EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2013 and 2012

Responsibility for Financial Statements

The accompanying interim consolidated financial statements for Equity Financial Holdings Inc. ("EQI" or "the Corporation") have been prepared by management in accordance with International Accounting Standard 34, "Interim Financial Reporting", ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The most significant of these standards have been set out in the December 31, 2012 annual audited consolidated financial statements. These interim statements are presented on the accrual basis of accounting and accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these interim financial statements have been fairly presented.

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

($000s of Canadian dollars)		March 31, 2013		December 31, 2012
Assets				
Cash and cash equivalents	**$**	**37,463**	$	34,429
Mortgages receivable (Note 6)		**226,876**		198,147
Assets held for sale (Note 8)		**12,444**		13,305
Current income taxes receivable		**1,098**		598
Prepaids and other current assets		**274**		335
Derivative assets		**-**		275
Deferred tax assets (Note 9)		**254**		261
Property, plant and equipment		**866**		916
Intangibles		**2,904**		3,176
	$	**282,179**	$	251,442
Liabilities and Shareholders' Equity				
Liabilities				
Accounts payable and accrued liabilities	**$**	**3,882**	$	2,666
Customer deposits (Note 7)		**224,913**		192,757
Liabilities held for sale (Note 8)		**1,292**		1,965
Customer funds held		**-**		709
Deferred revenue		**153**		135
Derivative liabilities		**-**		258
Deferred tax liabilities (Note 9)		**600**		685
		230,840		199,175
Shareholders' Equity				
Share capital (Note 10)		**29,559**		29,549
Contributed surplus		**1,991**		1,903
Retained earnings		**19,789**		20,815
		51,339		52,267
	$	**282,179**	$	251,442

Contingent Liability (Note 17)

Approved on Behalf of the Board of Directors

/signed/ - Brad R. Kipp
Director

/signed/ - Paul G. Smith
Director

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

Three months ended March 31, 2013 and 2012

($000s of Canadian dollars)	Share Capital Shares	Share Capital Amount	Contributed Surplus	Retained Earnings	Total Equity
Balance December 31, 2011	8,973,926	$27,900	$1,817	$20,281	$49,998
Shares issued pursuant to stock options exercised (Note 11)	179,081	1,637	(395)	-	1,242
Net earnings	-	-	-	46	46
Share-based payment expense	-	-	131	-	131
Balance March 31, 2012	9,153,007	$29,537	$1,553	$20,327	$51,417
Balance December 31, 2012	9,155,007	$29,549	$1,903	$20,815	$52,267
Shares issued pursuant to stock options exercised (Note 11)	833	10	(3)	-	7
Net loss	-	-	-	(1,026)	(1,026)
Share-based payment expense	-	-	91	-	91
Balance March 31, 2013	9,155,840	**$29,559**	**$1,991**	**$19,789**	**$51,339**

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(unaudited)

($000s of Canadian dollars, except per share amounts)	For the three months ended March 31, 2013	2012
Interest income	**$ 2,897**	$ 1,291
Interest expense	**(1,089)**	(434)
Net interest income	**1,808**	857
Other revenue	**147**	43
Net interest income and other revenue	**1,955**	900
Non interest expenses		
Staffing costs	**1,197**	934
Rent	**186**	178
Provision for credit losses	**101**	72
Selling, general and administration	**782**	474
Total non interest expenses	**2,266**	1,658
Operating loss before depreciation and amortization	**(311)**	(758)
Depreciation of property, plant and equipment	**47**	25
Amortization of intangible assets	**109**	64
Operating loss before income taxes from continuing operations	**(467)**	(847)
Income taxes (Note 9)		
Current	**(112)**	(188)
Deferred	**33**	5
	(79)	(183)
Net loss from continuing operations	**(388)**	(664)
Net earnings (loss) from discontinued operations (Note 8)	**(638)**	710
Net earnings (loss) and comprehensive income	**$ (1,026)**	$ 46
Basic earnings (loss) per share (Note 12)	**$ (0.11)**	$ 0.01
Basic loss per share from continuing operations	**(0.04)**	(0.07)
Basic earnings (loss) per share discontinued operations	**(0.07)**	0.08
Diluted earnings (loss) per share (Note 12)	**$ (0.11)**	$ 0.01
Diluted loss per share from continuing operations	**(0.04)**	(0.07)
Diluted earnings (loss) per share from discontinued operations	**(0.07)**	0.08

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

($000s of Canadian dollars)	For the three months ended March 31, 2013	2012
Cash flows provided by (used in)		
Operating Activities		
Net earnings (loss) and comprehensive income (loss) for the period	**$ (1,026)**	$ 46
Adjustments to determine cash flows relating to operating activities		
Depreciation of property, plant and equipment	**47**	82
Amortization of intangible assets	**236**	125
Impairment losses (Note 8)	**256**	-
Share-based payments	**91**	131
Provision for credit losses	**101**	72
Net change in derivative assets and liabilities	**17**	74
Income tax expense	**(371)**	72
Income tax paid	**(180)**	(2,926)
Mortgages receivable, net	**(28,829)**	(20,577)
Customer deposits, net	**32,156**	15,917
Net change in working capital (Note 14)	**630**	(1,991)
	3,128	(8,975)
Financing Activities		
Shares issued pursuant to stock options exercised	**7**	1,242
	7	1,242
Investing Activities		
Addition of property, plant and equipment	**-**	(133)
Addition of intangible assets	**(101)**	(370)
	(101)	(503)
Net increase (decrease) in cash and cash equivalents	**3,034**	(8,236)
Cash and cash equivalents at the beginning of the period	**34,429**	25,568
Cash and cash equivalents at the end of the period	**$ 37,463**	$ 17,332

Supplemental cash flow information (Note 14)

1. Nature of operations

Equity Financial Holdings Inc. ("EQI" or the "Corporation") is a Canadian financial services company. Through its subsidiary, Equity Financial FX Inc. ("EFX") and its federally regulated subsidiary, Equity Financial Trust Company ("EFT"), the Corporation offers deposit-taking, and residential mortgage lending as well as transfer agent, foreign exchange and corporate trust services. The Corporation is incorporated and domiciled in Canada with its registered office located at 200 University Avenue, Suite 400, Toronto, Ontario and is traded on the Toronto Stock Exchange under the stock symbol EQI.

On April 5, 2013, the Corporation closed the sale transaction for its transfer agent and corporate trust operations, including corporate trust foreign exchange services (the "Transaction", see Note 8 and Note 18). The Corporation has wound down the core operations of EFX and the corporate trust foreign exchange operations continue to support the transition. Going forward, the Corporation will operate as a deposit-taking and residential mortgage lending company.

2. Summary of significant accounting policies

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), using the same basis of presentation and accounting policies disclosed in the annual audited consolidated financial statements for the financial year ended December 31, 2012.

These interim consolidated financial statements should be read in conjunction with the Corporation's December 31, 2012 annual audited consolidated financial statements. The principal accounting policies adopted in preparing these interim consolidated financial statements are the same accounting policies as compared with the 2012 annual consolidated audited financial statements with the exception of the following new accounting standards and amendments which the Corporation adopted effective January 1, 2013:

- IFRS 7 – Financial Instruments: Disclosures
- IFRS 10 – Consolidated Financial Statements
- IFRS 12 – Disclosure of Interest in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 9 – Employee Benefits

When IFRS 13 – Fair Value Measurement is adopted for the first time for the year ended December 31, 2013, additional disclosure will be required about fair values. Disclosures required under this standard for the interim consolidated financial statements are included in Note 5 (c). The adoption of the remaining standards noted above had no material impact on the interim consolidated financial statements.

These interim consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on May 14, 2013.

3. New standards and interpretations not yet adopted

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Corporation. There have been no pronouncements in addition to those disclosed in the 2012 annual consolidated audited financial statements.

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

4. Capital management

The Corporation's managed capital is comprised of its equity, which at March 31, 2013 totalled $51,339 (December 31, 2012 - $52,267). Senior management is responsible for managing the Corporation's capital and the main objectives are to ensure the longevity of its capital to support continued operations and to maintain shareholder returns on equity. To achieve these objectives, the Corporation manages capital to meet the regulatory requirements of its subsidiary, EFT, to ensure sufficient resources are available to meet day to day operating requirements, to allow it to enhance existing and develop new systems, to have the financial ability to expand the scope of its operations and services and to be able to take advantage of merger and acquisition opportunities that arise.

EFT's Capital Management Policy governs the quantity and quality of its capital, ensuring it meets regulatory capital requirements, while also providing a sufficient return. As part of its enterprise-wide internal capital adequacy assessment process ("ICAAP") EFT conducts stress tests across a variety of scenarios to evaluate the sufficiency of its capital. Two regulatory capital requirements are addressed by the Corporation's policy: the Assets to Capital Multiple ("ACM") and the risk based capital ratio.

EFT calculates regulatory capital and capital ratios based on capital adequacy rules issued by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"), which are based on "*Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework"* ("Basel III"), which became effective January 1, 2013. EFT's total regulatory capital is comprised entirely of shareholder's equity, referred to as common equity tier one capital ("CET 1"), comprised of total of share capital, contributed surplus and retained earnings, less adjustments for intangible assets and goodwill. EFT derives its risk based CET 1 ratio by dividing CET 1 capital by the sum of credit risk weighted assets and an operational risk charge. EFT calculates credit risk-weighted assets using the standardized approach and the operational risk charge using the basic indicator approach. EFT derives its ACM by dividing total net assets (total assets less adjustments for intangible assets and goodwill) by CET 1 capital.

Under Basel III, capital is calculated two ways during a transitional period ending January 1, 2018. To measure compliance with minimum risk based capital ratio requirements, capital is calculated on the all-in basis, which includes all applicable deductions immediately. ACM is evaluated using capital calculated on the transitional basis, which introduces certain capital deductions on a graduated basis during the transitional period. As at March 31, 2013, EFT held CET 1 on an "all-in" basis of $30,969 compared with $35,001 as at December 31, 2012. The decrease includes the additional deduction of approximately $3,000 of intangible assets as required by Basel III and also includes the effect of EFT's net loss for the quarter. For the purpose of calculating the ACM, CET 1 capital on the transitional basis as at March 31, 2013 was $34,467 and upon completion of the Transaction on April 5, 2013 this figure increased to over $85,000. EFT's regulatory capital and capital ratios are outlined in the table below.

	March 31, 2013	December 31, 2012
Regulatory capital (CET 1)		
All -in basis	$ 30,969	$ 35,001
Transitional basis	34,467	35,001
CET 1 ratio		
All -in basis	23.8%	28.7%
Transitional basis	25.8%	28.7%
Assets to capital multiple	7.68	6.64

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

5. Financial instruments

(a) Risks associated with financial instruments

The Corporation, like other financial institutions, is exposed to risks related to general economic conditions, operational errors, reliance on third party agents and outsourcing, competition, stock market volatility and government regulation, many of which are beyond the Corporation's direct control. The use of financial instruments exposes the Corporation to credit risk, liquidity risk and interest rate risk. A discussion of the Corporation's risk exposures and how it manages those risks can be found on pages 25 to 31 of the Corporation's 2012 Annual Management Discussion and Analysis.

(i) Interest rate sensitivity

The Corporation's exposure to interest rate risk results from the difference between the maturity of interest sensitive assets and liabilities. The following table shows the gap positions at March 31, 2013 and December 31, 2012. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

As at March 31, 2013	Floating Rate	0 months to 1 year	1 to 2 Years	Greater than 2 years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 37,463	$ -	$ -	$ -	$ -	$ 37,463
Effective interest rate	1.30%	-	-	-	-	1.30%
Mortgages receivable	-	164,962	48,938	12,976	-	226,876
Effective interest rate	-	5.37%	5.28%	5.25%	-	5.34%
Other assets	-	-	-	-	5,396	5,396
Assets held for sale	-	-	-	-	12,444	12,444
Total assets	$ 37,463	$ 164,962	$ 48,938	$ 12,976	$ 17,840	$ 282,179
Liabilities:						
Customer deposits	$ -	$ 183,146	$ 32,434	$ 9,333	$ -	$ 224,913
Effective interest rate	-	2.16%	2.44%	2.52%	-	2.22%
Other liabilities	-	-	-	-	4,635	4,635
Liabilities held for sale	-	-	-	-	1,292	1,292
Shareholders' equity	-	-	-	-	51,339	51,339
Total liabilities and equity	$ -	$ 183,146	$ 32,434	$ 9,333	$ 57,266	$ 282,179
Interest rate sensitive gap	$ 37,463	$ (18,184)	$ 16,504	$ 3,643	$ (39,426)	$ -
Cumulative gap	$ 37,463	$ 19,279	$ 35,783	$ 39,426	$ -	$ -
Cumulative gap as a percentage of total assets	13.3%	6.8%	12.7%	14.0%	0.0%	0.0%

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

5. Financial instruments (continued)

As at December 31, 2012	Floating Rate	0 months to 1 year	1 to 2 Years	Greater than 2 years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 34,429	$ -	$ -	$ -	$ -	$ 34,429
Effective interest rate	1.30%		-	-	-	1.30%
Mortgages receivable	-	145,774	41,986	10,387	-	$ 198,147
Effective interest rate	-	5.38%	5.22%	5.25%	-	5.34%
Other assets	-	-	-	-	5,561	5,561
Assets held for sale	-	-	-	-	13,305	13,305
Total assets	$ 34,429	$ 145,774	$ 41,986	$ 10,387	$ 18,866	$ 251,442
Liabilities:						
Customer deposits	$ -	$ 162,732	$ 22,687	$ 7,338	$ -	$ 192,757
Effective interest rate	-	2.19%	2.52%	2.58%	-	2.24%
Other liabilities	-	-	-	-	4,453	4,453
Liabilities held for sale	-	-	-	-	1,965	1,965
Shareholders' equity	-	-	-	-	52,267	52,267
Total liabilities and equity	$ -	$ 162,732	$ 22,687	$ 7,338	$ 58,685	$ 251,442
Interest rate sensitive gap	$ 34,429	$ (16,958)	$ 19,299	$ 3,049	$ (39,819)	$ -
Cumulative gap	$ 34,429	$ 17,471	$ 36,770	$ 39,819	$ -	$ -
Cumulative gap as a percentage of total assets	13.7%	6.9%	14.6%	15.8%	0.0%	0.0%

As at March 31, 2013, management believes asset and liability maturities have been appropriately matched to limit interest rate risk exposure.

(b) Fair value of financial instruments

Valuation methods and assumptions used to estimate fair values of financial instruments:

(i) Financial instruments with carrying values that approximate fair value

The carrying value of certain financial assets and financial liabilities corresponds to a reasonable approximation of fair value, primarily due to their short term nature. The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values.

(ii) Mortgages receivable

The fair value of mortgages receivable is determined by discounting the expected future cash flows of the mortgages at market rates for mortgages with similar terms and credit risks.

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

5. Financial instruments (continued)

(iii) Customer deposits

The fair value of customer deposits is determined by discounting the contractual cash flows using the market interest rates for deposits with similar terms and risks.

The following table presents the carrying value of each category of financial assets and liabilities and their estimated fair values. The table does not include assets and liabilities that are not considered financial instruments.

March 31, 2013	Loans and receivables/ financial liabilities at cost or amortized cost	Carrying Value	Fair Value
Financial assets:			
Cash and cash equivalents	$ 37,463	$ 37,463	$ 37,463
Mortgages receivable	226,876	226,876	227,361
Assets held for sale	1,466	1,466	1,466
Total financial assets	$ 265,805	$ 265,805	$ 266,290
Financial liabilities:			
Accounts payable and accrued liabilities	$ 3,283	$ 3,283	$ 3,283
Customer deposits	224,913	224,913	225,234
Liabilities held for sale	263	263	263
Total financial liabilities	$ 228,459	$ 228,459	$ 228,780

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

5. Financial instruments (continued)

December 31, 2012	Fair value through profit and loss	Loans and receivables/ financial liabilities at cost or amortized cost	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	$ -	$ 34,429	$ 34,429	$ 34,429
Mortgages receivable	-	198,147	198,147	198,486
Derivative assets	275	-	275	275
Assets held for sale	-	1,978	1,978	1,978
Total financial assets	$ 275	$ 234,554	$ 234,829	$ 235,168
Financial liabilities:				
Accounts payable and accrued liabilities	$ -	$ 2,224	$ 2,224	$ 2,224
Customer funds held	-	709	709	709
Customer deposits	-	192,757	192,757	193,074
Derivative liabilities	258	-	258	258
Liabilities held for sale	-	1,017	1,017	1,017
Total financial liabilities	$ 258	$ 196,707	$ 196,965	$ 197,282

As of March 31, 2013, the Corporation no longer carried derivative assets, derivative liabilities and customer funds due to wind-down of EFX.

(c) Fair value hierarchy

The Corporation categorizes its financial assets and liabilities into one of three different levels as described below:

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments, mortgages receivable and customer deposits in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Derivative assets and liabilities are categorized at Level 2 since their valuation is not based on quoted prices, but determined based on a market approach using observable inputs being foreign exchange rates derived from third-party pricing services. Mortgages receivable and customer deposits are categorized as Level 2 since their valuation is not based on quoted market prices, but determined using observable market inputs being interest rates derived from third party sources.

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

6. Mortgages receivable

a) Mortgages receivable

		Allowance for credit losses			March 31, 2013
	Gross amount	Individual	Collective	Total	Net amount
Mortgages	$ 227,179	$ -	$ 795	$ 795	$ 226,384
Accrued interest	492	-	-	-	492
	$ 227,671	$ -	$ 795	$ 795	$ 226,876

		Allowance for credit losses			December 31, 2012
	Gross amount	Individual	Collective	Total	Net amount
Mortgages	$ 198,413	$ -	$ 694	$ 694	$ 197,719
Accrued interest	428	-	-	-	428
	$ 198,841	$ -	$ 694	$ 694	$ 198,147

The balance of mortgages receivable consists of uninsured loans for terms of one to five years for the purchase or refinancing of single-family homes in Ontario, located in the Greater Golden Horseshoe Area and the Greater Ottawa area and immediately adjacent urban and suburban communities.

At March 31, 2013, the current portion of mortgages due within one year is $164,962 (December 31, 2012 - $145,774), the average term to maturity of the portfolio is 0.9 years (December 31, 2012 – 0.9 years) while the average amortization period for all loans is 33 years. The average effective interest rate of the portfolio as at March 31, 2013 is 5.34% (December 31, 2012 – 5.34%)

The Corporation has outstanding commitments to make future advances on mortgage loans of $22,500 at March 31, 2013 (December 31, 2012 – $12,000). Commitments for the loans remain open for various dates through July 2013.

b) Allowance for credit losses

	March 31, 2013		
	Individual Allowance	Collective Allowance	Total
Balance, beginning of period	$ -	$ 694	$ 694
Provision for credit losses	-	101	101
Realized losses	-	-	-
Recoveries	-	-	-
Balance, end of period	$ -	$ 795	$ 795

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

6. Mortgages receivable (continued)

	December 31, 2012		
	Individual Allowance	Collective Allowance	Total
Balance, beginning of year	$ -	$ 298	$ 298
Provision for credit losses	-	396	396
Realized losses	-	-	-
Recoveries	-	-	-
Balance, end of year	$ -	$ 694	$ 694

c) Impaired and past due mortgages

The Corporation classifies a mortgage receivable as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest. As a matter of practice, unless collection efforts are reasonably expected to result in repayment, mortgages are deemed to be impaired when they have been in arrears for 90 days or more. An exception may be made where the Corporation determines that the mortgage is well secured and in the process of collection, and the collection efforts are reasonably expected to result in either full repayment of the mortgage or restoring it to its current status.

As at March 31, 2013, there were no impaired mortgages.

A loan is considered past due when a borrower has not made a payment by the contractual due date. However, loans past due 30 days or less are not administratively considered past due and are not presented in the analysis below. The following table presents the carrying value of mortgages that are past due but not classified as impaired because either they are less than 90 days past due, collection efforts are reasonably expected to result in repayment, or they have been restored to a current status in accordance with the Corporation’s policy since the balance sheet date.

	March 31 , 2013			
	31-60 days	61-90 days	> 90 days	Total
Mortgages	$ 934	$ 386	$ 1,127	$ 2,447

	December 31 , 2012			
	31-60 days	61-90 days	> 90 days	Total
Mortgages	$ 815	$ 107	$ 580	$ 1,502

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

7. Customer deposits

	March 31, 2013	December 31, 2012
GICs with fixed maturity dates	$ 222,724	$ 191,122
Accrued interest	2,582	1,984
Deferred deposit agent commissions	(393)	(349)
	$ 224,913	$ 192,757

Customer deposits are comprised of GICs with fixed maturity dates. At March 31, 2013, the current portion of customer deposits due within one year is $183,146 (December 31, 2012 – $162,732) and the average term to maturity is 0.7 years (December 31, 2012 – 0.7 years). The average effective interest rate as at March 31, 2013 is 2.22% (December 31, 2012 – 2.24%)

8. Assets and liabilities held for sale and discontinued operations

On April 5, 2013, the Corporation closed the Transaction and the related assets and liabilities are presented as a disposal group held for sale.

At March 31, 2013, the disposal group comprised the following assets and liabilities:

	As at	
Total held for sale – Balance Sheets	March 31, 2013	December 31, 2012
Accounts receivable	**$ 1,466**	$ 1,978
Prepaids and other current assets	**201**	415
Deferred tax assets	**26**	38
Property, plant and equipment	**971**	971
Intangibles, net	**992**	1,115
Goodwill	**8,788**	8,788
Total assets	**12,444**	13,305
Accounts payable and accrued liabilities	**263**	1,017
Deferred revenue	**607**	542
Deferred tax liabilities	**422**	406
Total liabilities	**$ 1,292**	$ 1,965

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

8. Assets and liabilities held for sale and discontinued operations (continued)

Transfer agent and corporate trust operations are presented as discontinued operations. As the core operations of EFX have been wound down, these operations have also been presented as discontinued operations.

Total discontinued operations – Statements of Operations and Comprehensive Income		For the three months ended March 31, 2013		2012
Fees and margin revenue	**$**	**3,554**	$	4,502
Net interest income		**13**		44
Fees and margin revenue and net interest income		**3,567**		4,546
Staffing costs		**1,852**		1,773
Recoverable operating expenses		**469**		531
Rent		**142**		76
Selling, general and administration		**1,650**		1,083
Total non interest expenses		**4,113**		3,463
Operating earnings (loss) before depreciation, amortization and impairment losses		**(546)**		1,083
Depreciation of property, plant and equipment		**1**		57
Amortization of intangible assets		**127**		61
Impairment losses on foreign exchange assets		**256**		-
Operating earnings (loss) before income taxes from discontinued operations		**(930)**		**965**
Income taxes (Note 9)				
Current		**(209)**		262
Deferred		**(83)**		(7)
		(292)		255
Net earnings (loss) from discontinued operations	**$**	**(638)**	$	710

Total discontinued operations – Statements of Cash Flows		For the three months ended March 31, 2013		2012
Net cash (used in) from operating activities	**$**	**(2,484)**	$	(2,488)
Net cash (used in) investing activities		**-**		(79)
Net cash (used in) from financing activities		**-**		-
Net change in cash		**(2,484)**		(2,567)

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

9. Income taxes

The Corporation computes an income tax provision in each of the jurisdictions in which it operates. The operations are subject to income tax rates of approximately 26.6% (December 31, 2012 - 26.0%). The following table reconciles the expected income tax provision at applicable Canadian statutory income tax rates to the amounts recognized in the interim consolidated statements of operations and comprehensive income:

	For the three months ended March 31, 2013	2012
Operating loss before income taxes from continuing operations reflected in interim consolidated statements of operations and comprehensive income	**$ (467)**	$ (847)
Income tax provision at statutory rate	**(124)**	(221)
Effect of differences in current and deferred enacted statutory tax rates	**-**	-
Share based payment expense not deductible for tax purposes	**24**	34
Non deductible expenses for tax purposes	**2**	1
Other differences	**19**	3
Income tax provision per financial statements	**$ (79)**	$ (183)

	For the three months ended March 31, 2013	2012
Operating earnings (loss) before income taxes from discontinued operations reflected in interim consolidated statements of operations and comprehensive income	**$ (930)**	$ 965
Income tax provision at statutory rate	**(277)**	251
Effect of differences in current and deferred enacted statutory tax rates	**-**	-
Non deductible expenses for tax purposes	**5**	8
Other differences	**(20)**	(4)
Income tax provision per financial statements	**$ (292)**	$ 255

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

9. Income taxes (continued)

The movements in 2013 deferred tax liabilities and assets are:

	Opening Balance at January 1, 2013	Recognized in Net Earnings	Closing Balance at March 31, 2013
Deferred tax liabilities			
Property, plant and equipment	$ 365	(85)	**$ 280**
License costs	320	-	**320**
Deferred tax liability	$ 685	(85)	**$ 600**
Deferred tax assets			
Deferred acquisition, financing and share issue costs	$ 218	(17)	**$ 201**
Mortgage provision for credit losses	18	3	**21**
Other	25	7	**32**
Deferred tax assets	$ 261	(7)	**$ 254**
Net deferred tax liability	$ 424	(78)	**$ 346**

10. Share capital

The authorized capital of the Corporation consists of an unlimited number of no par value common shares.

	Number of Shares	Amount
Issued and outstanding at January 1, 2012	8,973,926	$ 27,900
Exercise of stock options (b)	181,081	1,649
Issued and outstanding at December 31, 2012	9,155,007	$ 29,549
Exercise of stock options (a)	833	10
Issued and outstanding at March 31, 2013	9,155,840	$ 29,559

Transactions completed during the period ended March 31, 2013:

(a) Employees of the Corporation exercised 833 stock options at an exercise price of $8.70 per share for 833 common shares for total proceeds of $7. The weighted average share price at the time of exercise was $9.42 per share. Share capital also increased by a reclassification from contributed surplus of $3, which is the amount previously recognized as share-based payment expense for these options.

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

10. Share capital (continued)

Transactions completed during the year ended December 31, 2012:

(b) Employees of the Corporation exercised 181,081 stock options at exercise prices of $2.25, $5.30, $6.69, $6.95 and $8.00 per share for 1,500, 2,000, 3,000, 169,581 and 5,000 common shares, respectively, for total proceeds of $1,253 and the weighted average share price at the time of exercise was $10.07 per share. Share capital also increased by a reclassification from contributed surplus of $396, which is the amount previously recognized as share-based payment expense for these options.

11. Share based payments

a) Stock options

The amended Stock Option Plan ("the Plan") was approved by the shareholders of the Corporation on April 2, 2013. The purpose of the Plan is to provide additional incentives to employees, executive officers, directors and consultants and to promote the success of the Corporation's business by allowing such persons to partake in the equity of the Corporation. Management proposes the issuance of options and the Board of Directors provides approval of all options granted under the Plan. The aggregate number of shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding shares as at the date of grant of each Option under the Plan, which at March 31, 2013 was 915,584.

A summary of the Corporation's stock options is presented below:

	Number of Stock Options		Weighted Average Exercise Price	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Opening balance	552,833	610,711	$ 8.12	$ 7.50
Options granted	-	193,000	-	9.50
Options exercised	(833)	(181,081)	(8.70)	(6.92)
Options expired	(20,000)	(41,630)	(8.50)	-9.68
Options forfeited	(2,500)	(28,167)	(9.63)	(9.58)
Ending balance	529,500	552,833	$8.10	$8.12

There were 334,000 exercisable options outstanding at March 31, 2013 (265,667 – December 31, 2012), the weighted average exercise price of exercisable options at March 31, 2013 is $7.52 and the weighted average remaining contractual life for the options outstanding at March 31, 2013 is 2.8 years.

The weighted average grant date fair value of options granted during the three month period ended March 31, 2013 was $Nil (year ended December 31, 2012 - $3.50). During the three month period ended March 31, 2013, the Corporation recognized $91 (2012 - $131) as share-based payment expense.

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

11. Share based payments (continued)

b) Deferred share units

The Corporation offers a Deferred Share Unit Plan ("DSU") for members of the Board of Directors. Under the DSU plan, non-employee Directors of the Corporation will receive DSUs as part of their annual compensation. Units are redeemable for cash only following cessation of service on the Board of Directors and must be settled within 30 days of when the cessation occurred. At March 31, 2013, there were 62,811 DSUs outstanding representing a liability of $599. Non-employee Directors of the Corporation were not granted DSUs during the three month period ended March 31, 2013. The weighted average grant date fair value of DSUs granted during the three month period ended March 31, 2013 was $nil (December 31, 2012 - $8.50) and during the three month period ended March 31, 2013, the Corporation recognized $157 (2012 - $64) in selling, general and administrative expense and recorded a corresponding liability.

12. Earnings per share

The following table sets out the computation of basic and diluted earnings per share:

	For the three months ended March 31, 2013	2012
Basic earnings per share		
Net earnings (loss)	**$ (1,026)**	$ 46
Net earnings (loss) from discontinued operations	**(638)**	710
Net loss from continuing operations	**$ (388)**	$ (664)
Weighted average number of common shares outstanding - basic	**9,155,377**	9,063,656
Basic earnings (loss) per share		
Continuing operations	**$ (0.04)**	$ (0.07)
Discontinued operations	**(0.07)**	0.08
Total	**$ (0.11)**	$ 0.01
Diluted earnings per share		
Net earnings (loss)	**$ (1,026)**	$ 46
Net earnings (loss) from discontinued operations	**(638)**	710
Net loss from continuing operations	**$ (388)**	$ (664)
Weighted average number of common shares outstanding - basic	**9,155,377**	9,063,656
Effect of dilutive shares	**-**	118,877
Weighted average number of common shares outstanding - diluted	**9,155,377**	9,182,533
Diluted earnings (loss) per share		
Continuing operations	**$ (0.04)**	$ (0.07)
Discontinued operations	**(0.07)**	0.08
Total	**$ (0.11)**	$ 0.01

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

13. Related party transactions

During the period ended March 31, 2013, the Corporation entered into various transactions with companies related to directors and officers of the Corporation. The amounts of the transaction and the liabilities incurred were insignificant. All outstanding balances are due to be settled in cash after the period end date and are not secured.

14. Supplemental cash flow information

Operational cash flows from interest	For the three months ended March 31, 2013	2012
Cash interest received	**$ 2,720**	$ 1,118
Cash interest paid	**(372)**	(15)
	$ 2,348	$ 1,103

Net change in working capital	For the three months ended March 31, 2013	2012
Accounts receivable	**$ 512**	$ (15)
Prepaids and other current assets	**281**	87
Accounts payable and accrued liabilities	**464**	(976)
Customer funds held	**(709)**	(1,191)
Deferred revenue	**82**	104
Net change in working capital	**$ 630**	$ (1,991)

15. Segregated funds

At March 31, 2013, EFT held, as segregated funds on behalf of its clients, cash and short-term deposits in the amount of $203,963 (December 2012 - $277,341).

16. Segment information

The Corporation has three reportable segments: mortgage, foreign exchange and transfer agent & trust. These segments are managed separately because they are subject to different regulatory environments, have different technology requirements and serve different client needs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies and segment performance is evaluated based on net earnings. The Corporation’s corporate head office is not considered a reportable segment as its operations are administrative in nature and do not include substantive revenue-generating activities.

As a result of the closing of the sale transaction as described in Note 1, going forward, the Corporation will operate only as one segment, a deposit-taking and residential mortgage lending company.

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

16. Segment information (continued)

For three months ended March 31, 2013	Continuing operations Mortgage	Discontinued operations Transfer Agent & Trust	Foreign Exchange	Earnings from Discontinued	Total Segment
Net Interest Income	$ 1,808	$ 5	$ 8	$ 13	$ 1,821
Other revenue	147	3,481	73	3,554	3,701
Total net interest income and other revenue	$ 1,955	$ 3,486	$ 81	$ 3,567	$ 5,522
Non interest expenses	$ 2,266	$ 3,706	$ 407	$ 4,113	$ 6,379
Depreciation and amortization of property, plant and equipment and intangible assets and other gains and losses	$ 156	$ -	$ 384	$ 384	$ 541
Income taxes	$ (79)	$ (66)	$ (226)	$ (292)	$ (371)
Segment net loss	$ (388)	$ (154)	$ (484)	$ (638)	$ (1,026)

For three months ended March 31, 2012	Continuing operations Mortgage	Discontinued operations Transfer Agent & Trust	Foreign Exchange	Earnings from Discontinued	Total Segment
Net Interest Income	$ 857	$ 3	$ 41	$ 44	$ 901
Other revenue	43	4,115	387	4,502	4,545
Total net interest income and other revenue	$ 900	$ 4,118	$ 428	$ 4,546	$ 5,446
Non interest expenses	$ 1,658	$ 2,845	$ 617	$ 3,463	$ 5,120
Depreciation and amortization of property, plant and equipment and intangible assets and write down of assets	$ 89	$ 94	$ 24	$ 118	$ 207
Income Taxes	$ (183)	$ 311	$ (56)	$ 255	$ 72
Segment net earnings (loss)	$ (664)	$ 868	$ (157)	$ 710	$ 46

$000 Canadian dollars, except per share and share based payment amounts (unaudited)

16. Segment information (continued)

As at March 31, 2013	Mortgage	Transfer Agent & Trust	Foreign Exchange	Total Segment
Segment total assets	261,287	8,060	5,073	274,420
Segment total liabilities	228,623	1,292	38	229,953

As at December 31, 2012	Mortgage	Transfer Agent & Trust	Foreign Exchange	Total Segment
Segment total assets	228,117	8,920	9,215	246,252
Segment total liabilities	195,045	1,965	1,288	198,298

Other than as noted, significant items relating to assets and liabilities held by EQI are as detailed below:

Assets	As at March 31, 2013	As at December 31, 2012
Total assets of the segments	$ 274,420	$ 246,252
Other unallocated amounts:		
Cash	7,257	4,650
Intangibles (software)	261	285
Deferred tax assets	201	218
Other assets or adjustments	41	37
Consolidated total assets	$ **282,179**	$ **251,442**
Liabilities		
Total liabilities of the segments	$ 229,953	$ 198,298
Accounts payable & accrued liabilities	830	805
Deferred tax liabilities	68	74
Other liabilities or adjustments	(11)	(2)
Consolidated total liabilities	$ **230,840**	$ **199,175**

17. Contingent Liability

In October 2011, a former officer and director of Coventree Inc. (“Coventree”) and certain corporations affiliated with him commenced proceedings in the Ontario Superior Court of Justice against Coventree and against EFT related to the cancellation of certain shares of Coventree (the “Proceeding”). The amount claimed is approximately $3.3 million, plus pre-judgment interest and costs. EFT has filed a Statement of Defense and crossclaim against Coventree for contribution and indemnity. EFT intends to vigorously defend the Proceeding. As is customary in connection with our transfer agency business, Coventree has agreed, subject to certain limitations, to indemnify us for any liabilities we may incur in connection with the Proceeding, including legal fees and disbursements (the “Indemnity”).

The inspectors and the liquidator in the court-supervised winding-up of Coventree have determined that the claims against Coventree and EFT will still be decided in the context of the Proceeding, notwithstanding the winding-up. EFT has filed a claim against Coventree under the claims procedure in the winding-up for the full amount of Coventree’s potential exposure to it under the Indemnity. The liquidator has reserved the sum of $5 million for the Proceeding. The Corporation has not recorded a liability related to this matter.

18. Subsequent Events

On April 5, 2013, the Corporation finalized an asset purchase agreement to sell the disposal group comprised of the Corporation’s transfer agent and corporate trust operations including corporate trust foreign exchange services to an affiliate of TMX Group Inc. The consideration received by the Corporation pursuant to the transaction was $64,000 in cash proceeds, subject to certain post-closing price adjustments.

In May 2013, 222,000 stock options were granted to employees. The grant date fair value of these awards is approximately $740.