EQUITABLE GROUP INC.

THIRD QUARTER REPORT

Quarter Ended September 30, 2005

CORPORATE PROFILE

Equitable Group Inc. provides first mortgage financing through its wholly owned subsidiary, The Equitable Trust Company, on properties located primarily in and around the Greater Toronto Area, a geographic territory that encompasses a population of more than five million. Equitable Trust was founded in 1970 and is now a leader in its primary niches: alternative single family dwelling and multi-unit residential mortgage lending. On a very selective basis, the Company also provides financing for commercial properties. Equitable Trust offers Guaranteed Investment Certificates to its depositors as a nationally licensed deposit-taking institution.

The Company's common stock is listed on The Toronto Stock Exchange, symbol ETC. For more information, visit the Company's web site at www.equitablegroupinc.com.

FELLOW SHAREHOLDERS:

Equitable Group Inc. achieved record financial results for the three months ended September 30, 2005 – including a year over year 26% growth in assets. We've also reiterated our positive outlook for mortgage lending in our niches.

Management's discussion and analysis that follows contains comprehensive details, but we are pleased to present these performance highlights.

Third Quarter Highlights (three months ended September 30, 2005)

- Net earnings grew 27% to $4.99 million from $3.93 million in the third quarter of 2004.
- Diluted earnings per share increased 24% to $0.42 from $0.34 in the third quarter of 2004.
- Return on weighted average shareholders' equity was 16.8% compared to 15.4% in the third quarter a year ago.
- There were no realized loan losses in the third quarter of 2005. Over the past five years, total net loan losses have amounted to less than 0.001% of total average loans outstanding.

Year to Date Highlights (nine months ended September 30, 2005)

- Net earnings increased 33% to $14.20 million from $10.68 million during the same period in 2004
- Diluted earnings per share of $1.19 were 28% higher than the $0.93 earned during same period of 2004.
- Mortgage assets increased 28% to $1.54 billion from $1.20 billion a year ago.
- Total assets increased 26% to $1.82 billion from $1.45 billion a year ago.

Dividend Declared

Consistent with our quarterly dividend policy of paying approximately 25% of trailing (prior year's) net earnings in dividends, the Board declared a dividend of 8 cents per share payable January 5, 2006 to shareholders of record December 16, 2005.

Management Commentary

We're pleased with Equitable's performance in the third quarter, which features strong earnings growth, a 26% or $372 million increase in year-over-year assets, and a solid return on equity. Based on these results, we are poised for a record year and the achievement of our goals in all areas: earnings, asset growth and ROE.

What's particularly satisfying about this performance is that it was achieved with no variance in our disciplined lending practices. We've funded almost $1 billion in new mortgages this year and all of it was thoroughly assessed against our rigorous, traditional lending criteria. As a result, we are confident that our growth has not only been profitable to date, it will continue to be profitable in the months to come.

Clearly, this was a good quarter for Equitable. Our ROE, spreads and earnings statistics are all significantly improved over last year, while arrears and non-performing loans are lower than last year. This is a reflection of internal processes, as well as hard work by our staff. Equitable's staff complement has grown this year as we've deepened capabilities, but we continue to enjoy an excellent productivity ratio of 32.2% on a tax equivalent basis. This means we continue to effectively leverage our low-cost business model to achieve strong levels of profitable growth.

Reflecting our asset weighting strategy and focus on selected niche lending areas, Equitable's mortgage portfolio composition at quarter end was largely unchanged:

- Single family dwelling mortgages comprised 41.4% of mortgage principal outstanding, compared to 39.6% at year end 2004.
- Multi-unit residential mortgages represented 33.7%, compared to 35.8% at year end 2004.
- Commercial mortgages accounted for 19.3%, versus 20.7% at year end, while construction and CMHC-insured mortgages comprised the balance.

The majority of new mortgage lending in the third quarter took place in the Greater Toronto Area, Equitable's primary geographic market. However, Equitable has now established a small presence in Calgary and this initiative is moving along as planned – slowly and deliberately.

Outlook

As you will read in the MD&A, we've reiterated our positive outlook for the 2005 year and have indicated Equitable is well positioned to achieve its annual growth and earnings objectives.

We continue to experience strong demand for mortgages in all of our niches, giving us the ability to be highly selective in our lending activity. We also look forward to an increase in our spreads in the fourth quarter as a result of the recent rise in prime, which will benefit the 44% of our portfolio that is floating rate. The fact that the prime rate has risen – and is likely to rise again later this year – has not altered demand to date, nor do we expect it will short term. In context, rates remain near generational lows and home ownership remains within reach for a large and growing segment of the population.

Conditions are right for us to achieve controlled, profitable and selective growth as we move ahead. Our balance sheet and total capital ratio at period end of 12.5% position us well for the future.

Yours sincerely,

Austin Beutel	**Geoffrey Bledin**
Chairman of the Board	**President and Chief Executive Officer**

November 8, 2005

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

(for the three months ended September 30, 2005)

Notice to Readers

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements for the period ended September 30, 2005 included herein and the audited consolidated financial statements and MD&A for the year ended December 31, 2004 which are available on SEDAR at www.sedar.com or on pages 11 through 55 of the 2004 Annual Report. Except as indicated below, all other factors discussed and referred to in the MD&A for fiscal 2004 remain substantially unchanged. All dollar amounts are in millions of Canadian dollars unless otherwise indicated. The Company has utilized a non-GAAP (generally accepted accounting principles) financial measure for presenting net interest income, margins and certain ratios on a tax equivalent basis. Please refer to note 1 following table 2 for details.

Certain forward-looking statements are made in this Management's Discussion and Analysis, including statements regarding possible future business. Investors are cautioned that such forward-looking statements involve risks and uncertainties detailed from time to time in the periodic reports filed by Equitable Group Inc. ("Equitable" or the "Company") with Canadian regulatory authorities. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Equitable does not undertake to update any forward-looking statements, oral or written, made by itself or on its behalf.

PERFORMANCE AGAINST OBJECTIVES

Equitable's principal objectives for 2005 are: 20% growth in assets, 20% growth in earnings per share and Return On Equity (ROE) of greater than 16%.

Record third quarter 2005 performance – which included a 27% increase in net earnings, a 24% increase in diluted earnings per share, and ROE of 16.8% - coupled with record results in each of the two preceding quarters means Equitable is on track to meet its goals for the year. For the first nine months of 2005, Equitable has achieved:

- a 33% increase in net earnings, which amounted to $14.2 million during the nine months ended September 30, 2005 compared to $10.7 million a year earlier
- a 28% increase in diluted earnings per share, which amounted to $1.19 for the nine months ended September 30, 2005, up from $0.93 during the same period in 2004
- a 16.7% ROE for the nine months ended September 30, 2005 compared to 15.3% in 2004

Assets have increased to $1.82 billion at September 30, 2005, up 26% from $1.45 billion a year earlier (and 18% higher than the $1.54 billion at December 31, 2004.)

Consistent with its practice of paying approximately 25% of trailing (previous year) net earnings as a dividend, on November 8, 2005 the Board of Directors declared a dividend in the amount of $0.08 per share payable January 5, 2006 to shareholders of record at the close of business December 16, 2005.

Table 1: Selected financial information

($ thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2005	September 30, 2004	**September 30, 2005**	September 30, 2004
OPERATIONS				
Net earnings	**$4,985**	$3,934	**$14,195**	$10,677
Earnings per share – basic	**0.42**	0.34	**1.21**	0.96
Earnings per share – diluted	**0.42**	0.34	**1.19**	0.93
Total revenue	**25,667**	19,609	**72,565**	54,288
Net interest income	**9,576**	6,969	**26,903**	19,087
Return on weighted average equity – annualized	**16.8%**	15.4%	**16.7%**	15.3%
Net interest margin – TEB[1] – annualized	**2.3%**	2.2%	**2.3%**	2.2%
Return on average assets – annualized	**1.1%**	1.1%	**1.1%**	1.1%
Productivity ratio – TEB[1]	**32.2%**	30.2%	**31.6%**	30.8%
Productivity ratio	**34.7%**	32.5%	**33.8%**	33.1%
BALANCE SHEET AND OFF-BALANCE SHEET				
Mortgages receivable			1,537,390	1,200,208
Total assets			1,821,354	1,449,747
Customer deposits			1,627,051	1,312,268
Shareholders' equity			119,858	103,835
Mortgage-backed security assets under administration			1,941,029	1,827,604
COMMON SHARES				
Number of common shares outstanding at period end			11,779,940	11,660,704
Book value per common share			$10.17	$8.90
Common share price – close			24.45	18.20
Market capitalization			288,020	212,225
CREDIT QUALITY				
Realized loan losses			$ 0	$ 0
Mortgages in arrears 61 days or more as a % of total mortgages			0.04%	0.05%
Net impaired mortgages as a % of total mortgages			0.09%	0.11%
Allowance for credit losses as a % of total mortgages			0.45%	0.52%
Allowance for credit losses as a % of gross impaired mortgages			275.0%	156.7%

[1] For a definition of TEB (tax equivalent basis), please refer to note 1 following Table 2.

FINANCIAL REVIEW

EARNINGS

The year-over-year increase in net earnings for the quarter and nine month period ended September 30, 2005 was due to growth in the Company's interest earning asset base, increasing net interest margin, no loan losses and efficient operations. The Company's average asset base during the third quarter of 2005 was $1.8 billion, 30% greater than the average asset base of $1.4 billion in the third quarter of 2004 while the average asset base for the year to date of $1.7 billion was 32% greater than that in 2004.The increase in assets and net interest margin have combined to produce significant growth in net interest income as illustrated in the following table.

Table 2: Net interest income

($ thousands)	Three months ended September 30, 2005 Revenue/ Expense	Average rate	Three months ended September 30, 2004 Revenue/ Expense	Average Rate	Nine months ended September 30, 2005 Revenue/ Expense	Average rate	Nine months ended September 30, 2004 Revenue/ Expense	Average Rate
Interest revenues or interest expenses derived from:								
Assets:								
Liquidity investments	**873**	**3.3%**	601	2.4%	**2,520**	**3.1%**	1,746	2.2%
Portfolio securities – TEB(1)	**1,623**	**6.6%**	1,457	6.9%	**4,228**	**6.3%**	3,916	8.1%
Mortgage loans	**22,583**	**5.8%**	16,752	5.9%	**63,514**	**6.0%**	46,089	5.9%
Total interest earning assets - TEB(1)	**25,079**	**5.7%**	18,810	5.7%	**70,262**	**5.8%**	51,751	5.7%
Total assets - TEB(1)	**25,079**	**5.5%**	18,810	5.4%	**70,262**	**5.6%**	51,751	5.4%
Liabilities and shareholders' equity:								
Customer deposits	**13,694**	**3.4%**	10,879	3.5%	**38,741**	**3.5%**	29,995	3.6%
Subordinated debt	**614**	**7.7%**	307	8.2%	**1,768**	**7.8%**	963	8.0%
Term loan	**332**	**6.7%**	-	-	**711**	**6.7%(2)**	-	-
Total interest bearing liabilities	**14,640**	**3.6%**	11,186	3.6%	**41,220**	**3.6%**	30,958	3.6%
Total liabilities and shareholders' equity	**14,640**	**3.2%**	11,186	3.2%	**41,220**	**3.3%**	30,958	3.2%
Net interest income - TEB(1)	**10,439**		7,624		**29,042**		20,793	
Net interest margin - TEB(1)		**2.3%**		2.2%		**2.3%**		2.2%
Less: Taxable equivalent adjustment	**863**		655		**2,139**		1,706	
Net interest income per financial statements	**9,576**		6,969		**26,903**		19,087	

(1) TEB (tax equivalent basis): The Company presents net interest income, margins and certain ratios on a tax equivalent basis which increases tax exempt income by an amount that makes the income comparable to ordinary interest income and is common practice in the banking industry. While presenting net interest income, margins and other ratios on a TEB is a non-GAAP (generally-accepted accounting principles) financial measure, management believes that this presentation allows for an appropriate comparison of tax exempt dividend income from portfolio securities to regular taxable income such as mortgage interest.

(2) The average rate for the first nine months of 2005 is calculated based on the weighted average outstanding term loan of $14,188.

The Company's net interest margin of 2.3% in the third quarter and first nine months of 2005 is greater than the 2.2% earned in both the third quarter and first nine months of 2004. In 2003 the Company became licensed to sell GICs in all jurisdictions in Canada in order to be eligible to sell its GICs through Investment Dealer Association members. The steady increase in deposits from these sources has in turn led to a decrease in the Company's GIC cost of funds and helped to increase the net interest margin.

Total interest revenues on a TEB, were $10.4 million in the third quarter compared to $7.6 million in the comparable 2004 period, an increase of 37% due to growth in the Company's interest earning asset base. On a year to date basis total interest revenues on a TEB increased 36% to $70.3 million from $51.8 million in the prior year. Mortgage revenues increased $5.8 million or 35% in the third quarter 2005 over 2004 and $17.4 million or 38% over the comparable nine month period. Portfolio securities' income on a TEB increased $0.2 million or 11% on a quarter over quarter basis and $0.3 million or 8% for the nine months ended September 30, 2005 as compared to a year earlier.

Interest expense on average customer deposits outstanding for the quarter decreased to 3.4% from 3.5% in 2004, while overall interest expense on customer deposits for the quarter grew $2.8 million or 26% over 2004 due to a 28% increase in average customer deposits outstanding. On a year to date basis, the interest rate on average customer deposits outstanding decreased to 3.5% in 2005 from 3.6% in 2004.

Net interest income increased $2.6 million or 37% during the third quarter over that of last year and $7.8 million or 41% to $26.9 million for the first nine months of 2005 compared to $19.1 million in the first nine months of 2004. On a tax equivalent basis, net interest income for the quarter increased 37% to $10.4 million from that of the prior year and for the first nine months of 2005 was $29.0 million compared to $20.8 million during the same period in 2004, an increase of 40% on a period over period basis.

In the first quarter of 2005, the Company changed its method of presenting commissions paid to deposit agents from a component of interest expense to a component of non-interest expenses and it commenced including interest penalties on the early discharge of mortgages in mortgage interest income rather than in other income. This was done to achieve better comparability with other financial institutions that present their results on this basis. Certain historical ratios have been adjusted as a result of this change in presentation. Specifically, net interest margins and the Company's productivity ratios have increased. Net interest margins on a tax equivalent basis using the previous calculation method would have been reported as 1.9% for the quarter ended September 30, 2005 and for the comparable 2004 period.

Other Income

Other income includes ancillary fees related to the mortgage portfolio, gains on the securitization of mortgages and excess interest net of servicing fee earned on mortgages issued through the Company's CMHC Mortgage-Backed Securities ("MBS") program. Sundry income, gains or losses on the sale or redemption of investments and other non-mortgage related fees are also included. Other income amounted to $1.5 million during the third quarter of 2005 and 2004 and totaled $4.4 million for the nine months ended September 30, 2005 compared to $4.2 million during the same period in 2004. Interest penalties on the early discharge of mortgages of $0.8 million in the third quarter of 2005 and $0.5 million for the comparable period in 2004 have been included in mortgage interest income. Prior to 2005, this revenue was included in other income.

During the third quarter, the Company securitized, through the CMHC MBS program, $85 million of mortgages compared to $54 million during the comparable period in 2004. As a result of this increase in securitization activity, gains on the sale of mortgages amounted to $0.3 million in the third quarter of 2005 compared to $0.1 million in the third quarter of 2004. MBS income related to excess interest, net of servicing fee amounted to $0.7 million in the third quarter of 2005 compared to $0.8 million in the third quarter of 2004. For the nine months ended September 30, 2005, total loan securitization income increased to $2.9 million compared to $2.6 million during the same period in 2004 due, in part, to the gains realized during the third quarter of 2005.

Non-Interest Expenses

Non-interest expenses include all of the expenses not related to interest or credit provisions required to operate Equitable's business. The major elements of non-interest expenses consist primarily of salaries, premises and equipment, capital taxes, insurance, commissions paid to deposit agents and other general administrative expenses. Non-interest expenses totaled $3.8 million for the third quarter compared to $2.7 million during the same period in 2004 and $10.6 million for the nine months ended September 30, 2005 compared to $7.7 million during the same period in 2004. The increases in 2005 were primarily due to higher employment levels to support growth as well as variable expenses related to the expansion of the business, including capital taxes, deposit agent commissions, as well as office and equipment costs to accommodate the growth in staff. Total staff complement at September 30, 2005, was 78, including 50 staff in the mortgage origination and servicing department compared to a total of 56 a year ago (which included 39 in the mortgage origination and servicing department).

Included in non-interest expenses during the third quarter of 2005 was a charge for compensation expense in the amount of $0.1 million related to one grant of options in 2005 and two grants of options in 2004. The offset to this expense was an increase to contributed surplus in the same amount. The stock-based compensation charge for the quarter ended September 30, 2004 was also $0.1 million. Stock-based compensation expense for the nine months ended September 30, 2005 and 2004 was $0.3 million for both periods.

The Company's productivity ratio on a TEB was 32.2% in the third quarter of 2005, compared to 30.2% during the same period in 2004. When net interest income is not measured on a TEB, these ratios were 34.7% and 32.5% respectively. The productivity ratio on a TEB was 31.6% for the nine months ended September 30, 2005 compared to 30.8% during the same period in 2004. The higher productivity ratio is due primarily to increased staff levels and to the increase in expenses mentioned above. The Company has also incurred higher staff expenses in anticipation of new corporate governance requirements. As stated earlier in this MD&A, the Company has revised its presentation of net interest income and, consequently, allocated $0.9 million of deposit agent commission expense during the third quarter of 2005 as a non-interest expense rather than as a component of interest expense. This amount for the third quarter of 2004 was $0.7 million. If calculated under the former method of presenting net interest income, the productivity ratio for the third quarter of 2005 would have been 29.0% as compared to 26.9% in the third quarter of 2004.

BALANCE SHEET

Mortgages

The Company's mortgage lending is focused on first charges on real estate in two primary niches: single family dwelling and multi-unit residential. At September 30, 2005, single family dwelling mortgages represented the largest portion of the portfolio (see table below). This portion of the portfolio increased 23% from December 31, 2004 and 33% from September 30, 2004. Multi-unit residential mortgages increased 20% compared to a year earlier and were up 11% from December 31, 2004, while commercial mortgages increased 32% from a year ago.

The composition of the Company's mortgage portfolio at September 30, 2005 reflects management's mortgage asset weighting strategy and is shown in the following table together with comparisons for prior periods.

Table 3: Mortgages receivable

	September 30, 2005		December 31, 2004		September 30, 2004	
($ thousands)	**$**	**% of total**	$	% of total	$	% of total
Single family dwelling	**636,738**	**41.4%**	516,359	39.6%	480,498	40.0%
Multi-unit residential	**517,504**	**33.7%**	465,684	35.8%	429,861	35.8%
Commercial	**296,515**	**19.3%**	269,557	20.7%	225,218	18.7%
Construction	**59,649**	**3.9%**	26,680	2.0%	20,237	1.7%
CMHC-insured(1)	**26,487**	**1.7%**	24,063	1.9%	45,514	3.8%
Total mortgage principal	**1,536,893**	**100.0%**	1,302,343	100.0 %	1,201,328	100.0%
Net premiums and sundry	**1,039**		590		317	
Mortgages reported	**1,537,932**		1,302,933		1,201,645	
Accrued interest	**6,425**		5,593		4,829	
Allowances for credit losses	**(6,967)**		(6,442)		(6,266)	
Total mortgages receivable	**1,537,390**		1,302,084		1,200,208	

(1) Canada Mortgage and Housing Corporation ("CMHC")

Mortgage principal increased $336 million or 28% during the 12 month period ended September 30, 2005 and increased $235 million or 18% since December 31, 2005. The Company funded a total of $321 million of mortgages during the quarter and on a year to date basis has funded $997 million. Third quarter 2005 mortgage funding was comprised of $256 million of conventional mortgages and $65 million of CMHC insured mortgages destined for securitization under the Company's CMHC-MBS program. In the third quarter of 2004, a total of $339 million of mortgages were funded comprised of $261 million of conventional mortgages and $78 million of CMHC insured mortgages. CMHC mortgages securitized during the third quarter of 2005 amounted to $85 million compared to $54 million a year earlier while securitizations for the nine months ended September 30, 2005 totaled $190 million compared to $276 million in 2004. Conventional mortgages discharged during the third quarter of 2005 totaled $235 million and included $39 million of short term warehoused mortgages. As a result of these discharges and the Company's securitization activity during the quarter, mortgages receivable have decreased $7 million from June 30, 2005. Total mortgages funded during the nine months ended September 30, 2005 were $997 million compared to $903 million a year earlier. The decrease in fundings on a quarter over quarter basis was largely the result of timing of fundings of certain multi-unit residential and commercial mortgages.

Mortgage Credit Quality

The Company did not realize any credit losses on mortgages during the quarter ended September 30, 2005 or 2004. Mortgages in arrears 61 days or more amounted to 0.04% of total principal outstanding at September 30, 2005 compared to 0.05% of total principal outstanding at September 30, 2004. Mortgages identified as impaired amounted to 0.16% of total mortgage principal outstanding at September 30, 2005, an improvement over 0.33% a year earlier. The provision for credit losses for the third quarter of 2005 was $0.2 million, the same as in the comparable period.

Table 4: Asset Categories

	September 30, 2005		December 31, 2004		September 30, 2004	
($ thousands)	**Asset Amount**	**% of total**	Asset Amount	% of total	Asset Amount	% of total
Liquidity investments	**118,863**	**6.5%**	99,223	6.4%	103,763	7.2%
Portfolio securities	**102,161**	**5.6%**	77,367	5.0%	83,157	5.7%
Mortgage loans	**1,537,390**	**84.4%**	1,302,084	84.4%	1,200,208	82.8%
Loan securitizations – retained interests	**52,650**	**2.9%**	55,822	3.6%	55,215	3.8%
Other assets	**10,290**	**0.6%**	8,755	0.6%	7,404	0.5%
Total	**1,821,354**	**100.0%**	1,543,251	100.0%	1,449,747	100.0%

Total assets at September 30, 2005 increased $278 million or 18% from $1.5 billion at December 31, 2004 and increased $372 million or 26% from $1.4 billion at September 30, 2004. Liquidity investments include cash and cash equivalents as well as government bonds and notes – all considered eligible liquid assets for regulatory purposes. Total liquid resources include liquidity investments and portfolio securities and comprised 12% of total assets at September 30, 2005, compared to 11% at December 31, 2004 and 13% as at September 30, 2004.

Portfolio securities at September 30, 2005 increased $25 million or 32% from December 31, 2004 and $19 million or 23% from September 30, 2004. Tax exempt dividend income from portfolio securities assists in lowering the Company's effective tax rate. The Company's effective tax rate was 29.9% for the nine months ended September 30, 2005 compared to 29.2% in 2004.

Loan securitizations – retained interests have decreased throughout the periods under review as a result of a decrease in securitization activity in response to increased competition for prime multi-unit mortgages. Balances at September 30, 2005 decreased $3 million or 6% from December 31, 2004 and by the same amount year over year. Total mortgages in the CMHC-MBS program outstanding at September 30, 2005 were $1.9 billion – the same as at December 31, 2004 and up from $1.8 million a year earlier.

Liabilities

Customer deposits are utilized to fund the bulk of the Company's asset acquisitions and consist of GICs, sourced primarily through a national distribution network of deposit agents. Customer deposits at September 30, 2005 increased $242 million or 18% from December 31, 2004 and $315 million or 24% from September 30, 2004.

Future income taxes payable result from differences between the measurement of assets and liabilities for financial statement purposes, as opposed to tax purposes, and relate primarily to the Company's securitization activities and its allowance for credit losses. Future taxes at September 30, 2005 decreased from December 31, 2004 and from September 30, 2004 due to reduced securitization activities.

There was no change in the balances outstanding of the Company's subordinated debt and term loans during the third quarter of 2005. At September 30, 2005, a total of $51 million of subordinated debt had been issued by Equitable Trust, $19.75 million of which was eliminated upon consolidation and replaced by a $19.75 million term loan in the consolidated statements.

Other Assets and Liabilities

Other assets at September 30, 2005 increased $1.5 million or 18% from December 31, 2004 and $2.9 million or 39% from a year earlier. The largest component of these assets is deferred GIC commissions paid to deposit agents, which are expensed over the term of the GICs to which they relate, and have increased generally in proportion to the increase in customer deposits during the period.

Other liabilities include the future servicing liability of securitized mortgages, realty taxes collected from borrowers, accounts payable, income taxes payable and periodic drawings under the Company's bank line of credit facility. No draws were made on this line at September 30, 2005 or at September 30, 2004.

Shareholders' Equity

Total shareholders' equity increased $12 million or 11% to $120 million at September 30, 2005 from $108 million at December 31, 2004 and grew 15% compared to September 30, 2004. As a result of the exercise of employee stock options, 23,334 common shares were issued and $0.145 million was added to common share capital during the third quarter of 2005 compared to 234,933 common shares issued and $0.982 million added to common share capital in the third quarter of 2004. At September 30, 2005, the Company had 11,779,940 common shares issued and outstanding, up 119,236 or 1.0% from 11,660,704 common shares issued and outstanding at September 30, 2004.

Capital Management

The Company maintains a capital management policy to govern the quality and quantity of capital utilized by Equitable Trust in its regulated operations. The objective of the policy is to ensure that adequate capital requirements are met, while providing sufficient return to investors. As well, the Company requires sufficient regulatory capital to meet the needs of its asset growth targets. During the second quarter of 2005 the Company completed the issuance of $40 million of authorized Series 5 Subordinated Debentures. No further subordinated debt has been authorized. Equitable Trust's total capital ratio at September 30, 2005 was 12.5% compared to 11.6% at December 31, 2004 and 11.0% at September 30, 2004.

The following table is a summary of Equitable Trust's regulatory capital position:

Table 5: Capital measures (relating solely to Equitable Trust):

($ thousands)

	September 30, 2005	December 31, 2004	September 30, 2004
Tier 1 capital	**118,747**	106,210	103,105
Tier 2 capital	**51,444**	29,149	14,974
Total capital	**170,191**	135,359	118,079
Total risk weighted assets	**1,363,853**	1,168,328	1,071,908
Total capital as a % of total risk weighted assets	**12.5%**	11.6%	11.0%
Authorized asset to capital multiple	**17.5x**	17.5x	17.5x
Utilized asset to capital multiple	**10.7x**	11.4x	12.3x

Table 6: Summary of Quarterly Results

($ thousands, except per share amounts)

	2005			2004[2]				2003[2][3]
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues - TEB[1]	26,530	25,039	23,134	21,087	20,264	18,676	17,055	17,999
Total revenues	25,667	24,320	22,578	20,479	19,609	17,996	16,683	17,700
Net interest income - TEB[1]	10,439	9,843	8,759	8,300	7,624	7,106	6,064	6,590
Net interest income	9,576	9,124	8,203	7,692	6,969	6,426	5,692	6,291
Net earnings	4,985	4,728	4,482	4,301	3,934	3,716	3,027	1,168
EPS - Basic	$0.42	$0.40	$0.38	$0.37	$0.34	$0.33	$0.29	$0.12
EPS - Diluted	$0.42	$0.40	$0.38	$0.36	$0.34	$0.32	$0.28	$0.11
Total assets	1,821,354	1,788,249	1,704,017	1,543,251	1,449,747	1,333,848	1,180,610	1,103,278

[1] For a definition of TEB (tax equivalent basis), please refer to note 1 following Table 2.

[2] Certain 2004 and 2003 figures have been restated from those in prior reports to conform with presentation adopted in 2005.

[3] Equitable Group Inc. (the “Company”) was formed on January 1, 2004 as the parent company of its wholly owned subsidiary, The Equitable Trust Company (“Equitable Trust”). As there was no change in the ultimate ownership interest in Equitable Trust, the Company applied the continuity of interests method of accounting which carries forward the basis of measurement of the assets and liabilities from the subsidiary’s financial statements. The comparative figures for Q4 2003 are therefore those of Equitable Trust.

RISKS AND UNCERTAINTIES

The Company faces a number of risks. Management believes the three most significant are liquidity risk, interest rate risk and credit risk.

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

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

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

Liquidity Risk Management

Mitigating liquidity risk requires the Company to match its asset and liability maturities and to keep sufficient liquid assets on hand at all times to meet mortgage funding and investment purchase commitments, mortgage renewals or extensions and any GIC redemptions. Eligible liquid assets for regulatory purposes consist of cash and cash equivalents and debt instruments guaranteed by governments. Assets eligible for regulatory liquidity purposes were $119 million at September 30, 2005 compared to $99 million at December 31, 2004 and $104 million at September 30, 2004. Total liquid resources, including marketable portfolio securities, were $221 million at September 30, 2005 compared to $177 million as at December 31, 2004 and $187 million at September 30, 2004.

Interest Rate Risk Management

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

The Company manages its asset and liability maturity or re-pricing profile by adjusting GIC interest rates on a daily basis to raise GICs with the appropriate maturities to best match the maturity or re-pricing profile of assets being funded. The Company closely monitors the effects of possible interest rate changes on both net interest income for the following twelve month period and on the economic value of shareholders’ equity. An immediate and sustained 1% decrease in interest rates as of September 30, 2005, would decrease the economic value of shareholders’ equity over the next twelve months by an estimated $0.7 million, after tax and a 2% decrease would result in a decrease of an estimated $2.1 million, after tax.

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

Credit Risk Management

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

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

Equitable Trust's Investment Committee meets on a quarterly basis to review the status of the Company's securities portfolio, the transactions during the past quarter and the portfolio characteristics such as term, credit rating and type of security. Investment policies are reviewed regularly by Equitable Trust's Investment Committee to ensure that the type, credit quality, duration and concentration of investments in marketable securities are appropriate, prudent and consistent with the risk profile targets adopted by the Company. P-2 and better rated securities comprised 73% of the securities portfolio at September 30, 2005, compared to 72% a year earlier.

OUTLOOK

The Company's positive outlook, expressed in its annual MD&A and again at the end of the second quarter of 2005, remains unchanged.

At the time of writing, demand for residential mortgage financing remains strong in the Company's primary niche markets and the housing affordability index remains favourable for buyers. The Company welcomes modest increases in interest rates as this could lessen any over-exuberance in the real estate market without significantly curtailing activity or causing an increase in arrears. The prime rate increased 25 basis points near the end of the third quarter and again early in the fourth. These increases should benefit the Company's net interest margin in the fourth quarter because a substantial portion (44%) of the Company's portfolio at third quarter end was floating rate.

During this time of strong demand, the Company remains committed to its disciplined lending practices and intends to continue to build a quality portfolio that is well balanced between single family and multi-unit residential mortgage lending. Although the Greater Toronto Area and environs are expected to remain the focal point for the Company's lending activity for the balance of 2005 and well beyond, the Company is also cautiously advancing its newest growth initiative in Calgary. A mortgage specialist/originator has been hired and trained and volumes, while modest, are in keeping with the Company's first year plan.

In total, management believes the Company will achieve its performance objectives for the entire year, based on growth momentum over the first nine months of 2005 and positive market fundamentals.

November 8, 2005

The interim unaudited consolidated financial statements and notes have not been reviewed by the Company's auditors but have been reviewed and approved by the Company's Audit Committee and Board of Directors.

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30, 2005 - UNAUDITED
With comparative figures as at December 31, 2004 and September 30, 2004
(In thousands of dollars)

	September 30, 2005	December 31, 2004	September 30, 2004
Assets			
Cash and cash equivalents	**$41,463**	$39,942	$53,745
Investments (note 2)	**179,561**	136,648	133,175
Loan securitizations - retained interests (note 3)	**52,650**	55,822	55,215
Mortgages receivable (note 4)	**1,537,390**	1,302,084	1,200,208
Other assets (note 5)	**10,290**	8,755	7,404
	$1,821,354	$1,543,251	$1,449,747
Liabilities and Shareholders' Equity			
Liabilities:			
Customer deposits (note 6)	**$1,627,051**	$1,384,648	$1,312,268
Future income taxes payable	**6,718**	8,040	8,494
Other liabilities (note 7)	**16,283**	13,861	10,176
Term loan (note 9)	**19,750**	-	-
Subordinated debt	**31,694**	29,149	14,974
	1,701,496	1,435,698	1,345,912
Shareholders' equity (note 10):			
Capital stock	**55,471**	54,815	54,688
Contributed surplus	**1,235**	959	852
Retained earnings	**63,152**	51,779	48,295
	119,858	107,553	103,835
	$1,821,354	$1,543,251	$1,449,747

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2005 - UNAUDITED

With comparative figures for the three month and nine month periods ended September 30, 2004

(In thousands of dollars, except per share amounts)

	Three months ended		Nine months ended	
	Sept. 30, 2005	Sept. 30, 2004	**Sept. 30, 2005**	Sept. 30, 2004
Interest income:				
Mortgages	**$22,583**	$16,752	**$63,514**	$46,089
Investments	**1,261**	920	**3,509**	2,469
Other	**372**	483	**1,100**	1,487
	24,216	18,155	**68,123**	50,045
Interest expense:				
Customer deposits	**13,694**	10,879	**38,741**	29,995
Subordinated debt	**614**	307	**1,768**	963
Term loan	**332**	-	**711**	-
	14,640	11,186	**41,220**	30,958
Interest income, net	**9,576**	6,969	**26,903**	19,087
Provision for credit losses (note 4)	**175**	175	**525**	525
Net interest income after provision for credit losses	**9,401**	6,794	**26,378**	18,562
Other income:				
Mortgage commitment income and other fees	**482**	567	**1,469**	1,501
Net gain (loss) on sale or redemption of investments	**(47)**	54	**44**	140
Loan securitizations - retained interests (note 3)	**1,016**	833	**2,929**	2,602
	1,451	1,454	**4,442**	4,243
Net interest income and other income	**10,852**	8,248	**30,820**	22,805
Non-interest expenses	**3,824**	2,738	**10,584**	7,716
Earnings before income taxes	**7,028**	5,510	**20,236**	15,089
Income taxes (note 8):				
Current	**2,682**	1,843	**7,363**	3,046
Future (reduction)	**(639)**	(267)	**(1,322)**	1,366
	2,043	1,576	**6,041**	4,412
Net earnings	**$4,985**	$3,934	**$14,195**	$10,677
Earnings per share (note 10):				
Basic	**$0.42**	$0.34	**$1.21**	$0.96
Diluted	**$0.42**	$0.34	**$1.19**	$0.93
Weighted average number of shares outstanding (note 10):				
Basic	**11,763,962**	11,502,380	**11,736,492**	11,137,496
Diluted	**11,982,719**	11,730,897	**11,940,089**	11,472,560

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2005 - UNAUDITED
With comparative figures for the three month and nine month periods ended September 30, 2004
(In thousands of dollars)

	Three months ended		Nine months ended	
	Sept. 30, 2005	Sept. 30, 2004	**Sept. 30, 2005**	Sept. 30, 2004
Common shares:				
Balance, beginning of period	**$55,323**	$53,706	**$54,815**	$37,483
Common shares issued (note 10):				
Proceeds from exercise of employee stock options	**145**	982	**630**	1,154
Transfer from contributed surplus relating to the exercise of stock options	**3**	-	**26**	-
Gross proceeds of initial public offering	**-**	-	**-**	17,975
Issue expenses, net of tax recovery of $1,088 in 2004	**-**	-	**-**	(1,924)
Balance, end of period	**55,471**	54,688	**55,471**	54,688
Retained earnings:				
Balance, beginning of period	**59,109**	45,061	**51,779**	38,618
Distribution of equity on formation of Company (note 10)	**-**	-	**-**	(300)
	59,109	45,061	**51,779**	38,318
Net earnings	**4,985**	3,934	**14,195**	10,677
Dividends	**(942)**	(700)	**(2,822)**	(700)
Balance, end of period	**63,152**	48,295	**63,152**	48,295
Contributed surplus:				
Balance, beginning of period	**1,143**	741	**959**	556
Stock-based compensation (note 10)	**95**	111	**302**	296
Transfer to common shares relating to the exercise of stock options	**(3)**	-	**(26)**	-
Balance, end of period	**1,235**	852	**1,235**	852
Total shareholders' equity	**$119,858**	$103,835	**$119,858**	$103,835

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2005 - UNAUDITED
With comparative figures for the three month and nine month periods ended September 30, 2004
(In thousands of dollars)

	Three months ended		Nine months ended	
	Sept 30, 2005	Sept 30, 2004	**Sept 30, 2005**	Sept 30, 2004
Cash provided by (used in):				
Operating activities:				
Net earnings	**$4,985**	$3,934	**$14,195**	$10,677
Non-cash items:				
Loan securitizations – gains on sale of mortgages	**(342)**	(87)	**(869)**	(574)
Amortization	**89**	66	**252**	166
Provision for credit losses	**175**	175	**525**	525
Net (gain) loss on sale or redemption of investments	**47**	(54)	**(44)**	(140)
Future income taxes	**(639)**	(267)	**(1,322)**	1,366
Stock-based compensation	**95**	111	**302**	296
Amortization of premiums on investments	**1,072**	480	**2,979**	994
	5,482	4,358	**16,018**	13,310
Changes in operating assets and liabilities:				
Other assets	**(331)**	1,851	**(1,451)**	(474)
Other liabilities	**(2,142)**	(1,285)	**1,275**	499
	3,009	4,924	**15,842**	13,335
Financing activities:				
Increase in customer deposits	**31,118**	112,927	**242,403**	320,538
Issuance (redemption) of subordinated debt, net	**-**	-	**2,545**	(2,324)
Issuance of term loan	**-**	-	**19,750**	-
Dividends paid on common shares	**(942)**	(700)	**(2,822)**	(700)
Common shares issued	**145**	982	**630**	16,117
	30,321	113,209	**262,506**	333,631
Investing activities:				
Purchase of investments	**(76,639)**	(54,727)	**(143,295)**	(107,746)
Proceeds on sale or redemption of investments	**62,817**	7,145	**97,447**	31,636
Increase in mortgages receivable	**(322,246)**	(340,392)	**(996,531)**	(904,530)
Mortgage principal repayments	**243,722**	172,109	**567,262**	313,470
Proceeds from loan securitizations	**82,923**	53,404	**187,938**	270,929
Loan securitizations - retained interests	**3,173**	2,350	**10,688**	6,359
Purchase of capital assets	**(191)**	(460)	**(336)**	(764)
	(6,441)	(160,571)	**(276,827)**	(390,646)
Increase (decrease) in cash and cash equivalents	**26,889**	(42,438)	**1,521**	(43,680)
Cash and cash equivalents, beginning of period	**14,574**	96,183	**39,942**	97,425
Cash and cash equivalents, end of period	**$41,463**	$53,745	**$41,463**	$53,745
Comprised of:				
Deposits at banks	**49,018**	57,253	**49,018**	57,253
Short term investments	**2,370**	-	**2,370**	-
Cheques and other items in transit	**(9,925)**	(3,508)	**(9,925)**	(3,508)
	$41,463	$53,745	**$41,463**	$53,745
Supplemental cash flow information:				
Interest paid	**11,514**	8,017	**35,829**	27,295
Income taxes paid	**1,080**	-	**4,944**	2,827

See accompanying notes to interim unaudited consolidated financial statements.

(In thousands of dollars, except per share amounts)

1. Basis of preparation:

These interim unaudited consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements for the year ended December 31, 2004 as set out on pages 41 to 55 of the 2004 Annual Report. These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) using the same accounting policies and methods of computation as were used in the preparation of the consolidated financial statements for the year ended December 31, 2004.

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

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

2. Investments:

	September 30, 2005		December 31, 2004		September 30, 2004	
	Carrying value	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Preferred shares	**$98,977**	**$99,762**	$76,849	$77,097	$82,639	$81,773
Government bonds, treasury bills and notes	**77,400**	**77,395**	59,281	59,435	50,018	49,983
Common shares	**3,184**	**3,401**	518	361	518	341
	$179,561	**$180,558**	$136,648	$136,893	$133,175	$132,097

The Company has a bank line of credit facility. Under this facility the Company may borrow up to $35 million (December 31, 2004 - $20 million, September 30, 2004 - $20 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 September 30, 2005 (December 31, 2004 **–** $Nil, September 30, 2004 **–** $Nil).

3. 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 September 30, 2005, outstanding securitized mortgages totaled $1,941,029 (December 31, 2004 – $1,858,442, September 30, 2004 – $1,827,604) of which $1,919,796 (December 31, 2004 – $1,828,875, September 30, 2004 – $1,795,040) relate to multi-unit residential properties and $21,232 (December 31, 2004 – $29,567, September 30, 2004 – $32,564) relate to single family dwellings.

3. Loan securitizations – retained interests (continued):

During the period, the Company securitized Canadian government guaranteed residential mortgage loans and received net cash proceeds of $187,938 (September 30, 2004 – $270,929). The Company retained the rights to future excess interest on the residential mortgages valued at $7,723 (September 30, 2004 – $11,505) and received net cash flows on interests retained of $12,748 (September 30, 2004 – $8,387). The Company retained the responsibility for servicing the mortgages and enjoys the right to receive the future excess interest spread. The Company has outsourced the servicing of the transferred loans to an unrelated third party and has recorded a servicing liability of $1,354 (September 30, 2004 – $1,667) relating to loans securitized during the period.

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

	September 30, 2005	September 30, 2004
Gain on sale of mortgages	**$869**	$574
Excess interest net of servicing fee	**2,060**	2,028
	$2,929	$2,602

The valuation of the future excess interest spread includes an excess spread of 0.85% (December 31, 2004 – 0.86%, September 30, 2004 – 0.87%), and the key assumptions of a prepayment rate of 21.0% (December 31, 2004 – 20.0%, September 30, 2004 – 19.7%) for single family residential loans, 0% (December 31, 2004 – 0%, September 30, 2004 – 0%) for multi-family residential loans and a discount rate of 5.13% (December 31, 2004 – 5.28%, September 30, 2004 – 5.38%). There are no expected credit losses, as the mortgages are government guaranteed.

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 September 30, 2005, December 31, 2004 and September 30, 2004 relating to forward contracts on Government of Canada bonds, where the counterparties for which are chartered banks, are as follows:

	September 30, 2005		December 31, 2004		September 30, 2004	
Bond term (years)	**Notional amount**	**Market value**	Notional amount	Market value	Notional amount	Market value
1 to 5	**$23,300**	**$23,803**	$10,600	$11,464	$20,300	$21,809
5 to 10	**10,850**	**11,901**	19,100	20,227	18,700	19,836
	$34,150	**$35,704**	$29,700	$31,691	$39,000	$41,645

4. Mortgages receivable:

(a) Mortgages receivable and impaired mortgages:

September 30, 2005		**Allowance for credit losses**			
	Gross amount	**Specific**	**General**	**Total**	**Net amount**
Residential mortgages	**$1,215,334**	**$1,170**	**$4,553**	**$5,723**	**$1,209,611**
Other mortgages	**322,598**	**-**	**1,244**	**1,244**	**321,354**
Accrued interest	**6,425**	**-**	**-**	**-**	**6,425**
	$1,544,357	**$1,170**	**$5,797**	**$6,967**	**$1,537,390**

December 31, 2004		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,028,433	$2,438	$3,130	$5,568	$1,022,865
Other mortgages	274,500	-	874	874	273,626
Accrued interest	5,593	-	-	-	5,593
	$1,308,526	$2,438	$4,004	$6,442	$1,302,084

September 30, 2004		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$976,768	$2,679	$2,889	$5,568	$971,200
Other mortgages	224,877	-	698	698	224,179
Accrued interest	4,829	-	-	-	4,829
	$1,206,474	$2,679	$3,587	$6,266	$1,200,208

Included in gross residential mortgages are Canadian Government insured mortgages of $26,491 as at September 30, 2005 (December 31, 2004 - $24,063, September 30, 2004 - $45,514), of which $9,066 (December 31, 2004 - $5,619, September 30, 2004 - $27,603) 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 September 30, 2005, December 31, 2004 and September 30, 2004.

The principal outstanding and net carrying amount of mortgages receivable classified as impaired as at September 30, 2005 aggregated $2,533 (December 31, 2004 - $4,543, September 30, 2004 - $4,000) and $1,363 (December 31, 2004 - $2,105, September 30, 2004 - $1,321), respectively.

The Company has commitments to fund a total of $217,777 (December 31, 2004 - $202,248, September 30, 2004 - $104,470) of mortgages as at the end of the period.

4. Mortgages receivable (continued):

(b) Allowance for credit losses:

			September 30, 2005
	Specific allowance	**General allowance**	**Total**
Balance, beginning of period	**$2,438**	**$4,004**	**$6,442**
Provision for credit losses	**(1,268)**	**1,793**	**525**
Balance, end of period	**$1,170**	**$5,797**	**$6,967**

			September 30, 2004
	Specific allowance	General allowance	Total
Balance, beginning of period	$3,037	$2,700	$5,737
Provision for credit losses	(362)	887	525
Recoveries	4	-	4
Balance, end of period	$2,679	$3,587	$6,266

5. Other assets:

	September 30, 2005	December 31, 2004	September 30, 2004
Deferred GIC commissions	**$5,290**	$3,803	$3,593
Capital assets	**1,456**	1,370	1,168
Other receivables	**1,309**	1,705	1,283
Prepaid expenses and deferred charges	**1,012**	629	661
Accrued interest on non-mortgage assets	**823**	748	199
Loan to officer	**400**	500	500
	$10,290	$8,755	$7,404

6. Customer deposits:

	September 30, 2005	December 31, 2004	September 30, 2004
Cashable GICs, payable on demand	**$214,180**	$ -	$ -
GICs with fixed maturity date	**1,378,453**	1,355,620	1,286,154
Accrued interest	**34,418**	29,028	26,114
	$1,627,051	$1,384,648	$1,312,268

7. Other liabilities:

	September 30, 2005	December 31, 2004	September 30, 2004
Securitized mortgage servicing liability	**$6,393**	$6,180	$5,961
Accounts payable and accrued liabilities	**4,063**	2,111	2,012
Income taxes payable	**3,394**	975	70
Mortgagor realty taxes	**2,433**	4,595	2,133
	$16,283	$13,861	$10,176

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:

	September 30, 2005	September 30, 2004
Canadian statutory income tax rate	**36.2%**	36.2%
Increase (decrease) resulting from:		
Tax exempt income	**(6.8%)**	(7.2%)
Non-deductible expenses and other	**0.5%**	0.2%
Effective income tax rate	**29.9%**	29.2%

9. Term loan:

On March 17, 2005, the Company received a five year term loan from Canadian Western Bank in the amount of $19,750. The proceeds of this term loan were used to purchase $19,750 of Series 5 Subordinated Debentures of the Company's subsidiary, The Equitable Trust Company ("Equitable Trust"). The terms of the loan are as follows:

i) the balance of the loan, together with all accrued and unpaid interest, is due and payable in full on March 17, 2010
ii) the loan is repayable in full at the option of the Company at any time during its term
iii) interest is payable at 6.37%
iv) as collateral for the term loan, the Company has provided a promissory note, a general security agreement, a pledge of all the issued and outstanding shares in the capital of Equitable Trust and an assignment of $19,750 of the Series 5 Subordinated Debentures issued by Equitable Trust

10. Shareholders' equity:

(a) Capital stock:

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

Issued:
Common shares:

	September 30, 2005		September 30, 2004	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of period	**11,680,750**	**$54,815**	10,364,435	$37,483
Issued during the period	**99,190**	**656**	1,296,269	17,205
Balance, end of period	**11,779,940**	**$55,471**	11,660,704	$54,688

Effective January 1, 2004, all of the direct and indirect shareholders of The Equitable Trust Company ("Operating Company") approved a series of transactions whereby all such shareholders became shareholders of the Company. The Operating Company became a wholly owned subsidiary of the Company. As a result of this series of transactions, the Company assumed a $300 deficit of a prior shareholder. The Company issued 10,364,435 common shares representing 4.741 times the number of common shares issued by the Operating Company.

10. Shareholders' equity (continued):

(b) Stock-based compensation plans:

Stock option plan:

Under the Company's stock option plan, options on common shares are periodically granted to eligible employees and directors for terms of five years and vesting over a four year or five year period. The maximum number of common shares available for issuance under the plan is fixed at 1,139,154 representing approximately 9.7% of the Company's issued and outstanding common shares. The outstanding options expire on various dates to May 2010. A summary of the Company's stock option activity and related information for the periods ended September 30, 2005 and September 30, 2004 is as follows:

	September 30, 2005		September 30, 2004	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**809,729**	**$15.86**	431,431	$5.10
Granted	**25,000**	**24.25**	600,000	17.50
Exercised	**(99,190)**	**6.35**	(269,156)	4.29
Forfeited/cancelled	**(25,000)**	**17.50**	(12,500)	17.50
Outstanding, end of period	**710,539**	**17.43**	749,775	15.11
Exercisable, end of period	**110,500**	**$17.50**	55,603	$6.28

Under the fair value method of accounting for stock options, the Company has recorded compensation expense in the amount of $302 (September 30, 2004 – $296) related to one grant of options in 2005 and two grants of options in 2004 under the stock option plan. This amount has been credited to contributed surplus. The fair value of the three sets of options granted during the years 2005 and 2004 is estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions: (i) risk-free rate of 3.7%, 3.7% and 3.1%; (ii) expected option life of 4.0 years; (iii) expected volatility of 19.0%, 19.0% and 13.5%; and (iv) expected dividends of 2.0%, 2.5% and 2.0%. The weighted average fair value of each option granted was $2.88, $2.49 and $1.66.

11. Interest rate sensitivity:

The following table shows the Company's position with regard to interest rate sensitivity of assets, liabilities and equity on the date of the earlier of contractual maturity or re-pricing date, as at September 30, 2005, December 31, 2004 and September 30, 2004:

								September 30, 2005
	Floating rate or within 1 month	**1 to 3 months**	**3 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total**
Total assets	**$ 760,240**	**$ 67,564**	**$ 227,991**	**$ 1,055,795**	**$ 727,794**	**$ 22,595**	**$ 15,170**	**$ 1,821,354**
Total liabilities and equity	**427,442**	**172,320**	**350,927**	**950,689**	**641,944**	**51,444**	**177,277**	**1,821,354**
Interest rate sensitive gap	**$ 332,798**	**$ (104,756)**	**$ (122,936)**	**$ 105,106**	**$ 85,850**	**$ (28,849)**	**$ (162,107)**	**$ -**
Cumulative gap	**$ 332,798**	**$ 228,042**	**$ 105,106**	**$ 105,106**	**$ 190,956**	**$ 162,107**	**$ -**	**$ -**
Cumulative gap as a percentage of total assets	**18.27%**	**12.52%**	**5.77%**	**5.77%**	**10.48%**	**8.90%**	**0.00%**	**0.00%**

								December 31, 2004
	Floating rate or within 1 month	1 to 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Cumulative gap	$ 390,879	$ 256,543	$ 98,096	$ 98,096	$ 153,298	$ 145,515	$ -	$ -
Cumulative gap as a percentage of total assets	25.33%	16.62%	6.36%	6.36%	9.93%	9.43%	0.00%	0.00%

								September 30, 2004
	Floating rate or within 1 month	1 to 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Cumulative gap	$ 364,134	$ 254,319	$ 77,735	$ 77,735	$ 129,319	$ 138,651	$ -	$ -
Cumulative gap as a percentage of total assets	25.12%	17.54%	5.36%	5.36%	8.92%	9.56%	0.00%	0.00%

12. Future accounting changes:

The CICA has issued three new accounting standards: "Financial Instruments - Recognition and Measurement", "Hedges" and "Comprehensive Income" which will be in effect for the Company for its 2007 fiscal year. The impact of these new standards on the Company's financial statements is not yet determinable as it will be dependant on the Company's outstanding positions and their fair values at the time of implementation.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Paul Alofs [1][5]
President and Chief Executive Officer,
Princess Margaret Hospital Foundation

Austin Beutel [3][4]
Chairman of the Board, Equitable Group Inc. and
The Equitable Trust Company
Chairman, Oakwest Corporation Limited
(an investment holding company)

Eric Beutel [2][5]
Vice-President, Oakwest Corporation Limited
(an investment holding company)

Geoffrey Bledin [2]
President and Chief Executive Officer, Equitable Trust

Giselle Branget [1][4]
Former Vice President-Treasurer,
Ontario Power Generation

Joseph Dickstein [1][4][5]
Vice-Chairman and Director, PPI Financial Group
(a financial services company)

Eric Kirzner [1][3][4][5]
Professor of Finance, Rotman School of Management,
University of Toronto

Lionel Robins [2][3]
President PFDL Investments Limited
(an investment holding company)

Robert Rubinoff [2][3][4]
President and Director, Inglewood Holdings Inc.
(an investment holding company)

Michael Shulman [1][5]
President, The Birchwood Group Inc.
(an investment holding company)

Executive Officers: Equitable Group Inc.

Geoffrey Bledin
President and Chief Executive Officer

Stephen Coffey
Senior Vice-President, Chief Financial Officer
and Secretary

Timothy Storus
Vice-President, General Counsel
and Chief Compliance Officer

Executive Officers:
The Equitable Trust Company

Geoffrey Bledin
President and Chief Executive Officer

Stephen Coffey
Senior Vice-President, Chief Financial Officer
and Secretary

John Harry
Vice-President, Credit and Risk Management

Kimberly Kukulowicz
Vice-President, Mortgage Services

Robert McMillan
Vice-President, Deposit Services

Tamara Malozewski
Vice-President, Finance

David Ryde
Controller

Timothy Storus
Vice-President, General Counsel
and Chief Compliance Officer

Nicholas Strube
Treasurer

Notes:
1. Member of the Audit Committee of Equitable Trust and Equitable Group. 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 Equitable Group. 5. Member of the Conduct Review Committee of Equitable Trust.

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