EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Second Quarter Ended June 30, 2014

Responsibility for Interim Consolidated 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 Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

($000s Canadian dollars)	As at June 30, 2014	As at December 31, 2013
Assets		
Cash and cash equivalents	**$ 39,151**	$ 43,376
Mortgages receivable, net (Note 6)	**364,563**	394,812
Current income taxes receivable	**904**	211
Deferred tax assets (Note 11)	**904**	104
Other assets (Note 8)	**497**	512
Property, plant and equipment	**640**	745
Intangible assets	**2,384**	2,616
	$ 409,043	$ 442,376
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits (Note 7)	**$ 310,712**	$ 332,437
Current income taxes payable	**-**	7,287
Deferred tax liabilities (Note 11, 13)	**643**	628
Other liabilities (Note 9)	**3,823**	5,914
	315,178	346,266
Shareholders' Equity		
Share capital (Note 12)	**32,838**	31,735
Contributed surplus	**1,655**	1,778
Retained earnings	**59,372**	62,597
	93,865	96,110
	$ 409,043	$ 442,376

Approved on Behalf of the Board of Directors

/signed/ - Bradley R. Kipp
Director

/signed/ - Michael R. Jones
Director

The accompanying notes are an integral part of these interim consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)

(unaudited)

($000s Canadian dollars, except share and per share amounts)	For the three months ended June 30, **2014**	For the three months ended June 30, 2013	For the six months ended June 30, **2014**	For the six months ended June 30, 2013
Interest income	**$ 5,268**	$ 3,529	**$ 10,701**	$ 6,426
Interest expense	**(1,879)**	(1,223)	**(3,864)**	(2,312)
Net interest income	**3,389**	2,306	**6,837**	4,114
Recovery of (provision for) credit losses (Note 6)	**105**	(176)	**47**	(277)
Net interest income, net of provision	**3,494**	2,130	**6,884**	3,837
Other income	**409**	212	**787**	359
Net interest income and other income, net of provision	**3,903**	2,342	**7,671**	4,196
Non-interest expenses (Note 16)				
Staffing costs	**2,010**	1,314	**4,437**	2,511
Other expenses	**1,441**	1,001	**7,473**	2,125
Total non-interest expenses	**3,451**	2,315	**11,910**	4,636
Earnings (loss) before income taxes from continuing operations	**452**	27	**(4,239)**	(440)
Income tax expense (recovery) (Note 11)				
Current	**50**	16	**(229)**	(96)
Deferred	**132**	10	**(785)**	43
	182	26	**(1,014)**	(53)
Net earnings (loss) from continuing operations	**270**	1	**(3,225)**	(387)
Discontinued operations (Note 10)				
Net earnings from discontinued operations	**-**	42,747	**-**	42,109
Net earnings (loss) and comprehensive earnings (loss)	**$ 270**	$ 42,748	**$ (3,225)**	$ 41,722
Basic earnings (loss) per share from continuing operations	**0.03**	-	**(0.34)**	(0.04)
Basic earnings per share from discontinued operations	**-**	4.66	**-**	4.59
Basic earnings (loss) per share	**$ 0.03**	$ 4.66	**$ (0.34)**	$ 4.55
Diluted earnings (loss) per share from continuing operations	**0.03**	-	**(0.34)**	(0.04)
Diluted earnings per share from discontinued operations	**-**	4.60	**-**	4.53
Diluted earnings (loss) per share	**$ 0.03**	$ 4.60	**$ (0.34)**	$ 4.49
Weighted average number of common shares outstanding				
Basic	**9,423,836**	9,183,324	**9,386,076**	9,169,428
Diluted	**9,457,952**	9,297,573	**9,457,952**	9,258,254

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	For the six months ended June 30, 2014 and 2013								
	Share Capital			Contributed		Retained		Total	
($000s Canadian dollars, except share amounts)	Number		Amount		Surplus		Earnings		Shareholders' Equity
Balance at December 31, 2013	**9,345,840**	**$**	**31,735**	**$**	**1,778**	**$**	**62,597**	**$**	**96,110**
Exercise of stock options (Notes 12 and 13)	**122,501**		**1,103**		**(280)**		**-**		**823**
Net loss	**-**		**-**		**-**		**(3,225)**		**(3,225)**
Share-based payment expense	**-**		**-**		**157**		**-**		**157**
Balance at June 30, 2014	**9,468,341**	**$**	**32,838**	**$**	**1,655**	**$**	**59,372**	**$**	**93,865**
Balance at December 31, 2012	9,155,007	$	29,549	$	1,903	$	20,815	$	52,267
Exercise of stock options (Notes 12 and 13)	109,333		1,196		(325)		-		871
Net earnings	-		-		-		41,722		41,722
Share-based payment expense	-		-		333		-		333
Balance at June 30, 2013	9,264,340	$	30,745	$	1,911	$	62,537	$	95,193

The accompanying notes are an integral part of these interim consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

($000s Canadian dollars)	For the six months ended June 30, 2014	2013
Operating Activities		
Net (loss) earnings for the period	**$ (3,225)**	$ 41,722
Adjustments to determine cash flows relating to operating activities		
Depreciation of property, plant and equipment	**113**	98
Amortization of intangible assets	**226**	367
Impairment losses on asset write-downs	**6**	267
Gain on disposal of discontinued operations, net of tax (Note 10)	**-**	(43,850)
Share-based payments	**157**	333
(Recovery of) provision for credit losses	**(47)**	277
Net change in derivative assets and liabilities	**-**	17
Income tax recovery	**(1,014)**	(626)
Income tax paid	**(7,751)**	(331)
Decrease (increase) in mortgages receivable	**30,296**	(78,680)
(Decrease) increase in customer deposits	**(21,725)**	38,082
Decrease (increase) in other assets	**15**	(272)
Decrease in other liabilities	**(2,091)**	(1,056)
Cash flows used in operating activities	**(5,040)**	(43,652)
Financing Activities		
Shares issued pursuant to stock options exercised	**823**	871
Cash flows provided by financing activities	**823**	871
Investing Activities		
Proceeds from sale of discontinued operations (Note 10)	**-**	64,000
Additions to property, plant and equipment	**(14)**	(8)
Impairment of (additions to) intangible assets	**6**	(133)
Cash flows (used in) provided by investing activities	**(8)**	63,859
Net (decrease) increase in cash and cash equivalents during the period	**(4,225)**	21,078
Cash and cash equivalents at the beginning of the period	**43,376**	34,429
Cash and cash equivalents at the end of the period	**$ 39,151**	$ 55,507
Supplementary Disclosure of Cash Flow Information		
Cash interest received	**$ 10,346**	$ 6,042
Cash interest paid	**(2,287)**	(1,745)

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 and wholly owned 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.

During 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 completed the wind-down of the core foreign exchange operations of Equity Financial FX Inc. ("EFX"), a wholly owned subsidiary. The Corporation is positioned to focus on its residential mortgage lending and deposit-taking business.

2. Summary of significant accounting policies

(a) Basis of preparation

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, 2013.

These interim consolidated financial statements should be read in conjunction with the Corporation's December 31, 2013 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 2013 annual audited consolidated financial statements with the exception of new accounting standards and amendments that the Corporation adopted effective January 1, 2014 as disclosed below in current changes in accounting policy.

These interim consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on August 12, 2014.

3. Current and future changes in accounting policies

(a) Current changes in accounting policy

IFRIC 21 – Levies

IFRIC 21 provides guidance on the timing of when to recognize a liability to pay a levy, which is an outflow of resources embodying economic benefits that are imposed by a government authority. The adoption of IFRIC 21 did not materially impact the interim consolidated financial statements.

(b) Future changes in accounting policy

The IASB and the International Financial Reporting Interpretations Committee ("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 new pronouncements in addition to those disclosed in the 2013 annual audited consolidated financial statements, except as disclosed below.

3. Current and future changes in accounting policies (continued)

IFRS 9 – Financial Instruments

On July 24, 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces all earlier versions of the standard and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard will come into effect on January 1, 2018 with early adoption permitted. The Corporation has not yet determined the impact of IFRS 9 on its consolidated financial statements.

4. Capital management

The Corporation's managed capital is comprised of shareholders' equity, which totalled $93,865 as at June 30, 2014 (December 31, 2013 – $96,110). 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 shareholders' return 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").

Current Requirements

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 the Corporation's business plans. Management's internal capital adequacy assessment process ("ICAAP") is integral to the Corporation's 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 the policy include the Assets to Capital Multiple ("ACM") and risk based capital ratios (Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital).

Regulatory capital and capital ratios calculations are 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 the 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 required by 2019 in the current period.

As at June 30, 2014, EFT held CET 1 on an "all-in" basis of $84,346 compared to $84,755 as at December 31, 2013. 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, 2014 was $85,665 (December 31, 2013 - $86,591).

Future Requirements

In January 2014, the BCBS released the Basel III leverage ratio framework and disclosure requirements, which replaced the Leverage Ratio section (Section V) of the Basel III Framework released in December 2010. On July 30, 2014 OSFI issued for comment the draft Leverage Requirements Guideline ("LRG"), which transposes leverage requirements issued by the Basel Committee on Banking Supervision ("BCBS") into OSFI guidance. Under the Basel III leverage ratio framework, public disclosure of the leverage ratio is required in 2015. OSFI has decided to replace the existing ACM with the Basel III leverage ratio, thus preventing institutions from having to calculate and publicly disclose two measures of leverage.

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

4. Capital management (continued)

The Corporation has evaluated the draft LRG and does not anticipate significant changes to our capital ratios as a result of implementing the leverage ratio framework.

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

As at	June 30, 2014		December 31, 2013	
Common Equity Tier 1 capital: instruments and reserves	**All-in**	**Transitional**	All-in	Transitional
Directly issued qualifying common share capital plus related stock surplus	**31,606**	**31,606**	31,606	31,606
Retained earnings	**54,387**	**54,387**	54,985	54,985
Common Equity Tier 1 capital before regulatory adjustments	**85,993**	**85,993**	86,591	86,591
Common Equity Tier 1 capital: regulatory adjustments				
Total regulatory adjustments to Common Equity Tier 1	**(1,647)**	**(328)**	(1,836)	-
Common Equity Tier 1 capital (CET1)	**84,346**	**85,665**	84,755	86,591
Tier 1 capital	**84,346**	**85,665**	84,755	86,591
Total capital	**84,346**	**85,665**	84,755	86,591
Total risk-weighted assets	**153,565**	**154,883**	158,327	160,163
Capital ratios				
Common Equity Tier 1 (as percentage of risk-weighted assets)	**54.9%**	**55.3%**	53.5%	54.1%
Tier 1 (as percentage of risk-weighted assets)	**54.9%**	**55.3%**	53.5%	54.1%
Total capital (as percentage of risk-weighted assets)	**54.9%**	**55.3%**	53.5%	54.1%
Assets-to-Capital Multiple		**4.7x**		5.0x
OSFI all-in target				
Common Equity Tier 1 capital all-in target ratio	**7.0%**	**N/A**	7.0%	N/A
Tier 1 capital all-in target ratio	**8.5%**	**N/A**	8.5%	N/A
Total capital all-in target ratio	**10.5%**	**N/A**	10.5%	N/A

5. Financial instruments

(a) Risks associated with financial instruments

The Corporation, similar to 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 in the shaded sections of pages 20 to 22 of the Corporation's Management Discussion and Analysis ("MD&A") for the second quarter ended June 30, 2014.

(i) Interest rate sensitivity

The Corporation's exposure to interest rate risk results from the difference between the maturity of interest rate sensitive assets and liabilities. The following table shows the gap positions at as June 30, 2014 and December 31, 2013 based on contractual maturities. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

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

5. Financial instruments (continued)

As at June 30, 2014	Floating Rate	Less than 1 Year	1 to 2 Years	Greater than 2 Years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 39,151	$ -	$ -	$ -	$ -	$ 39,151
Effective interest rate	1.30%	-	-	-	-	1.30%
Mortgages receivable	-	257,725	84,872	21,966	-	364,563
Effective interest rate	-	5.41%	5.21%	4.95%	-	5.34%
Other assets	-	-	-	-	5,329	5,329
Total assets	$ 39,151	$ 257,725	$ 84,872	$ 21,966	$ 5,329	$ 409,043
Liabilities:						
Customer deposits	$ -	$ 222,343	$ 60,598	$ 27,771	$ -	$ 310,712
Effective interest rate	-	2.16%	2.28%	2.62%	-	2.22%
Other liabilities	-	-	-	-	4,465	4,465
Shareholders' equity	-	-	-	-	93,866	93,866
Total liabilities and shareholders' equity	$ -	$ 222,343	$ 60,598	$ 27,771	$ 98,331	$ 409,043
Interest rate sensitivity gap	$ 39,151	$ 35,382	$ 24,274	$ (5,805)	$ (93,002)	$ -
Cumulative gap	$ 39,151	$ 74,533	$ 98,807	$ 93,002	$ -	$ -
Cumulative gap as a percentage of total assets	9.6%	18.2%	24.2%	22.7%	-	-

As at December 31, 2013	Floating Rate	Less than 1 Year	1 to 2 Years	Greater than 2 Years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 43,376	$ -	$ -	$ -	$ -	$ 43,376
Effective interest rate	1.30%	-	-	-	-	1.30%
Mortgages receivable	-	280,613	95,080	19,119	-	394,812
Effective interest rate	-	5.31%	5.34%	5.17%	-	5.31%
Other assets	-	-	-	-	4,188	4,188
Total assets	$ 43,376	$ 280,613	$ 95,080	$ 19,119	$ 4,188	$ 442,376
Liabilities:						
Customer deposits	$ -	$ 247,666	$ 62,743	$ 22,028	$ -	$ 332,437
Effective interest rate	-	2.17%	2.32%	2.62%	-	2.23%
Other liabilities	-	-	-	-	13,829	13,829
Shareholders' equity	-	-	-	-	96,110	96,110
Total liabilities and shareholders' equity	$ -	$ 247,666	$ 62,743	$ 22,028	$ 109,939	$ 442,376
Interest rate sensitivity gap	$ 43,376	$ 32,947	$ 32,337	$ (2,909)	$ (105,751)	$ -
Cumulative gap	$ 43,376	$ 76,323	$ 108,660	$ 105,751	$ -	$ -
Cumulative gap as a percentage of total assets	9.8%	17.3%	24.6%	23.9%	-	-

Based on the current interest rate gap position as at June 30, 2014, the Corporation estimates that a 100 basis point decrease in interest rates would decrease net interest income over the next 12 months by $444 (December 31, 2013 – $440 decrease). A 100 basis point increase in interest rates would increase net interest income over the next 12 months by $430 (December 31, 2013 – $458 increase).

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

5. Financial instruments (continued)

(b) Fair value of financial instruments

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

(i) Mortgages receivable

The disclosed 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.

(ii) Customer deposits

The disclosed fair value of customer deposits is determined by discounting the contractual cash flows using current 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.

								As at June 30, 2014
		Loans and Receivables/Financial Liabilities at Amortized Cost		**Carrying Value**		**Fair Value**		**Fair Value Over Carrying Value**
Financial assets:								
Mortgages receivable		**364,563**		**364,563**		**366,075**		**1,512**
Total financial assets	**$**	**364,563**	**$**	**364,563**	**$**	**366,075**	**$**	**1,512**
Financial liabilities:								
Customer deposits		**310,712**		**310,712**		**315,418**		**4,706**
Total financial liabilities	**$**	**310,712**	**$**	**310,712**	**$**	**315,418**	**$**	**4,706**

								As at December 31, 2013
		Loans and Receivables/Financial Liabilities at Amortized Cost		Carrying Value		Fair Value		Fair Value Over Carrying Value
Financial assets:								
Mortgages receivable		394,812		394,812		396,028		1,216
Total financial assets	$	394,812	$	394,812	$	396,028	$	1,216
Financial liabilities:								
Customer deposits		332,437		332,437		336,131		3,694
Total financial liabilities	$	332,437	$	332,437	$	336,131	$	3,694

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

5. Financial instruments (continued)

(c) Fair value hierarchy

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

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.

The following table presents the fair value of financial instruments across the levels of the fair value hierarchy.

				As at June 30, 2014
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Mortgages receivable	-	-	366,075	366,075
Total financial assets	$ -	$ -	$ 366,075	$ 366,075
Financial liabilities:				
Customer deposits	-	-	315,418	315,418
Total financial liabilities	$ -	$ -	$ 315,418	$ 315,418

				As at December 31, 2013
	Level 1	Level 2	Level 3	Total
Financial assets:				
Mortgages receivable	-	-	396,028	396,028
Total financial assets	$ -	$ -	$ 396,028	$ 396,028
Financial liabilities:				
Customer deposits	-	-	336,131	336,131
Total financial liabilities	$ -	$ -	$ 336,131	$ 336,131

There were no transfers into or out of any of the three levels during the current or prior period.

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

6. Mortgages receivable

(a) Mortgages receivable

										As at June 30, 2014
		Gross		**Allowance for credit losses**						**Net**
		Amount		**Individual**		**Collective**		**Total**		**Amount**
Mortgages	**$**	**365,146**	**$**	**61**	**$**	**1,278**	**$**	**1,339**	**$**	**363,807**
Accrued interest		**756**		**-**		**-**		**-**		**756**
Balance	**$**	**365,902**	**$**	**61**	**$**	**1,278**	**$**	**1,339**	**$**	**364,563**

										As at December 31, 2013
		Gross		Allowance for credit losses						Net
		Amount		Individual		Collective		Total		Amount
Mortgages	$	395,383	$	-	$	1,386	$	1,386	$	393,997
Accrued interest		815		-		-		-		815
Balance	$	396,198	$	-	$	1,386	$	1,386	$	394,812

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 Toronto and surrounding area and greater Ottawa area.

As at June 30, 2014, the current portion of mortgages due within one year is $257,725 (December 31, 2013 – $280,613) and the weighted average term to maturity of the portfolio is 0.8 years (December 31, 2013 – 0.9 years). The average effective interest rate of the portfolio as at June 30, 2014 is 5.34% (December 31, 2013 – 5.31%).

The Corporation has outstanding commitments to make future advances on mortgage loans of $10.9 million as at June 30, 2014 (December 31, 2013 – $18.5 million). Commitments for the loans remain open for various dates through September 2014.

(b) Allowance for credit losses

	For the six months ended June 30, 2014						For the year ended December 31, 2013				
		Individual Allowance		**Collective Allowance**		**Total**		Individual Allowance		Collective Allowance	Total
Balance, beginning of period	**$**	**-**	**$**	**1,386**	**$**	**1,386**	$	-	$	694	$ 694
Provision for (recovery of) credit losses		**61**		**(108)**		**(47)**		-		692	692
Balance, end of period	**$**	**61**	**$**	**1,278**	**$**	**1,339**	$	-	$	1,386	$ 1,386

(c) Past due mortgages

A loan is considered past due when a borrower has not made a payment by the contractual due date. 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 performing status in accordance with the Corporation's policy since the consolidated balance sheet dates.

As at		**June 30, 2014**		December 31, 2013
1 to 30 days	**$**	**19,347**	$	20,162
31 to 60 days		**1,756**		3,013
61 to 90 days		**1,290**		949
Over 90 days		**2,142**		1,616
	$	**24,535**	$	25,740

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

6. Mortgages receivable (continued)

(d) Impaired 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 performing status. The following table presents the carrying value of impaired mortgages.

As at		**June 30, 2014**		December 31,2013
Gross amount of impaired loans	**$**	**214**	**$**	-
Individual allowance		**(61)**		-
Net Amount	**$**	**153**	**$**	-

The total appraised value of collateral for impaired mortgages as at June 30, 2014 was $195 (December 31, 2013 - $nil).

7. Customer deposits

As at		**June 30, 2014**		December 31, 2013
Guaranteed Investment Certificates	**$**	**306,976**	$	329,982
Accrued interest		**4,339**		3,223
Deferred deposit agent commissions		**(603)**		(768)
	$	**310,712**	$	332,437

Customer deposits are comprised of Guaranteed Investment Certificates (“GICs”) with fixed maturity dates over a period of thirty days to five years. As at June 30, 2014, the current portion of customer deposits due within one year is $222,343 (December 31, 2013 – $247,666) and the average term to maturity is 0.8 years (December 31, 2013 – 0.9 years). The average effective interest rate as at June 30, 2014 is 2.22% (December 31, 2013 – 2.23%).

8. Other assets

As at		**June 30, 2014**		December 31, 2013
Accounts receivable	**$**	**82**	$	144
Prepaids and other current assets		**415**		368
	$	**497**	$	512

9. Other liabilities

As at		**June 30, 2014**		December 31, 2013
Accounts payable and accrued liabilities	**$**	**3,419**	$	4,417
Deferred share unit liability		**103**		1,022
Deferred revenue		**301**		475
	$	**3,823**	$	5,914

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

10. Discontinued operations

On April 5, 2013, the Corporation closed the Transaction and the results of the transfer agent and corporate trust operations ("TA and Trust business") 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 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, 2014. As a result, no contingent purchase price adjustment is recorded in the interim consolidated financial statements. Over the life of the contingent consideration period, 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 contingent consideration should be recorded, with the changes in the contingency included in the consolidated statements of operations and comprehensive income 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, 2014, EFT remains the trustee of segregated funds in the amount of $290,018 (December 31, 2013 – $136,678), which are reported off-balance sheet.

The results of the discontinued operations for the periods ended June 30, 2013 are as follows:

Total discontinued operations – Statement of Operations and Comprehensive Loss	For the three months ended June 30, 2013	For the six months ended June 30, 2013
Fees and margin revenue	$ 337	$ 3,891
Net interest income	1	14
Fees and margin revenue and net interest income	338	3,905
Staffing costs	1,492	3,344
Other operating expenses	230	2,875
Total non interest expenses	1,722	6,219
Operating loss before income taxes from discontinued operations	(1,384)	(2,314)
Income tax recovery		
Current	(265)	(474)
Deferred	(16)	(99)
	(281)	(573)
Net loss before gain on sale	(1,103)	(1,741)
Gain on sale of discontinued operations, net of tax	43,850	43,850
Net earnings from discontinued operations	$ 42,747	$ 42,109

The operating loss from discontinued operations for the six months ended June 30, 2013 is primarily the result of costs expensed in relation to the Transaction, including bonuses.

Total discontinued operations – Statement of Cash Flows	For the six months ended June 30, 2013
Cash used in operating activities	$ (3,426)
Cash provided by investing activities	64,000
Net change in cash	$ 60,574

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

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 26.5% (2013 – 26.5%). The following table reconciles the expected income tax provision at applicable Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss:

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	**June 30, 2014**	June 30, 2013
Earnings (loss) before income taxes from continuing operations	**$ 452**	$ 27	**$ (4,239)**	$ (440)
Income tax provision (recovery) at statutory rate	**120**	8	**(1,124)**	(116)
Adjustments for prior year true-up	**64**	-	**64**	-
Share-based payment (recovery) expense not deductible for tax purposes	**(3)**	24	**42**	48
Non deductible expenses for tax purposes	**1**	2	**3**	4
Other differences	**-**	(8)	**-**	11
Income tax expense (recovery)	**$ 182**	$ 26	**$ (1,015)**	$ (53)

The movements in the deferred tax assets and liabilities are:

	Opening balance as at January 1, 2014	Recognized in Net Earnings	**Closing balance as at June 30, 2014**
Deferred tax assets			
Non-capital losses	$ -	$ 820	**$ 820**
Deferred acquisition, financing and share issuance costs	151	(33)	**118**
Mortgage provision for credit losses	37	(2)	**35**
Other	34	2	**36**
Deferred tax assets	$ 222	$ 787	**$ 1,009**
Deferred tax liabilities			
Property, plant and equipment	$ (423)	$ 13	**$ (410)**
License costs	(323)	(15)	**(338)**
Deferred tax liabilities	$ (746)	$ (2)	**$ (748)**
Net deferred tax assets (liabilities)	$ (524)	$ 785	**$ 261**
Consolidated Balance Sheets:			
Deferred tax assets	$ 104	$ 800	**$ 904**
Deferred tax liabilities	(628)	(15)	**(643)**
Net deferred tax assets (liabilities)	$ (524)	$ 785	**$ 261**

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 December 31, 2013	**9,345,840**	**$ 31,735**
Exercise of stock options (a)	**122,501**	**1,103**
Issued and outstanding at June 30, 2014	**9,468,341**	**$ 32,838**
Issued and outstanding at December 31, 2012	9,155,007	$ 29,549
Exercise of stock options (b)	109,333	1,196
Issued and outstanding at June 30, 2013	9,264,340	$ 30,745

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

12. Share capital (continued)

(a) Transactions completed during the period ended June 30, 2014:

Employees of the Corporation exercised 122,501 stock options at a weighted average exercise price of $6.72 per share for total proceeds of $823. The weighted average share price at the time of exercise was $9.48 per share. Share capital also increased by a reclassification from contributed surplus of $280, which is the amount previously recognized as share-based payment expense for these options.

(b) Transactions completed during the period ended June 30, 2013:

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.

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 as at June 30, 2014 was 946,834 (December 31, 2013 – 934,584).

	Number of Stock Options		Weighted Average Exercise Price	
As at	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013
Opening balance	**419,502**	552,833	**$ 8.76**	$ 8.12
Options granted	**462,500**	233,500	**9.94**	10.88
Options exercised	**(122,501)**	(190,833)	**6.72**	8.31
Options expired	**(62,501)**	(63,500)	**10.68**	9.36
Options forfeited	**(54,833)**	(112,498)	**10.07**	10.44
Ending balance	**642,167**	419,502	**$ 9.50**	$ 8.76
Vested options	**114,334**	198,668	**$ 8.35**	$ 7.00

The weighted average remaining contractual life for all options outstanding as at June 30, 2014 is 4.17 years (December 31, 2013 – 2.9 years). During the six months ended June 30, 2014, the Corporation recognized $157 (2013 - $333) as share-based payment expense within staffing costs.

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

13. Share-based payments (continued)

During the second quarter of 2014, 132,500 options were granted to employees under the Plan. In addition, 330,000 performance-based options were also granted. The options will time vest over a three year period. Each tranche of the performance-based options will vest if at any time after the first, second and third years, share price targets are achieved for a period of at least 20 consecutive days. A Monte Carlo simulation was used to estimate the fair value of the options at the grant date.

A summary of the 2014 option grants are presented below:

				For the six months ended June 30, 2014						
				Black-Scholes assumptions						
Number of Options	Date Granted	Recipient(s)	Fair Value	Vesting Period	Risk-free interest rate	Expected life	Expected volatility	Dividend yield	Exercise price	Fair value per option
40,000	May 16, 2014	Employees	$ 126,073	3 years	1.52%	5 years	34%	-	$ 9.75	$ 3.15
40,000	June 13, 2014	Employees	$ 106,106	3 years	1.58%	5 years	34%	-	$ 10.69	$ 2.65
52,500	June 25, 2014	Employees	$ 176,914	3 years	1.57%	5 years	34%	-	$ 10.69	$ 3.37
				Monte Carlo assumptions						
				Vesting Period	Risk-free interest rate	Expected life	Expected volatility	Perfomance condition	Exercise price	Fair value per option
110,000	May 12, 2014	Employees	$ 313,500	1 - 5 years	1.44%	5 years	36%	$ 15.00	$ 9.75	$ 2.85
110,000	May 12, 2014	Employees	$ 253,000	2 - 5 years	1.44%	5 years	36%	$ 20.00	$ 9.75	$ 2.30
110,000	May 12, 2014	Employees	$ 191,400	3 - 5 years	1.44%	5 years	36%	$ 25.00	$ 9.75	$ 1.74
462,500			$1,166,993							

(b) Deferred share units

The Corporation offers a Deferred Share Unit ("DSU") Plan 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. The value of each DSU will be equivalent to the closing share price of the Corporation's common shares at the time the conversion takes place.

As at June 30, 2014, there were 9,939 DSUs outstanding (December 31, 2013 – 87,974) representing a liability of $103 (December 31, 2013 – $1,022). On February 24, 2014, 48,340 DSUs were redeemed at market value of $11.03 per share for cash value of $533 and 1,355 DSUs were forfeited. On May 28, 2014, 28,001 DSUs were redeemed at market value of $9.21 per share for cash value of $258 and 339 DSUs were forfeited. No DSUs were granted during the six months ended June 30, 2014 and 2013. During the period ended June 30, 2014, the Corporation recognized a recovery of $128 (2013 – $157 expense) in other expenses and recorded an adjustment to the corresponding liability in other liabilities. The DSUs are amortized over a one-year period and revalued at each reporting date based on the closing price of the Corporation's shares.

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

13. Share-based payments (continued)

Details of the outstanding deferred share units are as follows:

As at		June 30, 2014		December 31, 2013
Units				
Outstanding, beginning of period		**87,974**		62,811
Granted		**-**		25,163
Redeemed		**(76,341)**		-
Forfeited		**(1,694)**		-
Outstanding, end of period		**9,939**		87,974
Liability				
Balance, beginning of period	**$**	**1,022**	$	442
(Income) expense recognized in the statements of operations and comprehensive loss		**(128)**		580
Redeemed		**(791)**		-
Balance, end of period	**$**	**103**	$	1,022

14. Related party transactions

During the six months ended June 30, 2014, the Corporation entered into various transactions in the normal course of business with directors and officers of the Corporation related to director and officer compensation. Other related party transactions that transpired during the six months ended June 30, 2014 are described in Note 13 above and Note 16 below. All outstanding balances are due to be settled in cash after the period end date and are not secured.

15. Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

16. Non-interest expenses

Included in non-interest expenses for the six months ended June 30, 2014 are costs incurred in the first quarter related to both a board-led independent review of our underwriting processes and risk management controls and to the settlement of a shareholder action initiated by our largest shareholder, Smoothwater Capital Partners LP I (“Smoothwater”). Costs related to the controls review totaled $1,300 and costs related to the shareholder action totaled $4,270. These costs are in addition to previously disclosed costs of $1,150 which we recognized in the fourth quarter of 2013 in respect of the same matters and were discussed in detail in the Corporation’s MD&A for the first quarter ended March 31, 2014.

Included in the costs related to the shareholder action settlement are transactions with related parties, which include severance of $950 paid to the Corporation’s outgoing CEO, Board of Directors fees of $264, and amounts totaling $625 in respect of advisory fees incurred by Smoothwater, which were paid to new Board members and companies related to new Board members.