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**EQUITY FINANCIAL HOLDINGS INC.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**Second Quarter Ended June 30, 2013**

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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)	June 30, 2013	December 31, 2012
<b>Assets</b>		
Cash and cash equivalents	\$ 55,507	\$ 34,429
Mortgages receivable (Note 6)	276,550	198,147
Assets held for sale (Note 10)	-	13,305
Current income taxes receivable	605	598
Deferred tax assets (Note 11)	260	261
Other assets (Note 8)	1,388	610
Property, plant and equipment	818	916
Intangibles	2,795	3,176
	<b>\$ 337,923</b>	<b>\$ 251,442</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Customer deposits (Note 7)	\$ 230,840	192,757
Liabilities held for sale (Note 10)	-	1,965
Current income taxes payable	7,272	-
Deferred tax liabilities (Note 11)	786	685
Other liabilities (Note 9)	3,832	3,768
	<b>242,730</b>	<b>199,175</b>
<b>Shareholders' Equity</b>		
Share capital (Note 12)	30,745	29,549
Contributed surplus	1,911	1,903
Retained earnings	62,537	20,815
	<b>95,193</b>	<b>52,267</b>
	<b>\$ 337,923</b>	<b>\$ 251,442</b>

Contingent Liability (Note 15)

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)**

Six months ended June 30, 2013 and 2012

(\$000s)	Share Capital		Contributed Surplus	Retained Earnings	Total Equity
	Shares	Amount			
<b>Balance December 31, 2011</b>	8,973,926	\$27,900	\$1,817	\$20,281	\$49,998
Exercise of stock options (Note 13)	179,081	1,637	(395)	-	1,242
Net earnings	-	-	-	320	320
Share-based payment expense	-	-	270	-	270
<b>Balance June 30, 2012</b>	9,153,007	\$29,537	\$1,692	\$20,601	\$51,830
<b>Balance December 31, 2012</b>	9,155,007	\$29,549	\$1,903	\$20,815	\$52,267
Exercise of stock options (Note 13)	109,333	1,196	(325)	-	871
Net earnings	-	-	-	41,722	41,722
Share-based payment expense	-	-	333	-	333
<b>Balance June 30, 2013</b>	9,264,340	<b>\$30,745</b>	<b>\$1,911</b>	<b>\$62,537</b>	<b>\$95,193</b>

**EQUITY FINANCIAL HOLDINGS INC.**

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

**(unaudited)**

(\$000s, except share and per share amounts)	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Interest income	\$ 3,529	\$ 1,694	\$ 6,426	\$ 2,985
Interest expense	(1,223)	(633)	(2,312)	(1,067)
Net interest income	2,306	1,061	4,114	1,918
Provision for credit losses	(176)	(117)	(277)	(189)
Net interest income, net of provision	2,130	944	3,837	1,729
Other income	212	67	359	110
<b>Net interest income and other income, net of provision</b>	<b>2,342</b>	<b>1,011</b>	<b>4,196</b>	<b>1,839</b>
Non interest expenses				
Staffing costs	1,314	915	2,511	1,849
Other operating expenses	1,001	805	2,125	1,546
Total non interest expenses	2,315	1,720	4,636	3,395
<b>Earnings (loss) before income taxes</b>	<b>27</b>	<b>(709)</b>	<b>(440)</b>	<b>(1,556)</b>
Income tax expense (recovery) (Note 11)				
Current	16	(204)	(96)	(392)
Deferred	10	10	43	15
	26	(194)	(53)	(377)
<b>Net earnings (loss) from continuing operations</b>	<b>1</b>	<b>(515)</b>	<b>(387)</b>	<b>(1,179)</b>
<b>Discontinued operations (Note 10)</b>				
Net earnings from discontinued operations	42,747	789	42,109	1,499
<b>Net earnings and comprehensive income</b>	<b>\$ 42,748</b>	<b>\$ 274</b>	<b>\$ 41,722</b>	<b>\$ 320</b>
Basic earnings per share	\$ 4.66	\$ 0.03	\$ 4.55	\$ 0.04
Basic loss per share from continuing operations	-	(0.06)	(0.04)	(0.13)
Basic earnings per share discontinued operations	4.66	0.09	4.59	0.17
Diluted earnings per share	\$ 4.60	\$ 0.03	\$ 4.49	\$ 0.04
Diluted loss per share from continuing operations	-	(0.06)	(0.04)	(0.13)
Diluted earnings per share from discontinued operations	4.60	0.09	4.53	0.17
<b>Weighted average number of common shares outstanding</b>				
Basic	9,183,324	9,153,007	9,169,428	9,108,331
Diluted	9,297,573	9,225,843	9,258,254	9,203,979

**EQUITY FINANCIAL HOLDINGS INC.**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(unaudited)**

(\$000s)	For the six months ended June 30,	
	2013	2012
Cash flows provided by (used in)		
<b>Operating Activities</b>		
Net earnings for the period	\$ 41,722	\$ 320
Adjustments to determine cash flows relating to operating activities		
Depreciation of property, plant and equipment	98	167
Amortization of intangible assets	367	253
Impairment losses on asset write-downs	267	-
Gain on disposal of discontinued operations, net of tax (Note 10)	(43,850)	-
Share-based payments	333	270
Provision for credit losses	277	189
Net change in derivative assets and liabilities	17	102
Income tax expense (recovery)	(626)	288
Income tax paid	(331)	(3,080)
Mortgages receivable, net	(78,680)	(54,088)
Customer deposits, net	38,082	85,355
Other assets	(272)	(260)
Other liabilities	(1,056)	(269)
	<b>(43,652)</b>	<b>29,247</b>
<b>Financing Activities</b>		
Shares issued pursuant to stock options exercised	871	1,242
	<b>871</b>	<b>1,242</b>
<b>Investing Activities</b>		
Proceeds from sale of discontinued operations (Note 10)	64,000	-
Addition of property, plant and equipment	(8)	(197)
Addition of intangible assets	(133)	(721)
	<b>63,859</b>	<b>(918)</b>
Net increase in cash and cash equivalents	21,078	29,571
Cash and cash equivalents at the beginning of the period	34,429	25,568
Cash and cash equivalents at the end of the period	\$ 55,507	\$ 55,139
<b>Supplementary Disclosure of Cash Flow Information</b>		
Cash interest received	\$ 6,042	\$ 2,584
Cash interest paid	(1,745)	(142)

**EQUITY FINANCIAL HOLDINGS INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
Second Quarter ended June 30, 2013

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

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**1. Nature of operations**

Equity Financial Holdings Inc. (“EQI” or the “Corporation”) is a Canadian financial services company, traded on the Toronto Stock Exchange under the stock symbol EQI. Through its federally regulated subsidiary, Equity Financial Trust Company (“EFT”), the Corporation offers alternative residential mortgage loans funded through the issuance of retail deposits. The Corporation is incorporated and domiciled in Canada with its registered office located at 200 University Avenue, Suite 400, Toronto, Ontario.

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 10) and during the second quarter of 2013 also completed the wind-down of the core foreign exchange operations of Equity Financial FX Inc (“EFX”). The Corporation is now positioned to focus on its growing residential mortgage lending and deposit-taking business.

**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 audited consolidated 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 19 – 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 August 13, 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 audited consolidated financial statements.

**EQUITY FINANCIAL HOLDINGS INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. Capital management**

The Corporation's managed capital is comprised of its equity, which at June 30, 2013 totalled \$95,193 (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 is subject to the regulatory capital requirements governed by the Office of the Superintendent of Financial Institutions of Canada ("OSFI").

EFT's Capital Management Policy governs the quantity and quality of its capital, ensuring it meets minimum regulatory capital requirements, is consistent with the Corporation's risk appetite framework, and supports our business plans. Our internal capital adequacy assessment process ("ICAAP") is integral to our capital planning activities and incorporates a stress testing program that evaluates the impact potential scenarios have on income and capital. Regulatory capital requirements addressed by our policy include the Assets to Capital Multiple ("ACM") and risk based capital ratios (common equity tier 1, tier 1 and total capital).

EFT calculates regulatory capital and capital ratios based on the Capital Adequacy Requirements Guidelines issued by OSFI. The guidelines are based on "*Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework*" ("Basel III"), which EFT adopted effective January 1, 2013. 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. As at June 30, 2013, EFT held Common Equity Tier 1 capital ("CET 1") on an "all-in" basis of \$83,575 compared to \$35,001 as at December 31, 2012. The increase primarily reflects the gain from the disposition of the transfer agent and corporate trust services business net of the goodwill disposed of. ACM is evaluated using capital calculated on the transitional basis, which introduces certain capital deductions on a graduated basis during the transitional period. For the purpose of calculating the ACM, CET 1 capital on the transitional basis as at June 30, 2013 was \$86,132.

EFT's regulatory capital and capital ratios are outlined in the table below.

	As at		
	June 30, 2013		December 31, 2012
	All-in	Transitional	Basel II
<b>Common Equity Tier 1 capital (CET1)</b>	<b>83,575</b>	<b>86,132</b>	35,001
<b>Tier 1 capital</b>	<b>83,575</b>	<b>86,132</b>	35,001
<b>Total capital</b>	<b>83,575</b>	<b>86,132</b>	35,001
<b>Total risk-weighted assets</b>	<b>146,649</b>	<b>149,206</b>	121,799
<b>Capital ratios</b>			
Common Equity Tier 1 (as percentage of risk-weighted assets)	57.0%	57.7%	28.7%
Tier 1 (as percentage of risk-weighted assets)	57.0%	57.7%	28.7%
Total capital (as percentage of risk-weighted assets)	57.0%	57.7%	28.7%
Assets-to-Capital Multiple	N/A	3.81	6.64
<b>OSFI all-in target</b>			
Common Equity Tier 1 capital all-in target ratio	7.0%	N/A	7.0%
Tier 1 capital all-in target ratio	8.5%	N/A	8.5%
Total capital all-in target ratio	10.5%	N/A	10.5%

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**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 June 30, 2013 and December 31, 2012. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

As at June 30, 2013	Floating Rate	0 months to 1 year	1 to 2 Years	Greater than 2 years	Non-interest Sensitive	Total
<b>Assets:</b>						
Cash and cash equivalents	\$ 55,507	\$ -	\$ -	\$ -	\$ -	\$ 55,507
Effective interest rate	1.30%	-	-	-	-	1.30%
Mortgages receivable	-	201,124	59,836	15,590	-	276,550
Effective interest rate	-	5.31%	5.34%	5.20%	-	5.31%
Other assets	-	-	-	-	5,866	5,866
<b>Total assets</b>	<b>\$ 55,507</b>	<b>\$ 201,124</b>	<b>\$ 59,836</b>	<b>\$ 15,590</b>	<b>\$ 5,866</b>	<b>\$ 337,923</b>
<b>Liabilities:</b>						
Customer deposits	\$ -	\$ 182,426	\$ 36,303	\$ 12,111	\$ -	\$ 230,840
Effective interest rate	-	2.13%	2.28%	2.46%	-	2.17%
Other liabilities	-	-	-	-	11,890	11,890
Shareholders' equity	-	-	-	-	95,193	95,193
<b>Total liabilities and equity</b>	<b>\$ -</b>	<b>\$ 182,426</b>	<b>\$ 36,303</b>	<b>\$ 12,111</b>	<b>\$ 107,083</b>	<b>\$ 337,923</b>
<b>Interest rate sensitive gap</b>	<b>\$ 55,507</b>	<b>\$ 18,698</b>	<b>\$ 23,533</b>	<b>\$ 3,479</b>	<b>\$ (101,217)</b>	<b>\$ -</b>
<b>Cumulative gap</b>	<b>\$ 55,507</b>	<b>\$ 74,205</b>	<b>\$ 97,738</b>	<b>\$ 101,217</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cumulative gap as a percentage of total assets</b>	<b>16.4%</b>	<b>22.0%</b>	<b>28.9%</b>	<b>30.0%</b>	<b>0.0%</b>	<b>0.0%</b>



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**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
<b>Assets:</b>						
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
<b>Total assets</b>	<b>\$ 34,429</b>	<b>\$ 145,774</b>	<b>\$ 41,986</b>	<b>\$ 10,387</b>	<b>\$ 18,866</b>	<b>\$ 251,442</b>
<b>Liabilities:</b>						
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
<b>Total liabilities and equity</b>	<b>\$ -</b>	<b>\$ 162,732</b>	<b>\$ 22,687</b>	<b>\$ 7,338</b>	<b>\$ 58,685</b>	<b>\$ 251,442</b>
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 June 30, 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, accounts receivable 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.

(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.

**EQUITY FINANCIAL HOLDINGS INC.**  
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**5. Financial instruments (continued)**

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.

June 30, 2013	Fair value through profit and loss	Loans and receivables/ financial liabilities at cost or amortized cost	Carrying Value	Fair Value
<b>Financial assets:</b>				
Cash and cash equivalents	\$ -	\$ 55,507	\$ 55,507	\$ 55,507
Accounts receivable	-	941	941	941
Mortgages receivable	-	276,550	276,550	276,951
<b>Total financial assets</b>	<b>\$ -</b>	<b>\$ 332,998</b>	<b>\$ 332,998</b>	<b>\$ 333,399</b>
<b>Financial liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 2,880	\$ 2,880	\$ 2,880
Customer deposits	-	230,840	230,840	233,258
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ 233,720</b>	<b>\$ 233,720</b>	<b>\$ 236,138</b>

December 31, 2012	Fair value through profit and loss	Loans and receivables/ financial liabilities at cost or amortized cost	Carrying Value	Fair Value
<b>Financial assets:</b>				
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
<b>Total financial assets</b>	<b>\$ 275</b>	<b>\$ 234,554</b>	<b>\$ 234,829</b>	<b>\$ 235,168</b>
<b>Financial liabilities:</b>				
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
<b>Total financial liabilities</b>	<b>\$ 258</b>	<b>\$ 196,707</b>	<b>\$ 196,965</b>	<b>\$ 197,282</b>

As of June 30, 2013, the Corporation no longer carried derivative assets, derivative liabilities and customer funds due to wind-down the core foreign exchange operations of EFX.

**EQUITY FINANCIAL HOLDINGS INC.**  
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**5. Financial instruments (continued)**

**(c) Fair value hierarchy**

The Corporation categorizes its financial assets and liabilities into one of three hierarchy 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.

**6. Mortgages receivable**

a) Mortgages receivable

	<u>Allowance for credit losses</u>				June 30, 2013	
	Gross amount	Individual	Collective	Total	Net amount	
Mortgages	\$ 276,979	\$ -	\$ 971	\$ 971	\$ 276,008	
Accrued interest	542	-	-	-	542	
	<u>\$ 277,521</u>	<u>\$ -</u>	<u>\$ 971</u>	<u>\$ 971</u>	<u>\$ 276,550</u>	

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

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.

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**6. Mortgages receivable (continued)**

At June 30, 2013, the current portion of mortgages receivable within one year is \$201,124 (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 June 30, 2013 is 5.31% (December 31, 2012 – 5.34%)

The Corporation has outstanding commitments to make future advances on mortgage loans of \$42,800 at June 30, 2013 (December 31, 2012 – \$12,000). Commitments for the loans remain open for various dates through October 2013.

b) Allowance for credit losses

	June 30, 2013		
	Individual Allowance	Collective Allowance	Total
Balance, beginning of period	\$ -	\$ 694	\$ 694
Provision for credit losses	-	277	277
Realized losses	-	-	-
Recoveries	-	-	-
<b>Balance, end of period</b>	<b>\$ -</b>	<b>\$ 971</b>	<b>\$ 971</b>

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

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 June 30, 2013 and December 31, 2012, 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.

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**6. Mortgages receivable (continued)**

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.

June 30 , 2013				
	31-60 days	61-90 days	> 90 days	Total
<b>Mortgages</b>	<b>\$ 1,817</b>	<b>\$ 1,147</b>	<b>\$ -</b>	<b>\$ 2,964</b>

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

**7. Customer deposits**

	June 30, 2013	December 31, 2012
GICs with fixed maturity dates	\$ 229,028	\$ 191,122
Accrued interest	2,294	1,984
Deferred deposit agent commissions	(482)	(349)
	<b>\$ 230,840</b>	<b>\$ 192,757</b>

Customer deposits are comprised of GICs with fixed maturity dates. At June 30, 2013, the current portion of customer deposits due within one year is \$182,426 (December 31, 2012 – \$162,732) and the average term to maturity is 0.8 years (December 31, 2012 – 0.7 years). The average effective interest rate as at June 30, 2013 is 2.17% (December 31, 2012 – 2.24%)

**8. Other assets**

	June 30, 2013	December 31, 2012
Accounts receivable	\$ 941	\$ -
Prepays and other current assets	447	335
Derivative assets	-	275
	<b>\$ 1,388</b>	<b>\$ 610</b>

**9. Other liabilities**

	June 30, 2013	December 31, 2012
Accounts payable and accrued liabilities	\$ 3,536	\$ 2,666
Customer funds held	-	709
Deferred revenue	296	135
Derivative liabilities	-	258
	<b>\$ 3,832</b>	<b>\$ 3,768</b>

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**10. Discontinued operations**

On April 5, 2013, the Corporation closed the Transaction and the results of the 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. The two operations were previously presented in the Corporation's consolidated financial statements under the Transfer Agent & Trust and Foreign Exchange operating segments, respectively.

The assets and liabilities classified as held for sale as at December 31, 2012 are no longer included in the consolidated balance sheet as at June 30, 2013 as a result of the closing of the Transaction.

The post-tax gain on sale of the discontinued operations was determined as follows:

<b>Consideration received</b>	
Cash	\$ 64,000
Less: cost to sell	(618)
<b>Net proceeds</b>	<b>63,382</b>
<b>Net assets disposed (other than cash):</b>	
Goodwill	8,788
Accounts receivable	1,308
Intangibles, net	992
Property, plant and equipment	971
Other assets	315
Accounts payable and accrued liabilities	(145)
Deferred revenue	(652)
	<b>11,577</b>
Pre-tax gain on sale of discontinued operation	51,805
Attributable tax expense	(7,955)
Gain on sale of discontinued operation, net of tax	<b>\$ 43,850</b>

The gross proceeds on sale of the discontinued operations were \$64,000 less cost to sell of \$618 for net proceeds of \$63,382. The net assets disposed of were \$11,577, resulting in an after-tax gain of \$43,850.

The purchase price of \$64,000 remains subject to a post-closing adjustment based on capital requirements of the transfer agent and corporate trust service business, which could result in a purchase price reduction of up to \$1,000 or in further proceeds receivable. Management's best estimate of the fair value of this contingency at closing was \$nil and this estimate remains unchanged as at June 30, 2013. As a result, no contingent purchase price adjustment is recorded in the consolidated financial statements. Over the life of the contingency, which could exist for a period of up to five years, management will continue to reevaluate the assumptions on a periodic basis as new information arises to determine if a contingent asset or liability should be recorded, with the changes in the contingency included in the consolidated statement of operations as part of discontinued operations.

As a result of the Transaction, EFT's client relationships related to the sold business are now managed by a third-party, including the administration of segregated funds. As at June 30, 2013, EFT remains the trustee of segregated funds in the amount of \$174,238 (December 31, 2012 - \$277,341).

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**10. Discontinued operations (continued)**

The results of the discontinued operations are, as follows:

<b>Total discontinued operations – Statements of Operations and Comprehensive Income</b>	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Fees and margin revenue	\$ 337	\$ 5,783	3,891	10,285
Net interest income	1	14	14	58
Fees and margin revenue and net interest income	338	5,797	3,905	10,343
Staffing costs	1,492	1,943	3,344	3,716
Other operating expenses	230	2,654	2,875	4,462
Total non interest expenses	1,722	4,597	6,219	8,178
Operating earnings (loss) before income taxes from discontinued operations	(1,384)	1,200	(2,314)	2,165
Income tax expense (recovery)				
Current	(265)	321	(474)	583
Deferred	(16)	89	(99)	82
	(281)	410	(573)	665
Net earnings (loss) before gain on sale	(1,103)	790	(1,741)	1,500
Gain on sale of discontinued operations, net of tax	43,850	-	43,850	-
Net earnings from discontinued operations	\$ 42,747	\$ 790	\$ 42,109	\$ 1,500

The operating loss from discontinued operations for the three months ended June 30, 2013 of \$1,384 is primarily the result of bonus included in staffing costs. The operating loss from discontinued operations for the six months ended June 30, 2013 of \$2,314 is primarily the result of costs expensed in relation to the Transaction recognized in the first quarter, in addition to the bonus from the second quarter.

<b>Total discontinued operations – Statements of Cash Flows</b>	For the six months ended June 30,	
	2013	2012
Net cash used in operating activities	\$ (3,426)	\$ (147)
Net cash from investing activities	64,000	8,500
Net cash from financing activities	-	-
Net change in cash	60,574	8,353

**11. 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 26.0% (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 June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Earnings (loss) before income taxes from continuing operations reflected in interim consolidated statements of operations and comprehensive income	\$ 27	\$ (709)	\$ (440)	\$ (1,556)
Income tax provision at statutory rate	8	(188)	(116)	(409)
Effect of differences in current and deferred enacted statutory tax rates	-	-	-	-
Share based payment expense not deductible for tax purposes	24	12	48	46
Non deductible expenses for tax purposes	2	1	4	2
Other differences	(8)	(19)	11	(16)
Income tax provision per financial statements	\$ 26	\$ (194)	\$ (53)	\$ (377)

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**11. Income taxes (continued)**

The movements in the 2013 deferred tax liabilities and assets are:

	Opening Balance at January 1, 2013	Recognized in Net Earnings	Closing Balance at June 30, 2013
<b>Deferred tax liabilities</b>			
Property, plant and equipment	\$ 365	101	\$ 466
License costs	320	-	320
Deferred tax liability	<u>\$ 685</u>	<u>101</u>	<u>\$ 786</u>
<b>Deferred tax assets</b>			
Deferred acquisition, financing and share issue costs	\$ 218	(34)	\$ 184
Mortgage provision for credit losses	18	8	26
Other	25	25	50
Deferred tax assets	<u>\$ 261</u>	<u>(1)</u>	<u>\$ 260</u>
Net deferred tax liability	<u>\$ 424</u>	<u>102</u>	<u>\$ 526</u>

**12. 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)	109,333	\$ 1,196
<b>Issued and outstanding at June 30, 2013</b>	<b>9,264,340</b>	<b>\$ 30,745</b>

**Transactions completed during the period ended June 30, 2013:**

- (a) Employees of the Corporation exercised 109,333 stock options at a weighted average exercise price of \$7.97 per share for total proceeds of \$871. The weighted average share price at the time of exercise was \$10.46 per share. Share capital also increased by a reclassification from contributed surplus of \$325, which is the amount previously recognized as share-based payment expense for these options.

**Transactions completed during the year ended December 31, 2012:**

- (b) Employees of the Corporation exercised 181,081 stock options at a weighted average exercise price of \$6.92 per share 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.



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**13. 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 June 30, 2013 was 926,434.

	Number of Stock Options		Weighted Average Exercise Price	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Opening balance	552,833	610,711	\$ 8.12	\$ 7.50
Options granted	222,000	193,000	10.90	9.50
Options exercised	(109,333)	(181,081)	(7.97)	(6.92)
Options expired	(20,000)	(41,630)	(8.50)	(9.68)
Options forfeited	(2,500)	(28,167)	(9.63)	(9.58)
Ending balance	643,000	552,833	\$9.02	\$8.12

There were 290,333 exercisable options outstanding at June 30, 2013 (265,667 – December 31, 2012). The weighted average exercise price of exercisable options at June 30, 2013 is \$7.79 and the weighted average remaining contractual life for the options outstanding at June 30, 2013 is 1.7 years.

During the six months ended June 30, 2013, 220,000 stock options were issued to employees with an average grant date fair value of \$10.90 (year ended December 31, 2012 - \$9.50). During the six month period ended June 30, 2013, the Corporation recognized \$333 (2012 - \$131) as share-based payment expense.

**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 June 30, 2013, there were 62,811 DSUs outstanding representing a liability of \$656 (December 31, 2012 - \$442). Non-employee Directors of the Corporation were not granted DSUs during the six month period ended June 30, 2013. The weighted average grant date fair value of DSUs granted during the six month period ended June 30, 2013 was \$nil (December 31, 2012 - \$8.50). During the six months ended June 30, 2013, the Corporation recognized \$215 (2012 - \$64) in other operating expense and recorded a corresponding liability in other liabilities.

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

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**14. Related party transactions**

During the period ended June 30, 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.

**15. Contingent liability**

EFT is named as a defendant in a legal proceeding related to its former transfer agent and corporate trust business operations.

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 \$3,300, 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. 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 \$5,000 for the Proceeding. The Corporation has not recorded a liability related to this matter.

**16. Comparative amounts**

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period. The change in presentation in the consolidated financial statements reflects the significant change in the nature of the Corporation's operations subsequent to the sale of the corporate trust and transfer agent business and the wind-up of foreign exchange operations. Consequently, certain non-core assets and liabilities have been grouped into other assets and other liabilities on the consolidated balance sheet, and the consolidated statement of operations also reflects a change in the presentation of the provision for credit losses and non-staffing expenses.

**17. Subsequent events**

In August 2013, DSUs with an aggregate value of \$310 were approved for issuance to directors.