



TSX Symbol: ETC

EQUITABLE GROUP REPORTS STRONG SECOND QUARTER 2009 RESULTS

- **SOLID IMPROVEMENT IN NET INTEREST MARGIN**
- **OUTLOOK SUPPORTS INCREASED SALES ACTIVITY**

Toronto, Ontario (August 6, 2009): Equitable Group Inc. (“Equitable” or the “Company”) today reported excellent quarterly earnings for the three months ended June 30, 2009, on par with the record earnings reported in the first quarter of 2009.

SECOND QUARTER RESULTS

- Net income increased 15.5% to \$11.9 million compared to \$10.3 million in the same period a year ago;
- Net interest income earned increased by \$2.5 million from the prior quarter and \$2.0 million from the corresponding quarter of the prior year;
- Diluted earnings per share increased to \$0.80 per share, slightly ahead of \$0.79 per share a year ago;
- Return on equity was 16.5% compared to 17.8% in the first quarter of 2009 and 19.1% in the second quarter of 2008;
- Tangible Common Equity ratio (TCE) ratio, a key measure of capital strength, was 11.8%, an improvement over the ratios of 10.8% and 8.6% for the first quarter of 2009 and second quarter of 2008, respectively;
- Productivity ratio on a Taxable Equivalent Basis – a measure of efficiency – improved to 24.4% from 26.8% in the same quarter of 2008;
- Net impaired mortgages improved to 0.79% of total mortgage principal outstanding from 0.94% at the end of the first quarter of 2009;
- Book value per share increased 17.1% to \$19.94 from \$17.03 at June 30, 2008.

DIVIDEND

The Company’s Board of Directors declared a quarterly dividend in the amount of \$0.10 per share, payable on October 5, 2009, to shareholders of record at the close of business on September 15, 2009.

MANAGEMENT COMMENTARY

“Equitable made strong progress in creating shareholder value over the first half of 2009 through a combination of margin improvement measures, excellent productivity, diligent risk management and the achievement of attractive securitization volumes and spreads,” said Andrew Moor, President and CEO. “Given turbulent economic conditions, we are very pleased with Equitable’s performance to date, including growth in our \$3.5 billion securitized mortgage portfolio and our robust capital position. Period end total capital ratio of 15.3% (inclusive of general allowance) is well ahead of our target for the year and supports meaningful growth in new mortgage business.”

SECOND QUARTER OPERATING HIGHLIGHTS

- Net interest margin on a taxable equivalent basis increased to 1.9% from 1.6% in the first quarter of 2009 – despite a 25 basis point decrease in Prime Rate early in the second quarter – as a result of pricing strategies on new and renewing mortgages;
- Floating rate mortgages that did not have interest rate floors represented 24.2% of the mortgage portfolio at June 30, 2009, compared to 35.6% at the end of the prior quarter as the Company successfully reduced its interest rate exposure by converting floating to fixed rate mortgages and putting interest rate floors on floating rate mortgages as they renewed;
- Floating rate mortgages that had interest rate floors represented 15.3% of the mortgage portfolio at June 30, 2009 compared to 12.0% at March 31, 2009 and based on interest rate levels at June 30th, these mortgages are expected to generate a significant increase in interest income in the third quarter over what would have been earned had the floors not been implemented;
- Equitable securitized and sold \$353.9 million of CMHC-insured mortgages compared to \$410.0 million in the same quarter of 2008 and earned \$5.8 million in income from securitizations;
- Mortgage fundings in the second quarter amounted to \$645.3 million, an increase of 21.3% over first quarter 2009 fundings of \$532.1 million;
- Mortgage principal was \$2.9 billion, essentially unchanged from a year ago but lower than the year end 2008 total of \$3.0 billion due to securitizations of CMHC-insured multi-residential and single family mortgages as well as natural amortization and payout of the portfolio.

CREDIT QUALITY

Net impaired mortgages improved to 0.79% of total mortgage principal outstanding from 0.94% at the end of the first quarter of 2009, reflecting the health of the Company's mortgage portfolio, success in curing problem mortgage loans and relatively healthier real estate market conditions in Equitable's chosen lending regions. Mortgages in arrears 90 days or more (excluding CMHC-insured mortgages that are less than 365 days in arrears) also improved to 1.34% of total principal outstanding from 1.49% at March 31, 2009. Net realized loan losses related to workout activities in the second quarter amounted to \$1.0 million. Effective collections management and a recovery in real estate markets have allowed the Company to sell properties and work out problem loans expeditiously and without incurring unreasonable losses.

SIX MONTH RESULTS

- Net income increased 19.3% to a record \$23.8 million compared to \$20.0 million in the same period a year ago;
- Diluted earnings per share increased 4.6% to \$1.60 per share compared to \$1.53 per share a year ago;
- Return on equity was 17.1% compared to 18.9% in the same period of 2008.

CONCLUSION

“Economic conditions appear to be improving relative to the past few quarters and, based on our increasing comfort with credit and real estate market dynamics, we have increased our sales efforts within the context of ongoing lending and risk management discipline,” said Mr. Moor. “Our robust balance sheet certainly supports incremental asset accumulation, and we’re confident that our low-cost business approach will allow us to add to our portfolio on a very profitable basis. For several reasons, we also expect continued improvement in our interest rate spreads. Notably, recent market conditions have eased overall deposit costs while the Bank of Canada has indicated that its benchmark interest rate should remain at its current level through the first half of 2010, assuming inflation remains in check. With greater market stability, combined with the progress we continue to make in implementing significantly enhanced pricing, we have a solid opportunity for additional shareholder value creation in the second half of 2009 and well into 2010.”

John Ayanoglou, Senior Vice-President and Chief Financial Officer, said: “An important factor related to improving spreads is the \$400 million in cashable GICs that comprise part of our \$3.3 billion portfolio of customer deposits that will mature and are expected to be replaced with less expensive funding over the next two quarters. This should have a positive impact on our margins, partially offset by the maintenance of higher than normal levels of liquidity we are maintaining to be prepared for any unexpected developments in our markets. As we identify and originate new mortgages in this environment, we will retain our bias toward high quality investments, including insured fundings for securitization, and continue to apply our ROE optimization strategies. In short, we will maintain our focus on safeguarding the future health and performance potential of our portfolio through strong underwriting practices that ensure improving returns without excessive risk taking.”

SECOND QUARTER WEBCAST

Management will discuss Equitable's results during a conference call beginning at 9:30 a.m. ET today. To listen to the audio webcast, log on to www.equitablegroupinc.com. To participate in the call, please dial 416-915-5762.

MD&A

The Company will post its MD&A for the three and six months ended June 30, 2009 on its website (www.equitablegroupinc.com) this morning. This document will also be archived on the site.

ABOUT EQUITABLE GROUP INC.

Equitable Group Inc. is a niche mortgage lender. Our core business is first charge mortgage financing, which we offer through our wholly owned subsidiary, The Equitable Trust Company. Founded in 1970, Equitable Trust is a federally incorporated trust company. It serves single family, small and large commercial borrowers and their mortgage advisors. It also serves the investing public as a provider of Guaranteed Investment Certificates. Equitable is active in providing GICs across all Canadian provinces and territories. We actively originate mortgages in Ontario, Alberta and Manitoba. Equitable Group's shares are traded on the Toronto Stock Exchange under the symbol ETC. Visit the Company on line at www.equitablegroupinc.com or www.equitabletrust.com.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (unaudited)

AS AT JUNE 30, 2009

With comparative figures as at December 31, 2008 and June 30, 2008

(In thousands of dollars)

	June 30, 2009	December 31, 2008	June 30, 2008
Assets			
Cash and cash equivalents	\$ 273,422	\$ 50,121	\$ 248,139
Restricted cash	5,000	8,422	5,000
Investment purchased under reverse repurchase agreements	145,037	698,276	412,004
Investments	292,598	170,321	149,214
Securitization retained interests	124,072	101,806	67,469
Mortgages receivable	2,857,378	3,023,015	2,915,912
Other assets	21,981	35,590	16,457
	\$ 3,719,488	\$ 4,087,551	\$ 3,814,195
Liabilities and Shareholders' Equity			
Liabilities:			
Customer deposits	\$ 3,280,565	\$ 3,692,569	\$ 3,483,607
Future income taxes	19,071	17,839	11,733
Other liabilities	47,864	36,433	21,193
Bank term loans	43,250	44,595	44,595
Subordinated debentures	31,969	31,969	31,969
	3,422,719	3,823,405	3,593,097
Shareholders' equity:			
Capital stock	127,029	126,993	87,653
Contributed surplus	2,984	2,553	2,124
Retained earnings	170,209	149,365	133,695
Accumulated other comprehensive loss	(3,453)	(14,765)	(2,374)
	296,769	264,146	221,098
	\$ 3,719,488	\$ 4,087,551	\$ 3,814,195

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2009

With comparative figures for the three and six month periods ended June 30, 2008

(In thousands of dollars, except share and per share amounts)

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Interest income:				
Mortgages	\$ 40,005	\$ 45,151	\$ 81,019	\$ 90,843
Investments	3,293	2,146	5,758	4,322
Other	664	3,807	2,489	7,530
	43,962	51,104	89,266	102,695
Interest expense:				
Customer deposits	23,432	32,128	50,729	62,837
Deposit agent commissions	1,683	2,148	3,367	4,090
Bank term loans	758	771	1,496	1,517
Subordinated debentures	586	584	1,165	1,168
	26,459	35,631	56,757	69,612
Net interest income	17,503	15,473	32,509	33,083
Provision for credit losses	1,250	300	3,100	600
Net interest income after provision for credit losses	16,253	15,173	29,409	32,483
Other income:				
Fees and other income	998	421	1,751	781
Net gain on investments	-	49	36	230
Gains on securitization activities and income from retained interests	5,798	4,278	15,132	4,959
	6,796	4,748	16,919	5,970
Net interest income and other income	23,049	19,921	46,328	38,453
Non-interest expenses:				
Compensation and benefits	3,481	3,233	7,445	6,260
Other	2,627	2,448	4,934	4,569
	6,108	5,681	12,379	10,829
Income before income taxes	16,941	14,240	33,949	27,624
Income taxes:				
Current	6,189	1,384	8,896	4,988
Future	(1,125)	2,576	1,232	2,671
	5,064	3,960	10,128	7,659
Net income	\$ 11,877	\$ 10,280	\$ 23,821	\$ 19,965
Earnings per share:				
Basic	\$ 0.80	\$ 0.79	\$ 1.60	\$ 1.54
Diluted	\$ 0.80	\$ 0.79	\$ 1.60	\$ 1.53
Weighted average number of shares outstanding:				
Basic	14,886,063	12,975,018	14,884,396	12,965,458
Diluted	14,914,954	13,008,490	14,898,921	13,013,529

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2009

With comparative figures for the three and six month periods ended June 30, 2008

(In thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Capital stock:				
Balance, beginning of period	\$ 126,993	\$ 87,257	\$ 126,993	\$ 87,062
Common shares issued				
Proceeds from reinvestment of dividend	36	-	36	-
Proceeds from exercise of stock options	-	350	-	525
Transfer from contributed surplus relating to the exercise of stock options	-	46	-	66
Balance, end of period	127,029	87,653	127,029	87,653
Contributed surplus:				
Balance, beginning of period	2,872	1,961	2,553	1,778
Stock-based compensation	112	209	431	412
Transfer to common shares relating to the exercise of stock options	-	(46)	-	(66)
Balance, end of period	2,984	2,124	2,984	2,124
Retained earnings:				
Balance, beginning of period	159,821	124,714	149,365	116,325
Net income	11,877	10,280	23,821	19,965
Dividends	(1,489)	(1,299)	(2,977)	(2,595)
Balance, end of period	170,209	133,695	170,209	133,695
Accumulated other comprehensive income (loss), net of tax:				
Balance, beginning of period	(8,431)	(1,996)	(14,765)	(1,995)
Other comprehensive income (loss)	4,978	(378)	11,312	(379)
Balance, end of period	(3,453)	(2,374)	(3,453)	(2,374)
Total retained earnings and accumulated other comprehensive income (loss)	166,756	131,321	166,756	131,321
Total shareholders' equity	\$ 296,769	\$ 221,098	\$ 296,769	\$ 221,098

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2009

With comparative figures for the three and six month periods ended June 30, 2008

(In thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Net income	\$ 11,877	\$ 10,280	\$ 23,821	\$ 19,965
Other comprehensive income (loss), net of tax:				
Available for sale investments:				
Net unrealized gains (losses) from change in fair value	7,832	(304)	15,272	(391)
Reclassification of net (gains) losses to income	(2,854)	(74)	(3,960)	12
Other comprehensive income (loss)	4,978	(378)	11,312	(379)
Comprehensive income	\$ 16,855	\$ 9,902	\$ 35,133	\$ 19,586

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2009

With comparative figures for the three and six month periods ended June 30, 2008

(In thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Cash provided by (used in):				
Operating activities:				
Net income	\$ 11,877	\$ 10,280	\$ 23,821	\$ 19,965
Non-cash items:				
Financial instruments - fair value adjustments	2,595	(609)	(2,999)	(1,741)
Securitizations gains	(4,940)	(3,739)	(12,559)	(3,697)
Amortization of capital assets	150	187	291	372
Provision for credit losses	1,250	300	3,100	600
Net loss (gain) on investments	4	(49)	(80)	(228)
Future income taxes	(1,125)	2,576	1,232	2,671
Stock-based compensation	112	209	431	412
Amortization of premiums on investments, net	166	367	370	916
	10,089	9,522	13,607	19,270
Changes in operating assets and liabilities:				
Other assets	8,438	(3,498)	8,650	(2,516)
Other liabilities	4,134	3,856	(559)	86
	22,661	9,880	21,698	16,840
Financing activities:				
Increase (decrease) in customer deposits	(188,919)	426,069	(408,076)	378,390
Repayment of bank term loan	(1,345)	-	(1,345)	-
Dividends paid on common shares	(1,489)	(1,299)	(2,977)	(2,595)
Issuance of common shares	36	350	36	525
	(191,717)	425,120	(412,362)	376,320
Investing activities:				
Purchase of investments	(9,318)	(5,000)	(9,318)	(5,000)
Proceeds on sale or redemption of investments	26,065	51,342	30,524	75,092
Purchase of investments purchased under reverse repurchase agreements	(145,037)	(412,004)	(685,730)	(687,078)
Proceeds on sale or redemption of investments purchased under reverse repurchase agreements	540,693	275,074	1,238,969	507,194
Change in restricted cash	1,300	-	3,422	-
Increase in mortgages receivable	(724,099)	(968,494)	(1,535,815)	(1,344,506)
Mortgage principal repayments	379,005	451,772	798,297	719,250
Proceeds from loan securitizations	350,672	402,849	761,851	565,940
Securitization retained interests	5,973	5,060	11,892	8,264
Purchase of capital assets	(12)	(42)	(127)	(104)
	425,242	(199,443)	613,965	(160,948)
Increase in cash and cash equivalents	256,186	235,557	223,301	232,212
Cash and cash equivalents, beginning of period	17,236	12,582	50,121	15,927
Cash and cash equivalents, end of period	\$ 273,422	\$ 248,139	\$ 273,422	\$ 248,139

-- 30 --

FOR MORE INFORMATION:

John Ayanoglou

Senior Vice-President and Chief Financial Officer

416-513-3535