EQUITABLE GROUP INC.

FIRST QUARTER 2014
INTERIM FINANCIAL STATEMENTS

EQUITABLE GROUP INC.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended March 31, 2014

Management's Discussion and Analysis ("MD&A") is provided to enable readers to assess the financial position and the results of the consolidated operations of Equitable Group Inc. ("Equitable" or the "Company") for the three months ("quarter") ended March 31, 2014. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements and the accompanying notes for the quarter ended March 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013, together with accompanying notes. All amounts are in Canadian dollars. This report, and the information provided herein, is dated as at May 6, 2014. The Company's continuous disclosure materials, including interim filings, annual Management's Discussion and Analysis and Consolidated Financial Statements, Annual Information Form, Management Information Circular, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Company's website at www.equitablebank.ca and on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made by the Company in the sections of this report including those entitled "Business Profile and Objectives", "Q1 2014 Highlights", "Business Outlook", "Income Taxes", "Credit Quality and Allowance for Credit Losses", "Liquidity Investments and Equity Securities", "Other Assets", "Capital Management", "Derivative Financial Instruments", "Risk Management", in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws ("forward-looking statements"). These statements include, but are not limited to, statements about the Company's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Company's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "planned", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may" , "could", "would", "should", "might" or "will be taken", "occur", "be achieved", or other similar expressions of future or conditional verbs.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions, legislative and regulatory developments, changes in accounting standards, the nature of our customers and rates of default, and competition as well as those factors discussed under the heading "Risk Management" herein and in the Company's documents filed on SEDAR at www.sedar.com.

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate and liquidity conditions affecting the Company and the Canadian economy. Although the Company believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by the Company in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its mortgage business, a continuation of the current level of economic uncertainty that affects real estate market conditions, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

BUSINESS PROFILE AND OBJECTIVES

OVERVIEW

Equitable Group Inc. (TSX: EQB and EQB.PR.A) is a growing Canadian financial services business that operates through its wholly-owned subsidiary, Equitable Bank (the "Bank"). Equitable Bank is a Schedule I Bank regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") with total assets of approximately $12 billion. We serve retail and commercial customers across Canada with a range of savings solutions and mortgage lending products. Measured by assets, Equitable Bank was the ninth largest independent Schedule I Bank in Canada at December 31, 2013.

VISION AND STRATEGY

Our Bank provides mortgage loans to a wide range of customers that include business-for-self borrowers, newcomers to Canada and publicly-traded REITs and real estate investors. Equitable Bank also provides savers with Guaranteed Investment Certificates ("GIC"s) and High Interest Savings Accounts ("HISA"s) that provide security and competitive interest rates. We serve these customers through our extensive partnerships with Canada's mortgage brokers, mortgage bankers, deposit agents, investment dealers and financial planners who provide independent professional advice to Equitable's customers.

For further information on Equitable's strategy, capabilities, key performance indicators, and business lines please refer to our 2013 annual Management's Discussion and Analysis.

FINANCIAL OVERVIEW

Table 1: Selected financial information

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	Mar 31, 2014	Dec 31, 2013	% Change	Mar 31, 2013	% Change
				Three months ended	
RESULTS OF OPERATIONS					
Net income	**$ 25,291**	$ 26,492	(5%)	$ 20,914	21%
Net income available to common shareholders	**24,385**	25,586	(5%)	20,008	22%
EPS – basic	**$ 1.59**	$ 1.67	(5%)	$ 1.32	20%
EPS – diluted	**$ 1.56**	$ 1.65	(5%)	$ 1.30	20%
ROE[1]	**17.9%**	19.2%	(1.3%)	17.5%	0.4%
Return on average assets[1]	**0.8%**	0.9%	(0.1%)	0.7%	0.1%
NIM – TEB – total assets[1]	**1.67%**	1.60%	0.07%	1.42%	0.25%
Efficiency ratio – TEB[1][2]	**31.9%**	28.4%	3.5%	30.3%	1.6%
BALANCE SHEET					
Total assets	**11,886,479**	11,816,453	1%	11,602,293	2%
Assets under management[1]	**12,971,390**	12,815,373	1%	12,050,291	8%
Mortgages receivable	**11,204,349**	11,129,867	1%	10,737,609	4%
Mortgages under management[1]	**12,265,257**	12,105,968	1%	11,156,031	10%
Shareholders' equity	**611,456**	588,318	4%	521,829	17%
CREDIT QUALITY					
Impairment (recovery) provision[3]	**(42)**	(374)	(89%)	532	108%
Net impaired mortgages as a % of total mortgage assets[4]	**0.35%**	0.24%	0.11%	0.34%	0.01%
Allowance for credit losses as a % of total mortgage assets	**0.28%**	0.28%	-%	0.27%	0.01%
COMMON SHARE INFORMATION					
Shares outstanding	**15,388,866**	15,355,405	0%	15,234,379	1%
Book value per share[1]	**$ 36.58**	$ 35.14	4%	$ 31.07	18%
Share price – close	**$ 57.84**	$ 50.76	14%	$ 38.02	52%
Market capitalization	**890,092**	779,440	14%	579,211	54%
EQUITABLE BANK CAPITAL RATIOS[1]					
Common Equity Tier 1 capital ratio	**12.9%**	12.4%	0.5%	12.2%	0.7%
Tier 1 capital ratio	**13.8%**	13.5%	0.3%	13.4%	0.4%
Total capital ratio	**16.6%**	16.3%	0.3%	16.4%	0.2%

(1) *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
(2) *Increases in this ratio reflect reduced efficiencies, whereas decreases reflect improved efficiencies.*
(3) *See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
(4) *Net impaired mortgages do not include insured mortgages that are less than 365 days in arrears and reflect gross impaired mortgage assets less individual allowances.*

Q1 2014 HIGHLIGHTS

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Equitable produced record Q1 earnings and successfully delivered on our strategic priorities in the first quarter of 2014:

Strategic Objectives	Accomplishments
Grow by providing effective service, competitive products and cost-effective operations	• Increased Mortgages under Management[(1)] by 10% over Q1 2013 • Originated a first quarter record of $404 million of Single Family Lending mortgages, which represented a 42% increase over Q1 2013 • Grew our Single Family Lending portfolio by 35%, after adjusting for $238 million of mortgages securitized during the past four quarters
Build our capabilities and brand	• Opened for business in the Québec single family residential market, with a talented team of local mortgage professionals • Built our *Equitable Bank High Interest Savings Account* balances to $91 million, further broadening our portfolio of safe and secure deposit solutions • Announced a Deposit Note program at the end of March and closed a successful $150 million, three-year fixed rate offering, at a 135 basis point spread over Government of Canada yields, just subsequent to the quarter end • Continued to grow our HELOC portfolio within our Single Family business
Consistently create shareholder value	• Delivered record Q1 EPS of $1.56, up 20% over Q1 of the prior year • Produced an ROE of 17.9% (above our five-year average of 17.5%) • Declared common share dividends that were 14% higher than in Q1 2013
Maintain a low risk profile	• Maintained a loan-to-value ratio of 69% on our residential mortgage portfolio • Recorded an impairment recovery of $42 thousand in the quarter • Reported a Common Equity Tier 1 ("CET1") capital[(1)] ratio of 12.9%, which was well ahead of regulatory minimums and most industry benchmarks

(1) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.

ITEMS OF NOTE

Our Q1 2014 financial results were impacted by the following items:

- $0.6 million of incremental compensation and benefits costs due to the appreciation of our stock price and severance costs during the quarter, resulting in four cents lower EPS.

Our Q1 2013 financial results were impacted by the following items:

- A $0.8 million premium paid to early redeem a portion of our Series 8 debentures. The after-tax impact of this premium was a four cent reduction in Q1 2013 EPS.
- Gains of $0.3 million (EPS of $0.02) from the sale of preferred shares in our investment portfolio, which were sold to meet certain regulatory requirements that came into effect at the beginning of 2013.

There were no items of note in our financial results for Q4 2013.

DIVIDENDS

On May 6, 2014, the Company's Board of Directors declared a quarterly dividend in the amount of $0.17 per common share, payable on July 3, 2014, to common shareholders of record at the close of business on June 13, 2014. This dividend represents a 13% increase over dividends declared in May 2013.

In addition, on May 6, 2014, the Company's Board of Directors declared a quarterly dividend in the amount of $0.453125 per preferred share, payable on June 30, 2014, to preferred shareholders of record at the close of business on June 13, 2014.

BUSINESS OUTLOOK

In the first quarter of 2014, Equitable demonstrated the strength of our franchise and the benefits of our diversified business model. We expect that our strategy, including our disciplined approach to capital allocation, will continue to deliver high returns on our shareholders' equity throughout 2014.

Core Lending

In Q1 2014, our Single Family mortgage business continued to benefit from strong housing market activity and from our superior levels of customer service, delivering record originations and strong renewals in the quarter. Our outlook for the remainder of 2014 continues to be for a high rate of growth in our Single Family portfolio, aided by our entry into the Québec market and stable competitive conditions.

Management also expects the commercial portfolio to grow modestly throughout 2014 despite competitive pressures, owing to the continued strengthening of relationships with our key distribution partners.

Securitization Financing

In each quarter of 2014, we have the opportunity to renew approximately $300 million of the mortgages in our Securitization Financing portfolio. We plan to supplement our renewals with targeted levels of originations, such that we utilize the full amount of our CMB capacity each quarter. Our CMB allocations have been approximately $350 million in recent quarters. As a result, total Mortgages under Management ("MUM" – the sum of mortgage assets reported on-balance sheet and derecognized) should grow at rates in the low single-digits in 2014. In contrast, the Securitization Financing assets reported on our consolidated balance sheet will likely decline at a rate in the low double digits over the year because a significant portion of the assets being securitized will be derecognized.

Credit Quality

We expect our single family arrears rates and impairment provisions to remain low in 2014, assuming that Canadian unemployment and interest rates stay within the range of broad market expectations. Loss and arrears rates may, however, return to more normal levels from the exceptionally low rates experienced over the past several quarters. Similarly, our loan-by-loan and overall analysis of our commercial portfolio indicates that losses should stay low. Management will continue to manage credit risk through the application of our traditional prudent lending practices.

Net Interest Margin

Management believes that the total Net Interest Margin ("NIM") will increase during 2014, though quarterly NIM may experience some fluctuations due to mortgage prepayment charge income. More specifically, relative to Q1 2014 levels we expect that:

- Total NIM will benefit from the continued shift in asset mix towards the Company's higher margin Core Lending book
- Core Lending NIM will remain relatively consistent, as the effect of improved renewal pricing is offset by the impact of a continued shift toward lower spread, but higher return on equity, Single Family assets

- Securitization Financing NIM will compress due to the renewal of existing mortgages that were originated at higher spreads during the financial crisis of 2008-2009 and are anticipated to renew at narrower spreads that are typical of the current market

Non-Interest Expenses

Equitable will continue investing to grow the Bank's franchise and support our high level of customer service in 2014. Even with that investment, the Bank will continue to operate efficiently on both an absolute and relative basis compared to other financial institutions, particularly taking into account the relative scale of our operations. We expect our efficiency ratio in 2014 to be marginally higher than in 2013 due to upfront investments made in our key strategic initiatives, including prime single family, ahead of the associated revenue. Management will continue to prudently manage hiring and spending to keep expense increases consistent with the growth of the business.

Strategic Initiatives

Our key strategic initiatives for 2014 are focused on diversifying our product offerings. We believe that Equitable is well positioned to launch new products targeted at market niches not well-served by Canada's larger financial institutions. These initiatives align well with the overall policy direction from the Department of Finance – specifically a commitment in both the 2013 and 2014 federal budgets to promoting the competitiveness of smaller financial institutions – and are supported by our conversion to a bank.

Due to regulatory developments related to the allocation of NHA-MBS and portfolio insurance capacity, we have an opportunity to profitably enter the prime single family mortgage market. We believe that a prime product will complement our existing Single Family business well by allowing us to extend our reach within the broker channel. While we believe there is significant long-term strategic and financial value in this business, we do not expect it to have a material EPS impact in 2014 as any revenues generated will likely be offset by the investment required to build a new business line.

We intend to fund a majority of the prime mortgages through an MBS securitization program, for which we have defined volumes allocated to us each quarter by Canada Mortgage and Housing Corporation ("CMHC"). Management believes that this program provides us with the capacity to originate $1 to $2 billion of loans per year and build a prime portfolio that is material to our overall business. Over the near term, as we develop our prime mortgage origination capabilities and systems, we will supplement our own originations with mortgages originated through partners, in order to make use of our available MBS capacity.

Likewise, we intend to broaden our range of products for savers which will further diversify our sources of funding. Our primary focus will be on growing the recently launched *Equitable Bank High Interest Savings Account,* a product that was well received by Canadian savers and investment advisors in Q1 2014. We also intend to build on our successful Deposit Note issuance in April and grow that program over time, by becoming a regular issuer across a variety of terms. These and other initiatives aimed at broadening our services for Canadian savers may result in a modestly higher level of expenses in 2014, but reinforce our diversification strategy and provide important risk management benefits.

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

FINANCIAL REVIEW – EARNINGS

Table 2: Income statement highlights

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)	Mar 31, 2014	Dec 31, 2013	% Change	Mar 31, 2013	% Change
				Three months ended	
Net income	$ 25,291	$ 26,492	(5%)	$ 20,914	21%
EPS – diluted	$ 1.56	$ 1.65	(5%)	$ 1.30	20%
Net interest income[1]	48,684	47,264	3%	40,162	21%
Provision for credit losses	507	1,332	(62%)	2,100	(76%)
Non-interest expenses	16,445	14,724	12%	13,236	24%
Income taxes	8,790	8,534	3%	6,895	27%

[1] *See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

NET INTEREST INCOME

Net interest income is the main driver of profitability for the Company. Table 3 details the Company's net interest income and NIM by product and business:

Table 3: Net interest income

	Mar 31, 2014		Dec 31, 2013		Mar 31, 2013	
($ THOUSANDS)	Revenue/ Expense	Average rate[1]	Revenue/ Expense	Average rate[1]	Revenue/ Expense	Average rate[1]
Core Lending:						
Revenues derived from:						
Mortgages	$ 77,271	4.99%	$ 74,799	4.91%	$ 64,651	5.01%
Liquidity investments	1,272	1.40%	1,672	1.45%	1,970	1.40%
Equity securities – TEB[2]	1,596	5.77%	1,787	7.06%	1,714	5.89%
	80,139	4.81%	78,258	4.70%	68,335	4.68%
Expenses related to:						
Deposits	34,897	2.35%	34,953	2.35%	31,771	2.45%
Debentures and bank facilities	1,414	5.77%	1,423	5.66%	2,403	8.26%
	36,311	2.41%	36,376	2.40%	34,174	2.58%
Net interest income – TEB[2][3]	43,828	2.60%	41,882	2.49%	34,161	2.32%
Taxable Equivalent Basis – adjustment[2]	(532)		(794)		(518)	
Core Lending	$ 43,296		$ 41,088		$ 33,643	
Securitization Financing:						
Revenues derived from:						
Mortgages	$ 43,703	3.61%	$ 46,725	3.67%	$ 52,986	3.96%
Liquidity investments	728	1.92%	806	1.72%	725	1.58%
	44,431	3.56%	47,531	3.60%	53,711	3.88%
Expenses related to:						
Securitization liabilities	36,623	3.25%	38,535	3.25%	45,249	3.51%
Deposits and secured funding facility	2,420	2.29%	2,820	2.43%	1,943	2.45%
	39,043	3.17%	41,355	3.18%	47,192	3.45%
Securitization Financing	$ 5,388	0.43%	$ 6,176	0.47%	$ 6,519	0.47%
Total assets – TEB[2][3]	$ 49,216	1.67%	$ 48,058	1.60%	$ 40,680	1.42%

Three months ended

[1] *Average rates are calculated based on the average of the month-end balances outstanding during the period.*
[2] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
[3] *See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

Q1 2014 v Q1 2013

Net interest income was up $8.5 million due to an increase in our average asset balances of $319 million or 3% and a widening of our NIM. NIM increased 25 bps to 1.67% from 1.42% in Q1 2013, as our asset mix continued to shift towards our higher margin Core Lending business and we achieved higher margins within Core Lending.

NIM earned on Core Lending assets increased 28 bps to 2.60% due to more efficient management of our lower margin liquidity portfolio and our efforts to optimize renewal pricing in Single Family. NIM growth was also helped by a non-recurring debt redemption charge recorded in Q1 2013 and by gains on interest rate swaps related to our GIC book relative to losses recorded in the prior year.

Securitization Financing NIM was down by four bps mainly because of lower mortgage prepayment income in the current quarter.

Q1 2014 v Q4 2013

Net interest income was up 3% sequentially, benefitting from a seven bps increase in NIM. The growth in NIM was driven primarily by an 11 bps increase in our Core Lending NIM.

The increase in Core Lending NIM was a result of Single Family business pricing refinements and a reduction in the average size of our lower margin liquidity portfolio, offset in part, by lower mortgage prepayment income.

Securitization Financing NIM was down four bps primarily due to lower levels of mortgage prepayment income.

The drivers of the changes in NIM from Q1 2013 and Q4 2013 are provided in more details in Table 4 below:

Table 4: Factors affecting NIM

(IN BASIS POINTS)	Q1 2014 vs. Q1 2013	Q1 2014 vs. Q4 2013
Core Lending NIM:		
Mortgage prepayment income	(1)	(3)
Size and rate of liquidity investments	15	5
Size and rate of equity securities holdings	-	(2)
Q1 2013 debt redemption charge	5	-
Derivative financial instruments – Interest rate swaps	5	-
Number of days	-	5
Other, including improved spreads within the mortgage portfolio[(1)]	4	6
Total change in NIM	28	11
Securitization Financing NIM:		
Mortgage prepayment income	(4)	(6)
Size and rate of liquidity investments	2	2
Other[(1)]	(2)	-
Total change in NIM	(4)	(4)

(1) Other may include the effects of various factors such as the shift in mix of the mortgage portfolio, pricing refinements, the timing of new originations and renewals, the timing of securitizations, and the number of days in the period.

PROVISION FOR CREDIT LOSSES

The credit quality of our mortgage portfolio continues to be strong. Our provision for credit losses was $0.5 million in the quarter, $1.6 million lower than in the same quarter last year and $0.8 million lower than in Q4 2013. After our normal extensive review of our collective allowance, management determined that recording a lower than normal provision in the quarter would be sufficient to maintain appropriate allowance levels.

Management uses the term impairment provision to refer to the provision that we have taken during the quarter on loans that we identified as impaired, each of which is individually assessed for potential loss. We view the impairment provision metric as the most important indicator of the credit quality of our portfolio. During Q1 2014, the Company recorded an impairment recovery of $42 thousand, compared to an impairment recovery of $0.4 million in Q4 2013 and an impairment provision of $0.5 million in Q1 2013. The recovery was driven by the restructuring of one large commercial loan and low loss estimates for newly impaired loans.

OTHER INCOME

Table 5: Other income

	Three months ended				
($ THOUSANDS)	**Mar 31, 2014**	Dec 31, 2013	% Change	Mar 31, 2013	% Change
Fees and other income	**$ 1,466**	$ 1,467	(0%)	$ 1,457	1%
Net gain on investments	**17**	357	(95%)	645	(97%)
Securitization activities:					
Gains on securitization and income from retained interests	**920**	1,924	(52%)	1,064	(14%)
Fair value (losses) gains on derivative financial instruments	**(54)**	70	(177%)	(183)	70%
Total	**$ 2,349**	$ 3,818	(38%)	$ 2,983	(21%)

Q1 2014 v Q1 2013

Other income was $2.3 million, a decrease of $0.6 million or 21% compared with Q1 2013. The decrease is attributable mainly to:

- $0.6 million of investment gains recorded in Q1 2013, of which $0.3 million related to the sale of certain of the Company's preferred share investments, which were sold to meet certain regulatory requirements that came into effect at the beginning of 2013;
- $0.3 million of HST refunds recorded as fees and other income in Q1 2013; offset by
- $0.3 million increase in mortgage administration fees, driven by growth in the mortgage portfolio.

Q1 2014 v Q4 2013

Other income decreased by $1.5 million or 38% sequentially mainly due to:

- $1.1 million lower gains on securitization activities, as a similar volume of mortgages were securitized during the quarter but a lower proportion of those loans qualified for derecognition; and
- $0.3 million less of investment gains recorded in the first quarter of 2014.

NON-INTEREST EXPENSES

Table 6: Non-interest expenses and efficiency ratio

($ THOUSANDS, EXCEPT FTE)	Three months ended Mar 31, 2014	Dec 31, 2013	% Change	Mar 31, 2013	% Change
Compensation and benefits	**$ 10,136**	$ 8,742	16%	$ 7,727	31%
Premises, equipment and system costs	**1,630**	1,470	11%	1,253	30%
Other	**1,210**	868	38%	915	32%
Mortgage servicing	**904**	1,049	(14%)	1,100	(18%)
Licenses, regulatory fees and insurance	**786**	818	(4%)	866	(9%)
Amortization	**763**	507	50%	420	82%
Marketing, travel and communications	**660**	903	(27%)	472	40%
Legal, audit and related services	**356**	357	(0%)	483	(26%)
Total	**$ 16,445**	$ 14,724	12%	$ 13,236	24%
Efficiency ratio – TEB	**31.9%**	28.4%	3.5%	30.3%	1.6%
Full-time employee ("FTE") – period average	**308**	291	6%	264	17%

Q1 2014 v Q1 2013

We continue to operate efficiently on both an absolute basis and relative to other financial institutions, particularly taking into account the scale of our operations. Our efficiency ratio was 31.9%, up 1.6 percentage points and reflecting a $3.2 million increase in non-interest expenses.

The majority of the net increase in our expenses was driven by:

- $2.8 million increase in compensation and other costs such as premises and equipment driven mainly by 17% growth in our FTE, a $0.6 million increase in compensation costs reflecting stock price appreciation and severance during the quarter; and
- $0.3 million in Home Equity Line of Credit (“HELOC”) related deferred product development cost amortization (amortization began after the product was launched in December of 2013 and is recorded in amortization, ahead of the majority of the associated future revenues).

Q1 2014 v Q4 2013

Our efficiency ratio increased 3.5 percentage points due to a $1.7 million or 12% sequentially increase in non-interest expenses. The increase in expenses is attributable to a:

- $1.4 million increase in compensation costs, driven mainly by 6% growth in our FTE, a $0.7 million increase in compensation costs reflecting stock price appreciation and severance during Q1 2014; and
- $0.3 million increase in HELOC related deferred product development cost amortization.

INCOME TAXES

Q1 2014 v Q1 2013

Our effective income tax rate for the quarter was 25.8%, 1.0 percentage point higher than in Q1 2013 as a result of lower tax exempt income received in the quarter and other adjustments booked in Q1 2013.

Q1 2014 v Q4 2013

Our effective income tax rate increased 1.4 percentage points from 24.4% in Q4 2013, due to lower tax exempt income in Q1 2014 and other adjustments booked in Q4 2013.

FINANCIAL REVIEW – BALANCE SHEET

Table 7: Balance sheet highlights

($ THOUSANDS)	Mar 31, 2014	Dec 31, 2013	% Change	Mar 31, 2013	% Change
Total assets	$ 11,886,479	$ 11,816,453	1%	$ 11,602,293	2%
Mortgage principal – Core Lending	6,440,186	6,196,930	4%	5,355,449	20%
Mortgage principal – Securitization Financing	4,740,160	4,910,118	(3%)	5,352,584	(11%)
Deposit principal	6,455,503	6,377,987	1%	5,556,821	16%
Securitization liability principal	4,473,080	4,596,941	(3%)	5,275,595	(15%)
Total liquid assets[1] as a % of total assets	6.0%	6.0%	-%	6.6%	(0.6%)

(1) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.

TOTAL MORTGAGE PRINCIPAL

Our strategy is to maintain a diverse portfolio of mortgage assets in order to reduce our risk and optimize our ROE, while focusing our strategic growth efforts on Single Family Lending Services. The following tables provide quarterly mortgage principal continuity schedules by lending business for Q1 2014 and Q1 2013:

Table 8: Mortgage principal continuity schedule

	Three months ended March 31, 2014						
($ THOUSANDS)	Single Family Lending	Commercial Lending	Total Core Lending	Securitization Financing	Total Mortgage Principal	Derecognized Mortgage Principal[2]	Securitization Financing MUM[3]
Q4 2013 closing balance	$ 3,797,999	$ 2,398,931	$ 6,196,930	$ 4,910,118	$ 11,107,048	$ 998,920	$ 5,909,038
Originations	403,710	125,664	529,374	277,760	807,134	-	277,760
Core Lending securitized[1]	(12,509)	-	(12,509)	12,509	-	-	12,509
Securitized and derecognized	-	-	-	(94,852)	(94,852)	94,852	-
Net repayments	(137,085)	(136,524)	(273,609)	(365,375)	(638,984)	(8,861)	(374,236)
Q1 2014 closing balance	$ 4,052,115	$ 2,388,071	$ 6,440,186	$ 4,740,160	$ 11,180,346	$ 1,084,911	$ 5,825,071
% Change from Q4 2013	7%	(0%)	4%	(3%)	1%	9%	(1%)
% Change from Q1 2013	28%	10%	20%	(11%)	4%	142%	0%
Net repayments percentage[4]	3.6%	5.7%	4.4%	7.4%	5.8%	0.9%	6.3%

($ THOUSANDS)	Single Family Lending	Commercial Lending	Total Core Lending	Securitization Financing	Total Mortgage Principal	Derecognized Mortgage Principal[2]	Securitization Financing MUM[3]
	Three months ended March 31, 2013						
Q4 2012 closing balance	$ 3,026,523	$ 2,134,262	$ 5,160,785	$ 5,415,773	$ 10,576,558	$ 332,922	$ 5,748,695
Originations	284,718	172,992	457,710	166,376	624,086	-	166,376
Core Lending securitized[1]	(12,887)	-	(12,887)	12,887	-	-	12,887
Securitized and derecognized	-	-	-	(118,436)	(118,436)	118,436	-
Net repayments	(121,415)	(128,744)	(250,159)	(124,016)	(374,175)	(3,360)	(127,376)
Q1 2013 closing balance	$ 3,176,939	$ 2,178,510	$ 5,355,449	$ 5,352,584	$ 10,708,033	$ 447,998	**$** 5,800,582
% Change from Q4 2012	5%	2%	4%	(1%)	1%	35%	1%
Net repayments percentage[4]	4.0%	6.0%	4.8%	2.3%	3.5%	1.0%	2.2%

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

(2) Derecognized Mortgage Principal represents mortgages under administration that are not reported on Equitable's consolidated balance sheets. These mortgages were securitized using transaction structures that transferred substantially all the risks and rewards or control associated with the mortgages to a third party, resulting in the derecognition of the securitized mortgages.

(3) Securitization Financing MUM includes Securitization Financing and Derecognized Mortgage Principal.

(4) Net repayments percentage is calculated by dividing net repayments by the previous period's closing balance.

Q1 2014 v Q1 2013

Core Lending balances increased 20% or $1.1 billion. Adjusted for $238 million of mortgages securitized during the past four quarters (which moves the reported balances from Core Lending to Securitization Financing), Single Family was up 35% due to high levels of originations and our success with mortgage renewals. Without this adjustment, Single Family was up 28% year-over-year. The 10% growth in the Commercial business reflects the strength and breadth of our distribution partnerships.

Securitization Financing Mortgages under Management ("Securitization Financing MUM"), which includes $1.1 billion of derecognized mortgage principal, is more reflective of the performance of the underlying securitization business than is assets reported on the balance sheet. Securitization Financing MUM is consistent with a year ago because our recent levels of CMB capacity (the effective limit on our Securitization activity) have been approximately equal to the volumes of CMB maturities each quarter.

Total mortgage principal increased by $472 million while total mortgage MUM increased $1.1 billion or 10%.

Q1 2014 v Q4 2013

The Single Family Lending portfolio increased 7% or $254 million since December 31, 2013, contributing to a 4% growth in Core Lending and a 1% increase in total mortgage principal. The growth in Single Family was due mainly to a high level of mortgage originations in the quarter.

Securitization Financing MUM decreased slightly due to the high levels of maturities in the quarter.

MORTGAGE ASSET ORIGINATIONS

Mortgage origination levels are seasonal, particularly in Single Family Lending Services, and as such, we do not focus on quarter over quarter origination comparisons. The table below provides mortgage originations for Q1 2014 and for the same period in 2013:

Table 9: Mortgage origination – by lending business

	Three months ended				
	Mar 31, 2014		Mar 31, 2013		
($ THOUSANDS)	**Mortgage principal funded**	**% of total**	Mortgage principal funded	% of total	% Change
Single Family Lending Services	**$ 403,710**	**50.0%**	$ 284,718	45.6%	42%
Commercial Lending Services	**125,664**	**15.6%**	172,992	27.7%	(27%)
Core Lending	**529,374**	**65.6%**	457,710	73.3%	16%
Securitization Financing	**277,760**	**34.4%**	166,376	26.7%	67%
Total mortgage origination	**$ 807,134**	**100.0%**	$ 624,086	100.0%	29%

Q1 2014 v Q1 2013

The Company delivered record Q1 quarterly mortgage origination volumes of $807 million, up 29% compared to the same period of the prior year.

The Company's Core Lending origination volumes grew 16% or $71.7 million as a result of a 42% increase in Single Family originations, with this performance reflecting the strength of the Canadian housing market and our continuously high levels of service quality.

Commercial Lending origination volumes were down by $47.3 million or 27% compared to the same quarter of the prior year, as we maintained our pricing discipline and risk parameters in a highly competitive market.

Securitization Financing originations were up by 67% in the quarter reflecting market demand for our multi-unit residential mortgage product and our residual CMB allocation after renewal activity. We aim to target originations such that we utilize the full amount of our CMB capacity each quarter, after considering our renewal volumes.

SECURITIZATION

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

Table 10: Securitization and derecognition activity

	Three months ended				
($ THOUSANDS)	**Mar 31, 2014**	Dec 31, 2013	% Change	Mar 31, 2013	% Change
Securitized and derecognized – retained interests recorded	**$ 94,852**	$ 214,263	(56%)	$ 118,436	(20%)
Retained interests recorded	**3,936**	7,485	(47%)	4,965	(21%)
Gains on sale	**751**	1,423	(47%)	1,126	(33%)
Gains on sale – percentage[1]	**0.79%**	0.66%	0.13%	0.95%	(0.16%)

(1) *Gains on sale – percentage represents the gains on sale as a percentage of total principal derecognized.*

Q1 2014 v Q1 2013

We securitized and derecognized $94.9 million of non-prepayable mortgages during the first quarter of 2014 and recorded gains on sale of $0.8 million on these transactions. Volumes derecognized were down 20% as a result of lower demand for non-prepayable mortgage products, which generally qualify for derecognition.

The 79 bps of gains recognized in the quarter relative to the principal derecognized were 16 bps lower than in Q1 2013 largely due to differences in the assumptions used to calculate the gains, such as the cash flow discount rates. The spreads on the underlying mortgages remained relatively consistent period over period.

Q1 2014 v Q4 2013

The volume of mortgages securitized and derecognized decreased by 56% sequentially due to lower demand for non-prepayable mortgage products.

Gains on sale as a percentage of the assets derecognized were up 13 bps from Q4 2013. The increase in the gains on sale percentage was due mainly to differences in the assumptions used to calculate the gains. The spreads on the underlying mortgages remained relatively consistent period over period.

CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

The Company's active management of credit risk and our workout efforts continue to yield positive results. The success of our credit management strategies is highlighted in the metrics in Table 11 below. We believe that these measures reflect the health of the Company's mortgage portfolio and indicate that our allowances for credit losses adequately provide for our risk of loss.

Table 11: Mortgage credit metrics

($ THOUSANDS)	**Mar 31, 2014**	Dec 31, 2013	Mar 31, 2013
Impairment (recovery) provision(1)	**$ (42)**	$ (374)	$ 532
Impairment (recovery) provision – rate(1)	**(0.00%)**	(0.01%)	0.02%
Gross impaired mortgage assets(2)	**42,437**	29,955	41,462
Net impaired mortgage assets(2)(3)	**39,223**	26,574	36,294
Net impaired mortgage assets as a % of total mortgage assets(2)(3)	**0.35%**	0.24%	0.34%
Allowance for credit losses	**31,859**	31,477	28,696
Allowance for credit losses as a % of total mortgage assets	**0.28%**	0.28%	0.27%
Allowances for credit losses as a % of gross impaired mortgage assets	**75%**	105%	69%
Mortgage principal in arrears 30 to 89 days(4)	**33,413**	45,282	28,601
Mortgage principal in arrears 30 to 89 days as a % of total mortgage principal(4)	**0.30%**	0.41%	0.27%
Mortgage principal in arrears 90 days or more(5)	**38,312**	25,884	38,326
Mortgage principal in arrears 90 days or more as a % of total mortgage principal(5)	**0.34%**	0.23%	0.36%

(1) *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
(2) *Conventional mortgages are deemed to be impaired at the earlier of the date they have been individually provided for or when they have been in arrears for 90 days. Mortgages guaranteed by the Government of Canada are deemed to be impaired when payment is contractually past due 365 days.*
(3) *Net impaired mortgage assets reflect gross impaired mortgages less individual allowances.*
(4) *Mortgage principal in arrears 30 to 89 days does not include insured mortgages less than 365 days in arrears.*
(5) *Mortgage principal in arrears 90 days or more does not include insured mortgages that are less than 365 days in arrears.*

Q1 2014 v Q1 2013

In aggregate, our credit metrics indicate that the quality of our mortgage portfolio remained high in Q1 2014.

- Our allowance for credit losses represented 75% of gross impaired mortgage assets, up from 69% in Q1 2013
- The rates of mortgage principal in arrears 90 days or more decreased slightly to 0.34% from 0.36% a year ago

- The rates of early stage delinquency (between 30 to 89 days past due) increased marginally from 0.27% to 0.30%. Early stage delinquency may be a leading indicator of credit quality in future periods.
- Net impaired mortgage assets as a % of total mortgage assets was 0.35%, one basis point higher than at a year ago and within historically normal levels

Q1 2014 v Q4 2013

Our key credit risk metrics also compared well to the prior quarter:

- Mortgage principal in arrears 90 days or more increased to 0.34% from 0.23%. The increase was primarily due to two commercial mortgages, totalling $11.5 million, becoming impaired in the first quarter of 2014. We do not expect to realize any losses on these mortgages.
- The rate of early stage delinquency (between 30 to 89 days past due) decreased to 0.30% from 0.41%, mostly due to the movement of the two commercial mortgages into the greater than 90 days arrears category
- Net impaired mortgage assets as a percentage of total mortgage assets increased to 0.35% from 0.24%, mainly due to the classification of two commercial mortgages as impaired
- Our allowance for credit losses represented 75% of gross impaired mortgage assets, down from 105% at December 31, 2013 due to the sufficiency of our allowance for credit losses relative to the increase in our impaired mortgage balances discussed above

LIQUIDITY INVESTMENTS AND EQUITY SECURITIES

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

Table 12: Liquid assets[1]

($ THOUSANDS)	**Mar 31, 2014**	Dec 31, 2013	Mar 31, 2013
Eligible deposits with regulated financial institutions[2]	**$ 303,082**	$ 243,297	$ 264,850
Debt securities issued by regulated financial institutions	**45,136**	70,586	198,584
Government issued or guaranteed debt instruments:			
Investments purchased under reverse repurchase agreements	**20,172**	20,026	10,000
Debt securities guaranteed by Government of Canada	**35,156**	25,227	26,408
Mortgages held in the form of debt securities guaranteed by Government of Canada[3]	**190,275**	246,266	177,117
Obligations under repurchase agreements	**-**	(8,143)	(6,992)
Liquid assets held for regulatory purposes	**593,821**	597,259	669,967
Other deposits with regulated financial institutions	**580**	348	281
Equity securities[4]	**116,984**	106,405	100,268
Total liquid assets[1]	**$ 711,385**	$ 704,012	$ 770,516
Total assets held for regulatory purposes as a % of total Equitable Bank assets	**5.0%**	5.1%	5.8%
Total liquid assets as a % of total assets	**6.0%**	6.0%	6.6%

(1) See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.

(2) Eligible deposits with regulated financial institutions represent deposits of Equitable Bank which are held with major Canadian banks and excludes $15.1 million (December 31, 2013 – $10.1 million, March 31, 2013 – $18.3 million) of restricted cash held as collateral by third parties for the Company's interest rate swap transactions and $42.6 million (December 31, 2013 – $77.2 million, March 31, 2013 – $79.2 million) of cash held in trust accounts and deposits held with banks as collateral for the Company's securitization activities.

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

(4) Equity securities include publicly traded common and preferred shares.

Q1 2014 v Q1 2013

Liquid assets held for regulatory purposes were down by $76.1 million or 11% due to more efficient management of our liquid assets portfolio and because of $150 million Deposit Note proceeds that we expected shortly after the end of the quarter.

Q1 2014 v Q4 2013

Liquid assets held for regulatory purposes were consistent with levels held at December 31, 2013, as the effect of higher mortgage commitments in March compared with December was offset by the expected Deposit Note proceeds.

OTHER ASSETS

Q1 2014 v Q1 2013

Other assets were $27.9 million at the end of Q1 2014, up by 10% or $2.6 million over Q1 2013. The increase was mainly due to $7.1 million of real estate owned assets recorded as a result of two mortgage foreclosures in 2013 and the capitalization of $2.2 million of system development costs.

Offsetting these increases was the recovery of a portion of a receivable related to an alleged fraud identified in 2011. In September 2013, Equitable entered into an agreement to resolve a litigation related to the alleged fraud, resulting in the receipt of $5.2 million in Q4 2013. Subsequent to the receipt, our net outstanding receivable was $3.2 million (March 31, 2013 – $8.4 million). In addition to this settlement, we are pursuing an additional claim against our insurer under our Financial Institution Bond, which is intended to protect us against fraud losses. There is no assurance that proceeds or recoveries, if any, will be received in a timely manner from these additional actions, or that such proceeds will be sufficient to recover the remaining amount of the receivable.

Q1 2014 v Q4 2013

Other assets decreased $1.8 million or 6% from December 31, 2013. The change was mainly due to a decrease in prepaid expenses and the sale of one foreclosed real estate property in Q1 2014. No material gain or loss was realized on the sale.

DEPOSITS

Deposit balances were up by 16% over Q1 2013 and 1% over Q4 2013. Deposits have grown in-line with our overall non-securitized mortgage book and liquid assets, for which they are the primary source of funding.

SECURITIZATION LIABILITIES

Securitization liability principal was down by 15% over Q1 2013 and by 3% over Q4 2013, with the amount of the liability being generally consistent with the level of Securitization Financing assets reported on our Balance Sheet.

BANK FACILITIES AND DEBENTURES

The Company has a $300 million credit facility with a major Schedule I Canadian Bank to finance insured residential mortgages prior to securitization. At the end of Q1 2014, the outstanding balance was $92.0 million.

There was no change to our debentures in the current quarter. Details related to the Company's debentures can be found in Note 17 to the audited consolidated financial statements in the Company's 2013 Annual Report.

CAPITAL MANAGEMENT – EQUITABLE BANK

We manage the Bank's capital in accordance with guidelines established by OSFI, based on standards issued by the Bank for International Settlements, Basel Committee on Banking Supervision ("BCBS"). In order to govern the quality and quantity of capital necessary to maintain the business based on its inherent risks, Equitable Bank utilizes an Internal Capital Adequacy Assessment Process ("ICAAP"). There have been no material changes to our Capital Management Framework from that described in our 2013 Annual Report.

OSFI's Capital Adequacy Requirements ("CAR") Guideline details how Basel III rules apply to Canadian Banks. OSFI mandated all Canadian-regulated financial institutions to meet a target CET1 ratio of 7% on an "all-in" basis (defined by OSFI as capital calculated to include all of the Basel III regulatory adjustments that will be required by 2019, but retaining the phase-out rules for non-qualifying capital instruments), effective the first quarter of 2013. For Tier 1 and Total capital ratios, the "all-in" capital targets are 8.5% and 10.5%, respectively, effective the first quarter of 2014.

Equitable Bank's CET1 ratio on an "all-in" basis was 12.9% as at March 31, 2014, while our Tier 1 and Total capital ratios were 13.8% and 16.6%, respectively, exceeding the regulatory minimums on an "all-in" basis. Our Tier I and Total capital ratios were up compared with the prior quarter and Q1 of last year mainly reflecting internal capital generation driven by our strategy of retaining the vast majority of our earnings, and despite the increase in our risk-weighted assets. Our sequential capital ratios also improved as a result of insuring $179 million of single family mortgages in the first quarter of 2014.

OSFI continues to require Canadian financial institutions to meet an Assets-to-Capital Multiple ("ACM") requirement until December 31, 2014. OSFI has indicated that it will issue a new leverage guideline later this year that will be effective in January 2015 and will replace the current ACM test with the Basel III leverage ratio test. The ACM is calculated on a Basel III "transitional basis", by dividing total assets, including specified off-balance sheet items, by total capital.

Our ACM increased to 14.1x at March 31, 2014 from 13.8x at December 31, 2013. The change was partly attributable to the reduction of $389 million of 'grandfathered' Securitization Financing assets that were previously exempt from inclusion in our ACM calculation. We expect a similar reduction in the amount of 'grandfathered' assets in each of the next several quarters and that our ACM will increase as a result. In certain transactions, we may be able to achieve derecognition of the underlying assets, and the assets would not impact our ACM. Notwithstanding this potential increase, management believes that the Bank's current level of capital and its earnings in future periods will be sufficient to support our strategic objectives and ongoing growth.

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

Table 13: Capital measures of Equitable Bank[1]

($ THOUSANDS, EXCEPT ACM)	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013
Total risk-weighted assets ("RWA")	**$ 4,369,407**	$ 4,328,555	$ 3,893,870
Common Equity Tier 1 capital ("CET1"):			
Common shares	**141,868**	140,997	138,102
Contributed surplus	**4,970**	4,911	4,614
Retained earnings	**420,557**	398,493	335,790
Accumulated other comprehensive (loss) income (“AOCI”)[2]	**(3,422)**	(4,574)	653
Less: Regulatory adjustments	**(1,167)**	(1,188)	(2,493)
Common Equity Tier 1 capital	**562,806**	538,639	476,666
Additional Tier 1 capital:			
Non-cumulative preferred shares[3]	**40,000**	45,000	45,000
Tier 1 capital	**602,806**	583,639	521,666
Tier 2 capital:			
Collective allowance	**28,645**	28,097	23,529
Subordinated debentures	**92,483**	92,483	92,483
Tier 2 capital	**121,128**	120,580	116,012
Total capital	**$ 723,934**	$ 704,219	$ 637,678
Capital ratios and multiples:			
Common Equity Tier 1 capital ratio	**12.9%**	12.4%	12.2%
Tier 1 capital ratio	**13.8%**	13.5%	13.4%
Total capital ratio	**16.6%**	16.3%	16.4%
Assets-to-capital multiple ("ACM")	**14.1**	13.8	13.2

(1) *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

(2) *As prescribed by OSFI (under Basel III rules), AOCI is part of the CET1 in its entirety, however, the amount of cash flow hedge reserves that relates to the hedging of items that are not fair valued are derecognized.*

(3) *Under Basel III rules, Equitable Bank’s non-cumulative preferred shares are subject to phase-out at a rate of 10% per year.*

SUMMARY OF QUARTERLY RESULTS

Table 14 summarizes the Company's performance over the last eight quarters. Equitable does not typically experience material seasonality in its earnings, but changes in short-term interest rates and the impact thereof on the Company's hedging activities may cause some volatility in earnings from quarter to quarter.

Table 14: Summary of quarterly results

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2[1]
RESULTS OF OPERATIONS								
Net income	**$ 25,291**	$ 26,492	$ 23,226	$ 22,898	$ 20,914	$ 20,140	$ 21,054	$ 22,073
Net income available to common shareholders	**24,385**	25,586	22,319	21,992	20,008	19,234	20,147	21,167
EPS – basic	**$ 1.59**	$ 1.67	$ 1.46	$ 1.44	$ 1.32	$ 1.27	$ 1.34	$ 1.41
EPS – diluted	**$ 1.56**	$ 1.65	$ 1.44	$ 1.43	$ 1.30	$ 1.26	$ 1.33	$ 1.40
Net interest income[2]	**48,684**	47,264	44,705	42,406	40,162	40,555	40,640	38,451
NIM – TEB:[3][4][5]								
Total Assets	**1.67%**	1.60%	1.50%	1.46%	1.42%	1.44%	1.49%	1.49%
Core Lending	**2.60%**	2.49%	2.38%	2.39%	2.32%	2.30%	2.38%	2.50%
Securitization Financing	**0.43%**	0.47%	0.44%	0.42%	0.47%	0.52%	0.57%	0.50%
Total revenues[2]	**126,387**	128,813	127,861	127,380	124,511	125,824	123,211	117,739
ROE[5]	**17.9%**	19.2%	17.5%	18.2%	17.5%	17.3%	18.9%	21.1%
Return on average assets[5]	**0.8%**	0.9%	0.8%	0.8%	0.7%	0.7%	0.8%	0.8%
Efficiency ratio – TEB[4][5]	**31.9%**	28.4%	31.8%	30.3%	30.3%	30.3%	29.1%	30.6%
MORTGAGE ORIGINATIONS								
Single Family Lending Services	**403,710**	506,244	463,961	400,403	284,718	393,486	428,423	429,850
Commercial Lending Services	**125,664**	183,008	265,383	210,694	172,992	185,623	207,969	153,498
Core Lending	**529,374**	689,252	729,344	611,097	457,710	579,109	636,392	583,348
Securitization Financing	**277,760**	365,771	190,537	280,932	166,376	475,146	288,442	104,785
BALANCE SHEET								
Total assets	**11,886,479**	11,816,453	11,831,155	11,837,872	11,602,293	11,601,440	11,228,030	10,867,531
Mortgages receivable	**11,204,349**	11,129,867	10,970,223	10,806,401	10,737,609	10,609,472	10,221,518	9,978,718
Total liquid assets[5]	**711,385**	704,012	858,349	845,033	770,516	965,969	971,477	975,994
Shareholders' equity	**611,456**	588,318	565,506	545,919	521,829	501,571	481,673	462,473
SHARE CAPITAL								
Dividends declared per:								
Common share	**$ 0.16**	$ 0.16	$ 0.15	$ 0.15	$ 0.14	$ 0.14	$ 0.14	$ 0.12
Preferred share	**$ 0.45**	$ 0.45	$ 0.45	$ 0.45	$ 0.45	$ 0.45	$ 0.45	$ 0.45
Common shares outstanding:								
Weighted average basic	**15,371,973**	15,326,042	15,294,743	15,262,648	15,204,757	15,261,497	15,086,513	15,051,825
Weighted average diluted	**15,588,303**	15,526,253	15,480,627	15,417,784	15,368,873	15,263,800	15,198,472	15,141,181
Book value per common share	**$ 36.58**	$ 35.14	$ 33.77	$ 32.55	$ 31.07	$ 29.83	$ 28.69	$ 27.46

[1] *The Company recorded an after-tax investment gain of $3.6 million or $0.24 per share in the second quarter of 2012. Excluding the investment gain, net income in the period was $18.5 million, or $1.16 per diluted share; and ROE was 17.5%.*
[2] *See Additional Generally Accepted Accounting Principles Financial Measures section of this MD&A.*
[3] *NIM – TEB is calculated based on the average of the month-end balances outstanding during the period.*
[4] *For purposes of improving comparability across periods, the Q2 2012 TEB adjustment has been calculated excluding the investment gain related to one of the Company's security portfolio holdings. Including the investment gain, the efficiency ratio – TEB was 27.3%.*
[5] *See Non-Generally Accepted Accounting Principles Financial Measures section of this MD&A.*

ACCOUNTING POLICY CHANGES

The Company's significant accounting policies are essential to an understanding of its reported results of operations and financial position.

Other than the changes in accounting policies set out below, all other accounting policies applied by the Company are the same as those applied as at and for the year ended December 31, 2013. Refer to Note 3 of the audited consolidated financial statements in the Company's 2013 Annual Report.

Effective January 1, 2014, the Company has adopted the following standards:

IFRIC 21 - LEVIES

IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of *IAS 37, Provisions, Contingent Liabilities and Contingent Assets* and defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The adoption did not have a material effect on the Company's financial statements.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES - AMENDMENTS TO IAS 32

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

The adoption did not have any material effect on the Company's financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

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

OFF-BALANCE SHEET ACTIVITIES

The Company engages in certain financial transactions that, for accounting purposes, are not recorded on our consolidated balance sheets. Off-Balance sheet transactions are generally undertaken for risk, capital and funding management purposes. These include certain securitization transactions, the commitments we make to fund our pipeline of mortgage originations (see Note 9 and Note 22 to the audited consolidated financial statements) and letters of credit issued in the normal course of business.

SECURITIZATION OF FINANCIAL ASSETS

Certain securitization transactions qualify for derecognition when the Company has transferred substantially all of the risks and rewards associated with the transferred assets. The outstanding securitized mortgage principal that qualified for derecognition totaled $1.1 billion at March 31, 2014 (December 31, 2013 – $1.0 billion; March 31, 2013 – $448 million). The securitization retained interests recorded with respect to certain securitization transactions was $33.4 million (December 31, 2013 – $30.5 million; March 31, 2013 – $12.0 million) and the associated servicing liability was $8.5 million at March 31, 2014 (December 31, 2013 – $7.9 million; March 31, 2013 – $2.8 million).

COMMITMENTS AND LETTERS OF CREDIT

The Company provides commitments to extend credit to our borrowers. The Company had outstanding commitments to fund $560 million of mortgages in the ordinary course of business at March 31, 2014 (December 31, 2013 – $486 million; March 31, 2013 – $461 million).

The Company issues letters of credit which represent assurances that the Company will make payments in the event that a borrower cannot meet its obligations to a third party. Letters of credit in the amount of $2.7 million were outstanding at March 31, 2014 (December 31, 2013 – $2.7 million; March 31, 2013 – $0.7 million), none of which have been drawn upon.

RELATED PARTY TRANSACTIONS

Certain of the Company's key management personnel have invested in GIC deposits and/or subordinated debentures of the Company in the ordinary course of business, on market terms and conditions. See Note 22 to the consolidated financial statements in the Company's 2013 Annual Report for further details.

RISK MANAGEMENT

Through its wholly owned subsidiary, Equitable Bank, the Company is exposed to risks that are similar to those faced by other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect its business, financial condition and operating results. These factors may also influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. The Board of Directors (the "Board") plays an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are credit risk, liquidity and funding risk, and interest rate risk. For a detailed discussion of the risks that affect the Company, please refer to pages 51 to 60 of the Company's 2013 Annual Report which is available on SEDAR at www.sedar.com.

CREDIT RISK

Credit risk is defined as the possibility that the Company will not receive the full value of amounts and recovery costs owed to it if counterparties fail to honor their obligations to the Company. Credit risk arises principally from the Company's lending activities and its investment in debt and equity securities. The Company's exposure to credit risk is monitored by senior management and the Investment Committee of the Board of Directors, which undertakes the approval and monitoring of the Company's investment and lending policies.

The Company's primary focus is on providing first mortgages on real estate. For information related to the credit quality of the portfolio, see the section entitled Credit Quality and Allowance for Credit Losses on page 14 of this MD&A.

The Company also invests in preferred share securities to generate returns that meet an acceptable ROE threshold. Securities rated P-2 and higher comprised 38.5% or $45.0 million of the preferred share equity securities portfolio at March 31, 2014, compared to 44.2% or $44.3 million a year earlier.

LIQUIDITY AND FUNDING RISK MANAGEMENT

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

The Company has a low tolerance for liquidity and funding risk and adheres to a Liquidity and Funding Risk Management policy that requires us to maintain a pool of high quality liquid assets. Assets held for the purpose of providing liquidity protection consist of cash and cash equivalents, debt instruments guaranteed by governments and debt securities issued by regulated financial institutions. These assets amounted to $594 million at March 31, 2014 and $670 million at March 31, 2013.

INTEREST RATE RISK MANAGEMENT

Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect the Company's financial condition. Interest rate risk may be affected if an unduly large proportion of the Company's assets or liabilities have unmatched terms, interest rates or other attributes. For the interest sensitivity position of the Company as at March 31, 2014, see Note 19 to the interim consolidated financial statements.

Management utilizes simulated interest rate change sensitivity models to estimate the effects of various interest rate change scenarios on the economic value of shareholders' equity and on net interest income. Certain assumptions that are based on actual experience are built into the simulations, including assumptions related to the pre-maturity redemptions of GICs and early payouts of mortgages. The Company closely monitors interest rates and acts upon any mismatches in a timely manner to ensure that any sudden or prolonged change in interest rates does not adversely affect the Company's net interest income and its economic value of equity ("EVE") beyond approved thresholds.

The table below illustrates the results of management's sensitivity modeling to an immediate and sustained interest rate increase and decrease scenarios. The models measure the impact of interest rate changes on EVE and on net interest income during the 12-month period following March 31, 2014. The estimate of sensitivity to interest rate changes is dependent on a number of assumptions that could result in a different outcome in the event of an actual interest rate change.

Table 15: Interest rate sensitivity

($ THOUSANDS)		Increase in interest rates		Decrease in interest rates[1]
100 basis point shift				
Impact on net interest income	$	**4,773**	$	**(1,486)**
Impact on EVE	$	**(414)**	$	**3,452**
EVE impact as a % of common shareholders' equity		**(0.07%)**		**0.62%**
200 basis point shift				
Impact on net interest income	$	**9,801**	$	**(1,369)**
Impact on EVE	$	**(873)**	$	**2,663**
EVE impact as a % of common shareholders' equity		**(0.16%)**		**0.48%**

(1) *Interest rate is not allowed to decrease beyond a floor of 0% and is therefore not allowed to be negative.*

UPDATED SHARE INFORMATION

At May 6, 2014, the Company had 15,395,122 common shares and 2,000,000 non-cumulative 5-year rate reset preferred shares issued and outstanding. In addition, there were 584,075 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $19.1 million.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during the first quarter of 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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

- **Adjusted results:** in periods where management determines that non-recurring or unusual items will have a significant impact on a user's assessment of business performance, the Company will present adjusted results in addition to reported results by removing the non-recurring or unusual items from the reported results. Adjusted results are intended to provide the user with a better assessment of the Company's performance and provide greater consistency and comparability with other financial institutions. Adjustments that remove non-recurring or unusual items from net income will affect the calculation of other measures such as adjusted ROE and adjusted EPS.

- **Assets-to-capital multiple ("ACM"):** is measured by dividing Equitable Bank's gross adjusted assets by total regulatory capital. The ACM is calculated on the "transitional" basis in accordance with OSFI's CAR Guideline.
- **Assets under management:** is the sum of total assets reported on the consolidated balance sheet and mortgage principal derecognized but still managed by the Company.
- **Book value per common share:** is calculated by dividing common shareholder's equity by the number of common shares outstanding.
- **Capital Ratios:**
  - **Common Equity Tier 1 Capital ("CET1") ratio:** this key measure of capital strength is defined as CET1 as a percentage of total risk-weighted assets. This ratio is calculated for the Company's subsidiary, Equitable Bank, in accordance with the guidelines issued by OSFI. CET1 is defined as shareholders' equity plus any qualifying other non-controlling interest in subsidiaries less preferred shares issued and outstanding, any goodwill, other intangible assets and cash flow hedge reserve components of accumulated other comprehensive income.
  - **Tier 1, Tier 2 and Total capital ratios:** these adequacy ratios are calculated for Equitable Bank, in accordance with the guidelines issued by OSFI by dividing Tier 1, Tier 2 or Total capital by total risk-weighted assets.
  - The capital ratios are calculated on the "all-in" basis in accordance with OSFI's CAR Guideline.
- **Economic Value of Shareholders' Equity ("EVE"):** is a calculation of the present value of the Company's asset cash flows less the present value of its liability cash flows on an after-tax basis. This measure is more comprehensive than measuring changes in net interest income given that it captures all interest rate mismatches across all terms.
- **Efficiency ratio:** this measure is used to assess the efficiency of the Company's cost structure in terms of revenue generation. This ratio is derived by dividing non-interest expenses by the sum of net revenue. A lower efficiency ratio reflects a more efficient cost structure.
- **Impairment provision (recovery):** is the portion of the total provision for credit losses recorded during the year that relates to loans that have been individually assessed as impaired by management.
- **Impairment provision (recovery) rate:** this credit quality metric is calculated on an annualized basis and is defined as the impairment provision (recovery) as a percentage of average loan portfolio outstanding during the period.
- **Liquid assets:** is a measure of the Company's liquid resources, held for the purposes of funding mortgages, deposit maturities, and the ability to collect other receivables and settle other obligations. A detailed calculation can be found in Table 12 of this MD&A.
- **Mortgages under Management ("MUM"):** is the sum of mortgage principal reported on the consolidated balance sheet and mortgage principal derecognized but still managed by the Company.
- **Net Interest Margin ("NIM"):** this profitability measure is calculated on an annualized basis by dividing net interest income – TEB by the average total assets for the period.
- **Net revenue:** is calculated as the sum of net interest income; other income; and the TEB adjustment.
- **Return on average assets:** this profitability measure is calculated on an annualized basis and is defined as net income as a percentage of average total assets outstanding during the period.
- **Return on Shareholders' Equity ("ROE"):** this profitability measure is calculated on an annualized basis and is defined as a net income available to common shareholders as a percentage of the weighted average common equity outstanding during the period.
- **Risk-weighted assets:** represents the Bank's assets and off-balance sheet exposures, weighted according to risk as prescribed by OSFI under the CAR Guideline.
- **Securitization Financing MUM:** is the sum of Securitization Financing mortgage principal reported on the consolidated balance sheet and Securitization Financing mortgage principal derecognized but still managed by the Company.

- **Taxable Equivalent Basis ("TEB"):** the presentation of financial information on a TEB is a common practice among financial institutions and does not have a standardized meaning within GAAP. Therefore, TEB calculations may not be comparable to similar measures presented by other companies. On a selective basis, the Company uses TEB in the discussion of revenues, interest margins and efficiency 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, 2014, the TEB adjustment was $0.5 million as compared to $0.5 million for the same period in 2013 and $0.8 million for Q4 2013.

ADDITIONAL GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") FINANCIAL MEASURES

In addition to GAAP and non-GAAP financial measures, management also uses additional GAAP financial measures it believes provide useful information to investors regarding the Company's financial results of operations. Readers are cautioned that additional GAAP measures do not have any standardized meaning, and therefore, may not be comparable to similar measures presented by other companies. Management believes that these measures enhance comparability of the Company's results between reporting periods and helps the reader better understand how management views the Company's performance. The primary additional GAAP measures used in this MD&A are:

- **Net interest income:** this additional GAAP measures is defined as total revenues derived from interest or dividend generating assets less total expenses related to interest bearing liabilities.
- **Total revenue:** is defined as total interest income plus other income.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (unaudited)

AS AT MARCH 31, 2014

With comparative figures as at December 31, 2013 and March 31, 2013

($ THOUSANDS)

	March 31, 2014	December 31, 2013	March 31, 2013
Assets:			
Cash and cash equivalents	**$ 303,662**	$ 243,645	$ 265,131
Restricted cash	**57,687**	87,319	97,486
Securities purchased under reverse repurchase agreements	**20,172**	54,860	84,681
Investments *(Note 6)*	**239,305**	240,614	380,141
Mortgages receivable – Core Lending *(Note 7)*	**6,433,785**	6,188,278	5,348,498
Mortgages receivable – Securitization Financing *(Notes 7 & 8)*	**4,770,564**	4,941,589	5,389,111
Securitization retained interests *(Note 8)*	**33,386**	30,455	11,954
Other assets *(Note 10)*	**27,918**	29,693	25,291
	$ 11,886,479	$ 11,816,453	$ 11,602,293
Liabilities and Shareholders' Equity			
Liabilities:			
Deposits *(Note 11)*	**$ 6,563,120**	$ 6,470,029	$ 5,648,679
Securitization liabilities *(Note 8)*	**4,471,954**	4,591,404	5,289,174
Obligations under repurchase agreements	**-**	8,143	6,992
Deferred tax liabilities *(Note 12)*	**11,406**	10,826	8,097
Other liabilities *(Note 13)*	**44,066**	55,250	35,039
Bank facilities *(Note 14)*	**91,994**	-	-
Debentures	**92,483**	92,483	92,483
	11,275,023	11,228,135	11,080,464
Shareholders' equity:			
Preferred shares *(Note 15)*	**48,494**	48,494	48,494
Common shares *(Note 15)*	**139,107**	137,969	135,408
Contributed surplus *(Note 16)*	**5,385**	5,326	5,028
Retained earnings	**426,391**	404,467	341,614
Accumulated other comprehensive loss	**(7,921)**	(7,938)	(8,715)
	611,456	588,318	521,829
	$ 11,886,479	$ 11,816,453	$ 11,602,293

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014

With comparative figures for the three month period ended March 31, 2013

($ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended	
	March 31, 2014	March 31, 2013
Interest income:		
Mortgages – Core Lending	**$ 77,271**	$ 64,651
Mortgages – Securitization Financing	**43,703**	52,986
Investments	**1,479**	2,035
Other	**1,585**	1,856
	124,038	121,528
Interest expense:		
Deposits	**36,803**	33,714
Securitization liabilities *(Note 8)*	**36,623**	45,249
Debentures	**1,394**	2,373
Bank facilities	**513**	7
Other	**21**	23
	75,354	81,366
Net interest income	**48,684**	40,162
Provision for credit losses *(Note 7)*	**507**	2,100
Net interest income after provision for credit losses	**48,177**	38,062
Other income:		
Fees and other income	**1,466**	1,457
Net gain on investments	**17**	645
Gains on securitization activities and income from securitization retained interests *(Note 8)*	**866**	881
	2,349	2,983
Net interest and other income	**50,526**	41,045
Non-interest expenses:		
Compensation and benefits	**10,136**	7,727
Other	**6,309**	5,509
	16,445	13,236
Income before income taxes	**34,081**	27,809
Income taxes *(Note 12):*		
Current	**8,209**	7,324
Deferred	**581**	(429)
	8,790	6,895
Net income	**$ 25,291**	$ 20,914
Earnings per share *(Note 17):*		
Basic	**$ 1.59**	$ 1.32
Diluted	**$ 1.56**	$ 1.30

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014

With comparative figures for the three month period ended March 31, 2013

($ THOUSANDS)

	Three months ended	
	March 31, 2014	March 31, 2013
Net income	**$ 25,291**	$ 20,914
Other comprehensive income – items that may be reclassified subsequently to income:		
Available for sale investments:		
Net unrealized gains from change in fair value	**1,573**	2,557
Reclassification of net gains to income	**(9)**	(847)
	1,564	1,710
Income tax expense	**(413)**	(450)
	1,151	1,260
Cash flow hedges *(Note 9):*		
Net unrealized losses from change in fair value	**(2,058)**	(767)
Reclassification of net losses to income	**517**	647
	(1,541)	(120)
Income tax recovery	**407**	32
	(1,134)	(88)
Total other comprehensive income	**17**	1,172
Total comprehensive income	**$ 25,308**	$ 22,086

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014

With comparative figures for the three month period ended March 31, 2013

($ THOUSANDS)

March 31, 2014	**Preferred shares**	**Common shares**	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income (loss)** Cash flow hedges	**Available for sale investments**	**Total**	**Total**
Balance, beginning of period	**$ 48,494**	**$ 137,969**	**$ 5,326**	**$ 404,467**	**$ (3,364)**	**$ (4,574)**	**$ (7,938)**	**$ 588,318**
Net income	**-**	**-**	**-**	**25,291**	**-**	**-**	**-**	**25,291**
Other comprehensive (loss) income, net of tax	**-**	**-**	**-**	**-**	**(1,134)**	**1,151**	**17**	**17**
Reinvestment of dividends	**-**	**266**	**-**	**-**	**-**	**-**	**-**	**266**
Exercise of stock options	**-**	**712**	**-**	**-**	**-**	**-**	**-**	**712**
Dividends:								
Preferred shares	**-**	**-**	**-**	**(906)**	**-**	**-**	**-**	**(906)**
Common shares	**-**	**-**	**-**	**(2,461)**	**-**	**-**	**-**	**(2,461)**
Stock-based compensation	**-**	**-**	**219**	**-**	**-**	**-**	**-**	**219**
Transfer relating to the exercise of stock options	**-**	**160**	**(160)**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 48,494**	**$ 139,107**	**$ 5,385**	**$ 426,391**	**$ (4,498)**	**$ (3,423)**	**$ (7,921)**	**$ 611,456**

March 31, 2013	Preferred shares	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) Cash flow hedges	Available for sale investments	Total	Total
Balance, beginning of period	$ 48,494	$ 134,224	$ 5,003	$ 323,737	$ (9,279)	$ (608)	$ (9,887)	$ 501,571
Net income	-	-	-	20,914	-	-	-	20,914
Other comprehensive (loss) income, net of tax	-	-	-	-	(88)	1,260	1,172	1,172
Reinvestment of dividends	-	252	-	-	-	-	-	252
Exercise of stock options	-	756	-	-	-	-	-	756
Dividends:								
Preferred shares	-	-	-	(906)	-	-	-	(906)
Common shares	-	-	-	(2,131)	-	-	-	(2,131)
Stock-based compensation	-	-	201	-	-	-	-	201
Transfer relating to the exercise of stock options	-	176	(176)	-	-	-	-	-
Balance, end of period	$ 48,494	$ 135,408	$ 5,028	$ 341,614	$ (9,367)	$ 652	$ (8,715)	$ 521,829

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014

With comparative figures for the three month period ended March 31, 2013

($ THOUSANDS)

	Three months ended	
	March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	**$ 25,291**	$ 20,914
Adjustments for non-cash items in net income:		
Financial instruments at fair value through income	**(467)**	1,441
Amortization of premiums/discount on investments	**585**	509
Amortization of capital assets	**303**	242
Amortization of deferred costs	**556**	286
Provision for credit losses	**507**	2,100
Securitization gains	**(751)**	(1,126)
Net gain on sale or redemption of investments	**(17)**	(531)
Stock-based compensation	**219**	201
Income taxes	**8,790**	6,895
Changes in operating assets and liabilities:		
Restricted cash	**29,632**	(33,885)
Securities purchased under reverse repurchase agreements	**34,688**	(6,130)
Mortgages receivable	**(173,426)**	(251,378)
Other assets	**1, 135**	(121)
Deposits	**91,908**	(3,038)
Securitization liabilities	**(119,450)**	27,504
Obligations under repurchase agreements	**(8,143)**	(2,890)
Bank facilities	**91,994**	-
Other liabilities	**(3,044)**	(4,593)
Income taxes paid	**(16,426)**	(10,867)
Proceeds from loan securitizations	**95,165**	118,543
Securitization retained interests	**1,339**	332
Cash flows from (used in) from operating activities	**60,388**	(135,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank term loan	**-**	(12,500)
Redemption of debentures	**-**	(25,188)
Dividends paid on preferred shares	**(906)**	(906)
Dividends paid on common shares	**(2,190)**	(1,874)
Proceeds from issuance of common shares	**712**	756
Cash flows used in financing activities	**(2,384)**	(39,712)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(39,396)**	(2,420)
Proceeds on sale or redemption of investments	**45,189**	64,138
Net change in Canada Housing Trust re-investment accounts	**(3,633)**	(429)
Purchase of capital assets	**(147)**	(301)
Cash flows from investing activities	**2,013**	60,988
Net increase (decrease) in cash and cash equivalents	**60,017**	(114,316)
Cash and cash equivalents, beginning of period	**243,645**	379,447
Cash and cash equivalents, end of period	**$ 303,662**	$ 265,131
Cash flows from operating activities include:		
Interest received	**123,697**	122,191
Interest paid	**(48,311)**	(63,090)
Dividends received	**1,509**	1,475

Note 1 – Reporting Entity

Equitable Group Inc. (the "Company") was formed on January 1, 2004 as the parent company of its wholly owned subsidiary, Equitable Bank. The Company is listed on the Toronto Stock Exchange ("TSX") and domiciled in Canada with its registered office located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario. Equitable Bank is a Schedule I Bank under the Bank Act (Canada) and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Equitable Bank offers savings and mortgage lending products to retail and commercial customers across Canada.

Note 2 – Basis of Preparation

(a) Statement of compliance:

These interim consolidated financial statements of Equitable Group Inc. have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. These interim consolidated financial statements should be read in conjunction with the Company's 2013 annual audited consolidated financial statements.

These interim consolidated financial statements were approved for issuance by the Company's Board of Directors (the "Board") on May 6, 2014.

(b) Basis of measurement:

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

(c) Functional currency:

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

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

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

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

(e) Consolidation:

The interim consolidated financial statements as at and for the three months ended March 31, 2014 and March 31, 2013 include the assets, liabilities and results of operations of the Company and its wholly owned subsidiary, Equitable Bank, after the elimination of intercompany transactions and balances. The Company has control of Equitable Bank as it is exposed to and has rights to variable returns from its involvement with Equitable Bank and it has the ability to affect those returns through its power over the relevant activities of Equitable Bank.

Note 3 – Significant Accounting Policies

Other than the changes in accounting policies set out below, all other accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company as at and for the year ended December 31, 2013. Refer to Note 3 of the audited consolidated financial statements in the Company's 2013 Annual Report.

Changes in accounting policies:

(a) Liabilities for Levies (IFRIC 21):

IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of *IAS 37, Provisions, Contingent Liabilities and Contingent Assets* and defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The Company adopted IFRIC 21 effective January 1, 2014 and the adoption did not have a material effect on the Company's financial statements.

(b) Offsetting Financial Assets and Liabilities - Amendments to IAS 32:

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

The Company adopted the amendments to IAS 32 effective January 1, 2014 and the adoption did not have any material effect on the Company's financial statements.

Note 4 – Risk Management

The Company, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results, which may also influence an investor to buy, sell or hold shares in the Company. Many of these risk factors are beyond the Company's direct control. The use of financial instruments exposes the Company to credit risk, interest rate risk and liquidity risk. A discussion of the Company's risk exposures and how it manages those risks can be found on pages 37 to 46 of the Company's 2013 Annual Report.

Note 5 – Financial Instruments

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

(a) Valuation methods and assumptions:

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

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

The fair value of Cash and cash equivalents and restricted cash approximate their cost due to their short term nature.

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

Bank facilities are short term obligations and are carried at cost, which approximates its fair value.

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

These financial assets and financial liabilities are measured on the consolidated balance sheets at fair value. For financial instruments measured at fair value where active market prices are available, bid prices are used for financial assets and ask prices for financial liabilities. For those financial instruments measured at fair value that are not traded in an active market, fair value estimates are determined using valuation methods which maximize the use of observable market data and include discounted cash flow analysis and other commonly used valuation techniques.

(iii) Mortgages receivable

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

(iv) Deposits

The estimated fair value of deposits is determined by discounting expected future contractual cash flows using observed market interest rates offered for deposits with similar terms. Deposit liabilities include GICs that are measured at fair value through income and are guaranteed by Canada Deposit Insurance Corporation ("CDIC"). This guarantee from CDIC is reflected in the fair value measurement of the deposit liabilities.

(v) Securitization liabilities

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

(vi) Debentures

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

(vii) Derivatives

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

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

The following tables present the carrying values for each category of financial assets and liabilities and their estimated fair values as at March 31, 2014 and December 31, 2013. The tables do not include assets and liabilities that are not considered financial instruments.

							March 31, 2014
	Financial instruments classified as held for trading	Financial instruments designated as at fair value through income	Held to maturity	Available for sale	Loans and receivables/ financial liabilities at cost or amortized cost	Total carrying value	Fair value
Financial assets:							
Cash and cash equivalents	$ 303,662	$ -	$ -	$ -	$ -	$ 303,662	$ 303,662
Restricted cash	57,687	-	-	-	-	57,687	57,687
Securities purchased under reverse repurchase agreements	-	-	-	-	20,172	20,172	20,172
Investments	5,702	-	42,029	191,574		239,305	239,305
Mortgages receivable – Core Lending	-	50,344	-	-	6,383,441	6,433,785	6,450,802
Mortgages receivable – Securitization Financing	10,589	-	-	-	4,759,975	4,770,564	4,862,861
Securitization retained interests	-	-	-	33,386	-	33,386	33,386
Other assets:							
Derivative financial instruments – interest rate swaps	2,425	-	-	-	-	2,425	2,425
Mortgage Commitments	1	-	-	-	-	1	1
Other	-	-	-	-	4,565	4,565	4,565
Total financial assets	$ 380,066	$ 50,344	$ 42,029	$ 224,960	$ 11,168,153	$ 11,865,552	$ 11,974,866
Financial liabilities:							
Deposits	$ -	$ 320,544	$ -	$ -	$ 6,242,576	$ 6,563,120	$ 6,575,253
Securitization liabilities	-	-	-	-	4,471,954	4,471,954	4,571,636
Other liabilities:							
Derivative financial instruments – bond forwards	34	-	-	-	-	34	34
Other	-	-	-	-	43,608	43,608	43,608
Bank facilities	-	-	-	-	91,994	91,994	91,994
Debentures	-	-	-	-	92,483	92,483	92,897
Total financial liabilities	$ 34	$ 320,544	$ -	$ -	$ 10,942,615	$ 11,263,193	$ 11,375,422

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

							December 31, 2013
	Financial instruments classified as held for trading	Financial instruments designated as at fair value through income	Held to maturity	Available for sale	Loans and receivables/ financial liabilities at cost or amortized cost	Total carrying value	Fair value
Financial assets:							
Cash and cash equivalents	$ 243,645	$ -	$ -	$ -	$ -	$ 243,645	$ 243,645
Restricted cash	87,319	-	-	-	-	87,319	87,319
Securities purchased under reverse repurchase agreements	-	-	-	-	54,860	54,860	54,860
Investments	5,702	-	38,396	196,516	-	240,614	240,614
Mortgages receivable – Core Lending	-	50,503	-	-	6,137,775	6,188,278	6,202,270
Mortgages receivable – Securitization Financing	17,698	-	-	-	4,923,891	4,941,589	4,995,574
Securitization retained interests	-	-	-	30,455	-	30,455	30,455
Other assets:							
Derivative financial instruments – interest rate swaps	1,650	-	-	-	-	1,650	1,650
Derivative financial instruments – bond forwards	705	-	-	-	-	705	705
Other	-	-	-	-	5,002	5,002	5,002
Total financial assets	$ 356,719	$ 50,503	$ 38,396	$ 226,971	$ 11,121,528	$ 11,794,117	$ 11,862,094
Financial liabilities:							
Deposits	$ -	$ 320,557	$ -	$ -	$ 6,149,472	$ 6,470,029	$ 6,479,621
Securitization liabilities	-	-	-	-	4,591,404	4,591,404	4,674,097
Obligations under repurchase agreements	-	-	-	-	8,143	8,143	8,143
Other liabilities:							
Mortgage commitments	19	-	-	-	-	19	19
Other	-	-	-	-	54,816	54,816	54,816
Debentures	-	-	-	-	92,483	92,483	92,483
Total financial liabilities	$ 19	$ 320,557	$ -	$ -	$ 10,896,318	$ 11,216,894	$ 11,309,179

(b) Fair value hierarchy:

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

The fair value hierarchy has the following levels:

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

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

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Level 3: valuation techniques with significant unobservable market inputs.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded in the consolidated balance sheets, classified using the fair value hierarchy:

				March 31, 2014
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Investments	$ 152,141	$ 87,164	$ -	$ 239,305
Mortgages receivable − Core Lending	-	50,344	6,400,458	6,450,802
Mortgages receivable − Securitization Financing	-	10,589	4,852,272	4,862,861
Securitization retained interests	-	33,386	-	33,386
Other assets:				
Derivative financial instruments − interest rate swaps	-	2,425	-	2,425
Mortgage commitments	-	1	-	1
Total financial assets	$ 152,141	$ 183,909	$ 11,252,730	$ 11,588,780
Financial liabilities:				
Deposits	$ -	$ -	$ 6,575,253	$ 6,575,253
Securitization liabilities	-	2,764,197	1,807,439	4,571,636
Other liabilities:				
Derivative financial instruments – interest rate swaps	-	34	-	34
Debentures	-	92,897	-	92,897
Total financial liabilities	$ -	$ 2,857,128	$ 8,382,692	$ 11,239,820

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

	December 31, 2013			
	Level 1	Level 2	Level 3	Total financial assets/ financial liabilities at fair value
Financial assets:				
Investments	$ 131,632	$ 108,982	$ -	$ 240,614
Mortgages receivable − Core Lending	-	50,503	6,151,767	6,202,270
Mortgages receivable − Securitization Financing	-	17,698	4,977,876	4,995,574
Securitization retained interests	-	30,455	-	30,455
Other assets:				
Derivative financial instruments − interest rate swaps	-	1,650	-	1,650
Derivative financial instruments − bond forwards	-	705	-	705
Total financial assets	$ 131,632	$ 209,993	$ 11,129,643	$ 11,471,268
Financial liabilities:				
Deposits	$ -	$ -	$ 6,479,621	$ 6,479,621
Securitization liabilities	-	3,127,854	1,546,243	4,674,097
Other liabilities:				
Mortgage commitments	-	-	19	19
Debentures	-	92,483	-	92,483
Total financial liabilities	$ -	$ 3,220,337	$ 8,025,883	$ 11,246,220

Note 6 – Investments

Carrying value:

	March 31, 2014	December 31, 2013	March 31, 2013
Debt securities issued by regulated financial institutions	**$ 45,136**	$ 70,586	$ 198,584
Debt securities guaranteed by Government of Canada	**35,156**	25,227	26,408
Equity securities – preferred shares	**102,680**	92,879	92,332
Equity securities – common shares	**14,304**	13,526	7,936
Canada Housing Trust re-investment accounts[(1)(2)]	**42,029**	38,396	54,881
	$ 239,305	$ 240,614	$ 380,141

(1) *Canada Housing Trust re-investment accounts are restricted investments, held to repay the securitization liabilities in connection with the Company's participation in the CMB program.*
(2) *Excludes reverse repurchase agreements of nil (December 31, 2013 – $34.8 million, March 31, 2013 – $74.7 million) which are reclassified to Securities purchased under reverse repurchase agreements.*

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

	March 31, 2014	December 31, 2013	March 31, 2013
Debt securities issued by regulated financial institutions	**$ 11**	$ 9	$ 136
Debt securities guaranteed by Government of Canada	**918**	660	1,374
Equity securities – preferred shares	**(7,130)**	(7,347)	(1,144)
Equity securities – common shares	**1,032**	88	(212)
	$ (5,169)	$ (6,590)	$ 154

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Note 7 – Mortgages Receivable

(a) Mortgages receivable:

			Allowance for credit losses			
March 31, 2014		**Gross amount**	**Individual**	**Collective**	**Total**	**Net amount**
Mortgages – Core Lending	$	**6,441,462**	$ **3,214**	$ **28,645**	$ **31,859**	$ **6,409,603**
Mortgages – Securitization Financing		**4,757,241**	-	-	-	**4,757,241**
Accrued interest		**37,505**	-	-	-	**37,505**
	$	**11,236,208**	$ **3,214**	$ **28,645**	$ **31,859**	$ **11,204,349**

			Allowance for credit losses			
December 31, 2013		Gross amount	Individual	Collective	Total	Net amount
Mortgages – Core Lending	$	6,196,540	$ 3,381	$ 28,096	$ 31,477	$ 6,165,063
Mortgages – Securitization Financing		4,927,763	-	-	-	4,927,763
Accrued interest		37,041	-	-	-	37,041
	$	11,161,344	$ 3,381	$ 28,096	$ 31,477	$ 11,129,867

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

Included in Mortgages – Securitization Financing are mortgages held for securitization which consist of Government of Canada insured residential mortgages of $138,926 (December 31, 2013 – $198,432, March 31, 2013 – $84,641), of which mortgages of $10,589 (December 31, 2013 – $17,698, March 31, 2013 – $ 28,805) are classified as held for trading and are carried at fair value, with changes in fair value included in Gains on securitization activities and income from securitization retained interests. The fair value adjustment as at March 31, 2014 is ($12) (December 31, 2013 – ($107), March 31, 2013 – ($ 1,050)).

Included in Mortgages – Core Lending are certain mortgages designated as at fair value through income and are carried at fair value with changes in fair value included in Interest income – Mortgages – Core Lending. As at March 31, 2014, mortgage principal outstanding for these mortgages was $47,938 (December 31, 2013 – $48,184, March 31, 2013 – $48,902) and the fair value adjustment was $2,405 (December 31, 2013 – $2,319, March 31, 2013 – $3,257).

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

	March 31, 2014	March 31, 2013
Changes in fair value included in Gains on securitization and income from securitization retained interests	**$ 95**	$ 948
Changes in fair value included in Interest income – Mortgages – Core Lending	**86**	13

At March 31, 2014, the Company had commitments to fund a total of $560,376 (December 31, 2013 – $486,432, March 31, 2013 – $461,324) of mortgages in the ordinary course of business.

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

(b) Impaired and past due mortgages:

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

As at March 31, 2014, accrued interest on impaired mortgages amounted to $1,645 (December 31, 2013 – $1,387, March 31, 2013 – $3,263).

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

			March 31, 2014	December 31, 2013	March 31, 2013
	Gross	**Individual allowance**	**Net**	Net	Net
Mortgages – Core Lending	**$ 41,476**	**$ 3,214**	**$ 38,262**	$ 25,568	$ 36,294
Mortgages – Securitization Financing – Insured	**961**	**-**	**961**	1,006	-
	$ 42,437	**$ 3,214**	**$ 39,223**	$ 26,574	$ 36,294

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

				March 31, 2014
	30 – 59 days	**60 – 89 days**	**90 days or more**	**Total**
Mortgages – Core Lending	**$ 22,246**	**$ 11,168**	**$ -**	**$ 33,414**
Mortgages – Core Lending – Insured	**1,262**	**-**	**530**	**1,792**
Mortgages – Securitization Financing – Insured	**2,045**	**831**	**12,958**	**15,834**
	$ 25,553	**$ 11,999**	**$ 13,488**	**$ 51,040**

				December 31, 2013
	30 – 59 days	60 – 89 days	90 days or more	Total
Mortgages – Core Lending	$ 29,972	$ 15,310	$ -	$ 45,282
Mortgages – Core Lending – Insured	720	-	265	985
Mortgages – Securitization Financing – Insured	1,294	2,152	12,926	16,372
	$ 31,986	$ 17,462	$ 13,191	$ 62,639

(c) Allowance for credit losses:

			March 31, 2014
	Individual allowance	**Collective allowance**	**Total**
Balance, beginning of period	**$ 3,381**	**$ 28,096**	**$ 31,477**
Provision for credit losses	**(42)**	**549**	**507**
Realized losses	**(136)**	**-**	**(136)**
Recoveries	**11**	**-**	**11**
Balance, end of period	**$ 3,214**	**$ 28,645**	**$ 31,859**

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

			March 31, 2013
	Individual allowance	Collective allowance	Total
Balance, beginning of period	$ 4,660	$ 21,960	$ 26,620
Provision for credit losses	532	1,568	2,100
Realized losses	(55)	-	(55)
Recoveries	31	-	31
Balance, end of period	$ 5,168	$ 23,528	$ 28,696

Note 8 – Derecognition of Financial Assets

In the normal course of business, the Company enters into transactions that result in the transfer of financial assets. Transferred financial assets are recognized in their entirety or derecognized in their entirety, subject to the extent of the Company's continuing involvement. The Company transfers its financial assets through sale and repurchase agreements and its securitization activities. For further details, refer to Note 9 to the audited consolidated financial statements in the Company's 2013 Annual Report.

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

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

	March 31, 2014		December 31, 2013		March 31, 2013	
	Securitized assets	**Assets sold under repurchase agreements**	Securitized assets	Assets sold under repurchase agreements	Securitized assets	Assets sold under repurchase agreements
Carrying amount of assets	**$ 4,631,638**	**$ -**	$ 4,742,851	$ 8,143	$ 5,304,333	$ 6,992
Carrying amount of associated liability	**4,471,954**	**-**	4,591,404	8,143	5,289,174	6,992
Carrying amount, net position	**$ 159,684**	**$ -**	$ 151,447	$ -	$ 15,159	$ -
Fair value of assets	**$ 4,723,897**	**-**	$ 4,797,412	$ 8,143	$ 5,457,412	$ 6,992
Fair value of associated liability	**4,571,636**	**-**	4,674,097	8,143	5,487,758	6,992
Fair value, net position	**$ 152,261**	**$ -**	$ 123,315	$ -	$ (30,346)	$ -

The carrying amount of assets include securitized assets that were not transferred to third parties of $191,823 (December 31, 2013 – $247,514, March 31, 2013 – $170,704). The fair value of these assets are $193,078 (December 31, 2013 – $248,670, March 31, 2013 – $174,534).

The carrying amount of assets exclude mortgages held for securitization of $138,938 (December 31, 2013 – $198,845, March 31, 2013 – $84,778).

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

The Company's outstanding securitization liabilities are as follows:

	March 31, 2014	December 31, 2013	March 31, 2013
Securitization principal	$ 4,473,080	$ 4,596,940	$ 5,275,595
Deferred net discounts and issuance costs	(22,564)	(21,259)	(11,923)
Accrued interest	21,438	15,723	25,502
Total	$ 4,471,954	$ 4,591,404	$ 5,289,174

(b) Transferred financial assets that are derecognized in their entirety:

The following table provides information on the Company's securitization activities during the period for transfers that are derecognized in their entirety:

	March 31, 2014	March 31, 2013
Mortgages securitized and sold	$ 94,852	$ 118,436
Retained interests recorded	3,936	4,965
Servicing liability recorded	960	1,315
Gains on mortgages securitized and sold	751	1,126
Gains on other securitization activities	115	(245)

Note 9 – Derivative Financial Instruments

(a) Hedge instruments:

Cash flow hedges

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

Fair value hedges

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

The Company has also entered into hedging transactions to manage interest rate exposures on certain GICs and applies hedge accounting to these relationships.

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

(b) Financial impact of derivatives:

The fair values and notional amounts of hedge instruments outstanding are as follows:

				March 31, 2014
		Fair value		
Derivative instrument and term (years)	Notional amount	Assets	Liabilities	Net[1]
Cash flow hedges:				
Hedging bond forwards				
1 or less	$ 66,275	$ -	$ (45)	$ (45)
Fair value hedges:				
Interest rate swaps – hedge accounting				
1 or less	140,000	23	-	23
1 to 5	407,000	2,240	-	2,240
Interest rate swaps				
1 or less	275,000	162	-	162
Bond forwards				
1 or less	15,100	11	-	11
	$ 903,375	$ 2,436	$ (45)	$ 2,391

				December 31, 2013
		Fair value		
Derivative instrument and term (years)	Notional amount	Assets	Liabilities	Net[1]
Cash flow hedges:				
Hedging bond forwards				
1 or less	$ 54,200	$ 572	$ -	$ 572
Fair value hedges:				
Interest rate swaps – hedge accounting				
1 or less	140,000	55	-	55
1 to 5	407,000	1,334	-	1,334
Interest rate swaps				
1 or less	185,000	120	-	120
1 to 5	90,000	141		141
Bond forwards				
1 or less	24,000	133	-	133
	$ 900,200	$ 2,355	$ -	$ 2,355

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

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

[1] *Derivative financial assets are included in Other Assets (Note 10) and derivative financial liabilities are included in Other Liabilities (Note 13).*

Cash flow hedges:

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

		March 31, 2014		March 31, 2013
Fair value changes recorded in Other comprehensive income	**$**	**(1,541)**	$	(120)
Fair value changes recorded in Income		**(54)**		(183)
Amounts reclassified from Other comprehensive income to Interest expense – securitization liabilities		**(517)**		(647)

Fair value hedges:

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

		March 31, 2014		March 31, 2013
Interest rate swaps – hedge accounting	**$**	**874**	$	-
Interest rate swaps		**(99)**		450
Bond forwards		**(123)**		(1,288)
Short sale and repurchase agreement		**-**		(77)
Changes in fair value recognized in income	**$**	**652**	$	(915)

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Note 10 – Other Assets

	March 31, 2014	December 31, 2013	March 31, 2013
Prepaid expenses and other	$ 11,427	$ 12,472	$ 15,301
Real estate owned	7,144	7,703	-
Capital assets	3,865	4,021	3,606
Receivables relating to securitization activities	2,488	2,512	2,630
Derivative financial instruments – interest rate swaps	2,425	1,650	407
Accrued interest and dividends on non-mortgage assets	568	630	1,640
Mortgage commitments	1	-	333
Income taxes recoverable	-	-	1,374
Derivative financial instruments – bond forwards	-	705	-
	$ 27,918	$ 29,693	$ 25,291

Note 11 – Deposits

	March 31, 2014	December 31, 2013	March 31, 2013
Term and other deposits	$ 6,455,503	$ 6,377,987	$ 5,556,821
Accrued interest	125,637	110,347	106,352
Deferred deposit agent commissions	(18,020)	(18,305)	(14,494)
	$ 6,563,120	$ 6,470,029	$ 5,648,679

Included in Term and other deposits are $320,407 (December 31, 2013 – $320,727, March 31, 2013 – $508,867) of GICs designated as at fair value through income and are carried at fair value with changes in fair value included in Interest expense – Deposits. Changes in fair value reflect changes in interest rates which have occurred since the GICs were issued, and the fair value adjustment as at March 31, 2014 is $138 (December 31, 2013 – ($170), March 31, 2013 – ($650)).

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

	March 31, 2014	March 31, 2013
Changes in fair value recognized in income	$ (308)	$ (484)

Term and other deposits also include $544,781 (December 31, 2013 – $545,713, March 31, 2013 – nil) of GICs designated in qualifying fair value interest rate hedging relationships and are fair valued with respect to the hedged interest rate. Changes in fair value reflect changes in interest rates which have occurred since the GICs were issued and the fair value adjustment as at March 31, 2014 is $2,121 (December 31, 2013 – $1,246, March 31, 2013 – nil).

The impact of changes in fair value attributable to the hedged risks for GICs designated in hedging relationships is as follows:

	March 31, 2014	March 31, 2013
Changes in fair value recognized in income	$ (875)	$ -

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Note 12 – Income Taxes

(a) Income tax provision:

	March 31, 2014	March 31, 2013
Current tax expense:		
Current period	$ 8,200	$ 7,456
Adjustments for prior years	9	(132)
	8,209	7,324
Deferred tax expense:		
Origination and reversal of temporary differences	552	(425)
Effect of change in tax rates	29	(4)
	581	(429)
Total income tax expense	$ 8,790	$ 6,895

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

	March 31, 2014	March 31, 2013
Canadian statutory income tax rate	$ 26.4%	$ 26.3%
Increase (decrease) resulting from:		
Tax-exempt income	(1.0%)	(1.4%)
Future tax rate changes	0.1%	-
Non-deductible expenses and other	0.3%	(0.1%)
Effective income tax rate	$ 25.8%	$ 24.8%

(b) Deferred tax liabilities:

Net deferred tax liabilities is comprised of:

	March 31, 2014	December 31, 2013	March 31, 2013
Deferred income tax assets:			
Allowance for credit losses	$ 7,603	$ 7,384	$ 6,217
Share issue expenses	-	-	132
Other	537	577	403
	8,140	7,961	6,752
Deferred income tax liabilities:			
Securitization activities	11,139	10,060	6,161
GIC commissions	4,758	4,821	3,816
Net mortgage fees	3,581	3,836	4,732
Other	68	70	140
	19,546	18,787	14,849
Net deferred income tax liabilities	$ 11,406	$ 10,826	$ 8,097

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Note 13 – Other Liabilities

	March 31, 2014	December 31, 2013	March 31, 2013
Mortgagor realty taxes	$ 22,996	$ 26,335	$ 17,553
Accounts payable and accrued liabilities	11,733	12,092	10,301
Securitized mortgage servicing liability	8,530	7,921	2,756
Income taxes payable	773	8,883	-
Derivative financial instruments – bond forwards	34	-	2,309
Derivative financial instruments – interest rate swaps	-	-	2,102
Derivative financial instruments – hedges	-	-	18
Mortgage commitments	-	19	-
	$ 44,066	$ 55,250	$ 35,039

Note 14 – Bank Facilities

The Company has a $300,000 credit facility with a major Schedule I Canadian Bank to finance insured residential mortgages prior to securitization. The balance outstanding on this facility as at March 31, 2014 is $91,994 (December 31, 2013 – Nil, March 31, 2013 – Nil). For further details on bank facilities, refer to Note 16 to the audited consolidated financial statements in the Company's 2013 Annual Report.

Note 15 – Shareholders' Equity

Capital stock:

Authorized:

Unlimited number of non-cumulative 5-year rate reset preferred shares, Series 1, par value $25.00 per share
Unlimited number of non-cumulative floating rate preferred shares, Series 2, par value $25.00 per share
Unlimited number of common shares, no par value

Issued and outstanding shares:

	March 31, 2014			March 31, 2013		
	Number of shares	Amount	Dividends per share[(1)]	Number of shares	Amount	Dividends per share[(1)]
Preferred shares, Series 1	2,000,000	$ 48,494	$ 0.45	2,000,000	$ 48,494	$ 0.45

	March 31, 2014			March 31, 2013		
	Number of shares	Amount	Dividends per share[(1)]	Number of shares	Amount	Dividends per share[(1)]
Common shares:						
Balance, beginning of period	15,355,405	$ 137,969		15,189,983	$ 134,224	
Contributions from reinvestment of dividends	5,375	266		7,708	252	
Contributions from exercise of stock options	28,086	712		36,688	756	
Transferred from contributed surplus relating to the exercise of stock options	-	160		-	176	
Balance, end of period	15,388,866	$ 139,107	$ 0.16	15,234,379	$ 135,408	$ 0.14

(1) *Dividends per share represent dividends declared by the Company during the period.*

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Note 16 – Stock-Based Compensation

(a) Stock-based compensation plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible participants for terms of five to seven years and vest over a four or five-year period. As at March 31, 2014, the maximum number of common shares available for issuance under the plan is 1,475,570. The outstanding options expire on various dates to March 2021. A summary of the Company's stock option activity and related information for the periods ended March 31, 2014 and March 31, 2013 is as follows:

	March 31, 2014		March 31, 2013	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**521,631**	**$ 28.54**	518,817	$ 22.96
Granted	**100,430**	**52.90**	124,537	36.11
Exercised	**(28,086)**	**25.32**	(36,688)	21.76
Forfeited/cancelled	**(8,100)**	**42.83**	-	-
Outstanding, end of period	**585,875**	**$ 32.67**	606,666	$ 25.80
Exercisable, end of period	**207,010**	**$ 26.44**	176,179	$ 21.36

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $219 (March 31, 2013 − $201) related to grants of options under the stock option plan. This amount has been credited to Contributed surplus. The fair value of options granted during the period ended March 31, 2014 was estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions:

	March 31, 2014	March 31, 2013
Risk-free rate	**1.6%**	1.4%
Expected option life (years)	**4.8**	4.8
Expected volatility	**23.3%**	23.8%
Expected dividends	**1.5%**	1.8%
Weighted average fair value of each option granted	**$ 9.04**	$ 6.50

(b) Employee share purchase ("ESP") plan:

The Company has an ESP plan for eligible employees. Under the plan, eligible employees can contribute between 1% and 10% of their annual base salary towards the purchase of common shares of the Company. For each eligible contribution, the Company contributes 50% of the employee's contribution to purchase common shares of the Company.

During the period ended March 31, 2014, the Company expensed $96 (March 31, 2013 − $65) under this plan.

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

The Company has a DSU plan for Directors. Under the plan, notional units are allocated to a Director from time to time by the Board of Directors and the units vest at the time of the grant. For further details, refer to Note 19 to the audited consolidated financial statements in the Company's 2013 Annual Report.

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

A summary of the Company's DSU activity for the periods ended March 31, 2014 and March 31, 2013 is as follows:

	March 31, 2014	March 31, 2013
	Number of DSUs	Number of DSUs
Outstanding, beginning of period	**32,754**	33,095
Dividends reinvested	**106**	142
Outstanding, end of period	**32,860**	33,237

The liability associated with DSUs outstanding as at March 31, 2014 was $1,935 (March 31, 2013 – $1,263). Compensation expense recorded during the period ended March 31, 2014, relating to DSUs outstanding during the period amounted to $356 (March 31, 2013 – $188).

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

The Company has a RSU plan for eligible employees. Under the plan, RSUs are awarded by the Board to eligible employees during the annual compensation process and vest at the end of three years ("cliff vest"). For further details, refer to Note 19 to the audited consolidated financial statements in the Company’s 2013 Annual Report.

A summary of the Company's RSU activity for the periods ended March 31, 2014 and March 31, 2013 is as follows:

	March 31, 2014	March 31, 2013
	Number of RSUs	Number of RSUs
Outstanding, beginning of year	**44,376**	19,577
Granted	**21,455**	24,723
Dividends reinvested	**88**	62
Forfeited/cancelled	**(657)**	-
Outstanding, end of year	**65,262**	44,362

Compensation expense recorded relating to RSUs outstanding during the three months ended March 31, 2014 amounted to $459 (March 31, 2013 – $122). The liability recorded associated with RSUs outstanding as at March 31, 2014 was $1,434 (March 31, 2013 – $310).

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Note 17 – Earnings Per Share

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

		March 31, 2014		March 31, 2013
Earnings per common share – basic:				
Net income	$	25,291	$	20,914
Dividends on preferred shares		906		906
Net income available to common shareholders	$	24,385	$	20,008
Weighted average basic number of common shares outstanding		15,371,973		15,204,757
Earnings per common share – basic	$	1.59	$	1.32
Earnings per common share – diluted:				
Net income available to common shareholders	$	24,385	$	20,008
Weighted average basic number of common shares outstanding		15,371,973		15,204,757
Adjustment to weighted average number of common shares outstanding:				
Stock options		216,330		164,116
Weighted average diluted number of common shares outstanding		15,588,303		15,368,873
Earnings per common share – diluted	$	1.56	$	1.30

For the period ended March 31, 2014, the calculation of the diluted earnings per share excluded 30,550 (March 31, 2013 − 124,537) average options outstanding with a weighted average exercise price of $51.67 (March 31, 2013 − $36.11) as the exercise price of these options was greater than the average price of the Company’s common shares.

Note 18 – Capital Management

Equitable Bank manages its capital in accordance with guidelines established by OSFI, based on standards issued by the Basel Committee on Banking Supervision. For further details refer to the page 17 of the MD&A.

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

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

($ THOUSANDS)	**March 31, 2014**	December 31, 2013	March 31, 2013
Common Equity Tier 1 capital ("CET1"):			
Common shares	**$ 141,868**	$ 140,997	$ 138,102
Contributed surplus	**4,970**	4,911	4,614
Retained earnings	**420,557**	398,493	335,790
Accumulated other comprehensive (loss) income ("AOCI")[1]	**(3,422)**	(4,574)	658
Less: Regulatory adjustments	**(1,167)**	(1,188)	(2,493)
Common Equity Tier 1 capital	**562,806**	538,639	476,671
Additional Tier 1 capital:			
Non-cumulative preferred shares[2]	**40,000**	45,000	45,000
Net Tier 1 capital:	**602,806**	583,639	521,671
Tier 2 capital:			
Collective allowance	**28,645**	28,097	23,528
Subordinated debentures	**92,483**	92,483	92,483
Tier 2 capital	**121,128**	120,580	116,011
Total capital	**$ 723,934**	$ 704,219	$ 637,682

(1) As prescribed by OSFI (under Basel III rules), AOCI is part of CET1 in its entirety, however, the amount of cash flow hedge reserves in AOCI corresponding to the hedged items that are not recognized in the balance sheet are excluded.
(2) Under Basel III rules, Equitable Bank's non-cumulative preferred shares are subject to phase-out at a rate of 10% per year.

($ THOUSANDS, EXCEPT SHARE, PER SHARE AND STOCK OPTION AMOUNTS)

Note 19 – 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, 2014:

								March 31, 2014
	Floating rate	**0 to 3 months**	**4 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Greater than 5 years**	**Non-interest sensitive[1]**	**Total[1]**
Total assets	**$ 1,760,659**	**$ 1,038,157**	**$ 2,734,006**	**$ 5,532,822**	**$ 4,752,530**	**$ 1,474,814**	**$ 126,313**	**$ 11,886,479**
Total liabilities and equity[2][3]	**(91,510)**	**(1,751,283)**	**(2,835,857)**	**(4,678,650)**	**(5,013,943)**	**(1,466,697)**	**(727,189)**	**(11,886,479)**
Off-balance sheet items[4]	**-**	**(830,535)**	**278,672**	**(551,863)**	**608,313**	**(56,450)**	**-**	**-**
Interest rate sensitive gap	**$ 1,669,149**	**$ (1,543,661)**	**$ 176,821**	**$ 302,309**	**$ 346,900**	**$ (48,333)**	**$ (600,876)**	**$ -**
Cumulative gap [2]	**$ 1,669,149**	**$ 125,488**	**$ 302,309**	**$ 302,309**	**$ 649,209**	**$ 600,876**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**14.04%**	**1.06%**	**2.54%**	**2.54%**	**5.46%**	**5.06%**	**-**	**-**

								December 31, 2013
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total[1]
Cumulative gap[2][3][4]	$ 1,638,249	$ 399,167	$ 184,949	$ 184,949	$ 633,812	573,414	$ -	$ -
Cumulative gap as a percentage of total assets	13.86%	3.38%	1.57%	1.57%	5.36%	4.85%	0.00%	0.00%

								March 31, 2013
	Floating rate	0 to 3 months	4 months to 1 year	Total within 1 year	1 year to 5 years	Greater than 5 years	Non-interest sensitive[1]	Total
Cumulative gap[2][3][4]	$ 928,837	$ 316,478	$ 417,376	$ 417,376	$ 543,482	$ 501,312	$ -	$ -
Cumulative gap as a percentage of total assets	8.01%	2.73%	3.60%	3.60%	4.68%	4.32%	0.00%	0.00%

(1) Accrued interest is included in "Non-interest sensitive" assets and liabilities.
(2) Cashable GIC deposits are included in the "0 to 3 months" as these are cashable by the depositor upon demand after 30 days from the date of issuance.
(3) Any prepayments of debentures, contractual or otherwise, have not been estimated as these would require Equitable Bank to receive regulatory pre-approval.
(4) Off-balance sheet items include the Company's interest rate swaps, hedges on funded assets, as well as mortgage rate commitments that are not specifically hedged. Mortgage rate commitments that are specifically hedged, along with their respective hedges, are assumed to substantially offset.

DIRECTORS

Austin Beutel
Chairman, Oakwest Corporation Limited, an investment holding company

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

Joseph Dickstein
Corporate Director

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

David LeGresley
Corporate Director

Lynn McDonald
Corporate Director

Andrew Moor
President and Chief Executive Officer of the Company and Equitable Bank

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

Rowan Saunders
President and Chief Executive Officer, Royal & Sun Alliance Insurance Company of Canada

Vincenza Sera
Corporate Director

Morris Shohet
Principal, The Dorchester Corporation, a real estate investment company

OFFICERS

Andrew Moor
President and Chief Executive Officer of the Company and Equitable Bank

William Edmunds
Senior Vice-President and Chief Risk Officer of Equitable Bank

Tim Wilson
Vice-President and Chief Financial Officer of the Company and Equitable Bank

Dan Dickinson
Vice-President, Digital Banking of Equitable Bank

David Downie
Vice-President, Commercial Mortgage Origination of Equitable Bank

Isabelle Farella
Vice-President, Internal Audit of Equitable Bank

Scott Fryer
Vice-President, Deposit Services of Equitable Bank

Kimberly Kukulowicz
Vice-President, Residential Sales and Partner Relations of Equitable Bank

Brian Leland
Vice-President, Residential Credit of Equitable Bank

Tamara Malozewski
Vice-President, Finance of Equitable Bank

Dan Ruch
Vice-President and Chief Compliance Officer of Equitable Bank

David Soni
Vice-President, Risk Policy of Equitable Bank

Jody Sperling
Vice-President, Human Resources of Equitable Bank

Nicholas Strube
Vice-President and Treasurer of Equitable Bank

Ron Tratch
Vice-President, Commercial Credit of Equitable Bank

David Yu
Vice-President, Information Technology of Equitable Bank

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Controller of Equitable Bank

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Stock Listings
TSX: EQB and EQB.PR.A

Annual Meeting of Shareholders
Wednesday, May 14, 2014, 4:15 p.m. EST
TMX Broadcast Centre
The Exchange Tower
130 King Street West
Toronto, Ontario, Canada

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