EQB reports best-ever quarterly EPS, raises 2023 guidance, increases dividend 23% y/y

Toronto, Ontario (August 1, 2023): EQB Inc. (*TSX: EQB, EQB.PR.C*) today reported record earnings for the three and six months ended June 30, 2023. This performance reflects portfolio growth, sequential margin expansion, higher non-interest revenue, efficiency improvement as annualized Concentra Bank integration cost saving targets were realized ahead of plan, and a one-time benefit from a strategic investment. Due to the strong year-to-date performance, EQB increased and updated relative 12-month earnings guidance, including raising diluted EPS guidance to +18-22% from +10-15%. See additional detail in EQB's Q2 Management's Discussion and Analysis (MD&A).

Second quarter 2023 compared to second quarter 2022:

- Adjusted **Q2 2023 ROE**[1] 18.3% (Reported 20.8%)
- Adjusted **Q2 2023 net income**[1] $115.5MM +88% (+14% q/q), Reported $130.9MM +123% (+32% q/q), with net interest margin expanding 7bps q/q to 1.99%
- Adjusted **Q2 diluted EPS**[1] $2.98 +70% (+14% q/q), Reported $3.39 +103.0% (+32% q/q)
- **EQ Bank** customer growth +31% to 367,790 with deposits +8% to $8.2 billion (+1% q/q) and customer engagement of 51%
- **Total AUM + AUA**[2] $108 billion +3% q/q. $53.3 billion of on-balance sheet assets +35% (+3% q/q); 51% of total loans under management are insured
- **Total capital ratio** 15.4% with CET1 at 14.1%; **total liquid assets** $4.1 billion or 7.7% of total assets
- **Book Value Per Share** $67.33, +14% (+4% q/q)
- **Common share dividends** declared $0.38 per share for Q2 2023, +23% (+3% q/q)

Year-to-Date 2023 compared to Year-to-Date 2022:

- Adjusted **YTD 2023 ROE**[1] 17.5% (Reported 18.6%) ahead of 15%+ guidance
- Adjusted **YTD 2023 net income**[1] $217.2MM (+41%), Reported $230.4MM (+57%) with adjusted net interest margin expanding 11bps to 1.95% (reported 1.97%)
- Adjusted **YTD diluted EPS**[1] $5.60 (+27%), Reported $5.95 (+42%)

"By consistently applying our Challenger Bank philosophy, Equitable delivered record-breaking EPS and an ROE performance that exceeded our own industry-leading long-term average. These are meaningful accomplishments that allowed us to increase earnings guidance. At a time when Canadians need more and better value from the banking industry, Equitable Bank is providing it. Whether it's our no-fee, high interest EQ Bank digital services, our recently launched fully digital First Home Savings Account or the loans we make to build much-needed affordable housing, we are living our social purpose and in return rewarding our investors. Significant growth in our customer base, strong customer engagement and our plans to continue to bring innovation to the market give me well-founded confidence that we are set to thrive in the years ahead," said Andrew Moor, President and Chief Executive Officer.

First half of 2023 performance trending ahead of 2023 guidance on record Q2 results

- Adjusted Q2 revenue[1] +72% y/y and +8% q/q to $284.6 million on lending growth, net interest margin expansion, and higher non-interest revenue (Reported revenue +90% y/y, +17% q/q to $312.5 million)
- Adjusted Q2 net interest income[1] +50% y/y and +6% q/q to $251.7 million with NIM of 1.99%, +18bps y/y and 7bps q/q (Q2 Reported +51% y/y with NIM of 1.99%, +19bps y/y and +4bps q/q)
- Adjusted Q2 non-interest revenue[1] +$35.4 million y/y, (Reported $60.8 million) on higher fee income (including Concentra Bank) and continued strength in multi-unit insured lending gains on sale and securitization income, relative to a loss in Q2 2022. Reported non-interest revenue included a one-time revenue benefit of $28.0 million that was not included in adjusted results revenue

EQ Bank customers +31% y/y and deposits +9% y/y

- EQ Bank customer base grew to 367,790 at June 30 with strong account opening momentum from its high-impact *Make Bank* marketing campaign (customer signups increased 133% vs. Q2 2022), the launch of EQ Bank Card (now enabled with mobile wallet technology), and the introduction of services in Québec. EQ Bank customer everyday engagement remained at a quarterly high of 51%
- EQ Bank is positioned for continued growth in 2023, offering customers more solutions to meet their everyday banking needs, including the advantages of free cash withdrawals at any ATM nationally, cashback rewards on all card purchases, and no foreign exchange fees on international purchases. In July, EQ Bank launched a fully digital First Home Savings Account to help Canadians save money faster to buy their first home

Personal Banking assets +35% y/y to $32.3 billion

- Single-family portfolio +29% y/y to $30.3 billion reflecting Equitable Bank's consistent and prudent approach to credit risk management. Of the single-family residential portfolio, 36% of single-family residential lending is insured and the average customer beacon for uninsured mortgage customers is 714 (new originations 740)
- Reverse mortgage assets +143% y/y and +10% q/q to $1,025 million. Growth reflected increased awareness of Equitable Bank's reverse mortgage solutions among Canadians nearing or in retirement and the Bank's share of an expanding market
- Insurance lending assets +57% y/y and +16% q/q to $115 million

Commercial Banking assets +25% y/y to $15.1 billion

- Commercial loans under management (LUM) +7% q/q to $27.7 billion with more than 70% of this growth driven by EQB's insured businesses, and +50% y/y with the addition of Concentra Bank. CMHC insured multi-unit residential mortgages represents more than 65% of Commercial LUM and nearly 80% of the growth in LUM for the quarter
- Commercial uninsured loan portfolio +19% y/y and +0.4% q/q to $8.2 billion. Equipment Financing +46% y/y and +4% q/q to $1.3 billion
- Insured multi-unit residential loans under management +63% y/y and +8% q/q to $18.1 billion

Credit quality indicators reflect prudence in a higher interest rate environment

- Provision for credit losses (PCL)[1] $13.0 million in Q2 related to continued portfolio growth and stability in macroeconomic forecasts and loss modelling. Stage 1 & 2 was $5.9 million, and Stage 3 was $7.2 million
- Net impaired loans 47bps of total assets at June 30, 2023, +29bps from prior year and +15bps from prior quarter. Annualized realized loss rate for Q2 2023 was 4bps of total loan assets[2] ($4.6 million), compared to less than 1bps ($1.5 million) in Q2 2022
- The Bank remains well reserved for credit losses with allowances as a percentage of total loan assets[2] of 20bps at June 30, 2023 vs. 19bps at March 31, 2023

Diversification and stability of funding sources generating consistent high liquidity

- Equitable Bank increased total deposits in Q1 to $32 billion, +35% y/y and +2% q/q, supported by diverse funding sources growth and EQ Bank deposit expansion
- In May, the Bank successfully completed its fourth issuance of Covered Bonds in Europe (a 3-year, €300 million offering at 52bps over the Euro mid-swap rate), to bring the total value of this lowest cost source of wholesale funding to €1.2 billion

Second full quarter of Concentra Bank earnings, annualized cost synergy targets achieved

- The acquisition of Concentra Bank in Q4 2022 introduced complementary asset growth, diversification in funding and revenue sources plus enhanced distribution capabilities
- The target was $30 million in cost synergy and mid-single digit EPS accretion within 12-18 months, both have been realized on a run-rate basis, with updated 2023 EQB guidance incorporating the outperformance
- EQB continues to build and expand its credit union relationships, and Concentra Trust performance is delivering non-interest revenue ahead of expectations for 2023

EQB announces an increase in common share dividend for Q2 2023

- EQB's Board of Directors declared a common share dividend of $0.38 per common share payable on September 30, 2023 to shareholders of record as of September 15, 2023
- EQB's Board of Directors declared a quarterly dividend of $0.373063 per preferred share, payable on September 30, 2023 to shareholders of record at the close of business September 15, 2023
- For the purposes of the *Income Tax Act* (Canada) and any similar provincial legislation, dividends declared will be eligible dividends, unless otherwise indicated
- To account for the transition to EQB's new fiscal year, there will be a one-time, 10-month reporting period ending October 31, 2023. See this quarter's MD&A for both upgraded 12-month guidance, as well as new guidance for this 10-month period

"EQB's standout performance relative to guidance and bank peers reflects our consistent long-term approach to allocating capital and generating leading ROE, anchored in exceptional credit, liquidity and capital management. This remains a dynamic time globally for banks, but with our deeply customer-focused challenger operating model and performance year-to-date, we have conviction in our increased 2023 guidance and look forward to starting our new fiscal year on November 1st with improved comparability of EQB to peers," said Chadwick Westlake, EQB's Chief Financial Officer.

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, and other non-recurring items which management determines would have a significant impact on a reader's assessment of business performance. For additional information and a reconciliation of reported results to adjusted results, see the "Non-GAAP financial measures and ratios" section.
2. These are non-GAAP measures, see the "Non-GAAP financial measures and ratios" section.

Analyst conference call and webcast: 8:30 a.m. ET Eastern August 2, 2023

EQB will host its second-quarter conference call and webcast on Wednesday August 2, 2023. To access the call with operator assistance, dial **(416) 764-8609** five minutes prior to the start time. Or to join without operator assistance, you may register your phone number up to 15 minutes in advance of start time to receive an automatic call-back connection to the conference at: click to register here.

Call archive

A replay of the conference call with the accompanying slides will be archived on EQB's Investor Relations website: click here to visit the site.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet (unaudited)

($000s)	**June 30, 2023**	December 31, 2022	June 30, 2022
Assets:			
Cash and cash equivalents	**373,492**	495,106	539,509
Restricted cash	**870,247**	737,656	557,283
Securities purchased under reverse repurchase agreements	**1,208,930**	200,432	420,009
Investments	**2,235,530**	2,289,618	1,097,004
Loans – Personal	**32,333,611**	31,996,950	24,122,303
Loans – Commercial	**15,103,519**	14,513,265	12,123,469
Securitization retained interests	**474,542**	373,455	227,013
Deferred tax assets	**14,392**	-	-
Other assets	**704,440**	538,475	331,168
	53,318,703	51,144,957	39,417,758
Liabilities and shareholders' equity			
Liabilities:			
Deposits	**32,137,347**	31,051,813	23,708,958
Securitization liabilities	**15,397,103**	15,023,627	11,366,847
Obligations under repurchase agreements	**875,718**	665,307	814,494
Deferred tax liabilities	**106,723**	72,675	64,180
Funding facilities	**1,487,008**	1,239,704	711,380
Subscription receipts	**-**	-	230,821
Other liabilities	**594,952**	556,876	426,527
	50,598,851	48,610,002	37,323,207
Shareholders' equity:			
Preferred shares	**181,411**	181,411	70,424
Common shares	**466,711**	462,561	234,372
Contributed surplus	**12,668**	11,445	10,106
Retained earnings	**2,065,478**	1,870,100	1,773,658
Accumulated other comprehensive (loss) income	**(6,416)**	9,438	5,991
	2,719,852	2,534,955	2,094,551
	53,318,703	51,144,957	39,417,758

Consolidated statement of income (unaudited)

($000s, except per share amounts)	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Interest income:				
Loans – Personal	**420,578**	190,830	**812,394**	364,610
Loans – Commercial	**256,731**	133,540	**498,499**	249,286
Investments	**18,856**	3,351	**40,749**	7,206
Other	**21,083**	5,558	**38,435**	8,417
	717,248	333,279	**1,390,077**	629,519
Interest expense:				
Deposits	**322,503**	110,413	**615,734**	194,885
Securitization liabilities	**118,416**	53,741	**236,590**	103,031
Funding facilities	**11,891**	2,468	**19,809**	2,774
Other	**12,739**	-	**25,448**	-
	465,549	166,622	**897,581**	300,690
Net interest income	**251,699**	166,657	**492,496**	328,829
Non-interest income:				
Fees and other income	**14,489**	7,866	**28,387**	13,899
Net gains (losses) on loans and investments	**29,659**	(16,839)	**26,359**	(12,041)
Gains on sale and income from retained interests	**16,104**	6,445	**30,436**	21,060
Net gains on securitization activities and derivatives	**596**	-	**2,700**	-
	60,848	(2,528)	**87,882**	22,918
Revenue	**312,547**	164,129	**580,378**	351,747
Provision for credit losses	**13,042**	5,233	**19,290**	5,108
Revenue after provision for credit losses	**299,505**	158,896	**561,088**	346,639
Non-interest expenses:				
Compensation and benefits	**59,707**	40,067	**118,069**	76,839
Other	**67,323**	38,209	**135,509**	76,370
	127,030	78,276	**253,578**	153,209
Income before income taxes	**172,475**	80,620	**307,510**	193,430
Income taxes:				
Current	**26,612**	22,091	**55,263**	45,607
Deferred	**14,938**	(307)	**21,803**	1,040
	41,550	21,784	**77,066**	46,647
Net income	**130,925**	58,836	**230,444**	146,783
Dividends on preferred shares	**2,331**	1,086	**4,649**	2,175
Net income available to common shareholders	**128,594**	57,750	**225,795**	144,608
Earnings per share:				
Basic	**3.41**	1.69	**6.00**	4.24
Diluted	**3.39**	1.67	**5.95**	4.19

Consolidated statement of comprehensive income (unaudited)

($000s)	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
Net income	**130,925**	58,836	**230,444**	146,783
Other comprehensive income – items that will be reclassified subsequently to income:				
Debt instruments at Fair Value through Other Comprehensive Income:				
Reclassification of losses from AOCI on sale of investment	**-**	(926)	**-**	(926)
Net unrealized losses from change in fair value	**(31,474)**	(8,011)	**(17,584)**	(29,380)
Reclassification of net losses to income	**32,302**	2,729	**21,180**	5,006
Other comprehensive income – items that will not be reclassified subsequently to income:				
Equity instruments designated at Fair Value through Other Comprehensive Income:				
Net unrealized losses from change in fair value	**(30,989)**	(5,278)	**(31,782)**	(6,703)
Reclassification of net losses to retained earnings	**4,936**	1,836	**4,914**	3,045
	(25,225)	(9,650)	**(23,272)**	(28,958)
Income tax recovery	**7,005**	2,531	**6,464**	7,594
	(18,220)	(7,119)	**(16,808)**	(21,364)
Cash flow hedges:				
Net unrealized gains from change in fair value	**28,856**	19,668	**13,040**	45,909
Reclassification of net (gains) losses to income	**(11,082)**	1,944	**(11,704)**	2,373
	17,774	21,612	**1,336**	48,282
Income tax expense	**(4,936)**	(5,667)	**(382)**	(12,660)
	12,838	15,945	**954**	35,622
Total other comprehensive (loss) income	**(5,382)**	8,826	**(15,854)**	14,258
Total comprehensive income	**125,543**	67,662	**214,590**	161,041

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

($000s) Three month period ended								June 30, 2023
					Accumulated other comprehensive income (loss)			
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Cash Flow Hedges	Financial Instruments at FVOCI	Total	Total
Balance, beginning of period	**181,411**	**463,862**	**12,002**	**1,954,394**	**30,132**	**(31,166)**	**(1,034)**	**2,610,635**
Net Income	**-**	**-**	**-**	**130,925**	**-**	**-**	**-**	**130,925**
Realized Loss on Sale of investment securities	**-**	**-**	**-**	**(3,565)**	**-**	**-**	**-**	**(3,565)**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**12,838**	**(18,220)**	**(5,382)**	**(5,382)**
Exercise of stock options	**-**	**2,707**	**-**	**-**	**-**	**-**	**-**	**2,707**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(2,331)**	**-**	**-**	**-**	**(2,331)**
Common shares	**-**	**-**	**-**	**(13,945)**	**-**	**-**	**-**	**(13,945)**
Stock-based compensation	**-**	**-**	**808**	**-**	**-**	**-**	**-**	**808**
Transfer relating to the exercise of stock options	**-**	**142**	**(142)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**181,411**	**466,711**	**12,668**	**2,065,478**	**42,970**	**(49,386)**	**(6,416)**	**2,719,852**

($000s) Three month period ended								June 30, 2022
Balance, beginning of period	70,607	232,854	9,357	1,727,169	20,357	(22,508)	(2,151)	2,037,836
Net Income	-	-	-	58,836	-	-	-	58,836
Realized Loss on Sale of investment securities	-	-	-	(1,355)	-	(684)	(684)	(2,039)
Other comprehensive income, net of tax	-	-	-	-	15,945	(7,119)	8,826	8,826
Exercise of stock options	-	1,463	-	-	-	-	-	1,463
Purchase of treasury preferred shares	(183)	-	-	-	-	-	-	(183)
Net loss on cancellation of treasury preferred shares	-	-	-	(6)	-	-	-	(6)
Dividends:								
Preferred shares	-	-	-	(1,086)	-	-	-	(1,086)
Common shares	-	-	-	(9,900)	-	-	-	(9,900)
Stock-based compensation	-	-	804	-	-	-	-	804
Transfer relating to the exercise of stock options	-	55	(55)	-	-	-	-	-
Balance, end of period	70,424	234,372	10,106	1,773,658	36,302	(30,311)	5,991	2,094,551

($000s) Six month period ended								June 30, 2023
					Accumulated other comprehensive income (loss)			
	Preferred Shares	Common Shares	Contributed Surplus	Retained Earnings	Cash Flow Hedges	Financial Instruments at FVOCI	Total	Total
Balance, beginning of period	**181,411**	**462,561**	**11,445**	**1,870,100**	**42,016**	**(32,578)**	**9,438**	**2,534,955**
Net Income	-	-	-	**230,444**	-	-	-	**230,444**
Realized loss on sale of investment securities	-	-	-	**(3,294)**	-	-	-	**(3,294)**
Other comprehensive income, net of tax	-	-	-	-	**954**	**(16,808)**	**(15,854)**	**(15,854)**
Exercise of stock options	-	**6,470**	-	-	-	-	-	**6,470**
Share issuance cost, net of tax	-	**(2,908)**	-	-	-	-	-	**(2,908)**
Dividends:								
Preferred shares	-	-	-	**(4,649)**	-	-	-	**(4,649)**
Common shares	-	-	-	**(27,123)**	-	-	-	**(27,123)**
Stock-based compensation	-	-	**1,811**	-	-	-	-	**1,811**
Transfer relating to the exercise of stock options	-	**588**	**(588)**	-	-	-	-	-
Balance, end of period	**181,411**	**466,711**	**12,668**	**2,065,478**	**42,970**	**(49,386)**	**(6,416)**	**2,719,852**

($000s) Six month period ended								June 30, 2022
Balance, beginning of period	70,607	230,160	8,693	1,650,757	680	(8,263)	(7,583)	1,952,634
Net Income	-	-	-	146,783	-	-	-	146,783
Realized loss on sale of investment securities	-	-	-	(2,251)	-	(684)	(684)	(2,935)
Other comprehensive income, net of tax	-	-	-	-	35,622	(21,364)	14,258	14,258
Exercise of stock options	-	3,867	-	-	-	-	-	3,867
Purchase of treasury preferred shares	(183)	-	-	-	-	-	-	(183)
Net loss on cancellation of treasury preferred shares	-	-	-	(6)	-	-	-	(6)
Dividends:								
Preferred shares	-	-	-	(2,175)	-	-	-	(2,175)
Common shares	-	-	-	(19,450)	-	-	-	(19,450)
Stock-based compensation	-	-	1,758	-	-	-	-	1,758
Transfer relating to the exercise of stock options	-	345	(345)	-	-	-	-	-
Balance, end of period	70,424	234,372	10,106	1,773,658	36,302	(30,311)	5,991	2,094,551

Consolidated Statement of Cash Flows (unaudited)

($000s)	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	**130,925**	58,836	**230,444**	146,783
Adjustments for non-cash items in net income:				
Financial instruments at fair value through income	**56,610**	3,103	**18,184**	1,376
Amortization of premiums/discount on investments	**2,439**	330	**4,223**	630
Amortization of capital assets and intangible costs	**11,919**	9,211	**24,163**	18,044
Provision for credit losses	**13,042**	5,233	**19,290**	5,108
Securitization gains	**(13,690)**	(1,620)	**(26,435)**	(6,248)
Stock-based compensation	**808**	804	**1,811**	1,758
Dividend income earned, not received	**(27,964)**	-	**(27,964)**	-
Income taxes	**41,550**	21,784	**77,066**	46,647
Securitization retained interests	**22,055**	12,742	**41,912**	25,160
Changes in operating assets and liabilities:				
Restricted cash	**(203,717)**	(108,652)	**(132,591)**	(95,119)
Securities purchased under reverse repurchase agreements	**(476,322)**	(420,009)	**(1,008,498)**	130,021
Loans receivable, net of securitizations	**(943,719)**	(2,000,934)	**(997,836)**	(3,344,734)
Other assets	**(65,068)**	3,162	**(91,517)**	(1,105)
Deposits	**549,817**	1,493,378	**1,053,768**	2,903,026
Securitization liabilities	**89,135**	401,333	**373,523**	(227)
Obligations under repurchase agreements	**(28,940)**	(65,709)	**210,411**	(562,269)
Funding facilities	**718,291**	386,805	**247,304**	511,252
Subscription receipts	**-**	435	**-**	230,821
Other liabilities	**57,750**	(33,605)	**6,635**	13,092
Income taxes paid	**(34,342)**	(28,616)	**(81,859)**	(93,658)
Cash flows used in operating activities	**(99,421)**	(261,989)	**(57,966)**	(69,642)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares	**2,707**	1,463	**3,562**	3,867
Dividends paid on preferred shares	**(2,331)**	(1,086)	**(4,649)**	(2,176)
Dividends paid on common shares	**(13,945)**	(9,900)	**(27,123)**	(19,450)
Cash flows used in financing activities	**(13,569)**	(9,523)	**(28,210)**	(17,759)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	**(162,220)**	(926)	**(709,528)**	(58,826)
Proceeds on sale or redemption of investments	**374,215**	122,300	**762,277**	233,768
Net change in Canada Housing Trust re-investment accounts	**(58,762)**	(21,882)	**(67,579)**	(295,103)
Purchase of capital assets and system development costs	**(12,372)**	(13,752)	**(20,608)**	(26,180)
Cash flows from (used in) investing activities	**140,861**	85,740	**(35,438)**	(146,341)
Net increase (decrease) in cash and cash equivalents	**27,871**	(185,772)	**(121,614)**	(233,742)
Cash and cash equivalents, beginning of period	**345,621**	725,281	**495,106**	773,251
Cash and cash equivalents, end of period	**373,492**	539,509	**373,492**	539,509
Cash flows from operating activities include:				
Interest received	**743,478**	289,106	**1,233,302**	560,154
Interest paid	**(432,654)**	(143,009)	**(667,566)**	(265,080)
Dividends received	**1,022**	899	**2,063**	2,170

About EQB Inc.

Equitable Bank—Canada's Challenger Bank™—is a wholly owned subsidiary of EQB Inc., which trades on the Toronto Stock Exchange (TSX: EQB) (TSX: EQB.PR.C) and serves more than 543,000 customers. Equitable Bank's wholly owned subsidiary Concentra Bank supports Canadian credit unions and their more than 6 million members. With over $108 billion in combined assets under management and administration, Equitable Bank has a clear mandate to drive change in Canadian banking to enrich people's lives. Founded more than 50 years ago, Canada's Challenger Bank™ provides diversified personal and commercial banking, and through its digital EQ Bank platform (eqbank.ca) has been named the top Schedule I Bank in Canada on the Forbes World's Best Banks 2021, 2022 and 2023 lists. Please visit eqbank.investorroom.com for more details.

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Cautionary Note Regarding Forward-Looking Statements

Statements made by EQB in the sections of this news release, in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws (forward-looking statements). These statements include, but are not limited to, statements about EQB's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to EQB's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "planned", "estimates", "forecasts", "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", "might" or "will be taken", "occur" or "be achieved", 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, legislative and regulatory developments, changes in accounting standards, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" in the Management's Discussion and Analysis (MD&A) 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 mortgage business, a continuation of the current level of economic uncertainty that affects real estate market conditions, 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.

Non-Generally Accepted Accounting Principles (GAAP) Financial Measures and Ratios

In addition to GAAP prescribed measures, this news release references certain non-GAAP measures, including adjusted financial results, 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.

Adjusted financial results

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 impacting current and prior periods:

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

Q2 2023

- $28.0 million related to a strategic investment,
- $3.4 million acquisition and integration-related costs,
- $0.9 million intangible asset amortization, and
- $0.9 million other expenses.

Q1 2023

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

Q2 2022

- $2.7 million of acquisition and integration-related costs, and
- $0.9 million interest expenses paid to subscription receipt holders(1).

(1) The interest expense refers to the dividend equivalent amount paid to subscription receipt holders. The subscription receipt holders are entitled to receive a payment equal to the common share dividend declared multiplied by the number of subscription receipts held on the common share dividend payment date. These subscription receipts 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.

Reconciliation of reported and adjusted financial results	For the three months ended			For the six months ended	
($000, except share and per share amounts)	30-Jun-23	31-Mar-23	30-Jun-22	30-Jun-23	30-Jun-22
Reported results					
Net interest income	**251,699**	240,797	166,657	**492,496**	328,829
Non-interest revenue	**60,848**	27,034	(2,528)	**87,882**	22,918
Revenue	**312,547**	267,831	164,129	**580,378**	351,747
Non-interest expense	**127,030**	126,548	78,276	**253,578**	153,209
Pre-provision pre-tax income(4)	**185,517**	141,283	85,853	**326,800**	198,538
Provision for credit loss (recoveries)	**13,042**	6,248	5,233	**19,290**	5,108
Income tax expense	**41,550**	35,516	21,784	**77,066**	46,647
Net income	**130,925**	99,519	58,836	**230,444**	146,783
Net income available to common shareholders	**128,594**	97,201	57,750	**225,795**	144,608
Adjustments					
Net interest income – fair value amortization/adjustments	**-**	(4,167)	-	**(4,167)**	-
Net interest income – paid to subscription receipt holders(1)	**-**	-	947	**-**	1,861
Non-interest revenue – strategic investment	**(27,965)**	-	-	**(27,965)**	-
Non-interest revenue – fair value amortization/adjustments	**-**	941	-	**941**	-
Non-interest expenses – acquisition-related costs	**(3,377)**	(4,744)	(2,709)	**(8,121)**	(7,842)
Non-interest expenses – other expenses	**(858)**	-	-	**(858)**	-
Non-interest expenses – fair value amortization/adjustments	**-**	(66)	-	**(66)**	-
Non-interest expenses – intangible asset amortization	**(885)**	(1,476)	-	**(2,361)**	-
Pre-tax adjustments	**(22,844)**	3,060	3,656	**(19,784)**	9,703
Income tax expense – tax impact on above adjustments(2)	**(7,425)**	850	958	**(6,575)**	2,542
Post-tax adjustments	**(15,419)**	2,210	2,698	**(13,209)**	7,161
Adjusted results					
Net interest income	**251,699**	236,630	167,604	**488,329**	330,690
Non-interest revenue	**32,883**	27,975	(2,528)	**60,858**	22,918
Revenue	**284,582**	264,605	165,076	**549,187**	353,608
Non-interest expense	**121,910**	120,262	75,567	**242,172**	145,367
Pre-provision pre-tax income(3)	**162,672**	144,343	89,509	**307,015**	208,241
Provision for credit loss (recoveries)	**13,042**	6,248	5,233	**19,290**	5,108
Income tax expenses	**34,124**	36,366	22,742	**70,490**	49,189
Net income	**115,506**	101,729	61,534	**217,235**	153,944
Net income available to common shareholders	**113,175**	99,411	60,448	**212,586**	151,769
Diluted earnings per share					
Weighted average diluted common shares outstanding	**37,975,115**	37,910,348	34,479,387	**37,942,911**	34,512,207
Diluted earnings per share – reported	**3.39**	2.56	1.67	**5.95**	4.19
Diluted earnings per share – adjusted	**2.98**	2.62	1.75	**5.60**	4.40
Diluted earnings per share – adjustment impact	**(0.41)**	0.06	0.08	**(0.35)**	0.21

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

(2) 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.

(3) This is a non-GAAP measure, see Non-GAAP financial measures and ratios section.

Other non-GAAP financial measures and ratios

- **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.
- **Assets under administration (AUA):** is sum of (1) assets over which EQB's subsidiaries have been named as trustee, custodian, executor, administrator or other similar role; (2) loans held by credit unions for which EQB's subsidiaries act 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)	30-Jun-23	31-Mar-23	Change	30-Jun-22	Change
Total assets on the consolidated balance sheet	**53,318,703**	51,793,019	3%	39,417,758	35%
Loan principal derecognized	**12,591,570**	11,542,502	9%	6,349,413	98%
Assets under management	**65,910,273**	63,335,521	4%	45,767,171	44%

- **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.
- **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.
- **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.
- **Pre-provision pre-tax income (PPPT):** this is the difference between revenue and non-interest expenses.
- **Total loan assets:** this is calculated on a gross basis (prior to allowance for credit losses) as the sum of both **Loans – Personal** and **Loans – Commercial** on the balance sheet and adding their associated allowance for credit losses**.**