$0.22 from a year ago.

Net interest income

The table below details the Bank's NII and NIM for the three months ended December 31, 2021, with comparisons to the prior quarter and the corresponding quarter of the prior year, by product and portfolio.

Table 19: Net interest income

	For the three months ended					
	31-Dec-21		30-Sep-21		31-Dec-20	
	Revenue/ Expense	Average rate	Revenue/ Expense	Average rate	Revenue/ Expense	Average rate
(\$000s, except percentages)						
<i>Revenues derived from:</i>						
Cash and equivalents	4,418	0.93%	4,392	0.97%	5,019	0.99%
Equity securities	1,184	3.76%	2,040	4.90%	1,453	4.85%
Alternative single family mortgages	132,877	3.80%	126,293	3.97%	126,420	4.56%
Prime single family mortgages	34,838	1.77%	36,932	1.85%	40,643	2.00%
Decumulation loans	2,639	4.07%	1,946	3.97%	779	4.10%
Total Personal loans	170,354	3.08%	165,171	3.16%	167,842	3.48%
Conventional commercial loans	68,531	5.03%	65,559	5.09%	59,563	5.53%
Equipment leases	17,250	9.86%	15,926	9.80%	14,261	10.76%
Insured multi-unit residential mortgages	24,981	2.37%	25,718	2.43%	27,054	2.75%
Total Commercial loans	110,762	4.28%	107,203	4.27%	100,878	4.60%
Average interest earning assets	286,718	3.33%	278,806	3.39%	275,192	3.65%
<i>Expenses related to:</i>						
Deposits	78,695	1.54%	74,787	1.56%	82,434	2.03%
Secured backstop funding facility	-	N/A	-	N/A	626	N/A
Securitization liabilities	51,096	1.68%	52,269	1.77%	60,435	2.05%
Others	975	0.41%	898	0.50%	580	0.74%
Average interest bearing liabilities	130,766	1.55%	127,954	1.62%	144,075	2.03%
Net interest income and margin	155,952	1.81%	150,852	1.83%	131,117	1.74%

Q4 2021 v Q4 2020

NII was up 19% year-over-year mainly driven by 14% growth in our average asset balances and a 7 bps increase in our NIM.

Table 20(a): Factors affecting Q4 2021 v Q4 2020 NIM

	Impact (in bps)	Drivers of change
Business mix	20	<ul style="list-style-type: none"> • Asset mix shift towards our higher yielding Conventional loans • Decline in the relative size of our low yielding cash and equivalents <i>Offset in part by:</i> <ul style="list-style-type: none"> • Funding mix shift towards higher rate EQ Bank deposits and deposit notes
Rates/spread ⁽¹⁾	(12)	<ul style="list-style-type: none"> • Lower spreads within Commercial business as higher yielding loans rolled-off the portfolios • Lower yield earned on equity securities compared to the prior year
Other	(1)	<ul style="list-style-type: none"> • FV adjustments and other <i>Offset in part by:</i> <ul style="list-style-type: none"> • Net cost savings associated with \$687 million of Alternative single family mortgages insured in Q2 2020 • Cost saving from termination of our secured backstop funding facility in Q4 2020
Change in Total NIM	7	

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

Q4 2021 v Q3 2021

NII increased 3% from last quarter as a result of 5% growth in average asset balances and despite a 2 bps decrease in NIM.

Table 20(b): Factors affecting Q4 2021 v Q3 2021 NIM

	Impact (in bps)	Drivers of change
Business mix	5	<ul style="list-style-type: none"> • Asset mix shift toward our higher yielding Conventional loans
Rates/spread ⁽¹⁾	(8)	<ul style="list-style-type: none"> • Lower spreads within Conventional lending
Other	1	<ul style="list-style-type: none"> • FV adjustments and other <i>Offset in part by:</i> <ul style="list-style-type: none"> • Reduced levels of early discharge within our Personal loan portfolio
Change in Total NIM	(2)	

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

Non-interest income**Table 21: Non-interest income**

(\$000s, except percentages)	For the three months ended				
	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Fees and other income	5,355	5,629	(5%)	5,711	(6%)
Net (loss) gain on loans and investments	(647)	1,391	(147%)	2,632	(125%)
Net gain on strategic investments	8,990	3,178	183%	100	8,890%
Securitization activities:					
Gains on securitization and income from retained interests	3,851	3,282	17%	11,640	(67%)
Fair value (losses) gains on derivative financial instruments	(1,638)	(2,232)	27%	750	(318%)
Total	15,911	11,248	41%	20,833	(24%)

Q4 2021 v Q4 2020

Non-interest income decreased by \$4.9 million, primarily due to:

- Net loss on certain loans and security investments versus a gain in the same quarter of last year;
- Lower securitization gains as a result of lower derecognition levels and gain on sale margin; and
- Unrealized fair value losses on derivatives associated with securitization activities;

Offset by:

- An increase in net gain on strategic investments driven by dividends received from an equity investment.

Q4 2021 v Q3 2021

Non-interest income increased sequentially by \$4.7 million, largely due to:

- Higher net gain on strategic investments as described above;

Offset by:

- Net loss on certain loans and security investments.

Non-interest expenses

Table 22: Non-interest expenses and efficiency ratio

(\$000s, except percentages and employees)	For the three months ended				
	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Compensation and benefits	34,166	33,430	2%	28,448	20%
Technology and system costs	11,557	11,544	0%	9,353	24%
Product costs	7,212	7,032	3%	5,845	23%
Marketing and corporate expenses	7,178	5,792	24%	4,094	75%
Regulatory, legal and professional fees	6,383	5,646	13%	4,872	31%
Premises	3,931	3,998	(2%)	2,736	44%
Total	70,427	67,442	4%	55,348	27%
Efficiency ratio ⁽¹⁾	41.0%	41.6%	(0.6%)	36.4%	4.6%
FTE – period average	1,121	1,068	5%	912	23%

Q4 2021 v Q4 2020

Our Q4 efficiency ratio was 41.0%, up from 36.4% a year ago when we deliberately reduced expense growth as a result of the pandemic.

Total expenses were up by \$15.1 million or 27%, largely as a result of:

- An increase in compensation and benefits costs due to growth in FTE of 23%;
- More marketing spending on promoting our reverse mortgage business and EQ Bank products;
- Higher technology and system costs related to IT support and maintenance;
- An increase in regulatory, legal and professional fees for business consulting;
- Higher product costs, as a result of increased amortization of project related costs; and
- Increased premises costs due to accelerated amortization of leasehold improvements.

Q4 2021 v Q3 2021

Quarter-over-quarter, expenses increased by \$3.0 million, primarily because of:

- Increased corporate expenses as a result of a sales tax recovery recorded in the prior quarter;
- Higher legal and professional fees relating to business advisory and consultation services; and
- Growth in compensation and benefits due to the addition of FTEs in Q4 to support growth.

Sequentially this growth resulted in positive operating leverage of 1.6%, reflecting 6% quarter over quarter revenue growth vs the sequential expense growth.

Table 23: Provision for credit losses

(\$000s, except percentages)	For the three months ended				
	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Stage 1 and 2 recovery	(3,132)	(4,752)	34%	(2,785)	(12%)
Stage 3 provision	1,712	1,252	37%	2,888	(41%)
Total	(1,420)	(3,500)	59%	103	(1,479%)
PCL - rate	(0.02%)	(0.05%)	0.03%	0.001%	(0.02%)

Q4 2021 v Q4 2020

During the quarter, the Bank recovered \$1.4 million in PCLs compared to a provision of \$0.1 million a year ago. The recovery was driven by a release of Stage 1 and 2 allowances of \$3.1 million the quarter compared to \$2.8 million in Q4 2020. The reduction in allowances reflected the continued improvements in macroeconomic forecast since mid-2020. Stage 3 allowances also declined year-over-year by \$1.2 million as a result of lower impaired lease formations and lower allowances on impaired Personal loans.

Q4 2021 v Q3 2021

PCL recovery during Q4 2021 declined from the preceding quarter as a result of lower Stage 1 and 2 allowance releases of \$1.6 million. The Stage 3 provision increased slightly as reserves on impaired loans increased quarter-over-quarter.

Total loan principal

The following table provides quarterly on-balance sheet loan principal continuity schedules by lending business for Q4 2021 and Q4 2020:

Table 24: On-Balance Sheet loan principal continuity schedule

(\$000s, except percentages)	For the three months ended December 31, 2021		
	Personal	Commercial	Total
Q3 2021 closing balance	21,289,942	10,083,804	31,373,746
Originations	2,290,389	1,478,377	3,768,766
Derecognition	-	(311,840)	(311,840)
Net repayments	(1,277,791)	(750,641)	(2,028,432)
Q4 2021 closing balance	22,302,540	10,499,700	32,802,240
% Change from Q3 2021	5%	4%	5%
Net repayments percentage ⁽¹⁾	6.0%	7.4%	6.5%

(\$000s, except percentages)	For the three months ended December 31, 2020		
	Personal	Commercial	Total
Q3 2020 closing balance	18,831,618	8,655,380	27,486,998
Originations	1,941,997	1,236,782	3,178,779
Derecognition	-	(418,692)	(418,692)
Net repayments	(1,467,429)	(622,303)	(2,089,732)
Q4 2020 closing balance	19,306,186	8,851,167	28,157,353
% Change from Q3 2020	3%	2%	2%
Net repayments percentage ⁽¹⁾	7.8%	7.2%	7.6%

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

Q4 2021 v Q4 2020

Please refer to Total loan principal under the *Financial review - balance sheet* section of this MD&A for a discussion of our year-over-year portfolio growth.

Q4 2021 v Q3 2021

During the quarter, total loan principal increased by \$1.4 billion due to growth in both our Personal and Commercial businesses.

Within Personal lending, Alternative single family mortgages sustained the momentum it built up in the prior quarter and finished the year with a balance exceeding \$14 billion. Originations volumes remained strong in the quarter while attrition levels remained slightly elevated.

The growth in our Commercial portfolio benefited from record quarterly originations in our Commercial Finance Group business, more favourable conditions in the small business sector, and significant growth in both specialized financing and equipment leasing businesses.

Table 25: Unaudited interim consolidated statements of income

(\$000, except per share amounts)	For the three months ended		
	31-Dec-21	30-Sep-21	31-Dec-20
Interest income:			
Loans – Retail	170,354	165,171	167,842
Loans – Commercial	110,762	107,203	100,878
Investments	3,491	4,223	3,016
Other	2,111	2,209	3,456
	286,718	278,806	275,192
Interest expense:			
Deposits	78,695	74,787	82,434
Securitization liabilities	51,096	52,269	60,435
Funding facilities	231	327	926
Other	744	571	280
	130,766	127,954	144,075
Net interest income	155,952	150,852	131,117
Non-interest income:			
Fees and other income	5,355	5,629	5,711
Net gain on loans and investments	8,343	4,569	2,732
Gains on securitization activities and income from securitization retained	2,213	1,050	12,390
	15,911	11,248	20,833
Revenue	171,863	162,100	151,950
Provision for credit losses	(1,420)	(3,500)	103
Revenue after provision for credit losses	173,283	165,600	151,847
Non-interest expenses:			
Compensation and benefits	34,166	33,430	28,448
Other	36,261	34,012	26,900
	70,427	67,442	55,348
Income before income taxes	102,856	98,158	96,499
Income taxes			
Current	29,720	23,102	19,885
Deferred	(6,926)	2,583	5,190
	22,794	25,685	25,075
Net income	80,062	72,473	71,424
Dividends on preferred shares	1,089	1,099	1,120
Net income available to common shareholders	78,973	71,374	70,304
Earnings per share			
Basic	2.32	2.10	2.09
Diluted	2.29	2.07	2.07

Table 26: Unaudited interim consolidated statements of comprehensive income

(\$000s)	For the three months ended		
	31-Dec-21	30-Sep-21	31-Dec-20
Net income	80,062	72,473	71,424
Other comprehensive income – items that will be reclassified subsequently to income:			
Debt instruments at Fair Value through Other Comprehensive Income:			
Net unrealized (losses) gains from change in fair value	(2,855)	(502)	185
Reclassification of net losses (gains) to income	875	(1,264)	115
Other comprehensive income – items that will not be reclassified subsequently to income:			
Equity instruments designated at Fair Value through Other Comprehensive Income:			
Net unrealized gains from change in fair value	2,991	1,151	7,357
Reclassification of net gains to retained earnings	(13)	-	-
Income tax (expense) recovery	998	(615)	7,657
	(263)	163	(2,024)
	735	(452)	5,633
Cash flow hedges:			
Net unrealized gains from change in fair value	7,777	3,189	4,556
Reclassification of net losses (gains) to income	1,236	(61)	(3,406)
	9,013	3,128	1,150
Income tax expense	(2,369)	(822)	(322)
	6,644	2,306	828
Total other comprehensive income	7,379	1,854	6,461
Total comprehensive income	87,441	74,327	77,885

Table 27: Unaudited interim consolidated statements of cash flows

(\$000s)	For the three months ended		
	31-Dec-21	30-Sep-21	31-Dec-20
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	80,062	72,473	71,424
Adjustments for non-cash items in net income:			
Financial instruments at fair value through profit or loss	244	(5,240)	(11,222)
Amortization of premiums/discounts on investments	122	22	(196)
Amortization of capital assets and intangible costs	8,883	8,555	6,389
Provision for credit losses	(1,420)	(3,500)	103
Securitization gains	(2,753)	(3,084)	(11,125)
Stock-based compensation	655	623	403
Income taxes	22,794	25,685	25,075
Securitization retained interests	11,962	11,395	10,242
Changes in operating assets and liabilities:			
Restricted cash	4,477	40,654	63,955
Securities purchased under reverse repurchase agreements	49,977	(499,992)	(250,195)
Loans receivable, net of securitizations	(1,452,085)	(1,588,722)	(693,777)
Other assets	8,035	(8,276)	24,673
Deposits	927,776	1,350,465	(15,601)
Securitization liabilities	175,859	(284,294)	300,644
Obligations under repurchase agreements	572,463	603,029	97,513
Funding facilities	(130,351)	330,479	(150,261)
Other liabilities	67,307	3,544	(4,383)
Income taxes paid	(10,485)	(10,485)	(17,571)
Cash flows from (used in) operating activities	333,522	43,331	(553,910)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares	1,281	3,060	2,953
Dividends paid on preferred shares	(1,089)	(1,099)	(1,120)
Dividends paid on common shares	(6,303)	(6,293)	(6,238)
Cash flows used in financing activities	(6,111)	(4,332)	(4,405)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(268,038)	(189,056)	(35,662)
Proceeds on sale or redemption of investments	87,610	244,963	9,601
Net change in Canada Housing Trust re-investment accounts	(10,148)	(29,530)	1,425
Purchase of capital assets and system development costs	(10,085)	(10,627)	(7,310)
Cash flows (used in) from investing activities	(200,661)	15,750	(31,946)
Net increase (decrease) in cash and cash equivalents	126,750	54,749	(590,261)
Cash and cash equivalents, beginning of period	646,501	591,752	1,148,004
Cash and cash equivalents, end of period	773,251	646,501	557,743
Cash flows from operating activities include:			
Interest received	261,943	256,184	264,560
Interest paid	(131,516)	(112,378)	(160,417)
Dividends received	17,258	1,198	1,504

Accounting policy changes

The Bank's significant accounting policies are essential to understanding its reported results of operations and financial position. Accounting policies applied by the Bank in the 2021 annual consolidated financial statements are the same as those applied by it as at and for the year ended December 31, 2020, with the exception of policies adopted as a result of the covered bond issuance.

Please refer to Note 3 to the audited consolidated financial statements for a summary of the Bank's other significant accounting policies.

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 years. Estimates and underlying assumptions are reviewed by management on an ongoing basis.

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

In making estimates and judgments, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the COVID-19 pandemic and the spread of variants of concern, and the significant economic volatility and uncertainty it has created. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future years.

Allowance for credit losses under IFRS 9 and the impact of COVID-19

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

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

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

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

For further information regarding critical accounting estimates, please refer to Notes 2(d) and 9(d) to (f) to the audited consolidated financial statements.

Derivative financial instruments

The Bank hedges interest rate risks associated with insured residential mortgages and mortgage commitments intended for securitization, certain mortgages, securitization, deposit liabilities, and bonds. The Bank hedges foreign exchange risks associated with certain foreign currency liabilities. The Bank also hedges the risk of changes in future cash flows related to our RSU and Deferred Share Unit (DSU) plans.

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

For non-prepayable insured residential mortgages, where the transferred assets qualify for derecognition, the Bank uses bond forwards to protect itself from fluctuations in interest rates between the time the Bank commits to funding these mortgages and the time they are securitized. The change in value of the commitments and the funded mortgages before securitization are substantially offset by the change in value of the bond forwards. For this reason, the Bank does not apply hedge accounting to these derivative instruments.

The Bank uses interest rate swaps to hedge its interest rate exposures on provincial bond investments, certain loan assets, securitization liabilities and deposit liabilities. Beginning in Q3 of this year, the Bank entered into cross currency interest rate swap agreements to manage interest rate and foreign exchange exposures on its fixed rate foreign currency covered bond liabilities. The Bank applies hedge accounting to these relationships.

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

The Bank also hedges the risk of changes in future cash flows related to our RSU and DSU plans by entering into total return equity swap contracts with third parties, the value of which is linked to the price of the Bank's common shares. Changes in the fair value of these derivative financial instruments offset the compensation expense related to the change in share price, over the period in which the swap is in effect. The Bank applies hedge accounting to the RSU-related derivative financial instruments but does not use hedge accounting for the DSU-related swaps.

As part of its Canada Mortgage Bond (CMB) activities, the Bank may assume reinvestment risk between the amortizing mortgage backed-securities (MBS) and the bullet CMB for securitized mortgages which are derecognized. The Bank assumes this risk by entering into total return swaps with highly rated counterparties and exchanging the cash flows of the CMB for those of the MBS transferred to Canadian Housing Trust (CHT).

For more information on derivative financial instruments see Notes 3, 5, 10, 11, 12, 13 and 19 to the audited consolidated financial statements.

Off-balance sheet activities

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

Securitization of financial assets

Certain securitization transactions qualify for derecognition when the Bank has transferred substantially all of the risks and rewards, or control associated with the securitized assets. The outstanding securitized loan principal that qualified for derecognition totalled \$5.9 billion at December 31, 2021 (December 31, 2020 – \$5.2 billion). The securitization liabilities associated with these transferred assets are approximately \$5.9 billion (December 31, 2020 – \$5.2 billion). The securitization retained interest recorded with respect to certain securitization transactions was \$207.9 million (December 31, 2020 – \$184.8 million) and the associated servicing liability was \$38.5 million at December 31, 2021 (December 31, 2020 – \$35.1 million).

Commitments and letters of credit

The Bank provides commitments to extend credit to our borrowers. The Bank had outstanding commitments to fund \$3.7 billion of loans and investments in the ordinary course of business at December 31, 2021 (December 31, 2020 – \$2.6 billion).

The Bank also issues letters of credit which represent assurances that it will make payments in the event that a borrower cannot meet their obligations to a third party. Letters of credit in the amount of \$46.8 million were outstanding at December 31, 2021 (December 31, 2020 – \$29.6 million), none of which were drawn upon.

Related party transactions

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

Risk management

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

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

The *Risk Management framework, Credit Risk, Liquidity and Funding Risk Management, and Market Risk Management* sections below form an integral part of the 2021 annual consolidated financial statements as they present required IFRS disclosures as set out in IFRS 7 Financial Instruments: Disclosures, which permits cross-referencing between the notes to the financial statements and the MD&A. See Note 4 of the annual consolidated financial statements.

Risk management framework

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

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

The Bank's ERM framework is illustrated below:

Enterprise Risk Management Framework



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

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

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

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

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

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

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

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

Governance and Nominating Committee: The Governance and Nominating Committee of the Board maintains primary oversight over the Bank's *Legal and Regulatory Risk*; this includes oversight of the Bank's Compliance function and ensures the Bank's compliance with all legal and regulatory requirements. The Committee also is responsible for overall corporate governance which includes Board membership, Board effectiveness, development of corporate governance guidelines including a code of conduct, and matters related to the Financial Consumer Agency of Canada. Further, this committee is responsible for the oversight of the Bank's environmental sustainability and corporate social responsibility initiatives (ESG) in conjunction with the review of Bank's Environmental, Social and Governance Annual Report, and monitors trends and best practices in environmental, social and governance practices and reporting.

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

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

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

- i. Business Unit Leaders are the 'first line', and are primarily accountable for identifying, assessing, managing and reporting risk within their functional areas of responsibility.
- ii. The Risk Oversight functions, which include the Finance, Risk and Compliance departments, are accountable for independent oversight of the Business Unit operations from a 'second line' perspective. Given the size and relatively low complexity of the Bank's operations and risk profile, business line management leverages the skills of the 'second line' as subject matter experts to assist in the design of our risk monitoring practices. Due to the inherent expertise embedded in our 'second line', the performance of some traditional 'first line' oversight functions may be undertaken by the 'second line'.
- iii. Internal Audit is accountable for independent assurance as the 'third line of defense'.

The following sections address the risks associated with COVID-19 and provide updates on our credit risk and liquidity risk profiles.

COVID-19

This section should be read in conjunction with the other comments about COVID-19 and our actions in other parts of this document, in particular but not limited to the sections titled *Business Outlook*, and *Credit Quality and Allowances*.

As a result of the global COVID-19 pandemic, the risks to our business have increased. The pandemic continues to have an adverse impact on businesses in Canada and around the world and the economic environments in which they operate. The spread of COVID-19 and resulting efforts to contain its spread has resulted in elevated unemployment in certain segments in Canada and has been met by a response from Government in the form of income support for people and businesses impacted by enforced shutdowns of businesses.

The Bank has established a pandemic response plan and procedures. The response plan outlines precautions to protect the safety and well-being of its employees and customers, but no assurance can be given that these actions will be adequate or appropriate. The unprecedented move across industries around the globe to conduct business from home and away from primary office locations increases both the demand on our technology infrastructure but also the risk of cyber-attacks which could lead to technology failures, security breaches, unauthorized access, loss or destruction of data or unavailability of services. Any of these events could result in litigation or result in a financial loss, disruption of our business activities, liability to our customers, government intervention or damage to our reputation. The spread of COVID-19 could also negatively impact availability of key personnel and employee productivity, as well as the business and operations of third-party service providers who perform critical services for the Bank, which could adversely impact the ability to deliver products and services to customers. While being alert to this risk, the Bank's cloud-based infrastructure has allowed the Bank's operations to be effectively conducted while most employees are working from home.

The management committee of the Bank is actively monitoring its response to the financial and non-financial risk of COVID-19. The CEO provides the Board with regular updates on the impact on the business, our workforce, and customers.

CREDIT RISK

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

The Bank's primary lending business is providing first mortgages on real estate located across Canada. All mortgages are individually evaluated by the Bank's or its agents' underwriters using internal and external credit risk assessment tools, and are assigned risk ratings in accordance with the level of credit risk attributed to each loan.

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

their ongoing operational requirements.

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

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

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

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

The Commercial Lending platform also includes Bennington Financial Corporations which serves the brokered equipment leasing market in Canada with a focus on transportation, construction, and food service equipment. Since acquiring Bennington over 3 years ago, the Bank continues to enhance its competitive position in the equipment financing market using our challenger bank platform and access to cost-effective funding sources.

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

The Bank invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. However, such investments expose the Bank to credit risk, should the issuer of these securities be unable to make timely interest payments or, under a worst-case scenario, if the issuer becomes insolvent. To limit its exposure to credit risk, the Bank establishes policies with exposure limits based on credit rating and investment type. Securities rated BBB- and higher ("low risk") comprised 100% of the Bank's corporate bond portfolio at December 31, 2021 (December 31, 2020 – 100%).

The Bank also invests in preferred shares to generate returns that meet certain internally acceptable ROE thresholds. These securities also represent a potential source of liquidity for the Bank. However, such investments expose the Bank to credit risk – should the issuer of these securities be unable to make timely dividend payments or, under a worst-case scenario, the issuer becomes insolvent. To limit its exposure to credit risk, the Bank establishes policies with exposure limits based on credit rating and investment type. Securities rated P-2 or higher comprised 25% of the Bank's total equity securities portfolio at December 31, 2021, compared to 41.5% a year earlier. Securities rated P-3 or higher comprised 63% of the total equity securities portfolio at the end of December 2021 (December 31, 2020 – 97.6%).

The Bank's rating scale for the credit quality of our counterparties is based on both internal and external credit grading systems. Table 28 below maps these grading systems against the categories on the Bank's credit risk exposure ratings scale. It presents the long-term Standard & Poor's equivalent grades for the Bank's cash and cash equivalents, debt and equity securities, and derivative counterparties. Low risk denotes that there is a very low risk of either default or loss, standard risk that there is a low risk of default or loss, and high risk that there is some concern that default or loss could occur.

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

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

Table 28: Credit risk exposure ratings scale

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

We have assessed the credit quality of the Bank's assets at December 31, 2021 and 2020, on the basis of the above mapping of internal and external risk ratings to the credit risk exposure categories. The table below provides the gross carrying amount of all financial assets classified as debt instruments in accordance with IFRS 9, for which a loss allowance is calculated, including contractual amounts of undrawn loan commitments, based on the Bank's credit risk exposure rating scale.

Table 29: Credit quality analysis

(\$000s)	For the year ended December 31, 2021			
	Stage1	Stage2	Stage3	Total
Loans receivable:				
Low risk	14,039,396	467,052	-	14,506,448
Standard risk	14,793,929	3,209,307	-	18,003,236
High risk	260,113	88,946	-	349,059
Impaired	-	-	90,968	90,968
Total	29,093,438	3,765,305	90,968	32,949,711
Less allowance	(27,693)	(18,412)	(2,588)	(48,693)
	29,065,745	3,746,893	88,380	32,901,018
(\$000s)	For the year ended December 31, 2021			
	Stage1	Stage2	Stage3	Total
Loan commitments:				
Low risk	915,085	152	-	915,237
Standard risk	1,260,967	238,301	-	1,499,268
High risk	377	68	-	445
Total	2,176,429	238,521	-	2,414,950
Less allowance	(220)	(36)	-	(256)
	2,176,209	238,485	-	2,414,694

(\$000s)	For the year ended December 31, 2020			
	Stage1	Stage2	Stage3	Total
Loans receivable:				
Low risk	13,757,464	952,212	-	14,709,676
Standard risk	9,641,586	3,309,828	-	12,951,414
High risk	304,089	251,018	-	555,107
Impaired	-	-	121,548	121,548
Total	23,703,139	4,513,058	121,548	28,337,745
Less allowance	(35,731)	(26,753)	(3,544)	(66,028)
	23,667,408	4,486,305	118,004	28,271,717
(\$000s)	For the year ended December 31, 2020			
	Stage1	Stage2	Stage3	Total
Loan commitments:				
Low risk	672,180	742	-	672,922
Standard risk	963,356	141,127	-	1,104,483
High risk	32,630	572	-	33,202
Total	1,668,166	142,441	-	1,810,607
Less allowance	(129)	(20)	-	(149)
	1,668,037	142,421	-	1,810,458

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

Table 30: Credit analysis for financial assets

(\$000s)	31-Dec-21	31-Dec-20
Debt Instruments:		
Loan receivables - FVTPL		
Low risk	167,372	59,416
Standard risk	1,018	65,789
Carrying amount	168,390	125,205
Investments - FVTPL		
Low risk	128,886	134,355
Standard risk	5,412	7,683
High risk	36,661	9,279
Carrying amount	170,959	151,317
Equity Instruments:		
Equity Securities - FVTPL		
High risk	26,214	1,165
Carrying amount	26,214	1,165
Equity Securities - FVOCI		
Low risk	26,269	27,901
Standard risk	61,497	54,419
High risk	4,995	5,019
Carrying amount	92,761	87,339

Cash and cash equivalents

The Bank held cash and cash equivalents of \$773.3 million as at December 31, 2021. The cash and cash equivalents are held with financial institutions that are rated at least A to AA+, based on S&P ratings.

Collateral held as security

All mortgages are secured by real estate property located in Canada. Appraised values for collateral held against mortgages are obtained at the time of origination and are generally not updated, except when a mortgage is

individually assessed as impaired. For impaired mortgages, the most recent appraised value of collateral at December 31, 2021 was \$104 million (December 31, 2020 – \$140 million). At December 31, 2021, the appraised values of collateral held for mortgages considered past due but not impaired, as determined when the mortgages were originated, was \$48 million (December 31, 2020 – \$182 million). It is the Bank's policy to pursue the orderly and timely realization of collateral.

Real estate from foreclosures that were owned and held for sale at December 31, 2021 amounted to \$0.1million (December 31, 2020 – \$0.9 million) and are included in Other assets (Note 13) in the consolidated balance sheet. The Bank does not use the real estate obtained through foreclosure for its own operations.

Leases are secured by first charges against the equipment leased and may include guarantees and other additional charges against other assets such as real estate. Values for the equipment securing leases are typically determined at the origination of the lease and generally not updated, except when a lease is individually assessed as impaired. For impaired leases, the value of expected realizations from charges and against equipment and other security at December 31, 2021 was \$6 million (December 31, 2020 – \$7.3 million).

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

The contractual amount outstanding on financial assets that were written off during the year amounted to \$3.5 million (December 31, 2020 – \$3 million). These amounts are still subject to enforcement activity.

Credit concentration risk

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

Management believes that it is adequately diversified by borrower, property type and geography. At December 31, 2021, no individual borrower represented more than \$145 million (December 31, 2020 – \$94 million) or 0.76% (December 31, 2020 – 0.70%) of uninsured loan principal outstanding. See Tables 7 and 13 of our Q4 2021 unaudited Supplemental Information and Regulatory Disclosures Report for a breakdown of loan principal outstanding by loan type and geography, respectively.

LIQUIDITY AND FUNDING RISK

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

In accordance with our RAF, the Board defines the Bank's liquidity and funding risk tolerance as 'low', and also reviews

and approves the limits to measure and control this risk. These limits are articulated via our Board-approved Liquidity and Funding Risk Management Policy – which is updated annually, at a minimum. This Policy requires the Bank to maintain a pool of high-quality liquid assets and stipulates various liquidity ratios and limits, concentration limits and, among other considerations, ongoing periodic liquidity stress testing requirements.

We also adhere to OSFI's Liquidity Adequacy Requirement (LAR) Guideline, which provides the framework within which OSFI assesses whether a federally regulated financial institution maintains adequate liquidity. Our liquidity position and adherence to the requirements are monitored on a daily basis by senior management. Key metrics are also reported monthly to the ALCO and, quarterly, both to the ERM Committee and the RCC of the Board. Any exceptions to established Policy or regulatory limits are reported immediately to the ALCO or to the Board, as applicable. As at December 31, 2021, we were in compliance with all related regulatory requirements.

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

Table 31: Assets held for liquidity protection

(\$000s, except percentages)	Policy minimum	2021	2020
Liquidity assets held for regulatory purposes		2,902,505	2,793,555
Liquidity assets as a % of minimum required policy liquidity ⁽¹⁾	100%	124%	128%

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

Stress and scenario testing is an integral part of the Bank's Liquidity and Funding Risk Management framework and supports the development of action plans to address funding needs in stressed environments. We manage our funding needs to ensure that we can meet our financial commitments in a timely manner and at reasonable prices, even in times of stress. The Bank's stress-testing models consider scenarios that incorporate institution-specific, market-specific and combination events. These scenarios model cash flows over a one-year period incorporating such factors as a decline in capacity to raise new deposits, lower liquidity values for market investments and an accelerated redemption of notice deposits. To establish these scenarios, we assess our fund-raising capacity and establish assumptions related to the cash flow behavior of each type of asset and liability. In each scenario, the Bank targets to hold sufficient liquid assets and have fundraising capacity sufficient to meet all obligations for at least a three-month forecast period while maintaining normal business activities. As at December 31, 2021, the Bank held sufficient liquid assets and maintained sufficient funding capacity to meet all funding obligations over the one-year forecasting period under all considered scenarios.

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

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

Table 32: Contractual obligations⁽¹⁾

(\$000s)	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Deposits principal and interest	14,399,012	7,136,823	5,350,720	1,902,862	8,607
Securitization liabilities principal and interest	24,064,309	4,016,345	8,518,347	6,199,891	5,329,726
Funding facilities principal and interest	200,134	200,134	-	-	-
Other liabilities	235,435	205,570	18,571	5,799	5,495
Total 2021 contractual obligations	38,898,890	11,558,872	13,887,638	8,108,552	5,343,828
Total 2020 contractual obligations	34,791,256	10,674,029	11,738,399	8,274,769	4,104,059

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

See Note 22 to the consolidated financial statements for credit commitments and contingencies as at December 31, 2021 and 2020.

MARKET RISK

Market Risk consists of interest rate risk and equity price risk and is broadly defined as the possibility that changes in either market interest rates or equity prices may have an adverse effect on our profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of our assets or liabilities have unmatched terms, interest rates or other attributes, such as optionality features embedded in our cashable deposits or mortgage commitments. For the interest sensitivity position of the Bank at December 31, 2021, see Note 25 to the consolidated financial statements. With respect to equity price risk, the value of our securities portfolio may be impacted by market determined variables which are beyond our control, such as benchmark yields, credit and/or market spreads, implied volatilities, the possibility of credit migration and default, among others. Overall, we have a 'low' appetite for market risk.

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

We monitor interest rate risk through simulated interest rate change sensitivity models to estimate the effects of various interest rate change scenarios on net interest income and on the economic value of shareholders' equity (EVE). EVE is a calculation of the present value of the Bank's asset cash flows, less the present value of liability cash flows on an after-tax basis. Management considers this measure to be more comprehensive than measuring changes in net interest income, as it captures all interest rate mismatches across all terms. Certain assumptions that are based on actual experience are also built into the simulations, including assumptions related to the pre-maturity redemption of deposits and early payouts of mortgages.

The table below illustrates the results of management's sensitivity modeling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest-rate changes on EVE and NII during the month period following December 31, 2021. The estimate of sensitivity to interest rate changes is dependent on several assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 33: Net interest income shock

(\$000s, except percentages)	Increase in interest rates	Decrease in interest rates ⁽¹⁾
100 basis point shift		
Impact on net interest income	24,524	1,626
Impact on EVE	(10,979)	(7,493)
EVE impact as a % of common shareholders' equity	(0.6%)	(0.4%)
200 basis point shift		
Impact on net interest income	43,108	1,589
Impact on EVE	(35,830)	(11,086)
EVE impact as a % of common shareholders' equity	(1.9%)	(0.6%)

(1) Interest rate is not allowed to decrease beyond a floor of 0% and is therefore not allowed to be negative.

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

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

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

OPERATIONAL RISK

We define Operational risk as the possibility that a loss could result from people, inadequate or failed internal processes or systems, or from external events. Our definition specifically excludes legal risk – which we include under the *Legal and Regulatory Risk* category below.

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

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

- **Governance:** While Operational risk may not be completely eliminated, proactive management of this risk is very important to mitigate exposure to financial losses, reputational damage and/or regulatory fines. We have implemented a Board-approved Operational Risk Management Policy and an Operational Risk Management Framework, which are jointly designed to monitor, review and report on operational risk management across the Bank. Both the Policy and the related Framework articulate our governance practices for the proper management of Operational risk and include clear accountabilities for the three-lines-of-defense (i.e., Business Units, Risk Management and related oversight functions such as Compliance and Finance, and Internal Audit) – in alignment with both the BCBS's 'Principles for the Sound Management of Operational Risk', and with OSFI's related 'Operational Risk Management Guideline'. Given the size of the Bank, the relatively low complexity of our business operations and our operational risk profile, business line management leverages the skills of the second line as subject matter experts to assist in the development of our operational risk monitoring practices. Additionally, given the expertise embedded in our second line of defense, the performance of some first line operational risk management activities is undertaken by the second line.
- **Training:** All employees within our organization are required to play a role in managing Operational risk. In this regard, we conduct operational risk management and cyber security awareness training and testing for all employees across the Bank – to provide them with an overview of the various types of operational risks, and their respective roles and responsibilities in helping to protect the interests and assets of the Bank.
- **Risk and Control Self-Assessments (RCSA's):** We use these tools on an annual basis to help identify and evaluate operational risk factors within our individual businesses and functional units, as well as on a Bank-wide basis. These tools assist us to proactively identify and assess key operational risks inherent in our material activities and systems, and to evaluating the effectiveness our controls to manage these risks.
- **Key Risk Indicators (KRI's):** As part of our RCSA monitoring exercise, we utilize KRI's to measure, monitor and report on the level of operational risk on a business/functional unit basis, as well as across the organization. These KRI's also serve as early warning triggers to highlight potential issues before the Bank experiences an incident or loss event.
- **Other Operational Risk Management (ORM) Tools:** In addition to the RCSA's and KRI's noted above, a number of other operational risk management tools are in use as part of the Bank's ORM program – these include an operational risk taxonomy, operational risk event collection and analysis, and change management risk and control assessment.
- **Risk Measurement and Reporting:** On a regular monthly basis, our centralized Operational Risk Management Team consolidates key operational risk management trends, significant events, if any, and KRI's across the Bank; these are reported to the ERM committee and to the RCC of the Board on a quarterly basis, at a minimum.
- **Business Continuity Management:** The Bank maintains a robust Business Continuity Management program, which includes a 'Crisis Management Plan' – to ensure that we have the capability to sustain, manage and recover critical operations and processes in the event of a business disruption, thereby minimizing any adverse effects on our customers, partners, and other stakeholders. Our Business Continuity Management Program is comprised of various plans (i.e., Crisis Management Plan, Business Continuity Plans, Disaster Recovery Plan and our Comprehensive Recovery Plan) to ensure the ability to operate as a going concern in the event of a severe business disruption. All key business units within the organization are required to maintain, and regularly test and review, their business continuity plans.
- **Enterprise Change Management:** Effective change management is key to successful implementation and execution of our business strategies and objectives. The Bank is committed to effective management of changes through use of established controls and processes that consider the materiality and risk of each change before it is undertaken.

Our change management practices involve assessment of change materiality, and appropriate engagement of key stakeholders and support areas. All material changes are subject to a comprehensive assessment of impact to the Bank's core risks to ensure appropriate identification and mitigation of risks. In addition, all material changes are subject to a more detailed assessment of operational risks to ensure appropriate identification and mitigation of risks as part of the project management, implementation plans, post implementation activities, and operational execution.

- **Fraud:** The Bank maintains a robust control framework designed to manage the risks related to misrepresentation and fraudulent activities across the Bank.

Our approach to fraud risk management has been to:

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

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

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

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

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

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

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

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

Also, KRI's have been established to measure, monitor, and report this risk to the Board on a regular, periodic basis. Furthermore, we also have established IT Roadmap with the objective of continuously improving the strength of our practices and capabilities.

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

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

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

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

- **Data Management and Privacy Risk:** The use and management of data and its governance are becoming increasingly important as we continue to invest in digital solutions and innovation, the move of our core banking system to the cloud and the ongoing expansion of business activities. There are regulatory compliance risks associated with data management and privacy as well, which form part of the Bank's Regulatory Compliance Management Program as discussed in the *Legal and Regulatory Risk* section below. We have established a dedicated Enterprise Data Management team to ensure we effectively address current and future data needs (quality, security, integrity), and that we are positioned to address emerging requirements from a data management planning and governance perspective.
- **Environmental and Climate Risk:** Environmental risk is the possibility of loss of strategic, financial, operational, or reputational value resulting from the impact of environmental issues or concerns, including climate change, and related social risk. These risks are categorized by the industry as either: physical risks, including risks arising from a changing climate leading to the potentially increased frequency of climate-related natural disasters; or transition risks, those that result from the transition to a low-carbon economy. Transition risks are broader, and could surface for the Bank in the form of emerging regulatory and legal requirements, disruptions to its operations and services, as well as through its customers themselves. To manage this risk, we evaluate environmental factors as part of our underwriting process. We consider the environmental risk associated with Single Family residential lending to be low so do not conduct environmental assessments for each of those loans. For most of our commercial loan portfolio, we employ third-party consultants to carry out detailed environmental assessments. We also maintain a diversified lending portfolio, which improves our resilience to geographic or sectoral specific environmental developments or events. The Bank is committed to measuring, managing, and reducing its environmental footprint. The Bank is a regular

participant in disclosing its climate change related information to CDP (formerly known as Carbon Disclosure Project), and has done so in 2020 and 2021.

We consider this risk to be a component of Operational risk. Practically speaking, we evaluate future risks on a quarterly basis through the Business and Strategic Risk evaluation as part of our Enterprise Risk Management Committee meetings. We conduct analyses of environmental and climate risk at periodic intervals to determine its potential impact on the Bank's assets in certain geographical regions which are prone to such disasters, including an extensive stress test on earthquake risk, and risk related analysis on geographies that are prone to flooding. Based on the results of these stress tests and analysis, refinements are made to our RAF, where considered appropriate and prudent.

Going forward, as we continue to elaborate on our definition and management of climate-related risk, we intend to leverage the framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD). We believe this framework can be used to evaluate any risk, since it considers governance, strategy, risk management, and metrics and targets. As the Bank progresses in this regard, future consideration may be given to the classification of Environmental and Climate Risk as an additional core risk under the Bank's Risk Management Framework, rather than a sub-component of Operational Risk. The further development of industry views and agreement on standard taxonomy in area such as Physical Risk, Transition Risk, and Liability Risk will inform the further development of the Banks own risk classification.

- **Third Party Risk:** Third party suppliers are integral to the Bank's business operations and the Bank has designed a program to provide oversight for third party relationships. Our approach to third party risk mitigation is outlined in policies and procedures that establish the minimum requirements for identifying and managing risks throughout the engagement life cycle with a third party. Performance monitoring and due diligence reviews are conducted on a regular basis. A higher level of due diligence is focused on our material arrangements to ensure that service levels are met, and that their system of controls is adequate. Outsourcing arrangements are reviewed on a regular (annual) basis to assess materiality, and to ensure regulatory requirements (i.e. OSFI B-10 Outsourcing Guideline) are met. We continue to evolve and improve our capabilities in this area, and with ever increasing reliance on external technology services, we expect that third party risk management will be subject to increased levels of regulation in the coming years.

Operational risk loss events

The Bank has a process and procedures in place for monitoring and reporting operational losses as well as near miss events. A near miss is an event that otherwise meets the definition of an operational loss event, but for which no financial loss has been incurred, not because of effective control but because of fortuitous circumstances. Our established processes include completing root cause analysis and action plans for loss and near miss events within defined thresholds. This helps ensure that actions are taken to mitigate future recurrence and potential negative impacts to financial, regulatory compliance, or to the image/ reputation of the bank. During 2021, we did not experience any material operational risk loss events.

LEGAL AND REGULATORY RISK

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

In accordance with our Board-approved RAF, we have a 'low' appetite and a 'low' tolerance for legal and regulatory risk. We undertake reasonable and prudent measures designed to achieve compliance with governing laws and regulations; this includes the Bank's Regulatory Compliance Management (RCM) Program – which is designed to identify and manage our continuously evolving legal and regulatory requirements. We also undertake reasonable and prudent measures designed to achieve compliance with governing laws and regulations and promote a strong culture

of compliance management across the organization. The Bank's business units are engaged in the identification and proactive management of our legal and regulatory risks, while the Compliance, Legal, Anti-Money Laundering and Risk Management teams assist them by providing ongoing guidance and oversight. Management of these risks also includes the timely escalation of issues to senior management and to the Board.

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

BUSINESS AND STRATEGIC RISK

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

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

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

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

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

REPUTATIONAL RISK

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

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

Share information

At February 7, 2022, the Bank had 34,070,810 common shares and 2,919,400 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 1,098,296 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of \$45.9 million.

Normal course issuer bid (NCIB)

During Q4 2021, Equitable purchased and cancelled 24,300 preferred shares at an average price of \$26.40. As at December 31, 2021, Equitable has purchased aggregate preferred shares of 80,600 at an average price of \$26.01 under the first NCIB term that expired on December 22, 2021 and between December 22 and 31, 2021, Equitable did not purchase any preferred shares under the renewed NCIB term that will expire on December 22, 2022. No common shares have been purchased and cancelled under either the NCIB term as at year end.

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is accumulated and communicated to senior management, including the President and Chief Executive Officer and the Chief Financial Officer, on a timely basis to enable appropriate decisions to be made regarding public disclosure. We have evaluated the effectiveness of the Bank's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) as of December 31, 2021. Based on that evaluation, we have concluded that these disclosure controls and procedures were effective.

Internal control over financial reporting

Our Internal Control over Financial Reporting framework is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. We have evaluated the design and operational effectiveness of the Bank's Internal Controls over Financial Reporting as of December 31, 2021 to provide reasonable assurance regarding the reliability of financial reporting. This evaluation was conducted in accordance with the Integrated (2013) Framework published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 of the Canadian Securities Administrators. Based on this evaluation, we have concluded that the Bank's Internal Controls over Financial Reporting were effective as of December 31, 2021.

Changes in internal control over financial reporting

There were no changes in the Bank's internal control over financial reporting that occurred during 2021 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

Non-Generally Accepted Accounting Principles (GAAP) financial measures

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

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

(\$000s, except percentages)	31- Dec-21	31-Dec-20	Change	31-Dec-19	Change
Total assets on the consolidated balance sheet	36,159,070	30,746,318	18%	28,392,452	27%
Loan principal derecognized	5,860,830	5,189,264	13%	4,612,901	27%
Assets Under Management	42,019,900	35,935,582	17%	33,005,353	27%

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

(\$000s, except share and per share amounts)	31- Dec-21	31-Dec-20	Change	31-Dec-19	Change
Shareholders' equity	1,952,634	1,647,702	19%	1,467,714	33%
Preferred shares	(70,607)	(72,477)	(3%)	(72,557)	(3%)
Common shareholders' equity	1,882,027	1,575,225	19%	1,395,157	35%
Common shares outstanding	34,070,810	33,748,148	1%	33,595,186	1%
Book value per common share	55.24	46.68	18%	41.53	33%

- **Capital ratios:**

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

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

- **Conventional loans:** are the total on-balance sheet loan principal excluding Prime single family and Insured multi-unit residential mortgages.
- **Dividend Yield:** is calculated on an annualized basis and is defined as dividend per common share divided by average of daily closing price per common share for the period.

- **Economic value of shareholders' equity (EVE):** is a calculation of the present value of the Bank's asset cash flows less the present value of liability cash flows on an after-tax basis. EVE is a more comprehensive measure of our exposure to interest rate changes than net interest income because it captures all interest rate mismatches across all terms.
- **Efficiency ratio:** this measure is used to assess the efficiency of the Bank's cost structure in terms of revenue generation. This ratio is derived by dividing non-interest expenses by revenue. A lower efficiency ratio reflects a more efficient cost structure.

(\$000s, except percentages)				For the years ended	
	31-Dec-21	31-Dec-20	Change	31-Dec-19	Change
Non-interest expenses	260,176	214,060	22%	199,573	30%
Revenue	642,907	556,833	15%	497,064	29%
Efficiency ratio	40.5%	38.4%	2.1%	40.2%	0.3%

(\$000s, except percentages)				For the three months ended	
	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Non-interest expenses	70,427	67,442	4%	55,348	27%
Revenue	171,863	162,100	6%	151,950	13%
Efficiency ratio	41.0%	41.6%	(0.6%)	36.4%	4.6%

- **Liquid assets:** is a measure of the Bank's cash or assets that can be readily converted into cash, which are held for the purposes of funding loans, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 15 of this MD&A.
- **Liquidity coverage ratio (LCR):** this ratio, calculated according to OSFI's Liquidity Adequacy Requirements, measures the Bank's ability to meet its liquidity needs for a 30-calendar day liquidity stress scenario. It is equal to high-quality liquid assets divided by total net cash outflows over the next 30-calendar days.
- **Loans under management (LUM):** is the sum of loan principal reported on the consolidated balance sheet and loan principal derecognized but still managed by the Bank. A detailed calculation can be found in Table 8 of this MD&A.
- **Net interest margin (NIM):** this profitability measure is calculated on an annualized basis by dividing net interest income by the average total interest earning assets for the period. A detailed calculation can be found in Tables 2 and 19 of this MD&A.
- **Operating leverage:** is the growth rate in revenue less the growth rate in non-interest expenses.
- **Pre-provision pre-tax income:** is the difference between revenue and non-interest expenses.
- **Provision for credit losses (PCL) - rate:** this credit quality metric is calculated on an annualized basis and is defined as the provision for credit losses as a percentage of average loan portfolio outstanding during the period.

(\$000s, except percentages)				For the years ended	
	31-Dec-21	31-Dec-20	Change	31-Dec-19	Change
Provision for credit losses	(7,674)	42,280	(118%)	18,394	(142%)
Divided by: average loan principal	30,479,797	27,333,853	12%	25,187,572	21%
Provision for credit losses - rate	(0.03%)	0.15%	(0.18%)	0.07%	(0.10%)

(\$000s, except percentages)				For the three months ended	
	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Provision for credit losses	(1,420)	(3,500)	59%	103	(1,479%)
Divided by: average loan principal	32,087,993	30,462,457	5%	27,822,176	15%
Provision for credit losses - rate	(0.02%)	(0.05%)	0.03%	0.001%	(0.02%)

- **Return on equity (ROE):** this profitability measure is calculated on an annualized basis and is defined as net income available to common shareholders as a percentage of the weighted average common equity outstanding during the period.

(\$000s, except percentages)	For the years ended				
	31-Dec-21	31-Dec-20	Change	31-Dec-19	Change
Net income available to common shareholders	288,117	219,327	31%	201,788	43%
Weighted average common equity outstanding	1,729,762	1,483,772	17%	1,300,468	33%
Return on equity	16.7%	14.8%	1.9%	15.5%	1.2%

(\$000s, except percentages)	For the three months ended				
	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Net income available to common shareholders	78,973	71,374	11%	70,304	12%
Weighted average common equity outstanding	1,841,008	1,764,632	4%	1,537,914	20%
Return on equity	17.0%	16.0%	1.0%	18.2%	(1.2%)

- **Risk-weighted assets (RWA):** represents the Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline. A detailed calculation can be found in Table 18 of this MD&A.
- **Total shareholder return (TSR):** is defined as total return of stock to an investor including stock appreciation and dividends.

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Management's responsibility for financial reporting

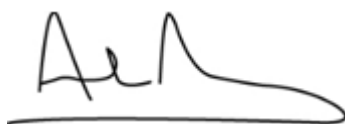
The Consolidated Financial Statements of Equitable Group Inc., the (Bank), are prepared by management, which is responsible for the integrity and fairness of the information presented. The information provided herein, in the opinion of management, has been prepared, within reasonable limits of materiality,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

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

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

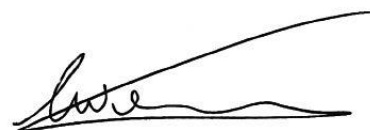
The Bank's subsidiary, Equitable Bank, is a Schedule I Bank under the Bank Act (Canada) and is regulated by OSFI. On a regular basis, OSFI conducts an examination to assess the operations of Equitable Bank and its compliance with statutory requirements and sound business practices.

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



Andrew Moor
President and Chief Executive Officer

February 7, 2022



Chadwick Westlake
Chief Financial Officer

Independent auditors' report

To the Shareholders of Equitable Group Inc.

Opinion

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

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Assessment of the allowance for credit losses for loans

Description of the matter

We draw your attention to Notes 2(d), 3(II)(a)(ii) and 9(d) to the financial statements. The Entity's allowance for credit losses ("ACL") for loans is \$48,949 thousand. The Entity's ACL is estimated using statistical models that involve a number of inputs and assumptions. ACL is calculated using an expected credit loss ("ECL") model which measures the credit losses using a three-stage approach based on the extent of credit deterioration of the financial assets since initial recognition. Probability of default ("PD") and loss given default ("LGD") are inputs used to estimate ECL and are modelled using forward-looking macroeconomic variables that are closely related with credit losses in the relevant portfolios, and are probability weighted using five macroeconomic scenarios.

Management exercises significant judgment indetermining:

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

In addition, as a result of the Covid-19 pandemic, the economic environment experienced significant volatility and uncertainty. This had a direct impact on forward-looking macroeconomic variables, probability weights and overlays.

Why the matter is a key audit matter

We identified the assessment of the ACL for loans as a key audit matter. Significant auditor judgment was required because of the use of complex models and there is a higher degree of measurement uncertainty due to the significant judgments described above, including the impact of the Covid-19 pandemic. Assessing the ACL for loans required significant auditor effort and specialized skills and knowledge to apply audit procedures and evaluate the results of those procedures.

How the matter was addressed in the audit

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

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

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The letters are bold and slightly slanted. Below the signature is a single, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Steven Watts

Toronto, Canada

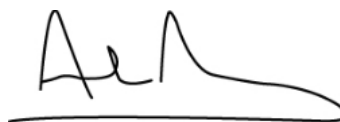
February 7, 2022

Consolidated balance sheets

(\$000s) As at December 31	Note	2021	2020
Assets			
Cash and cash equivalents	6	773,251	557,743
Restricted cash	6	462,164	504,039
Securities purchased under reverse repurchase agreements	7	550,030	450,203
Investments	8	1,033,438	589,876
Loans – Personal	9,10	22,421,603	19,445,386
Loans – Commercial	9,10	10,479,159	8,826,182
Securitization retained interests	10	207,889	184,844
Other assets	13	231,536	188,045
		36,159,070	30,746,318
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits	14	20,856,383	16,585,043
Securitization liabilities	10	11,375,020	11,991,964
Obligations under repurchase agreements	10	1,376,763	251,877
Deferred tax liabilities	15	63,141	60,880
Funding facilities	16	200,128	-
Other liabilities	17	335,001	208,852
		34,206,436	29,098,616
Shareholders' Equity:			
Preferred shares	18	70,607	72,477
Common shares	18	230,160	218,166
Contributed surplus	19	8,693	8,092
Retained earnings		1,650,757	1,387,919
Accumulated other comprehensive loss		(7,583)	(38,952)
		1,952,634	1,647,702
		36,159,070	30,746,318



David LeGresley
Chair of the Board



Andrew Moor
President and Chief Executive Officer

Consolidated statements of income

(\$000s, except per share amounts) Years ended December 31	Note	2021	2020
Interest income:			
Loans – Personal		660,945	690,865
Loans – Commercial		422,392	401,917
Investments		14,437	12,388
Other		9,546	16,495
		1,107,320	1,121,665
Interest expense:			
Deposits		307,684	364,047
Securitization liabilities	10	214,535	250,690
Funding facilities		901	5,355
Other		1,591	4,167
		524,711	624,259
Net interest income		582,609	497,406
Non-interest income:			
Fees and other income		22,157	22,589
Net gain on loans and investments		16,358	7,221
Gains on securitization activities and income from securitization retained interests	10	21,783	29,617
		60,298	59,427
Revenue		642,907	556,833
Provision for credit losses	9	(7,674)	42,280
Revenue after provision for credit losses		650,581	514,553
Non-interest expenses:			
Compensation and benefits		128,965	108,185
Other		131,211	105,875
		260,176	214,060
Income before income taxes		390,405	300,493
Income taxes:	15		
Current		95,562	70,498
Deferred		2,313	6,191
		97,875	76,689
Net income		292,530	223,804
Dividends on preferred shares		4,413	4,477
Net income available to common shareholders		288,117	219,327
Earnings per share:	20		
Basic		8.49	6.52
Diluted		8.36	6.47

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of comprehensive income

(\$000s) Years ended December 31	Note	2021	2020
Net income		292,530	223,804
Other comprehensive income – items that will be reclassified subsequently to income			
Debt instruments at Fair Value through Other Comprehensive Income:			
Net unrealized (losses) gains from change in fair value		(6,585)	4,350
Reclassification of net losses (gains) to income		929	(1,185)
Other comprehensive income – items that will not be reclassified subsequently to income			
Equity instruments designated at Fair Value through Other Comprehensive Income:			
Net unrealized gains (losses) from change in fair value		20,244	(3,411)
Reclassification of net gains to retained earnings		(13)	-
		14,575	(246)
Income tax (expense) recovery		(3,829)	64
		10,746	(182)
Cash flow hedges:	11		
Net unrealized gains (losses) from change in fair value		27,031	(27,028)
Reclassification of net losses (gains) to income		941	(378)
		27,972	(27,406)
Income tax (expense) recovery		(7,349)	7,222
		20,623	(20,184)
Total other comprehensive income (loss)		31,369	(20,366)
Total comprehensive income		323,899	203,438

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of changes in shareholders' equity

	(\$000s)							2021
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Total
					Cashflow hedges	Financial instruments at FVOCI	Total	
Balance, beginning of year	72,477	218,166	8,092	1,387,919	(19,943)	(19,009)	(38,952)	1,647,702
Net income	-	-	-	292,530	-	-	-	292,530
Transfer of gains from sale of equity instruments	-	-	-	13	-	-	-	13
Other comprehensive income, net of tax	-	-	-	-	20,623	10,746	31,369	31,369
Exercise of stock options	-	10,056	-	-	-	-	-	10,056
Purchase of treasury preferred shares	(1,870)	-	-	-	-	-	-	(1,870)
Net loss on cancellation of treasury preferred shares	-	-	-	(145)	-	-	-	(145)
Dividends:								
Preferred shares	-	-	-	(4,413)	-	-	-	(4,413)
Common shares	-	-	-	(25,147)	-	-	-	(25,147)
Stock-based compensation	-	-	2,539	-	-	-	-	2,539
Transfer relating to the exercise of stock options	-	1,938	(1,938)	-	-	-	-	-
Balance, end of year	70,607	230,160	8,693	1,650,757	680	(8,263)	(7,583)	1,952,634

(\$000s)	2020							
Balance, beginning of year	72,557	213,277	6,973	1,193,493	241	(18,827)	(18,586)	1,467,714
Net income	-	-	-	223,804	-	-	-	223,804
Other comprehensive loss, net of tax	-	-	-	-	(20,184)	(182)	(20,366)	(20,366)
Exercise of stock options	-	4,122	-	-	-	-	-	4,122
Purchase of treasury preferred shares	(80)	-	-	-	-	-	-	(80)
Net loss on cancellation of treasury preferred shares	-	-	-	(2)	-	-	-	(2)
Dividends:								
Preferred shares	-	-	-	(4,477)	-	-	-	(4,477)
Common shares	-	-	-	(24,899)	-	-	-	(24,899)
Stock-based compensation	-	-	1,886	-	-	-	-	1,886
Transfer relating to the exercise of stock options	-	767	(767)	-	-	-	-	-
Balance, end of year	72,477	218,166	8,092	1,387,919	(19,943)	(19,009)	(38,952)	1,647,702

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of cash flows

(\$000s) Years ended December 31	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	292,530	223,804
Adjustments for non-cash items in net income:		
Financial instruments at fair value through profit or loss	(10,608)	(3,069)
Amortization of premiums/discount on investments	190	1,562
Amortization of capital assets and intangible costs	32,672	22,930
Provision for credit losses	(7,674)	42,280
Securitization gains	(18,192)	(28,101)
Stock-based compensation	2,539	1,886
Income taxes	97,875	76,689
Securitization retained interests	45,257	37,251
Changes in operating assets and liabilities:		
Restricted cash	41,875	(41,047)
Securities purchased under reverse repurchase agreements	(99,827)	(300,134)
Loans receivable, net of securitizations	(4,712,973)	(1,751,647)
Other assets	4,957	(2,227)
Deposits	4,287,128	1,132,975
Securitization liabilities	(616,502)	1,283,655
Obligations under repurchase agreements	1,124,886	(255,167)
Funding facilities	200,128	-
Other liabilities	82,498	(21,980)
Income taxes paid	(53,501)	(94,481)
Cash flows from operating activities	693,258	325,179
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	10,056	4,122
Dividends paid on preferred shares	(4,413)	(4,477)
Dividends paid on common shares	(25,147)	(24,899)
Cash flows used in financing activities	(19,504)	(25,254)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(941,944)	(333,002)
Proceeds on sale or redemption of investments	562,039	158,199
Net change in Canada Housing Trust re-investment accounts	(39,767)	(48,446)
Purchase of capital assets and system development costs	(38,574)	(27,786)
Cash flows used in investing activities	(458,246)	(251,035)
Net increase in cash and cash equivalents	215,508	48,890
Cash and cash equivalents, beginning of year	557,743	508,853
Cash and cash equivalents, end of year	773,251	557,743
Cash flows from operating activities include:		
Interest received	1,026,279	1,098,118
Interest paid	(518,080)	(579,580)
Dividends received	21,372	9,447

See accompanying notes to the Consolidated Financial Statements.

Notes to consolidated financial statements

(\$000s, except per share amounts)

Note 1 – Reporting Entity

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

Note 2 – Basis of Preparation

(a) Statement of compliance

The Consolidated Financial Statements of Equitable Group Inc. have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Equitable Group Inc. has 100% ownership interest in Equitable Bank, Equitable Trust Co., Bennington Financial Services, EQB Covered Bond (Legislative) GP Inc., and EQB Covered Bond (Legislative) Guarantor Limited Partnership. All these subsidiaries have been consolidated in these financial statements as at December 31, 2021.

The Consolidated Financial Statements were authorized for issue by the Bank's Board of Directors on February 7, 2022.

(b) Basis of measurement

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

(c) Functional currency

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

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

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

In making estimates and judgements, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been made taking into consideration the economic impact of the COVID-19 pandemic, the spread of variants, and the significant economic volatility and uncertainty it has created. Actual results could differ materially from these estimates, in which case the impact would be recognized in the Consolidated Financial Statements in future periods.

Allowance for credit losses under IFRS 9

The expected credit loss (ECL) model requires management to make judgements and estimates in a number of areas. Management must exercise significant experienced credit judgement in determining whether there has been a significant increase in credit risk since initial recognition and in estimating the amount of ECL. The measurement of ECL 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 COVID-19 pandemic, the macroeconomic environment has experienced 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 9(d).

In considering the current economic environment, management has determined that a revision to the probability-weights assigned to the macroeconomic scenarios was not appropriate.

(e) Consolidation

The Consolidated Financial Statements as at and for the twelve months ended December 31, 2021 and December 31, 2020 include the assets, liabilities and results of operations of the Bank and its subsidiaries, after the elimination of intercompany transactions and balances. The Bank has control over its subsidiaries as it is exposed to and has rights to variable returns from its involvement with the subsidiaries and it has the ability to affect those returns through its power over their relevant activities.

Note 3 – Significant Accounting Policies

The following note describes the Bank's significant accounting policies. These accounting policies have been applied consistently to all periods presented in these Consolidated Financial Statements, except for the adoption of new accounting policies as a result of the covered bond issuance during 2021.

(l) New accounting policies adopted

(a) Covered bond

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

These sale transactions are considered secured funding and are recognized under Deposits on the Consolidated Balance Sheets. These deposits are measured at amortized cost, plus accrued interest, and are reported net of any unamortized premiums or discounts and transaction costs incurred in obtaining the secured funding. Interest expense is allocated over the expected term of borrowing by applying the effective interest rate to the carrying amount of the liability and is recorded under Interest expense – Deposits in the Consolidated Statements of Income. The Guarantor LP is consolidated with the Bank, as the Bank has the decision-making power and ability to use the power to affect the Bank's returns.

(b) Derivative financial instruments

Fair value hedges

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

(II) Accounting policies consistently applied in prior and current periods

(a) Financial instruments

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

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

(i) Classification and measurement of financial instruments

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

i. Debt Instruments

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

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

Business model assessment

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

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

Cash flow characteristics assessment

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

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

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

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

Debt instruments measured at AMC

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

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

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

Debt instruments measured at FVOCI

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

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

Debt instruments measured at FVTPL

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

ii. Equity instruments

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

iii. Financial assets and liabilities designated at FVTPL

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

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

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

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

iv. Financial liabilities

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

(ii) Impairment

Scope

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

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

ECL is calculated based on the stage in which the financial instrument falls at the reporting date. Financial instruments migrate through the three stages based on the change in their risk of default since initial recognition.

ECL model

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

Measurement of ECL

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

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to twelve months ECL is recorded. ECL is computed using a probability of default (PD) occurring over the next twelve months. For those instruments with a remaining maturity of less than twelve months, a PD corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to initial recognition but is not considered to be in default, it is included in Stage2. This requires the computation of ECL based on the PD over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the ACL captures lifetime ECL.

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

Details of these statistical parameters/inputs are as follows:

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

Forward-looking macroeconomic variables

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

The Bank relies on a broad range of forward- looking macroeconomic variables, such as expected GDP growth, unemployment rates, house price indices, commercial property index and family income. The inputs used in the model for calculating ECL may not always capture all characteristics of the market at the balance sheet date. To capture portfolio characteristics and risks, qualitative adjustments or overlays are made using management experienced credit judgement.

Multiple forward-looking macroeconomic scenarios

The Bank determines ECL using five probability- weighted forward-looking macroeconomic scenarios obtained on a periodic basis from Moody's Analytics economic forecasting services. These macroeconomic scenarios include a 'base-case' scenario which represents the most likely outcome and four additional macroeconomic scenarios representing more optimistic and more pessimistic outcomes. These additional macroeconomic scenarios are designed to capture material non- linearity of potential credit losses in the portfolios.

Assessment of significant increase in credit risk

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

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

Modified financial assets

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

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

Definition of default

The Bank considers a financial instrument to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing collateral (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank.

The Bank classifies a loan receivable as impaired when, in the opinion of management, there is reasonable doubt as to the timely collectability, either in whole or in part, of principal or interest, or the loan is past due 90 days.

(iii) Determination of fair value of financial instruments

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

Subsequent to initial recognition, for financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices for financial liabilities. For those financial instruments measured at fair value where an active market is not available, fair value estimates are determined using valuation methods which maximize use of observable market data and include discounted cash flow analysis and other commonly used valuation techniques. See Note 5 for the valuation methods and assumptions used to estimate fair values of financial instruments.

(iv) Derecognition of financial instruments Financial assets

The Bank derecognizes a financial asset when:

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

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

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

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

Financial liabilities

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

(v) Offsetting

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

(b) Investments

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

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

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

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

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

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

(c) Loans receivable

Loans receivable measured at amortized cost

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

Loans receivable measured as at FVTPL

Certain loans measured as at FVTPL are carried at fair value with changes in fair value included in Non-interest income in the Consolidated Statements of Income. Net fees relating to loan origination are recognized in income as incurred, and are included in Interest income – Loans in the Consolidated Statements of Income.

(d) Cash and cash equivalents

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

(e) Securities purchased under reverse repurchase agreements

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

(f) Securitizations

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

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

Securitized loans and securitization liabilities

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

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

In addition, these transactions are considered secured financing and result in the recognition of securitization liabilities. Securitization liabilities are measured at amortized cost, plus accrued interest, and are reported net of any unamortized premiums or discounts and transaction costs incurred in obtaining the secured financing. Interest expense is allocated over the expected term of borrowing by applying the effective interest rate to the carrying amount of the liability.

Securitization retained interest and servicing liability

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

Gains on securitization

When a loan is derecognized, the related loans are removed from the Consolidated Balance Sheets and a gain or loss is recognized in the Consolidated Statements of Income under Non-interest income – Gains on securitization activities and income from securitization retained interests.

(g) Purchased loans

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

On the date of acquisition, purchased performing loans follow the same accounting treatment as originated performing loans, and are included in Stage 1. As a result, immediately after the date of acquisition, a 12-month allowance is recorded in provision for credit losses in the Consolidated Statements of Income. Subsequent to the acquisition date, ECL allowances are estimated in a manner consistent with the Bank's impairment policy that is applied to loans that are originated.

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

(h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Non-controlling interests, if any, are recognized at their proportionate share of the fair value of identifiable assets and liabilities. Goodwill represents the excess purchase price paid over the fair value of identifiable net assets and liabilities acquired in a business combination on the date of acquisition.

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

(i) Foreign currency translation

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

(j) Derivative financial instruments

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

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

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

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

Cash flow hedges

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

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

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

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

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

Fair value hedges

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

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

The Bank also enters into interest rate swap agreements to manage interest rate exposures on fixed rate loan assets. The fair value of these interest rate swap agreements is included in Other assets and/or Other liabilities with changes in fair value recorded in Interest income Loans – Personal and/or Loans – Commercial. Changes in fair value of the loan assets attributable to the hedged risk, is also included in Interest income Loans – Personal and/or Loans – Commercial. The Bank applies hedge accounting to these derivatives.

Beginning in 2020, the Bank entered into interest rate swap agreements to manage interest rate exposures on its investment in fixed rate provincial bonds. The fair value of these interest rate swap agreements is included in Other assets and/or Other liabilities with changes in fair value recorded in Non-interest income – Net gain (loss) on investments. Changes in fair value of the provincial bonds is attributable to the hedged risk and is also included in Non-interest income – Net gain (loss) on investments. The Bank applies hedge accounting to these derivatives.

In order for a derivative to qualify as an accounting hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability or cash flow being hedged, the hedging instrument, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting changes in the fair value of the hedged asset or liability. Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using quantitative statistical measures of correlation. Hedge ineffectiveness, if any, are a result of differences in maturities and prepayment frequency between hedging instruments and hedged items.

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

Beginning in 2020, the Bank entered into foreign exchange forwards to manage foreign exchange exposures on certain foreign currency liabilities. The fair value of these foreign exchange forwards is included in Other assets and/or Other liabilities with changes in fair value recorded in Non-interest income – Fees and other income. Changes in foreign currency translation of foreign currency liabilities are also included in Non-interest income – Fees and other income. The Bank does not apply hedge accounting to these derivative instruments.

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

(k) Leases As a Lessor:

Identification of a lease

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

Recognition

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

Subsequent measurement

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

As a Lessee:

Identification of a lease

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

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

Recognition

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

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

Subsequent measurement

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

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

After the commencement date, if a lease is remeasured, an adjustment is made to the ROU asset. In case the carrying amount of the ROU asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining amount is recognized in the Consolidated Statements of Income.

The ROU assets and corresponding lease liabilities are included in Other Assets and Other Liabilities, on the Bank's Consolidated Balance Sheets.

Short-term leases and leases of low-value assets

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

(l) Compensation plans

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

(i) Short-term employee benefits

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

(ii) Deferred profit sharing plan (DPSP)

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

(iii) Stock-based compensation Stock option plan

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

Restricted share unit (RSU) plan

The Bank has an RSU plan and may grant RSUs and/or Performance Share Units (PSUs) to eligible employees on an annual basis. The expense related to the award of these units is included in Non-interest expense – Compensation and benefits in the Consolidated Statements of Income over the vesting period and any corresponding liability is included in Other liabilities in the Consolidated Balance Sheets. Since each RSU or PSU represents a notional common share, any changes in unit value and re-invested notional dividend amounts are recognized in the Consolidated Statement of Income. Each RSU or PSU held at the end of the vesting period including those acquired as dividend equivalents will be paid to the eligible employee in cash, the value of which will be based on the volume-weighted average closing price of the Bank's common shares on the TSX for the five consecutive trading days immediately prior to the vesting. The value of PSUs may be increased or decreased up to 25%, based on the Bank's relative total shareholder return compared to a defined peer group of financial institutions in Canada, and the incremental expense or recovery on those shares is recorded when the Bank can reliably estimate the actual payout.

Deferred share unit (DSU) plan

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

Employee stock purchase (ESP) plan

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

(m) Income taxes

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

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

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

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

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

(n) Capital assets

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

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

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

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

(o) Intangible assets

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

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

(p) Deposits

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

Deferred deposit agent commissions are accounted for as a component of deposits with the amortization of these commissions, with the exception of commissions relating to deposits designated as at fair value through profit or loss, which are expensed as incurred, and are calculated on an effective yield basis as a component of interest expense.

(q) Obligations under repurchase agreements

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

(r) Funding facilities

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

(s) Securitized leases

The Bank securitizes pools of finance leases on a fully serviced basis to independent third parties. The Bank retains the servicing responsibilities and participates in certain cash flows from the pools. The securitization transaction is not considered to have transferred the risks and rewards of ownership and accordingly is not derecognized. The securitized finance leases continue to be classified as finance leases on the Bank's Consolidated Balance Sheets with a corresponding lease financing liability.

(t) Share capital Issuance costs

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

Treasury preferred shares

Preferred shares are repurchased and cancelled by the Bank. These repurchased and cancelled treasury preferred shares are deducted from the preferred shares in Shareholders' Equity at cost. Any gain or loss arising on the difference between the carrying value and the purchase consideration is recognized in Retained Earnings.

(u) Earnings per share

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

(v) Interest

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

(w) Fees

Non-interest income includes some ancillary fees related to the administration of the loan portfolio. These fees are measured based on the consideration specified in the agreements with customers and are accrued and recognized as the related services are rendered.

(x) Provisions

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

(y) Write-off

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

Note 4 – Risk Management

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

Note 5 – Financial Instruments

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

(a) Valuation methods and assumptions

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

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

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

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

(ii) Financial instruments classified as at FVOCI and FVTPL

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

(iii) Loans receivable

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

(iv) Deposits

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

(v) Securitization liabilities

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

(vi) Derivatives

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

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at December 31, 2021 and December 31, 2020. The tables do not include assets and liabilities that are not financial instruments.

(\$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
Other liabilities:						
Derivative financial instruments ⁽²⁾ :						
Interest rate swaps	10,589	-	-	-	10,589	10,589
Cross-currency swaps	22,078	-	-	-	22,078	22,078
Total return swaps	13,191	-	-	-	13,191	13,191
Bond forwards	2,727	-	-	-	2,727	2,727
Foreign exchange forwards	712	-	-	-	712	712
Loan commitments	24	-	-	-	24	24
Funding facilities	-	-	-	200,128	200,128	200,128
Other	-	-	-	244,381	244,381	244,381
Total financial liabilities	49,321	-	-	34,052,675	34,101,996	34,099,572

(1) Loans – Commercial does not include \$716,651 (December 31, 2020 - \$538,156) of Finance leases, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

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

(1) Loans – Commercial does not include \$716,651 (December 31, 2020 - \$538,156) of Finance leases, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

(b) Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

Level 2: valuation techniques based on inputs 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 approximates their fair values due to their short-term nature:

(\$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
Bond forwards	-	124	-	124
Foreign exchange forwards	-	1,741	-	1,741
Other	-	7,133	-	7,133
Total financial assets	992,086	451,321	31,948,343	33,391,750
Financial liabilities:				
Deposits	-	20,816,341	-	20,816,341
Securitization liabilities	-	9,908,510	1,504,128	11,412,638
Other liabilities:				
Derivative financial instruments ⁽¹⁾ :				
Interest rate swaps	-	10,589	-	10,589
Cross-currency interest rate swaps	-	22,078	-	22,078
Total return swaps	-	634	12,557	13,191
Bond forwards	-	2,727	-	2,727
Foreign exchange forwards	-	712	-	712
Loan commitments	-	-	24	24
Funding facilities	-	200,128	-	200,128
Other	-	244,381	-	244,381
Total financial liabilities	-	31,206,100	1,516,709	32,722,809

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

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

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

Note 6 – Cash and Cash Equivalents and Restricted Cash

(\$000s)	December 31, 2021	December 31, 2020
Deposits with regulated financial institutions	773,251	557,743
Cash and cash equivalents	773,251	557,743
Restricted cash – securitization	347,632	475,375
Restricted cash – interest rate swaps	22,650	28,048
Restricted cash – other programs	91,882	616
Restricted cash	462,164	504,039

Restricted cash – securitization represents deposits held in trust in connection with the Bank's securitization activities. These deposits include cash accounts held at a major Schedule I Canadian Bank that hold principal and interest payments collected from securitized loans awaiting payment to their respective investors, deposits held as collateral by third parties for the Bank's securitization hedging activities and deposits held in interest reinvestment accounts in connection with the Bank's participation in the CMB program.

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

Restricted cash – other programs represent deposits held as collateral in connection with the Bank's Home Equity line of credit, servicing business, deposit and covered bond programs. These balances may be drawn upon only in the event of insufficient cashflows from the underlying programs.

Note 7 – Securities Purchased Under Reverse Repurchase Agreements

As at December 31, 2021, the fair value of financial assets accepted as collateral that the Bank is permitted to sell or repledge in the absence of default is \$551,426 (December 31, 2020 – \$450,106). The Bank is obliged to return equivalent securities at the repurchase date, and the Bank did not sell or repledge any of the collateralas at the year ended December 31, 2021.

Note 8 – Investments

Carrying value of investments is as follows:

(\$000s)	December 31, 2021	December 31, 2020
Equity securities measured at FVOCI	92,761	87,339
Equity securities measured at FVTPL	26,214	1,165
Debt securities measured at FVOCI	577,532	174,646
Debt securities measured at FVTPL	170,959	151,317
Debt securities measured at AMC	165,972	175,409
	1,033,438	589,876

The Bank has elected to designate certain Equity securities to be measured at FVOCI as these investments are expected to be held for the long term. For the year ended December 31, 2021, the Bank earned dividends of \$4,293 (2020 – \$4,635) on these Equity securities. During the year, the Bank sold/redeemed Equity securities of \$14,722 (2020 – \$1,500) and recognized a gain on sale of \$13 (2020 – Nil) in Retained earnings.

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

(\$000s)	2021	2020
Equity securities measured at FVOCI	20,231	(3,411)
Equity securities measured at FVTPL	(5,647)	(2,656)
Debt securities measured at FVOCI	(5,656)	3,165
Debt securities measured at FVTPL	6,646	7,731

Note 9 – Loans Receivable

(a) Loans receivable

(\$000s)	December 31, 2021						
	Gross amount	Allowance for credit losses				Total	Net amount
		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)	December 31, 2020						
	Gross amount	Allowance for credit losses				Total	Net amount
		Stage 1	Stage 2	Stage 3			
Loans – Personal	19,465,192	13,228	4,893	1,685	19,806	19,445,386	
Loans – Commercial	8,872,553	22,632	21,880	1,859	46,371	8,826,182	
	28,337,745	35,860	26,773	3,544	66,177	28,271,568	

Loans – Personal include certain uninsured residential loans with a carrying value of \$723,500 (December 31, 2020 - \$nil) that have been sold but are not derecognized. The Bank issues Euro denominated covered bonds in Europe by securitizing uninsured residential loans on properties in Canada. These uninsured residential loans are sold and held in a separate guarantor entity i.e. EQB Covered Bond (Legislative) Guarantor Limited Partnership (Guarantor LP), established by the Bank exclusively for the Covered Bonds Program (the Program). The legal title on the uninsured residential loans that are secured under the Program are held by the Guarantor LP. The residential loans sold to the Guarantor LP under the Program do not qualify for derecognition as the Bank continues to be exposed to substantially all of the risks and rewards associated with the transferred assets and retains control of the assets. A key risk associated with transferred loans to which the Bank remains exposed after the transfer in the Program is the risk of prepayment. As a result, the loans continue to be recognized on the Bank's Consolidated Balance Sheets at amortized cost and are accounted for as collateral for the secured funding arrangement, with the corresponding liability presented under Deposits.

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 December 31, 2021, the carrying value of these loans was \$167,372 (December 31, 2020 – \$59,415) and included fair value adjustment of \$1,915 (December 31, 2020 – \$43).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in Non- interest income in the Consolidated Statements of Income. As at December 31, 2021, the carrying amount of these loans was \$1,018 (December 31, 2020 – \$65,789) and included fair value adjustment of (\$19) (December 31, 2020 – \$21).

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

(\$000s)	2021	2020
Net gains in fair values for loans measured at FVTPL included in gains on securitization activities	1,872	769
Net (losses) in fair values for loans measured at FVTPL and recognized in net gain (loss) on loans and investments	(43)	(473)

Loans – Commercial include loans of \$568,137 (December 31, 2020 – \$230,989) invested in certain asset-backed structured entities. The Bank holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. The Bank does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from these investments. Consequently, the Bank does not control these structured entities and has not consolidated them.

Loans – Commercial also include the Bank's net investment in finance leases of \$716,651 (December 31, 2020 – \$538,156). The following table shows the maturity analysis of undiscounted minimum lease payments reconciled to the net investment in finance leases:

(\$000s)	December 31, 2021	December 31, 2020
Minimum lease payments:		
Less than 1 year	311,734	251,229
1 year to less than 2 years	242,668	188,040
2 years to less than 3 years	159,941	115,507
3 years to less than 4 years	79,335	50,848
4 years to less than 5 years	25,256	13,486
More than 5 years	2,627	1,028
Non performing leases – net	18,148	22,685
Total undiscounted lease payments receivable	839,709	642,823
Less:		
Security deposits held	(6,773)	(7,068)
Unearned finance income	(100,254)	(76,768)
Allowance for credit losses	(16,031)	(20,831)
Net investment in finance leases	716,651	538,156

For the year ended December 31, 2021, the Bank earned finance income of \$62,167 (December 31, 2020 – \$55,307) from its investment in finance leases. As at December 31, 2021, all of the Bank's leases are fixed rate leases with terms ranging from one to seven years, and approximately 81.2% of the Bank's finance leases were concentrated in the following five industry segments:

	December 31, 2021	December 31, 2020
Transportation – Long Haul	43.0%	42.5%
Transportation – Vocational	17.4%	16.4%
Construction	8.9%	8.4%
Food	8.1%	11.1%
Agriculture	3.8%	3.9%

(b) Impaired and past due loans

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

(\$000s)	December 31, 2021			December 31, 2020
	Gross ⁽¹⁾	Allowance for credit losses	Net	Net
Loans – Personal	21,352	632	20,720	61,018
Loans – Commercial – Conventional and Insured	49,121	1,286	47,835	30,208
Loans – Commercial – Finance Leases	20,495	670	19,825	26,778
	90,968	2,588	88,380	118,004

(1) Gross balances include loans amounting to \$6,710 (December 31, 2020 - \$8,873) that are insured.

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

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

(c) Allowance for credit losses

(\$000s)				December 31, 2021	
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired		
Loans – Personal	Stage 1	Stage 2	Stage 3	Total	
Balance, beginning of year	13,228	4,893	1,685	19,806	
Provision for credit losses:					
Transfers to (from) Stage 1	2,232	(993)	(1,239)	-	
Transfers to (from) Stage 2	(2,823)	3,030	(207)	-	
Transfers to (from) Stage 3	(6)	(11)	17	-	
Re-measurement ⁽¹⁾	(9,278)	(1,750)	1,125	(9,903)	
Originations	3,581	-	-	3,581	
Discharges	(432)	(225)	-	(657)	
Write-off	-	-	-	-	
Realized losses	-	-	(805)	(805)	
Recoveries	-	-	56	56	
Balance, end of year ⁽²⁾	6,502	4,944	632	12,078	

(\$000s)				December 31, 2021	
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired		
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total	
Balance, beginning of year	22,632	21,880	1,859	46,371	
Provision for credit losses:					
Transfers to (from) Stage 1	11,292	(10,441)	(851)	-	
Transfers to (from) Stage 2	(993)	1,557	(564)	-	
Transfers to (from) Stage 3	(53)	(914)	967	-	
Re-measurement ⁽¹⁾	(14,882)	2,573	9,350	(2,959)	
Originations	3,924	-	-	3,924	
Discharges	(509)	(1,151)	-	(1,660)	
Write-off	-	-	(8,873)	(8,873)	
Realized losses	-	-	(13)	(13)	
Recoveries	-	-	81	81	
Balance, end of year ⁽²⁾	21,411	13,504	1,956	36,871	

(1) Includes movement as a result of significant increase or decrease in credit risk and changes in credit risk due to model inputs/assumptions that did not result in a transfer between stages (2) The allowance for credit losses includes allowance on loan commitments amounting to \$256 (December 31, 2020 - \$149).

(\$000s)				December 31, 2020	
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired		
Loans – Personal	Stage 1	Stage 2	Stage 3	Total	
Balance, beginning of year	3,295	2,417	2,198	7,910	
Provision for credit losses:					
Transfers to (from) Stage 1	6,009	(4,993)	(1,016)	-	
Transfers to (from) Stage 2	(6,688)	7,056	(368)	-	
Transfers to (from) Stage 3	(27)	(118)	145	-	
Re-measurement ⁽¹⁾	6,549	1,720	2,526	10,795	
Originations	4,988	-	-	4,988	
Discharges	(898)	(1,189)	-	(2,087)	
Write-off	-	-	-	-	
Realized losses	-	-	(1,843)	(1,843)	
Recoveries	-	-	43	43	
Balance, end of year ⁽²⁾	13,228	4,893	1,685	19,806	

(\$000s)				December 31, 2020	
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired		
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total	
Balance, beginning of year	16,758	9,375	2,864	28,997	
Provision for credit losses:					
Transfers to (from) Stage 1	8,697	(8,390)	(307)	-	
Transfers to (from) Stage 2	(3,850)	4,080	(230)	-	
Transfers to (from) Stage 3	(55)	(1,996)	2,051	-	
Re-measurement ⁽¹⁾	(3,363)	19,998	8,691	25,326	
Originations	5,059	-	-	5,059	
Discharges	(614)	(1,187)	-	(1,801)	
Write-off	-	-	(11,196)	(11,196)	
Realized losses	-	-	(36)	(36)	
Recoveries	-	-	22	22	
Balance, end of year ⁽²⁾	22,632	21,880	1,859	46,371	

(1) Includes movement as a result of significant increase or decrease in credit risk and changes in credit risk due to model inputs/assumptions that did not result in a transfer between stages (2) The allowance for credit losses includes allowance on loan commitments amounting to \$256 (December 31, 2020 - \$149).

(d) Key inputs, assumptions and model techniques

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

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

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

In considering the assumptions for calculating ECL, the Bank has also considered the uncertainty COVID-19 has brought to current economic conditions and outlook. The Bank has applied experienced credit judgement.

(e) Forward-looking macroeconomic scenarios

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

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

December 31, 2021										
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	6.94	6.19	6.44	5.20	7.48	6.74	8.05	7.89	8.80	9.40
Real GDP growth rate %	5.18	2.54	7.89	2.91	2.75	2.55	0.14	2.49	(5.86)	2.48
Home Price Index growth rate %	5.49	0.13	6.99	1.63	4.87	(0.48)	1.35	(1.51)	(1.95)	(4.02)
Commercial Property Index growth rate %	6.81	1.44	7.77	2.26	5.38	0.99	0.77	0.32	(3.67)	(1.49)
Household income growth rate %	(0.62)	(0.07)	2.28	0.80	(3.00)	(0.45)	(4.30)	(0.95)	(6.90)	(2.38)

December 31, 2020											
	Base-Case Scenario		Upside Scenario		Downside Scenarios						
					Scenario 1		Scenario 2		Scenario 3		
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	
Unemployment rate %	8.91	7.22	8.40	6.68	9.21	7.90	10.49	9.16	11.25	10.92	
Real GDP growth rate %	4.10	3.29	6.93	3.51	2.63	2.85	(1.03)	3.32	(6.89)	3.66	
Home Price Index growth rate %	2.54	2.84	3.48	3.96	1.96	2.52	(1.57)	1.37	(4.92)	(1.22)	
Commercial Property Index growth rate %	7.59	4.10	10.09	4.81	5.95	3.90	(0.28)	3.91	(5.01)	1.67	
Household income growth rate %	(1.15)	0.52	0.40	1.40	(1.55)	(0.45)	(2.46)	(1.01)	(4.31)	(2.29)	

(f) Sensitivity of allowance for credit losses

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

Impact of probability-weighting on ACL

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

(\$000s)	December 31, 2021	December 31, 2020
ACL – Five probability-weighted macroeconomic scenarios (actual)	46,361	62,633
ACL – Base-case scenario only	42,614	57,898
ACL – Downside scenario only	86,842	106,351
Difference – Actual versus base-case scenario only	3,747	4,735
Difference – Actual versus downside scenario only	(40,481)	(43,718)

Impact of staging on ACL

The following table illustrates the impact of staging on the Bank'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)	December 31, 2021	December 31, 2020
ACL – Loans in Stage 1 and Stage 2 (actual)	46,361	62,633
ACL – Assuming all loans in Stage 1	43,569	59,395
Lifetime ACL impact	2,792	3,238

Note 10 – Derecognition of Financial Assets

In the normal course of business, the Bank enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of the Bank's continuing involvement. The Bank transfers its financial assets through sale and repurchase agreements and its securitization activities.

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

Obligations under repurchase agreements

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

Securitizations

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

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

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

i) MBS securitizations

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

ii) CMB securitizations

As part of a CMB transaction, the Bank may enter into total return swaps with highly rated counterparties, exchanging the cash flows of the CMB for those of the MBS transferred to CHT. Any excess or shortfall in these cash flows is absorbed by the Bank. For transactions that fail derecognition, these swaps are not recognized on the Bank's Consolidated Balance Sheets as the underlying cash flows of these derivatives are captured through the continued recognition of the loans and their associated CMB securitization liabilities. Accordingly, these swaps are recognized on an accrual basis and are not fair valued through the Bank's Consolidated Statements of Income. As at December 31, 2021, the notional amount of these swaps was \$2,436,271 (December 31, 2020- \$2,336,244).

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

iii) Finance lease securitizations

The Bank also securitizes pools of finance leased assets on a fully serviced basis to independent third party investors. The Bank continues to be exposed to substantially all of the risks and rewards associated with the transferred pools of leases and therefore does not derecognize the leased assets. The corresponding securitization liabilities are repaid on a monthly basis with financing rates ranging from 3.46% to 5.33%.

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)				
	2021		2020	
	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	11,453,867	1,376,763	11,991,675	251,877
Carrying amount of associated liability	11,375,020	1,376,763	11,991,964	251,877
Carrying value, net position	78,847	-	(289)	-
Fair value of assets	11,415,719	1,376,763	12,222,074	251,877
Fair value of associated liability	11,412,638	1,376,763	12,294,592	251,877
Fair value, net position	3,081	-	(72,518)	-

The carrying amount of assets include \$3,872 (December 31, 2020 - \$39,760) of the Bank's net investment in finance leases that were securitized and not derecognized. The carrying value of associated liability includes \$2,969 (December 31, 2020 - \$32,634) of liabilities pertaining to finance leases securitized.

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

(\$000s)					
	MBS Liabilities	CMB Liabilities	Lease Securitization Liabilities	Other Securitization Liabilities	Total Liabilities
2022	1,057,574	511,573	2,492	666,745	2,238,384
2023	1,892,803	371,886	477	581,455	2,846,621
2024	1,609,597	480,978	-	212,472	2,303,047
2025	1,758,165	351,416	-	26,709	2,136,290
2026	350,713	563,535	-	11,744	925,992
Thereafter	375,282	575,368	-	872	951,522
	7,044,134	2,854,756	2,969	1,499,997	11,401,856

(b) Transfers that are derecognized in their entirety

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

The Bank also achieves derecognition on the securitization and sale of certain pools of residential loans with a prepayment option. In these transactions, the Bank securitizes and sells pools of residential loans and then engages in a transaction to transfer its rights in the excess interest spread and/or any prepayment risk, thereby transferring substantially all the risks and rewards of ownership in the asset and derecognizing the asset in its entirety.

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

(\$000s)	2021	2020
Loans securitized and sold	1,292,643	1,251,959
Carrying value of Securitization retained interests	68,303	83,086
Carrying value of Securitized loan servicing liability	12,801	15,228
Gains on loans securitized and sold	18,192	28,101
Income from securitization activities and retained interests	3,591	1,516

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

(\$000s)	Securitization Liabilities
2022	943,550
2023	929,946
2024	710,182
2025	1,016,502
2026	754,907
Thereafter	2,416,522
	6,771,609

Note 11 – Derivative Financial Instruments

(a) Hedge instruments

Cash flow hedges

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

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

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

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

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

Fair value hedges

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

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

Beginning in 2021, the Bank entered into cross currency interest rate swap agreements to manage interest and foreign exchange exposures on fixed rate foreign currency covered bond liabilities. The Bank applies hedge accounting to these relationships.

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

(b) Other derivatives

Total return swaps

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

Beginning in 2021, as part of the covered bond activities, the Bank entered into interest rate (total return) swap agreements to swap interest cash flows from the collateral assets into cash flows based on Canadian floating rate. The Bank also entered into another interest rate swap agreement to swap the cash flows based on Canadian floating rate back to interest cash flows from the collateral.

These swaps are recognized on the Bank's Consolidated Balance Sheets and fair valued through the Bank's Consolidated Statements of Income.

(c) Financial impact of derivatives

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

(\$000's, except percentages)						December 31, 2021		
Derivative instrument and term (years)	Notional amount	Average Rate/ Price ⁽¹⁾	Positive current replacement cost ⁽²⁾	Credit equivalent amount ⁽³⁾	Risk-weighted balance ⁽⁴⁾	Fair Value		
						Assets	Liabilities	Net ⁽⁵⁾
Cash flow hedges:								
Interest rate swaps – hedge accounting								
1 or less	425,123	1.07%	201	3,532	706	209	(1,404)	(1,195)
1 to 5	681,000	0.98%	2,127	5,435	1,087	12,923	(225)	12,698
5 and above	62,000	1.63%	-	143	29	-	(55)	(55)
Total return swaps – hedge accounting								
1 or less	3,484	45.48	58	26	5	1,803	-	1,803
1 to 5	9,260	69.58	-	70	14	16	(91)	(75)
Total return swaps – non-hedge accounting								
1 or less	10,024	N/A	-	75	15	-	(543)	(543)
Fair value hedges:								
Interest rate swaps – hedge accounting								
Fair value hedges:								
1 or less	1,227,440	0.87%	217	4,916	983	1,240	(734)	506
1 to 5	3,431,261	0.94%	9,909	30,083	6,017	39,219	(885)	38,334
5 and above	164,290	2.01%	331	1,240	248	1,503	(174)	1,329
Cross-currency								
Interest rate swaps – hedge accounting								
1 to 5	524,300	0.01%	-	17,495	3,499	-	(22,078)	(22,078)
Interest rate swaps – non-hedge accounting								
1 or less	40,001	N/A	6	301	60	174	-	174
1 to 5	205,919	N/A	87	1,746	349	1,558	(1,553)	5
5 and above	154,946	N/A	1,531	2,152	430	3,325	(971)	2,354
Bond forwards – non-hedge accounting								
1 or less	201,200	N/A	34	924	185	124	(2,727)	(2,603)
Foreign exchange forwards – non-hedge accounting								
1 or less	240,103	N/A	711	3,435	687	1,741	(712)	1,029
Other derivatives:								
Total return swaps								
1 or less	670,154	N/A	-	344	69	46	(30)	16
1 to 5	2,542,793	N/A	969	2,947	589	600	(2,044)	(1,444)
5 and above	2,162,541	N/A	2,339	2,571	514	2,618	(10,483)	(7,865)
Interest rate swaps 1 to 5	1,519,928	N/A	4,062	8,531	1,706	4,062	(4,588)	(526)
	14,275,767		22,582	85,966	17,192	71,161	(49,297)	21,864

(1) Average rate or average price are on initiation of the derivatives, and refer to the average bond forward rate, the average rate on the fixed-leg of an interest rate swap, and the average share price of the total return swap. These rates/prices are applicable to derivatives in hedge accounting relationships only. (2) Positive current replacement cost represents the cost of replacing all contracts that have a positive fair value, using current market rates. It reflects the unrealized gains on derivative instruments. (3) Credit risk equivalent represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy Requirements Guideline. (4) Risk-weighted balance is determined by applying the standardized approach for counterparty credit risk to the credit equivalent amount, as prescribed by OSFI. (5) Derivative financial assets are included in Other assets (Note 13) and derivative financial liabilities are included in Other liabilities (Note 17).

(\$'000's, except percentages)						December 31, 2020		
Derivative instrument and term (years)	Notional amount	Average Rate/ Price ⁽¹⁾	Positive current replacement cost ⁽²⁾	Credit equivalent amount ⁽³⁾	Risk-weighted balance ⁽⁴⁾	Fair Value		
						Assets	Liabilities	Net ⁽⁵⁾
Cash flow hedges:								
Bond forwards – hedge accounting								
1 or less	300,700	1.44%	2	1,495	1,495	-	(1,160)	(1,160)
Interest rate swaps – hedge accounting								
1 or less	308,373	0.67%	-	684	137	-	(323)	(323)
1 to 5	703,830	1.01%	18	3,466	693	13	(7,642)	(7,629)
Total return swaps – hedge accounting								
1 or less	3,006	70.53	22	16	3	1,247	-	1,247
1 to 5	7,269	93.64	10	40	8	484	-	484
Total return swaps – non-hedge accounting								
1 or less	3,933	N/A	50	21	4	2,874	-	2,874
Fair value hedges:								
Interest rate swaps – hedge accounting								
1 or less	629,360	0.66%	-	2,805	561	-	(784)	(784)
1 to 5	1,684,649	0.79%	318	8,600	1,720	944	(7,576)	(6,632)
5 and above	65,762	1.78%	-	328	66	538	(2,764)	(2,226)
Interest rate swaps – non-hedge accounting								
1 or less	525,348	N/A	-	1,257	251	-	(228)	(228)
1 to 5	610,000	N/A	599	2,659	532	13,286	(10,535)	2,751
5 and above	100,984	N/A	730	737	147	7,300	(246)	7,054
Bond forwards – non-hedge accounting								
1 or less	44,200	N/A	344	504	504	-	(93)	(93)
Foreign exchange forwards – non-hedge accounting								
1 or less	33,740	N/A	-	83	17	-	(709)	(709)
Other deliverables:								
Total return swaps								
1 or less	386,511	N/A	489	317	63	-	(508)	(508)
1 to 5	2,508,017	N/A	8	725	145	-	(4,392)	(4,392)
5 and above	1,587,358	N/A	28	1,111	222	284	(12,292)	(12,008)
	9,503,040		2,618	24,848	6,568	26,970	(49,252)	(22,282)

(1) Average rate or average price are on initiation of the derivatives, and refer to the average bond forward rate, the average rate on the fixed-leg of an interest rate swap, and the average share price of the total return swap. These rates/prices are applicable to derivatives in hedge accounting relationships only. (2) Positive current replacement cost represents the cost of replacing all contracts that have a positive fair value, using current market rates. It reflects the unrealized gains on derivative instruments. (3) Credit risk equivalent represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy requirements Guideline. (4) Risk-weighted balance is determined by applying the standardized approach for counterparty credit risk to the credit equivalent amount, as prescribed by OSFI. (5) Derivative financial assets are included in Other assets (Note 13) and derivative financial liabilities are included in Other liabilities (Note 17).

Cash flow hedges:

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

(\$000s)				2021
	Gains (losses) on hedging instrument	Gains (losses) on hedged item	Hedge ineffectiveness recognized in income	Hedging gain or loss recognized in OCI
Cash flow hedges:				
Interest rate risk:				
Bond forwards	4,000	(4,437)	(260)	4,260
Interest rate swaps	19,400	(19,400)	-	19,400
Equity price risk:				
Total return swaps	3,371	(3,371)	-	3,371
	26,771	(27,208)	(260)	27,031

(\$000s)				2020
	Gains (losses) on hedging instrument	Gains (losses) on hedged item	Hedge ineffectiveness recognized in income	Hedging gain or loss recognized in OCI
Cash flow hedges:				
Interest rate risk:				
Bond forwards	(11,888)	10,440	(1,410)	(10,478)
Interest rate swaps	(15,609)	15,609	-	(15,609)
Equity price risk:				
Total return swaps	(941)	941	-	(941)
	(28,438)	26,990	(1,410)	(27,028)

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

(\$000s)						2021
	AOCI as at January 1, 2021	Net gains (losses) recognized in OCI	Amount reclassified to income as the hedged item affects income	AOCI as at December 31, 2021	Balance in cash flow hedge AOCI	
					Active hedges	Discontinued hedges
Cash flow hedges:						
Interest rate risk:						
Bond forwards	(17,384)	4,260	3,230	(9,894)	-	(9,894)
Interest rate swaps	(10,688)	19,400	1,141	9,853	11,447	(1,594)
Equity price risk:						
Total return swaps	692	3,371	(3,430)	633	633	-
	(27,380)	27,031	941	592	12,080	(11,488)

(\$000s)						2020	
	AOI as at January 1, 2020	Net gains (losses) recognized in OCI	Amount reclassified to income as the hedged item affects income	AOI as at December 31, 2020	Balance in cash flow hedge AOCI		
					Active hedges	Discontinued hedges	
Cash flow hedges:							
Interest rate risk:							
Bond forwards	(8,056)	(10,478)	1,150	(17,384)	(999)	(16,385)	
Interest rate swaps	5,959	(15,609)	(1,038)	(10,688)	(7,952)	(2,736)	
Equity price risk:							
Total return swaps	2,123	(941)	(490)	692	692	-	
	26	(27,028)	(378)	(27,380)	(8,259)	(19,121)	

Fair value hedges:

The following table presents the effects of fair value hedges on the Bank's Consolidated Balance Sheets and the Consolidated Statements of Income:

(\$000s)							2021	
	Hedge ineffectiveness			Carrying amounts for hedged items ⁽¹⁾		Accumulated amount of fair value hedge gains (losses) on the hedged item		
	Gains (losses) on hedging instrument	Gains (losses) on hedged item	Total	Active hedges	Discontinued hedges	Active hedges	Discontinued hedges	
Fair value hedges:								
Interest rate risk:								
Loans	48,007	(45,387)	2,620	4,090,807	97,710	(33,477)	(1,671)	
Deposits	34	943	977	(399,727)	(1,907,901)	273	(10,021)	
Securitization liabilities	619	(1,061)	(442)	(135,476)	(187,794)	(2,145)	(1,517)	
Bonds	2,032	(2,009)	23	58,827	-	(1,173)	-	
Interest rate and foreign exchange risk:								
Covered bonds	(25,476)	26,137	661	(506,966)	-	26,137	-	
	25,216	(21,377)	3,839	3,107,465	(1,997,985)	(10,385)	(13,209)	

(\$000s)							2020	
	Hedge ineffectiveness			Carrying amounts for hedged items ⁽¹⁾		Accumulated amount of fair value hedge gains (losses) on the hedged item		
	Gains (losses) on hedging instrument	Gains (losses) on hedged item	Total	Active hedges	Discontinued hedges	Active hedges	Discontinued hedges	
Fair value hedges:								
Interest rate risk:								
Loans	(12,634)	13,548	914	2,098,308	446,182	11,026	291	
Deposits	19,050	(19,990)	(940)	(200,234)	(2,052,379)	(234)	(20,424)	
Securitization liabilities	4,582	(4,248)	334	(12,775)	(213,995)	(1,084)	(2,137)	
Bonds	(863)	836	(27)	40,836	-	836	-	
	10,135	(9,854)	281	1,926,135	(1,820,192)	10,544	(22,270)	

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

Note 12 – Offsetting Financial Assets and Financial Liabilities

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

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

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

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

As of December 31, 2021, the approximate market value of cash and securities collateral pledged by the Bank that are subject to credit support agreements was \$1,399,413 (December 31, 2020 – \$279,045).

As of December 31, 2021, the approximate market value of cash and securities collateral accepted that may be sold or repledged by the Bank was \$590,350 (December 31, 2020 – \$451,703). There was no collateral sold or repledged in 2021 and 2020.

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

(\$000s)						2021
Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset on the consolidated balance sheets	Net amounts of financial assets presented on the consolidated balance sheets	Related amounts not offset on the consolidated balance sheets		Net amount
				Financial instruments	Financial collateral (including cash collateral received)	
Derivatives held for risk management:						
Interest rate swaps	64,213	-	64,213	-	(39,879)	24,334
Total return swaps	5,083	-	5,083	-	(4,989)	94
Foreign exchange forwards	1,741	-	1,741	-	(1,090)	651
Securities purchased under reverse repurchase agreements	550,030	-	550,030	-	(550,030)	-
	621,067	-	621,067	-	(595,988)	25,079

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

(\$000s)						2021
Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset on the consolidated balance sheets	Net amounts of financial liabilities presented on the consolidated balance sheets	Related amounts not offset on the consolidated balance sheets		Net amount
				Financial instruments	Financial collateral (including cash collateral received)	
Derivatives held for risk management:						
Interest rate swaps	10,589	-	10,589	-	(7,841)	2,748
Total return swaps	13,191	-	13,191	-	(12,362)	829
Cross-currency interest rate swaps	22,078	-	22,078	-	-	22,078
Foreign exchange forwards	712	-	712	-	(170)	542
Obligations under repurchase agreements	1,376,763	-	1,376,763	(1,376,763)	-	-
	1,423,333	-	1,423,333	(1,376,763)	(20,373)	26,197

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

(\$000s)						2020
Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset on the consolidated balance sheets	Net amounts of financial assets presented on the consolidated balance sheets	Related amounts not offset on the consolidated balance sheets		Net amount
				Financial instruments	Financial collateral (including cash collateral received)	
Derivatives held for risk management:						
Interest rate swaps	22,081	-	22,081	-	(21,144)	937
Total return swaps	4,889	-	4,889	-	(3,801)	1,088
Securities purchased under reverse repurchase agreements	450,203	-	450,203	-	(450,203)	-
	477,173	-	477,173	-	(475,148)	2,025

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

(\$000s)						2020
Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset on the consolidated balance sheets	Net amounts of financial liabilities presented on the consolidated balance sheets	Related amounts not offset on the consolidated balance sheets		Net amount
				Financial instruments	Financial collateral (including cash collateral received)	
Derivatives held for risk management:						
Interest rate swaps	30,098	-	30,098	-	(26,103)	3,995
Total return swaps	17,192	-	17,192	-	(17,192)	-
Foreign exchange forwards	709	-	709	-	(548)	161
Obligations under repurchase agreements	251,877	-	251,877	(251,877)	-	-
	299,876	-	299,876	(251,877)	(43,843)	4,156

Note 13 – Other Assets

(\$000s)	December 31, 2021	December 31, 2020
Intangible assets	92,571	71,198
Goodwill	16,944	16,944
Prepaid expenses and other	16,761	14,162
Property and equipment	14,100	15,324
Receivable relating to securitization activities	9,678	18,108
Right-of-use assets	7,466	10,708
Accrued interest and dividends on non-loan assets	2,802	3,709
Real estate owned	53	863
Income taxes receivable	-	10,059
Derivative financial instruments:		
Interest rate swaps	64,213	22,081
Total return swaps	5,083	4,889
Foreign exchange forwards	1,741	-
Bond forwards	124	-
	231,536	188,045

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

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

(\$000s)	2021	2020
Carrying amount of right-of-use assets	7,466	10,708
Depreciation charge for right-of-use assets	3,353	2,433
Cash outflows for lease liabilities	2,997	3,053
Interest expense on lease liabilities	502	718

In 2021 and in 2020 the Bank entered into early termination agreements for some of its leased office premises located in Toronto. These leases were scheduled to expire in December 2025, but will now be early terminated in March 2023. As a result of the early termination, the Bank recognized \$110 (2020 - derecognized \$1,590) of right-of-use assets, derecognized \$148 (2020 - \$1,949) of related right-of-use liabilities and recognized a gain of \$258 (2020 - \$359) in the Non-interest expenses in the Consolidated Statements of Income.

Note 14 – Deposits

(\$000s)	December 31, 2021	December 31, 2020
Term and other deposits	20,694,623	16,376,011
Accrued interest	196,617	235,260
Deferred deposit agent commissions	(34,857)	(26,228)
	20,856,383	16,585,043

Deposits also include \$498,907 (December 31, 2020 – \$nil) of funding from the covered bond program. This funding is secured against \$732,967 (December 31, 2020 – \$nil) of Loans – Personal.

Note 15 – Income Taxes

(a) Income tax provision:

(\$000s)	2021	2020
Current tax expense:		
Current year	96,039	69,984
Adjustments for prior years	(477)	514
	95,562	70,498
Deferred tax expense:		
Reversal of temporary differences	1,889	7,521
Adjustments for prior years	446	(1,235)
Changes in tax rates	(22)	(95)
	2,313	6,191
Total income tax expense	97,875	76,689

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

(\$000s)	2021	2020
Canadian statutory income tax rate	26.2%	26.3%
Increase (decrease) resulting from:		
Tax-exempt income	(1.4%)	(0.8%)
Future tax rate changes	-	-
Non-deductible expenses and other	0.3%	-
Effective income tax rate	25.1%	25.5%

(b) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

(\$000s)	December 31, 2021	December 31, 2020
Deferred income tax assets:		
Tax losses ⁽¹⁾	1,479	7,455
Allowance for credit losses	8,314	11,452
Share issue expenses	2	5
Net loan fees	3,572	372
Other	6,335	2,606
	19,702	21,890
Deferred income tax liabilities:		
Securitization activities	57,295	51,249
Leasing activities ⁽²⁾	9,040	19,257
Deposit agent commissions	6,918	6,143
Net origination fees	-	-
Intangible costs	7,714	3,300
Other	1,876	2,821
	82,843	82,770
Net deferred income tax liabilities	63,141	60,880

(1) Deferred tax asset pertains to income tax losses of approximately \$4,763 (2020 - \$29,220) from the finance lease business. (2) The deferred tax liability relating to leasing activities pertains to the temporary difference resulting from difference in accounting treatment versus tax treatment for finance lease receivable.

Note 16 – Funding Facilities

(a) Operating credit facility:

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

(b) Secured funding facilities:

The Bank has two credit facilities totaling \$700,000 with major Schedule I Canadian banks to finance insured residential loans prior to securitization. The Bank also has access to several contingent liquidity programs sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at December 31, 2021, the Bank had an outstanding balance of \$200,128 (December 31, 2020 – \$nil) on the facilities from the Schedule I Canadian banks.

Note 17 - Other Liabilities

(\$000s)	December 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	143,931	68,605
Loan realty taxes	50,405	43,546
Income taxes payable	43,422	-
Securitized loan servicing liability	38,507	35,060
Right-of-use liabilities	8,597	12,363
Unearned revenue	818	-
Loan commitments	24	26
Derivative financial instruments:		
Interest rate swaps	32,667	30,098
Total return swaps	13,191	17,192
Bond forwards	2,727	1,253
Foreign exchange forwards	712	709
	335,001	208,852

Note 18 - Shareholders' Equity

(a) Capital stock:

Authorized:

Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 1, par value \$25.00 per share

Unlimited number of non-cumulative floating rate preferred shares, Series 2, par value \$25.00 per share

Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 3, par value \$25.00 per share

Unlimited number of non-cumulative floating rate preferred shares, Series 4, par value \$25.00 per share

Unlimited number of common shares, no par value

Issued and outstanding shares:

(\$000's, except shares and per share amounts)						
	2021			2020		
	Number of shares	Amount	Dividends per share ⁽¹⁾	Number of shares	Amount	Dividends per share ⁽¹⁾
Preferred Shares, Series 3:						
Balance, beginning of year	2,996,700	72,477		3,000,000	72,557	
Treasury Preferred Shares, Series 3 cancelled	(77,300)	(1,870)		(3,300)	(80)	
Balance, end of year	2,919,400	70,607	1.49	2,996,700	72,477	1.49
Common shares ⁽²⁾ :						
Balance, beginning of year	33,748,148	218,166		33,595,186	213,277	
Contributions from exercise of stock options	322,662	10,056		152,962	4,122	
Issuance under DRIP	-	-		-	-	
Transferred from contributed surplus relating to the exercise of stock options	-	1,938		-	767	
Balance, end of year ⁽³⁾	34,070,810	230,160	0.74	33,748,148	218,166	0.74

(1) Dividends per share represent dividends declared by the Bank during the year. (2) On October 5, 2021 a resolution was passed by the Bank to issue a two-for-one common share split. Effective October 25, 2021, one additional common share was issued for every one common share held. As at the close of markets on October 5, 2021, the Bank had 17,014,633 common shares issued and outstanding. Adjusting for share split, as of October 5, 2021, there would have been 34,029,266 common shares issued and outstanding. (3) Outstanding number of common shares and dividend per share for the year ended December 31, 2020 have been adjusted for the share split.

(b) Preferred shares:

Series 3 – 5-year rate reset preferred shares

Holders of Series 3 preferred shares were entitled to receive a fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, at a per annum rate of 6.35% per share for an initial 5-year period ended September 30, 2019. Thereafter, the dividend rate was reset at a level of 4.78% per share over the then five-year Government of Canada bond yield. The rate was reset to 5.969% per share per annum on September 30, 2019. Series 3 preferred shares are redeemable in cash at the Bank's option, subject to prior regulatory approval, on September 30 every five years thereafter, in whole or in part, at a price of \$25.00 per share plus all declared and unpaid dividends at the date fixed for redemption. Series 3 preferred shares are convertible at the holder's option to non-cumulative floating rate preferred shares, Series 4 (Series 4 preferred shares), subject to certain conditions, on September 30 every five years thereafter.

Series 4 – floating rate preferred shares

Holders of the Series 4 preferred shares will be entitled to receive a floating rate quarterly non-cumulative preferential cash dividend equal to the 90-day Canadian Treasury Bill Rate plus 4.78%, as and when declared by the Board of Directors. Series 4 preferred shares are redeemable in cash at the Bank's option, subject to prior regulatory approval, on (i) September 30, 2024 and on September 30 every five years thereafter, in whole or in part, at a price of \$25.00 per share plus all declared and unpaid dividends at the date fixed for redemption; or (ii) \$25.50 plus all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date on or after September 30, 2019. Series 4 preferred shares are convertible at the holder's option to non-cumulative 5-year rate reset preferred shares, Series 3 (Series 3 preferred shares), subject to certain conditions, on September 30, 2024 and on September 30 every five years thereafter.

(c) Dividend reinvestment plan:

The Bank had activated a dividend reinvestment plan in Q1 2019 and later suspended it in Q1 2020. Participation in the plan was optional and under the terms of the plan, cash dividends on common shares were used to purchase additional common shares at the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the dividend payment date, adjusted with discount. At the option of the Bank, the common shares may have been issued from the Bank's treasury or acquired from the open market at market prices.

(d) Dividend restrictions:

The Bank's subsidiary, Equitable Bank, is subject to minimum capital requirements, as prescribed by OSFI under the Bank Act (Canada). The Bank must notify OSFI prior to the declaration of any dividend and must ensure that any such dividend declaration is done in accordance with the provisions of the Bank Act (Canada), and those OSFI guidelines relating to capital adequacy and liquidity.

(e) Normal course issuer bid (NCIB):

On December 21, 2020, the Bank announced that the Toronto Stock Exchange has approved a NCIB pursuant to which the Bank may repurchase for cancellation up to 2,288,490 of its common shares and 297,250 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. On December 21, 2021, the NCIB was renewed and approved by the Toronto Stock Exchange, pursuant to which the Bank may repurchase for cancellation up to 2,325,951 of its common shares and 289,340 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. The Bank only intends to purchase a maximum of 1,150,000 common shares under the terms of the NCIB. The actual number of preferred shares purchased under the NCIB and the timing of any such purchases will be at the Bank's discretion. As at December 31, 2021, the Bank had repurchased and cancelled 80,600 Series 3 – 5-year rate reset preferred shares at a volume weighted average price of \$26.01.

Note 19 – Stock-based Compensation

(a) Stock-based compensation plan:

Under the Bank's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years and vest over a four-year period. As at December 31, 2021, the maximum number of common shares available for issuance under the plan was 4,000,000 (December 31, 2020 – 4,000,000). The outstanding options expire on various dates to December 2028. A summary of the Bank's stock option activity and related information for the years ended December 31, 2021 and December 31, 2020 is as follows:

(\$000's, except share, per share and stock option amounts)	2021		2020	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	1,232,648	33.66	1,154,024	30.38
Granted	243,920	69.81	238,804	45.42
Exercised	(322,662)	31.17	(152,962)	26.95
Forfeited/cancelled	(30,904)	51.11	(7,218)	39.87
Outstanding, end of year	1,123,002	41.75	1,232,648	33.66
Exercisable, end of year	564,866	31.87	673,576	30.25

The following table summarizes information relating to stock options outstanding and exercisable as at December 31, 2021:

Exercise price (\$)	Options outstanding		Options exercisable
	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
29.99	24,472	0.2	24,472
27.66	8,600	0.9	8,600
26.58	149,682	1.2	149,682
35.84	123,366	2.2	123,366
27.63	8,500	2.6	8,500
27.83	160,062	3.2	112,177
33.89	206,554	4.2	90,585
46.21	2,000	4.6	-
56.63	8,000	4.9	4,000
45.48	169,312	5.2	36,484
32.83	3,000	5.4	750
38.86	2,250	5.6	-
46.96	25,000	5.9	6,250
62.85	3,000	6.2	-
69.16	205,204	6.2	-
76.77	3,000	6.7	-
79.01	3,000	6.9	-
80.86	13,000	6.9	-
68.78	5,000	6.9	-

Under the fair value-based method of accounting for stock options, the Bank recorded compensation expense in the amount of \$2,539 (2020 – \$1,886) related to grants of options under the stock option plan. This amount was credited to Contributed surplus. The fair value of options granted during 2020 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)	2021	2020
Risk-free rate	0.5%	1.4%
Expected option life (years)	4.8	4.8
Expected volatility	35.1%	27.2%
Expected dividends	2.0%	1.8%
Weighted average fair value of each option granted	17.37	9.44

(b) Employee share purchase plan:

The Bank has an ESP plan for eligible employees. Under the plan, eligible employees can contribute between 1% and 10% of their annual base salary towards the purchase of common shares of the Bank. For each eligible contribution, the Bank contributes 50% of the employee's contribution to purchase common shares of the Bank up to a certain maximum per employee. During the year, the Bank expensed \$1,184 (2020 – \$1,066) under this plan.

(c) Deferred share unit plan:

The Bank has a DSU plan for Directors. Under the plan, notional units are allocated to a Director from time to time by the Board of Directors and the units vest at the time of the grant. Directors can elect, on a one-time annual basis, to receive up to 100% of their annual compensation in the form of DSUs, allocated at each quarter and on a pro-rata basis. A Director will be credited with additional DSUs whenever a cash dividend is declared by the Bank. When an individual ceases to be a Director, the (Separation Date), the individual may elect up to two separate redemption dates to be paid out the value of the DSUs. The redemption date elected by the participant is a date after the Separation Date and no later than December 15 of the first calendar year commencing after the Separation Date. The redemption value of each DSU redeemable by a Director is the volume-weighted average trading price of the common shares of the Bank on the TSX for the five trading days immediately prior to the redemption date.

In the event of any stock dividend, stock split, reverse stock split, consolidation, subdivision, reclassification, or any other change in the capital of the Bank affecting its common shares, the Bank will make, with respect to the number of DSUs outstanding under the DSU Plan, any proportionate adjustment as it considers appropriate to reflect that change. The DSU plan is administered by the Board or a committee thereof.

The Bank hedges the risk of change in future cash flows related to the DSU plan. Please refer to Note 11 – Derivative Financial Instruments for further details.

A summary of the Bank's DSU activity for the years ended December 31, 2021 and December 31, 2020 is as follows:

	2021	2020
	Number of DSUs	Number of DSUs
Outstanding, beginning of year	136,438	108,474
Granted	12,700	25,402
Dividend Reinvested	1,380	2,562
Paid out	(12,139)	-
Outstanding, end of year	138,379	136,438

During the year 12,139 DSUs were paid out (2020 – nil). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the year ended December 31, 2021 amounted to \$973 (2020 – \$877). The liability associated with DSUs outstanding as at December 31, 2021 was \$9,550 (December 31, 2020 – \$6,808) and was included in other liabilities on the Consolidated Balance Sheets.

(d) Restricted share unit plan:

The Bank has a RSU plan for eligible employees. Under the plan, RSUs or PSUs are awarded by the Board to eligible employees during the annual compensation process and vest at the end of three years (cliff vest). Under the plan, each RSU or PSU represents one notional common share and earns notional dividends, which are re-invested into additional RSUs or PSUs when cash dividends are paid on the Bank's common shares. Each RSU or PSU held at the end of the vesting period, including those acquired as dividend equivalents, will be paid to the eligible employees in cash, the value of which will be based on the volume-weighted average trading price of the Bank's common shares on the TSX for the five consecutive trading days immediately prior to, and including the vesting date. The value of PSUs may be increased or decreased up to 25%, based on the Bank's relative total shareholder return compared to a defined peer group of financial institutions in Canada.

The Bank hedges the risk of change in future cash flows related to the RSU and PSU plans. Please refer to Note 11 – Derivative Financial Instruments for further details.

A summary of the Bank's RSU and PSU activity for the years ended December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of year	168,556	172,669
Granted	59,178	88,306
Dividend reinvested	2,154	4,698
Vested and paid out	(83,550)	(85,156)
Forfeited/cancelled	(14,343)	(11,961)
Outstanding, end of year	131,995	168,556

During the year, 83,550 (2020 – 85,156) RSUs and PSUs were vested and paid out for a total value of \$6,169 (2020 – \$4,266). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the year ended December 31, 2021 amounted to \$2,084 (2020 – \$3,701). The liability associated with RSUs and PSUs outstanding as at December 31, 2021 was \$4,646 (December 31, 2020 – \$4,024) and was included in other liabilities on the Consolidated Balance Sheets.

Note 20 – 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.

(\$000's, except share, per share and stock option amounts)	2021	2020
Earnings per common share – basic:		
Net income	292,530	223,804
Dividends on preferred shares	4,413	4,477
Net income available to common shareholders	288,117	219,327
Weighted average basic number of common shares outstanding	33,946,749	33,631,432
Earnings per common share – basic	8.49	6.52
Earnings per common share – diluted:		
Net income available to common shareholders	288,117	219,327
Weighted average basic number of common shares outstanding	33,946,749	33,631,432
Adjustment to weighted average number of common shares outstanding:		
Stock options	498,694	253,822
Weighted average diluted number of common shares outstanding	34,445,443	33,885,254
Earnings per common share – diluted	8.36	6.47

For the year ended December 31, 2021, the calculation of the diluted earnings per share excluded 179,916 (2020 – 290,770) average options outstanding with a weighted average exercise price of \$69.11 (2020 – \$41.79) as the exercise price of these options was greater than the average price of the Bank's common shares.

Note 21 – Capital Management

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

The Bank's CET1 Ratio was 13.3% as at December 31, 2021, while Tier 1 Capital and Total Capital Ratios were 13.9% and 14.2% respectively. The Bank's Capital Ratios at December 31, 2021 exceeded the regulatory minimums.

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

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

(\$000s)	December 31, 2021	December 31, 2020
Common Equity Tier 1 Capital:		
Common shares	217,474	215,536
Contributed surplus	9,785	9,184
Retained earnings	1,649,890	1,386,197
Accumulated other comprehensive loss ⁽¹⁾	(8,263)	(19,009)
Less: Regulatory adjustments	(94,082)	(66,448)
Common Equity Tier 1 Capital	1,774,804	1,525,460
Additional Tier 1 Capital:		
Non-cumulative preferred shares	72,554	72,554
Tier 1 Capital	1,847,358	1,598,014
Tier 2 Capital:		
Eligible stage 1 and 2 allowance	40,919	46,760
Tier 2 Capital	40,919	46,760
Total Capital	1,888,277	1,644,774

(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 22 – Commitments and Contingencies

(a) Lease commitments:

The Bank is committed to leases for its office premises located in Toronto, Calgary, Montreal and Vancouver, and IT colocation. The future minimum lease payments under these leases are as follows:

(\$000s)	December 31, 2021	December 31, 2020
Less than 1 year	7,327	8,169
1-5 years	39,212	40,121
Greater than 5 years	90,004	97,592
	136,543	145,882

The lease commitments for December 31, 2021 include the commitments relating to a new office premise lease, signed in February 2020. The new office premise is located in Toronto, and the lease commences in September 2023 for a period of 15 years.

In addition to these minimum lease payments for premises rental, the Bank will pay its share of common area maintenance and realty taxes over the terms of the leases. Lease expense recognized in the Consolidated Statements of Income for 2021 amounted to \$12,292 (2020 – \$9,549).

(b) Credit commitments:

As at December 31, 2021, the Bank had outstanding commitments to fund \$3,653,459 (December 31, 2020 – \$2,558,836) of loans and investments in the ordinary course of business. Of these commitments, \$1,937,167 (December 31, 2020 – \$1,220,893) are expected to be funded within 1 year and \$1,716,292 (December 31, 2020 – \$1,337,943) after 1 year.

The Bank has issued standby letters of credit which represent assurances that the Bank will make payments in the event that a borrower cannot meet its obligations to a third party. Letter of credits in the amount of \$46,784 were outstanding at December 31, 2021 (December 31, 2020 – \$29,584).

(c) Contingencies:

The Bank is subject to various other claims and litigation arising from time to time in the ordinary course of business. Management has determined that the aggregate liability, if any, which may result from other various outstanding legal proceedings would not be material and no other provisions have been recorded in these Consolidated Financial Statements.

Note 23 – Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank's related parties include key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly and indirectly. The Bank considers the members of the Board of Directors as part of key management personnel.

These financial statements present the consolidated results of the Bank and all its subsidiaries, therefore transactions with the subsidiaries are not reported as related party transactions.

(a) Key management personnel compensation table

(\$000s)	2021	2020
Short-term employee benefits	4,181	3,789
Post-employment benefits	47	47
Termination benefits	-	933
Share-based payments (net)	2,590	2,776
	6,818	7,545

(b) Share transactions, shareholdings and options of key management personnel and related parties:

As at December 31, 2021, key management personnel held 541,150 (December 31, 2020 – 4,157,372) common shares and 9,000 (December 31, 2020 – 9,000) preferred shares. These shareholdings include common shares of 11,600 (December 31, 2020 – 3,654,600) that were beneficially owned by the non-management Directors or held by related party entities whose controlling shareholders are Directors of the Bank. In addition, key management held 499,312 (December 31, 2020 – 567,376) options to purchase common shares of the Bank at prices ranging from \$26.58 to \$69.16.

(c) Other transactions:

As at December 31, 2021, deposits of \$1,850 (December 31, 2020 – \$1,315) were held by key management personnel and related party entities whose controlling shareholders are directors of the Bank and trusts beneficially owned by the Directors.

During the year, no loans (2020 – nil) were given to key management personnel for the purpose of purchasing shares of the Bank. No interest was earned on these loans during the year (2020 – \$nil), and the outstanding balance as at December 31, 2021 was \$nil (December 31, 2020 – \$nil).

Note 24 – Subsequent Event

On February 7, 2022, Equitable Bank announced its intent to acquire Concentra Bank for approximately \$470 million based on Concentra Bank's book value at November 30, 2021. To effect the acquisition, Equitable Bank entered into definitive agreements with the Credit Union Central of Saskatchewan (SaskCentral) to acquire their 84% equity interest and support agreements with additional Concentra shareholders representing a majority of the remaining 16%. Equitable intends to finance the purchase through a combination of an offering of subscription receipts and a term facility from a syndicate of banks. The acquisition is subject to customary closing conditions and regulatory approvals and is expected to close in the second half of 2022.

Note 25 – Interest Rate Sensitivity

The following table shows the Bank'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 December 31, 2021.

(\$000's, except percentages)								
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive ⁽¹⁾	Total
Assets:								
Cash and cash equivalents and restricted cash	1,132,082	103,333	-	1,235,415	-	-	-	1,235,415
Effective interest rate	0.43%	0.70%	-	0.46%	-	-	-	0.46%
Securities purchased under reverse purchase agreements	-	550,030	-	550,030	-	-	-	550,030
Effective interest rate	-	0.05%	-	0.05%	-	-	-	0.05%
Investments	14,065	77,862	78,198	170,125	682,154	127,322	53,837	1,033,438
Effective interest rate	3.31%	2.15%	2.21%	2.28%	1.81%	2.54%	0.00%	1.88%
Loan receivable – Personal	1,706,070	1,374,153	7,037,558	10,117,781	12,154,739	2,282	146,801	22,421,603
Effective interest rate	2.02%	3.66%	3.44%	3.23%	2.96%	3.19%	0.00%	3.07%
Loan receivable – Commercial	4,457,915	261,396	1,029,146	5,748,457	3,799,648	939,456	(8,402)	10,479,159
Effective interest rate	4.54%	5.46%	4.11%	4.51%	3.54%	2.76%	0.00%	4.00%
Securitized Retained Interest	-	-	-	-	-	-	207,889	207,889
Other assets	-	-	-	-	-	-	231,536	231,536
Total assets	7,310,132	2,366,774	8,144,902	17,821,808	16,636,541	1,069,060	631,661	36,159,070
Liabilities:								
Deposits ⁽²⁾	-	10,037,586	4,182,875	14,220,461	6,485,999	7,784	142,139	20,856,383
Effective interest rate	-	1.18%	1.51%	1.28%	1.95%	1.10%	0.00%	1.85%
Securitization liabilities	-	2,180,575	1,383,541	3,564,116	6,806,744	892,787	111,373	11,375,020
Effective interest rate	-	1.12%	2.01%	1.46%	2.30%	2.42%	0.00%	2.21%
Obligations Under REPO	-	1,376,541	-	1,376,541	-	-	222	1,376,763
Effective interest rate	-	0.31%	-	0.31%	-	-	0.00%	0.31%
Funding Facilities	-	200,128	-	200,128	-	-	-	200,128
Effective Interest rate	-	1.15%	-	1.15%	-	-	-	1.15%
Other liabilities and deferred taxes	-	-	-	-	-	-	398,142	398,142
Shareholders' equity	-	-	-	-	75,000	-	1,877,634	1,952,634
Total liabilities and shareholders' equity	-	13,794,830	5,566,416	19,361,246	13,367,743	900,571	2,529,510	36,159,070
Off-balance sheet items ⁽³⁾	-	3,547,078	(1,780,866)	1,766,212	(1,910,151)	143,939	-	-
Excess (deficiency) of assets over liabilities, shareholders' equity and off-balance sheet items	7,310,131	(7,880,978)	797,620	226,774	1,358,647	312,428	(1,897,849)	-

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

(\$000's, except

	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 – 2020	6,350,016	2,468,829	6,579,778	15,398,623	13,740,218	1,016,518	590,959	30,746,318
Total liabilities and shareholders' equity – 2020	1,812	10,208,340	5,647,842	15,857,994	11,867,934	810,535	2,209,855	30,746,318
Off-balance sheet items – 2020 ⁽²⁾	-	2,160,357	(1,158,924)		(1,167,971)	166,538	-	-
Excess (deficiency) of assets over liabilities, shareholders' equity and off-balance sheet items – 2020	6,348,204	(5,579,154)	(226,988)	542,062	704,313	372,521	(1,618,896)	-

(1) Accrued interest is included in "Non-interest sensitive" assets and liabilities. (2) Off-balance sheet items include the Bank's interest rate swaps, hedges on funded assets, as well as loan rate commitments that are not specifically hedged. Loan rate commitments that are specifically hedged, along with their respective hedges, are assumed to substantially offset.

Directors

Michael Emory

President and Chief Executive Officer, Allied Properties REIT

Susan Ericksen

Corporate Director

Diane Giard

Corporate Director

Kishore Kapoor

President and Chief Executive Officer, RF Capital Group Inc.

Yongah Kim

Associate Professor of Strategic Management, Rotman School of Management

David LeGresley

Chair of the Board and a Corporate Director

Lynn McDonald

Corporate Director

Andrew Moor

President and Chief Executive Officer of Equitable Group Inc. and Equitable Bank

Rowan Saunders

President and Chief Executive Officer, Definity Financial Corporation

Vincenza Sera

Corporate Director

Michael Stramaglia

Corporate Director and President and Founder of Matrisc Advisory Group Inc., a risk management consulting firm

Executive Officers

Andrew Moor

President and Chief Executive Officer

Chadwick Westlake

Senior Vice-President and Chief Financial Officer

Dan Broten

Senior Vice-President and Chief Technology Officer

Darren Lorimer

Senior Vice-President and Group Head, Commercial Banking

Jody Sperling

Senior Vice-President and Chief Human Resources Officer

Mahima Poddar

Senior Vice-President and Group Head, Personal Banking

Ron Tratch

Senior Vice-President and Chief Risk Officer

Shareholder and Corporate Information

Corporate Head Office

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

Regional Offices:

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Vancouver

777 Hornby Street, Suite 1240
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1959 Upper Water Street,
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Halifax, Nova Scotia, Canada,
B3J 3N2

Website

www.equitablebank.ca

Toronto Stock Exchange Listings

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

Analyst Conference Call and Webcast

Monday, February 7, 2022,
4:15 p.m. EST
Live: 416.764.8609
Replay: 416.764.8677
(code 938312)
Archive: www.equitablebank.ca

Investor Relations

Richard Gill
Senior Director
Corporate Development and
Investor Relations
416.513.3638
Email: investor_enquiry@eqbank.ca

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

Transfer Agent and Registrar

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario, Canada, M5J 2Y1
1.800.564.6253

Email: service@computershare.com

Annual Meeting of Shareholders

Wednesday, May 18, 2022
10:00 a.m. ET

Dividend Reinvestment Plan

Equitable's dividend reinvestment plan allows common shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage and commission fees. For information about participation in the plan, please contact the Transfer Agent and Registrar.

Equitable Bank's ESG Report and Public Accountability Statement 2021 will be available in May 2022 at www.equitablebank.ca

Eligible dividends

Equitable designates all common and preferred share dividends paid to Canadian residents as "eligible dividends" as defined in the Income Tax Act (Canada), unless otherwise indicated.

Online

For product, corporate, financial and shareholder information: www.equitablebank.ca