Equity Financial Holdings Inc.

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED DECEMBER 31, 2013

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 offers alternative residential mortgage loans funded primarily through the issuance of retail deposits.

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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 ("NI 51-102"), and it should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2013 (the "2013 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 March 31, 2014.

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", continue", "estimates", "scheduled", "anticipates", "believes", "intends", "may", "could", "would", "might" or "will" 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, 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.

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. 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 on the Corporation's business, 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. The actual future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to a significant downturn in capital markets on 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 market 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

Equity Financial Holdings Inc. operates through its wholly-owned subsidiary Equity Trust, which offers alternative residential mortgage loans funded 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"). We believe that potential new entrants to our market segment face steep regulatory barriers to entry if they wish to gain access to the retail deposit market.

Mortgage Lending

Equity Trust focuses on financing alternative residential mortgages, a market segment we believe is underserved by existing lenders relative to the demand for alternative mortgages in Canada. Alternative residential mortgages are loans to borrowers who do not meet major banks' standards of credit worthiness. Such mortgages are often granted to self-employed business people, new-comers to Canada and borrowers with an imperfect credit history. Equity Trust's lending activities are currently concentrated in the Greater Toronto and Greater Ottawa areas and their surrounding regions.

Equity Trust sources its loans through mortgage brokers, who collectively originate approximately 28% of Canada's residential mortgages.[1]

We provide first mortgages primarily for owner occupied, single-family residential properties for purchases, refinances, equity take-outs and debt consolidation. Both open term (six-months and one-year) and closed term (one-year, two-year, three-year and five-year) mortgages are offered.

Deposits

Equity Trust sources its deposit funding through investment dealers across Canada, offering competitive rates on its Guaranteed Investment Certificates ("GIC"), for amounts of five thousand dollars and more for terms from 30 days to five years.

All qualifying Equity Trust deposits are insured by the CDIC, which means depositors benefit from competitive rates and have the confidence of knowing their money is protected by the Canadian government. We estimate the potential supply of retail deposits accessible through the investment dealer distribution channel is equal to the size of the alternative mortgage market and we believe ample liquidity is available to Equity Trust.

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[1] Source: Maritz survey for CAAMP(Canadian Association of Accredited Mortgage Professionals), fall 2013

SALE OF THE TRANSFER AGENCY and CORPORATE TRUST BUSINESS

On April 5, 2013, EQI completed the previously announced sale of the assets of its transfer agent and corporate trust services business, including corporate trust foreign exchange services, to an affiliate of the TMX Group Inc. ("the Transaction") for cash consideration of $64,000 received at closing (see the section titled "Discontinued Operations"). The net proceeds from the Transaction significantly increased the regulatory capital base of Equity Trust and positioned us to focus on our growing mortgage and deposit-taking business.

Management believed the most attractive opportunities were available to us in our mortgage and deposit-taking businesses and monetizing the inherent value of our transfer agent and corporate trust business allowed us to allocate our resources accordingly.

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 were effective. There were no material changes in our DCP during the year ended December 31, 2013.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") are designed, based on the framework established in Internal Control over Financial Reporting – Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission, 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.

We have recently conducted a detailed review of our underwriting processes and risk management controls related primarily to the documentation used in credit underwriting decisions (the "Review"). Based on the findings of the Review, the Board and management have assessed that there were issues related to the effective execution of these controls, as well as to components of their design and determined that a material weakness existed in the operating effectiveness of our ICFR during the year ended December 31, 2013. However, no significant issues were identified with respect to the quality or value of our real estate collateral.

Management performed extensive testing to detect any material errors in our financial results and disclosures. These steps included additional work to substantiate the existence and valuation assertions over the mortgage loan portfolio, including an additional review of arrears loan reporting and the allowance for credit losses. Management's conclusion is that no material financial reporting errors resulted from the identified ICFR weakness.

Management has and continues to implement changes to underwriting and risk management policies, procedures and staff reporting lines, as well as additional staff training, all designed to both improve operational efficiency and enhance our enterprise risk management program to ensure the identified ICFR weakness is eliminated and monitored carefully to ensure it does not reoccur.

Notwithstanding the identified issues with our underwriting processes and risk management controls, there were no changes in our ICFR that occurred during the year ended December 31, 2013 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.

OVERALL PERFORMANCE

OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2013

Table 1: Financial Highlights

(dollar amounts, except per-share, are in $000s, unless otherwise stated)

	For the years ended		
	December 31, 2013	December 31, 2012	December 31, 2011
OPERATIONS			
Net earnings (loss)			
Continuing	$ **(327)**	$ (1,958)	$ (4,081)
Discontinued	**42,109**	2,492	13,312
	41,782	534	9,231
Net interest income and other income, net of provision	**10,634**	4,658	1,075
Earnings (loss) per share - basic/diluted			
Continuing	$ **(0.04)/(0.04)**	$ (0.21)/(0.21)	$ (0.47)/(0.47)
Discontinued	**4.56/4.51**	0.27/0.27	1.52/1.52
	4.52/4.47	0.06/0.06	1.05/1.05
Net interest margin	**3.18%**	3.10%	3.82%
ROE from continuing operations (annualized) [1]	**(0.4%)**	(3.8%)	(10.6%)
ADJUSTED EARNINGS			
Adjusted net earnings from continuing operations [2]	$ **518**	(1,958)	(4,081)
Adjusted earnings per share from continuing operations - basic/diluted [2]	**0.06/0.06**	(0.21)/(0.21)	$ (0.47)/(0.47)

As at	**December 31, 2013**	December 31, 2012	December 31, 2011
BALANCE SHEET			
Total assets	$ **442,493**	$ 251,442	$ 129,736
Mortgages	**394,812**	198,147	84,780
Deposits	**332,437**	192,757	66,863
Shareholders' Equity	**96,110**	52,267	49,998
FINANCIAL STRENGTH			
Capital Measures [3]			
Regulatory Capital (transitional basis)	$ **86,591**	$ 35,001	$ 23,063
Assets-to-Capital Multiple	**5.0**	6.6	4.7
Common Equity Tier 1 Ratio	**54.1%**	28.7%	31.6%
Share Information			
Book value per common share	$ **10.33**	$ 5.71	$ 5.57
Common share price - close	$ **12.35**	$ 8.00	$ 9.49
Common shares outstanding	**9,305,840**	9,155,007	8,973,926
Market Capitalization	$ **114,927**	$ 73,240	$ 85,163

[1] See definition of return on equity under Non-IFRS financial measures section.

[2] Adjusted net earnings from continuing operations, adjusted basic earnings per share from continuing operations and adjusted diluted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A

[3] These figures relate to the Corporation's operating subsidiary, Equity Trust, and are calculated under Basel III for 2013 and Basel II for 2012 and 2011 (see Capital Management below).

Fiscal 2013 was a transformational year, beginning with the announcement of the sale of our transfer agent and corporate trust and related foreign exchange business lines in February 2013 for $64,000. During the first quarter we continued to operate these business units under a discontinued operations classification prior to completion of the sale on April 5, 2013 and the ongoing transition process during the post-close period has progressed well to date. As a regulated financial institution, our capital ratios are a critical success factor. The increase to our regulatory capital resulting from the Transaction presented expanded possibilities for future growth of our alternative mortgage lending business.

The second and third quarters of fiscal 2013 saw the continued evolution of our mortgage business with mortgage originations of $72,662 and $103,757 respectively. Our mortgage originations grew on a year-over-year basis each quarter, including $62,876 of fourth quarter originations, a 51% increase compared to the fourth quarter of 2012. Our quarterly net earnings went from negative to near break-even midway through the year and we had positive net earnings of $235 or $0.03 per share in the fourth quarter.

The fourth quarter also included a change in the senior management of our mortgage business that was followed by a shareholder action initiated by Smoothwater Capital Partners LP I ("Smoothwater"). The shareholder action process continued through the end of the fiscal year before a settlement was announced on February 26, 2014, the effect of which is discussed further below under "Shareholder Action Resolved".

For fiscal 2013 we met our stated goal of doubling the size of our mortgage loan book to nearly $400,000. After starting from zero when we commenced our mortgage and deposit operations in 2011, we have successfully increased our mortgage origination volumes each year, as reflected in the growth in our portfolio balance. We originated mortgages of $279,057 for fiscal 2013, an increase of 90% compared to our fiscal 2012 mortgage originations of $146,828. This growth in mortgage originations resulted in our mortgage loan portfolio increasing by 99% to end fiscal 2013 at $394,812 compared to $198,147 at the end of fiscal 2012. Our customer deposits liability increased by 72% to $332,437 from $192,757 and we also used a portion of the cash proceeds from the Transaction to fund mortgages. As a result of the growth in our mortgage portfolio balance, net interest income increased by 120% to $10,328 in fiscal 2013 compared to $4,697 in fiscal 2012 and other income increased by 180% to $998 in fiscal 2013 compared to $357 in fiscal 2012.

Our net earnings were affected by one-time costs in the fourth quarter related to both the shareholder action and to external audit fees for additional work performed as a result of the Review. These one-time costs were $550 ($404 after tax) and $600 ($441 after tax) respectively. We ended the year with a net loss of $327 or $0.04 per share from continuing operations, a significant improvement compared to a net loss of $1,958 or $0.21 per share from continuing operations in the prior fiscal year. We had anticipated modest net earnings for fiscal 2013 and after removing the effect of the above noted one-time costs our calculated adjusted net earnings from continuing operations is $518 or $0.06 per share.[2]

[2] Adjusted net earnings from continuing operations and adjusted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A.

SHAREHOLDER ACTION RESOLVED

On February 26, 2014 we announced the settlement of the shareholder action initiated by our largest shareholder, Smoothwater. The agreement resulted in changes to the Board and CEO, including the retirement of six board members, amongst them Paul G. Smith, who also stepped down as CEO of the Corporation. Correspondingly six new directors were appointed, including members nominated by Smoothwater, as well as Michael Jones, who was also appointed as Interim CEO of the Corporation and Equity Trust and continued as President of Equity Trust. We also announced the commencement of an executive search process to select a permanent CEO and the postponement of our annual shareholder meeting, which had previously been scheduled for March 28, 2014.

Costs related to the shareholder action are estimated at $4,650, which includes legal and other advisory costs of $3,700 and severance paid to Paul G. Smith in accordance with his employment contract of $950. Most of these costs were incurred in the first quarter of 2014 except for $550, which was part of the one-time costs recognized in the fourth quarter of 2013. These costs will be paid by EQI and will not impact the regulatory capital of Equity Trust.

OUTLOOK

As we move forward with a reconstituted Board of Directors and new management leadership, our mortgage loan portfolio of nearly $395,000 at the end of fiscal 2013 continues to generate net interest and fee income. While we were pleased with the pace of our mortgage originations over 2013, this pace is expected to slow materially in 2014, primarily as a result of the changes to our underwriting and risk management processes we began implementing in the first quarter of 2014 and staffing changes to the underwriting team. As a result, we anticipate our net growth in our mortgage loan portfolio to be nominal for fiscal 2014. In respect of the Review, we’ve incurred estimated costs of $1,100 in the first quarter of 2014, which will be paid by Equity Trust. Despite these one-time costs, Equity Trust remains a well-capitalized deposit-taking institution, which provides a base for continued growth in the future.

INCOME STATEMENT REVIEW

Table 2: Income Statement Highlights

(dollar amounts, except per-share and percentage amounts, are in $000s, unless otherwise stated)

	For the years ended December 31		
	2013	2012	% Change
Operating Results			
Net interest income	**$ 10,328**	$ 4,697	120%
Provision for credit losses	**(692)**	(396)	75%
Net interest income, net of provision	**9,636**	4,301	124%
Other income	**998**	357	180%
Net interest income and other income, net of provision	**10,634**	4,658	128%
Non interest expenses	**10,969**	7,284	51%
Gain on sale of wholly-owned subsidiary	**-**	43	(100%)
Earnings (loss) before income taxes	**(335)**	(2,583)	87%
Income tax recovery	**(8)**	(625)	99%
Net earnings (loss) and comprehensive income:			
Continuing operations	**(327)**	(1,958)	83%
Discontinued operations	**42,109**	2,492	*
Total net earnings (loss) and comprehensive income	**$ 41,782**	$ 534	*
Earnings (loss) per share, basic:			
Continuing operations	**$ (0.04)**	$ (0.21)	81%
Discontinued operations	**4.56**	0.27	*
Total earnings (loss) per share, basic	**4.52**	0.06	*
Earnings (loss) per share, diluted:			
Continuing operations	**$ (0.04)**	$ (0.21)	81%
Discontinued operations	**4.51**	0.27	*
Total earnings (loss) per share, diluted	**4.47**	0.06	*
Return on equity from continuing operations	**(0.4%)**	(3.8%)	

Reconcliation of Net earnings to Adjusted net earnings			
Net earnings from continuing operations	**$ (327)**	$ (1,958)	83%
Adjustment for shareholder action costs (net of tax)	**404**	-	100%
Adjustment for additional audit fees (net of tax)	**441**	-	100%
Adjusted net earnings from continuing operations [1]	**$ 518**	$ (1,958)	126%
Adjusted basic earnings per share from continuing operations [1]	$ 0.06	$ (0.21)	129%
Adjusted diluted earnings per share from continuing operations [1]	$ 0.06	$ (0.21)	129%

[1] Adjusted net earnings from continuing operations, adjusted basic earnings per share from continuing operations and adjusted diluted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A

*Percentage results are not meaningful as a result of the sale of discontinued operations

Net interest income

Table 3: Net Interest Income and Net Interest Margin[3]

	For the years ended					
($000s, except percentage amounts)	**December 31, 2013**			December 31, 2012		
	Average Balance	**Income / Expense**	**Average rate**	Average Balance	Income / Expense	Average rate
Assets						
Cash and cash equivalents	**$ 54,077**	**$ 703**	**1.30%**	$ 25,385	$ 330	1.30%
Mortgage receivable	**288,470**	**15,186**	**5.26%**	138,380	7,348	5.31%
Total interest earning assets	**$ 342,547**	**$ 15,889**	**4.64%**	$ 163,765	$ 7,678	4.69%
Liabilities						
Deposits	**$ 252,576**	**$ 5,561**	**2.20%**	$ 134,887	$ 2,981	2.21%
Total interest bearing liabilities	**$ 252,576**	**$ 5,561**	**2.20%**	$ 134,887	$ 2,981	2.21%
Net interest income per financial statements		**10,328**			4,697	
Net interest margin for mortgage portfolio			**3.18%**			3.10%

Net interest income increased $5,631 or 120% to $10,328, reflecting the growth in our mortgage loan portfolio. The average net interest margin earned on our mortgage portfolio year increased year over year from 3.10% to 3.18%, which reflects our increased use of cash resources to fund mortgages following completion of the Transaction in the second quarter of 2013.

Provision and allowance for credit losses

Table 4: Provision for Credit Losses

	For the years ended	
($000s)	**December 31, 2013**	December 31, 2012
Collective provision	**$ 692**	$ 396
Individual provision	**-**	-
Total provision for the year	**$ 692**	$ 396

Our total provision for credit losses increased $296 or 75% to $692 for the year ended December 31, 2013, due to the increase in our mortgage portfolio balance. Since the inception of operations in our mortgage business, our provision for credit losses has been based on establishing our collective allowance, the sufficiency of which management assesses based on available data, including the composition and credit performance of the loan portfolio, external economic factors and industry benchmarks. We classify a mortgage receivable as impaired when there is reasonable doubt as to the collectability of principal or interest. To date, we have not required any individual allowances for individually impaired loans and have not experienced any write-offs on our mortgage loan portfolio.

[3] See definition of net interest margin under Non-IFRS Financial measures below

Table 5: Allowance for Credit losses and Past-due Loans

($000s except % amounts)		December 31, 2013	% of Gross Loans		December 31, 2012	% of Gross Loans
Allowance for credit losses						
Collective Allowance	**$**	**1,386**	**0.35%**	$	694	0.35%
Individual Allowance		**-**	**0.00%**		-	0.00%
Total	**$**	**1,386**	**0.35%**	$	694	0.35%
Past-due loans						
1-30 days	**$**	**20,162**	**5.11%**	$	8,954	4.52%
31-60 days		**3,013**	**0.76%**		815	0.41%
61-90 days		**949**	**0.24%**		107	0.05%
> 90 days		**1,616**	**0.41%**		580	0.29%
Total	**$**	**25,740**	**6.52%**	$	10,456	5.28%

We have established what we believe to be our best estimate of the allowance for credit losses of $1,386 as at December 31, 2013. We have estimated a collective allowance based on the characteristics of the portfolio and industry standards but have not identified any loans for which an individual allowance is required and as at December 31, 2013 there were no impaired mortgages.

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 they are less than 90 days past due, collection efforts are reasonably expected to result in repayment, or they have been restored to current status in accordance with our collection policy since the balance sheet date.

Other income

Other income includes fees charged for administration and servicing of our mortgage portfolio. As the number of outstanding mortgages in our portfolio grows, so does the amount of fee income we earn for administration and servicing activities. For fiscal 2013 we earned other income of $998, an increase of $641 or 180% compared to fiscal 2012.

Non-interest expenses

Table 6: Non-interest expenses

	For the years ended December 31						
($000, except %)		**2013**		2012		$ Change	% Change
Non-interest expenses:							
Staffing costs	**$**	**5,245**	$	3,813	$	1,432	38%
Rent		**454**		697		(243)	(35%)
General and administration		**4,556**		2,278		2,278	100%
Amortization and depreciation		**714**		496		218	44%
Total non-interest expenses	**$**	**10,969**	$	7,284	$	3,685	51%

Staffing Costs – The increase in staffing costs year over-year-reflects the growth in our staff headcount from thirty-seven at the end of 2012 to forty-eight at the end of 2013, which explains approximately $1,000 of the total cost increase. Staff increases were mainly due to the build–up of our mortgage operations to achieve planned growth in our mortgage portfolio. We also added staff to our enterprise risk management control functions. Incentive compensation in the form of stock based compensation and bonuses also increased compared to 2012 based on the achievement of performance objectives.

Rent – Decreased rent costs in 2013 resulted from negotiated reductions in Equity Trust's lease commitments for office space related solely to our transfer agent business in Canadian cities outside Toronto. Since these lease commitments were not assigned along with the assets sold under the Transaction the related rent expense was treated as a cost of continuing operations for 2012.

General and Administration – The increase in general and administration costs was due to growth in the business, increases to our share price and certain one-time events arising in 2013, as outlined below.

> **Operations and Administration**: $1,483 for fiscal 2013, an increase of $479 or 48% compared to costs of $1,004 for fiscal 2012. Direct operating costs increased in-line with the growth in our mortgage loan portfolio and office and administration expenses increased due to our higher staff headcount.
>
> **Board of Directors Fees**: $804 for fiscal 2013, an increase of $391 or 95% compared to costs of $413 for fiscal 2012. Our Board compensation structure was largely unchanged in 2013, however an atypical number of special Board meetings were required in connection with the Transaction in the first quarter and to the shareholder action in the fourth quarter, including the formation of a Special Committee. In total, Board meeting fees for fiscal 2013 increased by $116 compared to fiscal 2012. Deferred Stock Units ("DSUs") awarded in previous years to our Board of Directors increased in value due to increases in our share price during 2013, with a related expense of $275 due to mark to market adjustments.
>
> **Professional Fees**: $2,269 for fiscal 2013, an increase of $1,408 or 164% compared to costs of $861 for fiscal 2012. Approximately $550 of the increase related to the shareholder action for legal and other advisory fees and $600 related to additional external audit costs for extra work required as a result of the Review. The remaining increase was primarily for consulting services during the first six months of transition following the close of the Transaction.

Amortization and depreciation – Amortization and depreciation costs increased in 2013 primarily due to a full year of amortization taken on our enterprise business intelligence system which was implemented in 2012.

Discontinued Operations

Table 7: Results of Discontinued Operations

	For the years ended December 31	
($000s)	**December 31, 2013**	December 31, 2012
Net earnings (loss) before gain on sale	**$ (1,741)**	$ 2,492
Gain on sale, net of tax	**43,850**	-
Earnings (loss) from discontinued operations	**$ 42,109**	$ 2,492

As a result of the Transaction and related wind down of our foreign exchange operations, we have reclassified the results of our previously reportable transfer agent and corporate trust business and foreign exchange business segments to discontinued operations. We had no operating results for these discontinued segments after the second quarter of 2013. The year to date net earnings from discontinued operations is comprised of a net loss from discontinued operations before the gain on sale of $1,741 and an after tax gain on sale from the Transaction of $43,850. The Transaction purchase price of $64,000 remains subject to a post-closing adjustment based on capital requirements of the transfer agent and corporate trust service business, which could result in a purchase price reduction of up to $1,000 or in further proceeds receivable. Management's best estimate of the fair value of this contingency at closing was $nil and this estimate remains unchanged as at December 31, 2013. As a result, no contingent purchase price adjustment is recorded in the consolidated financial statements.

For further information on our discontinued operations and the gain on sale see note 12 of our consolidated financial statements.

Net earnings and earnings per share

Table 8: Earnings Per Share

($000s,except per share amounts)	For the years ended		
	December 31, 2013	December 31, 2012	$ Change
Net earnings (loss)			
Continuing operations	$ (327)	$ (1,958)	$ 1,631
Discontinued operations	42,109	2,492	39,617
Net earnings (loss) and comprehensive income	41,782	534	41,248
Basic earnings (loss) per share from			
Continuing operations	$ (0.04)	$ (0.21)	$ 0.17
Discontinued operations	4.56	0.27	4.29
Basic earnings (loss) per share	4.52	0.06	4.46
Diluted earnings (loss) per share from			
Continuing operations	$ (0.04)	$ (0.21)	$ 0.17
Discontinued operations	4.51	0.27	4.24
Diluted earnings (loss) per share	4.47	0.06	4.41
ADJUSTED EARNINGS			
Adjusted net earnings from continuing operations [1]	$ 518	$ (1,958)	126%
Adjusted earnings per share from continuing operations - basic [1]	0.06	(0.21)	129%
Adjusted earnings per share from continuing operations - diluted [1]	0.06	(0.21)	129%

[1] Adjusted net earnings from continuing operations, adjusted basic earnings per share from continuing operations and adjusted diluted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this

For the year ended December 31, 2013 we generated a net loss of $327 from continuing operations compared to a net loss of $1,958 in 2012, which is an improvement of 83%. The improved performance is primarily due to the growth of our mortgage loan portfolio and related growth in net interest and other income over the same period last year. The net loss for fiscal 2013 includes the effect of one-time costs in the fourth quarter related to both the shareholder action and to external audit fees for additional work performed as a result of the Review.

These one-time costs totaled $1,150 ($845 after tax) and after removing their effect our calculated adjusted net earnings from continuing operations is $518 or $0.06 per share.[4]

On a consolidated basis, which includes results of discontinued operations, we generated net earnings of $41,782 in fiscal 2013, compared to net earnings of $534 in fiscal 2012. The current year result is primarily due to the gain on sale from the Transaction.

FINANCIAL POSITION REVIEW

Table 9: Balance Sheet Highlights

	As at		Change	
($000s, except percentage amounts)	**December 31, 2013**	December 31, 2012	$	%
Assets				
Cash and cash equivalents	**$ 43,376**	$ 34,429	$ 8,947	26%
Mortgages receivable	**394,812**	198,147	196,665	99%
Assets held for sale	**-**	13,305	(13,305)	(100%)
Other assets	**4,305**	5,561	(1,256)	(23%)
Total Assets	**$ 442,493**	$ 251,442	$ 191,051	76%
Liabilities				
Customer deposits	**$ 332,437**	$ 192,757	$ 139,680	72%
Liabilities held for sale	**-**	1,965	(1,965)	(100%)
Other liabilities	**13,946**	4,453	9,493	213%
Total liabilities	**346,383**	199,175	147,208	74%
Shareholders' equity	**96,110**	52,267	43,843	84%
Total liabilities and shareholders' equity	**$ 442,493**	$ 251,442	$ 191,051	76%

Total assets as at December 31, 2013 were $442,493, an increase of $191,051 or 76% compared to the balance as at December 31, 2012. The increase in total assets was largely due to the growth in our mortgages receivable balance, which increased 99% to $394,812. Total liabilities as at December 31, 2013 were $346,383, an increase of $147,208 or 74% compared to the balance as at December 31, 2012. The increase in total liabilities was mainly due to an increase in customer deposits of $139,680 plus an increase in accrued taxes related to the Transaction of $7,955.

Liquidity Resources

Equity Trust is a member of CDIC and sources its deposit funding through investment dealers across Canada and 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").

[4] Adjusted net earnings from continuing operations and adjusted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A.

Table 10: Cash and cash equivalents

	As at		Change	
($000s, except percentage amounts)	**December 31, 2013**	December 31, 2012	$	%
Cash and cash equivalents	**$ 43,376**	$ 34,429	$ 8,947	26%

Cash and cash equivalents as at December 31, 2013 increased by $8,947 compared to December 31, 2012, as a result of the inflows and outflows described below.

Table 11: Sources and Uses of Cash

	For the years ended		Change	
($000s, except percentage amounts)	**December 31, 2013**	December 31, 2012	$	%
Cash flow from (used in) operating activities	**(56,373)**	9,350	(65,723)	(703%)
Cash flow from financing activities	**1,586**	1,253	333	27%
Cash flow from (used in) investing activities	**63,734**	(1,742)	65,476	3759%

Cash used in operating activities

Cash flow used in operating activities increased by $65,723, or 703%, to $56,373 for the year ended December 31, 2013. In 2013 we funded new residential mortgage loans through cash proceeds from the Transaction and through our deposit-taking activities. Net deposit originations and net mortgage originations constitute the primary sources of operating inflows and outflows. For the year ended December 31, 2013 we had net inflows of $139,679 from deposits against net outflows of $197,357 to fund mortgages.

Cash flow from financing activities

Cash flow from financing activities for the year ended December 31, 2013 increased by $333 or 27%, to $1,586. Cash flows from financing activities in both 2013 and 2012 represent proceeds from the exercise of employee stock options.

Cash flow from investing activities

Cash flow from investing activities for the year ended December 31, 2013 increased by $65,476 to $63,734. Cash flow from investing activities in 2013 was mainly comprised of proceeds received from the Transaction of $64,000, whereas in 2012 cash flows used in investing activities primarily related to enhancements to our information technology systems.

Mortgages receivable

Table 12: Mortgage Production & Portfolio Highlights

	For the years ended		
($000s, except percentage and year figures)	**December 31, 2013**	December 31, 2012	December 31, 2011
Mortgage originations	**$ 279,057**	$ 146,828	$ 88,036
Average loan-to-value ratio	**73.1%**	72.6%	72.6%
As at			
Mortgages receivable	**394,812**	198,147	84,780
Mortgages receivable due in one year	**280,613**	145,774	57,057
Average term to maturity in years	**0.9**	0.9	1.0
Average effective interest rate	**5.31%**	5.34%	5.35%
Average amortization period in years	**32.2**	33.1	33.0

Mortgages receivable consist of uninsured loans for terms of one to five years for the purchase or refinancing of single-family homes in Ontario, located in the Greater Toronto area and Greater Ottawa areas and surrounding regions.

For 2013 we originated mortgages of $279,057, an increase of $132,229 or 90% compared to originations in 2012 and our mortgage receivable balance ended fiscal 2013 at $394,812, an increase of $196,664 or 99% compared to December 31, 2012. The Corporation had outstanding commitments to make future advances on mortgage loans of $18.5 million as at December 31, 2013. Commitments for the loans were for various dates through to April 2014.

Customer Deposits

Table 13: Customer Deposits

	As at		
($000s)	**December 31, 2013**	December 31, 2012	December 31, 2011
Customer deposits	**$ 332,437**	$ 192,757	$ 66,863

Customer deposits consist of GICs, which are sold through investment dealers, with fixed maturity dates and an average term to maturity of 1.1 years. As at December 31, 2013, the portion of customer deposits due within one year is $241,435 and the average effective interest rate paid on these deposits is 2.19%.

Since Equity Trust was granted deposit taking institution status in 2011, our customer deposit liability has grown each year in line with the growth in our mortgage portfolio. For the year ended 2013, our customer deposits balance has increased $139,680 or 72% compared to the balance as at December 31, 2012.

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” on page 28.

We determine the fair value of mortgages receivable by discounting the expected future cash flows of the mortgages at market rates for mortgages with similar terms and credit risks.

We determine the fair value of customer deposits by discounting the contractual cash flows using the 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 December 31, 2013. The table does not include assets and liabilities that are not considered financial instruments.

Table 14: Financial Assets and Liabilities
(000's)

December 31, 2013	Loans and receivables/ financial liabilities at cost or amortized cost	Carrying Value	Fair Value	Fair Value Over Carrying Value
Financial assets:				
Mortgages receivable	394,812	394,812	396,028	1,216
Total financial assets	$ 394,812	$ 394,812	$ 396,028	$ 1,216
Financial liabilities:				
Customer deposits	332,437	332,437	336,131	3,694
Total financial liabilities	$ 332,437	$ 332,437	$ 336,131	$ 3,694

Contractual commitments and contingencies

The Corporation has entered into lease agreements to lease office space, which expire in 2015 and 2017. The office space lease agreements provide for a five year renewal at the expiry of the lease at occupancy rates equivalent to fair market value at time of renewal. For office space previously occupied by the TA and Trust business the Corporation has negotiated the termination of lease agreements for Calgary and Montreal and has sublet the remainder of its lease for Vancouver.

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

The estimated annual payments for these leases and license and maintenance are as follows:

Table 15: Commitments
(000's)

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

Equity Trust is named as a defendant in a legal proceeding related to its former transfer agent and corporate trust business operations.

In October 2011, a former officer and director of Coventree Inc. ("Coventree") and certain corporations affiliated with him commenced proceedings in the Ontario Superior Court of Justice against Coventree and against Equity Trust related to the cancellation of certain shares of Coventree (the "Proceeding"). The amount claimed is approximately $3,300, plus pre-judgment interest and costs. Equity Trust has filed a Statement of Defense and crossclaim against Coventree for contribution and indemnity. Equity Trust intends to vigorously defend the Proceeding. Coventree has agreed, subject to certain limitations, to indemnify us for any liabilities we may incur in connection with the Proceeding, including legal fees and disbursements (the "Indemnity").

The inspectors and the liquidator in the court-supervised winding-up of Coventree have determined that the claims against Coventree and Equity Trust will still be decided in the context of the Proceeding, notwithstanding the winding-up. Equity Trust has filed a claim against Coventree under the claims procedure in the winding-up for the full amount of Coventree's potential exposure to it under the Indemnity. The liquidator has reserved the sum of $5,000 for the Proceeding. The Corporation has not recorded a liability related to this matter.

QUARTERLY FINANCIAL HIGHLIGHTS

Table 16: Summary of Quarterly Results

($000s, except per share amounts)	2013				2012			
Operating results	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	**$ 3,386**	$ 2,828	$ 2,306	$ 1,808	$ 1,549	$ 1,230	$ 1,061	$ 857
Provisions for credit losses	**(134)**	(281)	(176)	(101)	(113)	(94)	(117)	(72)
Other income	**346**	293	212	147	133	114	67	43
Net interest income and other income, net of provision	**3,598**	2,840	2,342	1,854	1,569	1,250	1,011	828
Non-interest expenses	**3,296**	3,037	2,315	2,321	2,045	1,801	1,720	1,675
Net earnings (loss) from continuing operations	**235**	(175)	1	(388)	(356)	(423)	(515)	(664)
Net earnings (loss) from discontinued operations	**-**	-	42,747	(638)	480	513	789	710
Total net earnings (loss) and comprehensive income	**235**	(175)	42,748	(1,026)	124	90	274	46
Basic earnings (loss) per share from continuing operations	**$ 0.03**	$ (0.02)	$ -	$ (0.04)	$ (0.04)	$ (0.05)	$ (0.06)	$ (0.07)
Basic earnings (loss) per share discontinued operations	**-**	-	4.66	(0.07)	0.05	0.06	0.09	0.08
Basic earnings (loss) per share	**0.03**	(0.02)	4.66	(0.11)	0.01	0.01	0.03	0.01
Diluted earnings (loss) per share from continuing operations	**0.02**	(0.02)	-	(0.04)	(0.04)	(0.05)	(0.06)	(0.07)
Diluted earnings (loss) per share from discontinued operations	**-**	-	4.60	(0.07)	0.05	0.06	0.09	0.08
Diluted earnings (loss) per share	**0.02**	(0.02)	4.60	(0.11)	0.01	0.01	0.03	0.01
Dividends	**-**	-	-	-	-	-	-	-
Balance sheet highlights								
Cash and cash equivalents	**$ 43,376**	$ 47,826	$ 55,507	$ 37,463	$ 34,429	$ 44,382	$ 55,139	$ 17,332
Mortgage receivables	**394,812**	356,565	276,550	226,876	198,147	165,971	138,679	105,285
Total assets	**442,493**	409,130	337,923	282,179	251,442	229,418	212,543	140,707
Customer deposits	**332,437**	301,306	230,840	224,913	192,757	169,942	152,218	82,780
Total liabilities	**346,383**	313,565	242,730	230,840	199,175	177,385	160,713	89,290
Shareholders' equity	**96,110**	95,565	95,193	51,339	52,267	52,033	51,830	51,417

Net interest income has been increasing each quarter in line with the expansion of our mortgage portfolio. The results of our discontinued operations for the first quarter of 2013 reflect the costs incurred prior to closing the Transaction and results for the second quarter reflect the related gain on sale.

FOURTH QUARTER PERFORMANCE

Table 17: Income Statement Highlights for the fourth quarter

($000s, except share, per share and percentage amounts)	For the three months ended December 31, 2013	September 30, 2013	December 31, 2012
OPERATIONS			
Net earnings (loss)			
Continuing	**$ 235**	$ (175)	$ (356)
Discontinued	**-**	-	480
	235	(175)	124
Net interest income and other income, net of provision	**3,598**	2,839	1,569
Earnings (loss) per share - basic/diluted			
Continuing	**$ 0.03/0.02**	$ (0.02)/(0.02)	$ (0.04)/(0.04)
Discontinued	**-**	-	0.05/0.05
	0.03/0.02	(0.02)/(0.02)	0.01/0.01
Net interest margin	**3.20%**	3.08%	3.10%
ROE from continuing operations (annualized) [1]	**1.0%**	(0.7%)	(0.6%)
ADJUSTED EARNINGS			
Adjusted net earnings from continuing operations [2]	**$ 1,080**	(175)	(356)
Adjusted earnings per share from continuing operations - basic/diluted [2]	**0.12/0.11**	(0.02)/(0.02)	(0.04)/(0.04)

As at	December 31, 2013	September 30, 2013	December 31, 2012
BALANCE SHEET			
Total assets	**442,493**	409,130	251,442
Mortgages	**394,812**	356,565	198,147
Deposits	**332,437**	301,306	192,757
Shareholders' Equity	**96,110**	95,565	52,267
FINANCIAL STRENGTH			
Capital Measures [3]			
Regulatory Capital (transitional basis)	**$ 86,591**	$ 86,201	$ 35,001
Assets-to-Capital Multiple	**5.0**	4.6	6.6
Common Equity Tier 1 Ratio	**54.1%**	59.6%	28.7%
Share Information			
Book value per common share	**$ 10.33**	$ 10.32	$ 5.71
Common share price - close	**$ 12.35**	$ 10.45	$ 8.00
Common shares outstanding	**9,305,840**	9,264,340	9,155,007
Market Capitalization	**$ 114,927**	$ 96,812	$ 73,240

[1] See definition of return on equity under Non-IFRS financial measures section.

[2] Adjusted net earnings from continuing operations, adjusted basic earnings per share from continuing operations and adjusted diluted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A

[3] These figures relate to the Corporation's operating subsidiary, Equity Financial Trust, and are calculated under Basel III for 2013 and Basel II for 2012 (see Capital Management below).

Net interest income

Table 18: Net Interest Income and Net Interest Margin[5] for the fourth quarter

	For the three months ended								
($000s, except percentage amounts)	**December 31, 2013**			September 30, 2013			December 31, 2012		
	Average Balance	**Income / Expense**	**Average rate**	Average Balance	Income / Expense	Average rate	Average Balance	Income / Expense	Average rate
Assets									
Cash and cash equivalents	**$ 40,589**	**$ 133**	**1.30%**	$ 64,394	$ 211	1.30%	$ 34,791	$ 114	1.30%
Mortgage receivable	**376,778**	**4,983**	**5.25%**	319,144	4,138	5.14%	185,265	2,465	5.28%
Total interest earning assets	**$ 417,367**	**5,116**	**4.86%**	$ 383,538	$ 4,349	4.50%	$ 220,056	$ 2,579	4.65%
Liabilities									
Deposits	**$ 309,940**	**1,730**	**2.21%**	$ 277,611	$ 1,521	2.17%	$ 181,411	1,030	2.25%
Total interest bearing liabilities	**309,940**	**1,730**	**2.21%**	277,611	1,521	2.17%	181,411	1,030	2.25%
Net interest income per financial statements		**3,386**			2,828			1,549	
Net interest margin for mortgage portfolio			**3.20%**			3.08%			3.07%

Net interest income for the fourth quarter of 2013 has increased by $558 or 20% compared to the third quarter and by $1,837 or 119% compared to the fourth quarter of 2012, reflecting the growth in our mortgage loan book. The average net interest margin earned on our mortgage portfolio improved to 3.20% in the fourth quarter due to better yield rates achieved on new originations and increased use of internal cash resources to fund mortgages.

Provision for credit losses

Our provision for credit losses for the fourth quarter of 2013 has decreased by $147 compared to the third quarter and increased by $21 compared to the fourth quarter of 2012. These changes in the amount of our quarterly provision for credit losses reflect the net change in our mortgages receivable balance in each respective quarter.

Other income for the fourth quarter

Other income includes fees charged for administration and servicing of our mortgage portfolio. As the number of outstanding mortgages in our portfolio grows, so does the amount of fee income we earn for administration and servicing activities. Other income for the fourth quarter of 2013 has increased by $53 or 18% compared to the third quarter and by $213 or 160% compared to the fourth quarter of 2012, reflecting the growth in our mortgage loan book.

[5] See definition of net interest margin under Non-IFRS Financial measures below

Table 19: Non-interest expenses for the fourth quarter

	For the three months ended				
($000, except %)	**December 31, 2013**	September 30, 2013	% Change	December 31, 2012	% Change
Non-interest expenses:					
Staffing costs	**$ 1,087**	$ 1,647	(34%)	$ 1,017	7%
Rent	**57**	128	(55%)	230	(75%)
General and administration	**1,933**	1,104	75%	585	230%
Amortization and depreciation	**219**	157	39%	213	3%
Total non-interest expenses	**$ 3,296**	$ 3,036	9%	$ 2,045	61%

Staffing Costs – Fourth quarter 2013 staffing costs decreased compared to the third quarter by 34% due to lower salary and benefits expense and to the reversal of the value of unvested stock based compensation expense following employee terminations at the beginning of the fourth quarter.

The increase year-over-year in fourth quarter staffing costs reflects the growth in our staff headcount from thirty-seven at the end of 2012 to forty-eight at the end of 2013. Staff increases were mainly due to the build–up of our mortgage operations to achieve planned growth in our mortgage portfolio. We also added staff for our enterprise risk management control functions. This year over year increase in fourth quarter salary cost was mostly offset by the reversal of stock based compensation expense noted above.

Rent – Decreased rent costs in the fourth quarter of 2013 resulted from negotiated reductions in Equity Trust's lease commitments for unneeded office space outside Toronto, including a recovery of $50 on previously estimated costs to exit these leases.

General and Administration – The 75% increase in general and administration costs in the fourth quarter of 2013 compared to the third quarter of 2013 was due to increased professional fees related to one-time events, partly offset by decreased direct costs from lower fourth quarter business volume and decreases to our share price, as outlined below.

> **Professional Fees**: $1,451 for the fourth quarter, an increase of $1,143 or 371% compared to costs of $308 for the third quarter. Approximately $550 of the increase related to the shareholder action for legal and other advisory fees and $600 related to additional external audit costs for extra work required as a result of the Review.
>
> **Operations and Administration**: $352 for the fourth quarter, a decrease of $89 or 20% compared to costs of $441 for the third quarter. Direct operating costs decreased due to lower mortgage origination volume in the fourth quarter compared to the third quarter.
>
> **Board of Directors Fees**: $130 for the fourth quarter, a decrease of $225 or 63% compared to costs of $355 for the third quarter. The decrease primarily reflects the recovery of previously recorded DSU expense due to mark-to-market adjustment following a decline in our share price.

The year-over-year increase in fourth quarter general and administration costs was mainly due to the higher professional fees related to the shareholder action and external audit as noted above.

Amortization and depreciation – Amortization and depreciation costs increased in the fourth quarter compared to the third quarter of 2013 due to a one-time adjustment for the revision of the estimated useful life of certain leasehold improvement assets.

Net earnings and earnings per share for the fourth quarter

Table 20: Earnings Per Share

($000s,except per share and percentage amounts)	For the three months ended								
		December 31, 2013		September 30, 2013		$ Change		December 31, 2012	$ Change
Net earnings (loss)									
Continuing operations	**$**	**235**	$	(175)	$	410	$	(356)	$ 591
Discontinued operations		**-**		-		-		480	(480)
Net earnings (loss) and comprehensive income		**235**		(175)		410		124	111
Basic earnings (loss) per share from									
Continuing operations	**$**	**0.03**	$	(0.02)	$	0.05	$	(0.04)	$ 0.07
Discontinued operations		**-**		-		-		0.05	(0.05)
Basic earnings (loss) per share		**0.03**		(0.02)		0.05		0.01	0.02
Diluted earnings (loss) per share from									
Continuing operations	**$**	**0.02**	$	(0.02)	$	0.04	$	(0.04)	$ 0.06
Discontinued operations		**-**		-		-		0.05	(0.05)
Diluted earnings (loss) per share		**0.02**		(0.02)		0.04		0.01	0.01
ADJUSTED EARNINGS									
Adjusted net earnings from continuing operations [1]	**$**	**1,080**	$	(175)		717%	$	(356)	403%
Adjusted earnings per share from continuing operations - basic [1]	**$**	**0.12**	$	(0.02)		700%	$	(0.04)	400%
Adjusted earnings per share from continuing operations - diluted [1]	**$**	**0.11**	$	(0.02)		650%	$	(0.04)	375%

[1] Adjusted net earnings from continuing operations, adjusted basic earnings per share from continuing operations and adjusted diluted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A

For the fourth quarter of 2013 we generated net earnings of $235 from continuing operations compared to a net loss of $175 in the third quarter and a net loss of $356 in the fourth quarter of 2012. The improved performance is primarily due to the growth of our mortgage loan portfolio and related growth in net interest and other income over the comparative periods. Net earnings for the fourth quarter of fiscal 2013 include the effect of one-time costs related to both the shareholder action and to external audit fees for additional work performed as a result of the Review. These one-time costs totaled $1,150 ($845 after tax) and after removing their effect our calculated adjusted net earnings from continuing operations is $1,080 or $0.12 per share.[6]

On a consolidated basis, we generated earnings per share of $0.03 for the fourth quarter of fiscal 2013, compared to a net loss per share of $0.02 in the third quarter of fiscal 2013 and earnings per share of $0.01 in the fourth quarter of fiscal 2012.

[6] Adjusted net earnings from continuing operations and adjusted earnings per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A.

Mortgages receivable

Table 21: Mortgage Production & Portfolio Highlights for the fourth quarter

	For the three months ended		
($000s, except percentage and year figures)	**December 31, 2013**	September 30, 2013	December 31, 2012
Mortgage originations	**$ 62,876**	$ 103,757	$ 41,651
Average loan-to-value ratio	**73.2%**	73.2%	73.0%
As at			
Mortgages receivable	**394,812**	356,565	198,147
Mortgages receivable due in one year	**280,613**	252,854	145,774
Average term to maturity in years	**0.9**	1.0	0.9
Average effective interest rate	**5.31%**	5.32%	5.34%
Average amortization period in years	**32.2**	32.9	33.1

During the fourth quarter of 2013 we originated mortgages of $62,876, a decrease of $40,881 or 39% compared to third quarter originations, which was expected given the seasonal nature of the mortgage business. However, our fourth quarter originations represented an increase of $21,225 or 51% compared to originations for the fourth quarter of 2012. Our mortgage receivable balance was $394,812 as at December 31, 2013, an increase of 11% compared to the third quarter and 99% compared to December 31, 2012.

Customer Deposits

Table 22: Customer Deposits for the fourth quarter

	As at		
($000s)	**December 31, 2013**	September 30, 2013	December 31, 2012
Customer deposits	**$ 332,437**	$ 301,306	$ 192,757

For the fourth quarter of 2013, our customer deposits balance has increased $31,131 or 10% compared to September 30, 2013 and increased $139,680 or 72% compared to December 31, 2012. The increase in our customer deposits balance corresponds to the increase in our mortgages receivable balance as well as reflects our decision to use cash proceeds from the Transaction to fund new mortgage originations.

CAPITAL MANAGEMENT

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 Assets to Capital Multiple ("ACM") and risk based capital ratios (Common Equity Tier 1, Tier 1 and Total Capital).

Equity Trust calculates regulatory capital and capital ratios based on the Capital Adequacy Requirements (CAR) Guidelines issued by OSFI in December 2012. 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") in December 2010. Equity Trust adopted Basel III capital requirements effective January 1, 2013. 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. Equity Trust derives its ACM by dividing total net assets (total assets less adjustments for intangible assets net of deferred taxes) by CET1.

In July 2013, OSFI issued the final version of its advisory on the implementation of required Pillar 3 disclosure under Basel III. The advisory clarifies the disclosure requirements of the BCBS. OSFI requires all institutions to fully implement the disclosures starting in the third quarter of 2013. Equity Trust has adopted the new disclosure since the period ended June 30, 2013.

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 the all-in basis, which includes all applicable deductions immediately. As at December 31, 2013, Equity Trust held CET1 on an "all-in" basis of $84,755 compared with $84,308 as at September 30, 2013 and $35,001 as at December 31, 2012. The increase since December, 31, 2012 reflects the gain from the Transaction. ACM is evaluated using capital calculated on the transitional basis, which introduces certain capital deductions on a graduated basis during the transitional period. For the purpose of calculating the ACM, CET1 capital on the transitional basis as at December 31, 2013 was $86,591. Capital measures for 2012 are reported under Basel II and have not been restated to reflect Basel III measures.

Table 23: Regulatory Capital (Based on Equity Financial Trust)

(000s except percentage amounts)

		As at				
		December 31, 2013		September 30, 2013		December 31, 2012
	Common Equity Tier 1 capital: instruments and reserves	**All-in**	**Transitional**	All-in	Transitional	Basel II
1	Directly issued qualifying common share capital plus related stock surplus	**31,606**	**31,606**	31,606	31,606	31,606
2	Retained earnings	**54,985**	**54,985**	54,595	54,595	7,651
6	**Common Equity Tier 1 capital before regulatory adjustments**	**86,591**	**86,591**	86,201	86,201	39,257
	Common Equity Tier 1 capital: regulatory adjustments					
28	Total regulatory adjustments to Common Equity Tier 1	**(1,836)**	**-**	(1,893)	-	(4,256)
29	**Common Equity Tier 1 capital (CET1)**	**84,755**	**86,591**	84,308	86,201	N/A
45	**Tier 1 capital**	**84,755**	**86,591**	84,308	86,201	35,001
59	**Total capital**	**84,755**	**86,591**	84,308	86,201	35,001
60	**Total risk-weighted assets**	**158,327**	**160,163**	142,769	144,662	121,799
	Capital ratios					
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	**53.5%**	**54.1%**	59.1%	59.6%	N/A
62	Tier 1 (as percentage of risk-weighted assets)	**53.5%**	**54.1%**	59.1%	59.6%	28.7%
63	Total capital (as percentage of risk-weighted assets)	**53.5%**	**54.1%**	59.1%	59.6%	28.7%
	Assets-to-Capital Multiple		**5.00**		4.63	6.64
	OSFI all-in target					
69	Common Equity Tier 1 capital all-in target ratio	**7.0%**	**N/A**	7.0%	N/A	N/A
70	Tier 1 capital all-in target ratio	**8.5%**	**N/A**	8.5%	N/A	N/A
71	Total capital all-in target ratio	**10.5%**	**N/A**	10.5%	N/A	N/A

Note: line item numbers reference the Pillar III Modified Capital Disclosure Template issued by OSFI in July 2013

We expect that over time these ratios will gradually converge to levels consistent with those reported by other deposit-taking institutions in our peer group, but will at all times remain in excess of minimum regulatory standards, as generally expected of well-capitalized institutions.

Capital resources

As noted above, Equity Trust's CET1 regulatory capital has increased significantly as a result of the Transaction. By retaining these funds in the business, Equity Trust will have a strong capital base to support its growth objectives in alternative mortgage lending. We may, however, require further capital from time to time to pursue strategic initiatives or to develop future 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 audited consolidated financial statements for the year ended December 31, 2013.

The Corporation, like other financial institutions, is exposed to risks which include but are not limited to credit, liquidity, interest rate, legal, reputational, general economic conditions, operational errors, reliance on third party agents and outsourcing, competition, stock market volatility and government regulation, many of which are beyond the Corporation's direct control.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. The nature of the business of lending creates an exposure to the possibility that loans will not be repaid. Our mortgage lending operations are subject to credit risk resulting from possible defaults in payment by our borrowers. There can be no assurances that our monitoring of credit risk and our efforts to mitigate credit risk through appropriate underwriting policies and loss mitigation strategies will be sufficient to prevent an adverse effect on our profitability and financial condition. As part of the underwriting process, we rely heavily upon information supplied by both borrowers and third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

Our mortgage portfolio consists of uninsured residential mortgages. As a result, our primary credit risk relates to the potential for financial loss resulting from the failure of a borrower to fully honour their financial or contractual obligations, such as the failure to repay principal and/or interest on the mortgage**.** Our portfolio consists of residential mortgages originated under lending programs designed to serve customers who have limited access to traditional financing, known as "alternative borrowers". There is a higher risk of default associated with alternative mortgage borrowers than with traditional borrowers. The typical alternative 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 credit standards of most large domestic 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, we are selective in the types of property we accept as collateral, the reliability of the appraisal of the property, and its geographic location.

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.

Liquidity Risk

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

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

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

- A Board-approved policy that quantifies Equity Trust's liquidity risk tolerance and minimum liquidity requirements;
- A monitoring and risk control framework that forecasts cash inflows and outflows and contractual liquidity commitments for short and long-term time horizons;
- Requirements for the diversification of funding sources;

- The maintenance of a liquidity reserve consisting of cash or highly-liquid assets;
- Daily reporting that measures compliance with Board-approved limits;
- Periodic stress testing of liquidity assumptions and forecasts which may include company-specific liquidity shocks, exogenous systemic disruptions, or combinations of both; and
- A liquidity contingency plan that considers a number of scenarios according to which Equity Trust's liquidity operations could be disrupted and details what actions will be followed under each scenario.

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

Equity Trust's Board has established minimum liquidity requirement limits using two measures which are currently being contemplated as part of the adoption of Basel III:

- 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 assets to liabilities adjusted by factors that represent their inherent stability or permanence.

These measures may be subject to modification pending the outcome of consultations between regulators and financial institutions on the implementation of the Basel III liquidity framework.

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

Interest Rate Risk

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

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

The following table illustrates the results of management's sensitivity modeling to an 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 24: Impact of Interest Rate Shifts

($000s, except percentage amounts)	Increase	Decrease
	100 bps	
Impact on net interest income	$ 458	$ (440)
Impact on EVE	(291)	284
EVE impact as a % of common shareholders' equity	(0.30%)	0.30%
	200 bps	
Impact on net interest income	$ 876	$ (593)
Impact on EVE	(592)	530
EVE impact as a % of common shareholders' equity	(0.62%)	0.55%

Concentration Risk

Although subject to change with Board approval, we lend only to borrowers in Ontario, specifically the Greater Toronto and Greater Ottawa areas and their surrounding regions. Although these are among Canada's largest housing markets, a significant economic shock to the regional economy 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.

Reliance on Third-Party Mortgage Brokers and Deposit Agents

We rely on independent securities dealers to distribute our GICs. Similarly, our mortgage originations depend on a network of independent mortgage brokers. Under adverse circumstances, we may find it difficult to attract sufficient new deposits from dealers or mortgage business from brokers to sustain our operating requirements. The failure by us to secure sufficient deposits from securities dealers or a sufficient level of mortgage origination from our mortgage broker network could negatively affect our financial condition and operating results. We mitigate these risks by establishing and maintaining good working and mutually beneficial relationships with a diverse group of third-party distributors so as not to become overly reliant on any single point of sale.

Operational Risk

The services provided by us to our clients encompass a large volume of tasks and processes that demand a high degree of precision and timeliness. We may be responsible to our clients for any financial losses resulting from fraud, errors or omissions by us in providing these services. We continue to enhance our managerial and operational resources and controls including our data processing systems and software, to minimize the potential for fraud, errors or omissions, and have insurance coverage in place to mitigate the risk of loss should they occur. However, the impact of such losses, and of the resulting harm to our reputation, could have a material adverse effect on our business, operations and financial results.

Reputational Risk

Reputational risk is the potential that negative publicity - whether true or not - regarding an institution's business practices, actions or inactions, may cause a decline in the institution's market value, liquidity or customer base. An institution's reputation is a valuable business asset in its own right, essential to optimizing shareholder value, and as such is constantly at risk. Reputational risk cannot be managed in isolation from other forms of risk since all risks have a potential impact on reputation, which in turn can impact the brand, earnings and capital. Risks must be managed effectively in order to safeguard our reputation.

Ultimate responsibility for our reputation lies with senior management and the Board of Directors and its committees, which examine reputational risk as part of their ongoing duties. In addition, every employee and representative of our company has a responsibility to contribute in a positive way to our reputation by ensuring that ethical practices are followed at all times. We also have specific policies and procedures that consider the impact of reputational risk.

Reliance on Key Personnel

Our success will depend upon the continued service and effectiveness of our senior management team. Our senior employees may voluntarily terminate their employment with us at any time. The loss of services of key senior personnel could have a material adverse effect upon our business, financial condition and results of operations. We are also reliant upon technical personnel to anticipate and address issuer, investor, regulatory and market demands in the investment industry. There can be no assurance that qualified management or technical personnel will be available to us in the future. The success of our operations and activities will depend to a significant extent on the efforts and abilities of our management team and technical personnel.

Our operations are dependent on the abilities, experience and efforts of our management team and other key employees. Should any of these persons be unable or unwilling to continue in their employment with us, this could have a material adverse effect on our business, financial condition and results of operations. We may find it increasingly difficult to attract and to retain the necessary employees to meet our needs. It is possible that additional incentives may be required and that some initiatives may be jeopardized if skill shortages occur.

Outsourcing Risk

We outsource some functions in order to control costs, reduce risk, and enhance service levels. Outsourcing any of the administrative functions to third parties runs the risk of failure or that the products or services obtained through third parties will be insufficient for our requirements or that of our customers. Should a provider of administrative services fail to perform in accordance with its agreement and/or our expectations, we could be required to find an alternative service provider or to take back that administrative function. If the service were taken in-house, extra costs in the form of additional staff and overhead might result. In addition, while we have arrangements in place to review the service levels and financial stability of these counterparties, a failure by us to adequately monitor this risk, or to establish alternative arrangements on a timely basis if required, could result in a material adverse effect on our operating results and financial condition.

Increasing Competition

The markets in which we continue to operate are competitive and can be influenced by the marketing and pricing decisions of larger industry participants. Our products and services will compete with those offered by banks, insurance companies, trust companies and other financial services companies. Many of these competitors are better capitalized, hold a larger percentage of the Canadian residential mortgage market, have significantly greater financial, technical, operational and marketing experience and resources than us and have greater name recognition than Equity Trust. We experience competition in all aspects of our business, including price competition. If price competition increases, we may not be able to raise interest rates that we are able to charge borrowers, which has the potential to reduce the market value of our mortgages. This could have a material adverse effect on our business, financial condition and results of operations. In addition, while there are a number of barriers to entry in the mortgage and deposit taking services business, we may face additional competition from new entrants into this market.

Stock Market Volatility

Broad stock market fluctuations may adversely affect the market price of our common shares. When the market price of a corporation's stock drops significantly, shareholders sometimes institute class action lawsuits against that corporation. A lawsuit against us, even if without merit, could cause us to incur substantial costs and could divert the time and attention of our management team and other resources.

Government Regulation

The financial services industry is highly regulated:

Equity Trust is regulated under the *Trust and Loan Companies Act* (Canada) ("TLCA") by OSFI. The TLCA and provincial legislation, together with related regulations and guidelines, require us to file annual and other reports on our financial condition, have the ability to impose restrictions on transactions with related parties and to set out requirements governing capital and other matters. Changes to laws and regulations applicable to our deposit-taking or mortgage operations, including changes in the interpretation or application of such laws and regulations, could affect those operations, limiting the products or services we may provide and increasing the ability of competitors to compete with our products or services. OSFI prescribes capital ratio limits specific to each deposit-taking institution which govern how much leverage the institution is allowed to apply in its business. Failure to comply with applicable laws and regulations could result in sanctions and financial penalties that could adversely impact our earnings and damage our reputation.

Future Capital Needs

We may need to raise funds through public or private financing in the event that we incur operating losses or require substantial capital investment in order to respond to unexpected competitive pressures or to take advantage of unexpected opportunities. There can be no assurance that additional financing will be available on terms favourable to us, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to maintain our federal trust company charter, take advantage of market opportunities, respond to competitive pressures or continue to be viable. Such instability could have a material adverse effect on our business, financial condition and results of operations. If additional funds are raised through the issuance of shares from our treasury, control of our company may change and shareholders may suffer dilution of their holdings.

Risk of Terrorist Attacks or Related Disasters

Civil unrest, economic recession, pandemics, war and additional acts of terrorism may adversely impact the North American and global economies and financial markets.

Reputational Risk Related to the Transaction

Reputational risk is the potential that negative publicity, whether true or not, regarding an institution's business practices, actions or inaction will or may cause a decline in its value, liquidity or customer base. As a result of the Transaction, Equity Trust's client relationships related to the discontinued operations are managed by a third-party, including the administration of segregated funds on behalf of Equity Trust's clients. The impact of client dissatisfaction or mismanagement by the third-party may be damaging to Equity Trust's continuing operations. Furthermore, if the third-party fails to meet its contractual or regulatory obligations, Equity Trust could be subject to legal liability.

SIGNIFICANT ACCOUNTING ESTIMATES

The following are our significant accounting estimates. For each, the following section describes (1) the methodology used in determining the estimate; (2) the assumptions underlying the estimate; (3) any known trends, commitments, events or uncertainties that might materially affect the methodology or the assumptions described; and (4) whether or why the accounting estimate is reasonably likely to change from period to period and have a material impact on the financial presentation.

Allowance for Credit Losses

(1) The allowance for credit losses is comprised of both individual and collective allowance estimates. Individual allowances are set up for mortgages where payment is contractually 90 days past due unless we have reasonable assurance as to the recoverability of principal and interest. If an individual allowance is not required for a particular mortgage, we include the mortgage in a group of mortgage assets with similar credit risk characteristics and collectively assess them for impairment; (2) Our risk rating system considers economic conditions, security and mortgage type, geographical exposure and loan to value ratios; (3) The estimated allowance for credit losses may continue to grow in line with the growth of the underlying mortgage portfolio and; (4) The allowance for credit losses will generally tend to increase from period to period as our mortgage business grows and is also subject to potential adjustment based on the various factors noted above, which must be continuously monitored.

Estimated Useful Lives of Intangible Computer Software Assets

(1) As indicated in the notes to our audited consolidated financial statements, software assets are recorded at cost with the useful life estimated in order to derive a charge for amortization on a straight line basis over two to five years. (2) We estimate the useful life of each software asset or group of software assets; (3) We review at each year-end the assumptions related to the useful life of our various software assets, their residual values and the amortization policies chosen. However, we do not consider that a material degree of uncertainty exists with these estimates, nor do we consider that trends and uncertainties exist that could materially affect the assumptions used in deriving our estimates; (4) Except as noted above, these

estimates are not likely to fluctuate from period to period and there is no indication that the useful lives of assets is materially different from those set by our accounting policies.

Valuation and Amortization of Intangibles (other than computer software described above)

(1) As indicated in the notes to our audited consolidated financial statements, intangible assets other than software consist of costs incurred to obtain a federal trust license, including costs incurred to amend the trust license to allow Equity Trust to become a deposit taking institution. The trust license granted to Equity Trust under the federal TLCA is considered to have an indefinite life and therefore not subject to amortization; (2) The most critical assumption in the valuation of our trust license is the determination that it has an indefinite life, which is valid based on our present understanding of the regulations under which it was granted; (3) There is no expectation that our trust license asset will require a write-down in value; (4) We do not expect any change to our estimated value of our trust license from period to period.

ACCOUNTING STANDARDS AND POLICIES

Current changes in accounting policies

IFRS 7 Revised – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 7, Offsetting Financial Assets and Financial Liabilities, introduced new disclosure requirements for financial instruments relating to their rights of offset and related arrangements. The adoption of these amendments did not have a significant impact on the Corporation's consolidated financial statements.

IFRS 10 – Consolidated Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of the previously existing IAS 27, *Consolidated and Separate Financial Statements*, that dealt with consolidated financial statements and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of IFRS 10 resulted in no impact to the consolidated financial statements.

IFRS 13 – Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. Additionally, the standard requires disclosures of fair value for both financial and non-financial assets and liabilities measured at, or based on, fair value and for items not measured at fair value but for which fair value is disclosed. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Corporation. IFRS 13 also requires specific disclosures on fair values.

Future change in accounting standards

Certain new standards, interpretations and amendments to existing standards have been published by the IASB and the International Financial Reporting Interpretations Committees ("IFRIC") that are applicable to accounting periods beginning on or after January 1, 2014. Those which are considered to be relevant to the Corporation's operations are as follows:

IFRS 9 – Financial Instruments
IFRS 9 reflects the IASB's work on replacement of IAS 39 – Financial Instruments: Recognition and Measurement and will be completed and implemented in three separate phases: 1) Classification and measurement of financial assets and liabilities; 2) Impairment methodology; and 3) Hedge accounting. In February 2014, while finalizing re-deliberations on the impairment project and limited amendments to classification and measurement requirements, the IASB tentatively decided to require an entity to apply IFRS for annual periods beginning on or after January 1, 2018. The Corporation has not yet determined the impact of IFRS 9 on its consolidated financial statements.

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 financial analysts and investors view these as key measures of certain aspects of our performance. These measures should not be considered as an alternative to cash flows from operating activities nor to any other measures of performance presented in accordance with IFRS.

Adjusted net earnings from continuing operations and adjusted basic and diluted earnings per share from continuing operations

Our net earnings were affected by one-time costs incurred in the fourth quarter of fiscal 2013 related to both the shareholder action $550 ($404 after tax), and to external audit fee expenses of $600 ($441 after tax) for additional work performed as a result of the Review. The table below provides a reconciliation of net earnings from continuing operations to adjusted net earnings from continuing operations.

	For the three months ended					For the year ended		
($000, except per share amounts)	**December 31, 2013**	September 30, 2013	% Change	December 31, 2012	% Change	**December 31, 2013**	December 31, 2012	% Change
Net earnings (loss) from continuing operations	**$ 235**	$ (175)	234%	$ (356)	166%	**$ (327)**	$ (1,958)	83%
Adjustment for shareholder action costs (net of tax)	**404**	-	100%	-	100%	**404**	-	100%
Adjustment for additional audit fees (net of tax)	**441**	-	100%	-	100%	**441**	-	100%
Adjusted net earnings (loss) from continuing operations	**$ 1,080**	$ (175)	717%	$ (356)	403%	**$ 518**	$ (1,958)	126%
Adjusted basic earnings (loss) per share from continuing operations	$ 0.12	$ (0.02)	700%	$ (0.04)	400%	$ 0.06	$ (0.21)	129%
Adjusted diluted earnings (loss) per share from continuing operations	$ 0.11	$ (0.02)	650%	$ (0.04)	375%	$ 0.06	$ (0.21)	129%

Net interest margin

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

Return on equity ("ROE")

ROE is calculated as net earnings 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 March 28, 2014, we had 9,348,341 common shares outstanding and 414,500 stock options to purchase up to an aggregate of 414,500 common shares, with a weighted average exercise price of $8.75, expiring from August 2014 to August 2018.

ADDITIONAL INFORMATION

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