MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three months ended March 31, 2008

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements for the three month period ended March 31, 2008, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2007. Except as indicated below, the factors discussed and referred to in the MD&A for 2007 remain substantially unchanged. Certain comparative amounts have been reclassified to conform with the current period's presentation.

Additional information about the Company, including its 2007 Annual Information Form, is available on the Company's website at www.equitablegroupinc.com and on the Canadian Securities Administrators' website at www.sedar.com.

OVERVIEW

Equitable Group Inc. ("Equitable" or the "Company") is a niche mortgage lender providing first mortgage financing through its wholly-owned subsidiary, The Equitable Trust Company ("Equitable Trust"). The primary sources of the Company's revenues are interest income derived from its mortgage financing business and interest and dividend income from investments. The Company's approach is to operate without a branch network to achieve low overheads. Its business model is based on outsourcing mortgage origination to independent mortgage brokers and outsourcing deposit origination to independent deposit agents.

HIGHLIGHTS AND STRATEGY

During the first quarter of 2008, the Company achieved record earnings, maintained strong credit quality, and made significant progress in pursuit of its financial and strategic goals for the year.

Earnings Performance

Earnings reached record levels, positioning the Company to meet its 2008 financial performance objectives:

- net income increased 21% over the first quarter of 2007 to $9.7 million;
- diluted earnings per share increased 12% to $0.74 per share compared to the same period in 2007;
- return on equity was 18.8% – in excess of the Company's 16-18% objective set for 2008.

Additionally, demonstrating the efficiency of the Company's approach to business, the first quarter productivity ratio was 26.0% – an improvement over the 26.5% ratio achieved in the same period of 2007.

Credit Quality

The Company's mortgage portfolio performed well with no loan losses being realized during the quarter. Compared to the end of the fourth quarter of 2007, net impaired mortgages decreased by $0.2 million to 0.29% of total mortgage assets.

Strategic Developments

Consistent with its plan for the year, the Company:

- grew its Single-Family business faster than its other mortgage businesses during the first quarter;
- expanded its Single-Family operation to Manitoba in early April;
- launched its Commercial Mortgage – Broker Services business in Alberta.

Performance Against Objectives

On all key performance measures, Equitable's opening 2008 performance was well ahead of its financial objectives for the year. Management believes this performance positions the Company well to meet its performance objectives for 2008.

Table 1: Performance against objectives

	2008 Objectives	Performance for the three months ended March 31, 2008
Return on equity[1]	16-18%	18.8%
Percentage increase in net income over that of the prior year[2]	16-20%	21.2%
Productivity ratio – Taxable Equivalent Basis (“TEB”)[3]	27-30%	26.0%

[1] Return on equity is calculated based on the weighted average equity outstanding during the period. Results are presented on an annualized basis.
[2] Net income is based upon performance comparisons to the comparable prior year period.
[3] See explanation of Taxable Equivalent Basis (“TEB”) in the Non-GAAP Financial Measures section of this MD&A. Decrease in this ratio reflects improved efficiencies.

Equitable has also established a key objective of attaining a 13.0% total capital ratio (including general allowances) by December 31, 2008. During the quarter, Equitable made good progress towards this goal by increasing its total capital ratio (including general allowances) to 11.4% from 11.0% at January 1, 2008.

On April 30, 2008, the Company’s Board declared a quarterly dividend in the amount of $0.10 per share, payable on July 4, 2008, to shareholders of record at the close of business June 13, 2008.

OUTLOOK

Management is confident in the Company’s ability to achieve its performance objectives for the year – based on the performance of the first quarter, solid operational progress in executing against its plan and the current strength of demand for mortgage financing in Equitable’s niches. Management continues to closely monitor the economic and credit market landscape, which, while volatile at the present time, has not altered the Company’s outlook or plan for the year which was developed anticipating a more challenging economic environment than in prior years.

Two Prime Rate decreases occurred in the first quarter as discussed in this MD&A, and a third was effective on April 23, 2008, subsequent to first quarter end. Such reductions in Prime Rate compress net interest margin, as they did during the first quarter.

Equitable faces fewer competitors in its core mortgage markets than was the case a year ago and this is expected to provide a long-term opportunity to improve interest rate spreads on the Company’s mortgage portfolio.

FINANCIAL OVERVIEW

Table 2 provides a summary of performance highlights for the first quarter of 2008 and should be read in conjunction with the "Financial Review" sections that follow.

Table 2: Selected financial information

($ thousands, except share and per share amounts)	Three Months Ended		Change from March 31, 2007	
	March 31, 2008	March 31, 2007	**$**	%
OPERATIONS				
Net income	**9,685**	7,992	**1,693**	21%
Earnings per share – basic	**$ 0.75**	$ 0.67	**$ 0.08**	12%
Earnings per share – diluted	**$ 0.74**	$ 0.66	**$ 0.08**	12%
Net interest income	**17,610**	14,101	**3,509**	25%
Total revenue	**52,813**	42,668	**10,145**	24%
Return on equity – annualized(1)	**18.8%**	21.1%		
Return on average assets – annualized	**1.1%**	1.2%		
Productivity ratio – TEB(2)(3)	**26.0%**	26.5%		
BALANCE SHEET AND OFF-BALANCE SHEET				
Total assets	**3,368,371**	2,866,393	**501,978**	18%
Mortgages receivable	**2,810,856**	2,299,043	**511,813**	22%
Shareholders' equity	**211,936**	158,497	**53,439**	34%
Mortgage-backed security assets under administration	**1,969,620**	1,815,824	**153,796**	8%
COMMON SHARES				
Number of common shares outstanding at period end	**12,962,710**	12,037,468		8%
Dividends per share	**$ 0.10**	$ 0.10	**$ -**	0%
Book value per share	**$ 16.35**	$ 13.17	**$ 3.18**	24%
Common share price – close	**$ 21.95**	$ 32.75	**$(10.80)**	(33%)
Market capitalization	**284,531**	394,227	**(109,696)**	(28%)
CREDIT QUALITY				
Realized loan losses – net of recoveries	**0**	29		
Mortgages in arrears 90 days or more as a % of total mortgages	**0.30%**	0.13%		
Net impaired mortgages(4) as a % of total mortgages	**0.29%**	0.13%		
Allowance for credit losses as a % of gross impaired mortgages	**109.9%**	251.9%		

(1) Return on equity is calculated based on the weighted average equity outstanding during the period.
(2) See explanation of TEB in the Non-GAAP Financial Measures section of this MD&A.
(3) Decrease in this ratio reflects improved efficiencies.
(4) Gross mortgage principal of impaired mortgages less specific allowances.

FINANCIAL REVIEW - EARNINGS

Net Income

For the three months ended March 31, 2008, net income increased 21% year-over-year to $9.7 million and increased 40% from the fourth quarter of 2007. This performance was achieved despite a decrease in Prime Rate of 25 basis points on January 23, 2008 and 50 basis points on March 5, 2008, which had the impact of decreasing the Company's interest rate spreads as the yield on variable-rate mortgages decreased without an immediate reduction in the pricing of GIC deposits.

Table 3: Net interest income

($ thousands)	**Three months ended March 31, 2008**			Three months ended March 31, 2007		
Interest revenues or interest expenses derived from:	**Average balance**	**Revenue/ Expense**	**Average rate**	Average balance	Revenue/ Expense	Average rate
Assets:						
Liquidity investments	**327,283**	**4,291**	**5.3%**	287,868	3,135	4.4%
Equity securities – TEB[1]	**153,668**	**2,596**	**6.9%**	179,998	2,715	6.1%
Mortgage loans	**2,828,593**	**45,692**	**6.6%**	2,206,833	36,395	6.7%
Total interest earning assets - TEB[1]	**3,309,544**	**52,579**	**6.4%**	2,674,699	42,245	6.4%
Total assets - TEB[1]	**3,388,999**	**52,579**	**6.3%**	2,746,074	42,245	6.3%
Liabilities and shareholders' equity:						
Customer deposits	**3,005,475**	**32,651**	**4.4%**	2,443,280	25,752	4.3%
Bank term loans[2]	**44,595**	**746**	**6.7%**	41,000	615	6.8%
Subordinated debentures[2]	**31,969**	**584**	**7.3%**	29,975	557	7.4%
Total interest bearing liabilities	**3,082,039**	**33,981**	**4.5%**	2,514,255	26,924	4.3%
Total liabilities and shareholders' equity	**3,388,999**	**33,981**	**4.1%**	2,746,074	26,924	4.0%
Net interest income - TEB[1]		**18,598**			15,321	
Net interest margin - TEB[1]			**2.2%**			2.3%
Less: Taxable equivalent adjustment[1]		**(988)**			(1,220)	
Net interest income per financial statements		**17,610**			14,101	

[1] See explanation of TEB in the Non-GAAP Financial Measures section of this MD&A.
[2] Average rate is calculated based on the weighted average balances outstanding during the period for bank term loans and subordinated debentures.

Total interest revenues, using the TEB approach, increased 24% to $52.6 million in the first quarter, compared to $42.2 million in the comparable 2007 period, due primarily to growth in the Company's interest-earning asset base. Mortgage revenues increased $9.3 million or 26% in the first quarter of 2008 over 2007, while average rates remained relatively consistent for both periods. The Company benefited from larger than expected fees related to the early prepayment of certain mortgages during the quarter. These fees are included in mortgage interest income. Equity securities' income on a TEB decreased $0.1 million or 4% compared to the same period in the prior year due primarily to the $26.3 million decrease in the average size of the portfolio.

Interest rates on average customer deposits outstanding during the first quarter of 2008 were consistent with rates in 2007. However, overall interest expense on customer deposits grew $6.9 million or 27% over 2007 due primarily to a 23% increase in average customer deposits outstanding during the first quarter of 2008 compared to 2007. The market for customer deposits provides ample funding for the Company's operations. The competitive demand for GIC deposits from other financial institutions resulted in these short-term deposits being raised at tighter spreads to Prime Rate than typically prevails in the market, with a corresponding compression in interest rate spread on floating rate mortgages.

During the first quarter of 2008, the Company entered into $117.0 million of interest rate swaps in order to hedge interest rates on term GICs used to fund floating rate mortgages. The GICs to which these swaps relate have been designated as "held-for-trading" financial instruments and are carried at fair value. Any change in their value is included in interest expense and all transaction costs related to raising these GICs are expensed at the time of designation.

Net interest income – TEB increased $3.3 million or 21% to $18.6 million in the first quarter of 2008 compared to $15.3 million earned during the same period of 2007.

Other Income

Other income includes ancillary fees related to the mortgage portfolio, gains on the securitization of mortgages and excess interest spread, net of servicing fees earned on mortgages issued through the Canada Mortgage and Housing Corporation ("CMHC") mortgage backed securities ("MBS") program. Sundry income, gains or losses on investments and other non-mortgage related fees are also included in other income. Other income amounted to $1.2 million for the three months ended March 31, 2008, compared to $1.6 million in the first quarter a year ago.

During the first quarter of 2008, the Company securitized, through the CMHC-MBS program, $165.0 million of CMHC-insured mortgages compared to $100.1 million during the comparable period in 2007. These mortgages were originated during 2007 and were priced in the context of volatile market conditions during the latter part of the year. The Company's securitization activities were breakeven during the first quarter. Equitable has changed its pricing and hedging approach to CMHC-insured mortgages being originated to reflect current market conditions, and expects securitization margins to revert to historical levels in upcoming quarters.

Non-Interest Expenses

The largest element of non-interest expenses consists of compensation and benefits. The increase of $0.4 million compared to the prior year reflects higher employment levels to support growth in the area of single-family lending and an increased investment in compliance and support functions. Included in compensation and benefit expenses during the first quarter of 2008 was a charge for stock-based compensation expense in the amount of $0.2 million related to grants of options compared to a $0.1 million charge for the quarter ended March 31, 2007. The offset to this expense was an increase to contributed surplus in the same amounts.

The Company's productivity ratio—TEB was 26.0% in the first quarter of 2008 compared to 26.5% in the first quarter of 2007. This ratio (the lower, the more efficient the operations) is a non-GAAP financial measure derived by dividing non-interest expenses by the sum of net interest income – TEB and other income. Management believes this ratio will increase over time as a result of growth in single-family mortgages, which require more servicing; however, the offset is an expected improvement in risk-adjusted returns on equity.

FINANCIAL REVIEW - BALANCE SHEET

Mortgages

The Company's mortgage portfolio consists entirely of first charges on real estate. At March 31, 2008, single-family dwelling mortgages represented the largest portion of the portfolio (see Table 4).

Table 4: Mortgages receivable – by property type

	March 31, 2008		December 31, 2007		March 31, 2007	
($ thousands)	**$**	**% of total**	$	% of total	$	% of total
Single-family dwelling	**750,371**	**27%**	739,050	26%	591,451	26%
Mixed-use property	**303,051**	**11%**	287,643	10%	205,573	10%
Multi-unit residential	**604,594**	**21%**	660,071	23%	533,557	23%
Commercial	**660,766**	**24%**	652,783	23%	488,896	21%
Conventional mortgages held for sale	**293,491**	**10%**	272,370	9%	350,886	15%
Construction	**85,446**	**3%**	77,395	3%	93,485	4%
CMHC-insured	**108,635**	**4%**	178,971	6%	31,332	1%
Total mortgage principal	**2,806,354**	**100%**	2,868,283	100%	2,295,180	100%
Deferred net mortgage commitment fees, net premiums and sundry	**331**		368		1,234	
Mortgages reported	**2,806,685**		2,868,651		2,296,414	
Accrued interest	**13,396**		14,515		10,871	
Allowances for credit losses	**(9,225)**		(8,925)		(8,242)	
Total mortgages receivable	**2,810,856**		2,874,241		2,299,043	

Mortgage principal decreased $61.9 million or 2% during the three month period ended March 31, 2008 as a result of both the securitization of CMHC-insured multi-family mortgages and management's decision to slow the pace of commercial mortgage growth in order to increase capital ratios and improve overall investment returns on a risk-weighted basis.

Table 5: Mortgage principal - by lending business

	March 31, 2008		December 31, 2007		March 31, 2007	
($ thousands)	**$**	**% of total**	$	% of total	$	% of total
Single-Family Lending Services	**508,477**	**18%**	488,656	17%	365,320	16%
Commercial Mortgage – Broker Services	**636,742**	**23%**	619,124	22%	502,494	22%
Commercial Lending Services	**1,661,135**	**59%**	1,760,503	61%	1,427,366	62%
Total mortgage principal	**2,806,354**	**100%**	2,868,283	100%	2,295,180	100%

The Company funded a total of $370.3 million of mortgages during the first quarter, a decrease of 44% over last year's first quarter when a total of $664.2 million of mortgages were funded. Consistent with the Company's corporate objectives, Equitable's production of single-family mortgages increased faster than production from its other lending businesses during the first quarter.

Mortgage production from the Commercial Mortgage – Broker Services business, which originates mortgages on mixed-use, apartment buildings, commercial and industrial properties, declined 6% compared to the first quarter of 2007. This decline was due to a reduction in larger loans being originated in the quarter. Management expects a resumption of growth in this business in the second quarter.

During the quarter, the Company focused its Commercial Lending Services business on those niches that offer the best potential return, including construction lending and CMHC-insured mortgages on multi-family apartment buildings. In addition, Equitable significantly reduced the production of conventional commercial loans in order to slow the growth in risk-weighted assets and build its capital ratios. Commercial Lending Services funded a total of $258.8 million during the quarter comprised of $102.6 million of CHMC-insured loans, $25.2 million of construction loans, $70.5 million of advances under the warehouse mortgage program and $60.5 million of conventional mortgages.

Table 6: Mortgage production - by lending business

	Three Months Ended			
	March 31, 2008		March 31, 2007	
($ thousands)	**Mortgage Principal Funded**	**% of total**	Mortgage Principal Funded	% of total
Single-Family Lending Services	**64,787**	**17%**	57,940	9%
Commercial Mortgage – Broker Services	**46,734**	**13%**	49,765	7%
Commercial Lending Services	**258,757**	**70%**	556,497	84%
Total mortgage principal	**370,278**	**100%**	664,202	100%

The timing of warehoused mortgage production and discharges can lead to significant volatility in balances held in the warehouse mortgage program. The level of warehouse discharge activity during the quarter was abnormally low, by historical standards, reflecting ongoing disruption in the Commercial Mortgage Backed Securities ("CMBS") market. Management does not anticipate any repayments of mortgages into the CMBS market during the balance of 2008.

Table 7: Warehoused mortgage program

($ thousands)	Three Months Ended March 31, 2008	March 31, 2007
Principal balance, beginning of period	**272,370**	268,396
Production	**70,458**	294,865
Repayments and discharges	**(49,337)**	(212,375)
Principal balance, end of period	**293,491**	350,886
Net increase in principal balance	**21,121**	82,490

No credit losses were realized during the most recent quarter. Mortgages in arrears 90 days or more amounted to 0.30% of total principal outstanding, the same as at December 31, 2007. Management believes that significant equity is available on these properties and only nominal losses will be realized.

Table 8: Mortgage credit quality

($ thousands)	March 31, 2008	December 31, 2007	March 31, 2007
Realized loan losses – net of recoveries for the three month period ended	**-**	-	29
Gross impaired mortgage principal	**8,397**	8,617	3,272
Allowance for credit losses	**9,225**	8,925	8,242
Allowance for credit losses as a % of gross impaired mortgage principal	**109.9%**	103.6%	251.9%
Allowance for credit losses as a % of total mortgage principal	**0.33%**	0.31%	0.36%
Mortgage principal in arrears 90 days or more	**8,397**	8,617	3,057
Mortgage principal in arrears 90 days or more as a % of total mortgage principal	**0.30%**	0.30%	0.13%

Liquidity Investments, Equity Securities and Other Assets

Table 9: Asset categories

	March 31, 2008		December 31, 2007		March 31, 2007	
($ thousands)	Asset Amount	% of total	Asset Amount	% of total	Asset Amount	% of total
Liquidity investments	**336,602**[(1)]	**10%**	317,962[(1)]	9%	315,244	11%
Equity securities	**151,553**	**4%**	155,782	4%	193,326	6%
Mortgage loans	**2,810,856**	**83%**	2,874,241	84%	2,299,043	80%
Loan securitizations – retained interests	**57,046**	**2%**	51,214	2%	48,224	2%
Other assets	**12,314**	**1%**	10,427	1%	10,556	1%
Total	**3,368,371**	**100%**	3,409,626	100%	2,866,393	100%

(1) Includes $5.0 million of restricted cash held as collateral by a third party for the Company's interest rate swap transactions.

Liquidity investments at the end of the quarter consisted of $304.2 million of promissory notes issued by the Government of Canada as well as promissory notes and bonds issued by certain provinces of Canada; $14.8 million of third-party NHA-mortgage backed securities; and, $17.6 million of cash held with major Canadian banks. The Company has no investments in commercial paper.

Equity securities are comprised of preferred shares. At March 31, 2008 equity securities were $4.2 million or 3% lower than at December 31, 2007 and $41.8 million or 22% lower compared to March 31, 2007. The majority of the decrease from December 31, 2007 was due to the redemption of certain preferred shares. Tax exempt dividend income from equity securities assists in lowering the effective tax rate. The Company's effective tax rate was 27.6% for the three months ended March 31, 2008 compared to 27.5% for the period ended March 31, 2007.

Loan securitizations – retained interests increased $5.8 million to $57.0 million at March 31, 2008 from $51.2 million at December 31, 2007 and were $8.8 million or 18% higher than a year ago. Total mortgages in the CMHC-MBS program outstanding at March 31, 2008 were $1.97 billion, a $153.8 million increase from $1.82 billion at March 31, 2007 and an $81.4 million increase from $1.89 billion outstanding at December 31, 2007.

Other assets at March 31, 2008 increased $1.9 million from December 31, 2007 and $1.8 million from a year earlier. The increase from December 31, 2007 was primarily due to the change in fair value of interest rate swaps as well as increases in accrued interest and dividends on non-mortgage assets.

Liabilities

Customer deposits are utilized to fund most of the Company's asset acquisitions and consist of GIC deposits sourced primarily through a national distribution network of deposit agents. Total deposit principal at March 31, 2008 decreased $53.5 million or 2% from December 31, 2007 and increased $429.8 million or 17% from March 31, 2007.

Other liabilities include the future servicing liability of securitized mortgages, realty taxes collected from borrowers, and accounts payable.

Contractual obligations by year of maturity were outlined in Table 19 on page 32 of the Company's 2007 Annual Report. There have been no material changes to contractual obligations that are outside the ordinary course of the Company's business.

Shareholders' Equity

Total shareholders' equity increased $8.8 million or 4% to $211.9 million at March 31, 2008 from $203.2 million at December 31, 2007 and grew 34% compared to March 31, 2007. As a result of the exercise of stock options, 10,000 common shares were issued for cash proceeds of $0.2 million, which contributed to common share capital during the first quarter of 2008 – compared to 113,000 common shares issued and $2.0 million cash proceeds contributed to common share capital in the first quarter of 2007. At March 31, 2008, the Company had 12,962,710 common shares issued and outstanding, up 925,242 shares or 8% from 12,037,468 common shares issued and outstanding at March 31, 2007.

At April 30, 2008, the Company had 12,962,710 common shares issued and outstanding. There are unexercised stock options, which are or will be exercisable, to purchase 667,500 common shares for maximum proceeds of $17.4 million.

Capital Management

Equitable Trust maintains a capital management policy to govern the quality and quantity of capital utilized by the Company's wholly-owned subsidiary, Equitable Trust. The Office of the Superintendent of Financial Institutions Canada ("OSFI") has issued guidance on new capital requirements in accordance with the Bank for International Settlements, Basel II pronouncements, effective January 1, 2008. These pronouncements changed Equitable Trust's capital requirements. As a result, current capital ratios are not directly comparable to those previously calculated under the Basel I approach that prevailed prior to January 1, 2008.

Effective January 1, 2008, Equitable Trust reports its capital ratio under the Basel II requirements. Equitable Trust developed and implemented an Internal Capital Adequacy Assessment Process ("ICAAP") to determine prudent capital levels to maintain in the business based on its risks. As a result of this process, Equitable Trust intends to build its total capital ratio to 13.0% during 2008 by adopting a number of measures including slowing growth in risk-weighted assets and examining different approaches to raising Tier 2 capital. Equitable Trust's total capital ratio (when general allowance is included in capital) increased by 0.4% to 11.4% at quarter end from 11.0% at January 1, 2008. This result was achieved through a combination of reducing total risk-weighted assets by $25.7 million and increasing capital by the retention of earnings.

Table 10: Capital measures (relating solely to Equitable Trust)

($ thousands)	Basel II As at March 31, 2008	Basel I As at December 31, 2007	Basel I As at March 31, 2007
Risk-weighted assets:[1]			
Credit risk	**2,479,317**	2,423,118	2,113,935
Operational risk[2]	**106,708**	N/A	N/A
Total risk-weighted assets	**2,586,025**	2,423,118	2,113,935
Tier 1 capital:[1]			
Capital stock	**88,465**	87,621	60,835
Contributed surplus	**1,546**	1,363	1,070
Retained earnings	**122,897**	114,645	96,053
Accumulated other comprehensive loss[3]	**(3,953)**	(2,982)	-
Total	**208,955**	200,647	157,958
Tier 2 capital:[1]			
Accumulated other comprehensive income (Tier 2A)[3]	**-**	-	334
Subordinated debentures (Tier 2B)[4]	**76,564**	76,564	78,979
Total	**76,564**	76,564	79,313
Total regulatory capital[1]	**285,519**	277,211	237,271
Regulatory capital to risk-weighted assets[1]			
Tier 1 capital	**8.1%**	8.3%	7.5%
Tier 2 capital	**2.9%**	3.1%	3.7%
Total regulatory capital as a % of total risk-weighted assets	**11.0%**	11.4%	11.2%
Assets to capital multiple[5]	**12.2x**	12.9x	12.1x
Authorized assets to capital multiple	**17.5x**	17.5x	17.5x
Total capital calculated as defined under ICAAP			
Total regulatory capital	**285,519**	N/A	N/A
General allowance[6]	**9,055**	N/A	N/A
Total capital as defined under ICAAP	**294,574**	N/A	N/A
Total capital ratio for ICAAP purposes	**11.4%**	N/A	N/A

(1) As defined in the guidelines issued by OSFI, Basel I and Basel II calculations are not directly comparable.
(2) For operational risk, Equitable Trust uses the Basic Indicator Approach - calculated as 15% of the previous three year average of net interest income and other income, excluding gain or loss on investments. The risk-weighted equivalent is determined by multiplying the capital requirement for operational risk by 12.5.
(3) 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 equities are deducted in the determination of Tier 1 capital while net unrealized fair value gains on available-for-sale equities are included in Tier 2A capital.
(4) Tier 2B capital may be included in Tier 2 capital to a maximum of 50% of net Tier 1 capital.
(5) Total assets plus off-balance sheet instruments such as sale and repurchase agreements divided by regulatory capital.
(6) Equitable Trust includes its general allowance in capital when assessing its capital requirements under its ICAAP.

Eight Quarter Summary

Table 11 summarizes the Company's performance over the last eight quarters. Equitable does not expect its earnings to be seasonal, but changes in short-term interest rates and volumes of mortgages securitized may cause some volatility in earnings from quarter to quarter as described elsewhere in this MD&A.

Table 11: Summary of quarterly results

($ thousands, except balance sheet and off-balance sheet items and per share amounts)	2008	2007				2006		
	Q1	Q4[4]	Q3	Q2	Q1	Q4	Q3	Q2
OPERATIONS								
Net income	**9,685**	6,911	8,788	7,480	7,992	7,752	7,144	6,609
Basic EPS	**$ 0.75**	$ 0.53	$ 0.68	$ 0.59	$ 0.67	$ 0.65	$ 0.60	$ 0.56
Diluted EPS	**$ 0.74**	$ 0.53	$ 0.67	$ 0.59	$ 0.66	$ 0.64	$ 0.59	$ 0.55
Net interest income	**17,610**	17,353	15,658	14,467	14,101	13,573	12,952	11,997
Net interest margin – TEB[1]	**2.2%**	2.3%	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%
Total revenues	**52,813**	48,981	49,556	44,728	42,668	40,819	37,572	34,008
Return on equity – annualized[2]	**18.8%**	13.7%	18.2%	17.0%	21.1%	21.0%	20.3%	19.8%
Return on average assets – annualized	**1.1%**	0.8%	1.1%	1.0%	1.2%	1.2%	1.2%	1.2%
Productivity ratio – TEB[1]	**26.0%**	33.9%	27.4%	29.6%	26.5%	25.0%	27.5%	27.8%
BALANCE SHEET AND OFF-BALANCE SHEET ($ millions)								
Total assets at quarter end	**3,368**	3,410	3,333	2,901	2,866	2,626	2,414	2,244
Mortgages receivable at quarter end	**2,811**	2,874	2,699	2,313	2,299	2,136	1,982	1,832
Shareholders' equity at quarter end	**212**	203	198	186	158	150	143	137
Book value per share at quarter end	**16.35**	15.69	15.29	14.43	13.17	12.56	12.00	11.49
Mortgage-backed security assets under administration at quarter end	**1,970**	1,888	1,849	1,785	1,816	1,807	1,863	1,914
MORTGAGE PRODUCTION								
Conventional mortgages other than warehoused mortgages	**197,176**	347,711	450,264	406,625	270,978	334,518	196,708	159,355[3]
Warehoused mortgages	**70,458**	63,449	216,699	249,643	294,865	276,934	249,279	186,398[3]
CMHC-insured mortgages	**102,644**	171,582	112,410	45,652	98,359	49,897	43,711	69,884
Total	**370,278**	582,742	779,373	701,920	664,202	661,349	489,698	415,637

(1) See explanation of TEB in the Non-GAAP Financial Measures section of this MD&A.
(2) Return on equity is calculated based on the weighted average equity outstanding during the period.
(3) Amounts have been adjusted by $19.6 million to correct a misclassification in the prior year. Warehoused mortgage production was understated and conventional mortgages other than warehoused mortgages was overstated by $19.6 million in 2006.
(4) Includes an after-tax impairment write-down of $3.4 million for Quebecor World Inc. preferred shares held in the investment portfolio at year end.

OFF-BALANCE SHEET ACTIVITIES

The Company's off-balance sheet activities include securitization, interest rate hedging derivative financial instruments and its commitments to fund mortgages (see Notes 4, 5 and 17 to the interim unaudited consolidated financial statements for the period ended March 31, 2008). For additional information regarding these and other off-balance sheet items, please also refer to pages 31 to 32 in the Company's 2007 Annual Report.

RISKS AND UNCERTAINTIES

Overview

The Company faces a number of risks. The discussion set out below is intended to highlight certain differences in risks since the publication of the Company's 2007 Annual Report, but, it may not include all risks that may influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. Please refer to pages 32 to 34 in the Company's 2007 Annual Report which is available at www.sedar.com for further information on the risks of the business.

Credit Risk Management

Credit risk is the risk of financial loss resulting from the failure of a borrower or any counterparty to fully honour its financial or contractual obligations. The Company's approach to credit risk is more fully described in the 2007 Annual Report. Securities rated P-2 and higher comprised 80% of the preferred share equity securities portfolio at March 31, 2008, compared to 78% a year ago.

Interest Rate Risk Management

Interest rate risk involves the sensitivity of the Company's earnings to sudden changes in interest rates. The Company's approach to measuring and managing interest rate risk is described in the 2007 Annual Report. Management's sensitivity modeling indicates that in the event of an immediate and sustained 1% interest rate increase, net interest income would increase $3.4 million before any tax effect for the 12 month period following March 31, 2008. Conversely, if interest rates were to decrease by 1% management estimates that net interest income before any tax effect for the following 12 month period would decrease by $6.5 million. The Company's earnings are affected by changes in interest rates. 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.

Liquidity Risk Management

Liquidity risk relates to the Company's ability to redeem its deposit obligations as they come due or otherwise arise, and to fund asset commitments as scheduled. Managing liquidity risk requires the Company to keep sufficient liquid assets on hand at all times to meet mortgage funding needs, investment purchase commitments and to fund GIC redemptions and maturities. Eligible liquid assets for regulatory purposes consist of cash and cash equivalents and debt instruments guaranteed by Governments. Assets eligible for regulatory liquidity purposes were $331.6 million as at March 31, 2008 compared to $313.0 million at December 31, 2007 and $315.2 million at March 31, 2007.

It is the Company's policy to maintain, at all times, regulatory liquid assets at levels equivalent to, or greater than 20% of GICs maturing in the next 100 days and all cashable GICs ("100 Day Maturities"). At March 31, 2008, these maturities amounted to $1.50 billion compared to $1.58 billion as at December 31, 2007 and $1.42 billion at March 31, 2007. The corresponding liquidity ratios for the respective periods were 32.2%, 29.7%, and 35.8%. The liquidity ratio is calculated as the sum of cash, cash equivalents, investments purchased under reverse repurchase agreements and other investments divided by total 100 Day Maturities. As part of liquidity contingency planning, the Company has a line of credit with its bank in the amount of $35.0 million, which is secured by shares in the equity securities portfolio.

CHANGES IN ACCOUNTING POLICIES

Significant accounting policies are detailed on pages 43 to 45 of the Company's 2007 Annual Report. Effective January 1, 2008, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants: Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863 Financial Instruments – Presentation. Please refer to Note 2 of the interim unaudited consolidated financial statements for further details.

Please also see Note 18 of the interim unaudited consolidated financial statements for the period ended March 31, 2008 for information on future accounting changes.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As previously announced, Equitable appointed a Chief Financial Officer on December 5, 2007 who subsequently resigned from the Company on February 12, 2008. There were no other changes in the Company's internal control over financial reporting that occurred during the first quarter ended March 31, 2008 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

The presentation of financial information on a Taxable Equivalent Basis ("TEB") is a common practice of presentation in the banking and trust company industries and does not have a standardized meaning within GAAP. Therefore, TEB calculations may not be comparable to similar measures presented by other companies. On a selective basis, Equitable uses TEB in analyzing revenues, interest margins and productivity ratios in this MD&A. The TEB methodology grosses up tax exempt income, such as dividends from equity securities, by an amount which makes this income comparable, on a pre-tax basis, to regular taxable income such as mortgage interest. For the three months ended March 31, 2008, this gross-up amounted to $1.0 million as compared to $1.2 million during the comparable period in 2007.

FORWARD-LOOKING STATEMENTS

From time to time the Company makes written or oral forward-looking statements within the meaning of applicable securities laws ("forward-looking statements"), including in this report, in the Annual Report, in other filings with Canadian securities regulators and in other communications. These statements include, but are not limited to, statements about the Company's objectives and initiatives, expected financial results, and other statements made in the "Outlook" section in this MD&A. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements are typically identified by the use of words or phrases such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates" or "forecasts". Other phrases or words may include "intends", "anticipates", or "does not anticipate", "believes", or statements that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. A variety of factors, many of which are beyond the Company's control, affect its operations, performance and results, and could cause actual results to differ materially from the anticipated results, performance, achievements or developments expressed or implied in these forward-looking statements. These factors include, among others: information provided to the Company by clients and counterparties; interest rate and currency value fluctuations; general economic conditions; changes in market rates and prices; the demand for deposit products; legislative and regulatory developments; amendments to, and interpretations of, risk-based capital guidelines and reporting interpretations; the nature of the Company's customers; the ability to attract and retain key personnel; expansion into new geographic territories; the level of competition; success in introducing new loan products; realizing the value of the Company's assets; and the Company's ability to capitalize on increasing market demand for mortgage products. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers should not place undue reliance on these forward-looking statements. The Company does not undertake any obligation to update forward-looking statements, whether written or oral, made by itself or on its behalf, except as required by law.

April 30, 2008

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2008 - UNAUDITED

With comparative figures as at December 31, 2007 and March 31, 2007

(In thousands of dollars)

	March 31, 2008	December 31, 2007	March 31, 2007
Assets			
Cash and cash equivalents	**$17,582**	$20,927	$165,219
Investments purchased under reverse repurchase agreements (note 3)	**275,074**	232,120	-
Investments (note 3)	**195,499**	220,697	343,351
Loan securitizations - retained interests (note 4)	**57,046**	51,214	48,224
Mortgages receivable (note 6)	**2,810,856**	2,874,241	2,299,043
Other assets (note 7)	**12,314**	10,427	10,556
	$3,368,371	$3,409,626	$2,866,393
Liabilities and Shareholders' Equity			
Liabilities:			
Customer deposits (note 8)	**$3,057,746**	$3,104,524	$2,604,530
Future income taxes	**9,157**	7,945	5,679
Other liabilities (note 9)	**12,968**	17,423	15,737
Bank term loans (note 11)	**44,595**	44,595	47,250
Subordinated debentures (note 12)	**31,969**	31,969	34,700
	3,156,435	3,206,456	2,707,896
Shareholders' equity:			
Capital stock (note 13)	**87,257**	87,062	60,050
Contributed surplus (note 13)	**1,961**	1,778	1,485
Retained earnings	**124,714**	116,325	97,025
Accumulated other comprehensive loss (note 15)	**(1,996)**	(1,995)	(63)
	211,936	203,170	158,497
	$3,368,371	$3,409,626	$2,866,393

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008 - UNAUDITED
With comparative figures for the three month period ended March 31, 2007
(In thousands of dollars, except per share amounts)

	Three Months ended	
	March 31, 2008	March 31, 2007
Interest income:		
Mortgages	**$45,692**	$36,395
Investments	**2,176**	3,154
Other	**3,723**	1,476
	51,591	41,025
Interest expense:		
Customer deposits	**30,709**	24,354
Deposit agent commissions	**1,942**	1,398
Bank term loans	**746**	615
Subordinated debentures	**584**	557
	33,981	26,924
Net interest income	**17,610**	14,101
Provision for credit losses (note 6)	**300**	225
Net interest income after provision for credit losses	**17,310**	13,876
Other income:		
Fees and other income	**360**	288
Net gain (loss) on investments	**181**	(15)
Loan securitizations - retained interests (note 4)	**681**	1,370
	1,222	1,643
Net interest income and other income	**18,532**	15,519
Non-interest expenses:		
Compensation and benefits	**3,027**	2,581
Other	**2,121**	1,912
	5,148	4,493
Income before income taxes	**13,384**	11,026
Income taxes (note 10):		
Current	**3,604**	2,055
Future	**95**	979
	3,699	3,034
Net income	**$9,685**	$7,992
Earnings per share:		
Basic	**$0.75**	$0.67
Diluted	**$0.74**	$0.66
Weighted average number of shares outstanding:		
Basic	**12,955,897**	11,953,318
Diluted	**13,018,567**	12,191,258

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008 - UNAUDITED
With comparative figures for the three month period ended March 31, 2007
(In thousands of dollars)

	Three months ended	
	March 31, 2008	March 31, 2007
Capital stock:		
Balance, beginning of period	**$87,062**	$57,849
Common shares issued (note 13)		
Proceeds from exercise of stock options	**175**	1,999
Transfer from contributed surplus relating to the exercise of stock options	**20**	202
Balance, end of period	**87,257**	60,050
Contributed surplus:		
Balance, beginning of period	**1,778**	1,539
Stock-based compensation (note 13)	**203**	148
Transfer to common shares relating to the exercise of stock options	**(20)**	(202)
Balance, end of period	**1,961**	1,485
Retained earnings:		
Balance, beginning of period	**116,325**	90,348
Transition adjustment – Financial instruments	**-**	(113)
Net income	**9,685**	7,992
Dividends	**(1,296)**	(1,202)
Balance, end of period	**124,714**	97,025
Accumulated other comprehensive loss:		
Balance, beginning of period	**(1,995)**	-
Transition adjustment – Financial instruments	**-**	302
Other comprehensive loss (note 15)	**(1)**	(365)
Balance, end of period	**(1,996)**	(63)
Total retained earnings and accumulated other comprehensive loss	**122,718**	96,962
Total shareholders' equity	**$211,936**	$158,497

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008 – UNAUDITED
With comparative figures for the three month period ended March 31, 2007
(In thousands of dollars)

	Three months ended	
	March 31, 2008	March 31, 2007
Net income	**$9,685**	$7,992
Other comprehensive loss:		
Available-for-sale assets, change in unrealized gains (losses) (note 15)	**(87)**	9
Reclassification to income for realization of available-for-sale assets fair value changes (note 15)	**86**	(374)
Other comprehensive loss	**(1)**	(365)
Comprehensive income	**$9,684**	$7,627

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008 - UNAUDITED
With comparative figures for the three month period ended March 31, 2007
(In thousands of dollars)

	Three months ended	
	March 31, 2008	March 31, 2007
Cash provided by (used in):		
Operating activities:		
Net income	**$9,685**	$7,992
Non-cash items:		
Financial instruments - fair value adjustments	**(1,132)**	98
Loan securitizations – loss (gain) on securitization activities	**42**	(703)
Amortization of capital assets	**185**	200
Provision for credit losses	**300**	225
Net (gain) loss on investments	**(179)**	15
Future income taxes	**95**	979
Stock-based compensation	**203**	148
Amortization of premiums on investments, net	**549**	1,071
	9,748	10,025
Changes in operating assets and liabilities:		
Other assets	**982**	4,346
Other liabilities	**(3,770)**	(5,830)
	6,960	8,541
Financing activities:		
(Decrease) increase in customer deposits	**(47,679)**	214,775
Issuance of bank term loan	**-**	12,500
Issuance of subordinated debentures	**-**	9,450
Dividends paid on common shares	**(1,296)**	(1,202)
Issuance of common shares	**175**	1,999
	(48,800)	237,522
Investing activities:		
Purchase of investments	**-**	(61,282)
Proceeds on sale or redemption of investments	**23,750**	36,569
Purchase of investments purchased under reverse repurchase agreements	**(275,074)**	-
Proceed on sale or redemption of investments purchased under reverse repurchase agreements	**232,120**	-
Increase in mortgages receivable	**(376,012)**	(665,855)
Mortgage principal repayments	**267,478**	400,411
Proceeds from loan securitizations	**163,091**	98,536
Loan securitizations - retained interests	**3,204**	3,293
Purchase of capital assets	**(62)**	(358)
	38,495	(188,686)
(Decrease) increase in cash and cash equivalents	**(3,345)**	57,377
Cash and cash equivalents, beginning of period	**15,927**[(1)]	107,842
Cash and cash equivalents, end of period	**$12,582**[(1)]	$165,219
Supplemental cash flow information:		
Interest paid	**$27,221**	$24,346
Income taxes paid	**1,724**	7,046

[(1)] Excludes $5.0 million of restricted cash held as collateral by a third party for the Company's interest rate swap transactions.

See accompanying notes to interim unaudited consolidated financial statements.

1. Basis of preparation:

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"). 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 interim unaudited consolidated financial statements include the assets, liabilities and results of operations of the Company and Equitable Trust after the elimination of intercompany transactions and balances.

These interim unaudited consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements for the year ended December 31, 2007 as set out on pages 43 to 60 of the 2007 Annual Report. These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies and methods of computation as were used in the preparation of the consolidated financial statements for the year ended December 31, 2007 except as described in note 2.

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

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

2. Changes in accounting policy:

Effective January 1, 2008, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

- Section 1535, Capital Disclosures specifies the disclosure of (i) objectives, policies and processes for managing capital; (ii) quantitative data about what is regarded as capital; and (iii) compliance or non-compliance with capital requirements and effect thereof.
- Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation which set revised and enhanced disclosure and presentation requirements. An increased emphasis is placed on disclosures regarding risks arising from financial instruments and the management thereof.

As a result of adopting these standards, new or enhanced disclosure is provided in the notes to the financial statements.

3. Investments:

(a) Carrying value:

	March 31, 2008	December 31, 2007	March 31, 2007
Debt securities issued or guaranteed by:			
Canada	**$14,823**	$26,064	$63,195
Provinces	**29,123**	38,851	86,830
Equity securities:			
Preferred shares	**151,553**	155,782	193,326
	$195,499	$220,697	$343,351

Investments are accounted for at settlement date. Net unrealized (losses) gains included in carrying value on the balance sheet as at March 31, 2008 are as follows:

	March 31, 2008	December 31, 2007	March 31, 2007
Debt securities issued or guaranteed by:			
Canada	**$84**	$(25)	$(44)
Provinces	**104**	19	(73)
Equity securities:			
Preferred shares	**(5,925)**	(4,653)	523
	$(5,737)	$(4,659)	$406

(b) Reverse repurchase agreements:

The Company purchased investments under reverse repurchase agreements in the amount of $275,074 (December 31, 2007 - $232,120, March 31, 2007 - nil). Investments purchased under reverse repurchase agreements represent a purchase of Government of Canada securities by the Company effected with a simultaneous agreement to sell the assets back at a specified price on a specified future date, which is generally short-term.

(c) Credit facility:

The Company has a credit facility in place with a major Canadian chartered bank. Under this facility, the Company may borrow up to $35,000 for short-term liquidity purposes. The facility is secured by the Company's investments in equity securities. There was no outstanding balance as at March 31, 2008 (December 31, 2007 - nil, March 31, 2007 - nil).

4. Loan securitizations:

(a) Retained interests:

The Company securitizes Government of Canada guaranteed residential mortgage loans through the creation of mortgage-backed securities and removes the mortgages from the balance sheet. The Company retains the responsibility for servicing the mortgages and enjoys the right to receive the future excess interest spread. The Company has outsourced the servicing of the transferred loans to an unrelated third party.

As at March 31, 2008, outstanding securitized mortgages totaled $1,969,620 (December 31, 2007 - $1,888,250, March 31, 2007 - $1,815,824).

Securitization activities for the three month period ended are as follows:

	March 31, 2008	March 31, 2007
Mortgages securitized	**$165,013**	$100,121
Net cash proceeds received	**163,091**	98,536
Retained rights to future excess interest	**7,663**	4,498
Servicing liability recorded	**134**	729
(Loss) gain on securitization activities	**(42)**	703

The Company received net cash flows on interests retained of $3,927 (March 31, 2007 - $3,960).

Retained interests are accounted for at settlement date. The fair value of the retained interests is determined with internal valuation models using market data inputs, where possible, by discounting the expected future cash flows at like term Government of Canada bond interest rates plus a spread. A net unrealized gain of $2,745 (December 31, 2007 - $1,545, March 31, 2007 - $(504)) is included in the carrying value on the consolidated balance sheet as required by the accounting policy for Financial instruments as described in note 16.

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

	March 31, 2008	March 31, 2007
Excess interest spread, net of servicing fee	**$723**	$667
(Loss) gain on securitization activities	**(42)**	703
	$681	$1,370

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

4. Loan securitizations (continued):

(b) Mortgage commitments:

Mortgage commitments for government guaranteed mortgages to be securitized are designated as held-for-trading and are carried at fair value. Fair value is determined by reference to the bid side of a like term Government of Canada bond plus a spread between the bond yield and the mortgage rate. Changes in fair value reflect changes in interest rates that have occurred since the mortgage interest rate was committed to. The period end fair value of mortgage commitments of $27 is disclosed in note 7, other assets.

5. Derivative financial instruments:

(a) Hedge instruments:

The Company's securitization activities are subject to interest rate risk, which represents the potential for changes in the value of assets and liabilities due to fluctuations in interest rates. The Company enters into hedging transactions to manage interest rate exposures on mortgages held for securitization and commitments for mortgages to be securitized, typically for periods of up to 90 days.

Hedge instruments outstanding at March 31, 2008, December 31, 2007, and March 31, 2007, relating to forward contracts on Government of Canada bonds, where the counter parties are chartered banks, are as follows:

			March 31, 2008			December 31, 2007			March 31, 2007
Bond term (years)	**Notional amount**	**Fair value**	**Unrealized loss (gain)[1]**	Notional amount	Fair value	Unrealized loss (gain)[1]	Notional amount	Fair value	Unrealized loss (gain)[1]
1 to 5	**$108,200**	**$113,080**	**$856**	$94,300	$96,685	$863	$11,400	$11,284	$(54)
5 to 10	**5,800**	**6,059**	**147**	74,500	74,589	1,133	17,000	17,389	(27)
	$114,000	**$119,139**	**$1,003**	$168,800	$171,274	$1,996	$28,400	$28,673	$(81)

(1) The hedge instruments are fair value hedges and are held-for-trading and carried at fair value with changes in fair value included in other income - loan securitizations - retained interests. The fair values of the hedge instruments are determined by reference to the ask side of the related Government of Canada bonds at the reporting date. The period end fair value of hedges is included in other liabilities (note 9).

5. Derivative financial instruments (continued):

(b) Interest rate swaps:

The Company enters into interest rate swaps to manage interest rate exposures on term guaranteed investment certificates ("GICs") used to fund floating rate mortgages. The credit risk is limited to the amount of any adverse change in interest rates applied on the notional contract amount should the counterparty default. Approved counterparties are limited to Schedule A Banks and their subsidiaries.

	March 31, 2008		December 31, 2007		March 31, 2007	
Swap term (years)	**Notional amount**	**Fair value**	Notional amount	Fair value	Notional amount	Fair value
1 - 5	**$302,000**	**$2,572**	$185,000	$539	-	-

The fair value of these interest rate swap agreements is included in other assets (note 7) and the change in fair value is included in interest expense.

(c) Embedded derivatives:

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

6. Mortgages receivable:

(a) Mortgages receivable:

March 31, 2008		Allowance for credit losses			
	Gross amount	**Specific**	**General**	**Total**	**Net amount**
Residential mortgages	**$1,721,084**	**$170**	**$6,396**	**$6,566**	**$1,714,518**
Other mortgages	**696,890**	**-**	**1,927**	**1,927**	**694,963**
Mortgages held for securitization or for sale	**388,711**	**-**	**732**	**732**	**387,979**
Accrued interest	**13,396**	**-**	**-**	**-**	**13,396**
	$2,820,081	**$170**	**$9,055**	**$9,225**	**$2,810,856**

December 31, 2007		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,737,437	$150	$6,074	$6,224	$1,731,213
Other mortgages	693,372	-	2,020	2,020	691,352
Mortgages held for securitization or for sale	437,842	-	681	681	437,161
Accrued interest	14,515	-	-	-	14,515
	$2,883,166	$150	$8,775	$8,925	$2,874,241

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

6. Mortgages receivable (continued):

Included in mortgages held for securitization or for sale are Government of Canada insured mortgages of $95,284, as at March 31, 2008 (December 31, 2007 - $165,527, March 31, 2007 - $16,409). These Government of Canada guaranteed mortgages held for securitization have been designated as held-for-trading and are carried at fair value determined by reference to the bid side of a like term Government of Canada bond plus a spread between the bond yield and the mortgage rate. Changes in fair value reflect changes in interest rates that have occurred since commitment to the mortgage interest rate. The period end fair value adjustment of Government of Canada guaranteed loans held for securitization is $942 (December 31, 2007 - $1,814, March 31, 2007 - $(64)). Mortgages held for sale include mortgages which are to be pooled and discharged subsequent to the consolidated balance sheet date at their investment cost. These mortgages are carried at amortized cost. There are no foreclosed assets held for sale at March 31, 2008, December 31, 2007 and March 31, 2007.

Concentration of credit exposure may arise when a group of counterparties have similar economic characteristics or are located in the same geographical region. The ability of these counterparties to meet contractual obligations may be affected by changing economic or other conditions. The Company's mortgage portfolio consists of $2,016,238 (December 31, 2007- $1,999,362, March 31, 2007 - $1,735,154) of mortgages secured by properties located in the Province of Ontario and $495,719 (December 31, 2007- $495,195, March 31, 2007 - $288,781) of mortgages secured by properties located in the Province of Alberta.

The Company has commitments to fund a total of $175,587 (December 31, 2007 - $290,212, March 31, 2007 - $314,526) of mortgages as at the end of the period.

(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. Mortgages where payment is contractually past due 90 days are automatically placed on a non-accrual basis, unless management is reasonably assured as to the recoverability of principal and interest.

Outstanding impaired mortgages, net of allowance for credit losses are as follows:

			March 31, 2008	December 31, 2007	March 31, 2007
	Gross	**Specific Allowance**	**Net**	Net	Net
Residential mortgages	**$7,758**	**($170)**	**$7,588**	$8,467	$2,912
Other mortgages	**639**	**-**	**639**	-	-
Mortgages held for securitization or for sale	**-**	**-**	**-**	-	-
	$8,397	**($170)**	**$8,227**	$8,467	$2,912

6. Mortgages receivable (continued):

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

			March 31, 2008
	30-59 days	**60-89 days**	**Total**
Residential mortgages	**$9,696**	**$2,534**	**$12,230**
Other mortgages	**-**	**-**	**-**
Mortgages held for securitization or for sale	**-**	**-**	**-**
	$9,696	**$2,534**	**$12,230**

			December 31, 2007
	30-59 days	**60-89 days**	**Total**
Residential mortgages	**$5,026**	**$744**	**$5,770**
Other mortgages	**639**	**796**	**1,435**
Mortgages held for securitization or for sale	**-**	**-**	**-**
	$5,665	**$1,540**	**$7,205**

(c) Allowance for credit losses:

			March 31, 2008
	Specific allowance	**General allowance**	**Total**
Balance, beginning of period	**$150**	**$8,775**	**$8,925**
Provision for credit losses	**20**	**280**	**300**
Recoveries	**-**	**-**	**-**
Realized losses	**-**	**-**	**-**
Balance, end of period	**$170**	**$9,055**	**$9,225**

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

7. Other assets:

	March 31, 2008	December 31, 2007	March 31, 2007
Capital assets	**$2,734**	$2,857	$2,421
Derivative financial instruments – interest rate swaps (note 17)	**2,572**	539	-
Income taxes recoverable	**2,147**	3,382	1,420
Accrued interest and dividends on non-mortgage assets	**1,951**	849	2,139
Prepaid expenses and other	**1,733**	1,614	3,009
Receivable relating to securitization activities	**1,150**	1,123	1,486
Mortgage commitments	**27**	63	-
Derivative financial instruments – securitization activities (note 5)	**-**	-	81
	$12,314	$10,427	$10,556

8. Customer deposits:

	March 31, 2008	December 31, 2007	March 31, 2007
Cashable GICs, payable on demand	**$793,623**	$710,194	$697,544
GICs with fixed maturity dates	**2,193,159**	2,330,040	1,859,436
Accrued interest	**78,813**	72,507	54,436
Deferred deposit agent commissions	**(7,849)**	(8,217)	(6,886)
	$3,057,746	$3,104,524	$2,604,530

Included in GICs with fixed maturity dates are $301,950 (December 31, 2007 - $185,000, March 31, 2007 - nil) of GICs designated as held-for-trading. These GICs are carried at fair market value determined by reference to market interest rates of like term GICs as at the reporting date. Changes in fair value reflect changes in interest rates which have occurred since the GICs were issued. The period end fair value adjustment of these GICs is $(681) (December 31, 2007 - $220, March 31, 2007 - nil) and is included in interest expense.

9. Other liabilities:

	March 31, 2008	December 31, 2007	March 31, 2007
Securitized mortgage servicing liability	**$5,719**	$5,953	$6,367
Mortgagor realty taxes	**3,378**	6,616	2,833
Accounts payable and accrued liabilities	**2,868**	2,858	6,515
Derivative financial instruments – securitization activities (note 5)	**1,003**	1,996	-
Mortgage commitments	**-**	-	22
	$12,968	$17,423	$15,737

10. Income taxes:

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

	March 31, 2008	March 31, 2007
Canadian statutory income tax rate	**33.3%**	36.1%
Increase (decrease) resulting from:		
Tax-exempt income	**(4.9%)**	(7.2%)
Future tax rate decreases	**(1.4%)**	(1.3%)
Non-deductible expenses and other	**0.6%**	(0.1%)
Effective income tax rate	**27.6%**	27.5%

11. Bank term loans:

The Company has non-revolving term loans totaling $44,595. Each loan is for a fixed term of five years with the balance of the loan, together with all accrued and unpaid interest, due on the fifth anniversary of the loan. The proceeds of the loans were used to purchase $19,750 of Series 5, $15,000 of Series 6 and $12,500 of Series 7 of the subordinated debentures of the Company's subsidiary, Equitable Trust. The loans are repayable in full at the option of the Company at any time during their term. As collateral for the loans, the Company has provided a promissory note, a general security agreement, a pledge of all the issued and outstanding shares in the capital of Equitable Trust and an assignment of the subordinated debentures purchased from Equitable Trust using the proceeds of the loans. Interest is paid monthly.

Interest rate	Date loan received	Maturity date	Outstanding December 31, 2007	Received during the period	Repaid During the period	Outstanding March 31, 2008
6.37%	March 2005	March 2010	**$17,095**	**$-**	**$-**	**$17,095**
6.82%	April 2006	April 2011	**15,000**	**-**	**-**	**15,000**
6.41%	March 2007	March 2012	**12,500**	**-**	**-**	**12,500**
			$44,595	**$-**	**$-**	**$44,595**

11. Bank term loans (continued):

Interest rate	Date loan received	Maturity date	Outstanding December 31, 2006	Received during the period	Repaid during the period	Outstanding March 31, 2007
6.37%	March 2005	March 2010	$19,750	$-	$-	$19,750
6.82%	April 2006	April 2011	15,000	-	-	15,000
6.41%	March 2007	March 2012	-	12,500	-	12,500
			$34,750	$12,500	$-	$47,250

12. Subordinated debentures:

The Company has issued debentures which are unsecured obligations and are subordinated in right of payment to the claims of depositors and other liabilities of the Company. All subordinated debentures are redeemable at the Company's option. Any redemption of this debt, contractual or earlier, is subject to regulatory approval. Interest is paid quarterly.

2008 Debenture[1]	Interest Rate	Issue date	Maturity date	**Outstanding December 31, 2007**	**Issued during the period**	**Redeemed during the period**	**Outstanding March 31, 2008**
Series 5	7.31%-7.58%	2004/05	January 2015	**$17,519**	**$-**	**$-**	**$17,519**
Series 6	7.27%	2006	January 2016	**5,000**	**-**	**-**	**5,000**
Series 7	7.10%	2007	January 2017	**9,450**	**-**	**-**	**9,450**
				$31,969	**$-**	**$-**	**$31,969**

2007 Debenture[1]	Interest Rate	Issue date	Maturity date	**Outstanding December 31, 2006**	**Issued during the period**	**Redeemed during the period**	**Outstanding March 31, 2007**
Series 5	7.31%-7.58%	2004/05	January 2015	$20,250	$-	$-	$20,250
Series 6	7.27%	2006	January 2016	5,000	-	-	5,000
Series 7	7.10%	2007	January 2017	-	9,450	-	9,450
				$25,250	$9,450	$-	$34,700

(1) The redemption of any series of subordinated debentures commences only after the redemption of all outstanding preceding series. The redemption amount is equal to 20% of Equitable Trust's previous year's net income.

13. Shareholders' equity:

(a) Capital stock:

Authorized:
Unlimited preferred shares
Unlimited common shares

Issued:

	March 31, 2008		March 31, 2007	
	Number of shares	**Amount**	Number of shares	Amount
Common shares:				
Balance, beginning of period	**12,952,710**	**$87,062**	11,924,468	$57,849
Issued on exercise of stock options	**10,000**	**175**	113,000	1,999
Transfer from contributed surplus relating to the exercise of stock options	**-**	**20**	-	202
Balance, end of period	**12,962,710**	**$87,257**	12,037,468	$60,050

(b) 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 years and vest over a four or five-year period. The maximum number of common shares available for issuance under the plan is 10% of the Company's issued and outstanding common shares. The outstanding options expire on various dates to February 2013. A summary of the Company's stock option activity and related information for the periods ended March 31, 2008 and March 31, 2007 is as follows:

	March 31, 2008		March 31, 2007	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**692,500**	**$26.14**	749,011	$20.54
Granted	**27,500**	**24.10**	150,000	34.49
Exercised	**(10,000)**	**17.50**	(113,000)	17.69
Forfeited/cancelled	**(42,500)**	**28.58**	(24,000)	19.98
Outstanding, end of period	**667,500**	**$26.03**	762,011	$23.73
Exercisable, end of period	**221,500**	**$21.90**	150,900	$18.34

13. Shareholders' equity (continued):

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $203 (March 31, 2007 - $148) related to grants of options under the stock option plan. This amount has been credited to contributed surplus. During the period ended March 31, 2008, a total of 27,500 stock options were granted (2007 - 150,000). The fair value of options granted in 2008 is estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions: (i) risk-free rate of 3.4% (2007 - 4.0%); (ii) expected option life of 4.0 years (2007 - 4.0 years); (iii) expected volatility of 25.0% (2007 - 23.0%); and (iv) expected dividends of 1.7% (2007 - 1.2%). The weighted average fair value of each option granted was $3.88 (2007 - $6.71).

14. Capital management:

Effective January 1, 2008, OSFI adopted Basel II, a new capital management framework for Canadian financial institutions. Equitable Trust now manages and reports its capital in accordance with those requirements. To conform to the new framework, Equitable Trust has implemented new procedures and system enhancements including the development and implementation of Equitable Trust's Internal Capital Adequacy Assessment Process ("ICAAP") which is approved by the Board of Directors. Equitable Trust has implemented the Standardized Approach to allocate capital for credit risk and the Basic Indicator Approach for operational risk. Under Basel II, certain asset classes attract different risk weightings than under Basel I and additional capital is required to support operational risk. As a result, the capital ratios are not directly comparable to those previously calculated under Basel I.

Regulatory guidelines require deposit-taking financial institutions to maintain a minimum ratio of capital to risk-weighted assets and off-balance sheet items of 8%, of which 4% must be Tier 1 capital (Tier 1) and the remainder supplementary capital (Tier 2). However, OSFI has established that deposit-taking institutions need to maintain a minimum total capital ratio of 10% with a Tier 1 ratio of not less than 7%. Equitable Trust's Tier 1 capital is primarily comprised of common shareholders' equity while Tier 2 capital is comprised of subordinated debentures. In addition to Tier 1 and total capital ratios, Canadian deposit-taking institutions are required to ensure that their assets-to-capital multiple, which is calculated by dividing gross adjusted assets by total capital, does not exceed the maximum level prescribed by OSFI.

Equitable Trust maintains capital management policies to govern the quality and quantity of capital utilized in its operations. The objective of these policies is to ensure that adequate capital requirements are met, while providing sufficient return to investors.

During the quarter, Equitable Trust complied with all internal and external capital requirements.

14. Capital management (continued):

Regulatory capital (relating solely to Equitable Trust) is as follows:(1)

	Basel II	Basel I	Basel I
	As at March 31, 2008	As at December 31, 2007	As at March 31, 2007
Tier 1 capital:(1)			
Capital stock	**88,465**	87,621	60,835
Contributed surplus	**1,546**	1,363	1,070
Retained earnings	**122,897**	114,645	96,053
Accumulated other comprehensive loss(2)	**(3,953)**	(2,982)	-
Total	**208,955**	200,647	157,958
Tier 2 capital:(1)			
Accumulated other comprehensive income (Tier 2A)(2)	**-**	-	334
Subordinated debentures (Tier 2B)(3)	**76,564**	76,564	78,979
Total	**76,564**	76,564	79,313
Total regulatory capital(1)	**285,519**	277,211	237,271

(1) Basel I and Basel II calculations are not directly comparable.

(2) 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 equities are deducted in the determination of Tier 1 capital while net unrealized fair value gains on available-for-sale equities are included in Tier 2A capital.

(3) Tier 2B capital may be included in Tier 2 capital to a maximum of 50% of net Tier 1 capital.

15. Other comprehensive loss:

Other comprehensive loss includes the after tax change in unrealized gains and losses on available-for-sale investments and retained interests – loan securitizations.

	March 31, 2008	March 31, 2007
Available-for-sale investments:		
Losses from changes in fair value, net of income taxes of ($511), (March 31, 2007 - $(150))	**$(1,024)**	$(266)
Reclassification to earnings for loss on sale or redemption of investments, net of income taxes paid of $91 (March 31, 2007 - $(10))	**182**	(18)
	(842)	(284)
Available-for-sale loan securitizations – retained interests:		
Gains from changes in fair value, net of income taxes of $468 (March 31, 2007 - $156)	**937**	275
Reclassification to earnings for loan securitizations – retained interests, net of income taxes of $(48) (March 31, 2007 - $(201))	**(96)**	(356)
	841	(81)
Total other comprehensive loss	**$(1)**	$(365)

16. Financial instruments:

The Company's business activities result in a balance sheet that consists primarily of financial instruments and the majority of net income results from gains, losses, income and expenses related to the same.

Financial instrument assets include cash and cash equivalents, investments, mortgages receivable, loan securitizations-retained interests and derivative financial instruments. Financial instrument liabilities include customer deposits, derivative financial instruments, bank term loans and subordinated debentures.

The use of financial instruments exposes the Company to credit and liquidity risk. A discussion on how these and other risks are managed can be found in the Risks and Uncertainties section of the March 31, 2008 MD&A and the Risk Management section of the 2007 Annual Report.

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 includes discounted cash flow analysis and other commonly used valuation techniques. Further information on how the fair value of financial instruments is determined is included in the significant accounting policies section of the 2007 Annual Report.

17. 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, 2008, December 31, 2007 and March 31, 2007:

								March 31, 2008
	Floating rate or within 1 month	**1 to 3 months**	**3 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total[(a)(b)(c)]**
Total assets	**$1,886,639**	**$162,078**	**$294,020**	**$2,342,737**	**$973,222**	**$30,471**	**$21,941**	**$3,368,371**
Total liabilities and equity	**1,468,648**	**296,853**	**330,777**	**2,096,278**	**934,041**	**32,347**	**305,705**	**3,368,371**
Interest rate sensitive gap	**$417,991**	**$(134,775)**	**$(36,757)**	**$246,459**	**$39,181**	**$(1,876)**	**$(283,764)**	**$ -**
Cumulative gap	**$417,991**	**$283,216**	**$246,459**	**$246,459**	**$285,640**	**$283,764**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**12.41%**	**8.41%**	**7.32%**	**7.32%**	**8.48%**	**8.42%**	**0.00%**	**0.00%**

								December 31, 2007
	Floating rate or within 1 month	**1 to 3 months**	**3 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total[(a)(b)(c)]**
Cumulative gap	$539,754	$305,099	$228,340	$228,340	$268,582	$269,268	$-	$-
Cumulative gap as a percentage of total assets	15.83%	8.95%	6.70%	6.70%	7.88%	7.90%	0.00%	0.00%

								March 31, 2007
	Floating rate or within 1 month	**1 to 3 months**	**3 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total[(b)(c)]**
Cumulative gap	$341,139	$135,786	$136,876	$136,876	$207,422	$211,270	$ -	$ -
Cumulative gap as a percentage of total assets	11.90%	4.74%	4.78%	4.78%	7.24%	7.37%	0.00%	0.00%

[(a)] Totals include interest sensitive interest rate hedges at the notional amount.
[(b)] Accrued interest is excluded in calculating interest sensitive assets and liabilities.
[(c)] Potential prepayments of fixed rate loans have not been estimated. Cashable GICs are included with floating rate liabilities as these are cashable by the depositor upon demand. Any prepayments of subordinated debt, contractual or otherwise, have not been estimated as these would require pre-approval by OSFI.

The Company has interest rate hedging facilities available at chartered banks secured by investments in preferred shares and cash equivalents. Interest rate swaps are classified as held-for-trading and are carried at fair market value with changes in fair value included in interest expense. The period end fair value of these hedges of $2,572 is disclosed in note 7, other assets.

18. Future accounting changes:

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (“IFRS”) over a transition period expected to end in 2011. The impact of IFRS convergence of financial reporting standards on the Company’s consolidated financial statements is not yet determinable.