TSX:EQB | EQB.PR.C

EQB Inc. | First Quarter Report 2023

RETURNS
+16% ROE 10-YEAR AVERAGE

GROWTH
11.4% EPS GROWTH 10-YEAR CAGR

WEALTH
305% 10-YEAR TSR

DRIVE CHANGE

TO ENRICH PEOPLE'S LIVES

INNOVATION
TECHNOLOGY TO BETTER SERVE CANADIANS

SCALE
EQB WELCOMES CONCENTRA BANK

GAINS
515K CUSTOMERS

SUSTAINABILITY
CARBON NEUTRAL IN SCOPE 1 & 2 GHG EMISSIONS

For the three months ended March 31, 2023

Note: all cover measures as at December 31, 2022, except customer number as at March 31, 2023

Canada's Challenger Bank ™

EQB | EQ Bank | Equitable Bank

Table of Contents

Our strategy and Quick facts	**3**
Selected financial results and highlights	4
Overall business performance and guidance	8
EQB Corporate Profile	11
Management's Discussion and Analysis (MD&A)	**12**
Adjustments to financial results	13
Detailed financial summary	15
Risk management	32
Glossary	37
Non-generally accepted accounting principles (GAAP) financial measures and ratios	38
Financial Results	**39**
Consolidated financial statements (unaudited)	39
Notes to consolidated financial statements	45
Shareholder and corporate information	72

Caution regarding forward-looking statements

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

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

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

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

Our strategy

Anchored in our proven business model, we use our strategy and approach to deliver on our mission to drive change in Canadian banking to enrich people's lives:

Customer and service mission

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

Differentiated value creation model

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

Innovating and advocating for Canadians

We innovate across product and technology as Canada's first native digital bank and advocate for regulatory change to benefit Canadians including Open Banking

Robust risk management

We are guided by our prudent risk appetite, benefit from decades of underwriting expertise, and consistently achieve the lowest credit losses of all Canadian bank peers

Quick facts

> 515,000

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

7th largest bank

in Canada by assets, and owner of Concentra Trust – 7th largest trust company in Canada

$105 billion

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

~6 million

Canadians indirectly served with products and services as members of Canadian Credit Unions

WORLD'S BEST BANKS
Forbes 2021 – 2023
POWERED BY STATISTA
RANKED NO. 1 BANK IN CANADA

Schedule I Bank in Canada for three consecutive years by Forbes in 2021, 2022, and 2023

Carbon neutral

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

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

Note: Quick facts as at March 31, 2023.

Selected Financial Highlights

Select financial and other highlights	As at or for the three months ended				
	31-Mar-23	**31-Dec-22[7]**	**Change**	**31-Mar-22**	**Change**
Adjusted results ($000s)[1]					
Net interest income	**236,630**	218,775	8%	163,086	45%
Non-interest revenue	**27,975**	16,317	71%	25,446	10%
Revenue	**264,605**	235,092	13%	188,532	40%
Non-interest expenses	**120,262**	102,259	18%	69,800	72%
Pre-provision pre-tax income[2]	**144,343**	132,833	9%	118,732	22%
Provision for credit losses (recoveries)	**6,248**	7,776	(20%)	(125)	n.m.
Income before income taxes	**138,095**	125,057	10%	118,857	16%
Income tax expense	**36,366**	32,562	12%	26,447	38%
Net income	**101,729**	92,495	10%	92,410	10%
Earnings per share – diluted ($)[5]	**2.62**	2.46	7%	2.64	(1%)
Return on equity (%)[3]	**16.9**	15.9	1.0	19.2	(2.3)
Efficiency ratio (%)[3][4]	**45.4**	43.5	1.9	37.0	8.4
Net interest margin (%)[2]	**1.92**	1.87	0.05	1.87	0.05
Reported results ($000s)					
Net interest income	**240,797**	218,325	10%	162,172	48%
Non-interest revenue	**27,034**	16,382	65%	25,446	6%
Revenue	**267,831**	234,707	14%	187,618	43%
Non-interest expenses	**126,548**	139,180	(9%)	74,933	69%
Pre-provision pre-tax income[2]	**141,283**	95,527	48%	112,685	25%
Provision for credit losses (recoveries)	**6,248**	26,796	(77%)	(125)	n.m.
Income before income taxes	**135,035**	68,731	96%	112,810	20%
Income tax expense	**35,516**	22,912	55%	24,863	43%
Net income	**99,519**	45,819	117%	87,947	13%
Earnings per share ($) – basic[5]	**2.58**	1.20	115%	2.55	1%
Earnings per share ($) – diluted[5]	**2.56**	1.19	115%	2.51	2%
Return on equity (%)	**16.5**	7.7	8.8	18.3	(1.8)
Efficiency ratio (%)	**47.2**	59.3	(12.1)	39.9	7.3
Net interest margin (%)[2]	**1.95**	1.85	0.10	1.86	0.09
Revenue per average full time equivalent ($)[3]	**159**	144	11%	158	1%
Balance sheet and other information ($ millions)					
Total assets	**51,793**	51,145	1%	37,150	39%
Assets under management[2]	**63,336**	61,569	3%	43,422	46%
Loans receivable	**46,580**	46,510	0%	34,217	36%
Loans under management[2]	**58,152**	57,008	2%	40,393	44%
Assets under administration[2]	**41,469**	41,234	1%	-	n.m.
Total deposit principal	**31,278**	30,831	1%	22,080	42%
EQ Bank deposit principal	**8,097**	7,923	2%	7,261	12%
Total risk-weighted assets[3]	**18,981**	18,926	0%	14,018	35%
Credit quality (%)					
Reported provision for credit losses – rate[3]	**0.05**	0.35	(0.31)	(0.001)	0.04
Net impaired loans as a % of total loan assets	**0.32**	0.28	0.04	0.22	0.10
Net allowance for credit losses as a % of total loan assets	**0.19**	0.18	0.01	0.14	0.05

n.m. - not meaningful

Select financial and other highlights (continued)	As at or for the three months ended				
	31-Mar-23	**31-Dec-22**	**Change**	**31-Mar-22**	**Change**
Share information					
Common share price – close ($)	**58.30**	56.73	3%	71.74	(19%)
Book value per common share ($)[3]	**64.47**	62.65	3%	57.64	12%
Common shares outstanding (thousand)	**37,680**	37,564	0%	34,130	10%
Common share market capitalization ($ millions)	**2,197**	2,131	3%	2,449	(10%)
Common shareholders' equity ($ millions)[3]	**2,429**	2,354	3%	1,967	23%
Dividends declared – common share ($)	**0.35**	0.33	6%	0.28	25%
Dividends declared – preferred share – Series 3 ($)	**0.37**	0.37	0%	0.37	0%
Dividend yield – common shares (%)[3]	**2.3**	2.5	(0.2)	1.5	0.8
Capital ratios and leverage ratio (%)[6]					
Common equity tier 1 ratio	**14.0**	13.7	0.3	13.5	0.5
Tier 1 capital ratio	**15.0**	14.7	0.3	14.0	1.0
Total capital ratio	**15.5**	15.1	0.4	14.3	1.2
Leverage ratio	**5.3**	5.3	-	5.1	0.2
Business information					
Employees – average full time equivalent	**1,685**	1,635	3%	1,191	41%
EQ Bank customers	**336,457**	308,286	9%	266,188	26%

(1) Adjusted measures and ratios are Non-Generally Accepted Accounting Principles (GAAP) measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

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

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

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

(5) The weighted average number of common shares used in Q4 2022 earnings per share calculation included the 3,266,000 common shares that were converted on November 1, 2022 from the subscription receipts issued for Concentra Bank acquisition.

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

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

Selected financial highlights – eight quarters

Select financial highlights	2023	2022				2021		
	Q1	Q4[3]	Q3	Q2	Q1	Q4	Q3	Q2
Adjusted results ($000s)[1]								
Net interest income	**236,630**	218,775	187,264	167,604	163,086	155,952	150,852	141,839
Non-interest revenue	**27,975**	16,317	9,481	(2,528)	25,446	15,911	11,248	16,935
Revenue	**264,605**	235,092	196,745	165,076	188,532	171,863	162,100	158,774
Non-interest expenses	**120,262**	102,259	78,903	75,567	69,800	69,702	67,442	64,990
Pre-provision pre-tax income[2]	**144,343**	132,833	117,842	89,509	118,732	102,161	94,658	93,784
Provision for credit losses (recoveries)	**6,248**	7,776	5,354	5,233	(125)	(1,420)	(3,500)	(1,982)
Income before income taxes	**138,095**	125,057	112,488	84,276	118,857	103,581	98,158	95,766
Income tax expense	**36,366**	32,562	30,339	22,742	26,447	22,985	25,685	24,965
Net income	**101,729**	92,495	82,149	61,534	92,410	80,596	72,473	70,801
Earnings per share – diluted ($)	**2.62**	2.46	2.35	1.75	2.64	2.30	2.07	2.02
Return on equity (%)	**16.9**	15.9	15.6	12.1	19.2	17.1	16.0	16.5
Efficiency ratio (%)	**45.4**	43.5	40.1	45.8	37.0	40.6	41.6	40.9
Net interest margin (%)[2]	**1.92**	1.87	1.94	1.81	1.87	1.81	1.83	1.81
Reported results ($000s)								
Net interest income	**240,797**	218,325	186,251	166,657	162,172	155,952	150,852	141,839
Non-interest revenue	**27,034**	16,382	9,481	-2,528	25,446	15,911	11,248	16,935
Revenue	**267,831**	234,707	195,732	164,129	187,618	171,863	162,100	158,774
Non-interest expenses	**126,548**	139,180	84,082	78,276	74,933	70,427	67,442	64,990
Pre-provision pre-tax income[2]	**141,283**	95,527	111,650	85,853	112,685	101,436	94,658	93,784
Provision for credit losses (recoveries)	**6,248**	26,796	5,354	5,233	(125)	(1,420)	(3,500)	(1,982)
Income before income taxes	**135,035**	68,731	106,296	80,620	112,810	102,856	98,158	95,766
Income tax expense	**35,516**	22,912	28,717	21,784	24,863	22,795	25,685	24,965
Net income	**99,519**	45,819	77,579	58,836	87,947	80,061	72,473	70,801
Earnings per share ($) – basic	**2.58**	1.20	2.24	1.69	2.55	2.32	2.10	2.05
Earnings per share ($) – diluted	**2.56**	1.19	2.22	1.67	2.51	2.29	2.07	2.02
Return on equity (%)	**16.5**	7.7	14.8	11.6	18.3	17.0	16.0	16.5
Efficiency ratio (%)	**47.2**	59.3	43.0	47.7	39.9	41.0	41.6	40.9
Net interest margin (%)[2]	**1.95**	1.85	1.93	1.80	1.86	1.81	1.83	1.81
Revenue per average full-time equivalent ($)[3]	**159**	139	141	122	155	148	149	152
Balance sheet and other information ($ millions)								
Total assets	**51,793**	51,145	40,150	39,418	37,150	36,159	34,425	32,342
Assets under management[2]	**63,336**	61,569	47,331	45,767	43,422	42,020	40,172	37,928
Loans receivable	**46,580**	46,510	36,792	36,246	34,217	32,901	31,475	29,893
Loans under management[2]	**58,152**	57,008	43,853	42,492	40,393	38,663	37,121	35,373
Asset under administration[2]	**41,469**	41,234	-	-	-	-	-	-
Total deposits principal	**31,278**	30,831	23,824	23,533	22,080	20,695	19,758	18,413
Total EQ Bank deposits principal	**8,097**	7,923	7,562	7,588	7,261	6,968	6,914	6,531
Total risk-weighted assets	**18,981**	18,926	15,459	14,748	14,018	13,310	12,427	11,461

Select financial highlights

	2023	2022				2021		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Credit quality (%)								
Reported provision for credit losses – rate	**0.05**	0.35	0.06	0.06	(0.001)	(0.02)	(0.05)	(0.03)
Net impaired loans as a % of total loan asset	**0.32**	0.28	0.23	0.18	0.22	0.27	0.23	0.41
Net Allowance for credit losses as a % of total loans assets	**0.19**	0.18	0.15	0.14	0.14	0.15	0.17	0.19
Share information								
Common share price – close ($)	**58.30**	56.73	46.44	53.15	71.74	68.91	71.45	66.52
Book value per common share ($)	**64.47**	62.65	61.14	59.25	57.64	55.24	52.90	50.97
Common shares outstanding (thousands)	**37,680**	37,564	34,205	34,161	34,130	34,071	34,029	33,933
Common shareholders market capitalization ($ millions)	**2,197**	2,131	1,588	1,816	2,449	2,348	2,431	2,257
Common shareholders' equity ($ millions)	**2,429**	2,354	2,091	2,024	1,967	1,882	1,800	1,730
Dividends – common share ($)	**0.35**	0.33	0.31	0.29	0.28	0.19	0.19	0.19
Dividends – preferred share – Series 3 ($)	**0.37**	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Dividend yield – common shares (%)	**2.3**	2.5	2.3	1.9	1.5	1.0	1.0	1.1
Capital ratios and leverage ratio (%)								
Common Equity Tier 1 ratio	**14.0**	13.7	13.3	13.5	13.5	13.3	13.7	14.4
Tier 1 capital ratio	**15.0**	14.7	13.7	14.0	14.0	13.9	14.3	15.0
Total capital ratio	**15.5**	15.1	14.0	14.3	14.3	14.2	14.6	15.4
Leverage ratio	**5.3**	5.3	5.1	5.1	5.1	4.9	5.0	5.2
Business information								
Employees – average full time equivalent	**1,685**	1,635	1,373	1,295	1,219	1,191	1,121	1,068
EQ Bank customers	**336,457**	308,286	292,715	279,939	266,188	250,423	237,358	221,945

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

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

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

Overall business performance and outlook

In Q1 2023, EQB generated adjusted earnings of $102 million +10% y/y and q/q (reported 13% y/y and 117% q/q). This period reflected the first full quarter of contributions from Equitable Bank's recent acquisition of Concentra Bank. Adjusted diluted EPS(1) of $2.62 (reported $2.56), reflects this earnings growth and the higher weighted average common shares outstanding following closing the Concentra Bank acquisition.

With combined Assets under Management (AUM)(2) and Assets under Administration (AUA) (2) of nearly $105 billion, results are aligned with guidance and continue to be supported by the diversification and stability of EQB's Personal and Commercial conventional lending businesses, strong core non-interest revenue growth driven by growing fee-income streams, gains on sale and securitization from the insured multi-family lending business, and cost-of-funds improvement (enabled by continued funding diversification and a strong deposit franchise supported by EQ Bank's growing customer base).

Delivering on our most important financial metric, adjusted return on equity (ROE) (1) was 16.9% in Q1 reflecting the impact of EQB's consistent value creation approach, including sequential adjusted net interest margin expansion of 5 bps to 1.92%. This was underpinned by robust and stable credit performance, strong liquidity, capital and growing diversification in sources and uses of capital. Direct customers served hit approximately 515,000 and the EQ Bank customer base increased 26% with deposits growing to $8.1 billion, +12% y/y.

Through a quarter with significant turbulence in the U.S. banking industry, EQB's operating model remains clear and distinct vs. peers in Canada and the United States:

- **Credit risk management** remains the critical priority and it is a strategic advantage of EQB. EQB's approach to credit is consistent through cycles, including limiting exposure to higher risk lending markets and mitigating the risk of loss through protection beyond the borrower's ability to repay, most often through secured lending (almost 100% loans are secured by assets in a first lien position).
    - **Provision for credit losses** for Q1 2023 was $6.2 million, or 5 bps of total lending assets, related to organic portfolio growth, changes to macroeconomic forecasts and associated loss modelling, and net of a recovery related to an impaired loan in the quarter. Total net allowance for credit losses as of March 31, 2023 was $87 million and represents 0.19% of total loan assets, relative to 0.18% in Q4. Overall loan performance continues to be strong due to the systems and tools EQB has in place to monitor and manage margin and mitigate losses through prioritizing secured lending.
    - In Q1 2023, delinquency remained low and loss rates as a percentage of assets remained the lowest among the largest Canadian banks. Net impaired loans as of Q1 represented 0.32% of assets with total net realized losses of $1.9 million for the quarter or 0.02% of total loan assets on annualized basis.
    - **Commercial real estate:** EQB prioritizes lending against multi-family rental properties, including affordable housing. Due to the strong demand in Canada for housing and our focus and capabilities in the insured lending market, over two thirds of our total Commercial loans are backed by credit insurance. By design, less than 1% of EQB's assets are offices with an average LTV of 59%. EQB has been careful and selective in lending to commercial offices, largely restricting loans to properties located in major urban centres and smaller buildings that often have tenants like medical and professional practices. EQB has limited exposure to hotels, shopping malls and big box retail. EQB's restricts LTVs, today averaging less than 60% for uninsured commercial loans, and ensures strong personal and corporate guarantees are obtained.

(1) Adjusted measures and ratio are Non-GAAP measures and ratios. Adjusted measure and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results and Non-GAAP financial measures and ratios in this MD&A. (2)This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

- **Market Risk Management:** EQB manages a target duration of equity to approximately one year to tightly control its exposure to interest rate movements, which leads to an interest rate sensitivity to Economic Value of Shareholder's Equity (EVE) of (1.1%) associated with an immediate and sustained 100 bps parallel increase in interest rates. While interest rates rose rapidly in 2022, EQB was able to demonstrate the financial benefits of this approach by delivering stable and expanding NIM on average (despite the addition of the lower NIM Concentra Bank portfolio). This was aided by the growing contribution of the EQ Bank franchise and both its demand and term deposits, which are more competitive than brokered alternatives.

- **Liquidity risk management:** EQB has continued to diversify its sources of funding with the addition of Covered Bonds and its new credit union relationships. These different pools/channels of funding allow EQB to continuously optimize funding sources depending on conditions in each market. Overall, less than 5% of EQB's total funding is contributed by uninsured demand deposits:
  - To manage both duration and liquidity requirements, EQB prioritizes term funding, especially in the broker and credit union channel. Term funding accounted for over 81% of total funding, as at March 31, 2023.
  - The largest component of demand deposits is in EQ Bank. In Q1, EQ Bank's deposits continued to grow from $7.9 to $8.1 billion q/q and customers continued to use the platform for their everyday banking with engaged customers reaching 51% in Q1. Of all EQ Bank deposits, 51% are term deposits, which continued to grow in Q1. As a policy/rule to limit liquidity risk for EQ Bank, the size of each new deposit account is generally limited to $200,000 to diversify the deposit base and ensure a high percentage is eligible for CDIC insurance coverage.

- EQB's liquid assets currently cover 63% of all demand deposits with contingency funding to cover the rest, including access to committed ABCP funding programs and access to CMHC's MBS and CMB Programs. Like other Canadian banks, Equitable Bank has access to the Bank of Canada Standing Term Liquidity Facility.

Please see the Risk Management section of this MD&A for more detail.

The table below summarizes EQB's key financial metrics at March 31, 2023:

	YTD 2023 Results	2023 Guidance[2] Reflects annual y/y
Adjusted Return on equity (ROE)[1]	**16.9%**	15%+
Adjusted Pre-Provision Pre-tax Income (PPPT) Growth[1]	**8.7% q/q**	25-35%
Adjusted Diluted EPS Growth[1]	**6.5% q/q**	10-15%
Dividend Growth	**6.1% q/q**	20-25%
BVPS Growth[3]	**2.9% q/q**	12-15%
CET1 Ratio	**14.0%**	13%+

(1) Adjusted measures and ratio are Non-GAAP measures and ratios. Adjusted measure and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results and Non-GAAP financial measures and ratios in this MD&A. (2) Guidance represents expected growth rates from December 31, 2022 to December 31, 2023. (3) BVPS refers to book value per common share.

The tables below summarizes key portfolio metrics at March 31, 2023. Total conventional lending growth across Personal and Commercial Banking in 41% y/y and 1% q/q, inclusive of Concentra.

Personal Banking

($ billions)	31-Mar-23	YTD growth	2023 Guidance(1) Reflects annual y/y
EQ Bank deposits	**8.1**	2%	**20-30%**
Single-family mortgages – uninsured	**19.20**	1%	**3-5%**
Reverse mortgages(2)	**0.93**	8%	**60-80%**
Insurance lending(2)	**0.10**	12%	**100%+**
Consumer lending	**0.84**	(5%)	n/a
Total Conventional loans(3)	**21.1**	1%	n/a
Single-family mortgages – insured	**11.1**	(1%)	**0-5%**
Total Personal Banking LUM	**32.2**	0.5%	n/a

Commercial Banking

($ billions)	31-Mar-23	YTD growth	2023 Guidance(1) Reflects annual y/y
Business Enterprise Solutions(3)	**1.3**	0.5%	**10-15%**
Commercial Finance Group	**5.6**	(1%)	**10-15%**
Specialized financing loans	**1.1**	3%	**15-25%**
Equipment financing(4)	**1.3**	0.1%	**10-15%**
Total Conventional loans(3)	**9.3**	1%	n/a
Multi-unit residential mortgages on & off balance sheet	**16.7**	6%	n/a
Total Commercial Banking LUM	**26.0**	4%	n/a

(1) Outlook represents expected growth rates from December 31, 2022 to December 31, 2023 – guidance for the new fiscal year-end of October 31, 2023 will be shared following Q2 2023. (2) Decumulation growth expected to be weighted more toward H2 2023. (3) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A. (4) Small or medium-sized enterprises.

EQB corporate profile

EQB Inc. (TSX: EQB and EQB.PR.C, formerly Equitable Group Inc.) operates through its wholly owned subsidiary, Equitable Bank, Canada's Challenger Bank™. Equitable Bank's mission is to drive change in Canadian banking to enrich people's lives.

We directly serve 515,000 Canadians and 200 Canadian credit unions that serve their nearly 6 million members. We serve Canadians through two business lines, Personal Banking and Commercial Banking, and with recognized brands including EQ Bank. As a leader in the industry, we were chosen by Forbes and Canadian consumers as Canada's Top Schedule I bank in 2021, 2022 and now 2023.

As of March 31, 2023, EQB's total assets under management and administration[1] were nearly $105 billion with total on-balance sheet assets of approximately $52 billion. Equitable Bank and Concentra Bank are regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI).

EQB is a member of the S&P/TSX Composite, the S&P/TSX Bank, S&P/TSX Dividend Aristocrats, S&P/TSX Small Cap, S&P Canada BMI, and MSCI Small Cap (Canada) indices. In Q4 2022, Equitable Bank's credit rating was upgraded by DBRS to BBB (high), a signal of our strength and stability on the back of consistent profitability, sound credit fundamentals and diversified assets and funding.

For more details on our business lines and products, please refer to the Business Overview and Outlook section in our report for the fourth quarter and 12 months ended December 31, 2022.

Canadians choose Equitable Bank for smarter products, unmatched value, and exceptional service. To deliver all three, we specialize in market segments where we can improve the banking experience and deliver unique value. As a challenger bank, we rethink conventional approaches and push for smarter ways to do business that benefit both our customers and our bank. We differentiate by providing a host of challenger bank retail services, alternative single-family mortgage lending, reverse mortgage lending, insurance lending, commercial real estate, specialized commercial financing, equipment financing, credit union services and trust services.

Our challenger approach has allowed us to become a leading single-family residential lender in Canada and the country's largest multi-residential insured securitizer. Our innovations in the independent mortgage broker channel reflect our long-term focus on providing great service. As a branchless digital bank, we stay lean and nimble, allowing us to act quickly and profitably on new opportunities.

Our EQ Bank digital platform is the first-born all-digital bank in Canada and the first to move to a cloud-based platform. Our technology is proven, differentiated and supports cost-effective product development and fintech collaborations. Our scale enables us to move quickly and build on our technology platform.

We operate with a fintech mindset and collaborate with partners to innovate rapidly to deliver best-in-class digital banking services to Canadian consumers. Our relationships with market leaders like Wise, nesto, Ratehub, Flinks, Borrowell, Neo Financial, FinanceIT, ClearEstate and other fintechs continue to help us reach new customers and deliver value to Canadians.

A strategic advantage in our business model is our ability to consistently and profitably deploy deposits within our diverse 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.

Our talented teams are the foundation of Equitable Bank's successes. With the addition of Concentra Bank, we now employ nearly 1,700 Challengers who are aligned to drive change in Canadian banking. Equitable Bank's inclusive, welcoming, and pride-inducing workplace earned it the honour of being recognized as one of the top 50 organizations on the 2023 list of Canada's Best Workplaces™.

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

Management's Discussion and Analysis

For the three months ended March 31, 2023

Management's Discussion and Analysis (MD&A) is provided to enable readers to assess the financial position and the results of the consolidated operations of EQB Inc. (EQB) for the three months (quarter) ended March 31, 2023. This MD&A should be read in conjunction with EQB's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2023 together with accompanying note

s, which have been prepared in accordance with International Accounting Standard (IAS) 34. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at May 2, 2023. EQB's continuous disclosure materials, including interim filings, annual MD&A and Consolidated Financial Statements, Annual Information Form, Environmental, Social, and Governance (ESG) Performance Report, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on EQB's website at eqbank.investorroom.com and on SEDAR at www.sedar.com.

Acquisition of Concentra Bank

During Q4 2022 on November 1st, Equitable Bank completed its acquisition of Concentra Bank. In Q1, these results include contributions from Concentra Bank and Concentra Trust for a full three months for the first time, as well as the full impact of 3,266,000 incremental common shares of EQB issued upon closing (by way of the conversion of the same number of subscription receipts.). The acquisition contributed $8.6 billion of loans, $1.2 billion of investments, $23 million of intangible assets and $6.7 billion of deposit liabilities. Goodwill of $40.7 million reflects the excess of the consideration paid over the fair value of assets acquired and liabilities assumed.

In addition, Q1 results contain several items related to transaction and integration adjustments. Refer to "Adjustments to financial results" for the income statement impact and Note 5 to the financial statements for details of the purchase price allocation.

Income statement review:

Adjustments to financial results 13

Detailed financial summary 15

Balance sheet review:

Loan principal 20

Credit portfolio quality 22

Deposits and funding 25

Liquidity investments and equity securities 26

Off-balance sheet arrangements 27

Related party transactions 27

Capital position 28

Shareholders' equity 29

Accounting standards and policies:

Accounting policy changes 30

Critical accounting estimates 30

Responsibilities of management and the board of director 31

Changes in internal control over financial reporting 31

Risk Management 32

Glossary 37

Non-GAAP financial measures and ratios 38

Adjustments to financial results

Concentra acquisition

On February 7, 2022, Equitable Bank announced a definitive agreement to acquire a majority interest in Concentra Bank, subject to customary closing conditions and regulatory approvals. On September 28, 2022, Equitable Bank received approval from the Ministry of Finance to acquire Concentra Bank and subsequently closed the transaction on November 1, 2022, acquiring 100% ownership of Concentra Bank.

At the close of the transaction, EQB.R subscription receipts were converted to common shares and proceeds were used to fund the acquisition. To support the transaction and integration, Equitable Bank incurred certain acquisition costs since Q4 2021. The assets acquired from Concentra Bank and the liabilities retained were fair valued in accordance with the accounting standards. These acquisition-related fair value adjustments will be amortized over the term of these loans or liabilities, impacting reported net interest income, which began in Q4 2022. In addition, a Stage 1 provision was set up for the performing loans acquired, which also was recorded through the income statement in the fourth quarter. The intangible assets recognized at the date of acquisition are amortized over the life of these assets, starting Q1 2023.

Income tax

The federal government has introduced an increase in the corporate tax rate of 1.5% for bank and life insurance groups for taxation years that end after April 7, 2022. It was levied on the portion of taxable income that exceeds $100 million. As a result, a one-time tax impact was recorded in the Q4 2022 income statement related to deferred tax liabilities due to the change in tax rate.

Adjustments impacting current and prior periods:

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

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

Q1 2023

- $3.2 million net fair value amortization adjustments,
- $4.7 million acquisition and integration-related costs, and
- $1.5 million intangible asset amortization.

Q4 2022

- $36.9 million acquisition and integration-related costs,
- $19.0 million provision credit for credit losses recorded on purchased loan portfolios,
- $3.3 million net fair value related amortization recorded for November and December 2022,
- $2.2 million interest earned on the escrow account where the proceeds of the subscription receipts are held[(1)],
- $0.7 million reversal of interest expenses paid to subscription receipt holders[(2)], and
- $5.6 million tax expenses true-up due to increase in tax rate.

Q1 2022

- $5.1 million of acquisition and integration-related costs, and
- $0.9 million interest expenses paid to subscription receipt holders[(2)].

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

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

	As at or for the three months ended		
($000, except share and per share amounts)	**31-Mar-23**	**31-Dec-22**	**31-Mar-22**
Reported results			
Net interest income	**240,797**	218,325	162,172
Non-interest revenue	**27,034**	16,382	25,446
Revenue	**267,831**	234,707	187,618
Non-interest expense	**126,548**	139,180	74,933
Pre-provision pre-tax income(4)	**141,283**	95,527	112,685
Provision for credit loss (recoveries)	**6,248**	26,796	(125)
Income tax expense	**35,516**	22,912	24,863
Net income	**99,519**	45,819	87,947
Net income available to common shareholders	**97,201**	43,514	86,858
Adjustments			
Net interest income – earned on the escrow account(1)	**-**	(2,220)	-
Net interest income – fair value amortization/adjustments	**(4,167)**	3,324	-
Net interest income – paid to subscription receipt holders(2)	**-**	(654)	(914)
Non-interest revenue – fair value amortization/adjustments	**941**	(65)	-
Non-interest expenses – fair value amortization/adjustments	**(66)**	-	-
Non-interest expenses – acquisition-related costs	**(4,744)**	(36,921)	(5,133)
Non-interest expenses – intangible asset amortization	**(1,476)**	-	-
Provision for credit loss – purchased loans	**-**	(19,020)	-
Pre-tax adjustments	**3,060**	56,326	6,047
Income tax expense – tax impact on above adjustments(3)	**850**	15,271	1,584
Income tax expense – tax true-up	**-**	(5,621)	-
Post-tax adjustments	**2,210**	46,676	4,463
Adjusted results			
Net interest income	**236,630**	218,775	163,086
Non-interest revenue	**27,975**	16,317	25,446
Revenue	**264,605**	235,092	188,532
Non-interest expense	**120,262**	102,259	69,800
Pre-provision pre-tax income(4)	**144,343**	132,833	118,732
Provision for credit loss (recoveries)	**6,248**	7,776	(125)
Income tax expenses	**36,366**	32,562	26,447
Net income	**101,729**	92,495	92,410
Net income available to common shareholders	**99,411**	90,190	91,321
Diluted earnings per share			
Weighted average diluted common shares outstanding	**37,910,348**	36,632,711	34,545,393
Diluted earnings per share – reported	**2.56**	1.19	2.51
Diluted earnings per share – adjusted	**2.62**	2.46	2.64
Diluted earnings per share – adjustment impact	**0.06**	1.27	0.13

(1) The net proceeds from the issuance of subscription receipts were held in an escrow account and the interest income earned was recognized upon closing of the Concentra acquisition.

(2) The interest expense refers to the dividend equivalent amount paid to subscription receipt holders. The subscription receipt holders are entitled to receive a payment equal to the common share dividend declared multiplied by the number of subscription receipts held on the common share dividend payment date. These subscription receipts were converted into common shares at a 1:1 ratio upon the closing of the Concentra acquisition.

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

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

Detailed financial summary

Income statement and earnings summary

Table 1: Income Statement highlights

($000s, except per share amounts)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Adjusted results[(1)]					
Revenue	**264,605**	235,092	13%	188,532	40%
Non-interest expenses	**120,262**	102,259	18%	69,800	72%
Provision for credit losses (recoveries)	**6,248**	7,776	(20%)	(125)	n.m.
Income tax expenses	**36,366**	32,562	12%	26,447	38%
Net income	**101,729**	92,495	10%	92,410	10%
Earnings per share – diluted ($)	**2.62**	2.46	7%	2.64	(1%)
Reported results					
Revenue	**267,831**	234,707	14%	187,618	43%
Non-interest expenses	**126,548**	139,180	(9%)	74,933	69%
Provision for credit losses (recoveries)	**6,248**	26,796	(77%)	(125)	n.m.
Income tax expenses	**35,516**	22,912	55%	24,863	43%
Net income	**99,519**	45,819	117%	87,947	13%
Earnings per share – diluted ($)	**2.56**	1.19	115%	2.51	2%

n.m. - not meaningful

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Net interest income

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

Table 2: Net interest income

($000s, except percentages)	31-Mar-23		31-Dec-22		31-Mar-22	
	Revenue/ Expense	Average rate(1)	Revenue/ Expense	Average rate	Revenue/ Expense	Average rate
Revenues derived from:						
Cash and debt securities	**36,025**	**4.51%**	26,925	3.75%	5,579	1.27%
Equity securities	**990**	**5.65%**	923	5.29%	1,135	4.29%
Single family mortgages– insured(3)	**92,078**	**3.35%**	71,975	2.78%	40,468	1.91%
Single family mortgages– uninsured(3)	**259,653**	**5.56%**	209,462	4.68%	129,884	3.80%
Decumulation loans	**17,150**	**6.69%**	12,557	5.79%	3,428	4.21%
Consumer lending	**22,221**	**11.04%**	13,225	9.19%	-	-
Total Personal loans	**391,102**	**4.96%**	**307,219**	**4.14%**	**173,780**	**3.09%**
Commercial loans	**173,061**	**8.89%**	156,922	8.04%	69,175	4.88%
Equipment financing	**28,233**	**9.31%**	25,624	8.89%	18,310	10.16%
Insured multi-unit residential mortgages	**40,473**	**2.89%**	34,609	2.71%	28,261	2.71%
Total Commercial loans	**241,767**	**6.63%**	217,155	6.17%	115,746	4.38%
Average interest-earning assets	**669,884**	**5.43%**	**552,222**	**4.73%**	**296,240**	**3.39%**
Expenses related to:						
Deposits	**294,403**	**3.84%**	228,256	3.15%	82,162	1.57%
Securitization liabilities	**118,157**	**2.89%**	84,689	2.19%	49,290	1.68%
Others	**20,694**	**5.04%**	20,502	4.49%	1,702	0.71%
Average interest-bearing liabilities	**433,254**	**3.56%**	**333,447**	**2.89%**	**133,154**	**1.56%**
Adjusted net interest income and margin(2)	**236,630**	**1.92%**	**218,775**	**1.87%**	**163,086**	**1.87%**
Interest earned on the subscription receipt escrow account escrow account	**-**		2,220		-	
Interest paid to subscription receipt holders	**-**		654		(914)	
Net fair value amortization – assets	**2,976**		21,714		-	
Net fair value amortization – liabilities	**1,191**		(25,038)		-	
Reported net interest income and margin	**240,797**	**1.95%**	**218,325**	**1.85%**	**162,172**	**1.86%**

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

(2) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

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

Q1 2023 v Q1 2022

Adjusted net interest income[1] in Q1 2023 was $237 million (reported $241 million), representing an increase of 45% (reported +48%) relative to last year. Overall growth in net interest income was primarily driven by EQB asset growth across its conventional loan portfolios, contributions from Concentra Bank and 5 bp increase in adjusted NIM (reported +9 bps).

In addition, net interest margin for the first quarter expanded 5 bps vs. Q1 2022, driven by growing asset yield on the conventional loan portfolio and cost of funds increasing more slowly – relating to continued optimization with new funding sources, such as covered bonds and cost of funds benefits delivered by EQ Bank's deposits.

Q1 2023 v Q4 2022

Adjusted net interest income[1] was up 8% (reported +10%), mainly benefiting from asset growth and higher NIM. Adjusted NIM[1] was up 5 bp (reported +10 bps) for the reasons notes above, plus the weighted average impact of including Concentra Bank's assets and fundings for three months vs. two-months in the prior quarter.

Non-interest revenue

Table 3: Non-interest revenue[1]

($000s)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Fees and other income	13,550	10,155	33%	6,033	125%
(Losses) gains on strategic investments	(2,613)	(5,137)	(49%)	15,901	(116%)
Net (losses) gains on other investments	(339)	272	n.m.	(1,912)	n.m.
Gain on sale and income from retained interests	14,332	9,247	55%	5,044	184%
Net gains on securitization activities and derivatives	2,104	1,845	n.m.	380	n.m.
Total non-interest revenue– reported	**27,034**	**16,382**	**65%**	**25,446**	**6%**
Fair value amortization adjustment on other investments	941	(65)	n.m.	-	n.m.
Total non-interest revenue – adjusted[2]	**27,975**	**16,317**	**71%**	**25,446**	**10%**

n.m. - not meaningful

(1) Prior period comparatives have been reclassified to conform to current period presentation. (2) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Q1 2023 v Q1 2022

Total adjusted non-interest revenue (NIR)[1] increased 10% year over year primarily due to higher fees income, net gain on our security holdings, higher net fair value gains on derivatives instruments, and increased gain on sale revenue, offset in part by net marked-to-market losses on our strategic investments.

Fees and other income grew 125% compared to prior year, driven primarily by the first full-quarter contribution by Concentra Bank and Concentra Trust.

Total contribution of gains on sale to NIR was $14.3 million in the first quarter vs. $5.0 million in the same quarter of last year, an increase of 184%, driven by increased activity in EQB's insured residential business, higher gain on sale margin, and continued growth in funding available to support these markets.

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Q1 2023 v Q4 2022

Adjusted NIR(1) increased 71% sequentially, largely due to growth in fees income, lower losses on strategic investments, and increased gain on sales from our securitization transactions.

Fees and other income increased by 33% over last quarter, mostly resulting from the three-month contribution by Concentra Bank and Concentra Trust in the quarter vs two-months in Q4 2022.

Gain on sale grew 55%, benefiting from both higher volume in EQB's multi-family residential portfolio and margin.

Provision for credit losses

Table 4: Provision for credit losses

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Stage 1 and 2 provision (recoveries)	**2,746**	24,525	(89%)	(1,223)	(325%)
Stage 3 provision	**3,502**	2,271	54%	1,098	219%
Provision for credit losses (recoveries) – reported	**6,248**	26,796	(77%)	(125)	n.m.
Less: Provision for credit losses – purchased loans		(19,020)	n.m.		n.m.
Provision for credit losses (recoveries) – adjusted(1)	**6,248**	7,776	(20%)	(125)	n.m.

n.m. not meaningful

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

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

Q1 2023 v Q1 2022

Total stage 1 and 2 provision was $2.7 million, reflecting growth in the lending portfolio alongside changes in the macroeconomic forecasts used in EQB's loss modeling, which leverages variables like interest rate volatility and housing market pricing that could be impacted by central bank monetary policy. This provision is compared to a recovery of $1.2 million in Q1 2022, which was primarily a result of reversing provisions taken during the COVID-19 pandemic that proved to be unnecessary.

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

Q1 2023 v Q4 2022

Total adjusted provision(1) decreased by $1.5 million, mainly due to the movement in Stage 1 and 2 provision resulting from favorable changes in the forecasts used in our credit loss modelling.

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results section, and Non-GAAP financial measures and ratios section of this MD&A.

Non-interest expenses

Table 5: Non-interest expenses and efficiency ratio

($000s, except percentages and FTE)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Compensation and benefits	**58,362**	64,999	(10%)	36,772	59%
Technology and system costs	**18,174**	23,969	(24%)	11,950	52%
Regulatory, legal and professional fees	**12,863**	11,303	14%	10,085	28%
Product costs	**17,957**	14,943	20%	7,211	149%
Marketing and corporate expenses	**14,671**	20,146	(27%)	5,065	190%
Premises	**4,521**	3,820	18%	3,850	17%
Total non-interest expenses – reported	**126,548**	139,180	(9%)	74,933	69%
Less: integration related costs and intangible amortization	**(6,286)**	(36,921)	n.m.	(5,133)	n.m.
Total non-interest expenses – adjusted[(1)]	**120,262**	102,259	18%	69,800	72%
Efficiency ratio – reported	**47.2%**	59.3%	(12.1%)	39.9%	7.3%
Efficiency ratio – adjusted[(1)]	**45.4%**	43.5%	1.9%	37.0%	8.4%
Full-time employee equivalent (FTE) – period average	**1,685**	1,635	3%	1,191	41%

n.m. not meaningful

(1) Adjusted measures and ratios are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjusted financial results section, and Non-GAAP financial measures and other financial and banking measures and terms section of this MD&A.

Q1 2023 v Q1 2022

Adjusted non-interest expenses[(1)] increased by 72% (reported 69%) with the addition of Concentra Bank:

- **People** – compensation and benefits +61% resulting from staffing growth especially the inclusion of staff from Concentra Bank, and inflationary adjustments.
- **Product, marketing and innovation**– product costs +148% including innovation spend and growing operating costs related to the growth of the EQ Bank customer base and the contribution by Concentra. Marketing and corporate increased +116% mainly related to our EQ Bank promotion and customer acquisition and the addition of Concentra.
- **Technology** – system costs +50% for maintenance and advancement of our digital capability and cloud-first technology, half of which was contributed by Concentra Bank.
- **Regulatory and professional fees** +100% related to business advisory services rendered, including those incurred by Concentra Bank.

Q1 2023 v Q4 2022

Adjusted non-interest expenses[(1)] were up sequentially by 18% (reported down 9%), primarily driven by the additional one-month contribution of Concentra in this quarter, as well as the same reasons cited above when comparing to Q1 2022.

Balance sheet review

Balance sheet summary

Table 6: Balance sheet highlights

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Total assets	**51,793**	51,145	1%	37,150	39%
Loan principal – Personal[1]	**32,187**	32,043	0%	23,205	39%
Loan principal – Commercial[1]	**14,423**	14,541	(1%)	10,916	32%
Total deposits principal[1]	**31,278**	30,831	1%	22,080	42%
EQ Bank deposit principal[1]	**8,097**	7,923	2%	7,261	12%
Total liquid assets as a % of total assets[2]	**7.5%**	7.7%	(0.3%)	8.2%	(0.8%)

(1) The principal numbers are reported on a consolidated basis, including Concentra, prior to any acquisition-related fair value adjustments that are captured in balance sheet measures. (2) This is a Non-GAAP measure, refer to the Non-GAAP financial measures and ratios section of this MD&A.

Total assets increased by 39% from a year ago reflecting both organic growth of the EQB portfolio and the acquisition of Concentra Bank. Overall growth of on-balance sheet loans[1] within the Personal Banking and Commercial Banking portfolios was 39% and 32%, respectively.

Total loan principal

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

Table 7: Loan principal by lending business[1]

($000s)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Single family mortgages – insured[3]	**11,109,325**	11,249,787	(1%)	8,369,594	33%
Single family mortgages - uninsured[3]	**19,204,814**	18,949,300	1%	14,471,566	33%
Decumulation loans	**1,029,087**	951,950	8%	363,481	183%
Consumer lending	**843,922**	891,656	(5%)	-	n.m.
Total Personal Lending – on balance sheet	**32,187,148**	32,042,693	0%	23,204,641	39%
Commercial loans	**8,015,424**	7,939,766	1%	5,980,823	34%
Equipment financing	**1,264,212**	1,262,584	0%	772,868	64%
Insured multi-unit residential mortgages	**5,142,900**	5,339,046	(4%)	4,162,651	24%
Total Commercial Lending – on balance sheet	**14,422,536**	14,541,396	(1%)	10,916,342	32%
Total Loans – on balance sheet	**46,609,684**	46,584,089	0%	34,120,983	37%
Insured multi-unit residential mortgages – derecognized	**11,542,502**	10,424,114	11%	6,272,342	84%
Total Commercial Lending – loans under management	**25,965,038**	24,965,510	4%	17,188,684	51%
Total Loans under management[2]	**58,152,186**	57,008,203	2%	40,393,325	44%

n.m. not meaningful

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

Q1 2023 v Q1 2022

Total on-balance sheet loan principal increased by 37% year over year, driven by growth in conventional lending across both Personal Banking and Commercial Banking and the acquisition of Concentra Bank.

Of $6.2 billion uninsured Personal loan(1) growth, the single family mortgage portfolio contributed $4.7 billion. This was driven by both strong originations and low attrition rates over the year, and the remainder reflected the Concentra Bank acquisition. The growth of insured single-family mortgages mainly resulted from the addition of Concentra's insured portfolio.

Personal Banking benefited from the addition of the Concentra Bank consumer lending portfolio (consumer term loans and credit card receivables), which contributed 9% to overall growth.

Commercial loans increased by $2.0 billion, driven by growth within its three business lines: Commercial Finance Group, Business Enterprise Solutions, and Specialized Finance. This includes the impact of Concentra. Insured multi-unit mortgages exceeded our target range due to increased demand for affordability linked CMB funding.

The Equipment Financing portfolio grew $491 million, benefiting from the equipment financing business acquired from Concentra, organic growth, and the steady growth of the leasing market.

Q1 2023 v Q4 2022

During the quarter, Conventional loan(1) portfolio grew $285 million and $77 million, respectively, within the Personal and Commercial Banking business, mainly due to lower attrition levels.

The decline in the total commercial on balance-sheet amount mainly resulted from higher derecognition volume of our insured multi-unit mortgages in the quarter. The total insured multi-unit mortgages under management increased by $922 million to $17 billion.

Table 8: On-Balance Sheet loan principal continuity schedule(1)

($000s, except percentages)	As at or for the three months ended March 31, 2023		
	Personal	**Commercial**	**Total**
Q4 2022 closing balance	32,042,693	14,541,396	46,584,089
Originations	1,723,864	1,723,365	3,447,229
Derecognition	-	(1,188,175)	(1,188,175)
Net repayments	(1,579,409)	(654,050)	(2,233,459)
Q1 2023 closing balance	32,187,148	14,422,536	46,609,684
% Change from Q4 2022	0%	(1%)	0%
% Change from Q1 2022	39%	32%	37%
Net repayments percentage(2)	4.9%	4.5%	4.8%
($000s, except percentages)	**As at or for the three months ended March 31, 2022**		
	Personal	**Commercial**	**Total**
Q4 2021 closing balance	22,302,540	10,499,700	32,802,240
Originations	1,965,598	1,544,372	3,509,970
Derecognition	-	(488,358)	(488,358)
Net repayments	(1,063,497)	(639,372)	(1,702,869)
Q1 2022 closing balance	23,204,641	10,916,342	34,120,983
% Change from Q4 2021	4%	4%	4%
Net repayments percentage(2)	4.8%	6.1%	5.2%

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

Credit portfolio quality

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

There are several aspects of EQB's risk management approach and existing loan portfolios that have and will continue to help mitigate the risk of credit losses. EQB remains appropriately reserved for credit losses given the composition of its loan portfolios and current economic forecasts. Allowances for Credit Losses, net of cash reserves, as a percentage of total loan assets equaled 19 bps at quarter-end compared to 18 bps at Q4 2022 and 14 bps a year ago. Changes were driven by portfolio growth and addition of Concentra Bank.

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

- EQB focuses on lending in urban and suburban markets that have diversified employment bases and more liquid real estate markets. This approach results in lower risk as it reduces both the probability that borrowers will default and the loss in the event they do.
- Commercial Banking lending, including equipment financing, is diversified across industries and geographies. Commercial Banking has defined asset-class exposure limits and focuses on assets that EQB believes will be resilient through an economic cycle, such as multi-unit residential and mixed-use properties. These segments make up 45% of the Commercial loan portfolio, while categories such as shopping centres and hotels, which EQB believes are more sensitive to economic conditions, comprise 3.7% and 0.3% of Commercial loans or 1.1% and 0.1% of the total loan portfolio, respectively.
- In EQB's equipment financing business, a cash security deposit is required on most higher-risk leases and in some cases additional real assets are pledged.

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

- Underwriting focuses foremost on a borrower's ability to repay a loan. The average Beacon score of EQB's uninsured single family residential borrowers was 714 at March 31, 2023, consistent with the prior quarter and up 3 bps from last year. Similarly, the average Beacon score of small business mortgage borrowers was 733. These credit scores are indicative of a borrower's positive repayment histories and lower propensity to default under normal economic conditions.
- 50% of loans under management are insured against credit losses, ultimately with the backing of the Government of Canada.
- Over 97% of EQB's uninsured loan portfolio is secured by assets. Uninsured mortgage loans are supported by first-position claims on real estate and our leases by first position claims on equipment, so EQB has a real asset with tangible value behind almost every loan. While the consumer portfolio is not secured, relationships with origination partners include preferential return against lending receivables.
- If the prices of the assets securing mortgage loans decline, EQB is further protected by a portfolio with a low overall loan to value (LTV) ratio. The average LTV on EQB's uninsured residential mortgage portfolio was 65% at March 31, 2023.
- Further to this collateral, almost all uninsured commercial mortgage borrowers and the majority of leases are backed by personal and/or corporate covenants. In the mortgage business, due diligence on borrowers and guarantors involves assessing their financial capacity.

Allowance for Credit Losses

Total allowance for credit losses, net of cash reserves, increased year over year mostly due to adding Concentra Bank's allowances on its loan assets. In addition, EQB increased reserves for Stage 1 and 2 loans and equipment financing based on the expected loss rates in those businesses.

Stage 3 allowances are determined loan by loan, and management believes that they are adequate at the end of Q1 2023. Stage 3 allowances on EQB's mortgages are generally supported by up-to-date, independent property appraisals.

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

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Stage 1 and 2 allowance for credit losses	**92,607**	89,931	3%	45,138	105%
Total Allowance for Credit Losses	**101,442**	96,782	5%	2,718	3,632%
Net ACL – total net of cash reserves(1)	**86,996**	82,693	5%	47,856	82%
Net ACL as a % of total loan assets	**0.19%**	0.18%	0.01%	0.14%	0.05%
Net ACL as a % of uninsured loan assets	**0.30%**	0.29%	0.01%	0.23%	0.07%
Net ACL as a % of gross impaired	**55%**	60%	(5%)	62%	(7%)

(1) The newly acquired consumer lending portfolio is backed by a cash reserve of $14.4 million (December 31, 2022 – $14.1 million, March 31, 2022 – $nil) held for a limited financial guarantee provided by a third party.

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

Table 10: Stage 1 and 2 loan credit metrics

	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
Stage 1 – proportion of loan assets(1)	**77.5%**	78.5%	82.1%	87.6%	88.2%
Stage 1 – effective allowance rate(2)	**0.12%**	0.11%	0.09%	0.09%	0.09%
Stage 2 – proportion of loan assets	**22.3%**	21.2%	17.7%	12.2%	11.6%
Stage 2 – effective allowance rate	**0.35%**	0.37%	0.36%	0.43%	0.43%

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

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

($000s, except percentages and bps)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Uninsured Personal loans – stage 1 & 2 allowances	**23,742**	21,053	13%	10,144	134%
as a % of uninsured personal loans (bps)	***12***	*11*	*1*	*7*	*5*
Consumer lending – stage 1 & 2 allowances net of cash reserves(1)	**6,618**	5,723	16%	-	n.m.
as a % of consumer lending (bps)	***80***	*65*	*15*	-	*n.m.*
Uninsured Commercial loans – stage 1 & 2 allowances	**25,292**	26,023	(3%)	19,469	30%
as a % of uninsured commercial loans (bps)	***37***	*38*	*(1)*	*35*	*2*
Equipment financing – stage 1 & 2 allowances	**21,619**	21,749	(1%)	15,442	40%
as a % of equipment financing (bps)	***172***	*173*	*(1)*	*205*	*(33)*
Insured Personal and Commercial loans – stage 1 & 2 allowances	**1,659**	1,635	1%	83	1,899%
as a % of insured personal and commercial loans (bps)	***0.96***	*0.93*	*0.03*	*0.06*	*0.9*
Total loans – stage 1 & 2 allowances net of cash reserves	**78,930**	76,183	4%	45,138	75%
as a % of total loans (bps)	***17***	*16*	*1*	*13*	*4*

n.m. – not meaningful

(1) The newly acquired consumer lending portfolio is backed by a cash reserve of $14.4 million (December 31, 2022 – $14.1 million, March 31, 2022 – $nil) held for a limited financial guarantee provided by a third party.

On a year-over-year basis, Stage 1 and 2 allowances against our uninsured Personal loans, uninsured Commercial loans and equipment financing increased by $13.6 million, $5.8 million, and $6.2 million, respectively. EQB leverages macroeconomic forecasts from Moody's Analytics and uses them in credit loss modelling. For a summary of key forecast assumptions for each scenario, please refer to Note 8 (d & e) to the Q1 2023 interim consolidated financial statements.

The following table presents expected credit losses by macroeconomic scenario. IFRS 9 requires EQB to weight these scenarios to determine its expected loss. The scenario weightings remain unchanged since December 31, 2021.

Table 12: 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 of each scenario	87,051	74,120	95,201	108,072	162,659
Difference relative to Total Stage 1 & 2 ECL of $92,607	(5,556)	(18,486)	2,595	15,466	70,052

Taking into account known information and acknowledging the uncertainty inherent in current economic forecasts, management, leveraging its experienced credit judgement, believes that the total allowance for credit losses represents a reasonable estimate of future losses. Estimates are subject to uncertainty and actual losses may differ materially if one or more of the underlying assumptions do not materialize as expected. Actual losses may also differ from estimates due to the weightings EQB applies to the underlying economic scenarios.

Impaired loans

Table 13: Impaired loan metrics

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Gross impaired loan assets	**156,863**	138,513	13%	77,212	103%
Net impaired loan assets	**148,028**	131,662	12%	74,494	99%
Net impaired loan assets as a % of total loan assets	**0.32%**	0.28%	0.04%	0.22%	0.10%

Net impaired loans at the end of the quarter were $148.0 million, up $73.5 million from Q1 2022 and $16.4 million from Q4 2022.

Q1 2023 v Q1 2022

The change was mainly attributable to growth of the portfolio, including the acquisition of Concentra Bank. Excluding the $20 million net impaired loans acquired from Concentra Bank, the remaining $54 million increase occurred in the following businesses: residential mortgages (+$27 million), conventional commercial loans (+$35 million), offset by a reduction in equipment financing ($8 million).

Management has evaluated each impaired loan and the business actively manages loans in order to mitigate losses, including leveraging secured assets where necessary.

Q1 2023 v Q4 2022

The change was mainly attributable to growth of the portfolio, with increases occurring in the following businesses: residential mortgages (+$9 million), conventional commercial loans (+$13 million), and equipment leases (reduction of $5.0 million).

Deposits and funding

Our deposits provide a reliable and diversified base of funding that can be effectively matched against loan maturities. Term deposits contribute 81% of total funding with demand deposits representing the remaining 19% of principal balances. Over 95% of deposits are either term or insured.

Table 14: Deposit principal

($000s)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Term deposits:					
Brokered	**15,405,626**	15,653,371	(2%)	11,066,252	39%
EQ Bank	**4,161,586**	3,729,785	12%	2,486,567	67%
Credit unions	**2,323,444**	2,016,627	15%	-	n.m.
Deposit notes	**1,967,938**	1,961,029	0%	1,935,380	2%
Covered bonds	**1,259,708**	1,242,608	1%	473,486	166%
Corporate and institutional	**139,502**	260,320	(46%)	-	n.m.
Total	**25,257,804**	24,863,740	2%	15,961,685	58%
Share of term deposits of total (%)	***81%***	*81%*		*72%*	
Demand deposits:					
Brokered	**725,201**	707,327	3%	954,830	(24%)
EQ Bank	**3,935,798**	4,193,476	(6%)	4,774,100	(18%)
Credit unions	**639,025**	369,851	73%	-	n.m.
Strategic partnerships	**551,937**	505,836	9%	389,713	42%
Corporate and institutional	**167,961**	190,587	(12%)	-	n.m.
Total	**6,019,922**	5,967,077	1%	6,118,643	(2%)
Share of demand deposits of total (%)	***19%***	*19%*		*28%*	
Total deposit principal	**31,277,726**	30,830,817	1%	22,080,328	42%
EQ Bank deposit principal	**8,097,384**	7,923,261	2%	7,260,667	12%

n.m. - not meaningful

Liquidity investments and equity securities

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

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

In addition to assets that are held for the purpose of providing liquidity protection, EQB maintains a portfolio of liquid equity securities (92% of which are investment-grade preferred shares) to yield tax-preferred dividend income. EQB has the ability to liquidate this portfolio in the event of financial stress.

Table 15: Liquid assets

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Eligible deposits with regulated financial institutions(1)	**342,900**	493,682	(31%)	699,326	(51%)
Debt securities	**47,481**	60,301	(21%)	43,612	9%
Debt instruments issued or guaranteed by Government of Canada or provincial governments:					
Investments purchased under reverse repurchase agreements	**732,608**	200,432	266%	-	n.m.
Loans and investments held in the form of debt securities(2), net of obligations under repurchase agreements	**2,691,456**	3,110,029	(13%)	2,164,588	24%
Liquid assets held for regulatory purposes	**3,814,445**	3,864,444	(1%)	2,907,526	31%
Other deposits with regulated financial institutions(3)	**2,903**	1,424	104%	25,955	(89%)
Equity securities(4)	**64,858**	72,369	(10%)	111,705	(42%)
Total	**3,882,206**	3,938,237	(1%)	3,045,186	27%
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**7.4%**	7.6%	(0.2%)	7.9%	(0.5%)
Total liquid assets as a % of total assets	**7.5%**	7.7%	(0.2%)	8.2%	(0.7%)

n.m. not meaningful

(1) Eligible deposits with regulated financial institutions represent deposits of Equitable Bank and its subsidiaries, which are held at major Canadian financial institutions and excludes $225.6 million (December 31, 2022 – $251.1 million, March 31, 2022 – $72.6 million) of restricted cash held as collateral with third parties for Equitable Bank's interest rate swap transactions, issuance of letters of credit, loan origination and servicing activities, BIN sponsorship and banking settlements in the normal course of business and $441.0 million (December 31, 2022 – $486.5 million, March 31, 2022 – $376.0 million) of cash held in trust accounts and deposits held with banks as collateral for Equitable Bank's securitization activities.

(2) Loans held in the form of debt securities represent loans securitized and retained by Equitable Bank and are reported in our Loans receivable balances. Investments held in the form of debt securities include Mortgage-Backed Securities (MBS) and Canada Mortgage Bonds (CMB) purchased from third parties, and provincial bonds. The investments' reported values represent the fair market values associated with these securities.

(3) Other deposits with regulated financial institutions are deposits held by EQB Inc.

(4) Equity securities are 92% investment-grade publicly traded preferred shares and 8% publicly traded common shares.

To ensure institutions have sufficient high-quality liquid assets to survive a significant stress scenario lasting thirty calendar days, OSFI has mandated that Canadian deposit-taking institutions monitor and report their Liquidity Coverage Ratio (LCR)[1]. At March 31, 2023, Equitable Bank's LCR was well in excess of the regulatory minimum of 100%.

Liquid assets[2] were $3.9 billion at Q1 2023, slightly lower than Q4 2022 but 27% up from Q1 2022 levels, reflecting the level of liquidity required due to growth in demand deposits and anticipated cash flow needs for upcoming quarters.

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

Off-balance sheet arrangements

EQB engages in certain financial transactions that, for accounting purposes, are not recorded on its interim consolidated balance sheets. Off-balance sheet transactions are generally undertaken for risk, capital, and funding management purposes. These include certain securitization transactions, the commitments EQB makes to fund its pipeline of loan originations, and letters of credit issued in the normal course of business (see Note 22 to the annual audited consolidated financial statements in EQB's report for the fourth quarter and 12 months of 2022).

Securitization of financial assets

Certain securitization transactions qualify for derecognition when EQB has transferred substantially all of the risks and rewards, or control associated with the securitized assets. The outstanding securitized loan principal that qualified for derecognition totaled $11.5 billion at March 31, 2023 (December 31, 2022 – $10.4 billion, March 31, 2022 – $6.3 billion).

The securitization liabilities associated with these transferred assets were approximately $11.6 billion at March 31, 2023 (December 31, 2022– $10.6 billion, March 31, 2022 – $6.7 billion). The securitization retained interests recorded with respect to certain securitization transactions were $410.4 million at March 31, 2023 (December 31, 2022 – $373.4 million, March 31, 2022 – $220.7 million) and the associated servicing liability was $63.6 million at March 31, 2023 (December 31, 2022 – $58.2 million, March 31, 2022 – $40.7 million).

Commitments and letters of credit

EQB provides commitments to extend credit to borrowers. EQB had outstanding commitments to fund $4.4 billion of loans and $0.3 billion of investments in the ordinary course of business at March 31, 2023 (December 31, 2022 – $4.3 billion, March 31, 2022 – $4.1 billion).

EQB also issues letters of credit which represent assurances that it will make payments in the event that a borrower cannot meet its obligations to a third party. Letters of credit in the amount of $84.8 million were outstanding at March 31, 2023 (December 31, 2022 – $86.1 million, March 31, 2022 – $52.0 million), none of which were drawn.

Related party transactions

Certain of EQB's key management personnel have transacted with it and/or invested in its deposits, and/or the Series 3 preferred shares in the ordinary course of business. See Note 23 to the annual audited consolidated financial statements in EQB's report for the fourth quarter and 12 months of 2022.

Capital position

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

Table 16: Capital measures of Equitable Bank

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Common Equity Tier 1 Capital (CET1):					
Common shares	**928,367**	928,778	(0%)	277,763	234%
Contributed surplus	**13,094**	12,537	4%	10,449	25%
Retained earnings	**1,931,789**	1,856,084	4%	1,727,721	12%
Accumulated other comprehensive loss (AOCI)[2]	**(32,349)**	(33,759)	(4%)	(22,508)	44%
Less: Regulatory adjustments to CET1 Capital	**(183,547)**	(170,504)	8%	(104,251)	76%
Common Equity Tier 1 Capital[1]	**2,657,354**	2,593,136	2%	1,889,174	41%
Additional Tier 1 capital:					
Non-cumulative preferred shares	**183,541**	183,541	-%	72,554	153%
Tier 1 Capital[1]	**2,840,895**	2,776,677	2%	1,961,728	45%
Tier 2 Capital:					
Eligible Stage 1 and 2 allowance	**92,605**	89,931	3%	45,138	105%
Less: Transitional adjustment in response to COVID-19[3]	**-**	(10,647)	n.m.	(2,599)	n.m.
Tier 2 Capital[1]	**92,605**	79,284	17%	42,539	118%
Total Capital[1]	**2,933,500**	2,855,961	3%	2,004,267	46%
Total risk-weighted assets (RWA)[1]	**18,980,786**	18,925,660	0%	14,018,221	35%
Capital ratios and Leverage ratio:[1]					
CET1 ratio	**14.0%**	13.7%	0.3%	13.5%	0.5%
Tier 1 capital ratio	**15.0%**	14.7%	0.3%	14.0%	1.0%
Total capital ratio	**15.5%**	15.1%	0.4%	14.3%	1.2%
Leverage ratio	**5.3%**	5.3%	-%	5.1%	0.2%

n.m. not meaningful

(1) See Glossary section of this MD&A. (2) As prescribed by OSFI (under Basel III rules), AOCI is part of the CET1 in its entirety, however, the amount of cash flow hedge reserves that relate to the hedging of items that are not fair value is excluded. (3) This transitional adjustment was discontinued starting Q1 2023.

On March 27, 2020, OSFI announced several actions to address operational issues stemming from the economic impact of COVID-19, including the introduction of a transitional arrangement for expected credit loss provisioning on capital. This transitional arrangement 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. This phase-out arrangement has ended at the end of 2022 and thus there would be no impact on Equitable Bank's CET1 and Tier 2 capital starting Q1 2023.

Management believes that Equitable Bank's current level of capital and earnings in future periods will be sufficient to support strategic objectives and ongoing growth. Equitable Bank's Capital ratios at March 31, 2023 exceeded the regulatory minimums and target levels. Equitable Bank's CET1 ratio was 14.0%, up 50 bps from last year mainly due to capital injection from EQB Inc. for the acquisition of Concentra Bank. CET1 ratio also increased 30 bps from Q4 2022 as capital increase outpaced the growth of conventional loan[1] 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 remained fully compliant with its regulatory requirements and its Leverage Ratio was 5.3% at March 31, 2023, up 20 bps from a year ago mainly a result of capital growth.

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

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

Shareholders' equity

Common and preferred shares

At March 31, 2023, EQB had 37,680,498 common shares and 2,911,800 Series 3 preferred shares issued and outstanding. In addition, there were 1,317,172 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $69.8 million. For additional information on outstanding stock options and their associated exercise prices, please refer to Note 16 (a) to the Q1 2023 interim consolidated financial statements.

Normal course issuer bid (NCIB)

During the first quarter of 2023, no common or preferred shares were purchased or cancelled under the NCIB.

Common share dividends

On May 2, 2023, EQB's Board declared a quarterly dividend of $0.37 per common share, payable on June 30, 2023, to common shareholders of record at the close of business on June 15, 2023. This dividend represents a 6% increase over dividends declared in February 2023 and 28% year over year.

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

Preferred share dividends

On May 2, 2023, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on June 30, 2023, to preferred shareholders of record at the close of business on June 15, 2023.

Preferred shares of Concentra Bank

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

Accounting standards and policies

Accounting policy changes

EQB's significant accounting policies are essential to an understanding of its reported results of operations and financial position. Accounting policies applied by EQB in the Q1 2023 interim consolidated financial statements are the same as those applied by EQB as at and for the year ended December 31, 2022.

Future Changes in Accounting Policies

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

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

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

Critical accounting estimates

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

In making estimates and judgments, management uses external information and observable market inputs where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the current market volatility and uncertainty due to geopolitical unrest, the current interest rate environment, and inflationary pressures. Actual results could differ materially from these estimates, in which case the impact would be recognized in the Consolidated Financial Statements in future periods.

Allowance for credit losses under IFRS 9

The Expected Credit Loss (ECL) model requires management to make judgments and estimates in a number of areas. Management must exercise significant experienced credit judgment in determining whether there has been a significant increase in credit risk since initial recognition and in estimating the amount of ECL. The measurement of ECL incorporates forward-looking macroeconomic variables and probability weightings of macroeconomic scenarios, which requires significant judgment. Management also exercises significant experienced credit judgment in determining the amount of ECL at each reporting date by considering reasonable and supportable information that is not already incorporated in the modelling process. Changes in these inputs, assumptions, models, and judgments directly impact the measurement of ECL.

As a result of ongoing geopolitical unrest, the current interest rate environment, and inflationary pressures, the macroeconomic environment continues to experience volatility and uncertainty. This has resulted in a direct impact on the forward-looking macroeconomic variables which management uses as part of its underlying assumptions for calculating ECL. Management has used the latest forward-looking macroeconomic variables provided by Moody's Analytics economic forecasting services for calculating ECL.

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

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

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

For further information regarding critical accounting estimates, please refer to Notes 2(d) and 8(d) to (f) to the interim consolidated financial statements.

Responsibilities of management and the board of directors

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

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

Changes in internal control over financial reporting

There were no changes in EQB's internal control over financial reporting that occurred during Q1 2023 that have materially affected, or are reasonably likely to materially affect, EQB's internal control over financial reporting.

Risk management

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

The "Credit Risk", "Liquidity and Funding Risk", and "Market Risk" sections below form an integral part of the interim 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.

For a detailed discussion of our approach to risk management and the risks that affect EQB, please refer to the section entitled Risk Management in EQB's report for the fourth quarter and 12 months of 2022 which is available on EQB's website at eqbank.investorroom.com and on SEDAR at sedar.com.

Credit risk

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

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

EQB invests in corporate bonds to diversify its liquidity holdings and to generate returns. These investments also expose EQB to credit risk, should the issuer of these securities be unable to make timely interest payments or, under a worst-case scenario, if the issuer becomes insolvent. To limit its exposure to this credit risk, EQB establishes policies with exposure limits based on credit rating and investment type. Securities rated BBB- and higher (which is considered "low risk") comprised 93% of EQB's corporate bond portfolio at March 31, 2023 (December 31, 2022 – 94%, March 31, 2022 – 100%).

EQB invests in equity securities to generate returns that meet certain internally acceptable ROE thresholds. Preferred share securities rated P-2 or higher comprised 17% or $23 million of the total equity securities portfolio at March 31, 2023, compared to 19% or $32 million a year ago. Preferred share securities rated P-3 or higher comprised 44% of the total equity securities portfolio at the end of Q1 2023.

Table 17: Credit risk exposure ratings scale

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

Management assessed the credit quality of EQB's assets at March 31, 2023 on the basis of the above mapping of internal and external risk ratings to the credit risk exposure categories.

The table below provides the gross carrying amount of all EQB's debt instruments, for which a loss allowance is calculated, including contractual amounts of undrawn loan commitments, based on EQB's credit risk exposure rating scale.

Table 18: Credit quality analysis

($000s)	March 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans receivable:				
Low risk	14,962,831	1,546,456	-	**16,509,287**
Standard risk	20,718,895	8,438,793	-	**29,157,688**
High risk	449,562	408,270	-	**857,832**
Impaired	-	-	156,863	**156,863**
Total	36,131,288	10,393,519	156,863	**46,681,670**
Less allowance	(52,912)	(38,390)	(8,835)	**(100,137)**
	36,078,376	10,355,129	148,028	**46,581,533**
Loan commitments:				
Low risk	1,552,734	17,503	-	**1,570,238**
Standard risk	1,426,688	509,518	-	**1,936,206**
High risk	2,012	8,134	-	**10,145**
Total	2,981,434	535,155	-	**3,516,589**
Less allowance	(1,096)	(209)	-	**(1,305)**
	2,990,338	534,946	-	**3,515,284**

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

Table 19: Loan principal by lending business

($000s, except percentages)	**31-Mar-23**	**31-Dec-22**	**Change**	**31-Mar-22**	**Change**
Insured:					
Personal	**11,109,325**	11,249,787	(1%)	8,369,594	33%
Commercial	**6,265,073**	6,356,334	(1%)	4,561,886	37%
Total loan principal outstanding	**17,374,398**	17,606,121	(1%)	12,931,480	34%
Total loan principal outstanding percentage	**37%**	38%	(1%)	38%	(1%)
Uninsured:					
Personal	**21,077,823**	20,792,906	1%	14,835,047	42%
Commercial	**8,157,463**	8,185,062	0%	6,354,456	28%
Total loan principal outstanding	**29,235,286**	28,977,968	1%	21,189,503	38%
Total loan principal outstanding percentage	**63%**	62%	1%	62%	1%

As part of EQB's risk management, it lends at lower LTV's, adding further credit loss protection to its loan portfolio. The average LTV on EQB's uninsured residential mortgage portfolio was 65% at March 31, 2023 (December 31, 2022 – 65%, March 31, 2022 – 58%). The table below presents EQB's average uninsured residential LTVs on existing loans by province.

Table 20: Average loan-to-value of existing uninsured residential mortgages(1)(2)(3)(4)

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Alberta	**63%**	63%	-%	63%	-%
British Columbia	**65%**	66%	(1%)	61%	4%
Manitoba	**65%**	65%	-%	58%	7%
Ontario	**66%**	66%	-%	58%	8%
Saskatchewan	**53%**	56%	(3%)	50%	3%
Other Provinces	**66%**	66%	-%	60%	6%
Total Canada	**65%**	65%	-%	58%	7%

(1) Geographic location based on the address of the property mortgaged. (2) Based on property values estimated using the Teranet National Bank House Price Indices (as of March 31, 2023), adjusting for EQB's unique portfolio by using sub-indices corresponding to the 11 cities in Teranet-National Bank National Composite 11 to estimate property values loan by loan. The index is based on actual transaction dates and prices, which EQB believes to be most accurate and representative; however, may lag other indices leveraging data tied to date of sale.

(3) The LTV of our HELOC (HELOC, SHELOC and Reverse Mortgage) products is not included in this table. (4) Equitable Bank has arrangements with other lenders to participate in its single-family residential loans in certain circumstances, namely if Equitable Bank wants to cap the value of its own exposure to stay within the boundaries of its risk appetite while still meeting a borrower's needs. The arrangements, which have been entered into in the normal course of business at arm's length and on market terms, are structured such that the other lenders' participation would always bear the first loss on the mortgage. The loan-to-value ratios above therefore do not take into account the other lenders' participation in order to reflect both the substance and legal form of Equitable Bank's exposure. Equitable Bank underwrites the loans based on the total value of its own advance and the other lender's participation to ensure that the borrower is able to service the aggregate amount of the loan. Other lenders' participation in Equitable Bank's (including Concentra) single family residential loans was $94.5 million at March 31, 2023.

Within Commercial Banking, EQB prioritizes lending against multi-family rental properties, including affordable housing. Due to the strong demand in Canada for housing and EQB's focus and capabilities in the insured lending market, over two thirds of EQB's total Commercial loans are backed by credit insurance. By design, less than 1% of total bank assets are offices with an average LTV of 57%. EQB is selective in lending to commercial offices, largely restricting loans to properties located in major urban centres and smaller buildings. EQB has limited exposure to hotels, shopping malls and big box retail. EQB restricts LTVs, today averaging less than 60% for uninsured commercial loans.

Table 21: Commercial loans under management by business(1)

($000s, except percentages)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Mortgages – to Corporates	**2,845,597**	2,971,525	(4%)	2,446,158	16%
Mortgages – to Small Business	**1,333,971**	1,327,917	0%	1,154,573	16%
Specialized financing loans	**1,097,176**	1,069,963	3%	714,856	53%
Construction loans	**2,738,680**	2,570,361	7%	1,665,236	64%
Equipment financing	**1,264,212**	1,262,584	0%	772,868	64%
Insured multi-unit residential mortgages(2)	**16,685,402**	15,763,160	6%	10,434,993	60%
Total	**25,965,038**	24,965,510	4%	17,188,684	51%

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

Liquidity and funding risk

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

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

Market risk

Market Risk consists of interest rate risk, equity price risk, and currency risk. Market Risk is broadly defined as the possibility that changes in either market interest rates or equity prices may have an adverse effect on profitability or financial condition. Interest rate risk may be affected if assets or liabilities have unmatched terms, interest rates or other attributes. Overall, EQB has a 'low' appetite for market risk.

EQB defines its low risk tolerance for market risk and applies capital for these risks within its Internal Capital Adequacy Assessment Plan (ICAAP). EQB monitors market risk at several management committees: quarterly at the Enterprise Management Committee (ERM), monthly at the Asset Liability Committee (ALCO) and weekly at the Treasury Committee. In addition, the Board reviews reports from both the ALCO and ERM quarterly. The responsibility for management of EQB's interest rate risk resides with the ALCO. ALCO has delegated to Treasury the day-to-day responsibility for the measurement and management of market risks. The ALCO meets regularly to review and approve Treasury related policies, to review key market risk metrics including compliance to established limits, and to provide direction on market risk management.

EQB has immaterial exposure to foreign currency risk arising from general business activities. EQB's covered bond program is dependent on foreign funding sources. The related FX risks are fully hedged, although differences in how the issuance and hedges are accounted for may result in some income timing differences in the financial statements.

Equity price risk represents the risk to the value of our securities portfolio, which are impacted by a variety of factors which are beyond our control, such as interest rates, credit spreads, and general market sentiment. Equity price risk is incorporated into EQB's ICAAP modeling.

EQB's Interest rate risk exposure as at March 31, 2023 is reported in Table 22 and Note 19 to the consolidated financial statements.

With Interest Rate Risk in the Banking Book (IRRBB), EQB's objective is to manage and control interest rate risk exposures within its low risk tolerance. EQB's key measure of interest rate exposure is dollar duration. The primary method of reducing interest rate risk involves funding our assets with liabilities with similar repricing terms. EQB also uses interest rate derivatives to mitigate residual interest rate risk. EQB has established a target for the duration of equity, and actively manages excess exposures at each key rate through its hedging program.

We monitor interest rate risk by utilizing cashflow and valuation models with simulated interest rate changes. These models estimate the effects of various interest rate changes on net interest income and on the economic value of shareholders' equity (EVE). EVE is a calculation of the present value of EQB's asset cash flows, less the present value of liability cash flows on a pre-tax basis. EQB models various market rate scenarios, including parallel and non-parallel yield curve changes and regulator-prescribed interest rate shock scenarios. EVE exposure is a critical measure for measuring and managing risk. 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. EQB's policy establishes limits for the permissible change in EVE as well as changes in net interest income for specified rate shock to interest rates.

EQB's models contain numerous assumptions intended to reflect the contractual and expected behavior of its assets and liabilities. Certain assumptions are based on historical experience while other assumptions are based on business judgement. Below are further details on modeling.

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 net interest income during the month period following March 31, 2023. The estimate of sensitivity to interest rate changes is dependent on several assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 22: Net interest rate sensitivity

($000s, except percentages)	**Increase in interest rates**	**Decrease in interest rates**
100 basis point shift		
Impact on net interest income	**10,756**	**(10,955)**
Impact on Economic Value of Shareholder's Equity (EVE)[(1)]	**(27,113)**	**(12,968)**
EVE impact as a % of common shareholders' equity	**(1.1%)**	**(0.5%)**

(1) EVE numbers are reported on a pre-tax basis.

Reported EVE sensitivities above include assumptions about the behaviour of embedded options such as mortgage commitments. Given the shocks are intended to measure the unlikely impact of immediate and sustained 100bps shocks, no management actions are included in the assessment. In practice, hedges are continually rebalanced. In the case of a decrease in interest rates of 25 bps, EVE would show a gain of $5 million or 0.2% and if rates increase 25 bps a loss of $6.7 million or (0.3%). This is consistent with management's approach to target a one-year duration of equity.

Equity Price Risk is defined as the risk of loss from an adverse movement in the value of EQB's securities portfolio due to volatility in financial markets. EQB mitigates this risk by investing only in high-quality, liquid shares and actively monitors the investment portfolio.

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

Glossary

- **Book value per common share:** is calculated by dividing common shareholders' equity by the number of common shares outstanding.
- **Capital ratios:** A detailed calculation of all Capital ratios can be found in Table 16 of this MD&A.
    - **CET1 ratio:** this measure of capital strength is defined as CET1 Capital as a percentage of total risk weighted assets. This ratio is calculated for Equitable Bank in accordance with the guidelines issued by OSFI. CET1 Capital is defined as shareholders' equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income.
    - **Tier 1 and Total Capital ratios:** these adequacy ratios are calculated for Equitable Bank, in accordance with the guidelines issued by OSFI by dividing Tier 1 or Total Capital by total RWA. Tier 1 Capital is calculated by adding non-cumulative preferred shares to CET1 Capital. Tier 2 Capital is equal to the sum of Equitable Bank's eligible Stage 1 and 2 allowance. Total Capital equals to Tier 1 plus Tier 2 Capital.
    - **Leverage ratio:** this measure is calculated by dividing Tier 1 Capital by an exposure measure. The exposure measure consists of total assets (excluding items deducted from Tier 1 Capital) and certain off- balance sheet items converted into credit exposure equivalents. Adjustments are also made to derivatives and secured financing transactions to reflect credit and other risks.
- **Dividend yield:** is calculated on an annualized basis and is defined as dividend per common share divided by average of daily closing price per common share for the period.
- **Economic value of shareholders' equity (EVE):** is a calculation of the present value of EQB's asset cash flows, less the present value of liability cash flows on a pre-tax basis. EVE is a comprehensive measure of our exposure to interest rate changes than net interest income because it captures all interest rate mismatches across all terms.
- **Efficiency ratio:** this measure is used to assess the efficiency of EQB's cost structure relative to revenue generation. This ratio is derived by dividing non-interest expenses by revenue. A lower efficiency ratio reflects a more efficient cost structure.
- **Liquidity coverage ratio (LCR):** this ratio, calculated according to OSFI's Liquidity Adequacy Requirements, measures Equitable Bank's ability to meet its liquidity needs for a thirty-calendar day liquidity stress scenario. It is equal to high-quality liquid assets divided by expected total net cash outflows over the next thirty calendar days.
- **Provision for credit losses (PCL) – rate:** this credit quality metric is calculated on an annualized basis and is defined as the provision for credit losses as a percentage of average loan principal outstanding during the period.
- **Return on equity (ROE):** this profitability measure is calculated on an annualized basis and is defined as net income available to common shareholders as a percentage of weighted average common shareholders' equity outstanding during the period.
- **Revenue per full time equivalent (FTE):** is calculated as revenue for the period divided by the average number of full-time equivalent employees during that period.
- **Risk-weighted assets (RWA):** represents Equitable Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline.

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

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

Non-GAAP measures

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

Adjusted results

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

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

Other non-GAAP financial measures and ratios:

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

($000s)	31-Mar-23	31-Dec-22	Change	31-Mar-22	Change
Total assets on the consolidated balance sheet	**51,793,019**	51,144,957	1%	37,149,968	39%
Loan principal derecognized	**11,542,502**	10,424,114	11%	6,272,342	84%
Assets under management	**63,335,521**	61,569,071	3%	43,422,310	46%

- **Conventional loans:** are the total on-balance sheet loan principal excluding insured single-family mortgages and insured multi-unit residential mortgages.
- **Liquid assets:** is a measure of EQB's cash or assets that can be readily converted into cash, which are held for the purposes of funding loans, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 15 of this MD&A.
- **Loans under management (LUM):** is the sum of loan principal reported on the consolidated balance sheet and loan principal derecognized but still managed by EQB. A detailed calculation can be found in Table 7 of this MD&A.
- **Net interest margin (NIM):** this profitability measure is calculated on an annualized basis by dividing net interest income by the average total interest earning assets for the period. A detailed calculation can be found in Table 2 of this MD&A.
- **Pre-provision pre-tax income (PPPT):** this is the difference between revenue and non-interest expenses.

Consolidated balance sheet (unaudited)

($000s) As at	Note	**March 31, 2023**	December 31, 2022	March 31, 2022
Assets:				
Cash and cash equivalents		**345,621**	495,106	725,281
Restricted cash		**666,530**	737,656	448,631
Securities purchased under reverse repurchase agreements		**732,608**	200,432	-
Investments	7	**2,483,604**	2,289,618	1,220,397
Loans – Personal	8,9	**32,183,036**	31,996,950	23,324,211
Loans – Commercial	8,9	**14,397,192**	14,513,265	10,893,131
Securitization retained interests	9	**410,441**	373,455	220,685
Deferred tax assets[1]	12	**15,024**	-	-
Other assets	10	**558,962**	538,475	317,632
		51,793,018	51,144,957	37,149,968
Liabilities and Shareholders' Equity				
Liabilities:				
Deposits	11	**31,589,063**	31,051,813	22,238,382
Securitization liabilities	9	**15,311,657**	15,023,627	10,966,178
Obligations under repurchase agreements	9	**904,658**	665,307	880,203
Deferred tax liabilities	12	**92,417**	72,675	64,488
Funding facilities	13	**768,717**	1,239,704	324,575
Subscription receipts		**-**	-	230,386
Other liabilities	14	**515,871**	556,876	407,920
		49,182,383	48,610,002	35,112,132
Shareholders' equity:				
Preferred shares	15	**181,411**	181,411	70,607
Common shares	15	**463,862**	462,561	232,854
Contributed surplus	16	**12,002**	11,445	9,357
Retained earnings		**1,954,394**	1,870,100	1,727,169
Accumulated other comprehensive (loss) income		**(1,034)**	9,438	(2,151)
		2,610,635	2,534,955	2,037,836
		51,793,018	51,144,957	37,149,968

See accompanying notes to the Consolidated Financial Statements.

(1) Effective January 1, 2023, EQB changed the presentation of its deferred tax assets and liabilities on its Consolidated Balance Sheet (refer to Note 2 (f). Prior period presentation has not been changed.

Consolidated statement of income (unaudited)

($000s, except per share amounts) Three month period ended	Note	**March 31, 2023**	March 31, 2022
Interest income:			
Loans – Personal		**391,816**	173,780
Loans – Commercial		**241,768**	115,746
Investments		**21,893**	3,855
Other		**17,352**	2,859
		672,829	296,240
Interest expense:			
Deposits		**293,231**	84,472
Securitization liabilities		**118,174**	49,290
Funding facilities		**7,918**	306
Other		**12,709**	-
		432,032	134,068
Net interest income		**240,797**	162,172
Non-interest revenue[(1)]:			
Fees and other income		**13,550**	6,033
Net (losses) gains on investments		**(2,952)**	13,989
Gain on sale and income from retained interests	9	**14,332**	5,044
Net gains on securitization activities and derivatives		**2,104**	380
		27,034	25,446
Revenue		**267,831**	187,618
Provision for credit losses (recoveries)		**6,248**	(125)
Revenue after provision for credit losses		**261,583**	187,743
Non-interest expenses:			
Compensation and benefits		**58,362**	36,772
Other		**68,186**	38,161
		126,548	74,933
Income before income taxes		**135,035**	112,810
Income taxes:	12		
Current		**28,651**	23,516
Deferred		**6,865**	1,347
		35,516	24,863
Net income		**99,519**	87,947
Dividends on preferred shares		**2,318**	1,089
Net income available to common shareholders		**97,201**	86,858
Earnings per share:	17		
Basic		**2.58**	2.55
Diluted		**2.56**	2.51

See accompanying notes to the Consolidated Financial Statements.

(1) Effective January 1, 2023, EQB changed the presentation of the line items under the non-interest revenue (refer to Note 2(g)). Prior period presentation has been updated accordingly.

Consolidated statement of comprehensive income
(unaudited)

($000s) Three month period ended	March 31, 2023	March 31, 2022
Net income	**99,519**	87,947
Other comprehensive income – items that will be reclassified subsequently to income:		
Debt instruments at Fair Value through Other Comprehensive Income:		
Net unrealized gains (losses) from change in fair value	**14,974**	(21,369)
Reclassification of net (gains) losses to income	**(12,205)**	2,277
Other comprehensive income – items that will not be reclassified subsequently to income:		
Equity instruments designated at Fair Value through Other Comprehensive Income:		
Net unrealized losses from change in fair value	**(793)**	(1,425)
Reclassification of net (gains) losses to retained earnings	**(22)**	1,209
	1,954	(19,308)
Income tax (expense) recovery	**(542)**	5,063
	1,412	(14,245)
Cash flow hedges:		
Net unrealized (losses) gains from change in fair value	**(15,802)**	26,241
Reclassification of net (gains) losses to income	**(651)**	429
	(16,453)	26,670
Income tax expense (recovery)	**4,569**	(6,993)
	(11,884)	19,677
Total other comprehensive (loss) income	**(10,472)**	5,432
Total comprehensive income	**89,047**	93,379

See accompanying notes to the Consolidated Financial Statements.

Consolidated statement of changes in shareholders’ equity (unaudited)

($000s)								March 31, 2023
					Accumulated other comprehensive income (loss)			
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Cash Flow Hedges	Financial Instruments at FVOCI	Total	Total
Balance, beginning of period	181,411	462,561	11,445	1,870,100	42,016	(32,578)	9,438	2,534,955
Net Income	-	-	-	99,519	-	-	-	99,519
Realized gain on sale of financial instruments	-	-	-	271	-	-	-	271
Other comprehensive loss, net of tax	-	-	-	-	(11,884)	1,412	(10,472)	(10,472)
Exercise of stock options	-	3,763	-	-	-	-	-	3,763
Share issuance cost, net of tax	-	(2,908)	-	-	-	-	-	(2,908)
Dividends:								
Preferred shares	-	-	-	(2,318)	-	-	-	(2,318)
Common shares	-	-	-	(13,178)	-	-	-	(13,178)
Stock-based compensation	-	-	1,003	-	-	-	-	1,003
Transfer relating to the exercise of stock options	-	446	(446)	-	-	-	-	-
Balance, end of period	181,411	463,862	12,002	1,954,394	30,132	(31,166)	(1,034)	2,610,635

See accompanying notes to the Consolidated Financial Statements.

($000s)								March 31, 2022
					Accumulated other comprehensive income (loss)			
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Cash Flow Hedges	Financial Instruments at FVOCI	Total	Total
Balance, beginning of period	70,607	230,160	8,693	1,650,757	680	(8,263)	(7,583)	1,952,634
Net Income	-	-	-	87,947	-	-	-	87,947
Realized loss on sale of shares	-	-	-	(896)	-	-	-	(896)
Other comprehensive income, net of tax	-	-	-	-	19,677	(14,245)	5,432	5,432
Exercise of stock options	-	2,405	-	-	-	-	-	2,405
Dividends:								
Preferred shares	-	-	-	(1,089)	-	-	-	(1,089)
Common shares	-	-	-	(9,550)	-	-	-	(9,550)
Stock-based compensation	-	-	953	-	-	-	-	953
Transfer relating to the exercise of stock options	-	289	(289)	-	-	-	-	-
Balance, end of period	70,607	232,854	9,357	1,727,169	20,357	(22,508)	(2,151)	2,037,836

See accompanying notes to the Consolidated Financial Statements.

Consolidated statement of cash flows (unaudited)

($000s) Three month period ended	**March 31, 2023**	March 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**99,519**	86,858
Adjustments for non-cash items in net income:		
Financial instruments at fair value through income	**(38,426)**	(1,727)
Amortization of premiums/discount on investments	**1,784**	300
Amortization of capital assets and intangible costs	**12,244**	8,833
Provision for credit losses	**6,248**	(125)
Securitization gains	**(12,745)**	(4,628)
Stock-based compensation	**1,003**	953
Income taxes	**35,516**	24,863
Securitization retained interests	**19,857**	12,418
Changes in operating assets and liabilities:		
Restricted cash	**71,126**	13,533
Securities purchased under reverse repurchase agreements	**(532,176)**	550,030
Loans receivable, net of securitizations	**(54,117)**	(1,342,712)
Other assets	**(26,449)**	(4,267)
Deposits	**503,951**	1,409,648
Securitization liabilities	**284,388**	(401,560)
Obligations under repurchase agreements	**239,351**	(496,560)
Funding facilities	**(470,987)**	124,447
Subscription receipts	**-**	230,386
Other liabilities	**(51,115)**	46,697
Income taxes paid	**(47,517)**	(65,042)
Cash flows from operating activities	**41,455**	192,345
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**855**	2,405
Dividends paid on preferred shares	**(2,318)**	(1,089)
Dividends paid on common shares	**(13,178)**	(9,550)
Cash flows used in financing activities	**(14,641)**	(8,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(547,308)**	(57,900)
Proceeds on sale or redemption of investments	**388,062**	111,468
Net change in Canada Housing Trust re-investment accounts	**(8,817)**	(273,221)
Purchase of capital assets and system development costs	**(8,236)**	(12,428)
Cash flows used in investing activities	**(176,299)**	(232,081)
Net decrease in cash and cash equivalents	**(149,485)**	(47,970)
Cash and cash equivalents, beginning of period	**495,106**	773,251
Cash and cash equivalents, end of period	**345,621**	725,281
Cash flows from operating activities include:		
Interest received	**489,824**	271,048
Interest paid	**(234,912)**	(122,071)
Dividends received	**1,041**	1,271

See accompanying notes to the Consolidated Financial Statements.

Notes to consolidated financial statements

($000s, except per share amounts)

Note 1 – Reporting Entity

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

Note 2 – Basis of Preparation

(a) Statement of compliance

These interim Consolidated Financial Statements of EQB have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These interim Consolidated Financial Statements should be read in conjunction with EQB's 2022 annual audited Consolidated Financial Statements.

EQB has 100% ownership interest in Equitable Bank, Equitable Trust, Concentra Bank, Concentra Trust, Bennington Financial Services, EQB Covered Bond (Legislative) GP Inc., and EQB Covered Bond (Legislative) Guarantor Limited Partnership. All these subsidiaries have been consolidated in these interim Consolidated Financial Statements as at March 31, 2023.

These interim Consolidated Financial Statements were approved for issuance by EQB's Board of Directors (the Board) on May 2, 2023.

(b) Basis of measurement

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

(c) Functional currency

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

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

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

In making estimates and judgments, management uses external information and observable market inputs where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the current market volatility and uncertainty due to geopolitical unrest, the current interest rate environment, and inflationary pressures. Actual results could differ materially from these estimates, in which case the impact would be recognized in the Consolidated Financial Statements in future periods.

Allowance for credit losses under IFRS 9

The Expected Credit Loss (ECL) model requires management to make judgments and estimates in a number of areas. Management must exercise significant experienced credit judgment in determining whether there has been a significant increase in credit risk since initial recognition and in estimating the amount of ECL. The measurement of ECL incorporates forward-looking macroeconomic variables and probability weightings of macroeconomic scenarios, which requires significant judgment. Management also exercises significant experienced credit judgment in determining the amount of ECL at each reporting date by considering reasonable and supportable information that is not already incorporated in the modelling process. Changes in these inputs, assumptions, models, and judgments directly impact the measurement of ECL.

As a result of ongoing geopolitical unrest, the current interest rate environment, and inflationary pressures, the macroeconomic environment continues to experience volatility and uncertainty. This has resulted in a direct impact on the forward-looking macroeconomic variables which management uses as part of its underlying assumptions for calculating ECL. Management has used the latest forward-looking macroeconomic variables provided by Moody's Analytics economic forecasting services for calculating ECL. Please refer to note 8(d).

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

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

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

(e) Consolidation

The interim Consolidated Financial Statements as at and for the three months ended March 31, 2023 and March 31, 2022 include the assets, liabilities, and results of operations of EQB and its subsidiaries, after the elimination of intercompany transactions and balances. EQB has control over its subsidiaries as it is exposed to and has rights to variable returns from its involvement with the subsidiaries and it has the ability to affect those returns through its power over their relevant activities.

(f) Change in presentation – Deferred taxes

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

(g) Change in presentation non-interest revenue

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

Note 3 – Significant Accounting Policies

The significant accounting policies applied by EQB in these interim Consolidated Financial Statements are the same as those applied by EQB as at and for the year ended December 31, 2022 as described in Note 3 of the audited Consolidated Financial Statements in EQB’s 2022 Annual Report.

Note 4 – Risk Management

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

A discussion of EQB’s risk exposures and how it manages those risks can be found in the Risk Management section of the Management‘s Discussion & Analysis of EQB’s 2022 Annual Report and the 2023 first quarter report.

Note 5 – Business Combination

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

EQB paid $495,369 in purchase consideration for the acquisition and recognized goodwill of $40,651. The purchase price was financed through a combination of new equity issuance of $230,000 via subscription receipts and a $275,000 draw down from an unsecured Term Loan facility from a consortium of Schedule I banks (refer to note 13). The purchase price consideration is subject to final closing purchase price adjustments. The purchase price allocation may be refined as EQB completes its valuation of the fair value of assets acquired and liabilities assumed. The following table presents the estimated fair values of the assets and liabilities acquired as of the date of acquisition:

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

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

Note 6 – Financial Instruments

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

(a) Valuation methods and assumptions

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

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

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

Securities purchased under reverse repurchase agreements, obligations under repurchase agreements, 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 income and are guaranteed by Canada Deposit Insurance Corporation (CDIC). This guarantee from CDIC is reflected in the fair value measurement of the deposit liabilities.

(v) Securitization liabilities

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

(vi) Derivatives

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

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

($000s)						March 31, 2023
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	345,621	345,621	345,621
Restricted cash	-	-	-	666,530	666,530	666,530
Securities purchased under reverse repurchase agreements	-	-	-	732,608	732,608	732,608
Investments	208,960	2,005,062	60,504	209,078	2,483,604	2,477,770
Loans – Personal	-	-	-	32,183,036	32,183,036	31,763,683
Loans – Commercial[(1)]	309,064	-	-	12,887,849	13,196,913	13,064,541
Securitization retained interests	-	-	-	410,441	410,441	407,934
Other assets:						
Derivative financial instruments[(2)]:						
Interest rate swaps	104,856	-	-	-	104,856	104,856
Cross currency interest rate swaps	53,467			-	53,467	53,467
Total return swaps	8,228	-	-	-	8,228	8,228
Bond forwards	3,270	-	-	-	3,270	3,270
Foreign exchange forwards	1,460	-	-	-	1,460	1,460
Other	-	-	-	66,875	66,875	66,875
Total financial assets	689,305	2,005,062	60,504	47,502,038	50,256,909	49,696,843
Financial liabilities:						
Deposits	-	-	-	31,589,063	31,589,063	32,073,426
Securitization liabilities	-	-	-	15,311,657	15,311,657	14,922,744
Obligations under repurchase agreements	-	-	-	904,658	904,658	904,658
Other liabilities:						
Derivative financial instruments[(2)]:						
Interest rate swaps	133,555	-	-	-	133,555	133,555
Cross-currency interest rate swaps	40,258	-	-	-	40,258	40,258
Total return swaps	11,307	-	-	-	11,307	11,307
Bond forwards	5,628	-	-	-	5,628	5,628
Foreign exchange forwards	1,390	-	-	-	1,390	1,389
Loan commitments	717	-	-	-	717	717
Funding facilities	-	-	-	776,305	776,305	776,308
Other	-	-	-	264,117	264,117	264,117
Total financial liabilities	192,855	-	-	48,845,800	49,038,655	49,134,107

(1) Loans – Commercial does not include $1,200,279 (March 31, 2022 - $756,680) of Equipment financing, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

($000s)						March 31, 2022
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	725,281	725,281	725,281
Restricted cash	-	-	-	448,631	448,631	448,631
Securities purchased under reverse repurchase agreements	-	-	-	-	-	-
Investments	217,374	558,239	76,702	368,082	1,220,397	1,216,511
Loans – Personal	-	-	-	23,324,211	23,324,211	22,925,861
Loans – Commercial(1)	144,687	-	-	9,991,764	10,136,451	10,057,717
Securitization retained interests	-	-	-	220,685	220,685	220,173
Other assets:						
Derivative financial instruments(2):						
Interest rate swaps	122,538	-	-	-	122,538	122,538
Total return swaps	14,175	-	-	-	14,175	14,175
Bond forwards	12,109	-	-	-	12,109	12,109
Other	-	-	-	7,323	7,323	7,323
Total financial assets	510,883	558,239	76,702	35,085,977	36,231,801	35,750,319
Financial liabilities:						
Deposits	-	-	-	22,238,382	22,238,382	22028943
Securitization liabilities	-	-	-	10,966,178	10,966,178	10718517
Obligations under repurchase agreements	-	-	-	880,203	880,203	880,203
Subscription receipts	-	-	-	230,386	230,386	230,386
Other liabilities:						
Derivative financial instruments(2):						
Interest rate swaps	40,124	-	-	-	40,124	40,124
Cross-currency interest rate swaps	48,328	-	-	-	48,328	48,328
Total return swaps	5,709			-	5,709	5,709
Bond forwards	309	-	-	-	309	309
Foreign exchange forwards	3,801	-	-	-	3,801	3,801
Loan commitments	6,991	-	-	-	6,991	6,991
Funding facilities	-			325,024	325,024	325,024
Other	-	-	-	301,092	301,092	301,092
Total financial liabilities	105,262	-	-	34,941,265	35,046,527	34,589,427

(1) Loans – Commercial does not include $1,200,279 (March 31, 2022 - $756,680) of Equipment financing, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

(b) Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

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

Level 3: valuation techniques with significant unobservable market inputs.

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

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

($000s) **March 31, 2023**	**Level 1**	**Level 2**	**Level 3**	**Total financial assets/financial liabilities at fair value**
Financial assets:				
Investments	**1,656,740**	**755,870**	**65,160**	**2,477,770**
Loans – Personal	**-**	**-**	**31,763,683**	**31,763,683**
Loans – Commercial	**-**	**309,064**	**12,755,477**	**13,064,541**
Securitization retained interests	**-**	**407,934**	**-**	**407,934**
Other assets:				
Derivative financial instruments[1]:				
Interest rate swaps	**-**	**104,856**	**-**	**104,856**
Cross currency interest rate swaps	**-**	**53,467**	**-**	**53,467**
Total return swaps	**-**	**-**	**8,228**	**8,228**
Bond forwards	**-**	**3,270**	**-**	**3,270**
Foreign exchange forwards	**-**	**1,460**	**-**	**1,460**
Other	**-**	**66,875**	**-**	**66,875**
Total financial assets	**1,656,740**	**1,702,796**	**44,592,548**	**47,952,084**
Financial liabilities:				
Deposits	**-**	**32,073,426**	**-**	**32,073,426**
Securitization liabilities	**-**	**13,117,489**	**1,805,255**	**14,922,744**
Other liabilities:				
Derivative financial instruments[1]:				
Interest rate swaps	**-**	**133,555**	**-**	**133,555**
Cross currency interest rate swaps	**-**	**40,258**	**-**	**40,258**
Total return swaps	**-**	**4,852**	**6,455**	**11,307**
Bond forwards	**-**	**5,628**	**-**	**5,628**
Foreign exchange forwards	**-**	**1,389**	**-**	**1,389**
Funding facilities	**-**	**776,308**	**-**	**776,308**
Loan commitments	**-**	**-**	**717**	**717**
Other	**-**	**264,117**	**-**	**264,117**
Total financial liabilities	**-**	**46,417,022**	**1,812,427**	**48,229,449**

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

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

Note 7 – Investments

Carrying value of investments is as follows:

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Equity securities measured at FVOCI	**60,504**	60,168	76,702
Equity securities measured at FVTPL	**17,243**	21,274	25,136
Debt securities measured at FVOCI	**2,005,062**	1,781,445	558,239
Debt securities measured at FVTPL	**191,717**	188,212	192,238
Debt securities measured at AMC	**209,078**	238,519	368,082
	2,483,604	2,289,618	1,220,397

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

EQB has elected to designate certain Equity securities to be measured at FVOCI as these investments are expected to be held for the long term. For the period ended March 31, 2023, EQB earned dividends of $909 (March 31, 2022 − $917) on these Equity securities. During the period, EQB sold/redeemed Equity securities of $871 (March 31, 2022 − $14,626) and recognized a gain on sale of $22 (March 31, 2022 – loss on sale of $1,209) in Retained earnings.

As at March 31, 2023 EQB had a commitment to invest $30,122 (March 31, 2022 − $25,612) in certain equity securities measured at FVTPL.

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

($000s)	**March 31, 2023**	March 31, 2022
Equity securities measured at FVOCI	**(815)**	(216)
Equity securities measured at FVTPL	**4,740**	(15,416)
Debt securities measured at FVOCI	**2,560**	(19,093)
Debt securities measured at FVTPL	**3,463**	3,072

Note 8 – Loans Receivable

(a) Loans receivable

($000s)						**March 31, 2023**
		Allowance for credit losses				
	Gross amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Net amount**
Loans – Personal	**32,232,002**	**28,097**	**17,223**	**3,646**	**48,966**	**32,183,036**
Loans – Commercial	**14,449,668**	**25,911**	**21,376**	**5,189**	**52,476**	**14,397,192**
	46,681,670	**54,008**	**38,599**	**8,835**	**101,442**	**46,580,228**

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

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

Loans – Personal include certain uninsured residential loans with a carrying value of $1,486,938 (December 31, 2022 – $1,576,832, March 31, 2022 – $676,908) that have been sold but are not derecognized. EQB issues Euro denominated covered bonds in Europe by securitizing uninsured residential loans on properties in Canada. These uninsured residential loans are sold and held in a separate guarantor entity i.e. EQB Covered Bond (Legislative) Guarantor Limited Partnership (Guarantor LP), established by EQB exclusively for the Covered Bonds Program (the Program). The legal title on the uninsured residential loans that are secured under the Program are held by the Guarantor LP. The residential loans sold to the Guarantor LP under the Program do not qualify for derecognition as EQB continues to be exposed to substantially all the risks and rewards associated with the transferred assets and retains control of the assets. A key risk associated with transferred loans to which EQB remains exposed after the transfer in the Program is the risk of prepayment. As a result, the loans continue to be recognized on EQB's Consolidated Balance Sheets at amortized cost and are accounted for as collateral for the secured funding arrangement, with the corresponding liability presented under Deposits.

As at March 31, 2023, Loans – Commercial include certain loans measured at FVTPL with changes in fair value included in net gains (losses) on securitization activities and derivatives. As at March 31, 2023, the carrying value of these loans was $308,223 (December 31, 2022 – $430,253, March 31, 2022 – $143,731) and included fair value adjustment of $1,158 (December 31, 2022 – ($2,555), March 31, 2022 – ($3,495)).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in Non-interest revenue in the Consolidated Statement of Income. As at March 31, 2023, the carrying amount of these loans was $842 (December 31, 2022 – $854, March 31, 2022 – $956) and included fair value adjustment of ($66) (December 31, 2022 – ($81), March 31, 2022 – ($56)).

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

($000s)	**March 31, 2023**	March 31, 2022
Net gains (losses) in fair values for loans measured at FVTPL included in gains on securitization activities	**4,113**	(5,409)

Loans – Commercial include loans of $792,487 (December 31, 2022 – $774,377, March 31, 2022 – $627,261) invested in certain asset-backed structured entities. EQB holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. EQB does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from these investments. Consequently, EQB does not control these structured entities and has not consolidated them.

Loans – Commercial also include EQB's net investment in equipment financing of $1,200,279 (December 31, 2022 – $1,196,033, March 31, 2022 – $756,680).

At March 31, 2023, EQB had commitments to fund a total of $4,381,088 (December 31, 2022 − $4,218,326, March 31, 2022 – $4,143,187) loans in the ordinary course of business.

(b) Impaired and past due loans

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

($000s)			**March 31, 2023**	December 31, 2022	March 31, 2022
	Gross(1)	**Allowance for credit losses**	**Net**	Net	Net
Loans – Personal	**61,394**	**3,646**	**57,748**	49,154	17,560
Loans – Commercial – Conventional and Insured	**77,987**	**3,013**	**74,974**	62,170	37,030
Loans – Commercial – Equipment financing	**17,482**	**2,176**	**15,306**	20,338	19,904
	156,863	**8,835**	**148,028**	131,662	74,494

(1) Gross balances include loans amounting to $12,074 (December 31, 2022 – $11,332, March 31, 2022 – $5,929) that are insured.

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

($000s)				**March 31, 2023**
	30 – 59 days	**60 – 89 days**	**90 days or more**	**Total**
Loans – Personal	**84,126**	**27,290**	**3,987**	**115,403**
Loans – Commercial – Conventional and Insured	**32,311**	**31,961**	**-**	**64,272**
Loans – Commercial – Equipment financing	**18,927**	**6,631**	**-**	**25,558**
	135,364	**65,882**	**3,987**	**205,233**

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

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

(c) Allowance for credit losses

($000s)				March 31, 2023
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans - Personal	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	28,303	13,432	2,997	44,732
Provision for credit losses:				
Transfers to (from) Stage 1	857	(851)	(6)	-
Transfers to (from) Stage 2	(2,814)	3,053	(239)	-
Transfers to (from) Stage 3	(432)	(3,973)	4,405	-
Re-measurement(1)	1,303	6,119	(2,914)	4,508
Originations	2,126	-	-	2,126
Discharges	(1,246)	(557)	-	(1,803)
Write-off	-	-	-	-
Realized losses	-	-	(865)	(865)
Recoveries	-	-	268	268
Balance, end of period	28,097	17,223	3,646	48,966

($000s)				March 31, 2023
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	23,430	24,766	3,854	52,050
Provision for credit losses:				
Transfers to (from) Stage 1	5,577	(5,572)	(5)	-
Transfers to (from) Stage 2	(1,133)	1,147	(14)	-
Transfers to (from) Stage 3	(139)	(463)	602	-
Re-measurement(1)	(3,118)	2,679	2,100	1,661
Originations	2,065	-	-	2,065
Discharges	(771)	(1,181)	-	(1,952)
Write-off	-	-	(3,519)	(3,519)
Realized losses	-	-	(171)	(171)
Recoveries	-	-	2,342	2,342
Balance, end of period	25,911	21,376	5,189	52,476

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

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

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

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

The Stage 1 and 2 allowance for credit losses includes allowance on loan commitments amounting to $1,305 (December 31, 2022 − $1,472, March 31, 2022 − $179).

(d) Key inputs, assumptions and model techniques

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

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

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

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

(e) Forward-looking macroeconomic scenarios

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

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

March 31, 2023

	Base-Case Scenario		Upside Scenario		Downside Scenarios: Scenario 1		Downside Scenarios: Scenario 2		Downside Scenarios: Scenario 3	
	Next 12 months	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**
Unemployment rate %	**5.7**	**5.7**	**4.8**	**5.1**	**6.8**	**6.0**	**7.8**	**6.6**	**9.2**	**7.6**
Real GDP growth rate %	**0.8**	**8.3**	**2.4**	**10.1**	**(0.9)**	**8.4**	**(1.4)**	**6.9**	**(2.8)**	**5.7**
Home Price Index growth rate %[1]	**(2.9)**	**(1.1)**	**(1.0)**	**2.1**	**(4.1)**	**(3.4)**	**(10.8)**	**(3.9)**	**(16.0)**	**(10.1)**
Commercial Property Index growth rate %	**(0.2)**	**1.6**	**2.7**	**3.9**	**(2.5)**	**0.5**	**(10.3)**	**1.2**	**(16.9)**	**(2.6)**
Household income growth rate %	**(0.8)**	**0.9**	**0.2**	**2.9**	**(2.1)**	**0.3**	**(3.0)**	**(1.3)**	**(3.9)**	**(3.7)**
Canadian Equity index %	**2.0**	**13.8**	**12.1**	**9.1**	**(17.5)**	**13.1**	**(33.9)**	**20.8**	**(41.6)**	**34.6**
West Texas Intermediate oil price %	**(4.7)**	**(0.1)**	**(2.1)**	**(0.2)**	**(15.4)**	**8.8**	**(29.0)**	**14.7**	**(44.8)**	**37.7**

December 31, 2022

	Base-Case Scenario		Upside Scenario		Downside Scenarios: Scenario 1		Downside Scenarios: Scenario 2		Downside Scenarios: Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate %	5.9	5.7	4.9	5.1	7.0	6.0	8.0	6.6	9.4	7.6
Real GDP growth rate %	0.5	8.5	2.3	10.0	(1.3)	8.7	(1.9)	7.0	(3.4)	5.7
Home Price Index growth rate %[1]	(2.0)	(2.7)	(0.1)	0.5	(3.2)	(5.1)	(10.0)	(5.8)	(15.2)	(12.2)
Commercial Property Index growth rate %	(1.5)	1.3	1.6	3.2	(4.1)	0.7	(11.9)	1.6	(18.5)	(2.0)
Household income growth rate %	(2.2)	(0.6)	(1.1)	1.5	(3.5)	(1.6)	(4.6)	(2.7)	(5.8)	(4.7)
Canadian Equity index %	(4.9)	4.1	1.8	4.1	(18.2)	3.5	(29.1)	5.7	(33.7)	4.3
West Texas Intermediate oil price %	(10.2)	(5.4)	(12.9)	(4.8)	(18.2)	(2.5)	(12.3)	(4.1)	(15.0)	(2.9)

March 31, 2022

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

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

(f) Sensitivity of allowance for credit losses

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

Impact of probability-weighting on ACL

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

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
ACL – Five probability-weighted macroeconomic scenarios (actual)	**92,607**	89,931	45,138
ACL – Base-case scenario only	**87,051**	84,088	42,144
ACL – Downside scenario only	**162,659**	156,576	78,295
Difference – Actual versus base-case scenario only	**5,556**	5,843	2,994
Difference – Actual versus downside scenario 3 only	**(70,052)**	(66,645)	(33,157)

Impact of staging on ACL

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

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
ACL – Loans in Stage 1 and Stage 2 (actual)	**92,607**	89,931	45,138
ACL – Assuming all loans in Stage 1	**81,333**	79,221	42,950
Lifetime ACL impact	**11,274**	10,710	2,188

Note 9 – Derecognition of Financial Assets

In the normal course of business, EQB enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of EQB's continuing involvement. EQB transfers its financial assets through its securitization activities and sale of assets under repurchase agreements. For further details, refer to Note 11 to the audited Consolidated Financial Statements in EQB's 2022 Annual Report.

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

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

($000s)	**March 31, 2023**		December 31, 2022		March 31, 2022	
	Securitized assets	**Assets sold under repurchase agreements**	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	**16,017,049**	**904,658**	15,540,197	665,307	11,070,136	880,203
Carrying amount of associated liability	**15,311,657**	**904,658**	15,023,627	665,307	10,966,178	880,203
Carrying value, net position	**705,392**	**-**	516,570	-	103,958	-
Fair value of assets	**15,536,533**	**904,658**	15,068,979	665,064	10,826,933	880,203
Fair value of associated liability	**14,922,744**	**904,658**	14,546,013	665,064	10,718,517	880,203
Fair value, net position	**613,789**	**-**	522,966	-	108,416	-

The carrying amount of assets includes $nil (December 31, 2022 – $nil, March 31, 2022 – $3,402) of EQB's net investment in equipment financing that were securitized and not derecognized. The carrying value of associated liability includes $nil (December 31, 2022 – $nil, March 31, 2022 – $1,912) of liabilities pertaining to equipment financing securitized.

EQB's outstanding securitization liabilities are as follows:

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Securitization principal	**15,458,790**	15,127,536	10,989,834
Deferred net discount and issuance costs	**(177,460)**	(132,681)	(48,188)
Accrued interest	**30,327**	28,772	24,532
	15,311,657	15,023,627	10,966,178

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

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

($000s)	**March 31, 2023**	March 31, 2022
Loans securitized and sold	**1,188,175**	488,358
Carrying value of Securitization retained interests	**27,685**	25,213
Carrying value of Securitized loan servicing liability	**3,068**	4,728
Gains on loans securitized and sold	**12,745**	4,628
Income from securitization activities and retained interests	**1,587**	416

Note 10 – Other Assets

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Intangible assets	**149,335**	145,495	100,533
Income taxes receivable	**74,536**	12,004	-
Prepaid expenses and other	**58,696**	42,733	19,125
Goodwill	**57,595**	57,595	16,944
Property and equipment	**27,178**	27,646	13,658
Accrued interest and dividends on non-loan assets	**9,358**	7,559	1,923
Right-of-use assets	**8,552**	8,529	6,619
Receivable relating to securitization activities	**2,045**	1,120	10,008
Real estate owned	**386**	375	-
Derivative financial instruments:			
Interest rate swaps	**158,323**	205,583	122,538
Total return swaps	**8,228**	14,513	14,175
Bond forwards	**3,270**	9,579	12,109
Foreign exchange forwards	**1,460**	5,744	-
	558,962	538,475	317,632

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

Note 11 – Deposits

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Term and other deposits	**31,277,726**	30,830,817	22,080,328
Fair value of acquisition	**(110,850)**	(123,751)	-
Accrued interest	**455,851**	380,628	195,461
Deferred deposit agent commissions	**(33,664)**	(35,881)	(37,407)
	31,589,063	31,051,813	22,238,382

Deposits also include $1,267,365 (December 31, 2022 – $1,245,294, March 31, 2022 – $470,584) of funding from the covered bond program. This funding is secured against $1,488,072 (December 31, 2022 – $1,577,979, March 31, 2022 – $677,244) of Loans – Personal.

Note 12 – Income Taxes

(a) Income tax provision:

($000s)	**March 31, 2023**	March 31, 2022
Current tax expense:	**28,651**	23,516
Deferred tax expense:		
Reversal of temporary differences	**7,057**	1,347
Changes in tax rates	**(192)**	-
	6,865	1,347
Total income tax expense	**35,516**	24,863

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

($000s)	**March 31, 2023**	March 31, 2022
Canadian statutory income tax rate	**27.2%**	26.2%
Increase (decrease) resulting from:		
Tax-exempt income	**(0.2%)**	(5.0%)
Non-deductible expenses and other	**(0.7%)**	0.8%
Effective income tax rate	**26.3%**	22.0%

The increase in statutory tax rate is mainly due to the impact of additional 1.5% Federal tax imposed on Canadian financial institutions effective April 7, 2022.

(b) Deferred tax[1]:

Net deferred income tax liabilities are comprised of:

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Deferred income tax assets:			
Tax losses[2]	**11,143**	8,734	1,071
Allowance for credit losses	**16,348**	15,930	7,973
Leasing activities	**10,271**	9,817	-
Share issue expenses	**3,202**	2,324	-
Net loan fees	**1,748**	3,296	8,964
Other	**7,744**	6,684	4,789
	50,456	46,785	22,797
Deferred income tax liabilities:			
Securitization activities	**100,120**	92,749	59,672
Equipment financing activities	**-**	113	
Leasing activities[3]	**-**	-	7,964
Deposit agent commissions	**6,634**	7,234	7,305
Intangible costs	**21,035**	19,364	8,746
Other	**60**	-	3,598
	127,849	119,460	87,285
Net deferred income tax liabilities	**77,393**	72,675	64,488

(1) The corresponding amounts to the change in deferred tax balances is a tax charge to Statement of Income of $6,865 and a tax recovery of $2,147 to Stockholders' Equity. (2) Deferred tax asset pertains to income tax losses of approximately $41,482 from Equitable Trust Company and Covered Bond Guarantor LP (2022 - $3,383). (3) 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 receivables.

Deferred income tax assets and liabilities are reflected on the Consolidated Balance Sheet as follows:

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Deferred tax assets	**15,024**	-	-
Deferred tax liabilities	**92,417**	72,675	64,488
Net deferred tax liabilities	**77,393**	72,675	64,488

Note 13 – Funding Facilities

(a) Secured funding facilities:

EQB has two credit facilities totaling $1,100,000 with major Schedule I Canadian banks to finance residential loans prior to securitization. Equitable Bank also has access to liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at March 31, 2023, EQB had an outstanding balance of $286,419 (December 31, 2022 – $737,040, March 31, 2022 – $250,006) on facilities from the Schedule I Canadian banks. The facilities from the Schedule I Canadian banks carry interest rates at 1-month CDOR plus 0.70% to 0.85%.

Concentra Bank maintains a $400,000 secured credit facility with a major Schedule I Canadian bank to backstop issued letters of credit and for general liquidity management. The credit facility carries interest rates at Banker's Acceptance plus 0.50%. Concentra Bank also maintains $100,000 secured line of credit with SaskCentral which is used primarily for settlement and clearing purposes. The line of credit carries interest rates at Prime less 0.50%. As at March 31, 2023, there were no amounts outstanding under either of these facilities (December 31, 2022 – $nil, March 31, 2022 – $nil).

Concentra Bank has established Bearer Deposit Notes (BDN) program through which it issues short-term unsecured notes. As at March 31, 2023 the outstanding balance of the notes issued under BDN program was $14,886 (December 31, 2022 – $34,963, March 31, 2022 – $nil). The interest rate on outstanding BDN issuance was 4.78% (December 31, 2022 – Ranged from 1.16% to 1.40%, March 31, 2022 – nil).

(b) Unsecured funding facilities:

EQB has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility (Revolving Facility) of up to $200,000 and a term loan facility (Term Loan) of up to $275,000. As at March 31, 2023, EQB had an outstanding balance of $467,412 (December 31, 2022 – $467,701, March 31, 2022 – $74,569) on the above facilities including deferred cost of $665 (December 31, 2022 – $609, March 31, 2022 – $449), prepaid interest of $6,293 (December 31, 2022 – $6,697, March 31, 2022 – $nil). The Revolving and Term Loan facilities carry interest rates at 1-month CDOR plus applicable margins.

Note 14 – Other Liabilities

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Accounts payable and accrued liabilities	**150,786**	207,651	204,415
Loan realty taxes	**52,681**	57,541	45,207
Securitized loan servicing liability	**63,574**	58,180	40,702
Income taxes payable	**40,672**	-	3,539
Right-of-use liabilities	**10,737**	10,333	7,925
Unearned revenue	**4,566**	2,417	871
Loan commitments	**717**	935	6,991
Derivative financial instruments:			
Interest rate swaps	**173,813**	210,137	88,451
Total return swaps	**11,307**	7,267	5,709
Bond forwards	**5,628**	2,157	309
Foreign exchange forwards	**1,390**	258	3,801
	515,871	556,876	407,920

Note 15 – Shareholder's Equity

(a) Normal course issuer bid (NCIB):

On December 21, 2020, EQB announced that the Toronto Stock Exchange had approved a NCIB pursuant to which EQB may repurchase for cancellation up to 2,288,490 of its common shares and 297,250 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. On December 21, 2022, the NCIB was approved by the Toronto Stock Exchange for renewal, pursuant to which EQB may repurchase for cancellation up to 3,025,798 of its common shares and 288,680 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. EQB only intends to purchase a maximum of 1,150,000 common shares under the terms of the NCIB. The actual number of preferred shares purchased under the NCIB and the timing of any such purchases will be at EQB's discretion. During the three months period ended March 31, 2023, EQB did not repurchase and cancel any of its Series 3 – 5-year rate reset preferred shares (December 31, 2022 – 88,200, at a volume weighted average price of $25.91, March 31, 2022 – No preferred shares were purchased and cancelled). No common shares have been purchased and cancelled under the NCIB.

Note 16 – Stock-based Compensation

(a) Stock-based compensation plan:

Under EQB's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years or ten years, and vest over a four-year period. As at March 31, 2023, the maximum number of common shares available for issuance under the plan was 4,000,000. The outstanding options expire on various dates to February 2033. Below is a summary of EQB's stock option activity and related information for the periods ended March 31, 2023 and March 31, 2022:

($000's, except share, per share and stock option amounts)	**March 31, 2023**		March 31, 2022	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**1,229,851**	**49.02**	1,123,002	41.75
Granted	**193,437**	**67.12**	224,530	75.72
Exercised	**(93,730)**	**27.01**	(46,512)	31.77
Forfeited/cancelled	**(12,386)**	**77.31**	-	-
Outstanding, end of period	**1,317,172**	**52.98**	1,301,020	47.97
Exercisable, end of period	**769,088**	**42.78**	720,386	35.29

Under the fair value-based method of accounting for stock options, EQB has recorded compensation expense in the amount of $1,003 (March 31, 2022 – $953) related to grants of options under the stock option plan. This amount has been credited to Contributed surplus. The fair value of options granted during the period ended March 31, 2023 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

(Percentages, except per share amount and number of years)	**March 31, 2023**	March 31, 2022
Risk-free rate	**3.1%**	1.7%
Expected option life (years)	**5.5**	4.8
Expected volatility	**31.1%**	30.4%
Expected dividends	**2.2%**	1.8%
Weighted average fair value of each option granted	**17.92**	17.91

(b) Other stock based plans:

EQB has an Employee share purchase (ESP) plan, a Restricted share unit (RSU and PSU) plan for eligible employees, and a Deferred share unit (DSU) plan for Directors. For details on the plans, refer to Note 20 to the audited Consolidated Financial Statements in EQB's 2022 Annual Report.

Under the DSU plan, the activity for the periods ended March 31, 2023 and March 31, 2022 is as follows:

	March 31, 2023	March 31, 2022
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**145,695**	138,379
Granted	**1,805**	756
Dividend reinvested	**901**	486
Outstanding, end of period	**148,401**	139,621

The liability associated with DSUs outstanding as at March 31, 2023 was $8,232 (March 31, 2022 – $10,156). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the three months ended March 31, 2023 amounted to $209 (March 31, 2022 – $76).

Under EQB's RSU and PSU plan, the activity for the periods ended March 31, 2023 and March 31, 2022 is as follows:

	March 31, 2023	March 31, 2022
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of period	**132,178**	131,994
Granted	**134,734**	83,697
Dividend reinvested	**1,681**	829
Forfeited/cancelled	**(1,996)**	(565)
Outstanding, end of period	**266,597**	215,955

The liability associated with RSUs and PSUs outstanding as at March 31, 2023 was $4,122 (March 31, 2022 – $6,027). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the three months ended March 31, 2023 amounted to $453 (March 31, 2022 – $395).

Effective January 1, 2023, EQB has granted Treasury Share Units (TSUs) to eligible employees in the form of Treasury Performance Share Units (TPSUs), under the TSU plan adopted in 2022, for a term of ten years. Under the plan, 50% of the TPSUs cliff vest after 3 years, and the remaining 50% cliff vest after 4 years, subject to performance conditions. Under the plan, each TPSU represents one notional common share and earns notional dividends, which are reinvested into additional TPSUs when cash dividends are paid on EQB's common shares. When the TPSUs vest, the eligible employee can elect to settle in shares issued from treasury, or in cash.

As at March 31, 2023, the maximum number of common shares available for issuance under the TSU plan was 300,000. The outstanding TPSUs expire in February 2033.

Under EQB's TSU plan, the activity for the periods ended March 31, 2023 and March 31, 2022 is as follows:

	March 31, 2023	March 31, 2022
	Number of TPSUs	Number of TPSUs
Outstanding, beginning of period	**-**	-
Granted	**47,936**	-
Dividend reinvested	**303**	-
Forfeited/cancelled	**(787)**	-
Outstanding, end of period	**47,452**	-

The liability associated with TPSUs outstanding as at March 31, 2023 was $68 (March 31, 2022 – $nil). Compensation expense, including offsetting hedges, relating to TPSUs outstanding during the three months ended March 31, 2023 amounted to $66 (March 31, 2022 – $nil).

Note 17 – Earnings Per Share

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

($000's, except share, per share and stock option amounts)	**March 31, 2023**	March 31, 2022
Earnings per common share − basic:		
Net income	**99,519**	87,947
Dividends on preferred shares	**2,318**	1,089
Net income available to common shareholders	**97,201**	86,858
Weighted average basic number of common shares outstanding	**37,608,878**	34,085,536
Earnings per common share − basic	**2.58**	2.55
Earnings per common share − diluted:		
Net income available to common shareholders	**97,201**	86,858
Weighted average basic number of common shares outstanding	**37,608,878**	34,085,536
Adjustment to weighted average number of common shares outstanding:		
Stock options	**301,470**	459,857
Weighted average diluted number of common shares outstanding	**37,910,348**	34,545,393
Earnings per common share − diluted	**2.56**	2.51

For the period ended March 31, 2023, the calculation of the diluted earnings per share excluded 649,322 (March 31, 2022 – 332,031) average options outstanding with a weighted average exercise price of $70.8 (March 31, 2022 − $71.8) as the exercise price of these options was greater than the average price of the Bank's common shares.

Note 18 – Capital Management

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

Equitable Bank's CET1 Ratio was 14.0% as at March 31, 2023, while Tier 1 Capital and Total Capital Ratios were 15.0% and 15.5% respectively. Equitable Bank's Capital Ratios as at March 31, 2023 exceeded the regulatory minimums.

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

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

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

($000s)	**March 31, 2023**	December 31, 2022	March 31, 2022
Common Equity Tier 1 Capital ("CET1"):			
Common shares	**928,367**	928,778	277,763
Contributed surplus	**13,094**	12,537	10,449
Retained earnings	**1,931,789**	1,856,084	1,727,721
Accumulated other comprehensive loss[1]	**(32,349)**	(33,759)	(22,508)
Less: Regulatory adjustments	**(183,547)**	(170,504)	(104,251)
Common Equity Tier 1 Capital	**2,657,354**	2,593,136	1,889,174
Additional Tier 1 Capital:			
Non-cumulative preferred shares	**183,541**	183,541	72,554
Tier 1 Capital	**2,840,895**	2,776,677	1,961,728
Tier 2 Capital:			
Eligible stage 1 and 2 allowance	**92,605**	79,284	45,138
Less: Regulatory adjustments	**-**	-	(2,599)
Tier 2 Capital	**92,605**	79,284	42,539
Total Capital	**2,933,500**	2,855,961	2,004,267

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

Note 19 – Interest Rate Sensitivity

The following table shows EQB's position with regard to interest rate sensitivity of assets, liabilities and equity on thedate of the earlier of contractual maturity or re-pricing date, as at March 31, 2023.

($000's, except percentages)							**March 31, 2023**	
	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	**12,276,265**	**4,426,887**	**10,455,240**	**27,158,392**	**20,939,809**	**2,366,303**	**1,328,514**	**51,793,018**
Total liabilities and shareholders' equity	**(1,070,632)**	**(13,402,145)**	**(13,826,284)**	**(28,299,061)**	**(18,944,679)**	**(1,224,879)**	**(3,324,399)**	**(51,793,018)**
Off-balance sheet items[3]	**-**	**(3,536,281)**	**4,314,626**	**778,345**	**(326,445)**	**(451,900)**	**-**	**-**
Interest rate sensitivity gap	**11,205,633**	**(12,511,539)**	**943,582**	**(362,324)**	**1,668,685**	**689,524**	**(1,995,885)**	
Cumulative gap[2]	**11,205,633**	**(1,305,906)**	**(362,324)**	**(362,324)**	**1,306,361**	**1,995,885**	**-**	**-**
Cumulative gap as a percentage of total assets	**21.64%**	**(2.52%)**	**(0.70%)**	**(0.70%)**	**2.52%**	**3.85%**	**-%**	**-%**

($000's, except percentages)							December 31, 2022	
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total
Cumulative gap[2][3]	11,743,190	312,955	(41,811)	(41,811)	1,383,478	2,271,909	-	-
Cumulative gap as a percentage of total assets	22.96%	0.61%	(0.08%)	(0.08%)	2.71%	4.44%	-%	-%

($000's, except percentages)							March 31, 2022	
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total
Cumulative gap[2][3]	7,877,533	(1,286,030)	9,805	9,805	1,546,386	1,950,946	-	-
Cumulative gap as a percentage of total assets	21.20%	(3.46%)	0.03%	0.03%	4.16%	5.25%	-%	-%

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

Shareholder and Corporate Information

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

Analyst Conference Call and Webcast
Wednesday, May 3, 2023,
8:30 a.m. EST
Live: 416.764.8609
Replay: 416.764.8677
(code 952114)
Archive: www.equitablebank.ca

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Transfer Agent and Registrar
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Toronto, Ontario, Canada, M5J 2Y1 1.800.564.6253

Email:
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Annual Meeting of Shareholders
Wednesday, May 17, 2023
10:00 a.m. EST

Dividend Reinvestment Plan
EQB's dividend reinvestment plan allows common shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage and commission fees. For information about participation in the plan, please contact the Transfer Agent and Registrar. Equitable Bank's ESG Performance Report and Public Accountability Statement 2022 will be available in May 2023 at www.equitablebank.ca

Eligible dividends
EQB 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