EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Third Quarter Ended September 30, 2015

Responsibility for 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.

September 30, 2015

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EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

($000s Canadian dollars)	As at **September 30, 2015**	As at December 31, 2014
Assets		
Cash and cash equivalents (Note 6)	**$ 39,183**	$ 33,231
Mortgages receivable, net (Note 7)	**340,119**	297,375
Current income taxes receivable	**-**	421
Deferred tax assets (Note 11)	**886**	641
Other assets (Note 9)	**976**	599
Property, plant and equipment	**454**	607
Intangibles	**1,748**	2,079
	383,366	334,953
Liabilities and Shareholders' Equity		
Liabilities		
Deposits (Note 8)	**285,465**	235,597
Current income taxes payable	**93**	-
Deferred tax liabilities (Note 11)	**317**	567
Deferred share unit liability (Note 13)	**705**	375
Contingent consideration payable (Note 15)	**1,000**	-
Other liabilities (Note 10)	**2,178**	3,563
	289,758	240,102
Shareholders' Equity		
Share capital	**33,515**	33,401
Contributed surplus	**2,265**	1,772
Retained earnings	**57,828**	59,678
	93,608	94,851
	$ 383,366	$ 334,953

Approved on Behalf of the Board of Directors:

/signed/ - Michael R. Jones
Director

/signed/ - Brad R. Kipp
Director

The accompanying notes and shaded sections of the MD&A form an integral part of these interim consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(unaudited)

	For the three months ended		For the nine months ended	
($000s Canadian dollars, except share and per share amounts)	**September 30, 2015**	September 30, 2014	**September 30, 2015**	September 30, 2014
Interest income	**$ 4,069**	$ 4,812	**$ 11,688**	$ 15,512
Interest expense	**(1,516)**	(1,599)	**(4,205)**	(5,462)
Net interest income	**2,553**	3,213	**7,483**	10,050
(Increase) reversal of provision for credit losses (Note 7)	**(106)**	146	**(266)**	193
Net interest income, including (provision for) recovery of credit losses	**2,447**	3,359	**7,217**	10,243
Non-interest income				
Mortgage servicing fees	**315**	407	**919**	1,194
Other fee income (Note 15)	**150**	-	**300**	-
	465	407	**1,219**	1,194
Net interest income and non-interest income, including (provision for) reversal of credit losses	**2,912**	3,766	**8,436**	11,437
Non-interest expenses (Note 16)				
Staffing costs	**1,924**	1,819	**5,575**	6,256
Other expenses	**1,244**	1,234	**4,002**	8,708
Total non-interest expenses	**3,168**	3,053	**9,577**	14,964
Charge for contingent consideration (Note 15)	**400**	-	**1,000**	-
(Loss) income before income taxes	**(656)**	713	**(2,141)**	(3,527)
Income tax (recovery) expense (Note 11)				
Current	**66**	120	**207**	(110)
Deferred	**(121)**	58	**(495)**	(727)
	(55)	178	**(288)**	(837)
Net (loss) income and total comprehensive (loss) income	**(601)**	535	**(1,853)**	(2,690)
Net (loss) earnings per common share				
Basic (loss) earnings per share	**$ (0.06)**	$ 0.06	**$ (0.19)**	$ (0.28)
Diluted (loss) earnings per share	**$ (0.06)**	$ 0.06	**$ (0.19)**	$ (0.28)
Weighted average number of common shares outstanding				
Basic	**9,533,199**	9,423,836	**9,530,334**	9,420,438
Diluted	**9,535,117**	9,436,763	**9,533,905**	9,474,774

The accompanying notes and shaded sections of the MD&A form an integral part of these interim consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	For the nine months ended September 30, 2015 and 2014				
	Share Capital				
($000s Canadian dollars, except share amounts)	**Number**	**Amount**	**Contributed Surplus**	**Retained Earnings**	**Total Shareholders' Equity**
Balance as at December 31, 2014	**9,527,508**	**$ 33,401**	**$ 1,772**	**$ 59,681**	**$ 94,854**
Exercise of stock options (Note 12 and 13)	**12,000**	**114**	**(29)**	**-**	**85**
Net loss	**-**	**-**	**-**	**(1,853)**	**(1,853)**
Share-based payment expense	**-**	**-**	**522**	**-**	**522**
Balance as at September 30, 2015	**9,539,508**	**33,515**	**2,265**	**57,828**	**93,608**
Balance as at December 31, 2013	9,345,840	31,735	1,778	62,597	96,110
Exercise of stock options (Note 12 and 13)	161,668	1,431	(352)	-	1,079
Net loss	-	-	-	(2,690)	(2,690)
Share-based payment expense	-	-	251	-	251
Balance at at September 30, 2014	9,507,508	$ 33,166	$ 1,677	$ 59,907	$ 94,750

The accompanying notes and shaded sections of the MD&A form an integral part of these interim consolidated financial statements.

EQUITY FINANCIAL HOLDINGS INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

($000s Canadian dollars)	For the nine months ended **September 30, 2015**	For the nine months ended September 30, 2014
Operating Activities		
Net loss for the period	**$ (1,853)**	$ (2,690)
Adjustments to determine cash flows relating to operating assets and liabilities		
Depreciation of property, plant and equipment	**172**	170
Amortization of intangible assets	**354**	338
Realized loss on impaired mortgages (Note 7)	**(54)**	(49)
Impairment losses on asset write-offs	**-**	6
Share-based payments	**522**	251
Provision for (reversal of) credit losses	**266**	(193)
Increase in contingent consideration payable (Note 15)	**1,000**	-
Changes in operating assets and liabilities		
Income tax recovery	**(288)**	(837)
Income tax received (paid)	**310**	(7,227)
(Increase) decrease in mortgages receivable	**(42,956)**	68,661
Increase (decrease) in customer deposits	**49,868**	(63,261)
Increase (decrease) in deferred share unit liability	**330**	(931)
Decrease in other assets	**(377)**	(222)
Decrease in other liabilities	**(1,385)**	(1,984)
Cash flows provided by (used) in operating activities	**5,909**	(7,968)
Financing Activities		
Shares issued pursuant to stock options exercised (Note 12 and 13)	**85**	1,079
Cash flows provided by financing activities	**85**	1,079
Investing Activities		
Additions to property, plant and equipment	**(19)**	(14)
(Additions to) impairment of intangible assets	**(23)**	6
Cash flows used in investing activities	**(42)**	(8)
Net increase (decrease) in cash and cash equivalents during the period	**5,952**	(6,897)
Cash and cash equivalents at the beginning of the period	**33,231**	43,376
Cash and cash equivalents at the end of the period	**$ 39,183**	$ 36,479
Supplementary Disclosure of Cash Flow Information		
Cash interest received	**11,537**	15,082
Cash interest paid	**(3,951)**	(4,517)
Non-cash transactions: Deferred share unit grants (Note 13)	**$ 517**	$ -

The accompanying notes and shaded sections of the MD&A form an integral part of these interim 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.

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, 2014. Additional updated accounting policies relevant to these financial statements have been described below.

These interim consolidated financial statements should be read in conjunction with the Corporation's December 31, 2014 annual audited consolidated financial statements.

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

(b) Financial instruments

<u>Financial liabilities</u>

The financial liability related to the contingent consideration payable is measured at fair value, with any adjustments on re-measurement recognized in the consolidated statements of operations and comprehensive income (loss).

(c) Revenue recognition

<u>Non-interest income</u>

Non-interest income includes mortgage servicing fees and other fee income. Mortgage servicing fees include annual maintenance fees and renewal fees, non-sufficient fund fees, discharge fees, legal fees, and other miscellaneous fees. Other fee income is related to EFT's transitional status as trustee for client relationships managed by a third party.

Non-interest income is accrued and recognized as income when the associated services are rendered.

3. Current and future changes in accounting policies

The IASB and the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and could have a potential implication on the accounting policies of the Corporation. In addition to the new or revised pronouncements disclosed in the 2014 annual consolidated financial statements, new pronouncements which are considered to be relevant to the Corporation's operations are as follows:

3. Current and future changes in accounting policies continued

IFRS 15 - Revenue from Contracts with Customers

On September 11, 2015 the IASB issued an amendment to the revenue standard formalizing the deferral of the effective date by one year to January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The Corporation is in the process of evaluating the impact of IFRS 15 on its consolidated financial statements.

4. Capital management

The Corporation's managed capital is comprised of shareholders' equity, which totaled $93,608 as at September 30, 2015 (December 31, 2014 – $94,851). 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, and 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").

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 Leverage Ratio ("LR") 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, 2015, EFT held CET 1 on an all-in basis of $84,355, compared to $85,332 as at December 31, 2014.

Basel III leverage ratio

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, which transposes leverage requirements issued by the BCBS into OSFI guidance. The Basel III leverage ratio framework required public disclosure of the leverage ratio beginning first fiscal quarter of 2015. The Basel III leverage ratio replaced the Asset to Capital Multiple prescribed by OSFI. The leverage ratio is currently defined as Tier 1 capital divided by the total exposure measure. The exposure measure is the sum of (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction ("SFT") exposures and (d) off-balance sheet items. Federally regulated deposit-taking institutions are expected to have Basel III leverage ratios that meet or exceed 3%.

The full Basel III Pillar 3 capital and leverage ratio disclosures can be found on pages 17 to 19 of the Corporation's Management Discussion and Analysis ("MD&A") for the third quarter ended September 30, 2015.

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

$000s Canadian dollars, except per share and share amounts

4. Capital management continued

Capital Disclosures

As at	September 30, 2015		December 31, 2014	
Common Equity Tier 1 capital: instruments and reserves	**All-in**	**Transitional**	All-in	Transitional
Directly issued qualifying common share capital plus related stock surplus	**$ 33,645**	**$ 33,645**	$ 32,606	$ 32,606
Retained earnings	**51,998**	**51,998**	54,183	54,183
Common Equity Tier 1 capital before regulatory adjustments	**85,643**	**85,643**	86,789	86,789
Common Equity Tier 1 capital: regulatory adjustments				
Total regulatory adjustments to Common Equity Tier 1	**(1,288)**	**(515)**	(1,457)	(291)
Common Equity Tier 1 capital (CET1)	**84,355**	**85,128**	85,332	86,498
Tier 1 capital	**84,355**	**85,128**	85,332	86,498
Total capital	**84,355**	**85,128**	85,332	86,498
Total risk-weighted assets	**151,941**	**152,714**	130,181	131,347
Capital ratios				
Common Equity Tier 1 (as a percentage of risk-weighted assets)	**55.5 %**	**55.7 %**	65.5 %	65.8 %
Tier 1 (as a percentage of risk-weighted assets)	**55.5 %**	**55.7 %**	65.5 %	65.8 %
Total capital (as a percentage of risk-weighted assets)	**55.5 %**	**55.7 %**	65.5 %	65.8 %
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

Leverage Ratio Disclosures

As at	September 30, 2015	December 31, 2014
Leverage ratio exposure	**393,943**	329,646
Leverage ratio (Tier 1 capital / total exposure measure)	**21.4 %**	25.9 %

$000s Canadian dollars, except per share and share amounts

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 financial instruments risk exposures and how it manages those risks can be found in the shaded sections of pages 21 to 23 of the Corporation's MD&A for the third quarter ended September 30, 2015.

(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 September 30, 2015 and December 31, 2014 based on contractual maturities. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

As at September 30, 2015	Floating Rate	Less than 1 Year	1 to 2 Years	Greater than 2 Years	Non-interest Sensitive	Total
Assets:						
Cash and cash equivalents	$ 39,183	$ -	$ -	$ -	$ -	$ 39,183
Effective interest rate	1.13 %	-	-	-	-	1.13 %
Mortgages receivable, net	-	213,815	88,741	37,563	-	340,119
Effective interest rate	-	5.07 %	4.49 %	4.62 %	-	4.89 %
Other assets	-	-	-	-	4,064	4,064
Total assets	$ 39,183	$ 213,815	$ 88,741	$ 37,563	$ 4,064	$ 383,366
Liabilities:						
Customer deposits	$ -	$ 167,161	$ 69,303	$ 49,001	$ -	$ 285,465
Effective interest rate	-	2.00 %	2.21 %	2.46 %	-	2.16 %
Other liabilities	-	-	-	-	4,293	4,293
Shareholders' equity	-	-	-	-	93,608	93,608
Total liabilities and shareholders' equity	-	167,161	69,303	49,001	97,901	383,366
Interest rate sensitivity gap	39,183	46,654	19,438	(11,438)	(93,837)	-
Cumulative gap	$ 39,183	$ 85,837	$ 105,275	$ 93,837	$ -	$ -
Cumulative gap as a percentage of total assets	10.2 %	22.4 %	27.5 %	24.5 %	-	-

$000s Canadian dollars, except per share and share amounts

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 %	-	-

Based on the current interest rate gap position as at September 30, 2015, the Corporation estimates that a 100 basis point decrease in interest rates would decrease net interest income over the next 12 months by $469 (December 31, 2014 – $361 decrease). A 100 basis point increase in interest rates would increase net interest income over the next 12 months by $514 (December 31, 2014 – $336 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

Mortgages receivable are carried at amortized cost on the consolidated balance sheet. The disclosed fair value of mortgages receivable is determined by discounting the expected future cash flows of the mortgages at current market rates for mortgages with similar terms and credit risks.

(ii) Contingent consideration payable

Contingent consideration payable is carried at fair value on the consolidated balance sheet. The disclosed fair value of the contingent consideration payable is determined by using management's best estimate based on a probability weighted range of future outcomes.

$000s Canadian dollars, except per share and share amounts

5. Financial instruments continued

(b) Fair value of financial instruments continued

(iii) Customer deposits

Customer deposits are carried at amortized cost on the consolidated balance sheet. 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, 2015		
	Carrying Value	**Fair Value**	**Fair Value (Under) Over Carrying Value**
Financial assets:			
Mortgages receivable, net	**$ 340,119**	**$ 341,506**	**$ 1,387**
Total financial assets	**340,119**	**341,506**	**1,387**
Financial liabilities:			
Customer deposits	**285,465**	**287,768**	**2,303**
Contingent consideration payable	**1,000**	**1,000**	**-**
Total financial liabilities	**$ 286,465**	**$ 288,768**	**$ 2,303**

	As at December 31, 2014		
	Carrying Value	Fair Value	Fair Value (Under) Over Carrying Value
Financial assets:			
Mortgages receivable, net	$ 297,375	$ 297,236	$ (139)
Total financial assets	297,375	297,236	(139)
Financial liabilities:			
Customer deposits	235,597	236,000	403
Contingent consideration payable	-	-	-
Total financial liabilities	$ 235,597	$ 236,000	$ 403

$000s Canadian dollars, except per share and share amounts

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 values of financial instruments recorded at amortized cost or fair value across the levels of the fair value hierarchy.

	As at September 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Mortgages receivable, net	**$ -**	**$ -**	**$ 341,506**	**$ 341,506**
Total financial assets	**-**	**-**	**341,506**	**341,506**
Financial liabilities:				
Customer deposits	**-**	**-**	**287,768**	**287,768**
Contingent consideration payable	**-**	**-**	**1,000**	**1,000**
Total financial liabilities	**$ -**	**$ -**	**$ 288,768**	**$ 288,768**

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Mortgages receivable, net	$ -	$ -	$ 297,236	$ 297,236
Total financial assets	-	-	297,236	297,236
Financial liabilities:				
Customer deposits	-	-	236,000	236,000
Contingent consideration payable	-	-	-	-
Total financial liabilities	$ -	$ -	$ 236,000	$ 236,000

$000s Canadian dollars, except per share and share amounts

5. Financial instruments continued

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

The following table presents the changes in fair value of the financial liability reported in Level 3. This liability is measure at fair value utilizing non-observable inputs.

As at		September 30, 2015		December 31, 2014
Balance, beginning of period	$	-	$	-
Fair value adjustment recognized in the statements of operations and comprehensive (loss) income		1,000		-
Balance, end of period	$	1,000	$	-

6. Cash and cash equivalents

As at		September 30, 2015		December 31, 2014
Deposits with regulated financial institutions	$	37,186	$	28,239
Short-term investments		1,997		4,992
Total cash and cash equivalents	$	39,183	$	33,231

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

7. Mortgages receivable

(a) Mortgages receivable

	As at September 30, 2015									
		Gross Amount		Individual Allowance		Collective Allowance		Total		Net Amount
Mortgages	$	340,723	$	76	$	1,192	$	1,268	$	339,455
Accrued interest		664		-		-		-		664
Balance	$	341,387	$	76	$	1,192	$	1,268	$	340,119

$000s Canadian dollars, except per share and share amounts

7. Mortgages receivable continued

	As at December 31, 2014				
	Gross Amount	Individual Allowance	Collective Allowance	Total	Net 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

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 September 30, 2015, the current portion of mortgages due within one year is $213,815 (December 31, 2014 – $205,417) and the weighted average term to maturity of the portfolio is 1.1 years (December 31, 2014 – 1.0 year). The weighted average effective interest rate of the portfolio as at September 30, 2015 is 4.89% (December 31, 2014 – 5.10%).

The Corporation has outstanding commitments to make future advances on mortgage loans of $20.4 million as at September 30, 2015 (December 31, 2014 – $9.9 million). Commitments for the loans remain open for various dates through January 2016.

(b) Allowance for credit losses

	For the nine months ended September 30, 2015			For the year ended December 31, 2014		
	Individual Allowance	**Collective Allowance**	**Total**	Individual Allowance	Collective Allowance	Total
Balance, beginning of period	**$ 15**	**$ 1,041**	**$ 1,056**	$ -	$ 1,386	$ 1,386
Provision for (reversal of) credit losses	**115**	**151**	**266**	64	(345)	(281)
Realized losses	**(54)**	**-**	**(54)**	(49)	-	(49)
Balance, end of period	**$ 76**	**$ 1,192**	**$ 1,268**	$ 15	$ 1,041	$ 1,056

(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.

$000s Canadian dollars, except per share and share amounts

7. Mortgages receivable continued

(c) Past due mortgages but not impaired continued

As at		September 30, 2015		December 31, 2014
1 to 30 days	**$**	**18,002**	$	21,722
31 to 60 days		**694**		2,254
61 to 90 days		**854**		1,162
Over 90 Days		**1,337**		1,228
	$	**20,887**	$	26,366

(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 impaired mortgages.

As at		September 30, 2015		December 31, 2014
Gross amount of impaired loan	**$**	**491**	$	225
Individual allowance		**(76)**		(15)
Net amount	**$**	**415**	$	210

The total appraised value of the collateral supporting the impaired loan as at September 30, 2015 was $475.

8. Customer deposits

As at		September 30, 2015		December 31, 2014
Term deposit principal	**$**	**282,626**	$	232,650
Term deposit accrued interest		**3,665**		3,477
Deferred broker commissions		**(826)**		(530)
	$	**285,465**	$	235,597

Customer deposits are comprised of Guaranteed Investment Certificates (“GICs”) with fixed maturity dates over a period of thirty days to five years.

$000s Canadian dollars, except per share and share amounts

8. Customer deposits continued

As at September 30, 2015, the current portion of customer deposits due within one year is $167,161 (December 31, 2014 – $162,177) and the average term to maturity is 1.3 years (December 31, 2014 – 1.0 year). The weighted average effective interest rate as at September 30, 2015 is 2.16% (December 31, 2014 – 2.24%).

9. Other assets

As at	September 30, 2015	December 31, 2014
Accounts receivable	$ 268	$ 80
Prepaids and other current assets	708	519
	$ 976	$ 599

10. Other liabilities

As at	September 30, 2015	December 31, 2014
Accounts payable and accrued liabilities	$ 1,913	$ 3,309
Deferred revenue	265	254
	$ 2,178	$ 3,563

$000s Canadian dollars, except per share and share amounts

11. Income taxes

The Corporation computes an income tax provision in each of the jurisdictions in which it operates. The operations are subject to income tax rates of approximately 26.5% (2014 – 26.5%). The following table reconciles the expected income tax provision at applicable Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive (loss) income:

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Loss before income taxes from continuing operations	**$ (656)**	$ 715	**$ (2,141)**	$ (3,527)
Income tax (recovery) expense at statutory rate	**(174)**	191	**(567)**	(932)
Non-taxable portion of charge for contingent consideration	**53**	-	**133**	-
Adjustments to prior years	**18**	(27)	**-**	37
Share-based payment expense not deductible for tax purposes	**43**	24	**138**	66
Non-deductible expenses for tax purposes	**5**	(11)	**8**	(8)
Income tax (recovery) expense	**$ (55)**	$ 177	**$ (288)**	$ (837)

$000s Canadian dollars, except per share and share amounts

11. Income taxes continued

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

	Opening balance as at January 1, 2015	Recognized in Net Earnings	**Closing balance as at September 30, 2015**
Deferred tax assets			
Non-capital losses	$ 483	$ 179	**$ 662**
Deferred acquisitions, financing and share issuance costs	85	(48)	**37**
Mortgage provision for credit losses	28	6	**34**
DSU liability	99	88	**187**
Charge for contingent consideration	-	133	**133**
Other	32	4	**36**
Deferred tax assets	727	362	**1,089**
Deferred tax liabilities			
Property, plant and equipment	(315)	133	**(182)**
License costs	(338)	-	**(338)**
Deferred tax liabilities	(653)	133	**(520)**
Net deferred tax assets	74	495	**569**
Consolidated Balance Sheets:			
Deferred tax assets	641	245	**886**
Deferred tax liabilities	(567)	250	**(317)**
Net deferred tax assets	$ 74	$ 495	**$ 569**

$000s Canadian dollars, except per share and share amounts

12. 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 at December 31, 2014	**9,527,508**	**$**	**33,401**
Exercise of stock options (a)	**12,000**		**114**
Issued and outstanding as at September 30, 2015	**9,539,508**		**33,515**
Issued and outstanding at December 31, 2013	9,345,840		31,735
Exercise of stock options (b)	161,668		1,431
Issued and outstanding as at September 30, 2014	9,507,508	$	33,166

(a) Transactions completed during the nine months ended September 30, 2015:

An employee and a Director of the Corporation exercised 12,000 stock options at a weighted average exercise price of $7.08 per share for total proceeds of $85. The weighted average share price at the time of exercise was $7.76 per share. Share capital also increased by a reclassification from contributed surplus of $29, which is the amount previously recognized as share-based payment expense for these options.

(b) Transactions completed during the nine months 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.

13. Share-based payments

(a) Stock options

The amended Stock Option Plan (the “Plan”) was approved by the shareholders of the Corporation on April 2, 2013. The purpose of the Plan is to provide additional incentives to employees, executive officers, directors and consultants and to promote the success of the Corporation's business by allowing such persons to partake in the equity of the Corporation. Management proposes the issuance of options and the Board of Directors provides approval of all options granted under the Plan.

The aggregate number of shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding shares as at the date of grant of each option under the Plan, which as at September 30, 2015 was 953,951 (December 31, 2014 – 952,751).

$000s Canadian dollars, except per share and share amounts

13. Share-based payments continued

	For the nine months ended September 30, 2015		For the year ended December 31, 2014	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Opening balance	**583,000**	**$ 9.79**	419,502	$ 8.76
Options granted	**95,360**	**9.38**	517,500	9.83
Options exercised	**(12,000)**	**7.08**	(181,668)	6.89
Options expired	**(1,000)**	**10.90**	(89,005)	10.63
Options forfeited	**(7,666)**	**9.41**	(83,329)	10.28
Ending Balance	**657,694**	**9.79**	583,000	9.79
Vested options	**98,004**	**$ 9.95**	40,336	$ 8.68

The weighted average remaining contractual life for all options outstanding as at September 30, 2015 is 3.66 years (December 31, 2014 – 4.20 years). During the nine months ended September 30, 2015, the Corporation recognized $522 (2014 - $251) as share-based payment expense related to stock options within staffing costs.

During the nine months ended September 30, 2015, 95,360 options were granted to employees under the Plan. The options will vest over a three year period. The Black-Scholes model was used to estimate the fair value of these options at grant date.

A summary of the 2015 option grants are presented below:

For the nine months ended September 30, 2015										
				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**
55,360	February 18, 2015	Employees	161,917	3 years	0.57 %	5 years	35 %	-	$ 9.40	$ 2.92
40,000	May 15, 2015	Employees	114,679	3 years	0.80 %	5 years	34 %	-	$ 9.35	$ 2.87
95,360			276,596							

(b) Deferred share units

The Corporation offers a Deferred Share Unit ("DSU") Plan for members of the Board of Directors and Employees. Under the plan, DSUs are granted as part of their annual compensation and vest at the time of grant. When an individual ceases to be a Director or an Employee, the DSUs shall be redeemed for cash no later than December 31 of the first calendar year thereafter. The value of each DSU will be equivalent to the closing share price of the Corporation's common shares on the cessation date.

$000s Canadian dollars, except per share and share amounts

13. Share-based payments continued

(b) Deferred share units continued

As at September 30, 2015, there were 89,762 DSUs outstanding (December 31, 2014 – 36,230) representing a liability of $705 (December 31, 2014 – $375). DSUs of 58,834, in lieu of $517 of cash compensation were granted during the nine months ended September 30, 2015 (December 31, 2014 – 26,291 units in lieu of $238 cash compensation). On May 28, 2015, 5,302 DSUs were redeemed at market value of $9.25 per share for cash value of $49. For the nine months ended September 30, 2015 an expense of $379 was recorded relating to DSUs issued and outstanding during the year (September 30, 2014 - recovery of $140). 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, 2015**		December 31, 2014
Units				
Outstanding, beginning of period		**36,230**		87,974
Granted		**58,834**		26,291
Redeemed		**(5,302)**		(76,341)
Forfeited		**-**		(1,694)
Outstanding, end of period		**89,762**		36,230
Liability				
Balance, beginning of period	**$**	**375**	$	1,022
Expense recognized in the statements of operations and comprehensive loss		**379**		144
Redeemed		**(49)**		(791)
Balance, end of period	**$**	**705**	$	375

14. Related party transactions

During the nine months ended September 30, 2015, 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. All outstanding balances are due to be settled in cash after the period end date and are not secured.

15. 2013 sale transaction

On April 5, 2013, the Corporation closed the sale transaction for its transfer agent and corporate trust services business for a purchase price of $64,000 (the “Transaction”). In accordance with the terms of the sale agreement, the Corporation may be entitled to further proceeds or may have to pay up to $1,000 based on future capital requirements of the transfer agent and corporate trust service business. In the second quarter of 2015, Management initially recognized a charge for contingent consideration of $600 based on information available at that time. In the three months ended September 30, 2015, Management received additional information that increased the estimated probability and amount of the potential payment and recorded an additional charge for contingent consideration of $400. Management's best estimate of the fair value of this contingent consideration as at September 30, 2015 is now the maximum amount of $1,000 (December 31, 2014 - $nil). Management will continue to re-evaluate assumptions used to estimate the fair value on a periodic basis as new information becomes available during the period covered by the sale agreement, which has a remaining term of up to 2.5 years.

Since the date of sale, transfer agent and corporate trust business relationships have been managed by a third party for its economic benefit, including the administration of segregated funds. During the three and nine months ended September 30, 2015, the Corporation earned other fee income of $150 and $300 (2014 - $nil) related to EFT's transitional status as trustee for these client relationships. As at September 30, 2015, EFT remains the trustee of segregated funds in the amount of $1,093,368 (December 31, 2014 – $196,272), which are reported off-balance sheet.

16. Non-interest expenses in the prior period

Included in other expenses for the nine months ended September 30, 2014 are costs 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 ("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 included 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.

17. Subsequent events

On October 30, 2015, the Corporation entered into a software contract for a mortgage originations and servicing system. Implementation costs are expected to be primarily capital in nature and are currently estimated to be in the range of $1,200 to $1,500, the substantial portion of which will be incurred in fiscal 2016. The contract also includes a five year license and maintenance agreement with a cost of $283 per annum.