EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2014

Responsibility for Consolidated Financial Statements

The accompanying 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 consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Equity Financial Holdings Inc.,

We have audited the accompanying consolidated financial statements of Equity Financial Holdings Inc., which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Equity Financial Holdings Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

February 11, 2015

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

($000s Canadian dollars)	**December 31, 2014**	As at December 31, 2013
Assets		
Cash and cash equivalents (Note 6)	**$ 33,231**	$ 43,376
Mortgages receivable, net (Note 7)	**297,375**	394,812
Current income taxes receivable	**421**	211
Deferred tax assets (Note 14)	**641**	104
Other assets (Note 9)	**599**	512
Property, plant and equipment (Note 11)	**607**	745
Intangible assets (Note 12)	**2,079**	2,616
	$ 334,953	$ 442,376
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits (Note 8)	**$ 235,597**	$ 332,437
Current income taxes payable	**-**	7,287
Deferred tax liabilities (Note 14)	**567**	628
Other liabilities (Note 10)	**3,938**	5,914
	240,102	346,266
Shareholders' Equity		
Share capital (Note 15)	**33,401**	31,735
Contributed surplus	**1,772**	1,778
Retained earnings	**59,678**	62,597
	94,851	96,110
	$ 334,953	$ 442,376

Approved on Behalf of the Board of Directors

/signed/ - Michael R. Jones
Director

/signed/ - Brad R. Kipp
Director

The accompanying notes and shaded section of the MD&A are an integral part of these consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

($000s Canadian dollars, except share and per share amounts)	For the years ended December 31, 2014	December 31, 2013
Interest income	**$ 19,733**	$ 15,891
Interest expense	**(6,878)**	(5,563)
Net interest income	**12,855**	10,328
Reversal (increase) in provision for credit losses (Note 7)	**281**	(692)
Net interest income, including recovery of (provision for) credit losses	**13,136**	9,636
Other income	**1,534**	998
Net interest income and other income, including recovery of (provision for) credit losses	**14,670**	10,634
Non-interest expenses (Note 20)		
Staffing costs	**7,955**	5,245
Other expenses	**10,460**	5,724
Total non-interest expenses	**18,415**	10,969
Loss before income taxes from continuing operations	**(3,745)**	(335)
Income tax expense (recovery) (Note 14)		
Current	**(228)**	(49)
Deferred	**(598)**	41
	(826)	(8)
Net loss from continuing operations	**(2,919)**	(327)
Discontinued operations (Note 13)		
Net income from discontinued operations	**-**	42,109
Net (loss) income and total comprehensive (loss) income	**$ (2,919)**	$ 41,782
Basic loss per share from continuing operations	**(0.30)**	(0.04)
Basic earnings per share from discontinued operations	**-**	4.56
Basic (loss) earnings per share (Note 17)	**$ (0.30)**	$ 4.52
Diluted loss per share from continuing operations	**(0.30)**	(0.04)
Diluted earnings per share from discontinued operations	**-**	4.51
Diluted (loss) earnings per share (Note 17)	**$ (0.30)**	$ 4.47
Weighted average number of common shares outstanding		
Basic	**9,442,549**	9,238,085
Diluted	**9,483,492**	9,338,463

The accompanying notes and shaded section of the MD&A are an integral part of these consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	For the years ended December 31, 2014 and 2013								
	Share Capital			Contributed		Retained		Total	
($000s Canadian dollars, except share amounts)	Number		Amount		Surplus		Earnings		Shareholders' Equity
Balance as at December 31, 2013	**9,345,840**	**$**	**31,735**	**$**	**1,778**	**$**	**62,597**	**$**	**96,110**
Exercise of stock options (Notes 15 and 16)	**181,668**		**1,666**		**(415)**		**-**		**1,251**
Net loss	**-**		**-**		**-**		**(2,919)**		**(2,919)**
Share-based payment expense	**-**		**-**		**409**		**-**		**409**
Balance as at December 31, 2014	**9,527,508**	**$**	**33,401**	**$**	**1,772**	**$**	**59,678**	**$**	**94,851**
Balance as at December 31, 2012	9,155,007	$	29,549	$	1,903	$	20,815	$	52,267
Exercise of stock options (Notes 15 and 16)	190,833		2,186		(600)		-		1,586
Net income	-		-		-		41,782		41,782
Share-based payment expense	-		-		475		-		475
Balance as at December 31, 2013	9,345,840	$	31,735	$	1,778	$	62,597	$	96,110

The accompanying notes and shaded section of the MD&A are an integral part of these consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($000s Canadian dollars)	For the years ended **December 31, 2014**	December 31, 2013
Operating Activities		
Net (loss) income for the year	**$ (2,919)**	$ 41,782
Adjustments to determine cash flows relating to operating activities		
Depreciation of property, plant and equipment (Note 11)	**229**	258
Amortization of intangible assets (Note 12)	**509**	582
Realized loss on impaired mortgages (Note 7)	**(49)**	-
Impairment losses on asset write-offs (Note 12)	**28**	267
Gain on disposal of discontinued operations, net of tax (Note 13)	**-**	(43,850)
Share-based payments	**409**	475
(Reversal of) provision for credit losses	**(281)**	692
Changes in operating assets and liabilities		
Income tax recovery	**(826)**	(582)
Income tax (paid) recovered	**(7,227)**	33
Decrease (increase) in mortgages receivable	**97,767**	(197,357)
(Decrease) increase in customer deposits	**(96,840)**	139,680
(Increase) decrease in other assets	**(87)**	606
(Decrease) increase in other liabilities	**(2,018)**	1,041
Cash flows used in operating activities	**(11,305)**	(56,373)
Financing Activities		
Shares issued pursuant to stock options exercised (Note 15)	**1,251**	1,586
Cash flows provided by financing activities	**1,251**	1,586
Investing Activities		
Proceeds from sale of discontinued operations (Note 13)	**-**	64,000
Additions to property, plant and equipment	**(91)**	(96)
Additions to intangible assets	**-**	(170)
Cash flows (used in) provided by investing activities	**(91)**	63,734
Net (decrease) increase in cash and cash equivalents during the year	**(10,145)**	8,947
Cash and cash equivalents at the beginning of the year	**43,376**	34,429
Cash and cash equivalents at the end of the year	**$ 33,231**	$ 43,376
Supplementary Disclosure of Cash Flow Information		
Cash interest received	**$ 19,216**	$ 14,269
Cash interest paid	**5,832**	3,711

The accompanying notes and shaded section of the MD&A are an integral part of these consolidated financial statements.

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

2. Summary of significant accounting policies

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on the cost basis except for the following balance sheet item:

• Liabilities for cash-settled share-based payment arrangements which are measured at fair value (see Note 2(n))

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on February 12, 2015.

(b) Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Corporation and its subsidiary after the elimination of intercompany transactions.

A subsidiary is an entity controlled by the Corporation. The Corporation has control when it has the power over the entity, has exposure or rights to variable returns from its involvement and has the ability to use its power over the entity to affect returns. The subsidiary included in the consolidated financial statements is EFT.

(c) Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. Actual results may differ from these estimates.

2. Summary of significant accounting policies (continued)

Estimates and judgments are continually evaluated by management based on historical experience and other external factors, and for certain estimates, expectations of future events that are believed to be reasonable under the current circumstances.

Information about assumptions and estimation uncertainties that could have a significant impact on the consolidated financial statements is included in the following notes:

- 2(g) Allowance for credit losses on mortgages receivable
- 2(i) Intangible assets
- 2(k) Income taxes

(d) Financial instruments

(i) Recognition and classification of financial assets and financial liabilities

Financial assets
Financial assets, except loans and receivables, are recognized on the trade date, where their purchase or sale are under a contract whose terms require delivering the financial asset within the timeframe established by the market concerned. The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Corporation classifies financial assets either as “at fair value through profit or loss” (FVTPL) or as “loans and receivables”, which include mortgages receivable.

Financial assets classified as FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in the consolidated statements of operations and comprehensive income (loss).

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are initially recognized on settlement date at fair value plus any transaction costs and subsequently they are measured at amortized cost using the effective interest method, less any allowance for credit losses.

Financial liabilities
Customer deposits are measured at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

(ii) Financing costs

Costs directly incurred in the course of raising equity financing are netted against the proceeds of the equity raised. Any equity financing costs incurred for which the Corporation has not realized proceeds are deferred and charged against the equity financing raised at the time the proceeds are received.

Costs directly incurred in the course of raising debt financing are capitalized as deferred financing costs and netted against the form of debt raised. These costs are then amortized over the life of the debt instrument to which they pertain using the effective interest method. Any deferred financing costs related to the raising of debt, which is extinguished or for which efforts are subsequently abandoned, are expensed in the period in which the debt is extinguished or efforts for the raising of debt are abandoned.

2. Summary of significant accounting policies (continued)

(iii) Determination of fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the principal market or most advantageous market that is accessible to the Corporation for the asset or liability.

Subsequent to initial recognition, financial instruments classified as FVTPL are remeasured using quoted market prices from active markets or, where quoted market prices are not available, using fair value estimates determined using valuation methods which refer to observable market data.

(iv) Impairment

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period or more frequently if required. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows is lower than the asset's carrying amount. The financial asset's carrying amount is reduced by the impairment loss either directly, or in the case when a trade receivable or a mortgage receivable is considered uncollectible, it is written off against an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of operations and comprehensive income (loss).

(v) Risks associated with financial instruments

The use of financial instruments exposes the Corporation to credit risk, foreign exchange rate risk, liquidity risk and interest rate risk. Elements of these risks and how the Corporation manages them are outlined in detail in Note 5 and pages 26 to 31 of the Corporations' 2014 Annual Management Discussion and Analysis.

(e) 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 consolidated statement of operations and comprehensive income (loss).

(f) Mortgages receivable

Mortgages receivable are recorded at amortized cost plus accrued interest, net of unamortized broker fees, deferred commitment fees and an allowance for credit losses. Net fees relating to mortgage origination are amortized to earnings on an effective interest basis over the term of the mortgages to which they relate. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the loan.

Interest income is accrued as earned with the passage of time and continues to accrue when a loan is considered impaired (with an appropriate allowance for credit loss as discussed below).

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.

2. Summary of significant accounting policies (continued)

When loans are classified as impaired, the book value of such loans is adjusted to their estimated realizable value based on the fair value of any security underlying the loans, net of any costs of realization, by establishing an allowance for loan losses as described below.

An impaired loan is not returned to a performing status unless all principal and interest payments are up to date, and management is reasonably assured of the recoverability of the loan.

(g) Allowance for credit losses on mortgages receivable

An allowance for credit losses is maintained at an amount that, in management's opinion, is considered adequate to absorb all credit-related losses that have occurred in the portfolio, whether or not detected at period end. Allowance for credit losses on mortgage assets consists of both the individually and collectively assessed allowance. The adequacy of the allowance for credit losses is reviewed at least quarterly. Losses expected from future events are not recognized. The allowance for credit losses is deducted from mortgages receivable on the consolidated balance sheets.

(i) Individual allowances

Individual allowances are determined on an item-by-item basis and reflect the associated estimate of credit loss. At the end of each reporting period, the Corporation first assesses whether objective evidence of impairment exists individually for mortgage assets. Individual allowances are set up for mortgages where payment is contractually past due 90 days unless management is reasonably assured as to the recoverability of principal and interest. The individual allowance is measured as the difference between the mortgage's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows of the mortgage reflects the cash flows that may result from power of sale or foreclosure less costs for obtaining and selling the property underlying the mortgage.

(ii) Collective allowance

The collective allowance is established to absorb credit losses on the aggregate exposures in the Corporation's loan portfolio for which losses have been incurred but not yet individually reported or identified. If an individual allowance is not required for a particular mortgage, the Corporation includes the mortgage in a group of mortgage assets with similar credit risk characteristics and collectively assesses them for impairment. Management's assessment process considers industry peer group experience and other relevant factors including economic conditions, security and mortgage type, geographical exposure and loan to value ratios.

The provision for credit losses reflected in the consolidated statements of operations and comprehensive income (loss) is the change in the allowance for credit.

(iii) Impairment

Impairment loss is reflected in the consolidated statements of operations and comprehensive income (loss) in the year in which the impairment is identified. In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the mortgage are credited to the allowance for credit losses on the consolidated balance sheets.

2. Summary of significant accounting policies (continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The Corporation recognizes depreciation to write off the cost of assets less their residual values over their estimated useful lives, using the following methods and rates:

Furniture	20% declining balance basis
Computer equipment	30% declining balance basis
Computer infrastructure	Straight line over 7 years
Leasehold improvements	Straight line over term of lease

The Corporation reviews the estimated useful lives, residual values and depreciation methods at each year end, accounting for the effect of any changes in estimate on a prospective basis.

The gain or loss arising on disposing of or retiring an item of property, plant and equipment is determined as the difference between the sales proceeds and the asset's carrying amount and is recognized in the consolidated statements of operations and comprehensive income (loss).

(i) Intangible assets

Acquired intangible assets
Intangible assets include costs incurred to amend the trust license to allow EFT to become a deposit taking institution ("DTI"). The trust license granted to EFT under the federal Trust and Loans Companies Act does not expire and is therefore considered to have an indefinite life. It is carried at cost and is not amortized, however it is assessed for impairment on an annual basis.

Computer software is carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of 2 and 5 years respectively. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, accounting for the effect of any changes in estimate on a prospective basis.

Internally generated intangible assets
The Corporation's internally generated intangible assets consist of computer software. The Corporation recognizes expenditure on research activities as an expense in the period in which it is incurred. The Corporation recognizes an internally generated intangible asset arising from development (or from the development phase of an internal project).

The amount initially recognized for internally generated intangible assets is the sum of the eligible expenditures incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, the development expenditures are recognized in the consolidated statements of operations and comprehensive income (loss) in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and impairment losses, on the same basis as acquired definite life intangible assets. The internally generated computer software is amortized on a straight-line basis over its estimated useful life of 2 and 5 years.

2. Summary of significant accounting policies (continued)

Asset impairment

The Corporation assesses, at each reporting date, whether there is an indication that an intangible asset may be impaired. The trust license is reviewed for impairment at least annually. If any indication of impairment exists, the Corporation performs an impairment test to determine whether an impairment loss is required to be recognized.

If any indication exists, the Corporation estimates the asset's recoverable amount to determine the extent of the impairment loss, if any. Where it is not possible to estimate a specific asset's recoverable amount, the Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use, where value in use is the present value of the future cash flows expected to be derived from the assets of the CGU. Where the carrying amount of the asset or the CGU exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. The impairment loss is immediately recognized in income or loss.

Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of operations and comprehensive income (loss).

(j) Customer deposits

Customer deposits are comprised of guaranteed investment certificates ("GICs") issued to depositors. Deposits are recorded on the consolidated balance sheets at amortized cost using the effective interest method. Deferred deposit agent commissions are accounted for as a component of customer deposits and amortized to interest expense over the term of the deposit using the effective interest method.

(k) Income taxes

Income tax expense represents the sum of taxes currently payable and deferred taxes.

Taxes currently payable are based on taxable earnings for the year. Taxable earnings differ from earnings or loss as reported in the consolidated statements of operations and comprehensive income (loss) because of items of income or expense taxable or deductible in other years and items that are never taxable or deductible. The Corporation calculates its liability for current taxes using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in computing taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of significant accounting policies (continued)

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable there will be sufficient taxable earnings against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, if necessary, reduced to the amount expected to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized as an expense or income in income or loss, except when they relate to items recognized outside of income or loss (whether in other comprehensive income or directly in equity), in which case the taxes are also recognized outside of income or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

(l) Earnings per share

Basic earnings per share is computed by dividing the earnings for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of options, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive.

(m) Share-based payments

(i) Stock options

Fair value is determined on the grant date of the stock option and is recognized as an expense over the vesting period, with a corresponding increase to contributed surplus based on the Corporation’s estimate of the number of options expected to vest. When stock options are exercised, the proceeds received by the Corporation, together with any related amount recorded in contributed surplus, are credited to share capital.

(ii) Deferred share units

The fair value of the amount payable to directors in respect of deferred share units, which are settled in cash, is recognized as an expense in the consolidated statements of operations and comprehensive income (loss) with a corresponding change in liabilities, over the period that the non-employee director becomes unconditionally entitled to payment. The liability is remeasured at each reporting date and at the settlement date based on the fair value of the stock price. Any changes in the liability are recognized in other expenses in the consolidated statements of operations and comprehensive income (loss).

2. Summary of significant accounting policies (continued)

(iii) Employee share purchase plan contributions

The Corporation's contributions under the plan on behalf of employees are included in staffing costs.

(n) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and that the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

(i) Interest income or expense

Interest income includes interest income earned on mortgages receivable, bank deposit balances and short-term investments. Interest expense is the cost of issuing customer deposits.

Interest income or expense for all interest-bearing financial instruments are recognized within interest income and interest expense in the consolidated statements of operations and comprehensive income (loss) using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability by allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Corporation estimates cash flows by considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Other income

Other income includes annual maintenance fees and renewal fees, non-sufficient fund fees, discharge fees, legal fees, and other miscellaneous fees associated with mortgage loans.

Other income is accrued and recognized as income when the associated services are rendered.

(o) Leases

The Corporation recognizes operating lease payments as an expense on a straight-line basis over the lease term. Lease incentives received to enter into operating leases are recognized initially as a liability and then as a reduction of rental expense on a straight-line basis over the lease term.

(p) Discontinued operations

A discontinued operation is a component of the Corporation's business, the operations and cash flows of which can be clearly distinguished from the rest of the Corporation and which:

2. Summary of significant accounting policies (continued)

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the Corporation's comparative consolidated statements of operations and comprehensive income (loss) is represented as if the operation had been discontinued from the start of the comparative year.

3. Current and future changes in accounting policies

(a) Current changes in accounting policy

IFRIC 21 – Levies

The International Financial Reporting Interpretations Committee ("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 consolidated financial statements.

(b) Future changes in accounting policy

The IASB and 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. Those which are considered to be relevant to the Corporation's operations are as follows:

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 $94,851 as at December 31, 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 systems 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").

4. Capital management (continued)

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 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 December 31, 2014, EFT held CET 1 on an "all-in" basis of $85,332, 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 December 31, 2014 was $86,498 (December 31, 2013 - $86,591).

Future Requirements

In January 2014, the Basel Committee on Banking Supervision ("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 BCBS into OSFI guidance. Under the Basel III leverage ratio framework, public disclosure of the leverage ratio is required in the first quarter of 2015. The Basel III leverage ratio will replace the existing ACM, thus preventing institutions from having to calculate and publicly disclose two measures of leverage.

The Corporation has evaluated the LRG and does not anticipate significant changes to the 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.

4. Capital management (continued)

As at	December 31, 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	**32,606**	**32,606**	31,606	31,606
Retained earnings	**54,183**	**54,183**	54,985	54,985
Common Equity Tier 1 capital before regulatory adjustments	**86,789**	**86,789**	86,591	86,591
Common Equity Tier 1 capital: regulatory adjustments				
Total regulatory adjustments to Common Equity Tier 1	**(1,457)**	**(291)**	(1,836)	-
Common Equity Tier 1 capital (CET1)	**85,332**	**86,498**	84,755	86,591
Tier 1 capital	**85,332**	**86,498**	84,755	86,591
Total capital	**85,332**	**86,498**	84,755	86,591
Total risk-weighted assets	**130,181**	**131,347**	158,327	160,163
Capital ratios				
Common Equity Tier 1 (as percentage of risk-weighted assets)	**65.5%**	**65.8%**	53.5%	54.1%
Tier 1 (as percentage of risk-weighted assets)	**65.5%**	**65.8%**	53.5%	54.1%
Total capital (as percentage of risk-weighted assets)	**65.5%**	**65.8%**	53.5%	54.1%
Assets-to-capital multiple		**3.8x**		5.0x
Levarage ratio	**26.1%**		19.5%	
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 26 to 28 of the Corporation's 2014 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 rate sensitive assets and liabilities. The following table shows the gap positions as at December 31, 2014 and December 31, 2013 based on contractual maturities. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

5. Financial instruments (continued)

As at December 31, 2014	Floating Rate	Less than 1 Year	1 to 2 Years	Greater than 2 Years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 33,231	$ -	$ -	$ -	$ -	$ 33,231
Effective interest rate	1.30%	-	-	-	-	1.30%
Mortgages receivable, net	-	205,417	58,651	33,307	-	297,375
Effective interest rate	-	5.32%	4.65%	4.31%	-	5.10%
Other assets	-	-	-	-	4,347	4,347
Total assets	$ 33,231	$ 205,417	$ 58,651	$ 33,307	$ 4,347	$ 334,953
Liabilities:						
Customer deposits	$ -	$ 162,177	$ 46,986	$ 26,434	$ -	$ 235,597
Effective interest rate	-	2.24%	2.28%	2.63%	-	2.24%
Other liabilities	-	-	-	-	4,505	4,505
Shareholders' equity	-	-	-	-	94,851	94,851
Total liabilities and shareholders' equity	$ -	$ 162,177	$ 46,986	$ 26,434	$ 99,356	$ 334,953
Interest rate sensitivity gap	$ 33,231	$ 43,240	$ 11,665	$ 6,873	$ (95,009)	$ -
Cumulative gap	$ 33,231	$ 76,471	$ 88,136	$ 95,009	$ -	$ -
Cumulative gap as a percentage of total assets	9.9%	22.8%	26.3%	28.4%	-	-

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, net	-	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 December 31, 2014, the Corporation estimates that a 100 basis point decrease in interest rates would decrease net interest income over the next 12 months by $361 (December 31, 2013 – $440 decrease). A 100 basis point increase in interest rates would increase net interest income over the next 12 months by $336 (December 31, 2013 – $458 increase).

5. Financial instruments (continued)

(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 December 31, 2014
		Loans and Receivables/Financial Liabilities at Amortized Cost		Carrying Value		Fair Value		Fair Value (Under) Over Carrying Value
Financial assets:								
Mortgages receivable, net		**297,375**		**297,375**		**297,236**		**(139)**
Total financial assets	**$**	**297,375**	**$**	**297,375**	**$**	**297,236**	**$**	**(139)**
Financial liabilities:								
Customer deposits		**235,597**		**235,597**		**236,000**		**403**
Total financial liabilities	**$**	**235,597**	**$**	**235,597**	**$**	**236,000**	**$**	**403**

								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, net		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

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 December 31, 2014
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Mortgages receivable	-	-	297,236	297,236
Total financial assets	$ -	$ -	$ 297,236	$ 297,236
Financial liabilities:				
Customer deposits	-	-	236,000	236,000
Total financial liabilities	$ -	$ -	$ 236,000	$ 236,000

				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		December 31, 2014		December 31, 2013
Deposits with regulated financial institutions	$	28,239	$	43,376
Short-term investments		4,992		-
Total cash and cash equivalents	$	33,231	$	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 December 31, 2014				
	Gross	Allowance for credit losses			Net
	Amount	Individual	Collective	Total	Amount
Mortgages	$ 297,735	15	$ 1,041	$ 1,056	$ 296,679
Accrued interest	696	-	-	-	696
Balance	$ 298,431	$ 15	$ 1,041	$ 1,056	$ 297,375

	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 consist 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 December 31, 2014, the current portion of mortgages due within one year is $205,417 (December 31, 2013 – $280,613) and the weighted average term to maturity of the portfolio is 1.0 year (December 31, 2013 – 0.9 year). The weighted average effective interest rate of the portfolio as at December 31, 2014 is 5.10% (December 31, 2013 – 5.31%).

The Corporation has outstanding commitments to make future advances on mortgage loans of $9.9 million as at December 31, 2014 (December 31, 2013 – $18.5 million). Commitments for the loans remain open for various dates through February 2015.

(b) Allowance for credit losses

	For the year ended December 31, 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 (reversal of) credit losses	64	(345)	(281)	-	692	692
Realized losses	(49)	-	(49)	-	-	-
Balance, end of period	$ 15	$ 1,041	$ 1,056	$ -	$ 1,386	$ 1,386

7. Mortgages receivable (continued)

(c) Past due mortgages but not impaired

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 full repayment, or they have been restored to current status in accordance with the Corporation's collection policy since the consolidated balance sheet dates.

As at		**December 31, 2014**		December 31, 2013
1 to 30 days	**$**	**21,722**	$	20,162
31 to 60 days		**2,254**		3,013
61 to 90 days		**1,162**		949
Over 90 days		**1,228**		1,616
	$	**26,366**	$	25,740

(d) Impaired mortgage

The Corporation classifies loans 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. The following table presents the carrying value of the impaired mortgage.

As at		**December 31, 2014**		December 31, 2013
Gross amount of impaired loan	**$**	**225**	**$**	-
Individual allowance		**(15)**		-
Net amount	**$**	**210**	**$**	-

The total appraised value of the collateral for the impaired mortgage as at December 31, 2014 was $255 (December 31, 2013 - nil).

8. Customer deposits

As at		**December 31, 2014**		December 31, 2013
Guaranteed Investment Certificates	**$**	**232,650**	$	329,982
Accrued interest		**3,477**		3,223
Deferred deposit agent commissions		**(530)**		(768)
	$	**235,597**	$	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 December 31, 2014, the current portion of customer deposits due within one year is $162,177 (December 31, 2013 – $247,666) and the average term to maturity is 1.0 year (December 31, 2013 – 0.9 year). The weighted average effective interest rate as at December 31, 2014 is 2.24% (December 31, 2013 – 2.23%).

9. Other assets

As at		**December 31, 2014**		December 31, 2013
Accounts receivable	**$**	**80**	$	144
Prepaids and other current assets		**519**		368
	$	**599**	$	512

10. Other liabilities

As at	**December 31, 2014**	December 31, 2013
Accounts payable and accrued liabilities	**$ 3,309**	$ 4,417
Deferred share unit liability	**375**	1,022
Deferred revenue	**254**	475
	$ 3,938	$ 5,914

11. Property, plant and equipment

	Furniture	**Computer Equipment and Infrastructure**	**Leasehold Improvements**	**Total**
Opening cost, January 1, 2014	**$ 437**	**$ 979**	**$ 363**	**$ 1,779**
Additions	**28**	**42**	**21**	**91**
Closing cost as at December 31, 2014	**$ 465**	**$ 1,021**	**$ 384**	**$ 1,870**
Opening accumulated amortization, January 1, 2014	**$ 275**	**$ 584**	**$ 175**	**$ 1,034**
Depreciation expense	**36**	**132**	**61**	**229**
Ending accumulated amortization	**$ 311**	**$ 716**	**$ 236**	**$ 1,263**
Net book value as at December 31, 2014	**$ 154**	**$ 305**	**$ 148**	**$ 607**

	Furniture	Computer Equipment and Infrastructure	Leasehold Improvements	Total
Opening cost, January 1, 2013	$ 429	$ 900	$ 363	$ 1,692
Additions	8	79	-	87
Closing cost as at December 31, 2013	$ 437	$ 979	$ 363	$ 1,779
Opening accumulated amortization, January 1, 2013	$ 232	$ 458	$ 86	$ 776
Depreciation expense	43	126	89	258
Ending accumulated amortization	$ 275	$ 584	$ 175	$ 1,034
Net book value as at December 31, 2013	$ 162	$ 395	$ 188	$ 745

12. Intangible Assets

	Intangible asset with indefinite life	**Computer Software**		**Total**
	License costs	**Purchased (a)**	**Internally generated (b)**	
Opening cost, January 1, 2014	**$ 1,276**	**$ 1,957**	**$ 245**	**$ 3,478**
Asset write-off	**-**	**(46)**	**-**	**(46)**
Closing cost as at December 31, 2014	**$ 1,276**	**$ 1,911**	**$ 245**	**$ 3,432**
Opening accumulated amortization, January 1, 2014	**$ -**	**$ 789**	**$ 73**	**$ 862**
Amortization expense	**-**	**461**	**48**	**509**
Amortization write-off	**-**	**(18)**	**-**	**(18)**
Ending accumulated amortization	**$ -**	**$ 1,232**	**$ 121**	**$ 1,353**
Net book value as at December 31, 2014	**$ 1,276**	**$ 679**	**$ 124**	**$ 2,079**

12. Intangible Assets (continued)

	Intangible asset with indefinite life	Computer Software		Total
	License costs	Purchased (a)	Internally generated (b)	
Opening cost, January 1, 2013	$ 1,276	$ 2,434	$ 212	$ 3,922
Additions	-	133	37	170
Asset write-off	-	(610)	(4)	(614)
Closing cost as at December 31, 2013	$ 1,276	$ 1,957	$ 245	$ 3,478
Opening accumulated amortization, January 1, 2013	$ -	$ 723	$ 23	$ 746
Amortization expense	-	405	50	455
Amortization write-off	-	(339)	-	(339)
Ending accumulated amortization	$ -	$ 789	$ 73	$ 862
Net book value as at December 31, 2013	$ 1,276	$ 1,168	$ 172	$ 2,616

(a) During the year ended December 31, 2014, the Corporation wrote-off previously purchased software with a remaining net book value of $28, with losses recognized in the statements of operations and comprehensive income (loss). During the year ended December 31, 2013, as a result of the wind-down of EFX, the Corporation wrote-off previously purchased foreign exchange trading software with remaining net book value of $264. As a result of the Transaction, the Corporation wrote off purchased software related to discontinued operations with remaining net book value of $7.

(b) During the year ended December 31, 2013, as a result of the Transaction, the Corporation wrote off internally generated software related to discontinued operations with remaining net book value of $4.

13. 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 in 2013. 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) in the comparative year.

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 December 31, 2014. As a result, no contingent purchase price adjustment is recorded in the 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 (loss) 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 December 31, 2014, EFT remains the trustee of segregated funds in the amount of $196,272 (December 31, 2013 – $136,678), which are reported off-balance sheet.

13. Discontinued operations (continued)

The results of the discontinued operations for the year ended December 31, 2013 are as follows:

Total discontinued operations – Statement of Operations and Comprehensive Loss	For the year ended December 31, 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 year ended December 31, 2013 is primarily the result of costs expensed in relation to the Transaction, including bonuses.

Total discontinued operations – Statement of Cash Flows	For the year ended December 31, 2013
Cash used in operating activities	$ (3,286)
Cash provided by investing activities	64,000
Net change in cash	$ 60,714

14. 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 income (loss):

	For the year ended	
	December 31, 2014	December 31, 2013
Loss before income taxes from continuing operations	**$ (3,745)**	$ (335)
Income tax recovery at statutory rate	**(990)**	(89)
Adjustments for prior years	**55**	-
Share-based payment expense not deductible for tax purposes	**108**	85
Non-deductible expenses for tax purposes	**1**	4
Other differences	**-**	(8)
Income tax recovery	**$ (826)**	$ (8)

14. Income taxes (continued)

The movements in the deferred tax assets and liabilities are as follows:

	Opening balance as at January 1, 2014	Recognized in Net Earnings	**Closing balance as at December 31, 2014**
Deferred tax assets			
Non-capital losses	$ -	$ 483	**$ 483**
Deferred acquisition, financing and share issuance costs	151	(66)	**85**
Mortgage provision for credit losses	37	(9)	**28**
DSU liability	-	99	**99**
Other	34	(2)	**32**
Deferred tax assets	$ 222	$ 505	**$ 727**
Deferred tax liabilities			
Property, plant and equipment	$ (423)	$ 108	**$ (315)**
License costs	(323)	(15)	**(338)**
Deferred tax liabilities	$ (746)	$ 93	**$ (653)**
Net deferred tax assets (liabilities)	$ (524)	$ 598	**$ 74**
Consolidated Balance Sheets:			
Deferred tax assets	$ 104	$ 537	**$ 641**
Deferred tax liabilities	(628)	61	**(567)**
Net deferred tax assets (liabilities)	$ (524)	$ 598	**$ 74**

15. Share capital

The authorized capital of the Corporation consists of an unlimited number of common shares without par value.

	Number of Shares	**Amount**
Issued and outstanding as at December 31, 2013	**9,345,840**	**$ 31,735**
Exercise of stock options (a)	**181,668**	**1,666**
Issued and outstanding as at December 31, 2014	**9,527,508**	**$ 33,401**
Issued and outstanding as at December 31, 2012	9,155,007	$ 29,549
Exercise of stock options (b)	190,833	2,186
Issued and outstanding as at December 31, 2013	9,345,840	$ 31,735

(a) Transactions completed during the year ended December 31, 2014:

Employees and Directors of the Corporation exercised 181,668 stock options at a weighted average exercise price of $6.89 per share for total proceeds of $1,251. 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 $415, which is the amount previously recognized as share-based payment expense for these options.

(b) Transactions completed during the year ended December 31, 2013:

Employees and Directors of the Corporation exercised 190,833 stock options at a weighted average exercise price of $8.31 per share for total proceeds of $1,586. The weighted average share price at the time of exercise was $10.81 per share. Share capital also increased by a reclassification from contributed surplus of $600, which is the amount previously recognized as share-based payment expense for these options.

16. 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 December 31, 2014 was 952,751 (December 31, 2013 – 934,584).

		For the year ended December 31, 2014			For the year ended 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	**517,500**		**9.83**	233,500		10.88
Options exercised	**(181,668)**		**6.89**	(190,833)		8.31
Options expired	**(89,005)**		**10.63**	(63,500)		9.36
Options forfeited	**(83,329)**		**10.28**	(112,498)		10.44
Ending balance	**583,000**	**$**	**9.79**	419,502	$	8.76
Vested options	**40,336**	**$**	**8.68**	198,668	$	7.00

The weighted average remaining contractual life for all options outstanding as at December 31, 2014 is 4.20 years (December 31, 2013 – 2.9 years). During the year ended December 31, 2014, the Corporation recognized $409 (2013 - $322) as share-based payment expense within staffing costs.

The following table reflects the stock options outstanding as at December 31, 2014:

Number of Exercisable Options	**Number of Options**	**Exercise Price**	**Expiry**
14,000	14,000	$5.35 to $6.90	August 2015 to September 2016
10,000	65,000	$8.00 to $8.99	March 2015 to December 2019
-	370,000	$9.75	May 2019
16,336	134,000	$10.10 to $10.90	February 2017 to June 2019
40,336	583,000		

During the year ended December 31, 2014, 517,500 options were granted to employees under the Plan, of which 330,000 were performance-based options granted to the Corporation's CEO. These performance-based options will 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 187,500 options at the grant date.

16. Share-based payments (continued)

A summary of the 2014 and 2013 option grants are presented below:

				For the year ended December 31, 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%	-	$ 10.69	$ 3.04
10,000	November 26, 2014	Employees	$ 29,877	3 years	1.43%	5 years	36%	-	$ 8.85	$ 2.99
5,000	December 01, 2014	Employees	$ 14,549	3 years	1.32%	5 years	36%	-	$ 8.68	$ 2.91
				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	CEO	$ 313,500	1 - 5 years	1.44%	5 years	36%	$ 15.00	$ 9.75	$ 2.85
110,000	May 12, 2014	CEO	$ 253,000	2 - 5 years	1.44%	5 years	36%	$ 20.00	$ 9.75	$ 2.30
110,000	May 12, 2014	CEO	$ 191,400	3 - 5 years	1.44%	5 years	36%	$ 25.00	$ 9.75	$ 1.74
517,500			$1,333,125							

				For the year ended December 31,2013						
				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
222,000	May 17, 2013	Employees	$ 794,114	3 years	1.35%	5 years	35%	-	$ 10.90	$ 3.58
11,500	August 16, 2013	Employees	$ 41,292	3 years	1.96%	5 years	35%	-	$ 10.59	$ 3.59
233,500			$ 835,406							

(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. DSUs are granted on a quarterly basis, and vest immediately. 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 December 31, 2014, there were 36,230 DSUs outstanding (December 31, 2013 – 87,974) representing a liability of $375 (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. Non-employee Directors of the Corporation were granted 26,291 DSUs during the year ended December 31, 2014. Expense recorded in 2014 relating to DSUs outstanding during the year amounted to $144 (2013 - $580). The DSUs are revalued at each reporting date based on the closing price of the Corporation's shares.

16. Share-based payments (continued)

Details of the outstanding deferred share units are as follows:

As at		December 31, 2014		December 31, 2013
Units				
Outstanding, beginning of period		**87,974**		62,811
Granted		**26,291**		25,163
Redeemed		**(76,341)**		-
Forfeited		**(1,694)**		-
Outstanding, end of period		**36,230**		87,974
Liability				
Balance, beginning of period	**$**	**1,022**	$	442
Expense recognized in the statements of operations and comprehensive income (loss)		**144**		580
Redeemed		**(791)**		-
Balance, end of period	**$**	**375**	$	1,022

17. Earnings per share

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

	For the years ended December 31,			
		2014		2013
Basic earnings per share				
Net (loss) income	**$**	**(2,919)**	$	41,782
Net income from discontinued operations		**-**		42,109
Net loss from continuing operations	**$**	**(2,919)**	$	(327)
Weighted average number of common shares outstanding - basic		**9,442,549**		9,238,085
Basic (loss) earnings per share				
Continuing operations	**$**	**(0.30)**	$	(0.04)
Discontinued operations		**-**		4.56
Total	**$**	**(0.30)**	$	4.52
Diluted earnings per share				
Net (loss) income	**$**	**(2,919)**	$	41,782
Net income from discontinued operations		**-**		42,109
Net loss from continuing operations	**$**	**(2,919)**	$	(327)
Weighted average number of common shares outstanding - basic		**9,442,549**		9,238,085
Effect of dilutive shares		**40,943**		100,378
Weighted average number of common shares outstanding - diluted		**9,483,492**		9,338,463
Diluted (loss) earnings per share				
Continuing operations	**$**	**(0.30)**	$	(0.04)
Discontinued operations		**-**		4.51
Total	**$**	**(0.30)**	$	4.47

18. Related party transactions

During the year ended December 31, 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 year ended December 31, 2014 are described in Note 20 below. All outstanding balances are due to be settled in cash after the year-end date and are not secured.

Key management personnel are related parties. The Corporation entered into the following transactions with key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, including directors and officers.

	For the years ended December 31,			
		2014		2013
Compensation				
Salaries and other short-term employee benefits	**$**	**2,181**	$	2,469
Share-based payments		**611**		738
Termination benefits		**1,180**		160
	$	**3,972**	$	3,367

19. Commitments

The Corporation has entered into operating lease agreements to lease office space, expiring in 2017 for the Toronto office. The office space lease agreements provide for a five-year renewal at the expiry of the lease at occupancy rates equivalent to fair market value at time of renewal. The Corporation has sublet part of its Toronto lease and the remainder of its Vancouver lease, expiring in 2017 and 2015 respectively, for space previously occupied by the discontinued transfer agent and corporate trust services business (see Note 13).

The Corporation has entered into various software license and maintenance agreements for transaction processing software related to its mortgage lending and deposit taking operations. The agreements expire between 2014 and 2016. The Corporation has also entered into vendor service agreements expiring in 2019.

Operating lease payments in 2014 were $448 (2013 – $454) and are included in operating expenses.

The future minimum payments for commitments are as follows:

	For the year ended December 31, 2014							
		Not later than one year		**Later than one year and not later than five years**		**Later than five years**		**Total**
Office space lease agreements	**$**	**1,138**	**$**	**1,149**	**$**	**-**	**$**	**2,287**
Sub-tenant recoveries		**(561)**		**(541)**		**-**		**(1,102)**
Software license and maintenance agreements		**207**		**79**		**-**		**286**
Vendor service agreement		**128**		**511**		**-**		**639**
Total commitments	**$**	**912**	**$**	**1,198**	**$**	**-**	**$**	**2,110**

19. Commitments (continued)

	For the year ended December 31, 2013			
	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Office space lease agreements	$ 1,138	$ 2,321	$ -	$ 3,459
Sub-tenant recoveries	(608)	(1,194)	-	(1,802)
Software license and maintenance agreements	207	286	-	493
Total commitments	$ 737	$ 1,413	$ -	$ 2,150

20. Non-interest expenses

Included in other expenses for the year ended December 31, 2014 are costs incurred in the first quarter related to a board-led independent review of underwriting processes and risk management controls and to the settlement of a shareholder action initiated by the Corporation's 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.

21. Comparative amounts

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