

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This preliminary prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or any state securities laws, and, subject to certain exemptions, may not be offered, sold or delivered directly or indirectly in the United States or to U.S. persons as defined in Regulation S under the US Securities Act. See "Plan of Distribution". This preliminary prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the securities offered hereby within the United States or to any U.S. person.

PRELIMINARY PROSPECTUS

Initial Public Offering and Secondary Offering

February 5, 2004



EQUITABLE GROUP INC.

●

● Common Shares

This prospectus qualifies the initial public offering (the "Offering") of ● common shares ("Common Shares") of Equitable Group Inc. (the "Company") by the Company (the "Treasury Offering") and a secondary offering of ● Common Shares (the "Secondary Offering") by the selling shareholders referred to under "Principal and Selling Shareholders" (the "Selling Shareholders"). See "Plan of Distribution". The Company will not receive any proceeds from the sale of Common Shares by the Selling Shareholders.

The Offering price has been determined through negotiation among the Company, the Selling Shareholders and BMO Nesbitt Burns Inc. and ● (collectively, the "Underwriters"). **An investment in the Common Shares is subject to a number of risks that should be considered by prospective purchasers before purchasing Common Shares. See "Risk Factors".**

The Common Shares will not be deposits insured under the *Canada Deposit Insurance Corporation Act*.

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell the Common Shares purchased under this prospectus. The Company has applied to list the Common Shares on the Toronto Stock Exchange (the "TSX") under the symbol "ETC". Listing will be subject to the Company fulfilling the listing requirements of the TSX.

Price: ● per Common Share

	<u>Price to the Public</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to the Company⁽¹⁾⁽²⁾</u>	<u>Net Proceeds to the Selling Shareholders⁽²⁾</u>
Per Common Share.....	●	●	●	●
Total	●	●	●	●

Notes:

1. Before deducting expenses of the Offering estimated to be \$● which (both on its own behalf and on behalf of the Selling Shareholders), together with the Underwriters' fee in respect of the Treasury Offering, will be paid by the Company from the proceeds of the Treasury Offering.
2. The Underwriters have been granted an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the date of the closing of the Offering to purchase up to an additional ● Common Shares from the Selling Shareholders at the price at which the Common Shares under the Offering are offered hereunder to cover over-allotments, if any, and for market stabilization purposes. If the Underwriters exercise the Over-Allotment Option in full, the total price to the public, Underwriters' fee, net proceeds to the Selling Shareholders will be \$●, \$● and \$●, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the Common Shares to be sold upon the exercise of the Over-Allotment Option. See "Plan of Distribution".

The Common Shares will not be precluded as investments under certain statutes. See "Eligibility for Investment".

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued, sold and delivered by the Company and sold and delivered by the Selling Shareholders to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Cassels Brock & Blackwell LLP and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. Subscriptions for Common Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice.

A global certificate for the Common Shares sold under the Offering will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") and will be deposited with CDS at the closing of the Offering. It is expected that the closing of the Offering will occur on or about ●, 2004, or on such earlier or later date as the Company, the Selling Shareholders and the Underwriters may agree, but in any event not later than ●, 2004.

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FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, prospective purchasers should specifically consider various factors, including the risks outlined under "Risk Factors", which may cause actual results to differ materially from any forward-looking statement. Although the forward-looking statements contained in this prospectus are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and is qualified in its entirety by, and should be read together with, the more detailed information and financial data and statements contained elsewhere in this prospectus. Unless otherwise indicated or where the context otherwise requires or as otherwise expressly stated, references to the "Company" include its wholly-owned operating subsidiary, The Equitable Trust Company ("Equitable Trust"). For an explanation of certain defined terms, please refer to "Glossary of Terms" in this prospectus.

The Canadian Residential Mortgage Financing Industry

The Canadian residential mortgage financing industry provides mortgage financing to purchasers of multi-unit residential buildings and single family dwellings. The total value of residential mortgages outstanding has grown to approximately \$542 billion as at November 30, 2003. Approximately 74% of mortgage approvals in Canada for new and existing residential properties in 2002 were in respect of single family dwellings and the balance were in respect of multi-unit residential buildings, such as apartment buildings and retirement homes.

The Canadian residential mortgage financing industry has grown significantly over the past few years. Low interest rates and a strong economy have made home ownership more affordable and have generally made it easier for first-time homebuyers to enter the market. As the population ages and older homeowners move into more manageable and convenient housing, and as urban densities continue to increase, demand for multi-unit residential financing should continue to increase.

The conventional single family dwelling mortgage financing market is dominated by Canada's chartered banks. However, conventional mortgage providers are generally less willing to offer mortgage financing to certain borrowers who are self-employed or have limited or otherwise unsatisfactory credit histories. These borrowers often look to alternative lenders such as Equitable Trust for mortgage financing. The volume of single family dwelling mortgages provided by alternative lenders has increased considerably over the past two decades. Management believes that the growth in alternative financing is most pronounced in the greater Toronto and surrounding area (the "GTA") compared to other parts of Canada.

The GTA is one of the fastest growing residential mortgage financing markets in Canada. In 2002, approximately 54% of all residential construction in Canada occurred in the Toronto area. Long-term drivers of growth, including increased employment, business opportunities, sustained immigration and increased urbanization, remain in place. The GTA continues to support a disproportionate level and rate of growth in alternative mortgage financing activity and has proven to be the largest and most concentrated market for alternative mortgage financing in Canada.

The Company

The Company provides residential first mortgage financing, through its wholly-owned subsidiary, Equitable Trust, to purchasers of properties located primarily in the GTA. Equitable Trust focuses on multi-unit residential and single family dwelling mortgage financing and provides mortgage financing for commercial properties on a very selective basis. In the single family dwelling segment, Equitable Trust is an alternative lender to borrowers who are unable to satisfy the strict underwriting criteria of conventional mortgage lenders.

Strong Financial Performance

In the past five years, Equitable Trust has increased its total assets from \$317 million to more than \$1.1 billion, has increased its total revenue from \$23.8 million to \$65.7 million and has increased its net earnings from \$2.6 million to \$9.3 million. In the same period, Equitable Trust has achieved an average return on equity of approximately 18%. Management expects that the Company's financial performance will continue to be strong given the current mortgage financing industry conditions and the Company's focused niche market business.

Residential Mortgage Financing Focus

Equitable Trust's principal business is residential mortgage financing. In 2003, approximately 42% of Equitable Trust's residential mortgage portfolio came from the multi-unit residential market. Equitable Trust focuses on multi-unit residential mortgage financing as it provides economies of scale and mortgages with superior credit quality. In the last ten years, Equitable Trust has not realized any loan losses on multi-unit residential mortgages. Equitable Trust also focuses on single family dwelling mortgages, which in 2003 accounted for approximately 36% of Equitable Trust's mortgage portfolio. Equitable Trust has experienced negligible loan losses in the single family dwelling segment.

Mortgage Origination

A network of over 80 mortgage brokers originates substantially all of Equitable Trust's single family dwelling residential mortgages. The volume of mortgage applications provided by these brokers greatly exceeds the volume of mortgage financing Equitable Trust is able to fund. Typically, Equitable Trust funds less than 25% of all single family dwelling applications received. As a result, Equitable Trust can be selective in approving mortgage applications. Multi-unit residential mortgages are originated both through mortgage brokers and directly through Equitable Trust.

Deposit Taking

Equitable Trust is a federally regulated financial institution and is authorized to accept deposits from the public. Equitable Trust accepts deposits from the public by issuing Guaranteed Investment Certificates ("GICs") and pays interest on deposits held. Equitable Trust sources its deposits through deposit agents, who act as intermediaries between the public and GIC issuing institutions, and directly from customers who purchase GICs from Equitable Trust at its head office. In 2003, deposits provided Equitable Trust with over 90% of the funding required for its mortgage financing and investment business.

Mortgage-Backed Securities

Through an exclusive arrangement with First National Financial Corporation ("FNFC"), one of Canada's leading mortgage financing specialists, Equitable Trust funds Canadian Mortgage Housing Corporation ("CMHC") insured mortgages originated by FNFC across Canada and securitizes these mortgages under a national program (the "CMHC-MBS Program") approved under the *National Housing Act* (the "NHA"). Equitable Trust's participation in the CMHC-MBS Program has been a steady, profitable and low risk area of business. In 2003, CMHC-MBS Program activities accounted for 13.8% of Equitable Trust's net revenue.

Corporate Strategy

The Company's objective is to enhance shareholder value. With fully-utilized capital, the Company targets a return on equity of 20% and an increase in earnings per share of 15% to 20% per year. The Company intends to achieve these results by executing the following corporate strategy:

- *Niche Market Focus.* Equitable Trust focuses on providing mortgage financing to the multi-unit residential market and serving as an alternative lender in the single family dwelling segment of the residential mortgage financing market within the GTA. Approximately 91% of Equitable Trust's mortgages are located in the GTA. This niche market strategy has been successful for a number of reasons, including the large size and high growth in this segment of the market and Equitable Trust's strong reputation and increased brand awareness in the GTA.
- *Disciplined and Efficient Lending Practices.* Equitable Trust emphasizes a strict, disciplined approach to mortgage financing, concentrating on sound risk selection. In the last five years, Equitable Trust's conservative lending criteria has resulted in aggregate loan losses of less than one one-hundredth of one percent (0.01%) of average mortgages outstanding. Equitable Trust has not experienced a loss during the last ten years on any of its multi-unit residential or commercial mortgages.
- *Ability to Raise Deposits at Low Cost.* Equitable Trust funds a large part of its mortgage financing operations through accepting deposits from the public across Canada, primarily in the form of Canada Deposit Insurance Corporation ("CDIC") insured GICs. This represents a diverse, low cost source of funds to support Equitable Trust's growth.
- *Low Cost Business Model.* Equitable Trust operates from a single office location in Toronto and has no branches. Mortgage origination and deposit taking functions are largely outsourced. This business model provides a low cost structure with a superior productivity ratio of 33.2% compared to an average of 67.3% for the six largest Canadian chartered banks in 2003.
- *Strategic Business Alliances.* Equitable Trust has developed key business relationships with certain organizations in the mortgage financing industry, including FNFC. Equitable Trust has also developed extensive relationships with mortgage brokers, who serve as Equitable Trust's primary source of single family dwelling mortgages, and with an expanding network of deposit agents, who act as intermediaries for the sale of GICs by Equitable Trust to the public.
- *Commitment to Financial Strength.* Equitable Trust has a strong balance sheet with approximately \$77 million in shareholders' equity, over \$1.1 billion in total assets, regulatory capital of approximately \$94 million and a total capital ratio of 11.3% as at December 31, 2003.
- *Strong Growth Orientation.* Over the past five years, Equitable Trust has delivered compound annual growth rates of 36.6% and 38.2% in total assets and net earnings, respectively. Management is focused on continuing to deliver strong growth in the future.

Growth Initiatives

The Company's growth initiatives are designed to leverage its corporate strategy and competitive strengths to take advantage of opportunities in its niche market. Management intends to grow the business by pursuing the following growth initiatives:

- *Capitalize on Strong Market Growth.* Management intends to capitalize on the growth in multi-unit residential and single family dwelling mortgages in the GTA serviced by alternative lenders.
- *Expand Mortgage Broker Network.* Equitable Trust currently sources substantially all of its single family dwelling mortgages through its network of over 80 mortgage brokers. Management intends to increase the size of this network in order to further increase its volume of single family dwelling mortgages.
- *Enhance Economies of Scale.* The Company intends to maintain its focus on outsourcing to expand volumes in its principal areas of business. Management expects the Company's margins to expand as growth in revenue exceeds increases in expenses.
- *Raise and Rapidly Deploy Capital.* The Company intends to raise additional capital as required to increase its regulatory capital base to support the targeted growth of its business. Equitable Trust has taken steps to deploy rapidly the capital being raised in the Treasury Offering by exploiting pre-determined mortgage financing opportunities.

Summary Adjusted Financial Information

The following summary adjusted financial information is derived from the financial statements of Equitable Trust, adjusted to reflect new executive compensation arrangements effective January 1, 2004, under which the bonus payable to the Company's Chief Executive Officer will be lower in 2004 and subsequent years. The adjusted figures for the years 1999 to 2003 have been calculated as if the salary and bonus components of the compensation arrangements taking effect in 2004 had been in place in each of the prior years. The adjusted figures do not include adjustments for other compensation payable to the Chief Executive Officer under the new compensation arrangements, including participation in the Company's stock option plan, as such compensation is indeterminable. **The adjusted figures are considered to be non-GAAP earnings measures and do not have any standardized meaning prescribed by GAAP. They are therefore unlikely to be comparable to any similar measures by other issuers.**

The adjusted financial information is necessary, in the opinion of management, for a fair presentation of the results of operations of Equitable Trust, as the new executive compensation arrangements differ materially from the previous executive compensation arrangements, which were more reflective of a private company structure. More detailed information concerning these adjustments is set out in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Adjustments Relating to the Chief Executive Officer's Compensation" in this prospectus. The summary adjusted financial information set out below is not necessarily indicative of either the results that would have been achieved if the new executive compensation arrangements had been in place during the periods indicated or the results that may be achieved in the future.

(in \$000s, except per share amounts)

	Years ended December 31				
	2003	2002	2001	2000	1999
	(unaudited)				
Adjusted net earnings ⁽¹⁾	12,934	13,695	11,925	5,799	2,797
Adjusted earnings per share ⁽¹⁾⁽²⁾					
- Basic	1.29	1.46	1.50	0.83	0.45
- Diluted	1.27	1.45	1.49	0.83	0.45
Adjusted productivity ratio	24.2%	22.6%	19.6%	26.8%	34.0%
Adjusted return on average shareholders' equity	18.4%	24.6%	31.2%	21.0%	12.8%

Notes:

- Equitable Trust's net earnings and earnings per share were affected in 2003 and 2002 by changes in future enacted tax rates. In 2002, Equitable Trust's net earnings benefited by over \$1.9 million from a decrease in future enacted tax rates. In 2003, increased future enacted tax rates resulted in a decrease to net earnings of over \$0.7 million.
- Weighted-average number of Common Shares assumes the completion of the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".

Summary Financial Information

The following summary financial information is derived from, should be read in conjunction with and is qualified in its entirety by reference to the audited financial statements of Equitable Trust, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus.

(in \$000s except share and per share amounts)

SUMMARY EARNINGS DATA:

	Years ended December 31				
	2003	2002	2001	2000	1999
Total revenue	65,662	57,914	54,998	36,619	23,818
Net interest income	19,710	17,613	17,223	8,870	4,989
Other income	7,057	8,157	7,273	4,441	3,321
Non-interest expense	8,889	7,627	7,453	4,065	2,938
Provision for credit losses	660	660	660	240	240
Earnings before tax	17,218	17,483	16,383	9,006	5,132
Net earnings ⁽¹⁾	9,297	11,226	9,796	5,272	2,551
Weighted-average common shares outstanding ⁽²⁾	9,993,429	9,355,922	7,944,291	6,965,020	6,285,446
Earnings per share ⁽¹⁾					
- Basic	0.93	1.20	1.23	0.76	0.41
- Diluted	0.91	1.19	1.22	0.76	0.41
Dividends	1,209	1,160	1,753	850	704

SUMMARY BALANCE SHEET DATA:

Assets:					
Non-mortgage assets	214,007	142,089	72,075	39,203	35,715
Mortgage assets	889,271	746,438	653,829	525,228	280,846
Total assets	1,103,278	888,527	725,904	564,431	316,561
Liabilities and shareholders' equity:					
Customer deposits	991,730	800,523	665,925	523,680	287,353
Subordinated debt	17,298	8,660	6,021	2,078	2,928
Shareholders' equity	76,657	62,586	43,154	33,698	24,248
Total liabilities and shareholders' equity	1,103,278	888,527	725,904	564,431	316,561
Number of common shares outstanding at year end ⁽³⁾	10,364,435	9,673,663	7,990,890	7,697,636	6,591,340
Book value per common share	7.40	6.47	5.40	4.38	3.68

SUMMARY FINANCIAL RATIOS:

Profitability Measures:					
Return on average shareholders' equity	13.2%	20.2%	25.6%	19.1%	11.7%
Return on average assets	0.9%	1.4%	1.5%	1.2%	0.8%
Net interest margin (tax equivalent basis)	2.1%	2.2%	2.7%	2.0%	1.7%
Productivity ratio	33.2%	29.6%	30.4%	30.5%	35.4%
Capital Measures:					
Risk-weighted assets	827,991	636,446	548,427	427,993	209,887
Tier 1 capital ratio	9.3%	9.8%	7.9%	7.9%	11.6%
Total capital ratio	11.3%	11.2%	9.0%	8.4%	12.9%
Asset-to-capital multiple	11.7x	12.5x	14.8x	15.8x	11.6x
Credit Quality Measures:					
Allowance for credit losses as a % of total loans	0.64%	0.67%	0.67%	0.72%	1.25%
Realized loan losses (recovery) as a % of average outstanding loans	(0.01%)	(0.00%)	0.01%	0.00%	0.01%
Net impaired loans as a % of total loans	0.1%	0.7%	0.4%	0.4%	0.0%
Allowance for credit losses as a % of risk-weighted mortgage assets	0.80%	0.87%	0.86%	0.96%	1.98%

Notes:

- Equitable Trust's net earnings and earnings per share were affected in 2003 and 2002 by changes in future enacted tax rates. In 2002, Equitable Trust's net earnings benefited by over \$1.9 million from a decrease in future enacted tax rates. In 2003, increased future enacted tax rates resulted in a decrease to net earnings of over \$0.7 million.
- Weighted-average number of Common Shares assumes the completion of the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".
- Number of Common Shares at year end assumes the completion of the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".

Terms of the Offering

Offering:	A total of ● Common Shares by way of a Treasury Offering of ● Common Shares and a Secondary Offering of ● Common Shares.
Price:	\$● per Common Share.
Issue Size:	\$● (\$●, assuming the Over-Allotment Option is fully exercised)
Over-Allotment Option:	The Underwriters have been granted an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the date of the closing of the Offering to purchase at the Offering price up to an additional ● Common Shares from certain Selling Shareholders. If the Over-Allotment Option is exercised, the Company will not receive any of the proceeds of the sale of Common Shares pursuant to the Over-Allotment Option. See "Plan of Distribution".
Use of Proceeds:	The estimated net proceeds from the Treasury Offering, after deducting the fees payable to the Underwriters and the estimated expenses of the Offering, will be \$●. The Company intends to use the net proceeds of the Treasury Offering to increase regulatory capital in its wholly-owned operating subsidiary, Equitable Trust, to support growth and for general corporate purposes of Equitable Trust. The Company will not receive any proceeds from either the Secondary Offering or the exercise of the Over-Allotment Option. See "Use of Proceeds".
Dividend Policy:	The Board of Directors intends to declare and pay quarterly cash dividends on the Common Shares of approximately 25% of the Company's trailing net earnings. Dividend payments are expected to commence in the third quarter ending September 30, 2004, subject to declaration by the Board of Directors. See "Dividend Policy".
Selling Shareholders:	● of the Company's existing shareholders intend to sell an aggregate of ● Common Shares pursuant to the Secondary Offering. If the Over-Allotment Option is exercised, the Company's existing shareholders intend to sell an additional aggregate of ● Common Shares. See "Principal and Selling Shareholders".
Eligibility of Investment:	In the opinion of counsel, the Common Shares will not be precluded as investments under certain statutes. See "Eligibility for Investment".
Risk Factors:	Prospective purchasers should carefully review and evaluate certain risk factors relating to an investment in the Common Shares pursuant to this Offering, including: (i) mortgage portfolio management; (ii) geographic concentration; (iii) reliance on key personnel; (iv) reliance on independent mortgage brokers; (v) changes in borrower creditworthiness; (vi) failure of computer and data processing systems and software; (vii) outsourcing; (viii) regulatory environment; (ix) general economic conditions; (x) competition; (xi) absence of prior public market; (xii) shareholders dilution; and (xiii) additional capital. See "Risk Factors".

**Black-out
Commitment:**

The Company, subject to certain exceptions, and certain Selling Shareholders have agreed not to sell or issue, or negotiate or enter into any agreements to sell or issue any Common Shares for a period of 180 days from the date of closing of the Offering, without the prior consent of BMO Nesbitt Burns Inc. See "Plan of Distribution".

Listing:

The Company has applied to list the Common Shares on the TSX under the symbol "ETC". Listing will be subject to the Company fulfilling the listing requirements of the TSX.

THE COMPANY

The Company provides mortgage financing to purchasers of properties located primarily in the GTA through its wholly-owned operating subsidiary, Equitable Trust. Equitable Trust's principal business is residential first mortgage financing to owners of multi-unit residential buildings and single family dwellings. In the single family dwelling segment, Equitable Trust is an alternative lender to borrowers who are unable to satisfy the strict underwriting criteria of conventional bank mortgage lenders. Equitable Trust also provides mortgage financing for commercial properties on a very selective basis. In the past five years, Equitable Trust has experienced strong growth in total assets, total revenue and net earnings, and has generated an average return on equity of 17.9%.

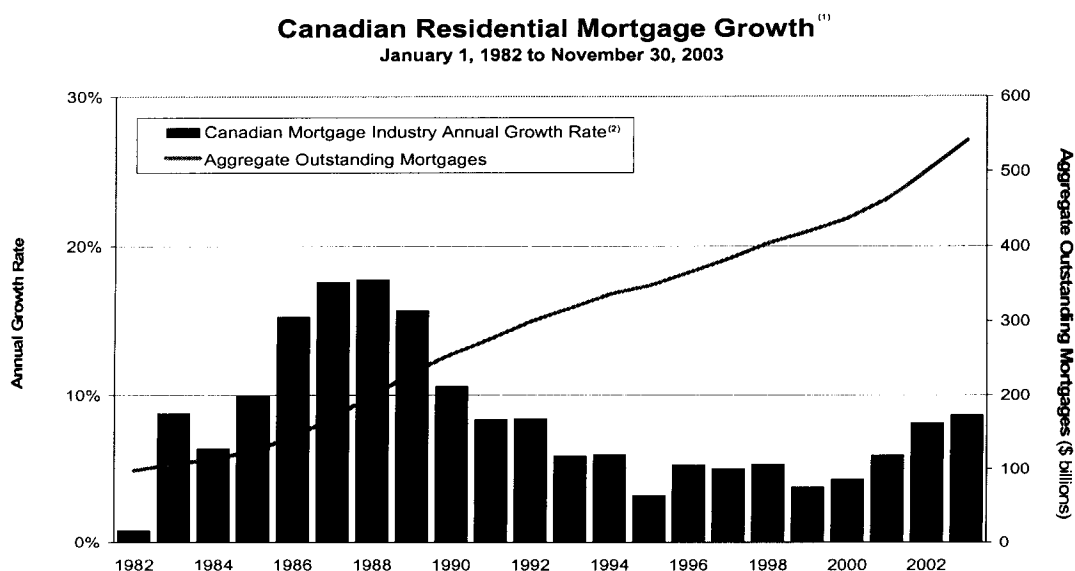
The Company was formed on January 1, 2004 to serve as the holding company of Equitable Trust, pursuant to a Certificate of Amalgamation issued under the *Business Corporations Act* (Ontario) (the "OBCA") and carries on no other business activities. Equitable Trust is a federally regulated financial institution incorporated in 1970 by Letters Patent issued under the predecessor statute of the *Trust and Loans Companies Act* (Canada) (the "TLCA").

The Company's registered and head office is located at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario, M4V 3A1.

THE CANADIAN RESIDENTIAL MORTGAGE FINANCING INDUSTRY

Overview

The Canadian residential mortgage financing industry provides mortgage financing to purchasers of multi-unit residential buildings and single family dwellings. The Canadian residential mortgage finance industry is dominated by Canada's six largest chartered banks. Other major participants in the industry include life insurance companies, credit unions, smaller chartered banks and trust companies. The total value of residential mortgages outstanding in Canada was approximately \$542 billion as at November 30, 2003. Approximately 74% of mortgage approvals in Canada for new and existing residential properties in 2002 were in respect of single family dwellings and the balance were in respect of multi-unit residential buildings, such as apartment buildings and retirement homes. The annual growth rate in the total value of residential mortgages outstanding is accelerating and has increased from 3.8% in 1999 to 8.7% for the twelve months ended November 30, 2003.



Source: Statistics Canada

1. Includes mortgages securitized through a national program approved under the National Housing Act.

2. Annual growth rate for November 30, 2003 calculated based on last twelve months.

Multi-Unit Residential

The multi-unit residential mortgage financing industry provides mortgage financing to owners of multi-unit residential buildings, such as apartment buildings and retirement homes. This segment of the mortgage financing market is characterized by a largely uniform mortgage product, differentiated primarily by financial terms. Given the relatively large amounts being borrowed, borrowers in this segment are typically cost-sensitive and tend to borrow from the lender providing the best financial terms.

Demand for multi-unit residential mortgage financing in Canada remains strong as increases in urban populations and densities have resulted in new construction of multi-unit residential buildings. As the Canadian population ages, management expects demand for multi-unit residential buildings will increase as homeowners move into more manageable and convenient multi-unit housing.

Single Family Dwelling

The conventional single family dwelling mortgage financing market is dominated by chartered banks. However, conventional mortgage providers are generally less willing to offer mortgage financing to certain borrowers who are self-employed or have limited or otherwise unsatisfactory credit histories. These borrowers often look to alternative lenders such as Equitable Trust for mortgage financing.

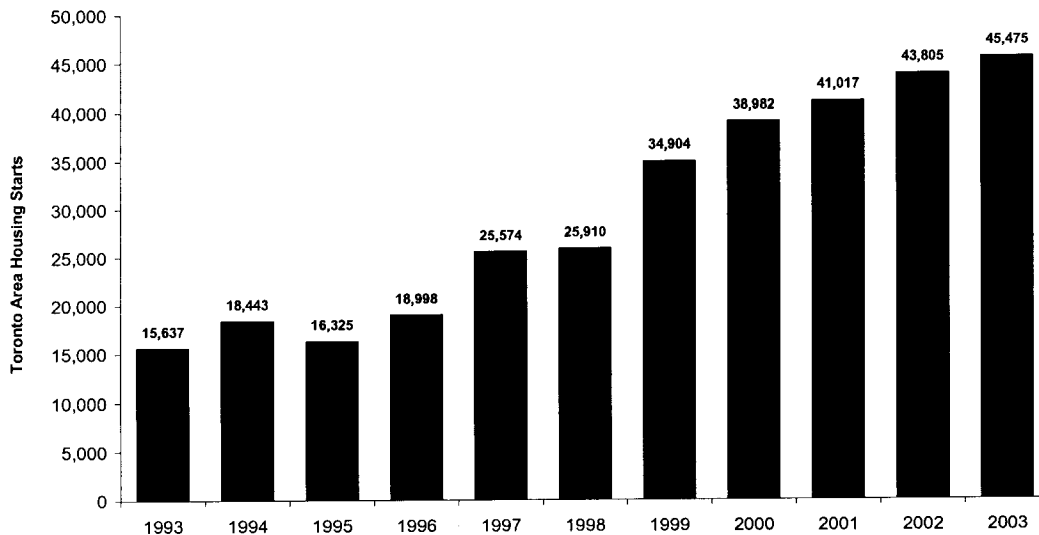
Management believes that the total amount of single family dwelling mortgage loans provided by alternative lenders has increased considerably over the past two decades. This growth is most pronounced in the GTA relative to other parts of Canada as a result of its large share of self-employed individuals, immigrants, and sustained economic growth.

The GTA Market

The residential mortgage financing business in the GTA is influenced by several factors that make it a fast growing and attractive mortgage financing market. The GTA has experienced a strong level of economic growth and has a diversified employment base that is not dependent on any one particular industry or employer, resulting in relatively stable real estate values and reduced market risk for mortgage lenders. The GTA also benefits from a relatively high incidence of immigration and a rapidly growing self-employed market segment. In 2002, 111,580 or 49% of all immigrants to Canada settled in Toronto. According to the most recent census, Toronto has one of Canada's highest percentages of self-employed workers, with the number of individuals increasing by over 10% since the previous census.

The Toronto Board of Trade has estimated that over \$10 billion of real estate developments were completed in Toronto in 2002, representing approximately one-third of all construction in Canada, and that approximately 54% of all residential construction in Canada in 2002 occurred in the Toronto area. Annual housing construction starts in the Toronto area increased from 15,637 in 1993 to 45,475 in 2003, representing a compound annual growth rate of 11.3%. The GTA continues to be the largest market for alternative single family dwelling mortgage financing in Canada.

Toronto Area Housing Starts January 1, 1993 to December 31, 2003



Source: Statistics Canada

Mortgage Brokers

A growing proportion of single family dwelling mortgages has been originated through mortgage brokers rather than directly through lending institutions. The mortgage brokers' principal role is to assess the creditworthiness of borrowers, present mortgage applications to financial institutions and secure the most favorable mortgage terms for borrowers. Mortgage brokers are paid a fee by the lenders based on the size of the mortgage approved and funded. The total number of residential mortgages originated through mortgage brokers has almost doubled in the last five years. According to the 2003 Mortgage Consumer Survey published jointly by Canadian Institute of Mortgage Brokers and Lenders and CMHC, 26% of all purchasers used a mortgage broker in 2003 compared to approximately 14% in 1999.

Industry Outlook

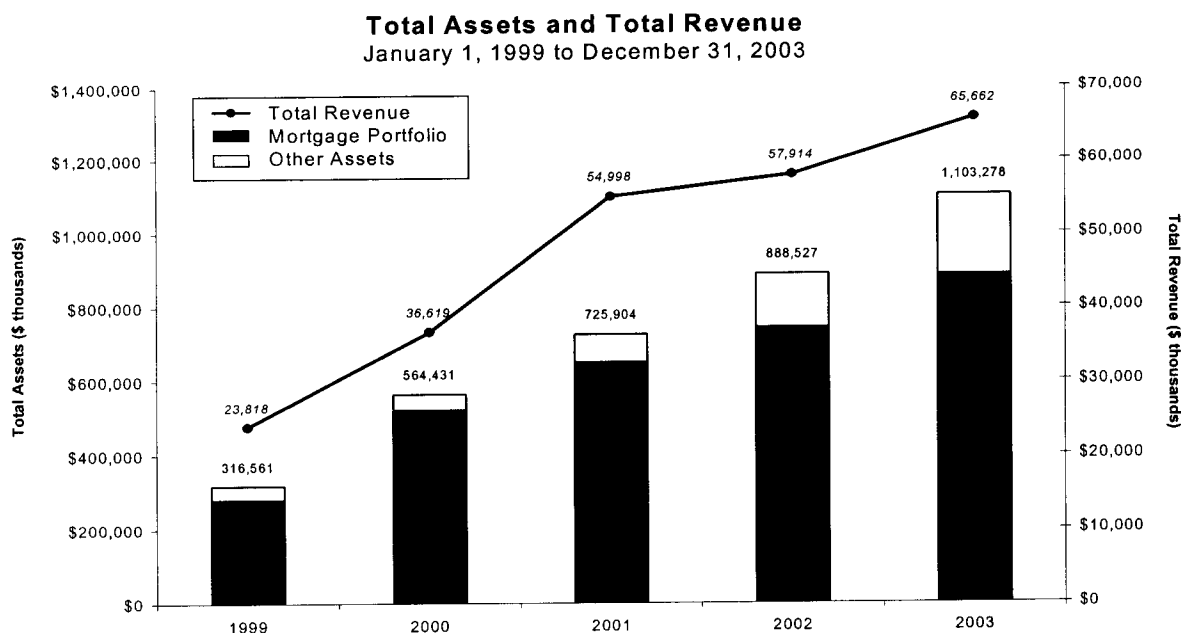
The Canadian residential mortgage financing industry has grown significantly over the past few years. Low interest rates and a strong economy have made home ownership more affordable and have generally made it easier for first-time home buyers to enter the market. As the population ages and older home owners move into more manageable and convenient housing, and as urban densities continue to increase, demand for multi-unit residential financing should continue to increase.

Within the GTA, additional long-term drivers of growth, including a strong employment market, sustained immigration and increased urbanization, remain in place. Management believes that the GTA continues to support a disproportionate level and rate of growth in alternative mortgage financing activity compared to other areas of Canada.

BUSINESS OF EQUITABLE TRUST

The Company provides mortgage financing to purchasers of properties located primarily in the GTA through its wholly-owned subsidiary, Equitable Trust. Equitable Trust's principal business is residential first mortgage financing to owners of multi-unit residential buildings and single family dwellings. In the single family dwelling segment, Equitable Trust is an alternative lender to borrowers who are unable to satisfy the strict underwriting

criteria of conventional bank mortgage lenders. In the past five years, Equitable Trust has experienced significant growth in its mortgage portfolio, total revenue and net earnings. From 1999 to 2003, Equitable Trust's aggregate mortgage portfolio, including off-balance sheet securitized mortgages, has increased at a compound annual growth rate of 17.7%. During the same period, total revenue and net earnings have increased at compound annual growth rates of 28.9% and 38.2%, respectively. This growth in the business has been achieved under the guidance and leadership of an experienced senior management team with an average of 15 years of industry experience. As at December 31, 2003, Equitable Trust had \$1.1 billion in total assets and had total revenue of \$65.7 million for the year ended December 31, 2003.



Equitable Trust accepts deposits from the public by issuing GICs and pays interest on deposits held to provide funding for its mortgage financing business. Deposits are largely originated through deposit agents, who are members of either the Investment Dealers Association (the "IDA") or the Federation of Canadian Independent Deposit Brokers (the "FCIDB"). In addition, Equitable Trust issues CMHC-insured mortgage-backed securities ("MBS") through a national program approved under the *National Housing Act* (the "CMHC-MBS Program"). Equitable Trust generates earnings from its MBS operations in the form of gains on the sale of mortgages securitized and recurring earnings from its retained interest in such mortgages. See "Business Overview – Mortgage-Backed Securities".

Equitable Trust operates a low cost business model compared to the six largest chartered banks. The Company operates from its single office location in Toronto and has no branches. Mortgage origination, mortgage administration and deposit-gathering functions are largely outsourced. Its low cost business model has enabled Equitable Trust to achieve a superior productivity ratio in 2003 of approximately 33.2%, compared to an average of 67.3% for the six largest Canadian chartered banks. Single family residential mortgages are originated through a large and growing mortgage broker network. The mortgage broker originated segment of the mortgage market produces a constant stream of mortgage financing opportunities for Equitable Trust which is substantially in excess of the volume of mortgage financing that Equitable Trust is able to fund. As a result, Equitable Trust funds less than 25% of all applications it receives. In this context, Equitable Trust can be selective in approving mortgage loan applications.

Corporate Strategy

The Company's objective is to enhance shareholder value by continuing to realize improved financial results within a prudent risk management framework. With fully-utilized capital, the Company targets a return on equity of 20% and an increase in earnings per share of 15% to 20% per year. Equitable Trust has historically achieved superior financial results through the following corporate strategy:

Niche Market Focus. Equitable Trust focuses on providing mortgage financing to the multi-unit residential market and serving as an alternative lender in the single family dwelling segment of the mortgage financing market within the GTA. In 2003, approximately 91% of Equitable Trust's mortgages were located in the GTA. This niche market strategy has been successful due to: (i) size of Equitable Trust's target market; (ii) the development by Equitable Trust of specialized mortgage underwriting expertise in such market; (iii) Equitable Trust's target market being characterized by less competition, attractive margins and increased growth potential; (iv) Equitable Trust's lower loan losses and lower administrative costs when compared to conventional lenders; and (v) Equitable Trust's strong reputation and increased brand awareness in the GTA.

Disciplined and Efficient Lending Practices. Equitable Trust emphasizes a strict, disciplined approach to mortgage financing, concentrating on sound risk selection. All loans are secured by a first mortgage and no uninsured mortgages exceed 75% of the value of independent third party property appraisals. Equitable Trust has clearly defined underwriting parameters that it adheres to in its mortgage approval process. The Company's underwriting approach places an emphasis on security evaluation and focuses on the borrower's practical likelihood of going into default. This underwriting approach is fact specific and flexible rather than being based upon rigid, uniform rules that are applied regardless of the surrounding circumstances. As a result, Equitable Trust can underwrite mortgages on favourable terms in situations where conventional lenders would typically decline to do so. Equitable Trust's conservative lending criteria has resulted in aggregate loan losses of approximately \$43,000 during the last five years, an amount equal to less than one one-hundredth of one percent (0.01%) of average mortgages outstanding during the period. Equitable Trust has not experienced a loss in the last ten years on either a multi-unit residential or a commercial mortgage loan. Equitable Trust's specialized underwriting expertise also enables it to make relatively fast and prudent decisions on mortgage applications, resulting in superior customer service.

Ability to Raise Deposits at Low Cost. Equitable Trust funds a large part of its operations through accepting deposits from the public across Canada, in the form of CDIC-insured GICs. This represents a diverse, low cost source of funds to support Equitable Trust's growth and enhance its financial strength. Equitable Trust sources its deposits both directly and through its national deposit agent network, which is comprised of both independent deposit agents as well as a growing number of Canadian bank-owned brokerages that operate across Canada.

Low Cost Business Model. Equitable Trust operates from its single office location in Toronto and has no branches. Mortgage origination and deposit taking functions are largely outsourced. The benefits of this business model include: (i) a low cost structure with a superior productivity ratio in 2003 of 33.2% compared to an average 67.3% for the six largest Canadian chartered banks; (ii) enhanced ability to increase profitability with little additional investment or staffing; (iii) precise asset liability matching through the ability to source GIC deposits that closely match mortgage and investment asset maturities; and (iv) a lower level of fixed costs, which permits increased flexibility and reduced operational risk.

Strategic Business Alliances. Equitable Trust has developed key business relationships with certain organizations in the mortgage lending industry, including FNFC, one of Canada's leading mortgage finance specialists. FNFC sources Equitable Trust's CMHC-insured multi-unit residential mortgages, which are subsequently securitized through the CMHC-MBS Program and sold to various institutional investors. In co-operation with FNFC, Equitable Trust has funded and securitized in excess of \$2.3 billion of mortgages under the CMHC-MBS Program since 1994. In addition, Equitable Trust has developed extensive relationships with mortgage brokers, who serve as Equitable Trust's primary source of single family dwelling mortgages, and with an expanding network of deposit agents, who act as intermediaries for the sale of GICs by Equitable Trust to the public.

Commitment to Financial Strength. Equitable Trust has a strong balance sheet with approximately \$77 million in shareholders' equity, over \$1.1 billion in total assets and regulatory capital of approximately \$94 million as at December 31, 2003. Equitable Trust is committed to maintaining strong capital ratios as a percentage of its risk-weighted assets. As at December 31, 2003, Equitable Trust had a total capital ratio of 11.3%. The Company intends to maintain this financial strength through disciplined lending practices and controlled growth, together with prudent levels of capital and leverage.

Strong Growth Orientation. Over the past five years, Equitable Trust has delivered compound annual growth rates of 36.6% and 38.2% in total assets and net earnings, respectively. These growth rates have been achieved as a result of Equitable Trust's focus on: (i) a high growth, niche market; (ii) expanding the size of its mortgage broker network; (iii) expanding its operational capabilities to support growth; and (iv) increasing its capital to support increased business volumes. Management is focused on continuing to deliver strong growth in the future.

Equitable Trust's corporate strategy has several competitive advantages including: (i) a strong reputation and increasingly recognized brand in its niche market; (ii) a large and expanding network of mortgage brokers; (iii) specialized mortgage underwriting expertise; and (iv) superior customer service.

Growth Initiatives

The Company's growth initiatives are designed to leverage its corporate strategy and competitive strengths and to take advantage of opportunities in its niche market. Management intends to grow the business and to achieve its financial objectives by executing its corporate strategy and pursuing the following growth initiatives:

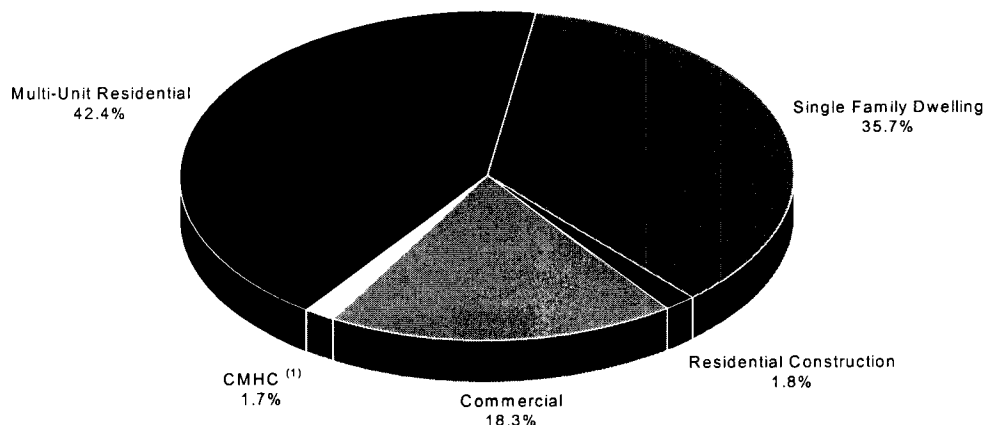
- *Capitalize on Strong Market Growth.* Management intends to capitalize on the growth in multi-unit residential and single family dwelling mortgages in the GTA serviced by alternative lenders.
- *Expand Mortgage Broker Network.* Equitable Trust currently sources substantially all of its single family dwelling mortgages through its network of approximately 80 mortgage brokers. Management intends to increase the size of this network in order to further increase its volume of mortgages originated by mortgage brokers.
- *Enhance Economies of Scale.* The Company intends to maintain its focus on outsourcing to expand volumes in its principal lines of business. Management expects the Company's margins to expand as growth in revenue exceeds increases in expenses.
- *Raise and Rapidly Deploy Capital.* As a public company, the Company will have enhanced access to capital. The Company intends to raise additional capital as required to increase its regulatory capital base to support the targeted growth of its mortgage financing business. Equitable Trust has taken steps to deploy rapidly the capital that is being raised in the Treasury Offering by exploiting pre-determined mortgage financing opportunities.

Business Overview

Mortgage Lending

Equitable Trust's principal business is residential mortgage financing. Equitable Trust's mortgage products consist of fixed and floating rate mortgages with terms of up to five years. The majority of Equitable Trust's mortgage financing business is in multi-unit residential properties and single family dwellings. In 2003, these two categories accounted for approximately 78% of Equitable Trust's mortgage portfolio. Over the past five years, Equitable Trust has diversified into the commercial mortgage financing market on a selective basis. Equitable Trust's mortgage portfolio also includes CMHC-insured mortgages and a small amount of residential construction loans. Equitable Trust's total mortgage portfolio was \$890 million as at December 31, 2003.

Mortgage Portfolio by Loan Category
As at December 31, 2003 (\$890 million)



1. CMHC-insured multi-unit residential mortgages, substantially all of which will be securitized under the CMHC-MBS Program.

Multi-Unit Residential Mortgages. As at December 31, 2003, 42.4% of Equitable Trust's residential mortgage portfolio was comprised of multi-unit residential mortgages. Multi-unit residential mortgage financing is an attractive segment of the market and provides a number of advantages, including:

- *Economies of Scale.* Mortgages for multi-unit residential buildings are much larger than single family dwelling mortgages. As a result of the larger mortgage size, Equitable Trust realizes efficiencies of scale and increased profitability.
- *Superior Credit Quality.* The credit quality of a multi-unit residential mortgage is typically superior to that of a single family dwelling mortgage since:
 - the underwriting criteria are more sophisticated and broader in scope;
 - a large number of tenants effectively service the mortgage, the repayment of which is not dependent on only one or two sources of income;
 - net cash flows are more predictable and verifiable;
 - professional managers typically manage multi-unit residential properties with a view to low vacancy rates, cash flow and property maintenance; and
 - multi-unit residential properties tend to retain a greater amount of their value through economic cycles, since they are a preferred asset class of real estate investors.

Equitable Trust has not realized any loan losses during the last ten years on multi-unit residential mortgages.

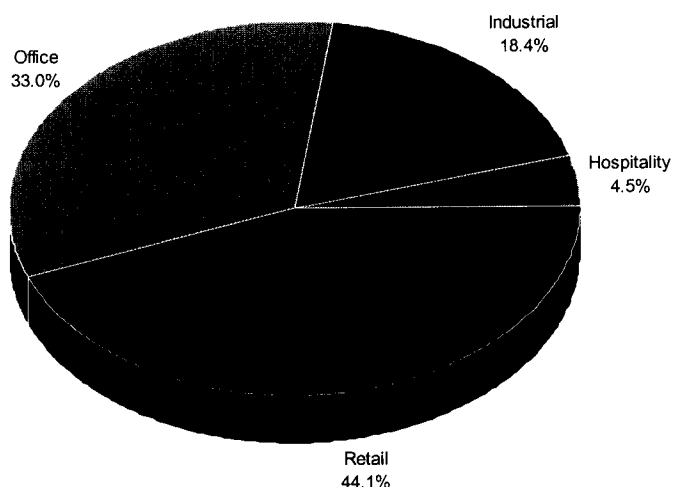
Single Family Dwelling Mortgages. In the single family dwelling market segment, Equitable Trust focuses on offering mortgages to borrowers who have difficulty qualifying for financing from conventional financing institutions. Management estimates that one out of every five potential mortgage borrowers does not qualify for a mortgage with a conventional lender due to the borrower's self-employed status, past credit issues, length of time in Canada or the lender's difficulty with earnings verification. Equitable Trust has focused on the alternative mortgage financing market segment because:

- it is a large and growing market segment within the GTA;
- this market segment is underserved and has attractive margins and high growth potential;
- its strict underwriting criteria emphasize security evaluation and any likelihood of default, so that credit risk is managed effectively; and
- its experience and expertise as an alternative lender provide Equitable Trust with a competitive advantage.

Substantially all of Equitable Trust's single family dwelling residential mortgages are originated by mortgage brokers. The volume of mortgage applications provided by these brokers greatly exceeds the volume of mortgage financing Equitable Trust is able to fund. Typically, Equitable Trust funds less than 25% of all applications received. As a result, Equitable Trust is able to be selective in its approval process.

Commercial Mortgages. As at December 31, 2003, approximately \$163 million in mortgages or 18.3% of Equitable Trust's mortgage portfolio was comprised of commercial mortgages. The commercial mortgage portfolio primarily consists of mortgages in the retail, office, industrial and hospitality sectors. The majority of Equitable Trust's commercial mortgages originate from applications made directly to Equitable Trust, generally to borrowers that are known to Equitable Trust's senior management and that satisfy its detailed underwriting criteria. Equitable Trust's lending limit for commercial mortgages pursuant to the TLCA is 25% of total mortgages. Equitable Trust has not realized any loan losses during the last ten years on commercial mortgage loans. Retail and office sectors accounted for approximately 77% of the commercial mortgage portfolio as at December 31, 2003.

Commercial Mortgage Portfolio
As at December 31, 2003 (\$163 million)



GTA Geographic Focus. As at December 31, 2003, approximately 91% of Equitable Trust's mortgages (80% by dollar value) were located in the GTA, excluding mortgages that are securitized under the CMHC-MBS Program. Equitable Trust has made the strategic decision to maintain this geographic focus for the following reasons:

- *Population Size and Growth.* The GTA has one of the highest population concentrations in Canada and is one of the fastest growing regions in Canada. According to the Toronto Board of Trade, one-quarter of Canada's population lives within a 100-mile radius of Toronto.
- *Large Market for Alternative Mortgage Lenders.* The GTA benefits from a large share of overall immigration to Canada and a growing self-employed market segment, both key drivers for an expanding market of borrowers who are often unable to obtain mortgage financing from conventional lenders and who require alternative mortgage lenders to satisfy their mortgage financing requirements.

- *Stable Real Estate Values.* The GTA has experienced a strong level of economic growth and has a diversified employment base that is not dependent on any one particular industry or employer. These factors contribute to stable real estate values and lower market risk.
- *Superior Management Oversight.* A narrow geographic focus allows management to have better oversight over the real estate it finances, as all financed properties are within a few hours driving distance. This allows management to maintain specific expertise on the mortgages it underwrites and more closely manage and monitor any non-performing loans.

Mortgages outside of Ontario are located in major cities across Canada and primarily represent warehoused mortgages that are pooled and sold through the CMHC-MBS Program. See "Business of Equitable Trust - Mortgage-Backed Securities".

Mortgage Origination. Mortgage brokers originated approximately 86.8% of the principal amount of Equitable Trust's mortgage portfolio as at December 31, 2003. Two mortgage brokerage firms provided Equitable Trust with approximately 49.1% of its brokered mortgages. The remainder of the brokered mortgages were originated by approximately 80 mortgage brokers, none of which provided more than 3% of the total dollar volume of brokered mortgages.

Equitable Trust's origination and underwriting operations currently consist of a multi-unit residential/commercial team and a single family residential team. Both teams accept applications on a direct basis as well as through mortgage brokers.

Mortgage Lending Policies. Equitable Trust's strict underwriting criteria are intended to minimize risks inherent in its target market. Substantially all of Equitable Trust's residential mortgage financing adheres to the following criteria:

- uninsured loans must not exceed 75% of the property value;
- for single family dwelling mortgages, debt ratios of applicants must not exceed 32% gross debt service ratio and 42% total debt service ratio; and
- for multi-unit residential mortgages, loans must have a minimum debt service coverage ratio of 1.2 times.

Commercial mortgages are approved on a selective basis according to the following lending guidelines:

- loans must not exceed 75% of the property value; and
- substantially all loans must have a minimum debt service coverage ratio of 1.2 times.

Mortgage Administration. Equitable Trust administers substantially all of its single family dwelling mortgages and a significant portion of the balance of mortgages in its portfolio. The key functional areas in Equitable Trust's mortgage administration department include funding, renewals management, property tax administration, property insurance administration and arrears management.

An important component of Equitable Trust's profitable business model is the ability to charge commitment fees, renewal fees and discharge penalties. Equitable Trust has comprehensive automated systems that ensure that these fees are collected promptly when due and are correctly calculated. In addition, Equitable Trust's mortgage administration department ensures that management is provided with real-time reporting of the status of all outstanding mortgages. This assists management in the timely collection of arrears when they arise.

Equitable Trust has implemented a number of policies and procedures in the administration of its mortgage portfolio, which have contributed to its negligible loan losses. Equitable Trust's aggregate loan losses over the last five years amounted to approximately \$43,000, or less than one one-hundredth of one percent (0.01%) of the average mortgage balance in the period. In the past ten years, Equitable Trust has not experienced a loss on any of its multi-unit residential or commercial mortgages.

Deposit Taking

Equitable Trust is a federally regulated deposit taking institution and is a member institution of CDIC. Deposits taken by Equitable Trust are insured by the Government of Canada for up to \$60,000 per depositor. Deposits provided Equitable Trust with over 90% of the funding required for its mortgage financing and investment business as at December 31, 2003.

Equitable Trust's deposit products consist solely of GICs, issued for fixed terms ranging in duration from 30 days to 5 years. Equitable Trust guarantees payment of the principal amount plus interest to the GIC holder at its maturity. These GICs may not be redeemed prior to maturity other than in limited situations, such as the death of the GIC holder. As at December 31, 2003, Equitable Trust had approximately 49,000 GIC deposits totalling approximately \$970 million, with an average deposit size of \$19,820.

Equitable Trust sources its deposits indirectly through the use of deposit agents and directly from customers who purchase GICs from Equitable Trust at its head office. Deposit agents are organizations, which act as intermediaries between GIC investors and the issuing financial institutions and assist GIC investors in selecting the highest available interest rates for the product selected. Deposit agents are paid a fee equal to 20 to 25 basis points of the deposit calculated on an annualized basis by the issuing financial institution with which the deposit is placed. As at December 31, 2003, approximately 89% of Equitable Trust's GICs were sourced through deposit agents.

Equitable Trust uses deposit agents who are members of either the FCIDB or the IDA. FCIDB members tend to be small to medium-sized regionally based deposit agents, while IDA members include bank-owned brokerages and other large investment dealers. Equitable Trust utilizes a deposit agent network of more than 50 agents. There are several advantages of using deposit agents compared to sourcing GICs directly, including:

- *Wide distribution at low cost.* Deposit agents are located across Canada and provide Equitable Trust with national distribution without the cost of maintaining a branch network.
- *Asset liability matching.* By using deposit agents, Equitable Trust can select the GIC terms it wishes to offer at any particular time. This flexibility allows Equitable Trust to attract funds as required with specific maturity terms.
- *Low cost of funds.* The large pool of deposit agents available creates a greater market for Equitable Trust's GICs, which, in turn, results in a low overall cost of funds for Equitable Trust.

In 2003, Equitable Trust became licensed as a deposit taking institution in all provinces and territories of Canada, allowing it to seek out and obtain deposit agents of all sizes throughout Canada. As a result, Equitable Trust has significantly increased its ability to distribute GICs. National registration allows Equitable Trust to obtain deposits from the Canadian bank-owned brokerages, since they typically require the GIC issuers with which they deal to have a national distribution capability. The Canadian bank-owned brokerages are particularly attractive sources of GICs because of their extensive distribution capabilities and the large volume of assets that they administer. In addition, the Canadian bank-owned brokerage systems are compatible with Equitable Trust's systems, providing a smooth and efficient communication of data and transfer of funds. To date, Equitable Trust has succeeded in concluding agency agreements with four Canadian bank-owned brokerages and expects to conclude agreements with an additional Canadian bank-owned brokerage in the near future.

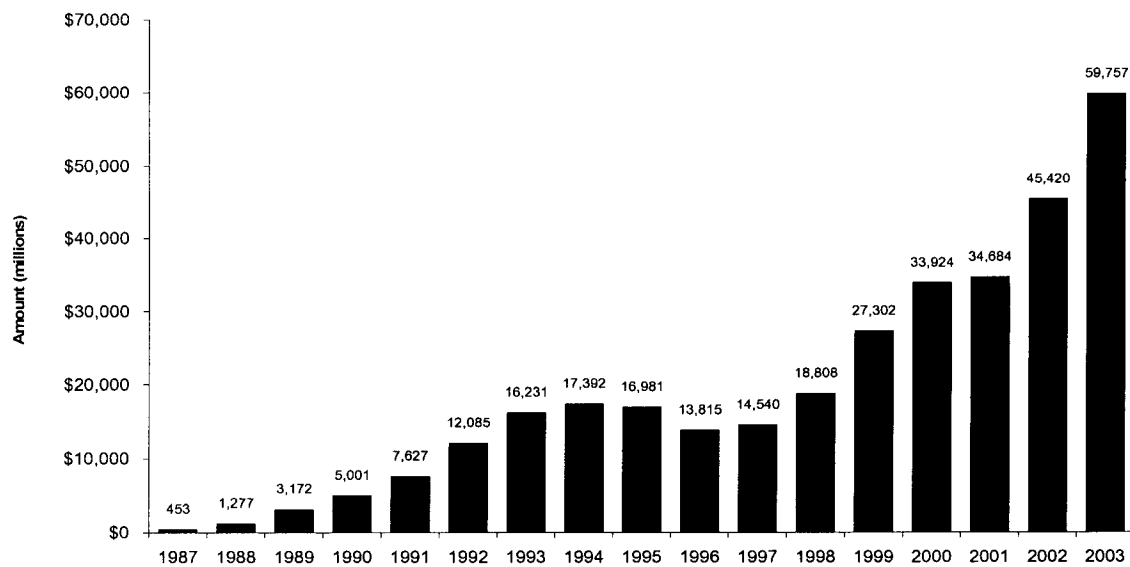
Mortgage-Backed Securities

CMHC-MBS Program. The Government of Canada, through its member agency CMHC, is a major participant in residential mortgage financing in Canada. As a means of expanding available residential mortgage financing to Canadians, the Government of Canada established the CMHC-MBS Program, whereby financial institutions finance their CMHC-insured residential mortgages through issuing MBS to public investors in addition to taking

deposits from the public (such as GICs) to finance these activities. In order to qualify for the CMHC-MBS Program, mortgages must be CMHC-insured on either single family dwellings or multi-unit residential properties. The CMHC-MBS Program offers investors the guarantee of timely payment of principal and interest.

The CMHC-MBS Program has funded over \$130 billion in mortgages since inception in the late 1980's, with almost \$60 billion in principal outstanding as at December 31, 2003.

Canadian Residential Mortgage-Backed Securities As at December 31



Source: Statistics Canada

Equitable Trust Participation in CMHC-MBS Program. Since 1994, Equitable Trust has funded and securitized in excess of \$2.3 billion of mortgages under the CMHC-MBS Program in cooperation with FNFC. Equitable Trust's participation in the CMHC-MBS Program has been a steady, profitable and low-risk area of business.

In 1994, Equitable Trust entered into an exclusive agreement with FNFC (the "FNFC Agreement") whereby Equitable Trust would fund CMHC mortgages originated by FNFC across Canada and securitize these mortgages through the CMHC-MBS Program. FNFC is a privately owned Canadian financial services company, with over \$10 billion of assets under administration which provides a full range of mortgage products and services to individuals and investors. FNFC has also developed specialized expertise in innovative securitized financing programs to specifically meet the unique financing needs of the Canadian mortgage marketplace. FNFC has been rated "Acceptable" by Fitch Rating Services and Standard & Poors as a master commercial mortgage-backed securities servicer (a "Servicer"), one of the first Canadian institutions to attain this status.

Under the FNFC Agreement, FNFC and Equitable Trust share income related to the securitization of mortgages on an equal basis. All risks are also equally shared, including any credit risk, claims risk, interest rate risk during prescribed periods and any unscheduled prepayment risk. During the nine years that Equitable Trust has participated in the CMHC-MBS Program, there have been no losses on the mortgage portfolio relating to any CMHC claims.

As the issuer of the MBS, Equitable Trust retains the responsibility for administering CMHC-insured mortgages after their sale to investors through the CMHC-MBS Program until the maturity of the mortgage. However, Equitable Trust has outsourced this administrative function to FNFC and pays a market rate fee to FNFC for this service. FNFC also manages the arrears, sale and claims process, and has been granted status on the accelerated claim payment plan with CMHC.

The FNFC Agreement expires on December 31, 2009. Management believes that, upon the expiry or premature termination of the FNFC Agreement, it could retain other MBS Servicers or bring this servicing in-house using Equitable Trust's own administrative staff.

Under the CMHC-MBS Program, all principal receipts from mortgages are passed through to MBS investors together with interest at the MBS coupon rate. Interest payable on MBSs is less than the interest earned in connection with the underlying mortgages. This excess interest is shared equally by FNFC and Equitable Trust, net of the fee paid to FNFC for its administrative services and represents ongoing earnings to Equitable Trust.

There are two primary risks associated with Equitable Trust continuing to hold an interest in these securitized assets: (i) prepayment risk, which is the risk that the asset will be discharged prior to all of the interest receivable being collected; and (ii) credit risk, which is the risk that the borrower will fail to honour its obligations. Equitable Trust has mitigated prepayment risk by ensuring that each securitized mortgage bears early discharge penalties by which Equitable Trust recovers its full receivable. Credit risk is also mitigated as a result of the mortgages being CMHC-insured.

Equitable Trust funded and securitized \$531 million of CMHC-insured mortgages in 2003. Total MBS income in 2003 was approximately \$3.7 million compared to \$2.3 million in 1999. As a percentage of Equitable Trust's net revenue, total MBS income decreased to 13.8% in 2003 from 27.4% in 1999.

Competition

Equitable Trust's products, including mortgages and GICs, compete with those offered by other trust companies, banks, insurance companies and other financial institutions. In the alternative single family dwelling mortgage lending segment, Equitable Trust competes with Home Capital Group Inc. Equitable Trust also competes with unregulated mortgage lenders who provide mortgage financing in this segment. Canadian chartered banks, insurance companies and other financial institutions compete with Equitable Trust in the multi-unit residential and commercial mortgage lending segments as well as in the GIC market. See "Risk Factors – Competition".

Facilities

The Company does not own any real property. The Company leases 9,500 square feet of office space, for both its executive and administrative offices, at 30 St. Clair Avenue West, Suite 700, Toronto, Ontario.

Intellectual Property

The Company protects its intellectual property assets through a combination of copyright and trademark registration. The Company pursues the registration of its trademarks and servicemarks in Canada and other countries as required. Both of "The Equitable Trust Company" and the related logo design are trademarks of Equitable Trust and applications for those trademarks have been filed with the Canadian Trademark Office.

Disaster Recovery Planning

Equitable Trust has a disaster recovery plan with detailed procedures to respond to various types of disasters. Equitable Trust regularly reviews and tests its disaster recovery plan to ensure the systems and procedures in place comply with current business requirements. The disaster recovery plan enables Equitable Trust's executive and administrative departments to operate from remote locations, if required. As part of the disaster recovery plan, Equitable Trust maintains a fully duplicated set of key systems, including software and applications, at a secure off-site facility with guaranteed power and network services.

Equitable Trust also employs a bonded, third party company to collect backup data tapes on a daily basis and to maintain these tapes at a secure off-site location. In addition to daily rotation of the backup data tapes, such third party permanently archives a set of month end backup data tapes at its facility.

Employees

As at December 31, 2003, Equitable Trust employed 40 people on a full-time basis. Of these employees, excluding the chief executive officer of the Company, thirteen were involved in mortgage administration, twelve in credit and underwriting, four in GICs, eight in accounting and finance and two in office administration. Management believes that Equitable Trust has an excellent relationship with its employees, none of whom is a member of a collective bargaining unit.

Privacy

Equitable Trust recognizes the sensitivities of personal information and places a high priority on protecting the privacy of this information. Employees bear the responsibility of ensuring that all personal information to which they have access is kept confidential. Equitable Trust maintains physical, procedural and electronic safeguards to protect confidential information from unauthorized access. Equitable Trust does not share information about customers, except as permitted by law, and makes every effort to protect confidential personal information by ensuring that appropriate controls are in place and are reviewed on an ongoing basis to ensure compliance with its security and privacy policies.

REGULATORY MATTERS

The Company

As a condition of obtaining certain regulatory approvals for the formation of the Company as the holding company of Equitable Trust, the Company acknowledged its ongoing support for the operational and capital needs of Equitable Trust in accordance with the Support Principle of the Office of the Superintendent of Financial Institutions (Canada) ("OSFI"). The Company also provided undertakings to OSFI that the Company will:

- grant OSFI access to its records, including financial information and personnel;
- notify OSFI in the event of the resignation of its external auditors;
- not undertake any substantial investments without OSFI notification;
- notify OSFI with respect to the issuance of any significant debt obligations or preferred shares and, if applicable, any material changes to any management or service agreements; and
- notify OSFI if it plans to change its primary business activity, which is acting as a holding company.

Equitable Trust

Equitable Trust is subject to regulation and supervision by regulatory authorities in the jurisdictions in which it is incorporated and licensed to carry on business. Such regulation and supervision is designed to protect depositors and creditors of financial institutions rather than investors. Equitable Trust believes that it is in material compliance with all applicable regulatory requirements. It is not possible to predict the future impact of changing federal and provincial regulation on its operations, and there can be no assurance that laws and regulations enacted in the future will not be more restrictive than existing laws. The following is a brief discussion of certain regulatory and supervisory matters applicable to Equitable Trust's operations.

Equitable Trust was incorporated in 1970 as a trust company under the predecessor statute to the federal TLCA. It is licensed under provincial or territorial trust and loan legislation to carry on business in each province and territory in which it operates. Provincial and territorial regulation deals primarily with the sale and marketing of financial products, such as cost of borrowing disclosure.

The TLCA and provincial and territorial legislation require the filing of Equitable Trust's annual and other reports on its financial condition, impose restrictions on transactions with related parties and sets out requirements governing capital requirements and other matters. The TLCA is administered by, and the activities of Equitable Trust are supervised by, OSFI. The Superintendent of Financial Institutions (Canada) (the "Superintendent") is responsible to the Minister of Finance (Canada) (the "Minister") for the supervision of federal trust and loan companies and other federal financial institutions. The Superintendent must, at least once a year, examine the business and affairs of Equitable Trust for the purpose of determining whether Equitable Trust is in sound financial condition, complying with its governing statute and supervisory requirements, and report to the Minister. Equitable Trust must make periodic reports to the Minister and the Bank of Canada.

Where the Superintendent is concerned about an unsafe course of conduct or an unsound practice in conducting the business of a financial institution, the Superintendent may direct the financial institution to refrain from a course of action or to perform acts necessary to remedy the situation. The Superintendent may, in certain circumstances, take control of the financial institution.

Investment Powers

The Board of Directors of Equitable Trust must establish, and Equitable Trust must adhere to, investment and lending policies, standards and procedures that reasonably would apply to a portfolio of investments and loans to avoid undue risk of loss and to obtain a reasonable return. Equitable Trust has established policies, standards and procedures to meet its statutory obligations.

The TLCA places certain restrictions on Equitable Trust's residential mortgage financing activity. A federal trust and loan company may not make a loan in Canada on the security of residential property where the amount of the loan, together with the amount of any other mortgage loan then outstanding having an equal or prior claim against the property, would exceed 75% of the value of the property. Certain exceptions are made for certain residential mortgages, including those made or guaranteed under the NHA or other federal legislation, or where the amount of the loan in excess of the 75% value is guaranteed by a government agency or private insurer approved by the Superintendent.

The TLCA provides broad powers to invest in securities, but limits substantial investments in other entities. An institution will have a substantial investment in an entity if it has direct or indirect beneficial ownership of voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of a body corporate, shares representing more than 25% of the shareholders' equity of a body corporate, or more than 25% of the ownership interests in an unincorporated entity.

The TLCA permits trust and loan companies to make controlling and, in certain circumstances, non-controlling substantial investments in certain permitted investments, including Canadian banks and their holding companies, trust and loan companies, insurance companies and their holding companies, cooperative credit societies, entities primarily engaged in dealing in securities (including investment counselling and portfolio management), in foreign entities that are primarily engaged outside Canada in a business that if carried on in Canada would be the business of banking, the business of a cooperative credit society, the business of insurance, the business of providing fiduciary services or the business of dealing in securities, and in factoring, finance, financial leasing, specialized financing and financial holding entities. The TLCA also permits substantial investments in information services, investment counselling and portfolio management, mutual fund, mutual fund distribution, real property brokerage, real property and service entities, among other investments.

The TLCA places certain restrictions on investments in commercial loans, real property interests and equity acquisitions other than permitted investments. Since Equitable Trust has regulatory capital greater than \$25 million, with the prior approval of the Superintendent and subject to any terms and conditions, Equitable Trust may make commercial loans in excess of 5% of its total assets. Equitable Trust may hold real property interests so long as the aggregate value of those interests and improvements to those interests does not exceed 70% of its regulatory capital. Equitable Trust may not hold participating shares in a body corporate or ownership interests in an unincorporated entity, other than a permitted entity, if their aggregate value would exceed 70% of its

regulatory capital. In addition, on an aggregate basis, Equitable Trust may not acquire shares or ownership interests in entities or interests in real property if the aggregate value of those investments would exceed 100% of its regulatory capital.

Capital Requirements

Equitable Trust must maintain, in relation to its operations, adequate capital and adequate and appropriate forms of liquidity. The Superintendent may direct an institution to increase its capital or to provide additional liquidity. Regulatory capital requirements have been implemented through guidelines issued by the Superintendent and, with respect to trust and loan companies, are based on standards issued by the Bank for International Settlements.

OSFI expects trust and loan companies to meet an asset-to-capital multiple test, which is calculated by dividing the company's total assets, including specified off-balance sheet items, by its total capital. Under this test, total assets should be no greater than 20 times capital, although this multiple can be exceeded with the Superintendent's prior approval to an amount no greater than 23 times, and the Superintendent may prescribe a lower multiple. Equitable Trust's authorized asset-to-capital multiple is 17.5 times. The asset-to-capital multiple was 11.7 times as at December 31, 2003.

Under the risk-based capital adequacy framework, a trust and loan company's minimum capital requirement is defined as a ratio of total capital divided by the sum of risk-weighted assets and risk-weighted off-balance sheet items. At present, the framework for calculating risk-weighted amounts covers counterparty credit risk and, for qualifying deposit taking institutions, market risk. In the future, the Superintendent may adjust capital requirements so that other risks - interest rate risk, operational risk and lending risk - may be formally considered.

The Superintendent may prescribe a risk-based capital ratio requirement for each deposit taking institution. Where a higher ratio has not been prescribed specifically, trust and loan companies are expected to maintain a minimum risk-based tier 1 capital ratio of at least 7% and a total capital ratio of at least 10%.

Restrictions on Dividends and Capital Withdrawals

Federal trust and loan companies require regulatory approval prior to withdrawal of capital and, in certain circumstances, prior to the payment of dividends. The Board of Directors of Equitable Trust may not declare, and may not pay a dividend if there are reasonable grounds for believing that the payment would cause Equitable Trust to be in contravention of any regulation or direction of the Superintendent respecting the maintenance of adequate capital and liquidity. The Board of Directors of Equitable Trust may not declare and may not pay a dividend in any financial year without the approval of the Superintendent if, on the day that the dividend is declared, the total of all dividends declared by Equitable Trust in that year would exceed the aggregate of Equitable Trust's net earnings up to that day and of its retained net earnings for the preceding two financial years. The TLCA also requires a trust and loan company to notify the Superintendent of the declaration of a dividend at least ten days prior to the day fixed for its payment. For information regarding the Company's dividends, see "Dividend Policy".

The TLCA also prohibits the purchase for cancellation of any shares issued by a trust and loan company or the redemption of any redeemable shares or other similar capital transactions if there are reasonable grounds for believing that a company subject to the TLCA is, or the payment would cause such company to be, in contravention of its applicable capital requirements. These latter transactions would also require the prior approval of the Superintendent.

Constraints on Ownership of Shares

The TLCA places restrictions on the purchase or other acquisition, issue, transfer and voting of any shares of a trust and loan company. No person is permitted to acquire shares of Equitable Trust, or to acquire control of an entity that holds shares of Equitable Trust if the acquisition would cause the person to have a "significant interest" in any class of shares of Equitable Trust, unless the prior approval of the Minister is obtained. A person has a significant interest in a class of shares of a trust and loan company where the aggregate of any shares of that class beneficially owned by that person, or by an entity controlled by that person and by any person associated with or acting jointly or in concert with that person, exceeds 10% of all outstanding shares of that class of shares of such company.

No person who has a significant interest in Equitable Trust may exercise any voting rights attached to the shares held by that person unless the required approval of the Minister is obtained. If a person contravenes any of these restrictions, the Minister may by order direct that person to dispose of all or any portion of those shares.

Subject to certain exceptions, within a statutory time period after a trust and loan company's equity reaches \$1 billion, 35% of its voting shares must be listed and posted for trading on a recognized Canadian stock exchange and those shares must not be beneficially owned by a major shareholder of the company.

Canada Deposit Insurance Corporation

Equitable Trust is a member institution of the CDIC. The CDIC insures certain "deposits" (as defined in section 2 to the *CDIC Act*) held at member institutions. The CDIC has adopted by-laws for its member institutions, including those establishing Standards of Sound Business and Financial Practices. According to these standards, a board of directors of a member institution is expected to establish the business objectives of the institution and to evaluate the institution's operational and financial results against forecast results. The board of an institution is expected to have an understanding of the liquidity and funding needs and capital needs of the institution, to establish prudent policies to address those needs and to review those policies annually to ensure that they remain appropriate. Moreover, the board is expected to obtain reasonable assurance regularly that the institution has an appropriate control environment, and to establish the mandate of and approve the funding and plan for the institution's independent inspection and audit function. The board of directors is expected to have an understanding of the risks inherent in its business, including credit, market, structural, fiduciary and operational risk, and to establish and review at least annually prudent risk management policies for those risks. At times mandated by the standards, senior management and the board of directors of the institution must acknowledge their responsibilities under the standards and attest to the institution's ability to meet those standards in its operations. The board of directors of the institution must approve a "standards report" that is filed with the CDIC.

The level of deposit insurance premiums and the frequency of filing reports with the CDIC are related to the classification of the member institution under the CDIC Differential Premiums By-law. Under this By-law, each member institution is classified by a premium category that is based on a rating of the quantitative and qualitative factors and criteria assigned to it by a CDIC examiner. A CDIC member institution is not permitted to disclose CDIC premium rate information, including examiner's ratings.

Equitable Trust believes that it has taken appropriate steps to fulfil its responsibilities under the CDIC standards.

Financial Consumer Agency of Canada

Under the *Financial Consumer Agency of Canada Act*, the Financial Consumer Agency of Canada (the "Agency") enforces consumer-related provisions of federal statutes that govern financial institutions. "Consumer provisions" include TLCA provisions dealing with customer complaint procedures, notice requirements regarding CDIC insurance and disclosure obligations regarding borrowing costs and deposit account charges.

The Commissioner of the Agency (the "Commissioner") has the duty to supervise federal financial institutions to determine whether they are in compliance with consumer provisions that apply to them. The Commissioner has

the power to issue notices of violation and to compel the disclosure of personal information necessary to ensure compliance. In addition, the Commissioner may carry on any activity in furtherance of consumer awareness of financial institution obligations under applicable consumer provisions.

The Commissioner must report to the Minister on all matters connected with the administration of the FCAC Act and consumer provisions of other federal statutes, including the TLCA.

Anti-money Laundering and Anti-terrorism Legislation

In June 2000, Canada enacted legislation now entitled the *Proceeds of Crime (Money Laundering) and Terrorism Financing Act* to implement measures to assist in detecting and deterring money laundering and to facilitate the investigation of money laundering offences. That legislation and its regulations impose reporting, record-keeping and "know your client" obligations on certain financial institutions, including trust and loan companies. Under that Act's regulations, trust and loan companies must report to a federal agency, the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"), any transaction that they have reason to suspect relates to the commission of a money laundering offence. In addition, companies have an obligation to report to FINTRAC or other agencies cross-border currency and electronic funds transfers as well as large cash transactions over a certain monetary threshold. Companies are required to verify the identity of their customers in a prescribed manner and to retain certain customer records for prescribed periods.

In addition, in response to the events of September 2001, the Canadian *Criminal Code* was amended to prohibit financial institutions and other persons from knowingly dealing in property or providing financial services to persons listed in federal regulations known to be involved in terrorist activities. Financial institutions must search their customer records and report to Canadian regulators and law enforcement agencies identified property or accounts of listed persons.

Equitable Trust has established appropriate policies and procedures to ensure compliance with these anti-money laundering and anti-terrorism regulatory requirements.

Risk Management

Equitable Trust has established policies and procedures for monitoring and adjusting its mortgage portfolio and other investments. These policies and procedures, which are in compliance with the applicable requirements of the TLCA and CDIC, respectively, relate to assessing and managing credit risk, market risk, asset liability matching risk and liquidity risk. Equitable Trust also continuously monitors its relations with its outsourcing counterparties in order to manage the risks associated with them.

Credit Risk. Credit risk relates to the potential for financial loss resulting from the failure of a borrower or any counterparty to fully honour its financial or contractual obligations, such as the failure to repay principal and/or interest on the mortgage. Equitable Trust's framework for the management of credit risk includes a corporate structure of policies and procedures, as well as measurement and monitoring practices that are designed to protect depositors.

In this context, reviews of credit policies and lending practices are regularly undertaken by senior management and approved by the investment committee (the "Investment Committee") of the Board of Directors of Equitable Trust. Equitable Trust's policies include credit approval at different levels of senior management and/or by the Investment Committee, depending on the size and the circumstances of the particular mortgage. The internal audit department verifies that Equitable Trust's policies and procedures with respect to credit risk management are being adhered to in all material respects. All internal audit reports are referred to the audit committee of the Board of Directors (the "Audit Committee") and the Board of Directors. The Investment Committee of the Board of Directors of Equitable Trust reviews quarterly compliance with the credit risk policies established by Equitable Trust.

Equitable Trust's credit risk management policies outline credit risk philosophy and describe overall risk tolerance levels relative to the desired return for risk undertaken. These policies set out parameters under which credit risk

is to be controlled. Prescribed procedures establish the basis for how credit is to be granted, measured, monitored and reported. Each credit proposal is subjected to an appropriate level of analysis for credit riskworthiness of the borrower and the underlying security. Under Equitable Trust's lending criteria, all mortgages are individually evaluated under a risk rating system to determine the level of risk to be attributed to each mortgage. In accordance with CDIC Standards of Sound Business and Financial Practices, credit risk policies include the annual review of all commercial mortgages.

In addition, all loans that are in arrears are reviewed to determine if there is any possibility of impairment. Generally, a loan is classified as impaired when management is of the opinion that there is no longer reasonable assurance of full and timely collection of principal and interest. On a regular basis, senior management reviews all loans in these categories, in order to determine the appropriate loan loss reserves. For information regarding Equitable Trust's loan loss history see "Business of Equitable Trust - Mortgage Lending".

Market Risk. Market risk is the risk that the market value of assets invested by Equitable Trust decreases so significantly so as to be less than the cost of the investment to Equitable Trust. Market risk is most relevant where Equitable Trust must liquidate investments while their market value is deficient. All assets are subject to market risk, particularly mortgages and investments held in Equitable Trust's securities portfolio.

Equitable Trust continuously monitors the real estate market to determine possible changes in market values. Whenever there is concern with respect to downturns, Equitable Trust will adjust its lending criteria (i.e. lower maximum loan to property value ratios) on any further financing on affected types of properties to match the severity of the perceived risk. Whenever a mortgage goes into arrears, legal action is immediately taken to advance Equitable Trust's security position and decrease the time limits required to pursue appropriate remedial action.

The market value of investments in Equitable Trust's securities portfolio is monitored closely by Equitable Trust for possible adverse market value changes resulting from changes in interest rates. Should market conditions warrant, investments in the securities portfolio may be liquidated.

Asset Liability Matching Risk. Asset liability management ensures that Equitable Trust will have sufficient liquid resources to honour all obligations as they come due and to manage interest rate exposure. This is accomplished through the matching of the maturities of liabilities to assets and vice versa. If there is a large mismatch in any particular period, Equitable Trust is exposed to either interest rate risk or to the risk that it will be unable to fund its maturing liabilities as they become due.

Equitable Trust manages its asset liability maturity profile by adjusting interest rates on a daily basis to raise deposits with the proper maturities to match the maturity profile of assets being funded. See "Business of Equitable Trust - Deposit Taking". It is Equitable Trust's policy that it will not allow an annual maturities gap, on all maturities longer than one year, in excess of 5% of its total assets. In practice, rates are adjusted daily in order to restrict maturity gaps on mortgages and deposits commencing with month 13 to less than \$1,000,000. This practice, together with the liquidity policies and procedures of maintaining liquid assets at 6% of total assets, and having a \$10 million contingent credit facility, mitigates risks associated with the mismatching of asset liability maturities.

Equitable Trust's internal audit department confirms compliance with its interest rate risk and liquidity policies ("Liquidity Policies"). All internal audit reports are presented to the Audit Committee and the Board of Directors of Equitable Trust for review.

Liquidity Risk. Equitable Trust is subject to liquidity requirements as required under the TLCA and CDIC, respectively. Equitable Trust must maintain liquid assets, based upon guidelines of the CDIC Standards of Sound Business and Financial Practices. These policies are reviewed regularly by the Board of Directors of Equitable Trust to ensure compliance with regulations and policies.

Sources of funds are direct deposits and deposits raised through a diverse broker network. See "Business of Equitable Trust - Deposit Taking". Concentration of funding from any one deposit source is monitored and

corrective action taken when required. It is Equitable Trust's policy to not allow concentration in excess of 25% of total deposits from any single source.

Equitable Trust has consistently maintained liquid assets at levels in excess of 9% of total assets since adopting this policy in March 2002. As at December 31, 2003, Equitable Trust's liquid assets totalled \$109.7 million or 9.9% of its total assets, as compared to \$84.0 million or 9.5% as at December 31, 2002. The Board of Directors of Equitable Trust has approved a reduction in targeted liquidity levels to 6% of total assets, effective January 6, 2004.

In addition, Equitable Trust's treasury committee, which is responsible for liquidity, meets regularly to discuss the timing of cash inflows and outflows. These meetings encompass the requirement to maintain cash resources to fund committed mortgages, replace customer deposits, purchase securities, fund ongoing operations and maintain liquidity levels in accordance with the Liquidity Policy. There also is a daily reporting process which measures the required and available liquidity on a current day basis and forecasts Equitable Trust's future liquidity position for the current month end and for three months into the future.

The internal audit department confirms compliance with the Liquidity Policy. All internal audit reports are presented to the Audit Committee and the Board of Directors of Equitable Trust for review.

Interest Rate Risk. Interest rate risk is the sensitivity of earnings to sudden changes in interest rates. Equitable Trust actively manages interest rate risk by employing a number of techniques, including the matching of asset and liability terms and employing models that measure changes in interest rates and the impact this will have on Equitable Trust's earning capacity. The tolerance level for interest rate risk (defined as a 1% upward or downward move in interest rates across the yield curve) allowed in Equitable Trust's interest rate risk policies is 10% of pre-tax earnings. The actual percentage measuring the impact of a 1% change in interest rates is well below this level.

Management meets regularly to discuss the matching of assets and liabilities, emphasizing the importance of eliminating all material mismatched positions in order to reduce exposure to interest rate fluctuations.

The internal audit department confirms compliance with all interest rate risk management policies and procedures. All internal audit reports are presented to the Audit Committee and the Board of Directors for review.

Outsourcing Risk. Equitable Trust has developed key business relationships that permit it to reduce overhead expenses and limit costs in connection with certain of its key business functions. For instance, the origination and administration responsibilities of its MBS activities have been outsourced to FNFC. See "Business of Equitable Trust - Mortgage-Backed Securities". Equitable Trust has arrangements to review the financial stability of each of its counterparties on an ongoing basis in order to ensure that all contractual commitments will be met. Should there be any doubt as to the ability of any counterparty to fulfil its duties and responsibilities, Equitable Trust believes that it has the expertise, the resources and market-based relationships to ensure that a replacement service is available on a timely basis.

SUMMARY FINANCIAL INFORMATION

Summary Adjusted Financial Information

The following summary adjusted financial information is derived from the financial statements of Equitable Trust, adjusted to reflect new executive compensation arrangements effective January 1, 2004, under which the bonus payable to the Company's Chief Executive Officer will be lower in 2004 and subsequent years. The adjusted figures for the years 1999 to 2003 have been calculated as if the salary and bonus components of the compensation arrangements taking effect in 2004 had been in place in each of the prior years. The adjusted figures do not include adjustments for other compensation payable to the Chief Executive Officer under the new compensation arrangements, including participation in the Company's stock option plan, as such compensation is indeterminable. **The adjusted figures are considered to be non-GAAP earnings measures and do not have any standardized meaning prescribed by GAAP. They are therefore unlikely to be comparable to any similar measures by other issuers.**

The adjusted financial information is necessary, in the opinion of management, for a fair presentation of the results of operations of Equitable Trust, as the new executive compensation arrangements differ materially from the previous executive compensation arrangements, which were more reflective of a private company structure. More detailed information concerning these adjustments is set out in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Adjustments Relating to the Chief Executive Officer's Compensation" in this prospectus. The summary adjusted financial information set out below is not necessarily indicative of either the results that would have been achieved if the new executive compensation arrangements had been in place during the periods indicated or the results that may be achieved in the future.

(in \$000s, except per share amounts)

		Years ended December 31				
		2003	2002	2001	2000	1999
		(unaudited)				
Adjusted net earnings ⁽¹⁾		12,934	13,695	11,925	5,799	2,797
Adjusted earnings per share ⁽¹⁾⁽²⁾	- Basic	1.29	1.46	1.50	0.83	0.45
	- Diluted	1.27	1.45	1.49	0.83	0.45
Adjusted productivity ratio		24.2%	22.6%	19.6%	26.8%	34.0%
Adjusted return on average shareholders' equity		18.4%	24.6%	31.2%	21.0%	12.8%

Notes:

- Equitable Trust's net earnings and earnings per share were affected in 2003 and 2002 by changes in future enacted tax rates. In 2002, Equitable Trust's net earnings benefited by over \$1.9 million from a decrease in future enacted tax rates. In 2003, increased future enacted tax rates resulted in a decrease to net earnings of over \$0.7 million.
- Weighted-average number of Common Shares assumes the completion of the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".

Summary Financial Information

The following summary financial information is derived from, should be read in conjunction with and is qualified in its entirety by reference to the audited financial statements of Equitable Trust, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus.

(in \$000s except share and per share amounts)

SUMMARY EARNINGS DATA:

	Years ended December 31				
	2003	2002	2001	2000	1999
Total revenue	65,662	57,914	54,998	36,619	23,818
Net interest income	19,710	17,613	17,223	8,870	4,989
Other income	7,057	8,157	7,273	4,441	3,321
Non-interest expense	8,889	7,627	7,453	4,065	2,938
Provision for credit losses	660	660	660	240	240
Earnings before tax	17,218	17,483	16,383	9,006	5,132
Net earnings ⁽¹⁾	9,297	11,226	9,796	5,272	2,551
Weighted-average common shares outstanding ⁽²⁾	9,993,429	9,355,922	7,944,291	6,965,020	6,285,446
Earnings per share ⁽¹⁾					
- Basic	0.93	1.20	1.23	0.76	0.41
- Diluted	0.91	1.19	1.22	0.76	0.41
Dividends	1,209	1,160	1,753	850	704

SUMMARY BALANCE SHEET DATA:

Assets:

Non-mortgage assets	214,007	142,089	72,075	39,203	35,715
Mortgage assets	889,271	746,438	653,829	525,228	280,846
Total assets	1,103,278	888,527	725,904	564,431	316,561

Liabilities and shareholders' equity:

Customer deposits	991,730	800,523	665,925	523,680	287,353
Subordinated debt	17,298	8,660	6,021	2,078	2,928
Shareholders' equity	76,657	62,586	43,154	33,698	24,248
Total liabilities and shareholders' equity	1,103,278	888,527	725,904	564,431	316,561

Number of common shares outstanding at year end ⁽³⁾	10,364,435	9,673,663	7,990,890	7,697,636	6,591,340
Book value per common share	7.40	6.47	5.40	4.38	3.68

SUMMARY FINANCIAL RATIOS:

Profitability Measures:

Return on average shareholders' equity	13.2%	20.2%	25.6%	19.1%	11.7%
Return on average assets	0.9%	1.4%	1.5%	1.2%	0.8%
Net interest margin (tax equivalent basis)	2.1%	2.2%	2.7%	2.0%	1.7%
Productivity ratio	33.2%	29.6%	30.4%	30.5%	35.4%

Capital Measures:

Risk-weighted assets	827,991	636,446	548,427	427,993	209,887
Tier 1 capital ratio	9.3%	9.8%	7.9%	7.9%	11.6%
Total capital ratio	11.3%	11.2%	9.0%	8.4%	12.9%
Asset-to-capital multiple	11.7x	12.5x	14.8x	15.8x	11.6x

Credit Quality Measures:

Allowance for credit losses as a % of total loans	0.64%	0.67%	0.67%	0.72%	1.25%
Realized loan losses (recovery) as a % of average outstanding loans	(0.01%)	(0.00%)	0.01%	0.00%	0.01%
Net impaired loans as a % of total loans	0.1%	0.7%	0.4%	0.4%	0.0%
Allowance for credit losses as a % of risk-weighted mortgage assets	0.80%	0.87%	0.86%	0.96%	1.98%

Notes:

- Equitable Trust's net earnings and earnings per share were affected in 2003 and 2002 by changes in future enacted tax rates. In 2002, Equitable Trust's net earnings benefited by over \$1.9 million from a decrease in future enacted tax rates. In 2003, increased future enacted tax rates resulted in a decrease to net earnings of over \$0.7 million.
- Weighted-average number of Common Shares assumes the completion of the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".
- Number of Common Shares at year end assumes the completion of the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".

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

The following is a discussion of the financial conditions and results of operations of Equitable Trust for the periods indicated and of certain factors that management of Equitable Trust believes are likely to affect Equitable Trust's continuing financial condition, cash flows and results of operations. The following discussion should be read in conjunction with the audited financial statements of Equitable Trust and accompanying notes which appear elsewhere in this prospectus. It contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under "Risk Factors". Certain totals, subtotals and percentages may not reconcile due to rounding.

Overview

Equitable Trust's primary source of revenue is interest income derived from its mortgage financing business and interest and dividend income from investments. In addition, Equitable Trust also earns commitment, renewal and discharge fees on its mortgage portfolio, and income from its participation in the CHMC-MBS Program in the form of gains on the sale of mortgages and recurring income from its continuing interest in the mortgages.

Over the past five years, Equitable Trust has experienced consistent growth and has recorded strong overall financial results. During this period, Equitable Trust has achieved compound annual growth rates of 36.6% and 33.2% on total assets and mortgage principal, respectively. In addition, net earnings have increased at a compound annual growth rate of 38.2% and return on average equity has averaged 17.9%. This compares favourably to the performance of Canada's six largest banks, which have had an average return on average equity of 15.7% over the same period. Equitable Trust's superior productivity ratio of 33.2% in 2003 compares favourably with the average productivity ratio of Canada's six largest banks of 67.3%. Loan losses have been at or below one basis point of the average mortgage balances outstanding during each of the past five years. Equitable Trust operates with a prudent level of capital as shown by its tier 1 capital ratio of 9.3% and total capital ratio of 11.3% as at December 31, 2003.

Equitable Trust's net earnings and earnings per share were affected in 2003 and 2002 by changes in future enacted tax rates. In 2002, Equitable's net earnings benefited by over \$1.9 million from a decrease in future enacted tax rates. In 2003, increased future enacted tax rates resulted in an increase in income tax expense of over \$0.7 million.

For the years ended December 31 (\$000s):

	2003	2002	2001	2000	1999
FINANCIAL PERFORMANCE MEASURES					
Net earnings	9,297	11,226	9,796	5,272	2,551
Earnings per share (diluted)	\$ 0.91	\$ 1.19	\$ 1.22	\$ 0.76	\$ 0.41
Return on average shareholders' equity	13.2%	20.2%	25.6%	19.1%	11.7%
Return on average assets	0.9%	1.4%	1.5%	1.2%	0.8%
Net interest margin (tax equivalent basis)	2.1%	2.2%	2.7%	2.0%	1.7%
Productivity ratio	33.2%	29.6%	30.4%	30.5%	35.4%
FINANCIAL CONDITION MEASURES					
Total assets	1,103,278	888,527	725,904	564,431	316,561
Cash, cash equivalents and investments-to-total assets	14.1%	10.9%	4.8%	1.3%	1.6%
Tier 1 capital ratio	9.3%	9.8%	7.9%	7.9%	11.6%
Total capital ratio	11.3%	11.2%	9.0%	8.4%	12.9%
CREDIT QUALITY MEASURES					
Allowance for credit losses as a % of total loans	0.64%	0.67%	0.67%	0.72%	1.25%
Net impaired loans as a % of total loans	0.12%	0.71%	0.43%	0.39%	0.00%
Allowance for credit losses as a % of risk-weighted mortgage assets	0.80%	0.87%	0.86%	0.96%	1.98%

Adjustments Relating to Chief Executive Officer's Compensation

Prior to January 1, 2004, the executive compensation package of the Chief Executive Officer of Equitable Trust (the "Executive") consisted of a base salary and a performance bonus based upon the pre-tax return on equity. At the Executive's option, the bonus portion of this compensation package could be satisfied by the issuance of common shares of Equitable Trust in lieu of a cash payment. This compensation package, due to expire December 31, 2004, was terminated effective December 31, 2003 and the bonus otherwise payable at the 2003 year end and an amount recorded as compensation for early termination of the arrangement was satisfied by the issuance of common shares of Equitable Trust to the Executive as at December 31, 2003.

The amount satisfied by the issuance of Equitable Trust common shares is a non-deductible expense for tax purposes. As a result, Equitable Trust has added the bonus to its taxable income in the year of the share issuance (prior to 2003, share issuances occurred in the year immediately after the year in which the bonus was earned).

Effective January 1, 2004, the Company implemented a new compensation arrangement for the Executive, which has a term of five years. It includes an initial annual base salary of \$600,000, increasing on each anniversary date for inflation measured by the published Consumer Price Index, and a variable annual performance bonus based on the after-tax return on equity of the Company, which has been capped at 100% of his annual base salary. He will also be entitled to participate in the Company's stock option plan. See "Executive Compensation-Employment Agreements".

The following unaudited financial information has been adjusted by removing the salary and bonus portion of such prior compensation arrangements and replacing same with compensation figures which became effective as of January 1, 2004, as if such amended compensation arrangements had been in place for the stated years. The adjusted figures do not include adjustments for compensation relating to the Executive's participation in the stock option plan or other non-cash based compensation, as the value of such compensation is indeterminable. **The adjusted figures are considered to be non-GAAP earnings measures and do not have any standardized meaning prescribed by GAAP. They are therefore unlikely to be comparable to any similar measures by other issuers.**

For the years ended December 31 (\$000s):

	2003	2002	2001	2000	1999
Adjustments to Executive's compensation:					
Compensation based on past arrangement:					
Salary	326	315	310	300	246
Bonus	3,094 ⁽¹⁾	2,676	3,532	1,396	585
Compensation based on new arrangement:					
Salary	(600)	(600)	(600)	(600)	(600)
Bonus	(400)	(600)	(600)	(600)	(120)
Taxes on increase in earnings before taxes ⁽²⁾	(886)	(692)	(1,103)	(221)	(49)
Taxes on non-deductible share issuance ⁽³⁾	2,103	1,370	589	253	185
Total adjustment	3,637	2,469	2,129	527	246
Adjusted net earnings ⁽⁴⁾	12,934	13,695	11,925	5,799	2,797
Adjusted earnings per share ⁽⁵⁾					
- Basic	1.29	1.46	1.50	0.83	0.45
- Diluted	1.27	1.45	1.49	0.83	0.45
Adjusted productivity ratio	24.2%	22.6%	19.6%	26.8%	34.0%
Adjusted return on average shareholders' equity	18.4%	24.6%	31.2%	21.0%	12.8%

Notes:

- Includes payment of \$1.1 million relating to early termination of Executive's prior compensation arrangement.
- Represents the statutory tax rate multiplied by the difference between the Executive's compensation based on past compensation versus new compensation arrangements.
- The adjustment relates to additional taxes payable on the Executive's bonus satisfied by the issuance of common shares of Equitable Trust which is non-deductible for tax purposes. The 2003 figure reflects the impact of taxes payable as a result of the satisfaction of 2002 and 2003 bonuses and the termination payment with the issuance of common shares of Equitable Trust.
- Equitable Trust's net earnings and earnings per share were affected in 2003 and 2002 by changes in future enacted tax rates. In 2002, Equitable Trust's net earnings benefited by over \$1.9 million from a decrease in future enacted tax rates. In 2003, increased future enacted tax rates resulted in a decrease to net earnings of over \$0.7 million.
- Weighted-average number of Common Shares assumes the completion of the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".

Income Statement Review

Net Interest Income

Net interest income includes earnings from assets, such as interest and dividend income from liquidity investments, portfolio securities and mortgage loans, less interest expense paid on liabilities, such as deposits and subordinated debt. Net interest income (tax equivalent basis) for 2003 was \$20.5 million, an increase of \$2.7 million or 14.9% when compared with 2002. In 2002, net interest income (tax equivalent basis) was \$17.8 million, an increase of \$0.5 million or 2.9% when compared with 2001. In 2001, net interest income (tax equivalent basis) was \$17.3 million, an increase of \$8.4 million or 95.2% when compared with 2000. In 2000, net interest income (tax equivalent basis) was \$8.9 million, an increase of \$3.9 million or 77.8% when compared with 1999. The compound annual growth rate for net interest income (tax equivalent basis) was 42.3% during the last five years, primarily as a result of a 34.8% compound annual growth rate in average assets over the same period.

Net interest margin (tax equivalent basis) was 2.1%, 2.2%, 2.7%, 2.0% and 1.7% in 2003, 2002, 2001, 2000 and 1999, respectively. The decrease in net interest margin (tax equivalent basis) in 2003 and 2002 was a result of an effort by management to reduce the risk profile of the asset portfolio by shifting the asset mix towards more conservative investments. Liquidity investments accounted for approximately 6.4% of the total interest earned in 2003 compared to 3.8% in 1999. In addition to increasing liquidity investments, management reduced high-yielding, higher risk residential construction mortgage loans in the mortgage portfolio. As at December 31, 2003, residential construction loans represented approximately 1.8% of the mortgage portfolio, compared to a high of approximately 10.5% as at December 31, 2000.

An analysis of net interest income (tax equivalent basis), as a percentage of average total assets and total liabilities, is presented in the following table. For comparison purposes, dividend income has been converted to a tax equivalent basis for the purpose of calculating the net interest margin (tax equivalent basis) in the table below. The tax equivalent basis increases dividend income by an amount that makes this income comparable to ordinary taxable interest income.

For the years ended December 31 (\$000s):

	2003			2002			2001			2000			1999		
	Average balance	Earnings/Expense	Average rate	Average balance	Earnings/Expense	Average rate	Average balance	Earnings/Expense	Average rate	Average balance	Earnings/Expense	Average rate	Average balance	Earnings/Expense	Average rate
Assets:															
Liquidity investments	96,844	3,750	3.9%	56,833	2,836	5.0%	17,248	1,101	6.4%	4,964	823	16.6%	7,420	779	10.5%
Portfolio securities	29,052	1,361	4.7%	8,729	454	5.2%	3,866	199	5.2%	1,343	42	3.1%	-	-	0.0%
Mortgage loans	814,034	53,494	6.6%	696,496	46,467	6.7%	585,948	46,425	7.9%	400,462	31,313	7.8%	263,056	19,718	7.5%
Taxable equivalent adjustment	-	763	-	-	208	-	-	98	-	-	2	-	-	-	-
Total earning assets	939,930	59,368	6.3%	762,059	49,965	6.6%	607,063	47,823	7.9%	406,769	32,180	7.9%	270,476	20,497	7.6%
Other assets	55,972	-	-	45,157	-	-	38,104	-	-	33,727	-	-	31,134	-	-
Total assets	995,902	59,368	6.0%	807,215	49,965	6.2%	645,167	47,823	7.4%	440,496	32,180	7.3%	301,610	20,497	6.8%
Liabilities and shareholders' equity:															
Customer deposits	876,008	37,847	4.3%	717,094	31,437	4.4%	581,879	30,122	5.2%	396,806	23,125	5.8%	269,053	15,242	5.7%
Subordinated debt	12,979	1,048	8.1%	7,341	707	9.6%	4,050	380	9.4%	2,503	183	7.3%	3,627	266	7.3%
Total interest bearing liabilities	888,987	38,895	4.4%	724,434	32,144	4.4%	585,929	30,502	5.2%	399,309	23,308	5.8%	272,679	15,508	5.7%
Other liabilities	37,293	-	-	29,911	-	-	20,812	-	-	12,213	-	-	7,313	-	-
Shareholders' equity	69,622	-	-	52,870	-	-	38,426	-	-	28,973	-	-	21,618	-	-
Total liabilities and shareholders' equity	995,902	38,895	3.9%	807,215	32,144	4.0%	645,167	30,502	4.7%	440,496	23,308	5.3%	301,610	15,508	5.1%
Net interest income (tax equivalent basis)		20,473			17,821			17,321			8,872			4,989	
Net interest margin (tax equivalent basis)			2.1%			2.2%			2.7%			2.0%			1.7%

Other Income

Other income includes ancillary fees related to the mortgage portfolio and gains on the securitization of mortgages issued through the CMHC-MBS Program. Sundry income, gains on the sale of investments and other non-mortgage related fees, is also included in other income.

Ancillary fees related to the mortgage portfolio are comprised of commitment fees, renewal fees and interest penalties on early discharges. Commitment fees vary proportionately with the risk profile of the mortgage. Interest penalties are charged on the early discharge of mortgages. Generally, the amount of interest penalties in any year varies inversely with changes in interest rates, increasing as interest rates decrease and decreasing when interest rates increase.

Other income was \$7.1 million, \$8.2 million, \$7.3 million, \$4.4 million and \$3.3 million in 2003, 2002, 2001, 2000 and 1999, respectively. Gains on the securitization of mortgages in the CMHC-MBS Program have, except for 1999, made up between 16% and 22% of other income annually. In 1999, these gains comprised 34.1% of other income due to proportionately heavier than average securitization activity during that year.

For the years ended December 31 (\$000s):

	2003	2002	2001	2000	1999
Mortgage fees	1,196	1,762	2,203	1,239	933
Interest penalties	1,729	1,478	625	171	107
Excess interest, net of servicing fee ⁽¹⁾	2,223	2,737	2,983	2,248	1,148
Gains on sales of MBS	1,482	1,796	1,300	701	1,133
Sundry income	427	384	162	82	-
Total other income	7,057	8,157	7,273	4,441	3,321

Note:

1. Excess interest received, net of the fee paid to FNFC for administrative services.

Mortgage fees are largely earned when a mortgage is funded or renewed. In 2003, mortgage fees decreased \$0.6 million or 32.1% from 2002 and in 2002, mortgage fees decreased \$0.4 million or 20.0% from 2001. Although the year-over-year growth in outstanding principal balance of the mortgage portfolio was 19.1% in 2003 and 14.1% in 2002, the decline in mortgage fees was related to lower commitment fees. This was a result of Equitable Trust's decision to reduce the risk profile of its mortgage portfolio. Commitment fees in 2003 were \$0.6 million, compared to \$0.8 million in 2002 and \$1.6 million in 2001. Commitment fees vary with the risk profile of the mortgage. Mortgage fees increased in 2001 and 2000 by \$1.0 million and \$0.3 million over the prior year as a result of the growth in the mortgage portfolio and the risk profile of the loans funded.

Interest penalties have increased year-over-year in 2003, 2002, 2001 and 2000 by \$0.3 million, \$0.9 million, \$0.5 million and \$0.1 million, respectively. The significant increases in interest penalties in 2003 and 2002 are a result of the declining interest rate environment, which prompted borrowers to incur prepayment penalties in order to refinance their mortgages at lower interest rates.

Excess interest, net of servicing fee, is the income received from insured mortgages securitized through the CMHC-MBS Program, less the servicing fee paid to FNFC for administrative services. Excess interest, net of servicing fee, decreased \$0.5 million to \$2.2 million in 2003 compared to 2002, decreased \$0.2 million to \$2.7 million in 2002 compared to 2001, increased \$0.7 million to \$3.0 million in 2001 compared to 2000, and increased \$1.1 million to \$2.2 million in 2000 compared to 1999. This was a result of changing spreads between mortgage interest rates and MBS coupon rates and, in addition, to earnings charges relating to the fair values and carrying values of the related assets.

Gains on sales of MBS relate to mortgages which are sold under the CMHC-MBS Program which generated \$1.5 million in 2003, a decrease of \$0.3 million compared to 2002 as recorded under accounting principles described in Note 1(e) to the 2003 financial statements of Equitable Trust. Although Equitable Trust securitized 22 pools totalling \$530.5 million of MBS residential multi-unit loans in 2003, compared to 22 pools totalling \$300.0 million in 2002, securitization gains on sales of MBS decreased due to a more competitive marketplace resulting in lower margins. In 2001, 2000 and 1999, Equitable realized securitization gains on sales of MBS of \$1.3 million, \$0.7 million and \$1.1 million, respectively. Equitable Trust securitized 16 pools totalling \$245.8 million in 2001, 12 pools totalling \$152.6 million in 2000 and 17 pools totalling \$220.8 million in 1999. The increase in securitization gains on sales of MBS of \$0.6 million in 2001 compared to 2000 was a result of an increased volume of business. The decrease in gains on sales of MBS of \$0.4 million in 2000 compared to 1999 was a result of decreased activity in that year. The securitization of CMHC-insured residential mortgages is a low-risk stream of income for Equitable Trust and contributes directly to the strengthening of the capital ratios of Equitable Trust.

The following table summarizes the financial results relating to the MBS activities of Equitable Trust.

For the years ended December 31 (\$000s):

	2003	2002	2001	2000	1999
MBS issued during the year	530,509	299,979	245,785	152,601	220,817
MBS income:					
Excess interest, net of servicing fee ⁽¹⁾	2,223	2,737	2,983	2,248	1,148
Gains on sales of MBS	1,482	1,796	1,300	701	1,133
Total MBS income	3,705	4,533	4,283	2,949	2,281

Note:

1. Excess interest received, net of the servicing fee paid to FNFC for administrative services.

Provision for Credit Losses

The annual provision for credit losses for 2003, 2002 and 2001 was \$0.7 million. Equitable Trust experienced total aggregate loan losses of \$10,000 for these three years. This amounts to less than 0.01% of the average mortgage balances outstanding in each of these years. During these years mortgage principal in arrears as a percentage of the principal balance of Equitable Trust's mortgage loan portfolio was 0.39%, 0.36% and 0.63%, respectively. As a result of the policies and procedures in the administration of its mortgage portfolio, Equitable Trust's provision for credit losses has remained constant notwithstanding that the principal balance of mortgage loan portfolio has grown by 69.1% since the beginning of 2001.

The annual provision for credit losses for 2000 and 1999 was \$0.2 million. Actual loan losses for these two years was \$6,000 in 2000 and \$27,000 in 1999 and principal in arrears as a percentage of the principal balance of Equitable Trust's mortgage loan portfolio was 0.74% and 0.44%, respectively.

Non-interest Expenses

Non-interest expenses include all of the expenses not related to interest or credit provisions required to operate Equitable Trust's business. The major elements of non-interest expenses consist primarily of salaries, premises and equipment, capital taxes, insurance and other general administrative expenses.

In 2003, non-interest expenses were \$8.9 million as compared to \$7.6 million in 2002, an increase of \$1.3 million or 16.5% over 2002. On a year-over-year basis, non-interest expenses increased \$174,000 or 2.3% in 2002 over 2001, \$3.4 million or 83.3% in 2001 over 2000 and \$1.1 million or 38.4% in 2000 over 1999. Over the last five years, total assets have grown at a compound annual growth rate of 36.6%. As a result, staff complement has been primarily expanded in the areas of mortgage origination and mortgage administration in order to support this growth. As at December 31, 2003, 2002, 2001, 2000 and 1999, Equitable Trust had 40 employees, 34 employees, 30 employees, 20 employees and 19 employees, respectively. Even with the increase in non-interest expense,

Equitable Trust was able to maintain the superior productivity ratio at 33.2% in 2003, well below the 67.3% average of Canada's six largest chartered banks. The various components of non-interest expenses are outlined in the table below.

For the years ended December 31 (\$000s):

	2003	2002	2001	2000	1999	4-year CAGR ⁽¹⁾
Executive's direct compensation	3,420	2,991	3,842	1,696	831	42.4%
Other salaries and benefits	2,344	1,932	1,359	924	796	31.0%
Capital taxes, insurance and regulatory fees and licenses	1,194	1,079	829	457	464	26.6%
Office, other administrative and servicing	1,040	809	750	484	392	27.6%
Rent, depreciation and computer maintenance	641	604	465	396	369	14.8%
Audit, legal, professional and director's fees	251	212	208	109	86	30.9%
Total non-interest expenses	8,889	7,627	7,453	4,065	2,938	31.9%
Net revenue	26,767	25,770	24,496	13,311	8,310	34.0%
Productivity ratio	33.2%	29.6%	30.4%	30.5%	35.4%	

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

Provision for Income Taxes

The provision for income taxes in 2003 was \$7.9 million. This compares with the provision for income taxes in 2002, 2001, 2000 and 1999 of \$6.3 million, \$6.6 million, \$3.7 million and \$2.6 million, respectively. The effective rate of tax for each of 2003, 2002, 2001, 2000 and 1999 was 46.0%, 35.8%, 40.2%, 41.5% and 50.3%, respectively. Increases in effective tax rates versus the statutory tax rates during these years were primarily due to an increase in non-deductible expenses, the primary component of which is the settlement of the Executive's bonus by the issuance of common shares of Equitable Trust (the issuance of which is a non-deductible expense for tax purposes). Decreases during the period were primarily as a result of dividend income being non-taxable to Equitable Trust and due to the enacted rates for future tax purposes decreasing during 2001 and 2002. Enacted rates for future tax purposes were increased in 2003 by the new Ontario provincial government, further increasing the effective tax rate for 2003.

The following table shows the effect of dividends, non-deductible expenses, future tax rate, statutory changes and other items on Equitable Trust's effective tax rates relative to statutory tax rates for the years 1999 through 2003.

For the years ended December 31 (\$000s):

	2003	2002	2001	2000	1999
Canadian statutory income tax rate	36.6%	38.6%	41.7%	44.7%	44.7%
Increase (decrease) resulting from:					
Dividends	(3.6%)	(2.2%)	(7.3%)	(6.2%)	0.0%
Non-deductible expenses	12.3%	8.0%	3.7%	3.0%	5.6%
Future tax rate increases (reductions)	4.1%	(11.0%)	(0.6%)	0.0%	0.0%
Other	(3.4%)	2.4%	2.7%	0.0%	0.0%
Effective income tax rate	46.0%	35.8%	40.2%	41.5%	50.3%

Equitable Trust's tax provision for the five-year period was relatively higher due to the permanent non-deductibility of the bonus (and termination payment in 2003) portion of the Executive's compensation package as a result of these amounts being satisfied by the issuance of common shares of Equitable Trust. If such bonus had been tax deductible, tax expense would have decreased by \$2.1 million, \$1.4 million, \$0.6 million, \$0.3 million and \$0.2 million in 2003, 2002, 2001, 2000 and 1999, respectively. See "Adjustments Relating to Chief Executive

Officer's Compensation". Tax provisions for the years 1999 through 2003 and the effect of the bonus (and termination payment in 2003) on the provisions are shown in the following table.

For the years ended December 31 (\$000s):

	2003	2002	2001	2000	1999
Provision for taxes:					
Current income tax expense	6,080	4,320	6,771	3,286	2,574
Future income tax expense (recovery)	1,841	1,937	(184)	448	7
	7,921	6,257	6,587	3,734	2,581
Increase in tax expense as a result of non-deductible Executive bonus and contract termination payment	2,103	1,370	589	253	185

Balance Sheet Review

Assets

Total assets increased to approximately \$1.1 billion as at December 31, 2003, compared to \$316.6 million as at December 31, 1999, representing a compound annual growth rate of 36.6%. This increase was primarily due to the mortgage portfolio increasing by 33.4% over the five-year period. The balance sheet assets do not include mortgages securitized under the CMHC-MBS Program of approximately \$1.7 billion as at December 31, 2003.

Equitable Trust's assets are categorized into the five groups set out in the table below.

As at December 31 (\$000s):

	2003	% of total	2002	% of total	2001	% of total	2000	% of total	1999	% of total	4-year CAGR ⁽¹⁾
Liquidity investments	109,653	9.9%	84,035	9.5%	29,633	4.1%	4,864	0.9%	5,063	1.6%	115.7%
Portfolio securities	45,691	4.1%	12,412	1.4%	5,046	0.7%	2,687	0.5%	0	0.0%	-
Mortgage loans	889,271	80.6%	746,438	84.0%	653,829	90.1%	525,228	93.1%	280,846	88.7%	33.4%
Loan securitizations - retained interests	52,331	4.7%	41,751	4.7%	34,645	4.8%	29,915	5.3%	29,745	9.4%	15.2%
Other assets	6,332	0.6%	3,891	0.4%	2,751	0.4%	1,737	0.3%	907	0.3%	62.5%
Total assets	1,103,278	100.0%	888,527	100.0%	725,904	100.0%	564,431	100.0%	316,561	100.0%	36.6%

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

Liquidity Investments and Portfolio Securities

Equitable Trust's liquidity investments consist of cash, government guaranteed bonds and other short-term investments. These assets are low-risk and have lower yields than other investments. Liquidity investments are required to meet the cash flow requirements of Equitable Trust and are used to fund mortgages and other investments and to pay out GICs at maturity. Management chose to maintain significant liquidity levels in 2002 and 2003.

As at December 31, 2003, liquidity investments were \$109.7 million as compared to \$84.0 million as at December 31, 2002, an increase of \$25.7 million or 30.6% over December 31, 2002. On a year-over-year basis, liquidity investments increased by \$54.4 million or 183.6% as at December 31, 2002 over year end 2001, by \$24.8 million or 509.2% as at December 31, 2001 over year end 2000 and decreased by \$0.2 million or 3.9% or as at December 31, 2000 over year end 1999. Liquidity investments have represented 9.9%, 9.5%, 4.1%, 0.9% and 1.6% of Equitable Trust's total assets as at December 31, 2003, 2002, 2001, 2000, and 1999, respectively.

Portfolio securities increased year-over-year by \$33.3 million as at December 31, 2003, \$7.4 million as at December 31, 2002, \$2.4 million as at December 31, 2001 and \$2.7 million as at December 31, 2000. As at December 31, 2003, portfolio securities consisted of 71% of P-1 and P-2 rated preferred shares. These preferred shares are primarily retractable or bear contractual wind-up features within five years and pay dividends at either fixed rates or floating rates. The tax adjusted yield on these marketable securities is generally equivalent or superior to that on similar term mortgages. These types of investments are less costly to administer than mortgages and are more liquid than mortgage investments.

Fixed rate preferred shares typically decrease in market value in a rising interest rate environment and increase in market value in a declining interest rate environment. Interest rates have decreased during 2003. This had a positive effect on the market value of portfolio securities. Portfolio securities had a market value surplus of \$0.5 million on a book value of \$45.7 million as at December 31, 2003, compared to a market value deficiency of \$0.4 million on a book value of \$12.4 million as at December 31, 2002.

Mortgage Loan Portfolio

As at December 31, 2003, the principal balance outstanding of Equitable Trust's mortgage loan portfolio totalled \$890.2 million, representing an increase of \$142.9 million or 19.1% over year end 2002. Mortgage loans grew by \$92.3 million or 14.1% from the year end 2001 to the year end 2002; by \$128.6 million or 24.4% from the year end 2000 to the year end 2001; and by \$243.5 million or 86.0% from the year end 1999 to the year end 2000. The total number of mortgage loan accounts as at December 31, 2003, 2002, 2001, 2000 and 1999 were 2,075, 1,751, 1,564, 1,490 and 1,136, respectively. Over the past four years, the principal balance of the mortgage loan portfolio has experienced a compound annual growth rate of 33.2%.

The following table summarizes the growth of the principal balances outstanding of Equitable Trust's mortgage loan portfolio, and the relative composition by type.

As at December 31 (\$000s):

	2003	% of total	2002	% of total	2001	% of total	2000	% of total	1999	% of total	4-year CAGR (1)
Multi-unit residential	377,842	42.4%	278,613	37.3%	249,056	38.0%	172,148	32.7%	65,547	23.2%	54.9%
Single family dwelling	317,943	35.7%	276,859	37.0%	241,066	36.8%	234,698	44.6%	169,552	59.9%	17.0%
Commercial	163,190	18.3%	133,443	17.9%	82,695	12.6%	48,256	9.2%	5,354	1.9%	135.0%
Construction	15,804	1.8%	29,394	3.9%	54,193	8.3%	55,298	10.5%	23,417	8.3%	-9.4%
CMHC-insured	15,520	1.7%	29,139	3.9%	28,149	4.3%	16,135	3.1%	19,185	6.8%	-5.2%
Total mortgage principal	890,229	100.0%	747,449	100.0%	655,159	100.0%	526,535	100.0%	283,056	100.0%	33.2%
Accrued interest	4,055		3,586		3,689		3,471		1,678		
Allowances for credit losses	(5,737)		(5,021)		(4,358)		(3,767)		(3,533)		
Discounts and sundry	654		424		(661)		(1,021)		(355)		
Total mortgages receivable	889,271		746,438		653,829		525,228		280,846		33.4%

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

Residential mortgage loans consist of CMHC-insured and uninsured multi-unit residential, single family dwelling and construction loans. Equitable Trust's core business is residential mortgages, representing 81.7% of the total mortgage portfolio at the end of 2003. Total residential mortgages have grown from \$277.7 million at the end of 1999 to \$727.0 million at the end of 2003. Commercial mortgages, which primarily consist of mortgages in the retail, office, industrial and hospitality sectors, have also increased from \$5.4 million at the end of 1999 to \$163.2

million at the end of 2003 and represented 18.3% of the portfolio as at December 31, 2003. All loans are secured by a first mortgage and other types of collateral, where appropriate. The growth in the mortgage portfolio was a result of favourable economic conditions in the GTA and continued low interest rates.

Multi-unit residential mortgages represent the largest part of Equitable Trust's mortgage portfolio. Substantially all multi-unit mortgage loans that are insured are sold through the CMHC-MBS Program and are not included in Equitable Trust's balance sheet. These mortgage loans are exclusively sourced by FNFC, one of Canada's leading mortgage financing specialists. Uninsured multi-unit residential mortgage loans remain on Equitable Trust's balance sheet. As at December 31, 2003, \$377.8 million or 42.4% of Equitable Trust's total mortgage portfolio as compared to \$278.6 million or 37.3% at the end of 2002 was represented by multi-unit residential loans. As at December 31, 2001, 2000 and 1999, multi-unit residential loans were \$249.1 million (38.0% of total mortgage loans portfolio), \$172.1 million (32.7% of total mortgage portfolio) and \$65.5 million (23.2% of total mortgage loans portfolio), respectively. Multi-unit residential loans have increased at a compound annual rate of 54.9% over the five year period as a result of management's focus on increasing the size of this asset class.

As at December 31, 2003, single family dwelling loans represented \$317.9 million or 35.8% of Equitable Trust's total mortgage portfolio as compared to \$276.9 million or 37.0% at the end of 2002. As at December 31, 2001, 2000 and 1999, single family dwelling loans were \$241.1 million (36.8% of total mortgage portfolio), \$234.7 million (44.6% of total mortgage portfolio) and \$169.6 million (59.9% of total mortgage portfolio), respectively. The decreasing percentage of the total mortgage portfolio for single family dwellings was due solely to the rebalancing of the mortgage portfolio.

As at December 31, 2003, \$163.2 million (18.3% of total mortgage portfolio) of Equitable Trust's mortgage loans portfolio consists of non-residential commercial mortgage loans compared to \$133.4 million (17.9% of total mortgage portfolio) as at December 31, 2002. As at December 31, 2001, 2000 and 1999, non-residential commercial mortgage loans were \$82.7 million (12.6% of total mortgage portfolio), \$48.3 million (9.2% of total mortgage portfolio) and \$5.4 million (1.9% of total mortgage portfolio), respectively. The non-residential commercial mortgage loans have been increasing both in value and as a percentage of the total mortgage portfolio due to higher returns and resulting portfolio diversification these loans offer. This portfolio of commercial non-residential first mortgage loans complements the residential mortgage portfolio.

Residential construction mortgage loans have steadily been decreasing each year. At the end of 2003, residential construction mortgage loans represented \$15.8 million (1.8% of the total mortgage portfolio), down from a high of \$55.3 million (10.5% of the total mortgage portfolio) in 2000. The decline in residential construction mortgage loans reflected management's decision to reduce Equitable Trust's risk exposure in this market segment.

CHMC-insured mortgage loans amounted to \$15.5 million, \$29.1 million, \$28.1 million, \$16.1 million and \$19.2 million representing 1.7%, 3.9%, 4.3%, 3.1% and 6.8% of the total mortgage loans portfolio in 2003, 2002, 2001, 2000 and 1999, respectively. The majority of these loans will be securitized into the CMHC-MBS Program. Equitable Trust does not usually keep insured loans as balance sheet investments.

Impaired Loans and Allowance for Credit Losses

Generally, a loan is classified as impaired when management is of the opinion that there is no longer reasonable assurance of full and timely collection of principal and interest. Equitable Trust continues to apply prudent and responsive policies to the management of impaired loans. At the core of these policies is the early identification of problem loans, the sale of properties in possession as quickly as possible and the provision of adequate specific reserves against potential loan losses identified and general reserves for those that are unidentified.

The specific and general reserves together form the allowance for credit losses. As at December 31, 2003, Equitable Trust maintained an allowance for credit losses of \$5.7 million or 0.64% of the principal balance of its mortgage loan portfolio, as compared to \$5.0 million or 0.67% in 2002. The allowance for credit losses increased

by \$0.7 million as a result of a 19.1% increase in the mortgage loan portfolio. As a percentage of the principal balance of Equitable Trust's mortgage loan portfolio outstanding, the allowance for credit losses decreased by three basis points. The allowance as a percentage of total loans is expected to be consistent with recent experience.

In 2002, 2001, 2000 and 1999, the allowance for credit losses was \$5.0 million, \$4.4 million, \$3.8 million and \$3.5 million, respectively. The increase in the allowance for credit losses was directly related to the increase in Equitable Trust's mortgage loan portfolio. The allowance for credit losses as a percentage of the principal balance of Equitable Trust's mortgage loan portfolio outstanding was 0.67%, 0.67%, 0.72% and 1.25% for 2002, 2001, 2000 and 1999, respectively. Equitable Trust has steadily lowered its allowance for credit losses as a percentage of the principal balance of its mortgage loan portfolio as a result of the consistent good credit performance of the mortgage portfolio. In the past five years, aggregate loan losses totalled \$43,000, or less than one one-hundredth of a percent (0.01%) of average mortgages outstanding during the period.

The following table illustrates Equitable Trust's credit loss allowance continuity, its provision for credit losses, its realized credit losses and its arrears history.

As at December 31 (\$'000s):					
	2003	2002	2001	2000	1999
Allowance for credit losses:					
Balance, beginning of year	5,021	4,358	3,767	3,533	3,320
Provision for credit losses	660	660	660	240	240
Realized loan (losses) / recovery	56	3	(69)	(6)	(27)
Balance, end of year	5,737	5,021	4,358	3,767	3,533
Comprised of:					
General reserves	2,700	2,360	2,235	3,231	2,582
Specific reserves	3,037	2,661	2,123	536	951
Balance, end of year	5,737	5,021	4,358	3,767	3,533
Gross impaired mortgages	4,115	7,997	4,923	2,581	955
Specific reserves	3,037	2,661	2,123	536	951
Net impaired mortgages	1,078	5,336	2,800	2,045	4
Net impaired mortgages as a % of total mortgage principal	0.1%	0.7%	0.4%	0.4%	0.0%
Allowance for credit losses as a % of risk-weighted mortgage assets	0.80%	0.87%	0.86%	0.96%	1.98%
Mortgage principal in arrears ⁽¹⁾	3,494	2,688	4,112	3,919	1,248
Mortgage principal in arrears as a % of total mortgage principal	0.39%	0.36%	0.63%	0.74%	0.44%

Note:

1. Principal payments in arrears – 30 days or more.

Loan Securitizations - Retained Interests

Loan securitizations - retained interests are the discounted future earnings to be received relating to the insured mortgages securitized through the CMHC-MBS Program ("MBS receivable"). For further information refer to Note 4 to the 2003 financial statements of Equitable Trust. The MBS receivable increased from \$41.8 million as at December 31, 2002 to \$52.3 million as at December 31, 2003, an increase of \$10.6 million or 25.3%. Equitable Trust securitized \$530.5 million of CMHC-insured multi-unit residential mortgages during the year, adding \$21.1 million to the retained interests and received \$8.5 million of the MBS receivable during 2003. Equitable Trust's retained MBS interests have grown from \$29.7 million in 1999 to \$29.9 million in 2000, \$34.6 million in 2001 and to \$41.8 million in 2002, representing increases of 0.6%, 15.8% and 20.5%, respectively.

Other Assets

Other assets consist of deferred GIC commissions, deferred mortgage origination fees, non-mortgage related accrued interest, fixed assets, prepaid expenses and other receivables. Other assets increased to \$6.3 million as at December 31, 2003 from \$3.9 million as at December 31, 2002, an increase of \$2.4 million or 62.7%. The increase in other assets was primarily due to an increase in deferred commissions on GICs, which is amortized to expense over the life of the GICs, and to other receivables. Other assets represented less than 1% of total assets in each of the last five years.

Liabilities and Shareholders' Equity

The following table shows the liabilities and shareholders' equity of the Company.

As at December 31 (\$000s):

	2003	% of total	2002	% of total	2001	% of total	2000	% of total	1999	% of total	4-year CAGR (1)
Customer deposits	991,730	89.9%	800,523	90.1%	665,925	91.7%	523,680	92.8%	287,353	90.8%	36.3%
Subordinated Debt	17,298	1.6%	8,660	1.0%	6,021	0.8%	2,078	0.4%	2,928	0.9%	55.9%
Other liabilities	17,593	1.6%	16,758	1.9%	10,804	1.5%	4,975	0.9%	2,032	0.6%	71.5%
	1,026,621	93.1%	825,941	93.0%	682,750	94.1%	530,733	94.0%	292,313	92.3%	36.9%
Shareholders' equity	76,657	7.0%	62,586	7.1%	43,154	5.9%	33,698	6.0%	24,248	7.7%	33.3%
Total liabilities and shareholders' equity	1,103,278	100.0%	888,527	100.0%	725,904	100.0%	564,431	100.0%	316,561	100.0%	36.6%

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

Customer Deposits

Customer deposits consist of GICs whose terms range from 30 days to 364 days (short term) and from one year to five years (long term). During 2003, Equitable Trust expanded its agent base and registered as a deposit taking institution in all jurisdictions across Canada. Virtually all of Equitable Trust's growth in GIC sales in 2003 relates to the expansion of its deposit agent business across Canada. The newly established presence will enable existing deposit agents to sell increased amounts of GICs and will assist Equitable Trust in expanding its deposit agent base.

Deposit agent sourced GICs have grown at a compound annual rate of 45.4% over the last five years. The following table shows the growth of the principal balances of GICs and the channel from which the GIC is sourced.

As at December 31 (\$000s):

	2003	% of total	2002	% of total	2001	% of total	2000	% of total	1999	% of total	4-year CAGR (1)
Agent	861,293	88.9%	674,596	86.2%	542,351	83.3%	399,685	78.0%	192,582	68.5%	45.4%
Direct	107,989	11.1%	108,137	13.8%	109,103	16.7%	112,620	22.0%	88,725	31.5%	5.0%
Total GIC principal	969,282	100.0%	782,733	100.0%	651,454	100.0%	512,305	100.0%	281,307	100.0%	36.2%

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

Accrued interest on GICs amounted to \$22.4 million as at December 31, 2003, an increase of \$4.7 million over 2002. Accrued interest on GICs as at December 31, 2002, 2001, 2000 and 1999 was \$17.8 million, \$14.5 million, \$11.4 million and \$6.0 million, respectively.

Subordinated Debt

Subordinated debt increased by \$8.6 million to \$17.3 million as at December 31, 2003 as a result of Equitable Trust redeeming \$2.8 million of Series 2 subordinated debt and issuing \$11.4 million of Series 4 subordinated debt. In 2002, subordinated debt increased by \$2.6 million to \$8.7 million due to Equitable Trust issuing \$7.8 million of Series 3 subordinated debt and redeeming \$5.2 million of Series 1, 2 and 3 subordinated debt. In 2001, subordinated debt increased by \$3.9 million to \$6.0 million due to Equitable Trust issuing \$5.7 million of Series 2 subordinated debt and redeeming \$1.8 million of Series 1 subordinated debt. In 2000, subordinated debt decreased by \$0.9 million to \$2.1 million due to Equitable Trust redeeming Series 1 subordinated debt. Equitable Trust may issue further subordinated debt in the future to support asset growth and to enhance return on equity.

Other Liabilities

Other liabilities consist of accounts payable, deferred commitment fee earnings, a bonus accrual related to the Executive's compensation plan (in the years 2002 and prior), MBS servicing liability on mortgages securitized subsequent to July 1, 2001, taxes payable and realty taxes payable. Other liabilities increased from \$16.8 million as at December 31, 2002 to \$17.6 million as at December 31, 2003, an increase of \$0.8 million or 5.0%. The increase was in part due to increased future taxes and MBS servicing liabilities. In 2002, 2001 and 2000, other liabilities increased by \$6.0 million to \$16.8 million, by 5.8 million to \$10.8 million, and by \$2.9 million to \$5.0 million, respectively. The increase in other liabilities during these years was primarily as a result of increases in future taxes payable and the accrual of the Executive's bonus. See "Adjustments Relating to Chief Executive Officer's Compensation".

Shareholders' Equity

Equitable Trust's shareholders have provided capital through the purchase of common shares over the last five years. The increase in capital relating to the Executive's election to take bonus compensation in common shares amounted to \$5.7 million in 2003, \$3.5 million in 2002, \$1.4 million in 2001, \$0.6 million in 2000 and \$0.4 million in 1999. See "Adjustments Relating to Chief Executive Officer's Compensation". In addition, Equitable Trust issued common shares from treasury in 2002, 2000 and 1999 in the amount of \$5.8 million, \$4.5 million and \$3.0 million, respectively.

Commencing in 2002, contributed surplus was credited annually with a prescribed amount which has been charged to the income statement relating to Equitable Trust's stock option plan.

The following table shows the growth of Equitable Trust's shareholders' equity.

As at December 31 (\$000s):

	2003	2002	2001	2000	1999	4-year CAGR ⁽¹⁾
Capital stock	37,483	31,521	22,188	20,775	15,747	24.2%
Contributed surplus	556	535	502	502	502	2.6%
Retained earnings	38,618	30,530	20,464	12,421	7,999	48.2%
Total shareholders' equity	76,657	62,586	43,154	33,698	24,248	33.3%
Weighted average shareholders' equity	70,189	55,646	38,278	27,658	21,860	33.9%

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

Equitable Trust's retained earnings have grown considerably over the past five years. The dividend payout ratio (based on prior year's net earnings) was 33.3% in each of 1999, 2000 and 2001. The dividend payout ratio decreased in 2002 and 2003 to 11.8% and 10.8%, respectively. The decrease was a result of Equitable Trust retaining more capital to support growth.

The following table shows the growth of Equitable Trust's retained earnings.

As at December 31 (\$000s):					
	2003	2002	2001	2000	1999
Balance, beginning of year	30,530	20,464	12,421	7,999	6,152
Net earnings	9,297	11,226	9,796	5,272	2,551
Dividends	(1,209)	(1,160)	(1,753)	(850)	(704)
Balance, end of year	38,618	30,530	20,464	12,421	7,999
Dividend payout ratio (based on prior year's earnings)	10.8%	11.8%	33.3%	33.3%	33.3%

Business And Financial Practices

Liquidity Risk Management

Liquidity risk relates to Equitable Trust's ability to redeem its deposit obligations as they come due or otherwise arise and to fund asset commitments as scheduled. Mitigating this risk requires Equitable Trust to match its asset and liability maturities and to keep sufficient liquid assets on hand at all times to meet mortgage funding commitments, mortgage renewals or extensions and any GIC redemptions. Equitable Trust has consistently maintained appropriate liquid asset levels to meet its needs.

The following table shows Equitable Trust's liquid assets and the relative proportion against total assets.

As at December 31 (\$000s):						
	2003	2002	2001	2000	1999	4-year CAGR ⁽¹⁾
Assets eligible for liquidity purposes	109,653	84,035	29,633	4,864	5,063	115.7%
Liquid assets as a % of total assets	9.9%	9.5%	4.1%	0.9%	1.6%	

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

Interest Rate Risk Management

Interest rate risk involves Equitable Trust's sensitivity of earnings to sudden changes in interest rates. Equitable Trust's primary method of mitigating this risk is its matching of asset and liability maturities, closely monitoring the interest rates therein and acting upon any mismatch in a timely fashion, to ensure that any sudden or prolonged change in interest rates does not significantly affect Equitable Trust's net interest earnings.

Equitable Trust manages its asset liability maturity profile by adjusting deposit interest rates on a daily basis to raise deposits with the proper maturities to match the maturity profile of assets being funded. It is Equitable Trust's policy not to allow an annual maturity gap on all maturities commencing with 13 months in excess of 5% of total assets. As the following table illustrates, the total maturity gap for any category was within its 5% policy requirement as at December 31, 2003.

As at December 31, 2003 (\$000s):

ASSETS	1-Year	2-Year	3-Year	4-Year	5-Year	Over 5-Year	Non-Rate Sensitive	Total
Deposits with regulated financial institutions	43,493							43,493
Securities - equities	14,712	8,795	4,632	5,841	7,973	3,085	653	45,691
Securities - other	66,160	-	-	-	-	-	-	66,160
Mortgages - residential	363,711	94,215	93,527	63,962	108,123	-	4,115	727,653
Mortgages - non-residential	98,036	21,772	17,092	17,332	9,068	-	-	163,300
Other assets	10,249	9,931	9,115	6,955	3,835	12,250	10,383	62,718
Allowance for impairment	-	-	-	-	-	-	(5,737)	(5,737)
TOTAL ASSETS	596,361	134,713	124,366	94,090	128,999	15,335	9,414	1,103,278
LIABILITIES								
Deposits	548,202	117,255	110,370	80,787	112,668	-	-	969,282
Other liabilities	-	-	-	-	-	-	40,041	40,041
Debentures and Subordinated Debt	-	-	-	-	-	17,298	-	17,298
Equity	-	-	-	-	-	-	76,657	76,657
TOTAL LIABILITIES AND EQUITY	548,202	117,255	110,370	80,787	112,668	17,298	116,698	1,103,278
Excess assets over liabilities	48,159	17,458	13,996	13,303	16,331	(1,963)	(107,284)	-
% of total assets	4.4%	1.6%	1.3%	1.2%	1.5%	-0.2%	-9.7%	

Credit Risk Management

Credit risk is the risk of financial loss resulting from the failure of a borrower or any counterparty to fully honour its financial or contractual obligations. Under Equitable Trust's lending criteria, all mortgages are individually evaluated under a risk rating system to determine the level of risk to be attributed to each loan.

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

MBS Risk Management

The major risks associated with MBS activities include credit risk, claims risk, prepayment risk and interest rate risk.

Mortgages that are sold through the CMHC-MBS Program are government guaranteed through CMHC. As a result of this CMHC insurance there is no credit risk. Claims risk is the risk that CMHC will reject a claim made by Equitable Trust for a loss on a CMHC-insured mortgage. In general, claims are rarely rejected by CMHC and Equitable Trust has never experienced a rejected claim.

Prepayment risk is the risk that mortgages are repaid before they are scheduled, and the interest expected to be received relating to the mortgage is not collected. Any prepayment risk on the multi-family and social housing pools is mitigated by interest penalties. There is prepayment risk associated with the single-family housing pools, but these pools represent less than \$58 million of total MBS outstanding as at December 31, 2003, rendering any risk immaterial.

Interest rate risk refers to the risk that interest rates will vary between the time a mortgage interest rate is committed to and the time it is securitized and that the change in rates will reduce the value of the mortgage being sold. Equitable Trust hedges the interest rate risk for all mortgages that are targeted to be sold through the securitization program. Hedging protects Equitable Trust from losses due to changes in interest rates during the relevant period. The hedge is initiated on the date that the mortgage is priced and committed to and terminated on the date that the pool is sold. Changes in interest rates affect the price at which the mortgage pool is sold and inversely affects the value of the hedge.

Securities Portfolio Management

Equitable Trust's Investment Committee meets on a quarterly basis to review the status of Equitable Trust's securities portfolio, to review transactions during the past quarter, to review the portfolio characteristics such as term, credit rating, type of share and investment lending, and to ensure compliance under the OSFI regulations and CDIC standards. Investment policies are reviewed regularly by the Equitable Trust's Board of Directors to ensure that the type, credit quality, duration and concentration of investments in marketable securities are appropriate, prudent and consistent with the risk profile targets adopted by the Company.

Capital Management

Equitable Trust maintains a capital management policy to govern the quality and quantity of capital held. The objective of the policy is to ensure that applicable regulatory capital requirements are met while providing sufficient return to investors. Equitable Trust's capital requirements are determined in accordance with guidelines issued by OSFI. These guidelines require that total tier 1 capital be maintained at a minimum level of 7% of total risk-weighted assets and that tier 2 capital not exceed 50% of tier 1 capital at any time. Equitable Trust actively monitors its capital ratios and ensures they are within regulatory requirements at all times.

The asset-to-capital multiple, or leverage ratio, determines the maximum leverage that Equitable Trust may undertake. For the purposes of this multiple, "assets" are the total balance sheet assets, while "capital" is as described above. Regulations under the TLCA require that Equitable Trust not exceed a maximum asset-to-capital multiple of 17.5 times.

As the following table illustrates, Equitable Trust has maintained an asset-to-capital multiple below the maximum level prescribed by OSFI.

As at December 31 (\$000s):						
	2003	2002	2001	2000	1999	4-year CAGR ⁽¹⁾
Total assets	1,103,278	888,527	725,904	564,431	316,561	36.6%
Total regulatory capital	93,955	71,246	49,175	35,776	27,176	36.4%
Asset-to-capital multiple	11.7 x	12.5 x	14.8 x	15.8 x	11.6 x	

Note:

1. 4-year CAGR is calculated based on 1999 and 2003 figures.

The risk-based capital ratio determines the minimum capital required for Equitable Trust's risk adjusted assets. Assets are risk-weighted from 0% to 100% based on their risk characteristics. Minimum statutory total capital

levels are a minimum of 8% of risk-weighted assets, however, OSFI requires that financial institutions maintain total capital at the "well capitalized" level, which is defined as a minimum of 10% of risk-weighted assets.

The following table shows that Equitable Trust had a total capital ratio of 11.3% as at December 31, 2003. Based on this capital level, Equitable Trust had the capacity to add \$111.6 million of 100% risk-weighted assets and still meet regulatory requirements. The blended risk-weighting has decreased from 75.8% in 2000 to 75.0% in 2003 reflecting Equitable Trust's decision to favour the increase of assets which bear less risk-weighting (liquidity investments).

As at December 31 (\$000s):

AS at December 31 (\$000s).

		2003		2002		2001		2000		1999					
Capital:															
Tier 1	76,657			62,586			43,154			33,698			24,248		
Tier 2	17,298			8,660			6,021			2,078			2,928		
Total	93,955			71,246			49,175			35,776			27,176		
Risk-weighted assets:															
	Total Assets	Risk-weighted Assets	Blended Risk Weighting	Total Assets	Risk-weighted Assets	Blended Risk Weighting	Total Assets	Risk-weighted Assets	Blended Risk Weighting	Total Assets	Risk-weighted Assets	Blended Risk Weighting	Total Assets	Risk-weighted Assets	Blended Risk Weighting
Liquidity investments	109,653	8,699	7.9%	84,035	629	0.7%	29,633	695	2.3%	4,864	406	8.4%	5,063	1,013	20.0%
Portfolio investments	45,691	45,691	100.0%	12,412	12,412	100.0%	5,046	5,046	100.0%	2,687	2,687	100.0%	-	-	-
Mortgage loans	885,217	712,453	80.5%	742,852	575,720	77.5%	650,141	502,523	77.3%	521,757	390,701	74.9%	279,168	177,158	63.5%
Retained MBS interests	52,331	52,331	100.0%	41,750	41,750	100.0%	34,645	34,645	100.0%	29,915	29,915	100.0%	29,745	29,745	100.0%
Other assets	10,386	8,818	84.9%	7,477	5,935	79.4%	6,439	5,518	85.7%	5,208	4,284	82.3%	2,585	1,971	76.3%
Total	1,103,278	827,991	75.0%	888,527	636,446	71.6%	725,904	548,427	75.6%	564,431	427,993	75.8%	316,561	209,887	66.3%
Risk-Based Capital Ratio (BIS Ratio):															
Tier 1 capital			9.3%			9.8%			7.9%			7.9%			11.6%
Tier 2 capital			2.1%			1.4%			1.1%			0.5%			1.4%
Total			11.3%			11.2%			9.0%			8.4%			12.9%

Outlook

In 2003, Equitable Trust recorded its best year of mortgage production in its history. This occurred despite the uneven performance of Canada's economy during the period. Management believes that this strong performance occurred primarily as a result of the stable real estate market in the GTA and the continued low interest rate environment. The GTA continues to be, in management's view, one of the premier markets in Canada for residential mortgage financing.

In order to take advantage of the anticipated growth in its business, the Company intends to expand its staffing in the mortgage origination area and further enhance its GIC distribution capabilities. The Company also intends to actively pursue each of the growth initiatives specified under "Business of Equitable Trust – Growth Initiatives".

DIVIDEND POLICY

The Board of Directors intends to establish a policy of declaring cash dividends on the Common Shares. It is expected that dividends will be declared and paid quarterly, based on a dividend payout ratio of approximately 25% of the Company's trailing net earnings. Dividend payments are expected to commence in the third quarter ending September 30, 2004. The declaration and payment of dividends are subject to the discretion of the Board of Directors and depend on, among other things, the Company's financial condition, general business conditions and other factors that the Board of Directors may in the future consider to be relevant. In addition, the Company's ability to pay dividends, at expected levels or at all, is subject to regulatory restrictions. See "Regulatory Matters – Restrictions on Dividends and Capital Withdrawals".

USE OF PROCEEDS

The estimated net proceeds from the Treasury Offering, after deducting the fees payable to the Underwriters and the estimated expenses of the Offering, estimated to be \$●, will be \$●. The Company intends to use the net proceeds of the Treasury Offering to increase regulatory capital in its wholly-owned operating subsidiary, Equitable Trust, to support growth of the Company's business and for general corporate purposes. The Company will not receive any proceeds from either the Secondary Offering or the exercise of the Over-Allotment Option.

MANAGEMENT

Directors and Executive Officers of the Company and Equitable Trust

The following table sets out for each director and executive officer of the Company and Equitable Trust, the person's municipality of residence, positions, principal occupation and, if a director, the date on which the person became a director of Equitable Trust. Each of the directors of the Company has been elected or appointed to serve until the Company's first annual meeting of shareholders following the completion of the Offering or until his or her successor is duly appointed.

Name and Municipality of Residence	Position with the Company and Equitable Trust⁽⁶⁾	Principal Occupation	Director of Equitable Trust Since
Paul Alofs ⁽¹⁾⁽⁵⁾ Toronto, Ontario	Director	President and Chief Executive Officer, Princess Margaret Hospital Foundation	2004
Austin Beutel ⁽³⁾⁽⁴⁾ Toronto, Ontario	Chairman and Director	President and Chairman, Oakwest Corporation Limited (an investment holding company)	1999
Eric Beutel ⁽²⁾⁽⁵⁾ Toronto, Ontario	Director	Vice-President, Oakwest Corporation Limited (an investment holding company)	1994
Geoffrey Bledin ⁽²⁾ Toronto, Ontario	President, Chief Executive Officer and Director	President and Chief Executive Officer, Equitable Trust	1990
Joseph Dickstein ⁽¹⁾⁽⁴⁾⁽⁵⁾ Toronto, Ontario	Director	Vice-Chairman and Director, PPI Financial Group (a financial services company)	1995
Eric Kirzner ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Toronto, Ontario	Director	Professor of Finance, Rotman School of Management, University of Toronto	1992
Rebecca MacDonald ⁽³⁾⁽⁴⁾ Toronto, Ontario	Director	Chair and Chief Executive Officer, Energy Savings Income Fund	2004
Lionel Robins ⁽²⁾⁽³⁾ Toronto, Ontario	Director	President PFDL Investments Limited (an investment holding company)	2000

Name and Municipality of Residence	Position with the Company and Equitable Trust⁽⁶⁾	Principal Occupation	Director of Equitable Trust Since
Robert Rubinoff ^{(2) (3) (4)} Toronto, Ontario	Director	President and Director, Inglewood Holdings Inc. (an investment holding company)	1994
Michael Shulman ^{(1) (5)} Toronto, Ontario	Director	President, The Birchwood Group Inc. (an investment holding company)	2000
Stephen Coffey Thornhill, Ontario	Senior Vice-President, Chief Financial Officer and Secretary	Senior Vice-President, Chief Financial Officer and Secretary of Equitable Trust	—
John Harry Acton, Ontario	Vice-President, Credit and Risk Management	Vice-President, Credit and Risk Management of Equitable Trust	—
Kimberly Kukulowicz Toronto, Ontario	Vice-President, Mortgage Services	Vice-President, Mortgage Services of Equitable Trust	—
Robert McMillan Toronto, Ontario	Vice-President, Deposit Services	Vice-President, Deposit Services of Equitable Trust	—
Tamara Malozewski Toronto, Ontario	Vice-President, Finance	Vice-President, Finance of Equitable Trust	—
Nicholas Strube Toronto, Ontario	Treasurer	Treasurer of Equitable Trust	—

Notes:

1. Member of the Audit Committee of Equitable Trust and the Company.
2. Member of the Investment Committee of Equitable Trust.
3. Member of the Compensation Committee of Equitable Trust.
4. Member of the Corporate Governance Committee of Equitable Trust and the Company.
5. Member of the Conduct Review Committee of Equitable Trust.
6. Other than Austin Beutel, who is Chairman of the Board of Directors of the Company and Equitable Trust, Geoffrey Bledin, who is the President and Chief Executive Officer of the Company and Equitable Trust and Stephen Coffey, who is the Chief Financial Officer and Secretary of the Company and Equitable Trust, the Company has no other officers and all other listed officers are officers of Equitable Trust only.

After giving effect to the Offering, the directors and executive officers of the Company will own an aggregate of ● Common Shares, representing approximately ●% of the Common Shares outstanding, or approximately ●% on a diluted basis, without giving effect to the Over-Allotment Option. See "Principal and Selling Shareholders".

Background of the Directors and Executive Officers

Set forth below are brief profiles of each of the directors and executive officers of the Company:

Paul Alofs, Director. Since 2003, Mr. Alofs has been President and Chief Executive Officer of Princess Margaret Hospital Foundation. Mr. Alofs brings with him a considerable management experience. From 1997 to 1999 he was the General Manager and Executive Vice-President of The Disney Store, Inc. From 1995 to 1997 he was President and General Manager of BMG Music Canada Inc. and from 1989 to 1995 he was President of HMV

Canada. During 1999, Mr. Alofs was part of an executive team that managed a company through a successful US\$400 million initial public offering. Mr. Alofs has also served as a director of the Branksome Hall and Krispy Kreme Canada.

Austin Beutel, Chairman and Director. Mr. Beutel has been the non-executive Chairman and a director of Equitable Trust since 1999. Mr. Beutel is currently Chairman of Oakwest Corporation Limited, an investment holding company. Prior to 2003, he was President of Oakwest. In 1967, he co-founded Beutel Goodman and Company, an investment counsel company. From 1967 to 1994 he was President and subsequently, Chairman of that company. Since 1989, Mr. Beutel has also served as non-executive Chairman of the Nu-Gro Corporation. Mr. Beutel is a past Chairman of the Sunnybrook Health Sciences Centre in Toronto. He also serves as a director of a number of companies, including Accord Financial Corp., Astral Media Inc. and O&Y Properties Corp. He graduated with a Masters in Business Administration from Harvard University and is a Chartered Financial Analyst.

Eric Beutel, Director. Mr. Beutel has been Vice-President of Oakwest Corporation Limited since 2003. Prior to 2003, he was Secretary-Treasurer of Oakwest Corporation Limited. Mr. Beutel holds a Master of Business Administration.

Geoffrey Bledin, President, Chief Executive Officer and a Director. Mr. Bledin has been the President and Chief Executive Officer of Equitable Trust since 1990. Prior to joining Equitable Trust, he was a partner with a national accounting firm. Mr. Bledin also serves as director and Treasurer of Mount Sinai Hospital in Toronto, and director and Vice-Chairman of the Mount Sinai Hospital Foundation. He is also a director and Chairman of the Investment Committee of Baycrest Centre Foundation. Mr. Bledin is a Chartered Accountant.

Joseph Dickstein, Director. Since 2000, Mr. Dickstein has been Vice-Chairman of PPI Financial Group, the largest independent life insurance marketing organization in Canada. He was President of PPI Financial Group from 1980 to 2000. From 1991 to 2000 he was a director and member of the Executive Committee of Prudential of America Life Insurance Company (Canada). From 1962 to 1976, Mr. Dickstein was President and Chief Executive Officer of Westmount Life Insurance Company.

Eric Kirzner, Director. Professor Kirzner is a Professor of Finance and the John H. Watson Chair in Value Investing at the Rotman School of Management at the University of Toronto. Professor Kirzner is also Director (and Chair of the Finance & Audit Committee and Chair of the Human Resources Committee) of Market Regulation Services Inc., Director of University of Toronto Asset Management Corporation, External Adviser to the Investment Committee of the Hospitals of Ontario Pension Plan (HOOPP) and Vice-Chair of the IDA Equity Trading Committee. From 1998 to 2003 he was a director of Deutsche Bank (Canada).

Rebecca MacDonald, Director. Ms. MacDonald is one of the founders and current Chair and Chief Executive Officer of Energy Savings Income Fund, a Toronto based marketer of deregulated gas and electricity. Prior to forming Energy Savings in 1997, Ms. MacDonald was the President of EMI, a gas marketing company. She is a past director of the Canadian Arthritis Foundation and is actively involved in a number of additional charities and is involved in Canadian Federal and Ontario Provincial politics. Ms. MacDonald was named Canadian Woman Entrepreneur of the Year for 2002 by the Rotman School of Management. She was also named Canada's top woman Chief Executive Officer for 2003 by Profit Magazine.

Lionel Robins, Director. Mr. Robins, an independent businessman, has been the Chairman of The Princess Margaret Hospital Foundation since 2002 and a Director since 1994. He has also served on the board of directors of the Bernard Betel Centre for Creative Living since 1996. Between 1974 and 1990 Mr. Robins was a director and Vice-President of Dylex Limited and from 1990 to 1995 was director and President of that company. Dylex Limited made a proposal to creditors under the *Companies Creditors Arrangement Act* (Canada) in 1995.

Robert Rubinoff, Director. Since 1986, Mr. Rubinoff has been President of Inglewood Holdings Inc., an investment holding company, and since 1983 has been the Managing Partner of the White Oaks Group, a retail shopping centre holding company. Mr. Rubinoff has considerable experience as a director of several public and private companies. Mr. Rubinoff was appointed President of the Ontario Chamber of Commerce in 1981, and Chairman in 1982. He is also a director of Huron College Foundation and the Vice-Chairman of Mount Sinai

Hospital Foundation. Mr. Rubinoff was a non-executive chairman and a director of Woodbridge Moulded Products Limited, which made a voluntary assignment into bankruptcy on June 19, 1995, and of National Fibretech Inc., which made a voluntary assignment into bankruptcy on May 15, 1997.

Michael Shulman, Director. Mr. Shulman has been President of The Birchwood Group Inc. since 1987, a company which is an active investor in private equity and real estate in North America. In 1971, he was one of the founders of the International Centre, the largest privately-owned and leading multi-purpose facility in Canada. Mr. Shulman is a Chartered Accountant and the former Chairman of a national firm of Chartered Accountants.

Stephen Coffey, Senior Vice-President, Chief Financial Officer and Secretary. Mr. Coffey has been the Chief Financial Officer of Equitable Trust since 2001. Mr. Coffey is a Chartered Accountant with over 15 years experience as a senior executive in the financial services industry. Prior to joining Equitable Trust, he was a co-founder and Chief Financial Officer of Creditwave Corporation from 1999 to 2001 and Chief Financial Officer and Secretary at Bayshore Leasing Corporation from 1997 to 1998. Prior thereto, he was Chief Financial Officer and Secretary of Bayshore Trust Company.

John Harry, Vice-President, Credit and Risk Management. Mr. Harry has been the Vice-President, Credit and Risk Management of Equitable Trust since 2001. Mr. Harry has over 20 years experience in the mortgage industry. He has held senior management positions in a chartered bank, a trust company and in one of Canada's largest mortgage banking organizations. Mr. Harry also has served as a senior consultant to the Canadian life insurance industry and as a Vice-President at Adelaide Capital Corporation from 1993 to 1999, reporting directly to the CDIC.

Kimberly Kukulowicz, Vice-President, Mortgage Services. Ms. Kukulowicz has been with Equitable Trust for over 12 years and has over 16 years experience in mortgage administration.

Robert McMillan, Vice-President, Deposit Services. Mr. McMillan joined Equitable Trust in 1990 and is a Fellow of the Institute of Canadian Bankers.

Tamara Malozewski, Vice-President, Finance. Ms. Malozewski joined Equitable Trust in 1995 and has 12 years of financial and accounting experience. Ms. Malozewski is a Certified General Accountant.

Nicholas Strube, Treasurer. Mr. Strube joined Equitable Trust in 2002. He has seven years of investment industry experience. Prior to joining Equitable Trust, he was a research analyst at Canaccord Capital Corporation from 1999 to 2001 and a research analyst at Levesque Beaubien Geoffrion Inc. (a predecessor company to National Bank Financial) from 1996 to 1999. Mr. Strube is a Chartered Financial Analyst and holds a Master of Business Administration degree.

Committees of the Boards of Directors of the Company and Equitable Trust

The Board of Directors of the Company and the Board of Directors of Equitable Trust each has an Audit Committee and a Corporate Governance Committee. The respective Boards ensure that each committee's composition meets the applicable independence requirements of its committee charter and applicable legal and regulatory requirements.

Audit Committee

The Audit Committee's responsibilities include: oversight of the quality and integrity of the Company's internal controls and procedures; reviewing annual and quarterly financial statements and related management's discussion and analysis; monitoring the Company's compliance with legal and regulatory requirements related to financial reporting; engaging the independent auditor; approving independent audit fees; reviewing the qualifications, performance and independence of the Company's independent auditor; considering the recommendations of the independent auditor; monitoring significant changes in accounting practices; evaluating reports of actual or threatened litigation; and examining improprieties or suspected improprieties with respect to accounting and other

matters that impact financial reporting. The Audit Committee has the authority to retain outside counsel or experts to assist it in performing its functions. The members of the Audit Committee are Joseph Dickstein, Eric Kirzner, Paul Alofs and Michael Shulman. Eric Kirzner serves as Chairman of the Audit Committee.

Corporate Governance Committee

The Corporate Governance Committee's responsibilities include: annually reviewing the charters of the Board of Directors, the Audit Committee, the Compensation Committee and the Corporate Governance Committee; assisting the Chairman of the Board of Directors in carrying out his responsibilities; considering and, if thought fit, approving requests from directors or committee members for the engagement of special advisors from time to time; preparing and recommending to the Board of Directors annually a "Statement of Corporate Governance Practices" to be included in the Company's management information circular as required by the TSX Company Manual; meeting with the Company's external corporate counsel to discuss the Company's corporate governance policies and practices; and recommending procedures to permit the Board of Directors to meet on a regular basis without management present. The Corporate Governance Committee are all considered to be unrelated directors. The members of the Corporate Governance Committee are Austin Beutel, Joseph Dickstein, Eric Kirzner, Rebecca MacDonald and Robert Rubinoff. Austin Beutel serves as Chairman of the Corporate Governance Committee.

Committees of the Board of Directors of Equitable Trust

The Board of Directors of Equitable Trust currently has, in addition to the Audit Committee and Corporate Governance Committees described above, a Compensation Committee, an Investment Committee and a Conduct Review Committee. The Board of Directors of Equitable Trust ensures that each committee's composition meets the applicable independence requirements of its committee charter and applicable legal and regulatory requirements.

Compensation Committee

The Compensation Committee's responsibilities include: reviewing and making recommendations to the Board of Directors of Equitable Trust regarding any equity or other compensation plan and regarding the total compensation package of Equitable Trust's executive officers, including the Chief Executive Officer. The Compensation Committee is also responsible for reviewing the performance of the Chief Executive Officer and the Chief Financial Officer and evaluating their total compensation annually in relation to their performance against pre-established goals and strategies. In addition, the Compensation Committee reviews the Company's Option Plan (see "Stock Option Plan") and approves the appointment of all officers of the Company. The members of the Compensation Committee are Austin Beutel, Eric Kirzner, Rebecca MacDonald, Lionel Robins and Robert Rubinoff. Robert Rubinoff serves as Chairman of the Compensation Committee.

Investment Committee

The Investment Committee's responsibilities include: reviewing the investment functions of Equitable Trust generally, including the lending function, investments and securities and debt instruments, liquidity risk management, capital management and other risk management. The Investment Committee is responsible for establishing various lending, investment, securities, liquidity, capital and other appropriate risk management policies for presentation to and approval by the Board of Directors of Equitable Trust and reporting on adherence to such policies on an ongoing basis. The members of the Investment Committee are Eric Beutel, Geoffrey Bledin, Lionel Robins and Robert Rubinoff. Geoffrey Bledin serves as Chairman of the Investment Committee.

Conduct Review Committee

The Conduct Review Committee's responsibilities include: establishing procedures for the review of transactions with related parties of Equitable Trust to which Part XI of the TLCA applies, reviewing all proposed transactions with such related parties, review the practices of Equitable Trust to ensure that any transactions with related

parties of Equitable Trust that may have a material effect on stability or solvency of Equitable Trust are identified and to establish criteria for determining which transactions with related parties of Equitable Trust are nominal or immaterial to Equitable Trust. The Committee monitors the procedures established by the Board of Directors of Equitable Trust to provide disclosure of information to clients and to resolve issues raised by clients of Equitable Trust as is required to be disclosed by the TLCA. The members of the Conduct Review Committee are Paul Alofs, Eric Beutel, Joseph Dickstein, Eric Kirzner and Michael Shulman. Eric Kirzner serves as Chairman of the Conduct Review Committee.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the aggregate compensation paid or payable to the Chief Executive Officer and to the other four most highly compensated executive officers of Equitable Trust (the "Named Executive Officers") who earned a salary and bonus in excess of \$100,000 in the year ended December 31, 2003.

Name and Principal Position	Fiscal Year	Annual Compensation			Securities Under Options Granted ⁽⁴⁾ (#)	All Other Compensation (\$)
		Salary (\$)	Bonus ⁽²⁾ (\$)	Other Annual Compensation ⁽³⁾ (\$)		
Geoffrey Bledin, ⁽¹⁾ President and Chief Executive Officer	2003	326,000	3,093,584	15,630	118,525	0
Stephen Coffey, Senior Vice-President, Chief Financial Officer and Secretary	2003	180,000	35,000	7,784	90,079	3,462 ⁽⁵⁾
John Harry, Vice-President, Credit and Risk Management	2003	120,000	15,000	7,966	47,410	2,308 ⁽⁵⁾
Kimberly Kukulowicz, Vice-President, Mortgage Services	2003	115,000	10,000	7,895	18,964	0
Nicholas Strube, Treasurer	2003	100,000	10,000	4,638	35,557	1,923 ⁽⁵⁾

Notes:

1. Mr. Bledin's employment arrangements have been amended effective January 1, 2004. See "Employment Agreements".
2. Bonuses in respect of a fiscal year are paid in the first pay period of the following year and are subject to meeting established performance measures. See "Employment Agreements".
3. Includes allowance for expenses, parking, club dues, and group health benefit premiums paid by Equitable Trust.
4. Gives effect to the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".
5. Amount accrued during the year attributable to an increase of the notice period (or payment in lieu thereof) required to be provided to the Named Executive Officer under their employment agreement.

Stock Option Grants during the Year Ended December 31, 2003

The following table provides details of stock options granted to the Named Executive Officers during the year ended December 31, 2003 pursuant to Equitable Trust's prior employee stock option plan, which options were exchanged for options under the Company's Option Plan (as defined hereunder). See "Stock Option Plan".

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year ⁽¹⁾	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security) ⁽³⁾	Expiration Date
Nicholas Strube	35,557 ⁽¹⁾⁽²⁾	100%	\$9.07	●	November 19, 2008

Notes:

1. As at December 31, 2003, 1,500 of these options were exercisable.
2. Gives effect to the Reorganization, applied on a retroactive basis. See "Share Capital Reorganization".
3. As there was no trading market for these securities at the time of grant, the market value is equivalent to the Offering price of the Common Shares.

Stock Option Exercises During the Year Ended December 31, 2003

The following table provides details of stock options exercised by the Named Executive Officers during the year ended December 31, 2003.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$) ⁽³⁾	Unexercised Options as at December 31, 2003 (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options as at December 31, 2003 (\$) ⁽³⁾ Exercisable/Unexercisable
Stephen Coffey	4,741	●	42,669/47,410 ⁽¹⁾	●/●
Kimberly Kukulowicz	28,446	●	9,482/9,482 ⁽²⁾	●/●

Notes:

1. The exercisable options consist of 23,705 options with an exercise price of \$5.18 per Common Share and 18,964 options with an exercise price of \$5.94 per Common Share.
2. The exercisable options have an exercise price of \$3.68 per Common Share.
3. As there was no trading market for these securities at the time of grant, values have been calculated using the Offering price of the Common Shares.

Compensation of Directors

The Chairman of Equitable Trust will receive a fixed fee of \$50,000 per annum. Members of management who serve as directors of Equitable Trust will not receive any additional compensation for acting in such capacity. Compensation for the other directors of Equitable Trust will be \$10,000 per director per annum and \$1,000 per director per meeting for attending Board and committee meetings of Equitable Trust. In addition to the foregoing, the Chairman of the Audit Committee of Equitable Trust will receive \$5,000 per annum. Directors of the Company are eligible to participate in the Option Plan but otherwise receive no other compensation. See "Stock Option Plan".

Members of management of Equitable Trust who served as directors in 2003 did not receive any additional compensation for acting in such capacity. In 2003, the Chairman of Equitable Trust received a fixed fee of \$15,000. The other directors of Equitable Trust were paid a retainer of between \$2,000 and \$4,000 per director and fees of between \$1,250 and \$7,800 for attending Board of Directors and committee meetings.

Directors' and Officers' Liability Insurance

The Company and Equitable Trust maintain liability insurance covering their respective directors and officers for the period of January 1, 2004 to December 31, 2004, at a cost of \$46,000. The coverage is subject to a maximum annual amount of \$5 million with a fixed corporate deductible per loss.

Employment Agreements

Geoffrey Bledin. Mr. Bledin entered into an employment agreement with Equitable Trust dated January 1, 2004. Under the terms of the agreement, Mr. Bledin is entitled to a base salary of \$600,000. Mr. Bledin is entitled to participate in the Company's Option Plan. Mr. Bledin is also entitled to a bonus based on the after-tax return on equity of Equitable Trust. In the case of termination without cause, Mr. Bledin is entitled to a severance payment equal to his base salary and average bonus and the equivalent of one month of salary and bonus for each year of his service with Equitable Trust (to a maximum of 36 months). Mr. Bledin is required to give 90 days notice if he resigns his position, and if such notice is waived, is entitled to his salary and benefits for 90 days from when such notice was given.

Stephen Coffey. Mr. Coffey entered into an employment agreement with Equitable Trust dated June 22, 2001. Under the terms of the agreement, Mr. Coffey is paid an annual salary of \$150,000. Mr. Coffey is also entitled to an annual discretionary bonus based upon his performance and commensurate with his position, and is entitled to participate in the Option Plan. In the case of termination without cause, Mr. Coffey is currently entitled to two weeks notice prior to termination. Beginning June 22, 2004, Mr. Coffey will be entitled to written notice one week for each year of employment (to a maximum of eight weeks) prior to termination. If terminated without cause, Mr. Coffey is entitled to a lump sum payment equal to six months' salary.

John Harry. Mr. Harry entered into an employment agreement with Equitable Trust dated August 10, 2001. Under the terms of the agreement, Mr. Harry is paid an annual salary of no less than \$100,000. Mr. Harry is also entitled to an annual discretionary bonus and is entitled to participate in the Option Plan. In the case of termination without cause, Mr. Harry is currently entitled to written notice two weeks prior to termination. Beginning August 10, 2004, Mr. Harry will be entitled to written notice one week for each year of employment (to a maximum of eight weeks) prior to termination.

Kimberly Kukulowicz. Ms. Kukulowicz entered into an employment agreement with Equitable Trust dated January 1, 1997. Under the terms of the agreement, Ms. Kukulowicz is paid an annual salary of no less than \$57,200. Ms. Kukulowicz is entitled to an annual discretionary bonus and is entitled to participate in the Option Plan. In the case of termination without cause, Ms. Kukulowicz is entitled to written notice one week for each year of her employment (to a maximum of eight weeks) prior to termination.

Nicholas Strube. Mr. Strube entered into an employment agreement with Equitable Trust dated September 23, 2003. Under the terms of the agreement, Mr. Strube is paid an annual salary of \$105,000. Mr. Strube is entitled to an annual discretionary bonus and is entitled to participate in the Option Plan. In the case of termination without cause, Mr. Strube is currently entitled to notice one week prior to termination. Beginning September 23, 2004, Mr. Strube will be entitled to written notice two weeks prior to termination, and beginning September 23, 2006, he will be entitled to written notice one week for each year of his employment (to a maximum of eight weeks) prior to termination.

STOCK OPTION PLAN

Under a stock option plan adopted by the Company's directors on February 2, 2004 (the "Option Plan") the Company may grant options to purchase Common Shares to its directors, officers, employees and consultants. The Option Plan is designed to advance the interests of the Company by encouraging its and Equitable Trust's directors, officers, employees and consultants to have equity participation in the Company through the acquisition of Common Shares. Options to purchase Common Shares may be granted from time to time by the Board of Directors of the Company at an exercise price determined by them, which in no case would be less than that required by any applicable regulatory authority. The maximum number of Common Shares available for issuance under the Option Plan is fixed at such number which is equal to 10% of the issued and outstanding Common Shares after completion of the Offering, and the maximum number of Common Shares available for issuance to any one person under the Option Plan is 5% of the Common Shares outstanding at the time of the grant. Options granted under the Option Plan are non-transferable other than in accordance with the Option Plan and must be exercised no later than ten years after the date of the grant or a lesser period as determined by the Board of Directors of the Company and approved by any applicable regulatory authority.

As at February 2, 2004, the Company had an aggregate of 1,031,431 options issued and outstanding under the Option Plan. All prior outstanding options granted to the Board of Directors, executives and employees under Equitable Trust's prior employee stock option plan have been exchanged for options under the Option Plan. The following table sets forth details regarding all options outstanding under the Option Plan as at February 2, 2004.

Class of Optionee (Number of Optionees in Class)	Number of Common Shares Under Option	Date of Grant	Exercise Price (\$)	Expiry Date
Directors as a group (8)	200,000	February 2004	● ⁽¹⁾	February 2009
Director who is also an executive officer (1)	118,525	February 2000	\$3.68	February 2005
	125,000	February 2004	● ⁽¹⁾	February 2009
Executive officers as a group (6)	52,151	February 2000	\$3.68	February 2005
	64,004	July 2001	\$5.18	July 2006
	94,820	February 2002	\$5.94	February 2007
	35,557	November 2003	\$9.07	November 2008
	200,000	February 2004	● ⁽¹⁾	February 2009
Employees as a group (4)	23,705	February 2001	\$4.82	February 2006
	18,964	July 2001	\$5.18	July 2006
	23,705	February 2002	\$5.94	February 2007
	75,000	February 2004	● ⁽¹⁾	February 2009

Note:

1. The exercise price of these options will be the Offering price.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as described below, none of the Company's or Equitable Trust's directors or executive officers, nor any associate of such director or executive officer, has, during the year ended December 31, 2003 and to the date hereof, been indebted to the Company or Equitable Trust. None of the indebtedness of these individuals to

another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of the Company or Equitable Trust.

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During Year Ended December 31, 2003 (\$)	Amount Outstanding As At [●] (\$)	Financially Assisted Securities Purchases During Year Ended December 31, 2003 (#)	Security for Indebtedness
Geoffrey Bledin, ⁽¹⁾ President, Chief Executive Officer and Director of the Company and Equitable Trust	Equitable Trust	\$700,000	\$600,000	0	None

Note:

1. Mr. Bledin entered into a loan agreement with a predecessor to the Company on May 1, 1996 whereby he was loaned the sum of \$1,482,176 to purchase shares of such company. As of December 12, 2003, such company assigned the loan to Equitable Trust pursuant to an amending agreement (the "Agreement"). Pursuant to the Agreement, the outstanding loan amount is payable in annual principal installments of \$100,000 per annum on March 31 of each calendar year commencing March 31, 2004. The loan bears interest at 4% per annum, calculated annually in arrears commencing on March 31, 2004.

PRIOR SALES

The Company was formed on January 1, 2004, and issued an aggregate of 10,364,435 Common Shares to the prior shareholders of Equitable Trust pursuant to the Reorganization described under "Share Capital Reorganization". Other than the foregoing, the Company has not previously issued any other Common Shares in the last 12 months.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares (the "Preferred Shares"), issuable in series. Immediately prior to the closing of the Offering, 10,364,435 Common Shares and no Preferred Shares will be issued and outstanding. The following is a summary of the provisions of the Common Shares and the Preferred Shares of the Company.

Common Shares

Each Common Share entitles the holder thereof to receive notice of any meetings of shareholders of the Company, to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board of Directors of the Company at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro-rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Preferred Shares

The Preferred Shares are issuable from time to time in one or more series. The Board of Directors of the Company is authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to the Preferred Shares of each series, which may include voting rights. The Preferred Shares of each series will rank on a parity with the Preferred Shares of every other series and will be entitled to

preference over the Common Shares and any assets in the event of liquidation, dissolution or winding up of the Company. If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series will participate rateably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

SHARE CAPITAL REORGANIZATION

Effective January 1, 2004, the direct and indirect shareholders of Equitable Trust approved a series of transactions (the "Reorganization") whereby all such shareholders became shareholders of the Company and Equitable Trust became a wholly-owned subsidiary of the Company. Each of the previous direct and indirect shareholders of Equitable Trust received Common Shares in exchange for their securities in the same proportion as their prior direct and/or indirect holdings in Equitable Trust, and, in connection therewith, the Company issued an aggregate of 10,364,435 Common Shares. Unless otherwise specified, all references to Common Shares in this prospectus assume the completion of the Reorganization.

PRINCIPAL AND SELLING SHAREHOLDERS

Of the Company's 61 existing shareholders there are ● Selling Shareholders, selling or causing to be sold an aggregate of ● Common Shares, representing approximately ●% of the outstanding Common Shares, or approximately ●% on a diluted basis, without giving effect to the Offering and the Over-Allotment Option.

As indicated in the table below, Oakwest Corporation Limited ("Oakwest") (a holding company controlled by Austin Beutel), and Geoffrey Bledin directly and indirectly through Bledin Holdings Ltd. (a holding company owned and controlled by Geoffrey Bledin) own or control, directly or indirectly, approximately ●% and ●% of the outstanding Common Shares, respectively, or approximately ●% and ●%, respectively, on a diluted basis, before giving effect to the Offering and the Over-Allotment Option.

Shareholder	Ownership prior to the Offering		Ownership after the Offering	
	Shares	Percentage	Shares	Percentage
Oakwest Corporation Limited	2,789,925	26.9%	●	●%
Geoffrey Bledin/Bledin Holdings Ltd.	2,316,560	22.4%	●	●%

Messrs. Beutel and Bledin will sell or cause to be sold ● and ● Common Shares, respectively, representing approximately ●% and ●% of their direct and indirect holdings in the Company, respectively, or approximately ●% and ●% of the outstanding Common Shares, respectively, or approximately ●% and ●%, respectively, on a diluted basis, without giving effect to the Treasury Offering and the Over-Allotment Option. After giving effect to the Offering, but without giving effect to the Over-Allotment Option, Messrs. Beutel and Bledin will continue to own or control, directly or indirectly, an aggregate of approximately ●% and ●% of the Common Shares, respectively, or approximately ●% and ●%, respectively, on a diluted basis.

After giving effect to the Offering, the Company's existing shareholders will continue to own an aggregate of ●% of the Common Shares or ●% on a diluted basis, without giving effect to the Over-Allotment Option.

The directors, officers and employees of the Company will own or control, directly or indirectly, an aggregate of ●% of the Common Shares, or ●% on a diluted basis, after giving effect to the Offering, but without giving effect to the Over-Allotment Option.

The following table sets out the number of Common Shares owned by each of the Company's Selling Shareholders as of the date hereof, before and after giving effect to the Treasury Offering and the Secondary Offering, and without giving effect the Over-Allotment Option.

Selling Shareholder	Type of Ownership	Ownership Prior to the Offering ⁽¹⁾		Number of Shares to be Sold ⁽¹⁾	Ownership After the Offering ⁽¹⁾	
		Shares	Percentage		Shares	Percentage
Oakwest Corporation Limited	Direct	2,789,925	26.92%	●	●	●%
Geoffrey Bledin/Bledin Holdings Ltd.	Direct/Indirect	2,316,560	22.35%	●	●	●%
1239200 Ontario Inc. ⁽²⁾	Direct	769,016	7.42%	●	●	●%
TAMD Holdings Ltd.	Direct	524,527	5.06%	●	●	●%
Inglewood Holdings Inc.	Direct	516,242	4.98%	●	●	●%
This Year's Investments Inc.	Direct	301,205	2.91%	●	●	●%
PFDL Investments Limited ⁽²⁾	Direct	282,933	2.73%	●	●	●%
Susan Sacchi Investments Inc. ⁽²⁾	Direct	188,830	1.82%	●	●	●%
583433 Ontario Limited o/a MMI Industries	Direct	182,637	1.76%	●	●	●%
Gellman Family Holdings Limited	Direct	182,637	1.76%	●	●	●%
Gelstar Holdings Inc.	Direct	178,339	1.72%	●	●	●%
Nipcan International Limited	Direct	178,339	1.72%	●	●	●%
Yorkland Financial Corporation Limited ⁽²⁾	Direct	141,170	1.36%	●	●	●%
George Eisenberg	Direct	111,046	1.07%	●	●	●%
Joellor Holdings Inc. ⁽²⁾	Direct	84,870	0.82%	●	●	●%
Harold Lederman Limited ⁽²⁾	Direct	84,793	0.82%	●	●	●%
Grossman Holdings Limited ⁽²⁾	Direct	70,824	0.68%	●	●	●%
Bath-Av Investments Limited ⁽²⁾	Direct	70,658	0.68%	●	●	●%
Hybrid Investments Limited ⁽²⁾	Direct	70,658	0.68%	●	●	●%
Shulwood Inc. ⁽²⁾	Direct	70,656	0.68%	●	●	●%
Brockenhurst Investments Limited	Direct	70,413	0.68%	●	●	●%
Snow Powder Ridge Ltd. ⁽²⁾	Direct	63,745	0.62%	●	●	●%
Teitelbaum Holdings Inc. ⁽²⁾	Direct	56,700	0.55%	●	●	●%
WIL608SEQ Holdings Inc. ⁽²⁾	Direct	56,527	0.55%	●	●	●%
Stephen Gross Holdings Inc. ⁽²⁾	Direct	56,473	0.54%	●	●	●%
Helen & Marvin Goldberg ⁽²⁾	Direct	47,006	0.45%	●	●	●%
Malcolm Swartz ⁽²⁾	Direct	45,896	0.44%	●	●	●%
Joe Greico	Direct	44,585	0.43%	●	●	●%
S.I.L. Developments Limited ⁽²⁾	Direct	42,394	0.41%	●	●	●%
Ballito Bay Holdings Limited ⁽²⁾	Direct	35,412	0.34%	●	●	●%
Earl Berger Inc.	Direct	31,048	0.30%	●	●	●%
Dorothy Joy Ltd.	Direct	30,597	0.30%	●	●	●%
Gerald A. Berger Ltd.	Direct	30,597	0.30%	●	●	●%
Irvann Holdings Inc. ⁽²⁾	Direct	29,794	0.29%	●	●	●%
Arluk Holdings Limited ⁽²⁾	Direct	28,330	0.27%	●	●	●%
Yafa Investments Limited ⁽²⁾	Direct	28,330	0.27%	●	●	●%
Norcount Control Corporation ⁽²⁾	Direct	28,327	0.27%	●	●	●%
Arthur M. Gans	Direct	26,079	0.25%	●	●	●%
Francie I. Storm	Direct	26,078	0.25%	●	●	●%
Fay Bacher	Direct	22,293	0.22%	●	●	●%
Tommy Bacher	Direct	22,293	0.22%	●	●	●%
Pauline Bacher	Direct	22,292	0.22%	●	●	●%
Sari Merson	Direct	22,292	0.22%	●	●	●%
Kimberly Gannon	Direct	19,657	0.19%	●	●	●%
Cara Eisenberg	Direct	17,489	0.17%	●	●	●%
Tamara Saitowitz ⁽²⁾	Direct	12,798	0.12%	●	●	●%
Kevin Eisenberg	Direct	12,104	0.12%	●	●	●%
Jillian Eisenberg	Direct	11,802	0.11%	●	●	●%
Wendy Eisenberg	Direct	11,802	0.11%	●	●	●%
Seymour Temkin ⁽²⁾	Direct	10,700	0.10%	●	●	●%
Curtis Eisenberg	Direct	10,005	0.10%	●	●	●%
Seyglor Consultants Inc. ⁽²⁾	Direct	6,294	0.06%	●	●	●%

Notes:

1. Before giving effect to the exercise of the Over-Allotment Option.

2. In the event the Underwriters exercise the Over-Allotment Option, these shareholders will participate in such sale.

CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's capitalization as of the dates indicated, adjusted to give effect to the material changes in the share and loan capital of the Company since December 31, 2003, the date of the audited financial statements of Equitable Trust's most recently completed financial year.

	Equitable Trust	Company
	As at December 31, 2003	As at ●, 2004 After Giving Effect to the Offering
(\$000s)		
Subordinated debt	17,298	●
Shareholders' Equity:		
Share Capital	37,483	●
Contributed surplus	556	●
Retained Earnings	38,618	●
Total Shareholders' Equity	76,657	●
Total Capitalization	93,955	●

Note:

- As of December 31, 2003, the Company had granted 431,431 options (assuming completion of the Reorganization) to its employees at a weighted-average exercise price of \$5.10 (assuming the completion of the Reorganization). Since December 31, 2003, the Company has granted an additional 600,000 options at an exercise price equal to the Offering price.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated ●, 2004 (the "Underwriting Agreement"), between the Company, the Selling Shareholders and the Underwriters, the Company has agreed to issue and sell ● Common Shares and the Selling Shareholders have agreed to sell ● Common Shares and the Underwriters have severally agreed to purchase all such Common Shares on ●, 2004 or such other date as may be agreed upon, but not later than ●, 2004, subject to the conditions stipulated in the Underwriting Agreement, at an aggregate price of \$● payable in cash against delivery of the Common Shares. The Company will not receive any proceeds from the Common Shares sold by the Selling Shareholders. The Underwriting Agreement provides that the Company and the Selling Shareholders will pay the Underwriters a fee of \$● per Common Share in consideration for their services in connection with this Offering. The Offering price of the Common Shares was determined by negotiation among the Company, the Selling Shareholders and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events. The Underwriters will be, however, obligated to take up and pay for all offered Common Shares if any of the offered Common Shares are purchased under the Underwriting Agreement. The Company and each of the Selling Shareholders has agreed to indemnify the Underwriters and their shareholders, directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial and territorial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the bylaws and rules of the TSX relating to market

stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Underwriters have been granted the Over-Allotment Option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to an additional ● Common Shares from the Selling Shareholders at the Offering price to cover over-allotments, if any, and for market stabilization purposes. If the Underwriters exercise the Over-Allotment Option in full, the total price to the public, Underwriters' fee and net proceeds to the Selling Shareholders will be \$●, \$● and \$●, respectively. This prospectus qualifies the grant of the Over-Allotment Option and the Common Shares to be sold on its exercise.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares herein offered in the United States. The Common Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "Securities Act") or any state securities laws and, subject to certain exemptions, may not be offered for purchase or sale, sold, transferred or otherwise disposed of, directly or indirectly, within the United States or its territories or possessions or to or for the account of a U.S. Person. Offers and sales of such securities within the United States or its territories or possessions or to or for the account or benefit of a U.S. person would constitute a violation of the U.S. Securities Act unless made in compliance with the registration requirements of the U.S. Securities Act or an exemption therefrom. The Underwriters have agreed that they will not offer or sell the Common Shares within the United States or to or for the account of U.S. Persons, except pursuant to an exemption from registration under the Securities Act. In addition, until 40 days after the Closing, an offer or sale of Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with an available exemption under the Securities Act.

Prior to this Offering, there has been no public market for the Common Shares. The Company has applied to list the Common Shares on the TSX under the symbol "ETC". Listing is subject to the Company fulfilling all of the requirements of the TSX.

The Company, subject to certain exceptions, and certain Selling Shareholders have agreed not to sell or issue, or negotiate or enter into any agreements to sell or issue any Common Shares for a period of 180 days from the date of closing of the Offering without the consent of BMO Nesbitt Burns Inc.

RISK FACTORS

An investment in the Common Shares is subject to a number of risks. In addition to the other information contained in this prospectus, prospective purchasers should give careful consideration to the following factors. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that are not presently known to the Company or that the Company currently believes to be immaterial may already affect the Company's business. If any of the following risks actually occurs, the Company's business, financial condition or operating results could be materially adversely affected.

Risks Related to the Company and its Business

Mortgage Portfolio Management

Equitable Trust has established policies and procedures for monitoring and adjusting its mortgage portfolio and other investments. These policies and procedures relate to assessing and managing credit risks, market risks, asset

liability matching risks and liquidity risks. Failure by Equitable Trust to adequately monitor and adjust its practices periodically to account for fluctuations in these risks could adversely affect the quality of its mortgage and investment portfolios, resulting in a material adverse affect on the Company's operating results. See "Regulatory Matters – Risk Management" for a description of the Company's policies in monitoring and managing these risks.

Geographic Concentration

Approximately 91% of Equitable Trust's mortgages, as at December 31, 2003, were located in the GTA. If the GTA experienced a general economic downturn, it could lead to adverse changes to the creditworthiness of Equitable Trust's borrowers, increased default rates and a material adverse effect on the operating results of the Company.

Reliance on Key Personnel

The Company's operations are dependent on the abilities, experience and efforts of its management and other key employees including Geoffrey Bledin, the President and Chief Executive Officer and his senior management team. Should any of these persons be unable or unwilling to continue in their employment, this could have a material adverse effect on the business, financial condition and results of the operations of the Company.

Reliance on Independent Mortgage Brokers

Equitable Trust's mortgage operations are dependent on a network of mortgage brokers and its relationships with referral institutions. Equitable Trust may find it difficult to attract new mortgage business from this network of brokers, or sustain current levels, to meet its needs. The failure by Equitable Trust to sustain or increase its current level of mortgage origination from these sources could negatively affect the financial condition and operating results of the Company.

Changes in Borrower Creditworthiness

The factors used in the determination of borrowers' creditworthiness are subject to change over time. These factors can be summarized in terms of any of character (of borrowers), capacity (to repay loans), capital (resources of borrowers that can be used to cover any shortfalls), collateral (in support of loans) and conditions (of loans). Deterioration in these factors could lead to difficulties in the repayment of loans, possibly resulting in higher loan losses. An increase in loan losses could have a material adverse effect on the operating results of the Company.

Failure of Computer and Data Processing Systems and Software

The Company is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure of these systems could interrupt operations or materially impact the Company's ability to originate, monitor or adjust many of those items more particularly described under "Deposit Taking". If sustained or repeated, a system failure could negatively affect the operating results of the Company. In addition, the Company depends on automated software to update its deposit taking and match the terms of its deposit liabilities and asset maturities. See "Business of the Company – Deposit Taking". If such software fails or is unavailable on a prolonged basis, the Company could be required to manually complete such activities, which could have a short-term negative effect on its operations.

The Company maintains confidential information regarding customers in its computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage the Company's reputation or result in liability.

Outsourcing

Equitable Trust has outsourced certain key business functions to third parties. Equitable Trust has arrangements in place to review the financial stability of each of its material outsourcing counterparties on an ongoing basis in order to ensure that all contractual commitments are met by the respective parties. Should there be any doubt as to the ability of the counterparty to fulfil their duties and responsibilities, the Company believes that it has the expertise, the resources and market-based relationships to ensure that a replacement service is readily available. Notwithstanding the forgoing, the failure by Equitable Trust to adequately monitor this risk, or on a timely basis establish alternative arrangements if required, could result in a material adverse effect on the Company's operating results. See "Regulatory Matters – Portfolio and Investment Monitoring – Outsourcing Risk".

Regulatory Environment

Equitable Trust is subject to extensive regulation by government agencies in carrying on its business. These regulations are primarily intended to protect deposit holders and beneficiaries, rather than shareholders of the Company. Changes to applicable laws or regulations, or to their interpretation or enforcement, including any changes which would impair or otherwise preclude the Company from paying dividends on its Common Shares, could have a negative effect on the Company, its operating results and could negatively impact expected returns on Common Shares of the Company. See "Regulatory Matters – Restrictions on Dividends and Capital Withdrawals". In addition, existing regulations impose constraints on a party's ability to acquire control of the Company, unless the prior approval of the Minister is obtained. This regulatory constraint could have a negative effect on the price at which a transaction involving a change of control of the Company might occur. See "Regulatory Matters – Constraints on Ownership of Shares".

General Economic Conditions

The residential mortgage financing business in Canada continues to benefit from historically low and stable interest rates. There is a risk that an increase in interest rates could slow the pace of housing sales and adversely affect growth in the residential mortgage market, which could adversely affect the Company's stated growth initiatives. A decline in general economic conditions could cause default rates to increase as creditworthiness decreases for borrowers who are more highly leveraged. This could negatively affect the Company's mortgage business and results of operations, respectively, and its ability to pay dividends to shareholders at current levels or at all. In addition, a significant decline in real estate values in the GTA could negatively affect the Company's operating results as Equitable Trust's security on all of its mortgages could thereby be adversely affected and its ability to liquidate properties held by defaulting borrowers at favourable prices could be diminished.

The profits earned on mortgages depend on the spread between mortgage rates and deposit rates and any fee income derived therefrom. The mortgage and investment portfolios of Equitable Trust include assets whose value can fluctuate because of changing interest rates and economic and market conditions. In addition, some of these assets could be difficult to sell at any given time. Changes in interest rates and other market factors such as stock market prices and demographics could affect the preferences of its customers for different types of products, such as GICs, and the value of the assets maintained by Equitable Trust to meet its liabilities. There is no guarantee that the revenue, asset and profit growth that Equitable Trust has historically generated will continue or that any of the Company's stated targets for return on equity and increase in earnings per share will be achieved. A reduction in positive spreads between mortgage rates and deposit rates could have a material adverse effect on Equitable Trust's business, financial condition and results of its operations and its ability to pay dividends to shareholders at current levels or at all.

Competition

The Company's products, including mortgages and GICs, compete with those offered by other trust companies, banks, insurance companies and other financial institutions. Many of these companies are better capitalized, hold a larger percentage of the Canadian residential mortgage market and GIC markets, have significantly greater financial, technical and marketing resources than the Company and have greater name recognition than the Company. In addition, the Company expects to face additional competition from new entrants into its markets.

Risks Related to the Offering

Absence of Prior Public Market

Prior to the Offering, there has been no public market for the Common Shares. The Offering price has been determined by negotiation between the Company, the Selling Shareholders and the Underwriters based on several factors and may bear no relationship to the price at which the Common Shares will trade in the public market subsequent to the Offering. See "Plan of Distribution".

Shareholder Dilution

The Company may need to raise additional funds through public or private financings, or other arrangements in order to support future business growth, develop new or enhanced services, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company's articles of incorporation authorize the Company to issue an unlimited number of Common Shares, on terms and conditions determined by the Board of Directors, without the approval of Shareholders. Any additional equity financings may be dilutive to shareholders.

Additional Capital

The Company may need to raise additional funds in order to support future business growth, develop new or enhanced services, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company's future liquidity and capital requirements depend upon numerous factors, including existing financial and operating covenants, its deposit raising and MBS activities.

If the Company is unable to maintain or increase its levels of deposit taking activities, the Company's financial condition and operating results could be materially adversely affected.

In addition, the Company may be required to raise additional funds through public or private financings or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Furthermore, any additional debt financing, if available, could involve restrictive covenants including restrictions on the Company's ability to pay dividends and pursue its growth initiatives. The lack of adequate funds on acceptable terms could have a material adverse effect on the Company's business, financial condition and operating results.

LEGAL PROCEEDINGS

The Company is not involved in any legal proceedings which would have a material effect on the Company. To the best of the Company's knowledge, no legal proceedings of a material nature involving the Company are anticipated by any individual entities or government authorities.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Equitable Trust issued an aggregate of \$5.7 million series 2 subordinated debt in 2001 (the "Series 2 Debentures"), \$7.9 million series 3 subordinated debt in 2002 (the "Series 3 Debentures") and \$11.4 million series 4 subordinated debt in 2003 (the "Series 4 Debentures") (collectively, the "Subordinated Debentures"). The Subordinated Debentures constitute tier 2 capital of Equitable Trust, and by their terms, is subordinated to Equitable Trust's deposits and other liabilities, all in accordance with the provisions of the TLCA. Certain directors and officers of Equitable Trust purchased an aggregate of \$2.8 million of the Series 2 Debentures in 2001, \$5.3 million of the Series 3 Debentures in 2002 and \$4.4 million of the Series 4 Debentures in 2003. Please see Notes 10 and 13 to Equitable Trust's 2003 financial statements.

Other than the foregoing and as disclosed elsewhere in this prospectus, none of the directors, executive officers or principal shareholders of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Company or Equitable Trust.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is KPMG LLP, Chartered Accountants, Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B2.

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The Underwriting Agreement referred to under "Plan of Distribution", is the only material contract, other than contracts entered into in the ordinary course of business, which have been entered into by the Company within the past two years or which are proposed to be entered into.

A copy of this agreement may be examined at the head and principal office of the Company during normal business hours during the course of distribution to the public of the Common Shares.

LEGAL MATTERS

The matters referred to under "Eligibility for Investment" and certain other legal matters relating to the Common Shares offered by this prospectus will be passed upon at Closing on behalf of the Company by Cassels Brock & Blackwell LLP and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. As of the date of this prospectus, the partners and associates of Cassels Brock & Blackwell LLP, as a group, and Fasken Martineau DuMoulin LLP, as a group, do not own any Common Shares.

ELIGIBILITY FOR INVESTMENT

In the opinion of Cassels Brock & Blackwell LLP and Fasken Martineau DuMoulin, based on legislation in effect at the date hereof and subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, the regulations made under those statutes) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, standards, procedures and goals and, in certain cases, subject to the filing of such policies, standards, procedures or goals, the Common Shares will not, if issued on the date hereof, be precluded as investments under the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Cooperative Credit Associations Act (Canada)
Loan and Trust Corporations Act (Alberta)
Insurance Act (Alberta)
Employment Pension Plans Act (Alberta)
Alberta Heritage Savings Trust Fund Act (Alberta)
Pension Benefits Standards Act (British Columbia)
Financial Institutions Act (British Columbia)
The Insurance Act (Manitoba)
The Trustee Act (Manitoba)
The Pension Benefits Act (Manitoba)
Pension Benefits Act (Nova Scotia)

Trustee Act (Nova Scotia)
Pension Benefits Act (Ontario)
The Trustee Act (Ontario)
Loan and Trust Corporations Act (Ontario)
an Act respecting insurance (Quebec) for an insurer, as defined therein, incorporated under the laws of the Province of Quebec, other than a guarantee fund
an Act respecting trust companies and savings companies (Quebec), for a trust company, as defined therein, which invests its own funds and funds received as deposits and a savings company (as defined therein) investing its funds
Supplemental Pension Plans Act (Quebec)
The Pension Benefits Act, 1992 (Saskatchewan)

In the opinion of such counsel, the Common Shares will be qualified investments under the *Income tax Act* (Canada) and the regulations thereunder (the "Tax Act") for trusts governed by registered retirement savings plans, registered retirement earnings funds, deferred profit sharing plans and registered education savings plans (collectively, the "Plans"). In the opinion of such counsel, based in part on a certificate of the Company as to factual matters, the Common Shares, if issued on the date of this prospectus, would not constitute "foreign property" for the purpose of the tax imposed under Part XI of the Tax Act on the Plans (other than registered education savings plans), registered investments and other tax exempt entities, including most registered pension funds or plans. Registered education savings plans are not subject to the foreign property rules.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

ADDITIONAL INFORMATION

Following consummation of the Offering, the Company will be required to file reports and other information with the securities commissions in all provinces and territories of Canada. These filings are electronically available from the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) (<http://www.sedar.com>).

GLOSSARY OF TERMS

"**affiliate**" or "**associate**" when used to indicate a relationship with a person or company, has the same meaning as set forth in the *Securities Act* (Ontario).

"**allowance for credit losses**" means the amount deemed adequate by management to absorb identified and possible credit related losses in the mortgage loans portfolio. This allowance is increased by the provision for credit losses, which is charged to income and decreased by the amount of charge-offs (write-offs in Canadian GAAP), net of recoveries.

"**Board of Directors**" means the board of directors of the Company or Equitable Trust, as the context requires.

"**CAGR**" means compound annual growth rate.

"**CDIC**" means the Canada Deposit Insurance Corporation, formed pursuant to the *Canada Deposit Insurance Corporations Act*.

"**CMHC**" means Canada Mortgage and Housing Corporation.

"**CMHC-MBS Program**" means mortgages incurred under a national program approved under the NHA providing for the issuance of MBS.

"**capital**" consists of common shareholders' equity and subordinated debt.

"**debt service coverage ratio**" means property net earnings divided by principal and interest payment obligations.

"**dividend payout ratio**" means common dividends as a percentage of net income.

"**GAAP**" means Canadian generally accepted accounting principles determined with reference to the handbook of the Canadian Institute of Chartered Accountants, as amended from time to time.

"**GICs**" means guaranteed investment certificates, which are insured by CDIC up to \$60,000 per depositor.

"**GTA**" means the geographic area of the jurisdiction of the City of Toronto and its four surrounding regional municipalities of Durham, Halton, Peel, and York including the surrounding areas comprised of various commuter regions.

"**gross debt service ratio**" means the aggregate principal and interest in respect of a loan, plus taxes payable in respect of a property, divided by gross earnings.

"**impaired loan**" means, in the opinion of management, there is reasonable doubt as to the collectibility, either in whole or in part, of principle or interest.

"**MBS**" means mortgage-backed securities which represent an undivided interest in a pool of NHA-insured residential mortgages.

"**multi-unit residential**" means, a residential building with five or more doors or, with respect to a mortgage, a mortgage that is secured by a charge on a residential building with five or more doors.

"**NHA**" means the *National Housing Act* (Canada).

"**net interest income**" means the difference between interest-earned on interest earning assets such as loans and securities and interest paid on interest-bearing liabilities such as deposits and subordinated debentures.

"net interest margin" means net interest income (tax equivalent basis) as a percentage of average total assets.

"net revenue" means the sum of net interest income and other income

"other income" means all revenues other than net interest income.

"OBCA" means the *Business Corporation Act* (Ontario).

"OSFI" means The Office of the Superintendent of Financial Institutions Canada.

"productivity ratio" means non-interest expense expressed as a percentage of net revenue. This ratio is used as a measure of productivity and for comparison with peers.

"provision for credit losses" means the amount charged to income necessary to bring the allowance for credit losses to a level determined appropriate by management.

"regulatory capital" or "total capital" means the sum of tier 1 capital and tier 2 capital.

"return on equity" means net income divided by average common shareholders' equity, which is calculated on a monthly basis. Common shareholders' equity is comprised of common share capital, contributed surplus and retained earnings.

"risk-weighted assets" is calculated using weights based on the degree of credit risk for each class of counterparty. Off-balance sheet instruments are converted to balance sheet equivalents, using specified conversion factors, before the appropriate risk weights are applied.

"securitization" means the process by which financial assets (CMHC-insured mortgage loans) are transferred to a trust, which normally issues a series of different classes of asset-backed securities to investors. Equitable Trust normally accounts for these transfers as a sale, provided certain conditions are met, and accordingly, the loans are removed from Equitable Trust's balance sheet.

"single family" means, a residential dwelling with one to four doors or, with respect to a mortgage, a mortgage that is secured by charge on a residential dwelling with one to four doors.

"subordinated debt" means, as more particularly defined by the TLCA, indebtedness that by its terms provides that same will, in the event of the insolvency or winding up of a trust company, be subordinate in right of payment to all deposit liabilities (as defined under the TLCA) of a trust company.

"Superintendent" means the Superintendent of Financial Institutions appointed pursuant to the *Office of the Superintendent of Financial Institutions Act* (Canada).

"tax equivalent basis" means the grossing up of tax-exempt income earned on certain securities to an equivalent before-tax basis. This ensures uniform measurement and comparison of net interest income arising from both taxable and tax-exempt sources.

"TLCA" means the *Trust and Loans Companies Act* (Canada).

"tier 1, tier 2 and total capital ratios" means ratios of capital to risk-weighted assets, as stipulated by OSFI, based on guidelines developed under the auspices of the Bank for International Settlements.

"tier 1 capital" means common shareholders' equity and qualifying non-cumulative perpetual preference shares, all as are more particularly defined under the Guidelines of the TLCA.

"tier 2 capital" means limited life instruments, such as subordinated debt and term preferred shares, all as more particularly defined under the Guidelines of the TLCA.

"total capital" or "regulatory capital" means the sum of tier 1 capital and tier 2 capital less certain deductions as prescribed by OSFI.

"total debt service ratio" means the aggregate principal and interest in respect of a loan, plus taxes payable in respect of a property, plus all other debt obligations, divided by gross earnings.

"total revenue" means the sum of interest income and other income.

"trust company" means a body corporate to which the TLCA applies.

Unless otherwise indicated in this prospectus, all references to "dollars" and "\$" are to Canadian dollars.

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AUDITORS' REPORT

To the Board of Directors of The Equitable Trust Company

We have audited the balance sheets of The Equitable Trust Company as at December 31, 2003 and 2002 and the statements of earnings, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

●

Chartered Accountants

Toronto, Canada

January 30, 2004

THE EQUITABLE TRUST COMPANY

Balance Sheets

December 31, 2003 and 2002

	2003	2002
Assets		
Cash and cash equivalents (note 2)	\$ 97,425,000	\$ 58,456,000
Investments (note 3)	57,919,000	37,991,000
Loan securitizations - retained interests (note 4)	52,331,000	41,751,000
Mortgages receivable (note 5)	889,271,000	746,438,000
Other assets (note 6)	6,332,000	3,891,000
	\$ 1,103,278,000	\$ 888,527,000

Liabilities and Shareholders' Equity

Liabilities:		
Customer deposits (note 7)	\$ 991,730,000	\$ 800,523,000
Income taxes payable	115,000	872,000
Future income taxes (note 8)	7,798,000	5,957,000
Other liabilities (note 9)	9,680,000	9,929,000
Subordinated debt (note 10)	17,298,000	8,660,000
	1,026,621,000	825,941,000
Shareholders' equity (note 11):		
Capital stock	37,483,000	31,521,000
Contributed surplus	556,000	535,000
Retained earnings	38,618,000	30,530,000
	76,657,000	62,586,000
Commitments and contingencies (note 12)		
Subsequent event (note 15)		
	\$ 1,103,278,000	\$ 888,527,000

See accompanying notes to financial statements.

On behalf of the Board:

(signed) Austin Beutel – Director

(signed) Geoffrey Bledin - Director

THE EQUITABLE TRUST COMPANY

Statements of Earnings

Years ended December 31, 2003 and 2002

	2003	2002
Interest income:		
Mortgages	\$ 53,494,000	\$ 46,467,000
Investments	2,822,000	2,099,000
Other	2,289,000	1,191,000
	<u>58,605,000</u>	<u>49,757,000</u>
Interest expense:		
Customer deposits	37,847,000	31,437,000
Subordinated debt	1,048,000	707,000
	<u>38,895,000</u>	<u>32,144,000</u>
Interest income, net	19,710,000	17,613,000
Provision for credit losses (note 5)	660,000	660,000
Net interest income after provision for credit losses	19,050,000	16,953,000
Other income:		
Mortgage commitment income and other fees	3,098,000	3,405,000
Net gain on sale of investments	254,000	219,000
Loan securitizations - retained interests (note 4)	3,705,000	4,533,000
	<u>7,057,000</u>	<u>8,157,000</u>
Net interest income and other income	26,107,000	25,110,000
Non-interest expenses	8,889,000	7,627,000
Earnings before income taxes	17,218,000	17,483,000
Income taxes (note 8):		
Current	6,080,000	4,320,000
Future	1,841,000	1,937,000
	<u>7,921,000</u>	<u>6,257,000</u>
Net earnings	<u>\$ 9,297,000</u>	<u>\$ 11,226,000</u>
Earnings per share (note 11):		
Basic	\$ 4.41	\$ 5.69
Diluted	4.33	5.62

See accompanying notes to financial statements.

THE EQUITABLE TRUST COMPANY

Statements of Changes in Shareholders' Equity

Years ended December 31, 2003 and 2002

	2003	2002
Common shares:		
Balance, beginning of year	\$ 31,521,000	\$ 22,188,000
Common shares issued (note 11)	5,962,000	9,333,000
Balance, end of year	37,483,000	31,521,000
Retained earnings:		
Balance, beginning of year	30,530,000	20,464,000
Net earnings	9,297,000	11,226,000
Dividends	(1,209,000)	(1,160,000)
Balance, end of year	38,618,000	30,530,000
Contributed surplus:		
Balance, beginning of year	535,000	502,000
Stock-based compensation (note 11)	21,000	33,000
Balance, end of year	556,000	535,000
Total shareholders' equity	\$ 76,657,000	\$ 62,586,000

See accompanying notes to financial statements.

THE EQUITABLE TRUST COMPANY

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 9,297,000	\$ 11,226,000
Non-cash items:		
Loan securitizations - retained interests	(1,482,000)	(1,796,000)
Amortization of capital assets	212,000	194,000
Provision for credit losses	660,000	660,000
Net gain on sale of investments	(254,000)	(219,000)
Future income taxes	1,841,000	1,937,000
Stock-based compensation	21,000	33,000
	10,295,000	12,035,000
Changes in operating assets and liabilities:		
Other assets	(2,357,000)	(1,239,000)
Other liabilities	3,446,000	3,928,000
Income taxes payable	(2,069,000)	(3,254,000)
Income tax refund	1,312,000	3,825,000
	10,627,000	15,295,000
Financing activities:		
Increase in customer deposits	191,207,000	134,598,000
Issuance of subordinated debt, net	8,638,000	2,639,000
Issuance of capital stock	218,000	5,786,000
Dividends paid on common shares	(1,209,000)	(1,160,000)
	198,854,000	141,863,000
Investing activities:		
Purchase of investments	(24,871,000)	(34,248,000)
Proceeds on sale of investments	5,197,000	5,393,000
Increase in mortgages receivable	(921,204,000)	(620,302,000)
Mortgage principal repayments	240,009,000	227,169,000
Proceeds from loan securitizations	522,119,000	290,943,000
Loan securitizations - retained interests	8,534,000	6,676,000
Purchase of capital assets	(296,000)	(95,000)
	(170,512,000)	(124,464,000)
Increase in cash and cash equivalents	38,969,000	32,694,000
Cash and cash equivalents, beginning of year	58,456,000	25,762,000
Cash and cash equivalents, end of year	\$ 97,425,000	\$ 58,456,000
Supplemental cash flow information:		
Interest paid	\$ 32,578,000	\$ 25,965,000
Income taxes paid	8,149,000	4,097,000

See accompanying notes to financial statements.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements

Years ended December 31, 2003 and 2002

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and also comply with the financial reporting requirements of the Trust and Loan Companies Act (Canada) (the "Act"), which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada (the "Superintendent" or "OSFI"), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of the Superintendent, are summarized below:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of deposits with banks and highly liquid short-term investments, including government guaranteed investments and other money market instruments, whose term to maturity at date of purchase is less than three months. Interest earned on cash and cash equivalents is included in the statement of earnings. These short-term investments are carried at cost plus accrued interest which approximates fair value.

(b) Investments:

Investments are purchased with the intention of holding until maturity or until market conditions, such as a change in interest rates, provide a better investment opportunity. Investments, including loan securitizations - retained interests, are carried at cost, adjusted for amortization of premiums and discounts to maturity. All gains and losses on the sale of investments, the amortization of premiums or discounts, interest and dividends earned on these investments, are included in the statement of earnings. Dividends earned are recorded when the dividend is declared. When there is an other than temporary decline in value, investments are written down to reflect the estimated loss. The fair value of investments is based on quoted market prices.

(c) Mortgages receivable and revenue recognition:

Mortgages receivable are recorded at cost plus accrued interest, less an allowance for credit losses. Fees relating to loan origination are amortized to income over the term of the mortgages to which they relate, and are included in other income in the statement of earnings.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

1. Significant accounting policies (continued):

Interest on mortgages receivable is recorded on the accrual basis. The Company classifies a mortgage receivable as impaired when, in the opinion of management, there is reasonable doubt as to the collectibility, either in whole or in part, of principal or interest. Mortgages where payment is contractually past due 90 days are automatically placed on a non-accrual basis, unless management determines that there is no reasonable doubt as to the ultimate collectibility of principal and interest. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs and provisions for losses have been recovered, provided there is no further doubt as to the collectibility of principal.

Impaired loans are measured on the basis of expected future cash flows, discounted at the loan's effective interest rate. This impairment is reflected in the statement of earnings in the year in which the impairment is recognized.

(d) Allowance for credit losses:

The allowance for credit losses consists of both specific and general provisions. Specific provisions relate to individual loans that, in the opinion of management, are necessary to reflect the estimated net realizable value of the particular loan. General provisions are based on management's assessment of probable, unidentified losses in the portfolio at the balance sheet date that have not been specifically identified in the determination of specific provisions. The assessment includes statistical and qualitative analyses of the performance of the portfolio taking into account such factors as economic conditions, security and loan type, concentration risks and geographical exposure.

Concentration of credit exposure may arise when a group of counterparties have similar economic characteristics or are located in the same geographical region. The ability of these counterparties to meet contractual obligations would be affected by changing economic or other conditions. The Company's mortgage portfolio is primarily related to property located in the Province of Ontario.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

1. Significant accounting policies (continued):

(e) Loan securitizations:

When loan receivables are sold in a securitization under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the balance sheet. As part of the securitization, certain interests are retained including the right to receive the future excess interest spread and the mortgage servicing obligation. For securitizations entered into after July 1, 2001 the servicing liability is reported as a component of other liabilities. For securitizations entered into prior to this date the servicing liability and the future excess interest spread are reported on a net basis. The retained interests are classified as investment account securities and are carried at cost or amortized cost. A gain or loss on the sale of the loan receivables is recognized immediately in the statement of earnings. The amount of the gain or loss recognized depends in part on the previous carrying amount of the loan receivables involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. To obtain fair values, the Company uses estimates based on the present value of future expected cash flows determined using management's best estimates of key assumptions including prepayment rates and discount rates commensurate with the risks involved.

Subsequent to the securitization, any retained interests that cannot be contractually settled in such a way that the Company can recover substantially all of its recorded investment, are adjusted to fair value and the charge is recognized immediately in the statement of earnings. The fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

In the normal course of business, the Company enters into hedging transactions to manage market interest rate exposure on mortgages held for securitization and commitments for mortgages to be securitized typically for periods of up to 90 days. Gains and losses on hedge instruments are recognized at the time the related mortgages are securitized.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

1. Significant accounting policies (continued):

(f) Stock-based compensation plans:

The Company operates two stock-based compensation plans. One of these plans is a stock option plan for eligible employees of the Company. Under this plan, options are periodically awarded to participants to purchase common shares at prices equal to the fair value of the shares as determined under the above plan, the determination date for fair value being as at the end of the most recently completed quarter prior to the grant date. The Company uses the fair value method of accounting for stock options and recognizes compensation expense for stock options granted. The amount of the compensation expense depends on the number of options granted and their fair value at the time of the grant. The fair value of options granted during the year is estimated at the date of grant using the Black-Scholes valuation model.

The other plan, which was terminated in 2003, allowed for payment in cash or by the issue of common shares as settlement for services rendered by an officer of the Company at the option of the officer. Under this plan, if so elected, the number of shares to be issued was determined based on 1.25 times (2002 - 1.25 times) the book value of the shares as at the end of the year.

Compensation expense related to both stock-based compensation plans is included in the statement of earnings.

(g) Provision for income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

1. Significant accounting policies (continued):

(h) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a reducing balance method over the estimated useful live of the assets as follows:

Furniture, fixtures and office equipment	20%
Computer hardware and software	30%

Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease.

(i) Use of estimates:

The preparation of 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant areas requiring the use of estimates by management include the provision for credit losses, retained interests in loan securitizations, the provision for income taxes and the fair values of financial assets and liabilities.

(j) Fair value of financial instruments:

The estimated fair value of mortgages receivable is determined using a discounted cash flow calculation and the market interest rates currently charged for mortgages receivable with similar terms and credit risks. Similarly, the estimated fair value of the deposits, retained interests in loan securitizations and subordinated debt are determined by discounting contractual cash flows, using market interest rates currently offered for similar terms.

The carrying values of other financial instruments are assumed to approximate their fair values due to their short-term nature.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

2. Cash and cash equivalents:

	2003	2002
Cash	\$ 43,493,000	\$ 3,147,000
Short-term investments	53,932,000	55,309,000
	\$ 97,425,000	\$ 58,456,000

The weighted average effective yield of cash and cash equivalents is approximately 2.70% (2002 - 2.61%).

3. Investments:

	2003		2002	
	Carrying value	Fair value	Carrying value	Fair value
Preferred shares	\$ 45,038,000	\$ 45,689,000	\$ 11,449,000	\$ 11,057,000
Government bonds and notes	12,228,000	12,928,000	18,113,000	18,677,000
Common shares	653,000	494,000	449,000	482,000
Mortgage-backed securities	—	—	7,466,000	7,443,000
Corporate debt	—	—	514,000	500,000
	\$ 57,919,000	\$ 59,111,000	\$ 37,991,000	\$ 38,159,000

The maturity profile of these investments is disclosed in note 14. The weighted average effective yield for government bonds and notes is 4.45% (2002 - 4.07%) based on yield to maturity, and for preferred shares is 5.39% (2002 - 5.21%).

During 2003, the Company established a bank line of credit facility. Under this facility the Company may borrow up to \$10 million for short-term liquidity purposes. The facility is secured by the Company's investments in common and preferred shares. There was no outstanding balance on the line as at December 31, 2003.

4. Loan securitizations - retained interests:

The Company securitizes Canadian Government guaranteed residential mortgage loans through the creation of mortgage-backed securities and removes the mortgages from the balance sheet. As at December 31, 2003, outstanding securitized mortgages totaled \$1,653,972,000 (2002 - \$1,306,464,000).

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

4. Loan securitizations - retained interests (continued):

During 2003, the Company securitized Canadian Government guaranteed residential mortgage loans and received net cash proceeds of \$522,119,000 (2002 - \$290,943,000). The Company retained the rights to future excess interest on the residential mortgages valued at \$21,056,000 (2002 - \$12,604,000) and received net cash flows on interests retained of \$10,757,000 (2002 - \$9,413,000). The Company retained the responsibility for servicing the mortgages and enjoys the right to receive the future excess interest spread. The Company has outsourced the servicing of the transferred loans to an unrelated third party and has recorded a servicing liability of \$5,114,000 (2002 - \$3,064,000) which is included in other liabilities (note 9).

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

	2003	2002
Gain on sale of mortgages	\$ 1,482,000	\$ 1,796,000
Excess interest net of servicing fee	2,223,000	2,737,000
	<u>\$ 3,705,000</u>	<u>\$ 4,533,000</u>

The key assumptions used to value the future excess interest spread include an excess spread of 1.09% (2002 - 0.90%), a prepayment rate of 15.9% (2002 - 10%) for single family residential loans, 0% (2002 - 0%) for multi-family residential loans and a discount rate of 5.54% (2002 - 5.93%). There are no expected credit losses, as the mortgages are government guaranteed. The following table presents key economic assumptions and the sensitivity of the fair value of retained interests to two adverse changes in key assumptions as at December 31. The following sensitivity analysis is hypothetical and should be used with caution.

	Single family residential loans	Multi-family residential loans
2003		
Carrying value of retained interests	\$ 808,000	\$ 51,523,000
Discount rate	5.54%	5.54%
Impact of a 10% adverse change	(11,000)	(776,000)
Impact of a 20% adverse change	(20,000)	(1,507,000)
Prepayment rate	15.90%	—
Impact of a 10% adverse change	(103,000)	—
Impact of a 20% adverse change	(188,000)	—

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

4. Loan securitizations - retained interests (continued):

The Company estimates that the future excess interest spread and servicing liability will be received or paid as follows:

	Excess interest spread	Servicing liability
2004	\$ 10,249,000	\$ 878,000
2005	9,931,000	886,000
2006	9,116,000	880,000
2007	6,955,000	703,000
2008	3,831,000	494,000
Thereafter	12,249,000	1,273,000
	\$ 52,331,000	\$ 5,114,000

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

Hedge instruments outstanding at December 31, 2003 and 2002 relating to forward contracts on Government of Canada bonds, where the counterparties are chartered banks, are as follows:

Bond term (years)	2003			2002		
	Notional amount	Market value	Unrealized loss	Notional amount	Market value	Unrealized loss
1 to 5	\$ 16,600,000	\$ 17,883,000	\$ 17,000	\$ 33,100,000	\$ 35,202,000	\$ 342,000
5 to 10	26,800,000	28,194,000	258,000	74,400,000	77,350,000	555,000
Total	\$ 43,400,000	\$ 46,077,000	\$ 275,000	\$ 107,500,000	\$ 112,552,000	\$ 897,000

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

5. Mortgages receivable:

(a) Mortgages receivable and impaired mortgages:

2003	Gross amount	Allowance for credit losses			Net amount
		Specific	General	Total	
Residential mortgages	\$ 727,652,000	\$ 3,037,000	\$ 2,222,000	\$ 5,259,000	\$ 722,393,000
Other mortgages	163,301,000	—	478,000	478,000	162,823,000
Accrued interest	4,055,000	—	—	—	4,055,000
	<u>\$ 895,008,000</u>	<u>\$ 3,037,000</u>	<u>\$ 2,700,000</u>	<u>\$ 5,737,000</u>	<u>\$ 889,271,000</u>

2002	Gross amount	Allowance for credit losses			Net amount
		Specific	General	Total	
Residential mortgages	\$ 614,344,000	\$ 2,661,000	\$ 1,914,000	\$ 4,575,000	\$ 609,769,000
Other mortgages	133,529,000	—	446,000	446,000	133,083,000
Accrued interest	3,586,000	—	—	—	3,586,000
	<u>\$ 751,459,000</u>	<u>\$ 2,661,000</u>	<u>\$ 2,360,000</u>	<u>\$ 5,021,000</u>	<u>\$ 746,438,000</u>

Included in gross residential mortgages are Canadian Government insured mortgages of \$15,520,000 as at December 31, 2003 (2002 - \$29,139,000), of which \$10,214,000 (2002 - \$20,040,000) are held for securitization. These loans held for securitization, together with the related interest rate hedges, are carried at the lower of cost or fair value. There are no foreclosed assets held for sale at December 31, 2003 and 2002.

The principal outstanding and net carrying amount of mortgages receivable classified as impaired as at December 31, 2003 aggregated \$4,115,000 (2002 - \$7,997,000) and \$1,078,000 (2002 - \$5,336,000), respectively. As at December 31, 2003, the estimated fair value of mortgages receivable is \$900,395,000 (2002 - \$758,606,000). The weighted average effective yield of mortgages receivable is 6.27% (2002 - 6.64%) based on the yield to maturity.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

5. Mortgages receivable (continued):

(b) Allowance for credit losses:

	2003			2002		
	Specific allowance	General allowance	Total	Specific allowance	General allowance	Total
Balance, beginning of year	\$ 2,661,000	\$ 2,360,000	\$ 5,021,000	\$ 2,123,000	\$ 2,235,000	\$ 4,358,000
Provision for credit losses	320,000	340,000	660,000	535,000	125,000	660,000
Recoveries	56,000	—	56,000	3,000	—	3,000
Balance, end of year	\$ 3,037,000	\$ 2,700,000	\$ 5,737,000	\$ 2,661,000	\$ 2,360,000	\$ 5,021,000

6. Other assets:

	2003	2002
Accrued interest on non-mortgage assets	\$ 779,000	\$ 767,000
Capital assets	571,000	487,000
Deferred GIC commissions	2,627,000	2,142,000
Loan to officer (note 13)	600,000	—
Other receivables	1,231,000	271,000
Prepaid expenses and other	524,000	224,000
	\$ 6,332,000	\$ 3,891,000

7. Customer deposits:

	2003	2002
Principal	\$ 969,282,000	\$ 782,733,000
Accrued interest	22,448,000	17,790,000
	\$ 991,730,000	\$ 800,523,000

The Company issues guaranteed investment certificates ("GICs") to depositors. As at December 31, 2003, the estimated fair value of customer deposits is \$1,003,223,000 (2002 - \$809,603,000). The weighted average effective cost of customer deposits is 3.87% (2002 - 4.09%), based on the yield to maturity.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

8. Income taxes:

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

	2003	2002
Canadian statutory income tax rate	36.6 %	38.6 %
Increase (decrease) resulting from:		
Dividends	(3.6)%	(2.2)%
Non-deductible expenses	12.3 %	8.0 %
Future tax rate increases (reductions)	4.1 %	(11.0)%
Other	(3.4)%	2.4 %
Effective income tax rate	46.0 %	35.8 %

The net future income tax liability is comprised of:

	2003	2002
Future income tax assets:		
Allowance for credit losses	\$ 1,085,000	\$ 808,000
Deferred mortgage fees	218,000	267,000
Other	210,000	21,000
	1,513,000	1,096,000
Future income tax liabilities:		
Deferred GIC commissions	949,000	722,000
Loan securitizations - retained interests	8,362,000	6,200,000
Other	—	131,000
	9,311,000	7,053,000
Net future income tax liability	\$ 7,798,000	\$ 5,957,000

9. Other liabilities:

	2003	2002
Securitized mortgage servicing liability	\$ 5,114,000	\$ 3,064,000
Mortgagor realty taxes	3,456,000	3,192,000
Bonus payable	—	2,650,000
Accounts payable and accrued liabilities	1,110,000	1,023,000
	\$ 9,680,000	\$ 9,929,000

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

10. Subordinated debt:

The Company has issued debentures which are subordinated to the deposits and other liabilities of the Company. Any redemption, contractual or earlier, of this debt is subject to regulatory approval. Interest is paid quarterly.

2003 Debenture series	Interest rate	Issue date	Maturity date	Outstanding, December 31, 2002	Issued during the year	Redeemed during the year	Outstanding, December 31, 2003
Series 2	8.50%	2001	April 2011	\$ 3,700,000	\$ —	\$ 2,806,000	\$ 894,000
Series 3	8.48% - 8.82%	2002	January 2012	4,960,000	—	—	4,960,000
Series 4	7.54% - 8.15%	2003	January 2013	—	11,444,000	—	11,444,000
				\$ 8,660,000	\$ 11,444,000	\$ 2,806,000	\$ 17,298,000

2002 Debenture series	Interest rate	Issue date	Maturity date	Outstanding, December 31, 2001	Issued during the year	Redeemed during the year	Outstanding, December 31, 2002
Series 1	8.00%	1998	April 2008	\$ 321,000	\$ —	\$ 321,000	\$ —
Series 2	8.50%	2001	April 2011	5,700,000	—	2,000,000	3,700,000
Series 3	8.48% - 8.82%	2002	January 2012	—	7,860,000	2,900,000	4,960,000
				\$ 6,021,000	\$ 7,860,000	\$ 5,221,000	\$ 8,660,000

As at December 31, 2003 the estimated fair value of subordinated debt is \$18,189,000 (2002 - \$9,271,000).

11. Shareholders' equity:

(a) Capital stock:

Authorized:
4,000,000 common shares

Issued:

	2003		2002	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	2,040,430	\$ 31,521,000	1,685,489	\$ 22,188,000
Issued during the year	145,702	5,962,000	354,941	9,333,000
Balance, end of year	2,186,132	\$ 37,483,000	2,040,430	\$ 31,521,000

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

11. Shareholders' equity (continued):

During 2003, 11,000 (2002 - 229,000) shares were issued for cash consideration of \$218,000 (2002 - \$5,786,000) and 134,702 (2002 - 125,941) shares were issued to an officer as settlement of a bonus payable in the amount of \$5,744,000 (2002 - \$3,547,000).

The weighted average number of shares outstanding used to calculate basic and diluted earnings per share is as follows:

	2003	2002
Basic	2,107,877	1,973,410
Relating to stock options	37,642	22,500
Diluted	2,145,519	1,995,910

(b) Capital requirements and dividend restrictions:

The Company is subject to minimum capital requirements as prescribed by OSFI under the Act. In addition, OSFI must be notified of any dividend declaration and there are restrictions as to the amount of dividends which can be paid out in any fiscal year.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

11. Shareholders' equity (continued):

(c) Stock-based compensation plans:

(i) Stock option plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible employees for terms of five years and vesting over a four-year period. Up to 10% of the issued and outstanding common shares of the Company may be reserved for issue under the plan. The outstanding options expire on various dates to November 2008. A summary of the Company's stock option activity and related information for the years ended December 31, 2003 and 2002 is as follows:

	2003		2002	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	94,500	\$ 22.14	87,500	\$ 19.89
Granted	7,500	42.99	25,000	28.16
Exercised	(11,000)	19.71	(14,000)	20.12
Forfeited/cancelled	—	—	(4,000)	17.44
Outstanding, end of year	91,000	24.16	94,500	22.14
Exercisable, end of year	48,000	\$ 21.84	37,000	\$ 20.10

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

11. Shareholders' equity (continued):

The following table summarizes information relating to stock options outstanding and exercisable at December 31, 2003:

Exercise price	Options outstanding		Options exercisable
	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
\$17.44	36,000	1.1	27,000
\$22.83	5,000	2.1	1,000
\$24.56	17,500	2.5	8,500
\$28.16	25,000	3.1	10,000
\$42.99	7,500	4.9	1,500

Under the fair value method of accounting for stock options, the Company has recorded compensation expense in the amount of \$21,000 (2002 - \$33,000) related to the options issued during the year under the stock option plan. This amount has been credited to contributed surplus. The fair value of options granted during the year is estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions: (i) risk-free rate of 3.9% (2002 - 4.4%); (ii) expected option life of 3.5 years (2002 - 3.5 years); (iii) expected volatility of 7.3% (2002 - 5.4%) and (iv) expected dividends of 1.8% (2002 - 1.8%). The weighted average fair value of each option granted was \$2.78 (2002 - \$2.38).

(ii) Other stock-based compensation plan:

The chief executive officer of the Company could elect to have all or a portion of his annual bonus satisfied by the issuance of common shares at the officer's option. In 2002 and prior years, the election to receive shares was made after the end of the year in which the services were rendered and share capital was credited at that time for the carrying value of the accrued compensation for the services rendered. As a result of this plan's discontinuance in 2003, shares have been issued relating to the officer's services during 2003, and as compensation for the early termination of this plan which had been due to expire in 2004. During 2003, 134,702 (2002 - 125,941) common shares were issued under this plan.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

12. Commitments and contingencies:

- (a) Annual payments due under a non-cancellable operating lease for the five-year period commencing January 1, 2004 for office premises are \$141,000 plus tenant's share of realty taxes and operating costs. These additional costs are estimated to be \$175,000 in 2004.
- (b) The Company has commitments to fund a total of \$74,965,000 (2002 - \$123,250,000) of mortgages in the ordinary course of business at year end.
- (c) The Company is subject to various claims and litigation arising from time to time in the ordinary course of business. Management has determined that the aggregate liability, if any, that may result from various outstanding legal proceedings would not be material and no provisions have been recorded in these financial statements.

13. Related party transactions:

Certain of the Company's employees, directors and shareholders have purchased GIC's and subordinated debt from the Company in the ordinary course of business at terms comparable to those offered to unrelated parties.

An officer of the Company has a personal loan from the Company bearing interest at 4%, which is repayable at \$100,000 annually. The balance outstanding as at December 31, 2003 was \$600,000 (note 6).

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

14. Interest rate sensitivity:

The following table shows the Company's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or repricing date, as at December 31, 2003:

	Floating rate	0 - 3 months	4 - 12 months	1 - 5 years	Greater than 5 years	Non-interest sensitive	Total
Assets:							
Cash and cash equivalents	\$	\$ 97,425,000	\$	\$	\$	\$	\$ 97,425,000
Effective interest rate		2.70%					
Investments		16,047,000	10,893,000	27,241,000	3,085,000	653,000	57,919,000
Effective interest rate		4.21%	5.34%	5.75%	5.90%		
Loan securitizations - retained interests		2,618,000	7,631,000	29,832,000	12,250,000		52,331,000
Effective interest rate		5.75%	5.76%	5.50%	5.84%		
Mortgages receivable	332,478,000	36,903,000	92,366,000	425,095,000		2,429,000	889,271,000
Effective interest rate	5.12%	6.88%	6.33%	7.11%			
Other assets						6,332,000	6,332,000
Total assets	332,478,000	152,993,000	110,890,000	482,168,000	15,335,000	9,414,000	1,103,278,000

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

14. Interest rate sensitivity (continued):

	Floating rate	0 - 3 months	4 - 12 months	1 - 5 years	Greater than 5 years	Non-interest sensitive	Total
Liabilities:							
Customer deposits	\$ -	\$ 320,111,000	\$ 228,091,000	\$ 421,080,000	\$ -	\$ 22,448,000	\$ 991,730,000
Effective interest rate		2.86%	3.33%	4.93%			
Other	-	-	-	-	-	17,593,000	17,593,000
Subordinated debt	-	-	-	-	17,298,000	-	17,298,000
Effective interest rate		-	-	-	8.21%		
Equity	-	-	-	-	-	76,657,000	76,657,000
Total liabilities and equity	-	320,111,000	228,091,000	421,080,000	17,298,000	116,698,000	1,103,278,000
Excess (deficiency) of assets over liabilities and equity	\$ 332,478,000	\$ (167,118,000)	\$ (117,201,000)	\$ 61,088,000	\$ (1,963,000)	\$ (107,284,000)	\$ -
Total assets - 2002	\$ 238,812,000	\$ 129,728,000	\$ 120,264,000	\$ 377,010,000	\$ 11,804,000	\$ 10,909,000	\$ 888,527,000
Total liabilities and equity - 2002	-	211,405,000	244,626,000	326,702,000	8,660,000	97,134,000	888,527,000
Excess (deficiency) of assets over liabilities and equity - 2002	\$ 238,812,000	\$ (81,677,000)	\$ (124,362,000)	\$ 50,308,000	\$ 3,144,000	\$ (86,225,000)	\$ -

An immediate and sustained 1% decrease in interest rates as of December 31, 2003, would negatively impact net interest income for the following 12-month period by \$1,423,000 (2002 - \$1,207,000) before adjusting for income taxes.

THE EQUITABLE TRUST COMPANY

Notes to Financial Statements (continued)

Years ended December 31, 2003 and 2002

15. Subsequent event:

Effective January 1, 2004, all of the direct and indirect shareholders of the Company approved a series of transactions whereby all such shareholders became shareholders of Equitable Group Inc. ("Parent Company"), and the Company became a wholly owned subsidiary of the Parent Company. The Parent Company has issued 10,364,435 common shares representing 4.741 times the number of common shares issued by the Company. Each of the previous direct and indirect shareholders of the Company received common shares of the Parent Company in the same proportions as their prior direct or indirect holdings in the Company. As there was no substantial change in the ultimate ownership interests in the Company, the Parent Company has carried forward the basis of measurement of the assets and liabilities as reflected in the Company's financial statements.

The Parent Company plans to file a prospectus to qualify the issuance of its common shares to the public. The Parent Company's consolidated balance sheet as at January 1, 2004 is as follows:

Assets

Cash and cash equivalents	\$ 97,425,000
Investments	57,919,000
Loan securitizations - retained interests	52,331,000
Mortgages receivable	889,271,000
Other assets	6,332,000
	\$ 1,103,278,000

Liabilities and Shareholders' Equity

Liabilities:

Customer deposits	\$ 991,730,000
Income taxes payable	415,000
Future income taxes	7,798,000
Other liabilities	9,680,000
Subordinated debt	17,298,000
	1,026,921,000

Shareholders' equity:

Capital stock	37,483,000
Contributed surplus	556,000
Retained earnings	38,318,000
	76,357,000

\$ 1,103,278,000

Auditors' Report

To the Board of Directors of The Equitable Trust Company

We have audited the balance sheets of The Equitable Trust Company as at December 31, 2001, 2000 and 1999 and the statements of earnings and retained earnings, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada.

●
Chartered Accountants

Toronto, Canada
January 25, 2002

The Equitable Trust Company

Balance Sheets

As at December 31, 2001, 2000 and 1999

	2001 \$	2000 \$	1999 \$
Assets			
Cash and cash equivalents (note 2)	25,762,000	2,031,000	5,063,000
Investments (note 3)	8,917,000	5,520,000	-
Mortgages receivable (note 4)	653,829,000	525,228,000	280,846,000
Present value of net interest spread receivable (note 5)	34,645,000	29,915,000	29,745,000
Other assets	2,751,000	1,737,000	907,000
	<u>725,904,000</u>	<u>564,431,000</u>	<u>316,561,000</u>
Liabilities			
Customer deposits (note 6)	665,925,000	523,680,000	287,353,000
Accounts payable and accrued liabilities	6,483,000	3,822,000	1,499,000
Income taxes payable	4,126,000	774,000	533,000
Future income taxes payable (note 7)	195,000	379,000	-
Subordinated debt (note 8)	6,021,000	2,078,000	2,928,000
	<u>682,750,000</u>	<u>530,733,000</u>	<u>292,313,000</u>
Shareholders' Equity			
Capital stock (note 9)	22,188,000	20,775,000	15,747,000
Contributed surplus	502,000	502,000	502,000
Retained earnings	20,464,000	12,421,000	7,999,000
	<u>43,154,000</u>	<u>33,698,000</u>	<u>24,248,000</u>
	<u>725,904,000</u>	<u>564,431,000</u>	<u>316,561,000</u>

On behalf of the Board:

(signed) Austin Beutel – Director

(signed) Geoffrey Bledin - Director

The Equitable Trust Company
Statements of Earnings and Retained Earnings
For the years ended December 31, 2001, 2000 and 1999

	2001	2000	1999
	\$	\$	\$
Interest income			
Mortgages	46,425,000	31,313,000	19,718,000
Investments	725,000	395,000	561,000
Other	575,000	470,000	218,000
	<u>47,725,000</u>	<u>32,178,000</u>	<u>20,497,000</u>
Interest expense			
Customer deposits	30,122,000	23,125,000	15,242,000
Subordinated debt	380,000	183,000	266,000
	<u>30,502,000</u>	<u>23,308,000</u>	<u>15,508,000</u>
Net interest income	17,223,000	8,870,000	4,989,000
Provision for credit losses (note 4)	660,000	240,000	240,000
Net interest income after provision for credit losses	<u>16,563,000</u>	<u>8,630,000</u>	<u>4,749,000</u>
Other income			
Mortgage commitment income and fees	2,828,000	1,410,000	1,040,000
Net gains on sale of investments	162,000	82,000	-
Mortgage-backed securities (note 5)	4,283,000	2,949,000	2,281,000
	<u>7,273,000</u>	<u>4,441,000</u>	<u>3,321,000</u>
Net interest income and other income	<u>23,836,000</u>	<u>13,071,000</u>	<u>8,070,000</u>
Non-interest expenses	<u>7,453,000</u>	<u>4,065,000</u>	<u>2,938,000</u>
Earnings before income taxes	<u>16,383,000</u>	<u>9,006,000</u>	<u>5,132,000</u>
Income taxes (note 7)			
Current	6,771,000	3,286,000	2,574,000
Future (recovery)	(184,000)	448,000	7,000
	<u>6,587,000</u>	<u>3,734,000</u>	<u>2,581,000</u>
Net earnings for the year	9,796,000	5,272,000	2,551,000
Retained earnings - Beginning of year	12,421,000	7,999,000	6,152,000
	<u>22,217,000</u>	<u>13,271,000</u>	<u>8,703,000</u>
Dividends paid on common shares	<u>(1,753,000)</u>	<u>(850,000)</u>	<u>(704,000)</u>
Retained earnings - End of year	<u>20,464,000</u>	<u>12,421,000</u>	<u>7,999,000</u>
Earnings per share (note 9):			
Basic	5.85	3.59	1.92
Diluted	5.78	3.59	1.92

The Equitable Trust Company

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2001, 2000 and 1999

	2001 \$	2000 \$	1999 \$
Common shares			
Balance - Beginning of year	20,775,000	15,747,000	12,332,000
Common shares issued	1,413,000	5,028,000	3,415,000
Balance - End of year	22,188,000	20,775,000	15,747,000
Retained earnings			
Balance - Beginning of year	12,421,000	7,999,000	6,152,000
Net earnings	9,796,000	5,272,000	2,551,000
Dividends	(1,753,000)	(850,000)	(704,000)
Balance - End of year	20,464,000	12,421,000	7,999,000
Contributed surplus	502,000	502,000	502,000
Total shareholders' equity	43,154,000	33,698,000	24,248,000

The Equitable Trust Company

Statements of Cash Flows

For the year ended December 31, 2001, 2000 and 1999

	2001 \$	2000 \$	1999 \$
Cash provided by (used in):			
Operating activities:			
Net earnings	9,796,000	5,272,000	2,551,000
Non-cash items:			
Mortgage-backed securities	(1,325,000)	(701,000)	(1,133,000)
Amortization	144,000	112,000	74,000
Write offs of mortgages	68,000	6,000	27,000
Provision for credit losses	660,000	240,000	240,000
Net gains on sale of investments	(162,000)	(82,000)	-
Future income taxes payable	(184,000)	379,000	-
	8,997,000	5,226,000	1,759,000
Changes in operating assets and liabilities:			
Other assets	(836,000)	(799,000)	(21,000)
Accounts payable and accrued liabilities	4,074,000	2,889,000	974,000
Income taxes payable	3,352,000	241,000	166,000
Income tax refund	-	-	-
	15,587,000	7,557,000	2,878,000
Financing activities:			
Increase in customer deposits	142,245,000	236,327,000	25,243,000
Issuance (redemption) of subordinated debt, net	3,943,000	(850,000)	(1,397,000)
Issuance of capital stock	-	4,462,000	3,000,000
Dividend paid on common shares	(1,753,000)	(850,000)	(704,000)
	144,435,000	239,089,000	26,142,000
Investing activities:			
Purchase of investments	(10,888,000)	(7,309,000)	-
Proceeds on sale of investments	7,653,000	1,871,000	-
Increase in mortgages receivable	(616,210,000)	(502,379,000)	(369,783,000)
Mortgage principal repayments	234,021,000	101,525,000	114,312,000
Proceeds from loan securitizations	244,000,000	151,000,000	215,000,000
Present value of net interest spread receivable	5,455,000	5,757,000	7,019,000
Purchase of capital assets	(322,000)	(143,000)	(282,000)
	(136,291,000)	(249,678,000)	(33,734,000)
Increase (decrease) in cash and cash equivalents during the year	23,731,000	(3,032,000)	(4,714,000)
Cash and cash equivalents - Beginning of year	2,031,000	5,063,000	9,777,000
Cash and cash equivalents - End of year	25,762,000	2,031,000	5,063,000
Supplemental disclosure:			
Cash - interest paid	26,198,000	15,294,000	11,879,000
Cash - income taxes paid	3,700,000	3,255,000	2,565,000

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles including the financial reporting requirements of the Trust and Loan Companies Act (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of OSFI, are summarized below.

Investments

Investments are purchased with the intention of holding until maturity or until market conditions such as a change in interest rates, provide a better investment opportunity. Investments are carried at cost, adjusted for amortization of premiums and discounts to maturity. All gains and losses on the sales of investments, the amortization of premiums or discounts, interest and dividends earned on these investments are included in the statement of earnings and retained earnings. When there is an other than temporary decline in value, investments are written down to cover the estimated loss. The market value of investments is based on quoted market prices.

Mortgages receivable and revenue recognition

Mortgages receivable are recorded at cost plus accrued interest, less an allowance for credit losses. Fees relating to loan origination and renewals are amortized to income over the term of the mortgages to which they relate and are included in other income in the statement of earnings and retained earnings.

Interest on mortgages receivable is recorded on the accrual basis. The company classifies a mortgage receivable as impaired when, in the opinion of management, there is reasonable doubt as to the collectibility, either in whole or in part, of principal or interest. Mortgages where interest is contractually past due 90 days are automatically placed on a non-accrual basis, unless management determines that there is no reasonable doubt as to the ultimate collectibility of principal and interest. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs and provisions for losses have been recovered and provided there is no further doubt as to the collectibility of principal.

Impaired loans are measured on the basis of expected future cash flows, discounted at the loan's effective interest rate and changes in the estimated realizable amount arising subsequent to initial recognition of impairment. This impairment is reflected in the statement of earnings and retained earnings in the period in which the impairment is recognized.

Concentration of credit exposure may arise when a group of counterparties have similar economic or political characteristics or are located in the same geographical region. The ability of these counterparties to meet contractual obligations would be affected by changing economic, political

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

or other conditions. Significantly all of the company's mortgage portfolio is related to property located in the Province of Ontario.

Allowance for credit losses

The allowance for credit losses consists of both specific and general provisions. Specific provisions relate to individual loans that, in the opinion of management, are necessary to reflect the estimated realizable value of the particular loan. General provisions are based on management's assessment of probable, unidentified losses in the portfolio at the balance sheet date that have not been specifically identified in the determination of specific provisions. The assessment includes general economic factors, security and loan type and geographical exposure.

Securitizations

The company sells groups of Government of Canada insured loans under the National Housing Act (NHA) mortgage backed securities (MBS) program through securities dealers to investors, a process referred to as securitization. Proceeds on the sale of mortgages, resulting gains or losses and retained interests in servicing rights following the sale are accounted for in accordance with OSFI Guideline D-3. The mortgages sold are removed from the company's balance sheet. Gains and losses on the sale and servicing income for the ongoing administration of mortgages in the NHA MBS pools are included in MBS income in the statement of earnings and retained earnings. Retained interests in servicing the mortgages is represented by the present value of the net interest spread receivable on the NHA MBS pools. The asset is carried at the lower of amortized cost or market value using the guidelines provided by OSFI. Any writedown in the carrying value of the asset is recorded as a charge to MBS income in the period in which the writedown takes place. The company hedges the interest rate risk exposure period between the time a mortgage rate is committed to and the eventual date of sale of the MBS to a securities dealer by selling short the like amount and term of Canadian bonds for that period.

Provision for income taxes

During the year 2000, the company adopted the asset and liability method for accounting for income taxes as set forth by The Canadian Institute of Chartered Accountants.

The company recognizes both the current and future income tax consequences of all transactions that have been recognized in the financial statements using the asset and liability method. Future income tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for income tax purposes.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including contingencies, at the date of the financial

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

statements and revenue and expenses for the period reported. Actual results may differ from those estimates. Major areas requiring use of estimates by management are the provision for credit losses, provision for income taxes, the present value of net interest spread receivable and the fair values of financial assets and liabilities.

The estimated fair value of mortgages receivable is determined using a discounted cash flow calculation, and the market interest rates currently charged for mortgages receivable with similar terms and credit risks. Similarly, the estimated fair value of deposits is determined by discounting contractual cash flows, using market interest rates currently offered for deposits for similar terms.

The carrying values of prepaid and sundry assets and accounts payable and accrued liabilities are assumed to approximate their fair values due to their short-term nature. Any assets that are not financial instruments have been excluded from the estimate of fair values. The fair values of the present values of the net interest spread receivable on MBS and subordinated debt are assumed to approximate their carrying values.

2. Cash and cash equivalents

	2001		2000		1999	
	Carrying value	Market value	Carrying value	Market value	Carrying value	Market value
	\$	\$	\$	\$	\$	\$
Cash	3,476,000	3,476,000	2,031,000	2,031,000	5,063,000	5,063,000
Short-term investments	22,286,000	22,286,000	-	-	-	-
	25,762,000	25,762,000	2,031,000	2,031,000	5,063,000	5,063,000

The weighted average effective yield of cash and cash equivalents is approximately 1.81% (2000 - 4.55%, 1999 - 3.87%).

3. Investments

	2001		2000		1999	
	Carrying value	Market value	Carrying value	Market value	Carrying value	Market value
	\$	\$	\$	\$	\$	\$
Government bonds	3,871,000	4,091,000	2,833,000	2,944,000	-	-
Corporate debt	811,000	655,000	402,000	410,000	-	-
Income trusts	193,000	190,000	1,794,000	1,838,000	-	-
Common shares	1,817,000	1,913,000	491,000	501,000	-	-
Preferred shares	2,225,000	2,224,000	-	-	-	-
	8,917,000	9,073,000	5,520,000	5,693,000	-	-

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

Government bonds have maturities ranging from three months (2000 – one year and three months) to two years and five months (2000 – three years and five months) and corporate debt has maturities ranging from six months (2000 – two years and seven months) to five years and four months (2000 – six years and four months). The weighted average effective yield of government bonds is 5.48% (2000 - 6.59%), corporate debt is 16.25% (2000 - 13.17%) and preferred shares is 6.47% based on the yield to maturity.

4. Mortgages receivable, impaired mortgages and allowance for credit losses

Mortgages receivable and impaired mortgages

2001

	Allowance for credit losses				Net amount of mortgages \$	Gross impaired mortgages \$
	Gross amount of mortgages \$	Specific \$	General \$	Total \$		
Residential mortgages	571,720,000	2,123,000	1,911,000	4,034,000	567,686,000	4,923,000
Other mortgages	82,778,000	-	324,000	324,000	82,454,000	-
Accrued interest	3,689,000	-	-	-	3,689,000	-
	658,187,000	2,123,000	2,235,000	4,358,000	653,829,000	4,923,000

2000

	Allowance for credit losses				Net amount of mortgages \$	Gross impaired mortgages \$
	Gross amount of mortgages \$	Specific \$	General \$	Total \$		
Residential mortgages	477,315,000	536,000	2,176,000	2,712,000	474,603,000	2,581,000
Other mortgages	48,209,000	-	1,055,000	1,055,000	47,154,000	-
Accrued interest	3,471,000	-	-	-	3,471,000	-
	528,995,000	536,000	3,231,000	3,767,000	525,228,000	2,581,000

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

1999

	Allowance for credit losses				Net amount of mortgages \$	Gross impaired mortgages \$
	Gross amount of mortgages \$	Specific \$	General \$	Total \$		
Residential mortgages	277,332,000	951,000	2,533,000	3,484,000	273,848,000	955,000
Other mortgages	5,369,000	-	49,000	49,000	5,320,000	-
Accrued interest	1,678,000	-	-	-	1,678,000	-
	<u>284,379,000</u>	<u>951,000</u>	<u>2,582,000</u>	<u>3,533,000</u>	<u>280,846,000</u>	<u>955,000</u>

Included in gross residential mortgages are Canadian government-insured mortgages of \$28,149,000 as at December 31, 2001 (2000 - \$16,135,000, 1999 - \$19,185,000) of which \$22,264,000 is held for sale (2000 - \$8,224,000, 1999 - 6,223,000). These loans held for sale together with the related interest rate hedges are carried at lower of cost or market value. There are no foreclosed assets held for sale in gross impaired mortgages.

Allowance for credit losses

2001

	Specific allowance \$	General allowance \$	Total \$
Balance - Beginning of Year	536,000	3,231,000	3,767,000
Provision for (recovery of) credit losses charged to statement of earnings and retained earnings	1,656,000	(996,000)	660,000
Write-offs, net of recoveries	(69,000)	-	(69,000)
Balance - End of year	<u>2,123,000</u>	<u>2,235,000</u>	<u>4,358,000</u>

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

	2000		
	Specific allowance	General allowance	Total
	\$	\$	\$
Balance - Beginning of Year	951,000	2,582,000	3,533,000
Provision for (recovery of) credit losses charged to statement of earnings and retained earnings	(409,000)	649,000	240,000
Write-offs, net of recoveries	(6,000)	-	(6,000)
Balance - End of year	536,000	3,231,000	3,767,000

	1999		
	Specific allowance	General allowance	Total
	\$	\$	\$
Balance - Beginning of Year	938,000	2,382,000	3,320,000
Provision for (recovery of) credit losses charged to statement of earnings and retained earnings	40,000	200,000	240,000
Write-offs, net of recoveries	(27,000)	-	(27,000)
Balance - End of year	951,000	2,582,000	3,533,000

The net carrying amount of mortgages receivable classified as impaired as at December 31, 2001 aggregated \$2,800,000 (2000 - \$2,045,000, 1999 - \$4,000). As at December 31, 2001, the estimated fair value of mortgages receivable is \$671,076,000 (2000 - \$533,100,000, 1999 - \$285,100,000). The weighted average effective yield of mortgages receivable is 7.05% (2000 - 8.48%, 1999 - 7.65%), based on the yield to maturity.

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

5. Mortgage-backed securities

During the year, the company securitized Government of Canada insured loans through the NHA MBS programme. Cash proceeds of \$244,000,000 (2000 - \$151,000,000, 1999 - \$215,000,000) were received from securities dealers and \$10,100,000 (2000 - \$5,900,000, 1999 - \$8,782,000), representing the present value of the net interest spread receivable on the NHA MBS pools issued during the year, was added to the proceeds on the sale of the pools and was recorded as an asset on the balance sheet. The gain on sale, net of transaction fees and expenses, of \$1,300,000 (2000 - \$701,000, 1999 - \$1,133,000) was recognized as income. The company estimates that the present value of the net interest spread receivable on the NHA MBS pools amounting to \$34,645,000 (2000 - \$29,915,000, 1999 - 29,745,000) will be received as follows:

	2001	2000	1999
	\$	\$	\$
During the year ending December 31, 2000	-	-	5,264,000
2001	-	5,739,000	4,824,000
2002	6,479,000	4,896,000	4,109,000
2003	5,924,000	4,303,000	3,483,000
2004	5,423,000	3,775,000	2,936,000
2005	5,057,000	3,379,000	2,687,000
2006	4,138,000	2,838,000	2,493,000
Thereafter	7,624,000	4,985,000	3,949,000
	<u>34,645,000</u>	<u>29,915,000</u>	<u>29,745,000</u>

The key assumptions used to value the present value of the net interest spread included a prepayment rate of 9.00% (2000 - 7%, 1999 - 7%) on single family pools, an excess spread of 0.89% (2000 - .88%, 1999 - .88%) and a discount rate of 6.10% (2000 - 6.28%, 1999 - 6.14%).

As at December 31, 2001, outstanding NHA MBS issued by the company totaled \$1,179,165,000 (2000 - \$1,079,506, 1999 - \$1,045,572,000) with a weighted average mortgage rate of 6.58% (2000 - 6.72%, 1999 - 6.80%) and a weighted average MBS coupon of 5.69% (2000 - 5.84%, 1999 - 5.92%) and mature as follows:

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

	2001	2000	1999
	\$	\$	\$
During the year ending December 31,			
2000	-	-	73,989,000
2001	-	89,183,000	93,779,000
2002	88,995,000	82,776,000	87,129,000
2003	96,693,000	111,667,000	118,072,000
2004	73,632,000	85,365,000	89,056,000
2005	101,985,000	101,971,000	20,455,000
2006	240,097,000	61,006,000	62,428,000
Thereafter	577,763,000	547,538,000	500,664,000
	<u>1,179,165,000</u>	<u>1,079,506,000</u>	<u>1,045,572,000</u>

In addition to the mortgage principal above, the company also administers the collection and payment of realty taxes for the mortgagors. The realty taxes collected but yet to be remitted as at December 31, 2001 amount to \$14,000,000 (2000 - \$11,800,000, 1999 - \$12,347,000) and are not recorded on the company's balance sheet.

6. Customer deposits

The company issues guaranteed investment certificates (GICs) to depositors. As at December 31, 2001, the estimated fair value of customer deposits is \$679,381,000 (2000 - \$528,900,000, 1999 - \$290,200,000). The weighted average effective cost of customer deposits is 4.39% (2000 - 5.81% 1999 - 5.18%), based on the yield to maturity.

7. Income taxes

	2001	2000	1999
	\$	\$	\$
Current income taxes			
Federal	4,561,000	2,177,000	1,680,000
Provincial	2,210,000	1,109,000	894,000
	<u>6,771,000</u>	<u>3,286,000</u>	<u>2,574,000</u>
Future income taxes (recovery)			
Federal	(123,000)	297,000	5,000
Provincial	(61,000)	151,000	2,000
	<u>(184,000)</u>	<u>448,000</u>	<u>7,000</u>

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

The provision for income taxes shown in the statement of earnings and retained earnings is less than that obtained by applying federal and provincial statutory income tax rates to the net earnings before the provision for income taxes for the following reasons:

	2001 %	2000 %	1999 %
Canadian statutory income tax rate	41.7	44.7	44.7
Increase (decrease) resulting from			
Dividends	(7.3)	(6.2)	-
Non-deductible expenses	3.7	3.0	5.6
Federal and provincial tax rate reductions	(0.6)	-	-
Other	2.7	-	-
Effective income tax rate	40.2	41.5	50.3

The net future income tax liability is comprised of:

	2001 \$	2000 \$	1999 \$
Future income tax assets			
Allowance for credit losses	755,000	100,000	-
Deferred mortgage fees	284,000	433,000	-
Other	44,000	-	-
	1,083,000	533,000	-
Future income tax liabilities			
Deferred GIC commissions	678,000	469,000	-
Present value of net interest spread receivable	600,000	298,000	-
Other	-	145,000	-
	1,278,000	912,000	-
Net future income tax liability	195,000	379,000	-

Future federal and provincial income tax rate reductions substantively enacted during 2001 have resulted in a net reduction in future income taxes payable in the amount of \$103,000.

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

8. Subordinated debt

The following debt is evidenced by the issue of debentures and is subordinated to the deposits and other liabilities of the company. Any redemption of this debt is subject to regulatory approval. Interest is paid quarterly.

Debenture series	Interest rate %	Issue date	Maturity date	2001			
				Outstanding December 31, 2000 \$	Issued during the year \$	Redeemed during the year \$	Outstanding December 31, 2001 \$
Series 1	8.00	April 1998	April 2008	2,078,000	-	1,757,000	321,000
Series 2	8.50	April 2001	April 2011	-	5,700,000	-	5,700,000
				<u>2,078,000</u>	<u>5,700,000</u>	<u>1,757,000</u>	<u>6,021,000</u>

Debenture series	Interest rate %	Issue date	Maturity date	2000			
				Outstanding December 31, 1999 \$	Issued during the year \$	Redeemed during the year \$	Outstanding December 31, 2000 \$
Series 1	8.00	April 1998	April 2008	2,928,000	-	850,000	2,078,000

Debenture series	Interest rate %	Issue date	Maturity date	1999			
				Outstanding December 31, 1998 \$	Issued during the year \$	Redeemed during the year \$	Outstanding December 31, 1999 \$
Series 1	8.00	April 1998	April 2008	4,325,000	-	1,397,000	2,928,000

9. Capital stock

Authorized 4,000,000 common shares

Issued	2001		2000		1999	
	Number of shares	Amount \$	Number of shares	Amount \$	Number of shares	Amount \$
Balance - Beginning of year	1,623,634	20,775,000	1,390,287	15,747,000	1,178,322	12,332,000
Issued during the year (net of costs of \$38,000 in 2000)	61,855	1,413,000	233,347	5,028,000	211,965	3,415,000
Balance - End of Year	<u>1,685,489</u>	<u>22,188,000</u>	<u>1,623,634</u>	<u>20,775,000</u>	<u>1,390,287</u>	<u>15,747,000</u>

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

During 2001, no shares were issued for cash consideration (2000 - 200,892 shares for \$4,462,000, 1999 - 186,220 shares for \$3,000,000) and 61,855 (2000 - 32,455, 1999 - 25,745) shares were issued to an officer as settlement of a bonus payable in the amount of \$ \$1,413,000 (2000 - \$566,000, 1999 - \$415,000).

The weighted average number of shares outstanding used to calculate basic and diluted earnings per share is as follows:

	2001	2000	1999
Basic	1,675,660	1,469,106	1,325,766
Relating to stock options	17,708	1,053	-
Diluted	1,693,368	1,470,159	1,325,766

Capital requirements

The company's capital requirements are determined in accordance with the guidelines issued by OSFI which stipulate that a financial institution's regulatory capital be calculated as a ratio based on its risk weighted assets. Capital is comprised of Tier 1 capital (common stock, contributed surplus and retained earnings) and Tier 2 capital (subordinated debt). Tier 2 capital should not exceed 50% of Tier 1 capital at any time. Assets are risk weighted from nil% to 100% based on their risk characteristics. Minimum statutory total capital levels are 8% of risk weighted assets. "Well capitalized" minimum total capital levels are 10% of risk weighted assets. OSFI requires the company to maintain its total capital at the "well capitalized" level, and also requires that the (company not exceed a maximum leverage ratio (or asset to capital multiple) of 17.5 times.

The company's capital and leverage ratios are as follows:

	2001	2000	1999
Tier 1 capital	\$43,154,000	\$33,698,000	\$24,248,000
Total regulatory capital	\$49,175,000	\$35,776,000	\$27,176,000
Tier 1 capital ratio	7.87%	7.83%	11.42%
Total capital ratio	8.97%	8.31%	12.80%
Leverage ratio	14.76	16.11	12.10

The company has authorized the issue of up to \$10,000,000 of subordinated debentures, Series 3 during 2002 and has received \$4,750,000 in cash as subscriptions for these debentures during January 2002. The company also expects to receive \$3,550,000 for common shares to be issued from treasury in February 2002.

The company is restricted from paying dividends in any financial year without the approval of OSFI.

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

Stock options

The company instituted a stock option plan for employees in 2000 whereby up to 10% of issued and outstanding common shares may be reserved for issue under the plan.

As at December 31, 2001, executives of the company have options to acquire 87,500 (2000 - 55,000) common shares in the company. The optioned shares vest at an amount equal to 20% at issue and 20% on each anniversary date thereafter. The options expire five years after the date of issue. No options were exercised or forfeited during the year ended December 31, 2001 or during the year ended December 31, 2000.

	2001		2000		1999	
	Number of stock options	Weighted averaged exercise price \$	Number of stock options	Weighted averaged exercise price \$	Number of stock options	Weighted averaged exercise price \$
Outstanding - Beginning of year	55,000	17.44	-	-	-	-
Granted during the year	32,500	24.03	55,000	17.44	-	-
Outstanding - End of year	87,500	19.89	55,000	17.44	-	-
Exercisable at end of year	28,500	18.94	11,000	17.44	-	-

10. Commitments and contingencies

Payments due under a non-cancellable operating lease for office premises for the next two years are \$306,000 annually (2000 – three years - \$218,000 annually; 1999-four years - \$223,000 annually).

The company is subject to various claims and litigation arising from time to time in the normal course of business. Management believes that the aggregate liability, if any, that may result from various outstanding legal proceedings, would not be material.

The company has commitments to fund a total of \$54,784,000 (2000 - \$55,012,000, 1999 - \$10,991,000) of mortgages in the ordinary course of business at year-end.

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

11. Related Party transactions

Certain of the Company's employees, directors and shareholders have purchased GIC's and subordinated debt from the Company in the ordinary course of business at terms comparable to those offered to unrelated parties.

Notes to Financial Statements
December 31, 2001, 2000 and 1999

The following tables 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 repricing date as at December 31, 2001, 2000 and 1999.

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The Equitable Trust Company

Notes to Financial Statements
December 31, 2001, 2000 and 1999

	Floating rate \$	0 - 3 months \$	4 - 12 months \$	1 - 5 years \$	Greater than 5 years \$	Non- interest sensitive \$	2001 Total \$
Liabilities							
Customer deposits	-	180,875,000	210,881,000	259,698,000	-	14,471,000	665,925,000
Effective interest rate		3.16%	3.95%	5.61%			
Other liabilities	-	-	-	-	-	10,804,000	10,804,000
Subordinated debt	-	-	-	-	6,021,000	-	6,021,000
Effective interest rate					8.47%		
Equity	-	-	-	-	-	43,154,000	43,154,000
Total liabilities and equity	-	180,875,000	210,881,000	259,698,000	6,021,000	68,429,000	725,904,000
Excess (deficiency) of assets over liabilities and equity	208,117,000	(82,694,000)	(95,925,000)	26,685,000	3,231,000	(59,414,000)	-

An immediate and sustained 100 basis points (or 1%) change in interest rates as of December 31, 2001 would impact on net interest income for the following 12-month period by \$984,000 before adjusting for income taxes.

Notes to Financial Statements
December 31, 2001, 2000 and 1999F-46

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

	Floating rate \$	0 - 3 months \$	4 - 12 months \$	1 - 5 years \$	Greater than 5 years \$	Non- interest sensitive \$	2000 Total \$
Liabilities							
Customer deposits	-	180,961,000	175,155,000	156,189,000	-	11,375,000	523,680,000
Effective interest rate		5.57%	5.84%	6.06%			
Other liabilities	-	-	-	-	-	4,975,000	4,975,000
Subordinated debt	-	-	-	-	2,078,000	-	2,078,000
Effective interest rate					8.00%		
Equity							
Total liabilities and equity	-	180,961,000	175,155,000	156,189,000	2,078,000	33,698,000	33,698,000
Excess (deficiency) of assets over liabilities and equity	196,007,000	(125,479,000)	(51,638,000)	17,618,000	6,047,000	(42,555,000)	-

An immediate and sustained 100 basis points (or 1%) change in interest rates as of December 31, 2000 would impact on net interest income for the following 12-month period by \$663,000 before adjusting for income taxes.

The Equitable Trust Company

Notes to Financial Statements
December 31, 2001, 2000 and 1999

	Floating rate \$	0 - 3 months \$	4 - 12 months \$	1 - 5 years \$	Greater than 5 years \$	Non- interest sensitive \$	1999 Total \$
Assets							
Cash	-	5,063,000	-	-	-	-	5,063,000
Effective interest rate		3.87%					
Investments	-	-	-	-	-	-	-
Effective interest rate							
Mortgages receivable	72,514,000	36,616,000	90,482,000	79,556,000	-	1,678,000	280,846,000
Effective interest rate	7.74%	7.21%	7.53%	7.92%			
Present value of net interest							
Spread receivable on MBS	-	1,385,000	4,034,000	18,039,000	6,287,000	-	29,745,000
Effective interest rate		6.04%	6.04%	6.02%	6.07%		
Other assets	-	-	-	-	-	907,000	907,000
Total assets	72,514,000	43,064,000	94,516,000	97,595,000	6,287,000	2,585,000	316,561,000

The Equitable Trust Company

Notes to Financial Statements

December 31, 2001, 2000 and 1999

	Floating rate \$	0 - 3 months \$	4 - 12 months \$	1 - 5 years \$	Greater than 5 years \$	Non- interest sensitive \$	1999 Total \$
Liabilities							
Customer deposits	-	98,983,000	112,974,000	69,350,000	-	6,046,000	287,353,000
Effective interest rate		4.85%	5.24%	5.52%			
Other liabilities	-	-	-	-	-	2,032,000	2,032,000
Subordinated debt	-	-	-	-	2,928,000	-	2,928,000
Effective interest rate					8.00%		
Equity	-	-	-	-	-	24,248,000	24,248,000
Total liabilities and equity	-	98,983,000	112,974,000	69,350,000	2,928,000	32,326,000	316,561,000
Excess (deficiency) of assets over liabilities and equity	72,514,000	(55,919,000)	(18,458,000)	28,245,000	3,359,000	(29,741,000)	-

An immediate and sustained 100 basis points (or 1%) change in interest rates as of December 31, 1999 would impact on net interest income for the following 12-month period by \$30,000 before adjusting for income taxes.

CERTIFICATE OF THE COMPANY

Date: February 5, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as required by the *Securities Act* (Quebec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) GEOFFREY BLEDIN
Chief Executive Officer

(Signed) STEPHEN COFFEY
Chief Financial Officer

On behalf of the Board of Directors

(Signed) AUSTIN C. BEUTEL
Director

(Signed) ROBERT RUBINOFF
Director

CERTIFICATE OF THE UNDERWRITERS

Date: February 5, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island, and by Part XIV of *The Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To our knowledge, this preliminary prospectus, as required by the *Securities Act* (Quebec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

(Signed) THOMAS E. FLYNN

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

(Signed) LINDA WONG

(Signed) DAVID BEATTIE

NATIONAL BANK FINANCIAL INC.

(Signed) VINCENZA SERA

CIBC WORLD
MARKETS INC.

DUNDEE SECURITIES
CORPORATION

GMP SECURITIES
LTD.

SPROTT SECURITIES
INC.

(Signed)
DONALD A. FOX

(Signed)
DAVID G. ANDERSON

(Signed)
MATTHEW S. FRANK

(Signed)
JEFF KENNEDY

CONSENT OF KPMG LLP

The Board of Directors of Equitable Group Inc.

We have read the prospectus dated ●, 2004, relating to the sale and issue of common shares of the Equitable Group Inc. (the "Company"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the shareholders of The Equitable Trust Company ("ETC") on the balance sheets of ETC as at December 31, 2003 and 2002 and the statements of earnings, shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2003. Our report is dated January 30, 2004.

Chartered Accountants

Toronto, Canada
●, 2004

CONSENT OF PRICEWATERHOUSECOOPERS LLP

TO: The Board of Directors of Equitable Group Inc.

We have read the prospectus dated ●, 2004, relating to the sale and issue of common shares of Equitable Group Inc. (the "Company"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the shareholders of The Equitable Trust Company ("ETC") on the balance sheets of ETC as at December 31, 2001, 2000, and 1999 and the statements of earnings and retained earnings, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001. Our report is dated January 25, 2002.

Chartered Accountants

Toronto, Canada
●, 2004