MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(for the three and nine months ended September 30, 2007)

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements for the period ended September 30, 2007, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2006, available on SEDAR at www.sedar.com. Except as indicated below, the factors discussed and referred to in the MD&A for 2006 remain substantially unchanged.

OVERVIEW

Equitable Group Inc. ("Equitable" or the "Company") is a niche mortgage lender. Its core business is to raise funds by selling GICs to depositors and to lend these funds to borrowers on the security of first mortgages on real estate. It does this through its wholly-owned subsidiary – The Equitable Trust Company ("Equitable Trust"). The Company's mortgage products bear fixed or floating rates of interest and are primarily for fixed terms. The mortgages are segregated as follows:

- residential mortgages – either single-family dwellings or multi-unit (apartments, nursing homes etc.)
- commercial mortgages
- construction mortgages
- residential and commercial mortgages held for sale (often referred to as "warehoused mortgages" because they usually remain on the Company's books for short durations of up to six months) which are originated by third-party lenders who require financing prior to pooling and eventually selling the mortgages to investors
- residential insured mortgages for securitization through the Canada Mortgage and Housing Corporation Mortgage-Backed Securities ("CMHC-MBS") program

Equitable conducts business through Equitable Trust, which is regulated by the Office of the Superintendent of Financial Institutions - Canada ("OSFI"). Equitable Trust has prescribed capital requirements based on the type and amount of assets on its balance sheet and on certain off-balance sheet items. For this reason, Equitable focuses on capital management as a means to balance growth and Return on Average Equity ("ROAE") targets.

The third quarter was a time of significant volatility and change in global credit markets. In Canada, changes in credit market conditions led to widely-publicized difficulties in the Asset Backed Commercial Paper ("ABCP") market that a number of the Company's competitors use to fund their mortgage portfolios. In the latter half of the quarter, Canadian financial markets significantly reduced mortgage securitization activity compared to prior quarters other than securitization backed by the strength of a government guarantee.

These market changes had limited impact on the Company due to the fact that Equitable:

- had no investments in commercial paper
- does not utilize ABCP to securitize its mortgages
- has not provided back-up credit facilities to any ABCP conduits

Long term, management believes that Equitable will benefit from the re-intermediation of credit markets as there will be less competition from securitization conduits in its core lending niches (see "Outlook").

The changes in the credit markets did affect the Company's performance in the quarter in two areas.

First as a result of the slowdown in securitization activity, customers in its warehouse business discharged mortgages at a slower rate than was anticipated. This resulted in higher mortgage balances and interest income than otherwise would have been the case. This, along with substantial growth in each of its three niches (single-family, multi-unit and commercial), pushed Equitable's assets well beyond the $3 billion mark in the third quarter for the first time in the Company's history.

Mortgage originations achieved a new quarterly high of $779.4 million in third quarter 2007, including a record funding of $450.3 million of conventional mortgages other than warehoused mortgages. Overall, the increase in mortgage originations of 59.2% over the same period in 2006 translated in to a 36.1% increase in the mortgage portfolio on a year-over-year basis and 26.3% increase from the beginning of the year.

Second, the Company experienced strong demand for its GIC products throughout the quarter as investors sought safety by depositing funds in regulated financial institutions. The pricing of these GICs was compressed compared to the Prime interest rate, the benchmark against which Equitable prices its floating rate loans. Management believes this compression reflected greater than normal competition in the GIC market as other financial institutions sought to raise GIC funds rather than face increased costs in other short-term money markets. Primarily as a result of the compression in interest rate spreads on the Company's floating rate loans, net income increased at a slower rate than assets.

Equitable's performance during the nine month period ended September 30, 2007 equaled or exceeded its growth objectives for the full year with the exception of the growth rate in diluted earnings per share ("EPS"), which, as expected was impacted by the issuance of 769,231 common shares on April 30, 2007 and spread compression.

Table 1: Performance against objectives

	2007 Objectives	Performance for the three months ended or as at September 30, 2007	Performance for the nine months ended or as at September 30, 2007
Growth in assets[(1)] – year-over-year	18-22%	38.1%	38.1%
Increase in net income[(1)]	18-22%	23.0%	23.9%
Increase in diluted earnings per share ("EPS")[(1)]	18-22%	13.6%	17.9%
Return on average equity ("ROAE")[(1)]	18-22%	18.2%	18.5%
Productivity ratio – Tax Equivalent Basis ("TEB")[(2)]	32-35%	34.2%	33.9%

(1) Asset growth performance is based upon current period end balances as compared to those of the prior year; net income and EPS performance is based upon performance comparisons to the comparable prior year periods; ROAE is presented on an annualized basis.

(2) See explanation of TEB at the end of this MD&A.

On October 31, 2007, the Company's Board declared a quarterly dividend in the amount of $0.10 per share, payable on January 4, 2008, to shareholders of record at the close of business December 14, 2007.

Table 2: Selected financial information

($ thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	**September 30, 2007**	September 30, 2006
OPERATIONS				
Net income	**$ 8,788**	$ 7,144	**$ 24,260**	$ 19,586
Earnings per share – basic	**0.68**	0.60	**1.94**	1.65
Earnings per share – diluted	**0.67**	0.59	**1.91**	1.62
Net interest income[1]	**16,846**	13,455	**47,061**	37,400
Total revenue	**49,556**	37,572	**136,952**	102,400
Return on weighted average equity – annualized	**18.2%**	20.3%	**18.5%**	19.5%
Return on average assets – annualized	**1.1%**	1.2%	**1.1%**	1.2%
Productivity ratio – TEB[1] [2]	**34.2%**	32.7%	**33.9%**	32.6%
BALANCE SHEET AND OFF-BALANCE SHEET				
Total assets			**$ 3,332,572**	$ 2,413,811
Mortgages receivable			**2,698,634**	1,981,594
Shareholders' equity			**197,851**	142,897
Mortgage-backed security assets under administration			**1,848,719**	1,862,789
COMMON SHARES				
Number of common shares outstanding at period end			**12,940,099**	11,908,245
Dividends per share			**$0.30**	$0.30
Book value per share			**$15.29**	$12.00
Share price – close			**29.00**	29.47
Market capitalization			**375,263**	350,936
CREDIT QUALITY				
Realized loan losses – net of recoveries			**$ 21**	$ 21
Mortgages in arrears 90 days or more as a % of total mortgages			**0.08%**	0.05%
Net impaired mortgages[3] as a % of total mortgages			**0.08%**	0.06%
Allowance for credit losses as a % of gross impaired mortgages			**409.8%**	278.2%

[1] See explanation of treatment of net mortgage commitment fees and deposit agent commissions at the end of this MD&A.
[2] See explanation of TEB at the end of this MD&A.
[3] Gross mortgage principal of impaired loans less specific reserves.

FINANCIAL REVIEW

EARNINGS

Net income for the three months ended September 30, 2007 increased 23.0% year-over-year to $8.8 million and increased 17.5% from the second quarter of 2007. With the increase in Prime Rate (which Equitable uses to price its floating rate mortgages) on July 10, 2007, net interest margin expanded at the beginning of the quarter, as expected. However, this increase was offset later in the quarter as interest rates on short-term GICs used to fund floating rate mortgages increased due to unfavourable credit conditions noted above without a further increase in Prime Rate.

Table 3: Net interest income

($ thousands)	**Three months ended September 30, 2007**		Three months ended September 30, 2006		**Nine months ended September 30, 2007**		Nine months ended September 30, 2006	
Interest revenues or interest expenses derived from:	**Revenue/ Expense**	**Average rate**	Revenue/ Expense	Average rate	**Revenue/ Expense**	**Average Rate**	Revenue/ Expense	Average Rate
Assets:								
Liquidity investments	**$3,570**	**3.9%**	$2,170	3.9%	**$10,420**	**4.2%**	$5,897	4.0%
Equity securities – TEB[1]	**3,023**	**6.6%**	2,272	6.6%	**8,999**	**7.1%**	6,206	6.7%
Mortgage loans	**42,102**	**6.7%**	32,156	6.7%	**115,290**	**6.4%**	87,605	6.4%
Total interest earning assets - TEB[1]	**48,695**	**6.4%**	36,598	6.4%	**134,709**	**6.2%**	99,708	6.2%
Total assets - TEB[1]	**48,695**	**6.2%**	36,598	6.2%	**134,709**	**6.0%**	99,708	6.0%
Liabilities and shareholders' equity:								
Customer deposits	**29,178**	**4.2%**	21,094	4.1%	**79,679**	**4.0%**	56,622	3.9%
Bank term loan	**752**	**6.7%**	594	6.8%	**2,198**	**6.9%**	1,478	6.8%
Subordinated debt	**592**	**7.3%**	475	7.5%	**1,775**	**7.4%**	1,567	7.6%
Total interest bearing liabilities	**30,522**	**4.3%**	22,163	4.1%	**83,652**	**4.1%**	59,667	4.0%
Total liabilities and shareholders' equity	**30,522**	**3.9%**	22,163	3.8%	**83,652**	**3.8%**	59,667	3.6%
Net interest income - TEB[1] [2]	**18,173**		14,435		**51,057**		40,041	
Net interest margin - TEB[1] [2]		**2.3%**		2.5%		**2.3%**		2.4%
Less: Taxable equivalent adjustment[1]	**(1,327)**		(980)		**(3,996)**		(2,641)	
Add: Net mortgage commitment fees[2]	**719**		-		**2,012**		-	
Less: Deposit agent commissions[2]	**(1,907)**		-		**(4,847)**		-	
Net interest income per financial statements	**15,658**		13,455		**44,226**		37,400	

[1] See explanation of TEB at the end of this MD&A.
[2] See explanation of treatment of net mortgage commitment fees and deposit agent commissions at the end of this MD&A.

Total interest revenues on a TEB increased 33.1% to $48.7 million in the third quarter, compared to $36.6 million in the comparable 2006 period, due primarily to growth in the Company's interest-earning asset base. Mortgage revenues increased $9.9 million or 30.9% in the third quarter 2007 over 2006, while average rates remained consistent at 6.7% for both periods. Equity securities' income on a TEB increased $0.8 million or 33.1% compared to the same period in the prior year due primarily to the increase in the average size of the portfolio of $47.4 million.

Interest rates on average customer deposits outstanding during the third quarter of 2007 increased to 4.2% from 4.1% in 2006 due to increases in interest rates prevailing in the GIC market. Overall interest expense on customer deposits for the quarter grew $8.1 million or 38.3% over 2006 due to these higher interest rates as well as a 34.1% increase in average customer deposits outstanding during the third quarter of 2007 compared to 2006.

During the third quarter of 2007, the Company entered into an additional $105.0 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 $3.7 million or 25.9% to $18.2 million in the third quarter of 2007 compared to the $14.4 million earned during the same period of 2006. In conjunction with the adoption of new accounting policies for financial instruments effective January 1, 2007, deposit agent commissions are accounted for as a component of interest expense and net mortgage commitment fees as a component of mortgage interest income. This change from prior years' financial statement presentation has not been applied retroactively and certain elements of this MD&A have been presented in a manner so that certain current ratios such as net interest margins - TEB and productivity ratios – TEB are consistent with past MD&A presentation.

Other Income

Other income includes ancillary fees related to the mortgage portfolio, gains on the securitization of mortgages and excess interest, net of servicing fee earned on mortgages issued through the Company's CMHC-MBS program. Sundry income, gains or losses on the sale or redemption of investments and other non-mortgage related fees are also included in other income. Other income amounted to $1.5 million for the three months ended September 30, 2007, compared to $2.0 million in the third quarter a year ago. The decrease is primarily related to the classification of net mortgage commitment fees as a component of mortgage interest income. This change from prior periods' presentation has not been applied retroactively in conjunction with the adoption of new accounting policies for financial instruments in 2007.

During the third quarter, the Company securitized, through the CMHC-MBS program, $124.2 million of mortgages compared to $36.4 million during the comparable period in 2006. Much of this increase was the result of the Company buying insured mortgages that became available for purchase as a result of challenging conditions in the credit markets. Gains on sale of mortgages were $0.4 million, an increase from the $0.1 million gain in the comparable period of 2006. Gross margins on the securitization of mortgages remained consistent at 25 basis points in the third quarter of 2007 compared to 26 basis points in the comparable period. Excess interest net of servicing fees was $0.7 million during the third quarter of 2007, a decrease of $0.2 million from the $0.9 million earned in the third quarter of 2006. This change was due to a decrease in average outstanding securitized mortgages during the third quarter of 2007 which was $1.82 billion compared to $1.89 billion a year earlier.

Non-Interest Expenses

Non-interest expenses include all of the expenses not related to interest or credit provisions required to operate Equitable's business. The major elements of non-interest expenses consist primarily of salaries and benefits, premises and equipment expenses, capital taxes, insurance, and other general and administrative expenses. In prior periods, deposit agent commissions were included in non-interest expenses. In conjunction with the adoption of the new accounting policies for financial instruments, commencing in 2007 deposit agent commissions are accounted for as a component of interest expense. This change from prior periods' presentation has not been applied retroactively and commentary on non-interest expenses in this MD&A is presented including deposit agent commissions so that comparison with prior periods' results is meaningful. For more information, see the "Non-GAAP Financial Measures" section at the end of this MD&A. Non-interest expenses and deposit agent commissions totalled $7.0 million in the third quarter compared to $5.4 million during the same period in 2006. This increase primarily reflected higher employment levels to support growth and variable expenses related to the expansion of the business including deposit agent commissions as well as office and equipment costs to accommodate growth in staff.

Included in non-interest expenses during the third quarter of 2007 was a charge for stock-based compensation expense in the amount of $0.2 million related to grants of options from 2004 to 2007 compared to a $0.1 million charge for the quarter ended September 30, 2006. The offset to this expense was an increase to contributed surplus in the same amount.

The Company's productivity ratio - TEB was 34.2% in the third quarter of 2007 compared to 32.7% in the third quarter of 2006. This increase is primarily the result of expensing $0.3 million of deposit agent commissions in the most recent quarter when certain term GICs were designated as "held-for-trading" compared to no such charge in the prior year. Had the Company not chosen to manage its interest rate risk through swap activity, the productivity ratio in the most recent quarter would have been comparable to the prior year at 32.9%. This ratio (the lower, the more efficient the operations) is a non-GAAP financial measure. In 2007 it is calculated by dividing non-interest expenses, plus deposit agent commissions, by the sum of net interest income – TEB, net mortgage commitment fees (as illustrated in Table 3), and other income.

BALANCE SHEET

Mortgages

The Company's mortgage lending is focused on first charges for real estate in three primary niches: single-family dwelling, multi-unit residential and commercial. At September 30, 2007, single-family dwelling mortgages represented the largest portion of the portfolio (see Table 4) and increased 27.3% from December 31, 2006 and 36.8% from September 30, 2006. Multi-unit residential mortgages increased 40.0% compared to a year earlier and increased 29.5% from December 31, 2006. Commercial mortgages increased 60.8% from a year ago and 40.6% from December 31, 2006. Growth in all of these mortgage lending activities reflects strong demand.

Table 4: Mortgages receivable

	September 30, 2007		December 31, 2006		September 30, 2006	
($ thousands)	**$**	**% of total**	$	% of total	$	% of total
Single-family dwelling	**944,370**	**35.1%**	741,732	34.8%	690,579	34.9 %
Multi-unit residential	**738,333**	**27.4%**	570,312	26.7%	527,380	26.7 %
Commercial	**605,835**	**22.5%**	431,017	20.2%	376,816	19.0 %
Conventional mortgages held for sale	**323,468**	**12.0%**	268,396	12.6%	261,866	13.2 %
Construction	**61,605**	**2.3%**	87,043	4.1%	90,532	4.6 %
CMHC-insured	**20,193**	**0.7%**	33,617	1.6%	31,637	1.6 %
Total mortgage principal	**2,693,804**	**100.0%**	2,132,117	100.0%	1,978,810	100.0%
Deferred net mortgage commitment fees, net premiums and sundry	**133**		1,423		1,174	
Mortgages reported	**2,693,937**		2,133,540		1,979,984	
Accrued interest	**13,397**		10,168		9,431	
Allowances for credit losses	**(8,700)**		(8,046)		(7,821)	
Total mortgages receivable	**2,698,634**		2,135,662		1,981,594	

Mortgage principal increased $561.7 million or 26.3% during the nine-month period ended September 30, 2007 and increased $715.0 million or 36.1% since September 30, 2006. The Company funded a total of $779.4 million of mortgages during the third quarter, an increase of 59.2% over last year's third quarter when a total of $489.7 million of mortgages were funded.

Conventional mortgages (other than warehoused mortgages) funded during the third quarter of 2007 amounted to $450.3 million, an increase of 128.9% year-over-year. CMHC mortgages funded during the third quarter of 2007 amounted to $112.4 million compared to $43.7 million a year earlier. Conventional mortgages repaid and discharged during the third quarter of 2007 totalled $271.0 million compared to $305.3 million a year earlier.

In conjunction with the adoption of the new accounting policies for financial instruments, commencing in 2007 deferred finders fees and deferred mortgage commitment fees are accounted for as a component of mortgages receivable. Formerly, these were presented as a component of other assets and other liabilities, respectively. This change from prior periods' presentation has not been applied retroactively.

Table 5 shows mortgage principal funded by segment.

Table 5: Mortgage production

($ thousands)	Three Months Ended				Nine Months Ended			
	September 30, 2007		September 30, 2006		**September 30, 2007**		September 30, 2006	
	Mortgage Principal Funded	**% of total**	Mortgage Principal Funded	% of total	**Mortgage Principal Funded**	**% of total**	Mortgage Principal Funded	% of total
Conventional mortgages other than warehoused mortgages	**$450,264**	**57.8%**	$196,708	40.2%	**$1,127,867**	**52.5%**	$631,188[1]	42.2%
Warehoused mortgages	**216,699**	**27.8%**	249,279	50.9%	**761,207**	**35.5%**	635,534[1]	42.5%
CMHC-insured mortgages	**112,410**	**14.4%**	43,711	8.9%	**256,421**	**12.0%**	228,465	15.3%
Total	**$779,373**	**100.0%**	$489,698	100.0%	**$2,145,495**	**100.0%**	$1,495,187	100.0%

[1] Amounts have been adjusted by $19.6 million (warehoused up, conventional other than warehoused down) from prior reports in order to correct a misclassification.

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 third quarter was abnormally low reflecting the lower levels of activity in securitization markets.

Table 6 is a continuity schedule for warehoused mortgages.

Table 6: Warehoused mortgage program

($ thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	**September 30, 2007**	September 30, 2006
Principal balance, beginning of period	**$212,059**	$172,794	**$268,396**	$163,743
Production	**216,699**	249,279	**761,207**	635,534
Repayments and discharges	**(105,290)**	(160,207)	**(706,135)**	(537,411)
Principal balance, end of period	**$323,468**	$261,866	**$323,468**	$261,866
Net increase in principal balance	**$111,409**	$89,072	**$55,072**	$98,123

Mortgage Credit Quality

The Company did not realize any credit losses during either the third quarter of 2007 or 2006. Mortgages in arrears 90 days or more amounted to 0.08% of total principal outstanding at September 30, 2007 compared to 0.05% of total principal outstanding at September 30, 2006. Mortgages identified as impaired amounted to 0.08% of total mortgage principal outstanding at September 30, 2007, compared to 0.14% a year earlier. The provision for credit losses for the third quarter of 2007 of $225 thousand was equal to the amount recorded in the comparable prior year period.

Table 7: Asset categories

($ thousands)	**September 30, 2007** Asset Amount	**September 30, 2007** % of total	December 31, 2006 Asset Amount	December 31, 2006 % of total	September 30, 2006 Asset Amount	September 30, 2006 % of total
Liquidity investments	**$399,059**	**12.0%**	$260,490	9.9%	$231,180	9.6%
Equity securities	**170,262**	**5.1%**	166,669	6.4%	137,015	5.7%
Mortgage loans	**2,698,634**	**81.0%**	2,135,662	81.3%	1,981,594	82.1%
Loan securitizations – retained interests	**53,335**	**1.6%**	48,271	1.8%	49,591	2.0%
Other assets	**11,282**	**0.3%**	14,663	0.6%	14,431	0.6%
Total	**$3,332,572**	**100.0%**	$2,625,755	100.0%	$2,413,811	100.0%

Total assets at September 30, 2007 increased $706.8 million or 26.9% from $2.63 billion at December 31, 2006 and increased $918.8 million or 38.1% from $2.41 billion at September 30, 2006. Management expanded the Company's portfolio of liquidity investments towards the end of the third quarter as a prudent approach during a period of credit market uncertainty. Total liquid resources including liquidity investments and equity securities comprised 17.1% of total assets at September 30, 2007, compared to 16.3% at December 31, 2006 and 15.3% as at September 30, 2006.

Liquidity investments at the end of the quarter consisted of $341.6 million of treasury bills issued by the Government of Canada, promissory notes and bonds issued by certain provinces of Canada, $40.4 million of third party NHA-mortgage backed securities and $17.0 million was held as cash in bank accounts with major Canadian banks. The Company has no investments in commercial paper.

Equity securities are comprised of preferred shares. At September 30, 2007 equity securities were $3.6 million or 2.2% higher than at December 31, 2006 and $33.2 million or 24.3% higher compared to September 30, 2006. Management evaluated the available returns on its preferred share portfolio as part of its disciplined approach to capital allocation. As a result of this third quarter analysis, $23.9 million of preferred shares that were determined to provide returns below the Company's hurdle rates were sold for a gain of $15 thousand. Tax exempt dividend income from equity securities assists in lowering the Company's effective tax rate. The Company's effective tax rate was 26.9% for the nine months ended September 30, 2007 compared to 28.2% for the period ended September 30, 2006.

Loan securitizations – retained interests increased $5.1 million to $53.3 million at September 30, 2007 from $48.3 million at December 31, 2006 and were $3.7 million or 7.5% higher than a year ago. Total mortgages in the CMHC-MBS program outstanding at September 30, 2007 were $1.85 billion, a $14.1 million decrease from $1.86 billion at September 30, 2006 but an increase from $1.81 billion outstanding at December 31, 2006.

Liabilities

Customer deposits are utilized to fund the bulk of the Company's asset acquisitions and consist of GICs, sourced primarily through a national distribution network of deposit agents. Customer deposits at September 30, 2007 increased $645.9 million or 27.6% from December 31, 2006 and $839.3 million or 39.2% from September 30, 2006. Commencing in 2007, as stated elsewhere in this MD&A, deferred deposit agent commissions are required to be presented as a component of customer deposits. Formerly, these were presented as an "other" asset.

Future income taxes payable result from differences between the measurement of assets and liabilities for financial statement purposes, as opposed to tax purposes, and relate primarily to the Company's securitization activities, allowance for credit losses and the unrealized losses of its equity securities portfolio.

Other Assets and Liabilities

Other assets at September 30, 2007 decreased $3.4 million from December 31, 2006 and $3.1 million from a year earlier. Other liabilities include the future servicing liability of securitized mortgages, realty taxes collected from borrowers, accounts payable, income taxes payable in 2006 and periodic drawings under the Company's bank line of credit facility. No drawings were made on this line at September 30, 2007, December 31, 2006 or at September 30, 2006.

As stated elsewhere in the MD&A, commencing in 2007 deferred finders fees and deferred mortgage commitment fees are accounted for as a component of mortgages receivable. Formerly, these were presented as a component of other assets and other liabilities, respectively. In addition, deferred deposit agent commissions are required to be presented as a component of customer deposits. Formerly, these were presented as an "other" asset. These changes from prior periods' presentation have not been applied retroactively.

Shareholders' Equity

Total shareholders' equity increased $48.1 million or 32.1% to $197.9 million at September 30, 2007 from $149.7 million at December 31, 2006 and grew 38.5% compared to September 30, 2006. The Company completed a $25.0 million equity issue on April 30, 2007 with the sale of 769,231 common shares to the public. Also, as a result of the exercise of employee stock options, 25,400 common shares were issued for cash proceeds of $0.4 million which was added to common share capital during the third quarter of 2007 compared to 4,600 common shares issued and $85 thousand cash proceeds added to common share capital in the third quarter of 2006. At September 30, 2007, the Company had 12,940,099 common shares issued and outstanding, up 1,031,854 or 8.7% from 11,908,245 common shares issued and outstanding at September 30, 2006.

Shareholders' equity now includes accumulated other comprehensive loss as a result of the adoption of the new accounting policies outlined in Note 2 to the interim unaudited consolidated financial statements for the period ended September 30, 2007.

Accumulated other comprehensive loss includes the after tax change in unrealized gains and losses on available-for-sale investments and retained interests – loan securitizations. This category of equity appears for the first time in 2007 and prior periods have not been restated.

Other comprehensive loss amounted to $1.6 million at September 30, 2007, with a net gain of $3.3 million recorded during the third quarter of 2007. For the nine months ended September 30, 2007, other comprehensive loss includes a loss of $2.3 million related to unrealized loss, net of income tax recovery, on the Company's preferred share portfolio. During the third quarter of 2007, as a result of the proposed terms of a takeover bid for BCE Inc., there has been a significant increase in the value of BCE preferred shares held by the Company. The net gain in accumulated other comprehensive income recorded during the third quarter of 2007 was largely attributed to the increase in value of the BCE preferred shares.

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

Capital Management

The Company maintains a capital management policy to govern the quality and quantity of capital utilized by Equitable Trust, the Company's wholly owned subsidiary, in its regulated operations. The objective of the policy is to ensure that adequate capital requirements are met, while providing sufficient return to investors. As well, the Company requires sufficient regulatory capital to meet the needs of its asset growth targets. During the first six months of 2007, the Company took two major steps to increase regulatory capital. The first was the authorization for Equitable Trust to issue up to $40.0 million of series 7 subordinated debentures eligible as Tier 2 capital. A total of $22.0 million of these debentures were issued in the first quarter of 2007 – $12.5 million of this total was financed by

the receipt of a bank loan. During the second quarter of 2007, Equitable Trust redeemed $5.4 million of series 5 subordinated debentures. The second step to increase regulatory capital was the Company's $25.0 million equity issue and the subsequent investment of the net proceeds to increase Tier 1 capital in Equitable Trust. The net impact of these measures, along with the growth in total assets and retained earnings, is that Equitable Trust's total capital ratio at September 30, 2007 was 11.3% compared to 10.6% at December 31, 2006 and 11.1% at September 30, 2006.

Given the rapid pace of asset expansion, and the Company's dedication to achieving profitable growth while maintaining its solid financial base, management has embarked on a series of measures to increase regulatory capital levels. These measures include slowing the growth of risk weighted assets and examining different approaches to raising Tier 2 capital.

Table 8 summarizes Equitable Trust's regulatory capital position.

Table 8: Capital measures (relating solely to Equitable Trust)

($ thousands)

	September 30, 2007	December 31, 2006	September 30, 2006
Tier 1 capital	**$196,060**	$148,466	$141,910
Tier 2 capital	**76,564**	60,000	60,000
Total capital	**272,624**	208,466	201,910
Total risk weighted assets	**2,419,745**	1,967,779	1,819,062
Total capital as a % of total risk weighted assets	**11.3%**	10.6%	11.1%
Authorized asset to capital multiple	**17.5x**	17.5x	17.5x
Utilized asset to capital multiple	**12.2x**	12.6x	12.0x

OSFI has issued guidance on new capital requirements in accordance with the Bank for International Settlements, Basel II pronouncements. These pronouncements will result in a revision to Equitable Trust's capital requirements based on the nature of its assets and the introduction of additional capital requirements based on the operational and other risks of Equitable Trust. Calculation of capital under Basel II takes effect on January 1, 2008.

Eight Quarter Summary

Table 9 summarizes the Company's performance over the last eight quarters. Generally, the real estate market experiences periods of seasonality at different times of the year, but traditionally, this has had little impact on Equitable's results. Of much greater importance, as stated elsewhere in this MD&A, is any movement in interest rates and interest rate spreads.

Table 9: Summary of quarterly results

($ thousands, except assets and per share amounts)

		2007			2006			2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total assets at quarter end - $ millions	**3,333**	2,901	2,866	2,626	2,414	2,244	2,113	2,012
Total revenues – TEB[1]	**50,883**	46,177	43,888	41,941	38,552	34,885	31,604	28,881
Total revenues	**49,556**	44,728	42,668	40,819	37,572	34,008	30,820	27,867
Net interest income – TEB[1] [2]	**18,173**	16,787	16,097	15,359	14,435	13,463	12,143	12,017
Net interest income [2]	**16,846**	15,338	14,877	14,237	13,455	12,586	11,359	11,003
Net earnings	**8,788**	7,480	7,992	7,752	7,144	6,609	5,833	5,562
EPS – basic	**$ 0.68**	$ 0.59	$ 0.67	$ 0.65	$ 0.60	$ 0.56	$ 0.49	$ 0.47
EPS – diluted	**$ 0.67**	$ 0.59	$ 0.66	$ 0.64	$ 0.59	$ 0.55	$ 0.49	$ 0.46
ROAE	**18.2%**	17.0%	21.1%	21.0%	20.3%	19.8%	18.6%	18.1%

[1] For an explanation of TEB see the end of this MD&A.
[2] See explanation of treatment of net mortgage commitment fees and deposit agent commissions at the end of this MD&A.

OFF BALANCE SHEET ACTIVITIES

The Company's off balance sheet activities include its securitization activities, its interest rate hedging derivative financial instruments and its commitments to fund mortgages (see Notes 4, 5 and 14 to the interim unaudited consolidated financial statements for the period ended September 30, 2007). For additional information regarding these and other off balance sheet items, please also refer to pages 34 to 36 in the Company's 2006 Annual Report.

RISKS AND UNCERTAINTIES

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

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

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

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

Liquidity Risk Management

Mitigating liquidity risk requires the Company to match its asset and liability maturities and to keep sufficient liquid assets on hand at all times to meet mortgage funding and investment purchase commitments, mortgage renewals or extensions and any GIC redemptions. On a daily basis, the Company raises funds based upon asset growth, target liquidity levels and forecasts of its future liquidity requirements. Eligible liquid assets for regulatory purposes consist of cash and cash equivalents and debt instruments guaranteed by governments. Assets eligible for regulatory liquidity purposes were $394.1 million at September 30, 2007 compared to $260.5 million at December 31, 2006 and $231.2 million at September 30, 2006. Total liquid resources, including marketable equity

securities, were $564.3 million at September 30, 2007 compared to $427.2 million as at December 31, 2006 and $368.2 million at September 30, 2006.

Interest Rate Risk Management

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

The Company manages its asset and liability maturity or re-pricing profile by adjusting GIC interest rates on a daily basis to raise GICs with the appropriate maturities to best match the maturity or re-pricing profile of assets being funded. The Company closely monitors the effects of possible interest rate changes on both net interest income for the following 12 month period and on the economic value of shareholders' equity using simulated interest rate change sensitivity modeling and assumptions of borrower and depositor behavior based upon historical experience. As estimated by the Company, an immediate and sustained 1% increase in interest rates as of September 30, 2007, would positively impact net interest income before any tax effect for the following 12 month period by $3.3 million. If interest rates were to decrease 1% on an immediate and sustained basis as at September 30, 2007, and if cashable GICs were to stay on the books until maturity in the manner forecast by management, the estimated negative impact to net interest income before any tax effect for the following 12 month period would be $7.8 million.

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

Credit Risk Management

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

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

Equitable Trust's Investment Committee meets on a quarterly basis to review the status of the Company's investment portfolio, the transactions during the past quarter and the portfolio characteristics such as term, credit rating and type of security. Investment policies are reviewed regularly by Equitable Trust's Investment Committee to ensure that the type, credit quality, duration and concentration of investments in marketable securities are appropriate, prudent and consistent with the risk profile targets adopted by the Company. P-2 or equivalent and higher rated securities comprised 72.3% of the preferred share equity securities portfolio at September 30, 2007, compared to 78.5% a year earlier.

CHANGES IN ACCOUNTING POLICIES

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

Please also see Note 15 of the interim unaudited consolidated financial statements for the period ended September 30, 2007 for information on future accounting changes.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There are no changes in the Company's internal control over financial reporting that occurred during the third quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As expected, Stephen Coffey, Senior Vice-President and Chief Financial Officer retired from the Company on September 30, 2007. The Company has engaged a recruitment firm to assist in hiring a new Chief Financial Officer.

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 nine months ended September 30, 2007, this gross-up amounted to $4.0 million as compared to $2.6 million during the comparable period in 2006.

The adoption on January 1, 2007 of new accounting policies for financial instruments requires that Equitable report deferred deposit agent commissions as a component of customer deposits and the amortization or current expense of these deferred charges as a component of interest expense in its financial statements. Formerly, deferred deposit agent commissions were reported in other assets and amortization was presented as a non-interest expense. The new accounting policies for financial instruments further requires deferred net mortgage commitment fees, comprised of deferred finders fees and deferred mortgage commitment fees, to be accounted for as a component of mortgages receivable on the balance sheet with the amortization of these fees reported as a component of mortgage interest income. In prior years, deferred finders fees and deferred mortgage commitment fees were reported as a component of other assets and other liabilities on the balance sheet, respectively, with the related amortization reported as other income. In order to make comparisons of current results for net interest income, net interest margins and productivity ratios meaningful, this MD&A presents deposit agent commissions and net mortgage commitment fees on the same basis as that presented in the prior year.

UPDATED SHARE INFORMATION

As a result of the issuance of 769,231 common shares on April 30, 2007 and the exercise of employee stock options, the Company had 12,940,099 common shares issued and outstanding at September 30, 2007. There are unexercised options to purchase 619,611 common shares and a further 674,399 common shares are reserved for option grants.

FORWARD-LOOKING STATEMENTS

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

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

OUTLOOK

Based on Equitable's performance during the nine months ended September 30, 2007, management remains confident in the Company's ability to achieve all performance objectives with the exception of its EPS growth target. As previously noted, the EPS growth target of 18-22% is unattainable because of the April 2007 issuance of new shares.

At the time of writing, demand for residential and commercial mortgage financing remains strong in the Company's primary niche markets. Resale housing activity in Equitable's target geographical territories (Ontario and Alberta) remains strong and, while the Prime Rate increased in July, the most recent decision by the Bank of Canada to hold the line on interest rates is expected to be supportive of ongoing real estate market activity this year.

Looking forward, Equitable has increased the pricing on new mortgage loans. Management believes this strategy is appropriate from a competitive perspective – given the reduced supply of capital generally available in the market due to credit turmoil – and should serve to expand the margins between new mortgage pricing and the cost of GIC funding. However, due to the fact that only a modest percentage of Equitable's mortgage portfolio matures in any given quarter, this repricing strategy is not expected to have a meaningful impact on net interest margins for several quarters. In addition, following several quarters of strong asset expansion, the Company expects to slow the rate of loan growth to allow regulatory capital levels to increase. Management believes this strategy is consistent with the Company's adherence to disciplined lending practices and its focus on maintaining the financial strength that is key to achieving profitable long-term growth.

Looking further forward, the Company is anticipating that there will be less competition from lenders using securitization conduits, particularly for single-family dwelling mortgage assets. If this expectation is fulfilled, Equitable would expect to grow its single-family dwelling business faster than other components of its mortgage portfolio. Management believes this will have a positive impact on Equitable's long-term ROE performance.

October 31, 2007

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30, 2007 - UNAUDITED

With comparative figures as at December 31, 2006 and September 30, 2006

(In thousands of dollars)

	September 30, 2007	December 31, 2006	September 30, 2006
Assets			
Cash and cash equivalents	**$287,096**	$107,842	$110,724
Investments (note 3)	**282,225**	319,317	257,471
Loan securitizations - retained interests (note 4)	**53,335**	48,271	49,591
Mortgages receivable (note 5)	**2,698,634**	2,135,662	1,981,594
Other assets (note 6)	**11,282**	14,663	14,431
	$3,332,572	$2,625,755	$2,413,811
Liabilities and Shareholders' Equity			
Liabilities:			
Customer deposits (note 7)	**$3,036,454**	$2,389,755	$2,189,158
Future income taxes payable	**8,237**	4,700	5,772
Other liabilities (note 8)	**13,466**	21,564	15,984
Bank term loan (note 10)	**44,595**	34,750	34,750
Subordinated debt (note 11)	**31,969**	25,250	25,250
	3,134,721	2,476,019	2,270,914
Shareholders' equity:			
Capital stock (note 12)	**86,861**	57,849	57,663
Contributed surplus (note 12)	**1,570**	1,539	1,445
Retained earnings	**110,709**	90,348	83,789
Accumulated other comprehensive income (loss) (note 13)	**(1,289)**	-	-
	197,851	149,736	142,897
	$3,332,572	$2,625,755	$2,413,811

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2007 - UNAUDITED
With comparative figures for the three and nine month periods ended September 30, 2006
(In thousands of dollars, except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	**September 30, 2007**	September 30, 2006
Interest income:				
Mortgages	**$42,821**	$32,156	**$117,302**	$87,605
Investments	**3,191**	2,072	**9,823**	5,716
Other	**2,075**	1,390	**5,600**	3,746
	48,087	35,618	**132,725**	97,067
Interest expense:				
Customer deposits	**29,178**	21,094	**79,679**	56,622
Deposit agent commissions (note 2)	**1,907**	-	**4,847**	-
Term loan	**752**	594	**2,198**	1,478
Subordinated debt	**592**	475	**1,775**	1,567
	32,429	22,163	**88,499**	59,667
Interest income, net	**15,658**	13,455	**44,226**	37,400
Provision for credit losses (note 5)	**225**	225	**675**	675
Net interest income after provision for credit losses	**15,433**	13,230	**43,551**	36,725
Other income:				
Mortgage commitment income and other fees (note 2)	**289**	938	**922**	2,414
Net gain (loss) on sale or redemption of investments	**14**	1	**(1)**	3
Loan securitizations - retained interests (note 4)	**1,166**	1,015	**3,306**	2,916
	1,469	1,954	**4,227**	5,333
Net interest income and other income	**16,902**	15,184	**47,778**	42,058
Non-interest expenses:				
Compensation and benefits	**2,844**	2,472	**8,205**	6,862
Deposit agent commissions (note 2)	**-**	1,183	**-**	3,339
Other	**2,220**	1,703	**6,389**	4,586
	5,064	5,358	**14,594**	14,787
Income before income taxes	**11,838**	9,826	**33,184**	27,271
Income taxes (recovery) (note 9):				
Current	**2,203**	3,134	**4,260**	8,451
Future	**847**	(452)	**4,664**	(766)
	3,050	2,682	**8,924**	7,685
Net income	**$8,788**	$7,144	**$24,260**	$19,586
Earnings per share:				
Basic	**$0.68**	$0.60	**$1.94**	$1.65
Diluted	**$0.67**	$0.59	**$1.91**	$1.62
Weighted average number of shares outstanding:				
Basic	**12,920,606**	11,904,267	**12,492,458**	11,867,544
Diluted	**13,037,944**	12,094,030	**12,671,737**	12,061,306

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2007 - UNAUDITED
With comparative figures for the three and nine month periods ended September 30, 2006
(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	**September 30, 2007**	September 30, 2006
Common shares:				
Balance, beginning of period	**$86,339**	$57,569	**$57,849**	$55,510
Common shares issued (note 12)				
Gross proceeds of equity issue	-	-	**25,000**	-
Issue expenses, net of tax recovery of $498	-	-	**(962)**	-
Proceeds from exercise of employee stock options	**448**	85	**4,413**	1,965
Transfer from contributed surplus relating to the exercise of stock options	**74**	9	**561**	188
Balance, end of period	**86,861**	57,663	**86,861**	57,663
Contributed surplus:				
Balance, beginning of period	**1,415**	1,362	**1,539**	1,327
Stock-based compensation (note 12)	**229**	92	**592**	306
Transfer to common shares relating to the exercise of stock options	**(74)**	(9)	**(561)**	(188)
Balance, end of period	**1,570**	1,445	**1,570**	1,445
Retained earnings:				
Balance, beginning of period	**103,215**	77,835	**90,348**	67,771
Transition adjustment – Financial instruments (note 2)	**-**	-	**(113)**	-
Net income	**8,788**	7,144	**24,260**	19,586
Dividends	**(1,294)**	(1,190)	**(3,786)**	(3,568)
Balance, end of period	**110,709**	83,789	**110,709**	83,789
Accumulated other comprehensive income (loss):				
Balance, beginning of period	**(4,557)**	-	**-**	-
Transition adjustment – Financial instruments (note 2)	**-**	-	**302**	-
Other comprehensive income (loss) (note 13)	**3,268**	-	**(1,591)**	-
Balance, end of period	**(1,289)**	-	**(1,289)**	-
Total shareholders' equity	**$197,851**	$142,897	**$197,851**	$142,897

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2007 - UNAUDITED
(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	**September 30, 2007**	September 30, 2006
Net income	**$8,788**	$7,144	**$24,260**	$19,586
Other comprehensive income (loss)				
Available-for-sale assets, change in unrealized gains (losses) (note 13)	**3,122**	-	**(1,755)**	-
Reclassification to earnings for realization of available-for-sale assets fair value changes (note 13)	**146**	-	**164**	-
Other comprehensive income (loss)	**3,268**	-	**(1,591)**	-
Comprehensive income	**$12,056**	$7,144	**$22,669**	$19,586

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2007 - UNAUDITED
With comparative figures for the three and nine month periods ended September 30, 2006
(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	**September 30, 2007**	September 30, 2006
Cash provided by (used in):				
Operating activities:				
Net income	**$8,788**	$7,144	**$24,260**	$19,586
Non-cash items:				
Financial instruments - fair value adjustments and reclassifications	**(2,047)**	-	**593**	-
Loan securitizations – gains on sale of mortgages	**(445)**	(95)	**(1,283)**	(515)
Amortization	**76**	109	**435**	327
Provision for credit losses	**225**	225	**675**	675
Net gain on sale or redemption of investments	**(14)**	(1)	**1**	(3)
Future income taxes (recovery)	**2,695**	(452)	**3,536**	(766)
Stock-based compensation	**229**	92	**592**	306
Amortization of premiums on investments	**970**	637	**3,033**	2,171
	10,477	7,659	**31,842**	21,781
Changes in operating assets and liabilities:				
Other assets	**3,468**	(2,074)	**3,696**	(3,603)
Other liabilities	**(6,353)**	(3,505)	**(8,781)**	(6,648)
	7,592	2,080	**26,757**	11,530
Financing activities:				
Increase in customer deposits	**423,116**	165,861	**646,868**	380,203
Issuance (redemption) of subordinated debt, net	**-**	-	**6,719**	(6,444)
Receipt (repayment) of bank term loan, net	**-**	-	**9,845**	15,000
Dividends paid on common shares	**(1,294)**	(1,190)	**(3,786)**	(3,568)
Issuance of common shares	**448**	85	**28,451**	1,965
	422,270	164,756	**688,097**	387,156
Investing activities:				
Purchase of investments	**(3,022)**	(70,891)	**(126,919)**	(120,251)
Proceeds on sale or redemption of investments	**81,417**	14,873	**157,802**	55,041
Investments in mortgages receivable	**(784,839)**	(490,399)	**(2,152,678)**	(1,496,523)
Mortgage principal repayments	**269,481**	303,083	**1,314,975**	965,471
Proceeds from loan securitizations	**121,982**	36,064	**262,020**	220,269
Loan securitizations - retained interests	**3,236**	3,812	**9,861**	11,378
Purchase of capital assets	**(253)**	(131)	**(661)**	(561)
	(311,998)	(203,589)	**(535,600)**	(365,176)
Increase (decrease) in cash and cash equivalents	**117,864**	(36,753)	**179,254**	33,510
Cash and cash equivalents, beginning of period	**169,232**	147,477	**107,842**	77,214
Cash and cash equivalents, end of period	**$287,096**	$110,724	**$287,096**	$110,724
Comprised of:				
Deposits at banks	**$21,235**	$13,693	**$21,235**	13,693
Short term investments	**270,076**	106,848	**270,076**	106,848
Cheques and other items in transit	**(4,215)**	(9,817)	**(4,215)**	(9,817)
	$287,096	$110,724	**$287,096**	$110,724
Supplemental cash flow information:				
Interest paid	**$23,276**	$15,871	**$74,785**	$50,471
Income taxes paid	**1,908**	2,558	**12,145**	11,460

See accompanying notes to interim unaudited consolidated financial statements.

1. Basis of preparation:

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

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

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

2. Changes in accounting policy:

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

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

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

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

2. Changes in accounting policy (continued):

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

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

- Guaranteed investment certificates designated as held-for-trading have been recorded on the balance sheet at fair value, with changes in fair value included in interest expense in the statement of income.

- Derivative financial instruments are recorded on the balance sheet at fair value, with changes in fair value included in loan securitizations – retained interests for derivatives relating to securitization activities and in interest expense for derivatives relating to interest rate swaps.

- Deferred deposit agent commissions are accounted for as a component of customer deposits with the amortization of these commissions, with the exception of commissions relating to customer deposits designated as held-for-trading being expensed as incurred, being calculated on an effective yield basis as a component of interest expense. In prior years, deferred deposit agent commissions were reported as a component of other assets, with amortization being reported as a non-interest expense.

- Deferred net mortgage commitment fees, comprised of deferred finders fees and deferred mortgage commitment fees, are accounted for as a component of mortgages receivable on the balance sheet with the amortization of these fees, being calculated on an effective yield basis, reported as a component of mortgage interest income. In prior years, deferred finders fees and deferred mortgage commitment fees were reported as a component of other assets and other liabilities on the balance sheet, respectively, with the related amortization reported as other income.

For financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices used for financial liabilities. For those financial instruments measured at fair value where an active market is not available, fair value estimates are determined using valuation methods which refer to observable market data and include discounted cash flow analysis and other commonly used valuation techniques.

2. Changes in accounting policy (continued):

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

	Gross	Income Taxes	Net
Retained earnings – increase (decrease)			
Fair value adjustment of government guaranteed mortgages held for securitization	**$(5)**	**$(2)**	**$(3)**
Fair value of government guaranteed mortgage commitments for securitization	**284**	**103**	**181**
Fair value of derivatives	**(456)**	**(165)**	**(291)**
	$(177)	**$(64)**	**$(113)**
Accumulated other comprehensive income (loss)			
Available-for-sale investments, unrealized gains (losses)	**$850**	**$307**	**$543**
Available-for-sale loan securitizations – retained interests, unrealized gains (losses)	**(378)**	**(137)**	**(241)**
	$472	**$170**	**$302**

3. Investments:

(a) Carrying value:

	September 30, 2007	December 31, 2006	September 30, 2006
Preferred shares	**$170,262**	$166,669	$135,896
Government bonds, treasury bills and notes	**111,963**	152,648	120,456
Common shares	**-**	-	1,119
	$282,225	$319,317	$257,471

Investments are accounted for at settlement date. Net unrealized gains (losses) included in carrying value on the balance sheet as at September 30, 2007 as required by the change in accounting policies described in note 2 are as follows:

	September 30, 2007
Preferred shares	**$(2,914)**
Government bonds, treasury bills and notes	**(262)**
	$(3,176)

3. Investments (continued):

(b) Derivative financial instruments:

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

(c) Credit facility:

The Company has a bank line of credit facility. Under this facility, the Company may borrow up to $35.0 million (December 31, 2006 - $35.0 million, September 30, 2006 - $35.0 million) for short-term liquidity purposes. The facility is secured by the Company's investments in preferred shares. There was no outstanding balance on the line as at September 30, 2007 (December 31, 2006 – $Nil, September 30, 2006 – $Nil).

4. Loan securitizations:

(a) Retained interests:

The Company securitizes Canadian government guaranteed residential mortgage loans through the creation of mortgage-backed securities and removes the mortgages from the balance sheet. As at September 30, 2007, outstanding securitized mortgages totalled $1,848,719 (December 31, 2006 – $1,807,479, September 30, 2006 – $1,862,789), substantially all of which are multi-family residential mortgage loans.

During the period, the Company securitized Canadian government guaranteed residential mortgage loans and received net cash proceeds of $262,020 (September 30, 2006 – $220,270). The Company retained the rights to future excess interest on the residential mortgages valued at $14,645 (September 30, 2006 – $8,450) and received net cash flows on interests retained of $11,884 (September 30, 2006 – $13,779). The Company retained the responsibility for servicing the mortgages and enjoys the right to receive the future excess interest spread. The Company has outsourced the servicing of the transferred loans to an unrelated third party and has recorded a servicing liability of $1,479 (September 30, 2006 – $1,000) relating to loans securitized during the period.

Retained interests are accounted for at settlement date. The fair value of the retained interests is determined with internal valuation models using market data inputs, where possible, by discounting the expected future cash flows at like term Government of Canada bond interest rates plus a spread.

4. Loan securitizations (continued):

Net unrealized gains (losses) included in carrying value on the balance sheet as required by the change in accounting policies described in note 2 are as follows:

	September 30, 2007
Loan securitizations – retained interests	**$1,158**

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

	September 30, 2007	September 30, 2006
Gain on sale of mortgages	**$1,283**	$515
Excess interest net of servicing fee	**2,023**	2,401
	$3,306	$2,916

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

(b) Derivative financial instruments:

The Company enters into hedging transactions to manage market interest rate exposures on government guaranteed mortgages held for securitization and commitments for government guaranteed mortgages to be securitized, typically for periods of up to 90 days. Hedge instruments outstanding at September 30, 2007, December 31, 2006 and September 30, 2006 relating to forward contracts on Government of Canada bonds, where the counterparties for which are chartered banks, are as follows:

	September 30, 2007		December 31, 2006		September 30, 2006	
Bond term (years)	**Notional amount**	**Fair value**	Notional amount	Fair value	Notional amount	Fair value
1 to 5	**$2,700**	**$2,658**	$14,400	$14,289	$19,400	$19,382
5 to 10	**4,800**	**4,675**	21,800	22,444	32,400	34,149
	$7,500	**$7,333**	$36,200	$36,733	$51,800	$53,531

The hedge instruments are fair value hedges and are required to be classified as held-for-trading and carried at fair value. The fair values of the hedge instruments are determined by reference to the ask side of the related Government of Canada bonds as at the reporting date. The period end fair value of hedges of $(83) is disclosed in note 8, other liabilities.

4. Loan securitizations (continued):

(c) Mortgage commitments:

Mortgage commitments for government guaranteed mortgages to be securitized are designated as held-for-trading and are carried at fair value. Fair value is determined by reference to the bid side of a like term Government of Canada bond plus a spread between the bond yield and the mortgage rate. Changes in fair value reflect changes in interest rates which have occurred since the mortgage interest rate was committed to. The period end fair value of mortgage commitments of $59 is disclosed in note 6, other assets.

5. Mortgages receivable:

(a) Mortgages receivable and impaired mortgages:

September 30, 2007		**Allowance for credit losses**			
	Gross amount	**Specific**	**General**	**Total**	**Net amount**
Residential mortgages	**$1,728,549**	**$50**	**$5,969**	**$6,019**	**$1,722,530**
Other mortgages	**635,215**	**-**	**1,873**	**1,873**	**633,342**
Mortgages held for securitization or for sale	**330,173**	**-**	**808**	**808**	**329,365**
Accrued interest	**13,397**	**-**	**-**	**-**	**13,397**
	$2,707,334	**$50**	**$8,650**	**$8,700**	**$2,698,634**

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

September 30, 2006		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,283,522	$1,580	$4,060	$5,640	$1,277,882
Other mortgages	417,972	-	1,526	1,526	416,446
Mortgages held for securitization or for sale	278,490	-	655	655	277,835
Accrued interest	9,431	-	-	-	9,431
	$1,989,415	$1,580	$6,241	$7,821	$1,981,594

5. Mortgages receivable (continued):

Included in mortgages held for securitization or for sale are Canadian Government insured mortgages of $6,632, as at September 30, 2007 (December 31, 2006 - $18,551, September 30, 2006 - $16,480). These Government of Canada guaranteed loans held for securitization have been designated as held-for-trading and are carried at fair value determined by reference to the bid side of a like term Government of Canada bond plus a spread between the bond yield and the mortgage rate. Changes in fair value reflect changes in interest rates which have occurred since the mortgage interest rate was committed to. The period end fair value adjustment of Government of Canada guaranteed loans held for securitization is $16. Loans held for sale include loans which are to be pooled and discharged subsequent to the balance sheet date at their investment cost. These loans are carried at the lower of cost or fair value. There are no foreclosed assets held for sale at September 30, 2007, December 31, 2006 and September 30, 2006.

The principal outstanding and net carrying amount of mortgages receivable classified as impaired as at September 30, 2007 aggregated $2,123 (December 31, 2006 - $1,138, September 30, 2006 - $2,811) and $2,073 (December 31, 2006 - $978, September 30, 2006 - $1,231), respectively.

The Company has commitments to fund a total of $301,934 (December 31, 2006 - $279,278, September 30, 2006 - $361,953) of mortgages as at the end of the period.

(b) Allowance for credit losses:

			September 30, 2007
	Specific allowance	**General allowance**	**Total**
Balance, beginning of period	**$160**	**$7,886**	**$8,046**
Provision for credit losses	**(89)**	**764**	**675**
Recoveries	**29**	**-**	**29**
Realized losses	**(50)**	**-**	**(50)**
Balance, end of period	**$50**	**$8,650**	**$8,700**

			September 30, 2006
	Specific allowance	General allowance	Total
Balance, beginning of period	$2,087	$5,080	$7,167
Provision for credit losses	(486)	1,161	675
Recoveries	-	-	-
Realized losses	(21)	-	(21)
Balance, end of period	$1,580	$6,241	$7,821

6. Other assets:

	September 30, 2007	December 31, 2006	September 30, 2006
Income taxes recoverable	**$4,441**	$-	$-
Capital assets	**2,489**	2,263	1,736
Accrued interest on non-mortgage assets	**1,648**	1,866	2,676
Other receivables	**1,874**	1,868	1,909
Prepaid expenses and other	**741**	2,378	1,942
Mortgage commitments (note 4)	**59**	-	-
Derivative financial instruments – interest rate swaps (note 14)	**30**	**-**	**-**
Deferred deposit agent commissions (note 2)	**-**	6,288	6,168
	$11,282	$14,663	$14,431

7. Customer deposits:

	September 30, 2007	December 31, 2006	September 30, 2006
Cashable GICs, payable on demand	**$847,962**	$570,455	$489,586
GICs with fixed maturity dates	**2,134,448**	1,766,011	1,653,561
Accrued interest	**62,293**	53,289	46,011
Deferred deposit agent commissions (note 2)	**(8,249)**	-	-
	$3,036,454	$2,389,755	$2,189,158

Included in GICs with fixed maturity dates are $115,000 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 $169 and is included in interest expense.

8. Other liabilities:

	September 30, 2007	December 31, 2006	September 30, 2006
Securitized mortgage servicing liability	**$6,281**	$6,044	$6,111
Accounts payable and accrued liabilities	**4,689**	6,860	6,083
Mortgagor realty taxes	**2,413**	5,089	2,133
Derivative financial instruments – securitization activities (note 4)	**83**	-	-
Income taxes payable	**-**	3,571	1,657
	$13,466	$21,564	$15,984

9. Income taxes:

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

	September 30, 2007	September 30, 2006
Canadian statutory income tax rate	**35.9%**	36.1%
Increase (decrease) resulting from:		
Tax exempt income	**(7.7%)**	(7.4%)
Future tax rate reductions	**(1.5%)**	(0.8%)
Non-deductible expenses and other	**0.2%**	0.3%
Effective income tax rate	**26.9%**	28.2%

10. Bank term loans:

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

2007 Bank term loans	**Interest rate**	**Date loan received**	**Maturity date**	**Outstanding December 31, 2006**	**Received during the period**	**Repaid during the period**	**Outstanding September 30, 2007**
Loan 1	**6.37%**	**March 2005**	**March 2010**	**$19,750**	**$ -**	**$2,655**	**$17,095**
Loan 2	**6.82%**	**April 2006**	**April 2011**	**15,000**	**-**	**-**	**15,000**
Loan 3	**6.41%**	**March 2007**	**March 2012**	**-**	**12,500**	**-**	**12,500**
				$34,750	**$12,500**	**$2,655**	**$44,595**

2006 Bank term Loans	Interest rate	Date loan received	Maturity date	Outstanding December 31, 2005	Received during the period	Repaid during the period	Outstanding September 30, 2006
Loan 1	6.37%	March 2005	March 2010	$19,750	$ -	$ -	$19,750
Loan 2	6.82%	April 2006	April 2011	-	15,000	-	15,000
				$19,750	$15,000	$ -	$34,750

11. Subordinated debt:

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

2007 Debenture series	**Interest Rate**	**Issue date**	**Maturity date**	**Outstanding December 31, 2006**	**Issued during the period**	**Redeemed during the period**	**Outstanding September 30, 2007**
Series 5	**7.31%-7.58%**	**2004/05**	**January 2015**	**$20,250**	**$ -**	**$2,731**	**$17,519**
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**	**$2,731**	**$31,969**

2006 Debenture series	Interest rate	Issue date	Maturity date	Outstanding December 31, 2005	Issued during the period	Redeemed during the period	Outstanding September 30, 2006
Series 4	7.54%-8.15%	2003	January 2013	$11,444	$ -	$11,444	$ -
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
				$31,694	$5,000	$11,444	$25,250

12. Shareholders' equity:

(a) Capital stock:

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

Issued:
Common shares:

	September 30, 2007		September 30, 2006	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of period	**11,924,468**	**$57,849**	11,781,940	$55,510
Issued during the period	**1,015,631**	**28,451**	126,305	1,965
Transfer from contributed surplus relating to the exercise of stock options	**-**	**561**	-	188
Balance, end of period	**12,940,099**	**$86,861**	11,908,245	$57,663

12. Shareholders' equity (continued):

The Company completed an equity issue on April 30, 2007. As a result of this issue, 769,231 common shares were issued to the public for cash proceeds of $25,000 before issue expenses. Transaction costs related to the issue have been capitalized net of income taxes recovered.

(b) Stock-based compensation plans:

Stock option plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible participants for terms of five years and vest over a four or five-year period. The maximum number of common shares available for issuance under the plan is 10% of the Company's issued and outstanding common shares. The outstanding options expire on various dates to August 2012. A summary of the Company's stock option activity and related information for the periods ended September 30, 2007 and September 30, 2006 is as follows:

	September 30, 2007		September 30, 2006	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**749,011**	**$20.54**	768,539	$18.07
Granted	**180,000**	**34.03**	-	-
Exercised	**(246,400)**	**17.91**	(126,305)	15.56
Forfeited/cancelled	**(63,000)**	**20.47**	(14,000)	23.04
Outstanding, end of period	**619,611**	**$25.52**	628,234	$18.46
Exercisable, end of period	**102,500**	**$18.29**	141,511	$17.34

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $592 (September 30, 2006 – $306) related to grants of options in 2004 to 2007 under the stock option plan. This amount has been credited to contributed surplus. During the period ended September 30, 2007, a total of 180,000 stock options were granted (2006 – nil). The fair value of options granted in 2007 is estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions: (i) risk-free rate of 4.1%; (ii) expected option life of 4.0 years; (iii) expected volatility of 23.0%; and (iv) expected dividends of 1.2%. The weighted average fair value of each option granted was $6.72.

13. Accumulated other comprehensive income (loss):

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

	September 30, 2007
Available-for-sale investments:	
Transition adjustment on adoption of new accounting standards, net (note 2)	**$543**
Losses from changes in fair value, net of income taxes of $(1,546)	**(2,734)**
Reclassification to earnings for loss on sale or redemption of investments, net of income taxes of $91	**161**
Balance, end of period	**(2,030)**
Available-for-sale loan securitizations – retained interests:	
Transition adjustment on adoption of new accounting standards, net (note 2)	**(241)**
Gains from changes in fair value, net of income taxes of $554	**979**
Reclassification to earnings for loan securitizations – retained interests, net of income taxes of $2	**3**
Balance, end of period	**741**
Total accumulated other comprehensive income (loss)	**$(1,289)**

14. Interest rate sensitivity:

The following table shows the Company's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or re-pricing date, as at September 30, 2007, December 31, 2006 and September 30, 2006:

								September 30, 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)]**
Total assets	**$1,860,729**	**$111,100**	**$363,146**	**$2,334,975**	**$926,405**	**$55,107**	**$16,085**	**$3,332,572**
Total liabilities and equity	**1,390,724**	**277,938**	**478,235**	**2,146,897**	**880,277**	**31,969**	**273,429**	**3,332,572**
Interest rate sensitive gap	**$470,005**	**$(166,838)**	**$(115,089)**	**$188,078**	**$46,128**	**$23,138**	**$(257,344)**	**$ -**
Cumulative gap	**$470,005**	**$303,167**	**$188,078**	**$188,078**	**$234,206**	**$257,344**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**14.10%**	**9.10%**	**5.64%**	**5.64%**	**7.03%**	**7.72%**	**0.00%**	**0.00%**

								December 31, 2006
	Floating rate or within 1 month	1 to 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Cumulative gap	$261,613	$83,012	$113,316	$113,316	$203,091	$211,366	$ -	$ -
Cumulative gap as a percentage of total assets	9.96%	3.16%	4.32%	4.32%	7.73%	8.05%	0.00%	0.00%

								September 30, 2006
	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
Cumulative gap	$ 397,868	$ 267,906	$ 131,762	$ 131,762	$ 188,870	$ 190,688	$-	$ -
Cumulative gap as a percentage of total assets	16.48%	11.10%	5.46%	5.46%	7.82%	7.90%	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.

14. Interest rate sensitivity (continued):

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 $30 is disclosed in note 6, other assets.

15. Future accounting changes:

The CICA has issued a new accounting standard: “Capital Disclosures” which will be in effect for the Company for its 2008 fiscal year. This standard requires the disclosure of qualitative and quantitative information enabling financial statement users to evaluate the Company’s objectives, policies and processes for managing capital.

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.