EQUITABLE GROUP INC.

THIRD QUARTER REPORT

Quarter Ended September 30, 2006

CORPORATE PROFILE

Equitable Group Inc. provides first mortgage financing through its wholly-owned subsidiary, The Equitable Trust Company. It also offers Guaranteed Investment Certificates to depositors as a nationally-licensed deposit-taking institution.

Equitable Trust was founded in 1970, and by following a prudent, results-driven approach, Equitable has become a leader in its primary niches: alternative single family dwelling as well as multi-unit residential mortgage lending.

Equitable's primary geographic territory is the Greater Toronto Area – a region of more than 5 million people. In 2005, Equitable began to serve the Alberta alternative single family dwelling mortgage lending market.

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 achieved its highest quarterly earnings ever in the third quarter, established a new high watermark for total assets, and at 20.3%, third quarter return on average equity significantly outpaced returns earned in every other quarter since our stock exchange listing in 2004.

As a result, Equitable is well positioned to achieve its growth and performance objectives for all of 2006.

For more details including a synopsis of our performance objectives for the year, we encourage you to review the MD&A and financial statements included with this letter. Here are the key financial highlights for the three and nine months ended September 30, 2006.

Third Quarter

- Net earnings increased 43.3% to a record $7.1 million compared to $5.0 million a year earlier.
- Diluted earnings per share grew 40.5% to a record $0.59 compared to $0.42 in the third quarter of 2005.
- Assets grew 32.5% to a record $2.41 billion from $1.82 billion a year earlier.
- Return on average equity was 20.3%, compared to 16.8% a year ago.

First Nine Months

- Net earnings increased 38.0% to a record $19.6 million compared to $14.2 million a year earlier.
- Diluted earnings per share grew 36.1% to a record $1.62 compared to $1.19 earned during same period of 2005.
- Return on average equity was 19.5% compared to 16.7% a year ago.

We are delighted that the sustained and profitable tempo of growth has continued at Equitable and that we are successfully maintaining tight control over expenses as we expand. This combination continues to produce an attractive productivity ratio (the lower the better). Despite welcoming 23 new staff members to our team in the past year, primarily in mortgage origination and servicing, on a tax equivalent basis, our productivity ratio stood at 32.7% in the third quarter, well within our objective for the year of 32-34%.

Looking at credit quality, there were no loan losses realized in the third quarter and we continue to have very low levels of mortgage arrears. This is a function of a strong economy and the rigorous application of our strict lending policies.

Mortgage Portfolio Highlights

We were very active in the third quarter in building our lending niches:

- Equitable's single family dwelling mortgage portfolio increased 11.8% to $690.6 million from $617.5 million at September 30, 2005 and was up 9.9% from December 31, 2005. Included in this portfolio are early contributions from our Alberta initiative. Originations in Alberta totaled $19.2 million in the third quarter, up from $12.9 million in the second.
- Multi-unit residential mortgages grew 5.3% to $527.4 million from $500.7 million at December 31, 2005, and grew 1.9% from $517.5 million a year ago.
- Commercial mortgages grew 34.3% to $376.8 million from $280.5 million a year ago and were 29.0% higher than at year end 2005. This part of our portfolio now represents 19.0% of mortgage principal outstanding.
- Conventional mortgages held for sale (often referred to as "warehoused mortgages") were $261.9 million, up over 7 times from $35.2 million a year ago, and up by 59.9% from $163.7 million at year end. The size of this portfolio changes rapidly owing to the nature of these mortgages but there is no question that we have put a greater emphasis on this particular lending activity. At quarter end, conventional mortgages held for sale represented 13.2% of total mortgages receivable compared to 9.8% at December 31, 2005 and 2.3% a year ago.

Dividend

Your Board of Directors declared a dividend in the amount of $0.10 per share payable January 4, 2007 to shareholders of record at the close of business December 15, 2006, bringing total declarations for the year to $4.8 million ($0.40 per share) representing approximately 25% of trailing earnings.

Outlook

Based on momentum in our business to date in the fourth quarter, our appetite for continued asset expansion and our ability to accommodate growth on our balance sheet, we believe the conditions are right for Equitable to achieve our annual performance objectives this year.

Looking into 2007, it is possible that we will see some moderation in interest rates as inflationary pressures cool. It is also possible that growth in the Ontario economy will decelerate in reaction to weakness in the US economy. We are cognizant of these potential changes, which could have an impact on real estate values and mortgage demand. However, at the time of writing, these challenges look to be manageable and have not tempered our outlook or strategies for continued improvement in 2007.

We look forward to reporting on Equitable's fourth quarter progress in early 2007 and until then, we will stay the course and seek to deliver increasing shareholder value through our disciplined niche lending activities.

Yours sincerely,

Austin Beutel
Chairman of the Board

Geoffrey Bledin
President and Chief Executive Officer

November 6, 2006

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

(for the nine months ended September 30, 2006)

OVERVIEW

Equitable Group Inc. ("Equitable" or the "Company") is a niche mortgage lender. Its core business is to raise funds by selling GICs to depositors and to lend these funds to borrowers on the security of first mortgages on real estate. It does this through its wholly-owned subsidiary – The Equitable Trust Company ("Equitable Trust"). The Company's mortgage products bear fixed or floating rates of interest and are primarily for fixed terms. The properties on which the mortgages are secured are primarily residential – either single family dwellings or multi-unit (apartments, nursing homes etc.). Equitable's conventional (non-insured) mortgage portfolio also includes commercial mortgages, construction mortgages and conventional mortgages held for sale which are originated by third-party lenders who require financing prior to pooling and eventually selling the mortgages to investors. These mortgages held for sale usually stay on the Company's books for periods of up to six months and are therefore often referred to as 'warehoused' mortgages. The Company also invests in insured mortgages for securitization through the Canada Mortgage and Housing Corporation Mortgage-Backed Securities ("CMHC-MBS") program.

Equitable conducts business through Equitable Trust, which is regulated by the Office of the Superintendent of Financial Institutions - Canada ("OSFI"). Equitable Trust has prescribed capital requirements based on the type and amount of assets on its balance sheet. For this reason, Equitable focuses on capital management as a means to balance growth and Return On Average Equity ("ROAE") targets. At September 30, 2006, it met all of these capital requirements.

Non-Generally Accepted Accounting Principles ("GAAP") Financial Measures

The presentation of financial information on a taxable equivalent basis ("TEB") is a common practice of presentation in the banking and trust company industries and does not have a standardized meaning within GAAP. Therefore, TEB calculations may not be comparable to similar measures presented by other companies. On a selective basis, Equitable uses TEB in analyzing revenues, interest margins and productivity ratios in this MD&A. The TEB methodology grosses up tax exempt income, such as dividends from equity securities, by an amount which makes this income comparable, on a pre-tax basis, to regular taxable income such as mortgage interest. For the nine months ended September 30, 2006, this gross-up amounted to $2.6 million compared to $2.1 million during the comparable period in 2005.

PERFORMANCE AGAINST OBJECTIVES

Equitable's principal financial objectives for 2006 are: 20% growth in assets, 20% growth in net earnings, 20% growth in earnings per share, a Return on Average Equity ("ROAE") of greater than 17% and a productivity ratio - TEB no greater than 32% to 34%. Following three consecutive record performances during each of the first three quarters of 2006, Equitable is well on track to meet these goals for the entire year.

On a year-over-year basis, Equitable achieved a 32.5% increase in assets. At September 30, 2006 assets stood at $2.41 billion, compared to $1.82 billion a year earlier. This represents 20.0% growth since December 31, 2005 and reflects favourable market conditions, the application of the Company's niche strategies and a sizeable increase in conventional mortgages held for sale ("warehoused mortgages").

On a quarter-over-quarter basis, Equitable achieved:

- A 43.3% increase in net earnings, which amounted to $7.1 million compared to $5.0 million a year earlier.
- A 40.5% increase in diluted earnings per share, which amounted to $0.59 compared to $0.42 during the same period in 2005.
- A 20.3% ROAE compared to 16.8% in the third quarter of 2005.

- A productivity ratio – TEB of 32.7% compared to 32.2% in 2005, reflecting substantial growth in the skilled staffing needed to deliver and support record performance.

Since December 31, 2005, mortgages receivable have increased 18.1% to $1.98 billion at September 30, 2006, even though $527.9 million of warehoused mortgages were discharged, as planned, during the first nine months of 2006. On a year-over-year basis, mortgages receivable at September 30, 2006 increased 28.9% or $444.2 million from $1.54 billion at September 30, 2005.

On November 6, 2006 the Board of Directors declared a dividend in the amount of $0.10 per share payable January 4, 2007 to shareholders of record at the close of business December 15, 2006, bringing total declarations for the year to $4.8 million ($0.40 per share) representing approximately 25% of trailing earnings.

Table 1: Selected Financial Information

($ thousands, except share and per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	**September 30, 2006**	September 30, 2005
OPERATIONS				
Net earnings	**$ 7,144**	$ 4,985	**$ 19,586**	$ 14,195
Earnings per share – basic	**0.60**	0.42	**1.65**	1.21
Earnings per share – diluted	**0.59**	0.42	**1.62**	1.19
Net interest income	**13,455**	9,576	**37,400**	26,903
Total revenue	**37,572**	25,667	**102,400**	72,565
Return on weighted average equity – annualized	**20.3%**	16.8%	**19.5%**	16.7%
Return on average assets – annualized	**1.2%**	1.1%	**1.2%**	1.1%
Productivity ratio – TEB(1)	**32.7%**	32.2%	**32.6%**	31.6%
BALANCE SHEET AND OFF-BALANCE SHEET				
Total assets			**$ 2,413,811**	$ 1,821,354
Mortgages receivable			**1,981,594**	1,537,390
Shareholders' equity			**142,897**	119,858
Mortgage-backed security assets under administration			**1,862,789**	1,941,029
COMMON SHARES				
Number of common shares outstanding at period end			**11,908,245**	11,779,940
Dividends per share			**$0.30**	$0.24
Book value per share			**12.00**	10.17
Share price – close			**29.47**	24.45
Market capitalization			**350,936**	288,020
CREDIT QUALITY				
Realized loan losses			**$ 21**	$ 0
Mortgages in arrears 61 days or more as a % of total mortgages			**0.09%**	0.04%
Net impaired mortgages as a % of total mortgages			**0.06%**	0.09%
Allowance for credit losses as a % of gross impaired mortgages			**278.2%**	275.0%

(1) See explanation of TEB at the beginning of this Management's Discussion and Analysis.

FINANCIAL REVIEW

EARNINGS

Third quarter 2006 earnings continued to benefit from growth in the Company's interest earning asset base, higher net interest margin (see below), minimal loan losses and efficient operations. A lower effective tax rate in the third quarter of 2006 also contributed to the 43.3% increase in net earnings compared to the third quarter of 2005. The Company's average asset base during the third quarter of 2006 was $2.33 billion, 29.1% greater than the average asset base of $1.80 billion in the third quarter of 2005. The combination of this substantial increase in assets and net interest margin produced significant growth in net interest income as illustrated in the table below.

Table 2: Net Interest Income

($ thousands)	**Three months ended September 30, 2006**		Three months ended September 30, 2005		**Nine months ended September 30, 2006**		Nine months ended September 30, 2005	
Interest revenues or interest expenses derived from:	**Revenue/ Expense**	**Average rate**	Revenue/ Expense	Average rate	**Revenue/ Expense**	**Average Rate**	Revenue/ Expense	Average Rate
Assets:								
Liquidity investments	**$2,170**	**3.9%**	$873	3.3%	**$5,897**	**4.0%**	$2,520	3.1%
Portfolio securities – TEB[1]	**2,272**	**6.6%**	1,623	6.6%	**6,206**	**6.7%**	4,228	6.3%
Mortgage loans	**32,156**	**6.7%**	22,583	5.8%	**87,605**	**6.4%**	63,514	6.0%
Total interest earning assets - TEB[1]	**36,598**	**6.4%**	25,079	5.7%	**99,708**	**6.2%**	70,262	5.8%
Total assets - TEB[1]	**36,598**	**6.2%**	25,079	5.5%	**99,708**	**6.0%**	70,262	5.6%
Liabilities and shareholders' equity:								
Customer deposits	**21,094**	**4.1%**	13,694	3.4%	**56,622**	**3.9%**	38,741	3.5%
Term loans[2]	**594**	**6.8%**	332	6.7%	**1,478**	**6.8%**	711	6.7%
Subordinated debt[2]	**475**	**7.5%**	614	7.7%	**1,567**	**7.6%**	1,768	7.7%
Total interest bearing liabilities	**22,163**	**4.1%**	14,640	3.6%	**59,667**	**4.0%**	41,220	3.6%
Total liabilities and shareholders' equity	**22,163**	**3.8%**	14,640	3.2%	**59,667**	**3.6%**	41,220	3.3%
Net interest income - TEB[1]	**14,435**		10,439		**40,041**		29,042	
Net interest margin - TEB[1]		**2.5%**		2.3%		**2.4%**		2.3%
Less: Taxable equivalent adjustment	**980**		863		**2,641**		2,139	
Net interest income per financial statements	**13,455**		9,576		**37,400**		26,903	

(1) See explanation of TEB at the beginning of this Management's Discussion and Analysis.

(2) Average rates for term loans and subordinated debt are based upon weighted average outstanding balances during the periods.

The Company's net interest margin increased to 2.5% in the third quarter 2006 from 2.3% in the third quarter of 2005 due to a higher-yielding mortgage portfolio mix and as a result of the positive impact of prime rate increases on the portion of the Company's interest-earning asset base that floats with prime. Although the prime rate remained unchanged during the third quarter of 2006, at quarter end it was 150 basis points higher than at the end of the third quarter of 2005. At September 30, 2006, 50.3% of the Company's mortgage portfolio was floating rate compared to 44.3% a year earlier. Management had expected the Company to maintain net interest margin at 2005 levels in 2006, and year to date, Equitable is exceeding this expectation due to these factors. Future gains in net interest margin are not guaranteed; however, management remains optimistic about the potential to maintain attractive spreads in the last quarter of the year.

Total interest revenues on a TEB increased 45.9% to $36.6 million in the third quarter from $25.1 million in the comparable 2005 period due to growth in the Company's interest-earning asset base and increases in interest rates. Mortgage revenues increased $9.6 million or 42.4% over the comparable 2005 period. Portfolio securities' income on a TEB increased $0.6 million or 40.0% on a quarter-over-quarter basis due primarily to growth in the portfolio.

Interest expense on average customer deposits outstanding increased to 4.1% from 3.4% in the third quarter of 2005 due to general increases in interest rates over the past year, while overall interest expense on customer deposits for the quarter grew $7.4 million or 54.0% over 2005 due to these higher interest rates as well as a 30.6% increase in average customer deposits outstanding.

Net interest income – TEB increased $4.0 million or 38.3% on a quarter over quarter basis and on a year to date basis increased $11.0 million or 37.9% from that of the prior year.

Other Income

Other income includes ancillary fees related to the mortgage portfolio, gains on the securitization of mortgages and excess interest net of servicing fee earned on mortgages issued through the Company's CMHC-MBS program. Sundry income, gains or losses on the sale or redemption of investments and other non-mortgage related fees are also included in other income. For all of 2006, management had expected other income to approximate the level of other income earned in 2005. Other income actually amounted to $2.0 million for the three months ended September 30, 2006, 34.7% higher than the $1.5 million earned during the same period in 2005 due to higher mortgage commitment income and other fees.

Due to intense competition for loans in the insured multi-unit residential loan sector and lower available profit margins in this area, the Company chose to reduce the volume of its insured multi-unit residential mortgage business in the third quarter of 2006. During the third quarter, the Company securitized, through the CMHC-MBS program, $36.4 million of mortgages compared to $84.5 million during the comparable period in 2005. Quarterly gains on the sale of mortgages decreased 72.0% or $246 thousand to $96 thousand in 2006 compared to $341 thousand in 2005 as a result of these factors. Excess interest net of servicing fees increased to $920 thousand during the third quarter of 2006 from $675 thousand a year earlier due to the receipt of prepayment penalties on the early discharge of certain of these off-balance sheet mortgages.

Non-Interest Expenses

Non-interest expenses include all of the expenses not related to interest or credit provisions required to operate Equitable's business. The major elements of non-interest expenses consist primarily of salaries and benefits, commissions paid to deposit agents, premises and equipment expenses, capital taxes, insurance and other general and administrative expenses. Non-interest expenses totaled $5.4 million for the third quarter compared to $3.8 million during the same period in 2005. The increase in 2006 primarily reflected higher employment levels to support growth and higher variable expenses. Increases in expenses relating to the expansion of the business also include deposit agent commissions and office and equipment costs to accommodate growth in staff. Total staff complement at September 30, 2006 was 101 compared to 78 a year ago, a 29.5% increase. Most of the Company's employees are engaged in mortgage origination and servicing. Staffing in these vital areas has grown 26.0% to 63 from 50 a year ago.

The Company's productivity ratio-TEB for the third quarter of 2006 increased to 32.7% from 32.2% a year ago and is in line with management's target ratio of 32% to 34% for the full year. This higher ratio in the third quarter is due primarily to increased staffing to manage growth. The Company has also incurred higher staff expenses to meet new corporate governance and regulatory initiatives.

The productivity ratio (the lower, the better) is a non-GAAP financial measure derived by dividing non-interest expenses by the sum of net interest income – TEB and other income. When net interest income is not measured on a tax equivalent basis, these ratios were 34.8% during the third quarter of 2006 and 34.6% on a year-to-date basis compared to 34.7% and 33.8% respectively in the comparable prior periods. Going forward, the Company expects to continue to increase staffing as required to support and manage growth, but will do so while striving to maintain an attractive productivity ratio, which is a function of its low-cost business model.

Income Taxes

One of the Company's goals is to achieve an effective tax rate of between 30% and 32% in 2006. To date, it has exceeded this objective. The effective tax rate for the nine months ended September 30, 2006 was 28.2% compared to 29.9% in the comparable 2005 period while the statutory rate was 36.1% for both periods. Tax exempt dividend income from portfolio securities continued to assist in lowering the Company's effective tax rate. As well, the Company recorded a one-time tax benefit in the amount of $330 thousand in the third quarter of 2006 relating to a special dividend received on an investment in common shares.

BALANCE SHEET

Mortgages

The Company's mortgage lending is focused on first charges for real estate in two primary niches: single family dwelling and multi-unit residential. At September 30, 2006, single family dwelling mortgages represented the largest portion of the portfolio (see table 3). Single family dwelling mortgages increased 11.8% from September 30, 2005 and 9.9% since year end 2005. Multi-unit residential mortgages increased 5.3% from December 31, 2005, and increased 1.9% compared to a year earlier, reflecting the discharge of certain multi-unit residential mortgages in the fourth quarter of 2005. Commercial mortgages increased 34.3% from a year ago, reflecting strong demand. Warehoused mortgages (conventional mortgages held for sale) have shown the largest increase on a year over year basis as the Company continues to take advantage of opportunities in this area. The Greater Toronto Area and environs continue to be Equitable's primary geographic markets. However, the Company also continued to carefully advance its Alberta initiative with $19.2 million in single family dwelling mortgages funded during the third quarter – compared to $12.9 million and $6.7 million in the second and first quarters of 2006, respectively.

The composition of the Company's mortgage portfolio at September 30, 2006 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, 2006		December 31, 2005		September 30, 2005	
($ thousands)	**$**	**% of total**	$	% of total	$	% of total
Single family dwelling	**690,579**	**34.9 %**	628,240	37.5%	617,506	40.2%
Multi-unit residential	**527,380**	**26.7 %**	500,666	29.8%	517,504	33.6%
Commercial	**376,816**	**19.0 %**	292,200	17.4%	280,512	18.3%
Conventional mortgages held for sale	**261,866**	**13.2 %**	163,743	9.8%	35,235	2.3%
Construction	**90,532**	**4.6 %**	61,836	3.7%	59,649	3.9%
CMHC-insured	**31,637**	**1.6 %**	30,452	1.8%	26,487	1.7%
Total mortgage principal	**1,978,810**	**100.0%**	1,677,137	100.0%	1,536,893	100.0%
Net premiums and sundry	**1,174**		1,422		1,039	
Mortgages reported	**1,979,984**		1,678,559		1,537,932	
Accrued interest	**9,431**		7,028		6,425	
Allowances for credit losses	**(7,821)**		(7,167)		(6,967)	
Total mortgages receivable	**1,981,594**		1,678,420		1,537,390	

Total mortgage principal increased $301.7 million or 18.0% during the first nine months of 2006 and increased $441.9 million or 28.8% since September 30, 2005. The Company funded a total of $489.7 million of mortgages during the third quarter, compared to the $320.5 million of mortgages funded in the same quarter last year. The mix of fundings did change with warehoused mortgage fundings increasing 304.3% or $187.6 million to $249.3 million in the third quarter of 2006 compared to a year earlier, while conventional mortgages (other than warehoused mortgages) funded during the third quarter amounted to $196.7 million compared to $194.4 million funded in the comparable quarter last year. CMHC mortgages funded (as opposed to securitized) during the third quarter of 2006 amounted to $43.7 million compared to $64.5 million a year earlier. Conventional mortgages discharged during the third quarter of 2006 totaled $291.6 million and included $156.2 million of short-term warehoused mortgages compared to $235.2 million and $38.7 million discharged respectively in the third quarter of 2005.

Table 4 illustrates the segments of mortgage principal funded.

Table 4: Mortgage Production

	Three Months Ended				Nine Months Ended			
	September 30, 2006		September 30, 2005		**September 30, 2006**		September 30, 2005	
($ thousands)	**Mortgage Principal Funded**	**% of total**	Mortgage Principal Funded	% of total	**Mortgage Principal Funded**	**% of total**	Mortgage Principal Funded	% of total
Conventional mortgages other than warehoused mortgages	**$196,708**	**40.2%**	$194,383	60.7%	**$650,788**	**43.5%**	$622,550	62.4%
Warehoused mortgages	**249,279**	**50.9%**	61,661	19.2%	**615,934**	**41.2%**	182,121	18.3%
CMHC-insured mortgages	**43,711**	**8.9%**	64,492	20.1%	**228,465**	**15.3%**	192,576	19.3%
Total	**489,698**	**100.0%**	320,536	100.0%	**1,495,187**	**100.0%**	997,247	100.0%

Mortgage Credit Quality

The Company did not realize any credit losses on mortgages during the quarter ended September 30, 2006. A $21 thousand credit loss, the first since October 2001, was recorded in the second quarter of 2006. Equitable maintains very strict lending criteria and has well established systems in place to avoid loan losses. Accordingly, the Company has realized loan losses of just 0.002% of total average mortgage principal outstanding – or $26 thousand in aggregate loan losses over the past five years. However, the nature of mortgage lending makes it impossible to avoid all potential downside. For this reason, the Company maintains provisions for credit losses and adjusts these provisions based on growth in the mortgage portfolio. The provision for credit losses for the third quarter of 2006 of $225 thousand was $50 thousand greater than the $175 thousand recorded in the prior year's period and this reflected mortgage growth. Mortgages in arrears 61 days or more amounted to 0.09% of total principal outstanding at September 30, 2006 compared to 0.17% of total principal outstanding at December 31, 2005 and 0.04% at September 30, 2005. Mortgages identified as impaired amounted to 0.14% of total mortgage principal outstanding at September 30, 2006, compared to 0.16% a year earlier. These statistics reflect diligent lending and collection practices and a healthy economic environment.

Table 5: Asset Categories

	September 30, 2006		December 31, 2005		September 30, 2005	
($ thousands)	**Asset Amount**	**% of total**	Asset Amount	% of total	Asset Amount	% of total
Liquidity investments	**$231,180**	**9.6%**	$159,810	7.9%	$118,863	6.5%
Portfolio securities	**137,015**	**5.7%**	111,833	5.6%	102,161	5.6%
Mortgage loans	**1,981,594**	**82.1%**	1,678,420	83.4%	1,537,390	84.4%
Loan securitizations – Retained interests	**49,591**	**2.0%**	51,595	2.6%	52,650	2.9%
Other assets	**14,431**	**0.6%**	10,594	0.5%	10,290	0.6%
Total	**2,413,811**	**100.0%**	2,012,252	100.0%	1,821,354	100.0%

As shown in table 5, total assets at September 30, 2006 have increased $401.6 million or 20.0% from December 31, 2005 and have increased $592.5 million or 32.5% since September 30, 2005. 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 15.3% of total assets at September 30, 2006, compared to 13.5% at December 31, 2005 and 12.1% as at September 30, 2005. This increase in liquid assets relates to the discharge of certain warehoused mortgage pools in late September 2006 and to liquidity required as outlined in the Liquidity Risk Management section of this MD&A.

Portfolio securities are comprised of preferred and, to a much lesser extent, common shares. At September 30, 2006, portfolio securities were $25.2 million or 22.5% higher than at December 31, 2005 and $34.9 million or 34.1% higher compared to September 30, 2005.

Loan securitizations – retained interests have decreased 5.8% to $49.6 million at September 30, 2006 compared to $52.7 million a year earlier. This reflects a 4.1% decrease in outstanding mortgages securitized under the CMHC MBS program to $1.86 billion at September 30, 2006 from $1.94 billion at September 30, 2005 and a shorter average duration of mortgages in the off-balance sheet portfolio.

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, 2006 increased $371.2 million or 20.9% from December 31, 2005 and $550.5 million or 34.6% from September 30, 2005. Sales of cashable GICs, first introduced in 2005, continue to increase. Cashable GICs totaled $489.6 million at September 30, 2006, up more than two fold from the September 30, 2005 balance of $214.2 million and 40.3% greater than the December 31, 2005 balance of $348.9 million.

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, deferred GIC commissions and its allowance for credit losses. Future taxes at September 30, 2006 have decreased from December 31, 2005 and from September 30, 2005 due primarily to: increased general reserves for credit losses; the decrease in the balance of loan securitizations – retained interests; and to a decrease in future federal tax rates.

Equitable Trust issued $20 million of series 6 subordinated debentures during the second quarter of 2006 and redeemed the remaining $7.6 million of series 4 subordinated debentures. At September 30, 2006, a total of $60 million of subordinated debt had been issued by Equitable Trust, $34.8 million of which was eliminated upon consolidation and replaced by the $34.8 million bank term loans from Canadian Western Bank in the consolidated statements.

Other Assets and Liabilities

Other assets at September 30, 2006 increased $3.8 million or 36.2% from December 31, 2005 and $4.1 million or 40.2% 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.

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 drawings were made on this $35 million line at September 30, 2006, December 31, 2005 or at September 30, 2005.

Shareholders' Equity

Total shareholders' equity increased $18.3 million or 14.7% to $142.9 million at September 30, 2006 from $124.6 million at December 31, 2005 and grew 19.2% compared to September 30, 2005. At September 30, 2006, the Company had 11,908,245 common shares issued and outstanding, an increase of 128,305 shares over the 11,779,940 common shares issued and outstanding at September 30, 2005. All share increases relate to the exercise of employee stock options.

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. Equitable Trust's total capital ratio at September 30, 2006 was 11.1% compared to 11.6% at December 31, 2005 and 12.5% at September 30, 2005 (see table 6). Equitable Trust's total capital as a percentage of total risk weighted assets is required to be in excess of 10% for the Company to be considered well capitalized by regulators. By adding eligible Tier 2 capital in the form of subordinated debt during the second quarter of 2006, the Company has been able to maintain an optimal mix of Tier 1 and Tier 2 capital in 2006 to date.

Table 6 summarizes Equitable Trust's regulatory capital position.

Table 6: Capital Measures (relating solely to Equitable Trust):

($ thousands)

	September 30, 2006	December 31, 2005	September 30, 2005
Tier 1 capital	**$141,910**	$122,793	$118,747
Tier 2 capital	**60,000**	51,444	51,444
Total capital	**201,910**	174,237	170,191
Total risk weighted assets	**1,819,062**	1,504,815	1,363,853
Total capital as a % of total risk weighted assets	**11.1%**	11.6%	12.5%
Authorized asset to capital multiple	**17.5x**	17.5x	17.5x
Utilized asset to capital multiple	**12.0x**	11.6x	10.7x

Up to 50% of Tier 1 capital may be issued as Tier 2 capital at any time, with regulatory approval.

Eight Quarter Summary

Table 7 summarizes the Company's performance over the last eight quarters. Assets, revenues, earnings and ROAE have all continued to improve sequentially over the eight quarters ended September 30, 2006. Generally, the real estate market experiences periods of seasonality during the year, but traditionally, this has had little or no impact on Equitable's results. Quarterly performance in the mortgage lending industry can also be impacted by increases or decreases in interest rates. Generally, the Bank of Canada posts its schedule of announcing decisions on interest rates in advance. December 5, 2006 is its next scheduled announcement date.

Table 7: Summary of Quarterly Results

($ thousands, except assets and per share amounts)

	2006			2005				2004
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total assets at quarter end - $ millions	**2,414**	2,244	2,113	2,012	1,821	1,788	1,704	1,543
Total revenues - TEB(1)	**38,552**	34,885	31,604	28,881	26,530	25,039	23,134	21,087
Total revenues	**37,572**	34,008	30,820	27,867	25,667	24,320	22,578	20,479
Net interest income – TEB(1)	**14,435**	13,463	12,143	12,017	10,439	9,843	8,759	8,299
Net interest income	**13,455**	12,586	11,359	11,003	9,576	9,124	8,203	7,693
Net earnings	**7,144**	6,609	5,833	5,562	4,985	4,728	4,482	4,301
EPS – Basic	**$0.60**	$0.56	$0.49	$0.47	$0.42	$0.40	$0.38	$0.37
EPS – Diluted	**$0.59**	$0.55	$0.49	$0.46	$0.42	$0.40	$0.38	$0.36
ROAE	**20.3%**	19.8%	18.6%	18.1%	16.8%	16.7%	16.6%	16.2%

(1) See explanation of TEB at the beginning of this Management's Discussion and Analysis.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements relate to, among other things, realizing the value of Equitable's assets, capitalizing on market demand for Equitable's mortgage products, executing Equitable's strategic plan, and the demand for Equitable's deposit products. The risks and uncertainties that may affect forward-looking statements include, among others, risks involved in fluctuating interest rates and general economic conditions, legislative and regulatory developments, the nature of Equitable's customers, competition, credit quality of its mortgage portfolio, level of loan losses, and other risks detailed from time to time in Equitable's filings with Canadian provincial securities regulators, including Equitable's Annual Report and Annual Information Form dated March 24, 2006. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and Equitable does not undertake to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

RISKS AND UNCERTAINTIES

The Company faces a number of risks. Please refer to pages 34 to 38 in the Company's 2005 Annual Report and pages 11 to 15 in the December 31, 2005 Annual Information Form, both of which are available at www.sedar.com for further information on risks of the business. Management believes the three most significant risks 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. On a daily basis, the Company raises funds based upon asset growth, target liquidity levels and forecasts of its future liquidity requirements. Eligible liquid assets for regulatory purposes consist of cash and cash equivalents and debt instruments guaranteed by governments. Assets eligible for regulatory liquidity purposes were $231.2 million at September 30, 2006 compared to $159.8 million at December 31, 2005 and $118.9 million at September 30, 2005. Eligible liquid assets have increased commensurate with increases in mortgage commitments as at quarter end and potential GIC redemptions within 100 days of the quarter end. Also, $101.3 million of warehoused mortgages were discharged, as planned, in late September 2006. Total liquid resources, including marketable portfolio securities which have increased $34.9 million from that of the prior year, were $368.2 million at September 30, 2006 compared to $271.6 million as at December 31, 2005 and $221.0 million at September 30, 2005.

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 income.

The Company manages its asset and liability maturity or re-pricing profile by adjusting GIC interest rates on a daily basis to raise GICs with the appropriate maturities to best match the maturity or re-pricing profile of assets being funded. The Company closely monitors the effects of possible interest rate changes on both net interest income for the following twelve month period and on the economic value of shareholders' equity using simulated interest rate change sensitivity modeling and assumptions of borrower and depositor behaviour based upon historical experience. As estimated by the Company, an immediate and sustained 1% increase in interest rates as at September 30, 2006, would positively impact net interest income, before any tax effect, for the following twelve month period by $2.1 million. If interest rates were to decrease 1% on an immediate and sustained basis as at September 30, 2006, and if cashable GICs were to stay on the books until maturity, the estimated negative impact to net interest income, before any tax effect, for the following twelve month period would be $5.0 million.

The Company has adopted a consistent and disciplined approach to hedging the interest rate risk attached to its MBS activities. MBS interest rate risk refers to the risk that interest rates will vary between the time a mortgage interest rate is committed to and the time the underlying mortgage is securitized and that the change in rates will reduce the value of the mortgage being sold. The Company hedges the interest rate risk for all mortgages that are targeted to be sold through the CMHC-MBS program. Hedging protects the Company from losses due to changes in interest rates during the relevant period. The hedge is initiated on the date that the mortgage is priced and committed to and terminated on the date that the pool is sold. Changes in interest rates affect the price at which the mortgage pool is sold and inversely affects the value of the hedge. 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, 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 78% of the preferred share equity securities portfolio at September 30, 2006, compared to 75% a year earlier.

STRENGTHENING EXECUTIVE LEADERSHIP

As part of succession planning, and as announced in May 2006, Equitable's Board of Directors has initiated a search for the Company's next generation CEO. Geoffrey Bledin, the current President and CEO, will become Vice Chairman once a new President and CEO is hired and will continue to serve the Company in strategic business development. The Board has engaged a well recognized executive search firm – and the hiring process is ongoing. The Company believes that a team that includes both an active Vice Chairman as well as a CEO is appropriate for the long term development of the business.

OUTLOOK

Management expects a strong and profitable conclusion to 2006. Based on momentum so far this year and into the fourth quarter, management believes the Company is well positioned to achieve its primary growth targets for 2006.

Looking at external market and economic drivers, it now appears that no further prime rate increases are expected by most economists this year, and that the potential for modest rate decreases exists in 2007 as inflationary pressures cool. At the same time, Ontario economic growth is now expected to decelerate next year in reaction to a weakening US economy.

Management is cognizant of these changes and challenges, but continues to plan for further performance improvements in 2007.

In the fourth quarter of 2006, management will remain focused on its primary business lines and geographic territory (Greater Toronto Area and environs) while continuing to cautiously advance its growth initiative in Alberta. This initiative is designed to provide additional geographic diversification to Equitable's mortgage business. Management will also maintain its opportunistic stance with respect to its newest area of focus: warehoused mortgages. New mortgage warehousing opportunities have arisen during 2006 and the Company will continue to assess potential additions to the portfolio on a disciplined basis.

As always, the Company will employ its systematic and disciplined approach to lending in all areas so as to maximize profitable growth and minimize the potential for loan losses. Stability, predictability and efficiency have long been the Company's strengths, and management is committed to maintaining these qualities as it grows.

In summary, management remains committed to the targets and performance objectives outlined in its 2005 Annual Report and in this Management's Discussion and Analysis and has confidence in the Company's short and long-term profitable growth potential.

November 6, 2006

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, 2006 - UNAUDITED
With comparative figures as at December 31, 2005 and September 30, 2005
(In thousands of dollars)

	September 30, 2006	December 31, 2005	September 30, 2005
Assets			
Cash and cash equivalents	**$110,724**	$77,214	$41,463
Investments (note 2)	**257,471**	194,429	179,561
Loan securitizations - retained interests (note 3)	**49,591**	51,595	52,650
Mortgages receivable (note 4)	**1,981,594**	1,678,420	1,537,390
Other assets (note 5)	**14,431**	10,594	10,290
	$2,413,811	$2,012,252	$1,821,354
Liabilities and Shareholders' Equity			
Liabilities:			
Customer deposits (note 6)	**$2,189,158**	$1,808,955	$1,627,051
Future income taxes payable	**5,772**	6,538	6,718
Other liabilities (note 7)	**15,984**	20,707	16,283
Bank term loan (note 9)	**34,750**	19,750	19,750
Subordinated debt (note 10)	**25,250**	31,694	31,694
	2,270,914	1,887,644	1,701,496
Shareholders' equity (note 11):			
Capital stock	**57,663**	55,510	55,471
Contributed surplus	**1,445**	1,327	1,235
Retained earnings	**83,789**	67,771	63,152
	142,897	124,608	119,858
	$2,413,811	$2,012,252	$1,821,354

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006 - UNAUDITED
With comparative figures for the three and nine month periods ended September 30, 2005
(In thousands of dollars, except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2005	**September 30, 2006**	September 30, 2005
Interest income:				
Mortgages	**$32,156**	$22,583	**$87,605**	$63,514
Investments	**2,072**	1,261	**5,716**	3,509
Other	**1,390**	372	**3,746**	1,100
	35,618	24,216	**97,067**	68,123
Interest expense:				
Customer deposits	**21,094**	13,694	**56,622**	38,741
Subordinated debt	**475**	614	**1,567**	1,768
Term loan	**594**	332	**1,478**	711
	22,163	14,640	**59,667**	41,220
Interest income, net	**13,455**	9,576	**37,400**	26,903
Provision for credit losses (note 4)	**225**	175	**675**	525
Net interest income after provision for credit losses	**13,230**	9,401	**36,725**	26,378
Other income:				
Mortgage commitment income and other fees	**938**	482	**2,414**	1,469
Net gain (loss) on sale or redemption of Investments	**1**	(47)	**3**	44
Loan securitizations - retained interests (note 3)	**1,015**	1,016	**2,916**	2,929
	1,954	1,451	**5,333**	4,442
Net interest income and other income	**15,184**	10,852	**42,058**	30,820
Non-interest expenses :				
Compensation and benefits	**2,472**	1,658	**6,862**	4,294
Deposit agent commissions	**1,183**	879	**3,339**	2,426
Other	**1,703**	1,287	**4,586**	3,864
	5,358	3,824	**14,787**	10,584
Earnings before income taxes	**9,826**	7,028	**27,271**	20,236
Income taxes (note 8):				
Current	**3,134**	2,682	**8,451**	7,363
Future	**(452)**	(639)	**(766)**	(1,322)
	2,682	2,043	**7,685**	6,041
Net earnings	**$7,144**	$4,985	**$19,586**	$14,195
Earnings per share:				
Basic	**$0.60**	$0.42	**$1.65**	$1.21
Diluted	**$0.59**	$0.42	**$1.62**	$1.19
Weighted average number of shares outstanding:				
Basic	**11,904,267**	11,763,962	**11,867,544**	11,736,492
Diluted	**12,094,030**	11,982,719	**12,061,306**	11,940,089

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006 - UNAUDITED
With comparative figures for the three and nine month periods ended September 30, 2005
(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2005	**September 30, 2006**	September 30, 2005
Common shares:				
Balance, beginning of period	**$57,569**	$55,323	**$55,510**	$54,815
Common shares issued (note 11):				
Proceeds from exercise of employee stock options	**85**	145	**1,965**	630
Transfer from contributed surplus relating to the exercise of stock options	**9**	3	**188**	26
Balance, end of period	**57,663**	55,471	**57,663**	55,471
Retained earnings:				
Balance, beginning of period	**77,835**	59,109	**67,771**	51,779
Net earnings	**7,144**	4,985	**19,586**	14,195
Dividends	**(1,190)**	(942)	**(3,568)**	(2,822)
Balance, end of period	**83,789**	63,152	**83,789**	63,152
Contributed surplus:				
Balance, beginning of period	**1,362**	1,143	**1,327**	959
Stock-based compensation (note 11)	**92**	95	**306**	302
Transfer to common shares relating to the exercise of stock options	**(9)**	(3)	**(188)**	(26)
Balance, end of period	**1,445**	1,235	**1,445**	1,235
Total shareholders' equity	**$142,897**	$119,858	**$142,897**	$119,858

See accompanying notes to interim unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2006 - UNAUDITED
With comparative figures for the three and nine month periods ended September 30, 2005
(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2005	**September 30, 2006**	September 30, 2005
Cash provided by (used in):				
Operating activities:				
Net earnings	**$7,144**	$4,985	**$19,586**	$14,195
Non-cash items:				
Loan securitizations – gains on sale of mortgages	**(95)**	(342)	**(515)**	(869)
Amortization	**109**	89	**327**	252
Provision for credit losses	**225**	175	**675**	525
Net (gain) loss on sale or redemption of investments	**(1)**	47	**(3)**	(44)
Future income taxes	**(452)**	(639)	**(766)**	(1,322)
Stock-based compensation	**92**	95	**306**	302
Amortization of premiums on investments	**637**	1,072	**2,171**	2,979
	7,659	5,482	**21,781**	16,018
Changes in operating assets and liabilities:				
Other assets	**(2,074)**	(331)	**(3,603)**	(1,451)
Other liabilities	**(3,505)**	(2,142)	**(6,648)**	1,275
	2,080	3,009	**11,530**	15,842
Financing activities:				
Increase in customer deposits	**165,861**	31,118	**380,203**	242,403
Issuance (redemption) of subordinated debt, net	**-**	-	**(6,444)**	2,545
Issuance of term loan	**-**	-	**15,000**	19,750
Dividends paid on common shares	**(1,190)**	(942)	**(3,568)**	(2,822)
Common shares issued	**85**	145	**1,965**	630
	164,756	30,321	**387,156**	262,506
Investing activities:				
Purchase of investments	**(70,891)**	(76,639)	**(120,251)**	(143,295)
Proceeds on sale or redemption of investments	**14,873**	62,817	**55,041**	97,447
Increase in mortgages receivable	**(490,399)**	(322,246)	**(1,496,523)**	(996,531)
Mortgage principal repayments	**303,083**	243,722	**965,471**	567,262
Proceeds from loan securitizations	**36,064**	82,923	**220,269**	187,938
Loan securitizations - retained interests	**3,812**	3,173	**11,378**	10,688
Purchase of capital assets	**(131)**	(191)	**(561)**	(336)
	(203,589)	(6,441)	**(365,176)**	(276,827)
Increase (decrease) in cash and cash equivalents	**(36,753)**	26,889	**33,510**	1,521
Cash and cash equivalents, beginning of period	**147,477**	14,574	**77,214**	39,942
Cash and cash equivalents, end of period	**$110,724**	$41,463	**$110,724**	$41,463
Comprised of:				
Deposits at banks	**13,693**	49,018	**13,693**	49,018
Short term investments	**106,848**	2,370	**106,848**	2,370
Cheques and other items in transit	**(9,817)**	(9,925)	**(9,817)**	(9,925)
	$110,724	$41,463	**$110,724**	$41,463
Supplemental cash flow information:				
Interest paid	**$15,871**	$11,514	**$50,471**	$35,829
Income taxes paid	**2,558**	1,080	**11,460**	4,944

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, 2005 as set out on pages 47 to 62 of the 2005 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, 2005.

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, 2006		December 31, 2005		September 30, 2005	
	Carrying value	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Preferred shares	**$135,896**	**$136,024**	$110,714	$111,445	$98,977	$99,762
Government bonds, treasury bills and notes	**120,456**	**121,666**	82,596	82,538	77,400	77,395
Common shares	**1,119**	**1,643**	1,119	1,456	3,184	3,401
	$257,471	**$259,333**	$194,429	$195,439	$179,561	$180,558

The Company has a bank line of credit facility. Under this facility, the Company may borrow up to $35 million (December 31, 2005 - $35 million, September 30, 2005 - $35 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, 2006 (December 31, 2005 – $Nil, September 30, 2005 – $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, 2006, outstanding securitized mortgages totaled $1,862,789 (December 31, 2005 – $1,878,405, September 30, 2005 – $1,941,029), substantially all of which are multi-family residential mortgage loans.

3. Loan securitizations – retained interests (continued):

During the period, the Company securitized Canadian government guaranteed residential mortgage loans and received net cash proceeds of $220,270 (September 30, 2005 – $187,938). The Company retained the rights to future excess interest on the residential mortgages valued at $8,450 (September 30, 2005 – $7,723) and received net cash flows on interests retained of $13,779 (September 30, 2005 – $12,748). 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 $1,000 (September 30, 2005 – $1,354) relating to loans securitized during the period.

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

	September 30, 2006	September 30, 2005
Gain on sale of mortgages	**$515**	$869
Excess interest net of servicing fee	**2,401**	2,060
	$2,916	$2,929

The valuation of the future excess interest spread includes an excess spread of 0.81% (December 31, 2005 – 0.84%, September 30, 2005 – 0.85%), and the key assumption of a discount rate of 4.99% (December 31, 2005 – 5.08%, September 30, 2005 – 5.13%). 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, 2006, December 31, 2005 and September 30, 2005 relating to forward contracts on Government of Canada bonds, where the counterparties for which are chartered banks, are as follows:

	September 30, 2006		December 31, 2005		September 30, 2005	
Bond term (years)	**Notional amount**	**Market value**	Notional amount	Market value	Notional amount	Market value
1 to 5	**$19,400**	**$19,382**	$10,200	$10,381	$23,300	$23,803
5 to 10	**32,400**	**34,149**	39,200	42,320	10,850	11,901
	$51,800	**$53,531**	$49,400	$52,701	$34,150	$35,704

4. Mortgages receivable:

(a) Mortgages receivable and impaired mortgages:

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

December 31, 2005		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,184,434	$2,087	$3,634	$5,721	$1,178,713
Other mortgages	320,496	-	1,037	1,037	319,459
Mortgages held for securitization or for sale	173,629	-	409	409	173,220
Accrued interest	7,028	-	-	-	7,028
	$1,685,587	$2,087	$5,080	$7,167	$1,678,420

September 30, 2005		Allowance for credit losses			
	Gross amount	Specific	General	Total	Net amount
Residential mortgages	$1,187,024	$1,170	$4,505	$5,675	$1,181,349
Other mortgages	306,536	-	1,204	1,204	305,332
Mortgages held for securitization or for sale	44,372	-	88	88	44,284
Accrued interest	6,425	-	-	-	6,425
	$1,544,357	$1,170	$5,797	$6,967	$1,537,390

Included in mortgages held for securitization or for sale are Canadian Government insured mortgages of $16,480 as at September 30, 2006 (December 31, 2005 - $9,664, September 30, 2005 - $9,066). These loans held for securitization, together with the related interest rate hedges, are carried at the lower of cost or fair value. Loans held for sale include loans which are to be pooled and discharged subsequent to the balance sheet date at their investment cost. These loans are carried at the lower of cost or fair value. There are no foreclosed assets held for sale at September 30, 2006, December 31, 2005 and September 30, 2005.

The principal outstanding and net carrying amount of mortgages receivable classified as impaired as at September 30, 2006 aggregated $2,811 (December 31, 2005 - $3,587, September 30, 2005 - $2,533) and $1,231 (December 31, 2005 - $1,500, September 30, 2005 - $1,363), respectively.

4. Mortgages receivable (continued):

The Company has commitments to fund a total of $361,953 (December 31, 2005 - $307,970, September 30, 2005 - $217,777) of mortgages as at the end of the period.

(b) Allowance for credit losses:

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

			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

5. Other assets:

	September 30, 2006	December 31, 2005	September 30, 2005
Deferred GIC commissions	**$6,168**	$5,791	$5,290
Accrued interest on non-mortgage assets	**2,676**	855	823
Prepaid expenses and deferred charges	**1,942**	977	1,012
Other receivables	**1,909**	1,469	1,309
Capital assets	**1,736**	1,502	1,456
Loan to officer	**-**	-	400
	$ 14,431	$10,594	$10,290

6. Customer deposits:

	September 30, 2006	December 31, 2005	September 30, 2005
Cashable GICs, payable on demand	**$489,586**	$348,885	$214,180
GICs with fixed maturity date	**1,653,561**	1,423,066	1,378,453
Accrued interest	**46,011**	37,004	34,418
	$2,189,158	$1,808,955	$1,627,051

7. Other liabilities:

	September 30, 2006	December 31, 2005	September 30, 2005
Securitized mortgage servicing liability	**$6,111**	$6,460	$6,393
Accounts payable and accrued liabilities	**6,083**	4,315	4,063
Mortgagor realty taxes	**2,133**	5,266	2,433
Income taxes payable	**1,657**	4,666	3,394
	$15,984	$20,707	$16,283

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, 2006	September 30, 2005
Canadian statutory income tax rate	**36.1%**	36.1%
Increase (decrease) resulting from:		
Tax exempt income	**(7.4%)**	(6.8%)
Future tax rate reductions	**(0.8%)**	-%
Non-deductible expenses and other	**0.3%**	0.6%
Effective income tax rate	**28.2%**	29.9%

9. Bank term loan:

The Company has received two non-revolving term loans totaling $34,750 from Canadian Western Bank, $19,750 of which was received on March 17, 2005 and $15,000 on April 17, 2006. Each loan is for a fixed term of five years with the balance of the loan, together with all accrued and unpaid interest, due on the fifth anniversary of the loan. The proceeds of the loans were used to purchase $19,750 of Series 5 and $15,000 of Series 6 of the Subordinated Debentures of the Company's subsidiary, The Equitable Trust Company ("Equitable Trust"). The loans are repayable in full at the option of the Company at any time during their term and as collateral for the loans, the Company has provided a promissory note, a general security agreement, a pledge of all the issued and outstanding shares in the capital of Equitable Trust and an assignment of the Subordinated Debentures purchased from Equitable Trust using the proceeds of the loans. Interest is payable monthly on the $19,750 loan at 6.37% and on the $15,000 loan at 6.82%.

10. Subordinated debt:

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

2006 Debenture series	Interest rate	Issue date	Maturity date	Outstanding, December 31, 2005	Issued during the period	Redeemed during the period	Outstanding, September 30, 2006
Series 4	7.54% - 8.15%	2003	January 2013	$ 11,444	$ -	$ 11,444	$ -
Series 5	7.31% - 7.58%	2004/05	January 2015	20,250	-	-	20,250
Series 6	7.27%	2006	January 2016	-	5,000	-	5,000
				$ 31,694	$ 5,000	$ 11,444	$ 25,250

2005 Debenture series	Interest rate	Issue date	Maturity date	Outstanding, December 31, 2004	Issued during the period	Redeemed during the period	Outstanding, September 30, 2005
Series 3	8.48% - 8.82%	2002	January 2012	$ 3,530	$ -	$ 3,530	$ -
Series 4	7.54% - 8.15%	2003	January 2013	11,444	-	-	11,444
Series 5	7.31% - 7.58%	2004/05	January 2015	14,175	6,075	-	20,250
				$ 29,149	$ 6,075	$ 3,530	$ 31,694

11. Shareholders' equity:

(a) Capital stock:

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

Issued:
Common shares:

	September 30, 2006		September 30, 2005	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	11,781,940	$55,510	11,680,750	$54,815
Issued during the period	126,305	1,965	99,190	630
Transfer from contributed surplus relating to the exercise of stock options	-	188	-	26
Balance, end of period	11,908,245	$57,663	11,779,940	$55,471

11. Shareholders' equity (continued):

(b) Stock-based compensation plans:

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 10% of the Company's issued and outstanding common shares. The outstanding options expire on various dates to November 2010. A summary of the Company's stock option activity and related information for the periods ended September 30, 2006 and September 30, 2005 is as follows:

	September 30, 2006		September 30, 2005	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	**768,539**	**$18.07**	809,729	$15.86
Granted	-	**-**	25,000	24.25
Exercised	**(126,305)**	**15.56**	(99,190)	6.35
Forfeited/cancelled	**(14,000)**	**23.04**	(25,000)	17.50
Outstanding, end of period	**628,234**	**$18.46**	710,539	$17.43
Exercisable, end of period	**141,511**	**$17.34**	110,500	$17.50

Under the fair value-based method of accounting for stock options, the Company has recorded compensation expense in the amount of $306 (September 30, 2005 – $302) related to two grants of options in each of 2005 and 2004 under the stock option plan. This amount has been credited to contributed surplus. There have been no options granted in 2006. The fair value of options granted in 2005 is estimated at the date of grant using the Black-Scholes valuation model, with the following assumptions: (i) risk-free rate of 3.9%; (ii) expected option life of 4.0 years; (iii) expected volatility of 19.0%; and (iv) expected dividends of 2.2%. The weighted average fair value of each option granted was $2.92.

12. 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, 2006, December 31, 2005 and September 30, 2005:

12. Interest rate sensitivity (continued):

								September 30, 2006
	Floating rate or within 1 month	**1 to 3 months**	**3 months to 1 year**	**Total within 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest sensitive**	**Total**
Total assets	**$1,188,113**	**$102,918**	**$303,204**	**$1,594,235**	**$772,531**	**$27,068**	**$19,977**	**$2,413,811**
Total liabilities and equity	**790,245**	**232,880**	**439,348**	**1,462,473**	**715,423**	**25,250**	**210,665**	**2,413,811**
Interest rate sensitive gap	**$ 397,868**	**$ (129,962)**	**$ (136,144)**	**$ 131,762**	**$ 57,108**	**$ 1,818**	**$ (190,688)**	**$ -**
Cumulative gap	**$ 397,868**	**$ 267,906**	**$ 131,762**	**$ 131,762**	**$ 188,870**	**$ 190,688**	**$-**	**$ -**
Cumulative gap as a percentage of total assets	**16.48%**	**11.10%**	**5.46%**	**5.46%**	**7.82%**	**7.90%**	**0.00%**	**0.00%**

								December 31, 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
Cumulative gap	$ 293,867	$ 140,459	$ 167,955	$ 167,955	$ 186,132	$ 173,691	$ -	$ -
Cumulative gap as a percentage of total assets	14.60%	6.98%	8.35%	8.35%	9.25%	8.63%	0.00%	0.00%

								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
Cumulative gap	$ 332,798	$ 228,042	$ 105,106	$ 105,106	$ 171,206	$ 162,107	$ -	$ -
Cumulative gap as a percentage of total assets	18.27%	12.52%	5.77%	5.77%	9.40%	8.90%	0.00%	0.00%

[a] Accrued interest is excluded in calculating interest sensitive assets and liabilities.

[b] Potential prepayments of fixed rate loans have not been estimated. Cashable GICs are included with floating rate liabilities as these are cashable by the depositor upon demand. Any prepayments of subordinated debt, contractual or otherwise, have not been estimated as these would require pre-approval by OSFI.

13. 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 dependent 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 Group Inc. and
The Equitable Trust Company

Giselle Branget [1][4]
Corporate Director

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)

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 Human Resources and 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.

Executive Officers: Equitable Group Inc.

Geoffrey Bledin
President and Chief Executive Officer

Stephen Coffey
Senior Vice-President and Chief Financial Officer

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

Executive Officers: The Equitable Trust Company

Geoffrey Bledin
President and Chief Executive Officer

Stephen Coffey
Senior Vice-President and Chief Financial Officer

John Harry
Vice-President, Credit and Risk Management

Kimberly Kukulowicz
Vice-President, Mortgage Services

Tamara Malozewski
Vice-President, Finance

Robert McMillan
Vice-President, Deposit Services

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

Nicholas Strube
Treasurer

SHAREHOLDER AND CORPORATE INFORMATION

Corporate Office
30 St. Clair Avenue West, Suite 700
Toronto, Ontario, Canada, M4V 3A1

Western Region Office
933 – 17th Avenue S.W., Ste. 501
Calgary, Alberta, Canada, T2T 5R6

Web Site Address
www.equitablegroupinc.com

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario, M5J 2Y1
1-800-564-6253

Investor Relations Contact
Stephen Coffey
Senior Vice-President and Chief Financial Officer
416-515-7000
investor@equitablegroupinc.com

Stock Listing
TSX: ETC