



TSX Symbol: ETC

## EQUITABLE GROUP REPORTS RECORD THIRD QUARTER 2008 RESULTS

- **22.3% Net Income Growth**
- **Total Assets Surpass \$4 Billion**
- **Capital and Liquidity Positions Substantially Strengthened**

Toronto, Ontario (November 7, 2008): Equitable Group Inc. (“Equitable” or the “Company”) today reported record financial performance for the three and nine months ended September 30, 2008, while making significant progress toward its strategic goals for the year.

### Third Quarter Financial Highlights

- Net income increased 22.3% to a record \$10.8 million from \$8.8 million a year ago – surpassing targeted growth of between 16% to 20%.
- Diluted earnings per share grew 10.4% to \$0.74 a share, on more shares outstanding, compared with \$0.67 a diluted share a year earlier.
- Return on equity was 16.7% – within Equitable’s 2008 target range of 16% to 18% – compared to 18.2% a year ago.
- Total capital ratio, including general allowance, reached 13.3% on September 30, 2008, up from 11.0% on January 1, 2008 and ahead of the Company’s 13.0% objective for the year.
- Total assets reached \$4.1 billion – a new milestone – and 20.1% higher than the December 31, 2007 asset base of \$3.4 billion.

### Nine Month Financial Highlights

- Net income increased 26.6% to \$30.7 million from \$24.3 million a year ago.
- Diluted earnings per share grew 18.8% to \$2.27 a share, on more shares outstanding, compared to \$1.91 a diluted share in the same period of 2007.
- Return on equity was 18.1%, above Equitable’s 2008 objective of 16% to 18%.

### Dividend

The Company's Board of Directors declared a dividend of \$0.10 per share payable on January 5, 2009, to shareholders of record at the close of business on December 15, 2008.

## **Credit Quality and Provision**

The Company's mortgage portfolio continued to perform within expectations. No loan losses were incurred in the quarter. Net impaired mortgages were 0.33% of total mortgage assets at the end of the third quarter of 2008 compared to 0.08% at the end of the third quarter of 2007. Due to the impact of changes in economic conditions and real estate values in certain regions of Western Canada, as well as changing economic forecasts associated with commodities markets, the Company took the prudent measure of assessing a pre-tax charge of \$1.0 million in the third quarter to reflect the potential for losses in its multi-unit residential portfolio. This proactive measure had the effect of reducing earnings per share by \$0.05 (basic and diluted).

## **Operational Highlights**

- Single-Family mortgage fundings increased 107.8% to \$217.3 million from \$104.6 million in the third quarter last year – and consistent with the Company's focus, Single-Family represented 22.3% of total mortgage production, compared with 13.4% a year earlier.
- Total mortgage principal increased on a net basis by \$343.1 million or 12.7% from a year ago.
- Equitable funded \$976.9 million of mortgages in the third quarter, an increase of 25.3% or \$197.5 million over the third quarter of 2007.
- The Company continued to benefit from credit market dynamics that allowed it to securitize and sell \$440.0 million of CMHC-insured mortgages in the third quarter, at spreads wider than historical averages.
- Productivity ratio on a Taxable Equivalent Basis improved to 24.9% from 27.4% in the third quarter a year ago. Over the first nine months of 2008, the productivity ratio was 25.9%, better than the targeted range for the year of 27% to 30%.

## **Management Commentary**

"We are proud of the progress Equitable made in the third quarter as we recorded our highest quarterly earnings ever and surpassed two milestones – total assets of more than \$4 billion and total mortgages receivable of greater than \$3 billion – all at a time when the market began showing some signs of slowing," said Andrew Moor, President and Chief Executive Officer. "We have successfully applied our plan for the year and are seeing the result – quarterly earnings up more than 20%, the strongest capital ratio in our history as a public company and a meaningful shift in the mix of our asset portfolio towards single-family mortgages. Strategically, we continued to build value by increasing our single-family business to support our return on equity goals. With respect to risk management, we have maintained the conservative underwriting practices that have given Equitable an enviable track record of credit quality for many years. In light of rapid changes in certain market niches, we moved proactively in the quarter to take an additional general reserve for the potential for future credit losses. We are satisfied that this is prudent relative to Equitable's risk-return profile at this juncture and we are delighted with the Company's outstanding performance to date."

## **Outlook**

“Despite a more challenging economic climate, we are confident we will meet our stated performance objectives for 2008,” Mr. Moor said. “We continue to closely monitor the economy and credit markets and at the present time, we have not altered our plan or outlook for the year. We have, however, made some adjustments to our underwriting criteria in light of slowing Canadian real estate markets, softening of real estate values in some markets and uncertainty as to the magnitude of further softening. While these adjustments will impact originations, we feel that ours is the right approach to safeguard the future health of our portfolio, and ultimately, shareholder value. We continue to believe that adequate collateral is available to support mortgages in our portfolio. A stronger balance sheet and the strategic improvements made in our portfolio mix will enhance our value creation potential for the future.”

John Ayanoglou, Chief Financial Officer, said: “In preparation for the future, we have decided to maintain higher levels of liquidity on our balance sheet. This will affect our net interest margin, as will temporary spread compression that is the result of two separate reductions in the Prime Rate early in the fourth quarter. However, our enhanced liquidity position is prudent in that it will help to insulate the Company’s business from unexpected and unforeseen disruptive effects in Canadian and international capital markets. While volatility in capital markets has negatively impacted our equity securities portfolio to date in the fourth quarter, we believe there is no permanent impairment in this portfolio, which is comprised of high-quality preferred shares. Competitively, our markets are now far less crowded, and this fact, along with a stronger balance sheet and focus on risk-weighted returns, will provide a long-term opportunity to improve interest rate spreads and drive shareholder value creation.”

## **Third Quarter Webcast**

Management will discuss Equitable's results during a conference call beginning at 10 a.m. ET today. To listen to the audio webcast, log on to [www.equitablegroupinc.com](http://www.equitablegroupinc.com). To participate in the call, please dial 416-915-5761.

## **MD&A**

The Company will post its MD&A for the three and nine months ended September 30, 2008 on its website [www.equitablegroupinc.com](http://www.equitablegroupinc.com) this morning. This document will also be archived on the site.

**CONSOLIDATED BALANCE SHEETS (unaudited)**

AS AT SEPTEMBER 30, 2008

*With comparative figures as at December 31, 2007 and September 30, 2007*

(In thousands of dollars)

	September 30, 2008	December 31, 2007	September 30, 2007
<b>Assets</b>			
Cash and cash equivalents	\$10,985	\$15,927	\$282,096
Restricted cash	5,000	5,000	5,000
Investments purchased under reverse repurchase agreements	748,183	232,120	-
Investments	190,347	220,697	282,225
Loan securitizations - retained interests	84,252	51,214	53,335
Mortgages receivable	3,036,281	2,874,241	2,698,634
Other assets	19,039	10,427	11,282
	<b>\$4,094,087</b>	<b>\$3,409,626</b>	<b>\$3,332,572</b>
<b>Liabilities and Shareholders' Equity</b>			
Liabilities:			
Customer deposits	\$3,712,019	\$3,104,524	\$3,036,454
Future income taxes	14,018	7,945	8,237
Other liabilities	23,857	17,423	13,466
Bank term loans	44,595	44,595	44,595
Subordinated debentures	31,969	31,969	31,969
	<b>3,826,458</b>	<b>3,206,456</b>	<b>3,134,721</b>
Shareholders' equity:			
Capital stock	126,993	87,062	86,861
Contributed surplus	2,345	1,778	1,570
Retained earnings	142,959	116,325	110,709
Accumulated other comprehensive loss	(4,668)	(1,995)	(1,289)
	<b>267,629</b>	<b>203,170</b>	<b>197,851</b>
	<b>\$4,094,087</b>	<b>\$3,409,626</b>	<b>\$3,332,572</b>

**CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008

*With comparative figures for the three and nine month periods ended September 30, 2007*

(In thousands of dollars, except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Interest income:				
Mortgages	\$49,821	\$42,821	\$140,664	\$117,302
Investments	1,739	3,191	6,061	9,823
Other	4,425	2,075	11,955	5,600
	55,985	48,087	158,680	132,725
Interest expense:				
Customer deposits	35,690	29,178	98,527	79,679
Deposit agent commissions	2,553	1,907	6,643	4,847
Bank term loans	754	752	2,271	2,198
Subordinated debentures	590	592	1,758	1,775
	39,587	32,429	109,199	88,499
Net interest income	16,398	15,658	49,481	44,226
Provision for credit losses	1,300	225	1,900	675
Net interest income after provision for credit losses	15,098	15,433	47,581	43,551
Other income:				
Fees and other income	525	289	1,306	922
Net (loss) gain on investments	(72)	14	158	(1)
Loan securitizations - retained interests	5,050	1,166	10,009	3,306
	5,503	1,469	11,473	4,227
Net interest income and other income	20,601	16,902	59,054	47,778
Non-interest expenses:				
Compensation and benefits	3,371	2,844	9,631	8,205
Other	2,284	2,220	6,853	6,389
	5,655	5,064	16,484	14,594
Income before income taxes	14,946	11,838	42,570	33,184
Income taxes:				
Current	1,212	2,203	6,200	4,260
Future	2,982	847	5,653	4,664
	4,194	3,050	11,853	8,924
Net income	\$10,752	\$8,788	\$30,717	\$24,260
Earnings per share:				
Basic	\$0.74	\$0.68	\$2.28	\$1.94
Diluted	\$0.74	\$0.67	\$2.27	\$1.91
Weighted average number of shares outstanding:				
Basic	14,534,667	12,920,606	13,492,346	12,492,458
Diluted	14,561,797	13,037,944	13,533,386	12,671,737

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)**

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008

*With comparative figures for the three and nine month periods ended September 30, 2007*

(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
<b>Capital stock:</b>				
Balance, beginning of period	\$87,653	\$86,339	\$87,062	\$57,849
Common shares issued				
Gross proceeds of equity issue	40,850	-	40,850	25,000
Issue expense, net of tax recovery of \$698 (2007 - \$498)	(1,510)	-	(1,510)	(962)
Proceeds from exercise of stock options	-	448	525	4,413
Transfer from contributed surplus relating to the exercise of stock options	-	74	66	561
Balance, end of period	126,993	86,861	126,993	86,861
<b>Contributed surplus:</b>				
Balance, beginning of period	2,124	1,415	1,778	1,539
Stock-based compensation	221	229	633	592
Transfer to common shares relating to the exercise of stock options	-	(74)	(66)	(561)
Balance, end of period	2,345	1,570	2,345	1,570
<b>Retained earnings:</b>				
Balance, beginning of period	133,695	103,215	116,325	90,348
Transition adjustment – Financial instruments	-	-	-	(113)
Net income	10,752	8,788	30,717	24,260
Dividends	(1,488)	(1,294)	(4,083)	(3,786)
Balance, end of period	142,959	110,709	142,959	110,709
<b>Accumulated other comprehensive loss:</b>				
Balance, beginning of period	(2,374)	(4,557)	(1,995)	-
Transition adjustment – Financial instruments	-	-	-	302
Other comprehensive (loss) income	(2,294)	3,268	(2,673)	(1,591)
Balance, end of period	(4,668)	(1,289)	(4,668)	(1,289)
Total retained earnings and accumulated other comprehensive loss	138,291	109,420	138,291	109,420
Total shareholders' equity	\$267,629	\$197,851	\$267,629	\$197,851

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)**

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008

*With comparative figures for the three and nine month periods ended September 30, 2007*

(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Net income	\$10,752	\$8,788	\$30,717	\$24,260
Other comprehensive loss:				
Available-for-sale assets, change in unrealized gains (losses)	(2,163)	3,122	(2,554)	(1,755)
Reclassification to income for realization of available-for-sale assets fair value changes	(131)	146	(119)	164
Other comprehensive loss	(2,294)	3,268	(2,673)	(1,591)
Comprehensive income	\$8,458	\$12,056	\$28,044	\$22,669

## CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008

With comparative figures for the three and nine month periods ended September 30, 2007

(In thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Cash provided by (used in):				
Operating activities:				
Net income	\$10,752	\$8,788	\$30,717	\$24,260
Non-cash items:				
Financial instruments - fair value adjustments	(3,666)	(2,047)	(5,407)	593
Loan securitizations – gain on securitization activities	(4,271)	(445)	(7,968)	(1,283)
Amortization of capital assets	192	76	564	435
Provision for credit losses	1,300	225	1,900	675
Net loss (gain) on investments	72	(14)	(156)	1
Future income taxes	2,285	2,695	4,956	3,536
Stock-based compensation	221	229	633	592
Amortization of premiums on investments, net	244	970	1,160	3,033
	7,129	10,477	26,399	31,842
Changes in operating assets and liabilities:				
Other assets	1,698	3,468	(818)	3,696
Other liabilities	(3,404)	(6,353)	(3,318)	(8,781)
	5,423	7,592	22,263	26,757
Financing activities:				
Increase in customer deposits	228,900	423,116	607,290	646,868
Issuance of bank term loan	-	-	-	12,500
Repayment of bank term loan	-	-	-	(2,655)
Issuance of subordinated debentures	-	-	-	9,450
Redemption of subordinated debentures	-	-	-	(2,731)
Dividends paid on common shares	(1,488)	(1,294)	(4,083)	(3,786)
Issuance of common shares	39,340	448	39,865	28,451
	266,752	422,270	643,072	688,097
Investing activities:				
Purchase of investments	-	(3,022)	(5,000)	(126,919)
Proceeds on sale or redemption of investments	20,844	81,417	95,936	157,802
Purchase of investments purchased under reverse repurchase agreements	(748,183)	-	(1,435,261)	-
Proceeds on sale or redemption of investments purchased under reverse repurchase agreements	412,004	-	919,198	-
Change in restricted cash	-	-	-	(5,000)
Increase in mortgages receivable	(987,259)	(784,839)	(2,331,765)	(2,152,678)
Mortgage principal repayments	346,235	269,481	1,065,485	1,314,975
Proceeds from loan securitizations	442,741	121,982	1,008,681	262,020
Loan securitizations - retained interests	4,349	3,236	12,613	9,861
Purchase of capital assets	(60)	(253)	(164)	(661)
	(509,329)	(311,998)	(670,277)	(540,600)
(Decrease) increase in cash and cash equivalents	(237,154)	117,864	(4,942)	174,254
Cash and cash equivalents, beginning of period	248,139	164,232	15,927	107,842
Cash and cash equivalents, end of period	\$10,985	\$282,096	\$10,985	\$282,096

**About Equitable Group Inc.**

Equitable Group Inc. is a leading niche financial institution focused on single-family dwelling mortgage lending, Commercial Mortgage – Broker Services, a business line that funds loans on a variety of properties including mixed-use, apartment, commercial and industrial buildings, and commercial lending in partnership with mortgage banking organizations. Equitable is a nationally-licensed deposit-taking institution. It conducts business through its wholly-owned subsidiary, The Equitable Trust Company, which was founded in 1970. Equitable’s non-branch business model, valued relationships with independent mortgage professionals and deposit-taking agents, and disciplined lending practices have allowed the Company to grow profitably and efficiently for many years.

The common shares of Equitable Group Inc. are listed on the Toronto Stock Exchange under the trading symbol of “ETC”. For more information, visit [www.equitablegroupinc.com](http://www.equitablegroupinc.com).

-- 30 --

**For More Information:**

John Ayanoglou  
Chief Financial Officer  
416 513 3535

*Certain forward-looking statements are made in this news release, 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 Company’s periodic reports filed 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. See the MD&A for further information on forward-looking statements.*