EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Third Quarter Ended September 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)

($000s Canadian dollars)	As at September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents (Note 6)	**$ 36,479**	$ 43,376
Mortgages receivable, net (Note 7)	**326,393**	394,812
Current income taxes receivable	**303**	211
Deferred tax assets (Note 12)	**826**	104
Other assets (Note 9)	**734**	512
Property, plant and equipment	**583**	745
Intangible assets	**2,272**	2,616
	$ 367,590	$ 442,376
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits (Note 8)	**$ 269,176**	$ 332,437
Current income taxes payable	**-**	7,287
Deferred tax liabilities (Note 12)	**623**	628
Other liabilities (Note 10)	**3,041**	5,914
	272,840	346,266
Shareholders' Equity		
Share capital (Note 13)	**33,166**	31,735
Contributed surplus	**1,677**	1,778
Retained earnings	**59,907**	62,597
	94,750	96,110
	$ 367,590	$ 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 EARNINGS (LOSS)

(unaudited)

($000s Canadian dollars, except share and per share amounts)	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Interest income	**$ 4,812**	$ 4,349	**$ 15,512**	$ 10,775
Interest expense	**(1,599)**	(1,521)	**(5,462)**	(3,833)
Net interest income	**3,213**	2,828	**10,050**	6,942
Recovery of (provision for) credit losses (Note 7)	**146**	(281)	**193**	(558)
Net interest income, net of recovery (provision)	**3,359**	2,547	**10,243**	6,384
Other income	**407**	292	**1,194**	651
Net interest income and other income, net of recovery (provision)	**3,766**	2,839	**11,437**	7,035
Non-interest expenses (Note 17)				
Staffing costs	**1,819**	1,647	**6,256**	4,158
Other expenses	**1,234**	1,389	**8,708**	3,514
Total non-interest expenses	**3,053**	3,036	**14,964**	7,672
Earnings (loss) before income taxes from continuing operations	**713**	(197)	**(3,527)**	(637)
Income tax expense (recovery) (Note 12)				
Current	**120**	(93)	**(110)**	(189)
Deferred	**58**	71	**(727)**	114
	178	(22)	**(837)**	(75)
Net earnings (loss) from continuing operations	**535**	(175)	**(2,690)**	(562)
Discontinued operations (Note 11)				
Net earnings from discontinued operations	**-**	-	**-**	42,109
Net earnings (loss) and comprehensive earnings (loss)	**$ 535**	$ (175)	**$ (2,690)**	$ 41,547
Basic earnings (loss) per share from continuing operations	**0.06**	(0.02)	**(0.28)**	(0.06)
Basic earnings per share from discontinued operations	**-**	-	**-**	4.57
Basic earnings (loss) per share	**$ 0.06**	$ (0.02)	**$ (0.28)**	$ 4.51
Diluted earnings (loss) per share from continuing operations	**0.06**	(0.02)	**(0.28)**	(0.06)
Diluted earnings per share from discontinued operations	**-**	-	**-**	4.53
Diluted earnings (loss) per share	**$ 0.06**	$ (0.02)	**$ (0.28)**	$ 4.47
Weighted average number of common shares outstanding				
Basic	**9,423,836**	9,283,017	**9,420,438**	9,207,707
Diluted	**9,436,763**	9,384,416	**9,474,774**	9,301,929

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	For the nine months ended September 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 13 and 14)	**161,668**	**1,431**	**(352)**	**-**	**1,079**
Net loss	**-**	**-**	**-**	**(2,690)**	**(2,690)**
Share-based payment expense	**-**	**-**	**251**	**-**	**251**
Balance at September 30, 2014	**9,507,508**	**$ 33,166**	**$ 1,677**	**$ 59,907**	**$ 94,750**
Balance at December 31, 2012	9,155,007	$ 29,549	$ 1,903	$ 20,815	$ 52,267
Exercise of stock options (Notes 13 and 14)	150,833	1,689	(462)	-	1,227
Net earnings	-	-	-	41,547	41,547
Share-based payment expense	-	-	524	-	524
Balance at September 30, 2013	9,305,840	$ 31,238	$ 1,965	$ 62,362	$ 95,565

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

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

($000s Canadian dollars)	For the nine months ended September 30, 2014	2013
Operating Activities		
Net (loss) earnings for the period	**$ (2,690)**	$ 41,547
Adjustments to determine cash flows relating to operating activities		
Depreciation of property, plant and equipment	**170**	152
Amortization of intangible assets	**338**	470
Realized loss on impaired mortgages (Note 7)	**(49)**	-
Impairment losses on asset write-downs	**6**	267
Gain on disposal of discontinued operations, net of tax (Note 11)	**-**	(43,850)
Share-based payments	**251**	524
(Recovery of) provision for credit losses	**(193)**	558
Changes in operating assets and liabilities		
Income tax recovery	**(837)**	(649)
Income tax paid	**(7,227)**	177
Decrease (increase) in mortgages receivable	**68,661**	(158,977)
(Decrease) increase in customer deposits	**(63,261)**	108,549
Decrease (increase) in other assets	**(222)**	252
Decrease in other liabilities	**(2,915)**	(650)
Cash flows used in operating activities	**(7,968)**	(51,630)
Financing Activities		
Shares issued pursuant to stock options exercised	**1,079**	1,227
Cash flows provided by financing activities	**1,079**	1,227
Investing Activities		
Proceeds from sale of discontinued operations (Note 11)	**-**	64,000
Additions to property, plant and equipment	**(14)**	(62)
Impairment of (additions to) intangible assets	**6**	(138)
Cash flows (used in) provided by investing activities	**(8)**	63,800
Net (decrease) increase in cash and cash equivalents during the period	**(6,897)**	13,397
Cash and cash equivalents at the beginning of the period	**43,376**	34,429
Cash and cash equivalents at the end of the period	**$ 36,479**	$ 47,826
Supplementary Disclosure of Cash Flow Information		
Cash interest received	**$ 15,082**	$ 9,567
Cash interest paid	**(4,517)**	(2,834)

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 serves the Canadian alternative mortgage market by offering residential mortgage loans to non-prime and near-prime customers who do not meet the conventional underwriting standards of the major Canadian banks. 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 11) 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 November 11, 2014.

(b) Cash and cash equivalents

Cash and cash equivalents consist of deposits with regulated financial institutions and liquid short-term investments, including government guaranteed investments, whose term to maturity at the date of purchase is less than three months and are readily convertible to known amounts of cash. Interest earned on cash and cash equivalents is included in Interest income in the interim consolidated statement of operations and comprehensive earnings (loss).

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 on January 1, 2014 did not materially impact the interim consolidated financial statements.

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

(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.

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 $94,750 as at September 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. 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 September 30, 2014, EFT held CET 1 on an "all-in" basis of $84,786 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 September 30, 2014 was $86,052 (December 31, 2013 - $86,591).

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

4. Capital management (continued)

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 October 30, 2014 OSFI issued the final version of the 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.

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 in 2015.

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

As at	**September 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	**54,762**	**54,762**	54,985	54,985
Common Equity Tier 1 capital before regulatory adjustments	**86,368**	**86,368**	86,591	86,591
Common Equity Tier 1 capital: regulatory adjustments				
Total regulatory adjustments to Common Equity Tier 1	**(1,582)**	**(316)**	(1,836)	-
Common Equity Tier 1 capital (CET1)	**84,786**	**86,052**	84,755	86,591
Tier 1 capital	**84,786**	**86,052**	84,755	86,591
Total capital	**84,786**	**86,052**	84,755	86,591
Total risk-weighted assets	**140,390**	**141,656**	158,327	160,163
Capital ratios				
Common Equity Tier 1 (as percentage of risk-weighted assets)	**60.4%**	**60.7%**	53.5%	54.1%
Tier 1 (as percentage of risk-weighted assets)	**60.4%**	**60.7%**	53.5%	54.1%
Total capital (as percentage of risk-weighted assets)	**60.4%**	**60.7%**	53.5%	54.1%
Assets-to-Capital Multiple		**4.2x**		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 third quarter ended September 30, 2014. A discussion of risks beyond credit, liquidity and interest rate risk can be found on pages 31 to 34 of the Corporation's MD&A for the year ended December 31, 2013.

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

5. Financial instruments (continued)

(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 September 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.

As at September 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	$ 36,479	$ -	$ -	$ -	$ -	$ 36,479
Effective interest rate	1.30%	-	-	-	-	1.30%
Mortgages receivable	-	232,174	63,946	30,273	-	326,393
Effective interest rate	-	5.37%	5.01%	4.41%	-	5.23%
Other assets	-	-	-	-	4,718	4,718
Total assets	$ 36,479	$ 232,174	$ 63,946	$ 30,273	$ 4,718	$ 367,590
Liabilities:						
Customer deposits	$ -	$ 181,246	$ 57,602	$ 30,328	$ -	$ 269,176
Effective interest rate	-	2.15%	2.27%	2.61%	-	2.23%
Other liabilities	-	-	-	-	3,664	3,664
Shareholders' equity	-	-	-	-	94,750	94,750
Total liabilities and shareholders' equity	$ -	$ 181,246	$ 57,602	$ 30,328	$ 98,414	$ 367,590
Interest rate sensitivity gap	$ 36,479	$ 50,928	$ 6,344	$ (55)	$ (93,696)	$ -
Cumulative gap	$ 36,479	$ 87,407	$ 93,751	$ 93,696	$ -	$ -
Cumulative gap as a percentage of total assets	9.9%	23.8%	25.5%	25.5%	-	-

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%	-	-

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

5. Financial instruments (continued)

Based on the current interest rate gap position as at September 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 $527 (December 31, 2013 – $440 decrease). A 100 basis point increase in interest rates would increase net interest income over the next 12 months by $500 (December 31, 2013 – $458 increase).

(b) Fair value of financial instruments

The valuation methods and assumptions used to estimate fair values of financial instruments are described as follows:

(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 September 30, 2014
	Loans and Receivables/Financial Liabilities at Amortized Cost	Carrying Value	Fair Value	Fair Value Over Carrying Value
Financial assets:				
Mortgages receivable	326,393	326,393	326,845	452
Total financial assets	$ 326,393	$ 326,393	$ 326,845	$ 452
Financial liabilities:				
Customer deposits	269,176	269,176	269,525	349
Total financial liabilities	$ 269,176	$ 269,176	$ 269,525	$ 349

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

5. Financial instruments (continued)

								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

(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 September 30, 2014
		Level 1		**Level 2**		**Level 3**		**Total**
Financial assets:								
Mortgages receivable		**-**		**-**		**326,845**		**326,845**
Total financial assets	**$**	**-**	**$**	**-**	**$**	**326,845**	**$**	**326,845**
Financial liabilities:								
Customer deposits		**-**		**-**		**269,525**		**269,525**
Total financial liabilities	**$**	**-**	**$**	**-**	**$**	**269,525**	**$**	**269,525**

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

5. Financial instruments (continued)

	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.

6. Cash and cash equivalents

As at	**September 30, 2014**	December 31, 2013
Deposits with regulated financial institutions	**$ 31,485**	$ 43,376
Short-term investments	**4,994**	-
Total cash and cash equivalents	**$ 36,479**	$ 43,376

Cash and cash equivalents include balances with banks and short-term investments with original maturity dates of less than 90 days.

7. Mortgages receivable

(a) Mortgages receivable

					As at September 30, 2014
	Gross	**Allowance for credit losses**			**Net**
	Amount	**Individual**	**Collective**	**Total**	**Amount**
Mortgages	**$ 326,847**	**$ -**	**$ 1,144**	**$ 1,144**	**$ 325,703**
Accrued interest	**690**	**-**	**-**	**-**	**690**
Balance	**$ 327,537**	**$ -**	**$ 1,144**	**$ 1,144**	**$ 326,393**

					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 with terms up to five years for the purchase or refinancing of single-family homes in urban and suburban areas of Ontario.

As at September 30, 2014, the current portion of mortgages due within one year is $232,831 (December 31, 2013 – $280,613) and the weighted average term to maturity of the portfolio is 0.9 years (December 31, 2013 – 0.9 years). The average effective interest rate of the portfolio as at September 30, 2014 is 5.23% (December 31, 2013 – 5.31%).

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

7. Mortgages receivable (continued)

The Corporation has outstanding commitments to make future advances on mortgage loans of $7.10 million as at September 30, 2014 (December 31, 2013 – $18.5 million). Commitments for the loans remain open for various dates through November 2014.

(b) Allowance for credit losses

	For the nine months ended September 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	49	(242)	(193)	-	692	692
Realized losses	(49)	-	(49)	-	-	-
Balance, end of period	$ -	$ 1,144	$ 1,144	$ -	$ 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 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	September 30, 2014	December 31, 2013
1 to 30 days	$ 20,131	$ 20,162
31 to 60 days	437	3,013
61 to 90 days	453	949
Over 90 days	2,491	1,616
	$ 23,512	$ 25,740

(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 at September 30, 2014 and December 31, 2013, there were no impaired mortgages.

8. Customer deposits

As at	September 30, 2014	December 31, 2013
Guaranteed Investment Certificates	$ 266,277	$ 329,982
Accrued interest	3,530	3,223
Deferred deposit agent commissions	(631)	(768)
	$ 269,176	$ 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 September 30, 2014, the current portion of customer deposits due within one year is $181,246 (December 31, 2013 – $247,666) and the average term to maturity is 1.0 years (December 31, 2013 – 0.9 years). The average effective interest rate as at September 30, 2014 is 2.23% (December 31, 2013 – 2.23%).

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

9. Other assets

As at		**September 30, 2014**		December 31, 2013
Accounts receivable	**$**	**60**	$	144
Prepaids and other current assets		**674**		368
	$	**734**	$	512

10. Other liabilities

As at		**September 30, 2014**		December 31, 2013
Accounts payable and accrued liabilities	**$**	**2,660**	$	4,417
Deferred share unit liability		**91**		1,022
Deferred revenue		**290**		475
	$	**3,041**	$	5,914

11. 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 in the statements of consolidated operations and earnings (loss). 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 September 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 September 30, 2014, EFT remains the trustee of segregated funds in the amount of $181,626 (December 31, 2013 – $136,678), which are reported off-balance sheet.

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

11. Discontinued operations (continued)

The results of the discontinued operations for the three and nine months ended September 30, 2013 are as follows:

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

The operating loss from discontinued operations for the nine months ended September 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 nine months ended September 30, 2013
Cash used in operating activities	$ (3,426)
Cash provided by investing activities	64,000
Net change in cash	$ 60,574

12. 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 interim consolidated statements of operations and comprehensive earnings (loss):

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	**September 30, 2014**	September 30, 2013
Earnings (loss) before income taxes from continuing operations	**$ 715**	$ (197)	**$ (3,527)**	$ (637)
Income tax provision (recovery) at statutory rate	**191**	(53)	**(932)**	(169)
Adjustments for prior year true-up	**(27)**	-	**37**	-
Share-based payment (recovery) expense not deductible for tax purposes	**24**	50	**66**	98
Non deductible expenses for tax purposes	**(11)**	-	**(8)**	4
Other differences	**-**	(19)	**-**	(8)
Income tax expense (recovery)	**$ 177**	$ (22)	**$ (837)**	$ (75)

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

12. Income taxes (continued)

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 September 30, 2014**
Deferred tax assets			
Non-capital losses	$ -	$ 757	**$ 757**
Deferred acquisition, financing and share issuance costs	151	(50)	**101**
Mortgage provision for credit losses	37	(7)	**30**
Other	34	(2)	**32**
Deferred tax assets	$ 222	$ 698	**$ 920**
Deferred tax liabilities			
Property, plant and equipment	$ (423)	$ 44	**$ (379)**
License costs	(323)	(15)	**(338)**
Deferred tax liabilities	$ (746)	$ 29	**$ (717)**
Net deferred tax assets (liabilities)	$ (524)	$ 727	**$ 203**
Consolidated Balance Sheets:			
Deferred tax assets	$ 104	$ 722	**$ 826**
Deferred tax liabilities	(628)	5	**(623)**
Net deferred tax assets (liabilities)	$ (524)	$ 727	**$ 203**

13. 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)	**161,668**	**1,431**
Issued and outstanding at September 30, 2014	**9,507,508**	**$ 33,166**
Issued and outstanding at December 31, 2012	9,155,007	$ 29,549
Exercise of stock options (b)	150,833	1,196
Issued and outstanding at September 30, 2013	9,305,840	$ 30,745

(a) Transactions completed during the nine month period ended September 30, 2014:

Employees and Directors of the Corporation exercised 161,668 stock options at a weighted average exercise price of $6.67 per share for total proceeds of $1,079. The weighted average share price at the time of exercise was $9.40 per share. Share capital also increased by a reclassification from contributed surplus of $352, which is the amount previously recognized as share-based payment expense for these options.

(b) Transactions completed during the nine month period ended September 30, 2013:

Employees and Directors of the Corporation exercised 150,833 stock options at a weighted average exercise price of $8.14 per share for total proceeds of $1,227. The weighted average share price at the time of exercise was $10.57 per share. Share capital also increased by a reclassification from contributed surplus of $462, which is the amount previously recognized as share-based payment expense for these options.

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

14. 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 September 30, 2014 was 950,751 (December 31, 2013 – 934,584).

	For the nine months ended		For the year ended	
	September 30, 2014		December 31, 2013	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Opening balance	**419,502**	**$ 8.76**	552,833	$ 8.12
Options granted	**502,500**	**9.86**	233,500	10.88
Options exercised	**(161,668)**	**6.67**	(190,833)	8.31
Options expired	**(74,003)**	**10.62**	(63,500)	9.36
Options forfeited	**(82,329)**	**10.27**	(112,498)	10.44
Ending balance	**604,002**	**$ 9.80**	419,502	$ 8.76
Vested options	**75,338**	**$ 9.07**	198,668	$ 7.00

The weighted average remaining contractual life for all options outstanding as at September 30, 2014 is 4.19 years (December 31, 2013 – 2.9 years). During the nine months ended September 30, 2014, the Corporation recognized $251 (2013 - $371) as share-based payment expense within staffing costs.

During the nine months ended September 30, 2014, 502,500 options were granted to employees under the Plan, of which 330,000 were performance-based options. These performance-based 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, certain specified 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 performance-based options at the grant date, while the Black-Scholes model was used to estimate the fair value of the remaining 172,500 options at the grant date.

A summary of the 2014 option grants are presented below:

				For the nine months ended September 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**
40,000	**September 25, 2014**	**Employees**	**$ 121,706**	**3 years**	**1.35%**	**5 years**	**36%**	**-**	**$ 8.99**	**$ 3.04**
				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**
502,500			**$1,288,699**							

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

14. Share-based payments (continued)

(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 September 30, 2014, there were 9,939 DSUs outstanding (December 31, 2013 – 87,974) representing a liability of $91 (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. During the nine months ended September 30, 2014, the Corporation recognized a recovery of $140 (2013 – $319 expense) in the statements of operations and comprehensive earnings (loss) and recorded an adjustment to the corresponding liability in other liabilities. The DSUs are revalued at each reporting date based on the closing price of the Corporation's shares.

Details of the outstanding deferred share units are as follows:

As at	September 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 earnings (loss)	**(140)**	580
Redeemed	**(791)**	-
Balance, end of period	**$ 91**	$ 1,022

15. Related party transactions

During the nine months ended September 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 nine months ended September 30, 2014 are described in Note 14 above and Note 17 below. All outstanding balances are due to be settled in cash after the period end date and are not secured.

16. Comparative amounts

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

17. Non-interest expenses

Included in non-interest expenses for the nine months ended September 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.

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.