EQUITABLE GROUP INC.

FIRST QUARTER 2013
INTERIM FINANCIAL STATEMENTS

EQUITABLE GROUP INC.

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Management's Discussion and Analysis ("MD&A") is provided to enable readers to assess the financial position and the results of operations of Equitable Group Inc. ("Equitable" or the "Company") for the three months ("quarter") ended March 31, 2013. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2013, together with accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012, together with accompanying notes. This report, and the information provided herein, is dated as at May 9, 2013. The Company's continuous disclosure materials, including interim filings, annual Management's Discussion and Analysis and Consolidated Financial Statements, Annual Information Form, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Company's website at www.equitabletrust.com and on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made by the Company in the sections of this report including those entitled "Business Profile and Objectives", "Q1 2013 Highlights", "Business Outlook", "Credit Quality and Allowance for Credit Losses, "Liquidity Investments and Equity Securities", "Other Assets", "Capital Management", "Risk Management", 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 the Company's objectives (including the proposal to convert The Equitable Trust Company into a Schedule I Bank), strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Company'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", "should", "might" or "will be taken", "occur", "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 the Company 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" herein and in the Company'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 the Company and the Canadian economy. Although the Company 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 the Company in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its mortgage business at current levels, 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. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

BUSINESS PROFILE AND OBJECTIVES

Equitable is a niche mortgage lender that provides loans secured by first or insured mortgages, through its wholly-owned subsidiary, The Equitable Trust Company ("Equitable Trust"). Equitable Trust is a federally-regulated financial institution, founded in 1970, and its activities are supervised by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Please refer to Equitable's 2012 Annual Report for a detailed description of the business and our priorities.

Equitable provides mortgages to individuals and to both small and large businesses. The Company services niche customer segments that are not typically the focus of Canada's larger financial institutions, including business-for-self individuals, those establishing credit for the first time such as newcomers to Canada, and the credit challenged. We compete primarily on the basis of the outstanding service that we deliver to independent mortgage brokers, business partners, and borrowers. As a regulated financial institution, we are able to fund our business cost-efficiently with insured consumer deposits and through Canada Mortgage and Housing Corporation ("CMHC") sponsored securitization programs.

Management's strategies are designed to create shareholder value by optimizing Return on Equity ("ROE") and to protect the Company's depositors. The priorities that support our approach are outlined below:

Strategic Priorities	How We Accomplish Them
Grow by providing effective service, competitive products and cost-efficient operations	• Win more business by delivering service excellence to borrowers, mortgage brokers, deposit agents, and our other business partners • Operate without branches or high fixed costs and with the capability to deliver responsive solutions • Leverage the Company's access to funding and other capabilities to prudently diversify our product mix over time
Build our capabilities and brand	• Invest in the development of our employees, and in the continuous improvement of our products, processes and systems • Become an employer of choice for talented individuals in the financial services community • Advance our reputation and the marketplace awareness of our Company • Support the communities in which we do business
Consistently create shareholder value	• Maintain a diverse portfolio of residential and commercial mortgages in our Core Lending business • Complement Core Lending with a Securitization Financing business focused on multi-unit residential properties (i.e. apartment buildings) • Apply rigorous capital allocation and pricing discipline • Use retained earnings and non-dilutive forms of capital to fund growth and support our strong capital position • Grow common share dividends consistently
Maintain a low risk profile	• Originate only conventional mortgages in our Core Lending businesses (less than 80% loan to value in single family and less than 75% in commercial) • Employ best-in-class underwriting and collection practices • Operate in large urban centers with stable and liquid real estate markets, carefully expanding our geographic coverage over time • Hold an appropriate amount of liquid assets at all times and maintain diversity in our funding sources

FINANCIAL OVERVIEW

Table 1: Selected financial information

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	**March 31, 2013**	December 31, 2012	% Change	Three months ended March 31, 2012	% Change
OPERATIONS					
Net income	**20,914**	20,140	4%	17,940	17%
Net income available to common shareholders	**20,008**	19,234	4%	17,034	17%
EPS – basic	**$1.32**	$ 1.27	4%	$1.13	17%
EPS – diluted	**$1.30**	$ 1.26	3%	$1.13	15%
Return on equity – annualized[1]	**17.5%**	17.3%	0.2%	17.7%	(0.2%)
Return on average assets – annualized[1]	**0.7%**	0.7%	-%	0.7%	-%
Net interest margin – TEB – total assets[1][2]	**1.42%**	1.44%	(0.02%)	1.45%	(0.03%)
Productivity ratio – TEB[1][3]	**30.3%**	30.3%	0.0%	30.8%	(0.5%)
BALANCE SHEET					
Total assets	**11,602,293**	11,601,440	-%	10,470,238	11%
Mortgages receivable	**10,737,609**	10,609,472	1%	9,687,878	11%
Shareholders' equity	**521,829**	501,571	4%	443,457	18%
CREDIT QUALITY					
Realized loan losses – net of recoveries	**24**	359	(93%)	522	(95%)
Net impaired mortgages as a % of total mortgage assets[4]	**0.34%**	0.30%	0.04%	0.28%	0.06%
Allowance for credit losses as a % of total mortgage assets	**0.27%**	0.25%	0.02%	0.22%	0.05%
SHARE CAPITAL					
Number of common shares outstanding at period end	**15,234,379**	15,189,983	0%	15,042,178	1%
Dividends declared per common share	**$0.15**	$0.14	7%	$0.12	25%
Book value per common share	**$31.07**	$29.83	4%	$26.26	18%
Common share price – close	**$38.02**	$32.65	16%	$28.64	33%
Market capitalization	**579,211**	495,953	17%	430,811	34%
EQUITABLE TRUST CAPITAL RATIOS					
Common Equity Tier 1 ratio[1]	**12.2%**	12.2%	-%	12.0%	0.2%
Tier 1 capital ratio[1]	**13.4%**	13.5%	(0.1%)	13.5%	(0.1%)
Total capital ratio (including collective allowance)[1]	**16.4%**	17.4%	(1.0%)	15.3%	1.1%

(1) *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
(2) *Average net interest margin is calculated based on the average of the month-end balances outstanding during the period.*
(3) *Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies.*
(4) *Net impaired mortgages do not include insured mortgages that are less than 365 days in arrears and reflect gross impaired mortgage assets less individual allowances.*

Q1 2013 HIGHLIGHTS

Equitable produced record first quarter earnings and successfully delivered on our strategic priorities in Q1 2013:

Grow by providing effective service, competitive products and cost-effective operations	• Increased mortgage assets by 11% over Q1 2012 • Gained momentum in urban markets in Western and Atlantic Canada • Managed costs tightly in the quarter and achieved a productivity ratio of 30.3% • Demonstrated industry leadership through active participation in a cross-country broker education campaign sponsored by CAAMP
Build our capabilities and brand	• Formally commenced our application to convert to a Schedule I bank • Hired Dan Ruch, an experienced executive with over a decade of financial services experience, as our new Chief Compliance Officer • Successfully completed our Corporate Governance self-assessment as required by OSFI, and did not identify any material governance gaps
Consistently create shareholder value	• Delivered an ROE of 17.5% (above our five-year average of 17.2%) • Declared common share dividends that were 25% higher than in Q1 2012 • Repaid $38 million of debt, resulting in an annual interest cost savings of $1.8 million but also a non-recurring prepayment penalty of $0.8 million in Q1
Maintain a low risk profile	• Maintained a loan to value ratio of 70% on our Core Lending portfolio • Realized loan losses of only $24 thousand • Sold $38.9 million of our preferred share portfolio due to more demanding capital rules that became effective on January 1, 2013; realized a gain • Reported a Common Equity Tier 1 (“CET1”) ratio of 12.2%, well ahead of most industry benchmarks

DIVIDENDS

On May 9, 2013 the Company’s Board of Directors declared a quarterly dividend in the amount of $0.15 per common share, payable on July 4, 2013, to common shareholders of record at the close of business on June 14, 2013. This dividend represents a 25% increase over dividends declared in Q1 2012.

Also, on May 9, 2013, the Company’s Board of Directors declared a quarterly dividend in the amount of $0.453125 per preferred share, payable on June 28, 2013, to preferred shareholders of record at the close of business on June 14, 2013.

BUSINESS OUTLOOK

Beginning in the fall of 2012, Canadian housing market growth slowed, although growth levels have varied substantially by geographic region and property type. Our single family mortgage production was affected by this slowdown in the first quarter but our performance still outpaced the overall housing market. First quarter production levels were also dampened by our approach to implementing some recent regulatory changes, which resulted in weaker than desired levels of customer service and a loss of origination volumes. Management has taken steps to align this implementation with our objective of delivering superior customer service, and expects that these changes will provide support to production levels in coming quarters. We also benefitted from our diversified business model during the quarter, as 46% year-over-year growth in commercial mortgage production helped to offset the low rates of single family production growth.

It is difficult to forecast even near-term single family production levels given the current uncertainty in the housing market. Even if our production growth remains low as a result of market conditions, we believe that overall single family balances should continue to grow at double digit rates on a year-over-year basis due to the absolute level of production relative to the current size of the portfolio and our high rates of renewals on existing mortgages.

Beginning in June, we will have the opportunity to renew a substantial portion of the mortgages in our Securitization Financing portfolio each quarter. These mortgages are financed through the CMHC Canada Mortgage Bond ("CMB") program on a quarterly basis. CMB issuance levels for each institution are limited by CHMC, and this quarterly allocation creates an effective maximum on the volume of mortgages that we can originate and renew. We plan to use a portion of our CMB allocation to finance the renewed mortgages, so production levels should remain moderate in upcoming quarters. As such, and also because some assets securitized will be derecognized, we expect that the growth rate of the Securitization Financing portfolio will remain in the low single digits during 2013.

Management expects the Company's arrears rates and loan losses to remain low in 2013. Employment, the major driver of arrears in the single family business, is forecast to remain stable and our loan-by-loan and overall analysis of our commercial portfolio shows little reason for concern. We will continue to manage credit risk through the application of our traditional prudent lending practices.

The Company believes that total net interest margin ("NIM") on the mortgage portfolio will remain relatively stable over the course of the year, though NIM will experience some quarterly fluctuations due to debt repayment penalties incurred in Q1 and inherently volatile mortgage prepayment charge income. Total NIM will benefit from the continued shift in volume towards the Company's higher margin Core Lending book. Within Core Lending and excluding the impact of the Q1 debt repayment penalty, we expect NIM to decrease marginally over the year as the portfolio continues shifting towards lower spread, but also lower risk weighted, single family residential mortgages. Securitization Financing NIM should compress slightly throughout 2013 due to lower prepayment charge income, and the origination and renewal of new mortgages at lower spreads.

Equitable will continue to invest to grow our franchise and support our high level of customer service. Even with that investment, the Company will continue to operate efficiently on both an absolute and relative basis compared to other financial institutions, particularly taking into account the relative scale of our operations. Management does not expect material changes in the productivity ratio this year as compared with 2012. In the event that market activity slows more than expected, hiring will be aligned with the growth in the business to maintain the Company's profitability.

The purpose of this outlook is to give the reader an indication of factors that may affect Equitable's performance in the near term. Readers should be aware that information contained in this section may not be appropriate for any other purpose. **See "Cautionary Note Regarding Forward-Looking Statements" on page 1 of this MD&A.**

FINANCIAL REVIEW - EARNINGS

Table 2: Income statement highlights

($ THOUSANDS EXCEPT PER SHARE AMOUNTS)	**March 31, 2013**	December 31, 2012	% Change	Three months ended March 31, 2012	% Change
Net income	**20,914**	20,140	4%	17,940	17%
EPS – diluted	**$ 1.30**	$ 1.26	3%	$ 1.13	15%
Net interest income	**40,162**	40,555	(1%)	36,524	10%
Provision for credit losses	**2,100**	2,200	(5%)	2,227	(6%)
Non-interest expenses	**13,236**	13,249	(0%)	11,909	11%
Income taxes	**6,895**	7,154	(4%)	5,753	20%

NET INTEREST INCOME

Q1 2013 v Q1 2012

Net interest income benefitted from an increase in average asset balances of $1.3 billion or 12%, while our NIM decreased three basis points to 1.42%, from 1.45% in 2012. A non-recurring charge recorded in Q1 2013 for the early repayment of our Series 8 debentures had a negative impact of 3 bps on our overall NIM. Although NIM was helped by the continued shift in the mix of assets towards our higher margin Core Lending business, that shift was offset by NIM compression within Core Lending.

NIM earned on Core Lending assets was down 22 basis points from 2.54% to 2.32%. Of that total, 5 bps resulted from the non-recurring debt redemption charge. Other notable factors contributing to the change were:

- a 7 bp reduction from higher debenture and bank term loan levels relative to Q1 2012, the effect of which will be less in future quarters due to $38 million of debt repayments;
- a 7 bp decrease due to lower mortgage prepayment income;
- a 7 bp compression due to the Company's continued emphasis on Single Family residential mortgages, which generally earn lower spreads than Commercial mortgages but are highly profitable on a capital adjusted basis; and
- a 5 bp increase from a reduction in the relative size of our low margin liquidity portfolio.

Securitization Financing NIM was up by 1 bps, as a result of:

- a 2 bp increase from higher liquidity income;
- a 2 bp increase from prepayment charge income; and
- a 3 bp decrease related to lower margins on mortgage assets. NIM on mortgage assets was lower because more recent originations have been at lower spreads.

Q1 2013 v Q4 2012

Net interest income benefitted from an increase in average asset balances of $100 million or 1%, while our NIM decreased by two basis points to 1.42% from 1.44% in Q4 2012.

Core Lending NIM was up by 2 bps despite the 5 bps impact of the debt redemption charge. The other significant changes affecting Core Lending NIM were:

- a 5 bp increase due to a reduction in the size of our low yielding liquidity portfolio relative to total assets;

- a 2 bps increase due to the repayment of a term loan and subordinated debentures.

Securitization Financing NIM was down by 5 bps, with spreads on the underlying mortgage portfolio being relatively stable, and the decrease relating to:

- 5 bps from lower prepayment income in Q1 2013;
- 3 bps resulting from a reduction in liquidity asset revenue, as well as non-recurring adjustments in Q4 2012; and
- 3 bps of offsetting increase related to the effect of fewer days in the quarter.

Table 3: Net interest income

						Three months ended
	March 31, 2013		December 31, 2012			March 31, 2012
($ THOUSANDS)	**Revenue/ expense**	**Average rate**[1]	Revenue/ expense	Average rate[1]	Revenue/ expense	Average rate[1]
Core Lending:						
Revenues derived from:						
Mortgages – Core lending	**$ 64,651**	**5.01%**	$ 64,253	5.04%	$ 57,108	5.31%
Liquidity investments	**1,970**	**1.40%**	2,306	1.42%	1,491	1.54%
Equity securities – TEB	**1,714**	**5.89%**	2,850	7.15%	2,388	5.26%
Total interest earning assets – TEB	**68,335**	**4.68%**	69,409	4.70%	60,987	5.01%
Expenses related to:						
Deposits	**31,771**	**2.45%**	33,361	2.54%	28,683	2.64%
Debentures and bank facilities	**2,403**	**8.26%**	1,824	5.87%	1,072	6.61%
Total interest bearing liabilities	**34,174**	**2.58%**	35,185	2.62%	29,755	2.70%
Net interest income – TEB	**34,161**	**2.32%**	34,224	2.30%	31,232	2.54%
Less: Taxable equivalent adjustment	**(518)**		(975)		(867)	
Net interest income – Core lending	**$ 33,643**		$ 33,249		$ 30,365	
Securitization Financing:						
Revenues derived from:						
Mortgages – Securitization financing	**$ 52,986**	**3.96%**	$ 54,002	4.01%	$ 54,538	4.18%
Liquidity investments	**725**	**1.58%**	1,200	2.40%	462	1.42%
Total interest earning assets	**53,711**	**3.88%**	55,202	3.95%	55,000	4.11%
Expenses related to:						
Securitization liability	**45,249**	**3.51%**	45,609	3.54%	47,174	3.76%
Deposits	**1,943**	**2.45%**	2,287	2.54%	1,667	2.64%
Total interest bearing liabilities	**47,192**	**3.45%**	47,896	3.47%	48,841	3.71%
Net interest income – Securitization financing	**$ 6,519**	**0.47%**	$ 7,306	0.52%	$ 6,159	0.46%
Total assets:						
Net interest income – Total assets – TEB	**$ 40,680**	**1.42%**	$ 41,530	1.44%	$ 37,391	1.45%

[1] *Average rates are calculated based on the average of the month-end balances outstanding during the period.*

PROVISION FOR CREDIT LOSSES

The provision for credit losses decreased $0.1 million from both Q1 and Q4 2012, to $2.1 million in Q1 2013. The decrease reflects quality of the underlying mortgage portfolio and the low levels of specifically identified and realized loan losses during the quarter.

OTHER INCOME

Table 4: Other income

($ THOUSANDS)	March 31, 2013	December 31, 2012	% Change	For the three months ended March 31, 2012	% Change
Fees and other income	**$ 1,457**	$ 1,001	46%	$ 1,005	45%
Net gain (loss) on investments	**645**	(63)	1,124%	249	159%
Gains on securitization activities and income from retained interest	**881**	1,153	(24 %)	51	1,627%
Total	**$ 2,983**	$ 2,091	43%	$ 1,305	129%

Q1 2013 v Q1 2012

Other income increased by 129% to $3.0 million in Q1 2013, compared to $1.3 million in the corresponding quarter of the prior year. The increase is attributable mainly to:

- $1.1 million of gains on sale recorded on the securitization and derecognition of $118 million of insured residential mortgages during the quarter, offset by fair value losses on derivative financial instruments related to securitization activities of $0.2 million;
- $0.3 million of gains related to the sale of certain of the Company's preferred share investments;
- $0.3 million from an HST refund for the 2010 and 2011 taxation years, which was received in Q1 2013 and recorded as other income;
- $0.2 million of higher fees, driven by organic growth of the mortgage portfolio.

Q1 2013 v Q4 2012

Other income increased by $0.9 million or 43% sequentially, mainly as a result of the preferred share divestitures and the HST refund discussed above. In comparison, we recorded a small loss on the sale of investments in Q4, which amplifies the quarter over quarter change.

NON-INTEREST EXPENSES

Table 5: Non-interest expenses and productivity ratio

($ THOUSANDS)	March 31, 2013	December 31, 2012	% Change	For the three months ended March 31, 2012	% Change
Compensation and benefits	**$ 7,727**	$ 7,413	4%	$ 6,570	18%
Premises and equipment	**1,495**	1,347	11%	1,172	28%
Mortgage servicing	**1,100**	1,071	3%	1,058	4%
Other	**1,093**	1,354	(19%)	1,073	2%
Licenses, regulatory fees and insurance	**866**	1,044	(17%)	931	(7%)
Legal, audit and related services	**483**	352	37%	688	(30%)
Marketing, travel and communications	**472**	668	(29%)	417	13%
Total	**$ 13,236**	$ 13,249	(0%)	$ 11,909	11%
Productivity ratio – TEB	**30.3%**	30.3%	0.0%	30.8%	(0.5%)
Full-time employee ("FTE") – period average	**264**	253	4%	214	23%

Q1 2013 v Q1 2012

The $1.3 million or 11% increase in non-interest expenses reflects the growth of the Company's business and the investments required to maintain one of our significant competitive advantages, the high level of service we provide to mortgage brokers and borrowers. Substantially all of the net increase relates to hiring that occurred during the 2012 calendar year and the costs to support our incremental FTE, such as premises and equipment.

The Company continues to operate efficiently on both an absolute basis and relative to other financial institutions, particularly taking into account the scale of our operations. Equitable's productivity ratio improved to 30.3% in the first quarter of 2013 compared to 30.8% in the corresponding quarter of the prior year.

Q1 2013 v Q4 2012

Non-interest expenses and our productivity ratio were consistent with the final quarter of 2012. Compensation costs increased slightly due to FTE growth, but also to payroll withholding taxes that are always higher in the beginning of the calendar year. Those increases were offset by reductions in other expenses, which were elevated in Q4 due to year-end accruals.

INCOME TAXES

Q1 2013 v Q1 2012

The Company's effective income tax rate in the first quarter of 2013 was 24.8% compared to 24.3% in the corresponding quarter of the prior year. The increase reflects an increase in the Company's statutory tax rate of 0.2%, a 0.9% increase from lower tax exempt dividend income, and a 0.6% decrease due to non-deductible expenses and other adjustments.

Q1 2013 v Q4 2012

The Company's effective income tax rate in Q1 2013 was 1.4% lower than in the fourth quarter of 2012. The decrease resulted from tax adjustments recorded in Q4 2012 related to prior years, offset by reduced tax exempt income in Q1 2013.

FINANCIAL REVIEW - BALANCE SHEET

Table 6: Balance sheet highlights

($ THOUSANDS)	**March 31, 2013**	December 31, 2012	% Change	March 31, 2012	% Change
Total assets	**$ 11,602,293**	$ 11,601,440	0%	$ 10,470,238	11%
Mortgages principal – Core Lending	**5,355,449**	5,160,785	4%	4,447,526	20%
Mortgages principal – Securitization Financing	**5,352,584**	5,415,773	(1%)	5,203,847	3%
Total liquid assets as a % of total assets	**6.6%**	8.3%	(1.7%)	8.0%	(1.4%)

Readers of this MD&A should note that effective Q1 2013 we have revised our methodology for calculating mortgage production. The changes have no effect on total mortgage principal reported and result only in a reallocation of amounts between production and net repayments. Our methodology was modified so that certain transactions, such as refinancings of existing mortgages, are reported as renewals rather than production.

TOTAL MORTGAGE PRINCIPAL

Our strategy is to maintain a diverse portfolio of mortgage assets that optimizes our ROE, while focusing our strategic growth efforts on Single Family Lending Services. The following table provides quarterly mortgage principal continuity schedules by lending business for Q1 2013 and Q1 2012:

Table 7: Mortgage principal continuity schedule

					Three months ended March 31, 2013	
($ THOUSANDS)	**Single Family Lending Service**	**Commercial Lending**	**Total Core Lending**	**Securitization Financing**	**Total Mortgage Principal**	**Derecognized Mortgage Principal**
Q4 2012 closing balance	**$ 3,026,523**	**$ 2,134,262**	**$ 5,160,785**	**$ 5,415,773**	**$ 10,576,558**	**$ 332,922**
Production	**284,718**	**172,992**	**457,710**	**166,376**	**624,086**	**-**
Core Lending securitized [1]	**(12,887)**	**-**	**(12,887)**	**12,887**	**-**	**-**
Securitized and derecognized	**-**	**-**	**-**	**(118,436)**	**(118,436)**	**118,436**
Net repayments	**(121,415)**	**(128,744)**	**(250,159)**	**(124,016)**	**(374,175)**	**(3,360)**
Q1 2013 closing balance	**$ 3,176,939**	**$ 2,178,510**	**$ 5,355,449**	**$ 5,352,584**	**$ 10,708,033**	**$ 447,998**
% Change from Q4 2012	**5%**	**2%**	**4%**	**(1%)**	**1%**	**35%**
% Change from Q1 2012	**39%**	**1%**	**20%**	**3%**	**11%**	**-**
Net repayments	**4.0%**	**6.0%**	**4.8%**	**2.3%**	**3.5%**	**1.0%**

					Three months ended March 31, 2012	
($ THOUSANDS)	Single Family Lending Service	Commercial Lending	Total Core Lending	Securitization Financing	Total Mortgage Principal	Derecognized Mortgage Principal
Q4 2011 closing balance	$ 2,076,659	$ 2,188,593	$ 4,265,252	$ 5,272,901	$ 9,538,153	$ -
Production	287,872	118,407	406,279	110,553	516,832	-
Core Lending securitized [1]	18,700	-	18,700	(18,700)	-	-
Securitized and derecognized	-	-	-	-	-	-
Net repayments	(98,408)	(144,297)	(242,705)	(160,907)	(403,612)	-
Q1 2012 closing balance	$ 2,284,823	$ 2,162,703	$ 4,447,526	$ 5,203,847	$ 9,651,373	$ -
% Change from Q4 2011	10%	(1%)	4%	(1%)	1%	-
Net repayments	4.7%	6.6%	5.7%	3.1%	4.2%	-

[1] "Core Lending securitized" represents Single Family mortgages that were securitized in the quarter, net of mortgages previously reported in Securitization Financing that were renewed in the quarter as part of Single Family Lending Services (i.e. not securitized again at the time of renewal)

Q1 2013 v Q1 2012

Total mortgage principal increased by $1.1 billion or 11%, mainly as a result of a $0.9 billion or 20% increase in Core Lending balances.

Core Lending growth was driven by the Single Family business, which was up by 39% due to high levels of production and our success with mortgage renewals. The Commercial portfolio grew by only 1% as we maintained our pricing and capital allocation discipline in the face of more competitive pricing in the marketplace.

The Securitization Financing portfolio increased by $149 million or 3%, even while $454 million of insured residential mortgages were securitized and derecognized. $118 million of these mortgages were derecognized in Q1 2013 and $336 million during the latter half of 2012. This growth reflects our increased focus on the Securitization Financing business after new transaction structures that allowed for derecognition emerged in the middle of 2012.

Q1 2013 v Q4 2012

Total mortgage principal increased by 1%, primarily because of a $195 million or 4% increase in Core Lending balances.

Within Core Lending, Single Family balances were up by 5% even during a seasonally weak period of originations. Single Family production remained high in Q1 as a percentage of the existing book and we successfully renewed the majority of mortgages that matured in the quarter. Similarly, the Commercial portfolio grew by 2% due to production and renewal success.

The Securitization Financing portfolio decreased by $63.2 million or 1%, largely due to the derecognition of $118 million of mortgage balances and more modest levels of production in the quarter.

MORTGAGE ASSET PRODUCTION

Mortgage production levels are seasonal, particularly in the single family residential business, and as such we do not focus on quarter over quarter production comparisons. The table below provides our mortgage production by business for Q1 2013 and for the same period in 2012.

Table 8: Mortgage production – by lending business

						Three months ended
		March 31, 2013		March 31, 2012		
($ THOUSANDS)		**Mortgage principal funded**	**% of total**	Mortgage principal funded	% of total	% Change
Single Family Lending Services	$	**284,718**	**45.6%**	$ 287,872	55.7%	(1%)
Commercial Lending Services		**172,992**	**27.7%**	118,407	22.9%	46%
Core Lending		**457,710**	**73.3%**	406,279	78.6%	13%
Securitization Financing		**166,376**	**26.7%**	110,553	21.4%	50%
Total mortgage production	$	**624,086**	**100.0%**	$ 516,832	100.0%	21%

Q1 2013 v Q1 2012

Overall quarterly mortgage production was up $107 million or 21%, mainly due to the performance of the Commercial and Securitization Financing businesses, but supported by consistent levels of Single Family production.

Within Core Lending, Commercial mortgage production was up by 46%. This growth reflects our success in finding niches of the market in which we can achieve our target levels of return and the unusually low levels of production in the comparator period, Q1 2012. Single Family production was down only 1% despite the fact that overall residential sales in Canada declined at low double-digit rates. It appears that Single Family production benefitted from our competitors' reactions to recent regulatory changes, our focus on service excellence, and our continued geographic expansion.

The Company increased securitization activity beginning in Q3 2012 and we have experienced strong demand for our multi-unit residential mortgage product. As a result, Securitization Financing production increased by 50%.

SECURITIZATION

Equitable regularly securitizes mortgages in order to diversify our funding sources and effectively manage our funding costs. If the mortgages securitized and the structure of a particular transaction meet specific criteria, they may qualify for balance sheet derecognition. The table below provides a summary of the mortgages securitized and derecognized in the quarter, as well as the associated retained interest and gain on sale amounts.

Table 9: Securitization and Derecognition Activity

				Three months ended	
($ THOUSANDS)	**March 31, 2013**	December 31, 2012	% Change	March 31, 2012	% Change
Securitized and derecognized – no retained interest[1]	**$ -**	$ 54,176	(100%)	$ -	-%
Securitized and derecognized – retained interest recorded	**118,436**	116,731	1%	-	-%
Total mortgage principal securitized	**$ 118,436**	$ 170,907	(31%)	$ -	-%
Retained interest recorded	**$ 4,965**	$ 5,255	(6%)	$ -	-%
Gains on sale	**$ 1,126**	$ 1,159	(3%)	$ -	-%

[1] *Securitizations that result in derecognition and not retained interests occur when the Company sells its residual interests in the securitizations (commonly referred to as interest-only strips) to third parties.*

Q1 2013 v Q1 2012

Mortgages securitized and derecognized were up year-over-year, as the Company did not execute any transactions that qualified for derecognition in Q1 2012. The Company securitized and derecognized $118 million of non-prepayable mortgages during the first quarter of 2013, and recorded an associated retained interest of $5.0 million and gain on sale of $1.1 million.

Q1 2013 v Q4 2012

Volumes were down by 31% sequentially mainly due to a decline in production volumes. Retained interests as a percent of the related mortgage principal decreased slightly due to movements in interest rates and the impact of hedging gains and losses. Gains on sale relative to assets derecognized increased over Q4 because of the mix of transactions types. Generally, transactions for which retained interests are recorded earn higher gains on sale than do transactions for which there is no retained interest.

CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

The Company's active management of credit risk and our workout efforts continue to yield positive results. The success of our credit management strategies are highlighted in the metrics in Table 10. Management believes that these measures reflect the health of the Company's mortgage portfolio and indicate that allowances for credit losses adequately provide for our loan loss risks.

Table 10: Mortgage credit metrics

($ THOUSANDS)	**March 31, 2013**	December 31, 2012	March 31, 2012
Net realized loan losses (recoveries) for the three month period ended	**24**	359	522
Gross impaired mortgage assets[1]	**41,462**	36,408	31,487
Net impaired mortgage assets[1][2]	**36,294**	31,748	27,562
Net impaired mortgage assets as a % of total mortgage assets[1][2]	**0.34%**	0.30%	0.28%
Allowance for credit losses	**28,696**	26,620	21,355
Allowance for credit losses as a % of total mortgage assets	**0.27%**	0.25%	0.22%
Allowances for credit losses as a % of gross impaired mortgage assets	**69%**	73%	68%
Mortgage principal in arrears 30 to 89 days	**28,601**	33,044	37,244
Mortgage principal in arrears 30 to 89 days as a % of total mortgage principal	**0.27%**	0.31%	0.39%
Mortgage principal in arrears 90 days or more[3]	**38,326**	33,606	23,719
Mortgage principal in arrears 90 days or more as a % of total mortgage principal[3]	**0.36%**	0.32%	0.25%

(1) Conventional mortgages are deemed to be impaired at the earlier of the date they have been individually provided for or when they have been in arrears for 90 days. Mortgages guaranteed by the Government of Canada are deemed to be impaired when payment is contractually past due 365 days.
(2) Net impaired mortgages reflect gross impaired mortgage assets less individual allowances.
(3) Mortgage principal in arrears 90 days or more does not include insured mortgages that are less than 365 days in arrears.

Q1 2013 v Q1 2012

In aggregate, the credit quality of the book was high in both Q1 2013 and Q1 2012:

- Net realized loan losses were negligible during Q1 2013 and down by 95% over the already low level of losses incurred in Q1 2012
- The rates of early stage delinquency (between 30 to 89 days past due) are low and declined on a year-over-year basis. Early stage delinquency is a leading indicator of credit quality in future periods.
- Net impaired and arrears rates were both up from the prior year, as those metrics were unusually low in the first half of 2012. The increase brings the Company's impaired and arrears rates more in-line with historic norms.

Q1 2013 v Q4 2012

The rates of early stage delinquency declined from Q4, but net impaired and arrears rates were both up sequentially. Although the number of loans in arrears was consistent from Q4 to Q1, a few larger loans that went into arrears in the quarter caused an increase in the absolute dollars reported.

LIQUIDITY INVESTMENTS AND EQUITY SECURITIES

Management closely monitors the Company's liquidity position and believes that the level of liquid resources held, together with Equitable's ability to raise deposits, is sufficient for us to meet our funding and deposit maturity commitments, as well as to ensure that we can collect our other receivables and meet our other obligations. Actual liquidity may vary period to period mainly due to the timing of securitization related cash flows and residential mortgage funding seasonality.

Table 11: Liquid assets

($ THOUSANDS)	**March 31, 2013**	December 31, 2012	March 31, 2012
Eligible deposits with regulated financial institutions[1]	**$ 264,850**	$ 379,184	$ 239,416
Debt securities issued by regulated financial institutions	**198,584**	217,709	95,046
Government guaranteed debt instruments:			
Investments purchased under reverse repurchase agreements	**10,000**	10,173	39,922
Debt securities issued by Government of Canada	**-**	-	33,929
Debt securities guaranteed by Government of Canada	**26,408**	26,519	26,580
Mortgages held in the form of debt securities guaranteed by Government of Canada[2]	**177,117**	201,202	229,056
Obligations under repurchase agreements	**(6,992)**	(9,882)	-
Assets held for regulatory purposes	**669,967**	824,905	663,949
Other deposits with regulated financial institutions	**281**	263	101
Equity securities	**100,268**	140,801	172,720
Total liquid assets	**$ 770,516**	$ 965,969	$ 836,770
Total assets held for regulatory purposes as a % of total Equitable Trust assets	**5.8%**	7.1%	6.3%
Total liquid assets as a % of total assets	**6.6%**	8.3%	8.0%

(1) *Eligible deposits with regulated financial institutions represent deposits of Equitable Trust which are held with major Canadian banks and excludes $18.3 million (December 31, 2012 - $ 16.9 million, March 31, 2012 - $13.6 million) of restricted cash held as collateral by third parties for the Company's interest rate swap transactions and $79.2 million (December 31, 2012 – $46.7 million, March 31, 2012 - $76.6 million) of cash held in trust accounts and deposits held with banks as collateral for the Company's securitization activities.*

(2) *Mortgages held in the form of debt securities represent mortgages securitized and retained by the Company and are reported in our Securitization Financing balances. The value reported above represents the fair market value of the associated MBS securities.*

Q1 2013 v Q1 2012

Assets held for regulatory purposes were up slightly, in part because the $461 million in mortgage commitments outstanding at the end of the quarter were higher than the $441 million outstanding at March 31, 2012.

Equity securities decreased by $72.5 million, primarily due to the planned sale of preferred shares issued by other financial institutions.

Q1 2013 v Q4 2012

At March 31, 2013, liquid assets held for regulatory purposes were $155 million lower than at the end of Q4 2012. The decrease is attributable mainly to lower cash requirements in the period immediately following the end of the quarter and the timing of securitization proceeds.

Equity securities were down by $40.5 million due to the planned sale of certain preferred shares.

OTHER ASSETS

Other assets include $8.4 million related to an alleged fraud that was identified in Q3 2011. Other Assets were $25.3 million at the end of March, up by 9% and 7% over Q1 2012 and Q4 2012 respectively, due to income taxes recoverable.

DEPOSITS

Equitable Trust's ability to fund our mortgage businesses with insured deposits, by attracting deposit brokers and customers with our exceptional service, is critical to our success. Equitable Trust sources deposits primarily through a national distribution network of third party deposit agents.

Deposit balances were up by 17% over Q1 2012 and down 0.2% over Q4 2012. Deposits have grown in-line with our overall non-securitized mortgage book and liquid assets, for which they are the primary source of funding.

SECURITIZATION LIABILITIES

The majority of the Company's historic securitization transactions do not qualify the securitized mortgages for balance sheet derecognition under IFRS and therefore the associated obligations are recognized on the consolidated balance sheet and accounted for as securitization financing.

Securitization liability principal was up by 4% over Q1 2012 and by 0.4% over Q4 2012, and is generally consistent with the level of our Securitization Financing assets. Note 8 of our Q1 2013 interim consolidated financial statements provides the expected repayment schedule for the period end securitization liability.

BANK FACILITIES AND DEBENTURES

During the quarter, we reduced our outstanding debentures and term loans by $37.7 million by:

- Repaying a $12.5 million term loan on January 3, 2013, which carried an interest rate of 6.4%
- Redeeming $9.5 million of our 7.1% Series 7 subordinated debentures on January 3, 2013 at par value
- Redeeming $15.8 million of our 6.5% Series 8 subordinated debentures on March 5, 2013, ahead of their December 2014 par call date and at a 5% premium to par value

Collectively, these actions reduced the weighted average interest rate on our debt (excluding deposits) from 5.92% at the end of Q4 2012 to 5.64% at the end of Q1 2013.

During the current quarter, however, interest expenses were negatively impacted by the $0.8 million premium paid to redeem the Series 8 debentures early. The after-tax impact of this premium was a four cent reduction in Q1 2013 EPS.

Details related to the Company's bank term loan can be found in Note 15 to the audited consolidated financial statements found within the Company's 2012 Annual Report. Details related to the Company's subordinated debentures can be found in Note 16 to the audited consolidated financial statements found within the Company's 2012 Annual Report.

CAPITAL MANAGEMENT

Equitable Trust manages its capital in accordance with guidelines established by OSFI, based on standards issued by the Bank for International Settlements, Basel Committee on Banking Supervision ("BCBS"). In order to govern the quality and quantity of capital necessary to maintain the business based on its inherent risks, Equitable Trust utilizes an Internal Capital Adequacy Assessment Process ("ICAAP").

Effective January 1, 2013, OSFI's Capital Adequacy Requirements ("CAR") Guideline was updated to reflect the BCBS reforms commonly referred to as 'Basel III'. The CAR Guideline requires Canadian-regulated financial institutions to meet a minimum 7.0% Common Equity Tier 1 ("CET1") ratio on an "all-in" basis (defined by OSFI as capital calculated to include all of the Basel III regulatory adjustments that will be required by 2019, but retaining the phase-out rules for non-qualifying capital instruments), starting in Q1 2013. Equitable Trust's CET1 ratio on an "all-in" basis was 12.2% as at March 31, 2013.

Similarly, our Tier I and Total Capital ratios were 13.4% and 16.4% respectively on an "all-in" basis at March 31, 2013. Our Tier I ratio was stable compared with Q1 and Q4 of last year primarily due to the organic growth of our retained earnings. Our total capital ratio was up by 1.1% from Q1 2012 due to the net effect of issuing $65 million of Series 10 subordinated debentures in Q4 2012 and redeeming $38 million of subordinated debentures in Q1 2013. The Q1 2013 redemptions caused our total capital ratio to decline from Q4 2012, as expected by management.

On a regular basis, the Company stress tests the mortgage portfolio in order to understand the potential impact of extreme but plausible adverse economic scenarios. We use the tests to analyze the impact that an increase in unemployment, rising interest rates, a decline in real estate prices, and other factors could have on our financial position. Based on the results of the stress tests performed to date, we have determined that even in the most adverse scenario analyzed, the Company has sufficient capital to absorb the potential losses without impairing the viability of the institution and that we would remain profitable in each year of the testing horizon.

Table 12: Capital measures of Equitable Trust

($ THOUSANDS, EXCEPT ACM)	**Basel III** **March 31, 2013**	Basel II December 31, 2012	Basel II March 31, 2012
Total risk-weighted assets	**$ 3,893,870**	$ 3,767,422	$ 3,439,655
Common Equity Tier 1 Capital:			
Common shares	**138,102**	137,303	133,111
Contributed surplus	**4,614**	4,589	4,398
Retained earnings	**335,790**	317,754	264,043
Accumulated other comprehensive loss[(1)]	**653**	(1,767)	(1,900)
IFRS transition adjustment[(2)]	**-**	-	14,198
Less: Regulatory Adjustments	**(2,493)**	-	-
Net Common Equity Tier 1 Capital	**476,666**	457,879	413,850
Additional Tier 1 Capital [(3)]	**45,000**	50,000	50,000
Net Tier 1 Capital	**521,666**	507,879	463,850
Tier 2 capital:			
Collective allowance (Tier 2A)[(4)]	**23,529**	21,960	-
Subordinated debentures (Tier 2B)	**92,483**	125,781	60,781
Total	**116,012**	147,741	60,781
Total regulatory capital	**$ 637,678**	$ 655,620	$ 524,631
Regulatory capital to risk-weighted assets on an "all-in" basis:[(5)]			
Tier 1 capital	**13.4%**	13.5%	13.5%
Tier 2 capital	**3.0%**	3.9%	1.8%
Total capital	**16.4%**	17.4%	15.3%
Common Equity Tier 1 ratio[(5)]	**12.2%**	12.2%	12.0%
Assets-to-capital multiple ("ACM")	**13.2**	12.8	13.2

(1) *As prescribed by OSFI, certain components of accumulated other comprehensive income are included in the determination of regulatory capital. Net unrealized fair value losses on available for sale equity securities are deducted in the determination of Tier 1 capital while net unrealized fair value gains on available for sale equity securities are included in Tier 2A capital.*

(2) *As permitted by OSFI, the transition adjustment for IFRS was amortized over an eight quarter period ending on December 31, 2012.*

(3) *Effective January 1, 2013, Equitable Trust's non-cumulative preferred shares are subject to phase-out at a rate of 10% per year.*

(4) *Effective Q2 2012, Equitable Trust's collective allowance is included in the calculation of regulatory capital.*

(5) *See Non-GAAP Financial Measures section of this MD&A.*

SUMMARY OF QUARTERLY RESULTS

Table 13 summarizes the Company's performance over the last nine quarters. Equitable does not typically experience material seasonality in its earnings, but changes in short-term interest rates and the impact thereof on the Company's hedging activities may cause some volatility in earnings from quarter to quarter.

Table 13: Summary of quarterly results

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)	**2013**	**2012**				2011			
	Q1	Q4	Q3	Q2[1]	Q1	Q4	Q3[2]	Q2	Q1
OPERATIONS									
Net income	**20,914**	20,140	21,054	22,073	17,940	17,025	13,363	15,735	16,063
Net income available to common shareholders	**20,008**	19,234	20,147	21,167	17,034	16,119	12,456	14,829	15,157
EPS – basic	**$ 1.32**	$ 1.27	$ 1.34	$ 1.41	$ 1.13	$ 1.07	$ 0.83	$ 0.99	$ 1.01
EPS – diluted	**$ 1.30**	$ 1.26	$ 1.33	$ 1.40	$ 1.13	$ 1.07	$ 0.82	$ 0.98	$ 1.00
Net interest income	**40,162**	40,555	40,640	38,451	36,524	35,346	34,759	32,461	31,205
NIM (TEB) – total assets[3][4]	**1.42%**	1.44%	1.49%	1.49%	1.45%	1.41%	1.44%	1.43%	1.44%
NIM (TEB) – Core Lending[3][4]	**2.32%**	2.30%	2.38%	2.50%	2.54%	2.56%	2.47%	2.54%	2.54%
NIM (TEB) – Securitization Financing[3][4]	**0.47%**	0.52%	0.57%	0.50%	0.46%	0.42%	0.55%	0.49%	0.54%
Total revenues	**124,511**	125,824	123,211	117,739	116,425	113,689	112,376	107,501	104,776
Return on equity – annualized	**17.5%**	17.3%	18.9%	21.1%	17.7%	17.3%	13.7%	16.8%	18.0%
Return on average assets – annualized	**0.7%**	0.7%	0.8%	0.8%	0.7%	0.6%	0.5%	0.6%	0.7%
Productivity ratio – TEB[4]	**30.3%**	30.3%	29.1%	30.6%	30.8%	30.3%	43.2%	28.7%	27.1%
MORTGAGE PRODUCTION									
Single Family Lending Services	**284,718**	393,486	428,423	429,850	287,872	320,340	358,108	270,769	207,026
Commercial Lending Services	**172,992**	185,623	207,969	153,498	118,407	188,898	266,375	117,603	179,963
Core Lending	**457,710**	579,109	636,392	583,348	406,279	509,238	624,483	388,372	386,989
Securitization financing	**166,376**	475,146	288,442	104,785	110,553	70,336	282,302	188,844	218,384
BALANCE SHEET									
Total assets	**11,602,293**	11,601,440	11,228,030	10,867,531	10,470,238	10,257,013	10,254,391	9,567,355	9,172,981
Mortgages receivable	**10,737,609**	10,609,472	10,221,518	9,978,718	9,687,878	9,577,087	9,422,939	8,864,357	8,560,408
Total liquid assets	**770,516**	965,969	971,477	975,994	836,770	784,386	956,922	806,575	753,956
Shareholders' equity	**521,829**	501,571	481,673	462,473	443,457	426,640	408,434	408,715	397,321
Book value per common share	**$ 31.07**	$ 29.83	$ 28.69	$ 27.46	$ 26.26	$ 25.18	$ 24.02	$ 24.05	$ 23.32

(1) *The Company recorded an after-tax investment gain of $3.6 million or $0.24 per share in the second quarter of 2012. Excluding the investment gain, net income in the period was $18.5 million, or $1.16 per diluted share; and ROE was 17.5%.*

(2) *The Company took a pre-tax provision related to an alleged fraud of $5.0 million ($3.6 million after-tax) or $0.24 per share in the third quarter of 2011. Excluding the provision, net income in the third quarter of 2011 was $17.0 million or $1.06 per diluted share; ROE was 17.6%; and productivity ratio TEB was 29.5%.*

(3) *NIM – TEB is calculated based on the average of the month-end balances outstanding during the period.*

(4) *For purposes of improving comparability across periods, the Q2 2012 TEB adjustment has been calculated excluding the investment gain related to one of the Company's security portfolio holdings. Including the investment gain, the productivity ratio – TEB was 27.3%.*

FUTURE ACCOUNTING POLICY CHANGES

The Company's significant accounting policies are essential to an understanding of its reported results of operations and financial position. A summary of the Company's significant accounting policies is presented in Note 3 to the audited consolidated financial statements found within the Company's 2012 Annual Report.

CRITICAL ACCOUNTING ESTIMATES

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

The critical estimates and judgments made in the preparation of the Company's interim consolidated financial statements include probability of default and loss given default for mortgage receivables, discount rates utilized in the valuation of the Company's financial assets and liabilities, the credit worthiness of the Company to its counterparties, the values of comparable assets and the fair value of securities not traded in an active market. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these interim consolidated financial statements. Actual results could differ from these estimates, in which case the impact would be recognized in the interim consolidated financial statements in future periods.

OFF-BALANCE SHEET ACTIVITIES

The Company's off-balance sheet activities include securitization, the commitments it makes to fund its pipeline of mortgage originations (see Note 7 and Note 8 to the interim consolidated financial statements for the period ended March 31, 2013) and letters of credit issued in the normal course of business.

The Company securitizes insured residential mortgages through the creation of MBS. At March 31, 2013, the outstanding securitized mortgage principal that qualified for derecognition totaled $448 million.

Letters of credit in the amount of $0.7 million were outstanding at March 31, 2013 (March 31, 2012 – $0.8 million), none of which have been drawn upon.

RELATED PARTY TRANSACTIONS

From time to time, certain of the Company's directors and officers purchase GICs and subordinated debentures from the Company in the ordinary course of business, on market terms. See Note 22 to the consolidated financial statements found within the Company's 2012 Annual Report for further details.

RISK MANAGEMENT

The Company, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect our business, financial condition and operating results, which may also influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. The Board of Directors (the "Board"), primarily through its Risk and Capital Committee, plays an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are credit risk, funding and liquidity risk, and interest rate risk. For a detailed discussion of the risks that affect the Company, please refer to pages 44 to 52 of the Company's 2012 Annual Report which is available on SEDAR at www.sedar.com.

CREDIT RISK

Credit risk is defined as the possibility that the Company will not receive the full value of amounts and recovery costs owed to it if counterparties fail to honour their obligations to the Company. Credit risk arises principally from the Company's lending activities and its investment in debt and equity securities.

Equitable's focus is on providing first mortgages on real estate. For information related to the credit quality of the portfolio, see the section entitled Credit Quality and Allowance for Credit Losses on page 13 of this MD&A.

The Company also invests in equity securities to generate returns that meet an acceptable ROE threshold. Securities rated P-2 and higher comprised 44.2% of the preferred share equity securities portfolio at March 31, 2013, compared to 71.2% a year earlier.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is defined as the possibility that the Company will be unable to generate or obtain sufficient cash or cash equivalents in a timely manner, at a reasonable price, to meet its commitments as they come due. These financial obligations can arise from the maturity of deposits and from commitments to extend credit. The objective of liquidity risk management is to protect the Company's ability to meet all payment obligations when they come due. The Company's main sources of funding come from deposits and the securitization of insured mortgage assets.

The Company has a very low tolerance for liquidity and funding risk and adheres to a Liquidity and Funding Risk Management policy that requires it to maintain a pool of high quality liquid assets. Assets held for the purpose of providing liquidity protection consist of cash and cash equivalents, debt instruments guaranteed by governments and debt securities issued by regulated financial institutions. These assets amounted to $670 million at March 31, 2013 and $664 million at March 31, 2012.

INTEREST RATE RISK

Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect the Company's financial condition. Interest rate risk may be affected if an unduly large proportion of the Company's assets or liabilities have unmatched terms, interest rates or other attributes. For the interest sensitivity position of the Company as at March 31, 2013, see Note 21 to the interim consolidated financial statements.

Management uses simulated interest rate change sensitivity models to estimate the effects of various interest rate change scenarios on the economic value of shareholders' equity ("EVE") and on net interest income for the 12 months following the measurement date. Certain assumptions that are based on actual experience are built into the simulations, including assumptions related to the pre-maturity redemptions of GICs and early payouts of mortgages. EVE is a calculation of the present value of the Company's asset cash flows less the present value of its liability cash flows on an after-tax basis. This

measure is more comprehensive than measuring changes in net interest income given that it captures all interest rate mismatches across all terms.

Table 14 illustrates the results of management's sensitivity modeling to immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest rate changes on EVE and on net interest income during the 12-month period following March 31, 2013. The estimate of sensitivity to interest rate changes is dependent on a number of assumptions that could result in a difference in actual outcomes in the event of an actual interest rate change.

Table 14: Interest rate shock

($ THOUSANDS)		Increase in interest rates		Decrease in interest rates[1]
100 basis point shift				
Impact on net interest income	$	5,892	$	(4,596)
Impact on EVE	$	3,136	$	(1,693)
EVE impact as a % of common shareholders' equity		0.5%		(0.3%)
200 basis point shift				
Impact on net interest income	$	12,836	$	(4,586)
Impact on EVE	$	6,769	$	537
EVE impact as a % of common shareholders' equity		1.1%		0.1%

[1] *Interest rate decrease is subject to a floor of 0%.*

UPDATED SHARE INFORMATION

At May 9, 2013, the Company had 15,254,454 common shares and 2,000,000 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were also 593,966 unexercised stock options, which are or will be exercisable, to purchase common shares for maximum proceeds of $15.4 million.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying interim consolidated financial statements. Equitable has in place appropriate information systems and procedures to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, performs an oversight role with respect to all public financial disclosures made by the Company and has reviewed and approved this MD&A and the accompanying interim consolidated financial statements.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter of 2013, there were no changes that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES

Management uses a variety of financial measures to evaluate the Company's performance. In addition to GAAP prescribed measures, management uses certain non-GAAP measures that it believes provide useful information to investors regarding the Company's financial condition and results of operations. Readers are cautioned that non-GAAP measures do not have any standardized meaning, and therefore, are unlikely to be comparable to similar measures presented by other companies. Management believes that adjusted results can enhance comparability between reporting periods or provide the reader with a better understanding of how management views the Company's performance. The primary non-GAAP measures used in this MD&A are:

- Taxable equivalent basis: the presentation of financial information on a TEB is a common practice 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, the Company uses TEB in the discussion of revenues, interest margins and productivity ratios in this 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.
- ROE: this profitability measure is calculated on an annualized basis and is defined as a net income available to common shareholders as a percentage of the weighted average common equity outstanding during the period.
- Return on average assets: this profitability measure is calculated on an annualized basis and is defined as net income as a percentage of average total assets outstanding during the period.
- Productivity ratio: this measure is used to assess the efficiency of the Company's cost structure in terms of revenue generation. This ratio is derived by dividing non-interest expenses by the sum of net interest income – TEB and other income. A lower productivity ratio reflects a more efficient cost structure.
- Net interest margin: this profitability measure is calculated on an annualized basis by dividing net interest income – TEB by the average total assets – TEB for the period. The assets used in the calculation represent assets employed to generate the income.
- Common Equity Tier 1 Capital: this key measure of capital strength is defined as shareholder's equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income, as a percentage of risk-adjusted assets less other intangible assets. This ratio is calculated for the Company's subsidiary, Equitable Trust, in accordance with the guidelines issued by OSFI.
- Tier 1, Tier 2 and total capital ratios: these adequacy ratios are calculated for the Company's subsidiary, Equitable Trust, in accordance with the guidelines issued by OSFI.
- Adjusted results: in periods where management determines that non-recurring or unusual items will have a significant impact on a user's assessment of business performance, the Company will present adjusted results in addition to reported results by removing the non-recurring or unusual items from the reported results. Adjusted results are intended to provide the user with a better assessment of the Company's performance and provide greater consistency and comparability with other financial institutions. Adjustments that remove non-recurring or unusual items from net income will affect the calculation of other measures such as adjusted ROE and adjusted EPS.

SUPPLEMENTARY INFORMATION

The following section provides additional quantitative disclosures related to the Company's mortgage portfolio. Some of these disclosures relate to disclosure requirements outlined in OSFI's Guideline B-20, "*Residential Mortgage Underwriting Practices and Procedures*", which became effective for Equitable Trust on January 1, 2013.

Table15: Mortgage principal outstanding – by property type

							March 31, 2013
($ THOUSANDS)		**Uninsured**		**Insured**		**Total**	**% of total**
Single family dwelling	**$**	**3,080,679**	**$**	**86,074**	**$**	**3,166,753**	**29.6%**
Mixed-use property		**354,219**		**-**		**354,219**	**3.3%**
Multi-unit residential		**512,528**		**817**		**513,345**	**4.8%**
Commercial		**1,022,897**		**-**		**1,022,897**	**9.5%**
Mortgages held for sale		**-**		**-**		**-**	**-**
Construction		**298,235**		**-**		**298,235**	**2.8%**
Mortgage principal – Core Lending		**5,268,558**		**86,891**		**5,355,449**	**50.0%**
Single family dwelling		**-**		**438,451**		**438,451**	**4.1%**
Multi-unit residential		**-**		**4,914,133**		**4,914,133**	**45.9%**
Mortgage principal – Securitization Financing		**-**		**5,352,584**		**5,352,584**	**50.0%**
Total mortgage principal outstanding	**$**	**5,268,558**	**$**	**5,439,475**	**$**	**10,708,033**	**100.0%**
		49.2%		**50.8%**		**100.0%**	

							December 31, 2012
($ THOUSANDS)		Uninsured		Insured		Total	% of total
Single family dwelling	$	2,968,647	$	48,974	$	3,017,621	28.5%
Mixed-use property		345,986		-		345,986	3.3%
Multi-unit residential		495,230		836		496,066	4.7%
Commercial		1,005,609		-		1,005,609	9.5%
Mortgages held for sale		-		4,807		4,807	0.0%
Construction		290,696		-		290,696	2.8%
Mortgage principal – Core Lending		5,106,168		54,617		5,160,785	48.8%
Single family dwelling		-		443,462		443,462	4.2%
Multi-unit residential		-		4,972,311		4,972,311	47.0%
Mortgage principal – Securitization Financing		-		5,415,773		5,415,773	51.2%
Total mortgage principal outstanding	$	5,106,168	$	5,470,390	$	10,576,558	100.0%
		48.3%		51.7%		100.0%	

							March 31, 2012
($ THOUSANDS)		Uninsured		Insured		Total	% of total
Single family dwelling	$	2,1,65,094	$	110,722	$	2,275,816	23.5%
Mixed-use property		343,101		-		343,101	3.6%
Multi-unit residential		431,334		1,079		432,413	4.5%
Commercial		1,048,292		-		1,048,292	10.9%
Mortgages held for sale		15,785		6,003		21,788	0.2%
Construction		326,116		-		326,116	3.4%
Mortgage principal – Core Lending		4,329,722		117,804		4,447,526	46.1%
Single family dwelling		-		438,114		438,114	4.5%
Multi-unit residential		-		4,765,733		4,765,733	49.4%
Mortgage principal – Securitization Financing		-		5,203,847		5,203,847	53.9%
Total mortgage principal outstanding	$	4,329,722	$	5,321,651	$	9,651,373	100.0%
		44.9%		55.1%		100.0%	

Table 16: Mortgage principal by interest rate type

	March 31, 2013	March 31, 2012
Fixed rate mortgage	89%	89%
Floating rate mortgages with interest rate floors	6%	6%
Floating rate mortgages without interest rate floors	5%	5%
Total	100%	100%

The following table provides a summary of our total mortgage portfolio by province as at March 31, 2013:

Table 17: Mortgage principal by province

Province	March 31, 2013	March 31, 2012
Ontario	59%	58%
Alberta	15%	15%
Quebec	12%	13%
British Columbia	6%	6%
Other Provinces	8%	8%
Total Canada	100%	100%

The following table presents a geographical breakdown of only our residential mortgage portfolio as at March 31, 2013:

Table 18: Residential mortgage principal by location

								March 31, 2013
($ THOUSANDS)				Insured[1]		Uninsured[2]		Total
Province	Core Lending	Securitized	Total	%	Total	%		%
Ontario	$ 59,509	252,426	311,935	9%	$ 2,408,047	67%	$ 2,719,982	76%
Alberta	19,819	96,400	116,219	3%	442,820	13%	559,039	16%
British Columbia	3,113	49,247	52,361	2%	124,831	3%	177,192	5%
Manitoba	2,022	6,540	8,562	0%	52,150	1%	60,712	1%
Other Provinces	1,611	33,838	35,448	1%	52,831	1%	88,279	2%
Total Residential	$ 86,074	438,451	524,525	15%	$ 3,080,679	85%	$ 3,605,204	100%
Downtown Toronto condominiums[3]	$ 1,151	4,850	6,001	0.2%	$ 50,956	1.4%	$ 56,957	1.6%

(1) *Insured by either CHMC or Genworth.*
(2) *There are no uninsured mortgages in the Company's Securitization Financing business.*
(3) *Included in Ontario totals above.*

The following table provides a summary of the percentage of residential mortgages that fall within various amortization period ranges as of March 31, 2013:

Table 19: Residential mortgage principal by remaining amortization

									March 31, 2013
($ THOUSANDS)	< 5 years	5 –<10 years	10 –<15 years	15 –<20 years	20 –<25 years	25 –<30 years	30 –<35 years	>=35 years	Total
Total Residential Mortgage	$ 13,503	$ 4,472	$ 23,627	$ 85,563	$ 386,042	$ 2,305,219	$ 711,157	$ 75,621	$3,605,204
	0%	0%	1%	2%	11%	64%	20%	2%	100%

The Company's Residential mortgages are secured by residential properties in Canada. The following table provides a summary of the average LTV ratios for uninsured residential mortgages newly originated and acquired in Q1 2013 and also the average LTV ratios of our total uninsured residential portfolio as at March 31, 2013, by province:

Table 20: Average loan-to-value of newly originated and existing residential mortgages

		March 31, 2013
Province	**Average LTV % of Newly originated mortgages**	**Average LTV % of Total residential mortgages[1]**
Ontario	**74%**	**70%**
Alberta	**72%**	**70%**
British Columbia	**70%**	**72%**
Manitoba	**71%**	**67%**
Other Provinces	**69%**	**73%**
Total Canada	**73%**	**70%**
Downtown Toronto condominiums[2]	***64%***	***61%***

[1] *Based on current property values. Current values are estimated using the Teranet provincial housing price index.*
[2] *Included in Ontario totals above.*

Table 21: Basel III common disclosure template for Equitable Trust

	($ THOUSANDS)	March 31, 2013
	Common Equity Tier 1 capital instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	**$ 142,716**
2	Retained earnings	**335,790**
3	Accumulated other comprehensive income (and other reserves)	**653**
4	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	**-**
5	Regulatory adjustments applied to Common Equity Tier 1 under Base III	**2,493**
6	**Common Equity Tier 1 capital (CET1)**	**476,666**
	Additional Tier 1 capital instruments	
7	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	**-**
8	Directly issued capital instruments subject to phase out from Additional Tier 1	**45,000**
9	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**-**
10	*of which: instruments issued by subsidiaries subject to phase out*	**-**
11	Regulatory adjustments applied to additional Tier 1 under Basel III	**-**
12	**Additional Tier 1 capital (AT1)**	**45,000**
13	**Tier 1 capital (T1 – CET1 + AT1)**	**521,666**
	Tier 2 capital: instruments and provisions	
14	Directly issued qualifying Tier 2 instruments plus related stock surplus	**-**
15	Directly issued capital instruments subject to phase out from Tier 2	**92,483**
16	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**-**
17	*of which: instruments issued by subsidiaries subject to phase out*	**-**
18	Provisions	**23,529**
19	Regulatory adjustments applied to Tier 2 under Basel III	
20	**Tier 2 capital (T2)**	**116,012**
21	Total capital (TC = T1 + T2)	**637,678**
22	Total risk weighted assets	**3,893,870**
	Capital ratios – Transitional Basis	
23	Common Equity Tier 1 (as a percentage of risk weighted assets)	**12.31%**
24	Tier 1 (as a percentage of risk weighed assets)	**13.45%**
25	Total capital (as a percentage of risk weighted assets)	**16.43%**
	Capital ratios – All –in Basis	
26	Common Equity Tier 1 (as a percentage of risk weighted assets)	**12.24%**
27	Tier 1 (as a percentage of risk weighted assets)	**13.40%**
28	Total capital (as a percentage or risk weighted assets)	**16.38%**
	National target – All-in Basis	
29	National Common Equity Tier 1 minimum ratio (if different from Base III minimum)	**7%**
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)	
30	Current cap on CET1 instruments subject to phase out arrangements	**N/A**
31	Amount excluded from CET1 due to Cap (excess over cap after redemptions and maturities)	**N/A**
32	Current cap on AT1 instruments subject to phase out arrangements	**90%**
33	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	**5,000**
34	Current cap on T2 instruments subject to phase out arrangements	**90%**
35	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	**-**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (unaudited)

AS AT MARCH 31, 2013

With comparative figures as at December 31, 2012 and March 31, 2012

($ THOUSANDS)

		March 31, 2013		December 31, 2012		March 31, 2012
Assets:						
Cash and cash equivalents	**$**	**265,131**	$	379,447	$	239,517
Restricted cash		**97,486**		63,601		90,246
Securities purchased under reverse repurchase agreements		**84,681**		78,551		39,922
Investments *(Note 6)*		**380,141**		439,480		389,497
Mortgages receivable – Core Lending *(Note 7)*		**5,348,498**		5,154,943		4,443,162
Mortgages receivable – Securitization Financing *(Notes 7 & 8)*		**5,389,111**		5,454,529		5,244,716
Securitization retained interests *(Note 8)*		**11,954**		7,263		-
Other assets *(Note 11)*		**25,291**		23,626		23,178
	$	**11,602,293**	$	11,601,440	$	10,470,238
Liabilities and Shareholders' Equity						
Liabilities:						
Deposits *(Note 12)*	**$**	**5,648,679**	$	5,651,717	$	4,860,547
Securitization liabilities *(Note 8)*		**5,289,174**		5,261,670		5,069,853
Obligations under repurchase agreements *(Note 8)*		**6,992**		9,882		-
Deferred tax liabilities *(Note 13)*		**8,097**		5,498		6,608
Other liabilities *(Note 14)*		**35,039**		40,931		24,602
Bank term loans *(Note 15)*		**-**		12,500		12,500
Debentures *(Note 16)*		**92,483**		117,671		52,671
		11,080,464		11,099,869		10,026,781
Shareholders' equity:						
Preferred shares *(Note 17)*		**48,494**		48,494		48,494
Common shares *(Note 17)*		**135,408**		134,224		130,251
Contributed surplus *(Note 18)*		**5,028**		5,003		4,813
Retained earnings		**341,614**		323,737		269,235
Accumulated other comprehensive loss		**(8,715)**		(9,887)		(9,336)
		521,829		501,571		443,457
	$	**11,602,293**	$	11,601,440	$	10,470,238

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

With comparative figures for the three month period ended March 31, 2012

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended	
	March 31, 2013	March 31, 2012
Interest income:		
Mortgages – Core Lending	**$ 64,651**	$ 57,108
Mortgages – Securitization Financing	**52,986**	54,538
Investments	**2,035**	2,248
Other	**1,856**	1,226
	121,528	115,120
Interest expense:		
Deposits	**33,714**	30,350
Securitization liabilities *(Note 8)*	**45,249**	47,174
Bank term loans	**7**	202
Debentures	**2,373**	869
Other	**23**	1
	81,366	78,596
Net interest income	**40,162**	36,524
Provision for credit losses *(Note 7)*	**2,100**	2,227
Net interest income after provision for credit losses	**38,062**	34,297
Other income:		
Fees and other income	**1,457**	1,005
Net gain on investments	**645**	249
Gains on securitization activities and income from securitization retained interests *(Note 8)*	**881**	51
	2,983	1,305
Net interest and other income	**41,045**	35,602
Non-interest expenses:		
Compensation and benefits	**7,727**	6,570
Other	**5,509**	5,339
	13,236	11,909
Income before income taxes	**27,809**	23,693
Income taxes *(Note 13):*		
Current	**7,324**	6,935
Deferred	**(429)**	(1,182)
	6,895	5,753
Net income	**$ 20,914**	$ 17,940
Earnings per share *(Note 19):*		
Basic	**$ 1.32**	$ 1.13
Diluted	**$ 1.30**	$ 1.13

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

With comparative figures for the three month period ended March 31, 2012

($ THOUSANDS)

	Three months ended	
	March 31, 2013	March 31, 2012
Net income	**$ 20,914**	$ 17,940
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Available for sale investments:		
Net unrealized gains from change in fair value	**2,557**	833
Reclassification of net gains to income	**(847)**	(1,082)
	1,710	(249)
Income tax (expense) recovery	**(450)**	65
	1,260	(184)
Cash flow hedges: *(Note 9)*		
Net unrealized (losses) gains from change in fair value	**(767)**	1,028
Reclassification of net losses to income	**647**	592
	(120)	1,620
Income tax recovery (expense)	**32**	(423)
	(88)	1,197
Total other comprehensive income	**1,172**	1,013
Total comprehensive income	**$ 22,086**	$ 18,953

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

With comparative figures for the three month period ended March 31, 2012

($ THOUSANDS)

March 31, 2013	**Preferred shares**	**Common shares**	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income (loss)**	**Total**
Balance, beginning of period	**$ 48,494**	**$ 134,224**	**$ 5,003**	**$ 323,737**	**$ (9,887)**	**$ 501,571**
Net income	**-**	**-**	**-**	**20,914**	**-**	**20,914**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**1,172**	**1,172**
Reinvestment of dividends	**-**	**252**	**-**	**-**	**-**	**252**
Exercise of stock options	**-**	**756**	**-**	**-**	**-**	**756**
Dividends:						
Preferred shares	**-**	**-**	**-**	**(906)**	**-**	**(906)**
Common shares	**-**	**-**	**-**	**(2,131)**	**-**	**(2,131)**
Stock-based compensation	**-**	**-**	**201**	**-**	**-**	**201**
Transfer relating to the exercise of stock options	**-**	**176**	**(176)**	**-**	**-**	**-**
Balance, end of period	**$ 48,494**	**$ 135,408**	**$ 5,028**	**$ 341,614**	**$ (8,715)**	**$ 521,829**

March 31, 2012	Preferred shares	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, beginning of period	$ 48,494	$ 129,771	$ 4,718	$ 254,006	$ (10,349)	$ 426,640
Net income	-	-	-	17,940	-	17,940
Other comprehensive income, net of tax	-	-	-	-	1,013	1,013
Reinvestment of dividends	-	188	-	-	-	188
Exercise of stock options	-	237	-	-	-	237
Dividends:						
Preferred shares	-	-	-	(906)	-	(906)
Common shares	-	-	-	(1,805)	-	(1,805)
Stock-based compensation	-	-	150	-	-	150
Transfer relating to the exercise of stock options	-	55	(55)	-	-	-
Balance, end of period	$ 48,494	$ 130,251	$ 4,813	$ 269,235	$ (9,336)	$ 443,457

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

With comparative figures for the three month period ended March 31, 2012

($ THOUSANDS)

	Three months ended	
	March 31, 2013	March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	**$ 20,914**	$ 17,940
Adjustments to determine cash flows relating to operating activities:		
Financial instruments at fair value through income	**1,441**	1,836
Securitization gains	**(1,126)**	-
Depreciation of capital assets	**242**	231
Provision for credit losses	**2,100**	2,227
Net gain on sale or redemption of investments	**(531)**	(249)
Income taxes	**6,895**	5,825
Income taxes paid	**(10,867)**	(4,801)
Stock-based compensation	**201**	150
Amortization of premiums/discount on investments	**509**	784
Net increase in mortgages receivable	**(251,378)**	(113,976)
Net increase in deposits	**(3,038)**	232,643
Change in obligations related to investments sold under repurchase agreements	**(2,890)**	-
Net change in securities purchased and sold under reverse repurchase agreements	**78,551**	9,967
Net change in securitization liability	**27,504**	(31,068)
Purchase of investments under reverse repurchase agreements	**(84,681)**	(39,922)
Change in restricted cash	**(33,885)**	(7,090)
Proceeds from loan securitization	**118,543**	-
Securitization retained interest	**332**	-
Net interest income, excluding non-cash items	**(45,278)**	(54,751)
Interest received	**122,191**	115,934
Interest paid	**(78,388)**	(63,692)
Other assets	**165**	(191)
Other liabilities	**(4,593)**	(3,260)
Dividends received	**1,475**	2,509
Cash flows (used in) from operating activities	**(135,592)**	71,046
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank term loan	**(12,500)**	-
Redemption of debentures	**(25,188)**	-
Dividends paid on preferred shares	**(906)**	(906)
Dividends paid on common shares	**(1,874)**	(1,614)
Proceeds from issuance of common shares	**756**	237
Cash flows used in financing activities	**(39,712)**	(2,283)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(2,420)**	(20,000)
Proceeds on sale or redemption of investments	**64,138**	46,730
Net change in Canada Housing Trust re-investment accounts	**(429)**	(26,671)
Purchase of capital assets	**(301)**	(150)
Cash flows from (used in) investing activities	**60,988**	(91)
Net (decrease) increase in cash and cash equivalents	**(114,316)**	68,672
Cash and cash equivalents, beginning of period	**379,447**	170,845
Cash and cash equivalents, end of period	**$ 265,131**	$ 239,517

Note 1 – Reporting Entity

Equitable Group Inc. (the "Company") was formed on January 1, 2004 as the parent company of its wholly owned subsidiary, The Equitable Trust Company ("Equitable Trust"). The Company is domiciled in Canada with its registered office located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario. Equitable Trust is federally regulated under the Trust and Loan Companies Act (Canada) by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). The Company operates principally in one industry segment as a deposit-taking institution investing in mortgages.

Note 2 – Basis of Preparation

(a) Statement of compliance

These interim consolidated financial statements of the Company have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. These interim consolidated financial statements should be read in conjunction with the Company's 2012 annual audited consolidated financial statements.

These interim consolidated financial statements were approved for issuance by the Company's Board of Directors (the "Board") on May 9, 2013.

(b) Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis except for the following items which are stated at fair value: derivative financial instruments, held for trading assets, financial assets and liabilities that are designated as at fair value through income and available for sale financial assets.

(c) Functional currency

The functional currency of the Company is Canadian dollars, which is also the presentation currency of the interim consolidated financial statements of the Company.

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

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

Note 2 – Basis of Preparation (continued)

The critical estimates and judgments made in the preparation of the Company's consolidated financial statements include probability of default and loss given default for mortgage receivables, discount rates utilized in the valuation of the Company's financial assets and liabilities, the credit worthiness of the Company to its counterparties, the values of comparable assets and the fair value of securities not traded in an active market. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these consolidated financial statements. Actual results could differ from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods.

(e) Consolidation

The interim consolidated financial statements as at and for the three months ended March 31, 2013 include the assets, liabilities and results of operations of the Company and its wholly owned subsidiary, Equitable Trust, after the elimination of intercompany transactions and balances. The Company has control of Equitable Trust as it is exposed to and has rights to variable returns from its involvement with Equitable Trust and it has the ability to affect those returns through its power over the relevant activities of Equitable Trust.

Note 3 – Significant Accounting Policies

Other than the changes in accounting policies set out below, all other accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2012. Refer to Note 3 of the audited consolidated financial statements found within the Company's 2012 Annual Report.

Changes in accounting policies:

Effective January 1, 2013, the Company adopted IFRS 10, C*onsolidated Financial Statements,* and IFRS 13, *Fair Value Measurement* and has revised its accounting policies as below:

(a) Subsidiaries:

As a result of the adoption of IFRS 10, the Company has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees. Accordingly the Company controls an investee when it is exposed to and has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In accordance with the transitional requirements of IFRS 10, the Company has re-assessed whether it controls its investees as of January 1, 2013 and concluded there is no change in the consolidation decisions reached prior to adoption of IFRS 10.

(b) Fair value measurement:

As a result of adoption of IFRS 13, the Company has adopted a new definition of fair value in that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

Note 3 – Significant Accounting Policies (continued)

The change had no impact on the measurements of the Company's assets and liabilities. However, the Company has included new disclosures in the financial statements which are required under IFRS 13.

Note 4 – Risk Management

The Company, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results, which may also influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. The use of financial instruments exposes the Company to several risks including credit risk, interest rate risk and liquidity risk. A discussion of the Company's risk exposures and how it manages those risks can be found on pages 44 to 52 of the Company's 2012 Annual Report.

Note 5 – Financial Instruments

The Company's business activities result in a consolidated balance sheet that consists primarily of financial instruments. The majority of the Company's net income is derived from gains, losses, income and expenses related to these financial assets and liabilities.

(a) Valuation methods and assumptions:

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

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

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

(ii) Financial instruments classified as available for sale and as at fair value through income

These financial assets and financial liabilities are presented on the consolidated balance sheets at fair value. For financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices for financial liabilities. For those financial instruments measured at fair value 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.

Cash and cash equivalents and restricted cash are measured at fair value, which approximates cost.

(iii) Mortgages receivable

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

(iv) Deposits

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

Note 5 – Financial Instruments (continued)

(v) Securitization liabilities

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

(vi) Bank term loans and debentures

The estimated fair value of bank term loans and debentures are determined by discounting expected future contractual cash flows using market interest rates offered for similar terms.

(vii) Derivatives

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

Note 5 – Financial Instruments (continued)

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at March 31, 2013 and December 31, 2012. The tables do not include assets and liabilities that are not considered financial instruments.

							March 31, 2013
	Financial instruments classified as held for trading	Financial instruments designated as at fair value through income	Held to maturity	Available for sale	Loans and receivables/ financial liabilities at amortized cost	Total carrying value	Fair value
Financial assets:							
Cash and cash equivalents	$ 265,131	$ -	$ -	$ -	$ -	$ 265,131	$ 265,131
Restricted cash	97,486	-	-	-	-	97,486	97,486
Securities purchased under reverse repurchase agreements	-	-	-	-	84,681	84,681	84,681
Investments	6,156	-	54,881	319,104	-	380,141	380,141
Mortgages receivable – Core Lending	-	52,159	-	-	5,296,339	5,348,498	5,367,614
Mortgages receivable – Securitization Financing	-	-	-	-	5,389,111	5,389,111	5,541,201
Securitization retained interests	-	-	-	11,954	-	11,954	11,954
Other assets:							
Derivative financial instruments – interest rate swaps	407	-	-	-	-	407	407
Mortgage Commitments	-	333	-	-	-	333	333
Other	-	-	-	-	5,611	5,611	5,611
Total financial assets	$ 369,180	$ 52,492	$ 54,881	$ 331,058	$ 10,775,742	$ 11,583,353	$ 11,754,559
Financial liabilities:							
Deposits	$ -	$ 508,204	$ -	$ -	$ 5,140,475	$ 5,648,679	$ 5,665,313
Securitization liabilities	-	-	-	-	5,289,174	5,289,174	5,487,758
Obligations under repurchase agreements	-	-	-	-	6,992	6,992	6,992
Other liabilities:							
Derivative financial instruments – securitization activities	2,309	-	-	-	-	2,309	2,309
Derivative financial instruments – interest rate swaps	2,102	-	-	-	-	2,102	2,102
Derivative financial instruments – hedges	18	-	-	-	-	18	18
Other	-	-	-	-	30,320	30,320	30,320
Debenture liabilities	-	-	-	-	92,483	92,483	93,511
Total financial liabilities	$ 4,429	$ 508,204	$ -	$ -	$ 10,559,444	$ 11,072,077	$ 11,288,323

Note 5 – Financial Instruments (continued)

December 31, 2012

	Financial instruments classified as held for trading	Financial instruments designated as at fair value through income	Held to maturity	Available for sale	Loans and receivables/ financial liabilities at amortized cost	Total carrying value	Fair value
Financial assets:							
Cash and cash equivalents	$ 379,447	$ -	$ -	$ -	$ -	$ 379,447	$ 379,447
Restricted cash	63,601	-	-	-	-	63,601	63,601
Securities purchased under reverse repurchase agreements	-	-	-	-	78,551	78,551	78,551
Investments	5,912	-	54,252	379,316	-	439,480	439,480
Mortgages receivable – Core Lending	-	52,379	-	-	5,102,564	5,154,943	5,172,888
Mortgages receivable – Securitization Financing	-	-	-	-	5,454,529	5,454,529	5,632,366
Securitization retained interests	-	-	-	7,263	-	7,263	7,263
Other assets:							
Derivative financial instruments – hedges	20	-	-	-	-	20	20
Derivative financial instruments – securitization activities	323	-	-	-	-	323	323
Other	-	-	-	-	5,478	5,478	5,478
Total financial assets	$ 449,303	$ 52,379	$ 54,252	$ 386,579	$ 10,641,122	$ 11,583,635	$ 11,779,417
Financial liabilities:							
Deposits	$ -	$ 517,079	$ -	$ -	$ 5,134,638	$ 5,651,717	$ 5,669,486
Securitization liabilities	-	-	-	-	5,261,670	5,261,670	5,467,345
Obligations under repurchase agreements	-	-	-	-	9,882	9,882	9,882
Other liabilities:							
Derivative financial instruments – interest rate swaps	2,301	-	-	-	-	2,301	2,301
Other	-	-	-	-	38,298	38,298	38,298
Bank term loans	-	-	-	-	12,500	12,500	12,516
Debenture liabilities	-	-	-	-	117,671	117,671	118,983
Total financial liabilities	$ 2,301	$ 517,079	$ -	$ -	$ 10,574,659	$ 11,094,039	$ 11,318,811

(b) Fair value hierarchy:

Financial instruments recorded at fair value on the consolidated balance sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

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

Note 5 – Financial Instruments (continued)

Level 3 – valuation techniques with significant unobservable inputs.

Measurement of fair value requires the use of observable market inputs whenever such inputs exist. The objective of fair value measurement is to estimate the prices at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price). A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments that are measured at fair value on a recurring basis in the consolidated balance sheets after initial recognition, classified using the fair value hierarchy:

				March 31, 2013
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Cash and cash equivalents	$ 265,131	$ -	$ -	$ 265,131
Restricted cash	97,486	-	-	97,486
Investments	181,557	198,584	-	380,141
Mortgages receivable	-	52,159	-	52,159
Securitization retained interests	-	11,954	-	11,954
Other assets:				
Derivative financial instruments – interest rate swaps	-	407	-	407
Mortgage Commitments	-	333	-	333
Total financial assets	$ 544,174	$ 263,437	$ -	$ 807,611
Financial liabilities:				
Deposits	$ -	$ 508,204	$ -	$ 508,204
Other liabilities:				
Derivative financial instruments – securitization activities	-	2,309	-	2,309
Derivative financial instruments – interest rate swaps	-	2,102	-	2,102
Derivative financial instruments – hedges	-	18	-	18
Total financial liabilities	$ -	$ 512,633	$ -	$ 512,633

Note 5 – Financial Instruments (continued)

				December 31, 2012
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Cash and cash equivalents	$ 379,447	$ -	$ -	$ 379,447
Restricted cash	63,601	-	-	63,601
Investments	167,519	217,709	-	385,228
Mortgages receivable	-	52,379	-	52,379
Securitization retained interests	-	7,263	-	7,263
Other assets:				
Derivative financial instruments – hedges	-	20	-	20
Derivative financial instruments – securitization activities	-	323	-	323
Total financial assets	$ 610,567	$ 277,694	$ -	$ 888,261
Financial liabilities:				
Deposits	$ -	$ 517,079	$ -	$ 517,079
Other liabilities:				
Derivative financial instruments – interest rate swaps	-	2,301	-	2,301
Total financial liabilities	$ -	$ 519,380	$ -	$ 519,380

Deposit liabilities comprise Guaranteed Investment Certificates ("GICs") that are measured at fair value through profit or loss and are guaranteed by Canada Deposit Insurance Corporation ("CDIC"). This guarantee from CDIC is reflected in the fair value measurement of the deposit liabilities.

There were no non-recurring fair value measurements in the balance sheets as at March 31, 2013 and December 31, 2012.

Note 6 – Investments

Carrying value:

	March 31, 2013	December 31, 2012	March 31, 2012
Debt securities issued by regulated financial institutions	**$ 198,584**	$ 217,709	$ 95,046
Debt securities issued by Government of Canada	**-**	-	33,929
Debt securities guaranteed by Government of Canada	**26,408**	26,519	26,580
Equity securities – preferred shares	**92,332**	132,896	172,720
Equity securities – common shares[1]	**7,936**	7,904	-
Canada Housing Trust re-investment accounts[2]	**54,881**	54,452	61,222
	$ 380,141	$ 439,480	$ 389,497

(1) Includes a security with a carrying value $6.2 million which is classified as at fair value through income. This carrying value includes an unrealized loss of $11.4 million which has been offset by a dividend received of $13.7 million.

(2) Excludes reverse repurchase agreements of $74.7 million (December 31, 2012 - $68 million, March 31, 2012 - Nil) which are reclassified under Securities purchased under reverse purchase agreements.

Note 6 – Investments (continued)

Net unrealized gains (losses) on available for sale investments recorded in the consolidated statements of comprehensive income are as follows:

	March 31, 2013	December 31, 2012	March 31, 2012
Debt securities issued by regulated financial institutions	**$ 136**	$ 182	$ -
Debt securities issued by Government of Canada	**-**	-	377
Debt securities guaranteed by Government of Canada	**1,374**	1,257	1,204
Equity securities – preferred shares	**(1,144)**	(2,968)	(3,149)
Equity securities – common shares	**(212)**	-	-
	$ 154	$ (1,529)	$ (1,568)

Note 7 – Mortgages Receivable

(a) Mortgages receivable:

March 31, 2013		**Allowance for credit losses**			
	Gross amount	**Individual**	**Collective**	**Total**	**Net amount**
Mortgages – Core Lending	**$ 5,355,055**	**$ 5,168**	**$ 23,528**	**$ 28,696**	**$ 5,326,359**
Mortgages – Securitization Financing	**5,373,118**	**-**	**-**	**-**	**5,373,118**
Accrued interest	**38,132**	**-**	**-**	**-**	**38,132**
	$ 10,766,305	**$ 5,168**	**$ 23,528**	**$ 28,696**	**$ 10,737,609**

December 31, 2012		Allowance for credit losses			
	Gross amount	Individual	Collective	Total	Net amount
Mortgages – Core Lending	$ 5,160,114	$ 4,660	$ 21,960	$ 26,620	$ 5,133,494
Mortgages – Securitization Financing	5,437,783	-	-	-	5,437,783
Accrued interest	38,195	-	-	-	38,195
	$ 10,636,092	$ 4,660	$ 21,960	$ 26,620	$ 10,609,472

March 31, 2012		Allowance for credit losses			
	Gross amount	Individual	Collective	Total	Net amount
Mortgages – Core Lending	$ 4,445,798	$ 3,925	$ 17,430	$ 21,355	$ 4,424,443
Mortgages – Securitization Financing	5,228,006	-	-	-	5,228,006
Accrued interest	35,429	-	-	-	35,429
	$ 9,709,233	$ 3,925	$ 17,430	$ 21,355	$ 9,687,878

Included in Mortgages – Securitization Financing are mortgages held for securitization or for sale which consist of Government of Canada insured residential mortgages of $84,641 (December 31, 2012 − $111,470, March 31, 2012 − $33,475).

Included in Mortgages – Core Lending are certain mortgages designated as at fair value through income and are carried at fair value with changes in fair value included in interest income − mortgages. As at March 31, 2013, mortgage principal outstanding for these mortgages was $48,902 (December 31, 2012 – $49,135, March 31, 2012 – $49,816) and the fair value adjustment was $3,257 (December 31, 2012 – $3,244, March 31, 2012 – $3,169).

Note 7 – Mortgages Receivable (continued)

The impact of changes in fair value for mortgages designated as at fair value through income is as follows:

	March 31, 2013	March 31, 2012
Changes in fair value recognized in income	**$ 13**	$ (958)

At March 31, 2013, the Company had commitments to fund a total of $461,324 (December 31, 2012 – $445,059, March 31, 2012 – $440,506) of mortgages in the ordinary course of business.

(b) Impaired and past due mortgages:

The Company classifies a mortgage receivable as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest. As a matter of practice, conventional mortgages are deemed to be impaired at the earlier of the date they have been individually provided for or when they have been in arrears for 90 days. Mortgages guaranteed by the Government of Canada or other insurers are deemed to be impaired when payment is contractually past due 365 days; however, management does not anticipate credit losses on such mortgages as they are insured.

Outstanding impaired mortgages, net of individual allowances are as follows:

			March 31, 2013	December 31, 2012	March 31, 2012
	Gross	**Individual allowance**	**Net**	Net	Net
Mortgages – Core Lending	**$ 41,462**	**$ 5,168**	**$ 36,294**	$ 31,450	$ 26,623
Mortgages – Securitization Financing	**-**	**-**	**-**	298	939
	$ 41,462	**$ 5,168**	**$ 36,294**	$ 31,748	$ 27,562

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

				March 31, 2013
	30 – 59 days	**60 – 89 days**	**90 days or more**	**Total**
Mortgages – Core Lending	**$ 18,912**	**$ 7,445**	**$ 201**	**$ 26,558**
Mortgages – Securitization Financing	**1,876**	**368**	**3,148**	**5,392**
	$ 20,788	**$ 7,813**	**$ 3,349**	**$ 31,950**

				December 31, 2012
	30 – 59 days	60 – 89 days	90 days or more	Total
Mortgages – Core Lending	$ 19,586	$ 11,186	$ 557	$ 31,329
Mortgages – Securitization Financing	1,366	906	13,230	15,502
	$ 20,952	$ 12,092	$ 13,787	$ 46,831

Note 7 – Mortgages Receivable (continued)

(c) Allowance for credit losses:

						March 31, 2013
		Individual allowance		**Collective allowance**		**Total**
Balance, beginning of period	**$**	**4,660**	**$**	**21,960**	**$**	**26,620**
Provision for credit losses		**512**		**1,588**		**2,100**
Allowance for credit losses on acquired portfolio		**20**		**(20)**		**-**
Realized losses		**(55)**		**-**		**(55)**
Recoveries		**31**		**-**		**31**
Balance, end of period	**$**	**5,168**	**$**	**23,528**	**$**	**28,696**

						March 31, 2012
		Individual allowance		Collective allowance		Total
Balance, beginning of period	$	3,865	$	15,785	$	19,650
Provision for credit losses		487		1,740		2,227
Allowance for credit losses on acquired portfolio		95		(95)		-
Realized losses		(546)		-		(546)
Recoveries		24		-		24
Balance, end of period	$	3,925	$	17,430	$	21,355

Note 8 – Derecognition of Financial Assets

In the normal course of business, the Company enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of the Company's continuing involvement. The Company transfers its financial assets through sale and repurchase agreements and its securitization activities. For further details, refer to Note 9 to the audited consolidated financial statements found within the Company's 2012 Annual Report.

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

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

			March 31, 2013				December 31, 2012				March 31, 2012	
		Securitized assets		**Assets sold under repurchase agreements**		Securitized assets		Assets sold under repurchase agreements		Securitized assets		Assets sold under repurchase agreements
Carrying amount of assets	**$**	**5,304,333**	**$**	**6,992**	$	5,342,881	$	9,882	$	5,211,241	$	-
Carrying amount of associated liability		**5,289,174**		**6,992**		5,261,670		9,882		5,069,853		-
Fair value of assets		**5,457,412**		**6,992**		5,520,893		9,882		5,393,467		-
Fair value of associated liability		**5,487,758**		**6,992**		5,467,345		9,882		5,306,173		-
Fair value, net position	**$**	**(30,346)**	**$**	**-**	$	53,548	$	-	$	87,294	$	-

The carrying amount of assets include securitized assets that were not transferred to third parties of $170,704 (December 31, 2012 - $205,704, March 31, 2012 - $232,503). The fair value of these assets are $174,534 (December 31, 2012 - $210,422, March 31, 2012 - $238,095).

Note 8 – Derecognition of Financial Assets (continued)

The carrying amount of assets exclude mortgages held for securitization of $84,778 (December 31, 2012 - $111,648, March 31, 2012 - $33,475).

The Company's outstanding securitization liabilities as at March 31, 2013, December 31, 2012 and March 31, 2012 are as follows:

	March 31, 2013	December 31, 2013	March 31, 2012
Securitization liabilities principal	**$ 5,275,595**	$ 5,252,180	$ 5,058,117
Deferred net discount and issuance costs	**(11,923)**	(12,016)	(12,920)
Accrued interest	**25,502**	21,506	24,656
Total	**$ 5,289,174**	$ 5,261,670	$ 5,069,853

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

	MBS liability	**CMB Liability**	**Total liability**
June 2013	**$ 367,864**	**$ 9,102**	**$ 376,966**
September 2013	**45,040**	**431,901**	**476,941**
December 2013	**28,470**	**283,659**	**312,129**
2014	**122,414**	**1,219,506**	**1,341,920**
2015	**109,810**	**461,731**	**571,541**
2016	**111,533**	**411,305**	**522,838**
2017	**475,404**	**76,346**	**551,750**
Thereafter	**270,844**	**850,666**	**1,121,510**
	$ 1,531,379	**$ 3,744,216**	**$ 5,275,595**

(b) Transfers that are derecognized in their entirety:

The following table provides quantitative information about the securitization activities during the period for transfers that are derecognized in their entirety:

	March 31, 2013	March 31, 2012
Mortgages securitized and sold	**$ 118,436**	$ -
Retained interests recorded	**4,965**	-
Servicing liability recorded	**1,315**	-
Gains on mortgages securitized and sold	**1,126**	-
Net expenses on securitization activities and retained interests	**(245)**	-

Note 9 – Derivative Financial Instruments

(a) Hedge instruments:

Cash flow hedges

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

Fair value hedges

The Company also enters into hedging transactions to manage interest rate exposures on certain mortgages designated as at fair value through income, mortgage commitments and GICs used to fund floating rate mortgages. The hedging instruments used to manage these exposures are interest rate swaps, bond forward agreements and short sale and repurchase agreements of Government of Canada guaranteed debt securities. The Company does not apply hedge accounting to these hedging relationships.

Note 9 – Derivative Financial Instruments (continued)

(b) Financial impact of derivatives:

The fair values and notional amounts of hedge instruments outstanding as at March 31, 2013, December 31, 2012 and March 31, 2012 are as follows:

				March 31, 2013
		Fair value		
Derivative instrument and term (years)	**Notional amount**	**Assets**	**Liabilities**	**Net**[1]
Cash flow hedges:				
Hedging bond forwards				
1 or less	**$ 138,000**	**$ -**	**$ (804)**	**$ (804)**
Fair value hedges:				
Interest rate swaps				
1 or less	**235,000**	**-**	**(22)**	**(22)**
1 to 5	**313,265**	**429**	**(2,102)**	**(1,673)**
Bond forward agreements				
1 or less	**144,400**	**-**	**(1,505)**	**(1,505)**
Short sale and repurchase agreements				
1 or less	**13,445**	**-**	**(18)**	**(18)**
	$ 844,110	**$ 429**	**$ (4,451)**	**$ (4,022)**

				December 31, 2012
		Fair value		
Derivative instrument and term (years)	Notional amount	Assets	Liabilities	Net[1]
Cash flow hedges:				
Hedging bond forwards				
1 or less	$ 62,100	$ 540	$ -	$ 540
Fair value hedges:				
Interest rate swaps				
1 or less	335,000	-	(128)	(128)
1 to 5	221,612	-	(2,173)	(2,173)
Bond forward agreements				
1 or less	52,600	-	(217)	(217)
Short sale and repurchase agreements				
1 or less	13,445	20	-	20
	$ 684,757	$ 560	$ (2,518)	$ (1,958)

[1] *Derivative financial assets are included in Other Assets (Note 11) and derivative financial liabilities are included in Other Liabilities (Note 14).*

Note 9 – Derivative Financial Instruments (continued)

				March 31, 2012
		Fair value		
Derivative instrument and term (years)	Notional amount	Assets	Liabilities	Net[1]
Cash flow hedges:				
Hedging bond forwards				
1 or less	$ 59,100	$ 49	$ -	$ 49
Fair value hedges:				
Interest rate swaps				
1 to 5	100,000	-	(10)	(10)
Over 5	37,148	-	(2,027)	(2,027)
Short sale and repurchase agreements				
1 to 5	13,445	-	(41)	(41)
	$ 209,693	$ 49	$ (2,078)	$ (2,029)

[1] *Derivative financial assets are included in Other Assets (Note 11) and derivative financial liabilities are included in Other Liabilities (Note 14).*

Cash flow hedges:

The impact of cash flow hedges on the Company's consolidated financial results are as follows:

	March 31, 2013	March 31, 2012
Fair value changes recorded in Other comprehensive income	**$ (120)**	$ 1,620
Fair value changes recorded in Income	**(183)**	51
Amounts reclassified from Other comprehensive income to Interest expense - securitization liabilities	**647**	592

Fair value hedges:

The impact of fair value hedges on the Company's consolidated financial results are as follows:

	March 31, 2013	March 31, 2012
Changes in fair value – bond forward agreements	**$ (1,288)**	$ -
Changes in fair value – interest rate swaps	**450**	439
Changes in fair value – short sale and repurchase agreements	**(77)**	360
Changes in fair value recognized in income	**$ (915)**	$ 799

Note 10 – Offsetting Financial Assets and Financial Liabilities

The disclosures in the table below include financial assets and financial liabilities that may or may not be offset in the consolidated financial statements but are subject to agreements with netting arrangements which covers similar financial instruments irrespective of whether they are offset in the consolidated financial statements. Such agreements include derivative agreements, collateral support agreements and repurchase agreements. Financial instruments include derivatives, sales and repurchase agreements and reverse sale and repurchase agreements.

The Company's derivative transactions are entered into under International Swaps and Derivatives Association ('ISDA') master agreements. In general, amounts owed by each counterparty under an agreement are aggregated into a single net amount being payable by one party to the other. In certain cases all outstanding transactions under an agreement may be terminated and a single net amount including pledges is due or payable in settlement of these transactions.

The Company's sale and repurchase and reverse sale and repurchase transactions, are covered by master agreements with netting terms similar to those of ISDA agreements. Both types of agreements generally contain set-off clauses.

The Company pledges and in certain cases receives collateral in the form of cash or securities in respect of the following transactions:

- derivatives;
- sale and repurchase agreements; and
- reverse sale and repurchase agreements.

Such collateral is subject to the credit support agreement associated with ISDA agreements, or subject to standard industry terms of repurchase agreements. This means that cash or securities pledged/received as collateral can be sold during the term of the transaction but must be returned when the collateral is no longer required and/or on maturity. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

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

						March 31, 2013
				Related amounts not offset on the Consolidated Balance Sheets		
Types of financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset on the Consolidated Balance Sheets	Net amounts of financial assets presented on the Consolidated Balance Sheets	Financial instruments	Cash collateral received	Net amount
Derivatives held for risk management:						
Interest rate swaps	$ 429	$ (22)	$ 407	$ -	$ (351)	$ 56
Sale and repurchase agreements, securities lending and similar agreements:						
Reverse sale and repurchase agreements	84,681	-	84,681	(84,681)	-	-
Total	$ 85,110	$ (22)	$ 85,088	$ (84,681)	$ (351)	$ 56

Note 10 – Offsetting Financial Assets and Financial Liabilities (continued)

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

						March 31, 2013
				Related amounts not offset on the Consolidated Balance Sheets		
Types of financial liabilities	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets offset on the Consolidated Balance Sheets**	**Net amounts of financial liabilities presented on the Consolidated Balance Sheets**	**Financial instruments**	**Cash collateral pledged**	**Net amount**
Derivatives held for risk management:						
Interest rate swaps	**$ 2,124**	**$ (22)**	**$ 2,102**	**$ -**	**$ (2,098)**	**$ 4**
Hedging bond forwards	**804**	**-**	**804**	**-**	**(484)**	**320**
Bond forward agreements	**1,505**	**-**	**1,505**	**-**	**(906)**	**599**
Sale and repurchase, securities lending and similar agreements:						
Repurchase agreements	**6,992**	**-**	**6,992**	**(6,992)**	**-**	**-**
Short sale & repurchase agreements	**18**	**-**	**18**	**-**	**-**	**18**
Total	**$ 11,443**	**$ (22)**	**$ 11,421**	**$ (6,992)**	**$ (3,488)**	**$ 941**

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

						December 31, 2012
				Related amounts not offset on the Consolidated Balance Sheets		
Types of financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset on the Consolidated Balance Sheets	Net amounts of financial assets presented on the Consolidated Balance Sheets	Financial instruments	Cash collateral received	Net amount
Derivatives held for risk management:						
Hedging bond forwards and bond forward agreements	540	(217)	323	-	-	323
Reverse sale and repurchase agreements:	78,551	-	78,551	(78,551)	-	-
Short sale & repurchase agreements	20	-	20	-	-	20
Total	$ 79,111	$ (217)	$ 78,894	$ (78,551)	$	$ 343

Note 10 – Offsetting Financial Assets and Financial Liabilities (continued)

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

						December 31, 2012
				Related amounts not offset on the Consolidated Balance Sheets		
Types of financial liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset on the Consolidated Balance Sheets	Net amounts of financial liabilities presented on the Consolidated Balance Sheets	Financial instruments	Cash collateral pledged	Net amount
Derivatives-trading liabilities:						
Interest rate swaps	$ 2,443	$ (143)	$ 2,300	$ -	$ (2,528)	$ (228)
Sale and repurchase, securities lending and similar agreements:						
Repurchase agreements	9,882	-	9,882	(9,882)	-	-
Total	$ 12,325	$ (143)	$ 12,182	$ (9,882)	$ (2,528)	$ (228)

Note 11 – Other Assets

	March 31, 2013	December 31, 2012	March 31, 2012
Prepaid expenses and other	**$ 15,301**	$ 15,343	$ 14,985
Capital assets	**3,606**	3,547	3,683
Receivables relating to securitization activities	**2,630**	2,773	2,551
Accrued interest and dividends on non-mortgage assets	**1,640**	1,393	594
Income taxes recoverable	**1,374**	-	459
Derivative financial instruments – interest rate swaps	**407**	-	-
Mortgage commitments	**333**	-	-
Real estate owned	**-**	227	857
Derivative financial instruments – hedges	**-**	20	-
Derivative financial instruments – securitization activities	**-**	323	49
	$ 25,291	$ 23,626	$ 23,178

Note 12 – Deposits

	March 31, 2013	December 31, 2012	March 31, 2012
GICs – cashable, payable on demand	**$ 679,097**	$ 743,572	$ 866,995
GICs – fixed maturity dates	**4,877,724**	4,823,465	3,894,078
Accrued interest	**106,352**	99,530	110,984
Deferred deposit agent commissions	**(14,494)**	(14,850)	(11,510)
	$ 5,648,679	$ 5,651,717	$ 4,860,547

Note 12 – Deposits (continued)

Included in GICs with fixed maturity dates are $508,867 (December 31, 2012 − $518,213, March 31, 2012 − $100,000) of GICs designated as at fair value through income and are carried at fair value with changes in fair value included in Interest expense - deposits. The fair value is determined by discounting expected future contractual cash flows using observed market interest rates offered for deposits with similar terms. Changes in fair value reflect changes in interest rates which have occurred since the GICs were issued and the fair value adjustment as at March 31, 2013 is ($650) (December 31, 2012 − ($1,134), March 31, 2012 – ($7).

The impact of change in fair value for GIC designation as at fair value through income is as follows:

	March 31, 2013	March 31, 2012
Changes in fair value recognized in income	**$ (484)**	$ 7

Note 13 – Income Taxes

(a) Income tax provision:

	March 31, 2013	March 31, 2012
Current tax expense:		
Current period	**$ 7,456**	$ 6,935
Adjustment for prior years	**(132)**	-
	7,324	6,935
Deferred tax expense:		
Reversal of temporary differences	**(425)**	(1,210)
Reduction in tax rate	**(4)**	28
	(429)	(1,182)
Total income tax expense	**$ 6,895**	$ 5,753

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

	March 31, 2013	March 31, 2012
Canadian statutory income tax rate	**26.3%**	26.1%
Increase (decrease) resulting from:		
Tax-exempt income	**(1.4%)**	(2.3%)
Future tax rate changes	**-**	0.1%
Non-deductible expenses and other	**(0.1%)**	0.4%
Effective income tax rate	**24.8%**	24.3%

The statutory tax rate has increased due to scheduled Federal and Provincial tax rate increases that were previously enacted.

Note 13 – Income Taxes (continued)

(b) Deferred taxes:

The net deferred income tax liability is comprised of:

		March 31, 2013		December 31, 2012		March 31, 2012
Deferred income tax assets:						
Allowance for credit losses	**$**	**6,217**	$	5,788	$	4,344
Share issue expenses		**132**		176		340
Other		**403**		-		-
		6,752		5,964		4,684
Deferred income tax liabilities:						
Broker fees, net of finders and commitment fees		**4,732**		5,058		6,002
GIC commissions		**3,816**		3,910		2,970
Securitization activities		**6,161**		2,283		2,271
Other		**140**		211		49
		14,849		11,462		11,292
Deferred tax liabilities	**$**	**8,097**	$	5,498	$	6,608

Note 14 – Other Liabilities

		March 31, 2013		December 31, 2012		March 31, 2012
Accounts payable and accrued liabilities	**$**	**10,301**	$	10,102	$	9,033
Mortgagor realty taxes		**17,553**		22,340		13,491
Derivative financial instruments – interest rate swaps		**2,102**		2,301		2,037
Derivative financial instruments – securitization activities		**2,309**		-		-
Derivative financial instruments – hedges		**18**		-		41
Income taxes payable		**-**		4,670		-
Securitized mortgage servicing liability		**2,756**		1,518		
	$	**35,039**	$	40,931	$	24,602

Note 15 – Bank Facilities

On January 3, 2013, the Company repaid its non-revolving term loan of $12,500 together with all accrued and unpaid interest. For further details on bank facilities, refer to Note 15 to the audited consolidated financial statements found within the Company's 2012 Annual Report.

Note 16 – Debentures

On January 3, 2013, with the approval of OSFI, the company redeemed its 7.1% Series 7 debentures of $9,450 with all accrued and unpaid interest. The Series 7 debentures were redeemable at par at any time at the Company's option. In addition, on March 5, 2013, with the approval of OSFI, the Company partially redeemed $15,738 of its 6.5% Series 8 debentures with all accrued and unpaid interest. The Series 8 debentures were redeemable at par any time on or after December 18, 2014. On redemption, the Company also paid a 5% prepayment penalty of $787 on this redemption.

Note 17 – Shareholders' Equity

Capital stock:

Authorized:
- Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 1
- Unlimited number of non-cumulative floating rate preferred shares, Series 2
- Unlimited number of common shares, no par value

Issued and outstanding shares:

	March 31, 2013			March 31, 2012		
	Number of shares	**Amount**	**Dividends per share[1]**	Number of shares	Amount	Dividends per share[1]
Preferred shares, Series 1	**2,000,000**	**$ 48,494**	**$ 0.45**	2,000,000	$ 48,494	$ 0.45

	March 31, 2013			March 31, 2012		
	Number of shares	**Amount**	**Dividends per share[1]**	Number of shares	Amount	Dividends per share[1]
Common shares:						
Balance, beginning of period	**15,189,983**	**$ 134,224**		15,018,401	$ 129,771	
Contributions from reinvestment of dividends	**7,708**	**252**		7,427	188	
Contributions from exercise of stock options	**36,688**	**756**		16,450	237	
Transferred from contributed surplus relating to the exercise of stock options	**-**	**176**		-	55	
Balance, end of period	**15,234,379**	**$ 135,408**	**$ 0.14**	15,042,278	$ 130,251	$ 0.12

[1] *Dividends per share represent dividends declared by the Company during the period.*

Note 18 – Stock-Based Compensation

(a) Stock-based compensation plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible participants for terms of five to seven years and vest over a four or five-year period. As of March 31, 2013, the maximum number of common shares available for issuance under the plan is 868,904. The outstanding options expire on various dates to May 2019. A summary of the Company's stock option activity and related information for the periods ended March 31, 2013 and March 31, 2012 is as follows:

	March 31, 2013		March 31, 2012	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**518,817**	**$ 22.96**	733,950	$ 24.36
Granted	**124,537**	**36.11**	127,927	29.32
Exercised	**(36,688)**	**21.76**	(16,450)	14.42
Forfeited/cancelled	**-**	**-**	(160,000)	33.68
Outstanding, end of period	**606,666**	**$ 25.80**	685,427	$ 23.29
Exercisable, end of period	**176,179**	**$ 21.36**	220,400	$ 22.46

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $201 (March 31, 2012 − $150) related to grants of options under the stock option plan. This amount has been credited to Contributed Surplus. The fair value of options granted during the period ended March 31, 2013 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

	March 31, 2013
Risk-free rate	**1.4%**
Expected option life (years)	**4.8**
Expected volatility	**23.8%**
Expected dividends	**1.8%**
Weighted average fair value of each option granted	**$ 6.50**

(b) Deferred share unit ("DSU") plan:

The Company has a DSU plan for Directors. Under the plan, notional units are allocated to a Director from time to time by the Board of Directors and the units vest at the time of the grant. For further details, refer to Note 18 to the audited consolidated financial statements found within the Company's 2012 Annual Report.

During the period ended March 31, 2013, 9,181 DSUs (March 31, 2012 – nil) were granted by the Company. DSUs outstanding as at March 31, 2013 amounted to 33,237 (March 31, 2012 – 23,520) and the recorded liability was $1,263 (March 31, 2012 – $678). Compensation expense recorded in the period of 2013, relating to DSUs outstanding during the period amounted to $188 (March 31, 2012 − $87).

Note 18 – Stock-Based Compensation (continued)

(c) Restricted share unit ("RSU") plan:

During the period ended March 31, 2013, RSUs granted totaled 24,723 (March 31, 2012 – $20,940) and the compensation expense recorded relating to RSUs outstanding during the period amounted to $122 (March 31, 2012 – $13). As at March 31, 2013, RSUs outstanding amounted to 44,459 (March 31, 2012 – $20,585) and the recorded liability was $310 (March 31, 2012 – $13).

Note 19 – Earnings Per Share

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

		March 31, 2013		March 31, 2012
Earnings per common share – basic:				
Net income	**$**	**20,914**	$	17,940
Dividends on preferred shares		**906**		906
Net income available to common shareholders	**$**	**20,008**	$	17,034
Weighted average basic number of common shares outstanding		**15,204,757**		15,030,234
Earnings per common share – basic	**$**	**1.32**	$	1.13
Earnings per common share – diluted:				
Net income available to common shareholders	**$**	**20,008**	$	17,034
Weighted average basic number of common shares outstanding		**15,204,757**		15,030,234
Adjustment to weighted average number of common shares outstanding:				
Stock options		**164,116**		102,971
Weighted average diluted number of common shares outstanding		**15,368,873**		15,133,205
Earnings per common share – diluted	**$**	**1.30**	$	1.13

For the period ended March 31, 2013, the calculation of the diluted earnings per share excluded 124,537 (March 31, 2012 – 220,427) average options outstanding with a weighted average exercise price of $36.11 (March 31, 2012 – $29.38) as the exercise price of these options was greater than the average price of the Company's common shares.

Note 20 – Capital Management

Equitable Trust manages its capital in accordance with guidelines established by OSFI based on standards issued by the Bank for International Settlements, Basel Committee on Banking Supervision. For further details refer to the page 15 of the MD&A.

Equitable Trust maintains capital management policies to govern the quality and quantity of capital utilized in its operations. During the period, Equitable Trust complied with all internal and external capital requirements.

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

($ THOUSANDS)		**March 31, 2013**		December 31, 2012
		Basel III		Basel II
Common Equity Tier 1 Capital:				
Common shares	**$**	**138,102**	$	137,303
Contributed surplus		**4,614**		4,589
Retained earnings		**335,790**		317,754
Accumulated other comprehensive loss[1]		**658**		(1,767)
Less: Regulatory Adjustments		**(2,493)**		-
Net Common Equity Tier 1 Capital	**$**	**476,671**	$	457,879
Additional Tier 1 Capital [2]		**45,000**		50,000
Net Tier 1 Capital	**$**	**521,671**	$	507,879
Tier 2 capital:				
Collective allowance (Tier 2A)[3]		**23,528**		21,960
Subordinated debentures (Tier 2B)		**92,483**		125,781
Total	**$**	**116,011**	$	147,741
Total regulatory capital	**$**	**637,682**	$	655,620

(1) *As prescribed by OSFI, the cash flow hedges were derecognized.*
(2) *Effective January 1, 2013, Equitable Trust's non-cumulative preferred shares are subject to phase-out 10% per year.*
(3) *Effective Q2 2012, Equitable Trust's collective allowance is included in the calculation of regulatory capital and in the capital calculated for the ICAAP.*

Note 21 – 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, 2013:

								March 31, 2013
	Floating rate	**0 to 3 months**	**4 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Greater than 5 years**	**Non-interest sensitive[1]**	**Total[1]**
Total assets	**$ 1,607,934**	**$ 1,068,766**	**$ 2,697,551**	**$ 5,374,251**	**$ 5,002,747**	**$ 1,105,310**	**$ 120,035**	**$ 11,602,343**
Total liabilities and equity [2]	**(679,097)**	**(1,103,631)**	**(2,852,232)**	**(4,634,960)**	**(5,244,015)**	**(1,102,021)**	**(621,347)**	**(11,602,343)**
Off-balance sheet items [3]	**-**	**(577,494)**	**255,579**	**(321,915)**	**367,374**	**(45,459)**	**-**	**-**
Interest rate sensitive gap	**$ 928,837**	**$ (612,359)**	**$ 100,898**	**$ 417,376**	**$ 126,106**	**$ (42,170)**	**$ (501,312)**	**$ -**
Cumulative gap [2]	**$ 928,837**	**$ 316,478**	**$ 417,376**	**$ 417,376**	**$ 543,482**	**$ 501,312**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**8.01%**	**2.73%**	**3.60%**	**3.60%**	**4.68%**	**4.32%**	**0.00%**	**0.00%**

								December 31, 2012
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total[1]
Cumulative gap[2][3]	$ 904,635	$ 491,930	$ 364,907	$ 364,907	$ 511,945	$ 482,481	$ -	$ -
Cumulative gap as a percentage of total assets	7.80%	4.24%	3.15%	3.15%	4.41%	4.16%	0.00%	0.00%

(1) *Accrued interest is excluded in calculating interest sensitive assets and liabilities.*

(2) *Cashable GICs are included with floating rate or within 1 month liabilities as these are cashable by the depositor upon demand. Any prepayments of subordinated debentures, contractual or otherwise, have not been estimated as these would require regulatory pre-approval.*

(3) *Off-balance sheet items include the Company's interest rate swaps, hedges on funded assets, as well as mortgage rate commitments that are not specifically hedged. Mortgage rate commitments that are specifically hedged, along with their respective hedges, are assumed to substantially offset.*

DIRECTORS

Austin Beutel

Chairman, Oakwest Corporation Limited, an investment holding company

Eric Beutel

Vice-President, Oakwest Corporation Limited, an investment holding company

Joseph Dickstein

Vice-Chairman, PPI Financial Group, a financial services company

Eric Kirzner

Professor of Finance, Rotman School of Management, University of Toronto

David LeGresley

Corporate Director

Lynn McDonald

Corporate Director

Andrew Moor

President and Chief Executive Officer of the Company and Equitable Trust

Katherine Rethy

Corporate Director and President, KAR Development Corp., a leadership consulting company

Lionel Robins

President, PFDL Investments Limited, an investment holding company

Morris Shohet

Principal, The Dorchester Corporation, a real estate investment company

Michael Shulman

President, The Birchwood Group Inc., an investment holding company

OFFICERS

Andrew Moor

President and Chief Executive Officer of the Company and Equitable Trust

William Edmunds

Senior Vice-President and Chief Risk Officer of Equitable Trust

Tim Wilson

Vice-President and Chief Financial Officer of the Company and Equitable Trust

David Downie

Vice-President, Commercial Origination of Equitable Trust

Scott Fryer

Vice-President, Deposit Services of Equitable Trust

Kimberly Kukulowicz

Vice-President, Residential Sales and Partner Relationships of Equitable Trust

Brian Leland

Vice-President, Residential Credit of Equitable Trust

Tamara Malozewski

Vice-President, Finance of Equitable Trust

Daniel Ruch

Vice-President and Chief Compliance Officer of Equitable Trust

David Soni

Vice-President, Risk Policy of Equitable Trust

Jody Sperling

Vice-President, Human Resources of Equitable Trust

Nicholas Strube

Vice-President and Treasurer of Equitable Trust

Ron Tratch

Vice-President, Commercial Credit of Equitable Trust

Rajesh Raut
Controller of Equitable Trust

John Simoes

Senior Director, Financial Planning and Reporting of Equitable Trust

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TSX: ETC and ETC.PR.A

Annual Meeting of Shareholders

Wednesday, May 15, 2013, 4:15 p.m. EST

TMX Broadcast Centre

The Exchange Tower

130 King Street West

Toronto, Ontario, Canada

Dividend Reinvestment Plan

For information regarding Equitable Group's Dividend Reinvestment Plan, please contact the Plan Agent at www.computershare.com or toll free at 1.800.564.6253. To obtain a copy of the Offering Circular, Enrollment Form and to review commonly asked questions, please visit the Company's website at www.equitabletrust.com under Investor Relations.