Equity Financial Holdings Inc.

Management Discussion & Analysis

First Quarter Ended March 31, 2014

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 May 12, 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

The Corporation operates through its wholly-owned subsidiary Equity Trust, which offers alternative residential mortgage loans funded primarily through the issuance of retail deposits. Equity Trust is a deposit-taking institution regulated by the Office of the Superintendent of Financial Institutions of Canada ("OSFI") and is a member of the Canada Deposit Insurance Corporation ("CDIC"). 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 at least equal to the size of the alternative mortgage market and we believe ample liquidity is available to Equity Trust.

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

OVERALL PERFORMANCE

OVERALL PERFORMANCE FOR THE QUARTER ENDED MARCH 31, 2014

Table 1: Financial Highlights
(dollar amounts, except per-share, are in $000s, unless otherwise stated)

($000s, except share, per share and percentage amounts)		For the three months ended March 31, 2014		December 31, 2013		March 31, 2013
OPERATIONS						
Net interest income and other income, net of provision	**$**	**3,768**	$	3,598	$	1,854
Net interest margin		**3.19%**		3.20%		3.21%
Net earnings (loss)						
Continuing	**$**	**(3,495)**	$	235	$	(388)
Discontinued		**-**		-		(638)
		(3,495)		235		(1,026)
Earnings (loss) per share - basic/diluted						
Continuing	**$**	**(0.37)/(0.37)**	$	0.03/0.02	$	(0.04)/(0.04)
Discontinued		**-**		-		(0.07)/(0.07)
		(0.37)/(0.37)		0.03/0.02		(0.11)/(0.11)
ROE from continuing operations (annualized) [1]		**(15.0%)**		1.0%		(3.0%)
ADJUSTED EARNINGS						
Adjusted net earnings (loss) from continuing operations [2]	**$**	**599**	$	1,080	$	(388)
Adjusted earnings (loss) per share from continuing operations - basic/diluted [2]		**0.06/0.06**		0.12/0.11		(0.04)/(0.04)

As at		March 31, 2014		December 31, 2013		March 31, 2013
BALANCE SHEET						
Total assets	**$**	**463,137**	$	442,376	$	282,179
Mortgages		**397,036**		394,812		226,876
Deposits		**362,906**		332,437		224,913
Shareholders' Equity		**92,806**		96,110		51,339
FINANCIAL STRENGTH						
Capital Measures [3]						
Regulatory Capital (transitional basis)	**$**	**85,675**	$	86,591	$	34,467
Assets-to-Capital Multiple		**5.3**		5.0		7.7
Common Equity Tier 1 Ratio		**53.4%**		54.1%		25.8%
Share Information						
Book value per common share	**$**	**9.93**	$	10.33	$	5.61
Common share price - close	**$**	**11.38**	$	12.35	$	9.89
Common shares outstanding		**9,348,341**		9,305,840		9,155,840
Market Capitalization	**$**	**106,384**	$	114,927	$	90,551

[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 (see Capital Management below).

In the first quarter of 2014, the following significant events and results occurred:

CEO Executive Search: During the quarter the Board established an executive search committee to identify candidates and select a permanent CEO. The committee retained Korn Ferry (Toronto) to assist in this process and on May 13, 2014 the Corporation announced the selection of Michael Jones as Chief Executive Officer of both the Corporation and Equity Trust.

New Chief Risk Officer: On February 18, 2014, the Corporation announced the appointment of Paul Bowers as Chief Risk Officer of Equity Trust resulting from a search that began in the fall of 2013.

Underwriting Controls Review: We conducted a Board-led review (the "Review") of our underwriting processes and risk management controls related primarily to the documentation used in credit underwriting, which identified weaknesses in certain controls (also see "Control Reporting" below). The findings of this Review led to additional work by independent consultants and management, which resulted in no significant issues identified with the quality or value of our real estate collateral and the conclusion that no material errors existed in our financial results and disclosures. One-time costs related to the Review and follow on work incurred in the first quarter of 2014 totalled $1,300, an increase from our previously disclosed estimate of $1,100.

Settlement of Shareholder Action: On February 26, 2014, the then board of directors approved a settlement agreement related to the shareholder action (the "Shareholder Action") initiated in the fall of 2013 by our largest shareholder, Smoothwater Capital Partners LP I ("Smoothwater"). The agreement resulted in changes to the Board and CEO, including the retirement of six of the nine Board members, including Paul G. Smith, who also stepped down as CEO of the Corporation. 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.

Total one-time costs related to the Shareholder Action were $4,820, an increase from our previously disclosed estimate of $4,650, which includes $550 of legal and advisory costs recognized in the fourth quarter of 2013. The portion of these costs incurred in the first quarter of 2014 was $4,270, comprised of $2,803 for legal and other advisory costs, $264 in respect of special Board fees, $950 of severance paid to Paul G. Smith in accordance with his employment contract and $253 for executive search advisory fees.

Operational restructuring: During the quarter, Equity Trust experienced significant turnover of its sales and underwriting staff and, as a result, management is currently rebuilding its mortgage originations team and capability. We also continue to implement process and system changes to both improve operational efficiency and enhance our enterprise risk management program.

Mortgage Originations and Loan Book: We originated mortgages of $25,333 for the first quarter of 2014, a decrease of 36% compared to the first quarter of 2013. Our mortgage loan portfolio balance as at March 31, 2014 was $397,036, an increase of 1% compared to December 31, 2013, which reflects lower originations combined with portfolio run-off as a result of scheduled amortization, unscheduled prepayments and mortgages that are not renewed at maturity. Compared to March 31, 2013, our portfolio balance has increased by 75% and as a result net interest income for the first quarter of 2014 increased by 91% to $3,448 compared to $1,808 in the first quarter of 2013. Other income for the first quarter of 2014 increased by 157% to $378 compared to $147 in the first quarter of 2013.

Profitability Impact of One Time Costs: Our profitability for the first quarter of 2014 was significantly negatively affected by one-time costs totaling $5,570 ($4,094 after tax) related to both the Shareholder Action and the Review. We ended the first quarter of 2014 with a net loss of $3,495 or $0.37 per share from continuing operations. After removing the effect of one-time costs, our adjusted basic net earnings from continuing operations for the first quarter of 2014 were $599 or $0.06 per share, compared to adjusted basic net earnings of $1,080 or $0.12 per share for the fourth quarter of 2013 and compared to an adjusted basic net loss of $388 or $0.04 per share for the first quarter of 2013.[2]

OUTLOOK

We are currently focused on putting in place the building blocks for success in the medium and long term for all shareholders. This will require investments in people and systems as we build the infrastructure needed to grow our mortgage portfolio and to take advantage of related opportunities in the Canadian mortgage market. As a result of this focus on rebuilding, we expect the pace of our mortgage originations to slow materially for the balance of the year and we anticipate net growth in our mortgage loan portfolio will be flat or negative for fiscal 2014. Our year end loan book balance will depend on origination volume and run-off. Origination volume will depend on how quickly management is able to finish the reorganization of the sales, underwriting, and risk management teams, and market competition. Run-off will depend on maturity schedules and whether or not our customers are able to solicit more attractive renewal offers from prime and other competitors.

Our mortgage loan portfolio continues to generate net interest and fee income while we rebuild our origination volumes and, despite the one-time costs incurred in the first quarter of 2014, Equity Trust remains a well-capitalized deposit-taking institution, which provides a base for continued growth in the future.

[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.

INCOME STATEMENT REVIEW

Table 2: Income Statement Highlights

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

($000s, except per share and percentage amounts)	For the three months ended March 31, 2014	December 31, 2013	% Change	March 31, 2013	% Change
Operating Results					
Net interest income	**$ 3,448**	$ 3,386	2%	$ 1,808	91%
Provision for credit losses	**(58)**	(134)	(57%)	(101)	(43%)
Net interest income, net of provision	**3,390**	3,252	4%	1,707	99%
Other income	**378**	346	9%	147	157%
Net interest income and other income, net of provision	**3,768**	3,598	5%	1,854	103%
Non-interest expenses	**8,460**	3,296	157%	2,321	264%
Earnings (loss) before income taxes	**(4,692)**	302	(1654%)	(467)	905%
Income tax expense (recovery)	**(1,197)**	67	(1887%)	(79)	1415%
Net earnings (loss) and comprehensive income:					
Continuing operations	**(3,495)**	235	(1587%)	(388)	801%
Discontinued operations	**-**	-	-	(638)	(100%)
Total net earnings (loss) and comprehensive income	**$ (3,495)**	$ 235	(1587%)	$ (1,026)	241%
Earnings (loss) per share, basic:					
Continuing operations	**$ (0.37)**	$ 0.03	(1333%)	$ (0.04)	825%
Discontinued operations	**-**	-	-	(0.07)	(100%)
Total earnings (loss) per share, basic	**(0.37)**	0.03	(1333%)	(0.11)	236%
Earnings (loss) per share, diluted:					
Continuing operations	**$ (0.37)**	$ 0.02	(1950%)	$ (0.04)	825%
Discontinued operations	**-**	-	-	(0.07)	(100%)
Total earnings (loss) per share, diluted	**(0.37)**	0.02	(1950%)	(0.11)	236%
Return on equity from continuing operations (annualized)	**(15.0%)**	1.0%		(3.0%)	

Net interest income

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

	For the three months ended								
($000s, except percentage amounts)	**March 31, 2014**			December 31, 2013			March 31, 2013		
	Average Balance	**Income / Expense**	**Average rate**	Average Balance	Income / Expense	Average rate	Average Balance	Income / Expense	Average rate
Assets									
Cash and cash equivalents	**$ 61,145**	**$ 196**	**1.30%**	$ 40,589	$ 133	1.30%	$ 29,486	$ 87	1.18%
Mortgage receivable	**401,798**	**5,237**	**5.29%**	376,778	4,983	5.25%	209,701	2,810	5.36%
Total interest earning assets	**$ 462,943**	**5,433**	**4.76%**	$ 417,367	5,116	4.86%	$ 239,187	$ 2,897	4.84%
Liabilities									
Deposits	**$ 372,172**	**1,985**	**2.16%**	$ 309,940	1,730	2.21%	$ 202,605	1,089	2.15%
Total interest bearing liabilities	**372,172**	**1,985**	**2.16%**	309,940	1,730	2.21%	202,605	1,089	2.15%
Net interest income per financial statements		**3,448**			3,386			1,808	
Net interest margin for mortgage portfolio			**3.19%**			3.20%		3.21%	

Net interest income year over year for the first quarter increased $1,640 or 91% to $3,448, reflecting the growth in our mortgage loan portfolio. Net interest income increased 2% compared to the fourth quarter of 2013, reflecting the modest increase in our mortgage loan book during the first quarter of 2014. The average net interest margin earned on our mortgage portfolio for the first quarter of 2014 was 3.19%, compared to 3.21% for the first quarter of 2013 and 3.20% for the fourth quarter of 2013.

Provision and allowance for credit losses

Table 4: Provision for Credit Losses

	For the three months ended		
($000s)	**March 31, 2014**	December 31, 2013	March 31, 2013
Collective provision	**$ 7**	$ 134	$ 101
Individual provision	**51**	-	-
Total provision for the year	**$ 58**	$ 134	$ 101

Our collective provision for credit losses was $7 for the first quarter of 2014, compared to $101 for the first quarter of 2013 and $134 for the fourth quarter of 2013. The decline in our collective provision reflects the net change in our mortgage loan portfolio balance. Our collective provision for credit losses affects the balance of 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 have also recognized an individual provision for credit losses for the first time in the first quarter of 2014, based on a specifically identified impaired mortgage loan. We classify a mortgage receivable as impaired when there is reasonable doubt as to the full collectability of principal or interest.

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

Table 5: Allowance for Credit losses

($000s except % amounts)		March 31, 2014	% of Gross Loans		December 31, 2013	% of Gross Loans		March 31, 2013	% of Gross Loans
Allowance for credit losses									
Collective Allowance	**$**	**1,393**	**0.35%**	$	1,386	0.35%	$	795	0.36%
Individual Allowance		**51**	**0.01%**		-	0.00%		-	0.00%
Total	**$**	**1,444**	**0.36%**	$	1,386	0.35%	$	795	0.36%

We have established an allowance for credit losses of $1,444 as at March 31, 2014. We have estimated a collective allowance based on the characteristics of the portfolio and industry practices.

We have identified one loan originated in 2011 as impaired as at March 31, 2014. The gross amount of the loan is $207 versus an appraised collateral value of $195. We have estimated an individual allowance for credit losses of $51 in respect of this loan, including the cost of recovery.

Table 6: Past due loans

($000s except % amounts)		March 31, 2014	% of Net Loans		December 31, 2013	% of Net Loans		March 31, 2013	% of Net Loans
Past due loans									
1-30 days	**$**	**22,052**	**5.55%**	$	20,162	5.11%	$	9,204	4.06%
31-60 days		**4,731**	**1.19%**		3,013	0.76%		934	0.41%
61-90 days		**1,998**	**0.50%**		949	0.24%		386	0.17%
> 90 days		**934**	**0.24%**		1,616	0.41%		1,127	0.50%
Total	**$**	**29,715**	**7.48%**	$	25,740	6.52%	$	11,651	5.14%

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 full 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 the first quarter of 2014 we earned other income of $378, an increase of $32 or 9% compared to the fourth quarter of 2013 and an increase of $231 or 157% compared to the first quarter of 2013.

Non-interest expenses

Table 7: Non-interest expenses

	For the three months ended							
($000, except %)		**March 31, 2014**		December 31, 2013	% Change		March 31, 2013	% Change
Non-interest expenses:								
Staffing costs	**$**	**2,427**	$	1,087	123%	$	1,197	103%
Rent		**97**		57	70%		186	(48%)
General and administration		**5,765**		1,933	198%		782	637%
Amortization and depreciation		**171**		219	(22%)		156	10%
Total non-interest expenses	**$**	**8,460**	$	3,296	157%	$	2,321	264%

Staffing Costs – The primary driver of increased staffing costs in the first quarter of 2014 compared to the fourth quarter of 2013 and the first quarter of 2013 was severance of $950 recognized as part of the one-time costs related to the resolution of the Shareholder Action as announced on February 26, 2014. Staffing costs were also higher in the first quarter of 2014 compared to the fourth quarter of 2013 due to increased stock based compensation expense. Staffing costs for the first quarter also increased year over year due to the growth in our staff headcount from forty to forty-six.

Rent – Decreased rent costs in the first quarter of 2014 compared to the first quarter of 2013 resulted from negotiated reductions in Equity Trust's lease commitments in relation to office space in Canadian cities outside Toronto for business operations sold during 2013 (see "Discontinued Operations" below). Rent expense for the fourth quarter of 2013 included a recovery of $50 on previously estimated costs to exit these leases.

General and Administration – The increase in general and administration costs was due primarily to one-time costs as outlined below.

> **Professional Fees**: $4,721 for the first quarter of 2014, an increase of $3,270 or 225% compared to costs of $1,451 for the fourth quarter of 2013 and an increase of $4,510 or 2,137% compared to costs of $211 for the first quarter of 2013. Professional fees for the first quarter of 2014 include one-time costs of $2,803 for legal and other advisory fees leading to the resolution of the Shareholder Action initiated in the fall of 2013 and $1,300 related to independent consultants in respect of the Review and follow-on work, and external audit fees. The fourth quarter of 2013 also included one-time costs totaling $1,150 related to both the Shareholder Action and the Review.
>
> **Operations and Administration**: $774 for the first quarter of 2014, an increase of $422 or 120% compared to costs of $352 for the fourth quarter of 2013 and an increase of $420 or 119% compared to costs of $354 for the first quarter of 2013. Increased costs in the first quarter of 2014 were primarily due to recruitment fees, including $253 for the executive search firm conducting our CEO search, recognized as part of the one-time costs to settle the Shareholder Action.
>
> **Board of Directors Fees**: $270 for the first quarter of 2014, an increase of $140 or 108% compared to costs of $130 for the fourth quarter of 2013 and an increase of $53 or 24% compared to costs of $217 for the first quarter of 2013. Board fees for the first quarter of 2014 include one-time costs of $264 related to the Shareholder Action. Regular Board fees in the first quarter of 2014 of $66 were offset by mark-to-market reductions of $60 in the value of Deferred Stock Units ("DSUs") awarded to Board members in previous years. Mark-to-market adjustments that reduced the value of DSU's were also a factor in the total amount of Board fees recognized for the fourth quarter of 2013.

Amortization and depreciation – Amortization and depreciation costs for the first quarter of 2014 are lower than the prior quarter due to a one-time adjustment for the revision of the estimated useful life of certain leasehold improvement assets in the fourth quarter of 2013.

Net earnings and earnings per share

Table 8: Earnings Per Share

($000s,except per share and percentage amounts)		For the three months ended						
		March 31, 2014		December 31, 2013	Change		March 31, 2013	Change
Net earnings (loss)								
Continuing operations	$	**(3,495)**	$	235	$ (3,730)	$	(388)	$(3,107)
Discontinued operations[2]		**-**		-	-		(638)	638
Net earnings (loss) and comprehensive income		**(3,495)**		235	(3,730)		(1,026)	(2,469)
Basic earnings (loss) per share from								
Continuing operations	$	**(0.37)**	$	0.03	$ (0.40)	$	(0.04)	$ (0.33)
Discontinued operations[2]		**-**		-	-		(0.07)	0.07
Basic earnings (loss) per share		**(0.37)**		0.03	(0.40)		(0.11)	(0.26)
Diluted earnings (loss) per share from								
Continuing operations	$	**(0.37)**	$	0.02	$ (0.39)	$	(0.04)	$ (0.33)
Discontinued operations[2]		**-**		-	-		(0.07)	0.07
Diluted earnings (loss) per share		**(0.37)**		0.02	(0.39)		(0.11)	(0.26)
ADJUSTED EARNINGS								
Adjusted net earnings (loss) from continuing operations [1]	$	**599**	$	1,080	(45%)	$	(388)	254%
Adjusted earnings (loss) per share from continuing operations - basic [1]	$	**0.06**	$	0.12	(50%)	$	(0.04)	250%
Adjusted earnings (loss) per share from continuing operations - diluted [1]	$	**0.06**	$	0.11	(45%)	$	(0.04)	250%

[1] Adjusted net earnings (loss) from continuing operations, adjusted basic earnings (loss) per share from continuing operations and adjusted diluted earnings (loss) per share from continuing operations are defined in the Non-IFRS Measures section of this MD&A
[2] See "Discontinued Operations" below

For the first quarter of 2014 our continuing operations generated a net loss of $3,495 compared to net earnings of $235 for the fourth quarter of 2013 and a net loss of $388 for the first quarter of 2013. The net loss from continuing operations for the first quarter of 2014 includes the effect of one-time costs related to both the Shareholder Action and the Review. These one-time costs totaled $5,570 ($4,094 after tax) and after removing their effect our adjusted net earnings from continuing operations is $599 or $0.06 per share, which compares to adjusted net earnings of $1,080 or $0.12 per share for the fourth quarter of 2013 and an adjusted net loss of $388 or $0.04 per share for the first quarter of 2013.[4]

DISCONTINUED OPERATIONS

On April 5, 2013, the Corporation 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. 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.

[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.

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 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 March 31, 2014. As a result, no contingent purchase price adjustment is recorded in the interim consolidated financial statements.

For further information on our discontinued operations see note 10 of our consolidated interim financial statements.

Discontinued Operations

Table 9: Results of Discontinued Operations

Total discontinued operations – Statement of Operations and Comprehensive Loss		For the three months ended March 31, 2013
Fees and margin revenue	$	3,554
Net interest income		13
Fees and margin revenue and net interest income		3,567
Staffing costs		1,852
Other operating expenses		2,645
Total non interest expenses		4,497
Operating loss before income taxes from discontinued operations		(930)
Income tax recovery		
Current		(209)
Deferred		(83)
		(292)
Net loss from discontinued operations	$	(638)

FINANCIAL POSITION REVIEW

Table 10: Balance Sheet Highlights

($000s, except percentage amounts)	As at			Change over			
	March 31, 2014	December 31, 2013	March 31, 2013	March 2014-Dec 2013 $	%	March 2014-March 2013 $	%
Assets							
Cash and cash equivalents	**$ 60,633**	$ 43,376	$ 37,463	$ 17,257	40%	$ 23,170	62%
Mortgages receivable	**397,036**	394,812	226,876	2,224	1%	170,160	75%
Assets held for sale	**-**	-	12,444	-	-	(12,444)	(100%)
Other assets	**5,468**	4,188	5,396	1,280	31%	72	1%
Total Assets	**$ 463,137**	$ 442,376	$ 282,179	$ 20,761	5%	$ 180,958	64%
Liabilities							
Customer deposits	**$ 362,906**	$ 332,437	$ 224,913	$ 30,469	9%	$ 137,993	61%
Liabilities held for sale	**-**	-	1,292	-	-	(1,292)	(100%)
Other liabilities	**7,425**	13,829	4,635	(6,404)	(46%)	2,790	60%
Total liabilities	**370,331**	346,266	230,840	24,065	7%	139,491	60%
Shareholders' equity	**92,806**	96,110	51,339	(3,304)	(3%)	41,467	81%
Total liabilities and shareholders' equity	**$ 463,137**	$ 442,376	$ 282,179	$ 20,761	5%	$ 180,958	64%

Total assets as at March 31, 2014 were $463,137, an increase of $20,761 or 5% compared to the balance as at December 31, 2013. The increase in total assets was largely due to the growth in our cash balance by $17,257 or 40% (see "Liquidity Resources"). Total liabilities as at March 31, 2014 were $370,331, an increase of $24,065 or 7% compared to the balance as at December 31, 2013. The increase in total liabilities was mainly due to an increase in customer deposits of $30,469 partially offset by a payment of accrued taxes related to the Transaction.

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").

Table 11: Cash and cash equivalents

($000s, except percentage amounts)	As at			Change over			
	March 31, 2014	December 31, 2013	March 31, 2013	Mar 2014-Dec 2013 $	%	Mar 2014-Mar 2013 $	%
Cash and cash equivalents	**$ 60,633**	$ 43,376	$ 37,463	$ 17,257	40%	$ 23,170	62%

Cash and cash equivalents as at March 31, 2014 increased by $17,257 compared to December 31, 2013, as a result of the inflows and outflows described below.

Table 12: Sources and Uses of Cash

($000s, except percentage amounts)	For the three months ended		Change	
	March 31, 2014	March 31, 2013	$	%
Cash flows provided by operating activities	**17,242**	3,128	14,114	451%
Cash flows provided financing activities	**23**	7	16	229%
Cash flows provided by (used in) investing activities	**(8)**	(101)	93	92%

Cash used in operating activities

Cash flow used in operating activities increased by $14,114, or 451%, to $17,242 for the quarter ended March 31, 2014. Net deposit originations and net mortgage originations constitute the primary sources of operating inflows and outflows. For the quarter ended March 31, 2014, we had net inflows of $30,469 from deposits against net outflows of $2,282 to fund mortgages.

Cash flow from financing activities

Cash flow from financing activities for the quarter ended March 31, 2014 increased by $16 or 229%, to $23. Cash flows from financing activities in both 2014 and 2013 represent proceeds from the exercise of employee stock options.

Cash flow used in investing activities

Cash flow used in investing activities for the quarter ended March 31, 2014 decreased by $93 to $8. Cash flow used in investing activities in both 2014 and 2013 were related to enhancements to our information technology systems.

Mortgages receivable

Table 13: Mortgage Production & Portfolio Highlights

	For the three months ended		
($000s, except percentage and year figures)	**March 31, 2014**	December 31, 2013	March 31, 2013
Mortgage originations	**$ 25,333**	$ 62,876	$ 39,531
Average loan-to-value ratio	**72.6%**	73.2%	72.6%
As at			
Mortgages receivable	**397,036**	394,812	226,876
Mortgages receivable due in one year	**284,907**	280,613	164,962
Average term to maturity in years	**0.8**	0.9	0.9
Average effective interest rate	**5.31%**	5.31%	5.34%
Average amortization period in years	**32.5**	33.0	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 the first quarter of 2014 we originated mortgages of $25,333, a decrease of $37,543 or 60% compared to originations in the fourth quarter of 2013 and our mortgage receivable balance as at March 31, 2014 was $397,036, an increase of $2,224 or 1% compared to December 31, 2013. The Corporation had outstanding commitments to make future advances on mortgage loans of $4.8 million as at March 31, 2014. Commitments for the loans were for various dates through to August 2014.

Customer Deposits

Table 14: Customer Deposits

	As at		
($000s)	**March 31, 2014**	December 31, 2013	March 31, 2013
Customer deposits	**$ 362,906**	$ 332,437	$ 224,913

Customer deposits consist of GICs, which are sold through investment dealers, with fixed maturity dates and an average term to maturity of 0.9 years. As at March 31, 2014, the portion of customer deposits due within one year is $259,519. The average effective interest rate paid on deposits is 2.22%.

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 20.

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 March 31, 2014. The table does not include assets and liabilities that are not considered financial instruments.

Table 15: Financial Assets and Liabilities
(000's)

March 31, 2014	Loans and Receivables/Financial Liabilities at Amortized Cost	Carrying Value	Fair Value	Fair Value Over Carrying Value
Financial assets:				
Mortgages receivable	397,036	397,036	398,857	1,821
Total financial assets	$ 397,036	$ 397,036	$ 398,857	$ 1,821
Financial liabilities:				
Customer deposits	362,906	362,906	367,511	4,605
Total financial liabilities	$ 362,906	$ 362,906	$ 367,511	$ 4,605

QUARTERLY FINANCIAL HIGHLIGHTS

Table 16: Summary of Quarterly Results

($000s, except per share amounts)	2014			2013			2012	
Operating results	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net interest income	**$ 3,448**	$ 3,386	$ 2,828	$ 2,306	$ 1,808	$ 1,549	$ 1,230	$ 1,061
Provisions for credit losses	**(58)**	(134)	(281)	(176)	(101)	(113)	(94)	(117)
Other income	**378**	346	293	212	147	133	114	67
Net interest income and other income, net of provision	**3,768**	3,598	2,840	2,342	1,854	1,569	1,250	1,011
Non-interest expenses	**8,460**	3,296	3,037	2,315	2,321	2,045	1,801	1,720
Net earnings (loss) from continuing operations	**(3,495)**	235	(175)	1	(388)	(356)	(423)	(515)
Net earnings (loss) from discontinued operations	**-**	-	-	42,747	(638)	480	513	789
Total net earnings (loss) and comprehensive income	**(3,495)**	235	(175)	42,748	(1,026)	124	90	274
Basic earnings (loss) per share from continuing operations	**$ (0.37)**	$ 0.03	$ (0.02)	$ -	$ (0.04)	$ (0.04)	$ (0.05)	$ (0.06)
Basic earnings (loss) per share discontinued operations	**-**	-	-	4.66	(0.07)	0.05	0.06	0.09
Basic earnings (loss) per share	**(0.37)**	0.03	(0.02)	4.66	(0.11)	0.01	0.01	0.03
Diluted earnings (loss) per share from continuing operations	**(0.37)**	0.02	(0.02)	-	(0.04)	(0.04)	(0.05)	(0.06)
Diluted earnings (loss) per share from discontinued operations	**-**	-	-	4.60	(0.07)	0.05	0.06	0.09
Diluted earnings (loss) per share	**(0.37)**	0.02	(0.02)	4.60	(0.11)	0.01	0.01	0.03
Dividends	**-**	-	-	-	-	-	-	-
Balance sheet highlights								
Cash and cash equivalents	**$ 60,633**	$ 43,376	$ 47,826	$ 55,507	$ 37,463	$ 34,429	$ 44,382	$ 55,139
Mortgage receivables	**397,036**	394,812	356,565	276,550	226,876	198,147	165,971	138,679
Total assets	**463,137**	442,493	409,130	337,923	282,179	251,442	229,418	212,543
Customer deposits	**362,906**	332,437	301,306	230,840	224,913	192,757	169,942	152,218
Total liabilities	**370,331**	346,383	313,565	242,730	230,840	199,175	177,385	160,713
Shareholders' equity	**92,806**	96,110	95,565	95,193	51,339	52,267	52,033	51,830

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.

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 that were last updated in April 2014. The CAR Guidelines are based on "Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework" ("Basel III") issued by the Basel Committee on Banking Supervision ("BCBS") 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.

Under Basel III, capital is calculated two ways during a transitional period ending January 1, 2018. To measure compliance with minimum risk based capital ratio requirements, capital is calculated on an all-in basis, which includes all applicable deductions immediately. As at March 31, 2014, Equity Trust held CET1 on an "all-in" basis of $84,268 compared with $84,755 as at December 31, 2013 and $30,969 as at March 31, 2013. The increase since March 31, 2013 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 March 31, 2014 was $85,675.

Table 17: Regulatory Capital (Based on Equity Financial Trust)

(000s except percentage amounts)

		As at					
		March 31, 2014		December 31, 2013		March 31, 2013	
	Common Equity Tier 1 capital: instruments and reserves	**All-in**	**Transitional**	All-in	Transitional	All-in	Transitional
1	Directly issued qualifying common share capital plus related stock surplus	**31,606**	**31,606**	31,606	31,606	31,606	31,606
2	Retained earnings	**54,421**	**54,421**	54,985	54,985	7,142	7,142
6	**Common Equity Tier 1 capital before regulatory adjustments**	**86,027**	**86,027**	86,591	86,591	38,748	38,748
	Common Equity Tier 1 capital: regulatory adjustments						
28	Total regulatory adjustments to Common Equity Tier 1	**(1,759)**	**(352)**	(1,836)	-	(7,779)	(4,281)
29	**Common Equity Tier 1 capital (CET1)**	**84,268**	**85,675**	84,755	86,591	30,969	34,467
45	**Tier 1 capital**	**84,268**	**85,675**	84,755	86,591	30,969	34,467
59	**Total capital**	**84,268**	**85,675**	84,755	86,591	30,969	34,467
60	**Total risk-weighted assets**	**159,127**	**160,535**	158,327	160,163	130,340	133,838
	Capital ratios						
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	**53.0%**	**53.4%**	53.5%	54.1%	23.8%	25.8%
62	Tier 1 (as percentage of risk-weighted assets)	**53.0%**	**53.4%**	53.5%	54.1%	23.8%	25.8%
63	Total capital (as percentage of risk-weighted assets)	**53.0%**	**53.4%**	53.5%	54.1%	23.8%	25.8%
	Assets-to-Capital Multiple		**5.31x**		5.00x		7.68x
	OSFI all-in target						
69	Common Equity Tier 1 capital all-in target ratio	**7.0%**	**N/A**	7.0%	N/A	7.0%	N/A
70	Tier 1 capital all-in target ratio	**8.5%**	**N/A**	8.5%	N/A	8.5%	N/A
71	Total capital all-in target ratio	**10.5%**	**N/A**	10.5%	N/A	10.5%	N/A

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

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 increased significantly in 2013 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 interim consolidated financial statements for the three months ended March 31, 2014.

The Corporation, like other financial institutions, is exposed to risks which include but are not limited to credit, liquidity, interest rate, legal, reputational, general economic conditions, operational errors, reliance on third party agents and outsourcing, competition, stock market volatility and government regulation, many of which are beyond the Corporation's direct control. A discussion of risks beyond credit, liquidity and interest rate risk can be found on pages 31 to 34 of the Corporation's MD&A for the year ended December 31, 2013.

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 fully 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, procedures and loss mitigation strategies will be sufficient to prevent an adverse effect on our profitability and financial condition. As part of the underwriting process, we rely heavily upon information supplied by both borrowers and third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

Our mortgage portfolio consists of uninsured residential mortgages. As a result, our primary credit risk relates to the potential for financial loss resulting from the failure of a borrower to fully honour their financial or contractual obligations, such as the failure to repay principal and/or interest on the mortgage**.** Our portfolio consists of residential mortgages originated under lending programs designed to serve 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 18: Impact of Interest Rate Shifts

($000s, except percentage amounts)	Increase	Decrease
	100 bps	
Impact on net interest income	$ 769	$ (770)
Impact on EVE	371	(437)
EVE impact as a % of common shareholders' equity	0.40%	(0.47%)
	200 bps	
Impact on net interest income	$ 1,481	$ (1,156)
Impact on EVE	688	(922)
EVE impact as a % of common shareholders' equity	0.74%	(0.99%)

ACCOUNTING STANDARDS AND POLICIES

Our significant accounting policies are disclosed in Note 2 to our audited consolidated financial statements for the year ended December 31, 2013.

Current changes in accounting policies

IFRIC 21 – Levies

IFRIC 21 provides guidance on the timing of when to recognize a liability to pay a levy, which is an outflow of resources embodying economic benefits that are imposed by a government authority. The adoption of IFRIC 21 did not impact the interim consolidated financial statements.

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, 2015. 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.

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 quarter ended March 31, 2014.

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.

During the first quarter of 2014, we conducted a detailed review of our underwriting processes and risk management controls related primarily to the documentation used in credit underwriting decisions. 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 and the beginning of the first quarter of 2014.

Management performed extensive testing of our mortgage loan portfolio and no significant issues were identified with respect to the quality or value of our real estate collateral. 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 of which are 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.

Other than steps taken to address the identified issues with our underwriting processes and risk management controls, there were no changes in our ICFR that occurred during the quarter ended March 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.

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 first quarter of 2014 related to both the Shareholder Action $4,270 ($3,138 after tax), and to independent consultants and external audit fees of $1,300 ($956 after tax) as a result of the Review. We also incurred one-time costs 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.

Table 19: Adjusted Net Earnings and Earnings Per Share

	For the three months ended				
($000, except per share amounts)	**March 31, 2014**	December 31, 2013	% Change	March 31, 2013	% Change
Net earnings (loss) from continuing operations	**$ (3,495)**	$ 235	(1587%)	$ (388)	(801%)
Adjustment for costs incurred in relation to the shareholder action settlement (net of tax)	**3,138**	404	677%	-	100%
Adjustment for costs incurred in relation to the Review and external audit (net of tax)	**956**	441	117%	-	100%
Adjusted net earnings (loss) from continuing operations	**$ 599**	$ 1,080	(45%)	$ (388)	254%
Adjusted basic earnings (loss) per share from continuing operations	$ 0.06	$ 0.12	(50%)	$ (0.04)	250%
Adjusted diluted earnings (loss) per share from continuing operations	$ 0.06	$ 0.11	(45%)	$ (0.04)	250%

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 April 30, 2014, we had 9,408,341 common shares outstanding and 339,667 stock options to purchase up to an aggregate of 339,667 common shares, with a weighted average exercise price of $9.17, expiring from May 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