May 10, 2017

NOTICE TO READER

This Management Discussion and Analysis ("MD&A") replaces the MD&A of Equity Financial Holdings Inc. for the first quarter ended March 31, 2017, as filed on May 9, 2017, to correct a non-material error related to Table headings.

With the exclusion of Tables 11, 14 and 15, the middle dated column of all Tables contained within the MD&A have been updated with column date headers of "December 31, 2016" to replace column date headers incorrectly noted as "March 31, 2016".

No other information contained with the MD&A has changed.

Any questions regarding this notice can be directed to:

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EQUITY

Equity Financial Holdings Inc.

Management's Discussion & Analysis

First Quarter Ended March 31, 2017

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 mortgage market by offering residential first mortgage loans to non-prime and near-prime customers who do not meet the conventional underwriting standards of the major Canadian banks. Equity Trust funds its mortgage loans through the issuance of fixed-term, non-redeemable Guaranteed Investment Certificates ("GICs").

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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, 2016 (the “2016 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 09, 2017.

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 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 investment dealers or deposit 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 first mortgage loans to a maximum of 80% loan-to-value, funded through the issuance of fixed-term, non-redeemable GICs. 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 first mortgages for non-prime and near-prime customers that include borrowers with a thin or challenged credit history or who are self-employed. 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 33% of Canada's residential mortgages. (Canadian Association of Accredited Mortgage Professionals: Annual State of the Residential Mortgage Market in Canada, December 2016)

We provide first mortgages primarily for owner occupied, single-family residential properties for purchases, refinances, equity take-outs and debt consolidation, to a maximum of 80% of the appraised property value. 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 and deposit brokers across Canada, offering non-redeemable GICs for amounts of five thousand dollars and more, with fixed 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, 2017

Table 1: Financial Highlights

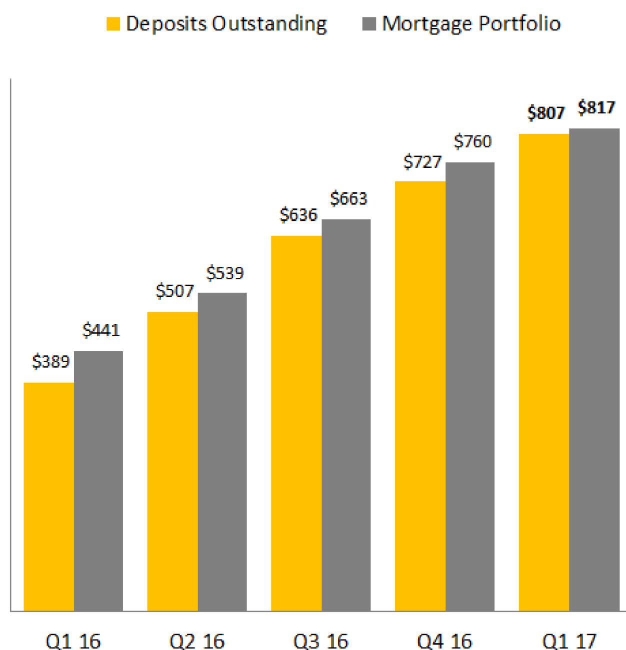
	For the three months ended		
($000s, except per share and percentage amounts)	**March 31, 2017**	December 31, 2016	March 31, 2016
OPERATIONS			
Net interest income	**$ 6,159**	$ 5,483	$ 3,158
Provision for credit losses	**(131)**	123	(167)
Non-interest income	**596**	476	495
Net interest income and other income, including provision for credit losses	**6,624**	6,082	3,486
Net interest margin [1]	**3.00%**	2.89%	2.86%
Net income	**$ 1,256**	$ 1,072	$ 149
Earnings per share - basic/diluted	**0.13 / 0.13**	0.12 / 0.12	0.02 / 0.02
ROE (annualized) [2]	**5.3%**	4.5%	0.6%
As at	**March 31, 2017**	December 31, 2016	March 31, 2016
BALANCE SHEET			
Assets	**$ 911,558**	$ 833,744	$ 487,184
Mortgages receivable, net	**817,009**	760,201	441,330
Deposits	**807,499**	726,762	388,934
Shareholders' equity	**97,193**	95,727	93,664
FINANCIAL STRENGTH			
Capital Measures [3]			
Regulatory capital (all-in basis)	**$ 86,583**	$ 85,045	$ 84,427
Leverage ratio	**9.3%**	10.0%	16.9%
Common Equity Tier 1 ratio (all-in basis)	**25.1%**	27.3%	44.6%
Share Information			
Book value per common share	**$ 10.18**	$ 10.03	$ 9.82
Common share price - close	**8.93**	9.90	9.00
Common shares outstanding	**9,543,508**	9,543,508	9,539,508
Market capitalization	**$ 85,224**	$ 94,481	$ 85,856

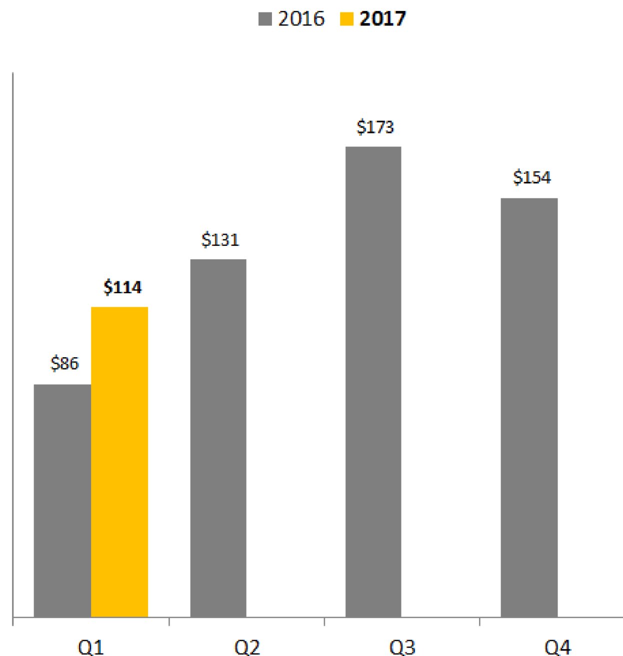
[1] See definition of Net interest margin under Non-IFRS Financial Measures section of this MD&A.

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

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

Financial Highlights





Our loan portfolio continued to grow for the first quarter of 2017 we earned net income of $1,256 or $0.13 per share, an increase in profitability of 17% from fourth quarter of 2016 and an increase of 743% compared to the first quarter of 2016. Key financial results for the first quarter of 2017 include:

- Net income of $1,256 or $0.13 per share compared to a net income of $1,072 or $0.12 per share in Q4 2016 and net income of $149 or $0.02 per share in Q1 2016.
- Mortgage receivable balance of $817,009 as at March 31, 2017, an increase of 7% from the end of 2016 and an increase of 85% from a year ago.
- Mortgage originations of $113,904, down 26% from $153,711 in Q4 2016 and up 33% from $85,842 in Q1 2016.
- Net interest income of $6,159, up 12% compared to $5,483 earned in Q4 2016 and up 95% over Q1 2016.
- Net interest margin earned on our mortgage portfolio was 3.00%, up from 2.89% in Q4 2016 and up from 2.86% in Q1 2016.
- Non-interest income of $596, an increase of 25% compared to Q4 2016, reflecting the growth of our mortgage portfolio. Non-interest income for Q1 2017 was also 20% higher year over year, again reflecting the growth of mortgage portfolio partially offset by the absence of other fee income of $150 earned in Q1 2016 (see 2013 Sale Transaction).
- Non-interest expenses of $4,774, up 6% from Q4 2016 and up 47% from Q1 2016 primarily due to increased core operating costs in support of asset and revenue growth.

OUTLOOK

The solid level of profitability established in the fourth quarter of 2016 has continued into fiscal 2017 as we balance the trade-offs between portfolio growth, net interest margin, duration and minimum acceptable credit quality. While we work to grow our loan book we are also responding to a changing residential mortgage market. These changes include the announcements made last October that restricted access to Canada Mortgage and Housing Corporation's prime mortgage insurance program, rapidly rising home prices in the Greater Toronto Area (GTA) and recently announced counter-measures by the Ontario government, as well as changes in the competitive landscape for mortgage lending in Ontario.

Equity Trust is strategically focused on lending uninsured first mortgages to non-prime and near-prime customers, and as such we believe the company is well-positioned to take advantage of most of these market changes. At the same time, continuing house price inflation in the GTA is creating heightened credit risk and is also beginning to have the effect of making housing less affordable for some of our prospective customer base (see "Risk Management – Credit Risk").

We continue to expand and deepen our relationships with key brokers, to ensure that we receive loan applications that we can fund in accordance with our risk appetite. We also continue to hire and train underwriters to make responsible credit decisions compliant with our lending policies and procedures and regularly enhance our back office quality control functions to ensure that this occurs on a consistent basis.

We fund our mortgage loan book with fixed term, non-redeemable GICs, and have recently enhanced our ability to access liquidity by adding to the list of registered securities dealers that offer our GIC products. Our asset liability management policy requires that mortgage terms are matched to equivalent (or longer) deposit terms. We do not have any demand deposits. Since the end of the first quarter, our deposit cost of funds has remained within the expected range, and we have increased our liquidity reserve in anticipation of higher summer market funding volumes.

Our mortgage loan portfolio continues to grow and we anticipate it will reach the $1 billion level during fiscal 2017. As such we have begun planning for additional capital to support our growth objectives.

We believe that the combination of our risk and compliance focus, a stable treasury and our supportive stakeholders will enable Equity Trust to continue to take advantage of profitable opportunities in 2017 and beyond.

INCOME STATEMENT REVIEW

Table 2: Income Statement Highlights

($000s, except per share and percentage amounts)	For the three months ended March 31, 2017	December 31, 2016	% Change	March 31, 2016	% Change
Operating Results					
Net interest income	**$ 6,159**	$ 5,483	12%	$ 3,158	95%
Provision for credit losses	**(131)**	123	(207)%	(167)	22%
Net interest income, including provision for credit losses	**6,028**	5,606	8%	2,991	102%
Non-interest income	**596**	476	25%	495	20%
Net interest income and other income, including reversal (increase) of provision for credit losses	**6,624**	6,082	9%	3,486	90%
Non-interest expenses	**4,774**	4,519	(6)%	3,238	(47)%
Income before income taxes	**1,850**	1,563	18%	248	646%
Income tax expense	**594**	491	(21)%	99	(500)%
Total net income and comprehensive income	**$ 1,256**	$ 1,072	17%	$ 149	743%
Earnings per share					
Total earnings per share, basic	**0.13**	0.12	8%	0.02	550%
Total earnings per share, diluted	**0.13**	0.12	8%	0.02	550%
ROE (annualized) [1]	**5.3%**	4.5%		0.6%	

[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]

($000s, except per share and percentage amounts)	March 31, 2017 Average balance[1]	March 31, 2017 Income / Expense	March 31, 2017 Average rate[2]	December 31, 2016 Average balance[1]	December 31, 2016 Income / Expense	December 31, 2016 Average rate[2]	March 31, 2016 Average balance[1]	March 31, 2016 Income / Expense	March 31, 2016 Average rate[2]
ASSETS									
Cash and cash equivalents	**$ 87,537**	$ 254	1.18%	$ 69,155	$ 186	1.07%	$ 44,591	$ 102	0.92%
Mortgages receivable	**787,976**	9,759	5.04%	714,124	8,813	4.91%	409,657	4,906	4.82%
Total interest bearing assets	**875,513**	10,013	4.64%	783,279	8,999	4.56%	454,248	5,008	4.42%
LIABILITIES									
Deposits	**767,341**	3,854	2.04%	684,773	3,516	2.04%	361,573	1,850	2.06%
Total interest bearing liabilities	**767,341**	3,854	2.04%	684,773	3,516	2.04%	361,573	1,850	2.06%
Net interest income per financial statements		6,159			5,483			3,158	
Net interest margin for mortgage portfolio [3]			3.00%			2.89%			2.86%

For the three months ended.

[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 2017 increased by $676 or 12% compared to the fourth quarter of 2016 and increased by $3,001 or 95% compared to the first quarter of 2016, reflecting the growth in our mortgage loan portfolio. The average net interest margin earned on our mortgage portfolio in the first quarter of 2017 was 3.00%, up compared to 2.89% in the fourth quarter of 2016 and up compared to 2.86% in the first quarter of 2016, primarily due to increased mortgage yields and higher than average penalty interest income earned on mortgages paid out before maturity. The average cost of funds on our deposits has remained stable compared to prior periods.

Provision and allowance for credit losses

Table 4: Provision for Credit Losses

($000s)	**March 31, 2017**	December 31, 2016	March 31, 2016
Provision for collective credit losses	**$ 131**	$ (110)	$ 165
Provision for individual credit losses	**-**	(13)	2
Total provision for (reversal of) credit losses	**$ 131**	$ (123)	$ 167

For the three months ended.

Our provision for credit losses for the first quarter of 2017 was an expense of $131 compared to a reversal of $123 in the fourth quarter of 2016 and an expense of $167 in the first quarter of 2016. The increase in the current quarter is a result of the growth of our mortgage loan portfolio. The reversal in the prior quarter reflects an overall reduction to our collective allowance rate at the end of 2016 based on management's judgment of low historical loss experience and an analysis of our historical arrears trends. 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, 2017	% of Gross Loans		December 31, 2016	% of Gross Loans		March 31, 2016	% of Gross Loans
Collective allowance	$	1,882	0.23%	$	1,751	0.23%	$	1,239	0.28%

We have established an allowance for credit losses of $1,882 as at March 31, 2017. The overall increase in our allowance for credit losses for the first quarter compared to the prior quarter and the first quarter of 2016 mainly reflects the increase in the balance of our mortgage receivable assets.

Table 6: Past Due Loans

($000s except percentage amounts)		March 31, 2017	% of Net Loans		December 31, 2016	% of Net Loans		March 31, 2016	% of Net Loans
1-30 days	$	24,679	3.02%	$	33,391	4.39%	$	16,356	3.71%
31-60 days		4,308	0.53%		2,500	0.33%		1,328	0.30%
61-90 days		1,379	0.17%		1,542	0.20%		1,381	0.31%
> 90 days		2,270	0.28%		1,683	0.22%		498	0.11%
Total	$	32,636	4.00%	$	39,116	5.14%	$	19,563	4.43%

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 2017 has decreased compared to the prior quarter and continues to improve on a year over year basis. The decrease compared to the prior quarter is the result of expected decreases in arrears of fifteen days or less after year 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, 2017.

Non-interest income

Non-interest income of $596 in the first quarter of 2017 was up 25% compared to the fourth quarter of 2016, reflecting the growth in our mortgage loan portfolio. Non-interest income in the quarter was also 20% higher compared to the same period of 2016, again reflecting the growth of our mortgage loan portfolio partially offset by the absence of other fee income of $150 earned in Q1 2016 (see 2013 Sale Transaction).

Non-interest expenses

Table 7: Non-interest Expenses

	For the three months ended				
($000s, except percentage amounts)	**March 31, 2017**	December 31, 2016	% Change	March 31, 2016	% Change
Staffing costs	**$ 2,903**	$ 2,625	11%	$ 1,971	47%
Rent	**223**	321	(31)%	120	86%
General and administration	**1,404**	1,429	(2)%	1,002	40%
Amortization	**244**	144	69%	145	68%
Total non-interest expenses	**$ 4,774**	$ 4,519	6%	$ 3,238	47%

Staffing Costs – First quarter 2017 staffing costs increased by 11% compared to the fourth quarter of 2016 due to increase in headcount. The year-over-year increase in staffing costs of 47% compared to the first quarter of 2016 is due to the increase in our headcount from 65 to 84 over the last year.

Rent – The rent expense in the first quarter of 2017 is lower compared to the fourth quarter of 2016 due to absence of lease costs related to our old office space. The year-over-year increase reflects the increased cost our expanded new office space.

General and Administration – General and administration costs in the first quarter of 2017 were flat compared to the fourth quarter of 2016 as increases in core operating costs, including the license costs for our new mortgage systems, were offset by mark-to-market recoveries of $161 on the value of deferred share units ("DSUs"). The year-over-year increase of 40% compared to the same quarter in 2016 is primarily due to higher core operating costs as a result of our operational growth.

Amortization and depreciation – Amortization and depreciation costs increased in the first quarter of 2017 compared to the fourth quarter of 2016 and first quarter of 2016 as our new mortgage system went live at the beginning of 2017.

Net income and earnings per share

Table 8: Earnings Per Share

	For the three months ended				
($000s, except per share and percentage amounts)	**March 31, 2017**	December 31, 2016	Change	March 31, 2016	Change
Net income	**$ 1,256**	$ 1,072	$ 184	$ 149	$ 1,107
Comprehensive income	**1,321**	941	380	149	1,172
Basic earnings per share	**0.13**	0.12	(0.01)	0.02	0.11
Diluted earnings per share	**$ 0.13**	$ 0.12	$ (0.01)	$ 0.02	$ 0.11

For the first quarter of 2017 we generated net income of $1,256 or $0.13 per share, compared to net income of $1,072 or $0.12 per share in the fourth quarter of 2016 and net income of $149 or $0.02 per share in the first quarter of 2016. The increase in net income primarily reflects topline earnings growth as a result of the growth in

our mortgage loan portfolio.

Other comprehensive income (OCI) in the quarter was $65 compared to a loss of $131 in the fourth quarter of 2016, which reflects the change in fair value of the available for sale securities.

Comprehensive income is the aggregate of net income and OCI. Comprehensive income for the quarter was $1,321 compared to $941 in the prior quarter and $149 in the first quarter of 2016.

2013 SALE TRANSACTION

On April 5, 2013, the Corporation completed the sale of the assets of its transfer agent and corporate trust services business. In April 2016, in accordance with the terms of the sale agreement, the Corporation paid $1,000 in previously accrued contingent consideration based on the capital requirements of the transfer agent and corporate trust service business. After the date of the sale, transfer agent and corporate trust business relationships were managed by a third party for its economic benefit, including the administration of segregated funds. In the first quarter of 2016, other fee income related to EFT's transitional status as trustee for these client relationships amounted to $150. No additional other fee income was earned following the conclusion of the transitional period at the end of the third quarter of 2016 with client relationship and segregated funds fully transferred to another entity.

FINANCIAL POSITION REVIEW

Table 9: Balance Sheet Highlights

	As at			Change over			
($000s, except percentage amounts)	**March 31, 2017**	December 31, 2016	March 31, 2016	Mar 2017 - Dec 2016 $	Mar 2017 - Dec 2016 %	Mar 2017 - Mar 2016 $	Mar 2017 - Mar 2016 %
ASSETS							
Cash and cash equivalents	**$ 57,688**	$ 53,013	$ 41,712	**$ 4,675**	9%	$ 15,976	38%
Available-for-sale securities	**29,031**	12,405	-	**16,626**	134%	29,031	100%
Mortgages receivable	**817,009**	760,201	441,330	**56,808**	7%	375,679	85%
Other assets	**7,830**	8,125	4,142	**(295)**	(4)%	3,688	89%
Total Assets	**911,558**	833,744	487,184	**77,814**	9%	424,374	87%
LIABILITIES							
Deposits	**807,499**	726,762	388,934	**80,737**	11%	418,565	108%
Other liabilities	**6,866**	11,255	4,586	**(4,389)**	(39)%	2,280	50%
Total Liabilities	**814,365**	738,017	393,520	**76,348**	10%	420,845	107%
Shareholders' equity	**97,193**	95,727	93,664	**1,466**	2%	3,529	4%
Total Liabilities and Shareholders' Equity	**$ 911,558**	$ 833,744	$ 487,184	**$ 77,814**	9%	$ 424,374	87%

Total assets as at March 31, 2017 were $911,558, an increase of 9% compared to the balance as at December 31, 2016 primarily due to the increases in mortgages receivable and available-for-sale securities.

Total liabilities as at March 31, 2017 were $814,365, an increase of 10% compared to the balance as at December 31, 2016 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 fixed term deposit funding through registered investment dealers and deposit brokers 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. Our liquidity reserve could be comprised of cash and cash equivalents, short-term investments, as well as longer term investments in securities held as available for sale, which qualify as high quality liquid assets ("HQLA").

Table 10: Cash and Cash Equivalents and Securities

	As at			Change over			
($000s, except percentage amounts)	**March 31, 2017**	December 31, 2016	March 31, 2016	Mar 2017 - Dec 2016 $	Mar 2017 - Dec 2016 %	Mar 2017 - Mar 2016 $	Mar 2017 - Mar 2016 %
Deposits with regulated financial institutions	**$ 57,688**	$ 53,013	$ 39,714	**$ 4,675**	9%	$ 17,974	45%
Short-term investments	**-**	-	1,998	**-**	0%	(1,998)	(100)%
Available-for-sale securities	**29,031**	12,405	-	**16,626**	134%	29,031	100%
Total Cash and Cash Equivalents and Securities	**$ 86,719**	$ 65,418	$ 41,712	**$ 21,301**	33%	$ 45,007	108%

Our liquidity reserves increased by $21,301 since December 31, 2016, mainly in the form of investments in HQLA securities classified as available for sale. Cash and cash equivalents as at March 31, 2017 increased by $4,675 compared to December 31, 2016, 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, 2017**	March 31, 2016	$	%
Cash flows provided by (used in) operating activities	**$ 21,393**	$ (2,349)	$ 23,742	1,011%
Cash flows used in investing activities	**(16,718)**	(265)	(16,453)	(6,209)%
Total	**$ 4,675**	$ (2,614)	$ 7,289	279%

Cash flows from operating activities

Cash inflows from operating activities was $21,393 for the three months ended March 31, 2017 compared to cash outflows from operating activities of $2,349 for the same period in 2016. 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, 2017 we had net inflows of $80,737 from new deposits against net outflows of $56,939 to fund mortgages. For the three months ended March 31, 2016, we had net inflows of $56,737 from new deposits and net outflows of $58,120 to fund mortgages.

Cash flows used in investing activities

Cash flows used in investing activities for the three months ended March 31, 2017 were primarily for purchase of available-for-sale securities. Cash flows related to investing activities for the three months ended March 31, 2016 were primarily for the development of our new mortgage system.

Mortgages receivable

Table 12: Mortgage Production & Portfolio Highlights

	For the three months ended		
($000s, except percentage and year figures)	**March 31, 2017**	December 31, 2016	March 31, 2016
Mortgage originations	**$ 113,904**	$ 153,711	$ 85,842
Average loan-to-value ratio at origination	**71.8%**	73.6%	74.0%
As at			
Mortgages receivable	**817,009**	760,201	441,330
Mortgages receivable due in one year	**548,063**	526,825	292,205
Weighted average term to maturity in years	**1.0**	1.0	1.0
Weighted average effective interest rate	**4.87%**	4.90%	4.88%
Weighted average amortization period in years	**28.3**	29.0	29.4

Mortgages receivable consist of uninsured loans with terms up to five years for the purchase or refinancing of primarily single-family homes predominantly in urban and suburban areas of Ontario.

During the first quarter of 2017 we originated mortgages of $113,904, a decrease of $39,807 or 26% compared to originations in the fourth quarter of 2016 and an increase of $28,062 or 33% compared to the first quarter of 2016. The decrease in originations compared to the last quarter reflects both the typically slower winter lending season and increased levels of competition from new and existing lenders, while the increase compared to the same quarter last year reflects the increased size of our mortgage operations. Our mortgage receivable balance was $817,009 as at March 31, 2017, an increase of 7% compared to the balance as at December 31, 2016 and an increase of 85% compared to the balance as at March 31, 2016.

As at March 31, 2017, the amount of mortgages due within one year is $548,063, the weighted average term to maturity of the portfolio is 1.0 year with a weighted average amortization period of 28.3 years. The weighted average effective interest rate of the portfolio was 4.87% as at March 31, 2017, which remained relatively stable compared to 4.90% as at December 31, 2016 and 4.88% as at March 31, 2016. As at March 31, 2017, the Corporation had outstanding commitments to make future advances on mortgages loans of $48.2 million for various dates through to July 2017.

Deposits

Table 13: Deposits

($000s, except percentage and year figures)	As at **March 31, 2017**	December 31, 2016	March 31, 2016
Deposits	**$ 807,499**	$ 726,762	$ 388,934
Deposits due in one year	**469,998**	429,708	208,630
Weighted average term to maturity in years	**1.3**	1.2	1.3
Weighted average effective interest rate	**2.05%**	2.06%	2.09%

Deposits consist of non-redeemable GICs, which are sold through registered investment dealers and deposit brokers, with fixed maturity dates and a weighted average term to maturity of 1.3 years. As at March 31, 2017, the portion of deposits due within one year is $469,998. The weighted average effective interest rate paid on deposits was 2.05%, which has trended slightly downward from the comparative periods driven by lower market GIC rates.

For the first quarter of 2017, our deposits balance increased by $80,737 or 11% compared to December 31, 2016 and by $418,565 or 108% compared to the balance as at March 31, 2016 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".

Available-for-sale securities are carried at fair value and the disclosed fair value is determined by using published bid prices.

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 market rates for mortgages with similar terms and credit risks.

Deposits are carried at amortized cost and the disclosed fair value of deposits is determined by discounting the contractual cash flows using current market interest rates for deposits with similar terms and risks.

Derivative financial instruments are carried at fair value and the disclosed fair value is determined based on commonly used pricing methodologies (primarily discounted cash flow models) that incorporate observable market data. Frequently applied valuation techniques incorporate various inputs such as stock prices, bond prices and interest rate curves into present value calculations.

The following table presents the carrying value of each category of financial assets and liabilities and their estimated fair values as at March 31, 2017. The table does not include assets and liabilities that are not considered financial instruments.

Table 14: Financial Assets and Liabilities

March 31, 2017	Held for Trading	Available-for-Sale	Loans and Receivables/ Financial Liabilities	Carrying Value	Fair Value	Fair Value (Under) Over Carrying Value
Financial assets						
Available-for-sale securities	$ -	$ 29,031	$ -	$ 29,031	$ 29,031	$ -
Mortgages receivable, net	-	-	817,009	817,009	819,479	2,470
Total Financial Assets	-	29,031	817,009	846,040	848,510	2,470
Financial Liabilities						
Deposits	-	-	807,499	807,499	809,600	2,101
Derivative liabilities	65	-	-	65	65	-
Total Financial Liabilities	$ 65	$ -	$ 807,499	$ 807,564	$ 809,665	$ 2,101

QUARTERLY FINANCIAL HIGHLIGHTS

Table 15: Summary of Quarterly Results

	2017	2016	2016	2016	2016	2015	2015	2015
($000s, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating Results								
Net interest income	$ 6,159	$ 5,483	$ 4,563	$ 3,671	$ 3,158	$ 2,857	$ 2,553	$ 2,434
Provision for credit losses	131	(123)	350	359	167	(101)	106	128
Non-interest income	596	476	711	591	495	475	465	457
Net interest income and other income, including reversal of (provision for) credit losses	6,624	6,082	4,924	3,903	3,486	3,433	2,912	2,763
Non-interest expenses	4,774	4,519	4,286	3,769	3,238	3,761	3,168	3,361
Charge for contingent consideration	-	-	-	-	-	-	400	600
Net income	1,256	1,072	423	46	149	(304)	(601)	(992)
Basic (loss) earnings per share	0.13	0.12	0.04	-	0.02	(0.03)	(0.06)	(0.10)
Diluted (loss) earnings per share	0.13	0.12	0.04	-	0.02	(0.03)	(0.06)	(0.10)
Dividends	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Balance Sheet Highlights								
Cash and cash equivalents	$ 57,688	$ 53,013	$ 56,548	$ 57,383	$ 41,712	$ 44,326	$ 39,183	$ 48,334
Mortgages receivable, net	817,009	760,201	663,157	538,616	441,330	383,282	340,119	314,086
Assets	911,558	833,744	737,363	605,280	487,184	431,429	383,366	366,394
Deposits	807,499	726,762	636,226	506,607	388,934	332,197	285,465	268,704
Liabilities	814,365	738,017	642,832	511,363	393,520	337,974	289,758	272,419
Shareholders' equity	$ 97,193	$ 95,727	$ 94,531	$ 93,917	$ 93,664	$ 93,455	$ 93,608	$ 93,975

Net interest income has increased each quarter in line with the increases 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 risk-weighted assets and operational risk factors. 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, 2017, Equity Trust held CET1 on an "all-in" basis of $86,583 compared with $85,045 as at December 31, 2016.

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

		As at		
($000s, except percentage amounts)		**March 31, 2017**	December 31, 2016	March 31, 2016
Common Equity Tier 1 capital: Instruments and reserves	**Line No.**	**All-in**	All-in	All-in
Directly issues qualifying common share capital plus related stock surpluses	1	**$ 35,459**	$ 35,123	$ 34,145
Retained earnings	2	**54,510**	53,408	51,890
Accumulated other comprehensive income	3	**(12)**	(77)	-
Common Equity Tier 1 capital before regulatory adjustments	6	**89,957**	88,454	86,035
Common Equity Tier 1 capital: Regulatory adjustments				
Total regulatory adjustments to Common Equity Tier 1	28	**(3,374)**	(3,409)	(1,608)
Common Equity Tier 1 capital (CET1)	29	**86,583**	85,045	84,427
Tier 1 capital	45	**86,583**	85,045	84,427
Total capital	59	**86,583**	85,045	84,427
Total risk-weighted assets	60	**344,747**	311,373	189,203
Capital ratios				
Common Equity Tier 1 (as percentage of risk-weighted assets)	61	**25.1%**	27.3%	44.6%
Tier 1 (as percentage of risk-weighted assets)	62	**25.1%**	27.3%	44.6%
Total capital (as percentage of risk-weighted assets)	63	**25.1%**	27.3%	44.6%
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 has established leverage ratio targets on a confidential and institution by institution basis. As at March 31, 2017, Equity Trust's leverage ratio is 9.3% (December 31, 2016 - 10.0%).

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

		As at		
($000s, except percentage amounts)	**Line No.**	**March 31, 2017**	December 31, 2016	March 31, 2016
On-balance sheet exposures				
On-balance sheet items	1	**$ 913,565**	$ 835,138	$ 487,396
Asset amounts deducted in determining Basel III "all-in" Tier 1 capital	2	**(3,374)**	(3,409)	(1,608)
Total on-balance sheet exposure	3	**910,191**	831,729	485,788
Derivative exposures				
Replacement cost	4	**-**	-	-
Add-on amounts for PFE	5	**173**	123	-
Total derivatives exposure	11	**173**	123	-
Other off-balance sheet exposures				
Off-balance sheet exposure at gross notional amount	17	**107,668**	73,064	75,030
Adjustment for conversion to credit equivalent amounts	18	**86,134**	58,451	60,024
Off-balance sheet items	19	**21,534**	14,613	15,006
Tier 1 capital	20	**86,583**	85,045	84,427
Total exposures	21	**931,898**	846,465	500,794
Basel III leverage ratio	22	**9.3%**	10.0%	16.9%

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

Capital Resources

A strong capital base is required to support our strategic growth objectives. As such, we may require further capital from time to time to support asset growth and pursue related strategic initiatives. Our mortgage loan portfolio continues to grow and we anticipate it will reach the $1 billion level during fiscal 2017. As such we have begun planning for additional capital to support our growth objectives.

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, 2017.

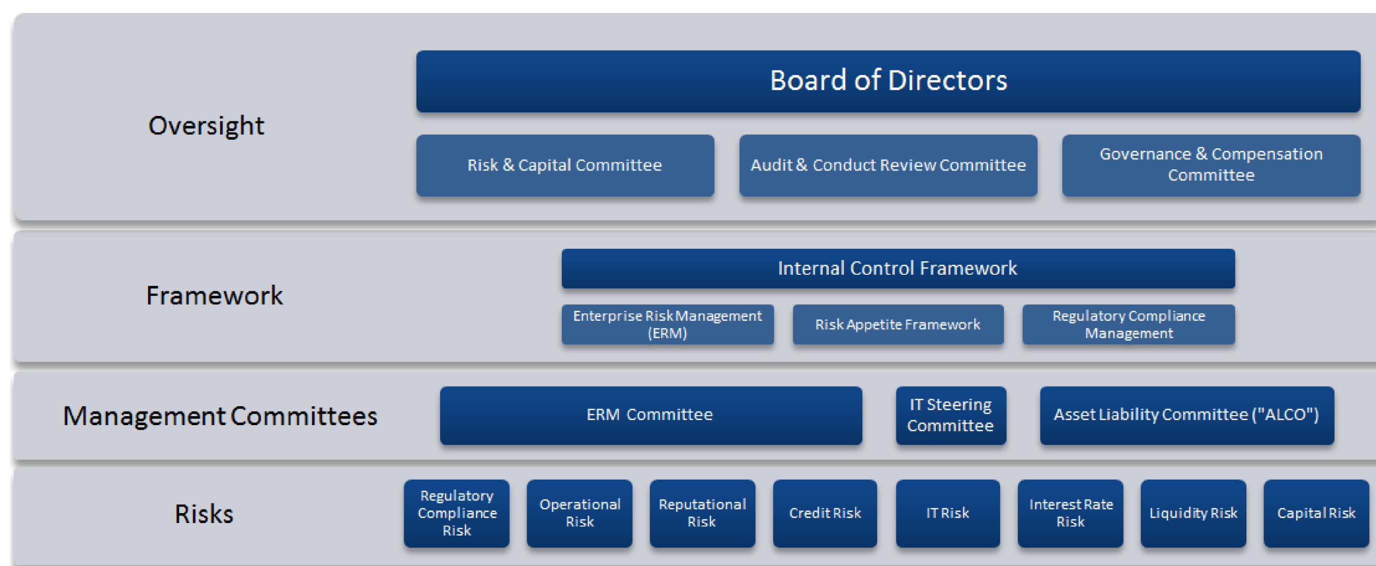
The Corporation's activities in pursuit of its strategic goals and objectives expose the Corporation to a wide range of risks that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Corporation's direct control. The Corporation's Risk Appetite Framework provides a structured process to identity, quantify and limit the amount of risk that Equity Trust is 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, information technology and cyber security. 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, 2016.

Enterprise Risk Management Framework

The Corporation has established an Enterprise Risk Management ("ERM") Framework which covers both the Corporation as well as its subsidiary Equity Trust. The ERM Framework is a Board approved, systematic and integrated process that enables senior management to effectively manage material risks impacting the operation 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 management 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 ERM Committee, which is comprised of members of senior management. The ERM 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.

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. If house prices continue to increase at a faster rate than incomes, fewer borrowers will be able to qualify for mortgage financing at their desired level. In addition, some borrowers may be tempted to overstate their incomes in an attempt to meet lender credit and debt service requirements. While underwriting, risk and compliance policies and procedures are in place to monitor and manage credit risk, there can be no absolute assurances to prevent credit risk from having an adverse effect on our profitability and financial condition.

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 customer includes borrowers with a thin or challenged credit history or who are self-employed. 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 stability of collateral values. We are therefore selective in the types of property we accept as collateral, the reliance on 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 and securities to be remote as we only hold cash deposits at Canadian Schedule I banks and securities of the Government of Canada, its provinces or municipalities.

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 2019.

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. From time to time, Equity Trust enters into derivative transactions to hedge interest rate risk. Where appropriate, we apply hedge accounting to minimize volatility in reported earnings from interest rate changes. All derivative contracts are over-the-counter contracts with highly rated Canadian financial institutions. The use of derivative products is governed by a Board-approved policy that permits the use of derivatives only for the purpose of hedging asset-liability mismatches.

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	$ 597	$ (666)
Impact on EVE	2,180	(2,350)
EVE impact as a % of common shareholders' equity	2.2%	(2.4)%
Change of 200 bps		
Impact on net interest income	1,105	(356)
Impact on EVE	4,215	(3,347)
EVE impact as a % of common shareholders' equity	4.3%	(3.4)%

ACCOUNTING STANDARDS AND POLICIES

Our significant accounting policies are disclosed in Note 2 to our 2016 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. There have been no new or revised pronouncements in addition to those disclosed in our 2016 Audited 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, 2017.

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, 2017 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 9, 2017 we had 9,543,508 common shares outstanding and 847,312 stock options to purchase up to an aggregate of 847,312 common shares, with a weighted average exercise price of $9.33, expiring from May 2018 to March 2022.

ADDITIONAL INFORMATION

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