EQB Inc.

Second Quarter Report 2022

For the three and six months ended June 30, 2022

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

DRIVE CHANGE IN CANADIAN BANKING TO ENRICH PEOPLE'S LIVES

16.6% [1]

ROE 10-year average

360K+ [2]

Customers

Carbon Neutral

Scope 1 & 2 GHG emissions

540% [1]

10-year total shareholder return

15.7% [1]

EPS growth 10-year CAGR

CANADA'S CHALLENGER BANK™

1. As at December 31, 2021
2. As at June 30, 2022

EQB | Equitable Bank | EQ Bank

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

For the three and six months ended June 30, 2022

Management's Discussion and Analysis (MD&A) is provided to enable readers to assess the financial position and the results of the consolidated operations of EQB Inc. (EQB), formerly Equitable Group Inc., for the three months (quarter) and six months ended June 30, 2022. This MD&A should be read in conjunction with EQB's unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2022, together with accompanying notes, which have been prepared in accordance with International Accounting Standard (IAS) 34. This MD&A should also be read in conjunction with EQB's audited consolidated financial statements for the year ended December 31, 2021, together with accompanying notes. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at August 9, 2022. EQB's continuous disclosure materials, including interim filings, annual MD&A and Consolidated Financial Statements, Annual Information Form, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on EQB's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

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

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

Cautionary note regarding forward-looking statements

Statements made in the sections of this report including those entitled "Business Overview", "Economic and business outlook", "Financial results summary", "Provision for credit losses", "Credit quality and allowance for credit losses", "Liquidity investments and equity securities", "Deposits", "Capital management – Equitable Bank", "Risk Management", and in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws (forward-looking statements). These statements include, but are not limited to, statements about 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, 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.

Select financial and other highlights	As at or for the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Operating results ($ thousands)								
Net interest income	**166,657**	162,172	3%	141,839	17%	**328,829**	275,805	19%
Non-interest income	**(2,528)**	25,446	(110%)	16,935	(115%)	**22,918**	33,139	(31%)
Revenue	**164,129**	187,618	(13%)	158,774	3%	**351,747**	308,944	14%
Non-interest expenses	**78,276**	74,933	4%	64,990	20%	**153,209**	122,307	25%
Pre-provision pre-tax income(2)	**85,853**	112,685	(24%)	93,784	(8%)	**198,538**	186,637	6%
Provision for credit losses	**5,233**	(125)	4,286%	(1,982)	364%	**5,108**	(2,754)	285%
Income tax expense	**21,784**	24,863	(12%)	24,965	(13%)	**46,647**	49,396	(6%)
Net income	**58,836**	87,947	(33%)	70,801	(17%)	**146,783**	139,995	5%
Operating performance								
Earnings per share ($)								
Basic	**1.69**	2.55	(34%)	2.05	(18%)	**4.24**	4.07	4%
Diluted	**1.67**	2.51	(33%)	2.02	(17%)	**4.19**	4.01	5%
Return on equity (%)(3)	**11.6**	18.3	(6.7%)	16.5	(4.9%)	**14.9**	16.8	(1.9%)
Efficiency ratio (%)(3)(4)	**47.7**	39.9	7.8%	40.9	6.8%	**43.6**	39.6	4.0%
YTD Operating leverage (%)(3)	**(11.4)**	(5.8)	(5.6%)	4.8	(16.2%)	**(11.4)**	4.8	(16.2%)
Net interest margin (%)(2)	**1.80**	1.86	(0.06%)	1.81	(0.01%)	**1.83**	1.79	0.04%
Select balance sheet and other information ($ millions)								
Total assets	**39,418**	37,150	6%	32,342	22%			
Assets under management(2)	**45,767**	43,422	5%	37,928	21%			
Loans receivable	**36,246**	34,217	6%	29,893	21%			
Loans under management(2)	**42,492**	40,393	5%	35,373	20%			
Total deposits principal	**23,533**	22,080	7%	18,413	28%			
Total EQ Bank deposits principal	**7,588**	7,261	5%	6,531	16%			
Total other deposits principal	**15,945**	14,819	8%	11,882	34%			
Total risk-weighted assets(3)	**14,748**	14,018	5%	11,461	29%			
Common shareholders' equity(3)	**2,024**	1,967	3%	1,730	17%			
Credit quality (%)								
Provision for credit losses – rate(3)	**0.06**	(0.001)	0.06%	(0.03)	0.09%	**0.03**	(0.02)	0.05%
Net impaired loans as a % of total assets	**0.18**	0.22	(0.04%)	0.41	(0.23%)			
Allowance for credit losses as a % of total loan assets	**0.14**	0.14	-%	0.19	(0.05%)			
Adjusted results ($ thousands, unless stated otherwise)(1)								
Net interest income	**167,604**	163,086	3%	141,839	18%	**330,690**	275,805	20%
Revenue	**165,076**	188,532	(12%)	158,774	4%	**353,608**	308,944	14%
Non-interest expenses	**75,567**	69,800	8%	64,990	16%	**145,367**	122,307	19%
Pre-provision pre-tax income(2)	**89,509**	118,732	(25%)	93,784	(5%)	**208,241**	186,637	12%
Income tax expense	**22,742**	26,447	(14%)	24,965	(9%)	**49,189**	49,396	(0%)
Net income	**61,534**	92,410	(33%)	70,801	(13%)	**153,944**	139,995	10%
Earnings per share – diluted ($)	**1.75**	2.64	(34%)	2.02	(13%)	**4.40**	4.01	10%
Return on equity (%)(3)	**12.1**	19.2	(7.1%)	16.5	(4.4%)	**15.6**	16.8	(1.2%)
Efficiency Ratio (%)(3)(4)	**45.8**	37.0	8.80%	40.9	4.9%	**41.1**	39.6	1.5%
YTD Operating leverage (%)(3)	**(4.4)**	3.7	(8.1%)	4.8	(9.2%)	**(4.4)**	4.8	(9.2%)
Net interest income (%)(2)	**1.81**	1.87	(0.06%)	1.81	-%	**1.84**	1.79	0.05%
Common shareholders' equity(3)	**2,032**	1,972	3%	1,730	17%			
Market capitalization ($ millions)(5)	**1,986**	2,679	(26%)	2,257	(12%)			
Revenue per full time equivalent(3)	**122**	155	(21%)	152	(20%)			

(1) Adjusted measures and ratios are Non-Generally Accepted Accounting Principles (GAAP) measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjusted financial results section, and Non-GAAP financial measures and ratios section of this MD&A. (2) These are non-GAAP measures, see Non-GAAP financial measures and ratios section of this MD&A. (3) See Glossary section of this MD&A. (4) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies. (5) Market capitalization is the sum of common share market capitalization plus the number of subscription receipts outstanding multiplied by the corresponding market price as listed on the Toronto Stock Exchange (TSX) at period end.

Select financial and other highlights (continued)	As at or for the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Common share								
Common share price – close ($)	**53.15**	71.74	(26%)	66.52	(20%)			
Book value per common share ($)[1]	**59.25**	57.64	3%	50.97	16%			
Common shares outstanding	**34,160,770**	34,130,326	0%	33,932,814	1%			
Common share market capitalization ($ millions)	**1,816**	2,449	(26%)	2,257	(20%)			
Dividends declared per:								
Common share ($)	**0.29**	0.28	4%	0.19	57%	**0.57**	0.37	54%
Preferred share ($)	**0.37**	0.37	-%	0.37	-%	**0.74**	0.74	-%
Dividend yield – common shares (%)[1]	**1.9**	1.5	0.4%	1.1	0.8%	**1.7**	1.2	0.5%
Capital ratios and leverage ratio (%)[2]								
Common equity tier 1 ratio	**13.5**	13.5	-%	14.4	(0.9%)			
Tier 1 capital ratio	**14.0**	14.0	-%	15.0	(1.0%)			
Total capital ratio	**14.3**	14.3	-%	15.4	(1.1%)			
Leverage ratio	**5.1**	5.1	-%	5.2	(0.1%)			
Business information								
Employees – full time equivalent	**1,352**	1,219	11%	1,047	29%			
EQ Bank customers	**279,939**	266,188	5%	221,945	26%			

(1) See Glossary section of this MD&A. (2) Regulatory capital requirements for Equitable Bank are determined in accordance with OSFI's Capital Adequacy Requirements (CAR) Guideline, which is based on the capital standards developed by the Basel Committee on Banking Supervision. See Glossary section of this MD&A.

Select financial highlights

	2022	2021					2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating results ($ thousands)								
Net interest income	**166,657**	162,172	155,952	150,852	141,839	133,966	131,117	127,431
Non-interest income	**(2,528)**	25,446	15,911	11,248	16,935	16,204	20,833	21,277
Revenue	**164,129**	187,618	171,863	162,100	158,774	150,170	151,950	148,708
Non-interest expenses	**78,276**	74,933	70,427	67,442	64,990	57,317	55,348	53,065
Pre-provision pre-tax income(2)	**85,853**	112,685	101,436	94,658	93,784	92,853	96,602	95,643
Provision for credit losses	**5,233**	(125)	(1,420)	(3,500)	(1,982)	(772)	103	(2,357)
Income tax expense	**21,784**	24,863	22,795	25,685	24,965	24,431	25,075	24,072
Net income	**58,836**	87,947	80,061	72,473	70,801	69,194	71,424	73,928
Operating performance								
Earnings per share ($)								
Basic	**1.69**	2.55	2.32	2.10	2.05	2.01	2.09	2.17
Diluted	**1.67**	2.51	2.29	2.07	2.02	1.98	2.07	2.15
Return on equity (%)	**11.6**	18.3	17.0	16.0	16.5	17.1	18.2	19.8
Efficiency ratio (%)(3)	**47.7**	39.9	41.0	41.6	40.9	38.2	36.4	35.7
YTD Operating leverage (%)	**(11.4)**	(5.8)	(6.0)	(3.3)	4.8	14.5	4.7	2.2
Net interest margin (%)(2)	**1.80**	1.86	1.81	1.83	1.81	1.77	1.74	1.69
Select balance sheet and other information ($ millions)								
Total assets	**39,418**	37,150	36,159	34,425	32,342	31,355	30,746	30,447
Assets under management(2)	**45,767**	43,422	42,020	40,172	37,928	36,742	35,936	35,511
Loans receivable	**36,246**	34,217	32,901	31,475	29,893	28,892	28,272	27,592
Loans under management(2)	**42,492**	40,393	38,663	37,121	35,373	34,174	33,347	32,551
Total deposits principal	**23,533**	22,080	20,695	19,758	18,413	17,427	16,376	16,373
Total EQ Bank deposits principal	**7,588**	7,261	6,968	6,914	6,531	5,798	4,556	4,319
Total other deposits principal	**15,945**	14,819	13,727	12,844	11,882	11,629	11,820	12,054
Total risk-weighted assets	**14,748**	14,018	13,310	12,427	11,461	10,911	10,426	10,180
Common shareholders' equity	**2,024**	1,967	1,882	1,800	1,730	1,660	1,575	1,501
Adjusted results ($ thousands, unless stated otherwise)(1)								
Net interest income	**167,604**	163,086	155,952	150,852	141,839	133,966	131,117	127,431
Revenue	**165,076**	188,532	171,863	162,100	158,774	150,170	151,950	148,708
Non-interest expenses	**75,567**	69,800	69,702	67,442	64,990	57,317	55,348	53,065
Pre-provision pre-tax income(2)	**89,509**	118,732	102,161	94,658	93,784	92,853	96,602	95,643
Income tax expense	**22,742**	26,447	22,985	25,685	24,965	24,431	25,075	24,072
Net income	**61,534**	92,410	80,596	72,473	70,801	69,194	71,424	73,928
Earnings per share – diluted ($)	**1.75**	2.64	2.30	2.07	2.02	1.98	2.07	2.15
Return on equity (%)	**12.1**	19.2	17.1	16.0	16.5	17.1	18.2	19.8
Efficiency ratio (%)	**45.8**	37.0	40.6	41.6	40.9	38.2	36.4	35.7
YTD Operating leverage (%)	**(4.4)**	3.7	(5.7)	(3.3)	4.8	14.5	4.7	2.2
Net interest margin (%)(2)	**1.81**	1.87	1.81	1.83	1.81	1.77	1.74	1.69
Common shareholders' equity	**2,032**	1,972	1,883	1,800	1,730	1,660	1,575	1,501
Market capitalization ($ millions)(4)	**1,986**	2,679	2,348	2,431	2,257	2,140	1,704	1,263
Revenue per full time equivalent	**122**	155	148	149	152	155	164	166

(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 ratios section of this MD&A. (2) These are non-GAAP measures and ratios, see Non-GAAP financial measures and ratios section of this MD&A. (3) Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies. (4) Market capitalization is the sum of common share market capitalization plus the number of subscription receipts outstanding multiplied by the corresponding market price as listed on the Toronto Stock Exchange (TSX) at period end.

Select financial highlights (continued)	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Credit quality (%)								
Provision for credit losses – rate	**0.06**	(0.001)	(0.02)	(0.05)	(0.03)	(0.01)	0.001	(0.03)
Net impaired loans as a % of total loan assets	**0.18**	0.22	0.27	0.23	0.41	0.36	0.42	0.33
Allowance for credit losses as a % of total loan assets	**0.14**	0.14	0.15	0.17	0.19	0.22	0.23	0.25
Common share information								
Common share price – close ($)	**53.15**	71.74	68.91	71.45	66.52	63.10	50.50	37.55
Book value per common share ($)	**59.25**	57.64	55.24	52.90	50.97	48.93	46.68	44.62
Common shares outstanding	**34,160,770**	34,130,326	34,070,810	34,029,266	33,932,814	33,917,172	33,748,148	33,644,488
Common share market capitalization ($ millions)	**1,816**	2,449	2,348	2,431	2,257	2,140	1,704	1,263
Dividends declared per:								
Common share ($)	**0.29**	0.28	0.19	0.19	0.19	0.19	0.19	0.19
Preferred share ($)	**0.37**	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Dividend yield – common shares	**1.9**	1.5	1.0	1.0	1.1	1.2	1.6	1.9
Capital ratios and leverage ratio (%)								
Common Equity Tier 1 ratio	**13.5**	13.5	13.3	13.7	14.4	14.5	14.6	14.3
Tier 1 capital ratio	**14.0**	14.0	13.9	14.3	15.0	15.2	15.3	15.0
Total capital ratio	**14.3**	14.3	14.2	14.6	15.4	15.6	15.8	15.5
Leverage ratio	**5.1**	5.1	4.9	5.0	5.2	5.1	5.1	4.9

Adjusted financial results

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

Adjustments impacting current and prior periods:

Concentra acquisition/integration costs, pre-tax:

- Q2 2022 – $2.7 million of acquisition and integration related costs and $0.9 million of interest expenses paid to subscription receipt holders[(1)], and
- Q1 2022 – $5.1 million of acquisition and integration related costs and $0.9 million of interest expenses paid to subscription receipt holders.

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

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

Reconciliation of reported and adjusted financial results	**As at or for the three months ended**			**For the six months ended**	
	30-Jun-22	31-Mar-22	30-Jun-21	**30-Jun-22**	30-Jun-21
Reported financial results ($thousands)					
Net interest income	**166,657**	162,172	141,839	**328,829**	275,805
Non-interest income	**(2,528)**	25,446	16,935	**22,918**	33,139
Revenue	**164,129**	187,618	158,774	**351,747**	308,944
Non-interest expense	**78,276**	74,933	64,990	**153,209**	122,307
Pre-provision pre-tax income	**85,853**	112,685	93,784	**198,538**	186,637
Provision for credit loss	**5,233**	(125)	(1,982)	**5,108**	(2,754)
Income tax expense	**21,784**	24,863	24,965	**46,647**	49,396
Net income	**58,836**	87,947	70,801	**146,783**	139,995
Net income available to common	**57,750**	86,858	69,690	**144,608**	137,770
Adjustments ($ thousands)					
Interest expenses – paid to subscription receipt holders(1)	**947**	914	-	**1,861**	-
Non-interest expenses – acquisition / integration related costs	**2,709**	5,133	-	**7,842**	-
Pre-tax adjustments	**3,656**	6,047	-	**9,703**	-
Income tax expense(2)	**958**	1,584	-	**2,542**	-
Post-tax adjustments	**2,698**	4,463	-	**7,161**	-
Adjusted financial results ($ thousands)					
Net interest income	**167,604**	163,086	141,839	**330,690**	275,805
Non-interest income	**(2,528)**	25,446	16,935	**22,918**	33,139
Revenue	**165,076**	188,532	158,774	**353,608**	308,944
Non-interest expense	**75,567**	69,800	64,990	**145,367**	122,307
Pre-provision pre-tax income	**89,509**	118,732	93,784	**208,241**	186,637
Provision for credit loss	**5,233**	(125)	(1,982)	**5,108**	(2,754)
Income tax expense	**22,742**	26,447	24,965	**49,189**	49,396
Net income	**61,534**	92,410	70,801	**153,944**	139,995
Net income available to common	**60,448**	91,321	69,690	**151,769**	137,770
Diluted earnings per share ($, except number of shares)					
Weighted average number of diluted common shares outstanding	**34,479,387**	34,545,393	34,434,216	**34,512,207**	34,374,572
Diluted earnings per share - reported	**1.67**	2.51	2.02	**4.19**	4.01
Diluted earnings per share - adjusted	**1.75**	2.64	2.02	**4.40**	4.01
Impact of adjustments on diluted earnings	**0.08**	0.13	-	**0.22**	-

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

Business overview

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

Equitable Bank is regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI) and serves more than 360,000 Canadians with assets under management[(1)] of nearly $46 billion and total on-balance sheet assets of over $39 billion as at June 30, 2022. EQB is a member of the S&P/TSX Composite, the S&P/TSX Bank, S&P/TSX Dividend Aristocrats, S&P/TSX Small Cap, S&P Canada BMI, and MSCI Small Cap (Canada) indices.

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

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

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

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

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

The foundation of Equitable Bank's successes rests with our talented teams. We employ over 1,300 Challengers who are aligned to drive change in Canadian banking. Equitable Bank's inclusive, welcoming and pride-inducing workplace has earned it the honour of being recognized as one of the top 50 organizations on the 2021 list of Canada's Best Workplaces™ in Financial Services and Insurance.

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

Economic and business outlook

Economic outlook

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

Several macro-economic indicators considered in EQB's business outlook include trending on employment, GDP, interest rates and the pace of immigration.

- Statistics Canada reported on July 8, 2022 that unemployment declined to 4.9% at the end of June from 5.1% in May.
- The Bank of Canada reported on July 8, 2022 that it expects the Canadian economy to grow by 3.5% in 2022, down from 4.25%, and 1.75% in 2023, down from 3.25%.
- The Bank of Canada has signaled a high likelihood for continued increases in interest rates, following four consecutive increases in 2022 taking the overnight rate from 0.25% at the beginning of 2022 to 2.5% on July 13, 2022.
- Canadian immigration levels have continued to increase with a positive trend in 2022. There were 187,000 new Canadians accepted at the end of May 2022, towards the full-year target of 431,000. The target increases to 447,000 in 2023 and 451,000 in 2024. This should continue to stimulate growth in the Canadian economy and the housing market.

Business outlook

EQB expects that the actions taken by the Bank of Canada to reduce inflation, importantly increasing the overnight rate, will continue to reduce activity in the housing market in the second half of 2022. EQB is anticipating additional rate increases and is managing the business anticipating a reduction in origination volume in Personal and Commercial Banking. While originations are expected to slow, this is a normalization from the elevated levels generated during the COVID-19 global pandemic, particularly in 2021.

With a resilient and diverse business model built for stability and growth across economic cycles, overall conventional lending portfolios remain on track to achieve the growth guidance communicated for 2022

The first half of 2022 resulted in conventional lending growth of 36% year-over-year at the end of Q2. Personal Banking conventional lending increased 37% year-over-year, and Commercial Banking conventional lending increased 33%.

Expected slowing in originations will be due to a combination of deliberate risk-managed actions taken by EQB in the first and second quarter, and a strategic plan to normalize growth in Equitable Bank's risk-weighted assets (RWA) to EQB's long-term target of approximately 15% annually. These trends were anticipated in setting the original guidance for 2022. The offsetting trend expected by EQB is an increase in renewal and retention rates.

Subject to further significant volatility in the mark to market positions of strategic investments and derivative positions, EQB expects the financial results for 2022 to remain within the original full-year guidance, including:

- Overall lending growth in the range of 12-15% year over year
- Adjusted ROE 15%+
- Adjusted diluted EPS growth of 8-10%
- Book value per share growth of 12%+
- Adjusted pre-provision, pre-tax growth of 12%+
- And a CET1 ratio of 13%+

EQ Bank continued its strong momentum with the number customers increasing 26% year-over-year and 5% quarter-over-quarter at the end of Q2. As of August 1, 2022, EQ Bank now serves more than 285,000 Canadians. EQ Bank deposits have also grown to $7.6 billion at the end of June, increasing 16% over the past twelve months. EQB expects this growth will continue and end 2022 within guidance.

Customer engagement remains strong in EQ Bank with a consistent growth trend anticipated, particularly following the launch of the EQ Bank payment card in Canada, plus EQ Bank products and services into Quebec later in 2022. With these launches, it expects digital transactions and engagement levels to increase.

EQB will continue to focus on the stability and diversification of its sources of funding. Equitable Bank completed its second covered-bond issuance of €300 million in Q2, at relative pricing stronger than the first issuance. When Equitable Bank closes its agreement to acquire Concentra Bank, this will add further capacity and funding diversification.

The table below summarizes key portfolio metrics at June 30, 2022. Overall total lending growth across Personal and Commercial Banking in Q2 was 6% or 21% year-over-year, compared to a full year 2022 outlook of 12-15%.

Personal Banking

($ billions)		**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change	**2022 Outlook[1]**
EQ Bank	Deposits	**7.6**	7.3	5%	6.5	16%	**20% - 30%**
Single Family Residential Lending	Alternative mortgages	**16.3**	15.4	6%	12.0	35%	**12% -15%**
Wealth Decumulation	Reverse mortgages	**0.42**	0.30	38%	0.13	231%	**150% +**
	Cash surrender value loans	**0.07**	0.06	24%	0.04	95%	**100% +**
Total Conventional loans[2]		**16.8**	**15.8**	**6%**	**12.2**	**37%**	**12%-15%**
Single Family Residential Lending	Prime mortgages	**7.2**	7.4	(3%)	7.9	(8%)	**0% - 5%**
Total Personal Banking loans		**24.0**	**23.2**	**3%**	**20.1**	**19%**	**12%-15%**

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

Commercial Banking

($ billions)		**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change	**2022 Outlook[1]**
Business Enterprise Solutions	Loans to entrepreneurs and SMEs[2]	**1.2**	1.1	6%	1.0	22%	**10% - 15%**
Commercial Finance Group	Loans to medium sized institutional & corporate investors	**4.5**	4.1	10%	3.5	28%	**10% - 15%**
Specialized Finance	Specialized lending to medium sized and corporate investors	**0.74**	0.71	3%	0.36	107%	**20% - 30%**
Equipment Leasing	Equipment leases to entrepreneurs and SMEs[2]	**0.90**	0.77	17%	0.64	40%	**10% - 15%**
Total Conventional loans[3]		**7.4**	**6.7**	**9%**	**5.5**	**33%**	**10%-15%**
Multi-Unit Insured	CMHC insured real estate mortgages[4]	**4.8**	4.2	14%	4.1	15%	**0% - 5%**
Total Commercial Banking loans		**12.1**	**10.9**	**11%**	**9.6**	**25%**	**10%-15%**

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

Additional key metrics outlook

- **Net interest margin (NIM):** EQB's 2022 guidance was for consistent to moderate expansion from the end of 2021. The trend in Q2 was aligned to this guidance with a 2022 YTD Adjusted margin of 1.84% and 1.81% within Q2, compared to 1.81% at the end of 2021. The moderate decline in Q2 compared to Q1 2022 was driven by anticipated declines in mortgage prepayment income due to rising interest rates, offset by asset diversification and pricing strategies. EQB has established proprietary systems and tools over many years to effectively manage margin and the ROE on all lending.
- **Non-interest income:** EQB expects fee and other income to increase in line with the lending portfolio. Gains on sale from securitization activities are expected to normalize but improve from those in Q2; however, they may fluctuate from period to period based on margins and volumes derecognized which are driven by customer preferences. EQB does not forecast gains or losses on derivative transactions or investments. The strategic investment portfolio has generated significant gains for EQB, including a total of $19.4 million over the past 4 quarters, with $15.9 million in Q1 2022, and a 56% increase on year-to-date basis. These gains partially reversed in Q2 due to the selloff in equity markets in North America and a review of private investment valuations. These investments are expected to continue to generate high ROE for EQB over the medium term, despite fluctuations from quarter-to-quarter in the short term. Please refer to Table 4: Non-interest income for a detailed breakdown of non-interest income.
- **Provision for credit losses (PCL):** Allowances for Credit Losses as a percentage of EQB's portfolio returned to approximate pre-pandemic levels. As a result, PCLs are expected to be consistent with Q2 levels and grow with the size of the portfolio, assuming current economic forecasts prove to be accurate, geopolitical unrest does not increase, and borrower behaviour is consistent with what EQB's credit loss models anticipate. If economic forecasts worsen or borrowers react more negatively than expected to credit stress, provisions could elevate further in future quarters.
- **Adjusted non-interest expenses:** Expense growth is expected to be lower on an adjusted basis compared to the growth in the first half of 2022 with a continued full-year target of approximately flat operating leverage, excluding costs associated with Equitable Bank's agreement to acquire Concentra Bank. All integration-related spending remains on target for the acquisition.
- **Income tax:** On April 7, 2022, the federal government delivered its fiscal budget where it proposed an increase in the corporate tax rate of 1.5 percentage points for Canadian banks and life insurance companies on taxable income above $100 million annually. EQB continues to evaluate the impact of the proposed change in the event that it is substantially enacted.

Concentra Bank Acquisition

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

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

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

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

Financial summary

Performance overview

During Q2 2022, EQB continued to deliver on its strategic objectives. Conventional loan(1) growth in all business lines met or exceeded targets and is on pace to achieve 2022 full year guidance. EQB's top focus remains exceptional risk management, margin management, and maintaining strong capital levels. EQB's approach to credit is foundational to its success, including limiting exposure to higher-risk lending markets and mitigating the risk of loss through protection beyond the borrower's ability to repay. The results of this approach are evidenced by the drop in impaired loans in the quarter in absolute dollars and as a percentage of total loans assets to 18 bps and credit losses for Q2 limited to $1.5 million or just 0.004% of total loan assets. As predicted, margins continue to be strong due to systems and tools EQB has put in place to monitor and manage spreads. EQB's subsidiary, Equitable Bank remains focused on capital and capital allocation with ratios remaining consistent with Q1, despite continued conventional loan growth.

EQB's core business performed at or above guidance in the second quarter, but its earnings were negatively offset in part by fair-value adjustments on strategic investments. EQB believes these investments will continue to yield positive returns and high ROE over the medium and long-term and can recover in value once the markets recover and stabilize. These investments are focused on the learning, new products and innovative partnerships associated with the investments.

- Adjusted net income(2) for the six months ended June 30, 2022 was $153.9 million (reported $146.8 million), up $13.9 million or 10% from $140.0 million a year ago. Adjusted net income(2) for Q2 2022 was $61.5MM (reported $58.8 million), a decrease of 33% or $30.9 million and 13% or $9.3 million from last quarter and a year ago, respectively.
- Adjusted diluted EPS(2) for first half of the year increased 10% to $4.40 (reported $4.19) compared to the same period of last year. Q2 Adjusted diluted EPS(2) was $1.75 (reported $1.67), a decline of 34% and 13% from the prior quarter and Q2 2021, respectively.
- Adjusted ROE(2) for the first six months of 2022 was 15.6% (reported 14.9%), ahead of guidance but down 1.2% from a year ago. Adjusted ROE(2) for Q2 2022 was 12.1% (reported 11.6%), 7.1% below last quarter and 4.4% down from a year ago.
- Book value per share grew 3% in the quarter and 16% year over year to $59.25.
- CET1 capital ratio of 13.5% was above target and exceeded the regulatory minimum.
- Realized losses were 0.01% of total loan assets or $2.4 million for the six months ended June 30, 2022, down from $6.6 million a year ago. Realized losses for Q2 2022 were 0.004% of total loan assets or $1.5 million up from $1.0 million in the last quarter and $4.1 million in the same quarter of 2021.

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

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

	YTD 2022 Results	2022 Outlook[1]
Adjusted Return on equity (ROE) [2]	**15.6%**	15% +
Adjusted Pre-provision pre-tax Income (PPPT) Growth[2]	**12%**	12% +
Adjusted Diluted EPS Growth[2]	**10%**	8% – 10%
Dividend Growth	**54%**	51% increase announced in Q1 2022 followed by quarterly[3] increases
BVPS Growth[4]	**16%**	12% +
CET1 Ratio	**13.5%**	13% +

(1) Guidance represents expected growth rates from December 31, 2021 to December 31, 2022. (2) Adjusted measures and ratio are Non-GAAP measures and ratios. Adjusted measures and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjusted financial results section, and Non-GAAP financial measures and ratios section of this MD&A. (3) Dividends are expected to increase between 20% – 25% from the levels that otherwise would have been paid out in 2021 had capital distributions by banks not been restricted by OSFI at the onset of the pandemic. (4) BVPS refers to book value per common share.

Performance against strategic priorities

Strategic Objectives for 2022	Q2 Accomplishments
Grow core assets	• Increased alternative single family portfolio by 35% over the prior year • Commercial loan business +25% from a year ago, led by an increase of 33% for the conventional commercial portfolio • Delivered 36% total conventional loan[1] growth year over year
Grow adjacent assets through expanded distribution	• Decumulation assets increased three-fold to $495 million, fueled by 231% and 95% growth in reverse mortgages and insurance lending (CSV portfolios), respectively • Doubled specialized financing portfolio to $739 million y/y • Equipment leasing portfolio increased by $260 million or 40% year over year, with 67% of growth prime quality
Stronger direct customer relationships	• EQ Bank deposits +16% year-over-year to $7.6 billion • Expanded the EQ Bank depositor base year over year by 26% to almost 280,000 customers with nearly 14,000 customers added in Q2 2022 • Enhancing EQB's relationship with Flinks to quicky deliver open banking capabilities and easily launch and operate new API data sharing methods while providing critical new data management capabilities

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

Dividends

Common share dividends

On August 9, 2022, EQB's Board of Directors (the Board) declared a quarterly dividend of $0.31 per common share, payable on September 30, 2022, to common shareholders of record at the close of business on September 15, 2022.

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

Preferred share dividends

On August 9, 2022, the Board declared a quarterly dividend of $0.373063 per preferred share, payable on September 30, 2022, to preferred shareholders of record at the close of business on September 15, 2022.

Financial review – earnings

Table 1: Income statement highlights

($000s, except per share amount)	For the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Net income	**58,836**	87,947	(33%)	70,801	(17%)	**146,783**	139,995	5%
Diluted EPS ($)	**1.67**	2.51	(33%)	2.02	(17%)	**4.19**	4.01	4%
Revenue	**164,129**	187,618	(13%)	158,774	3%	**351,747**	308,944	14%
Provision for credit losses	**5,233**	(125)	4,286%	(1,982)	364%	**5,108**	(2,754)	285%
Non-interest expenses	**78,276**	74,933	4%	64,990	20%	**153,209**	122,307	25%
Adjusted Results[(1)]								
Net income	**61,534**	92,410	(33%)	70,801	(13%)	**153,944**	139,995	10%
Diluted EPS ($)	**1.75**	2.64	(34%)	2.02	(13%)	**4.40**	4.01	10%
Revenue	**165,076**	188,532	(12%)	158,774	4%	**353,608**	308,944	14%
Non-interest expenses	**75,567**	69,800	8%	64,990	16%	**145,367**	122,307	19%

(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 ratios section of this MD&A.

Net interest income

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

Table 2: Net interest income

($000s, except percentages)	For the three months ended						For the six months ended			
	30-Jun-22		31-Mar-22		30-Jun-21		**30-Jun-22**		30-Jun-21	
	Revenue/ Expense	**Average rate[1]**	Revenue/ Expense	Average Rate[1]	Revenue/ Expense	Average rate[1]	**Revenue/ Expense**	**Average Rate[1]**	Revenue/ Expense	Average rate[1]
Revenues derived from:										
Cash and equivalents	**8,074**	**1.74%**	5,579	1.27%	4,563	0.95%	**13,653**	**1.51%**	8,751	0.93%
Equity securities	**835**	**4.07%**	1,135	4.29%	1,867	5.15%	**1,970**	**4.20%**	3,198	4.68%
Alternative single family mortgages	**151,449**	**3.86%**	137,692	3.76%	124,831	4.32%	**289,142**	**3.81%**	245,181	4.36%
Prime single family mortgages	**34,410**	**1.86%**	32,660	1.74%	38,187	1.91%	**67,069**	**1.80%**	77,932	1.94%
Decumulation loans	**4,971**	**4.67%**	3,428	4.21%	1,345	3.90%	**8,399**	**4.47%**	2,307	3.91%
Total Personal loans	**190,830**	**3.25%**	173,780	3.09%	164,363	3.34%	**364,610**	**3.17%**	325,420	3.36%
Conventional commercial loans	**83,291**	**5.35%**	69,175	4.88%	62,632	5.32%	**152,466**	**5.13%**	125,234	5.35%
Equipment leases	**19,278**	**9.49%**	18,310	10.16%	15,183	10.18%	**37,588**	**9.81%**	28,991	10.18%
Insured multi-unit residential mortgages	**30,971**	**2.70%**	28,261	2.71%	25,354	2.41%	**59,232**	**2.70%**	50,202	2.46%
Total Commercial loans	**133,540**	**4.59%**	115,746	4.38%	103,169	4.33%	**249,286**	**4.49%**	204,427	4.38%
Average interest earning assets	**333,279**	**3.60%**	296,240	3.39%	273,962	3.50%	**629,519**	**3.50%**	541,796	3.53%
Expenses related to:										
Deposits	**106,221**	**1.87%**	82,162	1.57%	76,603	1.72%	**188,383**	**1.73%**	154,202	1.80%
Securitization liabilities	**53,741**	**1.75%**	49,290	1.68%	55,278	1.92%	**103,031**	**1.71%**	111,170	1.92%
Others	**6,660**	**1.56%**	2,616	0.71%	242	0.93%	**9,276**	**1.17%**	619	0.85%
Average interest bearing liabilities	**166,622**	**1.82%**	134,068	1.57%	132,123	1.79%	**300,690**	**1.70%**	265,991	1.84%
Net interest income and margin	**166,657**	**1.80%**	162,172	1.86%	141,839	1.81%	**328,829**	**1.83%**	275,805	1.79%

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

Q2 2022 v Q2 2021

NII was up $24.8 million or 17% year over year primarily due to growth in average asset balances of 19%.

Table 3(a): Factors affecting Q2 2022 v Q2 2021 NIM

	Impact (in bps)	Drivers of change
Business mix	19	• Asset mix shift towards higher yielding conventional loans(2) • Decline in relative size of the low yielding cash and equivalents *offset in part by:* • Funding mix shift towards deposit notes
Rates/spread(1)	(9)	• Lower spreads within alternative single family as loans were originated at a lower yield over the past year while higher yielding loans rolled-off • Higher funding cost on EQ bank deposits and deposit notes *Offset in part by:* • Higher yield earned on cash and equivalents compared to prior year
Other	(11)	• Lower levels of prepayment income within our personal loan portfolio • Interest paid to subscription receipt holders
Change in Total NIM	(1)	

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

Q2 2022 v Q1 2022

NII increased 3% driven by a 5% increase in average asset balances and despite a 6 bps decrease in NIM.

Table 3(b): Factors affecting Q2 2022 v Q1 2022 NIM

	Impact (in bps)	Drivers of change
Rates/spread(1)	(3)	• Higher funding costs on EQ bank deposits and deposit notes *Offset in part by:* • Higher yield earned on cash and equivalents
Other	(3)	• Lower level of prepayment income within personal loan portfolio • Other adjustments
Change in Total NIM	(6)	

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

YTD 2022 v YTD 2021

NII increased by 19% from last year as a result of 17% growth in average assets and a 4 bps increase in NIM.

Table 3(c): Factors affecting YTD 2022 v YTD 2021 NIM

	Impact (in bps)	Drivers of change
Business mix	20	• Asset mix shift towards higher yielding conventional loans(2) • Decrease in the relative size of the low yielding cash and equivalents, and equity securities *Offset in part by:* • Funding mix shift towards higher rate EQ Bank deposit and deposit notes
Rates/spreads(1)	(11)	• Lower spreads within both alternative single family and conventional commercial portfolios as loans were originated at lower yield over the past year while higher yielding loans rolled-off *Offset in part by:* • Higher yield earned on cash and equivalents
Other	(5)	• Lower levels of prepayment income within our personal loan portfolio • Interest paid to subscription receipt holders *Offset in part by*: • Other adjustments
Change in Total NIM	4	

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

Table 4: Non-interest income

($000s)	For the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Fees and other income	**7,866**	6,033	30%	5,598	41%	**13,899**	11,173	24%
Net (loss) gain on loans and investments	**(8,184)**	(11,103)	26%	2,880	(384%)	**(19,287)**	(1,187)	(1,525%)
Net (loss) gain on strategic investments	**(8,655)**	15,901	(154%)	2,027	(527%)	**7,246**	4,633	56%
Securitization activities:								
Gains on securitization and income from retained interests	**2,197**	5,044	(56%)	8,568	(74%)	**7,241**	13,160	(45%)
Fair value gains (losses) on derivative financial instruments	**4,248**	9,571	(56%)	(2,138)	299%	**13,819**	5,360	158%
Total	**(2,528)**	25,446	(110%)	16,935	(115%)	**22,918**	33,139	(31%)

Q2 2022 v Q2 2021

Non-interest income declined compared with Q2 2021, primarily as a result of:

- Net mark-to-market losses on EQB's strategic investments due to the decline in equity markets during the quarter;
- Net losses on certain equity and debt security investments fair valued through the income statement for the purposes of offsetting fair value changes in derivatives associated with our securitization activities; and
- Lower gains on securitization and income from retained interests, due to decreased derecognition volumes and gain on sale margin;

Offset by:

- Unrealized fair value gains on derivative positions associated with securitization activities compared to losses in the previous year.

Q2 2022 v Q1 2022

Non-interest income decreased sequentially, mainly due to:

- Net loss on strategic investments;
- A decrease in unrealized fair value gains on derivative positions associated with securitization; and
- A drop in gains on securitization and income from retained interests, due to lower derecognition volumes and gain on sales margin;

Offset by:

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

YTD 2022 v YTD 2021

Non-interest income decreased on a year-to-date basis, driven by:

- Higher mark-to-market losses on certain equity and debt security investments; and
- Lower gains on securitization and income from retained interests, due to a decline in gain on sales margin and despite higher derecognition levels;

Offset by:

- An increase in unrealized fair value gains on derivative financial instruments related to securitization activities;
- Higher net gains on strategic investments; and
- Higher fees and other income, resulting from growth in Equitable Bank's servicing business.

Non-interest expenses

Table 5: Non-interest expenses and efficiency ratio

($000s, except percentages and FTE)	For the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Compensation and benefits	**40,067**	36,772	9%	32,396	24%	**76,839**	61,369	25%
Technology and system costs	**11,250**	11,950	(6%)	10,292	9%	**23,200**	20,209	15%
Regulatory, legal and professional fees	**8,492**	10,085	(16%)	5,599	52%	**18,577**	10,130	83%
Product costs	**8,090**	7,211	12%	6,785	19%	**15,301**	12,963	18%
Marketing and corporate expenses	**6,564**	5,065	30%	5,954	10%	**11,629**	9,887	18%
Premises	**3,813**	3,850	(1%)	3,964	(4%)	**7,663**	7,749	(1%)
Total – reported	**78,276**	74,933	4%	64,990	20%	**153,209**	122,307	25%
Less: integration related costs	**(2,709)**	(5,133)	(47%)	-	N/A	**(7,842)**	-	N/A
Total – adjusted(1)	**75,567**	69,800	8%	64,990	16%	**145,367**	122,307	19%
Efficiency ratio – reported	**47.7%**	39.9%	7.8%	40.9%	6.8%	**43.6%**	39.6%	4.0%
Efficiency ratio – adjusted(1)	**45.8%**	37.0%	8.8%	40.9%	4.9%	**41.1%**	39.6%	1.5%
Full-time employee (FTE) – period average	**1,295**	1,191	9%	1,005	29%	**1,247**	978	28%

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

EQB continues to operate efficiently on both an absolute basis and relative to other financial institutions, particularly taking into account the scale of Equitable Bank and its branchless operating model. EQB's adjusted efficiency ratio for the quarter was 45.8% (reported – 47.7%) and 41.1% for the first six months of the year (reported – 43.6%). The efficiency ratio was negatively impacted by the decline in revenue (the denominator of the equation) as a result of fair market declines in strategic investments in the quarter and losses on investments fair valued through the income statement to offset securitization derivatives. Eliminating these impacts from Revenue, EQB's adjusted efficiency ratio would have been 42.7% for the quarter and 41.4% for the first half of 2022.

Q2 2022 v Q2 2021

Total non-interest expenses increased $13.3 million or 20%, primarily because of:

- An increase in compensation and benefits costs which resulted from a 29% increase in FTE, and annual inflationary salary adjustments;
- Growth in regulatory, legal and professional fees largely due to $2.6 million of expenses incurred as a result of Equitable Bank's agreement to acquire Concentra Bank;
- Higher product costs due to amortization of investments for projects completed over the past 12 months; and
- An increase in technology and system costs as EQB continued to enhance platforms and build business capability through the use of digital and cloud-first technology.

Q2 2022 v Q1 2022

Total expenses were up sequentially by $3.3 million or 4%, mostly due to:

- Higher compensation and benefits costs resulting from headcount growth of 9%;
- An increase in corporate expenses due to the timing of Deferred Share Units (DSU) grant in Q2; and
- Higher product related transaction fees;

Offset by:

- A decrease in regulatory, legal, and professional fees for the consulting costs incurred in relation to Equitable Bank's agreement to acquire Concentra Bank; and
- Lower technology and system costs benefiting from reduced outsourcing and maintenance services rendered in the quarter.

YTD 2022 v YTD 2021

Total year-to-date non-interest expenses increased largely due to the same reasons cited above when comparing Q2 2022 with the prior-year quarter. The increase in marketing costs were primarily attributable to the reverse mortgage and EQ Bank smarter banking campaigns, as well as the CSV Immediate Financing Arrangement (IFA) product that was launched earlier in 2021.

Provisions for credit losses (PCL)

Table 6: Provisions for credit losses

($000s, except percentages)	For the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Stage 1 and 2 provision (recovery)	**3,547**	(1,223)	390%	(5,294)	167%	**2,324**	(8,388)	128%
Stage 3 provision	**1,686**	1,098	54%	3,312	(49%)	**2,784**	5,634	(51%)
Total	**5,233**	(125)	4,286%	(1,982)	364%	**5,108**	(2,754)	285%
PCL – rate	**0.06%**	(0.001%)	0.06%	(0.03%)	0.09%	**0.03%**	(0.02%)	0.05%

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

Q2 2022 v Q2 2021

During the quarter, Stage 1 and 2 provisions of $3.5 million were recorded, largely reflecting growth in EQB's loan portfolios, compared to a $5.3 million recovery in Q2 2021, representing the uncertain economic environment following the initial onset of the pandemic. The provision for the quarter reflects EQB's expected losses based on its loss modeling and consideration for changes in macroeconomic forecasts.

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

Q2 2022 v Q1 2022

The increase in PCLs in Q2 2022 relative to the preceding quarter was due to the same reasons as discussed above.

Stage 3 provisions for the quarter were $0.6 million higher than last quarter, despite lower impaired loan balances. 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.

YTD 2022 v YTD 2021

On a year-to-date basis, the movement in PCLs was due to the same reasons cited above when comparing Q2 2022 to Q2 2021.

Financial review – balance sheet

($000s, except percentages)	**30-Jun-22**	31-Mar-22	Change	31-Dec-21	Change	30-Jun-21	Change
Total assets	**39,417,758**	37,149,968	6%	36,159,070	9%	32,342,253	22%
Loan principal – Personal	**24,005,406**	23,204,641	3%	22,302,540	8%	20,099,933	19%
Loan principal – Commercial	**12,137,197**	10,916,342	11%	10,499,700	16%	9,687,735	25%
Total deposits principal	**23,533,206**	22,080,328	7%	20,694,623	14%	18,413,271	28%
EQ Bank deposits principal	**7,587,541**	7,260,667	5%	6,968,110	9%	6,530,862	16%
Total liquid assets(1) as a % of total assets	**7.8%**	8.2%	(0.4%)	8.5%	(0.7%)	9.1%	(1.3%)

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

Total assets increased by $7.1 billion or 22% from a year ago reflecting the growth of $6.4 billion or 36% in wider margin conventional loans(1) within the Personal Banking and Commercial Banking loan portfolios. To fund these assets, EQB grew its deposits balances by $5.1 billion or 28%.

Total loan principal

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

Table 8: Loan principal by lending business

($000s)	**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change
Alternative single family mortgages	**16,264,259**	15,399,287	6%	12,058,136	35%
Prime single family mortgages	**7,246,522**	7,441,873	(3%)	7,877,093	(8%)
Decumulation loans	**494,625**	363,481	36%	164,704	200%
Total Personal Lending – on balance sheet	**24,005,406**	23,204,641	3%	20,099,933	19%
Conventional commercial loans	**6,483,352**	5,980,823	8%	4,907,215	32%
Equipment leases	**902,054**	772,868	17%	643,095	40%
Insured multi-unit residential mortgages	**4,751,791**	4,162,651	14%	4,137,425	15%
Total Commercial Lending – on balance sheet	**12,137,197**	10,916,342	11%	9,687,735	25%
Total Loans – on balance sheet	**36,142,603**	34,120,983	6%	29,787,668	21%
Insured multi-unit residential mortgages – derecognized	**6,349,413**	6,272,342	1%	5,585,644	14%
Total Loans – off balance sheet	**6,349,413**	6,272,342	1%	5,585,644	14%
Total Loans under management	**42,492,016**	40,393,325	5%	35,373,312	20%

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

Table 9: On-balance sheet loan principal continuity schedule

($000s, except percentages)	As at or for the three months ended June 30, 2022		
	Personal	**Commercial**	**Total**
Q1 2022 closing balance	**23,204,641**	**10,916,342**	**34,120,983**
Originations	**2,241,542**	**2,300,864**	**4,542,406**
Derecognition	**-**	**(390,240)**	**(390,240)**
Net repayments	**(1,440,777)**	**(689,769)**	**(2,130,546)**
Q2 2022 closing balance	**24,005,406**	**12,137,197**	**36,142,603**
% Change from Q1 2022	**3%**	**11%**	**6%**
% Change from Q2 2021	**19%**	**25%**	**21%**
Net repayments percentage(1)	**6.2%**	**6.3%**	**6.2%**
($000s, except percentages)	As at or for the three months ended June 30, 2021		
	Personal	Commercial	Total
Q1 2021 closing balance	19,375,939	9,410,787	28,786,726
Originations	2,250,899	1,366,959	3,617,858
Derecognition	-	(491,677)	(491,677)
Net repayments	(1,526,905)	(598,334)	(2,125,239)
Q2 2021 closing balance	20,099,933	9,687,735	29,787,668
% Change from Q1 2021	4%	3%	3%
Net repayments percentage(1)	7.9%	6.4%	7.4%

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

Q2 2022 v Q2 2021

Total on-balance sheet loan principal increased by $6.4 billion year over year, driven by growth in conventional lending.

Within Personal Banking, alternative single family mortgages continued to be the prime driver of growth with an increase of $4.2 billion or 35% year-over-year, supported by originations that were up 8% from a year ago and lower attrition. This strong performance was propelled by stable demand for residential housing, EQB's broad and deep broker partnerships and service excellence in the mortgage broker channel.

Commercial lending growth was led by a $1.6 billion increase in conventional commercial loans due to strong originations in the commercial finance group business, more favourable conditions in the small business sector, and growth in the specialized finance business. Equipment leases increased by $259 million or 40%, with growth focused on the logistics and transportation sectors, traditionally the lowest risk segments of this business.

Q2 2022 v Q1 2022

During the quarter, continued strong conventional loan(1) originations led to total loan growth of $2.0 billion.

CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

There are several aspects of EQB's risk management approach and existing loan portfolios that have and will continue to help mitigate the risk of credit losses. EQB remains appropriately reserved for credit losses given the composition of its loan portfolios and expected current economic forecasts. Allowances for Credit Losses as a percentage of total loan assets equaled 14 bps at quarter-end compared to 14 bps at Q1 2022 and 19 bps a year ago.

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

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

- EQB focuses on lending in urban and suburban markets that have diversified employment bases and more liquid real estate markets. This approach results in lower risk as it reduces both the probability that borrowers will default and the loss in the event they do.
- Commercial Banking lending, including equipment leasing, is diversified across industries and geographies. Commercial Banking has defined asset-class exposure limits and focuses on assets that EQB believes will be resilient through an economic cycle such as multi-unit residential and mixed-use properties. These segments make up 52% of the Commercial loan portfolio while categories such as shopping centres and hotels, which EQB believes are more sensitive to economic conditions, comprise 3.2% and 0.2% of Commercial loans or 1.1% and 0.1% of the total loan portfolio, respectively.
- In equipment leasing, EQB requires a cash security deposit on most of the higher-risk leases and in some cases requires additional real assets to be pledged.

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

- Underwriting focuses foremost on a borrower's ability to repay a loan. The average Beacon score of EQB's alternative single family residential borrowers was 713 at June 30, 2022, 3 points higher than the preceding quarter and 6 points higher year-over-year. Similarly, the average Beacon score of small business mortgage borrowers was 739. These credit scores are indicative of a borrowers' positive repayment histories and lower propensity to default under normal economic conditions.
- 46% of loans under management are insured against credit losses, ultimately with the backing of the Government of Canada.
- Almost 100% of EQB's loan portfolio is secured. Uninsured mortgage loans are supported by first-position claims on real estate and our leases by first position claims on equipment, so EQB has a real asset with tangible value behind almost every loan.
- If the prices of the assets securing mortgage loans decline, EQB is further protected by a portfolio with a lower overall loan to value (LTV) ratio. The average LTV on EQB's uninsured residential mortgage portfolio was 57% at June 30, 2022.
- Further to this collateral, almost all uninsured commercial mortgage borrowers and the majority of leases are backed by personal and/or corporate covenants. In the mortgage business, due diligence on borrowers and guarantors involves assessing their financial capacity.

Allowance for credit losses

Total allowance for credit losses decreased by $5.2 million or 9% year over year and increased by $3.8 million or 8% over the prior quarter mainly due to growth in EQB's loan portfolio and changes in economic forecasts which drive Stage 1 and 2 allowances. Stage 1 and 2 allowances decreased year-over-year primarily because of sequential improvements in forward-looking macroeconomic factors.

Table 10: Allowance for credit losses

($000s, except percentages)	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change
Allowance for credit losses – Stage 1 and 2	**48,685**	45,138	8%	54,245	(10%)
Allowance for credit losses – Stage 3	**2,955**	2,718	9%	2,549	16%
Allowance for credit losses – total	**51,640**	47,856	8%	56,794	(9%)
Allowance for credit losses – total as a % of total loan assets	**0.14%**	0.14%	-%	0.19%	(0.05%)
Allowance for credit losses – total as a % of uninsured loan	**0.23%**	0.23%	-%	0.34%	(0.11%)
Allowance for credit losses – total as a % of gross impaired	**76%**	62%	14%	46%	30%

In Q2 2022, EQB increased reserves for Stage 1 and 2 loans in proportion to the loan portfolio growth as expected loss rates have remained unchanged from Q1. The table below provides allowance metrics that illustrate stage migration and loss rate dynamics:

Table 11: Stage 1 and 2 loan credit metrics

(Percentages)	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21
Stage 1 – proportion of loan assets(1)	**87.6%**	88.2%	88.3%	92.3%	91.6%
Stage 1 – effective allowance rate(2)	**0.09%**	0.09%	0.10%	0.11%	0.13%
Stage 2 – proportion of loan assets	**12.2%**	11.6%	11.4%	7.4%	8.0%
Stage 2 – effective allowance rate	**0.43%**	0.43%	0.49%	0.78%	0.81%

(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.

Compared to last quarter, Stage 1 and 2 allowances relative to the uninsured personal loans, uninsured commercial loans, and equipment leases increased by $1.3 million, $0.6 million, and $1.6 million, respectively.

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

($000s, except percentages and bps)	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change
Uninsured Personal loans – stage 1 and 2 allowances	**11,450**	10,144	13%	14,379	(20%)
as a % of uninsured personal loans (bps)	***7***	*7*	-	*13*	*(6)*
Uninsured Commercial loans – stage 1 and 2 allowances	**20,080**	19,469	3%	23,243	(14%)
as a % of uninsured commercial loans (bps)	***34***	*35*	*(1)*	*50*	*(16)*
Equipment leases – stage 1 and 2 allowances	**17,069**	15,442	11%	16,563	3%
as a % of equipment leases (bps)	***194***	*205*	*(11)*	*267*	*(73)*
Insured Personal and Commercial loans – stage 1 and 2	**86**	83	4%	60	43%
as a % of insured personal and commercial loans (bps)	***0.06***	*0.06*	-	*0.04*	*0.02*
Total loans – stage 1 and 2 allowances	**48,685**	45,138	8%	54,245	(10%)
as a % of total loans (bps)	***13***	*13*	-	*18*	*(5)*

The Bank leverages macroeconomic forecasts from Moody's Analytics and uses them in credit loss modelling. A summary of key forecast assumptions for each scenario, please refer to Note 7(d) to the Q2 2022 interim consolidated financial statements.

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

Table 13: Expected future credit losses by macroeconomic scenario

($000s, except percentages)	Base Case	Upside Scenario	Slower Growth	Moderate Recession	Protracted Slump
Weighting for financial statement ECL calculation (%)	50	15	20	10	5
Expected credit losses if each scenario weighted 100%	45,869	39,436	50,126	51,820	79,343
Difference vs. financial statement ECL	(2,816)	(9,250)	1,440	3,134	30,658

Stage 3 allowances relate to impaired loans and were up slightly by $0.4 million from Q2 2021 and $0.2 million from last quarter. Stage 3 allowances are determined loan-by-loan, and management believes that they are adequate at the end of Q2 2022. Stage 3 allowances on EQB's mortgages are generally supported by up-to-date, independent property appraisals.

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

Impaired loans

Impaired loans at the end of the quarter were $67.7 million, down $56.9 million from a year ago and $9.5 million from the preceding quarter.

The decrease in impaired loan balances over the past 12 months was mainly attributable to a net reduction in conventional commercial loans of $36.7 million, single family mortgages of $17.5 million, and equipment leases of $2.7 million.

On a quarter over quarter basis, the decrease was largely due to one commercial loan that fully discharged.

Table 14: Impaired loan metrics

($000s, except percentages)	**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change
Gross impaired loan assets	**67,728**	77,212	(12%)	124,680	(46%)
Net impaired loan assets	**64,773**	74,494	(13%)	122,131	(47%)
Net impaired loan assets as a % of total loan assets	**0.18%**	0.22%	(0.04%)	0.41%	(0.23%)

Liquidity investments and equity securities

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

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

In addition to assets that are held for the purpose of providing liquidity protection, EQB also maintains a portfolio of liquid equity securities (79% of which are investment-grade preferred shares) to yield tax-preferred dividend income. We have the ability to liquidate this portfolio in the event of financial stress.

Table 15: Liquid assets

($000s, except percentages)	**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change
Eligible deposits with regulated financial institutions(1)	**538,636**	699,326	(23%)	583,518	(8%)
Debt securities	**27,969**	43,612	(36%)	157,760	(82%)
Debt instruments issued or guaranteed by Government of Canada or provincial governments:					
Investments purchased under reverse repurchase agreements	**420,009**	-	N/A	100,015	320%
Loans and investments held in the form of debt securities(2), net of obligations under repurchase agreements	**1,991,215**	2,164,588	(8%)	1,972,134	1%
Liquid assets held for regulatory purposes	**2,977,829**	2,907,526	2%	2,813,427	6%
Other deposits with regulated financial institutions(3)	**872**	25,955	(97%)	8,234	(89%)
Equity securities(4)	**88,898**	111,705	(20%)	121,733	(27%)
Total liquid assets	**3,067,599**	3,045,186	1%	2,943,394	4%
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**7.6%**	7.9%	(0.3%)	8.7%	(1.1%)
Total liquid assets as a % of total assets	**7.8%**	8.2%	(0.4%)	9.1%	(1.3%)

(1) Eligible deposits with regulated financial institutions represent deposits of Equitable Bank and its subsidiaries, which are held at major Canadian financial institutions and excludes $130.5 million (March 31, 2022 – $72.6 million, June 30, 2021 – $25.9 million) of restricted cash held as collateral with third parties for Equitable Bank's interest rate swap transactions, issuance of letters of credit, loan servicing activity and banking settlements in the normal course of business and $426.8 million (March 31, 2022 – $376 million, June 30, 2021 – $481.4 million) of cash held in trust accounts and deposits held with banks as collateral for Equitable Bank's securitization activities. (2) Loans held in the form of debt securities represent loans securitized and retained by Equitable Bank and are reported in Loans receivable balances. Investments held in the form of debt securities include Mortgage-Backed Securities (MBS) and Canada Mortgage Bonds (CMB) purchased from third parties, and provincial bonds. The investments' reported values represent the fair market values associated with these securities. (3) Other deposits with regulated financial institutions are deposits held by EQB Inc. (4) Equity securities are 79% investment-grade publicly traded preferred shares and 21% publicly traded common shares.

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

Liquid assets(2) were $3.1 billion at Q2 2022, slightly higher than both Q1 2022 and Q2 2021 levels. The current level of liquid assets reflects the level of liquidity required based on anticipated cash needs for upcoming quarters.

Deposits

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

During the quarter, Equitable Bank completed its second covered bond issuance of €300 million as part of its $2 billion covered bond program at a spread of 20 bps over EUR mid swaps.

(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.

Table 16: Deposit principal

($000s)	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change
Brokered deposits:					
Term	**11,869,556**	11,066,252	7%	9,620,916	23%
Demand	**918,097**	954,830	(4%)	675,354	36%
	12,787,653	12,021,082	6%	10,296,270	24%
EQ Bank deposits:					
Term	**2,306,170**	2,486,567	(7%)	1,721,093	34%
Demand	**5,281,371**	4,774,100	11%	4,809,769	10%
	7,587,541	7,260,667	5%	6,530,862	16%
Strategic partnerships	**379,096**	389,713	(3%)	532,451	(29%)
Deposit notes	**1,922,576**	1,935,380	(1%)	1,053,688	82%
Covered bonds	**856,340**	473,486	81%	-	N/A
Total	**23,533,206**	22,080,328	7%	18,413,271	28%

Capital management – Equitable Bank

Management believes that Equitable Bank's current level of capital and earnings in future periods will be sufficient to support strategic objectives and ongoing growth. Equitable Bank's Capital ratios at the end of Q2 2022 exceeded regulatory minimums and target levels. Equitable Bank's CET1 ratio remains consistent with the preceding quarter and down 90 bps from last year mainly due to strategic deployment of capital organically to grow conventional loan portfolios. This impact was in part offset by quarterly earnings retention and a $50 million increase in capital from its parent company, EQB Inc., to support its growth.

Canadian banks are required to report on OSFI's Leverage ratio which is based on Basel III guidelines. OSFI has established Leverage Ratio targets on a confidential and institution-by-institution basis. Equitable Bank's Leverage ratio was 5.1% at the end of Q2 2022 and was fully compliant with its regulatory requirements. The Leverage ratio was consistent with last quarter and was down 0.1% from last year as a result of asset growth.

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

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

Table 17: Capital measures of Equitable Bank

($000s, except percentages)	**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change
Total risk-weighted assets (RWA)(2)	**14,748,207**	14,018,221	5%	11,461,154	29%
Common Equity Tier 1 Capital:					
Common shares	**353,819**	277,763	27%	216,652	63%
Contributed surplus	**11,198**	10,449	7%	9,328	20%
Retained earnings	**1,772,898**	1,727,721	3%	1,511,782	17%
Accumulated other comprehensive loss (AOCI)(1)	**(30,311)**	(22,508)	(35%)	(16,816)	(80%)
Less: Regulatory adjustments to Common Equity Tier 1 Capital	**(111,370)**	(104,251)	(7%)	(73,980)	(51%)
Common Equity Tier 1 Capital(2)	**1,996,234**	1,889,174	6%	1,646,966	21%
Additional Tier 1 capital:					
Non-cumulative preferred shares	**72,554**	72,554	-%	72,554	-%
Tier 1 Capital(2)	**2,068,788**	1,961,728	5%	1,719,520	20%
Tier 2 Capital:					
Eligible Stage 1 and 2 allowance	**48,685**	45,138	8%	54,244	(10%)
Less: Transitional adjustment in response to COVID-19	**(3,213)**	(2,599)	(24%)	(8,277)	61%
Tier 2 Capital(2)	**45,472**	42,539	7%	45,967	(1%)
Total Capital(2)	**2,114,260**	2,004,267	5%	1,765,487	20%
Capital ratios and Leverage ratio:(2)					
CET1 ratio	**13.5%**	13.5%	-%	14.4%	(0.9%)
Tier 1 capital ratio	**14.0%**	14.0%	-%	15.0%	(1.0%)
Total capital ratio	**14.3%**	14.3%	-%	15.4%	(1.1%)
Leverage ratio	**5.1%**	5.1%	-%	5.2%	(0.1%)

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

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 Q2 2022 interim consolidated financial statements are the same as those applied by EQB as at and for the year ended December 31, 2021. Please refer to Note 3 to the interim consolidated financial statements for further discussion.

Critical accounting estimates

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

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

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

Allowance for credit losses under IFRS 9

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

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

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

Recognizing continued economic uncertainty, management has applied the same probability-weights to the macroeconomic scenarios at June 30, 2022 and has also exercised its significant experienced credit judgment in determining the amount of the ECL by considering reasonable and supportable information that was not already incorporated in the ECL modelling process.

Refer to Notes 2(d) and 7(d) to (f) to the Q2 2022 interim consolidated financial statements for further discussion.

Off-balance sheet activities

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

Securitization of financial assets

Certain securitization transactions qualify for derecognition when EQB has transferred substantially all of the risks and rewards or control associated with the securitized assets. The outstanding securitized loan principal that qualified for derecognition totaled $6.3 billion at June 30, 2022 (March 31, 2022 – $6.3 billion, June 30, 2021 – $5.6 billion). The securitization liabilities associated with these transferred assets were approximately $6.7 billion at June 30, 2022 (March 31, 2022 – $6.7 billion, June 30, 2021 – $5.6 billion). The securitization retained interests recorded with respect to certain securitization transactions were $227.0 million at June 30, 2022 (March 31, 2022 – $220.7 million, June 30, 2021 – $203.5 million) and the associated servicing liability was $40.0 million at June 30, 2022 (March 31, 2022 – $40.7 million, June 30, 2021 – $39.0 million).

Commitments and letters of credit

EQB provides commitments to extend credit to borrowers. EQB had outstanding commitments to fund $3.9 billion of loans in the ordinary course of business at June 30, 2022 (March 31, 2022 – $4.1 billion, June 30, 2021 – $3.5 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 $51.1 million were outstanding at June 30, 2022 (March 31, 2022 – $52.0 million, June 30, 2021 – $44.0 million), none of which were drawn upon.

Related party transactions

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

Risk management

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

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

Credit risk

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

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

EQB invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. These investments also expose EQB to credit risk, should the issuer of these securities be unable to make timely interest payments or, under a worst-case scenario, if the issuer becomes insolvent. To limit its exposure to this credit risk, EQB establishes policies with exposure limits based on credit rating and investment type. Securities rated BBB- and higher (which is considered "low risk") comprised 100% of EQB's corporate bond portfolio at June 30, 2022 (March 31, 2022 – 100%, June 30, 2021 – 100%).

EQB invests in equity securities to generate returns that meet certain internally acceptable ROE thresholds. Preferred share securities rated P-2 or higher comprised 20% or $28 million of the total equity securities portfolio at June 30, 2022, compared to 41% or $50 million a year ago. Preferred share securities rated P-3 or higher comprised 49% of the total equity securities portfolio at the end of Q2 2022.

Table 18: Credit risk exposure ratings scale

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

Management assessed the credit quality of EQB's assets at June 30, 2022 on the basis of the above mapping of internal and external risk ratings to the credit risk exposure categories.

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

Table 19: Credit quality analysis

($000s)				June 30, 2022
	Stage 1	Stage 2	Stage 3	Total
Loans receivable:				
Low risk	14,433,913	698,003	-	15,131,916
Standard risk	17,086,427	3,631,408	-	20,717,835
High risk	269,513	110,420	-	379,933
Impaired	-	-	67,728	67,728
Total	31,789,853	4,439,831	67,728	36,297,412
Less allowance	(29,151)	(19,240)	(2,955)	(51,346)
	31,760,702	4,420,591	64,773	36,246,066
Loan commitments:				
Low risk	1,093,798	244	-	1,094,042
Standard risk	1,453,793	151,095	-	1,604,888
High risk	5,623	94	-	5,717
Total	2,553,214	151,433	-	2,704,647
Less allowance	(272)	(22)	-	(294)
	2,552,942	151,411	-	2,704,353

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 on a daily basis and ensures that the level of liquid resources held, together with EQB's ability to raise new deposits, is sufficient to meet funding commitments, deposit and bond maturity obligations, and properly discharge other financial obligations. Despite these precautions, there is a risk that a disruption in funding markets may be so severe or prolonged that EQB may need to take further actions to protect its liquidity position, which may even include curtailing lending activity or drawing on its Government managed funding programs.

Market risk

Market Risk consists of Interest Rate and Equity Price risk. Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect EQB's profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of EQB's assets or liabilities have unmatched terms, interest rates or other attributes. For EQB's interest sensitivity position at June 30, 2022 see Note 19 to the interim consolidated financial statements.

EQB closely monitors interest rates and acts upon any mismatches in a timely manner to ensure that any sudden or prolonged change in rates would not adversely affect EQB's economic value of shareholders' equity (EVE) and its NII. The table below illustrates the results of management's sensitivity modelling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest rate changes on EVE and on NII during the 12-month period following June 30, 2022. The estimate of sensitivity to interest rate changes is dependent on a number of assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 20: Net interest income shock

($000s, except percentages)	Increase in interest rates	Decrease in interest rates(1)
100 basis point shift		
Impact on net interest income	**20,943**	**(21,401)**
Impact on EVE(2)	**(22,538)**	**(7,475)**
EVE impact as a % of common shareholders' equity	**(1.1%)**	**(0.4%)**
200 basis point shift		
Impact on net interest income	**42,023**	**(17,979)**
Impact on EVE(2)	**(45,722)**	**(37,176)**
EVE impact as a % of common shareholders' equity	**(2.1%)**	**(1.7%)**

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

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

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

Share information

At August 9, 2022, EQB had 34,162,644,common shares and 2,911,800 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 1,305,303 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $62.9 million. EQB also had 3,266,000 subscription receipts issued and outstanding for gross proceeds of $230 million.

Normal course issuer bid (NCIB)

During the three and six months ended June 30, 2022, EQB repurchased and cancelled 7,600 preferred shares at an average price of $24.93. No common shares have been purchased and cancelled under the NCIB.

Responsibilities of management and the board of directors

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

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

Changes in internal control over financial reporting

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

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

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

Non-GAAP measures

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

Adjusted results

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

- **Reconciliation of adjusted efficiency ratio**

($000s, except percentages)	For the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Non-interest expenses – reported	**78,276**	74,933	4%	64,990	20%	**153,209**	122,307	25%
Adjustments on a pre-tax basis:								
Non-interest expenses – acquisition/integration related costs	**(2,709)**	(5,133)	(47%)	-	N/A	**(7,842)**	-	N/A
Non-interest expenses – adjusted	**75,567**	69,800	8%	64,990	16%	**145,367**	122,307	19%
Revenue – reported								
Adjustment on a pre-tax basis:	**164,129**	187,618	(13%)	158,774	3%	**351,747**	308,944	14%
Interest expenses – paid to subscription receipt holders	**947**	914	4%	-	N/A	**1,861**	-	N/A
Revenue – adjusted	**165,076**	188,532	(12%)	158,774	4%	**353,608**	308,944	14%
Efficiency ratio – adjusted	**45.8%**	37.0%	8.8%	40.9%	4.9%	**41.1%**	39.6%	1.5%

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

($000s, except percentages)	For the three months ended					For the six months ended		
	30-Jun-22	31-Mar-22	Change	30-Jun-21	Change	**30-Jun-22**	30-Jun-21	Change
Net income available to common shareholders – reported	**57,750**	86,858	(34%)	69,690	(17%)	**144,608**	137,770	5%
Adjustments on an after-tax basis:								
Costs associated with Concentra acquisition	**2,698**	4,463	(40%)	-	N/A	**7,161**	-	N/A
Net income available to common shareholders – adjusted	**60,448**	91,321	(34%)	69,690	(13%)	**151,769**	137,770	10%
Weighted average common equity outstanding – adjusted	**2,001,383**	1,926,646	4%	1,694,570	18%	**1,956,738**	1,653,599	18%
Return on equity - adjusted	**12.1%**	19.2%	(7.1%)	16.5%	(4.4%)	**15.6%**	16.8%	(1.2%)

Other non-GAAP financial measures and ratios

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

($000s)	**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change
Total assets on the consolidated balance sheet	**39,417,758**	37,149,968	6%	32,342,253	22%
Loan principal derecognized	**6,349,413**	6,272,342	1%	5,585,644	14%
Assets under management	**45,767,171**	43,422,310	5%	37,927,897	21%

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

($000s)	**30-Jun-22**	31-Mar-22	Change	30-Jun-21	Change
Alternative single family mortgages	**16,264,259**	15,399,287	6%	12,058,136	35%
Reverse mortgages	**421,406**	304,285	38%	127,138	231%
Cash surrender value loans	**73,219**	59,196	24%	37,566	95%
Total Conventional loans – Personal	**16,758,884**	15,762,768	6%	12,222,840	37%
Business Enterprise Solutions	**1,228,665**	1,154,573	6%	1,011,089	22%
Commercial Finance Group	**4,516,012**	4,111,394	10%	3,538,869	28%
Specialized finance	**738,675**	714,856	3%	357,257	107%
Equipment leasing	**902,054**	772,868	17%	643,095	40%
Total Conventional loans – Commercial	**7,385,406**	6,753,691	9%	5,550,310	33%
Total Conventional loans	**24,144,290**	22,516,459	7%	17,773,150	36%

- **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 8 of this MD&A.
- **Net interest margin (NIM):** this profitability measure is calculated on an annualized basis by dividing net interest income by the average total interest earning assets for the period. A detailed calculation can be found in Table 2 of this MD&A.
- **Pre-provision pre-tax income:** is the difference between revenue and non-interest expenses.

Glossary

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

  A detailed calculation of all Capital ratios can be found in Table 17 of this MD&A.
- **Dividend yield:** is calculated on an annualized basis and is defined as dividend per common share divided by average of daily closing price per common share for the period.
- **Economic value of shareholders' equity (EVE):** is a calculation of the present value of EQB's asset cash flows, less the present value of liability cash flows on an after-tax basis. EVE is a more comprehensive measure of our exposure to interest rate changes than net interest income because it captures all interest rate mismatches across all terms.
- **Efficiency ratio:** this measure is used to assess the efficiency of EQB's cost structure in terms of revenue generation. This ratio is derived by dividing non-interest expenses by revenue. A lower efficiency ratio reflects a more efficient cost structure.
- **Liquidity coverage ratio (LCR):** this ratio, calculated according to OSFI's Liquidity Adequacy Requirements, measures Equitable Bank's ability to meet its liquidity needs for a 30-calendar day liquidity stress scenario. It is equal to high-quality liquid assets divided by total net cash outflows over the next 30 calendar days.
- **Operating leverage:** is the growth rate in revenue less the growth rate in non-interest expenses.
- **Provision for credit losses (PCL) – rate:** this credit quality metric is calculated on an annualized basis and is defined as the provision for credit losses as a percentage of average loan principal outstanding during the period.
- **Return on equity (ROE):** this profitability measure is calculated on an annualized basis and is defined as net income available to common shareholders as a percentage of weighted average common equity outstanding during the period.
- **Revenue per full time equivalent (FTE):** is calculated as revenue for the period divided by the number of full time equivalent employees as at the end of that period.
- **Risk-weighted assets (RWA):** represents Equitable Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline.

Consolidated balance sheets (unaudited)

($000s) As at	Note	**June 30, 2022**	December 31, 2021	June 30, 2021
Assets:				
Cash and cash equivalents		**539,509**	773,251	591,752
Restricted cash		**557,283**	462,164	507,295
Securities purchased under reverse repurchase agreements		**420,009**	550,030	100,015
Investments	6	**1,097,004**	1,033,438	859,925
Loans – Personal	7,8	**24,122,303**	22,421,603	20,225,222
Loans – Commercial	7,8	**12,123,469**	10,479,159	9,667,652
Securitization retained interests		**227,013**	207,889	203,491
Other assets	9	**331,168**	231,536	186,901
		39,417,758	36,159,070	32,342,253
Liabilities and Shareholders' Equity				
Liabilities:				
Deposits	10	**23,708,958**	20,856,383	18,588,223
Securitization liabilities	8	**11,366,847**	11,375,020	11,483,635
Obligations under repurchase agreements	8	**814,494**	1,376,763	201,271
Deferred tax liabilities	11	**64,180**	63,141	67,520
Funding facilities	12	**711,380**	200,128	-
Subscription receipts	13	**230,821**	-	-
Other liabilities	14	**426,527**	335,001	200,067
		37,323,207	34,206,436	30,540,716
Shareholders' equity:				
Preferred shares	15	**70,424**	70,607	72,001
Common shares	15	**234,372**	230,160	224,997
Contributed surplus	16	**10,106**	8,693	8,237
Retained earnings		**1,773,658**	1,650,757	1,513,118
Accumulated other comprehensive income (loss)		**5,991**	(7,583)	(16,816)
		2,094,551	1,952,634	1,801,537
		39,417,758	36,159,070	32,342,253

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of income (unaudited)

($000s, except per share amounts)		Three months ended		Six months ended	
	Note	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Interest income:					
Loans – Personal		**190,830**	164,363	**364,610**	325,420
Loans – Commercial		**133,540**	103,169	**249,286**	204,427
Investments		**3,351**	3,824	**7,206**	6,723
Other		**5,558**	2,606	**8,417**	5,226
		333,279	273,962	**629,519**	541,796
Interest expense:					
Deposits		**110,413**	76,693	**194,885**	154,478
Securitization liabilities		**53,741**	55,278	**103,031**	111,170
Funding facilities		**2,468**	152	**2,774**	343
		166,622	132,123	**300,690**	265,991
Net interest income		**166,657**	141,839	**328,829**	275,805
Non-interest income:					
Fees and other income		**7,866**	5,598	**13,899**	11,173
Net (losses) gains on loans and investments		**(16,839)**	4,907	**(12,041)**	3,446
Gains on securitization activities and income from securitization retained interests	8	**6,445**	6,430	**21,060**	18,520
		(2,528)	16,935	**22,918**	33,139
Revenue		**164,129**	158,774	**351,747**	308,944
Provision for credit losses		**5,233**	(1,982)	**5,108**	(2,754)
Revenue after provision for credit losses		**158,896**	160,756	**346,639**	311,698
Non-interest expenses:					
Compensation and benefits		**40,067**	32,396	**76,839**	61,369
Other		**38,209**	32,594	**76,370**	60,938
		78,276	64,990	**153,209**	122,307
Income before income taxes		**80,620**	95,766	**193,430**	189,391
Income taxes:	11				
Current		**22,091**	20,698	**45,607**	42,740
Deferred		**(307)**	4,267	**1,040**	6,656
		21,784	24,965	**46,647**	49,396
Net income		**58,836**	70,801	**146,783**	139,995
Dividends on preferred shares		**1,086**	1,111	**2,175**	2,225
Net income available to common shareholders		**57,750**	69,690	**144,608**	137,770
Earnings per share:	17				
Basic		**1.69**	2.05	**4.24**	4.07
Diluted		**1.67**	2.02	**4.19**	4.01

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of comprehensive income (unaudited)

($000s)	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Net income	**58,836**	70,801	**146,783**	139,995
Other comprehensive income – items that will be reclassified subsequently to income:				
Debt instruments at Fair Value through Other Comprehensive Income:				
Reclassification of losses from AOCI on sale of investment	**(926)**	-	**(926)**	-
Net unrealized losses from change in fair value	**(8,011)**	(1,570)	**(29,380)**	(3,228)
Reclassification of net losses to income	**2,729**	178	**5,006**	1,317
Other comprehensive income – items that will not be reclassified subsequently to income:				
Equity instruments designated at Fair Value through Other Comprehensive Income:				
Net unrealized (losses) gains from change in fair value	**(5,278)**	6,374	**(6,703)**	16,102
Reclassification of net losses to retained earnings	**1,836**	-	**3,045**	-
	(9,650)	4,982	**(28,958)**	14,191
Income tax recovery (expense)	**2,531**	(1,307)	**7,594**	(3,725)
	(7,119)	3,675	**(21,364)**	10,466
Cash flow hedges:				
Net unrealized gains from change in fair value	**19,668**	2,155	**45,909**	16,065
Reclassification of net losses (gains) to income	**1,944**	231	**2,373**	(234)
	21,612	2,386	**48,282**	15,831
Income tax expense	**(5,667)**	(628)	**(12,660)**	(4,161)
	15,945	1,758	**35,622**	11,670
Total other comprehensive income	**8,826**	5,433	**14,258**	22,136
Total comprehensive income	**67,662**	76,234	**161,041**	162,131

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of changes in shareholders' equity (unaudited)

($000s) Three month period ended								June 30, 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**	**232,854**	**9,357**	**1,727,169**	**20,357**	**(22,508)**	**(2,151)**	**2,037,836**
Net Income	**-**	**-**	**-**	**58,836**	**-**	**-**	**-**	**58,836**
Realized Loss on Sale of investment securities	**-**	**-**	**-**	**(1,355)**	**-**	**(684)**	**(684)**	**(2,039)**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**15,945**	**(7,119)**	**8,826**	**8,826**
Exercise of stock options	**-**	**1,463**	**-**	**-**	**-**	**-**	**-**	**1,463**
Purchase of treasury preferred shares	**(183)**	**-**	**-**	**-**	**-**	**-**	**-**	**(183)**
Net loss on cancellation of treasury preferred shares	**-**	**-**	**-**	**(6)**	**-**	**-**	**-**	**(6)**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(1,086)**	**-**	**-**	**-**	**(1,086)**
Common shares	**-**	**-**	**-**	**(9,900)**	**-**	**-**	**-**	**(9,900)**
Stock-based Compensation	**-**	**-**	**804**	**-**	**-**	**-**	**-**	**804**
Transfer relating to the exercise of stock options	**-**	**55**	**(55)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**70,424**	**234,372**	**10,106**	**1,773,658**	**36,302**	**(30,311)**	**5,991**	**2,094,551**
($000s) Three month period ended								June 30, 2021
Balance, beginning of period	72,194	224,397	7,722	1,449,715	(10,031)	(12,218)	(22,249)	1,731,779
Net Income	-	-	-	70,801	-	-	-	70,801
Other comprehensive income, net of tax	-	-	-	-	1,758	3,675	5,433	5,433
Exercise of stock options	-	489	-	-	-	-	-	489
Purchase of treasury preferred shares	(193)	-	-	-	-	-	-	(193)
Net loss on cancellation of treasury preferred shares	-	-	-	(10)	-	-	-	(10)
Dividends:								
Preferred shares	-	-	-	(1,111)	-	-	-	(1,111)
Common shares	-	-	-	(6,277)	-	-	-	(6,277)
Stock-based compensation	-	-	626	-	-	-	-	626
Transfer relating to the exercise of stock options	-	111	(111)	-	-	-	-	-
Balance, end of period	72,001	224,997	8,237	1,513,118	(8,273)	(8,543)	(16,816)	1,801,537

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of changes in shareholders' equity (unaudited)

($000s) Six month period ended								June 30, 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	-	-	-	146,783	-	-	-	146,783
Realized loss on sale of investment securities	-	-	-	(2,251)	-	(684)	(684)	(2,935)
Other comprehensive income, net of tax	-	-	-	-	35,622	(21,364)	14,258	14,258
Exercise of stock options	-	3,867	-	-	-	-	-	3,867
Purchase of treasury preferred shares	(183)	-	-	-	-	-	-	(183)
Net loss on cancellation of treasury preferred shares	-	-	-	(6)	-	-	-	(6)
Dividends:								
Preferred shares	-	-	-	(2,175)	-	-	-	(2,175)
Common shares	-	-	-	(19,450)	-	-	-	(19,450)
Stock-based compensation	-	-	1,758	-	-	-	-	1,758
Transfer relating to the exercise of stock options	-	345	(345)	-	-	-	-	-
Balance, end of period	70,424	234,372	10,106	1,773,658	36,302	(30,311)	5,991	2,094,551
($000s) Six month period ended								June 30, 2021
Balance, beginning of period	72,477	218,166	8,092	1,387,919	(19,943)	(19,009)	(38,952)	1,647,702
Net Income	-	-	-	139,995	-	-	-	139,995
Other comprehensive income, net of tax	-	-	-	-	11,670	10,466	22,136	22,136
Exercise of stock options	-	5,715	-	-	-	-	-	5,715
Purchase of treasury preferred shares	(476)	-	-	-	-	-	-	(476)
Net loss on cancellation of treasury preferred shares	-	-	-	(20)	-	-	-	(20)
Dividends:								
Preferred shares	-	-	-	(2,225)	-	-	-	(2,225)
Common shares	-	-	-	(12,551)	-	-	-	(12,551)
Stock-based compensation	-	-	1,261	-	-	-	-	1,261
Transfer relating to the exercise of stock options	-	1,116	(1,116)	-	-	-	-	-
Balance, end of period	72,001	224,997	8,237	1,513,118	(8,273)	(8,543)	(16,816)	1,801,537

See accompanying notes to the Consolidated Financial Statements.

Consolidated statements of cash flows (unaudited)

($000s) Three and six month periods ended	Three months ended **June 30, 2022**	 June 30, 2021	Six months ended **June 30, 2022**	 June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	**58,836**	70,801	**146,783**	139,995
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	**3,103**	1,778	**1,376**	(5,612)
Amortization of premiums/discount on investments	**330**	28	**630**	46
Amortization of capital assets and intangible costs	**9,211**	7,897	**18,044**	15,234
Provision for credit losses	**5,233**	(1,982)	**5,108**	(2,754)
Securitization gains	**(1,620)**	(8,177)	**(6,248)**	(12,355)
Stock-based compensation	**804**	626	**1,758**	1,261
Income taxes	**21,784**	24,965	**46,647**	49,396
Securitization retained interests	**12,742**	11,221	**25,160**	21,900
Changes in operating assets and liabilities:				
Restricted cash	**(108,652)**	25,398	**(95,119)**	(3,256)
Securities purchased under reverse repurchase agreements	**(420,009)**	250,022	**130,021**	350,188
Loans receivable, net of securitizations	**(2,000,934)**	(1,025,059)	**(3,344,734)**	(1,672,166)
Other assets	**3,162**	(709)	**(1,105)**	5,198
Deposits	**1,493,378**	980,721	**2,903,026**	2,008,887
Securitization liabilities	**401,333**	(247,738)	**(227)**	(508,067)
Obligations under repurchase agreements	**(65,709)**	201,271	**(562,269)**	(50,606)
Funding facilities	**386,805**	-	**511,252**	-
Subscription receipts	**435**	-	**230,821**	-
Other liabilities	**(33,605)**	(23,931)	**13,092**	11,647
Income taxes paid	**(28,616)**	(15,306)	**(93,658)**	(32,531)
Cash flows (used in) from operating activities	**(261,989)**	251,826	**(69,642)**	316,405
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares	**1,463**	489	**3,867**	5,715
Dividends paid on preferred shares	**(1,086)**	(1,111)	**(2,176)**	(2,225)
Dividends paid on common shares	**(9,900)**	(6,277)	**(19,450)**	(12,551)
Cash flows used in financing activities	**(9,523)**	(6,899)	**(17,759)**	(9,061)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	**(926)**	(453,543)	**(58,826)**	(484,850)
Proceeds on sale or redemption of investments	**122,300**	213,111	**233,768**	229,466
Net change in Canada Housing Trust re-investment accounts	**(21,882)**	336	**(295,103)**	(89)
Purchase of capital assets and system development costs	**(13,752)**	(9,346)	**(26,180)**	(17,862)
Cash flows from (used in) investing activities	**85,740**	(249,442)	**(146,341)**	(273,335)
Net (decrease) increase in cash and cash equivalents	**(185,772)**	(4,515)	**(233,742)**	34,009
Cash and cash equivalents, beginning of period	**725,281**	596,267	**773,251**	557,743
Cash and cash equivalents, end of period	**539,509**	591,752	**539,509**	591,752
Cash flows from operating activities include:				
Interest received	**289,106**	250,337	**560,154**	508,152
Interest paid	**(143,009)**	(134,229)	**(265,080)**	(274,186)
Dividends received	**899**	1,434	**2,170**	2,916

See accompanying notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

($000s, except per share amounts)

Note 1 – Reporting Entity

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

Note 2 – Basis of Preparation

(a) Statement of compliance

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

EQB Inc. has 100% ownership interest in Equitable Bank, Equitable Trust Co., Bennington Financial Services, EQB Covered Bond (Legislative) GP Inc., and EQB Covered Bond (Legislative) Guarantor Limited Partnership. All these subsidiaries have been consolidated in these interim financial statements as at June 30, 2022.

These interim consolidated financial statements were approved for issuance by the Bank's Board of Directors (the Board) on August 09, 2022.

(b) Basis of measurement

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

(c) Functional currency

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

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

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

In making estimates and judgements, management uses external information and observable market conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been made taking into consideration the economic impact of the COVID-19 pandemic, and the economic volatility and uncertainty due to geo-political unrest, the current interest rate environment, and inflationary pressures. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

Allowance for credit losses under IFRS 9

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

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

(e) Consolidation

The interim Consolidated Financial Statements as at and for the six months ended June 30, 2022 and June 30, 2021 include the assets, liabilities, and results of operations of the Bank and its subsidiaries, after the elimination of intercompany transactions and balances. The Bank has control of its subsidiaries as it is exposed to and has rights to variable returns from its involvement with the subsidiaries and it has the ability to affect those returns through its power over their relevant activities.

Note 3 – Significant Accounting Policies

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

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. Our Treasury is in the process of assessing the impact of this announcement, including CDOR-based financial instruments, hedge relationships and project plans.

Note 4 – Risk Management

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

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

Note 5 – Financial Instruments

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

(a) Valuation methods and assumptions

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

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

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

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

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

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

(iii) Loans receivable

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

(iv) Deposits

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

(v) Securitization liabilities

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

(vi) Derivatives

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

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at June 30, 2022 and December 31, 2021. The tables do not include assets and liabilities that are not financial instruments.

($000s)						**June 30, 2022**
	FVTPL – Mandatorily	**FVOCI – Debt instruments**	**FVOCI – Equity instruments**	**Amortized cost**	**Total carrying value**	**Fair value**
Financial assets:						
Cash and cash equivalents	-	-	-	539,509	539,509	539,509
Restricted cash	-	-	-	557,283	557,283	557,283
Securities purchased under reverse repurchase agreements	-	-	-	420,009	420,009	420,009
Investments	200,214	454,218	62,372	380,200	1,097,004	1,091,349
Loans – Personal	-	-	-	24,122,303	24,122,303	23,582,813
Loans – Commercial[1]	365,399	-	-	10,874,156	11,239,555	11,088,671
Securitization retained interests	-	-	-	227,013	227,013	227,011
Other assets:						
Derivative financial instruments[2]:						
Interest rate swaps	126,170	-	-	-	126,170	126,170
Total return swaps	18,714	-	-	-	18,714	18,714
Bond forwards	9,900	-	-	-	9,900	9,900
Foreign exchange forwards	4,485	-	-	-	4,485	4,485
Loan commitments	1,215	-	-	-	1,215	1,215
Other	-	-	-	5,029	5,029	5,029
Total financial assets	726,097	454,218	62,372	37,125,502	38,368,189	37,672,158
Financial liabilities:						
Deposits	-	-	-	23,708,958	23,708,958	23,395,269
Securitization liabilities	-	-	-	11,366,847	11,366,847	10,949,557
Obligations under repurchase agreements	-	-	-	814,494	814,494	814,494
Funding facilities	-	-	-	713,073	713,073	713,073
Subscription receipts	-	-	-	230,821	230,821	230,821
Other liabilities:						
Derivative financial instruments[2]:						
Interest rate swaps	78,890	-	-	-	78,890	78,890
Cross-currency interest rate swaps	67,950	-	-	-	67,950	67,950
Total return swaps	7,104	-	-	-	7,104	7,104
Bond forwards	2,859	-	-	-	2,859	2,859
Foreign exchange forwards	191	-	-	-	191	191
Loan commitments	1,711	-	-	-	1,711	1,711
Other	-	-	-	275,884	275,884	275,884
Total financial liabilities	158,705	-	-	37,110,077	37,268,782	36,537,803

(1) Loans – Commercial does not include $883,914 (December 31, 2021 – $716,651) of Finance leases, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

($000s)						December 31, 2021
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	773,251	773,251	773,251
Restricted cash	-	-	-	462,164	462,164	462,164
Securities purchased under reverse repurchase agreements	-	-	-	550,030	550,030	551,426
Investments	197,173	577,532	92,761	165,972	1,033,438	1,033,743
Loans – Personal	-	-	-	22,421,603	22,421,603	22,283,623
Loans – Commercial(1)	168,390	-	-	9,594,118	9,762,508	9,788,189
Securitization retained interests	-	-	-	207,889	207,889	207,901
Other assets:						
Derivative financial instruments(2):						
Interest rate swaps	64,213	-	-	-	64,213	64,213
Total return swaps	5,083	-	-	-	5,083	5,083
Bond forwards	124	-	-	-	124	124
Foreign exchange forwards	1,741	-	-	-	1,741	1,741
Other	-	-	-	7,133	7,133	7,133
Total financial assets	436,724	577,532	92,761	34,182,160	35,289,177	35,178,591
Financial liabilities:						
Deposits	-	-	-	20,856,383	20,856,383	20,816,341
Securitization liabilities	-	-	-	11,375,020	11,375,020	11,412,638
Obligations under repurchase agreements	-	-	-	1,376,763	1,376,763	1,376,763
Funding facilities	-	-	-	200,128	200,128	200,128
Other liabilities:						
Derivative financial instruments(2):						
Interest rate swaps	10,589	-	-	-	10,589	10,589
Cross-currency swaps	22,078	-	-	-	22,078	22,078
Total return swaps	13,191	-	-	-	13,191	13,191
Bond forwards	2,727	-	-	-	2,727	2,727
Foreign exchange forwards	712	-	-	-	712	712
Loan commitments	24	-	-	-	24	24
Other	-	-	-	244,381	244,381	244,381
Total financial liabilities	49,321	-	-	34,052,675	34,101,996	34,099,572

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

(b) Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

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

Level 3: valuation techniques with significantunobservable market inputs.

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

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

($000s) **June 30, 2022**	**Level 1**	**Level 2**	**Level 3**	**Total financial assets/financial liabilities at fair value**
Financial assets:				
Investments	**811,106**	**226,216**	**54,027**	**1,091,349**
Loans – Personal	**-**	**-**	**23,582,813**	**23,582,813**
Loans – Commercial	**-**	**365,399**	**10,723,272**	**11,088,671**
Securitization retained interests	**-**	**227,011**	**-**	**227,011**
Other assets:				
Derivative financial instruments[(1)]:				
Interest rate swaps	**-**	**126,170**	**-**	**126,170**
Total return swaps	**-**	**634**	**18,080**	**18,714**
Foreign exchange forwards	**-**	**4,485**	**-**	**4,485**
Bond forwards	**-**	**9,900**	**-**	**9,900**
Loan Commitments	**-**	**-**	**1,215**	**1,215**
Other	**-**	**5,029**	**-**	**5,029**
Total financial assets	**811,106**	**964,844**	**34,379,407**	**36,155,357**
Financial liabilities:				
Deposits	**-**	**23,395,269**	**-**	**23,395,269**
Securitization liabilities	**-**	**9,042,380**	**1,907,177**	**10,949,557**
Subscription receipts	**-**	**230,821**	**-**	**230,821**
Funding Facilities	**-**	**713,073**	**-**	**713,073**
Other liabilities:				
Derivative financial instruments[(1)]:				
Interest rate swaps	**-**	**78,890**	**-**	**78,890**
Cross-currency interest rate swaps	**-**	**67,950**	**-**	**67,950**
Total return swaps	**-**	**3,280**	**3,824**	**7,104**
Bond forwards	**-**	**2,859**	**-**	**2,859**
Foreign exchange forwards	**-**	**191**	**-**	**191**
Loan Commitments	**-**	**-**	**1,711**	**1,711**
Other	**-**	**275,884**	**-**	**275,884**
Total financial liabilities	**-**	**33,810,597**	**1,912,712**	**35,723,309**

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

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

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

Note 6 – Investments

Carrying value of investments is as follows:

($000s)	**June 30, 2022**	December 31, 2021	June 30, 2021
Equity securities measured at FVOCI	**62,372**	92,761	94,521
Equity securities measured at FVTPL	**18,271**	26,214	1,713
Debt securities measured at FVOCI	**454,218**	577,532	453,242
Debt securities measured at FVTPL	**181,943**	170,959	150,615
Debt securities measured at AMC	**380,200**	165,972	159,834
	1,097,004	1,033,438	859,925

The Bank has elected to designate certain Equity securities to be measured at FVOCI as these investments are expected to be held for the long term. For the period ended June 30, 2022, the Bank earned dividends of $1,686 (June 30, 2021 − $2,157) on these Equity securities. During the period, the Bank redeemed/sold Equity securities of $24,165 (June 30, 2021 − $8,855) and recognize a loss on sale of $3,045 (June 30, 2021 − $nil) in Retained earnings.

As at June 30, 2022 the Bank had a commitment to invest $25,892 (June 30, 2021 − $20,823) in certain investment securities measured at FVTPL.

Debt securities measured at AMC includes $226,216 (December 31, 2021 – $nil, June 30, 2021 – $nil) of the funds from the subscription receipts currently held in escrow and invested in short-term, risk-free interest-bearing securities. Refer to note 13.

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

($000s)	**June 30, 2022**	June 30, 2021
Equity securities measured at FVOCI	**(3,658)**	16,102
Equity securities measured at FVTPL	**(20,104)**	548
Debt securities measured at FVOCI	**(25,300)**	(1,908)
Debt securities measured at FVTPL	**(7,594)**	3,308

Note 7 – Loans Receivable

(a) Loans receivable

($000s)						**June 30, 2022**
	Gross amount	**Allowance for credit losses**				**Net amount**
		Stage 1	**Stage 2**	**Stage 3**	**Total**	
Loans – Personal	**24,134,289**	**5,171**	**6,281**	**534**	**11,986**	**24,122,303**
Loans – Commercial	**12,163,123**	**24,252**	**12,981**	**2,421**	**39,654**	**12,123,469**
	36,297,412	**29,423**	**19,262**	**2,955**	**51,640**	**36,245,772**

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

($000s)						June 30, 2021
	Gross amount	Allowance for credit losses				Net amount
		Stage 1	Stage 2	Stage 3	Total	
Loans – Personal	20,240,584	10,744	3,635	983	15,362	20,225,222
Loans – Commercial	9,709,084	23,911	15,955	1,566	41,432	9,667,652
	29,949,668	34,655	19,590	2,549	56,794	29,892,874

Loans – Personal include certain uninsured residential loans with a carrying value of $1,251,412 (December 31, 2021 – $723,500) that have been sold but are not derecognized. The Bank issues Euro denominated covered bonds in Europe by securitizing uninsured residential loans on properties in Canada. These uninsured residential loans are sold and held in a separate guarantor entity i.e. EQB Covered Bond (Legislative) Guarantor Limited Partnership (Guarantor LP), established by the Bank exclusively for the Covered Bonds Program (the Program). The legal title on the uninsured residential loans that are secured under the Program are held by the Guarantor LP. The residential loans sold to the Guarantor LP under the Program do not qualify for derecognition as the Bank continues to be exposed to substantially all of the risks and rewards associated with the transferred assets and retains control of the assets. A key risk associated with transferred loans to which the Bank remains exposed after the transfer in the Program is the risk of prepayment. As a result, the loans continue to be recognized on the Bank's Consolidated Balance Sheets at amortized cost and are accounted for as collateral for the secured funding arrangement, with the corresponding liability presented under Deposits.

As at June 30, 2022, Loans – Commercial include certain loans measured at FVTPL with changes in fair value included in gains on securitization activities and income from securitization retained interests. As at June 30, 2022, the carrying value of these loans was $364,491 (December 31, 2021 – $167,372, June 30, 2021 – $43,967) and included fair value adjustment of ($15,618) (December 31, 2021 – $1,915, June 30, 2021 – $7).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in Non- interest income in the Consolidated Statements of Income. As at June 30, 2022, the carrying amount of these loans was $908 (December 31, 2021 – $1,018, June 30, 2021 – $1,078) and included fair value adjustment of ($78) (December 31, 2021 – ($19), June 30, 2021 – ($8)).

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

($000s)	**June 30, 2022**	June 30, 2021
Net losses in fair values for loans measured at FVTPL included in gains on securitization activities	**(12,123)**	(36)
Net gains (losses) in fair values for loans measured at FVTPL and recognized in net gains or losses on loans and investments	**1**	(43)

Loans – Commercial include loans of $671,669 (December 31, 2021 – $568,137, June 30, 2021 – $310,601) invested in certain asset-backed structured entities. The Bank holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. The Bank does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from these investments. Consequently, the Bank does not control these structured entities and has not consolidated them.

Loans – Commercial also include the Bank's net investment in finance leases of $883,914 (December 31, 2021 – $716,651, June 30, 2021 – $625,533).

At June 30, 2022, the Bank had commitments to fund a total of $3,855,188 (December 31, 2021 − $3,653,459, June 30, 2021 – $3,459,527) loans in the ordinary course of business.

(b) Impaired and past due loans

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

($000s)			**June 30,2022**	December 31, 2021	June 30, 2021
	Gross[(1)]	**Allowance for credit losses**	**Net**	Net	Net
Loans – Personal	**17,016**	**534**	**16,482**	20,720	33,574
Loans – Commercial – Conventional and Insured	**29,785**	**1,350**	**28,435**	47,835	65,963
Loans – Commercial – Finance Leases	**20,927**	**1,071**	**19,856**	19,825	22,594
	67,728	**2,955**	**64,773**	88,380	122,131

(1) Gross balances include loans amounting to $5,273 (December 31, 2021 − $6,710, June 30, 2021 – $5,989) that are insured.

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

($000s)				**June 30, 2022**
	30 – 59 days	**60 – 89 days**	**90 days or more**	**Total**
Loans – Personal	**33,940**	**13,197**	**-**	**47,137**
Loans – Commercial – Conventional and Insured	**12,030**	**-**	**-**	**12,030**
Loans – Commercial – Finance Leases	**6,116**	**4,605**	**-**	**10,721**
	52,086	**17,802**	**-**	**69,888**

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

($000s)				June 30, 2021
	30 – 59 days	60 – 89 days	90 days or more	Total
Loans – Personal	29,920	9,236	-	39,156
Loans – Commercial – Conventional and Insured	-	989	-	989
Loans – Commercial – Finance Leases	8,232	3,550	-	11,782
	38,152	13,775	-	51,927

(c) Allowance for credit losses

($000s)				**June 30, 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	**2,153**	**(1,966)**	**(187)**	**-**
Transfers to (from) Stage 2	**(2,048)**	**2,058**	**(10)**	**-**
Transfers to (from) Stage 3	**(4)**	**(11)**	**15**	**-**
Re-measurement[(1)]	**(3,059)**	**1,810**	**101**	**(1,148)**
Originations	**2,159**	**-**	**-**	**2,159**
Discharges	**(532)**	**(554)**	**-**	**(1,086)**
Write-off	**-**	**-**	**-**	**-**
Realized losses	**-**	**-**	**(71)**	**(71)**
Recoveries	**-**	**-**	**54**	**54**
Balance, end of period	**5,171**	**6,281**	**534**	**11,986**

($000s)				June 30, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	21,411	13,504	1,956	36,871
Provision for credit losses:				
Transfers to (from) Stage 1	5,640	(5,109)	(531)	-
Transfers to (from) Stage 2	(1,170)	1,327	(157)	-
Transfers to (from) Stage 3	(28)	(458)	486	-
Re-measurement[(1)]	(5,803)	4,479	3,067	1,743
Originations	6,747	-	-	6,747
Discharges	(2,545)	(762)	-	(3,307)
Write-off	-	-	(1,841)	(1,841)
Realized losses	-	-	(571)	(571)
Recoveries	-	-	12	12
Balance, end of period	24,252	12,981	2,421	39,654

($000s)				June 30, 2021
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Personal	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	13,228	4,893	1,685	19,806
Provision for credit losses:				
Transfers to (from) Stage 1	1,448	(757)	(691)	-
Transfers to (from) Stage 2	(1,301)	1,473	(172)	-
Transfers to (from) Stage 3	(5)	(9)	14	-
Re-measurement[(1)]	(3,831)	(1,795)	739	(4,887)
Originations	1,507	-	-	1,507
Discharges	(302)	(170)	-	(472)
Write-off	-	-	-	-
Realized losses	-	-	(595)	(595)
Recoveries	-	-	3	3
Balance, end of period	10,744	3,635	983	15,362

($000s)				June 30, 2021
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	22,632	21,880	1,859	46,371
Provision for credit losses:				
Transfers to (from) Stage 1	4,292	(3,945)	(347)	-
Transfers to (from) Stage 2	(680)	1,100	(420)	-
Transfers to (from) Stage 3	(34)	(607)	641	-
Re-measurement[(1)]	(3,880)	(1,729)	5,870	261
Originations	1,882	-	-	1,882
Discharges	(301)	(744)	-	(1,045)
Write-off	-	-	(6,050)	(6,050)
Realized losses	-	-	(2)	(2)
Recoveries	-	-	15	15
Balance, end of period	23,911	15,955	1,566	41,432

(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 $294 (June 30, 2021 − $213).

(d) Key inputs, assumptions and model techniques

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

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

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

In considering the assumptions for calculating ECL, the Bank has also considered the COVID-19 pandemic, and the geo-political and inflationary pressures brought to current economic conditions and outlook. The Bank has applied experienced credit judgement in the assessment of underling credit deterioration and migration of balances to progressive stages.

(e) Forward-looking macroeconomic scenarios

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

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

										June 30, 2022
	Base-Case Scenario		**Upside Scenario**		**Downside Scenarios**					
					Scenario 1		**Scenario 2**		**Scenario 3**	
	Next 12 months	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**	**Next 12 months**	**2 to 5 years**
Unemployment rate (%)	**5.9**	**5.8**	**5.4**	**4.8**	**6.5**	**6.6**	**6.9**	**7.6**	**7.7**	**9.1**
Real GDP growth rate (%)	**3.3**	**1.9**	**4.2**	**2.6**	**2.7**	**1.7**	**2.5**	**1.2**	**1.9**	**0.4**
Home Price Index growth rate (%)	**4.8**	**0.2**	**5.7**	**1.3**	**4.0**	**(0.6)**	**0.5**	**(1.7)**	**(2.9)**	**(4.0)**
Commercial Property Index growth rate (%)	**4.6**	**1.2**	**6.1**	**2.1**	**3.4**	**0.6**	**(0.5)**	**(0.4)**	**(4.2)**	**(2.2)**
Household income growth rate (%)	**(1.2)**	**0.1**	**(0.8)**	**0.8**	**(2.0)**	**(0.1)**	**(2.6)**	**(0.6)**	**(3.5)**	**(1.3)**

December 31, 2021										
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate (%)	6.9	6.2	6.4	5.2	7.5	6.7	8.1	7.9	8.8	9.4
Real GDP growth rate (%)	5.2	2.5	7.9	2.9	2.8	2.6	0.1	2.5	(5.9)	2.5
Home Price Index growth rate (%)	5.5	0.1	7.0	1.6	4.9	(0.5)	1.4	(1.5)	(2.0)	(4.0)
Commercial Property Index growth rate (%)	6.8	1.4	7.8	2.3	5.4	1.0	0.8	0.3	(3.7)	(1.5)
Household income growth rate (%)	(0.6)	(0.1)	2.3	0.8	(3.0)	(0.5)	(4.3)	(1.0)	(6.9)	(2.4)

June 30, 2021										
	Base-Case Scenario		Upside Scenario		Downside Scenarios					
					Scenario 1		Scenario 2		Scenario 3	
	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years	Next 12 months	2 to 5 years
Unemployment rate (%)	7.7	6.5	7.2	5.5	8.2	7.1	8.8	8.2	9.6	9.7
Real GDP growth rate (%)	7.6	3.0	10.4	3.3	5.2	3.0	2.5	2.9	(3.6)	2.9
Home Price Index growth rate (%)	5.9	0.9	7.4	2.4	5.2	0.3	1.7	(0.8)	(1.6)	(3.3)
Commercial Property Index growth rate (%)	5.8	2.3	7.0	3.1	4.4	1.9	(0.3)	1.3	(4.7)	(0.6)
Household income growth rate (%)	1.7	0.4	4.6	1.2	(0.8)	0.0	(2.1)	(0.5)	(4.8)	(1.9)

(f) Sensitivity of allowance for credit losses

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

Impact of probability-weighting on ACL

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

($000s)	**June 30, 2022**	December 31, 2021	June 30, 2021
ACL – Five probability-weighted macroeconomic scenarios (actual)	**48,685**	46,361	54,245
ACL – Base-case scenario only	**45,869**	42,614	50,006
ACL – Protracted slump only	**79,343**	86,842	94,743
Difference – Actual versus base-case scenario only	**2,816**	3,747	4,239
Difference – Actual versus Protracted slump only	**(30,658)**	(40,481)	(40,498)

Impact of staging on ACL

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

($000s)	June 30, 2022	December 31, 2021	June 30, 2021
ACL – Loans in Stage 1 and Stage 2 (actual)	**48,685**	46,361	54,245
ACL – Assuming all loans in Stage 1	**46,464**	43,569	51,984
Lifetime ACL impact	**2,221**	2,792	2,261

Note 8 – Derecognition of Financial Assets

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

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

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

($000s)	June 30, 2022		December 31, 2021		June 30, 2021	
	Securitized assets	**Assets sold under repurchase agreements**	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	**11,421,931**	**814,494**	11,453,867	1,376,763	11,423,835	201,271
Carrying amount of associated liability	**11,366,847**	**814,494**	11,375,020	1,376,763	11,483,635	201,271
Carrying value, net position	**55,084**	**-**	78,847	-	(59,800)	-
Fair value of assets	**11,052,201**	**814,494**	11,415,719	1,376,763	11,501,265	201,271
Fair value of associated liability	**10,949,557**	**814,494**	11,412,638	1,376,763	11,631,535	201,271
Fair value, net position	**102,644**	**-**	3,081	-	(130,270)	-

The carrying amount of assets includes $2,385 (December 31, 2021 – $3,872, June 30, 2021 – $20,700) of the Bank's net investment in finance leases that were securitized and not derecognized. The carrying value of associated liability includes $1,226 (December 31, 2021 – $2,969, June 30, 2021 – $16,570) of liabilities pertaining to finance leases securitized.

The Bank's outstanding securitization liabilities are as follows:

($000s)	June 30, 2022	December 31, 2021	June 30, 2021
Securitization principal	**11,398,553**	11,405,519	11,507,868
Deferred net discount and issuance costs	**(51,531)**	(49,205)	(43,908)
Accrued interest	**19,825**	18,706	19,675
	11,366,847	11,375,020	11,483,635

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

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

($000s)	**June 30, 2022**	June 30, 2021
Loans securitized and sold	**878,598**	748,448
Carrying value of Securitization retained interests	**44,285**	40,547
Carrying value of Securitized loan servicing liability	**6,562**	8,555
Gains on loans securitized and sold	**6,248**	12,355
Income from securitization activities and retained interests	**14,812**	6,165

Note 9 – Other Assets

($000s)	**June 30, 2022**	December 31, 2021	June 30, 2021
Intangible assets	**109,815**	92,571	82,459
Prepaid expenses and other	**22,307**	16,761	11,162
Goodwill	**16,944**	16,944	16,944
Property and equipment	**12,939**	14,100	13,869
Right-of-use assets	**5,771**	7,466	9,161
Accrued interest and dividends on non-loan assets	**1,616**	2,802	2,221
Loan commitments	**1,215**	-	-
Receivable relating to securitization activities	**762**	9,678	11,821
Income Taxes receivable	**530**	-	-
Real estate owned	**-**	53	1,056
Derivative financial instruments:			
Interest rate swaps	**126,170**	64,213	28,901
Total return swaps	**18,714**	5,083	7,364
Bond forwards	**9,900**	124	181
Foreign exchange forwards	**4,485**	1,741	1,762
	331,168	231,536	186,901

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

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

($000s)	**June 30, 2022**	June 30, 2021
Carrying amount of right-of-use assets	**5,771**	9,161
Depreciation charge for right-of-use assets	**1,695**	1,658
Cash outflows for lease liabilities	**1,556**	1,497
Interest expense on lease liabilities	**198**	272

Note 10 – Deposits

($000s)	**June 30, 2022**	December 31, 2021	June 30, 2021
Term and other deposits	**23,533,206**	20,694,623	18,413,271
Accrued interest	**214,753**	196,617	204,013
Deferred deposit agent commissions	**(39,001)**	(34,857)	(29,061)
	23,708,958	20,856,383	18,588,223

Deposits also include $853,175 (December 31, 2021 – $498,907, June 30, 2021 – $nil) of funding from the covered bond program. This funding is secured against $1,252,114 (December 31, 2021 – $723,967, June 30, 2021 – $nil) of Loans – Personal.

Note 11 – Income Taxes

(a) Income tax provision:

($000s)	**June 30, 2022**	June 30, 2021
Current tax expense:		
Current year	**43,413**	43,214
Adjustments for prior years	**2,194**	(474)
	45,607	42,740
Deferred tax expense:		
Reversal of temporary differences	**3,192**	6,231
Adjustments for prior years	**(2,162)**	446
Changes in tax rates	**10**	(21)
	1,040	6,656
Total income tax expense	**46,647**	49,396

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

(Percentages)	**June 30, 2022**	June 30, 2021
Canadian statutory income tax rate	**26.1%**	26.3%
Increase (decrease) resulting from:		
Tax-exempt income	**(3.0%)**	(0.4%)
Non-deductible expenses and other	**1.0%**	0.2%
Effective income tax rate	**24.1%**	26.1%

(b) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

($000s)	**June 30, 2022**	December 31, 2021	June 30, 2021
Deferred income tax assets:			
Tax losses	**3,153**	1,479	1,186
Allowance for credit losses	**8,499**	8,314	10,010
Net loan fees	**7,423**	3,572	1,866
Other	**4,997**	6,335	4,848
Share issue expenses	**-**	2	4
	24,072	19,702	17,914
Deferred income tax liabilities:			
Securitization activities	**62,489**	57,295	55,458
Intangible costs	**9,907**	7,714	6,336
Leasing activities	**8,263**	9,040	15,562
Deposit agent commissions	**7,593**	6,918	6,501
Other	**-**	1,876	1,577
	88,252	82,843	85,434
Net deferred income tax liabilities	**64,180**	63,141	67,520

Note 12 – Funding Facilities

(a) Secured funding facilities:

The Bank has two credit facilities totaling $850,000 with major Schedule I Canadian banks to finance insured residential loans prior to securitization. The Bank also has access to liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at June 30, 2022, the Bank had an outstanding balance of $588,073 (December 31, 2021 – $200,128, June 30, 2021 – $nil) on facilities from the Schedule I Canadian banks.

(b) Unsecured funding facilities:

The Bank has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility (Revolving Facility) of up to $125,000 and a term loan facility (Term Loan) of up to $275,000. As at June 30, 2022, the Bank had an outstanding balance of $123,307 on the Revolving Facility including deferred cost of $477, prepaid interest of $1,216 and no drawdown on the Term Loan.

Note 13 – Subscription receipts

On February 16, 2022, the Bank issued 3,266,000 subscription receipts for gross proceeds of $230,253 at an offer price of $70.50 per subscription receipt. The net proceeds from the issuance will be used by the Bank to fund a portion of the purchase price for the acquisition of Concentra Bank. The closing of the acquisition is expected to occur in the second half of 2022. Until then, the funds from the subscription receipts are held in an escrow and invested in short-term, risk-free interest-bearing securities. As at June 30, 2022, the Bank had outstanding subscription receipts balance of $230,821, and the corresponding asset amounting to $226,216 is presented under Investments (refer to Note 6).

Note 14 – Other Liabilities

($000s)	**June 30, 2022**	December 31, 2021	June 30, 2021
Accounts payable and accrued liabilities	**216,037**	143,931	115,171
Securitized loan servicing liability	**39,953**	38,507	39,012
Right-of-use liabilities	**7,239**	8,597	9,866
Loan realty taxes	**3,500**	50,405	7,981
Loan commitments	**1,711**	24	4
Unearned revenue	**1,093**	818	53
Income taxes payable	**-**	43,422	8,092
Derivative financial instruments:			
Interest rate swaps	**146,840**	32,667	10,608
Total return swaps	**7,104**	13,191	8,533
Bond forwards	**2,859**	2,727	490
Foreign exchange forwards	**191**	712	257
	426,527	335,001	200,067

Note 15 – Shareholder's Equity

Normal course issuer bid (NCIB):

On December 21, 2020, the Bank announced that the Toronto Stock Exchange had approved a NCIB pursuant to which the Bank may repurchase for cancellation up to 2,288,490 of its common shares and 297,250 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. On December 21, 2021, the NCIB was renewed and approved by the Toronto Stock Exchange, pursuant to which the Bank may repurchase for cancellation up to 2,325,951 of its common shares and 289,340 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. The Bank only intends to purchase a maximum of 1,150,000 common shares under the terms of the NCIB. The actual number of preferred shares purchased under the NCIB and the timing of any such purchases will be at the Bank's discretion. During the six months ended June 30, 2022, the Bank repurchased and cancelled 7,600 Series 3 – 5-year rate reset preferred shares (December 31, 2021 – 80,600, June 30, 2021 – 19,700) at a volume weighted average price of $24.93 (December 31, 2021 – 26.01, June 30, 2021 – $25.19). No common shares have been purchased and cancelled under the NCIB.

Note 16 – Stock-based Compensation

(a) Stock-based compensation plan:

Under the Bank's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years and vest over a four-year period. As at June 30, 2022, the maximum number of common shares available for issuance under the plan was 4,000,000. The outstanding options expire on various dates to May 2029. A summary of the Bank's stock option activity and related information for the periods ended June 30, 2022 and June 30, 2021 is as follows:

($000s, except share, per share and stock option amounts)	**June 30, 2022**		June 30, 2021	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**1,123,002**	**41.75**	1,232,648	33.66
Granted	**241,816**	**74.65**	219,920	68.96
Exercised	**(54,370)**	**32.04**	(184,666)	30.95
Forfeited/cancelled	**(3,271)**	**65.77**	(23,238)	50.53
Outstanding, end of period	**1,307,177**	**48.18**	1,244,664	39.98
Exercisable, end of period	**713,280**	**35.31**	692,590	31.64

Under the fair value-based method of accounting for stock options, the Bank has recorded compensation expense in the amount of $1,758 (June 30, 2021 – $1,261) 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 June 30, 2022 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

(Percentages, except per share amount and number of years)	**June 30, 2022**	June 30, 2021
Risk-free rate	**1.7%**	0.5%
Expected option life (years)	**4.8**	4.8
Expected volatility	**30.4%**	35.1%
Expected dividends	**1.8%**	2.0%
Weighted average fair value of each option granted	**17.66**	17.16

(b) Other stock based plans:

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

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

	June 30, 2022	June 30, 2021
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**138,379**	136,438
Granted	**12,162**	11,158
Dividend reinvested	**1,211**	800
Outstanding, end of period	**151,752**	148,396

The liability associated with DSUs outstanding as at June 30, 2022 was $8,214 (June 30, 2021 – $10,155). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the six months ended June 30, 2022 amounted to $777 (June 30, 2021 – $822).

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

	June 30, 2022	June 30, 2021
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of period	**131,994**	168,016
Granted	**84,122**	58,824
Dividend reinvested	**1,965**	1,268
Vested and paid out	**(310)**	(470)
Forfeited/cancelled	**(5,210)**	(10,230)
Outstanding, end of period	**212,561**	217,408

The liability associated with RSUs and PSUs outstanding as at June 30, 2022 was $5,450 (June 30, 2021 – $7,743). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the six months ended June 30, 2022 amounted to 1,567 (June 30, 2021 – ($65)).

Note 17 – Earnings Per Share

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

($000s, except share, per share and stock option amounts)	**June 30, 2022**	June 30, 2021
Earnings per common share – basic:		
Net income	**146,783**	139,995
Dividends on preferred shares	**2,175**	2,225
Net income available to common shareholders	**144,608**	137,770
Weighted average basic number of common shares outstanding	**34,109,261**	33,880,866
Earnings per common share – basic	**4.24**	4.07
Earnings per common share – diluted:		
Net income available to common shareholders	**144,608**	137,770
Weighted average basic number of common shares outstanding	**34,109,261**	33,880,866
Adjustment to weighted average number of common shares outstanding:		
Stock options	**402,946**	493,706
Weighted average diluted number of common shares outstanding	**34,512,207**	34,374,572
Earnings per common share – diluted	**4.19**	4.01

For the period ended June 30, 2022, the calculation of the diluted earnings per share excluded 398,830 (June 30, 2021 – 148,562) average options outstanding with a weighted average exercise price of $72.26 (June 30, 2021 − $68.73) as the exercise price of these options was greater than the average price of the Bank's common shares.

Note 18 – Capital Management

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

The Bank's CET1 Ratio was 13.5% as at June 30, 2022, while Tier 1 Capital and Total Capital Ratios were 14.0% and 14.3% respectively. The Bank's Capital Ratios at June 30, 2022 exceeded the regulatory minimums.

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

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

($000s)	**June 30, 2022**	December 31, 2021	June 30, 2021
Common Equity Tier 1 Capital (CET1):			
Common shares	**353,819**	217,474	216,652
Contributed surplus	**11,198**	9,785	9,328
Retained earnings	**1,772,898**	1,649,890	1,511,782
Accumulated other comprehensive loss(1)	**(30,311)**	(8,263)	(16,816)
Less: Regulatory adjustments	**(111,370)**	(94,082)	(73,980)
Common Equity Tier 1 Capital	**1,996,234**	1,774,804	1,646,966
Additional Tier 1 Capital:			
Non-cumulative preferred shares	**72,554**	72,554	72,554
Tier 1 Capital	**2,068,788**	1,847,358	1,719,520
Tier 2 Capital:			
Eligible stage 1 and 2 allowance	**48,685**	46,361	54,244
Less: Regulatory adjustments	**(3,213)**	(5,442)	(8,277)
Tier 2 Capital	**45,472**	40,919	45,967
Total Capital	**2,114,260**	1,888,277	1,765,487

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

Note 19 – Interest Rate Sensitivity

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

($000s, except percentages)								**June 30, 2022**
	Floating rate	**0 to 3 months**	**4 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Greater than 5 years**	**Non-interest sensitive(1)**	**Total**
Total assets	**9,196,618**	**3,671,010**	**9,149,690**	**22,017,318**	**15,312,400**	**1,417,860**	**670,180**	**39,417,758**
Total liabilities and shareholders' equity	**(123,307)**	**(12,428,580)**	**(8,540,469)**	**(21,092,356)**	**(14,700,524)**	**(921,613)**	**(2,703,265)**	**(39,417,758)**
Off-balance sheet items(3)	**-**	**(919,142)**	**32,254**	**(886,888)**	**689,681**	**197,207**	**-**	**-**
Interest rate sensitivity gap	**9,073,311**	**(9,676,712)**	**641,475**	**38,074**	**1,301,557**	**693,454**	**(2,033,085)**	**-**
Cumulative gap(2)	**9,073,311**	**(603,401)**	**38,074**	**38,074**	**1,339,631**	**2,033,085**	**-**	**-**
Cumulative gap as a percentage of total assets	**23.02%**	**(1.53%)**	**0.10%**	**0.10%**	**3.40%**	**5.16%**	**-%**	**-%**

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

($000s, except percentages)								June 30, 2021
	Floating rate	0 to 3months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive(1)	Total
Cumulative gap(2)(3)	6,503,046	(243,430)	124,537	124,537	1,282,951	1,723,626	-	-
Cumulative gap as a percentage of total assets	20.11%	(0.75%)	0.39%	0.39%	3.97%	5.33%	-%	-%

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

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

Quarterly Conference Call and Webcast
Wednesday, August 10, 2022, 8:30 a.m. EST
Live: 416.764.8609
Replay: 416.764.8677 (code 542700)
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