EQUITY

Equity Financial Holdings Inc.

Management's Discussion & Analysis

First Quarter Ended March 31, 2016

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, 2015 (the “2015 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 May 10, 2016.

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 predominantly concentrated in urban and suburban areas of Ontario.

Equity Trust sources its loans through mortgage brokers, who collectively originate approximately 30% of Canada’s residential mortgages. (Canadian Association of Accredited Mortgage Professionals: Annual State of the Residential Mortgage Market in Canada, December 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 MARCH 31, 2016

Table 1: Financial Highlights

	For the three months ended		
($000s, except per share and percentage amounts)	**March 31, 2016**	December 31, 2015	March 31, 2015
OPERATIONS			
Net interest income	**$ 3,158**	$ 2,857	$ 2,496
Provision for credit losses	**(167)**	101	(32)
Non-interest income	**495**	475	297
Net interest income and other income, including provision for credit losses	**3,486**	3,433	2,761
Net interest margin	**2.86%**	2.88%	3.07%
Net income (loss)	**$ 149**	$ (304)	$ (260)
Earnings (loss) per share - basic/diluted	**0.02 / 0.02**	(0.03) / (0.03)	(0.03) / (0.03)
ROE (annualized) [1]	**0.6%**	(1.3)%	(1.1)%
As at	**March 31, 2016**	December 31, 2015	March 31, 2015
BALANCE SHEET			
Assets	**$ 487,184**	$ 431,429	$ 334,876
Mortgages receivable, net	**441,330**	383,282	294,398
Deposits	**388,934**	332,197	236,496
Shareholders' equity	**93,664**	93,455	94,788
FINANCIAL STRENGTH			
Capital Measures [2]			
Regulatory capital (all-in basis)	**$ 84,427**	$ 84,200	$ 85,351
Leverage ratio	**16.9%**	19.1%	25.6%
Common Equity Tier 1 ratio (all-in basis)	**44.6%**	49.8%	64.9%
Share Information			
Book value per common share	**$ 9.82**	$ 9.80	$ 9.95
Common share price - close	**9.00**	8.06	9.69
Common shares outstanding	**9,539,508**	9,539,508	9,529,508
Market capitalization	**$ 85,856**	$ 76,888	$ 92,341

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

[2] 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 portfolio increased to the highest level in our history during the first quarter of 2016, ending at a balance of $441,330. We also returned to profitability for the first time in over a year, following a period of significant organizational changes and rebuilding that began in 2014. Continued growth in our quarterly mortgage originations and a higher average loan book balance combined with the stabilization of our net interest margin and non-interest expenses to produce net earnings for the quarter. Key financial results for the quarter:

- Net income of $149 or $0.02 per share compared to a net loss of $304 or $0.03 per share in Q4 2015 and net loss of $260 or $0.03 per share in Q1 2015.
- Mortgage receivable balance of $441,330 as at March 31, 2016, an increase of 15% from the end of 2015 and an increase of 50% from a year ago.
- Mortgage originations of $85,842, up 8% from $79,325 in Q4 2015 and up 199% from $28,676 in Q1 2015. Our originations for Q1 2016 represent our second highest quarterly volume since the inception of our mortgage operations in 2011.
- Net interest income of $3,158 in Q1 2016, up 11% compared to $2,857 earned in Q4 2015 and up 27% over Q1 2015.
- Net interest margin earned on our mortgage portfolio was 2.86% for Q1 2016, down slightly from 2.88% in Q4 2015 and down from 3.07% in Q1 2015. The decrease in net interest margin over the comparable period of 2015 reflects higher average credit quality on new originations and renewals over the past year.
- Non-interest income earned from mortgage servicing fees was $345, an increase of 6% compared to Q4 2015 and 16% compared to Q1 2015, reflecting the growth of our mortgage portfolio.
- Non-interest expenses for the quarter were $3,238, down 14% from Q4 2015 and up 6% from Q1 2015.

OUTLOOK

The momentum of higher origination volumes in recent quarters reflects on our fully staffed and trained mortgage underwriting and servicing teams and supporting risk management and compliance infrastructure. We anticipate continued growth in our quarterly origination volumes and loan book as we move into the traditionally busy season of spring mortgage lending. We remain focused on balancing trade-offs between portfolio growth, net interest margins, duration and credit quality in order to build on our return to positive earnings. We expect to further leverage operational and risk management infrastructure we established last year and we also plan to implement new mortgage underwriting and servicing systems in 2016 to enhance efficiency and scalability.

Our sales and marketing team began the year under new leadership and remains focused on developing and building our key mortgage broker relationships as we grow our presence in the non-prime and near-prime residential mortgage market in Ontario.

Equity Trust is a well-capitalized, federally regulated deposit-taking institution, with a management team and Board with many years of experience in the Canadian mortgage and financial services markets. As such we believe we are well positioned to take advantage of the profitable opportunities in our industry in 2016 and beyond.

INCOME STATEMENT REVIEW

Table 2: Income Statement Highlights

	For the three months ended				
($000s, except per share and percentage amounts)	**March 31, 2016**	December 31, 2015	% Change	March 31, 2015	% Change
Operating Results					
Net interest income	**$ 3,158**	$ 2,857	11%	$ 2,496	27%
Provision for credit losses	**(167)**	101	(265)%	(32)	(422)%
Net interest income, including provision for credit losses	**2,991**	2,958	1%	2,464	21%
Non-interest income	**495**	475	4%	297	67%
Net interest income and other income, including reversal (increase) of provision for credit losses	**3,486**	3,433	2%	2,761	26%
Non-interest expenses	**3,238**	3,758	14%	3,048	(6)%
Income (loss) before income taxes	**248**	(325)	176%	(287)	186%
Income tax expense (recovery)	**99**	(21)	(571)%	(27)	(467)%
Total net income (loss) and comprehensive income (loss)	**$ 149**	$ (304)	149%	$ (260)	157%
Earnings (loss) per share					
Total earnings (loss) per share, basic	**0.02**	(0.03)	167%	(0.03)	167%
Total earnings (loss) per share, diluted	**0.02**	(0.03)	167%	(0.03)	167%
ROE (annualized) [1]	**0.6%**	(1.3)%		(1.1)%	

[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[3]

	For the three months ended								
	March 31, 2016			December 31, 2015			March 31, 2015		
($000s, except per share and percentage amounts)	**Average balance[1]**	**Income / Expense**	**Average rate[2]**	Average balance[1]	Income / Expense	Average rate[2]	Average balance[1]	Income / Expense	Average rate[2]
ASSETS									
Cash and cash equivalents	**$ 44,591**	$ 102	0.92%	$ 38,792	$ 88	0.90%	$ 38,493	$ 112	1.18%
Mortgages receivable	**409,657**	4,906	4.82%	359,266	4,378	4.83%	292,055	3,665	5.09%
Total interest bearing assets	**454,248**	5,008	4.42%	398,058	4,466	4.45%	330,548	3,777	4.63%
LIABILITIES									
Deposits	**361,573**	1,850	2.06%	306,017	1,609	2.09%	230,824	1,281	2.25%
Total interest bearing liabilities	**361,573**	1,850	2.06%	306,017	1,609	2.09%	230,824	1,281	2.25%
Net interest income per financial statements		3,158			2,857			2,496	
Net interest margin for mortgage portfolio [3]			2.86%			2.88%			3.07%

[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 first quarter of 2016 increased by $301 or 11% compared to the fourth quarter of 2015 and increased by $662 or 27% compared to the first quarter of 2015, reflecting the growth in our mortgage loan portfolio. The average net interest margin earned on our mortgage portfolio in the first quarter of 2016 was 2.86%, down compared to 2.88% in the fourth quarter of 2015 and down compared to 3.07% in the first quarter of 2015, primarily reflects higher average credit quality on new originations and renewals over the past year.

Provision and allowance for credit losses

Table 4: Provision for Credit Losses

	For the three months ended		
($000s)	**March 31, 2016**	December 31, 2015	March 31, 2015
Provision for (reversal of) collective credit losses	**$ 165**	$ (118)	$ (9)
Provision for individual credit losses	**2**	17	41
Total provision for (reversal of) credit losses	**$ 167**	$ (101)	$ 32

Our provision for credit losses for the first quarter of 2016 was an expense of $167 compared to a reversal of $101 in the fourth quarter of 2015 and an expense of $32 in the first quarter of 2015. The increase in the current quarter is a result of the growth of our mortgage loan portfolio. The reversal in the prior quarter reflects a reduction to our collective provision for credit losses as a result of the improved credit quality of the loan portfolio. Changes in the provision for individual credit losses from quarter to quarter represents updates to management's estimate of the anticipated loss on identified impaired loans.

Table 5: Allowance for Credit Losses

($000s except percentage amounts)		**March 31, 2016**	**% of Gross Loans**		December 31, 2015	% of Gross Loans		March 31, 2015	% of Gross Loans
Collective allowance	**$**	**1,239**	**0.28%**	$	1,074	0.28%	$	1,032	0.35%
Individual allowance		**-**	**- %**		93	0.02%		56	0.02%
Total	**$**	**1,239**	**0.28%**	$	1,167	0.30%	$	1,088	0.37%

We have established an allowance for credit losses of $1,239 as at March 31, 2016. The overall increase in our allowance for credit losses for the first quarter compared to the prior quarter and the first quarter of 2015 mainly reflects the increase in the balance of our mortgage receivable assets.

During the first quarter of 2016 we realized a loan loss of $95 against our previous allowance of $93. The realized loss represents 0.02% of our total gross mortgage loan receivable balance.

Table 6: Past Due Loans

($000s except percentage amounts)		**March 31, 2016**	**% of Net Loans**		December 31, 2015	% of Net Loans		March 31, 2015	% of Net Loans
1-30 days	**$**	**16,356**	**3.71%**	$	10,376	2.71%	$	12,524	4.25%
31-60 days		**1,328**	**0.30%**		1,714	0.45%		1,013	0.34%
61-90 days		**1,381**	**0.31%**		317	0.08%		333	0.11%
> 90 days		**498**	**0.11%**		1,866	0.49%		1,692	0.57%
Total	**$**	**19,563**	**4.43%**	$	14,273	3.73%	$	15,562	5.27%

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 first quarter of 2016 has increased compared to the prior quarter 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 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. There were no impaired loans as at March 31, 2016.

Non-interest income

Non-interest income earned from mortgage servicing fees for the first quarter of 2016 was $345, an increase of 16% compared to the same period of 2015, reflecting the year over year growth of our mortgage loan portfolio. Non-interest income earned from mortgage servicing fees was up 6% compared to the fourth quarter of 2015, reflecting both the growth in our mortgage loan portfolio and higher tax administration fees. In addition to non-interest income earned from mortgage servicing fees, we also earned other fee income of $150 in the first quarter of 2016 compared to $150 in the fourth quarter of 2015 and $nil in the first quarter of 2015. Other fee income relates 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

($000s, except percentage amounts)	For the three months ended March 31, 2016	December 31, 2015	% Change	March 31, 2015	% Change
Staffing costs	**$ 1,971**	$ 2,233	(12)%	$ 1,814	9%
Rent	**120**	97	24%	124	(3)%
General and administration	**1,002**	1,155	(13)%	935	7%
Amortization	**145**	273	(47)%	175	(17)%
Total non-interest expenses	**$ 3,238**	$ 3,758	(14)%	$ 3,048	6%

Staffing Costs – First quarter 2016 staffing costs decreased compared to the fourth quarter of 2015 by 12% due to the timing of the recognition of bonus compensation in the last quarter of 2015. The 9% increase in staffing costs over the first quarter of 2015 is due to the increase in our headcount from 58 to 65.

Rent – The Corporation maintained the same lease arrangement during the first quarter of 2016 and 2015 but benefitted from a cost recovery related to a property tax reassessment in the fourth quarter of 2015, resulting in lower overall rent expense compared to the first quarter of 2016.

General and Administration – The 13% decrease in general and administration costs in the first quarter of 2016 compared to the fourth quarter of 2015 was primarily due to lower professional and consulting fees. Lower professional and consulting costs were partially offset by mark-to-market expense on the value of deferred share units ("DSUs") that form part of our board compensation. The year-over-year increase of 7% compared to 2015 is primarily due to mark-to-market expense on the DSUs as a result of the increase in our period end closing share price.

Amortization and depreciation – Amortization and depreciation costs decreased in the first quarter of 2016 compared to the fourth quarter of 2015. A change in the depreciation method for furniture and computer equipment assets resulted in additional depreciation expense in the fourth quarter of 2015. The year-over-year decrease of 17% compared to 2015 is the result of lower amortization of intangible assets as the costs of our core operation systems were fully amortized. We expect this to be a temporary decrease of our amortization expense prior to the launch of our new mortgage underwriting and servicing systems later in 2016.

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

Table 8: Earnings Per Share

($000s, except per share and percentage amounts)	For the three months ended March 31, 2016	December 31, 2015	Change	March 31, 2015	Change
Net income (loss) and total comprehensive income (loss)	**$ 149**	$ (304)	$ 453	$ (260)	$ 409
Basic earnings (loss) per share	**0.02**	(0.03)	(0.05)	(0.03)	0.05
Diluted earnings (loss) per share	**$ 0.02**	$ (0.03)	$ (0.05)	$ (0.03)	$ 0.05

For the first quarter of 2016 we generated a net income of $149 or $0.02 per share compared to net loss of $304 or $0.03 per share in the fourth quarter of 2015 and net loss of $260 or $0.03 per share in the first quarter of 2015. The return to profitability in the first quarter of 2016 compared to the net losses in first and fourth quarters of 2015 is primarily the result of higher net interest income as a result of growth of our mortgage loan portfolio.

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. The fair value of this contingent consideration as at March 31, 2016 is the maximum amount of $1,000 (December 31, 2015 - $1,000). On April 11, 2016, the Corporation paid out this contingent consideration in full.

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 first quarter of 2016, other fee income amounted to $150 (2015 - $nil). As at March 31, 2016, EFT remains the trustee of segregated funds in the amount of $1,210,751 (December 31, 2015 - $1,428,663) which are reported off-balance sheet.

FINANCIAL POSITION REVIEW

Table 9: Balance Sheet Highlights

($000s, except percentage amounts)	As at			Change over			
	March 31, 2016	December 31, 2015	March 31, 2015	Mar 2016 - Dec 2015 $	Mar 2016 - Dec 2015 %	Mar 2016 - Mar 2015 $	Mar 2016 - Mar 2015 %
ASSETS							
Cash and cash equivalents	**$ 41,712**	$ 44,326	$ 36,462	$ (2,614)	(6)%	$ 5,250	14%
Mortgages receivable	**441,330**	383,282	294,398	58,048	15%	146,932	50%
Other assets	**4,142**	3,821	4,016	321	8%	126	3%
Total Assets	**487,184**	431,429	334,876	55,755	13%	152,308	45%
LIABILITIES							
Customer deposits	**388,934**	332,197	236,496	56,737	17%	152,438	64%
Other liabilities	**4,586**	5,777	3,592	(1,191)	(21)%	994	28%
Total Liabilities	**393,520**	337,974	240,088	55,546	16%	153,432	64%
Shareholders' equity	**93,664**	93,455	94,788	209	- %	(1,124)	(1)%
Total Liabilities and Shareholders' Equity	**$ 487,184**	$ 431,429	$ 334,876	$ 55,755	13%	$ 152,308	45%

Total assets as at March 31, 2016 were $487,184, an increase of 13% compared to the balance as at December 31, 2015. The increase in total assets compared to year end was primarily due to the increase in mortgages receivable. The increase in total assets compared to prior year is due to increases in mortgages receivable and cash and cash

equivalents.

Total liabilities as at March 31, 2016 were $393,520, an increase of 16% compared to the balance as at December 31, 2015. The increase in total liabilities compared to year end and the prior year was primarily due to the increase in deposit liabilities corresponding to the increase in assets.

Liquidity Resources

Equity Trust is a member of CDIC and sources its deposit funding through registered 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"). 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			
($000s, except percentage amounts)	**March 31, 2016**	December 31, 2015	March 31, 2015	Mar 2016 - Dec 2015 $	Mar 2016 - Dec 2015 %	Mar 2016 - Mar 2015 $	Mar 2016 - Mar 2015 %
Deposits with regulated financial institutions	**$ 39,714**	$ 42,328	$ 34,464	$ (2,614)	(6)%	$ 5,250	15%
Short-term investments	**1,998**	1,998	1,998	-	0%	-	0%
Total Cash and Cash Equivalents	**$ 41,712**	$ 44,326	$ 36,462	$ (2,614)	(6)%	$ 5,250	14%

Cash and cash equivalents as at March 31, 2016 decreased by $2,614 compared to December 31, 2015, as a result of the inflows and outflows described below.

Table 11: Sources and Uses of Cash

	For the three months ended		Change	
($000s, except percentage amounts)	**March 31, 2016**	March 31, 2015	$	%
Cash flows (used in) provided by operating activities	**$ (2,349)**	$ 3,215	$ (5,564)	(173)%
Cash flows provided by financing activities	**-**	16	(16)	(100)%
Cash flows used in investing activities	**$ (265)**	$ -	$ (265)	(100)%

Cash flows from operating activities

Cash outflows from operating activities was $2,349 for the three months ended March 31, 2016 compared to cash inflows from operating activities of $3,215 for the same period in 2015. Increases to our deposit liability and mortgages receivable balances constitute the largest sources of operating inflows and outflows respectively. For the three months ended March 31, 2016 we had net inflows of $56,737 from new deposits against net outflows of $58,120 to fund mortgages. For the three months ended March 31, 2015, we had net inflows of $899 from new deposits and net inflows of $2,945 from mortgage maturities.

Cash flows from financing activities

There were no cash flows from financing activities for the three months ended March 31, 2016. Cash flows from financing activities in 2015 represent proceeds from exercise of employee stock options.

Cash flows used in investing activities

Cash flows used in investing activities for the three months ended March 31, 2016 were primarily for the development of our new mortgage underwriting and servicing systems. We expect additional cash outflows in the upcoming quarter for system development. We did not have cash flows related to investing activities for the three months ended March 31, 2015.

Mortgages receivable

Table 12: Mortgage Production & Portfolio Highlights

	For the three months ended		
($000s, except percentage and year figures)	**March 31, 2016**	December 31, 2015	March 31, 2015
Mortgage originations	**$ 85,842**	$ 79,325	$ 28,676
Average loan-to-value ratio at origination	**74.0%**	73.8%	73.6%
As at			
Mortgages receivable	**441,330**	383,282	294,398
Mortgages receivable due in one year	**292,205**	244,757	195,856
Weighted average term to maturity in years	**1.0**	1.0	1.0
Weighted average effective interest rate	**4.88%**	4.86%	4.93%
Weighted average amortization period in years	**29.4%**	29.6%	30.9%

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 first quarter of 2016 we originated mortgages of $85,842, an increase of $6,517 or 8% compared to originations in the fourth quarter of 2015 and an increase of $57,166 or 199% compared to the first quarter of 2015, demonstrating our improving capacity to originate new loans. Our mortgage receivable balance increased to a new high of $441,330 as at March 31, 2016, up 15% compared to the balance as at December 31, 2015 and up 50% compared to the balance as at March 31, 2015.

As at March 31, 2016, the amount of mortgages due within one year is $292,205, the weighted average term to maturity of the portfolio is 1.0 year with a weighted average amortization period of 29.4 years. The weighted average effective interest rate of the portfolio was 4.88% as at March 31, 2016, which increased slightly compared to 4.86% as at December 31, 2015 and declined compared to 4.93% as at March 31, 2015. The decline in the weighted average effective interest rate over the last year reflects our focus on higher credit quality loans. As at March 31, 2016, the Corporation had outstanding commitments to make future advances on mortgages loans of $34.5 million for various dates through to July 2016.

Customer Deposits

Table 13: Customer Deposits

	As at		
($000s, except percentage and year figures)	**March 31, 2016**	December 31, 2015	March 31, 2015
Deposits	**$ 388,934**	$ 332,197	$ 236,496
Customer deposits due in one year	**208,630**	174,376	168,849
Weighted average term to maturity in years	**1.3**	1.3	1.0
Weighted average effective interest rate	**2.09%**	2.13%	2.22%

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 March 31, 2016, the portion of customer deposits due within one year is $208,630. The weighted average effective interest rate paid on deposits was 2.09%, which has trended downward from prior quarters driven by lower market GIC rates.

For the first quarter of 2016, our customer deposits balance increased by $56,737 or 17% compared to December 31, 2015 and by $152,438 or 64% compared to the balance as at March 31, 2015 reflecting the growth of our mortgage loan book which is primarily funded by deposits.

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 March 31, 2016. The table does not include assets and liabilities that are not considered financial instruments.

Table 14: Financial Assets and Liabilities

March 31, 2016	Carrying Value	Fair Value	Fair Value Over Carrying Value
Financial Assets			
Mortgages receivable, net	**$ 441,330**	$ 443,306	$ 1,976
Total Financial Assets	**$ 441,330**	$ 443,306	$ 1,976
Financial Liabilities			
Deposits	**$ 388,934**	$ 391,696	$ 2,762
Contingent consideration payable	**1,000**	1,000	-
Total Financial Liabilities	**$ 389,934**	$ 392,696	$ 2,762

QUARTERLY FINANCIAL HIGHLIGHTS

Table 15: Summary of Quarterly Results

	2016	2015	2015	2015	2015	2014	2014	2014
($000s, except per share amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating Results								
Net interest income	**$ 3,158**	$ 2,857	$ 2,553	$ 2,434	$ 2,496	$ 2,805	$ 3,213	$ 3,389
Provision for credit losses	**(167)**	101	(106)	(128)	(32)	88	146	105
Non-interest income	**495**	475	465	457	297	340	407	409
Net interest income and other income, including provision for credit losses	**3,486**	3,433	2,912	2,763	2,761	3,233	3,766	3,903
Non-interest expenses	**3,238**	3,758	3,168	3,361	3,048	3,451	3,053	3,451
Charge for contingent consideration	**-**	-	400	600	-	-	-	-
Net income (loss)	**149**	(304)	(601)	(992)	(260)	(229)	535	270
Total net income (loss) and total comprehensive income (loss)	**149**	(304)	(601)	(992)	(260)	(229)	535	270
Basic earnings (loss) per share	**0.02**	(0.03)	(0.06)	(0.10)	(0.03)	(0.02)	0.06	0.03
Diluted earnings (loss) per share	**0.02**	(0.03)	(0.06)	(0.10)	(0.03)	(0.02)	0.06	0.03
Dividends	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Balance Sheet Highlights								
Cash and cash equivalents	**$ 41,712**	$ 44,326	$ 39,183	$ 48,334	$ 36,462	$ 33,231	$ 36,479	$ 39,151
Mortgages receivable, net	**441,330**	383,282	340,119	314,086	294,398	297,375	326,393	364,563
Assets	**487,184**	431,429	383,366	366,394	334,876	334,953	367,590	409,043
Deposits	**388,934**	332,197	285,465	268,704	236,496	235,597	269,176	310,712
Liabilities	**393,520**	337,974	289,758	272,419	240,088	240,102	272,840	315,178
Shareholders' equity	**$ 93,664**	$ 93,455	$ 93,608	$ 93,975	$ 94,788	$ 94,851	$ 94,750	$ 93,865

Net interest income has increased or decreased each quarter in line with the change in the size of our average mortgage portfolio. The net losses in the second and third quarter of 2015 included the effect of contingent consideration for additional consideration related to the future capital requirements of the discontinued transfer agent and corporate trust service business (see "2013 Sale Transaction").

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 OSFI's Capital Adequacy Requirements ("CAR") Guidelines. 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 March 31, 2016, Equity Trust held CET1 on an all-in basis of $84,427 compared with $84,200 as at December 31, 2015.

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

		As at					
($000s, except percentage amounts)		**March 31, 2016**		December 31, 2015		March 31, 2015	
Common Equity Tier 1 capital: Instruments and reserves	**Line No.**	**All-in**	**Transitional**	All-in	Transitional	All-in	Transitional
Directly issues qualifying common share capital plus related stock surpluses	1	**$ 34,145**	**$ 34,145**	$ 33,912	$ 33,912	$ 33,077	$ 33,077
Retained earnings	2	**51,890**	**51,890**	51,697	51,697	53,716	53,716
Common Equity Tier 1 capital before regulatory adjustments	6	**86,035**	**86,035**	85,609	85,609	86,793	86,793
Common Equity Tier 1 capital: Regulatory adjustments							
Total regulatory adjustments to Common Equity Tier 1	28	**(1,608)**	**(965)**	(1,409)	(563)	(1,442)	(578)
Common Equity Tier 1 capital (CET1)	29	**84,427**	**85,070**	84,200	85,046	85,351	86,215
Tier 1 capital	45	**84,427**	**85,070**	84,200	85,046	85,351	86,215
Total capital	59	**84,427**	**85,070**	84,200	85,046	85,351	86,215
Total risk-weighted assets	60	**189,203**	**190,168**	169,246	170,091	131,501	132,367
Capital ratios							
Common Equity Tier 1 (as percentage of risk-weighted assets)	61	**44.6%**	**44.7%**	49.8%	50.0%	64.9%	65.1%
Tier 1 (as percentage of risk-weighted assets)	62	**44.6%**	**44.7%**	49.8%	50.0%	64.9%	65.1%
Total capital (as percentage of risk-weighted assets)	63	**44.6%**	**44.7%**	49.8%	50.0%	64.9%	65.1%
OSFI all-in target							
Common Equity Tier 1 capital all-in target ratio	69	**7.0%**	**-**	7.0%	-	7.0%	-
Tier 1 capital all-in target ratio	70	**8.5%**	**-**	8.5%	-	8.5%	-
Total capital all-in target ratio	71	**10.5%**	**-**	10.5%	-	10.5%	-

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

Leverage Requirements

Under the Basel III leverage ratio framework, public disclosure of the leverage ratio was required beginning in 2015. OSFI decided to replace the previously used Asset to Capital Multiple 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		
($000s, except percentage amounts)	**Line No.**	**March 31, 2016**	December 31, 2015	March 31, 2015
On-balance sheet exposures				
On-balance sheet items	1	**$ 487,396**	$ 431,392	$ 327,886
Asset amounts deducted in determining Basel III "all-in" Tier 1 capital	2	**(1,608)**	(1,409)	(1,442)
Total on-balance sheet exposure	3	**485,788**	429,983	326,444
Other off-balance sheet exposures				
Off-balance sheet exposure at gross notional amount	17	**75,030**	59,297	32,304
Adjustment for conversion to credit equivalent amounts	18	**20%**	20%	20%
Off-balance sheet items	19	**15,006**	11,859	6,461
Tier 1 capital	20	**84,427**	84,200	85,351
Total exposures	21	**500,794**	441,842	332,905
Basel III leverage ratio	22	**16.9%**	19.1%	25.6%

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

Capital Resources

Equity Trust has a capital base sufficient to support its current 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

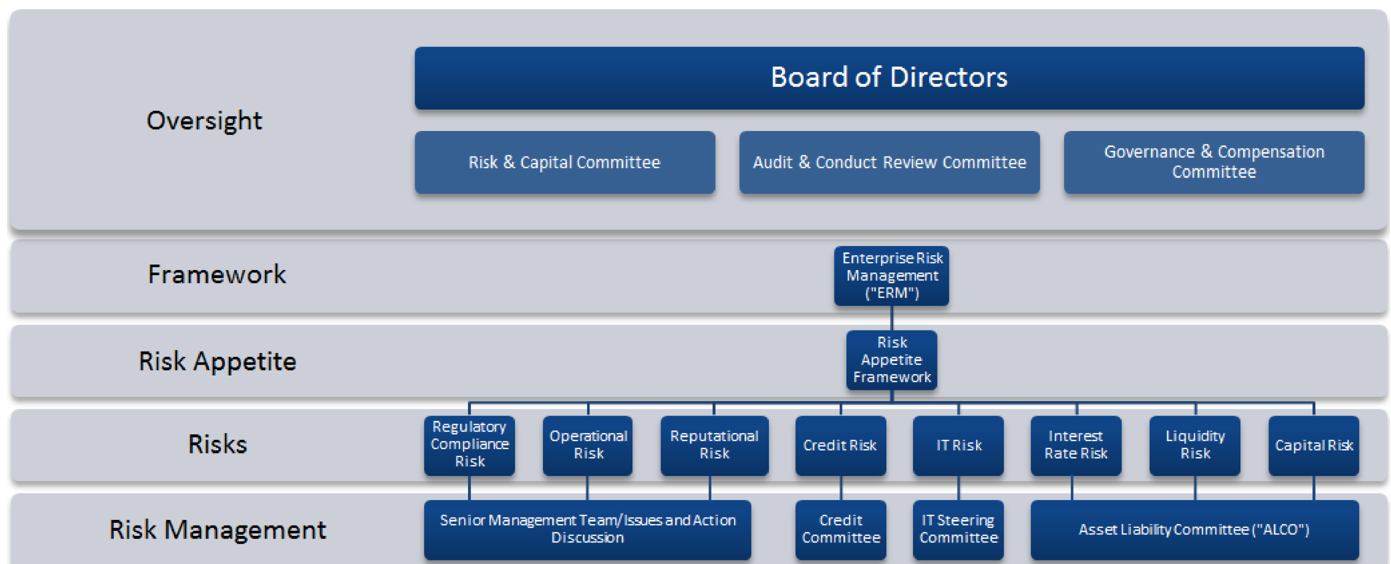
The shaded areas of this section of the MD&A represent a discussion of risk management policies and procedures relating to credit, liquidity and interest rate risks that are required under *IFRS 7 Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas presented in this Risk Management section form an integral part of the interim consolidated financial statements for the quarter ended March 31, 2016.

The Corporation's activities in pursuit of its strategic goals and objectives expose the Corporation to a wide range of risks that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Corporation's direct control. The Corporation's risk appetite framework provides a structured process to identity, quantify and limit the amount of risk that we are willing to take. The types of risk to which the Corporation is exposed include but are not limited to credit, liquidity, interest rate, regulatory compliance, reputational, operational, and information technology. A discussion of risks beyond credit, liquidity and interest rate risk can be found on pages 28 to 31 of the Corporation’s annual MD&A for the year ended December 31, 2015.

Enterprise Risk Management Framework

The Corporation's strategies and risk management are supported by the Corporation's Enterprise Risk Management ("ERM") framework. The ERM framework is a Board approved, systematic and integrated process that enables senior management to effectively manage material risks impacting the operations of Equity Trust, the achievement of strategic and business objectives and the deployment of capital. The ERM framework is designed to foster a strong risk culture by identifying, measuring, mitigating, monitoring and reporting risk, including the establishment of roles, responsibilities, processes and tools which are used in relation to our risk appetite framework. It is an ongoing process involving the Board, senior management and other personnel.

The Board of Directors of Equity Trust, through its three Board Committees, namely the Risk and Capital Committee, Audit and Conduct Review Committee and Governance and Compensation Committee, establishes a strong risk and control culture utilizing a three lines of defense model comprised of operations, risk management and compliance, and internal audit.



Credit Risk

Credit risk is defined as 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 performance and risk factors in the mortgage portfolio and periodically considers and recommends adjustments to the credit risk and concentration limits in our Board approved credit lending policy.

There can be no absolute 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 by internal controls and procedures 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 mortgage 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 appropriate 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 stability 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 predominantly lend 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 its 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 financial 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 both 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 considered 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 OSFI's Liquidity Adequacy Requirements Guideline ("LARG"):

- Liquidity Coverage Ratio ("LCR"): the ratio of the Equity Trust's cash reserve to net cash inflows and outflows for a specified time horizon; 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 and the Board 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 the 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	$ 830	$ (744)
Impact on EVE	1,039	(986)
EVE impact as a % of common shareholders' equity	1.1%	(1.1)%
Change of 200 bps		
Impact on net interest income	1,635	(744)
Impact on EVE	2,059	(986)
EVE impact as a % of common shareholders' equity	2.2%	(1.1)%

ACCOUNTING STANDARDS AND POLICIES

Our significant accounting policies are disclosed in Note 2 to our 2015 Audited Financial Statements.

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

In April 2016, the IASB issued an amendment to the revenue standard, clarifying some requirements and providing additional transition relief for companies that are implementing the new standard. The amendments clarify how to identify a performance obligation, determine whether a company is a principal or an agent and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendments have the same effective date as the original standard of January 1, 2018. 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 March 31, 2016.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") are designed, based on the Internal Control - Integrated Framework (2013) issued 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 March 31, 2016 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.

Net interest margin

Net interest margin on our mortgage portfolio is calculated by taking net interest income earned 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 May 10, 2016 we had 9,539,508 common shares outstanding and 752,244 stock options to purchase up to an aggregate of 752,244 common shares, with a weighted average exercise price of $9.35, expiring from May 2018 to February 2021.

ADDITIONAL INFORMATION

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