EQUITY

Equity Financial Holdings Inc.

Management Discussion & Analysis

Third Quarter Ended September 30, 2015

ABOUT US

Equity Financial Holdings Inc. ("EQI" or the "Corporation"), is a Canadian company with its common shares listed and traded on the Toronto Stock Exchange under the stock symbol "EQI". Through its federally regulated and wholly-owned subsidiary, Equity Financial Trust Company ("EFT" or "Equity Trust"), 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

We have prepared this Management Discussion & Analysis ("MD&A") with reference to National Instrument 51-102 "*Continuous Disclosure Obligations*" of the Canadian Securities Administrators, and it should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2014 (the "2014 Audited Financial Statements"). Except as otherwise indicated, all financial information in this MD&A is determined in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all dollar amounts are in thousands of Canadian dollars unless otherwise indicated. Except as otherwise indicated, the information in this MD&A is current to November 12, 2015.

The non-IFRS measures used in this MD&A are presented in the Non-IFRS Financial Measures section of this MD&A.

Forward-Looking Statements

Certain portions of this MD&A as well as other public statements by the Corporation contain "forward-looking information" within the meaning of applicable Canadian securities legislation, which is also referred to as "forward-looking statements", which may not be based on historical fact. Wherever possible, words such as "will", "plans", "expects", "targets", continues", "estimates", "scheduled", "anticipates", "believes", "intends", "may", "could", "would" or "might", and the negative of such expressions, statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information. Such forward-looking statements include, without limitation, the Corporation's expectations in respect of earnings, fee income, expense levels, future loans and origination, repayment by borrowers, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets activities, the Corporation's expected need for equity or debt financing, business competition, technological change, changes in government regulations and regulatory guidelines, unexpected judicial or regulatory proceedings, catastrophic events, and the Corporation's ability to complete strategic transactions and integrate acquisitions and other factors. Forward looking statements should not be read as guarantees of future events, future performance or results, and will not necessarily be accurate indicators of the times at, or which, such events, performance or results will be achieved, if achieved at all.

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate and liquidity conditions affecting the Corporation and the Canadian economy, retail mortgage markets, housing sales, and capital markets. Certain material factors or assumptions are applied by the Corporation in making forward-looking statements, including without limitation, factors and assumptions regarding interest rates, availability of key personnel, the effect of competition, government regulation of its business, computer failure or security breaches, future capital requirements, its ability to fund its mortgage business, the value of mortgage originations, the competitive nature of the alternative mortgage market, the expected margin between the interest earned on its mortgage portfolio and the interest to be paid on its deposits, the relative continued health of real estate markets, acceptance of its products in the marketplace, as well as its operating cost structure and the current tax regime.

Forward-looking statements reflect the Corporation's current views with respect to future events and are subject to a number of risks and uncertainties. Actual results may differ materially from results contemplated by the forward-looking statements. Readers should not place undue reliance on such forward-looking statements as they reflect the Corporation's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Corporation, are inherently subject to significant business, economic, regulatory, competitive, political and social uncertainties and contingencies. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including among others, a significant downturn in capital markets or the economy as a whole, errors or omissions by the Corporation in providing services to its customers, significant increases in the cost of complying with applicable regulatory requirements, civil unrest, economic recession, pandemics, war and acts of terrorism which may adversely impact the North American and global economic and financial markets, inability to raise funds through public or private financing, significant changes in interest rates, failure by the Corporation or its subsidiaries to meet ongoing regulatory obligations, the failure of borrowers or counterparties to honour their financial or contractual obligations to Equity Trust, failure by Equity Trust to adequately monitor and/or adjust its mortgage portfolio management practices for changing circumstances, failure by the Corporation to attract and to retain the necessary employees to meet its needs, failure by Equity Trust to adequately monitor the services provided by third party service providers or to establish alternative arrangements if required, failure by Equity Trust to secure sufficient deposits from securities dealers or a sufficient level of mortgage origination from its mortgage broker network, a failure of the computer systems of the Corporation or one or more of its service providers or the risks detailed from time-to-time in the Corporation's quarterly filings, annual information forms, annual reports and annual filings with securities regulators. The preceding list is not exhaustive of possible factors. The Corporation disclaims any intent or obligation to update or revise publicly any forward-looking statements whether as a result of new information, estimates, future events or results, or otherwise, unless required to do so by applicable laws.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this report are made as of the date of this report or such other date specified in such statement. Except as otherwise indicated or as the context otherwise requires, the terms "we", "us" and "our" refer to the Corporation and its consolidated subsidiaries. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

THE BUSINESS

The Corporation operates through its wholly-owned subsidiary Equity Trust, which offers residential mortgage loans funded primarily through the issuance of retail deposits. Equity Trust is a deposit-taking institution regulated by the Office of the Superintendent of Financial Institutions of Canada ("OSFI") and is a member of the Canada Deposit Insurance Corporation ("CDIC").

Mortgage Lending

Equity Trust focuses on financing residential mortgages for non-prime and near-prime customers, a market segment commonly referred to as the alternative mortgage market. Alternative residential mortgage loans are loans to borrowers who do not meet major banks' standards of credit worthiness. Such mortgages are often granted to self-employed business people, new-comers to Canada and borrowers with an imperfect credit history. Equity Trust's lending activities are currently concentrated in urban and suburban areas of Ontario.

Equity Trust sources its loans through mortgage brokers, who collectively originate approximately 34% of Canada's residential mortgages (CAAMP: A Profile of Home Buying in Canada, June 2015).

We provide first mortgages primarily for owner occupied, single-family residential properties for purchases, refinances, equity take-outs and debt consolidation. Both open term and closed term mortgages to a maximum of five years are offered.

Deposits

Equity Trust sources its deposit funding through registered investment dealers across Canada, offering Guaranteed Investment Certificates ("GICs") for amounts of five thousand dollars and more, for terms from 30 days up to five years. All qualifying Equity Trust deposits are insured by the CDIC.

OVERALL PERFORMANCE

OVERALL PERFORMANCE FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Table 1: Financial Highlights

	For the three months ended			For the nine months ended	
($000s, except per share and percentage amounts)	**September 30, 2015**	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
OPERATIONS					
Net interest income	**$ 2,553**	$ 2,434	$ 3,213	**$ 7,483**	$ 10,050
(Increase) reversal of provision for credit losses	**(106)**	(128)	146	**(266)**	193
Non-interest income	**465**	457	407	**1,219**	1,194
Net interest income and other income, including (increase) reversal of provision for credit losses	**2,912**	2,763	3,766	**8,436**	11,437
Net interest margin	**2.81 %**	2.88 %	3.34 %	**2.90 %**	3.24 %
Net (loss) income	**$ (601)**	$ (992)	$ 535	**$ (1,853)**	$ (2,690)
(Loss) earnings per share - basic/diluted	**(0.06) / (0.06)**	(0.10) / (0.10)	0.06 / 0.06	**(0.19) / (0.19)**	(0.28) / (0.28)
ROE (annualized) [1]	**(2.5)%**	(4.2)%	2.3 %	**(2.6)%**	(3.8)%
ADJUSTED (LOSS) INCOME AND EPS					
Adjusted (loss) income	**$ (254)**	$ (472)	$ 535	**$ (986)**	$ 1,404
Adjusted (loss) earnings per share - basic/diluted [2]	**(0.03) / (0.03)**	(0.05) / (0.05)	0.06 / 0.06	**(0.10) / (0.10)**	0.15 / 0.15

As at	**September 30, 2015**	June 30, 2015	December 31, 2014
BALANCE SHEET			
Assets	**$ 383,366**	$ 366,394	$ 334,953
Mortgages receivable, net	**340,119**	314,086	297,375
Deposits	**285,465**	268,704	235,597
Shareholders' equity	**93,608**	93,975	94,851
FINANCIAL STRENGTH			
Capital Measures [3]			
Regulatory capital (all-in basis)	**$ 84,355**	$ 84,653	$ 85,332
Leverage ratio	**21.4 %**	23.0 %	25.9 %
Common equity tier 1 ratio (all-in basis)	**55.5 %**	60.0 %	65.5 %
Share Information			
Book value per common share	**$ 9.85**	$ 9.86	$ 9.98
Common share price - close	**7.85**	8.15	10.35
Common shares outstanding	**9,539,508**	9,529,508	9,507,508
Market capitalization	**$ 74,885**	$ 77,665	$ 98,403

[1] See definition of ROE ("return on equity") under Non-IFRS Financial Measures section of this MD&A.

[2] Adjusted net (loss) income, adjusted basic (loss) earnings per share, adjusted diluted (loss) earnings per share are defined in the Non-IFRS Financial Measures section of this MD&A.

[3] These figures relate to the Corporation's operating subsidiary, Equity Trust, and are calculated under Basel III (see Capital Management below).

Financial Highlights

Our mortgage loan book grew for the second consecutive quarter, ending at a balance of $340,119 as at September 30, 2015, an increase of 8% compared to the balance as at June 30, 2015 and an increase of 4% year over year. Our mortgage loan book has grown by $42,744 or 14% since the beginning of the year as we continue to demonstrate our improved originations capacity in 2015. We originated mortgages of $62,171 in the third quarter of 2015, an increase of $17,492 or 39% compared to the second quarter of 2015 and an increase of $45,332 or 269% year over year. For the year to date our mortgage originations have increased by 163% to $135,526, compared to $51,541 in the first nine months of 2014.

Net interest income for the third quarter of 2015 was $2,553, an increase of $119 or 5% compared to the second quarter of 2015, reflecting the growth in our average mortgage loan portfolio compared to the prior quarter. Net interest income for both the third quarter and year to date 2015 was lower on a year over year basis, due to both lower average mortgage portfolio balances and lower average net interest margins in 2015 compared to 2014. The average net interest margin earned on our mortgage portfolio in the third quarter of 2015 and for the year to date was 2.81% and 2.90% respectively, down compared to 3.34% in the third quarter of 2014 and 3.24% for the year to date 2014, primarily reflecting our focus in recent quarters on higher credit quality for both renewals and new originations.

For the third quarter of 2015 non-interest income was $465, comprised of mortgage servicing fees of $315 and other fee income of $150. Mortgage servicing fees increased 2% compared to the second quarter of 2015 as a result of the growth in our average mortgage loan portfolio. We began earning other fee income related to EFT's transitional status as trustee for client relationships managed by a third party at the beginning of the second quarter of 2015 (see 2013 Sale Transaction). Non-interest income increased year over year for both the quarter and year to date periods as a result of this other fee income.

Non-interest expenses for the third quarter of 2015 were $3,168, a decrease of 6% compared to the prior quarter, mainly due to lower consulting fees compared to those incurred in the second quarter of 2015 for third party reviews of our redesigned mortgage originations and corporate governance processes. Year over year non-interest expenses increased by 4% for the third quarter, reflecting increased expenditures for staffing, systems and marketing in 2015 partially offset by lower consulting fees than those incurred in the third quarter of 2014. For the nine months ended September 30, 2015, non-interest expenses were $9,577, compared to $14,964 for the same period last year. This 36% improvement year over year reflects the absence of significant one-time costs that occurred in the first quarter of 2014 that totaled $5,570 ($4,094 after tax) for legal and other advisory fees in respect of resolving a shareholder action, executive severance payments and independent consultant costs for an internal controls review.

In the third quarter of 2015 we recognized a charge for contingent consideration of $400 ($347 after tax) related to the 2013 sale of our transfer agent and corporate trust business (see 2013 Sale Transaction), which is in addition to a charge for contingent consideration of $600 recorded in the second quarter of 2015. The total liability is now recognized at the maximum potential of $1,000, reflecting Management's best estimate of the fair value of the contingent consideration. Management will continue to re-evaluate assumptions used to estimate the fair value of the contingent consideration on a periodic basis as new information becomes available.

We incurred a net loss of $601 or $0.06 per share for the third quarter of 2015, compared to a net loss of $992 or $0.10 per share in the second quarter of 2015 and net income of $535 or $0.06 per share in the third quarter of 2014. After removing the effect of the charge for contingent consideration noted above, the adjusted net loss for the third quarter of 2015 was $254 or $0.03 and $472 or $0.05 per share for the second quarter of 2015. The decrease in the third quarter adjusted net loss compared to the prior quarter was mainly due to lower consulting fees compared to those incurred in the second quarter of 2015 for third party reviews of our redesigned mortgage originations and corporate governance processes. The decrease in adjusted third quarter earnings year over year is primarily the result of lower net interest income on a lower average mortgage loan balance.

For the year to date we incurred a net loss of $1,853 or $0.19 per share, compared to a net loss of $2,690 or $0.28 for the comparable period of 2014, and these net losses included the effect of contingent consideration and one-time costs noted above. After removing the effect of the above noted charge for contingent consideration in 2015 and one-time costs in 2014, the adjusted net loss for the year to date was $986 or $0.10 per share compared to a net income of $1,404 or $0.15 per share for the comparable period of 2014. The decline in adjusted earnings from 2014 to 2015 primarily reflects lower net interest income due to the decline in our average mortgage loan balance compared to the prior year, as well as costs incurred in 2015 for third party reviews of our mortgage originations process and additions to our mortgage originations team headcount.

OUTLOOK

Our mortgage originations processes and infrastructure were designed in consideration of the current regulatory environment and we expect our mortgage loan book to grow in the fourth quarter as we continue to serve the alternative residential mortgage market in Ontario by building our key mortgage broker relationships. During the third quarter of 2015 we hired and trained additional underwriters to complete our staffing plan for the year and establish the operations team needed to execute our strategy as we prepare for the coming year. The primary focus of our management team is now to increase the size of our mortgage loan book while also preserving our average net interest margin, leading to profitable earnings levels in the near term. Management also expects to leverage technology in the coming year to enhance efficiency and scalability in support of anticipated growth.

Equity Trust is a well-capitalized, federally regulated deposit-taking institution, with a management team and Board with many years of experience in the non-prime and near-prime residential mortgage business. As such we believe we are well positioned to take advantage of the profitable opportunities in our industry in 2015 and beyond.

INCOME STATEMENT REVIEW

Table 2: Income Statement Highlights

($000s, except per share and percentage amounts)	For the three months ended **September 30, 2015**	June 30, 2015	% Change	September 30, 2014	% Change	For the nine months ended **September 30, 2015**	September 30, 2014	% Change
Operating Results								
Net interest income	**$ 2,553**	$ 2,434	5 %	$ 3,213	(21)%	**$ 7,483**	$ 10,050	(26)%
(Increase) reversal of provision for credit losses	**(106)**	(128)	17 %	146	(173)%	**(266)**	193	(238)%
Net interest income, including (increase) reversal of provision for credit losses	**2,447**	2,306	6 %	3,359	(27)%	**7,217**	10,243	(30)%
Non-interest income	**465**	457	2 %	407	14 %	**1,219**	1,194	2 %
Net interest income and other income, including (increase) reversal of provision for credit losses	**2,912**	2,763	5 %	3,766	(23)%	**8,436**	11,437	(26)%
Non-interest expenses	**3,168**	3,361	6 %	3,053	(4)%	**9,577**	14,964	36 %
Charge for contingent consideration	**400**	600	33 %	-	- %	**1,000**	-	- %
Loss before income taxes	**(656)**	(1,198)	45 %	713	(192)%	**(2,141)**	(3,527)	39 %
Income tax (recovery) expense	**(55)**	(206)	(73)%	178	131 %	**(288)**	(837)	(66)%
Total net (loss) income and comprehensive (loss) income	**$ (601)**	$ (992)	39 %	$ 535	(212)%	**$ (1,853)**	$ (2,690)	31 %
(Loss) earnings per share								
Total (loss) earnings per share, basic	**(0.06)**	(0.10)	40 %	0.06	(200)%	**(0.19)**	(0.28)	32 %
Total loss (earnings) per share, diluted	**(0.06)**	(0.10)	40 %	0.06	(200)%	**(0.19)**	(0.28)	32 %
ROE (annualized) [1]	**(2.5)%**	(4.2)%		2.3%		**(2.6)%**	(3.8)%	

[1] See definition of ROE ("return on equity") under Non-IFRS Financial Measures section of this MD&A.

Net interest Income

Table 3: Net Interest Income and Net Interest Margin

	For the three months ended								
	September 30, 2015			June 30, 2015			September 30, 2014		
($000s, except per share and percentage amounts)	**Average balance [1]**	**Income / Expense**	**Average rate [2]**	Average balance [1]	Income / Expense	Average rate [2]	Average balance [1]	Income / Expense	Average rate [2]
ASSETS									
Cash and cash equivalents	**$ 43,175**	$ 111	1.02 %	$ 45,342	$ 130	1.15 %	$ 35,401	$ 116	1.30 %
Mortgage receivable	**325,138**	3,958	4.83 %	302,941	3,712	4.91 %	345,123	4,696	5.40 %
Total interest bearing assets	**$ 368,313**	$ 4,069	4.38 %	$ 348,283	$ 3,842	4.42 %	$ 380,524	$ 4,812	5.02 %
LIABILITIES									
Deposits	**$ 277,449**	$ 1,516	2.17 %	$ 254,543	$ 1,408	2.22 %	$ 284,619	$ 1,599	2.23 %
Total interest bearing liabilities	**277,449**	1,516	2.17 %	254,543	1,408	2.22 %	284,619	1,599	2.23 %
Net interest income per financial statements		2,553			2,434			3,213	
Net interest margin for mortgage portfolio [3]			2.81 %			2.88 %			3.34 %

	For the nine months ended					
	September 30, 2015			September 30, 2014		
($000s, except per share and percentage amounts)	**Average balance [1]**	**Income / Expense**	**Average rate [2]**	Average balance [1]	Income / Expense	Average rate [2]
ASSETS						
Cash and cash equivalents	**$ 41,766**	$ 353	1.13 %	$ 50,086	$ 487	1.30 %
Mortgage receivable	**306,833**	11,335	4.94 %	376,197	15,025	5.34 %
Total interest bearing assets	**$ 348,599**	$ 11,688	4.53 %	$ 426,283	$ 15,512	4.87 %
LIABILITIES						
Deposits	**$ 254,443**	$ 4,205	2.21 %	$ 331,339	$ 5,462	2.20 %
Total interest bearing liabilities	**254,443**	4,205	2.21 %	331,339	5,462	2.20 %
Net interest income per financial statements		7,483			10,050	
Net interest margin for mortgage portfolio [3]			2.90 %			3.24 %

[1] Average balance is calculated with reference to daily asset and liability balances.

[2] Average rate is equal to income/expense divided by the average balance on an annualized basis.

[3] See definition of net interest margin under Non-IFRS Financial Measures section of this MD&A.

Net interest income for the third quarter of 2015 was $2,553, an increase of $119 or 5% compared to the second quarter of 2015 due to the growth in our average mortgage loan balance compared to the prior quarter. Net interest income decreased by $660 or 21% compared to the third quarter of 2014, reflecting both the lower average mortgage loan portfolio and a decline in net interest margin compared to the prior year. The average net interest margin earned on our mortgage portfolio in the third quarter of 2015 was 2.81%, down from 2.88% in the second quarter of 2015 and 3.34% in the third quarter of 2014. The decline in our average net interest margin earned on our mortgage portfolio in fiscal 2015 primarily reflects our focus on higher credit quality for both renewals and new originations while we redesigned our origination processes and increased our underwriting capacity.

Net interest income for the nine months ended September 30, 2015 was $7,483, a decrease of $2,567 or 26% reflecting both the lower average mortgage loan portfolio and decline in net interest margin compared to the prior year. Our year to date net interest margin earned on our mortgage portfolio in the third quarter of 2015 was 2.90%, down compared to 3.24% for the same period in 2014, primarily reflecting our focus on higher credit quality for both renewals and new originations while we redesigned our origination processes and increased our underwriting capacity.

Provision and allowance for credit losses

Table 4: Provision for Credit Losses

	For the three months ended			For the nine months ended	
($000s)	**September 30, 2015**	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Increase (reversal) of provision for collective credit losses	**$ 90**	$ 70	$ (134)	**$ 151**	$ (242)
Increase (reversal) of provision for individual credit losses	**16**	58	(12)	**115**	49
Total increase (reversal) of provision for credit losses	**$ 106**	$ 128	$ (146)	**$ 266**	$ (193)

Our provision for credit losses for the third quarter of 2015 was an expense of $106 compared to an expense of $128 in the second quarter of 2015 and a reversal of $146 in the third quarter of 2014. The reversal in the third quarter of 2014 reflected the decline of our mortgage loan portfolio. The quarter over quarter change in our collective provision for credit losses reflects the growth of our loan portfolio. We also increased our individual provision for credit losses by $16 in the third quarter of 2015 based on our expected loss on an impaired mortgage loan identified in the second quarter of 2015.

For the year to date, our provision for credit losses was an expense of $265 compared to a reversal of $193 in same quarter of last year. The change primarily reflects the growth of our loan portfolio year over year.

We classify a mortgage receivable as impaired when there is reasonable doubt as to the full collectability of principal or interest.

Table 5: Allowance for Credit Losses

($000s except percentage amounts)	**September 30, 2015**	**% of Gross Loans**	June 30, 2015	% of Gross Loans	September 30, 2014	% of Gross Loans
Collective allowance	**$ 1,192**	**0.35 %**	$ 1,102	0.35 %	$ 1,144	0.35 %
Individual allowance	**76**	**0.02 %**	60	0.02 %	-	- %
Total	**$ 1,268**	**0.37 %**	$ 1,162	0.37 %	$ 1,144	0.35 %

We have established an allowance for credit losses of $1,268 as at September 30, 2015. The overall increase in our allowance for credit losses for the third quarter compared to the prior quarter and year over year mainly reflects the increase in the balance of our mortgage receivable assets.

During the third quarter of 2015 we increased our previous allowance of $60 by $16 on an impaired loan identified during the second quarter based an updated appraisal, resulting in an individual allowance of $76 as at September 30, 2015.

Table 6: Past Due Loans

($000s except percentage amounts)	**September 30, 2015**	**% of Net Loans**	June 30, 2015	% of Net Loans	September 30, 2014	% of Net Loans
1-30 days	**18,002**	**5.29 %**	12,458	3.97 %	20,131	6.17 %
31-60 days	**694**	**0.20 %**	782	0.25 %	437	0.13 %
61-90 days	**854**	**0.25 %**	1,061	0.34 %	453	0.14 %
> 90 days	**1,337**	**0.39 %**	385	0.12 %	2,491	0.76 %
Total	**20,887**	**6.13 %**	14,686	4.68 %	23,512	7.20 %

A loan is considered past due when a borrower has not made a payment by the contractual due date. The table above presents the carrying value of mortgages that are past due but not classified as impaired either because collection efforts are reasonably expected to result in full repayment or they have been restored to current status in accordance with our collection policy since the balance sheet date. Our past due loans percentage at the end of the third quarter of 2015 has increased compared to June 30, 2015 but continues to improve on a year over year basis. The increase compared to the prior quarter is primarily due to increased loans in the one to fifteen day segment, which typically correct shortly after the period end.

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.

Non-interest income

Non-interest income earned from mortgage servicing fees for the third quarter of 2015 was $315 and for the year to date was $919, a year over year decrease of 23% for the respective periods, reflecting the lower average mortgage loan portfolio during 2015. Non-interest income earned from mortgage servicing fees was up 2% compared to the second quarter of 2015, reflecting the growth in our average loan portfolio. In addition to non-interest income earned from mortgage servicing fees, we also earned other fee income of $150 in the third quarter of 2015 and $300 for the year to date, related to EFT's transitional status as trustee for client relationships managed by a third party (see 2013 Sale Transaction).

Non-interest expenses

Table 7: Non-interest Expenses

	For the three months ended					For the nine months ended		
($000s, except percentage amounts)	**September 30, 2015**	June 30, 2015	% Change	September 30, 2014	% Change	**September 30, 2015**	September 30, 2014	% Change
Staffing costs	**$ 1,924**	$ 1,837	5 %	$ 1,819	6 %	**$ 5,575**	$ 6,256	(11)%
Rent	**108**	123	(12)%	102	6 %	**355**	329	8 %
General and administration	**960**	1,226	(22)%	963	- %	**3,120**	7,871	(60)%
Amortization	**176**	175	1 %	169	4 %	**527**	508	4 %
Total non-interest expenses	**$ 3,168**	$ 3,361	(6)%	$ 3,053	4 %	**$ 9,577**	$ 14,964	(36)%

Staffing Costs – Third quarter 2015 staffing costs increased compared to the second quarter of 2015 by 5%, reflecting the increase in our headcount from sixty-four to sixty-eight, adding capacity in our originations team and completing our staffing plan for the next year. The year-over-year increase of 6% is the result of increased headcount partially offset by lower bonus accruals. The year to date decrease of 11% compared to 2014 reflects the absence of incentive and retention based compensation and termination costs incurred in the first half of 2014.

Rent – The Corporation maintained the same lease arrangements over the past twelve months and quarterly rent expense was relatively consistent. In the third quarter of both 2015 and 2014 we benefited from a cost recovery related to prior year operating costs, resulting in a lower rent expense overall compared to the second quarter. Year to date rent expense is higher than the prior year due to higher recoveries compared to 2014.

General and Administration – The 22% decrease in general and administration costs in the third quarter of 2015 compared to the second quarter of 2015 was primarily due to lower consulting fees as third party reviews of our redesigned mortgage originations and corporate governance processes concluded at the end of the second quarter. The year to date decrease of 60% compared to 2014 reflects the absence of one-time costs incurred in the first quarter of 2014.

Amortization and depreciation – Amortization and depreciation costs for the third quarter and year to date were consistent with respective prior periods.

Net (loss) income and (loss) earnings per share

Table 8: Earnings Per Share

	For the three months ended					For the nine months ended		
($000s, except per share and percentage amounts)	**September 30, 2015**	June 30, 2015	Change	September 30, 2014	Change	**September 30, 2015**	September 30, 2014	Change
Net (loss) income	**$ (601)**	$ (992)	391 %	$ 535	$ (1,136)	**$ (1,853)**	$ (2,690)	$ (837)
Net (loss) income and total comprehensive (loss) income	**(601)**	(992)	391	535	(1,136)	**(1,853)**	(2,690)	(837)
Basic (loss) earnings per share	**(0.06)**	(0.10)	(0.04)	0.06	(0.12)	**(0.19)**	(0.28)	(0.09)
Diluted (loss) earnings per share	**(0.06)**	(0.10)	(0.04)	0.06	(0.12)	**(0.19)**	(0.28)	(0.09)
ADJUSTED INCOME								
Adjusted net (loss) income [1]	**$ (254)**	$ (472)	46 %	$ 535	(147)%	**$ (986)**	$ 1,404	(170)%
Adjusted (loss) earnings per share - basic [1]	**(0.03)**	(0.05)	40 %	0.06	(150)%	**(0.10)**	0.15	(167)%
Adjusted (loss) earnings per share - diluted [1]	**$ (0.03)**	$ (0.05)	40 %	$ 0.06	(150)%	**$ (0.10)**	$ 0.15	(167)%

[1] Adjusted net (loss) income, adjusted basic (loss) earnings per share and adjusted diluted (loss) earnings per share are defined in the Non-IFRS Financial Measures section of this MD&A.

For the third quarter of 2015 we generated a net loss of $601 or $0.06 per share compared to net loss of $992 or $0.10 per share in the second quarter of 2015 and net income of $535 or $0.06 per share in the third quarter of 2014. After removing the effect of the charge for contingent consideration, the adjusted net loss for the third quarter of 2015 was $254 or $0.03 and $472 or $0.05 per share for the second quarter of 2015. The decrease in the third quarter adjusted net loss compared to the prior quarter was mainly due to lower consulting fees compared to those incurred in the second quarter of 2015 for third party reviews of our redesigned mortgage originations and corporate governance processes. The decrease in adjusted third quarter earnings year over year is primarily the result of lower net interest income on a lower average mortgage loan balance.

For the year to date we generated a net loss of $1,853 or $0.19 per share compared to net loss of $2,690 or $0.28 per share in the prior year. The net loss in 2015 included the effect of contingent consideration of $1,000 ($867 after tax) related to the 2013 sale of our transfer agent and corporate trust business (see 2013 Sale Transaction). The net loss in 2014 included the effect of significant onetime costs that totaled $5,570 ($4,094 after tax) for legal and other advisory fees in respect of resolving a shareholder action, executive severance payments and independent consultant costs for an internal controls review. After removing the effect of the charge for contingent consideration in 2015 and one-time costs in 2014, the adjusted net loss for the year to date was $986 or $0.10 per share compared to an adjusted net income of $1,404 or $0.15 per share in the prior year. The decline in adjusted earnings from 2014 to 2015 primarily reflects lower net interest income due to the decline in our average mortgage loan balance compared to the prior year, as well as costs incurred in 2015 for third party reviews of our mortgage originations process and additions to our mortgage originations team headcount.

2013 SALE TRANSACTION

On April 5, 2013, the Corporation completed the sale of the assets of 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 the 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 third quarter of 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 of the contingent consideration 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 the 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. Beginning in the second quarter of 2015, the Corporation began earning other fee income related to EFT's transitional status as trustee for these client relationships. In the third quarter of 2015, other fee income amounted to $150, unchanged from the prior quarter, for a total of $300 for the year to date (2014 - $nil). 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.

FINANCIAL POSITION REVIEW

Table 9: Balance Sheet Highlights

	As at			Change over			
	September 30,	June 30,	December 31,	Sep 2015 - Jun 2015		Sep 2015 - Dec 2014	
($000s, except percentage amounts)	**2015**	2015	2014	**$**	%	$	%
ASSETS							
Cash and cash equivalents	**$ 39,183**	$ 48,334	$ 33,231	$ (9,151)	(19)%	$ 5,952	18 %
Mortgages receivable, net	**340,119**	314,086	297,375	26,033	8 %	42,744	14 %
Other assets	**4,064**	3,974	4,347	90	2 %	(283)	(7)%
Total Assets	**$ 383,366**	$ 366,394	$ 334,953	$ 16,972	5 %	$ 48,413	14 %
LIABILITIES							
Deposits	**$ 285,465**	$ 268,704	$ 235,597	$ 16,761	6 %	$ 49,868	21 %
Other liabilities	**4,293**	3,715	4,505	578	16 %	(212)	(5)%
Total Liabilities	**$ 289,758**	$ 272,419	$ 240,102	$ 17,339	6 %	$ 49,656	21 %
Shareholders' equity	**93,608**	93,975	94,851	(367)	- %	(1,243)	(1)%
Total Liabilities and Shareholder's Equity	**$ 383,366**	$ 366,394	$ 334,953	$ 16,972	5 %	$ 48,413	14 %

Total assets as at September 30, 2015 were $383,366, an increase of 5% compared to the balance as at June 30, 2015 due to an increase in mortgages receivable partially offset by the decrease in cash and cash equivalents. Total assets increased by 14% compared to the balance as at December 31, 2014 due to increases in mortgages receivable and cash and cash equivalents.

Total liabilities as at September 30, 2015 were $289,758, an increase of 6% compared to the balance as at June 30, 2015 and an increase of 21% compared to the balance as at December 31, 2014 primarily due to the increase in deposit liabilities corresponding to the increased assets.

Liquidity Resources

Equity Trust is a member of CDIC and sources its deposit funding through investment dealers across Canada. We believe ample liquidity is available to Equity Trust to meet its requirements. Our deposit taking activities constitute our primary funding source and we also use a portion of our internal cash to fund mortgage loans. We manage our liquidity resources in accordance with our liquidity policy (see “Risk Management – Liquidity Risk”), which has been updated to include new OSFI issued liquidity adequacy requirements. Effective January 2015, institutions are required to maintain an adequate supply of unencumbered high quality liquid assets that can be converted into cash over a 30-day period. Short-term investments that qualify as high quality liquid assets are included in the cash and cash equivalents balance below.

Table 10: Cash and Cash Equivalents

	As at			Change over			
	September 30,	June 30,	December 31,	Sep 2015 - Jun 2015		Sep 2015 - Dec 2014	
($000s, except percentage amounts)	**2015**	2015	2014	$	%	$	%
Deposits with regulated financial institutions	**$ 37,186**	$ 46,338	$ 28,239	$ (9,152)	(20)%	$ 8,947	32 %
Short-term investments	**1,997**	1,996	4,992	1	0 %	(2,995)	(60)%
Total Cash and Cash Equivalents	**$ 39,183**	$ 48,334	$ 33,231	$ (9,151)	(20)%	$ 5,952	18 %

Cash and cash equivalents as at September 30, 2015 increased by $5,952 compared to December 31, 2014, as a result of the inflows and outflows described below.

Table 11: Sources and Uses of Cash

	For the nine months ended		Change	
	September 30,	September 30,		
($000s, except percentage amounts)	**2015**	2014	$	%
Cash flows provided by (used in) operating activities	**$ 5,909**	$ (7,968)	$ 13,877	(174)%
Cash flows provided by financing activities	**85**	1,079	(994)	(92)%
Cash flows used in investing activities	**(42)**	(8)	(34)	(425)%

Cash flows from operating activities

Cash flow from operating activities was $5,909 for the nine months ended September 30, 2015, an increase of $13,877, or 174% compared to cash flows from operating activities for the same period in 2014. Increases to our deposit liability and mortgages receivable balances constitute the largest sources of operating outflows and inflows respectively. For the nine months ended September 30, 2015 we had inflows of $49,868 from new deposits against net outflows of $42,956 to fund mortgages.

Cash flows from financing activities

Cash flows from financing activities for the nine months ended September 30, 2015 decreased by $994 or 92%, to $85 compared to the same period in 2014. Cash flows from financing activities in both 2015 and 2014 represent proceeds from exercise of employee stock options.

Cash flows used in investing activities

Cash flows used in investing activities for the nine months ended September 30, 2015 and 2014 were for regular maintenance of our information technology systems.

Mortgages receivable

Table 12: Mortgage Production & Portfolio Highlights

	For the three months ended				For the nine months ended	
($000s, except percentage and year figures)	**September 30, 2015**	June 30, 2015	December 31, 2014	September 30, 2014	**September 30, 2015**	September 30, 2014
Mortgage originations	**$ 62,171**	$ 44,679	$ 19,061	$ 16,839	**$ 135,526**	$ 51,541
Average loan-to-value ratio at origination	**73.4 %**	74.6 %	73.5 %	71.4 %	**73.8 %**	71.9 %
As at						
Mortgages receivable	**340,119**	314,086	297,375	326,393		
Mortgages receivable due in one year	**213,815**	196,672	205,417	232,174		
Weighted average term to maturity in years	**1.1**	1.0	1.0	0.9		
Weighted average effective interest rate	**4.89 %**	4.85 %	5.10 %	5.23 %		
Weighted average amortization period in years	**29.9**	30.4	31.3	31.8		

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.

During the third quarter of 2015 we originated mortgages of $62,171, an increase of $17,492 or 39% compared to originations in the second quarter of 2015 and an increase of $45,332 or 269% compared to the third quarter of 2014, demonstrating our improving capacity to originate new loans. Our mortgage receivable balance was $340,119 as at September 30, 2015, an increase of 8% compared to the balance as at June 30, 2015 and an increase of 4% compared to the balance as at September 30, 2014.

As at September 30, 2015, the amount of mortgages due within one year is $213,815, the weighted average term to maturity of the portfolio is 1.1 years with a weighted average amortization period of 29.9 years. The weighted average effective interest rate of the portfolio was 4.89% as at September 30, 2015, which increased compared to 4.85% as at June 30, 2015 and declined compared to 5.23% as at September 30, 2014. The year over year decline in the weighted average effective interest rate of the portfolio reflects our focus on higher credit quality. As at September 30, 2015, the Corporation had outstanding commitments to make future advances on mortgages loans of $20.4 million for various dates through to January 2016.

Customer Deposits

Table 13: Customer Deposits

	As at			
($000s, except percentage and year figures)	**September 30, 2015**	June 30, 2015	December 31, 2014	September 30, 2014
Deposits	**$ 285,465**	$ 268,704	$ 235,597	$ 269,176
Deposits due in one year	**167,161**	178,270	162,177	181,246
Weighted average term to maturity in years	**1.3**	1.0	1.0	1.0
Weighted average effective interest rate	**2.16 %**	2.21 %	2.24 %	2.23 %

Customer deposits consist of GICs, which are sold through registered investment dealers, with fixed maturity dates and a weighted average term to maturity of 1.3 years. As at September 30, 2015, the portion of customer deposits due within one year is $167,161 and the weighted average effective interest rate paid on deposits was 2.16%.

For the third quarter of 2015, our customer deposits balance increased by $16,761 or 6% compared to June 30, 2015 and by $16,289 or 6% compared to the balance as at September 30, 2014. The increase in the deposits balance over previous quarters reflects liquidity needs for upcoming deposit maturities and mortgage funding activity.

Financial instruments

The use of financial instruments exposes us to credit risk, liquidity risk and interest rate risk. A fuller discussion on our risk exposures and how we manage them can be found under the section "Risk Management".

Mortgages receivable are carried at amortized cost and 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.

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

Customer deposits are carried at amortized cost and 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 as at September 30, 2015. The table does not include assets and liabilities that are not considered financial instruments.

Table 14: Financial Assets and Liabilities

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			
Deposits	$ 285,465	$ 287,768	$ 2,303
Contingent consideration payable	1,000	1,000	-
Total Financial Liabilities	**$ 286,465**	**$ 288,768**	**$ 2,303**

Contractual commitments and contingencies

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.

QUARTERLY FINANCIAL HIGHLIGHTS

Table 15: Summary of Quarterly Results

	2015	2015	2015	2014	2014	2014	2014	2013
($000s, except per share amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating Results								
Net interest income	**$ 2,553**	$ 2,434	$ 2,496	$ 2,805	$ 3,213	$ 3,389	$ 3,447	$ 3,386
(Increase) reversal of provision for credit losses	**(106)**	(128)	(32)	88	146	105	(58)	(134)
Non-interest income	**465**	457	297	340	407	409	378	346
Net interest income and other income, including reversal of (provision for) credit losses	**2,912**	2,763	2,761	3,233	3,766	3,903	3,767	3,598
Non-interest expenses	**3,168**	3,361	3,048	3,451	3,053	3,451	8,460	3,296
Charge for contingent consideration	**400**	600	-	-	-	-	-	-
Net (loss) income	**(601)**	(992)	(260)	(229)	535	270	(3,495)	235
Total net (loss) income and total comprehensive (loss) income	**(601)**	(992)	(260)	(229)	535	270	(3,495)	235
Basic (loss) earnings per share	**$ (0.06)**	$ (0.10)	$ (0.03)	$ (0.02)	$ 0.06	$ 0.03	$ (0.37)	$ 0.03
Diluted (loss) earnings per share	**(0.06)**	(0.10)	(0.03)	(0.02)	0.06	0.03	(0.37)	0.02
Dividends	**-**	-	-	-	-	-	-	-
Balance Sheet Highlights								
Cash and cash equivalents	**$ 39,183**	$ 48,334	$ 36,462	$ 33,231	$ 36,479	$ 39,151	$ 60,633	$ 43,376
Mortgages receivable, net	**340,119**	314,086	294,398	297,375	326,393	364,563	397,036	394,812
Assets	**383,366**	366,394	334,876	334,953	367,590	409,043	463,137	442,493
Deposits	**285,465**	268,704	236,496	235,597	269,176	310,712	362,906	332,437
Liabilities	**289,758**	272,419	240,088	240,102	272,840	315,178	370,331	346,383
Shareholders' equity	**93,608**	93,975	94,788	94,851	94,750	93,862	92,806	96,110

Net interest income has increased or decreased each quarter in line with the change in the size of our average mortgage portfolio. The net loss in the first quarter of 2014 reflects significant one-time costs incurred for legal and other advisory fees in respect of resolving a shareholder action, executive severance payments and independent consultant costs for internal controls review.

CAPITAL MANAGEMENT

Capital Requirements

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

Equity Trust calculates regulatory capital and capital ratios based on the Capital Adequacy Requirements ("CAR") Guidelines issued by OSFI in April 2014. The CAR Guidelines are based on "Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework" ("Basel III") issued by the Basel Committee on Banking Supervision ("BCBS"). Equity Trust's total regulatory capital is comprised entirely of shareholder's equity (the total of share capital, contributed surplus and retained earnings less adjustments for intangible assets net of deferred taxes) which qualifies as common equity tier 1 capital ("CET1"). Equity Trust derives its risk based CET1 ratio by dividing CET1 capital by the sum of credit and operational risk-weighted assets. Equity Trust calculates risk-weighted assets using the standardized approach for credit risk and the basic indicator approach for operational risk.

Under Basel III, capital is calculated two ways during a transitional period ending January 1, 2018. To measure compliance with minimum risk based capital ratio requirements, capital is calculated on an all-in basis, which includes all applicable deductions immediately. As at September 30, 2015, Equity Trust held CET1 on an all-in basis of $84,355 compared with $85,332 as at December 31, 2014.

Table 16: Regulatory Capital (Based on Equity Financial Trust)

		As at					
($000s, except percentage amounts)		**September 30, 2015**		June 30, 2015		December 31, 2014	
Common Equity Tier 1 capital: Instruments and reserves	**Line No.**	**All-in**	**Transitional**	All-in	Transitional	All-in	Transitional
Directly issues qualifying common share capital plus related stock surpluses	1	**33,645**	**33,645**	33,365	33,365	32,606	32,606
Retained earnings	2	**51,998**	**51,998**	52,643	52,643	54,183	54,183
Common Equity Tier 1 capital before regulatory adjustments	6	**85,643**	**85,643**	86,008	86,008	86,789	86,789
Common Equity Tier 1 capital: Regulatory adjustments							
Total regulatory adjustments to Common Equity Tier 1	28	**(1,288)**	**(515)**	(1,355)	(542)	(1,457)	(291)
Common Equity Tier 1 capital (CET1)	29	**84,355**	**85,128**	84,653	85,466	85,332	86,498
Tier 1 capital	45	**84,355**	**85,128**	84,653	85,466	85,332	86,498
Total capital	59	**84,355**	**85,128**	84,653	85,466	85,332	86,498
Total risk-weighted assets	60	**151,941**	**152,714**	141,121	141,934	130,181	131,347
Capital ratios							
Common Equity Tier 1 (as percentage of risk-weighted assets)	61	**55.5 %**	**55.7 %**	60.0 %	60.2 %	65.5 %	65.9 %
Tier 1 (as percentage of risk-weighted assets)	62	**55.5 %**	**55.7 %**	60.0 %	60.2 %	65.5 %	65.9 %
Total capital (as percentage of risk-weighted assets)	63	**55.5 %**	**55.7 %**	60.0 %	60.2 %	65.5 %	65.9 %
OSFI all-in target							
Common Equity Tier 1captial all-in target ratio	69	**7.0 %**	**N/A**	7.0 %	N/A	7.0 %	N/A
Tier 1 capital all-in target ratio	70	**8.5 %**	**N/A**	8.5 %	N/A	8.5 %	N/A
Total capital all-in target ratio	71	**10.5 %**	**N/A**	10.5 %	N/A	10.5 %	N/A

Note: Line item numbers reference the Pillar III Modified Capital Disclosure Requirements issued by OSFI.

Leverage Requirements

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

Table 17: Leverage Ratio (Based on Equity Financial Trust)

		As at		
($000s, except percentage amounts)	**Line No.**	**September 30, 2015**	June 30, 2015	December 31, 2014
On-balance sheet exposures				
On-balance sheet items	1	**383,301**	359,576	327,603
Asset amounts deducted in determining Basel III "all-in" Tier 1 capital	2	**(1,288)**	(1,355)	(1,457)
Total on-balance sheet exposure	3	**382,013**	358,221	326,146
Other off-balance sheet exposures				
Off-balance sheet exposure at gross notional amount	17	**59,648**	46,557	17,499
Adjustment for conversion to credit equivalent amounts	18	**20 %**	20 %	20 %
Off-balance sheet items	19	**11,930**	9,311	3,500
Tier 1 capital	20	**84,355**	84,653	85,332
Total exposures	21	**393,943**	367,532	329,646
Basel III leverage ratio	22	**21.4 %**	23.0 %	25.9 %

Note: Line item numbers reference the Basel III Leverage Ratio Framework and Disclosure Requirements issued by OSFI.

Capital Resources

Equity Trust's CET1 regulatory capital increased significantly in 2013 as a result of the Transaction. By retaining these funds in the business, Equity Trust has a strong capital base to support its growth objectives in alternative mortgage lending. We may, however, require further capital from time to time to pursue strategic initiatives or to develop future related lines of business.

RISK MANAGEMENT

The shaded areas of this section of the MD&A represent a discussion of risk management policies and procedures relating to credit, liquidity and interest rate risks that are required under *IFRS 7 Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas presented in this Risk Management section form an integral part of the interim consolidated financial statements for the quarter ended September 30, 2015.

The Corporation, like other financial institutions, is exposed to risks which include but are not limited to credit, liquidity, interest rate, legal, reputational, 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. A discussion of risks beyond credit, liquidity and interest rate risk can be found on pages 29 to 31 of the Corporation's annual MD&A for the year ended December 31, 2014.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. The nature of our mortgage lending operations creates an exposure to credit risk resulting from possible defaults in payment by our borrowers. Equity Trust oversees the management of credit risk through its Credit Committee, which is comprised of members of senior management. The Credit Committee meets regularly to review risk factors in the mortgage portfolio and periodically considers and recommends adjustments to the credit risk limits in our Board approved credit lending policy.

There can be no assurances that our monitoring of credit risk and our efforts to mitigate credit risk through appropriate underwriting policies, procedures and loss mitigation strategies will be sufficient to prevent an adverse effect on our profitability and financial condition. As part of the underwriting process, we rely heavily upon information supplied by both borrowers and third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

Our mortgage portfolio consists of uninsured residential mortgages. As a result, our primary credit risk relates to the potential for financial loss resulting from the failure of a borrower to fully honour their financial or contractual obligations, such as the failure to repay principal and/or interest on the mortgage. Our portfolio consists of residential mortgages originated under lending programs designed to serve non-prime and near-prime customers who have limited access to traditional financing. There is a higher risk of default associated with these customers than with traditional borrowers. The typical non or near prime borrower may have had previous financial difficulties or may not yet have established a sufficient credit history. Because we serve customers who are unable to meet the conventional underwriting standards of the major Canadian banks, we generally charge interest at higher rates than those charged by those lenders. The factors used in determining borrowers' creditworthiness may be subject to change over time. An increase in loan losses beyond those expected and provided for could have a material adverse effect on our operating results and financial condition. We mitigate this risk primarily by conducting diligence on each borrower and by dealing with known and reputable mortgage brokers. In addition, as an uninsured residential mortgage lender, our credit risk also results from reliance on the maintenance of collateral values. We are therefore selective in the types of property we accept as collateral, the reliability of the appraisal of the property, and its geographic location.

Although subject to change with Board approval, we lend only to borrowers in urban and suburban areas of Ontario. Although the areas we lend in are among Canada's largest housing markets, a significant economic shock to regional economies could have a disproportionately adverse impact on our mortgage portfolio, in light of the general economic conditions and credit risks discussed above, compared to the impact for a lender with a more regionally or nationally diversified mortgage portfolio. As an added precaution against loss, we lend only in neighbourhoods where we believe there is clear evidence that properties are highly marketable as evidenced by such indicators as days-on-market.

Other financial instruments potentially exposed to credit risk include cash and cash equivalents. We consider our exposure to credit risk over cash and cash equivalents to be remote as we only hold cash deposits at Canadian Schedule I banks and short-term investments issued by the Government of Canada or Provinces.

Liquidity Risk

Liquidity risk is defined as the possibility we will be unable to generate or maintain sufficient cash or cash equivalents, in a timely manner, to meet our commitments as they become due.

Managing liquidity risk requires management to maintain sufficient liquid assets on hand at all times to pay our cash obligations, in a timely manner, such as maturing deposits and deposit interest, new mortgage commitments, accounts payables, accrued liabilities and other business obligations.

Equity Trust has established a liquidity management framework which includes the following:

- A Board-approved policy that quantifies Equity Trust's liquidity risk tolerance and minimum liquidity requirements;
- A monitoring and risk control framework that forecasts cash inflows and outflows and contractual liquidity commitments for short and long-term time horizons;
- Requirements for the diversification of funding sources;
- The maintenance of a liquidity reserve consisting of cash and highly-liquid assets;
- Daily reporting that measures compliance with Board-approved limits;
- Periodic stress testing of liquidity assumptions and forecasts which may include company-specific liquidity shocks, exogenous systemic disruptions, or combinations of both; and
- A liquidity contingency plan that considers a number of scenarios according to which Equity Trust's liquidity operations could be disrupted and details what actions will be followed under each scenario.

Equity Trust's Asset-Liability Committee ("ALCO") is comprised of members of senior management and is charged with the monitoring of Equity Trust's liquidity exposures. ALCO periodically reviews Equity Trust's liquidity policies and procedures as appropriate to evolving business requirements and makes recommendations for policy amendments to the Board as required. ALCO also reviews the results of periodic stress tests and may direct management to temporarily alter its liquidity strategy accordingly.

Equity Trust's Board has established minimum liquidity requirement limits using two measures required under Basel III and included in the Liquidity Adequacy Requirements Guideline ("LARG") issued by OSFI in May 2014:

- Liquidity Coverage Ratio ("LCR"): the ratio of the Equity Trust's cash reserve to net cash inflows and outflows for a specified time horizon, which became effective January 1, 2015; and
- Net Stable Funding Ratio ("NSFR"): the ratio of the Equity Trust's liabilities to assets adjusted by factors that represent their inherent stability or permanence, which will become effective in 2018.

These requirements are supplemented by additional supervisory monitoring metrics including the OSFI-designed Net Cumulative Cash Flow (NCCF).

The appropriateness of these limits is reviewed from time to time by ALCO in light of prevailing and anticipated business and economic conditions.

Interest Rate Risk

Interest rate risk is defined as the possibility that changes in market interest rates will adversely affect our profitability and financial condition. Interest rate risk may be affected if an unduly large proportion of our assets or liabilities have unmatched terms, interest rates or other attributes. The primary method of managing interest rate risk involves matching asset and liability maturity profiles, closely monitoring interest rates and acting upon any mismatch in a timely manner to ensure that any sudden or prolonged change in interest rates does not adversely affect our net interest income. Any failure to appropriately match our asset and liability maturity profiles could negatively impact our operating results and financial condition.

We use simulated interest rate change sensitivity models to estimate the effect of various interest rate change scenarios on economic value of shareholders' equity ("EVE") and on net interest income for the twelve months following the measurement date. Certain assumptions that are based on actual experience are built into the simulations, including assumptions related to the prepayment and renewal rates of mortgages, the volumes and maturity distributions of future mortgages and deposits, future interest rate margins earned on mortgages and paid on deposits, and the growth of other interest rate sensitive items such as cash. Equity Trust's ALCO is responsible for the oversight of interest rate risk, including the establishment of modelling assumptions, parameters and scenarios.

The following table illustrates the results of management's sensitivity modelling to immediate and sustained interest rate increase and decrease scenarios. The estimate of sensitivity to interest rate changes is dependent on a number of assumptions that could result in a difference in actual outcomes in the event of an actual interest rate change, limited by the assumption that interest rates cannot fall below zero.

Table 18: Impact of Interest Rate Shifts

($000s, except percentage amounts)	Increase	Decrease
Change of 100 bps		
Impact on net interest income	$ 514	$ (469)
Impact on EVE	384	(556)
EVE impact as a % of common shareholders' equity	0.4 %	(0.6)%
Change of 200 bps		
Impact on net interest income	$ 1,015	$ (470)
Impact on EVE	753	(615)
EVE impact as a % of common shareholders' equity	0.8 %	(0.7)%

ACCOUNTING STANDARDS AND POLICIES

Our significant accounting policies are disclosed in Note 2 to our 2014 Audited Financial Statements. Additional updated accounting policies are described below.

Financial liabilities

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 (loss) income.

Non-interest income

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.

Current & future changes in accounting policies

Certain new standards, interpretations and amendments to existing standards have been published by the IASB and the International Financial Reporting Interpretations Committees ("IFRIC") that will become effective for future periods and could have a potential implication on the accounting policies of the Corporation.

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.

CONTROL REPORTING

Disclosure Controls and Procedures

Our Disclosure Controls and Procedures ("DCP") are designed to provide reasonable assurance that all relevant information is identified and communicated to our Disclosure Committee. The Disclosure Committee is comprised of members of senior management and is charged with ensuring that appropriate and timely decisions are made regarding public disclosure. Management has evaluated the effectiveness of our DCP and concluded they are effective. There were no material changes in our DCP during the quarter ended September 30, 2015.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") are designed, based on the Internal Control - Integrated Framework (2013) issues in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of its inherent limitations, ICFR can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projecting an evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

There were no changes in our ICFR that occurred during the quarter ended September 30, 2015 that materially affected or are reasonably likely to materially affect, the reliability of our financial reporting or the preparation of our financial statements for external purposes.

NON-IFRS FINANCIAL MEASURES

The Corporation employs certain financial measures to assess its performance that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. However, we believe the non-IFRS measures are useful supplemental measures that may assist financial analysts and investors in assessing certain aspects of our performance. These measures should not be considered as an alternative to any measures of performance presented in accordance with IFRS.

Adjusted net (loss) income and adjusted basic and diluted (loss) earnings per share

Our second and third quarter 2015 net loss was affected by a contingent consideration fair value adjustment of $600 ($520 after tax) and $400 ($347 after tax) respectively, related to the 2013 sale of our transfer agent and corporate trust operations (see 2013 Sale Transaction).

Our year to date 2014 net loss was affected by one-time costs incurred related to both the shareholder action $4,270 ($3,138 after tax), and to independent consultant and external audit fees of $1,300 ($956 after tax) as a result of an internal controls review.

The table below provides a reconciliation of net (loss) income to adjusted net (loss) income.

Table 19: Reconciliation of Net (loss) income to Adjusted net (loss) income

	For the three months ended					For the nine months ended		
($000s, except per share and percentage amounts)	**September 30, 2015**	June 30, 2015	% Change	September 30, 2014	% Change	**September 30, 2015**	September 30, 2014	% Change
Net (loss) income	**$ (601)**	$ (992)	39 %	$ 535	(212)%	**$ (1,853)**	$ (2,690)	31 %
Adjustments for costs incurred in relation to:								
the shareholder action settlement (net of tax)	**-**	-	0 %	-	0 %	**-**	3,138	(100)%
the internal controls review and external audit (net of tax)	**-**	-	0 %	-	0 %	**-**	956	(100)%
charge for contingent consideration (net of tax)	**347**	520	(33)%	-	100 %	**867**	-	100 %
Adjusted net (loss) income	**$ (254)**	$ (472)	46 %	$ 535	(147)%	**$ (986)**	$ 1,404	(170)%
Adjusted basic (loss) earnings per share	**(0.03)**	(0.05)	40 %	0.06	(150)%	**(0.10)**	0.15	(167)%
Adjusted diluted (loss) earnings per share	**$ (0.03)**	$ (0.05)	40 %	$ 0.06	(150)%	**$ (0.10)**	$ 0.15	(167)%

Net interest margin

Net interest margin on our mortgage portfolio is calculated by taking net interest income earned on the portfolio divided by average total mortgage assets generating the interest income.

Return on equity ("ROE")

ROE is calculated as net income divided by the simple average of reported shareholders' equity at the beginning and end of the period, multiplied by the appropriate factor to arrive at an annualized figure. ROE is used as an indicator of whether we use our capital resources efficiently.

DISCLOSURE OF OUTSTANDING SHARE DATA

Our common shares trade on the TSX under the symbol "EQI". Our authorized share capital consists of an unlimited number of common shares without par value. As at November 12, 2015 we had 9,539,508 common shares outstanding and 656,860 stock options to purchase up to an aggregate of 656,860 common shares, with a weighted average exercise price of $9.78, expiring from March 2016 to May 2020.

ADDITIONAL INFORMATION

Additional information relating to EQI, including the Corporation's annual information form, is available on SEDAR at www.sedar.com.