Equitable Group reports record 2007 first quarter

TSX Symbol: ETC

TORONTO, May 1 /CNW/ - Equitable Group Inc. today reported its financial results for the three months ended March 31, 2007 - setting new records for net income and earnings per share on substantial growth in assets.First Quarter Highlights

- Assets expanded 35.7% to $2.87 billion from $2.11 billion a year earlier.
- Net income increased 37.0% to $8.0 million from $5.8 million a year earlier.
- Diluted earnings per share advanced 34.7% to $0.66 compared to $0.49 a year ago.
- Return on average equity increased to 21.1% compared to 18.6% a year earlier.
- Mortgage originations grew 12.6% to $664.2 million from $589.9 million last year.
- Productivity ratio was 32.1% on a Taxable Equivalent Basis compared to 32.0% a year ago.Dividend

The Company's Board declared a dividend in the amount of $0.10 per share payable July 4, 2007 to shareholders of record at the close of business June 15, 2007.

Management Commentary

"Equitable performed very well in the first quarter achieving outstanding results based on substantial growth in assets," said Andrew Moor, President and CEO. "This performance reflects continued demand in Canada's real estate market for residential and commercial mortgage financing as well as Equitable's ongoing attention to business fundamentals. Our focus on efficiency, productivity and disciplined lending has once again delivered meaningful value to our shareholders."

"From an earnings perspective, total interest revenues increased 38.4% to a record $40.4 million while our net interest margin remained at a very strong 2.4% in the first quarter. This is a key highlight, as is the fact that despite overall expense increases related to growth in staffing, at 32.1% our productivity ratio on a TEB was at the low end of our 32% to 35% objective for 2007. As a result, Equitable's productivity ratio remains one of the best in our industry."

Mortgages Receivable

Year over year growth in the Company's mortgage portfolio was registered in most of its niches:- Single family dwelling mortgages increased 17.4% to $797.0 million.
- Commercial mortgages increased 44.7% to $488.9 million.
- Conventional mortgages held for sale increased by more than 3.4 times to $350.9 million.
- Construction loans increased 37.0% to $93.5 million.

Multi-unit residential mortgages and CMHC insured mortgages both decreased year-over-year (by 1.0% to $533.6 million and by 26.0% to $31.3 million respectively) due to the discharge of certain multi-unit residential mortgages and the earlier securitization of CMHC insured mortgages.

Mortgage Credit Quality

- Mortgage principal in arrears over 90 days as a percentage of total mortgage principal was 0.13% at March 31, 2007, compared to a minimal 0.05% in 2006.
- Net impaired mortgages amounted to 0.13% of total mortgage principal outstanding at period end compared to 0.07% a year ago.
- Realized credit loss - net of recovery was $29 thousand in 2007 versus $0 in the first quarter of 2006.Said Stephen Coffey, Senior Vice President and CFO: "These indicators

continue to reflect the benefits of a strong economy and our disciplined lending practices, which have allowed us to build a good quality portfolio that is well diversified by mortgage niche."

Capital Management

"To support efficient ongoing growth, we have implemented two important capital measures," said Mr. Coffey. "First, we sought and received approval for Equitable Trust to issue up to $40 million of new series 7 subordinated debentures during 2007. By the end of the first quarter, we were already half way to our objective for the entire year with a total of $22 million raised. Second, just after the end of the quarter, we announced that we had entered into an agreement with a group of underwriters to raise $25 million in gross proceeds from the sale of 769,231 common shares. We successfully closed this transaction April 30, 2007. These two initiatives position us to achieve our financial objectives while bolstering our regulatory capital."

Outlook

"Based on Equitable's first quarter performance, we believe we have established a solid foundation to achieve our growth and profit objectives for the entire year," said Mr. Moor. "Although it's still early going, and some analysts continue to forecast a soft landing for the real estate market sometime in 2007, activity levels so far in the second quarter are strong and we continue to position ourselves to take advantage of these conditions through our disciplined niche lending practices."

First Quarter Webcast

Equitable's first quarter webcast begins at 10 am eastern time today. To listen, please log on to www.equitablegroupinc.com. To participate in the call, please dial 416-644-3424.

MD&A

The Company will post its MD&A for the three months ended March 31, 2007 on its website www.equitablegroupinc.com this morning. This document will be archived on the site.

About Equitable Group Inc.

Equitable Group Inc. is a leading niche mortgage lender that focuses on single family dwelling, multi-unit residential and commercial mortgage financing in selected geographic territories in Canada. It conducts business through its wholly-owned subsidiary, The Equitable Trust Company, which was founded in 1970. Equitable is also a nationally-licensed deposit-taking institution. Equitable's non-branch business model, valued relationships with third-party mortgage professionals and deposit-taking agents and disciplined lending practices have allowed the Company to grow profitably and efficiently for many years.

The common shares of Equitable Group Inc. are listed on the Toronto Stock Exchange under the trading symbol of "ETC". For more information visit www.equitablegroupinc.com.

Certain forward-looking statements are made in this news release, including statements regarding possible future business. Investors are cautioned that such forward-looking statements involve risks and uncertainties detailed from time to time in the Company's periodic reports filed with Canadian regulatory authorities. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Equitable does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf. See the MD&A for further information on forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(for the three months ended March 31, 2007)

OVERVIEW

Equitable Group Inc. ("Equitable" or the "Company") is a niche mortgage lender. Its core business is to raise funds by selling GICs to depositors and to lend these funds to borrowers on the security of first mortgages on real estate. It does this through its wholly-owned subsidiary - The Equitable Trust Company ("Equitable Trust"). The Company's mortgage products bear fixed or floating rates of interest and are primarily for fixed terms. The properties on which the mortgages are secured are:- residential - either single family dwellings or multi-unit (apartments, nursing homes etc.)

- commercial mortgages
- construction mortgages
- residential and commercial mortgages held for sale which are originated by third-party lenders who require financing prior to pooling and eventually selling the mortgages to investors. These conventional mortgages held for sale usually stay on the books of the Company for periods of up to six months and are therefore often referred to as 'warehoused' mortgages.
- residential insured mortgages for securitization through the Canada Mortgage and Housing Corporation Mortgage-Backed Securities ("CMHC-MBS") programEquitable conducts business through Equitable Trust, which is regulated by the Office of the Superintendent of Financial Institutions - Canada ("OSFI"). Equitable Trust has prescribed capital requirements based on the type and amount of assets on its balance sheet and on certain off-balance sheet items. For this reason, Equitable focuses on capital management as a means to balance growth and Return on Average Equity ("ROAE") targets.

During the first quarter, to support future growth, Equitable Trust authorized the issuance of up to $40.0 million of new series 7 subordinated debentures to be issued during 2007 to augment regulatory capital and by March 31, 2007 had issued $22.0 million of these debentures. As part of this debenture issue, the Company arranged a term loan of $12.5 million with Canadian Western Bank ("CWB") in order to purchase the same amount of debentures from its subsidiary.

After March 31, 2007 the Company agreed to an equity issue with a group of underwriters to issue 769,231 common shares, by way of a short form prospectus, at $32.50 per share totaling $25.0 million of gross proceeds. The net proceeds (after the deduction of underwriters' commissions and issue expenses) have been used to purchase common shares of Equitable Trust, thus bolstering Tier 1 regulatory capital in the process, and for general corporate purposes.

Non-Generally Accepted Accounting Principles ("GAAP") Financial Measures

The presentation of financial information on a taxable equivalent basis ("TEB") is a common practice of presentation in the banking and trust company industries and does not have a standardized meaning within GAAP. Therefore, TEB calculations may not be comparable to similar measures presented by other companies. On a selective basis, Equitable uses TEB in analyzing revenues, interest margins and productivity ratios in this Management's Discussion and Analysis ("MD&A"). The TEB methodology grosses up tax exempt income, such as dividends from equity securities, by an amount which makes this income comparable, on a pre-tax basis, to regular taxable income such as mortgage interest. For the three months ended March 31, 2007, this gross-up amounted to $1.2 million as compared to $0.8 million during the comparable period in 2006.

The adoption on January 1, 2007 of new accounting policies for financial instruments requires that Equitable report deferred deposit agent commissions as a component of customer deposits and the amortization of this deferred charge as a component of interest expense in its financial statements. Formerly, deferred deposit agent commissions were reported in other assets and amortization was presented as a non-interest expense. Prior period presentation is not restated. In order to make comparisons of current results for net interest income, net interest margins and productivity ratios meaningful, this MD&A presents deposit agent commissions on the same basis as that presented in prior periods.

PERFORMANCE AGAINST OBJECTIVES

Equitable's principal financial objectives for 2007 are: 18-22% growth in assets, 18-22% growth in net income, 18-22% growth in diluted earnings per share, an ROAE of 18-22% and a productivity ratio - TEB of 32% to 35%.

Record first quarter 2007 performance put Equitable on track to meet its goals for 2007. Compared to the first quarter of 2006 Equitable achieved:- A 35.7% growth in assets, which at March 31, 2007 stood at $2.87 billion, up from $2.11 billion a year earlier (and 9.2% higher than at December 31, 2006.)

- A 37.0% growth in net income for the quarter, which amounted to $8.0 million compared to $5.8 million a year earlier.

- A 34.7% growth in diluted earnings per share, which amounted to $0.66 compared to $0.49 during the same period in 2006.

- A 21.1% ROAE compared to 18.6% in the first quarter of 2006.

- A productivity ratio - TEB of 32.1% compared to 32.0% in the first quarter of 2006.

Mortgages receivable increased to $2.30 billion at March 31, 2007, up 7.7% from December 31, 2006. On a year-over-year basis, mortgages receivable at March 31, 2007 increased 29.9% or $528.9 million from $1.77 billion at March 31, 2006.

On April 30, 2007, the Company's Board declared a quarterly dividend in the amount of $0.10 per share. The $0.10 per share dividend is payable on July 4, 2007, to shareholders of record at the close of business June 15, 2007.

Table 1: Selected financial information

($ thousands, except share and per share amounts)

	Three Months Ended		Change From March 31, 2006	
	March 31, 2007	March 31, 2006	$	%
OPERATIONS				
Net income	$ 7,992	$ 5,833	2,159	37.0%
Earnings per share - basic	0.67	0.49	0.18	36.7%
Earnings per share - diluted	0.66	0.49	0.17	34.7%
Net interest income(2)	14,877	11,359	3,518	31.0%
Total revenue	42,668	30,820	11,848	38.4%
Return on weighted average equity - annualized	21.1%	18.6%		
Return on average assets - annualized	1.2%	1.1%		
Productivity ratio - TEB(1)(2)	32.1%	32.0%		
BALANCE SHEET AND OFF-BALANCE SHEET				
Total assets	$ 2,866,393	$ 2,112,900	753,493	35.7%
Mortgages receivable	2,299,043	1,770,110	528,933	29.9%
Shareholders' equity	158,497	130,699	27,798	21.3%
Mortgage-backed security assets under administration	1,815,824	1,927,741	(111,917)	(5.8%)
COMMON SHARES				
Number of common shares outstanding at period end	12,037,468	11,872,645	164,823	1.4%
Dividends per share	0.10	0.10	-	-
Book value per share	$ 13.17	$11.01	$2.16	19.6%
Share price - close	32.75	28.50	4.25	14.9%
Market capitalization	394,227	338,370	55,857	16.5%
CREDIT QUALITY				
Realized loan loss - net of recovery	$ 29	$ 0		
Mortgages in arrears 90 days or more as a % of total mortgages	0.13%	0.05%		
Net impaired mortgages(3) as a % of total mortgages	0.13%	0.07%		
Allowance for credit losses as a % of gross impaired mortgages	251.9%	256.9%		

(1) See explanation of TEB at the beginning of this MD&A.
(2) See explanation of treatment of deposit agent commissions at the beginning of this MD&A.
(3) Gross mortgage principal of impaired loans less specific reserves.

FINANCIAL REVIEW

EARNINGS

The Company posted strong net income, earnings per share and revenue growth in the first quarter of 2007 as a result of a 34.3% year-over-year growth in average interest earning assets and stable, consistent interest margins. All revenue lines have shown considerable growth while the Company's efficient productivity ratio has been maintained and credit losses have been minimal. The Company's mortgage business has produced record results both in terms of asset accumulation and revenue generation, and record performance was also achieved within the Company's investment portfolio of equity and debt securities. As a result of strong asset growth and consistent spread, the Company's net interest income has reached a record level and is illustrated in Table 2.Table 2: Net interest income

($ thousands)	Three months ended March 31, 2007			Three months ended March 31, 2006		
Interest revenues or interest expenses derived from:	Average Balance	Revenue/ Expense	Average Rate	Average Balance	Revenue/ Expense	Average Rate
Assets:						
Liquidity investments	287,868	3,135	4.4%	161,997	1,724	4.3%
Equity securities - TEB(1)	179,998	2,715	6.1%	113,274	1,850	6.6%
Mortgage loans	2,206,833	35,773	6.6%	1,716,802	26,405	6.2%
Total interest earning assets - TEB(1)	2,674,699	41,623	6.3%	1,992,073	29,979	6.1%
Total assets - TEB(1)	2,746,074	41,623	6.1%	2,062,576	29,979	5.9%
Liabilities and shareholders' equity:						
Customer deposits	2,443,280	24,354	4.0%	1,822,850	16,911	3.8%
Bank term loan	41,000	615	6.8%	19,750	325	6.7%
Subordinated debt	29,975	557	7.4%	29,774	600	7.7%
Total interest bearing liabilities	2,514,255	25,526	4.1%	1,872,374	17,836	3.9%
Total liabilities and shareholders' equity	2,746,074	25,526	3.7%	2,062,576	17,836	3.5%
Net interest income - TEB(1)(2)		16,097			12,143	
Net interest margin - TEB(1)(2)			2.4%			2.4%
Less: Taxable equivalent adjustment		1,220			784	
Less: Deposit agent commissions(2)		1,398			-	
Net interest income per financial statements		13,479			11,359	

(1) See explanation of TEB at the beginning of this MD&A.
(2) See explanation of treatment of deposit agent commissions at the beginning of this MD&AThe Company's net interest margin of 2.4% in the first quarter of 2007 is consistent with the 2.4% earned in the first quarter of 2006. Spread performance during the first quarter of 2007 may be considered better than in the comparable period in 2006 as the prime rate was stable at 6% throughout the first quarter of 2007 whereas during the first quarter of 2006, revenue from the Company's floating rate mortgage portfolio benefited from two separate 25 basis point increases to the prime rate. Increases in the prime rate affect revenues of the floating rate mortgage portfolio immediately while the effect on GIC interest expense arises only as the GICs mature and reprice. At March 31, 2007, 52.5% of the Company's mortgage portfolio was floating rate compared to 47.0% a year earlier.

Total interest revenues on a TEB were $41.6 million in the first quarter compared to $30.0 million in the comparable 2006 period, an increase of 38.8% due to growth in the Company's interest earning asset base and increases in interest rates. Mortgage revenues increased $9.4 million or 35.5% in the first quarter 2007 over 2006. Equity securities' income on a TEB increased $0.9 million or 46.8% on a quarter-over-quarter basis due primarily to an increased portfolio.

Interest expense on average customer deposits outstanding for the first quarter ended March 31, 2007 increased to 4.0% from 3.8% in 2006 due to general increases in interest rates, while overall interest expense on customer deposits for the quarter grew $7.4 million or 44.0% over 2006 due to these higher interest rates as well as a 34.0% increase in average customer deposits outstanding during the first quarter of 2007 compared to 2006.

Net interest income - TEB increased $4.0 million or 32.6% for the first quarter 2007 compared to the same period in 2006. As a result of the new accounting policies for financial instruments deposit agent commissions are accounted for as a component of interest expense. This change from prior periods' financial statement presentation has not been applied retroactively and certain elements of this MD&A have been presented in a manner so that certain current ratios such as net interest margins - TEB and productivity ratios - TEB are consistent with past MD&A presentation.

Other Income

Other income includes ancillary fees related to the mortgage portfolio, gains on the securitization of mortgages and excess interest net of servicing fee earned on mortgages issued through the Company's CMHC-MBS program. Sundry income, gains or losses on the sale or redemption of investments and other non-mortgage related fees are also included in other income. Other income amounted to $2.3 million for the three months ended March 31, 2007 compared to $1.6 million during the same period in 2006 due to an increase in earnings from loan securitizations - retained interests and greater commitment fee income in the first quarter of 2007 compared to 2006. Mortgage related fees increased to $0.9 million compared to $0.7 million in the comparable period of 2006 even though conventional non-warehoused mortgage originations were slightly lower in the first quarter of 2007 than in the first quarter of 2006 (Table 4).

During the first quarter, the Company securitized, through the CMHC-MBS program, $100.1 million of mortgages compared to $102.8 million during the comparable period in 2006. Gains on sale of mortgages, increased to $0.7 million in the first quarter of 2007 from $0.3 million during the same period in 2006. Gross margins on the securitization of mortgages increased to 70 basis points in the first quarter of 2007 from 27 basis points in the comparable period. This increase relates to a widening of spreads on this business. Excess interest net of servicing fees remained consistent at $0.7 million during the first quarter of 2007 as compared to $0.7 million in the first quarter of 2006.

Non-Interest Expenses

Non-interest expenses include all of the expenses not related to interest or credit provisions required to operate Equitable's business. The major elements of non-interest expenses consist primarily of salaries and benefits, premises and equipment expenses, capital taxes, insurance and other general and administrative expenses. In prior periods, deposit agent commissions were included in non-interest expenses. As a result of adopting the new accounting policies for financial instruments, deposit agent commissions are accounted for as a component of interest expense. This change from prior periods' presentation has not been applied retroactively and commentary on non-interest expenses in this MD&A is presented including deposit agent commissions so that comparison with prior periods' results is meaningful. Please see the Non-GAAP Financial Measures section at the beginning of this MD&A. Non-interest expenses totaled $5.9 million for the first quarter compared to $4.4 million during the same period in 2006. The increase in 2007 primarily reflected higher employment levels to support growth and variable expenses related to the expansion of the business including deposit agent commissions as well as office and equipment costs to accommodate growth in staff. Total staff complement at March 31, 2007, was 113, including 68 staff in the mortgage origination and servicing department compared to a total of 85 a year ago (which included 56 in the mortgage origination and servicing department).

Included in non-interest expenses during the first quarter of 2007 was a charge for stock-based compensation expense in the amount of $0.1 million related to grants of options from 2004 to 2007. The offset to this expense was an increase to contributed surplus in the same amount. The stock-based compensation charge for the quarter ended March 31, 2006 was also $0.1 million.

The Company's productivity ratio - TEB was 32.1% in the first quarter of 2007 - in line with the Company's target for the year of 32%-35% - compared to 32.0% during the same period in 2006. This ratio (the lower, the more efficient the operations) is a non-GAAP financial measure. Commencing in 2007 it is derived by dividing non-interest expenses, plus deposit agent commissions, by the sum of net interest income - TEB as illustrated in table 2 above and other income. When not measured on a taxable equivalent basis, these ratios were 34.4% and 33.9% in the first quarter of 2007 and 2006 respectively.

BALANCE SHEET

Mortgages

The Company's mortgage lending is focused on first charges for real estate in three primary niches: single family dwelling, multi-unit residential and commercial. At March 31, 2007, single family dwelling mortgages represented the largest portion of the portfolio (see Table 3). This portion of the portfolio increased 7.5% from December 31, 2006 and 17.4% from March 31, 2006 reflecting strong demand. Multi-unit residential mortgages decreased 1.0% compared to a year earlier and decreased 6.4% from December 31, 2006 as a result of the discharge of certain multi-unit residential mortgages. Commercial mortgages increased 44.7% from a year ago, also reflecting strong demand.

The composition of the Company's mortgage portfolio at March 31, 2007 reflects management's mortgage asset weighting strategy and is shown in the following table together with comparisons for prior periods.Table 3: Mortgages receivable

	March 31, 2007		December 31, 2006		March 31, 2006	
($ thousands)	$	% of total	$	% of total	$	% of total
Single family dwelling	797,024	34.7%	741,732	34.8%	678,860	38.4%
Multi-unit residential	533,557	23.2%	570,312	26.7%	538,706	30.4%
Commercial	488,896	21.3%	431,017	20.2%	337,865	19.1%
Conventional mortgages held for sale	350,886	15.3%	268,396	12.6%	102,905	5.8%
Construction	93,485	4.1%	87,043	4.1%	68,226	3.9%
CMHC-insured	31,332	1.4%	33,617	1.6%	42,330	2.4%
Total mortgage principal	2,295,180	100.0%	2,132,117	100.0%	1,768,892	100.0%
Net premiums and sundry	1,234		1,423		712	
Mortgages reported	2,296,414		2,133,540		1,769,604	
Accrued interest	10,871		10,168		7,898	
Allowances for credit losses	(8,242)		(8,046)		(7,392)	
Total mortgages receivable	2,299,043		2,135,662		1,770,110	

Mortgage principal increased $163.1 million or 7.6% during the three month period ended March 31, 2007 and increased $526.3 million or 29.8% since March 31, 2006. The Company funded a total of $664.2 million of mortgages during the quarter, an increase of 12.6% over last year's first quarter when a total of $589.9 million of mortgages were funded. Conventional mortgages (other than warehoused mortgages) funded during the quarter amounted to $271.0 million, a decrease of 1.5% from that of the comparable quarter last year. CMHC mortgages funded during the first quarter of 2007 amounted to $98.4 million compared to $114.9 million a year earlier. Conventional mortgages discharged during the first quarter of 2007 totaled $382.8 million and included $203.3 million of short term warehoused mortgages. In the first quarter of 2006, $382.6 million of conventional mortgages were discharged including $257.7 million of warehoused mortgages.

Table 4 segments mortgage principal funded.Table 4: Mortgage Production

	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006	
($ thousands)	Mortgage Principal Funded	% of total	Mortgage Principal Funded	% of total

Conventional mortgages other than warehoused mortgages	270,978	40.8%	275,125	46.6%
Warehoused mortgages	294,865	44.4%	199,857	33.9%
CMHC-insured mortgages	98,359	14.8%	114,870	19.5%
Total	664,202	100.0%	589,852	100.0%

Mortgage Credit Quality

The Company realized a $50 thousand credit loss on one multi-unit dwelling mortgage during the quarter ended March 31, 2007. A $21 thousand recovery was also realized during the first quarter of 2007. There were no realized losses or recoveries in the first quarter of 2006. Mortgages in arrears 90 days or more amounted to 0.13% of total principal outstanding at March 31, 2007. While this does represent an increase from 0.05% of total principal outstanding at March 31, 2006, these arrears statistics are still low. Mortgages identified as impaired amounted to 0.14% of total mortgage principal outstanding at March 31, 2007, compared to 0.16% a year earlier. The provision for credit losses for the first quarter of 2007 of $225 thousand was equal to the amount recorded in the prior year's period.

Table 5: Asset Categories

	March 31, 2007		December 31, 2006		March 31, 2006	
($ thousands)	Asset Amount	% of total	Asset Amount	% of total	Asset Amount	% of total
Liquidity investments	$315,244	11.0%	$260,490	9.9%	$164,183	7.8%
Equity securities	193,326	6.7%	166,669	6.4%	114,715	5.4%
Mortgage loans	2,299,043	80.2%	2,135,662	81.3%	1,770,110	83.8%
Loan securitiz-ations - retained interests	48,224	1.7%	48,271	1.8%	51,953	2.5%
Other assets	10,556	0.4%	14,663	0.6%	11,939	0.5%
Total	$2,866,393	100.0%	$2,625,755	100.0%	$2,112,900	100.0%

Total assets at March 31, 2007 increased $240.6 million or 9.2% from $2.63 billion at December 31, 2006 and increased $753.5 million or 35.7% from $2.11 billion at March 31, 2006. Liquidity investments include cash and cash equivalents as well as government bonds and notes - all considered eligible liquid assets for regulatory purposes. Total liquid resources include liquidity investments and equity securities which comprised 17.7% of total assets at March 31, 2007, compared to 16.3% at December 31, 2006 and 13.2% as at March 31, 2006.

Equity securities are comprised of preferred shares. At March 31, 2007 equity securities were $26.7 million or 16.0% higher than at December 31, 2006 and $78.6 million or 68.5% higher compared to March 31, 2006. Tax exempt dividend income from equity securities assists in lowering the Company's effective tax rate. The Company's effective tax rate was 27.5% in the first quarter compared to 30.2% for the period ended March 31, 2006. This decrease in the effective tax rate was due to increased equity security dividend income in the first quarter of 2007 as compared to the first quarter of 2006 and to a first quarter 2007 tax recovery of $0.1 million related to future tax rate decreases.

Loan securitizations - retained interests have remained relatively flat at $48.2 million at March 31, 2007 compared to $48.3 million at December 31, 2006 but was $3.7 million or 7.2% lower than a year ago. The decline from March 31, 2006 was due to a decrease in mortgage-backed security assets under administration at March 31, 2007 as compared to March 31, 2006 and to the shorter average duration of securitized mortgages at March 31, 2007 as compared to a year earlier. Total mortgages in the CMHC-MBS program outstanding at March 31, 2007 were $1.82 billion, a decrease from the $1.93 billion at March 31, 2006 but approximately equal to the $1.81 billion outstanding at December 31, 2006.

Liabilities

Customer deposits are utilized to fund the bulk of the Company's asset acquisitions and consist of GICs, sourced primarily through a national distribution network of deposit agents. Customer deposits at March 31, 2007 increased $214.8 million or 9.0% from December 31, 2006 and $691.8 million or 36.2% from March 31, 2006. Sales of cashable GICs, first introduced in 2005, continue to increase. Cashable GICs totaled $697.5 million at March 31, 2007, up 90.0% from the March 31, 2006 balance of $367.2 million and 22.3% greater than the December 31, 2006 balance of $570.5 million. Commencing in 2007, as stated elsewhere in this MD&A, deferred deposit agent commissions are required to be presented as a component of customer deposits. Formerly, these were presented as an other asset.

Future income taxes payable result from differences between the measurement of assets and liabilities for financial statement purposes, as opposed to tax purposes, and relate primarily to the Company's securitization activities and its allowance for credit losses. Future taxes at March 31, 2007 have increased from December 31, 2006 due primarily to the changes in the tax treatment for retained interests - loan securitizations as a result of adopting the new financial instrument accounting policies. Future taxes have decreased from March 31, 2006 as a result of a reduction in timing differences related to loan securitizations - retained interests and greater general reserves for credit losses at March 31, 2007 as compared to March 31, 2006.

Equitable Trust issued $22.0 million of Series 7 subordinated debt during the first quarter of 2007, of which $12.5 million was financed by way of a new bank term loan. At March 31, 2007, a total of $82.0 million of subordinated debt had been issued by Equitable Trust, $47.3 million of which was eliminated upon consolidation and replaced by a $47.3 million bank term loan in the consolidated statements. The issuance of $12.5 million of the Series 7 subordinated debt was financed by a bank term loan in the same amount as described in note 10 of the financial statements and the "Overview" to this MD&A.

Other Assets and Liabilities

Other assets at March 31, 2007 decreased $4.1 million or 28.0% from December 31, 2006 and $1.4 million or 11.6% from a year earlier due primarily to the treatment of deferred deposit agent commissions as a component of customer deposits in 2007 and as an other asset in prior periods.

Other liabilities include the future servicing liability of securitized mortgages, realty taxes collected from borrowers, accounts payable, income taxes payable in 2006 and periodic drawings under the Company's bank line of credit facility. No drawings were made on this line at March 31, 2007, December 31, 2006 or at March 31, 2006. In 2007, income tax installments paid exceed tax liabilities and are recorded as an other asset.

Shareholders' Equity

Total shareholders' equity increased $8.8 million or 5.9% to $158.5 million at March 31, 2007 from $149.7 million at December 31, 2006 and grew 21.3% compared to March 31, 2006. As a result of the exercise of employee stock options, 113,000 common shares were issued for cash proceeds of $2.0 million which was added to common share capital during the first quarter of 2007 compared to 90,705 common shares issued and $1.3 million cash proceeds added to common share capital in the first quarter of 2006. At March 31, 2007, the Company had 12,037,468 common shares issued and outstanding, up 164,823 or 1.4% from 11,872,645 common shares issued and outstanding at March 31, 2006.

Shareholders' equity now includes accumulated other comprehensive loss as a result of the adoption of the new accounting policies outlined in note 2 to the financial statements.

Accumulated other comprehensive income includes the after tax change in unrealized gains and losses on available-for-sale investments and retained interests - loan securitizations. This category of equity appears for the first time in the first quarter of 2007 and prior periods have not been restated. At March 31, 2007 these amounts were an accumulated unrealized gain of $0.26 million on investments - primarily on preferred shares - and an accumulated unrealized loss of $0.32 million on loan securitizations - retained interests.

Also, as a result of adopting these new accounting policies, the opening balance of retained earnings has been adjusted to reflect the January 1, 2007 fair values of assets and liabilities required to be, or designated to be, characterized as held-for-trading. Changes in the fair values of these held-for-trading assets and liabilities, which include CMHC mortgages to be securitized, mortgage commitments on CMHC mortgages to be securitized and derivative financial instruments, will flow through the statement of income.

On April 30, 2007, the Company closed an equity issue with a group of underwriters for the issue of 769,231 common shares at $32.50 per share for gross proceeds of $25.0 million. These funds, net of the underwriters' commissions and issue expenses will be used to fund the future growth of the business by increasing regulatory Tier 1 capital in Equitable Trust and for general corporate purposes.

Capital Management

The Company maintains a capital management policy to govern the quality and quantity of capital utilized by Equitable Trust in its regulated operations. The objective of the policy is to ensure that adequate capital requirements are met, while providing sufficient return to investors. As well, the Company requires sufficient regulatory capital to meet the needs of its asset growth targets. Equitable Trust's total capital ratio at March 31, 2007 was 11.2% compared to 10.6% at December 31, 2006 and 11.2% at March 31, 2006.

Table 6 following summarizes Equitable Trust's regulatory capital position.Table 6: Capital measures (relating solely to Equitable Trust):

($ thousands)

	March 31, 2007	December 31, 2006	March 31, 2006
Tier 1 capital	157,958	148,466	128,859
Tier 2 capital (eligible amount)	79,313	60,000	47,603
Total capital	237,271	208,466	176,462
Total risk weighted assets	2,113,935	1,967,779	1,569,874
Total capital as a % of total risk weighted assets	11.2%	10.6%	11.2%
Authorized asset to capital multiple	17.5x	17.5x	17.5x
Utilized asset to capital multiple	12.1x	12.6x	12.0x

The Company invested in the common share capital of Equitable Trust on April 30, 2007 in the manner outlined in Shareholders' Equity section of this MD&A. This represents a significant addition to Equitable Trust's Tier 1 capital.

Eight Quarter Summary

Table 7 summarizes the Company's performance over the last eight quarters. Assets, revenues, income and ROAE have all continued to improve sequentially over the eight quarters ended March 31, 2007. Generally, the real estate market experiences periods of seasonality at different times of the year, but traditionally, this has had little impact on Equitable's results.

Table 7: Summary of Quarterly Results

($ thousands, except assets and per share amounts)

	2007	2006			
	Q1	Q4	Q3	Q2	Q1
Total assets at quarter end - $ millions	2,866	2,626	2,414	2,244	2,113
Total revenues - TEB(1)	43,888	41,941	38,552	34,885	31,604
Total revenues	42,668	40,819	37,572	34,008	30,820
Net interest income - TEB(1)(2)	16,097	15,359	14,435	13,463	12,143
Net interest income(2)	14,877	14,237	13,455	12,586	11,359
Net earnings	7,992	7,752	7,144	6,609	5,833
EPS - basic	$ 0.67	$ 0.65	$ 0.60	$ 0.56	$ 0.49
EPS - diluted	$ 0.66	$ 0.64	$ 0.59	$ 0.55	$ 0.49
ROAE	21.1%	21.0%	20.3%	19.8%	18.6%

	2005		
	Q4	Q3	Q2
Total assets at quarter end - $ millions	2,012	1,821	1,788
Total revenues - TEB(1)	28,881	26,530	25,039
Total revenues	27,867	25,667	24,320
Net interest income - TEB(1)(2)	12,017	10,439	9,843
Net interest income(2)	11,003	9,576	9,124
Net earnings	5,562	4,985	4,728
EPS - basic	$ 0.47	$ 0.42	$ 0.40
EPS - diluted	$ 0.46	$ 0.42	$ 0.40
ROAE	18.1%	16.8%	16.7%

Notes:

(1) For an explanation of TEB see the beginning of this Management's Discussion and Analysis.

(2) See explanation of treatment of deposit agent commissions at the beginning of this MD&A.FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis ("MD&A") contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Equitable Group Inc., or developments in Equitable's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking information includes all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. Equitable cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made.

Forward-looking statements relate to, among other things, realizing the value of Equitable's assets, capitalizing on market demand for Equitable's mortgage products, executing Equitable's strategic plan, and the demand for Equitable's deposit products. The risks and uncertainties that may affect forward-looking statements include, among others, risks involved in fluctuating interest rates and general economic conditions, legislative and regulatory developments, the nature of Equitable's customers, competition and other risks detailed from time to time in Equitable's filings with Canadian provincial securities regulators, including Equitable's Annual Report and Annual Information Form dated February 26, 2007. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and Equitable does not undertake to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

RISKS AND UNCERTAINTIES

The Company faces a number of risks. Please refer to pages 36 to 42 in the Company's 2006 Annual Report, page 9 in the December 31, 2006 Annual Information Form and pages 7 to 11 of the Short Form Prospectus dated April 23, 2007, all of which are available at www.sedar.com for further information on risks of the business. The risk factors below are not all-inclusive, but do include risks which vary as the assets and liabilities of the Company change.

Liquidity risk relates to the Company's ability to redeem its deposit obligations as they come due or otherwise arise, and to fund asset commitments as scheduled.

Interest rate risk involves the Company's sensitivity of earnings to sudden changes in interest rates.

Credit risk is the risk of financial loss resulting from the failure of a borrower or any counterparty to fully honour its financial or contractual obligations.

Liquidity Risk Management

Mitigating liquidity risk requires the Company to match its asset and liability maturities and to keep sufficient liquid assets on hand at all times to meet mortgage funding and investment purchase commitments, mortgage renewals or extensions and any GIC redemptions. On a daily basis, the Company raises funds based upon asset growth, target liquidity levels and forecasts of its future liquidity requirements. Eligible liquid assets for regulatory purposes consist of cash and cash equivalents and debt instruments guaranteed by governments. Assets eligible for regulatory liquidity purposes were $315.2 million at March 31, 2007 compared to $260.5 million at December 31, 2006 and $164.2 million at March 31, 2006. Total liquid resources, including marketable portfolio securities, were $508.6 million at March 31, 2007 compared to $427.2 million as at December 31, 2006 and $278.9 million at March 31, 2006.

Interest Rate Risk Management

The Company's primary method of mitigating interest rate risk is matching asset and liability maturity or re-pricing terms, closely monitoring interest rates and acting upon any mismatch in a timely fashion, to ensure that any sudden or prolonged change in interest rates does not significantly affect the Company's net interest income.

The Company manages its asset and liability maturity or re-pricing profile by adjusting GIC interest rates on a daily basis to raise GICs with the appropriate maturities to best match the maturity or re-pricing profile of assets being funded. The Company closely monitors the effects of possible interest rate changes on both net interest income for the following twelve month period and on the economic value of shareholders' equity using simulated interest rate change sensitivity modeling and assumptions of borrower and depositor behavior based upon historical experience. As estimated by the Company, an immediate and sustained 1% increase in interest rates as of March 31, 2007, would positively impact net interest income before any tax effect for the following twelve month period by $2.3 million. If interest rates were to decrease 1% on an immediate and sustained basis as at March 31, 2007, and if cashable GICs were to stay on the books until maturity in the manner forecast by management, the estimated negative impact to net interest income before any tax effect for the following twelve month period would be $5.8 million.

The Company has adopted a consistent and disciplined approach to hedging the interest rate risk attached to its MBS activities. MBS interest rate risk refers to the risk that interest rates will vary between the time a mortgage interest rate is committed to and the time the underlying mortgage is securitized and that the change in rates will reduce the value of the mortgage being sold. The Company hedges the interest rate risk for all mortgages that are targeted to be sold through the CMHC-MBS program. Hedging protects the Company from losses due to changes in interest rates during the relevant period. The hedge is initiated on the date that the mortgage is priced and committed to and terminated on the date that the pool is sold. Changes in interest rates affect the price at which the mortgage pool is sold and inversely affects the value of the hedge. These hedges are derivative financial instruments and are required to be carried at fair value under the new financial instrument accounting policies.

Credit Risk Management

Under the Company's lending criteria, all mortgages are individually evaluated under a risk rating system to determine the level of risk attributable to each loan.

In accordance with sound business and financial practices, Equitable Trust's credit risk policies include the annual review of all commercial loans and mortgages. In addition, all loans that are in arrears are reviewed to determine whether any should be classified as doubtful or as a potential loss. Generally, a loan is classified as impaired when management is of the opinion that there is no longer reasonable assurance of full and timely collection of principal and interest. On a regular basis, management reviews all loans in these categories in order to determine the appropriate loan loss reserves required. Reviews of credit policies and lending practices are regularly undertaken by senior management and approved by Equitable Trust's Investment Committee.

Equitable Trust's Investment Committee meets on a quarterly basis to review the status of the Company's investments portfolio, the transactions during the past quarter and the portfolio characteristics such as term, credit rating and type of security. Investment policies are reviewed regularly by Equitable Trust's Investment Committee to ensure that the type, credit quality, duration and concentration of investments in marketable securities are appropriate, prudent and consistent with the risk profile targets adopted by the Company. P-2 and better rated securities comprised 77.5% of the preferred share equity securities portfolio at March 31, 2007, compared to 75.9% a year earlier.

The Company holds preferred shares of BCE Inc. with an amortized cost of approximately $33 million. Subsequent to March 31, 2007, there have been reports that certain Canadian pension funds and other institutions are exploring the possibility of acquiring BCE Inc. As a result, since March 31, 2007, the market value of the preferred shares issued by BCE Inc. has fallen. It is premature to forecast the outcome of these events.

Changes in Accounting Policies

Significant accounting policies are detailed on pages 51 to 67 of the Company's 2006 Annual Report. Effective January 1, 2007, the Company adopted new accounting policies issued by the Canadian Institute of Chartered Accountants: Financial Instruments - Recognition and Measurement, Hedges, Comprehensive Income and Financial Instruments - Disclosure and Presentation. A new section of shareholders' equity - Accumulated other comprehensive income - has been created by virtue of the adoption of these new standards. Please refer to note 2 of the interim unaudited consolidated financial statements for further details on these accounting changes.

Changes in Internal Control over Financial Reporting:

Effective March 1st, 2007, Andrew Moor was appointed as the Company's President and Chief Executive Officer, and Geoffrey Bledin, Equitable's former President and Chief Executive Officer, was appointed Vice Chairman of the Company. Also, effective February 16, 2007, John Harry, Vice President, Credit and Risk Management resigned from Equitable. With the exception of these events, there were no changes in the Company's internal control over financial reporting that occurred during the first quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Updated Share Information

As a result of the issue of 769,231 common shares on April 30, 2007, the Company now has 12,806,699 common shares issued and outstanding. There are unexercised options to purchase 762,011 common shares and a further 518,659 common shares are available for options grants.

OUTLOOK

The Company's outlook, expressed in its annual MD&A, remains intact.

Demand for residential and commercial mortgage financing remains strong in the Company's primary niche markets and the interest rate environment remains supportive to the housing industry. Strong resale activity in the Greater Toronto Area and in Alberta, the Company's two main geographical target markets, continues unabated. The prime rate was stable at 6.0% throughout first quarter 2007 and certain economists forecast little or no change during the remainder of 2007; all of which would tend to indicate a strong year in the mortgage lending business. However, as also expressed in the Company's annual MD&A for 2006, overall market conditions could prove to be more challenging in 2007 than in 2006 depending on interest rate and economic movements.

During this time of strong demand, the Company remains committed to its disciplined lending practices and intends to continue to build a quality portfolio that is well balanced between single family, multi-unit residential and commercial mortgage lending. The Company will continue to investigate and analyze new geographical market opportunities and will cautiously expand its single family dwelling operations when opportunities are identified. The Company continues to advance its growth initiative in Alberta. In the first quarter of 2007, Equitable originated $24.0 million in single family dwelling mortgages in Alberta.

Based on Equitable's first quarter performance, we believe we have established a solid foundation to achieve our growth and profit objectives for the entire year. Although it's still early going, and some analysts continue to forecast a soft landing for the real estate market sometime in 2007, activity levels so far in the second quarter are strong and we continue to position ourselves to take advantage of these conditions through our disciplined niche lending practices. We look forward to making the most of our opportunities as we progress farther into the year.

To summarize, management continues to be committed to the 2007 targets and performance objectives outlined in its 2006 Annual Report and in this Management's Discussion and Analysis.

April 30, 2007

The interim unaudited consolidated financial statements and notes have not been reviewed by the Company's auditors but have been reviewed and approved by the Company's Audit Committee and Board of Directors.CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2007 - UNAUDITED

With comparative figures as at December 31, 2006 and March 31, 2006

(In thousands of dollars)

	March 31, 2007	December 31, 2006	March 31, 2006
Assets			
Cash and cash equivalents	$165,219	$107,842	$80,179
Investments (note 3)	343,351	319,317	198,719
Loan securitizations - retained interests (note 4)	48,224	48,271	51,953

Mortgages receivable (note 5)	2,299,043	2,135,662	1,770,110
Other assets (note 6)	10,556	14,663	11,939
	$2,866,393	$2,625,755	$2,112,900

Liabilities and Shareholders' Equity

Liabilities:			
Customer deposits (note 7)	$2,604,530	$2,389,755	$1,912,705
Future income taxes payable	5,679	4,700	6,032
Other liabilities (note 8)	15,737	21,564	15,861
Bank term loan (note 10)	47,250	34,750	19,750
Subordinated debt (note 11)	34,700	25,250	27,853
	2,707,896	2,476,019	1,982,201
Shareholders' equity:			
Capital stock (note 12)	60,050	57,849	56,959
Contributed surplus (note 12)	1,485	1,539	1,323
Retained earnings	97,025	90,348	72,417
Accumulated other comprehensive (loss) (note 13)	(63)	-	-
	158,497	149,736	130,699
	$2,866,393	$2,625,755	$2,112,900

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007 - UNAUDITED
With comparative figures for the three month period ended March 31, 2006
(In thousands of dollars, except per share amounts)

	Three months ended March 31, 2007	Three months ended March 31, 2006
Interest income:		
Mortgages	$35,773	$26,405
Investments	3,154	1,754
Other	1,476	1,036
	40,403	29,195
Interest expense:		
Customer deposits	24,354	16,911
Subordinated debt	557	600
Term loan	615	325
Deposit agent commissions (note 2)	1,398	-
	26,924	17,836
Interest income, net	13,479	11,359
Provision for credit losses (note 5)	225	225
Net interest income after provision for credit losses	13,254	11,134
Other income:		
Mortgage commitment income and other fees	910	674
Net gain (loss) on sale or redemption		

of investments	(15)	2
Loan securitizations - retained interests (note 4)	1,370	949
	2,265	1,625
Net interest income and other income	15,519	12,759
Non-interest expenses:		
Compensation and benefits	2,581	2,048
Deposit agent commissions (note 2)	-	1,045
Other	1,912	1,306
	4,493	4,399
Income before income taxes	11,026	8,360
Income taxes (recovery) (note 9)		
Current	2,055	3,033
Future	979	(506)
	3,034	2,527
Net income	$7,992	$5,833
Earnings per share:		
Basic	$0.67	$0.49
Diluted	$0.66	$0.49
Weighted average number of shares outstanding:		
Basic	11,953,318	11,802,679
Diluted	12,191,258	12,007,843

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007 - UNAUDITED
With comparative figures for the three month period ended March 31, 2006
(In thousands of dollars)

	Three months ended March 31, 2007	March 31, 2006
Common shares:		
Balance, beginning of period	$57,849	$55,510
Common shares issued (note 12)		
Proceeds from exercise of employee stock options	1,999	1,325
Transfer from contributed surplus relating to the exercise of stock options	202	124
Balance, end of period	60,050	56,959
Contributed surplus:		
Balance, beginning of period	1,539	1,327
Stock-based compensation (note 12)	148	120
Transfer to common shares relating to the exercise of stock options	(202)	(124)
Balance, end of period	1,485	1,323
Retained earnings:		
Balance, beginning of period	90,348	67,771
Transition adjustment - Financial instruments (note 2)	(113)	-

Net income	7,992	5,833
Dividends	(1,202)	(1,187)
Balance, end of period	97,025	72,417
Accumulated other comprehensive income:		
Balance, beginning of period	-	-
Transition adjustment - Financial instruments (note 2)	302	-
Other comprehensive income (loss) (note 13)	(365)	-
Balance, end of period	(63)	-
Total shareholders' equity	$158,497	$130,699

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007 - UNAUDITED
(In thousands of dollars)

	Three months ended March 31, 2007
Net income	$7,992
Other comprehensive income (loss)	
Available-for-sale assets, change in unrealized gains (losses) (note 13)	9
Reclassification to earnings for realization of available-for-sale assets fair value changes (note 13)	(374)
Other comprehensive income (loss)	(365)
Comprehensive income	$7,627

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007 - UNAUDITED
With comparative figures for the three month period ended March 31, 2006
(In thousands of dollars)

	Three months ended March 31, 2007	March 31, 2006
Cash provided by (used in):		
Operating activities:		
Net income	$7,992	$5,833
Non-cash items:		
Financial instruments - fair value adjustments and reclassifications	98	-
Loan securitizations - gains on sale of mortgages	(703)	(277)
Amortization	200	109
Provision for credit losses	225	225
Net loss (gain) on sale or redemption of investments	15	(2)
Future income taxes	979	(506)
Stock-based compensation	148	120
Amortization of premiums on investments	1,071	881
	10,025	6,383

Changes in operating assets and liabilities:		
Other assets	4,346	(1,414)
Other liabilities	(5,830)	(5,169)
	8,541	(200)
Financing activities:		
Increase in customer deposits	214,775	103,750
Issuance (redemption) of subordinated debt, net	9,450	(3,841)
Issuance of bank term loan	12,500	-
Dividends paid on common shares	(1,202)	(1,187)
Issuance of common shares	1,999	1,325
	237,522	100,047
Investing activities:		
Purchase of investments	(61,282)	(19,960)
Proceeds on sale or redemption of investments	36,569	14,791
Investments in mortgages receivable	(665,855)	(590,285)
Mortgage principal repayments	400,411	395,172
Proceeds from loan securitizations	98,536	99,966
Loan securitizations - retained interests	3,293	3,474
Purchase of capital assets	(358)	(40)
	(188,686)	(96,882)
Increase in cash and cash equivalents	57,377	2,965
Cash and cash equivalents, beginning of period	107,842	77,214
Cash and cash equivalents, end of period	$165,219	$80,179
Comprised of:		
Deposits at banks	53,652	75,044
Short term investments	118,440	15,000
Cheques and other items in transit	(6,873)	(9,865)
	$165,219	$80,179
Supplemental cash flow information:		
Interest paid	$24,346	$15,885
Income taxes paid	7,046	6,447

See accompanying notes to interim unaudited consolidated financial statements.

NOTES TO INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED MARCH 31, 2007
(In thousands of dollars, except per share amounts)

1. Basis of preparation:

These interim unaudited consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements for the year ended December 31, 2006 as set out on pages 51 to 67 of the 2006 Annual Report. These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) using the same accounting policies and methods of computation as were used in the preparation of the consolidated financial statements for the year ended December 31, 2006 except as described in note 2.

These interim unaudited consolidated financial statements reflect amounts which must, of necessity, be based on the best estimates and judgment of management with appropriate consideration as to materiality. Actual results may differ from these estimates.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Changes in accounting policy:

Effective January 1, 2007, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): Comprehensive Income, Financial Instruments - Recognition and Measurement, Hedges and Financial Instruments - Disclosure and Presentation. As a result of adopting these standards, a new category, accumulated other comprehensive income (loss), has been added to shareholders' equity and certain unrealized gains and losses are reported in accumulated other comprehensive income (loss) until realization.

As a result of adopting these new accounting standards, certain financial assets and liabilities are measured at fair value with the remainder recorded at amortized cost. Under the new standards, adjustments to the previously recorded amounts have been made either to retained earnings or to accumulated other comprehensive income (loss) as at January 1, 2007. The Company has not restated prior period consolidated financial statements.

Significant aspects of the Company's implementation of these new standards include:

- Investments in preferred shares, government bonds, treasury bills and notes and loan securitizations - retained interests have been designated as available-for-sale and are reported on the balance sheet at fair value with changes in fair value included in other comprehensive income, net of income taxes.

- Derivatives, government guaranteed mortgages held for securitization and commitments to fund government guaranteed mortgages for securitization have been recorded on the balance sheet at fair value, with changes in fair value included in loan securitizations - retained interests in the statement of income.

- Cash and cash equivalents, mortgages, with the exception of government guaranteed mortgages held for securitization, customer deposits, bank term loans and subordinated debt continue to be recorded at amortized cost using the effective interest method.

- Deferred deposit agent commissions are accounted for as a component of customer deposits with the amortization of these commissions calculated on an effective yield basis as a component of interest expense. In prior periods, deferred deposit agent commissions were reported as an other asset, with amortization being reported as a non-interest expense.

For financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices used 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 refer to observable market data and include discounted cash flow analysis and other commonly used valuation techniques.

Transition adjustments - financial instruments recorded at January 1, 2007 relate to:

	Gross	Income Taxes	Net
Retained earnings - increase (decrease)			
Fair value adjustment of government guaranteed mortgages held for securitization	$(5)	$(2)	$(3)
Fair value of government guaranteed mortgage commitments for securitization	284	103	181
Fair value of derivatives	(456)	(165)	(291)

	$(177)	$(64)	$(113)

Accumulated other comprehensive income (loss)			
Available-for-sale investments, unrealized gains (losses)	$850	$307	$543
Available-for-sale loan securitizations - retained interests, unrealized gains (losses)	(378)	(137)	(241)
	$472	$170	$302

3. Investments:

(a) Carrying value:

	March 31, 2007	December 31, 2006	March 31, 2006
Preferred shares	$193,326	$166,669	$113,596
Government bonds, treasury bills and notes	150,025	152,648	84,004
Common shares	-	-	1,119
	$343,351	$319,317	$198,719

Investments are accounted for at settlement date. Net unrealized gains (losses) included in carrying value on the balance sheet as at March 31, 2007 as required by the change in accounting policies described in note 2 are as follows:

	March 31, 2007
Preferred shares	$523
Government bonds, treasury bills and notes	(117)
	$406

(b) Derivative financial instruments:

The Company's equity securities contain embedded derivatives which are bifurcated from the investment and valued separately. These bifurcated derivatives do not currently have significant value and therefore they are not reported separately.

(c) Credit facility:

The Company has a bank line of credit facility. Under this facility, the Company may borrow up to $35.0 million (December 31, 2006 - $35.0 million, March 31, 2006 - $35.0 million) for short-term liquidity purposes. The facility is secured by the Company's investments in preferred shares. There was no outstanding balance on the line as at March 31, 2007 (December 31, 2006 - $Nil, March 31, 2006 - $Nil).

4. Loan securitizations:

(a) Retained interests:

The Company securitizes Canadian government guaranteed residential mortgage loans through the creation of mortgage-backed securities and removes the mortgages from the balance sheet. As at March 31, 2007, outstanding securitized mortgages totaled $1,815,824 (December 31, 2006 - $1,807,479, March 31, 2006 - $1,927,741), substantially all of which are multi-family residential mortgage loans.

During the period, the Company securitized Canadian government guaranteed residential mortgage loans and received net cash proceeds of $98,536

(March 31, 2006 - $99,966). The Company retained the rights to future excess interest on the residential mortgages valued at $4,498 (March 31, 2006 - $4,000) and received net cash flows on interests retained of $3,960 (March 31, 2006 - $4,146). The Company retained the responsibility for servicing the mortgages and enjoys the right to receive the future excess interest spread. The Company has outsourced the servicing of the transferred loans to an unrelated third party and has recorded a servicing liability of $729 (March 31, 2006 - $490) relating to loans securitized during the period.

Retained interests are accounted for at settlement date. The fair value of the retained interests is determined with internal valuation models using market data inputs, where possible, by discounting the expected future cash flows at like term Government of Canada bond interest rates plus a spread. Net unrealized gains (losses) included in carrying value on the balance sheet as required by the change in accounting policies described in note 2 are as follows:

	March 31, 2007
Loan securitizations - retained interests	$ (504)

The components of income from loan securitizations - retained interests are as follows:

	March 31, 2007	March 31, 2006
Gain on sale of mortgages	$703	$277
Excess interest net of servicing fee	667	672
	$1,370	$949

There are no expected credit losses, as the mortgages underlying the retained interests are government guaranteed.

(b) Derivative financial instruments:

The Company enters into hedging transactions to manage market interest rate exposures on government guaranteed mortgages held for securitization and commitments for government guaranteed mortgages to be securitized, typically for periods of up to 90 days. Hedge instruments outstanding at March 31, 2007, December 31, 2006 and March 31, 2006 relating to forward contracts on Government of Canada bonds, where the counterparties for which are chartered banks, are as follows:

	March 31, 2007		December 31, 2006		March 31, 2006	
Bond term (years)	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
1 to 5	$11,400	$11,284	$14,400	$14,289	$14,000	$13,977
5 to 10	17,000	17,389	21,800	22,444	47,500	49,898
	$28,400	$28,673	$36,200	$36,733	$61,500	$63,875

The hedge instruments are fair value hedges and are required to be classified as held-for-trading and carried at fair value. The fair values of the hedge instruments are determined by reference to the ask side of the related Government of Canada bonds as at the reporting date. The period end fair value of hedges of $81 is disclosed in note 6, other assets.

(c) Mortgage commitments:

Mortgage commitments for government guaranteed mortgages to be securitized are designated as held-for-trading and are carried at fair value. Fair value is determined by reference to the bid side of a like term Government of Canada bond plus a spread between the bond yield and the mortgage rate. Changes in fair value reflect changes in interest rates which have occurred since the mortgage interest rate was committed to. The period end fair value of mortgage commitments of ($22) is disclosed in note 8, other liabilities.

5. Mortgages receivable:

(a) Mortgages receivable and impaired mortgages:

March 31, 2007		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,411,618	$360	$5,519	$5,879	$1,405,739
Other mortgages	517,317	-	1,798	1,798	515,519
Mortgages held for securitization or for sale	367,479	-	565	565	366,914
Accrued interest	10,871	-	-	-	10,871
	$2,307,285	$360	$7,882	$8,242	$2,299,043

December 31, 2006		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,373,842	$160	$5,168	$5,328	$1,368,514
Other mortgages	472,635	-	2,047	2,047	470,588
Mortgages held for securitization or for sale	287,063	-	671	671	286,392
Accrued interest	10,168	-	-	-	10,168
	$2,143,708	$160	$7,886	$8,046	$2,135,662

March 31, 2006		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,266,496	$1,670	$4,156	$5,826	$1,260,670
Other mortgages	373,192	-	1,309	1,309	371,883
Mortgages held for securitization or for sale	129,916	-	257	257	129,659
Accrued interest	7,898	-	-	-	7,898
	$1,777,502	$1,670	$5,722	$7,392	$1,770,110

Included in mortgages held for securitization or for sale are Canadian Government insured mortgages of $16,409, as at March 31, 2007

(December 31, 2006 - $18,551, March 31, 2006 - $26,943). These Government of Canada guaranteed loans held for securitization have been designated as held-for-trading and are carried at fair value determined by reference to the bid side of a like term Government of Canada bond plus a spread between the bond yield and the mortgage rate. Changes in fair value reflect changes in interest rates which have occurred since the mortgage interest rate was committed to. The period end fair value adjustment of Government of Canada guaranteed loans held for securitization is ($64). Loans held for sale include loans which are to be pooled and discharged subsequent to the balance sheet date at their investment cost. These loans are carried at the lower of cost or fair value. There are no foreclosed assets held for sale at March 31, 2007, December 31, 2006 and March 31, 2006.

The principal outstanding and net carrying amount of mortgages receivable classified as impaired as at March 31, 2007 aggregated $3,272 (December 31, 2006 - $1,138, March 31, 2006 - $2,877) and $2,912 (December 31, 2006 - $978, March 31, 2006 - $1,207), respectively.

The Company has commitments to fund a total of $314,526 (December 31, 2006 - $279,278, March 31, 2006 - $282,279) of mortgages as at the end of the period.

(b) Allowance for credit losses:

	March 31, 2007		
	Specific allowance	General allowance	Total
Balance, beginning of period	$160	$7,886	$8,046
Provision for credit losses	229	(4)	225
Recoveries	21	-	21
Realized losses	(50)	-	(50)
Balance, end of period	$360	$7,882	$8,242

	March 31, 2006		
	Specific allowance	General allowance	Total
Balance, beginning of period	$2,087	$5,080	$7,167
Provision for credit losses	(417)	642	225
Recoveries	-	-	-
Realized losses	-	-	-
Balance, end of period	$1,670	$5,722	$7,392

6. Other assets:

	March 31, 2007	December 31, 2006	March 31, 2006
Prepaid expenses and other	$2,834	$2,378	$1,490
Capital assets	2,421	2,263	1,433
Other receivables	2,099	1,868	1,777
Accrued interest on non-mortgage assets	1,701	1,866	1,234
Income taxes recoverable	1,420	-	-
Derivative financial instruments			

- hedges (note 4)	81	-	-
Deferred deposit agent commissions (note 2)	-	6,288	6,005
	$10,556	$14,663	$11,939

7. Customer deposits:

	March 31, 2007	December 31, 2006	March 31, 2006
Cashable GICs, payable on demand	$697,544	$570,455	$367,202
GICs with fixed maturity dates	1,859,436	1,766,011	1,506,547
Accrued interest	54,436	53,289	38,956
Deferred deposit agent commissions (note 2)	(6,886)	-	-
	$2,604,530	$2,389,755	$1,912,705

8. Other liabilities:

	March 31, 2007	December 31, 2006	March 31, 2006
Accounts payable and accrued liabilities	$6,515	$6,860	$4,887
Securitized mortgage servicing liability	6,367	6,044	6,547
Mortgagor realty taxes	2,833	5,089	3,175
Mortgage commitments (note 4)	22	-	-
Income taxes payable	-	3,571	1,252
	$15,737	$21,564	$15,861

9. Income taxes:

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

	March 31, 2007	March 31, 2006
Canadian statutory income tax rate	36.1%	36.1%
Increase (decrease) resulting from:		
Tax exempt income	(7.2%)	(6.0%)
Future tax rate reductions	(1.3%)	0.0%
Non-deductible expenses and other	(0.1%)	0.1%
Effective income tax rate	27.5%	30.2%

10. Bank term loan:

The Company has received three non-revolving term loans totaling $47,250 from Canadian Western Bank, $19,750 of which was received on March 17, 2005, $15,000 on April 17, 2006 and $12,500 on March 16, 2007. Each loan is for a fixed term of five years with the balance of the loan, together with all accrued and unpaid interest, due on the fifth anniversary of the loan. The proceeds of the loans were used to purchase $19,750 of Series 5, $15,000 of Series 6 and $12,500 of Series 7 of the Subordinated Debentures of the Company's subsidiary, The Equitable Trust Company ("Equitable Trust"). The loans are repayable in full at the option of the Company at any time during their term and as collateral for the loans, the Company has provided a promissory note, a general security agreement, a pledge of all the issued and outstanding shares in the capital of Equitable Trust and an assignment of the Subordinated Debentures purchased from Equitable Trust using the proceeds of the loans. Interest is payable monthly on the $19,750 loan at 6.37%, on the $15,000 loan at 6.82% and on the $12,500 loan at 6.41%

11. Subordinated debt:

The Company has issued debentures which are subordinated to the deposits and other liabilities of the Company and which are repayable at any time without penalty. Any redemption of this debt, contractual or earlier, is subject to regulatory approval. Interest is paid quarterly.

2007 Debenture series	Interest rate	Issue date	Maturity date	Outstanding, December 31, 2006	Issued during the period	Redeemed during the period	Outstanding, March 31, 2007
Series 5	7.31%-7.58%	2004/05	January 2015	$ 20,250	$ -	$ -	$ 20,250
Series 6	7.27%	2006	January 2016	5,000	-	-	5,000
Series 7	7.10%	2007	January 2017	-	9,450	-	9,450
				$ 25,250	$ 9,450	$ -	$ 34,700

2006 Debenture series	Interest rate	Issue date	Maturity date	Outstanding, December 31, 2005	Issued during the period	Redeemed during the period	Outstanding, March 31,2006
Series 4	7.54%-8.15%	2003	January 2013	$ 11,444	$ -	$ 3,841	$ 7,603
Series 5	7.31%-7.58%	2004/05	January 2015	20,250	-	-	20,250
				$ 31,694	$ -	$ 3,841	$ 27,853

12. Shareholders' equity:

(a) Capital stock:

Authorized:
Unlimited number of common shares
Unlimited number of preferred shares

Issued:
Common shares:

	March 31, 2007	March 31, 2006

	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	11,924,468	$57,849	11,781,940	$55,510
Issued during the period	113,000	1,999	90,705	1,325
Transfer from contributed surplus relating to the exercise of stock options	-	202	-	124
Balance, end of period	12,037,468	$60,050	11,872,645	$56,959

(b) Stock-based compensation plans:

Stock option plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible participants for terms of five years and vest over a four or five-year period. The maximum number of common shares available for issuance under the plan is 10% of the Company's issued and outstanding common shares. The outstanding options expire on various dates to March 2012. A summary of the Company's stock option activity and related information for the periods ended March 31, 2007 and March 31, 2006 is as follows:

	March 31, 2007		March 31, 2006	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	749,011	$20.54	768,539	$18.07
Granted	150,000	34.49	-	-
Exercised	(113,000)	17.69	(90,705)	14.61
Forfeited/cancelled	(24,000)	19.98	-	-
Outstanding, end of period	762,011	$23.73	677,834	$18.53
Exercisable, end of period	150,900	$18.34	172,111	$17.27

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $148 (March 31, 2006 - $120) related to grants of options in 2005 to 2007 under the stock option plan. This amount has been credited to contributed surplus. During the first quarter of 2007, a total of 150,000 stock options were granted (2006 - nil). The fair value of options granted in 2007 is estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions: (i) risk-free rate of 4.0%; (ii) expected option life of 4.0 years; (iii) expected volatility of 23.0%; and (iv) expected dividends of 1.2%. The weighted average fair value of each option granted was $6.71.

13. Accumulated other comprehensive income (loss):

Accumulated other comprehensive income (loss) includes the after tax change in unrealized gains and losses on available-for-sale investments and retained interests - loan securitizations.

	March 31, 2007
Available-for-sale investments:	
Transition adjustment on adoption of new accounting standards, net (note 2)	$ 543

Losses from changes in fair value, net of income taxes recovered of $150	(266)
Reclassification to earnings for gain (loss) on sale or redemption of investments, net of income taxes recovered of $10	(18)
Balance, end of period	259
Available-for-sale loan securitizations - retained interests:	
Transition adjustment on adoption of new accounting standards, net (note 2)	(241)
Gains from changes in fair value, net income taxes of $156	275
Reclassification to earnings for loan securitizations - retained interests, net of income taxes recovered of $201	(356)
Balance, end of period	(322)
Total accumulated other comprehensive income (loss)	$ (63)

14. Interest rate sensitivity:

The following table shows the Company'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 March 31, 2007, December 31, 2006 and March 31, 2006:

March 31, 2007	Floating rate or within 1 month	1 to 3 months	3 months to 1 year	Total within 1 year
Total assets	$ 1,435,866	$ 100,544	$ 419,642	$ 1,956,052
Total liabilities and equity	1,094,727	305,897	418,552	1,819,176
Interest rate sensitive gap	$ 341,139	$ (205,353)	$ 1,090	$ 136,876
Cumulative gap	$ 341,139	$ 135,786	$ 136,876	$ 136,876
Cumulative gap as a percentage of total assets	11.90%	4.74%	4.78%	4.78%

March 31, 2007	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Total assets	$ 855,600	$ 38,548	$ 16.193	$ 2,866,393
Total liabilities and equity	785,054	34,700	227,463	2,866,393
Interest rate sensitive gap	$ 70,546	$ 3,848	$ (211,270)	$ -
Cumulative gap	$ 207,422	$ 211,270	$ -	$ -
Cumulative gap as a percentage of total assets	7.24%	7.37%	0.00%	0.00%

	December 31, 2006			
	Floating rate or within 1 month	1 to 3 months	3 months to 1 year	Total within 1 year
Cumulative gap	$ 261,613	$ 83,012	$ 113,316	$ 113,316
Cumulative gap as a percentage of total assets	9.96%	3.16%	4.32%	4.32%

	December 31, 2006			
	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Cumulative gap	$ 203,091	$ 211,366	$ -	$ -
Cumulative gap as a percentage of total assets	7.73%	8.05%	0.00%	0.00%

	March 31, 2006			
	Floating rate or within 1 month	1 to 3 months	3 months to 1 year	Total within 1 year
Cumulative gap	$ 334,346	$ 246,053	$ 133,346	$ 133,346
Cumulative gap as a percentage of total assets	15.82%	11.65%	6.31%	6.31%

	March 31, 2006			
	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Cumulative gap	$ 201,302	$ 175,114	$ -	$ -
Cumulative gap as a percentage of total assets	9.53%	8.29%	0.00%	0.00%

(a) Accrued interest is excluded in calculating interest sensitive assets and liabilities.
(b) Potential prepayments of fixed rate loans have not been estimated. Cashable GICs are included with floating rate liabilities as these are cashable by the depositor upon demand. Any prepayments of

subordinated debt, contractual or otherwise, have not been estimated
as these would require pre-approval by OSFI.

15. Subsequent events:

On April 30, 2007, the Company issued 769,231 common shares at a price of $32.50 per share for aggregate gross proceeds of approximately $25.0 million. The net proceeds of the offering will be used to invest in the common shares of Equitable Trust and for general corporate purposes.

For further information:

For further information: Andrew Moor, (416) 513-3519; Stephen Coffey, (416) 515-7000
