TSX:EQB | EQB.PR.C

EQB Inc. | Fourth Quarter Report 2022

RETURNS
+16% ROE 10-YEAR AVERAGE

GROWTH
11.4% EPS GROWTH 10-YEAR CAGR

WEALTH
305% 10-YEAR TSR

DRIVE CHANGE
TO ENRICH PEOPLE'S LIVES

INNOVATION
TECHNOLOGY TO BETTER SERVE CANADIANS

SCALE
EQB WELCOMES CONCENTRA BANK

GAINS
488K CUSTOMERS

SUSTAINABILITY
CARBON NEUTRAL IN SCOPE 1 & 2 GHG EMISSIONS

For the three and twelve months ended December 31, 2022

Note: all cover measures as at December 31, 2022

Canada's Challenger Bank ™

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Caution regarding forward-looking statements

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

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

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

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

Our strategy

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

Customer and service mission

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

Differentiated value creation model

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

Innovating and advocating for Canadians

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

Robust risk management

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

In 2022, Equitable Group Inc. was renamed EQB Inc. and continues to operate through its wholly owned subsidiary, Equitable Bank – Canada's Challenger Bank™.

Quick facts[2]

> 488,000

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

7th largest bank

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

$103 billion

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

~5 million

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

Forbes

#1

Schedule I Bank in Canada by Forbes in 2021 and 2022

Carbon neutral

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

(1) See Glossary and Non-GAAP financial measures and rations section of this MD&A.
(2) Measures as at December 31, 2022.

Selected financial results and highlights

Select financial and other highlights	As at or for the years ended				
	31-Dec-22[7]	31-Dec-21	31-Dec-20	2022 vs. 2021	
Adjusted results ($000s)[1]					
Net interest income	**736,729**	582,609	497,406	154,120	26%
Non-interest revenue	**48,716**	60,298	59,427	(11,582)	(19%)
Revenue	**785,445**	642,907	556,833	142,538	22%
Non-interest expenses	**326,529**	259,451	214,060	67,078	26%
Pre-provision pre-tax income[2]	**458,916**	383,456	342,773	75,460	20%
Provision for credit losses (recoveries)	**18,238**	(7,674)	42,280	25,912	338%
Income before income taxes	**440,678**	391,130	300,493	49,548	13%
Income tax expense	**113,942**	98,065	76,689	15,877	16%
Net income	**326,736**	293,065	223,804	33,671	11%
Earnings per share – diluted ($)[5]	**9.17**	8.38	6.47	0.79	9%
Return on equity (%)[3]	**15.7**	16.7	14.8		(1.0%)
Efficiency ratio (%)[3][4]	**41.6**	40.4	38.4		1.2%
Operating leverage (%)[3]	**(3.7)**	(5.7)	4.7		2.0%
Net interest margin (%)[2]	**1.87**	1.81	1.70		0.06%
Reported results ($000s)					
Net interest income	**733,405**	582,609	497,406	150,796	26%
Non-interest revenue	**48,781**	60,298	59,427	(11,517)	(19%)
Revenue	**782,186**	642,907	556,833	139,279	22%
Non-interest expenses	**376,471**	260,176	214,060	116,295	45%
Pre-provision pre-tax income[2]	**405,715**	382,731	342,773	22,984	6%
Provision for credit losses (recoveries)	**37,258**	(7,674)	42,280	44,932	586%
Income before income taxes	**368,457**	390,405	300,493	(21,948)	(6%)
Income tax expense	**98,276**	97,875	76,689	401	0%
Net income	**270,181**	292,530	223,804	(22,349)	(8%)
Earnings per share ($) – basic[5]	**7.63**	8.49	6.52	(0.86)	(10%)
Earnings per share ($) – diluted[5]	**7.55**	8.36	6.47	(0.81)	(10%)
Return on equity (%)	**12.9**	16.7	14.8		(3.8%)
Efficiency ratio (%)	**48.1**	40.5	38.4		7.6%
Operating leverage (%)	**(23.0)**	(6.0)	4.7		(17.0%)
Net interest margin (%)[2]	**1.86**	1.81	1.70		0.05%
Revenue per full-time equivalent[3]	**464**	554	602	(90)	(16%)
Balance sheet and other information ($ millions)					
Total assets	**51,145**	36,159	30,746	14,986	41%
Assets under management[2]	**61,569**	42,020	35,936	19,549	47%
Loans receivable	**46,510**	32,901	28,272	13,609	41%
Loans under management[2]	**57,008**	38,663	33,347	18,345	47%
Assets under administration[2]	**41,234**	-	-	41,234	N/A
Total deposits principal	**30,831**	20,695	16,376	10,136	49%
EQ Bank deposits principal	**7,923**	6,968	4,556	955	14%
Total risk-weighted assets[3]	**18,926**	13,310	10,426	5,616	42%
Credit quality (%)					
Reported provision for credit losses – rate[3]	**0.33**	(0.03)	0.15		0.36%
Net impaired loans as a % of total loan assets	**0.28**	0.27	0.42		0.01%
Net allowance for credit losses as a % of total loan assets	**0.18**	0.15	0.23		0.03%

Select financial and other highlights	As at or for the years ended				
	31-Dec-22(7)	31-Dec-21	31-Dec-20	2022 vs. 2021	
Share information					
Common share price – close ($)	**56.73**	68.91	50.50	(12.18)	(18%)
Book value per common share ($)(3)	**62.65**	55.24	46.68	7.41	13%
Common shares outstanding (thousand)	**37,564**	34,071	33,748	3,493	10%
Common share market capitalization ($ millions)	**2,131**	2,348	1,704	(217)	(9%)
Common shareholders' equity(3) ($ millions)	**2,354**	1,882	1,575	472	25%
Dividends declared – common share ($)	**1.21**	0.74	0.74	0.47	64%
Dividends declared – preferred share – Series 3 ($)	**1.49**	1.49	1.49	-	0%
Dividend yield – common shares (%)(3)	**2.0**	1.4	1.8		0.6%
Capital ratios and leverage ratio (%)(6)					
Common equity tier 1 ratio	**13.7**	13.3	14.6		0.4%
Tier 1 capital ratio	**14.7**	13.9	15.3		0.8%
Total capital ratio	**15.1**	14.2	15.8		0.9%
Leverage ratio	**5.3**	4.9	5.1		0.4%
Business information					
Employees – full-time equivalent	**1,685**	1,161	925	524	45%
EQ Bank customers	**308,286**	250,423	173,399	57,863	23%

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

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

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

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

(5) The share count used in earnings per share calculation includes the 3,266,000 common shares that were converted on November 1, 2022 from the subscription receipts issued for Concentra Bank acquisition. The sum of the adjusted four quarters does not equal the annual EPS due to share count changes and an income tax adjustment recorded in Q4.

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

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

Select financial highlights

	2022				2021			
	Q4[3]	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted results ($000s)[1]								
Net interest income	**218,775**	187,264	167,604	163,086	155,952	150,852	141,839	133,966
Non-interest revenue	**16,317**	9,481	(2,528)	25,446	15,911	11,248	16,935	16,204
Revenue	**235,092**	196,745	165,076	188,532	171,863	162,100	158,774	150,170
Non-interest expenses	**102,259**	78,903	75,567	69,800	69,702	67,442	64,990	57,317
Pre-provision pre-tax income[2]	**132,833**	117,842	89,509	118,732	102,161	94,658	93,784	92,853
Provision for credit losses (recoveries)	**7,776**	5,354	5,233	(125)	(1,420)	(3,500)	(1,982)	(772)
Income before income taxes	**125,057**	112,488	84,276	118,857	103,581	98,158	95,766	93,625
Income tax expense	**32,562**	30,339	22,742	26,447	22,985	25,685	24,965	24,431
Net income	**92,495**	82,149	61,534	92,410	80,596	72,473	70,801	69,194
Earnings per share – diluted ($)	**2.46**	2.35	1.75	2.64	2.30	2.07	2.02	1.98
Return on equity (%)	**15.9**	15.6	12.1	19.2	17.1	16.0	16.5	17.1
Efficiency ratio (%)	**43.5**	40.1	45.8	37.0	40.6	41.6	40.9	38.2
YTD Operating leverage (%)	**(3.7)**	(1.4)	(4.4)	3.7	(5.7)	(3.3)	4.8	14.5
Net interest margin (%)[2]	**1.87**	1.94	1.81	1.87	1.81	1.83	1.81	1.77
Reported results ($000s)								
Net interest income	**218,325**	186,251	166,657	162,172	155,952	150,852	141,839	133,966
Non-interest revenue	**16,382**	9,481	(2,528)	25,446	15,911	11,248	16,935	16,204
Revenue	**234,707**	195,732	164,129	187,618	171,863	162,100	158,774	150,170
Non-interest expenses	**139,180**	84,082	78,276	74,933	70,427	67,442	64,990	57,317
Pre-provision pre-tax income[2]	**95,527**	111,650	85,853	112,685	101,436	94,658	93,784	92,853
Provision for credit losses (recoveries)	**26,796**	5,354	5,233	(125)	(1,420)	(3,500)	(1,982)	(772)
Income before income taxes	**68,731**	106,296	80,620	112,810	102,856	98,158	95,766	93,625
Income tax expense	**22,912**	28,717	21,784	24,863	22,795	25,685	24,965	24,431
Net income	**45,819**	77,579	58,836	87,947	80,061	72,473	70,801	69,194
Earnings per share ($) - basic	**1.20**	2.24	1.69	2.55	2.32	2.10	2.05	2.01
Earnings per share ($) - diluted	**1.19**	2.22	1.67	2.51	2.29	2.07	2.02	1.98
Return on equity (%)	**7.7**	14.8	11.6	18.3	17.0	16.0	16.5	17.1
Efficiency ratio (%)	**59.3**	43.0	47.7	39.9	41.0	41.6	40.9	38.2
YTD Operating leverage (%)	**(23.0)**	(8.9)	(11.4)	(5.8)	(6.0)	(3.3)	4.8	14.5
Net interest margin (%)[2]	**1.85**	1.93	1.80	1.86	1.81	1.83	1.81	1.77
Revenue per full-time equivalent	**139**	141	122	155	148	149	152	155
Balance sheet and other information ($ millions)								
Total assets	**51,145**	40,150	39,418	37,150	36,159	34,425	32,342	31,355
Assets under management[2]	**61,569**	47,331	45,767	43,422	42,020	40,172	37,928	36,742
Loans receivable	**46,510**	36,792	36,246	34,217	32,901	31,475	29,893	28,892
Loans under management[2]	**57,008**	43,853	42,492	40,393	38,663	37,121	35,373	34,174
Assets under administration[2]	**41,234**	-	-	-	-	-	-	-
Total deposits principal	**30,831**	23,824	23,533	22,080	20,695	19,758	18,413	17,427
EQ Bank deposits principal	**7,923**	7,562	7,588	7,261	6,968	6,914	6,531	5,798
Total risk-weighted assets	**18,926**	15,459	14,748	14,018	13,310	12,427	11,461	10,911

Select financial highlights (continued)

	2022				2021			
	Q4[3]	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Credit quality (%)								
Reported provision for credit losses - rate	**0.35**	0.06	0.06	(0.001)	(0.02)	(0.05)	(0.03)	(0.01)
Net impaired loans as a % of total loan assets	**0.28**	0.23	0.18	0.22	0.27	0.23	0.41	0.36
Net allowance for credit losses as a % of total loan assets	**0.18**	0.15	0.14	0.14	0.15	0.17	0.19	0.22
Share information								
Common share price – close ($)	**56.73**	46.44	53.15	71.74	68.91	71.45	66.52	63.10
Book value per common share ($)	**62.65**	61.14	59.25	57.64	55.24	52.90	50.97	48.93
Common shares outstanding (thousands)	**37,564**	34,205	34,161	34,130	34,071	34,029	33,933	33,917
Common shareholders market capitalization ($ millions)	**2,131**	1588	1,816	2,449	2,348	2,431	2,257	2,140
Common shareholders' equity ($ millions)	**2,354**	2,091	2,024	1,967	1,882	1,800	1,730	1,660
Dividends – common share ($)	**0.33**	0.31	0.29	0.28	0.19	0.19	0.19	0.19
Dividends – preferred share – Series 3 ($)	**0.37**	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Dividend yield – common shares (%)	**2.5**	2.3	1.9	1.5	1.0	1.0	1.1	1.2
Capital ratios and leverage ratio (%)								
Common equity tier 1 ratio	**13.7**	13.3	13.5	13.5	13.3	13.7	14.4	14.5
Tier 1 capital ratio	**14.7**	13.7	14.0	14.0	13.9	14.3	15.0	15.2
Total capital ratio	**15.1**	14.0	14.3	14.3	14.2	14.6	15.4	15.6
Leverage ratio	**5.3**	5.1	5.1	5.1	4.9	5.0	5.2	5.1
Business information								
Employees – full-time equivalent	**1,685**	1,393	1,352	1,219	1,161	1,087	1,047	968
EQ Bank customers	**308,286**	292,715	279,939	266,188	250,423	237,358	221,945	201,887

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

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

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

Overall business performance and guidance

In 2022, EQB generated adjusted diluted EPS[1] of $9.17 (reported $7.55) increasing 9% from 2021 (reported decreased by 10%). EPS growth was lower than net income growth due to higher share count following the conversion of the 3,266,000 subscription receipts to common shares in Q4 2022. Adjusted performance primarily reflected earnings driven by strategic growth in our diverse Personal and Commercial conventional lending businesses, cost-of-funds improvement enabled by continued funding diversification and strong core non-interest revenue growth driven by growing fee-income streams and gains on securitization related to our growing insured multi-family lending business. Reported performance reflected these same positive drivers offset by significant one-time charges related to the November 1, 2022 acquisition of Concentra Bank (see "Concentra Bank acquisition impact" below.)

During 2022, both the Personal Banking and Commercial Banking conventional portfolios[2] increased approximately 43% year over year. Within those portfolios, organic conventional loan growth exceeded annual guidance for nearly every business segment. The single-family residential business generated robust growth in the first half of the year and Equitable Bank's decumulation businesses continued to excel growing 221% on organic expansion and the addition of Concentra Bank assets. Commercial lending portfolios continued to experience robust growth throughout 2022 across specialized finance, commercial residential, construction lending and equipment finance. Our total conventional lending portfolio[2] reached $30.3 billion, +43% year over year, representing organic portfolio growth of 20% and growth related to the November closing of the Concentra Bank acquisition contributing $4.9 billion by the end of Q4. Our insured multi-family real estate lending business continued to deliver strong growth with loans under management[2] +58% year over year with securitization gains contributing $23.1 million to non-interest revenue.

Consistent risk and margin management with strong capital and liquidity levels are critical performance priorities at all times. 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, most often through secured lending (approximately 98% of our lending is secured). The adjusted[1] rate of provisions for credit losses was 7 bps for Q4 2022 (reported 35 bps due to the accounting treatment of day 2 expected credit loss and acquisition-related provisions booked upon closing the Concentra Bank acquisition– see note on accounting standard in section titled "Provision for credit losses"). Total allowance for credit losses (net of cash reserves) as of December 31, 2022 was $82.7 million or 0.18% of total loan assets with the increase from Q3 driven primarily by the addition of the Concentra Bank portfolio and its mix of lending assets. In contrast, our overall losses in 2022 were $7.4 million, down from $9.6 million in 2021 – primarily associated with our equipment financing business, where losses are expected and priced for. Business performance continues to be strong due to systems and tools Equitable Bank had in place to monitor and manage return on equity and mitigate losses.

Non-interest revenue was $48.8 million vs. $60.3 million in 2021. While core non-interest revenue growth, including fee income and gains on securitization increased 69% to $74.5 million, this growth was offset by the impact of mark-to-market and fair value declines in Q2 through Q4. These declines, amounting to $25.7 million, were registered in EQB's strategic investment portfolio vs. a gain of $16.4 million in 2021. Portfolio investments were selected to advance our knowledge and market insight, and provide unique access to innovative technologies, products, and business models. Management believes these strategic investments will continue to yield positive returns and high ROE over the medium and long term.

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

In 2022, EQ Bank's customer base increased 23% to approximately 308,000, and as of February 1, 2023, EQ Bank now serves more than 318,000 Canadians. EQ Bank deposits increased 13.7% year over year to nearly $8 billion at December 31, 2022 and now account for 26% of our total deposits. With the increase in prime rate, EQ Bank has also raised rates paid to customers as one part of delivering compelling value, while balancing the costs with the benefits of expanding margin and net interest income. Customer growth accelerated through Q4 with the launch of EQ Bank in Quebec, the introduction of EQ Bank's "Make Bank" marketing campaign designed to enhance consumer awareness and the January 2023 launch of the EQ Bank Card which is enabling customers to use the EQ Bank Savings Plus Account as their primary bank account. The EQ Bank Card comes with compelling features like fee-free access to cash at any ATM in Canada, no foreign exchange fees on international purchases, and 0.50% cashback on every EQ Bank Card purchase.

Concentra Bank acquisition impact

On November 1, 2022, Equitable Bank completed the acquisition of Concentra Bank, adding $10.2 billion in assets to the balance sheet and $41.2 billion assets under administration[1] related to credit union and trust offerings. The full-year and fourth quarter results are presented consolidated with Concentra Bank and therefore benefit from two-months of contribution to earnings in Q4. Consolidated results include one-time impacts related to the transaction, as well as incremental interest expense related to the term facility and incremental common shares added following the conversion of subscription receipts, used to fund the transaction.

Concentra Bank was a highly strategic acquisition for Equitable Bank, and introduced complementary asset growth, greater diversification of sources of revenue and funding, and enhanced distribution capabilities across Canada. The overall impact of acquisition on Q4 adjusted diluted EPS was positive, excluding the accounting treatment of day 2 provision, and transaction and integration related charges noted in section "Adjustments to financial results". Integration activities are underway and on-track to deliver expected synergies, while the core business is performing well through current macroeconomic conditions.

EQB's capital and liquidity approach, coupled with a robust risk management framework, as well as diversified sources and uses of capital, position us to grow profitably and in a risk-managed way even in challenging economic environments. EQB demonstrated its resilient business model in 2022, when the macroeconomic environment experienced significant volatility and uncertainty.

The table below summarizes EQB's key financial metrics at December 31, 2022.

	2022 Results	2022 Guidance[2]
Adjusted Return on equity (ROE)[1]	**15.7%**	15%+
Adjusted Pre-Provision Pre-tax Income (PPPT) Growth[1]	**19.7%**	12%+
Adjusted Diluted EPS Growth[1]	**9.4%**	8-10%
Dividend Growth	**63.5%**	51% increase announced in Q1 2022 followed by quarterly[3] increases
Book Value Per Share Growth (BVPS)[4]	**13.4%**	12%+
CET1 Ratio	**13.7%**	13%+

(1) Adjusted measures and ratio are Non-GAAP measures and ratios. Adjusted measure and ratios are calculated in the same manner as reported measures and ratios, except that financial information included in the calculation of adjusted measures and ratios is adjusted to exclude the impact of the Concentra Bank acquisition and integration related costs. For additional information and a reconciliation of reported results to adjusted results, see Adjustments to financial results and Non-GAAP financial measures and ratios in this MD&A. (2) Guidance represents expected growth rates from December 31, 2021 to December 31, 2022. (3) The dividend declared on February 7, 2022 represented a 51% increase over the dividend declared in February 2021. Dividend guidance was to increase 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) Dividends are expected to increase between 20-25% from the levels that otherwise would have been paid in 2021 had capital distributions by banks not been restricted by OSFI at the onset of the pandemic. (4) BVPS refers to book value per common share.

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

2023 Guidance

Actions taken by the Bank of Canada to reduce inflation, including higher policy interest rates have increased asset yields and cost of funds. Given our practice to limit interest rate exposure through conservative duration matching, the net impact in 2022 led to expanding net interest margin. This was driven by improvements to funding diversification and the cost effectiveness of EQ Bank deposits relative to alternatives as rates rose. Given the sharp trajectory of interest rates in the second half of 2022, the full impact of elevated rates on net interest margin (NIM) is expected to carry through the first half of 2023, barring changes in monetary policy. Note that Q4 2022 includes a two-month contribution of Concentra Bank, which as expected has a lower NIM on average than Equitable Bank's portfolio. NIM in Q1 2023 will have a three-month contribution of this acquired portfolio.

Rising rates have impacted Personal and Commercial customers. Rising mortgage rates reduced housing market activity in the second half of 2022 and increased customers' monthly payments for both new originations and renewed mortgages. In the second half of 2022, more customers renewed and fewer prepaid, supporting portfolio growth alongside lower prepayment income for EQB. We expect these trends to continue at least into the first half of 2023.

Commercial business continues to show strength and activity - this is driven by strong retention of loans as interest rates have risen and strong performance of our insured multi-family residential business, which continues to deliver significant volume in both affordable housing and traditional multi-family residential housing.

In addition to the impact of higher interest rates on the housing market, expected slowing in Equitable Bank's originations will be due to a combination of deliberate risk-managed actions taken by management in 2022, and a strategic goal to normalize growth in Equitable Bank's risk-weighted assets (RWA) to a long-term target of growing RWA ~15% annually.

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

Confirming Existing 2023 Guidance

Consistent with guidance on adjusted performance measures included with Q3, 2022 results in November 2022, the following guidance is outlined below for 2023 inclusive of Concentra Bank.

2023 Guidance – Adjusted Measures[1]:

- ROE: 15%+
- Pre-provision, pre-tax income: +25-35%
- Diluted EPS: +10-15%
- Dividend: +20-25%
- Book Value Per Share (BVPS): +12-15%
- CET1: 13%+

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

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

In addition, we are providing directional 2023 guidance for key EQB loan portfolios and EQ Bank deposits:

		2023 Growth Guidance[1]
EQ Bank	Deposits	20-30%
Single Family Residential Lending	Alternative mortgages	3-5%
Wealth Decumulation	Reverse mortgages	60-80%
	Insurance lending	100%+
Business Enterprise Solutions	Loans to small businesses and entrepreneurs	10-15%
Commercial Finance Group	Loans to medium sized institutional & corporate investors	10-15%
Specialized Finance	Specialized lending to medium sized and corporate investors	15-25%
Equipment Financing	Equipment leases to small businesses and entrepreneurs	10-15%

(1) Guidance represents expected growth rates from December 31, 2022 to December 31, 2023. Guidance is forward-looking information, readers should refer to the Caution regarding forward-looking statements section herein. The purpose of the guidance provided herein is to assist readers in understanding our expected and targeted financial results, and this information may not be appropriate for other purposes.

Additional guidance measures

Perspectives on additional measures are included below. Note that with the addition of Concentra Bank, fourth quarter results include two months of its contribution to income statement measures and to denominators of several measures. For 2023 starting in Q1, Concentra Bank's full contribution will impact all measures. Perspectives on the impact are included below:

- **Net Interest Margin (NIM)[1]:** As noted, Q4 2022 included a two-month contribution of Concentra Bank assets to net interest income. NIM was lower on these assets compared to NIM on EQB's original portfolio. In Q1 2023, net interest income and NIM will be further impacted on account of Concentra Bank's contribution for the full three months. Q1 2023 will therefore represent a new consolidated baseline. Through 2023, we anticipate stable and rising NIM from this new base.
- **Non-interest revenue:** Please refer to Table 3: Non-interest revenue for detail on recent performance.
  - Overall, EQB expects traditional fee and other income to increase in line with the lending portfolio with the addition of full three-month contribution of Concentra Bank and Concentra Trust's fee-based revenue in Q1 2023. In addition, product launches such as fintech payments as a service (e.g., BIN sponsorship) contribute to expected fee income growth in 2023.
  - Gains on sale from securitization activities, driven by EQB's multi-family portfolio, are expected to make a strong contribution to EQB in 2023 continuing recent performance. Amounts fluctuate from period-to-period based on margins and volumes derecognized, which are driven by size and timing of Canada Mortgage Bond (CMB) issuances.
  - The strategic investment portfolio generated net mark-to-market reductions in 2022 driven by fluctuations in equity market values in North America including private equities. While EQB does not forecast gains or losses on investments or derivatives, we expect the value of investment portfolios to reflect market performance in 2023.

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

- **Provision for credit losses (PCL):** With the addition of Concentra Bank, overall Allowance for Credit Losses (net of cash reserves) as a percentage of EQB's portfolio increased to 0.18% at December 31, 2022 given the different mix of Concentra assets. This was a result of the addition of Concentra Bank's consumer lending portfolio (ACL of 0.70% as of December 31, 2022 – net of cash reserves), offset in part by Concentra Bank's prime equipment financing business, which lowered the ACL percentage on a consolidated basis. Future provisions are expected to be driven primarily by growth in the size of the portfolio, assuming current economic forecasts prove to be accurate, and borrower behaviour is consistent with what EQB's credit loss models anticipate.
- **Adjusted non-interest expenses[1]:** EQB typically targets flat operating leverage as it invests in growth and innovation and maintains its best-in-class efficiency amongst peer banks. This is secondary to our focus on generating greater than 15% ROE as the priority metric. Acquisition and integration-related spending is expected to remain on target.
- **Income tax:** On April 7, 2022, the federal government delivered its fiscal budget which 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. On November 22, 2022, the legislation to implement the Canada Recover Dividend and the additional permanent tax completed second reading in the House of Commons. The tax will apply prorated for the first taxation year that ends after April 7, 2022. In Q4 2022, this resulted in a one-time true-up related to deferred tax liabilities of $3.8 million.

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

EQB corporate profile

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

We directly serve 488,000 Canadians and 200 Canadian credit unions that serve their nearly 5 million members. We operate through two main divisions each with multiple diverse business lines - Personal Banking and Commercial Banking, with recognized brands including Equitable Bank, EQ Bank, Bennington Financial and Concentra Trust. As a leader in the industry, we were chosen by Forbes as Canada's Top Schedule I Bank in both 2022 and 2021.

As of December 31, 2022, EQB's total assets under management and administration[(1)] were $103 billion with total on-balance sheet assets of over $51 billion. Equitable Bank and Concentra Bank are regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI).

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

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

Our challenger bank mindset has allowed us to become the 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. Our scale enables us to move quickly and build on our technology platform.

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

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

Our talented teams are the foundation of Equitable Bank's successes. With the addition of Concentra Bank, we now employ nearly 1,700 Challengers who are aligned to drive change in Canadian banking. Equitable Bank's inclusive, welcoming, and pride-inducing workplace earned it the honour of being recognized as one of the top 50 organizations on the 2021 list of Canada's Best Workplaces™ in Financial Services and Insurance.

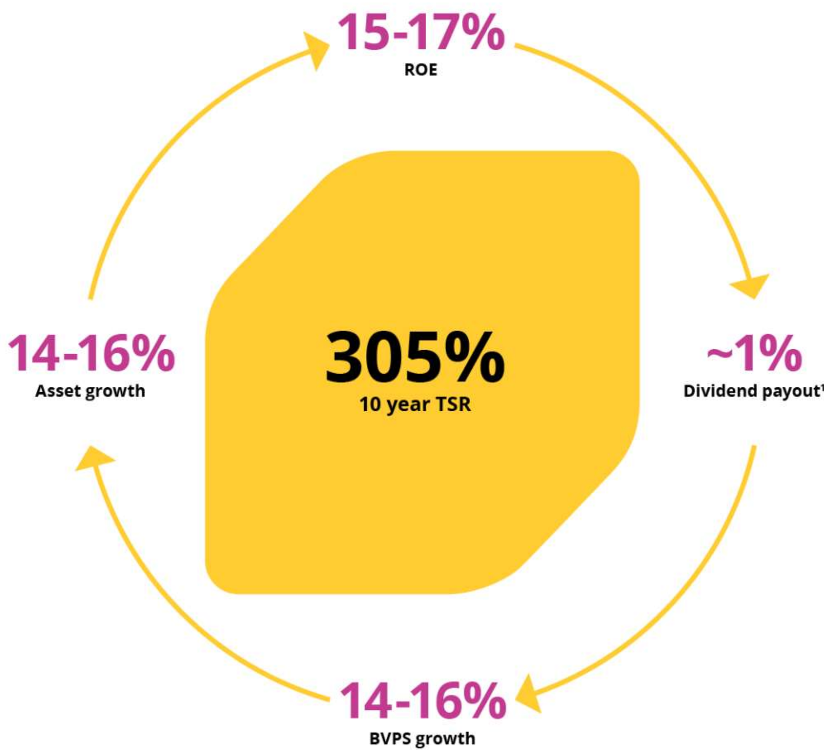
(1) This is a Non-GAAP measure, see Non-GAAP financial measures and ratios section of this MD&A.

Canada's Challenger Bank - How we are different: Our proven value creation model

For 52 years, Equitable Bank (and its subsidiaries)[1] have proudly served Canadians and addressed their unique financial services needs. With customer service at the heart of our approach, we seek to build and deliver a unique experience to Canadians, one that creates differentiated value for them and value for our shareholders. We express our purpose clearly and succinctly. It is to drive change in Canadian banking to enrich people's lives. We call ourselves Canada's Challenger Bank™ because it encapsulates our belief that the status quo in banking needs to be challenged for the betterment of customers and we are best positioned to do so.

Since 1970, the organization, originally as Equitable Trust, operated primarily through broker partners as both secured lender and a licensed deposit taker. We added to our deposit taking license in 2013, when we gained our license to operate as a Schedule I Bank in Canada that enabled us to launch our all-digital cloud-based EQ Bank platform in 2016. Since then, we have become one of the fastest growing and diverse banks in Canada and a consistent and predictable performance leader for investors. This includes high capital and liquidity and the lowest realized credit loss ratio among peers annually.

The discipline we apply to managing our business starts with adhering to our value creation formula and deploying our shareholders' capital to lending and innovation. This discipline has been an important driver of our track record of ROE performance as we've grown at a consistent pace. As an organization and management team, we hold ROE as an unmovable guidepost and north star. Delivering on this goal allows us to organically build capital and fuel our growth. We distinguish ourselves from other Canadian banks by way of our consistent long-standing principle of creating value, continuously building new Equitable Bank businesses, and finding opportunities to profitably deploy capital in ways that exceed our ROE thresholds.

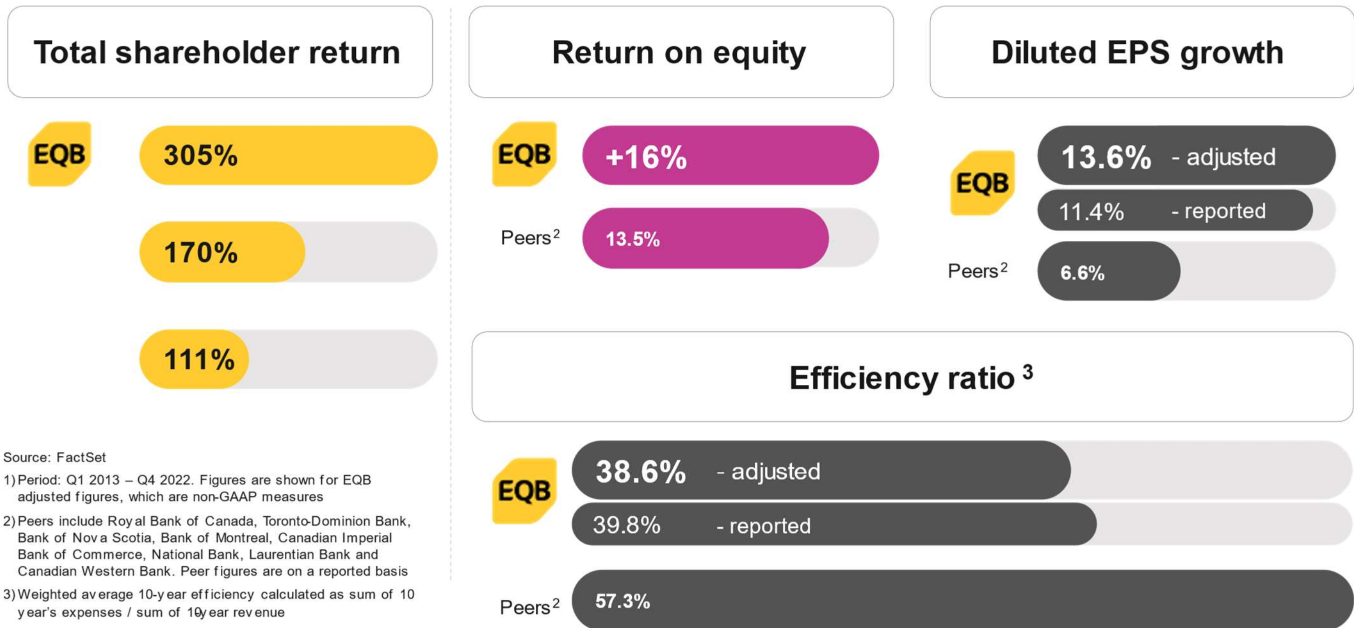


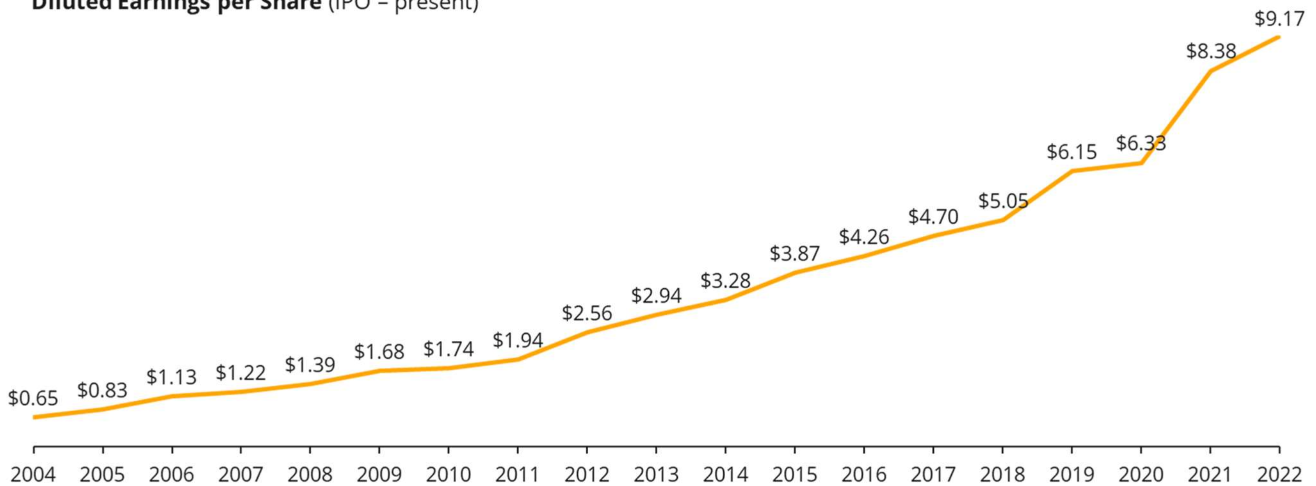
At the EQB Investor Day in 2022 (click here to access content), we described our longstanding value creation formula. By focusing on growing and managing businesses that can consistently deliver 15-17% ROE, we enable EQB to build sufficient capital to both distribute dividends to shareholders (in the range of 10-12% of Net Income available to common shareholders) and grow book value by 14-16% annually. This in turn allows EQB to build assets by 14-16% annually, while maintaining stronger capital ratios than Canadian peer organizations. Through our strategies and with complete adherence to our value creation method, we intend to expand our customer services, launch differentiated new businesses, grow market share, and deliver on our purpose of enriching people's lives, including our shareholders for whom high ROE is a top expectation.

(1) Inclusive of operating companies of Equitable Trust, Bennington Financial Services, Concentra Bank and Concentra Trust.

Our value creation model has led to standout performance vs. peers

The success of EQB's value creation model has been demonstrated in performance and momentum. EQB has significantly outperformed our peer group averages over the past ten years.





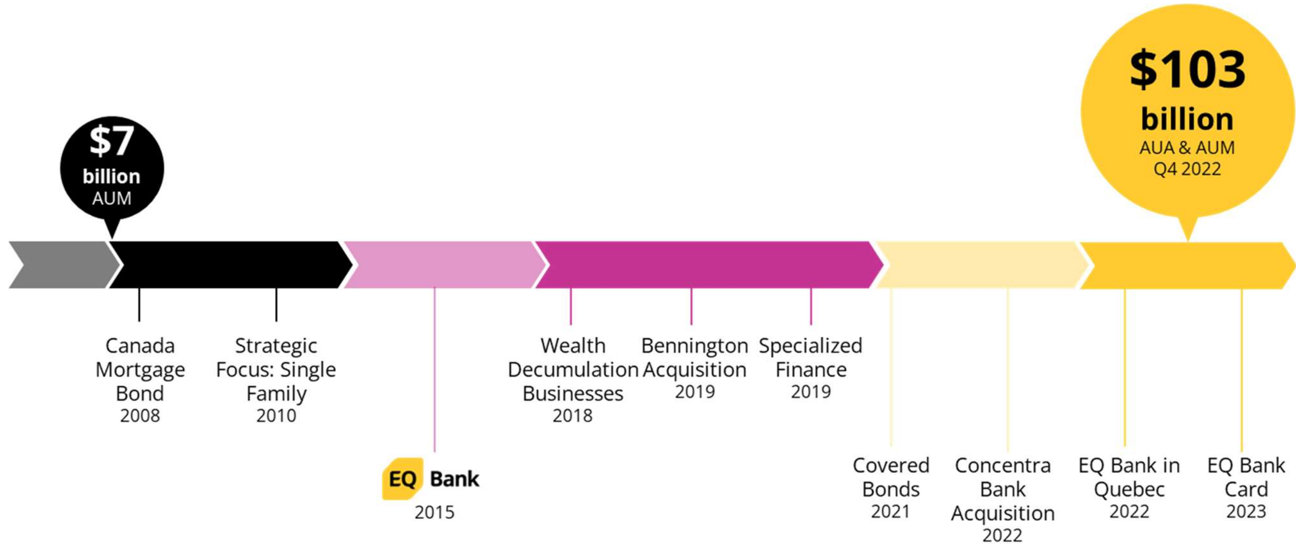
Note: Share count increased by the 3,266,000 subscription receipt conversion in Q4 2022 to common shares, which diluted the annual EPS for 2022.

Diversification and scale

Consistent with EQB's value creation model, we invest shareholder capital in growing and diversifying our business. We have a proven track record of identifying new market opportunities, delivering unique customer value propositions, and building scale. Our diversification strategy is focused on reducing risk, broadening our sources of earnings, and building stability in shareholder returns. Staying true to our robust risk management approach, we have developed unique capabilities in underwriting complex credit and real-estate backed secured assets.

Our path toward greater diversification

From our beginnings as a trust company in 1970, EQB has built unmatched capabilities in real-estate lending and has evolved into one of the leading diversified participants in our core markets. We leverage our deep understanding of residential lending markets to serve clients with unique credit needs that our bigger competitors have chosen not to serve. We are passionate about serving Canadians with complex and personalized needs and continue to be excited about growing our core markets.



EQB has built and scaled new businesses anchored in secured lending where we confidently and successfully operate with low credit losses. Based on these results, we have expanded in several areas including Commercial lending across specialized finance, construction finance and equipment finance.

Building on our in-depth knowledge of real-estate backed lending, understanding of more complex customer needs and our deep broker relationships, we launched EQB's wealth decumulation business in 2018. Since introduction, Reverse Mortgages and Insurance Lending businesses have grown rapidly toward a $1 billion portfolio, with asset expansion of 221% in 2022, including the addition of Concentra Bank's reverse mortgage portfolio of $320 million. This business line delivers unique solutions to customers and has helped shape the market landscape for these specialized products in Canada. These are the types of Challenger businesses we aspire to build and wealth decumulation is a business in which we expect to drive significant future value. We are committed to understanding the unique needs of our wealth decumulation customers, as well as market dynamics, and determined to maintain appropriate limits on loan-to-value across our decumulation business lines.

Alongside expansion of our EQ Bank digital platform, including our recent launch in Quebec and the launch of our EQ Bank Card, we have continued to innovate and pursue opportunities to improve return on capital by prioritizing and building non-interest-based revenue. This includes recent investments in modernizing our payments infrastructure to support the launch of the Payments-as-a-Service (PaaS) business (including BIN sponsorship), expanding our fintech partnerships to offer international payments, and launching the EQ Bank Card. While EQ Bank deposits primarily provide access to lower cost funding, these recent additions to the business will also diversify our revenue mix and support growing fee-based income.

Growth in scale and diversification of the Commercial banking business

Commercial lending forms an integral part of EQB's total lending portfolio, accounting for 24% of our total conventional loans[(1)] under management and approximately 56% of margin. When we began operations in 1970, commercial lending was our core business. We have since become a larger and more diversified player in the broader commercial lending market. Through our portfolios of real-estate backed multi-family lending, construction lending, equipment finance, and lend-to lender partnerships, we serve more than 23,000 business customers. EQB's Commercial Banking business has carved a unique market position built on trust, service quality, and ability to cater to complex customer needs.

There are synergistic advantages to operating in both personal and commercial banking. EQB is comfortable with complex customer needs, and this has allowed us to scale rapidly in high-growth areas that are underrepresented by other lenders. We consciously chose to focus on the depth and specialization of our services that rely on the foundations of extensive experience and learning in our core markets. Built on strong relationships with and excellent service for our broker partners, EQB's conventional commercial lending portfolio[(1)] of over $9 billion is a foundational pillar of EQB.

Extending our understanding of asset backing lending to new asset classes, we completed the acquisition of Bennington Financial in 2019 to diversify into equipment finance, a sizeable new market with strong profitable growth potential. Bennington managed with tried-and-tested risk management and credit underwriting principles which have been leveraged as we deployed additional capital to accelerate portfolio growth. With additional scale and prudent lending, the equipment finance business grew organically from $487 million in 2019 to approximately $1 billion in total Loans under Management[(1)] in 2022, not including the addition of Concentra Bank's equipment finance portfolio.

In 2019, we launched our lend-to-lender specialized financing business to address a growing need in a niche market segment. Since launch, Specialized Finance has built a portfolio of $0.9 billion (prior to Concentra Bank acquisition) and is on track to becoming one of our fastest growing lines of business.

The acquisition of Concentra in 2022 added $1.1 billion in total assets to our Commercial portfolio. In addition to significant scale, Concentra's Trust business and credit union partnerships further diversified our portfolio while adding a net new asset class of unsecured lending in the form of unsecured consumer loans. Concentra's acquisition also diversified our revenue mix, adding new fee-based income streams from the Trust business, credit union deposits and services, and Concentra's consulting services.

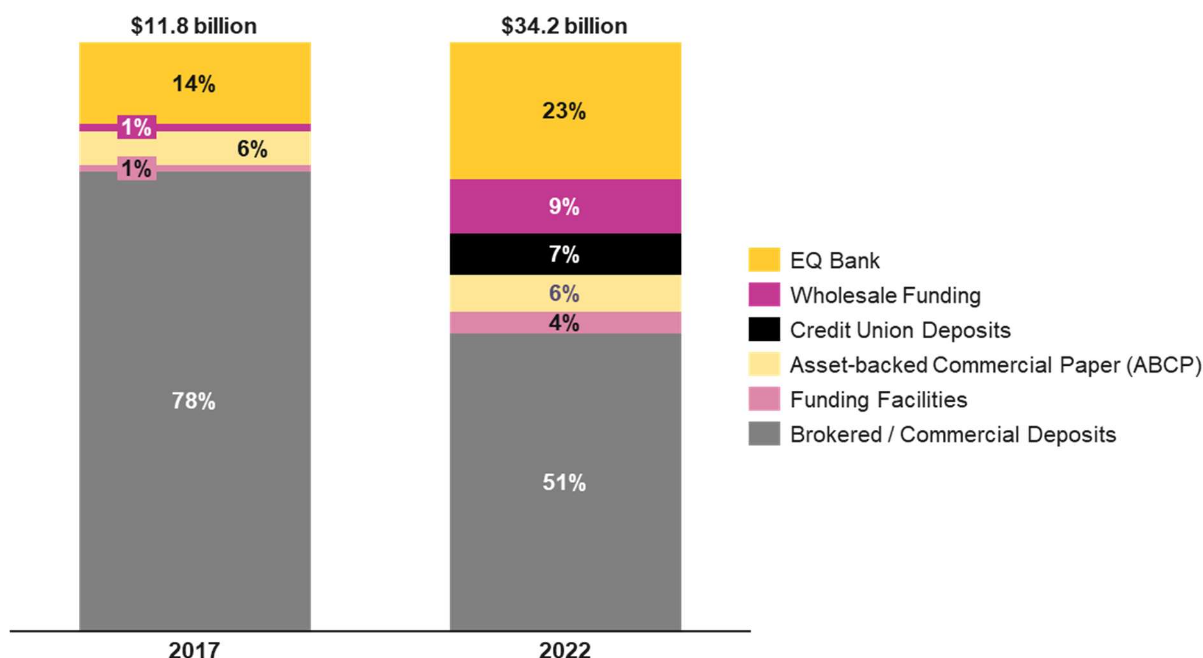
(1) These are non-GAAP measures, see Non-GAAP financial measures and ratios section of this MD&A.

Growing and diversifying our funding

Diversifying and continuing to optimize our funding are core elements of EQB's overall strategy. Doing both means we can deliver competitive solutions to more customers, consistently lower our average cost of funds, and drive earnings performance for shareholders. Diversification has accelerated since 2017, prior to which brokered deposits accounted for 49% of our overall funding. Building additional sources of funding is also critical for managing risks while it allows EQB to select the best marginal funding source to optimize the overall funding stack and better match assets and liabilities.

The evolution of our funding mix was also reflected in the recent upgrade of Equitable Bank's credit rating from DBRS Morningstar to BBB (high) from BBB with trends on all ratings marked as Stable. We continue to expand our funding diversification and expect combined secured and unsecured wholesale funding to increase in line with our asset growth.

With the launch of EQ Bank, we built a new customer base that provides an important source of funding through retail deposits. As a result of rapid growth, EQ Bank now has nearly $8 billion of retail deposits or 26% of total deposits and accounts for 23% of our total non-securitization funding. In addition to providing a new funding source and diversifying our funding mix, EQ Bank deposits have also started driving material funding benefits relative to other sources.



In 2021, Equitable Bank issued its first Covered Bond and since inception, the covered bond program has completed three issuances for a total of €900 million. Inclusive of all costs, covered bonds remain the lowest cost of wholesale funding available to Equitable Bank. Each issuance has attracted new investors as a result of Equitable Bank's successful investor marketing efforts in Europe.

Equitable Bank's acquisition of Concentra Bank added further funding diversification by introducing new sources of funding through credit union deposits and Commercial deposits, and also increasing covered bond issuance capacity.

EQB will continue to optimize its diverse funding stack and consistently balances the best opportunities across these diverse sources depending on marketing conditions and funding attractiveness.

Performance through cycles

EQB's business practices, operating model, credit risk approach and culture are engineered to deliver consistent ROE for shareholders and performance through cycles. Credit risk management is deeply ingrained into our culture, and it is non-negotiable. Our robust credit underwriting framework and lending processes are complemented by high capital levels to protect us if tail risks were to materialize.

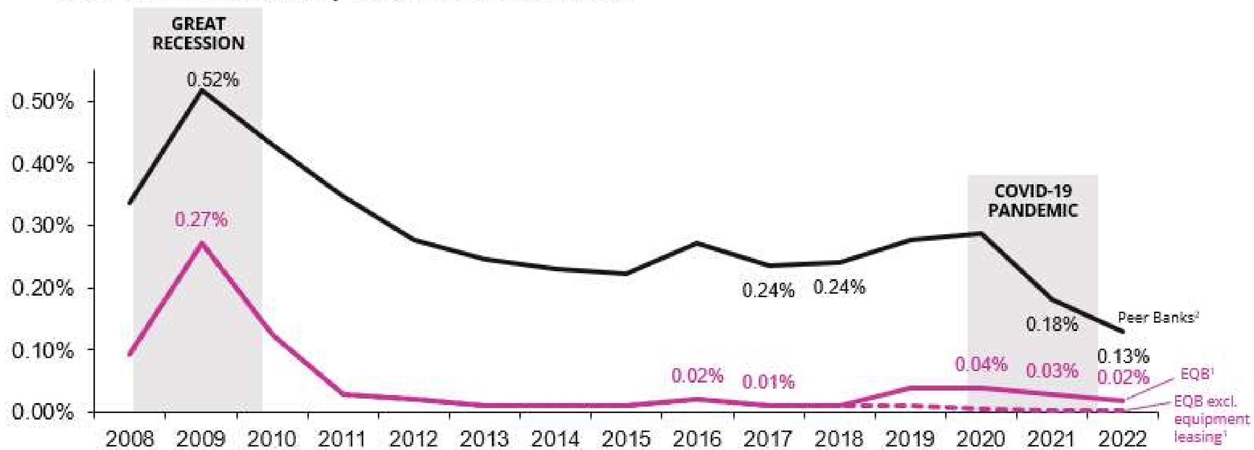
EQB's lending strategy translates to the lowest credit losses among peers

Our prudent credit risk approach has a material impact on reducing the risk we assume, allowing us to make lending decisions that minimize losses - an approach that has been proven through cycles. In our single-family residential lending business, there are a set of credit risk decisions and policies that are part of our approach to manage complex credit needs tightly and actively. These are some examples:

- EQB mitigates potential for credit losses by maintaining conservative Loan to Value (LTVs) ratios for the portfolio. As of December 2022, the average LTV of our overall uninsured lending portfolio is 65% and the average LTV of newly originated loans in Q4 was 71%. Lower loan to value provides a cushion to the customer and Equitable Bank in the event of asset price declines or in the event of a default when there is a need for a recovery.
- EQB always maintains first lien positions on uninsured loans. This is a critical lever in managing downside risk, limiting the exposure to losses as a share of the total mortgage.
- We primarily lend to high credit score residential borrowers. A typical customer may be a sole proprietor that does not have salaried income, where lenders with less robust underwriting practices have difficulty in understanding such customers and their true credit risk profile.
- In the best interests of our customers and that of Equitable Bank, we limit amortization periods to 30 years, an example of our prudent lending approach that we maintain across cycles.

The result of this rigorous credit risk management is an **average Stage 3 provision for credit losses of 0.02%** of loan assets over the past ten years - the lowest among all Schedule I banks in the S&P/TSX Bank Index.

Historical Loss Rates[1], Select Canadian Banks

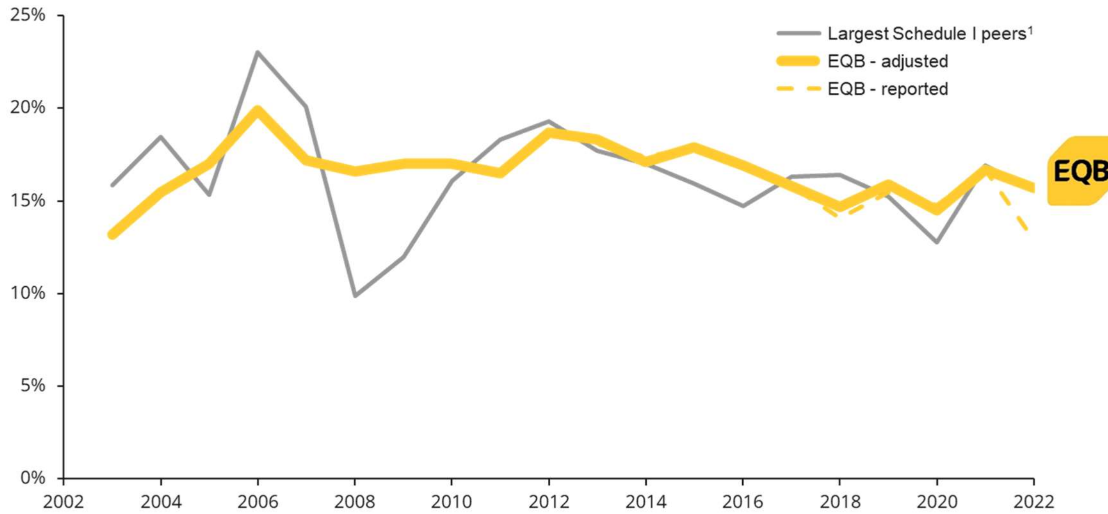


(1) Defined as Stage 3 losses under IFRS 9 methodology divided by gross loans receivable
(2) Peers include Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce and National Bank

Delivering consistent ROE for 20 years

The systems, practices, and policies that EQB uses to manage credit risk and margins have driven consistent performance over the last 20 years, including through the global financial crisis of the mid-2000s. EQB's consistency stems from our focus and priority on achieving our north-star ROE measure rather than sacrificing ROE for growth or margin. We have been selective in choosing markets in which to operate. We maintain strong internal controls that allow us to channel investment into areas of growth with risk that aligns with our robust risk management framework and conservative lending strategies.

Managing margins, being selective where we grow our business and portfolio, as well as mitigating losses through our risk management, monitoring, and conservative lending strategies etc.



(1) Peers include Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce and National Bank

Management's Discussion and Analysis

For the three months and year ended December 31, 2022

Management's Discussion and Analysis (MD&A) is provided to enable readers to assess the financial position and the results of the consolidated operations of EQB Inc. (EQB) for the three months (quarter) and year ended December 31, 2022. This MD&A should be read in conjunction with EQB's unaudited interim consolidated financial statements for the fourth quarter (see Tables 23-25 in the *Fourth quarter results* section of this report) and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at February 16, 2023. EQB's continuous disclosure materials, including interim filings, annual MD&A and Consolidated Financial Statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on EQB's website at eqbank.investorroom.com and on SEDAR at www.sedar.com.

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

Acquisition of Concentra Bank

During Q4 2022 on November 1st, Equitable Bank completed its acquisition of Concentra Bank. Results for Q4 2022 include consolidated balances as of December 31, 2022, contributions from Concentra Bank and Concentra Trust corresponding to two months of the quarter (November and December) and incremental common shares of EQB following the conversion of 3,266,000 subscription receipts at 1:1 ratio upon acquisition closing and funding. In addition, Q4 2022 results contain several items related to the closing and accounting for the transaction. Refer to "Adjustments to financial results" for the income statement impact and Note 5 to audited financial statements for details of the purchase price allocation.

The acquisition contributed $8.6 billion of loans, $1.2 billion of investments, $23 million intangible assets and $6.7 billion of deposit liabilities. Goodwill of $40.7 million reflects the excess of the consideration paid over the fair value of assets acquired and liabilities assumed.

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Detailed financial summary

Income statement and earnings summary

Table 1: Income statement highlights

($000s, except per share amounts)	**2022**	2021	Change	
Adjusted results[1]				
Revenue	**785,445**	642,907	142,538	22%
Non-interest expenses	**326,529**	259,451	67,078	26%
Provision for credit losses (recoveries)	**18,238**	(7,674)	25,912	338%
Income tax expenses	**113,942**	98,066	15,877	16%
Net income	**326,736**	293,065	33,671	11%
Earnings per share - diluted ($)	**9.17**	8.38	0.79	9%
Reported results				
Revenue	**782,186**	642,907	139,279	22%
Non-interest expenses	**376,471**	260,176	116,295	45%
Provision for credit losses (recoveries)	**37,258**	(7,674)	44,932	586%
Income tax expenses	**98,276**	97,875	401	0%
Net income	**270,181**	292,530	(22,349)	(8%)
Earnings per share - diluted ($)	**7.55**	8.36	(0.81)	(10%)

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

Net interest income

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

Table 2: Net interest income

($000s, except percentages)		**2022**				2021
	Average Balance	**Revenue/ Expense**	**Average rate[1]**	Average Balance	Revenue/ Expense	Average rate[1]
Revenues derived from:						
Cash and equivalents	**2,000,381**	**52,255**	**2.61%**	1,866,291	17,561	0.94%
Equity securities	**83,389**	**3,772**	**4.52%**	141,412	6,422	4.54%
Alternative single-family mortgages	**16,295,227**	**687,909**	**4.22%**	12,297,513	504,350	4.10%
Prime single-family mortgages	**8,011,435**	**167,762**	**2.09%**	7,971,634	149,703	1.88%
Decumulation loans	**541,751**	**28,434**	**5.25%**	172,393	6,892	4.00%
Consumer lending	**142,734**	**13,225**	**9.27%**			
Total Personal loans	**24,991,147**	**897,330**	**3.59%**	20,441,540	660,945	3.23%
Conventional commercial loans	**6,617,098**	**433,940**	**6.56%**	4,988,293	259,325	5.20%
Equipment financing	**902,233**	**84,728**	**9.39%**	621,733	62,167	10.00%
Insured multi-unit residential mortgages	**4,712,730**	**120,353**	**2.55%**	4,154,490	100,900	2.43%
Total Commercial loans	**12,232,061**	**639,021**	**5.22%**	9,764,516	422,392	4.33%
Average interest earning assets	**39,306,978**	**1,592,378**	**4.05%**	32,213,759	1,107,320	3.44%
Expenses related to:						
Deposits	**24,118,643**	**562,843**	**2.33%**	18,481,560	307,684	1.66%
Securitization liabilities	**13,075,227**	**252,286**	**1.93%**	11,804,162	214,535	1.82%
Others	**1,567,362**	**40,520**	**2.59%**	488,957	2,492	0.51%
Average interest-bearing liabilities	**38,761,232**	**855,649**	**2.21%**	30,774,679	524,711	1.71%
Adjusted net interest income and margin[2]	**39,306,978**	**736,729**	**1.87%**	32,213,759	582,609	1.81%
Interest earned on the subscription receipt escrow account	**154,079**	**2,220**		-	-	
Interest paid to subscription receipt holders		**(2,220)**			-	
Net fair value amortization- assets	**(69,215)**	**21,714**		-	-	
Net fair value amortization- liabilities		**(25,038)**			-	
Reported net interest income and margin	**39,391,842**	**733,405**	**1.86%**	32,213,759	582,609	1.81%

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

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

2022 v 2021

Net interest income for 2022 was $737 million, representing an increase of 26% relative to 2021. Overall growth in net interest income was primarily driven by EQB asset growth across its conventional loan portfolios, and also increased due to contributions from Concentra Bank for two months following acquisition on November 1, 2022.

In addition, net interest margin for the year expanded 6 bps vs. 2021, driven by growing asset yield on the conventional loan portfolio and cost of funds increasing more slowly – relating to continued optimization with new funding sources such as covered bonds and cost of funds benefits delivered by EQ Bank's deposit products.

Non-interest revenue

Table 3: Non-interest revenue

($000s)	**2022**	2021	Change	
Fees and other income	**31,055**	22,157	8,898	40%
Net loss on loans and investments	**(20,593)**	(443)	(20,150)	n.m.
Net (loss) gain on strategic investments	**(5,096)**	16,801	(21,897)	(130%)
Securitization activities:				
Gains on securitization and income from retained interests	**26,790**	20,292	6,498	32%
Fair value gains on derivative financial instruments	**16,625**	1,491	15,134	n.m.
Total	**48,781**	60,298	(11,517)	(19%)

n.m. not meaningful

Total non-interest revenue (NIR) decreased 19% year over year primarily due to net marked-to-market losses on our strategic investments and security holdings throughout 2022, which in part offset higher fair value gains on derivatives and increased gain on sale revenue.

Fee and other income grew 40% in 2022 driven primarily by higher mortgage administration and servicing fees, and the additional fee income contributed by Concentra Bank and Concentra Trust in Q4.

Total contribution of gains on securitization activities to NIR was $26.8 million in 2022 vs. $20.3 million in 2021, an increase of 32%, driven by increased activity in EQB's insured residential business and continued growth in funding available to support these markets.

Provision for credit losses

Table 4: Provision for credit losses

($000s, except percentages)	**2022**	2021	Change	
Stage 1 and 2 provision (recoveries)	**29,822**	(16,272)	46,094	283%
Stage 3 provision	**7,436**	8,598	(1,162)	(14%)
Total Provision for credit losses (recoveries) − reported	**37,258**	(7,674)	44,932	586%
Less: Provision for credit losses – purchased loans	***(19,020)***	-	*(19,020)*	*n.m.*
Total Provision for credit losses (recoveries) – adjusted[(1)]	**18,238**	(7,674)	25,912	338%

n.m. not meaningful

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

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

Total adjusted[(1)] provision for credit losses in 2022 was $18.2 million, with the adjustment representing the provision for credit losses of $19.0 million in Q4 2022 related to the newly acquired loan portfolio. This reduced fourth quarter Net Income by the same amount on a pre-tax basis. Under IFRS 9, the accounting standard for provisions does not differentiate between originated and purchased loans and requires the same accounting treatment for both. The accounting standard requires Equitable Bank to measure the acquired loan portfolios at fair value (considering expected future cashflows and including expected credit losses), and subsequently for performing loans set-up an allowance for credit losses equal to 12 months of expected losses (Stage 1), through the income statement immediately after the loans come onto Equitable Bank's balance sheet. This accounting impact does not change Equitable Bank's view of the quality of the businesses acquired or underlying quality of the acquired loan portfolios.

In 2022, the adjusted[(1)] stage 1 and 2 provision was $10.8 million, reflecting significant growth in the lending portfolio alongside changes in the macroeconomic forecasts used in EQB’s loss modeling and consideration of variables like interest rate volatility and a housing market correction resulting from central bank monetary tightening actions. This is compared to a recovery of $16.3 million in 2021, which was primarily driven by reversing provisions taken in the face of COVID-19 that proved to be unnecessary.

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

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

Non-interest expenses

We introduced adjusted results in Q1 2022 to account for planned one-time integration costs for the acquisition of Concentra Bank, which amounted to $0.7 million in our Q4 2021 results.

Table 5: Non-interest expenses and efficiency ratio

($000s, except percentages and employees)	**2022**	2021	Change	
Compensation and benefits	**183,605**	128,965	54,640	42%
Technology and system costs	**58,741**	43,310	15,431	36%
Regulatory, legal and professional fees	**41,450**	22,159	19,291	87%
Product costs	**38,862**	27,207	11,655	43%
Marketing and corporate expenses	**38,677**	22,857	15,820	69%
Premises	**15,136**	15,678	(542)	(3%)
Total – reported	**376,471**	260,176	116,295	45%
Less: integration related costs	***(49,942)***	*(725)*	*(49,217)*	*n.m.*
Total – adjusted[1]	**326,529**	259,451	67,078	26%
Efficiency ratio – reported	**48.1%**	40.5%	n.m.	7.6%
Efficiency ratio – adjusted[1]	**41.6%**	40.4%	n.m.	1.2%
Full-time employee (FTE) – year average	**1,386**	1,036	350	34%

n.m. not meaningful

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

Adjusted non-interest expenses increased by 26% in 2022 (reported 45%):

- People – compensation and benefits +31% resulting from staffing growth, inclusion of new staff from Concentra Bank acquisition, and inflationary adjustments.
- Activity and innovation– product costs +43% including innovation spend and growing transaction fees related to the growth of the EQ Bank customer base; marketing +19% mainly related to our EQ Bank promotion and customer acquisition.
- Technology – system costs +14% for maintenance and advancement of our digital capability and cloud-first technology.

Business line overview

Personal banking

[1] The average yield is the weighted average interest rate of Equitable Bank's Alternative single family mortgages.
[2] The beacon score reported here represents the weighted average beacon score of Equitable Bank's Alternative single family mortgages.
[3] The LTV represents the average LTV of existing uninsured residential mortgages and is computed based on the current property values that are estimated using a Housing Price Index.
[4] The ratio presents the percentage of insured personal loans over total personal loans.

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

The table below summarizes key portfolio metrics as at year end December 31, 2022, inclusive of Concentra Bank.

($ billions)		2022 Actual	Y/Y Growth
EQ Bank	**Deposits**	**7.9**	**14%**
Single Family Residential Lending	Alternative mortgages	**19.2**	34%
Wealth Decumulation	Reverse mortgages	**0.86**	249%
	Insurance lending	**0.09**	80%
Consumer Lending		**0.90**	N/A
Total Conventional loans(2)		**21.1**	**43%**
Single Family Residential Lending	Prime mortgages	**11.0**	44%
Total Personal Banking loans		**32.0**	**44%**

(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.

Among our 2022 key milestones, we:

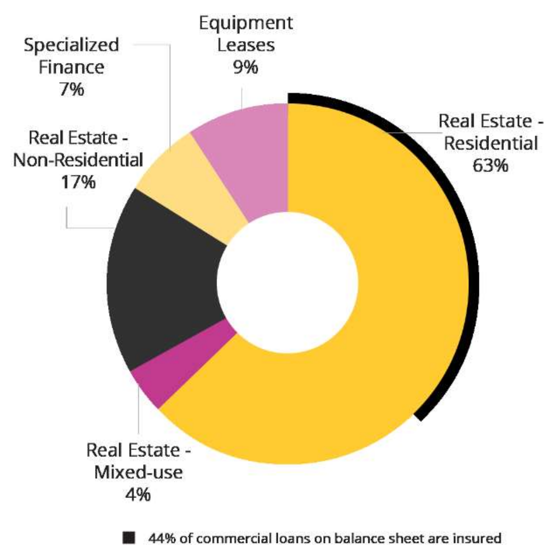
- Launched EQ Bank in Quebec to serve digital banking customers across Canada
- Completed EQ Bank Card pre-launch testing and launched in beta with select pilot customers
- EQ Bank customer engagement reached an all-time high of 48% in Q4 (frequency of digital transactions +43% y/y and accounts held per customer +28% y/y)
- Expanded distribution for our decumulation business, including generating significant volume through a direct-to-consumer channel for reverse mortgages, launching new Immediate Financing Arrangement (IFA) in insurance lending, and added two new insurance lending partners (10 in total). Insurance originations continued strong growth; however, paybacks were higher than anticipated in 2022
- Built and launched our payments as a service offering supporting fintech partnership with a BIN sponsorship solution that contributes new fee-based revenue with new partners being added in 2023.

Commercial Banking

6.56%
Average Yield[1]

44%
Insured[2]

[1] The average yield is the weighted average interest rate of Equitable Bank's Conventional commercial loans.
[2] The ratio represents the percentage of insured commercial loans over the total commercial loans on the balance sheet.



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

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

Commercial Banking experienced strong growth in 2022, benefitting from strong origination and lower attrition rate.

The table below summarizes key portfolio metrics at year end December 31, 2022:

($ billions)		2022 Actual	Y/Y Growth
Business Enterprise Solutions	Loans to entrepreneurs and SMEs(2)	1.3	22%
Commercial Finance Group	Loans to medium sized institutional & corporate investors	5.6	43%
Specialized Finance	Specialized lending to medium sized and corporate investors	1.0	52%
Equipment Financing	Equipment leases to entrepreneurs and SMEs(2)	1.3	72%
Total Conventional loans(3)		**9.2**	**44%**
Insured Multi-Unit Residential	CMHC insured real estate mortgages(4)	5.3	30%
Total Commercial Banking loans		**14.5**	**38%**

(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.

Among our 2022 key milestones, we:

- Delivered record originations across all Commercial Banking business lines including total conventional origination growth of 12.6%, leading to portfolio growth of 44%
- Exceeded $3 billion in Commercial Finance Group annual originations for the first time
- Grew our insured commercial construction lending portfolio 220% year over year and CMHC-insured term loans 30% reflecting our focus on risk management in a challenging economic climate
- Grew our Bennington portfolio of prime leases 133% y/y
- Introduced several new self-serve features on Bennington's Broker Desk Portal, e.g., the ability to create real-time buyout quotes
- Closed the acquisition of Concentra, which for Commercial Banking added two new business lines (Concentra Trust and Credit Unions Services) and saw us combine Concentra's commercial lending, equipment financing and commercial deposits businesses in our portfolios
- Partnered with a leading fintech to launch a new digital estate solution for credit union partners.

Balance sheet review

Balance sheet summary

Table 6: Balance sheet highlights

($ millions, except percentages)	**31-Dec-22**	31-Dec-21	Change	
Total assets	**51,145**	36,159	14,986	41%
Loan principal – Personal[1]	**32,043**	22,303	9,740	44%
Loan principal – Commercial[1]	**14,541**	10,500	4,041	38%
Total deposits principal[1]	**30,831**	20,695	10,136	49%
EQ Bank deposits principal[1]	**7,923**	6,968	955	14%
Total liquid assets[2] as a % of total assets	**7.7%**	8.5%	-	(0.8%)

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

Total assets increased by 41% from a year ago reflecting both organic growth of the EQB portfolio and the acquisition of Concentra Bank. Overall growth of on-balance sheet loans[1] within the Personal Banking and Commercial Banking portfolios was 44% and 38% respectively.

EQB grew its total deposits balances by 49%, inclusive of both the acquisition of Concentra Bank and growth in EQ Bank deposits principal of 14%.

Total loan principal

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

Table 7: Loan principal by lending business[1]

($000s)	31-Dec-22	31-Dec-21	Change	
Alternative single-family mortgages	**19,227,589**	14,392,904	4,834,685	34%
Prime single-family mortgages	**10,971,498**	7,613,131	3,358,367	44%
Decumulation loans	**951,950**	296,505	655,445	221%
Consumer lending	**891,656**	-	891,656	N/A
Total Personal Lending – on balance sheet	**32,042,693**	22,302,540	9,740,153	44%
Conventional commercial loans	**7,939,766**	5,675,250	2,264,516	40%
Equipment financing	**1,262,584**	732,682	529,902	72%
Insured multi-unit residential mortgages	**5,339,046**	4,091,768	1,247,278	30%
Total Commercial Lending – on balance sheet	**14,541,396**	10,499,700	4,041,696	38%
Total Loans – on balance sheet	**46,584,089**	32,802,240	13,781,849	42%
Insured multi-unit residential mortgages – derecognized	**10,424,114**	5,860,830	4,563,284	78%
Total Loans – off balance sheet	**10,424,114**	5,860,830	4,563,284	78%
Total Loans under management[2]	**57,008,203**	38,663,070	18,345,133	47%

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

Total on-balance sheet loan principal increased by 42% year over year, driven by growth in conventional lending across both Personal Banking and Commercial Banking and the acquisition of Concentra Bank.

Of total principal growth, $13.8 million in 2022, our alternative single-family mortgage portfolio contributed 35% or $4.8 billion. This was driven by both strong originations and low attrition rates over the year, and the remainder reflected the Concentra Bank acquisition. Prime mortgages were the second primary driver of 2022 growth, mostly due to the addition of Concentra Bank's prime portfolio. Included in the Personal Banking is the Concentra Bank consumer lending portfolio (consumer term loans and credit card receivables), which contributed 6% to the annual growth.

The increase in conventional commercial loans amounted to 16%, driven by record origination and lower attrition rates over the year within its three business lines: Commercial Finance Group, Business Enterprise Solutions, and Specialized Finance. Insured multi-unit mortgages exceeded our target range due to increased demand for affordability linked CMB funding. The Equipment Financing portfolio grew $530 million, benefiting from the newly acquired equipment financing business, organic growth, and the steady growth of the leasing market.

Table 8: On-Balance Sheet loan principal continuity schedule[1]

($000s, except percentages)	As at or for the year ended December 31, 2022		
	Personal	**Commercial**	**Total**
2021 closing balance	**22,302,540**	**10,499,700**	**32,802,240**
Loans purchased on November 1	**7,712,290**	**1,099,729**	**8,812,019**
Originations	**7,586,633**	**7,709,552**	**15,296,185**
Derecognition	**-**	**(2,474,380)**	**(2,474,380)**
Net repayments	**(5,558,770)**	**(2,293,205)**	**(7,851,975)**
2022 closing balance	**32,042,693**	**14,541,396**	**46,584,089**
% Change from 2021	**44%**	**38%**	**42%**
Net repayments percentage[2]	**24.9%**	**21.8%**	**23.9%**

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

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

Credit portfolio quality

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

There are several aspects of EQB's risk management approach and existing loan portfolios that have and will continue to help mitigate the risk of credit losses. EQB remains appropriately reserved for credit losses given the composition of its loan portfolios and expected current economic forecasts. Allowances for Credit Losses as a percentage of total loan assets equaled 18 bps at year-end 2022 compared to 15 bps a year ago, of which most was driven by addition of the Concentra Bank portfolio.

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

- EQB focuses on lending in urban and suburban markets that have diversified employment bases and more liquid real estate markets. This approach results in lower risk as it reduces both the probability that borrowers will default and the loss in the event they do.
- Commercial Banking lending, including equipment financing, is diversified across industries and geographies. Commercial Banking has defined asset-class exposure limits and focuses on assets that EQB believes will be resilient through an economic cycle, such as multi-unit residential and mixed-use properties. These segments make up 47% of the Commercial loan portfolio, while categories such as shopping centres and hotels, which EQB believes are more sensitive to economic conditions, comprise 3.5% and 0.2% of Commercial loans or 1.2% and 0.1% of the total loan portfolio, respectively.
- In equipment financing, EQB requires a cash security deposit on most of the higher-risk leases and in some cases requires additional real assets to be pledged.

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

- Underwriting focuses foremost on a borrower's ability to repay a loan. The average Beacon score of EQB's alternative single family residential borrowers was 713 at December 31, 2022. Similarly, the average Beacon score of small business mortgage borrowers was 733 in 2022 versus 735 in 2021. These credit scores are indicative of a borrowers' positive repayment history and lower propensity to default under normal economic conditions.
- 49% 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 65% at December 31, 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, net of cash reserves[1], increased year over year mostly due to adding Concentra Bank's allowances on its loan assets. In addition, EQB increased reserves for Stage 1 and 2 loans and equipment leases based on the expected loss rates in those businesses.

Stage 3 allowances are determined loan by loan, and management believes that they are adequate at the end of 2022. Stage 3 allowances on EQB's mortgages are generally supported by up-to-date, independent property appraisals.

Table 9: Loan credit metrics

($000, except percentages)	31-Dec-22	31-Dec-21	Change	
Allowance for credit losses – Stage 1 and 2	**89,931**	46,361	43,570	94%
Allowance for credit losses – total	**96,782**	48,949	47,833	98%
Allowance for credit losses – total net of cash reserves (net ACL)[1]	**82,693**	48,949	33,744	69%
Allowance for credit losses – net ACL as a % of total loan assets	**0.18%**	0.15%		0.03%
Allowance for credit losses – net ACL as a % of uninsured loan assets	**0.29%**	0.25%		0.04%
Allowances for credit losses – net ACL as a % of gross impaired	**60%**	54%		6%

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

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

Table 10: Stage 1 and 2 loan credit metrics

(Percentages)	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
Stage 1 – proportion of loan assets[1]	**78.5%**	**82.1%**	87.6%	88.2%	88.3%
Stage 1 – effective allowance rate[2]	**0.11%**	**0.09%**	0.09%	0.09%	0.10%
Stage 2 – proportion of loan assets[1]	**21.2%**	**17.7%**	12.2%	11.6%	11.4%
Stage 2 – effective allowance rate[2]	**0.37%**	**0.36%**	0.43%	0.43%	0.49%

(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, net of cash reserves, divided by the period end loan balances in that stage.

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

($000s, except percentages and bps)	31-Dec-22	30-Sep-22	Change	31-Dec-21	Change
Uninsured Personal loans – stage 1 and 2 allowances	**21,053**	13,239	7,814	11,446	9,607
as a % of uninsured personal loans (bps)	***11***	*8*	*3*	*8*	*3*
Consumer lending – stage 1 and 2 allowances net of cash reserves[1]	**5,723**	-	5,723	-	5,723
as a % of consumer lending (bps)	***65***	*-*	*65*	*-*	*65*
Uninsured Commercial loans – stage 1 and 2 allowances	**26,023**	19,412	6,611	19,487	6,536
as a % of uninsured commercial loans (bps)	***38***	*30*	*8*	*37*	*1*
Equipment financing – stage 1 and 2 allowances	**21,749**	18,879	2,870	15,361	6,388
as a % of equipment financing (bps)	***173***	*200*	*(27)*	*216*	*(43)*
Insured Personal & Commercial loans – stage 1 and 2 allowances	**1,635**	128	1,507	67	1,568
as a % of insured personal and commercial loans (bps)	***0.93***	*0.10*	*0.83*	*0.05*	*0.88*
Total loans – stage 1 and 2 allowances net of cash reserves	**76,183**	51,658	24,525	46,361	29,822
as a % of total loans (bps)	***16***	*14*	*2*	*14*	*2*

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

On a year-over-year basis, Stage 1 and 2 allowances against our uninsured Personal loans, uninsured Commercial loans and equipment financing increased by $9.6 million, $6.5 million, and $6.4 million, respectively. EQB leverages macroeconomic forecasts from Moody's Analytics and uses them in credit loss modelling. For a summary of key forecast assumptions for each scenario, please refer to Note 10 (d & e) to the 2022 consolidated financial statements.

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

Table 12: Expected future credit losses by macroeconomic scenario

($000s, except percentages)	Base Case	Upside Scenario	Slower Growth	Moderate Recession	Protracted Slump
Weighting for financial statement ECL calculation (%)	**50**	**15**	**20**	**10**	**5**
Expected credit losses if each scenario weighted 100%	**84,088**	**71,352**	**92,390**	**103,763**	**156,576**
Difference vs. financial statement ECL	**(5,843)**	**(18,579)**	**2,459**	**13,832**	**66,645**

Taking into account 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

Table 13: Impaired loan metrics

($000, except percentages)	**31-Dec-22**	31-Dec-21	Change	
Gross impaired loan assets	**138,513**	90,968	47,545	52%
Net impaired loan assets	**131,662**	88,380	43,282	49%
Net impaired loan assets as a % of total loan assets	**0.28%**	0.27%		0.01%

Net impaired loans at the end of 2022 were $132 million, up $43 million from 2021, representing 0.28% of total loan assets vs. 0.27% at the end of 2021. The change was mainly attributable to growth of the portfolio, including the acquisition of Concentra Bank. Excluding the $16 million impaired loans from Concentra Bank, the remaining $27 million increase occurred in the following business: residential mortgages (+$16 million), conventional commercial loans (+$12 million), and equipment leases (-$1.3 million).

Concentra Bank's net impaired loans were comprised of residential mortgages ($11 million), conventional commercial loans ($3 million) and equipment financing ($2 million), which represented 0.04% of the total loan assets.

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

Deposits and funding

Deposits

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

Table 14: Deposit principal

($000s)	**31-Dec-22**	31-Dec-21	Change	
Brokered deposits:				
Term	**15,653,371**	10,370,958	5,282,413	51%
Demand	**707,327**	1,004,691	(297,364)	(30%)
	16,360,698	11,375,649	4,985,049	44%
EQ Bank deposits:				
Term	**3,729,785**	1,525,299	2,204,486	145%
Demand	**4,193,476**	5,442,811	(1,249,335)	(23%)
	7,923,261	6,968,110	955,151	14%
Credit union deposits				
Term	**2,016,627**	-	2,016,627	N/A
Demand	**369,851**	-	369,851	N/A
	2,386,478	-	2,386,478	N/A
Corporate and institution deposits	**450,907**	-	450,907	N/A
Strategic partnerships	**505,836**	396,866	108,970	27%
Deposit notes	**1,961,029**	1,451,940	509,089	35%
Covered bonds	**1,242,608**	502,058	740,550	148%
Total deposit principal	**30,830,817**	20,694,623	10,136,194	49%

Securitization liabilities

A portion of EQB's securitization transactions do not qualify the loans for balance sheet derecognition and therefore the associated obligations are recognized on the consolidated balance sheet and accounted for as securitization liabilities. The securitization liability was $15 billion at December 31, 2022, up $3.6 billion or 32% from last year. Our securitization liability also included $2.2 billion (December 31, 2021 – $1.5 billion) of securitizations through a funding program which is sponsored by a Domestic Systemically Important Bank (D-SIB) and provides EQB with a source of matched funding for qualifying uninsured single-family mortgages.

Funding facilities

Equitable Bank has two credit facilities with major Schedule I Canadian banks to fund residential mortgages prior to securitization with an aggregate capacity of $1.1 billion (December 31, 2021 – $700 million). As at December 31, 2022, the outstanding balance on these facilities was $737 million (December 31, 2021 – $200 million).

EQB also has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility (Revolving Facility) of up to $200 million and a term loan facility (Term Loan) of up to $275 million. As at December 31, 2022, EQB had an outstanding balance of $468 million (December 31, 2021 – $nil) on the above facilities including deferred cost of $0.6 million and prepaid interest of $6.7 million. EQB utilized the Revolving Facility and part of the Term Loan to fund the Concentra Bank acquisition.

Equitable Bank also has access to liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at December 31, 2022 and 2021, no drawdown was made on these facilities.

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

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

Details related to these funding facilities can be found in Note 17 to our 2022 audited consolidated financial statements.

Liquidity investments and equity securities

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

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

In addition to assets that are held for the purpose of providing liquidity protection, EQB maintains a portfolio of liquid equity securities (85% of which are investment-grade preferred shares) to yield tax-preferred dividend income. EQB has the ability to liquidate this portfolio in the event of financial stress.

Table 15: Liquid assets

($000s, except percentages)	31-Dec-22	31-Dec-21	Change	
Eligible deposits with regulated financial institutions[1]	**493,682**	762,651	(268,969)	(35%)
Debt securities	**60,301**	40,916	19,385	47%
Debt instruments issued or guaranteed by Government of Canada or provincial governments:				
Investments purchased under reverse repurchase	**200,432**	550,030	(349,598)	(64%)
Loans and Investments held in the form of debt securities[2], net of obligations under repurchase agreements	**3,110,029**	1,548,908	1,561,121	101%
Liquid assets held for regulatory purposes	**3,864,444**	2,902,505	961,939	33%
Other deposits with regulated financial institutions[3]	**1,424**	10,600	(9,176)	(87%)
Equity securities[4]	**72,369**	143,299	(70,930)	(49%)
Total	**3,938,237**	3,056,404	881,833	29%
Liquid assets held for regulatory purposes as a % of total Equitable Bank assets	**7.6%**	8.0%		(0.4%)
Total liquid assets as a % of total assets	**7.7%**	8.5%		(0.8%)

(1) Eligible deposits with regulated financial institutions represents deposits of Bank which are held at major Canadian financial institutions and excludes $251.1 million (December 31, 2021 – $62.7 million) of restricted cash held as collateral with third parties for Equitable Bank's interest rate swap transactions, issuance of letters of credit, loan origination and servicing activities, BIN sponsorship and banking settlements in the normal course of business and $486.5 million (December 31, 2021 – $399.5 million) of cash held in trust accounts and deposits held with banks as collateral for Equitable Bank's securitization activities. (2) Loans held in the form of debt securities represent loans securitized and retained by Equitable Bank and are reported in our Loans receivable balances. Investments held in the form of debt securities include MBS securities purchased from third parties and provincial bonds. The investments' reported values represent the fair market values associated with these securities. (3) Other deposits with regulated financial institutions are deposits held by EQB Inc. (4) Equity securities are 85% investment grade publicly traded preferred shares and 15% publicly traded common shares.

To ensure institutions have sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days, OSFI has mandated that Canadian deposit-taking institutions monitor and report their Liquidity Coverage Ratio (LCR)[1]. At December 31, 2022, our LCR was well in excess of the regulatory minimum of 100%.

Liquid assets[2] were $3.9 billion at year end, up $882 million from last year, reflecting the level of liquidity required due to growth in demand deposits and anticipated cash flow needs for upcoming quarters.

Other assets and other liabilities

Please refer to Notes 14 and 18 to our 2022 audited consolidated financial statements for a detailed breakdown of Other assets and Other liabilities as at December 31, 2022 and 2021.

Other assets

Other assets were $538.5 million on December 31, 2022, up $307 million or 133% over last year. The growth includes $41 million goodwill and $23 million intangible assets that were recognized in the purchase price allocation, see Note 5 to the 2022 audited consolidated financial statements. Other major increases were mainly driven by net fair value of outstanding derivative instruments, technology-related investments and income taxes recovery.

Other liabilities

Other liabilities were $557 million on December 31, 2022, up $222 million or 66% million from a year ago, mainly driven by net unrecognized fair value loss on our derivative positions and higher accounts payable and liabilities due to business growth and timing, offset in part by a decrease in income tax payable.

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

Off-balance sheet arrangements

EQB engages in certain financial transactions that, for accounting purposes, are not recorded on its annual consolidated balance sheet. 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 audited consolidated financial statements).

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 totalled $10.4 billion at December 31, 2022 (December 31, 2021 – $5.9 billion). The securitization liabilities associated with these transferred assets are approximately $10.6 billion (December 31, 2021 – $5.9 billion). The consolidated securitization retained interest recorded with respect to certain securitization transactions was $373.4 million (December 31, 2021 – $207.9 million) and the consolidated associated servicing liability was $58.2 million at December 31, 2022 (December 31, 2021 – $38.5 million).

Commitments and letters of credit

EQB provides commitments to extend credit to our borrowers. EQB had outstanding commitments to fund $4.3 billion of loans and investments in the ordinary course of business at December 31, 2022 (December 31, 2021 – $3.7 billion).

EQB also issues letters of credit which represent assurances that it will make payments in the event that a borrower cannot meet their obligations to a third party. Letters of credit in the amount of $86.1 million were outstanding at December 31, 2022 (December 31, 2021 – $46.8 million), none of which were drawn upon.

Contractual obligations by year of maturity are outlined in Table 30 – Contractual obligations. There were no material changes to contractual obligations that are outside the ordinary course of EQB's operations during 2022.

Related-party transactions

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

Capital position

Risk weighted assets of Equitable Bank

Table 16: Risk-weighted assets of Equitable Bank

($000s, except percentages)	For the year ended December 31, 2022		
	Assets / Amounts	**Risk Weighting**	**Risk-weighted assets**
On balance sheet:			
Cash and cash equivalents	**1,231,339**	**18%**	**221,934**
Securities purchased under reverse repurchase agreements	**200,432**	**0%**	**612**
Investments	**2,289,301**	**7%**	**169,667**
Loans – Personal	**32,038,686**	**25%**	**7,987,516**
Loans – Commercial	**14,561,461**	**51%**	**7,393,299**
Securitization retained interests	**373,455**	**100%**	**373,455**
Other assets	**538,762**	**54%**	**290,562**
Total Equitable Bank assets subject to risk rating	**51,233,436**		**16,437,045**
Less: Eligible Stage 1 and 2 allowance	**(89,931)**		**-**
Total Equitable Bank assets	**51,143,505**		**16,437,045**
Off-balance sheet:			
Loan commitments			**785,474**
Derivatives			**168,268**
Other			**49,310**
Total credit risk			**17,440,097**
Operational risk[1]			**1,485,563**
Total			**18,925,660**

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

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

Capital measures

Table 17: Capital measures of Equitable Bank

($000s, except percentages)	31-Dec-22	31-Dec-21	Change	
Common Equity Tier 1 Capital:				
Common shares	**928,778**	217,474	711,304	327%
Contributed surplus	**12,537**	9,785	2,752	28%
Retained earnings	**1,856,084**	1,649,890	206,194	12%
Accumulated other comprehensive loss (AOCI)[2]	**(33,759)**	(8,263)	(25,496)	309%
Less: Regulatory adjustments to Common Equity Tier 1 Capital	**(170,504)**	(94,082)	(76,422)	81%
Common Equity Tier 1 Capital[1]	**2,593,136**	1,774,804	818,332	46%
Additional Tier 1 capital:				
Non-cumulative preferred shares	**183,541**	72,554	110,987	153%
Tier 1 Capital[1]	**2,776,677**	1,847,358	929,319	50%
Tier 2 Capital:				
Eligible Stage 1 and 2 allowance	**89,931**	46,361	43,570	94%
Less: Transitional adjustment in response to COVID-19	**(10,647)**	(5,442)	(5,205)	96%
Tier 2 Capital[1]	**79,284**	40,919	38,365	94%
Total Capital[1]	**2,855,961**	1,888,277	967,684	51%
Total risk-weighted assets (RWA)[1]	**18,925,660**	13,309,550	5,616,110	42%
Capital ratios and Leverage ratio[1]:				
CET1 ratio	**13.7%**	13.3%		0.4%
Tier 1 capital ratio	**14.7%**	13.9%		0.8%
Total capital ratio	**15.1%**	14.2%		0.9%
Leverage ratio	**5.3%**	4.9%		0.4%

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

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

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

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 December 31, 2022 exceeded the regulatory minimums and target levels. Equitable Bank's CET1 ratio was 13.7%, up 40 bps from last year due to capital injection from EQB Inc. for the acquisition of Concentra Bank and the change in risk density (growth of lower risk portfolios).

Canadian banks are required to report on OSFI's Leverage Ratio based on Basel III guidelines. OSFI has established minimum Leverage Ratio targets on a confidential and institution-by-institution basis. Equitable Bank remained fully compliant with its regulatory requirements and its Leverage Ratio was 5.3% at December 31, 2022, up 40 bps as a result of capital growth.

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

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

Shareholders' equity

Total shareholders' equity increased $582 million or 30% to $2.5 billion at December 31, 2022. The increase mainly reflects the issuance of $230 million of subscription receipts (converted to common shares as noted below) net earnings retained, and net fair value gains recognized through other comprehensive income on our preferred share investments and derivative cash flow hedges associated with securitization activity.

Common and preferred shares

A portion of EQB's payment for the acquisition of Concentra Bank was financed with the net proceeds from the issuance in February 2022 of approximately $230 million of underwritten subscription receipts (the "Subscription Receipts") pursuant to a prospectus supplement dated February 9, 2022 to the EQB base shelf prospectus dated June 12, 2020.

Upon closing of the Concentra Bank acquisition on November 1, 2022, the common shares of EQB issuable pursuant to the 3,266,000 Subscription Receipts were automatically issued through the facilities of CDS Clearing and Depository Services Inc. in accordance with the terms of the Subscription Receipts, as applicable, on a one-for-one basis. This issuance of common shares increased the number of EQB's outstanding common shares to approximately 37.5 million.

At December 31, 2022, EQB had 37,564,114 common shares and 2,911,800 Series 3 preferred shares issued and outstanding (December 31, 2021 – 34,070,810 common shares and 2,919,400 Series 3 preferred shares).

During 2022, 253,816 options were granted, while 118,970 stock options were exercised that contributed $3.5 million to common share capital.

At December 31, 2022, there were 1,229,851 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $60.3 million. For additional information on outstanding stock options and their associated exercise prices, please refer to Note 20(a) to the 2022 audited consolidated financial statements.

Normal course issuer bid (NCIB)

On December 21, 2022, EQB announced that it received the approval of the Toronto Stock Exchange (TSX) to renew its NCIB of up to 1,150,000 of its common shares and 288,680 of its Series 3 preferred shares, which will expire on December 22, 2023 or on such earlier date as the NCIB is complete.

During 2022, EQB repurchased and cancelled 7,600 preferred shares at an average price of $24.93 per share, and no common shares were purchased or cancelled under the NCIB.

Common share dividends

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

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

Preferred shares issued by Concentra Bank

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

Adjustments to financial results

Concentra acquisition

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

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

Income tax

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

Adjustments impacting current and prior periods:

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

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

2022

- $2.2 million interest earned on the escrow account where the proceeds of the subscription receipts are held[1],
- $49.9 million acquisition and integration-related costs,
- $19.0 million provision credit for credit losses recorded on purchased loan portfolios,
- $3.3 million net fair value related amortization recorded for November and December 2022,
- $2.2 million interest expenses paid to subscription receipt holders[2], and
- $3.8 million future tax expenses true-up due to increase in tax rate.

2021

- $0.7 million of acquisition and integration-related costs.

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

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

	As at or for the three months ended			**For the year ended**	
($000, except share and per share amounts)	**31-Dec-22**	30-Sep-22	31-Dec-21	**31-Dec-22**	31-Dec-21
Reported results					
Net interest income	**218,325**	186,251	155,952	**733,405**	582,609
Non-interest revenue	**16,382**	9,481	15,911	**48,781**	60,298
Revenue	**234,707**	195,732	171,863	**782,186**	642,907
Non-interest expense	**139,180**	84,082	70,427	**376,471**	260,176
Pre-provision pre-tax income[5]	**95,527**	111,650	101,436	**405,715**	382,731
Provision for credit loss (recoveries)	**26,796**	5,354	(1,420)	**37,258**	(7,674)
Income tax expense	**22,912**	28,717	22,794	**98,276**	97,875
Net income	**45,819**	77,579	80,062	**270,181**	292,530
Net income available to common shareholders	**43,514**	76,493	78,973	**264,615**	288,117
Adjustments					
Net interest income – earned on the escrow account[1]	**(2,220)**	-	-	**(2,220)**	-
Net interest income – fair value amortization	**3,324**	-	-	**3,324**	-
Net interest income – paid to subscription receipt holders[2]	**(654)**	1,013	-	**2,220**	-
Non-interest revenue – fair value amortization	**(65)**	-	-	**(65)**	-
Non-interest expenses – acquisition-related costs	**(36,921)**	(5,179)	(725)	**(49,942)**	(725)
Provision for credit loss – purchased loans	**(19,020)**	-	-	**(19,020)**	-
Pre-tax adjustments	**56,326**	6,192	725	**72,221**	725
Income tax expense – tax impact on above adjustments[3]	**15,271**	1,622	190	**19,435**	190
Income tax expense – tax true-up	**(5,621)**	-	-	**(3,769)**	-
Post-tax adjustments	**46,676**	4,570	535	**56,555**	535
Adjusted results					
Net interest income	**218,775**	187,264	155,952	**736,729**	582,609
Non-interest revenue	**16,317**	9,481	15,911	**48,716**	60,298
Revenue	**235,092**	196,745	171,863	**785,445**	642,907
Non-interest expense	**102,259**	78,903	69,702	**326,529**	259,451
Pre-provision pre-tax income[5]	**132,833**	117,842	102,161	**458,916**	383,456
Provision for credit loss (recoveries)	**7,776**	5,354	(1,420)	**18,238**	(7,674)
Income tax expense	**32,562**	30,339	22,984	**113,942**	98,065
Net income	**92,495**	82,149	80,597	**326,736**	293,065
Net income available to common shareholders	**90,190**	81,063	79,508	**321,170**	288,652
Diluted earnings per share					
Weighted average number of diluted common shares outstanding	**36,632,711**	34,450,617	34,538,314	**35,031,166**	34,445,443
Diluted earnings per share – reported	**1.19**	2.22	2.29	**7.55**	8.37
Diluted earnings per share – adjusted[4]	**2.46**	2.35	2.30	**9.17**	8.38
Diluted earnings per share – adjustment impact	**1.27**	0.13	0.01	**1.62**	0.01

(1) The net proceeds from the issuance of subscription receipts were held in an escrow account and the interest income earned was recognized upon closing of the Concentra acquisition. (2) The interest expense refers to the dividend equivalent amount paid to subscription receipt holders. The subscription receipt holders are entitled to receive a payment equal to the common share dividend declared multiplied by the number of subscription receipts held on the common share dividend payment date. These subscription receipts were converted into common shares at a 1:1 ratio upon the closing of the Concentra acquisition. (3) Income tax expense associated with non-GAAP adjustment was calculated based on the statutory tax rate applicable for that period, taking into account the federal tax rate increase. (4) The sum of the adjusted four quarters does not equal the annual EPS due to share count changes and an income tax adjustment recorded in Q4. (5) This is a non-GAAP measures, see Non-GAAP financial measures and ratios section of this MD&A.

Commentary on one-time impacts for Q4 2022

Measure	This quarter	Next quarter
Net Interest Margin	The net interest margin for Q4 represents the weighted average NIM corresponding to the average asset through the quarter. With the addition of Concentra assets and funding, NIM declined by 7 bps for Q4 2022.	It should be expected that with a full three-month contribution of Concentra Bank assets in Q1 2023 (all else equal) NIM would average toward Concentra.
Weighted average shares outstanding	With the conversion of subscription receipts on November 1, 2022, the issued share count increased by 3,266,000. The weighted average share count for the period includes 31 days prior to the conversion and 61 days after.	With the subscription receipts converted, the total common shares issued will follow a more regular pattern.
Revenue and expenses	Concentra Bank's contribution to Revenue and Expenses representing two months.	With a complete period, full contributions to Revenue and Expenses should be expected.
Income taxes	Income taxes were impacted by a one-time true-up to current income taxes and deferred tax liabilities due to the enactment of 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.	The income tax expense will be normalized to the new statutory rate.
Return on Equity	Q4 2022 represented total net income to common shareholders (e.g., 2 months for Concentra Bank), divided by the average equity book value through the period.	With a complete period, full contributions to Revenue and Expenses should be expected.

Fourth quarter results

EQB delivered adjusted[1] quarterly earnings of $92.5 million, up 13% compared to last quarter and 15% higher than the same quarter of 2021. Adjusted[1] EPS for the quarter was $2.46, versus $2.35 in Q3 and $2.30 in Q4 2021. Strong performance primarily contributed to organic growth of our loan assets, 3% and 15% up from Q3 2022 and Q4 2021, respectively.

Net interest income

The table below details EQB's NII and NIM for the three months ended December 31, 2022, with comparisons to the prior quarter and the corresponding quarter of the prior year, by product and portfolio.

Table 18: Net interest income

($000s, except percentages)	For the three months ended					
	31-Dec-22		30-Sep-22		31-Dec-21	
	Revenue/ Expense	**Average rate[1]**	Revenue/ Expense	Average rate[1]	Revenue/ Expense	Average rate[1]
Revenues derived from:						
Cash and equivalents	**26,925**	**3.75%**	11,676	3.07%	4,418	0.93%
Equity securities	**923**	**5.29%**	879	4.66%	1,184	3.76%
Alternative single-family mortgages	**220,015**	**4.79%**	178,753	4.34%	132,877	3.80%
Prime single-family mortgages	**61,422**	**2.49%**	39,271	2.15%	34,838	1.77%
Decumulation loans	**12,557**	**5.79%**	7,478	5.40%	2,639	4.07%
Consumer lending	**13,225**	**9.19%**	-	-	-	-
Total Personal loans	**307,219**	**4.14%**	225,502	3.71%	170,354	3.08%
Conventional commercial loans	**156,922**	**8.04%**	112,022	6.60%	68,531	5.03%
Equipment financing	**25,624**	**8.89%**	21,516	9.27%	17,250	9.86%
Insured multi-unit residential mortgages	**34,609**	**2.71%**	39,041	3.13%	24,981	2.37%
Total Commercial loans	**217,155**	**6.17%**	172,579	5.43%	110,762	4.28%
Average interest earning assets	**552,222**	**4.73%**	410,636	4.25%	286,718	3.33%
Expenses related to:						
Deposits	**228,256**	**3.15%**	146,202	2.44%	78,695	1.54%
Securitization liabilities	**84,689**	**2.19%**	64,567	2.01%	51,096	1.68%
Others	**20,502**	**4.49%**	12,603	3.21%	975	0.41%
Average interest-bearing liabilities	**333,447**	**2.89%**	223,372	2.33%	130,766	1.55%
Adjusted Net interest income and margin[2]	**218,775**	**1.87%**	187,264	1.94%	155,952	1.81%
Interest earned on the subscription receipt escrow	**2,220**		-		-	
Interest paid to subscription receipt-holders	**654**		(1,013)		-	
Net fair value amortization- loans	**21,714**		-		-	
Net fair value amortization- liabilities	**(25,038)**		-		-	
Reported net interest income and margin	**218,325**	**1.85%**	186,251	1.93%	155,952	1.81%

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

Q4 2022 v Q4 2021

Adjusted[1] net interest income was up 40% year-over-year (reported + 40%), driven by conventional loan asset growth and 6 bps increase in adjusted NIM (reported + 4bps).

Adjusted NIM[1] was 1.87% in the quarter (reported 1.85%), mainly due to asset mix shifting towards higher yield conventional loans and decreased size of lower margin liquid assets. This increase was offset in part by lower levels of prepayment income within our Personal loan portfolio.

Q4 2022 v Q3 2022

Adjusted[1] net interest income was up 17% (reported + 17%), mainly benefiting from asset growth and despite a lower NIM. Adjusted NIM[1] dropped 7 bps, mainly because the asset growth offset by the implication of weighted average measure with the two-months additions of Concentra Bank's assets and fundings.

Non-interest revenue

Table 19: Non-interest revenue

($000s, except percentages)	For the three months ended				
	31-Dec-22	30-Sep-22	Change	31-Dec-21	Change
Fees and other income	**10,477**	6,679	57%	5,355	96%
Net loss on loans and investments	**(1,013)**	(294)	n.m.	(647)	n.m.
Net (loss) gain on strategic investments	**(4,938)**	(7,403)	33%	8,990	(155%)
Securitization activities:					
Gains on securitization and income from retained interests	**9,273**	10,277	(10%)	3,851	141%
Fair value gains (losses) on derivative financial instruments	**2,583**	222	n.m.	(1,638)	n.m.
Total	**16,382**	9,481	73%	15,911	3%

n.m. not meaningful

Q4 2022 v Q4 2021

Non-interest revenue slightly increased by $0.5 million, primary due to growth in fees income, higher gain on securitization and fair value on our derivative instruments, offset by net loss on our strategic investments.

Q4 2022 v Q3 2022

Non-interest revenue increased sequentially by $6.9 million, resulting from higher fees income, lower mark-to-market loss on strategic investments and higher fair value gain on derivative instruments.

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

Non-interest expenses

Table 20: Non-interest expenses and efficiency ratio

($000s, except percentages and employees)	For the three months ended				
	31-Dec-22	30-Sep-22	Change	31-Dec-21	Change
Compensation and benefits	**64,999**	41,767	56%	34,166	90%
Technology and system costs	**23,969**	11,572	107%	11,557	107%
Regulatory, legal and professional fees	**11,303**	11,570	(2%)	6,383	77%
Product costs	**14,943**	8,618	73%	7,212	107%
Marketing and corporate expenses	**20,146**	6,902	192%	7,178	181%
Premises	**3,820**	3,653	5%	3,931	(3%)
Total – reported	**139,180**	84,082	66%	70,427	98%
Less: acquisition-related costs	***(36,921)***	*(5,179)*	*n.m.*	*(725)*	*n.m.*
Total – adjusted (1)	**102,259**	78,903	30%	69,702	47%
Efficiency ratio – reported	**59.3%**	43.0%	16.3%	41.0%	18.3%
Efficiency ratio – adjusted(1)	**43.5%**	40.1%	3.4%	40.6%	2.9%
Full-time employee (FTE) − period average	**1,635**	1,373	19%	1,121	46%

n.m. not meaningful

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

Q4 2022 v Q4 2021

Adjusted(1) non-interest expenses grew 47% (reported 98%), mainly as a result of increase in compensation and benefits (headcount +46%), core banking system support and maintenance, higher product costs (project amortization and transaction fees), professional services rendered, and capital tax.

Q4 2022 v Q3 2022

During the quarter, adjusted(1) non-interest expenses grew 30% (reported 66%), mainly because of higher employee compensation costs, technology spending, transaction costs, professional service fees, and capital tax.

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

Provision for credit losses

Table 21: Provision for credit losses

($000s, except percentages)	For the three months ended				
	31-Dec-22	30-Sep-22	Change	31-Dec-21	Change
Stage 1 and 2 provision (recoveries)	**24,525**	2,973	725%	(3,132)	(883%)
Stage 3 provision	**2,271**	2,381	(5%)	1,712	(33%)
Total Provision for credit losses (recoveries) – reported	**26,796**	5,354	400%	(1,420)	(1,987%)
Less: Provision for credit losses – purchased loans	***(19,020)***	-	*(19,020)*	-	*(19,020)*
Total Provision for credit losses (recoveries) – adjusted(1)	**7,776**	5,354	45%	(1,420)	648%

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

Q4 2022 v Q4 2021

Total adjusted provision increased by $9.2 million, mainly due to the movement in Stage 1 and 2 provision resulting from growing portfolio and changes in the forecasts used in our credit loss modelling.

Q4 2022 v Q3 2022

Total adjusted provision increased by $2.4 million due to the same reason cited above when comparing to Q4 2021.

Total loan principal continuity

The following table provides quarterly on-balance sheet loan principal continuity schedules by lending business for Q4 2022 and Q4 2021:

Table 22: On-Balance Sheet loan principal continuity schedule(1)

($000s, except percentages)	**For the three months ended December 31,**		
	Personal	**Commercial**	**Total**
Q3 2022 closing balance	**24,217,721**	**12,454,029**	**36,671,750**
Loans purchased on November 1	**7,712,290**	**1,099,729**	**8,812,019**
Originations	**1,811,011**	**2,083,559**	**3,894,570**
Derecognition	**-**	**(702,592)**	**(702,592)**
Net repayments	**(1,698,329)**	**(393,329)**	**(2,091,658)**
Q4 2022 closing balance	**32,042,693**	**14,541,396**	**46,584,089**
% Change from Q3 2022	**32%**	**17%**	**27%**
Net repayments percentage(2)	**7.0%**	**3.2%**	**5.7%**
($000s, except percentages)	For the three months ended December 31, 2021		
	Personal	Commercial	Total
Q3 2021 closing balance	21,289,942	10,083,804	31,373,746
Originations	2,290,389	1,478,377	3,768,766
Derecognition	-	(311,840)	(311,840)
Net repayments	(1,277,791)	(750,641)	(2,028,432)
Q4 2021 closing balance	22,302,540	10,499,700	32,802,240
% Change from Q3 2021	5%	4%	5%
Net repayments percentage(2)	6.0%	7.4%	6.5%

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

Q4 2022 v Q4 2021

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

Q4 2022 v Q3 2022

During the quarter, 16% growth in originations, plus lower attrition levels, lead to $1.1 billion portfolio growth (excluding the purchased loans).

Interim financial statements

Table 23: Unaudited interim consolidated statement of income

($000, except per share amounts)	For the three months ended		
	31-Dec-22	30-Sep-22	31-Dec-21
Interest income:			
Loans – Retail	**327,596**	225,502	170,354
Loans – Commercial	**218,428**	172,579	110,762
Investments	**10,754**	3,377	3,491
Other	**19,298**	9,178	2,111
	576,076	410,636	286,718
Interest expense:			
Deposits	**244,413**	146,202	78,695
Securitization liabilities	**93,163**	64,567	51,096
Funding facilities	**11,008**	6,180	231
Other	**9,167**	7,436	744
	357,751	224,385	130,766
Net interest income	**218,325**	186,251	155,952
Non-interest revenue:			
Fees and other income	**10,477**	6,679	5,355
Net (loss) gain on loans and investments	**(5,951)**	(7,697)	8,343
Gains on securitization activities and income from securitization retained	**11,856**	10,499	2,213
	16,382	9,481	15,911
Revenue	**234,707**	195,732	171,863
Provision for credit losses (recoveries)	**26,796**	5,354	(1,420)
Revenue after provision for credit losses	**207,911**	190,378	173,283
Non-interest expenses:			
Compensation and benefits	**64,999**	41,767	34,166
Other	**74,181**	42,315	36,261
	139,180	84,082	70,427
Income before income taxes	**68,731**	106,296	102,856
Income taxes			
Current	**22,154**	17,142	29,720
Deferred	**758**	11,575	(6,926)
	22,912	28,717	22,794
Net income	**45,819**	77,579	80,062
Dividends on preferred shares	**2,305**	1,086	1,089
Net income available to common shareholders	**43,514**	76,493	78,973
Earnings per share			
Basic	**1.20**	2.24	2.32
Diluted	**1.19**	2.22	2.29

Table 24: Unaudited interim consolidated statement of comprehensive income

($000s)	For the three months ended		
	31-Dec-22	30-Sep-22	31-Dec-21
Net income	**45,819**	77,579	80,062
Other comprehensive income – items that will be reclassified subsequently to income:			
Debt instruments at Fair Value through Other Comprehensive Income:			
Net unrealized losses from change in fair value	**(1,788)**	(2,510)	(2,855)
Reclassification of net losses to income	**3,985**	1,240	875
Other comprehensive income – items that will not be reclassified subsequently to income:			
Equity instruments designated at Fair Value through Other Comprehensive Income:			
Reclassification of gains from AOCI on sale of investments	**604**	-	-
Net unrealized (losses) gains from change in fair value	**(1,543)**	(4,910)	2,991
Reclassification of net losses (gains) to retained earnings	**798**	-	(13)
	2,056	(6,180)	998
Income tax (expense) recovery	**(185)**	1,625	(263)
	1,871	(4,555)	735
Cash flow hedges:			
Net unrealized gains from change in fair value	**5,050**	2,967	7,777
Reclassification of net (gains) losses to income	**(1,396)**	1,126	1,236
	3,654	4,093	9,013
Income tax expense	**(958)**	(1,075)	(2,369)
	2,696	3,018	6,644
Total other comprehensive income (loss)	**4,567**	(1,537)	7,379
Total comprehensive income	**50,386**	76,042	87,441

Table 25: Unaudited interim consolidated statement of cash flows

($000s)	For the three months ended		
	31-Dec-22	30-Sep-22	31-Dec-21
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	**45,819**	77,579	80,062
Adjustments for non-cash items in net income:			
Financial instruments at fair value through profit or loss	**(8,202)**	(3,990)	244
Amortization of premiums/discounts on investments	**274**	311	122
Amortization of capital assets and intangible costs	**19,130**	9,696	8,883
Provision for credit losses	**26,796**	5,354	(1,420)
Securitization gains	**(7,197)**	(8,973)	(2,753)
Stock-based compensation	**840**	824	655
Income taxes	**22,912**	28,717	22,794
Securitization retained interests	**15,197**	13,477	11,962
Changes in operating assets and liabilities:			
Restricted cash	**(107,948)**	9,447	4,477
Securities purchased under reverse repurchase agreements	**549,640**	(330,063)	49,977
Loans receivable, net of securitizations	**(1,138,391)**	(577,886)	(1,452,085)
Other assets	**176,042**	(6,277)	8,035
Deposits	**417,239**	382,733	927,776
Securitization liabilities	**680,398**	245,281	175,859
Obligations under repurchase agreements	**(83,574)**	(65,613)	572,463
Funding facilities	**85,314**	88,903	(130,351)
Subscription receipts	**(232,018)**	1,197	-
Other liabilities	**(136,172)**	(34,422)	67,307
Income taxes paid	**(30,909)**	(31,958)	(10,485)
Cash flows from (used in) operating activities	**295,190**	(195,663)	333,522
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares	**225,890**	1,974	1,281
Term loan facility	**275,000**	-	-
Dividends paid on preferred shares	**(2,304)**	(1,086)	(1,089)
Dividends paid on common shares	**(12,387)**	(10,590)	(6,303)
Cash flows from (used in) financing activities	**486,199**	(9,702)	(6,111)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	**(518,429)**	(8,466)	(268,038)
Proceeds from sale or redemption of investments	**281,762**	44,150	87,610
Net change in Canada Housing Trust re-investment accounts	**177,457**	(51,141)	(10,148)
Purchase of capital assets and system development costs	**(30,703)**	(19,688)	(10,085)
Investment in subsidiary	**(495,369)**	-	-
Cash flows used in investing activities	**(585,282)**	(35,145)	(200,661)
Net increase (decrease) in cash and cash equivalents	**196,107**	(240,510)	126,750
Cash and cash equivalents, beginning of period	**298,999**	539,509	646,501
Cash and cash equivalents, end of period	**495,106**	298,999	773,251
Cash flows from operating activities include:			
Interest received	**514,579**	362,766	261,943
Interest paid	**(143,439)**	(152,137)	(131,516)
Dividends received	**1,045**	859	17,258

Accounting standards and policies

Accounting policy changes

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

Future Changes in Accounting Policies

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

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

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

Critical accounting estimates

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the years. Estimates and underlying assumptions are reviewed by management on an ongoing basis.

The critical estimates and judgements utilized in preparing EQB's Consolidated Financial Statements affect the assessment of the allowance for credit losses on loans, impairment of other financial instruments, fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes, fair value measurement of net identifiable assets acquired, liabilities assumed and intangibles recognized in a business combination, and income taxes.

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

Allowance for credit losses under IFRS 9

The 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 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.

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

On November 1, 2022, Equitable Bank acquired 100% ownership in Concentra Bank ("Concentra") by paying $495,369 in purchase consideration and recognized Concentra's assets, liabilities, and intangible assets on its Balance Sheet along with goodwill amounting to $40,651 (Refer note 5). For the loans and receivables acquired and deposit liabilities assumed, management has carried out valuation adjustments to principal book values by applying an income approach that requires the cash flows relating to the financial instruments to be discounted to present value at prevailing market interest rates at the valuation date. In determining these cash flows, management has exercised significant judgement in determining estimates relating to liquidation rates, prepayment rates, repricing adjustments, and credit quality of assets.

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

For further information regarding critical accounting estimates, please refer to Notes 2(d) and 10(d) to (f) to the audited consolidated financial statements.

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is accumulated and communicated to senior management, including the President and Chief Executive Officer and the Chief Financial Officer, on a timely basis to enable appropriate decisions to be made regarding public disclosure. We have evaluated the effectiveness of EQB's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) as of December 31, 2022. Based on that evaluation, we have concluded that these disclosure controls and procedures were effective.

Internal control over financial reporting

Our Internal Control over Financial Reporting framework is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. We have evaluated the design and operational effectiveness of EQB's Internal Controls over Financial Reporting (ICOFR) as of December 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting. This evaluation was conducted in accordance with the Integrated (2013) Framework published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 of the Canadian Securities Administrators. Based on this evaluation, we have concluded that EQB's Internal Controls over Financial Reporting were effective as of December 31, 2022.

Limitation on scope of design

EQB has limited the scope of its disclosure controls and procedures (DC&P) and ICOFR to exclude controls, policies and procedures of a business acquired not more than 365 days before the last day of the period covered by its annual filing. EQB elected to exclude the DC&P and ICOFR of Concentra Bank that it acquired on November 1, 2022 as allowed by National Instrument 52-109. The results of Concentra Bank are included in the EQB's 2022 consolidated financial statements since the acquisition date.

For additional information on this acquisition refer to the "Acquisition of Concentra Bank" section of this MD&A.

Changes in internal control over financial reporting

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

Risk management

Through its wholly owned subsidiary, Equitable Bank (the Bank), 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 our 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 the Bank's key risks and in determining the policies, practices, controls, and other mechanisms that are best suited to manage these risks.

The yellow tinted sections in the "Credit Risk", "Liquidity and Funding Risk", and "Market Risk" below form an integral part of the 2022 annual consolidated financial statements as they present required IFRS disclosures as set out in IFRS 7 Financial Instruments: Disclosures, which permits cross-referencing between the notes to the financial statements and the MD&A. See Note 4 of the annual consolidated financial statements.

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

Risk management framework

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

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

Equitable Bank's Enterprise Risk Management Framework:

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

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

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

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

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

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

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

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

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

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

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

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

i. Business Unit Leaders are the 'first line', and are primarily accountable for identifying, assessing, managing and reporting risk within their functional areas of responsibility.

ii. The Risk Oversight functions, which include the Finance, Risk and Compliance departments, are accountable for independent oversight of the Business Unit operations from a 'second line' perspective. Given the size and relatively low complexity of the Bank's operations and risk profile, business line management leverages the skills of the 'second line' as subject matter experts to assist in the design of our risk monitoring practices. Due to the inherent expertise embedded in our 'second line', the performance of some traditional 'first line' oversight functions may be undertaken by the 'second line'.

iii. Internal Audit is accountable for independent assurance as the 'third line of defense'.

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

Credit risk

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

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

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

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

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

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

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

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

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

The Bank invests in corporate bonds to diversify its liquidity holdings and to generate higher returns. However, such investments expose the Bank to credit risk, should the issuer of these securities be unable to make timely interest payments or, under a worst-case scenario, if the issuer becomes insolvent. To limit its exposure to credit risk, the Bank establishes policies with exposure limits based on credit rating and investment type. Securities rated BBB- and higher ("low risk") comprised 94% of the Bank's corporate bond portfolio at December 31, 2022 (December 31, 2021 – 100%).

The Bank also invests in preferred shares comprising 53% of the total securities portfolio, to generate returns that meet certain internally acceptable ROE thresholds. These securities also represent a potential source of liquidity for the Bank. However, such investments expose the Bank to credit risk – should the issuer of these securities be unable to make timely dividend payments or, under a worst-case scenario, the issuer becomes insolvent. To limit its exposure to credit risk, the Bank establishes policies with exposure limits based on credit rating and investment type. Securities rated P-2 or higher comprised 17.1% of the Bank's total equity securities portfolio at December 31, 2022, compared to 25% a year earlier. Securities rated P-3 or higher comprised 44% of the total equity securities portfolio at the end of December 2022 (December 31, 2021 – 63%).

The Bank's rating scale for the credit quality of our counterparties is based on both internal and external credit grading systems. Table 26 below maps these grading systems against the categories on the Bank's credit risk exposure ratings scale. It presents the long-term Standard & Poor's equivalent grades for the Bank's cash and cash equivalents, debt and equity securities, and derivative counterparties. Low risk denotes that there is a very low risk of either default or loss, standard risk that there is a low risk of default or loss, and high risk that there is some concern that default or loss could occur.

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

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

Table 26: Credit risk exposure ratings scale

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

We have assessed the credit quality of the Bank's assets at December 31, 2022 and 2021, on the basis of the above mapping of internal and external risk ratings to the credit risk exposure categories. The table below provides the gross carrying amount of all financial assets classified as debt instruments in accordance with IFRS 9, for which a loss allowance is calculated, including contractual amounts of undrawn loan commitments, based on the Bank's credit risk exposure rating scale.

Table 27: Credit quality analysis

($000s)	For the year ended December 31, 2022			
	Stage1	**Stage2**	**Stage3**	**Total**
Loans receivable:				
Low risk	**15,180,145**	**1,495,428**	**-**	**16,675,573**
Standard risk	**21,133,205**	**8,049,427**	**-**	**29,182,632**
High risk	**295,309**	**314,970**	**-**	**610,279**
Impaired	**-**	**-**	**138,513**	**138,513**
Total	**36,608,659**	**9,859,825**	**138,513**	**46,606,997**
Less allowance	**(50,691)**	**(37,768)**	**(6,851)**	**(95,310)**
	36,557,968	**9,822,057**	**131,662**	**46,511,686**

($000s)	For the year ended December 31, 2022			
	Stage1	**Stage2**	**Stage3**	**Total**
Loan commitments:				
Low risk	**1,327,738**	**27,041**	**-**	**1,354,779**
Standard risk	**1,344,033**	**725,438**	**-**	**2,069,471**
High risk	**1,089**	**15,593**	**-**	**16,682**
Total	**2,672,860**	**768,072**	**-**	**3,440,932**
Less allowance	**(1,042)**	**(430)**	**-**	**(1,472)**
	2,671,818	**767,642**	**-**	**3,439,460**

($000s)	For the year ended December 31, 2021			
	Stage1	Stage2	Stage3	Total
Loans receivable:				
Low risk	14,039,396	467,052	-	14,506,448
Standard risk	14,793,929	3,209,307	-	18,003,236
High risk	260,113	88,946	-	349,059
Impaired	-	-	90,968	90,968
Total	29,093,438	3,765,305	90,968	32,949,711
Less allowance	(27,693)	(18,412)	(2,588)	(48,693)
	29,065,745	3,746,893	88,380	32,901,018

($000s)	For the year ended December 31, 2021			
	Stage1	Stage2	Stage3	Total
Loan commitments:				
Low risk	915,085	152	-	915,237
Standard risk	1,260,967	238,301	-	1,499,268
High risk	377	68	-	445
Total	2,176,429	238,521	-	2,414,950
Less allowance	(220)	(36)	-	(256)
	2,176,209	238,485	-	2,414.694

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

Table 28: Credit analysis for financial assets

($000s)	**31-Dec-22**	31-Dec-21
Debt Instruments:		
Loan receivables – FVTPL		
Low risk	**430,253**	167,372
Standard risk	**854**	1,018
Carrying amount	**431,107**	168,390
Investments – FVTPL		
Low risk	**136,921**	128,886
Standard risk	**679**	5,412
High risk	**50,612**	36,661
Carrying amount	**188,212**	170,959
Equity Instruments:		
Equity Securities – FVTPL		
High risk	**21,274**	26,214
Carrying amount	**21,274**	26,214
Equity Securities – FVOCI		
Low risk	**14,400**	26,269
Standard risk	**34,885**	61,497
High risk	**10,883**	4,995
Carrying amount	**60,168**	92,761

Cash and cash equivalents

The Bank held cash and cash equivalents of $495.1 million as at December 31, 2022. The cash and cash equivalents are held with financial institutions that are rated at least A- to AA-, based on S&P ratings.

Collateral held as security

All mortgages are secured by real estate property located in Canada. Appraised values for collateral held against mortgages are obtained at the time of origination and are generally not updated, except when a mortgage is individually assessed as impaired. For impaired mortgages, the most recent appraised value of collateral at December 31, 2022 was $224 million (December 31, 2021 – $104 million). At December 31, 2022, the appraised values of collateral held for mortgages considered past due but not impaired, as determined when the mortgages were originated, was $261 million (December 31, 2021 – $48 million). It is the Bank's policy to pursue the orderly and timely realization of collateral.

Real estate from foreclosures that were owned and held for sale at December 31, 2022 amounted to $0.4million (December 31, 2021 – $0.1 million) and are included in Other assets (Note 14) in the consolidated balance sheet. The Bank does not use the real estate obtained through foreclosure for its own operations.

Leases are secured by first charges against the equipment leased and may include guarantees and other additional charges against other assets such as real estate. Values for the equipment securing leases are typically determined at the origination of the lease and generally not updated, except when a lease is individually assessed as impaired. For impaired leases, the value of expected realizations from charges and against equipment and other security at December 31, 2022 was $9 million (December 31, 2021 – $6 million).

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

The contractual amount outstanding on financial assets that were written off during the year amounted to $3.3 million (December 31, 2021 – $3.5 million). These amounts are still subject to enforcement activity.

Credit concentration risk

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

Management believes that it is adequately diversified by borrower, property type and geography. At December 31, 2022, no individual borrower represented more than $158 million (December 31, 2021 – $145 million) or 0.70% (December 31, 2021 – 0.76%) of uninsured loan principal outstanding. See Tables 7 and 13 of our Q4 2022 unaudited Supplemental Information and Regulatory Disclosures Report for a breakdown of loan principal outstanding by loan type and geography, respectively.

Liquidity and funding risk

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

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

We also adhere to OSFI's Liquidity Adequacy Requirement (LAR) Guideline, which provides the framework within which OSFI assesses whether a federally regulated financial institution maintains adequate liquidity. Our liquidity position and adherence to the requirements are monitored on a daily basis by senior management. Key metrics are also reported monthly to the ALCO and, quarterly, both to the ERM Committee and the RCC of the Board. Any exceptions to established Policy or regulatory limits are reported immediately to the ALCO or to the Board, as applicable. As at December 31, 2022, we were in compliance with all related regulatory requirements.

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

Table 29: Assets held for liquidity protection

($000s, except percentages)	Policy minimum	2022	2021
Liquidity assets held for regulatory purposes		**3,864,444**	2,902,505
Liquidity assets as a % of minimum required policy liquidity[1]	**100%**	**315%**	124%

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

Stress and scenario testing is an integral part of the Bank's Liquidity and Funding Risk Management framework and supports the development of action plans to address funding needs in stressed environments. We manage our funding needs to ensure that we can meet our financial commitments in a timely manner and at reasonable prices, even in times of stress. The Bank's stress-testing models consider scenarios that incorporate institution- specific, market-specific and combination events. These scenarios model cash flows over a one-year period incorporating such factors as a decline in capacity to raise new deposits, lower liquidity values for market investments and an accelerated redemption of notice deposits. To establish these scenarios, we assess our fund-raising capacity and establish assumptions related to the cash flow behavior of each type of asset and liability. In each scenario, the Bank targets to hold sufficient liquid assets and have fundraising capacity sufficient to meet all obligations for at least a three-month forecast period while maintaining normal business activities. As at December 31, 2022, the Bank held sufficient liquid assets and maintained sufficient funding capacity to meet all funding obligations over the one-year forecasting period under all considered scenarios.

We continue to actively diversify our funding sources to proactively manage our funding risk profile. This diversification has been accomplished through the launch of our direct-to-consumer platform, EQ Bank, the addition of several large bank sponsored funding facilities, a deposit note program, and new securitization vehicles. Also, in 2020, the Bank also began to issue deposits from Equitable Trust, a wholly owned subsidiary that is an approved issuer of deposits eligible for CDIC insurance coverage. More recently, the Bank became an issuer of Covered Bonds and accessed the market with an inaugural issuance of a €350 million bond issued to 40 investors from 15 countries across Europe. Total issuance up to December 31, 2022 is €900 million. While this program expands the Bank's suite of funding tools, it also significantly expands the underlying investor base and broadens the geographic distribution of funding.

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

Table 30: Contractual obligations[1]

($000s)					Payments due by period
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Deposits principal and interest	**26,839,168**	**14,926,224**	**9,744,995**	**2,137,104**	**30,845**
Securitization liabilities principal and interest	**24,035,323**	**4,994,866**	**8,949,944**	**5,672,945**	**4,417,568**
Funding facilities principal and interest	**774,356**	**774,356**	**-**	**-**	**-**
Other liabilities	**902,864**	**632,130**	**243,173**	**20,132**	**7,429**
Total 2022 contractual obligations	**52,551,711**	**21,327,576**	**18,938,112**	**7,830,181**	**4,455,842**
Total 2021 contractual obligations	34,791,256	10,674,027	11,738,399	8,274,769	4,104,059

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

See Note 22 to the consolidated financial statements for credit commitments and contingencies as at December 31, 2022 and 2021.

Market risk

Market Risk consists of interest rate risk and equity price risk and is broadly defined as the possibility that changes in either market interest rates or equity prices may have an adverse effect on our profitability or financial condition. Interest rate risk may be affected if an unduly large proportion of our assets or liabilities have unmatched terms, interest rates or other attributes, such as optionality features embedded in our cashable deposits or mortgage commitments. For the interest sensitivity position of the Bank at December 31, 2022, see Note 25 to the consolidated financial statements. With respect to equity price risk, the value of our securities portfolio may be impacted by market determined variables which are beyond our control, such as benchmark yields, credit and/or market spreads, implied volatilities, the possibility of credit migrationand default, among others. Overall, we have a 'low' appetite for market risk.

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

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

The table below illustrates the results of management's sensitivity modeling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest-rate changes on EVE and NII during the month period following December 31, 2022. The estimate of sensitivity to interest rate changes is dependent on several assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 31: 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	**13,317**	**(14,294)**
Impact on EVE	**(42,677)**	**1,852**
EVE impact as a % of common shareholders' equity	**(1.5%)**	**0.1%**
200 basis point shift		
Impact on net interest income	**26,738**	**(26,117)**
Impact on EVE	**(85,181)**	**(5,203)**
EVE impact as a % of common shareholders' equity	**(3.0%)**	**(0.2%)**

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

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

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

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

Operational risk

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

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

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

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

- **Business Continuity Management:** The Bank maintains a robust Business Continuity Management program, which includes a 'Crisis Management Plan' – to ensure that we have the capability to sustain, manage and recover critical operations and processes in the event of a business disruption, thereby minimizing any adverse effects on our customers, partners, and other stakeholders. Our Business Continuity Management Program is comprised of various plans (i.e., Crisis Management Plan, Business Continuity Plans, Disaster Recovery Plan and our Comprehensive Recovery Plan) to ensure the ability to operate as a going concern in the event of a severe business disruption. All key business units within the organization are required to maintain, and regularly test and review, their business continuity plans.
- **Enterprise Change Management:** Effective change management is key to successful implementation and execution of our business strategies and objectives. The Bank is committed to effective management of changes through use of established controls and processes that consider the materiality and risk of each change before it is undertaken. Our change management practices involve assessment of change materiality, and appropriate engagement of key stakeholders and support areas. All material changes are subject to a comprehensive assessment of impact to the Bank's core risks to ensure appropriate identification and mitigation of risks. In addition, all material changes are subject to a more detailed assessment of operational risks to ensure appropriate identification and mitigation of risks as part of the project management, implementation plans, post implementation activities, and operational execution.
- **Fraud:** The Bank maintains a robust control framework designed to manage the risks relatedto misrepresentation and fraudulent activities across the Bank.

  Our approach to fraud risk management has been to:

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

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

  Centrally, and operating as a 2nd line centre of excellence in conjunction with our Compliance and AML teams, we operate a Central Fraud team to provide independent oversight of 1st line activities, expert assistance in detection, the development and delivery of training, as well as policy development and Quality Assurance. Our Internal Audit team provides 3rd line oversight of fraud prevention activities. The 2nd and 3rd lines provide independent reporting to committees of the Board on a regular basis.
- **Model Risk:** We define Model risk as the potentialfor adverse consequences arising from decisions based on incorrect or misused models and their outputs. It can lead to financial loss, reputational risk, or incorrect business and strategic decisions. Model Risk is viewed by the Bank as a key component of 'Operational risk'.

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

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

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

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

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

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

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

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

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

- **Data Management and Privacy Risk:** The use and management of data and its governance are becoming increasingly important as we continue to invest in digital solutions and innovation, the move of our core banking system to the cloud and the ongoing expansion of business activities. There are regulatory compliance risks associated with data management and privacy as well, which form part of the Bank's Regulatory Compliance Management Program as discussed in the *Legal and Regulatory Risk* section below. We have established a dedicated Enterprise Data Management team to ensure we effectively address current and future data needs (quality, security, integrity), and that we are positioned to address emerging requirements from a data management planning and governance perspective.

- **Environmental and Climate Risk:** Environmental risk is the possibility of loss of strategic, financial, operational, or reputational value resulting from the impact of environmental issues or concerns, including climate change, and related social risk. These risks are categorized by the industry as either: physical risks, including risks arising from a changing climate leading to the potentially increased frequency of climate-related natural disasters; or transition risks, those that result from the transition to a low-carbon economy. Transition risks are broader, and could surface for the Bank in the form of emerging regulatory and legal requirements, disruptions to its operations and services, as well as through its customers themselves. To manage this risk, we evaluate environmental factors as part of our underwriting process. We consider the environmental risk associated with Single Family residential lending to be low so do not conduct environmental assessments for each of those loans. For most of our commercial loan portfolio, we employ third-party consultants to carry out detailed environmental assessments. We also maintain a diversified lending portfolio, which improves our resilience to geographic or sectoral specific environmental developments or events. The Bank is committed to measuring, managing, and reducing its environmental footprint. The Bank is a regular participant in disclosing its climate change related information to CDP (formerly known as Carbon Disclosure Project) and has done so in 2021 and 2022.

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

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

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

- **Operational risk loss events**

  The Bank has a process and procedures in place for monitoring and reporting operational losses as well as near miss events. A near miss is an event that otherwise meets the definition of an operational loss event, but for which no financial loss has been incurred, not because of effective control but because of fortuitous circumstances. Our established processes include completing root cause analysis and action plans for loss and near miss events within defined thresholds. This helps ensure that actions are taken to mitigate future recurrence and potential negative impacts to financial, regulatory compliance, or to the image/ reputation of the bank. During 2022, we did not experience any material operational risk loss events.

Legal and regulatory risk

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

In accordance with our Board-approved RAF, we have a 'low' appetite and a 'low' tolerance for legal and regulatory risk. We undertake reasonable and prudent measures designed to achieve compliance with governing laws and regulations; this includes the Bank's Regulatory Compliance Management (RCM) Program – which is designed to identify and manage our continuously evolving legal and regulatory requirements. We also undertake reasonable and prudent measures designed to achieve compliance with governing laws and regulations and promote a strong culture of compliance management across the organization. The Bank's business units are engaged in the identification and proactive management of our legal and regulatory risks, while the Compliance, Legal, Anti-Money Laundering and Risk Management teams assist them by providing ongoing guidance and oversight. Management of these risks also includes the timely escalation of issues to senior management and to the Board.

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

Business and strategic risk

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

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

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

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

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

Reputational risk

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

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

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 shareholders' equity (reported 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.
- **Total shareholder return (TSR):** is defined as total return of stock to an investor including stock appreciation and dividends.

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

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

Non-GAAP measures

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

Adjusted results

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

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

Other non-GAAP financial measures and ratios

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

($000s)	**31-Dec-22**	31-Dec-21	Change	31-Dec-20	Change
Total assets on the consolidated balance sheet	**51,144,957**	36,159,070	41%	30,746,318	66%
Loan principal derecognized	**10,424,114**	5,860,830	78%	5,189,264	101%
Assets under management	**61,569,071**	42,019,900	47%	35,935,582	71%

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

($000s)	31-Dec-22	31-Dec-21	Change	31-Dec-20	Change
Alternative single-family mortgages	**19,227,589**	14,392,904	34%	11,050,456	74%
Reverse mortgages	**863,708**	247,363	249%	58,246	1,383%
Insurance lending	**88,242**	49,142	80%	26,732	230%
Consumer lending	**891,656**	-	N/A	-	N/A
Total Conventional loans – Personal	**21,071,195**	14,689,409	43%	11,135,434	89%
Business Enterprise Solutions	**1,327,917**	1,086,826	22%	936,363	42%
Commercial Finance Group	**5,630,603**	3,942,836	43%	3,239,959	74%
Specialized finance	**981,246**	645,588	52%	290,191	238%
Equipment financing	**1,262,584**	732,682	72%	558,987	126%
Total Conventional loans – Commercial	**9,202,350**	6,407,932	44%	5,025,500	83%
Total Conventional loans	**30,273,545**	21,097,341	43%	16,160,934	87%

- **Liquid assets:** is a measure of EQB's cash or assets that can be readily converted into cash, which are held for the purposes of funding loans, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 15 of this MD&A.

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

- **Net interest margin (NIM):** this profitability measure is calculated on an annualized basis by dividing net interest income by the average total interest earning assets for the period. A detailed calculation can be found in Table 2 and 18 of this MD&A.

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

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Management's responsibility for financial reporting

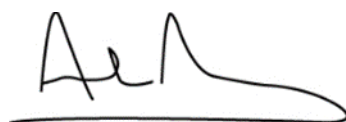
The Consolidated Financial Statements of EQB Inc., (EQB), are prepared by management, which is responsible for the integrity and fairness of the information presented. The information provided herein, in the opinion of management, has been prepared, within reasonable limits of materiality, using appropriate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

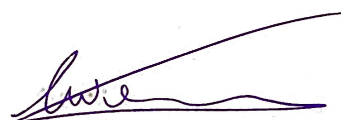
Management maintains and monitors a system of internal controls to meet its responsibility for the integrity of the Consolidated Financial Statements. These controls are designed to provide reasonable assurance that EQB's consolidated assets are safeguarded, that transactions are executed in accordance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

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

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

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





Andrew Moor
President and Chief Executive Officer

February 16, 2023

Chadwick Westlake
Chief Financial Officer

Independent auditors' report

To the Shareholders of EQB Inc.

Opinion

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

- the consolidated balance sheets as at December 31, 2022 and December 31, 2021
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor’s report.

Assessment of the allowance for credit losses for loans

Description of the matter

We draw your attention to Notes 2(d), 3(a)(ii) and 10(d) to the financial statements. The Entity's allowance for credit losses (ACL) for loans is $96,782 thousand. The Entity's ACL is estimated using statistical models that involve a number of inputs and assumptions. ACL is calculated using an expected credit loss (ECL) model which measures the credit losses using a three-stage approach based on the extent of credit deterioration of the financial assets since initial recognition. Probability of default (PD) and loss given default (LGD) are inputs used to estimate ECL and are modelled using forward-looking macroeconomic variables that are closely related with credit losses in the relevant portfolios, and are probability weighted using five macroeconomic scenarios.

Management exercises significant judgment in determining:

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

In addition, as a result of geo-political unrest, the current interest rate environment, and inflationary pressures, the economic environment experienced significant volatility and uncertainty. This had a direct impact on forward-looking macroeconomic variables, probability weights and overlays.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

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

Evaluation of the acquisition date fair values of loans, deposits, and core deposit intangible assets

Description of the matter

We draw attention to Notes 2(d), 3(h) and 5 to the financial statements. On November 1, 2022, the Entity completed the acquisition of Concentra Bank (the “Acquisition”) and recognized loans of $8,615 million, deposits of $6,700 million, and core deposit intangible assets (“CDI”) as part of intangible assets of $23 million. As indicated in Note 5, the estimated fair value of assets acquired and liabilities assumed may be refined as the Entity completes its valuation.

The acquisition-date fair values of loans and deposits were determined based on a discounted cash flow approach. The determination of the acquisition-date fair values of loans and deposits required the Entity to make significant assumptions regarding liquidation rates, prepayment rates, and repricing adjustments, including credit spreads for loans. The acquisition-date fair value of CDI was based on a differential income approach. The determination of the acquisition-date fair value of CDI required the Entity to make significant assumptions regarding cash flow discount rates and the deposit spread, being the difference between the cost of funds for the acquired deposits and the cost of funds from alternative sources.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair values of loans, deposits, and CDI related to the Acquisition as a key audit matter. This matter required significant auditor judgment due to the high degree of subjectivity and estimation uncertainty in the assumptions used to determine the fair values of loans, deposits, and CDI. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating:

- the liquidation rates and prepayment rates used to value loans.
- the repricing adjustments used to discount cash flows and value loans and deposits.
- the cash flow discount rates used to value CDI by comparing to rates that were independently developed using publicly available data.

We evaluated the credit spreads of loans by assessing the Entity’s assigned credit risk ratings for a selection of loans against the borrower risk rating scale.

We compared the deposit spread applied to historical and publicly available data.

Other Information

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

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

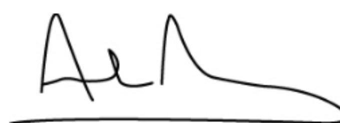
The engagement partner on the audit resulting in this auditor's report is Steven Watts.

Toronto, Canada

February 16, 2023

Consolidated balance sheet

($000s) As at December 31	Note	**2022**	2021
Assets			
Cash and cash equivalents	7	**495,106**	773,251
Restricted cash	7	**737,656**	462,164
Securities purchased under reverse repurchase agreements	8	**200,432**	550,030
Investments	9	**2,289,618**	1,033,438
Loans – Personal	10,11	**31,996,950**	22,421,603
Loans – Commercial	10,11	**14,513,265**	10,479,159
Securitization retained interests	11	**373,455**	207,889
Other assets	14	**538,475**	231,536
		51,144,957	36,159,070
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits	15	**31,051,813**	20,856,383
Securitization liabilities	11	**15,023,627**	11,375,020
Obligations under repurchase agreements	11	**665,307**	1,376,763
Deferred tax liabilities	16	**72,675**	63,141
Funding facilities	17	**1,239,704**	200,128
Other liabilities	18	**556,876**	335,001
		48,610,002	34,206,436
Shareholders' Equity:			
Preferred shares		**181,411**	70,607
Common shares		**462,561**	230,160
Contributed surplus	19	**11,445**	8,693
Retained earnings	19	**1,870,100**	1,650,757
Accumulated other comprehensive loss	20	**9,438**	(7,583)
		2,534,955	1,952,634
		51,144,957	36,159,070



David LeGresley
Chair of the Board

Andrew Moor
President and Chief Executive Officer

See accompanying notes to the Consolidated Financial Statements.

Consolidated statement of income

($000s, except per share amounts) Years ended December 31	Note	**2022**	2021
Interest income:			
Loans – Personal		**917,708**	660,945
Loans – Commercial		**640,293**	422,392
Investments		**21,337**	14,437
Other		**36,893**	9,546
		1,616,231	1,107,320
Interest expense:			
Deposits		**578,998**	307,684
Securitization liabilities	11	**260,761**	214,535
Funding facilities		**19,979**	901
Other		**23,088**	1,591
		882,826	524,711
Net interest income		**733,405**	582,609
Non-interest income:			
Fees and other income		**31,055**	22,157
Net (loss) gain on loans and investments		**(25,689)**	16,358
Gains on securitization activities and income from securitization retained interests	11	**43,415**	21,783
		48,781	60,298
Revenue		**782,186**	642,907
Provision for credit losses (recoveries)	10	**37,258**	(7,674)
Revenue after provision for credit losses		**744,928**	650,581
Non-interest expenses:			
Compensation and benefits		**183,605**	128,965
Other	26	**192,866**	131,211
		376,471	260,176
Income before income taxes		**368,457**	390,405
Income taxes:	16		
Current		**84,903**	95,562
Deferred		**13,373**	2,313
		98,276	97,875
Net income		**270,181**	292,530
Dividends on preferred shares		**5,566**	4,413
Net income available to common shareholders		**264,615**	288,117
Earnings per share:	21		
Basic		**7.63**	8.49
Diluted		**7.55**	8.36

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

($000s) Years ended December 31	Note	**2022**	2021
Net income		**270,181**	292,530
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		**(1,010)**	-
Net unrealized losses from change in fair value		**(33,678)**	(6,585)
Reclassification of net losses to income		**10,315**	929
Other comprehensive income – items that will not be reclassified subsequently to income			
Equity instruments designated at Fair Value through Other Comprehensive Income:			
Reclassification of gains from AOCI on sale of investment		**604**	-
Net unrealized (losses) gains from change in fair value		**(13,156)**	20,244
Reclassification of net losses (gains) to retained earnings		**3,843**	(13)
		(33,082)	14,575
Income tax recovery (expense)		**9,033**	(3,829)
		(24,049)	10,746
Cash flow hedges:	12		
Net unrealized gains from change in fair value		**53,926**	27,031
Reclassification of net losses to income		**2,103**	941
		56,029	27,972
Income tax expense		**(14,693)**	(7,349)
		41,336	20,623
Total other comprehensive income		**17,287**	31,369
Total comprehensive income		**287,468**	323,899

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

($000s)								2022
					Accumulated other comprehensive income (loss)			
	Preferred shares	Common shares	Contributed surplus	Retained earnings	Cashflow hedges	Financial instruments at FVOCI	Total	Total
Balance, beginning of year	70,607	230,160	8,693	1,650,757	680	(8,263)	(7,583)	1,952,634
Net income	-	-	-	270,181	-	-	-	270,181
Realized losses on sale of shares	-	-	-	(2,839)	-	-	-	(2,839)
Transfer of AOCI losses to retained earnings	-	-	-	-	-	(299)	(299)	(299)
Investment elimination on acquisition	-	-	-	-	-	33	33	33
Other comprehensive income, net of tax	-	-	-	-	41,336	(24,049)	17,287	17,287
Common shares issued	-	223,112	-	-	-	-	-	223,112
Exercise of stock options	-	9,274	-	-	-	-	-	9,274
Purchase of treasury preferred shares	(183)	-	-	-	-	-	-	(183)
Net loss on cancellation of treasury preferred shares	-	-	-	(6)	-	-	-	(6)
Dividend payout from principal	-	(655)	-	-	-	-	-	(655)
Dividends:								
Preferred shares	-	-	-	(5,566)	-	-	-	(5,566)
Common shares	-	-	-	(42,427)	-	-	-	(42,427)
Stock-based compensation	-	-	3,422	-	-	-	-	3,422
Transfer relating to the exercise of stock options	-	670	(670)	-	-	-	-	-
Shares on acquisition	110,987	-	-	-	-	-	-	110,987
Balance, end of year	181,411	462,561	11,445	1,870,100	42,016	(32,578)	9,438	2,534,955

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

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

($000s) Years ended December 31	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**270,181**	292,530
Adjustments for non-cash items in net income:		
Financial instruments at fair value through profit or loss	**(10,816)**	(10,608)
Amortization of premiums/discount on investments	**1,215**	190
Amortization of capital assets and intangible costs	**46,870**	32,672
Provision for credit losses	**37,258**	(7,674)
Securitization gains	**(22,418)**	(18,192)
Stock-based compensation	**3,422**	2,539
Income taxes	**98,276**	97,875
Securitization retained interests	**53,834**	45,257
Changes in operating assets and liabilities:		
Restricted cash	**(193,620)**	41,875
Securities purchased under reverse repurchase agreements	**349,598**	(99,827)
Loans receivable, net of securitizations	**(5,061,011)**	(4,712,973)
Other assets	**168,660**	4,957
Deposits	**3,702,998**	4,287,128
Securitization liabilities	**925,452**	(616,502)
Obligations under repurchase agreements	**(711,456)**	1,124,886
Funding facilities	**685,469**	200,128
Other liabilities	**(157,502)**	82,498
Income taxes paid	**(156,525)**	(53,501)
Cash flows from operating activities	**29,885**	693,258
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**231,731**	10,056
Term loan facility	**275,000**	-
Dividends paid on preferred shares	**(5,566)**	(4,413)
Dividends paid on common shares	**(42,427)**	(25,147)
Cash flows from (used in) financing activities	**458,738**	(19,504)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(585,721)**	(941,944)
Investment in subsidiary	**(495,369)**	-
Proceeds from sale or redemption of investments	**559,680**	562,039
Net change in Canada Housing Trust re-investment accounts	**(168,787)**	(39,767)
Purchase of capital assets and system development costs	**(76,571)**	(38,574)
Cash flows used in investing activities	**(766,768)**	(458,246)
Net (decrease) increase in cash and cash equivalents	**(278,145)**	215,508
Cash and cash equivalents, beginning of year	**773,251**	557,743
Cash and cash equivalents, end of year	**495,106**	773,251
Cash flows from operating activities include:		
Interest received	**1,437,499**	1,026,279
Interest paid	**(560,656)**	(518,080)
Dividends received	**4,074**	21,372

See accompanying notes to the Consolidated Financial Statements.

Notes to consolidated financial statements

($000s, except per share amounts)

Note 1 – Reporting Entity

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

Note 2 – Basis of Preparation

(a) Statement of compliance

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

EQB has 100% ownership interest in Equitable Bank, Equitable Trust Co., Concentra Bank, Concentra Trust, Bennington Financial Services, EQB Covered Bond (Legislative) GP Inc., and EQB Covered Bond (Legislative) Guarantor Limited Partnership. All these subsidiaries have been consolidated in these financial statements as at December 31, 2022.

The Consolidated Financial Statements were authorized for issue by EQB's Board of Directors on February 16, 2023.

(b) Basis of measurement

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

(c) Functional currency

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

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

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

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

periods.

Allowance for credit losses under IFRS 9

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

As a result of the geo-political unrest, the current interest rate environment, and inflationary pressures, the macroeconomic environment has experienced significant volatility and uncertainty. This has resulted in a direct impact on the forward-looking macroeconomic variables which management uses as part of its underlying assumptions for calculating ECL. Management has used the latest forward-looking macroeconomic variables provided by Moody's Analytics economic forecasting services for calculating ECL. Please refer to note 10(e).

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

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

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

(e) Consolidation

The Consolidated Financial Statements as at and for the twelve months ended December 31, 2022 and December 31, 2021 include the assets, liabilities and results of operations of EQB and its subsidiaries, after the elimination of intercompany transactions and balances. EQB has control over its subsidiaries as it is exposed to and has rights to variable returns from its involvement with the subsidiaries and it has the ability to affect those returns through its power over their relevant activities.

Note 3 – Significant Accounting Policies

The following note describes EQB's significant accounting policies. These accounting policies have been applied consistently to all periods presented in these Consolidated Financial Statements.

(a) Financial instruments

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

Financial assets include cash and cash equivalents, restricted cash, securities purchased under reverse repurchase agreements, investments, loans receivable – personal, loans receivable – commercial, securitization

retained interests and derivative financial instruments. Financial liabilities include deposits, securitization liabilities, obligations under repurchase agreements accounts payable, bank facilities and derivative financial instruments.

(i) Classification and measurement of financial instruments

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

i. Debt Instruments

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

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

Business model assessment

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

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

Cash flow characteristics assessment

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

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

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

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

Debt instruments measured at AMC

Debt instruments are measured at AMC using the effective interest rate method, if they are held within a business model whose objective is to hold the financial asset for collecting contractual cash flows where those cash flows

represent SPPI. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

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

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

Debt instruments measured at FVOCI

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

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

Debt instruments measured at FVTPL

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

ii. Equity instruments

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

iii. Financial assets and liabilities designated at FVTPL

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

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

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

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

iv. Financial liabilities

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

(ii) Impairment

Scope

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

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

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

ECL model

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

Measurement of ECL

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

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

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

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

Forward-looking macroeconomic variables

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

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

Multiple forward-looking macroeconomic scenarios

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

Assessment of significant increase in credit risk

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

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

Modified financial assets

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

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the modification is substantial. If the modification is substantial, the original asset is derecognized and a new asset is recognized at fair value. The new financial asset is generally recorded in

Stage 1, unless it is determined to be credit-impaired at the time of the renegotiation. Where the modification does not result in derecognition, the date of the origination continues to be used to determine the significant increase in credit risk.

Definition of default

EQB considers a financial instrument to be in default when:

- the borrower is unlikely to pay its credit obligations to EQB in full, without recourse by EQB to actions such as realizing collateral (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to EQB, except for certain credit card balances for which the default occurs when the payments are 180 days past due.

EQB classifies a loan receivable as impaired when, in the opinion of management, there is reasonable doubt as to the timely collectability, either in whole or in part, of principal or interest, or the loan is past due 90 days, or 180 days for credit cards.

(iii) Determination of fair value of financial instruments

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

Subsequent to initial recognition, for financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices for financial liabilities. For those financial instruments measured at fair value where an active market is not available, fair value estimates are determined using valuation methods which maximize use of observable market data and include discounted cash flow analysis and other commonly used valuation techniques. See Note 6 for the valuation methods and assumptions used to estimate fair values of financial instruments.

(iv) Derecognition of financial instruments Financial assets

EQB derecognizes a financial asset when:

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

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

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

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

specifically identified cash flow from the asset.

Financial liabilities

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

(v) Offsetting

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

(b) Investments

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

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

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

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

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

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

(c) Loans receivable

Loans receivable measured at amortized cost

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

Loans receivable measured as at FVTPL

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

(d) Cash and cash equivalents

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

(e) Securities purchased under reverse repurchase agreements

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

(f) Securitizations

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

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

Securitized loans and securitization liabilities

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

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

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

Securitization retained interest and servicing liability

In certain securitization transactions that qualify for derecognition, EQB has a continuing involvement in the

securitized asset that is limited to retained rights in future excess interest and the liability associated with servicing these assets. Under IFRS 9, the securitization retained interest is classified as AMC. The servicing liability is reported as part of Other liabilities. During the life of the securitization, as cash is received, and servicing fees are paid, the retained interests and the servicing liability are amortized and recognized in the Consolidated Statement of income under Gains on securitization activities and income from securitization retained interests.

Gains on securitization

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

(g) Purchased loans

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

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

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

(h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Goodwill represents the excess purchase price paid over the fair value of identifiable assets acquired and liabilities assumed in a business combination on the date of acquisition.

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

(i) Foreign currency translation

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

(j) Derivative financial instruments

EQB uses derivative financial instruments primarily to manage exposure to interest rate risk.
Derivative instruments that are typically used are interest rate swaps, and bond forwards, and total return swaps, in addition to cross currency swaps discussed previously. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the maturity characteristics of existing assets and liabilities. Bond forwards are used to hedge interest rate exposures resulting from changes in interest rates between the time EQB commits to

funding a loan it intends to securitize through the MBS and CMB program, and the date of securitization. Total return swaps are used to hedge the risk of changes in future cash flows related to EQB's Restricted share unit (RSU) and Deferred share unit (DSU) plan. EQB also uses total return swaps to hedge the reinvestment risk between the amortizing MBS and the bullet CMB related to its CMB activities.

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

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

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

Cash flow hedges

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

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

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

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

EQB also uses TRSs to hedge the risk of changes in future cash flows related to its DSU plan and EQB has not applied hedge accounting to these derivative instruments. The value of the DSU is linked to the price of EQB's common shares over the period the TRS is in effect. The fair value of the TRS is included in Other assets and/or

Other liabilities in the Consolidated Balance sheet and changes in fair value of these TRSs being recorded in Non-interest expense – Compensation and benefits in the Consolidated Statement of income for the period in which the changes occur.

Fair value hedges

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

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

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

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

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

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

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

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

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

(k) Leases

As a Lessor:

Identification of a lease

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

Recognition

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

Subsequent measurement

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

As a Lessee:

Identification of a lease

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

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

Recognition

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

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

Subsequent measurement

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

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

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

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

Short-term leases and leases of low-value assets

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

(l) Compensation plans

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

(i) Short-term employee benefits

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

(ii) Deferred profit sharing plan (DPSP)

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

(iii) Stock-based compensation

Stock option plan

EQB has a stock option plan for eligible employees. Under this plan, options are periodically awarded to

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

Restricted share unit (RSU) plan

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

Deferred share unit (DSU) plan

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

Employee stock purchase (ESP) plan

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

(m) Income taxes

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

EQB follows the asset and liability method of accounting for income taxes. Under the asset and liability method,

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

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

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

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

(n) Capital assets

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

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

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

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

(o) Intangible assets

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

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

(p) Deposits

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

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

(q) Covered bond

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

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

(r) Obligations under repurchase agreements

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

(s) Funding facilities

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

(t) Securitized leases

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

(u) Share capital Issuance costs

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

Treasury preferred shares

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

(v) Earnings per share

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

(w) Interest

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

(x) Fees

Non-interest income includes some ancillary fees related to the administration and servicing of loan portfolios, transaction fees, syndication and servicing fees, trustee administration fees, and advisory support, plan administration and service fees to credit unions. These fees are measured based on the consideration specified in the agreements with customers and are accrued and recognized as the related services are rendered.

(y) Provisions

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

(z) Write-off

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

Future Changes in Accounting Policies

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

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

Note 4 – Risk Management

EQB, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results, which may also influence an investor to buy, sell or hold shares in EQB. Many of these risk factors are beyond EQB's direct control. The use of financial instruments exposes EQB to credit risk, liquidity risk, and market risk. Our risk management practices and key measures for these risks have been included in the Risk Management section of EQB's Management's Discussion and Analysis and where these risks are related to financial instruments, they have been included in a yellow tint.

Note 5 – Business Combination

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

EQB paid $495,369 in purchase consideration for the acquisition and recognized goodwill of $40,651. The purchase price was financed through a combination of new equity issuance of $230,000 via the subscription receipts and $275,000 draw down from an unsecured Term Loan facility from a consortium of Schedule I banks (refer to note 17). The purchase price consideration is subject to final closing purchase price adjustments. The purchase price allocation may be refined as EQB completes its valuation of the fair value of assets acquired and liabilities assumed. The following table presents the estimated fair values of the assets and liabilities acquired as of the date of acquisition:

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

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

Loans – Personal and Commercial comprises gross amounts of $8,885,392, all of which are expected to be collectible at the acquisition date.

Transaction costs of $20,662 and restructuring costs of $31,973 relating to the acquisition were expensed and are included in non-interest expenses. The attributable share issuance costs of $9,716 have been charged directly to equity.

From the date of acquisition on November 1, 2022 to December 31, 2022, Concentra Bank has contributed $26,416 of revenues and $35,432 to loss before tax of the group. If the combination had taken place on January 1, 2022, management estimates that the revenue for the year for the group would have been $937,577 and profit before tax would have been $424,267.

Note 6 – Financial Instruments

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

(a) Valuation methods and assumptions

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

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

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

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

(ii) Financial instruments classified as at FVOCI and FVTPL

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

(iii) Loans receivable

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

(iv) Deposits

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

(v) Securitization liabilities

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

(vi) Derivatives

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

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

($000s)						December 31, 2022
	FVTPL – Mandatorily	FVOCI – Debt instruments	FVOCI – Equity instruments	Amortized cost	Total carrying value	Fair value
Financial assets:						
Cash and cash equivalents	-	-	-	495,106	495,106	495,106
Restricted cash	-	-	-	737,656	737,656	737,656
Securities purchased under reverse repurchase agreements	-	-	-	200,432	200,432	200,432
Investments	209,486	1,781,445	60,168	238,519	2,289,618	2,287,200
Loans – Personal	-	-	-	31,996,950	31,996,950	31,386,026
Loans – Commercial[1]	431,107	-	-	12,886,125	13,317,232	13,116,633
Securitization retained interests	-	-	-	373,455	373,455	364,806
Other assets:						
Derivative financial instruments[2]:						
Interest rate swaps	166,601	-	-	-	166,601	166,601
Cross-currency interest rate swaps	38,982	-	-	-	38,982	38,982
Total return swaps	14,513	-	-	-	14,513	14,513
Bond forwards	9,579	-	-	-	9,579	9,579
Foreign exchange forwards	5,744	-	-	-	5,744	5,744
Other	-	-	-	27,542	27,542	27,542
Total financial assets	876,012	1,781,445	60,168	46,955,785	49,673,410	48,850,820
Financial liabilities:						
Deposits	-	-	-	31,051,813	31,051,813	30,742,559
Securitization liabilities	-	-	-	15,023,627	15,023,627	14,546,013
Obligations under repurchase agreements	-	-	-	665,307	665,307	665,064
Other liabilities:						
Derivative financial instruments[2]:						
Interest rate swaps	161,623	-	-	-	161,623	161,623
Cross-currency interest rate swaps	48,514	-	-	-	48,514	48,514
Total return swaps	7,267	-	-	-	7,267	7,267
Bond forwards	258	-	-	-	258	258
Foreign exchange forwards	2,157	-	-	-	2,157	2,157
Loan commitments	935	-	-	-	935	935
Funding facilities	-	-	-	1,247,010	1,247,010	1,247,008
Other	-	-	-	334,458	334,458	333,458
Total financial liabilities	220,754	-	-	48,322,215	48,542,969	47,755,855

(1) Loans – Commercial does not include $1,196,033 (December 31, 2021 - $716,651) of equipment financing, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

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

(1) Loans - Commercial does not include $1,196,033 (December 31, 2021 - $716,651) of equipment financing, as these are specifically excluded for classification and measurement under IFRS 9. (2) Derivative financial instruments are non-trading, and include derivatives held in hedge accounting relationships.

(b) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated Balance sheet 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 foridentical 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 assetor liability.

Level 3: valuation techniques with significant unobservable market inputs.

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

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

($000s) **December 31, 2022**	**Level 1**	**Level 2**	**Level 3**	**Total financial assets/financial liabilities at fair value**
Financial assets:				
Investments	**1,200,491**	**1,025,210**	**61,499**	**2,287,200**
Loans – Personal	**-**	**-**	**31,386,026**	**31,386,026**
Loans – Commercial	**-**	**431,107**	**12,685,526**	**13,116,633**
Securitization retained interests	**-**	**364,806**	**-**	**364,806**
Other assets:				
Derivative financial instruments[1]:				
Interest rate swaps	**-**	**166,601**	**-**	**166,601**
Cross currency interest rate swaps	**-**	**38,982**	**-**	**38,982**
Total return swaps	**-**	**-**	**14,513**	**14,513**
Bond forwards	**-**	**9,579**	**-**	**9,579**
Foreign exchange forwards	**-**	**5,744**	**-**	**5,744**
Other	**-**	**27,542**	**-**	**27,542**
Total financial assets	**1,200,491**	**2,069,571**	**44,147,564**	**47,417,626**
Financial liabilities:				
Deposits	**-**	**30,742,559**	**-**	**30,742,559**
Securitization liabilities	**-**	**12,375,544**	**2,170,469**	**14,546,013**
Other liabilities:				
Derivative financial instruments[1]:				
Interest rate swaps	**-**	**161,623**	**-**	**161,623**
Cross-currency interest rate swaps	**-**	**48,514**	**-**	**48,514**
Total return swaps	**-**	**2,670**	**4,597**	**7,267**
Bond forwards	**-**	**258**	**-**	**258**
Foreign exchange forwards	**-**	**2,157**	**-**	**2,157**
Loan commitments	**-**	**-**	**935**	**935**
Funding facilities	**-**	**1,247,008**	**-**	**1,247,008**
Other	**-**	**334,458**	**-**	**334,458**
Total financial liabilities	**-**	**44,914,791**	**2,176,001**	**47,090,792**

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

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

Note 7 – Cash and Cash Equivalents and Restricted Cash

($000s)	**December 31, 2022**	December 31, 2021
Deposits with regulated financial institutions	**495,106**	773,251
Cash and cash equivalents	**495,106**	773,251
Restricted cash – securitization	**488,165**	347,632
Restricted cash – interest rate swaps	**132,926**	22,650
Restricted cash – other programs	**116,565**	91,882
Restricted cash	**737,656**	462,164

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

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

Restricted cash – other programs represent deposits held as collateral in connection with EQB's Home Equity line of credit, servicing business, deposit and covered bond programs. These balances may be drawn upon only in the event of insufficient cashflows from the underlying programs. These balances also include deposits held in trust by third party originators for the use in funding loans on EQB's behalf, and may be drawn upon only in the event that the related origination and servicing agreements are terminated.

Note 8 – Securities Purchased Under Reverse Repurchase Agreements

As at December 31, 2022, the fair value of financial assets accepted as collateral that EQB is permitted to sell or repledge in the absence of default is $199,249 (December 31, 2021 – $551,426). EQB is obliged to return equivalent securities at the repurchase date, and EQB did not sell or repledge any of the collateralas at the year ended December 31, 2022.

Note 9 – Investments

Carrying value of investments is as follows:

($000s)	**December 31, 2022**	December 31, 2021
Equity securities measured at FVOCI	**60,168**	92,761
Equity securities measured at FVTPL	**21,274**	26,214
Debt securities measured at FVOCI	**1,781,445**	577,532
Debt securities measured at FVTPL	**188,212**	170,959
Debt securities measured at AMC	**238,519**	165,972
	2,289,618	1,033,438

EQB has elected to designate certain Equity securities to be measured at FVOCI as these investments are expected to be held for the long term. For the year ended December 31, 2022, EQB earned dividends of $3,335 (2021 − $4,293) on these Equity securities. During the year, EQB sold/redeemed Equity securities of $28,437 (2021 − $14,722) and recognized a loss on sale of $3,843 (2021 – gain on sale of $13) in Retained earnings.

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

($000s)	**2022**	2021
Equity securities measured at FVOCI	**(8,709)**	20,231
Equity securities measured at FVTPL	**(26,112)**	(5,647)
Debt securities measured at FVOCI	**28,364**	(5,656)
Debt securities measured at FVTPL	**(15,607)**	6,646

Note 10 – Loans Receivable

(a) Loans receivable

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

($000s)						December 31, 2021
	Gross amount	Allowance for credit losses				
		Stage 1	Stage 2	Stage 3	Total	Net amount
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

Loans – Personal include certain uninsured residential loans with a carrying value of $1,576,832 (December 31, 2021 - $723,500) that have been sold but are not derecognized. EQB issues Euro denominated covered bonds in Europe by securitizing uninsured residential loans on properties in Canada. These uninsured residential loans are sold and held in a separate guarantor entity i.e. EQB Covered Bond (Legislative) Guarantor Limited Partnership (Guarantor LP), established by EQB exclusively for the Covered Bonds Program (the Program). The legal title on the uninsured residential loans that are secured under the Program are held by the Guarantor LP. The residential loans sold to the Guarantor LP under the Program do not qualify for derecognition as EQB continues to be exposed to substantially all of the risks and rewards associated with the transferred assets and retains control of the assets. A key risk associated with transferred loans to which EQB remains exposed after the transfer in the Program is the risk of prepayment. As a result, the loans continue to be recognized on EQB's Consolidated Balance sheet at amortized cost and are accounted for as collateral for the secured funding arrangement, with the corresponding liability presented under Deposits.

Loans – Commercial include certain loans measured at FVTPL with changes in fair value included in gains on securitization activities and income from securitization retained interests. As at December 31, 2022, the carrying value of these loans was $430,253 (December 31, 2021 – $167,372) and included fair value adjustment of ($2,555) (December 31, 2021 – $1,915).

Loans – Commercial also include certain loans measured at FVTPL with changes in fair value included in Non-interest income in the Consolidated Statement of income. As at December 31, 2022, the carrying amount of these loans was $854 (December 31, 2021 – $1,018) and included fair value adjustment of ($81) (December31, 2021 – ($19)).

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

($000s)	**2022**	2021
Net (losses) gains in fair values for loans measured at FVTPL included in gains on securitization activities	**(4,469)**	1,872
Net gains (losses) in fair values for loans measured at FVTPL and recognized in net gain (loss) on loans and investments	**3**	(43)

Loans – Commercial include loans of $774,377 (December 31, 2021 – $568,137) invested in certain asset-backed structured entities. EQB holds a senior position in these investments and the maximum exposure to loss is limited to the carrying value of the investment. EQB does not have the ability to direct the relevant activities of these structured entities and has no exposure to their variable returns, other than the right to receive interest income from these investments. Consequently, EQB does not control these structured entities and has not consolidated them.

Loans – Commercial also include EQB's net investment in equipment financing of $1,196,033 (December 31, 2021 – $716,651). The following table shows the maturity analysis of undiscounted minimum financing payments reconciled to the net investment in equipment financing:

($000s)	**December 31, 2022**	December 31, 2021
Minimum financing payments:		
Less than 1 year	**498,476**	311,734
1 year to less than 2 years	**402,513**	242,668
2 years to less than 3 years	**282,251**	159,941
3 years to less than 4 years	**145,359**	79,335
4 years to less than 5 years	**45,451**	25,256
More than 5 years	**7,329**	2,627
Non performing leases – net	**19,704**	18,148
Total undiscounted financing payments receivable	**1,401,083**	839,709
Less:		
Fair value on acquisition	**(7,734)**	-
Security deposits held	**(5,834)**	(6,773)
Unearned finance income	**(168,307)**	(100,254)
Allowance for credit losses	**(23,175)**	(16,031)
Net investment in equipment financing	**1,196,033**	716,651

For the year ended December 31, 2022, EQB earned finance income of $84,821 (December 31, 2021 – $62,167) from its investment in equipment financing. As at December 31, 2022, all of EQB's equipment financing is fixed rate financing with terms ranging from one to seven years, and approximately 75% of EQB's equipment financing are concentrated in the following five industry segments:

	December 31, 2022	December 31, 2021
Transportation – Long Haul	**45.1%**	43.0%
Transportation – Vocational	**12.8%**	17.4%
Construction	**9.8%**	8.9%
Food and Crop production	**5.0%**	8.1%
Agriculture, forestry, fishing and hunting	**4.1%**	3.8%

(b) Impaired and past due loans

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

($000s)			**December 31, 2022**	December 31, 2021
	Gross[1]	**Allowance for credit losses**	**Net**	Net
Loans – Personal	**52,151**	**2,997**	**49,154**	20,720
Loans – Commercial – Conventional and Insured	**64,472**	**2,302**	**62,170**	47,835
Loans – Commercial – Equipment financing	**21,890**	**1,552**	**20,338**	19,825
	138,513	**6,851**	**131,662**	88,380

(1) Gross balances include loans amounting to $11,332 (December 31, 2021 - $6,710) that are insured.

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

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

(1) Includes balances of $3,729 (December 31, 2021 - $nil) relating to credit card customers that are past 89 days and less than 180 days.

($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 – Equipment financing	7,381	2,600	-	9,981
	33,769	13,065	-	46,834

(c) Allowance for credit losses

($000s)				December 31, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Personal	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	6,502	4,944	632	12,078
Provision for credit losses:				
Transfers to (from) Stage 1	3,435	(3,139)	(296)	-
Transfers to (from) Stage 2	(4,808)	4,895	(87)	-
Transfers to (from) Stage 3	(12)	(40)	52	-
Re-measurement(1)	(465)	2,061	782	2,378
Originations	4,398	-	-	4,398
Discharges	(1,095)	(1,207)	-	(2,302)
Loans acquired on business combination(3)	20,348	5,918	1,937	28,203
Write-off	-	-	-	-
Realized losses	-	-	(110)	(110)
Recoveries	-	-	87	87
Balance, end of year(2)	28,303	13,432	2,997	44,732

($000s)				December 31, 2022
	12 months ECL	Lifetime non-credit impaired	Lifetime credit impaired	
Loans – Commercial	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	21,411	13,504	1,956	36,871
Provision for credit losses:				
Transfers to (from) Stage 1	11,672	(10,960)	(712)	-
Transfers to (from) Stage 2	(6,345)	6,806	(461)	-
Transfers to (from) Stage 3	(115)	(891)	1,006	-
Re-measurement(1)	(11,514)	12,206	7,301	7,993
Originations	12,250	-	-	12,250
Discharges	(4,653)	(1,451)	-	(6,104)
Loans acquired on business combination(3)	724	5,552	2,180	8,456
Write-off	-	-	(6,861)	(6,861)
Realized losses	-	-	(571)	(571)
Recoveries	-	-	16	16
Balance, end of year(2)	23,430	24,766	3,854	52,050

(1) Includes movement as a result of significant increase or decrease in credit risk and changes in credit risk due to model inputs/assumptions that did not result in a transfer between stages (2) The allowance for credit losses includes allowance on loan commitments amounting to $1,472 (December 31, 2021 - $256). (3) Cash reserves of $14,089 relating to the consumer credit portfolio has not been netted-off.

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

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

(1) Includes movement as a result of significant increase or decrease in credit risk and changes in credit risk due to model inputs/assumptions that did not result in a transfer between stages (2) The allowance for credit losses includes allowance on loan commitments amounting to $1,472 (December 31, 2021 - $256.

Key inputs, assumptions and model techniques

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

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

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

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

(d) Forward-looking macroeconomic scenarios

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

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

										December 31, 2022
					Downside Scenarios					
	Base-Case Scenario		Upside Scenario		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 %	5.88	5.69	4.94	5.10	6.95	6.03	8.01	6.55	9.35	7.57
Real GDP growth rate %	0.47	8.51	2.29	10.04	(1.27)	8.65	(1.94)	7.03	(3.44)	5.74
Home Price Indexgrowth rate %[1]	(1.97)	(2.74)	(0.11)	0.49	(3.24)	(5.08)	(9.95)	(5.80)	(15.23)	(12.17)
Commercial Property Index growth rate %	(1.48)	1.30	1.57	3.21	(4.12)	0.67	(11.93)	1.60	(18.54)	(2.03)
Household income growth rate %	(2.17)	(0.59)	(1.12)	1.46	(3.50)	(1.57)	(4.58)	(2.67)	(5.75)	(4.71)
Canadian Equity index %	(4.86)	4.11	1.80	4.13	(18.15)	3.47	(29.07)	5.67	(33.66)	4.27
West Texas Intermediate oil price %	(10.24)	(5.41)	(12.90)	(4.75)	(18.19)	(2.52)	(12.28)	(4.07)	(15.00)	(2.90)

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

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

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

(e) Sensitivity of allowance for credit losses

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

Impact of probability-weighting on ACL

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

($000s)	**December 31, 2022**	December 31, 2021
ACL – Five probability-weighted macroeconomic scenarios (actual)	**89,931**	46,361
ACL – Base-case scenario only	**84,088**	42,614
ACL – Protracted slump only	**156,576**	86,842
Difference – Actual versus base-case scenario only	**5,843**	3,747
Difference – Actual versus protracted slump only	**(66,645)**	(40,481)

Impact of staging on ACL

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

($000s)	**December 31, 2022**	December 31, 2021
ACL – Loans in Stage 1 and Stage 2 (actual)	**89,931**	46,361
ACL – Assuming all loans in Stage 1	**79,221**	43,569
Lifetime ACL impact	**10,710**	2,792

Note 11 – Derecognition of Financial Assets

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

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

Obligations under repurchase agreements

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

Securitizations

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

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

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

i) MBS securitizations

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

ii) CMB securitizations

As part of a CMB transaction, EQB may enter into total return swaps with highly rated counterparties, exchanging the cash flows of the CMB for those of the MBS transferred to CHT. Any excess or shortfall in these cash flows is absorbed by EQB. For transactions that fail derecognition, these swaps are not recognized on EQB's Consolidated Balance sheet as the underlying cash flows of these derivatives are captured through the continued recognition of the loans and their associated CMB securitization liabilities. Accordingly, these swaps are recognized on an accrual basis and are not fair valued through EQB's Consolidated Statement of income. As at December 31, 2022, the notional amount of these swaps was $2,794,596 (December 31, 2021– $2,436,271).

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

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)				
		2022		2021
	Securitized assets	**Assets sold under repurchase agreements**	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	**15,540,197**	**665,307**	11,453,867	1,376,763
Carrying amount of associated liability	**15,023,627**	**665,307**	11,375,020	1,376,763
Carrying value, net position	**516,570**	**-**	78,847	-
Fair value of assets	**15,068,979**	**665,064**	11,415,719	1,376,763
Fair value of associated liability	**14,546,013**	**665,064**	11,412,638	1,376,763
Fair value, net position	**522,966**	**-**	3,081	-

The carrying amount of assets include $nil (December 31, 2021 – $3,872) of EQB's net investment in equipment financing that were securitized and not derecognized. The carrying value of associated liability includes $nil (December 31, 2021 – $2,969) of liabilities pertaining to equipment financing securitized.

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

($000s)	MBS Liabilities	CMB Liabilities	Other Securitization Liabilities	Total Liabilities
2023	**2,419,334**	**401,526**	**1,265,595**	**4,086,455**
2024	**2,295,222**	**510,350**	**570,012**	**3,375,584**
2025	**2,985,461**	**382,313**	**280,241**	**3,648,015**
2026	**1,131,091**	**586,554**	**24,126**	**1,741,771**
2027	**548,820**	**534,894**	**26,429**	**1,110,143**
Thereafter	**469,951**	**835,923**	**-**	**1,305,874**
	9,849,879	**3,251,560**	**2,166,403**	**15,267,842**

(b) Transfers that are derecognized in their entirety

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

EQB also achieves derecognition on the securitization and sale of certain pools of residential loans with a prepayment option. In these transactions, EQB securitizes and sells pools of residential loans and then engages in a transaction to transfer its rights in the excess interest spread and/or any prepayment risk, thereby transferring substantially all the risks and rewards of ownership in the asset and derecognizing the asset in its entirety. During the year and prior year, EQB did not derecognize any multi-residential loans with prepayment option.

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

($000s)	**2022**	2021
Loans securitized and sold	**2,474,380**	1,292,643
Carrying value of Securitization retained interests	**147,582**	68,303
Carrying value of Securitized loan servicing liability	**18,307**	12,801
Gains on loans securitized and sold	**22,418**	18,192
Income from securitization activities and retained interests	**20,997**	3,591

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

($000s)	**Securitization Liabilities**
2023	**1,139,425**
2024	**1,110,874**
2025	**1,476,229**
2026	**1,396,814**
2027	**1,141,646**
Thereafter	**5,402,977**
	11,667,965

Note 12 – Derivative Financial Instruments

(a) Hedge instruments

Cash flow hedges

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

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

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

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

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

Fair value hedges

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

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

EQB enters into cross currency interest rate swap agreements to manage interest and foreign exchange exposures on fixed rate foreign currency covered bond liabilities. EQB applies hedge accounting to these relationships.

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

(b) Other derivatives

Total return swaps

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

As part of covered bond activities to manage cash flows between Equitable Bank and its subsidiary Guarantor LP, Equitable Bank and Guarantor LP each enters into an interest rate (total return) swap agreement with a third party interest rate swap provider. These two swaps are offsetting, with the net effect that Equitable Bank pays cash flows based on Canadian floating rate to Guarantor LP, and receives Guarantor LP's cash flows from the collateral assets. Interest rate swap provider earns an intermediation fee.

These swaps are recognized on EQB's Consolidated Balance sheet and fair valued through EQB's Consolidated Statement of income.

(c) Financial impact of derivatives

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

($000's, except percentages)								December 31, 2022
Derivative instrumentand term (years)	Notional amount	Average Rate/ Price(1)	Positive current replacement cost(2)	Credit equivalent amount(3)	Risk-weighted balance(4)	Fair Value		
						Assets	Liabilities	Net(5)
Cash flow hedges: Bond forwards – hedge accounting								
1 or less	**381,300**	**3.45%**	**6,425**	**7,992**	**6,921**	**6,212**	**-**	**6,212**
Interest rate swaps – hedge accounting								
1 to 5	**547,000**	**1.19%**	**15,873**	**6,712**	**1,342**	**41,710**	**-**	**41,710**
Total return swaps – hedge accounting								
1 or less	**3,557**	**68.75**	**-**	**20**	**4**	**-**	**(623)**	**(623)**
1 to 5	**10,611**	**68.94**	**-**	**58**	**12**	**-**	**(1,765)**	**(1,765)**
Total return swaps – non-hedge accounting								
1 or less	**8,413**	**N/A**	**-**	**46**	**9**	**-**	**(282)**	**(282)**
Fair value hedges:								
Interest rate swaps –hedge accounting Fair value hedges:								
1 or less	**3,335,054**	**4.06%**	**6,672**	**29,869**	**5,974**	**6,671**	**(29,577)**	**(22,906)**
1 to 5	**3,093,618**	**3.24%**	**19,629**	**34,692**	**6,938**	**38,586**	**(45,505)**	**(6,919)**
5 and above	**457,620**	**3.45%**	**2,161**	**4,661**	**932**	**6,265**	**(5,454)**	**811**
Cross-currency								
Interest rate swaps – hedge accounting								
1 to 5	**1,259,130**	**1.30%**	**28,760**	**90,085**	**18,017**	**38,982**	**(48,514)**	**(9,532)**
Interest rate swaps – non-hedge accounting								
1 or less	**221,580**	**N/A**	**2,630**	**1,455**	**291**	**4,231**	**(3,516)**	**715**
1 to 5	**445,657**	**N/A**	**8,846**	**20,151**	**4,030**	**14,801**	**(10,862)**	**3,939**
5 and above	**206,090**	**N/A**	**1,707**	**8,720**	**1,745**	**5,850**	**(17,277)**	**(11,427)**
Bond forwards – non-hedge accounting								
1 or less	**373,750**	**N/A**	**2,649**	**6,992**	**4,600**	**3,367**	**(258)**	**3,109**
Foreign exchange forwards - non-hedge accounting								
1 or less	**346,042**	**N/A**	**2,202**	**4,015**	**803**	**5,744**	**(2,157)**	**3,587**
Other derivatives:								
Total return swaps								
1 or less	**652,958**	**N/A**	**127**	**491**	**98**	**-**	**(78)**	**(78)**
1 to 5	**2,536,016**	**N/A**	**2,959**	**1,541**	**308**	**3,779**	**(1,026)**	**2,753**
5 and above	**2,335,621**	**N/A**	**7,508**	**2,336**	**467**	**10,734**	**(3,493)**	**7,241**
Interest rate swaps 1 to 5	**3,198,206**	**N/A**	**48,487**	**73,321**	**14,664**	**48,487**	**(49,432)**	**(945)**
	19,412,223		**156,635**	**293,157**	**67,155**	**235,419**	**(219,819)**	**15,600**

(1) Average rate or average price are on initiation of the derivatives, and refer to the average bond forward rate, the average rate on the fixed-leg of an interest rate swap, and the average share price of the total return swap. These rates/prices are applicable to derivatives in hedge accounting relationships only. (2) Positive current replacement cost represents the cost of replacing all contracts that have a positive fair value, using current market rates. It reflects the unrealized gains on derivative instruments. (3) Credit risk equivalent represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy Requirements Guideline. (4) Risk-weighted balance is determined by applying the standardized approach for counterparty credit risk to the credit equivalent amount, as prescribed by OSFI. (5) Derivative financial assets are included in Other assets (Note 14) and derivative financial liabilities are included in Other liabilities (Note 18).

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

(1) Average rate or average price are on initiation of the derivatives, and refer to the average bond forward rate, the average rate on the fixed-leg of an interest rate swap, and the average share price of the total return swap. These rates/prices are applicable to derivatives in hedge accounting relationships only. (2) Positive current replacement cost represents the cost of replacing all contracts that have a positive fair value, using current market rates. It reflects the unrealized gains on derivative instruments. (3) Credit risk equivalent represents the total replacement cost plus an amount representing the potential future credit exposure, as outlined in OSFI's Capital Adequacy requirements Guideline. (4) Risk-weighted balance is determined by applying the standardized approach for counterparty credit risk to the credit equivalent amount, as prescribed by OSFI. (5) Derivative financial assets are included in Other assets (Note 14) and derivative financial liabilities are included in Other liabilities (Note 18).

Cash flow hedges:

The following table presents the effects of cash flow hedges on EQB's Consolidated Statement of income:

($000s)				**2022**
	Gains (losses) on hedging instrument	**Gains (losses) on hedged Item**	**Hedge ineffectiveness recognized in income**	**Hedging gain or loss recognized in OCI**
Cash flow hedges:				
Interest rate risk:				
Bond forwards	**18,619**	**(20,043)**	**830**	**17,789**
Interest rate swaps	**39,170**	**(39,170)**	**-**	**39,170**
Equity price risk:				
Total return swaps	**(3,030)**	**3,030**	**-**	**(3,030)**
	54,759	**(56,183)**	**830**	**53,929**

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

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

($000s)						**2022**
					Balance in cash flow hedge AOCI	
	AOCI as at January 1, 2022	**Net gains (losses) recognized in OCI**	**Amount reclassified to income as the hedged item affects income**	**AOCI as at December 31, 2022**	**Active hedges**	**Discontinued hedges**
Cash flow hedges:						
Interest rate risk:						
Bond forwards	**(9,894)**	**17,789**	**2,006**	**9,901**	**6,070**	**3,831**
Interest rate swaps	**9,853**	**39,170**	**(1,019)**	**48,004**	**39,148**	**8,856**
Equity price risk:						
Total return swaps	**633**	**(3,030)**	**1,124**	**(1,273)**	**(1,273)**	**-**
	592	**53,929**	**2,111**	**56,632**	**43,945**	**12,687**

($000s)						2021
	AOCI as at January 1, 2022	Net gains (losses) recognized in OCI	Amount reclassified to income as the hedged item affects income	AOCI as at December 31, 2022	Balance in cash flow hedge AOCI	
					Active hedges	Discontinued hedges
Cash flow hedges:						
Interest rate risk:						
Bond forwards	(17,384)	4,260	3,230	(9,894)	-	(9,894)
Interest rate swaps	(10,688)	19,400	1,141	9,853	11,447	(1,594)
Equity price risk:						
Total return swaps	692	3,371	(3,430)	633	633	-
	(27,380)	27,031	941	592	12,080	(11,488)

Fair value hedges:

The following table presents the effects of fair value hedges on EQB's Consolidated Balance sheet and the Consolidated Statement of income:

($000s)							**2022**
	Hedge ineffectiveness			**Carrying amounts for hedged items[1]**		**Accumulated amount of fair value hedge gains (losses) on the hedged item**	
	Gains (losses) on hedging instrument	**Gains (losses) on hedged item**	**Total**	**Active hedges**	**Discontinued hedges**	**Active hedges**	**Discontinued hedges**
Fair value hedges:							
Interest rate risk:							
Loans	**87,307**	**(90,302)**	**(2,995)**	**1,086,801**	**2,877,486**	**(31,010)**	**(60,247)**
Deposits	**(55,980)**	**55,516**	**(464)**	**(2,994,253)**	**(1,371,554)**	**62,882**	**838**
Securitization liabilities	**(9,869)**	**9,418**	**(451)**	**(293,144)**	**(244,145)**	**5,187**	**997**
Bonds	**8,227**	**(7,380)**	**847**	**732,583**	**263,951**	**(16,895)**	**3,951**
Interest rate and foreign exchange risk:							
Covered bonds	**11,312**	**(8,768)**	**2,544**	**(1,288,125)**	**-**	**17,370**	**-**
	40,997	**(41,516)**	**(519)**	**(2,756,138)**	**1,525,738**	**37,534**	**(54,461)**

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

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

Note 13 – Offsetting Financial Assets and Financial Liabilities

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

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

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

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

As of December 31, 2022, the approximate market value of cash and securities collateral pledged by EQBthat are subject to credit support agreements was $1,072,639 (December 31, 2021 − $1,399,413).

As of December 31, 2022, the approximate market value of cash and securities collateral accepted that may be sold or repledged by EQB was $41,796 (December 31, 2021 − $590,350). There was no collateral sold or repledged in 2022 and 2021.

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

($000s)						**2022**
				Related amounts not offset on the consolidated balance sheet		
Types of financial assets	**Gross amounts of recognized financial assets**	**Gross amounts of recognized financial liabilities offset on the consolidated balance sheet**	**Net amounts of financial assets presented on the consolidated balance sheet**	**Financial instruments**	**Financial collateral (including cash collateral received)**	**Net amount**
Derivatives held for risk management:						
Interest rate swaps	**166,601**	**-**	**166,601**	**-**	**(79,655)**	**86,946**
Total return swaps	**14,513**	**-**	**14,513**	**-**	**(14,513)**	**-**
Cross-currency interest rate swaps	**38,982**	**-**	**38,982**	**-**	**-**	**38,982**
Foreign exchange forwards	**5,744**	**-**	**5,744**	**-**	**(2,762)**	**2,982**
Securities purchased under reverse repurchase agreements	**1,156**	**-**	**1,156**	**-**	**(1,156)**	**-**
	226,996	**-**	**226,996**	**-**	**(98,086)**	**128,910**

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

($000s)						**2022**
				Related amounts not offset on the consolidated balance sheet		
Types of financial liabilities	**Gross amounts of recognized financial liabilities**	**Gross amounts of recognized financial assets offset on the consolidated balance sheet**	**Net amounts of financial liabilities presented on the consolidated balance sheet**	**Financial instruments**	**Financial collateral (including cash collateral received)**	**Net amount**
Derivatives held for risk management:						
Interest rate swaps	**161,623**	**-**	**161,623**	**-**	**(124,699)**	**36,924**
Total return swaps	**7,267**	**-**	**7,267**	**-**	**(7,052)**	**215**
Cross-currency interest rate swaps	**48,514**	**-**	**48,514**	**-**	**-**	**48,514**
Foreign exchange forwards	**2,157**	**-**	**2,157**	**-**	**(497)**	**1,660**
Obligations under repurchase agreements	**664,151**	**-**	**664,151**	**(555,444)**	**-**	**108,707**
	883,712	**-**	**883,712**	**(555,444)**	**(132,248)**	**196,020**

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

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

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

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

Note 14 – Other Assets

($000s)	**December 31, 2022**	December 31, 2021
Intangible assets	**145,495**	92,571
Goodwill	**57,595**	16,944
Prepaid expenses and other	**42,733**	16,761
Property and equipment	**27,646**	14,100
Income taxes receivable	**12,004**	-
Right-of-use assets	**8,529**	7,466
Accrued interest and dividends on non-loan assets	**7,559**	2,802
Receivable relating to securitization activities	**1,120**	9,678
Real estate owned	**375**	53
Derivative financial instruments:		
Interest rate swaps	**205,583**	64,213
Total return swaps	**14,513**	5,083
Bond forwards	**9,579**	124
Foreign exchange forwards	**5,744**	1,741
	538,475	231,536

Intangible assets include system software development costs relating to EQB's information systems, core customer deposits and Trust business relationships.

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

($000s)	**2022**	2021
Carrying amount of right-of-use assets	**8,529**	7,466
Depreciation charge for right-of-use assets	**3,468**	3,353
Cash outflows for lease liabilities	**3,153**	2,997
Interest expense on lease liabilities	**376**	502

In 2022, due to an early termination, EQB derecognized $105 of right-of-use assets, derecognized $157 of related right-of-use liabilities, and recognized a gain of $52 in the Non-interest expenses in theConsolidated Statement of income.

Note 15 – Deposits

($000s)	**December 31, 2022**	December 31, 2021
Term and other deposits	**30,830,817**	20,694,623
Fair value on acquisition	**(123,751)**	-
Accrued interest	**380,628**	196,617
Deferred deposit agent commissions	**(35,881)**	(34,857)
	31,051,813	20,856,383

Deposits also include $1,245,294 (December 31, 2021 – $498,907) of funding from the covered bond program. This funding is secured against $1,577,979 (December 31, 2021 – $723,967) of residential loans reported on the Consolidated Balance Sheet under Loans – Personal.

Note 16 – Income Taxes

(a) Income tax provision:

($000s)	**2022**	2021
Current tax expense:		
Current year	**82,718**	96,039
Adjustments for prior years	**2,185**	(477)
	84,903	95,562
Deferred tax expense:		
Reversal of temporary differences	**11,775**	1,889
Adjustments for prior years	**(2,160)**	446
Changes in tax rates	**3,758**	(22)
	13,373	2,313
Total income tax expense	**98,276**	97,875

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

($000s)	**2022**	2021
Canadian statutory income tax rate	**27.0%**	26.2%
Increase (decrease) resulting from:		
Tax-exempt income	**(1.7%)**	(1.4%)
Future tax rate changes	**1.0%**	-
Non-deductible expenses and other	**0.4%**	0.3%
Effective income tax rate[1]	**26.7%**	25.1%

(1) The increase in statutory tax rate is due to the additional 1.5% (prorated for 2022) Federal tax imposed on Canadian financial institutions.

(a) Deferred tax liabilities:

Net deferred income tax liabilities are comprised of:

($000s)	**December 31, 2022**	December 31, 2021
Deferred income tax assets:		
Tax losses[1]	**8,734**	1,479
Allowance for credit losses	**15,930**	8,314
Leasing activities	**9,817**	-
Share issue expenses	**2,324**	2
Net loan fees	**3,296**	3,572
Other	**6,684**	6,335
	46,785	19,702
Deferred income tax liabilities:		
Securitization activities	**92,749**	57,295
Equipment financing activities[2]	**113**	9,040
Deposit agent commissions	**7,234**	6,918
Net origination fees Intangible costs	**19,364**	7,714
Other	**-**	1,876
	119,460	82,843
Net deferred income tax liabilities[3]	**72,675**	63,141

(1) Deferred tax asset pertains to income tax losses of approximately $32,392 from Equitable Trust Company (2021 - $4,763 from the equipment financing business). (2) The deferred tax liability relating to equipment financing activities pertains to the temporary difference resulting from difference in accounting treatment versus tax treatment for equipment financing receivable. (3) The corresponding amounts to the change in deferred tax balances is a tax charge to Statement of Income of $13,373, a tax charge of $1,288 for business combination, and a tax recovery of $5,127 to Stockholders' Equity.

Note 17 – Funding Facilities

(a) Secured funding facilities:

EQB has two credit facilities totaling $1,100,000 with major Schedule I Canadian banks to finance residential loans prior to securitization. Equitable Bank also has access to liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance program. As at December 31, 2022, EQB had an outstanding balance of $737,040 (December 31, 2021 – $200,128) on facilities from the Schedule I Canadian banks. The facilities from Schedule I Canadian banks carry interest rates at 1-month CDOR plus 0.70% to 0.85%.

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

Concentra Bank has established Bearer Deposit Notes ("BDN") program through which it issues short-term unsecured notes. As at December 31, 2022 the outstanding balance of the notes issued under BDN program was $34,963. The interest rates on BDN ranges from 1.16% to 1.40%.

(b) Unsecured funding facilities:

EQB has a funding agreement with a consortium of Schedule I banks for senior unsecured funding facilities comprising of a revolving facility (Revolving Facility) of up to $200,000 and a term loan facility (Term Loan) of up to $275,000. As at December 31, 2022, EQB had an outstanding balance of $467,701 (December 31, 2021 – $nil) on the above facilities including deferred cost of $609, prepaid interest of $6,697. The Revolving and Term Loan facilities carry interest rates at 1-month CDOR plus applicable margins.

Note 18 – Other Liabilities

($000s)	**December 31, 2022**	December 31, 2021
Accounts payable and accrued liabilities	**207,651**	143,931
Securitized loan servicing liability	**58,180**	38,507
Loan realty taxes	**57,541**	50,405
Right-of-use liabilities	**10,333**	8,597
Unearned revenue	**2,417**	818
Loan commitments	**935**	24
Income taxes payable	**-**	43,422
Derivative financial instruments:		
Interest rate swaps	**210,137**	32,667
Total return swaps	**7,267**	13,191
Foreign exchange forwards	**2,157**	712
Bond forwards	**258**	2,727
	556,876	335,001

Note 19 – Shareholders' Equity

(a) Capital stock:

Authorized:

Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 1, par value $25.00 per share
Unlimited number of non-cumulative floating rate preferred shares, Series 2, par value $25.00 per share
Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 3, par value $25.00 per share
Unlimited number of non-cumulative floating rate preferred shares, Series 4, par value $25.00 per share
Unlimited number of non-voting Class A Series 1 and 2 preferred shares without par value
Unlimited number of common shares, no par value

Issued and outstanding shares:

($000's, except shares and per share amounts)						
			2022			2021
	Number of shares	**Amount**	**Dividends per share**	Number of shares	Amount	Dividends per share
Preferred Shares,Series 3:						
Balance, beginningof year	**2,919,400**	**70,607**		2,996,700	72,477	
Treasury PreferredShares, Series 3 cancelled	**(7,600)**	**(183)**		(77,300)	(1,870)	
Balance, end of year	**2,911,800**	**70,424**	**1.49**	2,919,400	70,607	1.49
Class A Series 1: Upon acquisition	**3,888,500**	**97,212**		-	-	
Balance, end of year	**3,888,500**	**97,212**	**0.25**	-	-	-
Class A Series 2: Upon acquisition	**551,000**	**13,775**				
Balance, end of year	**551,000**	**13,775**	**0.46**	-	-	-
Common shares[(2)]:						
Balance, beginning of year	**34,070,810**	**230,160**		33,748,148	218,166	
New shares issued	**3,266,000**	**223,112**				
Contributions from exercise of stock options	**118,970**	**3,528**		322,662	10,056	
Issuance under DRIP	**108,334**	**5,746**		-	-	
Dividend paid from principal		**(655)**				
Transferred from contributed surplus relating to the exercise of stock options	**-**	**670**		-	1,938	
Balance, end of year[(3)]	**37,564,114**	**462,561**	**1.21**	34,070,810	230,160	0.74

(b) Preferred shares:

Series 3 – 5-year rate reset preferred shares

Holders of Series 3 preferred shares were entitled to receive a fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, at a per annum rate of 6.35% per share for an initial 5-year period ended September 30, 2019. Thereafter, the dividend rate was reset at a level of 4.78% per share over the then five-year Government of Canada bond yield. The rate was reset to 5.969% per share per annum on September 30, 2019. Series 3 preferred shares are redeemable in cash at EQB's option, subject to prior regulatory approval, on September 30 every five years thereafter, in whole or in part, at a price of $25.00 per share plus all declared and unpaid dividends at the date fixed for redemption. Series 3 preferred shares are convertible at the holder's option to non-cumulative floating rate preferred shares, Series 4 (Series 4 preferred shares), subject to certain conditions, on September 30 every five years thereafter.

Series 4 – floating rate preferred shares

Holders of the Series 4 preferred shares will be entitled to receive a floating rate quarterly non-cumulative preferential cash dividend equal to the 90-day Canadian Treasury Bill Rate plus 4.78%, as and when declared by the Board of Directors. Series 4 preferred shares are redeemable in cash at EQB's option, subject to prior regulatory approval, on (i) September 30, 2024 and on September 30 every five years thereafter, in whole or in part, at a price of $25.00 per share plus all declared and unpaid dividends at the date fixed for redemption; or (ii) $25.50 plus all declared and unpaid dividends to the date fixed for redemption in the case of redemptions onany other date on or after September 30, 2019. Series 4 preferred shares are convertible at the holder's option to non-cumulative 5-year rate reset preferred shares, Series 3 (Series 3 preferred shares), subject to certain conditions, on September 30, 2024 and on September 30 every five years thereafter.

Class A – Series 1 preferred shares

Holders of Class A – Series 1 preferred shares, issued by Concentra Bank, are entitled to an annual, non-cumulative fixed dividend of $0.99 per share, with the dividend rate resetting every five years equal to the Government of Canada five-year bond yield plus 3.59%. The Series 1 dividend rate was last reset on January 31, 2021.

Class A – Series 2 preferred shares

Holders of Class A – Series 2 preferred shares, issued by Concentra Bank, are entitled to a non-cumulative floating quarterly dividend at a rate equal to the 90-day Canadian treasury bill rate plus 3.59%.

Subject to a minimum number of shares remaining outstanding in each of the Class A shares, holders of Class A – Series 1 preferred shares have the right to exchange their shares for an equal amount of Class A – Series 2 preferred shares, or vice-versa, every 5 years following the expiration of the initial period ended January 31, 2021.

The Class A – Series 1 and Series 2 preferred shares are redeemable at the option of EQB for $25 per share subject to the approval of OSFI and the requirement of the Bank Act (Canada).

Upon occurrence of a Non-Viability Contingent Capital (NVCC) trigger event, the Class A – Series 1 and Series 2 preferred shares will immediately be cancelled for no consideration and the stated capital in respect of these classes of shares will immediately be reduced to $nil. From and after such date, the Class A – Series 1 and Series 2 shareholders shall have no right to receive or assert a claim for any amount in respect of dividends or any payment upon a distribution of assets in the event of the liquidation, dissolution or winding-up.

Class B preferred shares

Class B preferred shares, issued by Concentra Bank are entitled to preferential dividends as and when declared by the Board. The Class B preferred shares may be issued at any time or from time to time in one or more series provided each series of Class B preferred shares ranks in parity with every other series of Class B preferred shares with respect to dividends and return of capital. Before issuance of a series, the Board shall fix the number of shares that will form such series and determine the designation, rights, privileges, restrictions and conditions specific to that series, subject to any limitations set out in the Bank Act (Canada) and the approval of OSFI. There are currently no series of Class B preferred shares approved for issuance.

(c) Dividend reinvestment plan:

EQB had activated a dividend reinvestment plan in Q1 2019 and later suspended it in Q1 2021. In Q1 2022, EQB reactivated the plan. Participation in the plan was optional and under the terms of the plan, cash dividends on common shares wereused to purchase additional common shares at the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the dividend payment date, adjusted with discount. At the option of EQB, the common shares may have been issued from EQB's treasury or acquired from the open market at market prices.

(d) Dividend restrictions:

EQB's subsidiary, Equitable Bank, is subject to minimum capital requirements, as prescribed by OSFI under EQB Act (Canada). EQB must notify OSFI prior to the declaration of any dividend and must ensure thatany such dividend declaration is done in accordance with the provisions of EQB Act (Canada), and those OSFI guidelines relating to capital adequacy and liquidity.

(e) Normal course issuer bid (NCIB):

On December 21, 2020, the had Bank announced that the Toronto Stock Exchange has approved a NCIB pursuant to which EQB may repurchase for cancellation up to 2,288,490 of its common shares and 297,250 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. On December 21, 2022, the NCIB was renewed and approved by the Toronto Stock Exchange, pursuant to which EQB may repurchase for cancellation up to 3,025,798 of its common shares and 288,680 of its Series 3 – 5-year rate reset preferred shares, representing 10% of its public float of each class of shares. EQB only intends to purchase a maximum of 1,150,000 common shares under the terms of the NCIB. The actual number of preferred shares purchased under the NCIB and the timing of any such purchases will be at EQB's discretion. As at December 31, 2022, EQB had repurchased and cancelled 80,600 Series 3 – 5-year rate reset preferred shares at a volume weighted average price of $26.01. No common shares have been purchased and cancelled under the NCIB.

Note 20 – Stock-based Compensation

(a) Stock-based compensation plan:

Under EQB's stock option plan, options on common shares are periodically granted to eligible participants for terms of seven years and vest over a four-year period. As at December 31, 2022, the maximum number of common shares available for issuance under the plan was 4,000,000 (December 31, 2021 − 4,000,000). The outstanding options expire on various dates to August 2029. A summary of EQB's stock option activityand related information for the years ended December 31, 2022 and December 31, 2021 is as follows:

($000's, except share, per share and stock option amounts)		**2022**		2021
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	**1,123,002**	**41.75**	1,232,648	33.66
Granted	**253,816**	**73.83**	243,920	69.81
Exercised	**(118,970)**	**29.65**	(322,662)	31.17
Forfeited/cancelled	**(27,997)**	**64.37**	(30,904)	51.11
Outstanding, end of year	**1,229,851**	**49.03**	1,123,002	41.75
Exercisable, end of year	**658,941**	**36.44**	564,866	31.87

The following table summarizes information relating to stock options outstanding and exercisable as at December 31, 2022:

		Options outstanding	Options exercisable
Exercise price ($)	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Number exercisable**
26.58	**89,924**	**0.2**	**89,924**
35.84	**122,446**	**1.2**	**122,446**
27.63	**5,250**	**1.6**	**5,250**
27.83	**154,028**	**2.2**	**154,028**
33.89	**198,528**	**3.2**	**141,146**
46.21	**2,000**	**3.6**	**1,000**
56.63	**4,000**	**3.9**	**3,000**
45.48	**158,290**	**4.2**	**73,756**
32.83	**2,250**	**4.4**	**750**
38.86	**2,250**	**4.6**	**750**
46.96	**25,000**	**4.9**	**12,500**
62.85	**3,000**	**5.2**	**750**
69.16	**194,634**	**5.2**	**47,641**
76.77	**3,000**	**5.7**	**750**
79.01	**3,000**	**5.9**	**750**
80.86	**13,000**	**5.9**	**3,250**
68.78	**5,000**	**5.9**	**1,250**
75.72	**214,965**	**6.1**	**-**
72.21	**5,500**	**6.3**	**-**
54.09	**4,000**	**6.4**	**-**
55.30	**6,000**	**6.4**	**-**
58.88	**1,786**	**6.4**	**-**
57.32	**12,000**	**6.6**	**-**

Under the fair value-based method of accounting for stock options, EQB recorded compensation expense in the amount of $3,422 (2021 − $2,539) related to grants of options under the stock option plan. This amount was credited to Contributed surplus. The fair value of options granted during 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)	2022	2021
Risk-free rate	**1.7%**	0.5%
Expected option life (years)	**4.8**	4.8
Expected volatility	**30.4%**	35.1%
Expected dividends	**1.8%**	2.0%
Weighted average fair value of each option granted	**17.46**	17.37

(b) Employee share purchase plan:

EQB has an ESP plan for eligible employees. Under the plan, eligible employees can contribute between 1% and 10% of their annual base salary towards the purchase of common shares of EQB. For each eligible contribution, EQB contributes 50% of the employee's contribution to purchase common shares of EQB up to a certain maximum per employee. During the year, EQB expensed $1,477 (2021 − $1,184) under this plan.

(c) Deferred share unit plan:

EQB has a DSU plan for Directors. Under the plan, notional units are allocated to a Director from time to time by the Board of Directors and the units vest at the time of the grant. Directors can elect, on a one- time annual basis, to receive up to 100% of their annual compensation in the form of DSUs, allocated at each quarter and on a pro-rata basis. A Director will be credited with additional DSUs whenever a cash dividend isdeclared by EQB. When an individual ceases to be a Director, the (Separation Date), the individual may elect up to two separate redemption dates to be paid out the value of the DSUs. The redemption date elected by the participant is a date after the Separation Date and no later than December 15 of the first calendar year commencing after the Separation Date. The redemption value of each DSU redeemable by a Director is the volume-weighted average trading price of the common shares of EQB on the TSX for the five trading daysimmediately prior to the redemption date.

In the event of any stock dividend, stock split, reverse stock split, consolidation, subdivision, reclassification, or any other change in the capital of EQB affecting its common shares, EQB will make, with respect to thenumber of DSUs outstanding under the DSU Plan, any proportionate adjustment as it considers appropriate toreflect that change. The DSU plan is administered by the Board or a committee thereof.

EQB hedges the risk of change in future cash flows related to the DSU plan. Please refer to Note 12 –Derivative Financial Instruments for further details.

A summary of EQB's DSU activity for the years ended December 31, 2022 and December 31, 2021 is as follows:

	2022	2021
	Number of DSUs	Number of DSUs
Outstanding, beginning of year	**138,379**	136,438
Granted	**16,510**	12,700
Dividend Reinvested	**2,945**	1,380
Paid out	**(12,139)**	(12,139)
Outstanding, end of year	**145,695**	138,379

During the year 12,139 DSUs were paid out (2021 – 12,139). Compensation expense, including offsetting hedges, relating to DSUs outstanding during the year ended December 31, 2022 amounted to $1,165 (2021 – $973). The liability associated with DSUs outstanding as at December 31, 2022 was $8,261 (December 31, 2021 – $9,550) and was included in other liabilities on the Consolidated Balance sheet.

(d) Restricted share unit plan:

EQB has a RSU plan for eligible employees. Under the plan, RSUs or PSUs are awarded by the Board to eligible employees during the annual compensation process and vest at the end of three years (cliff vest). Under the plan, each RSU or PSU represents one notional common share and earns notional dividends, which are re-invested into additional RSUs or PSUs when cash dividends are paid on EQB's common shares. Each RSU orPSU held at the end of the vesting period, including those acquired as dividend equivalents, will be paid to the eligible employees in cash, the value of which will be based on the volume-weighted average trading price of EQB's common shares on the TSX for the five consecutive trading days immediately prior to, and including the vesting date. The value of PSUs may be increased or decreased up to 25%, based on EQB's relative total shareholder return compared to a defined peer group of financial institutions in Canada.

EQB hedges the risk of change in future cash flows related to the RSU and PSU plans. Please refer to Note12 – Derivative Financial Instruments for further details.

A summary of EQB's RSU and PSU activity for the years ended December 31, 2022 and December 31, 2021is as follows:

	December 31, 2022	December 31, 2021
	Number of RSUs and PSUs	Number of RSUs and PSUs
Outstanding, beginning of year	**131,995**	168,556
Granted	**84,122**	59,178
Dividend reinvested	**4,140**	2,154
Vested and paid out	**(75,258)**	(83,550)
Forfeited/cancelled	**(12,820)**	(14,343)
Outstanding, end of year	**132,179**	131,995

During the year, 72,258 (2021 – 83,550) RSUs and PSUs were vested and paid out for a total value of $4,529 (2021 – $6,169). Compensation expense, including offsetting hedges, relating to RSUs and PSUs outstanding during the year ended December 31, 2022 amounted to $4,182 (2021 – $2,084). The liability associated with RSUs and PSUs outstanding as at December 31, 2022 was $3,333 (December 31, 2021 – $4,646) and was included in other liabilities on the Consolidated Balance sheet.

Note 21 – Earnings Per Share

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

($000's, except share, per share and stock option amounts)	**2022**	2021
Earnings per common share − basic:		
Net income	**270,181**	292,530
Dividends on preferred shares	**5,566**	4,413
Net income available to common shareholders	**264,615**	288,117
Weighted average basic number of common shares outstanding	**34,688,502**	33,946,749
Earnings per common share − basic	**7.63**	8.49
Earnings per common share − diluted:		
Net income available to common shareholders	**264,615**	288,117
Weighted average basic number of common shares outstanding	**34,688,502**	33,946,749
Adjustment to weighted average number of common shares outstanding:		
Stock options	**342,664**	498,694
Weighted average diluted number of common shares outstanding	**35,031,166**	34,445,443
Earnings per common share − diluted	**7.55**	8.36

For the year ended December 31, 2022, the calculation of the diluted earnings per share excluded 438,196 (2021 – 179,916) average options outstanding with a weighted average exercise price of $72.05 (2021 − $69.11) as the exercise price of these options was greater than the average price of EQB's common shares.

Note 22 – Capital Management

Equitable Bank manages its capital in accordance with guidelines established by OSFI, based on standards issued by EQB for International Settlements' Basel Committee on Banking Supervision. OSFI's Capital Adequacy Requirements (CAR) Guideline details how Basel III rules apply to Canadian banks. OSFI has mandated that all

Canadian-regulated financial institutions meet target Capital Ratios: those being a CET1 Ratio of 7.0%, a Tier 1 Capital Ratio of 8.5%, and a Total Capital Ratio of 10.5%. In order to govern the quality and quantity of capital necessary based on EQB's inherent risks, Equitable Bank utilizes an Internal CapitalAdequacy Assessment Process (ICAAP).

EQB's CET1 Ratio was 13.7% as at December 31, 2022, while Tier 1 Capital and Total Capital Ratios were 14.7% and 15.1% respectively. EQB's Capital Ratios at December 31, 2022 exceeded the regulatory minimums.

During the year, EQB complied with all internal and external capital requirements.

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

($000s)	**December 31, 2022**	December 31, 2021
Common Equity Tier 1 Capital:		
Common shares	**928,778**	217,474
Contributed surplus	**12,537**	9,785
Retained earnings	**1,856,084**	1,649,890
Accumulated other comprehensive loss(1)	**(33,759)**	(8,263)
Less: Regulatory adjustments	**(170,504)**	(94,082)
Common Equity Tier 1 Capital	**2,593,136**	1,774,804
Additional Tier 1 Capital:		
Non-cumulative preferred shares	**183,541**	72,554
Tier 1 Capital	**2,776,677**	1,847,358
Tier 2 Capital:		
Eligible stage 1 and 2 allowance	**79,284**	40,919
Tier 2 Capital	**79,284**	40,919
Total Capital	**2,855,961**	1,888,277

(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 23 – Commitments and Contingencies

(a) Lease commitments:

EQB is committed to leases for its office premises located in Toronto, Calgary, Montreal, Regina, Surrey and Vancouver,and IT colocation. The future minimum lease payments under these leases are as follows:

($000s)	**December 31, 2022**	December 31, 2021
Less than 1 year	**6,058**	7,327
1-5 years	**40,248**	39,212
Greater than 5 years	**85,130**	90,004
	131,436	136,543

The lease commitments for December 31, 2022 include the commitments relating to a new office premise lease, signed in February 2020. The new office premise is located in Toronto, and the lease commences in September 2023 for a period of 15 years. The lease commitments for December 31, 2022 also includes commitments relating to a new temporary office lease signed in December 2022. The new temporary office is located in Toronto, and the lease commences in March 2023 for a period of 14 months.

In addition to these minimum lease payments for premises rental, EQB will pay its share of common area maintenance and realty taxes over the terms of the leases. Lease expense recognized in the Consolidated Statement of income for 2022 amounted to $11,562 (2021 − $12,292).

(b) Credit commitments:

As at December 31, 2022, EQB had outstanding commitments to fund $4,255,117 (December 31, 2021 – $3,653,459) of loans and investments in the ordinary course of business. Of these commitments, $1,671,463 (December 31, 2021 – $1,937,167) are expected to be funded within 1 year and $2,583,654 (December 31, 2021 – $1,716,292) after 1 year.

EQB has issued standby letters of credit which represent assurances that EQB will make payments in the event that a borrower cannot meet its obligations to a third party. Letter of credits in the amount of $86,104 were outstanding at December 31, 2022 (December 31, 2021 – $46,784).

(c) Contingencies:

EQB is subject to various other claims and litigation arising from time to time in the ordinary course of business. Management has determined that the aggregate liability, if any, which may result from other various outstanding legal proceedings would not be material and no other provisions have been recorded in these Consolidated Financial Statements.

Note 24 – Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. EQB's related parties include key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of EQB directly and indirectly. EQB considers the members of the Board of Directors, the CEO, CFO and the CRO as part of key management personnel.

These financial statements present the consolidated results of EQB and all its subsidiaries, therefore transactions with the subsidiaries are not reported as related party transactions.

(a) Key management personnel compensation table

($000s)	**2022**	2021
Short-term employee benefits	**4,345**	4,181
Post-employment benefits	**54**	47
Share-based payments (net)	**3,131**	2,590
	7,530	6,818

(b) Share transactions, shareholdings and options of key management personnel and related parties:

As at December 31, 2022, key management personnel held 608,923 (December 31, 2021 – 541,150) common shares and 22,000 (December 31, 2021 – 9,000) preferred shares. These shareholdings include common shares of 25,260 (December 31, 2021 – 11,600) that were beneficially owned by the non-management Directors or held by related party entities whose controlling shareholders are Directors of EQB. In addition, key management personnel held 496,746 (December 31, 2021 – 499,312) options to purchase common shares of EQB at prices ranging from $26.58 to $75.72.

(c) Other transactions:

As at December 31, 2022, deposits of $909 (December 31, 2021 – $1,850) were held by key management personnel and related party entities whose controlling shareholders are directors of EQB and trustsbeneficially owned by the Directors.

Note 25 – Interest Rate Sensitivity

The following table shows EQB's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or re-pricing date, as at December 31, 2022.

($000's, except percentages)	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total
Assets:								
Cash and cash equivalents and restricted cash	**1,071,796**	**20,000**	**-**	**1,091,796**	**-**	**-**	**140,966**	**1,232,762**
Effective interest rate	***4.34%***	***5.20%***	**-**	***4.35%***	**-**	**-**	**-**	***3.86%***
Securities purchased under reverse purchase agreements	**-**	**200,432**	**-**	**200,432**	**-**	**-**	**-**	**200,432**
Effective interest rate	**-**	***4.25%***	**-**	***4.25%***	**-**	**-**	**-**	***4.25%***
Investments	**14,065**	**671,691**	**235,185**	**920,941**	**1,012,384**	**410,022**	**(53,729)**	**2,289,618**
Effective interest rate	***8.67%***	***4.37%***	***1.48%***	***3.70%***	***1.86%***	***2.35%***	***0.00%***	***2.73%***
Loan receivable – Personal	**4,550,796**	**2,367,655**	**9,820,177**	**16,738,628**	**15,177,417**	**89,066**	**(8,161)**	**31,996,950**
Effective interest rate	***7.21%***	***3.78%***	***4.39%***	***5.07%***	***3.62%***	***9.20%***	***0.00%***	***4.39%***
Loan receivable – Commercial	**6,956,625**	**410,890**	**1,208,281**	**8,575,796**	**4,206,036**	**1,798,649**	**(67,216)**	**14,513,265**
Effective interest rate	***8.27%***	***5.01%***	***4.89%***	***7.64%***	***4.23%***	***3.51%***	***0.00%***	***6.18%***
Securitized Retained Interest	**-**	**-**	**-**	**-**	**-**	**-**	**373,455**	**373,455**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**538,475**	**538,475**
Total assets	**12,593,282**	**3,670,668**	**11,263,643**	**27,527,593**	**20,395,837**	**2,297,737**	**923,790**	**51,144,957**
Liabilities:								
Deposits[2]	**849,947**	**8,476,615**	**11,483,002**	**20,809,564**	**10,083,467**	**23,095**	**135,687**	**31,051,813**
Effective interest rate	***2.95%***	***2.93%***	***3.37%***	***3.17%***	***2.93%***	***3.98%***	***0.00%***	***3.08%***
Securitization liabilities	**-**	**2,228,517**	**2,678,061**	**4,906,578**	**8,902,387**	**1,238,281**	**(23,619)**	**15,023,627**
Effective interest rate	**-**	***3.81%***	***2.65%***	***3.17%***	***2.07%***	***2.85%***	***0.00%***	***2.50%***
Obligations Under REPO	**-**	**664,151**	**-**	**664,151**	**-**	**-**	**1,156**	**665,307**
Effective interest rate	**-**	***4.44%***	**-**	***4.44%***	**-**	**-**	***0.00%***	***4.44%***
Funding Facilities	**145**	**1,246,590**	**-**	**1,246,735**	**-**	**-**	**(7,031)**	**1,239,704**
Effective Interest rate	***5.52%***	***5.55%***	**-**	***5.55%***	**-**	**-**	**-**	***5.58%***
Other liabilities and deferred taxes	**-**	**-**	**-**	**-**	**-**	**-**	**629,551**	**629,551**
Shareholders' equity	**-**	**-**	**-**	**-**	**75,000**	**-**	**2,459,955**	**2,534,957**
Total liabilities and shareholders' equity	**850,092**	**12,615,873**	**14,161,063**	**27,627,028**	**19,060,854**	**1,261,376**	**3,195,699**	**51,144,957**
Off-balance sheet items[3]	**-**	**(2,485,030)**	**2,542,654**	**57,624**	**90,306**	**(147,930)**	**-**	**-**
Excess (deficiency) of assets over liabilities, shareholders' equity and off-balance sheet items	**11,743,190**	**(11,430,235)**	**(354,766)**	**(41,811)**	**1,425,289**	**888,431**	**(2,271,909)**	**-**

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

($000's, except								
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[(1)]	Total
Total assets – 2021	7,310,132	2,366,774	8,144,902	17,821,808	16,636,541	1,069,060	631,661	36,159,070
Total liabilities and shareholders' equity –2021	-	13,794,830	5,566,416	19,361,246	13,367,743	900,571	2,529,510	36,159,070
Off-balance sheet items – 2021[(2)]	-	3,547,078	(1,780,866)	1,766,212	(1,910,151)	143,939	-	-
Excess (deficiency) of assets over liabilities, shareholders' equity and off-balance sheet items – 2021	7,310,131	(7,880,978)	797,620	226,774	1,358,647	312,428	(1,897,849)	-

(1) Accrued interest is included in "Non-interest sensitive" assets and liabilities. (2) Off-balance sheet items include EQB's interest rate swaps, hedges on funded assets, as well as loan rate commitments that are not specifically hedged. Loan rate commitments that are specifically hedged, along with their respective hedges, are assumed to substantially offset.

Note 26 – Non-interest Expenses - Other

($000s)	**2022**	2021
Technology and system costs	**58,741**	43,310
Regulatory, legal and professional fees	**41,450**	22,159
Product costs	**38,862**	27,207
Marketing and corporate expenses	**38,677**	22,857
Premises	**15,136**	15,678
	192,866	131,211

Directors

Michael Emory
President and Chief Executive Officer, Allied Properties REIT

Susan Ericksen
Corporate Director

Michael Hanley
Corporate Director

Kishore Kapoor
President and Chief Executive Officer, RF Capital Group Inc.

Yongah Kim
Associate Professor of Strategic Management, Rotman School of Management

David LeGresley
Chair of the Board and a Corporate Director

Marcos Lopez
Corporate Director and Principal, Alpenglow Capital Inc.

Lynn McDonald
Corporate Director

Andrew Moor
President and Chief Executive Officer of EQB and Equitable Bank

Rowan Saunders
President and Chief Executive Officer, Definity Financial Corporation

Vincenza Sera
Corporate Director

Michael Stramaglia
Corporate Director and President and Founder of Matrisc Advisory Group Inc., a risk management consulting firm

Carolyn Schuetz
Corporate Director

Executive Officers

Andrew Moor
President and Chief Executive Officer

Chadwick Westlake
Senior Vice-President and Chief Financial Officer

Dan Broten
Senior Vice-President and Chief Technology Officer

Darren Lorimer
Senior Vice-President and Group Head, Commercial Banking

Jody Sperling
Senior Vice-President and Chief Human Resources Officer

Mahima Poddar
Senior Vice-President and Group Head, Personal Banking

Ron Tratch
Senior Vice-President and Chief Risk Officer

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Website
www.equitablebank.ca

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

Analyst Conference Call and Webcast
Friday, February 17, 2023,
8:30 a.m. EST
Live: 416.764.8609
Replay: 416.764.8677
(code 570770)
Archive: www.equitablebank.ca

Investor Relations
Richard Gill
Vice President,
Corporate Development and
Investor Relations
416.513.3638
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More comprehensive investor information including supplemental financial reports, quarterly news releases, and investor presentations is availablein the Investor Relations section at www.equitablebank.ca

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario, Canada, M5J 2Y1
1.800.564.6253

Email: service@computershare.com

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

Dividend Reinvestment Plan
Equitable's dividend reinvestment plan allows common shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage and commission fees. For information about participation in the plan, please contact the Transfer Agent and Registrar.

Equitable Bank's ESG Performance Report and Public Accountability Statement 2022 will be available in May 2023 at www.equitablebank.ca

Eligible dividends
Equitable designates all common and preferred share dividends paid to Canadian residents as "eligible dividends" as defined in the Income Tax Act (Canada), unless otherwise indicated.

Online
For product, corporate, financial and shareholder information:
www.equitablebank.ca