EQUITY

Equity Financial Holdings Inc.

MANAGEMENT DISCUSSION & ANALYSIS

YEAR-ENDED DECEMBER 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 serves the Canadian alternative mortgage market by offering residential mortgage loans to non-prime and near-prime customers who do not meet the conventional underwriting standards of the major Canadian banks.

Table of Contents

Management’s Discussion and Analysis	p. 3	Capital Management	p. 24
The Business	p. 5	Risk Management	p. 26
Overall Performance	p. 6	Significant Accounting Estimates	p. 32
Outlook	p. 8	Accounting Standards and Policies	p. 32
Income Statement Review	p. 9	Control Reporting	p. 33
Discontinued Operations	p. 13	Non-IFRS Financial Measures	p. 34
Financial Position Review	p. 14	Disclosure of Outstanding Share Data	p. 35
Quarterly Financial Highlights	p. 18	Additional Information	p. 35
Fourth Quarter Performance	p. 19		

Contact Us:
Equity Financial Holdings Inc.
200 University Avenue, Suite 400
Toronto, Ontario M5H 4H1

Tel: 416.361.0152 Toll free: 1.855.272.0050
Fax: 416.342.0590

Website: www.equityfinancialtrust.com

For Shareholder Information, Please Contact:

Michael R. Jones, President and CEO
mjones@equityfinancialtrust.com

OR

Josh Reusing, Chief Financial Officer
jreusing@equityfinancialtrust.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Forward-Looking Statements

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

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

Forward-looking statements reflect the Corporation's current views with respect to future events and are subject to a number of risks and uncertainties. Actual results may differ materially from results contemplated by the forward-looking statements. Readers should not place undue reliance on such forward-looking statements as they reflect the Corporation's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Corporation, are inherently subject to significant business, economic, regulatory, competitive, political and social uncertainties and contingencies. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including among others, a significant

downturn in capital markets or the economy as a whole, errors or omissions by the Corporation in providing services to its customers, significant increases in the cost of complying with applicable regulatory requirements, civil unrest, economic recession, pandemics, war and acts of terrorism which may adversely impact the North American and global economic and financial markets, inability to raise funds through public or private financing, significant changes in interest rates, failure by the Corporation or its subsidiaries to meet ongoing regulatory obligations, the failure of borrowers or counterparties to honour their financial or contractual obligations to Equity Trust, failure by Equity Trust to adequately monitor and/or adjust its mortgage portfolio management practices for changing circumstances, failure by the Corporation to attract and to retain the necessary employees to meet its needs, failure by Equity Trust to adequately monitor the services provided by third party service providers or to establish alternative arrangements if required, failure by Equity Trust to secure sufficient deposits from securities dealers or a sufficient level of mortgage origination from its mortgage broker network, a failure of the computer systems of the Corporation or one or more of its service providers or the risks detailed from time-to-time in the Corporation's quarterly filings, annual information forms, annual reports and annual filings with securities regulators. The preceding list is not exhaustive of possible factors. The Corporation disclaims any intent or obligation to update or revise publicly any forward-looking statements whether as a result of new information, estimates, future events or results, or otherwise, unless required to do so by applicable laws.

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

THE BUSINESS

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

Mortgage Lending

Equity Trust provides residential mortgages to non-prime and near-prime customers, a market segment commonly referred to as the alternative mortgage market. We believe this market segment is underserved by existing lenders relative to the demand for alternative mortgages in Canada. Non-prime and near-prime borrowers are those who do not meet the conventional underwriting standards of the major Canadian banks. Alternative residential mortgage loans are often granted to self-employed individuals, new-comers to Canada and borrowers with an imperfect credit history. Equity Trust’s lending activities are currently concentrated in urban and suburban areas of Ontario.

Equity Trust sources its loans through mortgage brokers, who collectively originate approximately 30% 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 registered investment dealers across Canada, offering competitive rates on its Guaranteed Investment Certificates (“GICs”), for amounts of five thousand dollars and more for terms from 30 days up to five years.

All qualifying Equity Trust deposits are insured by the CDIC, 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: Bond Brand Loyalty (formerly Maritz Research) survey for CAAMP (Canadian Association of Accredited Mortgage Professionals), Fall 2014.

OVERALL PERFORMANCE

OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2014

Table 1: Financial Highlights

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

	For the years ended		
($000s, except share, per share and percentage amounts)	**December 31, 2014**	December 31, 2013	December 31, 2012
OPERATIONS			
Net interest income	**$ 12,855**	$ 10,328	$ 4,697
Reversal (increase) of provision for credit losses	**281**	(692)	(396)
Other income	**1,534**	998	357
Net interest income and other income, including reversal (increase) of credit losses	**14,670**	10,634	4,658
Net interest margin	**3.24%**	3.18%	3.10%
Net (loss) income			
Continuing	**$ (2,919)**	$ (327)	$ (1,958)
Discontinued	**-**	42,109	2,492
	(2,919)	41,782	534
(Loss) earnings per share - basic/diluted			
Continuing	**$ (0.30)/(0.30)**	$ (0.04)/(0.04)	$ (0.21)/(0.21)
Discontinued	**-/-**	4.56/4.51	0.27/0.27
	(0.30)/(0.30)	4.52/4.47	0.06/0.06
ROE from continuing operations (annualized) [1]	**(3.1%)**	(0.4%)	(3.8%)
ADJUSTED INCOME (LOSS) AND EPS			
Adjusted net income (loss) from continuing operations [2]	**$ 1,175**	$ 518	$ (1,958)
Adjusted earnings (loss) per share from continuing operations - basic/diluted [2]	**0.12/0.12**	0.06/0.06	(0.21)/(0.21)

As at	**December 31, 2014**	December 31, 2013	December 31, 2012
BALANCE SHEET			
Total assets	**$ 334,953**	$ 442,376	$ 251,442
Mortgages, net	**297,375**	394,812	198,147
Deposits	**235,597**	332,437	192,757
Shareholders' Equity	**94,851**	96,110	52,267
FINANCIAL STRENGTH			
Capital Measures [3]			
Regulatory Capital (all-in basis)	**$ 85,332**	$ 84,755	$ 35,001
Assets-to-Capital Multiple	**3.8x**	5.0x	6.6x
Common Equity Tier 1 Ratio (transitional basis)	**65.8%**	54.1%	28.7%
Share Information			
Book value per common share	**$ 9.98**	$ 10.28	$ 5.71
Common share price - close	**$ 10.35**	$ 12.35	$ 8.00
Common shares outstanding	**9,507,508**	9,345,840	9,155,007
Market Capitalization	**$ 98,403**	$ 115,421	$ 73,240

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

[2] Adjusted net income (loss) from continuing operations, adjusted basic earnings (loss) per share from continuing operations, adjusted diluted earnings (loss) per share from continuing operations are defined in the Non-IFRS Financial 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 2014 and 2013 and Basel II for 2012 (see Capital Management below).

The past two fiscal years have seen significant changes for the Corporation. Fiscal 2013 included the $64,000 sale of our transfer agent and corporate trust business, which greatly increased EFT's regulatory capital base and confirmed our strategic focus as an alternative mortgage lender. At the end of fiscal 2013 the Corporation became engaged in a shareholder action as a result of changes to the senior management team overseeing mortgage operations. Fiscal 2014 began with the resolution of the shareholder action and a review of our underwriting and risk management controls in the first quarter. These two events together led to a rebuilding process that included changes at the Board and CEO level, the establishment of a new senior management team and the reorganization of our underwriting and risk management infrastructure. Throughout this period of changes Equity has maintained a strong base of regulatory capital and liquidity and we have continued to generate income on our mortgage loan portfolio.

The following is a summary of significant events and results that occurred in 2014:

Underwriting Controls Review: During the first quarter of 2014, we conducted a Board-led 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 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 internal controls review and follow on work incurred in the first quarter of 2014 totalled $1,300.

Settlement of Shareholder Action: On February 26, 2014, the then Board of Directors approved a settlement agreement related to the shareholder action initiated in the fall of 2013 by 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 incurred in 2014 related to the shareholder action were $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.

Senior Management: The Corporation's senior management team was rebuilt during 2014, starting with the appointment of a new Chief Risk Officer in the first quarter and the permanent appointment of Michael Jones as Chief Executive Officer in May 2014. The second and third quarters of 2014 saw appointments to senior positions for sales and marketing, mortgage operations, information technology, treasury and internal audit, establishing an experienced management team with individual track records of success in the mortgage industry.

Operational reorganization: During the first quarter of 2014, following the underwriting controls review Equity Trust experienced significant turnover of its sales and underwriting staff. During the remainder of the year management focused on rebuilding Equity's mortgage originations team and capability, which included the implementation of process and system changes to both improve operational efficiency and enhance our enterprise risk management program.

Financial Highlights

As at December 31, 2014 we had an ending mortgage receivable balance of $297,375, which was a decrease of 25% as compared to the ending balance as at December 31, 2013. The net decrease in our mortgage loan portfolio as at December 31, 2014 reflects our rebuilding process and the relatively short term nature of our loans. For the year ended December 31, 2014 net interest income was $12,855 up 24% year over year and our net interest margin increased to 3.24% compared to 3.18% for the year ended December 31, 2013. Other income earned from mortgage fees was $1,534, up 54% year over year. In addition to the benefit of higher net

interest margins earned in the current year, the year over year increases in net interest and other income are a reflection of a higher average mortgage receivable balance compared to the prior year.

For the year ended December 31, 2014 we had a net loss from continuing operations of $2,919 or $0.30 per share. The net loss for 2014 was due to significant one-time costs incurred in the first quarter of 2014 totaling $5,570 ($4,094 after tax) mainly for legal and other advisory fees in respect of resolving the shareholder action, executive severance payments, independent consultant costs for the internal controls review and external audit fees. After removing the effect of one-time costs, our adjusted basic net income from continuing operations for the year ended December 31, 2014 was $1,175 or $0.12 per share, compared to adjusted basic net income from continuing operations of $518 or $0.06 per share for the year ended December 31, 2013.[2]

OUTLOOK

The Corporation's focus in 2015 will be on resuming growth in our mortgage loan portfolio. In fiscal 2014 our new leadership team reorganized our underwriting and risk management infrastructure and, in accordance with our plan, we continue to form new distribution arrangements with key mortgage broker relationships in parallel with building scalable mortgage processing capabilities. We expect loan book growth to be modest in the first half of 2015 with momentum created as we move into the second half of the fiscal year. Correspondingly, profitability at or near the break-even level, similar to our experience in the second half of fiscal 2014, is expected to continue while we focus on re-establishing a larger mortgage loan book.

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

---

[2] Adjusted basic net income from continuing operations and adjusted basic earnings per share from continuing operations are defined in the Non-IFRS Financial 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)

($000s, except per share and percentage amounts)	For the years ended December 31, 2014	December 31, 2013	% Change
Operating Results			
Net interest income	**$ 12,855**	$ 10,328	24%
Reversal (increase) of provision for credit losses	**281**	(692)	(141%)
Net interest income, including reversal (increase) of credit losses	**13,136**	9,636	36%
Other income	**1,534**	998	54%
Net interest income and other income, including reversal (increase) of credit losses	**14,670**	10,634	38%
Non-interest expenses	**18,415**	10,969	68%
(Loss) income before income taxes	**(3,745)**	(335)	1018%
Income tax recovery	**(826)**	(8)	10225%
Net (loss) income and comprehensive income			
Continuing operations	**(2,919)**	(327)	793%
Discontinued operations	**-**	42,109	(100%)
Total net (loss) income and comprehensive income	**$ (2,919)**	$ 41,782	(107%)
(Loss) earnings per share, basic:			
Continuing operations	**$ (0.30)**	$ (0.04)	650%
Discontinued operations	**-**	4.56	(100%)
Total earnings (loss) per share, basic	**(0.30)**	4.52	(107%)
(Loss) earnings per share, diluted:			
Continuing operations	**$ (0.30)**	$ (0.04)	650%
Discontinued operations	**-**	4.51	(100%)
Total earnings (loss) per share, diluted	**(0.30)**	4.47	(107%)
Return on equity from continuing operations (annualized)	**(3.1%)**	(0.4%)	

Net interest income

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

($000s, except percentage amounts)	December 31, 2014 Average Balance	December 31, 2014 Income / Expense	December 31, 2014 Average rate	December 31, 2013 Average Balance	December 31, 2013 Income / Expense	December 31, 2013 Average rate
Assets						
Cash and cash equivalents	**$ 46,692**	**$ 607**	**1.30%**	$ 54,077	$ 705	1.30%
Mortgage receivable	**359,661**	**19,126**	**5.31%**	288,470	15,186	5.26%
Total interest earning assets	**$ 406,353**	**$ 19,733**	**4.86%**	$ 342,547	$ 15,891	4.64%
Liabilities						
Deposits	**$ 311,434**	**$ 6,878**	**2.20%**	$ 252,576	$ 5,563	2.20%
Total interest bearing liabilities	**$ 311,434**	**$ 6,878**	**2.20%**	$ 252,576	5,563	2.20%
Net interest income per financial statements		**12,855**			10,328	
Net interest margin for mortgage portfolio [3]			**3.24%**			3.18%

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

Net interest income increased $2,527 or 24% to $12,855 for the year ended December 31, 2014, reflecting the higher average mortgage receivable balance compared to the year ended December 31, 2013. The average net interest margin earned on our mortgage portfolio for the year ended December 31, 2014 was 3.24%, compared to 3.18% for the year ended December 31, 2013. The increase in our average net interest margin includes the effect of our increased use of cash resources to fund mortgages.

Loans renewed at maturity became a majority of our portfolio balance by the end of fiscal 2014, resulting in a lower weighted average effective interest rate on the portfolio as at December 31, 2014 as these renewed loans have lower average yields. As a result management anticipates a decrease in average net interest margins for fiscal 2015.

Provision and allowance for credit losses

Table 4: Provision for Credit Losses

	For the years ended	
($000s)	**December 31, 2014**	December 31, 2013
(Reversal) increase of collective provision	**$ (345)**	$ 692
Provision for impaired loans	**64**	-
Total (reversal) increase of provision for credit losses	**$ (281)**	$ 692

Our collective provision for credit losses was a reversal of $345 for the year ended December 31, 2014, compared to an expense of $692 for the year ended December 31, 2013. The reversal of our collective provision in 2014 reflects the year over year net decrease 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 also incurred individual provision for credit losses of $64 during 2014, $49 of which was realized in the third quarter on final resolution of an impaired loan and the remaining $15 relates to an impaired loan identified during the fourth quarter. We classify a mortgage receivable as impaired when there is reasonable doubt as to the full collectability of principal or interest.

Table 5: Allowance for Credit losses

($000s except percentage amounts)	**December 31, 2014**	**% of Gross Loans**	December 31, 2013	% of Gross Loans
Allowance for credit losses				
Collective Allowance	**$ 1,041**	**0.35%**	$ 1,386	0.35%
Specific Allowance	**15**	**0.01%**	-	0.00%
Total	**$ 1,056**	**0.36%**	$ 1,386	0.35%

We have established an allowance for credit losses of $1,056 as at December 31, 2014, including $15 for a loan identified as impaired in the fourth quarter. The overall reduction in our allowance for credit losses for 2014 compared to 2013 corresponds to the year over year decline in the balance of our mortgage receivable assets.

Table 6: Past due loans

($000s except percentage amounts)	December 31, 2014	% of Net Loans	December 31, 2013	% of Net Loans
Past due loans				
1-30 days	**$ 21,722**	**7.30%**	$ 20,162	5.11%
31-60 days	**2,254**	**0.76%**	3,013	0.76%
61-90 days	**1,162**	**0.39%**	949	0.24%
> 90 days	**1,228**	**0.41%**	1,616	0.41%
Total	**$ 26,366**	**8.87%**	$ 25,740	6.52%

The increase in the percentage of past due loans at December 31, 2014 compared to the prior year reflects a small number of loans overdue in the 1 – 30 days category which were cured shortly after the end of the year.

A loan is considered past due when a borrower has not made a payment by the contractual due date. The table above presents the carrying value of mortgages that are past due but not classified as impaired either because collection efforts are reasonably expected to result in full repayment or they have been restored to current status in accordance with our collection policy since the balance sheet date.

The Corporation classifies loans as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest.

Other income

Other income includes fees charged for administration and servicing of our mortgage portfolio. For the year ended December 31, 2014 we earned other income of $1,534 an increase of $536 or 54% compared to other income of $998 earned in the year ended December 31, 2013.

Non-interest expenses

Table 7: Non-interest expenses

	For the years ended		
($000, except percentage amounts)	**December 31, 2014**	December 31, 2013	% Change
Non-interest expenses:			
Staffing costs	**$ 7,955**	$ 5,245	52%
Rent	**391**	454	(14%)
General and administration	**9,331**	4,556	105%
Amortization and depreciation	**738**	714	3%
Total non-interest expenses	**$ 18,415**	$ 10,969	68%

Non-interest expenses for 2014 include significant one-time costs incurred in the first quarter totalling $5,570. After adjusting out these one-time costs, the year over year increase in total non-interest expense reflects our investments in 2014 to hire new senior management and rebuild our operational infrastructure with new staff and enhanced policies and procedures. Additional details are provided below.

Staffing Costs – Costs for the year ended December 31, 2014 include $950 of termination costs paid for the Corporation's former CEO, identified as one-time costs in the first quarter of 2014. Involuntary staff turnover during our rebuilding process also resulted in additional termination costs incurred in 2014. Our ending headcount of fifty-two staff at December 31, 2014 was up compared to forty-eight at the end of the previous year and staffing costs were also higher in 2014 as a result of retention compensation plans put in place during the year.

Rent – The Corporation maintained the same lease arrangements throughout 2014 but benefitted from a cost recovery related to a property tax reassessment, resulting in a lower rent expense overall compared to 2013.

General and Administration – Increased costs for the year ended December 31, 2014 reflect one-time costs of $4,620 recognized in the first quarter for legal and other advisory fees in respect of a shareholder action and independent consultant costs and external audit fees related to an internal controls review compared with one-time costs of $1,150 incurred in the fourth quarter of 2013. The remainder of the year over year increase primarily reflects costs incurred in remediation of identified control weaknesses and regulatory fees.

Amortization and depreciation – Amortization and depreciation costs were consistent with the prior year.

Net income and earnings per share

Table 8: Earnings Per Share

($000s,except per share and percentage amounts)	For the years ended		
	December 31, 2014	December 31, 2013	Change
Net income (loss)			
Continuing operations	**$ (2,919)**	$ (327)	$ (2,592)
Discontinued operations[2]	**-**	42,109	(42,109)
Net income (loss) and total comprehensive income	**(2,919)**	41,782	(44,701)
Basic (loss) earnings per share from			
Continuing operations	**$ (0.30)**	$ (0.04)	$ (0.26)
Discontinued operations[2]	**-**	4.56	(4.56)
Basic (loss) earnings per share	**(0.30)**	4.52	(4.82)
Diluted (loss) earnings per share from	**-**		
Continuing operations	**$ (0.30)**	$ (0.04)	$ (0.26)
Discontinued operations[2]	**-**	4.51	(4.51)
Diluted (loss) earnings per share	**(0.30)**	4.47	(4.77)
ADJUSTED INCOME			
Adjusted net income from continuing operations [1]	**$ 1,175**	$ 518	127%
Adjusted earnings per share from continuing operations - basic [1]	**0.12**	0.06	100%
Adjusted earnings per share from continuing operations - diluted [1]	**0.12**	0.06	100%

[1] Adjusted net income 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 Financial Measures section of this MD&A.

[2] See "Discontinued Operations" below.

For the year ended December 31, 2014 our continuing operations generated a net loss of $2,919 or $0.30 per share compared to a net loss of $327 or $0.04 per share for the year ended December 31, 2013. The current year net loss was due to significant one-time costs incurred in the first quarter of 2014 totaling $5,570 ($4,094 after tax) for legal and other advisory fees in respect of resolving a shareholder action, executive severance payments and independent consultant costs for an internal controls review. After removing the effect of one-time costs, our adjusted net income from continuing operations for the year ended December 31, 2014 were $1,175 or $0.12 per share, compared to adjusted net income from continuing operations of $518 or $0.06 per share for the year ended December 31, 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.

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

For further information on our discontinued operations see note 13 of our consolidated financial statements.

Discontinued Operations

Table 9: Results of Discontinued Operations

	For the years ended	
($000s)	**December 31, 2014**	December 31, 2013
Net loss before gain on sale	**$ -**	$ (1,741)
Gain on sale, net of tax	**-**	43,850
Net income from discontinued operations	**$ -**	$ 42,109

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

FINANCIAL POSITION REVIEW

Table 10: Balance Sheet Highlights

	As at		Change	
($000s, except percentage amounts)	**December 31, 2014**	December 31, 2013	$	%
Assets				
Cash and cash equivalents	**$ 33,231**	$ 43,376	$ (10,145)	(23%)
Mortgages receivable, net	**297,375**	394,812	(97,437)	(25%)
Other assets	**4,347**	4,188	159	4%
Total Assets	**$ 334,953**	$ 442,376	$ (107,423)	(24%)
Liabilities				
Customer deposits	**$ 235,597**	$ 332,437	$ (96,840)	(29%)
Other liabilities	**4,505**	13,829	(9,324)	(67%)
Total liabilities	**$ 240,102**	$ 346,266	$ (106,164)	(31%)
Shareholders' equity	**94,851**	96,110	(1,259)	(1%)
Total liabilities and shareholders' equity	**$ 334,953**	$ 442,376	$ (107,423)	(24%)

Total assets as at December 31, 2014 were $334,953, a decrease of $107,423 or 24% compared to the balance as at December 31, 2013. The decrease in total assets was due to both the decline in our mortgage receivable balance by $97,437 or 25% and the decrease in our cash balance by $10,145 or 23% (see "Liquidity Resources"). Total liabilities as at December 31, 2014 were $240,102, a decrease of $106,164 or 31% compared to the balance as at December 31, 2013. The decrease in total liabilities was mainly due to a decrease in customer deposits of $96,840 or 29% with the remainder due primarily to the payment of accrued taxes related to the Transaction. The decrease in our customer deposits balance corresponds to the decrease in our mortgages receivable balance.

Liquidity Resources

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

Table 11: Cash and cash equivalents

($000s, except percentage amounts)	As at			Change over	
		December 31, 2014	December 31, 2013	$	%
Deposits with regulated financial institutions	$	**28,239**	$ 43,376	$ (15,137)	(35%)
Short-term investments		**4,992**	-	4,992	100%
Total Cash and cash equivalents	$	**33,231**	$ 43,376	$ (10,145)	(23%)

Cash and cash equivalents as at December 31, 2014 decreased by $10,145 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 years ended			Change	
		December 31, 2014	December 31, 2013	$	%
Cash flows used in operating activities	$	**(11,305)**	$ (56,373)	$ 45,068	80%
Cash flows provided by financing activities		**1,251**	1,586	(335)	(21%)
Cash flows (used in) provided by investing activities		**(91)**	63,734	(63,825)	(100%)

Cash used in operating activities

Cash flow used in operating activities was $11,305 for the twelve months ended December 31, 2014, a decrease of $45,068, or 80% compared to cash used in operating activities for the same period in 2013. Decreases to our deposit liability and mortgages receivable balances constitute the largest sources of operating outflows and inflows respectively. For the year ended December 31, 2014 we had net inflows of $97,767 from the decrease in our gross mortgages receivable balance, offset by net outflows of $96,840 due to maturing customer deposits. The net cash outflow from operating activities includes $7,227 to pay accrued taxes primarily related to the Transaction and the remainder of the cash outflow mainly reflects the payment of one-time costs incurred in the first quarter of 2014.

Cash flow from financing activities

Cash flow from financing activities for the year ended December 31, 2014 decreased by $335 or 21%, to $1,251 compared to the same period in 2013. Cash flows from financing activities in both 2014 and 2013 represent proceeds from the exercise of employee and director stock options.

Cash flow used in investing activities

We did not use significant cash flow for investing activities for the year ended December 31, 2014. For the comparable period in 2013 the cash inflow of $63,734 primarily reflects the proceeds from the Transaction.

Mortgages receivable

Table 13: Mortgage Production & Portfolio Highlights

	For the years ended		
($000s, except percentage and year figures)	**December 31, 2014**	December 31, 2013	December 31, 2012
Mortgage originations	**$ 70,602**	$ 279,057	$ 146,828
Average loan-to-value ratio at origination	**72.3%**	73.1%	72.6%
As at			
Mortgages receivable, net	**297,375**	394,812	198,147
Mortgages receivable due in one year	**205,417**	280,613	145,774
Weighted average term to maturity in years	**1.0**	0.9	0.9
Weighted average effective interest rate	**5.10%**	5.31%	5.34%
Weighted average amortization period in years	**31.3**	33.0	33.1

For the year ended December 31, 2014, we originated mortgages of $70,602, a decrease of $208,455 or 75% compared to originations for the year ended December 31, 2013. The decline in our mortgage origination volume reflects the impact of our 2014 rebuilding process that included changes at the Board and CEO level, the establishment of a new senior management team and the reorganization of our underwriting and risk management infrastructure. As at December 31, 2014, the Corporation had outstanding commitments to make future advances on mortgage loans of $9.9 million for various dates through to February 2015.

Mortgages receivable consist of uninsured loans with terms up to five years for the purchase or refinancing of single-family homes in urban and suburban areas of Ontario. As at December 31, 2014, the amount of mortgages due within one year is $205,417, the weighted average term to maturity of the portfolio is 1.0 year with a weighted average amortization period of 31.3 years. Also as at December 31, 2014 the weighted average effective interest rate of the portfolio is 5.10%, which declined compared to 5.31% as at December 31, 2013. The decline in the weighted average effective interest rate of the portfolio reflects lower average yields on loans renewed at maturity, which became a larger proportion of our total portfolio during 2014.

Customer Deposits

Table 14: Customer Deposits

	As at		
($000s)	**December 31, 2014**	December 31, 2013	December 31, 2012
Customer deposits	**$ 235,597**	$ 332,437	$ 192,757
Customer deposits due in one year	**162,177**	247,666	162,732
Weighted average term to maturity in years	**1.0**	0.9	0.7
Weighted average effective interest rate	**2.24%**	2.23%	2.24%

Customer deposits consist of GICs, which are sold through registered investment dealers, with fixed maturity dates and a weighted average term to maturity of 1.0 years. As at December 31, 2014, the portion of customer deposits due within one year is $162,177 and the weighted average effective interest rate paid on deposits is 2.24%.

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".

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

Table 15: Financial Assets and Liabilities

December 31, 2014	Loans and Receivables/Financial Liabilities at Amortized Cost	Carrying Value	Fair Value	Fair Value (Under) Over Carrying Value
Financial assets:				
Mortgages receivable, net	297,375	297,375	297,236	(139)
Total financial assets	$ 297,375	$ 297,375	$ 297,236	$ (139)
Financial liabilities:				
Customer deposits	235,597	235,597	236,000	403
Total financial liabilities	$ 235,597	$ 235,597	$ 236,000	$ 403

Contractual commitments and contingencies

The Corporation has entered into operating lease agreements to lease office space, expiring in 2017 for our Toronto office. 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 the time of renewal. The Corporation has sublet part of its Toronto lease and the remainder of its Vancouver lease, expiring in 2017 and 2015 respectively, for space previously occupied by our discontinued transfer agent and corporate trust services business (see Discontinued Operations).

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 Corporation has also entered into a vendor service agreement expiring in 2019.

Table 16: Commitments

The future minimum payments for commitments are as follows:

	For the year ended December 31, 2014			
	Not later than one year	Later than one year and not later than five years	Later than five years	Total
Office space lease agreements	$ 1,138	$ 1,149	$ -	$ 2,287
Sub-tenant recoveries	(561)	(541)	-	(1,102)
Software license and maintenance agreements	207	79	-	286
Vendor service agreement	128	511	-	639
Total commitments	$ 912	$ 1,198	$ -	$ 2,110

QUARTERLY FINANCIAL HIGHLIGHTS

Table 16: Summary of Quarterly Results

($000s, except per share amounts)	2014				2013			
Operating results	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	**$ 2,805**	$ 3,213	$ 3,389	$ 3,448	$ 3,386	$ 2,828	$ 2,306	$ 1,808
Reversal (increase)in provision for credit losses	**88**	146	105	(58)	(134)	(281)	(176)	(101)
Other income	**340**	407	409	378	346	293	212	147
Net interest income and other income, including recovery of (provision for) credit losses	**3,233**	3,766	3,903	3,768	3,598	2,840	2,342	1,854
Non-interest expenses	**3,451**	3,053	3,451	8,460	3,296	3,037	2,315	2,321
Net (loss) income from continuing operations	**(229)**	535	270	(3,495)	235	(175)	1	(388)
Net income (loss) from discontinued operations	**-**	-	-	-	-	-	42,747	(638)
Total net (loss) income and total comprehensive income	**(229)**	535	270	(3,495)	235	(175)	42,748	(1,026)
Basic (loss) earnings per share from continuing operations	**$ (0.02)**	$ 0.06	$ 0.03	$ (0.37)	$ 0.03	$ (0.02)	$ -	$ (0.04)
Basic earnings (loss) per share discontinued operations	**-**	-	-	-	-	-	4.66	(0.07)
Basic (loss) earnings per share	**(0.02)**	0.06	0.03	(0.37)	0.03	(0.02)	4.66	(0.11)
Diluted (loss) earnings per share from continuing operations	**(0.02)**	0.06	0.03	(0.37)	0.02	(0.02)	-	(0.04)
Diluted earnings (loss) per share from discontinued operations	**-**	-	-	-	-	-	4.60	(0.07)
Diluted (loss) earnings per share	**(0.02)**	0.06	0.03	(0.37)	0.02	(0.02)	4.60	(0.11)
Dividends	**-**	-	-	-	-	-	-	-
Balance sheet highlights								
Cash and cash equivalents	**$ 33,231**	$ 36,479	$ 39,151	$ 60,633	$ 43,376	$ 47,826	$ 55,507	$ 37,463
Mortgage receivables, net	**297,375**	326,393	364,563	397,036	394,812	356,565	276,550	226,876
Total assets	**334,953**	367,590	409,043	463,137	442,493	409,130	337,923	282,179
Customer deposits	**235,597**	269,176	310,712	362,906	332,437	301,306	230,840	224,913
Total liabilities	**240,102**	272,840	315,178	370,331	346,383	313,565	242,730	230,840
Shareholders' equity	**94,851**	94,750	93,865	92,806	96,110	95,565	95,193	51,339

Net interest income has increased or decreased each quarter in line with the change in the size of our mortgage portfolio. The net loss from continuing operations in the first quarter of 2014 reflects significant one-time costs incurred for legal and other advisory fees in respect of resolving a shareholder action, executive severance payments and independent consultant costs for an internal controls review. 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 of 2013 reflect the related gain on sale.

FOURTH QUARTER PERFORMANCE

Table 17: Financial Highlights for the fourth quarter

	For the three months ended		
($000s, except share, per share and percentage amounts)	**December 31, 2014**	September 30, 2014	December 31, 2013
OPERATIONS			
Net interest income	**$ 2,805**	$ 3,213	$ 3,386
Reversal (increase) of provision for credit losses	**88**	146	(134)
Other income	**340**	407	346
Net interest income and other income, including reversal (increase) of credit losses	**3,233**	3,766	3,598
Net interest margin	**3.19%**	3.34%	3.20%
Net income (loss)			
Continuing	**$ (229)**	$ 535	$ 235
Discontinued	**-**	-	-
	(229)	535	235
Earnings (loss) per share - basic/diluted			
Continuing	**$ (0.02)/(0.02)**	$ 0.06/0.06	$ 0.03/0.02
Discontinued	**-/-**	-/-	-/-
	(0.02)/(0.02)	0.06/0.06	0.03/0.02
ROE from continuing operations (annualized) [1]	**(1.0%)**	2.3%	1.0%
ADJUSTED (LOSS) INCOME AND EPS			
Adjusted net (loss) income from continuing operations [2]	**$ (229)**	$ 535	$ 1,080
Adjusted (loss) earnings per share from continuing operations - basic/diluted [2]	**(0.02)/(0.02)**	0.06/0.06	0.12/0.11

As at	**December 31, 2014**	September 30, 2014	December 31, 2013
BALANCE SHEET			
Total assets	**$ 334,953**	$ 367,590	$ 442,376
Mortgages, net	**297,375**	326,393	394,812
Deposits	**235,597**	269,176	332,437
Shareholders' Equity	**94,851**	94,750	96,110
FINANCIAL STRENGTH			
Capital Measures [3]			
Regulatory Capital (all-in basis)	**$ 85,332**	$ 84,786	$ 84,755
Assets-to-Capital Multiple	**3.8x**	4.2x	5.0x
Common Equity Tier 1 Ratio (transitional basis)	**65.8%**	60.7%	54.1%
Share Information			
Book value per common share	**$ 9.98**	$ 9.97	$ 10.28
Common share price - close	**$ 10.35**	$ 9.13	$ 12.35
Common shares outstanding	**9,507,508**	9,507,508	9,345,840
Market Capitalization	**$ 98,403**	$ 86,804	$ 115,421

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

[2] Adjusted net income (loss) from continuing operations, adjusted basic earnings (loss) per share from continuing operations, adjusted diluted earnings (loss) per share from continuing operations are defined in the Non-IFRS Financial 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).

Net interest income

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

	For the three months ended								
($000s, except percentage amounts)	**December 31, 2014**			September 30, 2014			December 31, 2013		
	Average Balance	**Income / Expense**	**Average rate**	Average Balance	Income / Expense	Average rate	Average Balance	Income / Expense	Average rate
Assets									
Cash and cash equivalents	**$ 36,927**	**$ 121**	**1.30%**	$ 35,401	$ 116	1.30%	$ 40,589	$ 133	1.30%
Mortgage receivable	**310,592**	**4,101**	**5.24%**	345,123	4,696	5.40%	376,778	4,983	5.25%
Total interest earning assets	**$ 347,519**	**$ 4,222**	**4.82%**	$ 380,524	$ 4,812	5.02%	$ 417,367	$ 5,116	4.86%
Liabilities									
Deposits	**$ 252,367**	**$ 1,417**	**2.22%**	$ 284,619	$ 1,599	2.23%	$ 309,940	$ 1,730	2.21%
Total interest bearing liabilities	**252,367**	**1,417**	**2.22%**	284,619	1,599	2.23%	309,940	1,730	2.21%
Net interest income per financial statements		**2,805**			3,213			3,386	
Net interest margin for mortgage portfolio [3]			**3.19%**			3.34%			3.20%

Net interest income for the fourth quarter of 2014 decreased by $408 or 13% compared to the third quarter and by $581 or 17% compared to the fourth quarter of 2013, reflecting the decline in the size of our mortgage loan book. The average net interest margin earned on our mortgage portfolio in the fourth quarter of 2014 was comparable to the fourth quarter of 2013 at 3.19% and 3.20% respectively. The decline in average net interest margin to 3.19% in the fourth quarter of 2014 compared to 3.34% in the third quarter of 2014 reflects lower average yields on loans renewed at maturity. Renewed loans became a majority of the total portfolio balance by the fourth quarter of 2014.

Provision for credit losses

Our provision for credit losses for the fourth quarter of 2014 was a reversal of $88 compared to a reversal of $146 in the third quarter of 2014 and an expense of $134 in the fourth quarter of 2013. These changes in the amount of our quarterly provision for credit losses primarily reflect the net change in our mortgages receivable balance in each respective quarter. The net reversal for the fourth quarter of 2014 also includes an individual provision for credit losses of $15 related to a newly identified impaired loan.

Other income for the fourth quarter

Other income includes fees charged for administration and servicing of our mortgage portfolio. Other income for the fourth quarter of 2014 has decreased by $67 or 16% compared to the third quarter of 2014 and by $6 or 2% compared to the fourth quarter of 2013, reflecting the decline in the size of our mortgage loan book.

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

Non-interest expenses for the fourth quarter

Table 19: Non-interest expenses for the fourth quarter

($000, except percentage amounts)	For the three months ended				
	December 31, 2014	September 30, 2014	% Change	December 31, 2013	% Change
Non-interest expenses:					
Staffing costs	**$ 1,699**	$ 1,819	(7%)	$ 1,087	56%
Rent	**62**	102	(39%)	57	9%
General and administration	**1,461**	963	52%	1,933	(24%)
Amortization and depreciation	**229**	169	36%	219	5%
Total non-interest expenses	**$ 3,451**	$ 3,053	13%	$ 3,296	5%

Staffing Costs – Fourth quarter 2014 staffing costs decreased compared to the third quarter of 2014 by 7% due to termination costs incurred in the third quarter.

The increase in year-over-year fourth quarter staffing costs reflects the growth in our staff headcount from forty-eight at the end of 2013 to fifty-two at the end of 2014 and also retention compensation plans put in place during 2014.

Rent – The Corporation maintained the same lease arrangements throughout 2014 but benefitted from a cost recovery related to a property tax reassessment in the fourth quarter, resulting in a lower rent expense overall compared to the third quarter. Rent expense for the fourth quarter of 2013 included a recovery of previously estimated costs to exit unneeded lease arrangements following the Transaction.

General and Administration – The 52% increase in general and administration costs in the fourth quarter of 2014 compared to the third quarter of 2014 was due to investments in marketing, recruiting, training and performance management consulting to prepare for fiscal 2015, as well as higher professional fees for legal and external audit.

The fourth quarter of 2013 included one-time costs of $1,150 related to the shareholder action and external audit fees and as such, despite the noted increase in costs compared to the third quarter of 2014, fourth quarter costs were down year-over-year.

Amortization and depreciation – Amortization and depreciation costs increased in the fourth quarter of 2014 compared to the third quarter of 2014 due to revised estimates of the useful lives of certain software assets.

Net income and earnings per share for the fourth quarter

Table 20: Earnings Per Share

($000s,except per share and percentage amounts)	For the three months ended December 31, 2014	September 30, 2014	Change	December 31, 2013	Change
Net (loss) income					
Continuing operations	**$ (229)**	$ 535	$ (764)	$ 235	$ (464)
Discontinued operations[2]	**-**	-	-	-	-
Net income (loss) and total comprehensive income	**(229)**	535	(764)	235	(464)
Basic (loss) earnings per share from					
Continuing operations	**$ (0.02)**	$ 0.06	$ (0.08)	$ 0.03	$ (0.05)
Discontinued operations[2]	**-**	-	-	-	-
Basic (loss) earnings per share	**(0.02)**	0.06	- 0.08	0.03	(0.05)
Diluted (loss) earnings per share from					
Continuing operations	**$ (0.02)**	$ 0.06	$ (0.08)	$ 0.02	$ (0.04)
Discontinued operations[2]	-	-	-	-	-
Diluted (loss) earnings per share	**(0.02)**	0.06	(0.08)	0.02	(0.04)
ADJUSTED INCOME					
Adjusted net (loss) income from continuing operations [1]	**$ (229)**	$ 535	(143%)	$ 1,080	(121%)
Adjusted (loss) earnings per share from continuing operations - basic [1]	**(0.02)**	0.06	(133%)	0.12	(117%)
Adjusted (loss) earnings per share from continuing operations - diluted [1]	**(0.02)**	0.06	(133%)	0.11	(118%)

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

[2] See "Discontinued Operations".

For the fourth quarter of 2014 we generated a net loss of $229 or $0.02 per share from continuing operations compared to net income of $535 or $0.06 per share in the third quarter of 2014 and net income of $235 or $0.03 per share in the fourth quarter of 2013. Net income for the fourth quarter of fiscal 2013 include the effect of one-time costs that totaled $1,150 ($845 after tax), related to both the shareholder action and to external audit fees and after removing their effect our calculated adjusted net income from continuing operations is $1,080 or $0.12 per share.[6] The adjusted net loss for the fourth quarter of 2014 compared to the adjusted net income for both the third quarter of 2014 and the fourth quarter of 2013 reflects the decline in net interest and other income corresponding to the decline of our mortgage loan book as well as higher operating costs absorbed in the fourth quarter of 2014.

[6] Adjusted net income 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 and customer deposits

Table 21: Mortgage & Deposit Production for the fourth quarter

	For the three months ended		
($000s, except percentage and year figures)	**December 31, 2014**	September 30, 2014	December 31, 2013
Mortgage originations	**$ 19,061**	$ 16,839	$ 62,876
Average loan-to-value ratio at origination	**73.5%**	71.4%	73.2%
As at			
Mortgages receivable, net	**297,375**	326,393	394,812
Customer deposits	**235,597**	269,176	332,437

During the fourth quarter of 2014 we originated mortgages of $19,061, an increase of $2,222 or 13% compared to originations in the third quarter of 2014 and a decrease of 43,815 or 70% compared to the fourth quarter of 2013. The year over year decline in our mortgage origination volume reflects the impact of our 2014 rebuilding process that included changes at the Board and CEO level, the establishment of a new senior management team and the reorganization of our underwriting and risk management infrastructure. Our mortgage receivable balance was $297,375 as at December 31, 2014, a decrease of 9% compared to the balance as at September 30, 2014 and a decrease of 25% compared to the balance as at December 31, 2013.

For the fourth quarter of 2014, our customer deposits balance decreased $33,579 or 12% compared to September 30, 2014 and decreased $96,840 or 29% compared to December 31, 2013. The decrease in our customer deposits balance corresponds to the decrease in our mortgages receivable balance.

CAPITAL MANAGEMENT

2014 Requirements

Equity Trust's Capital Management Policy governs the quantity and quality of its capital, ensuring it meets minimum regulatory requirements, is consistent with our risk appetite framework, and supports our business plans. Our internal capital adequacy assessment process ("ICAAP") is integral to our capital planning activities and incorporates a stress testing program that evaluates the impact potential scenarios have on income and capital. Regulatory capital requirements addressed by our policy include the 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 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 December 31, 2014, Equity Trust held CET1 on an "all-in" basis of $84,786 compared with $84,755 as at December 31, 2013. 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 September 30, 2014 was $86,052.

2015 Requirements

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

Management has evaluated the LRG and does not anticipate any negative effect to our business plan as a result of implementing the Basel III leverage ratio framework in 2015.

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

(000s except percentage amounts)

		As at					
		December 31, 2014		September 30, 2014		December 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	**32,606**	**32,606**	31,606	31,606	31,606	31,606
2	Retained earnings	**54,183**	**54,183**	54,762	54,762	54,985	54,985
6	**Common Equity Tier 1 capital before regulatory adjustments**	**86,789**	**86,789**	86,368	86,368	86,591	86,591
	Common Equity Tier 1 capital: regulatory adjustments						
28	Total regulatory adjustments to Common Equity Tier 1	**(1,457)**	**(291)**	(1,582)	(316)	(1,836)	-
29	**Common Equity Tier 1 capital (CET1)**	**85,332**	**86,498**	84,786	86,052	84,755	86,591
45	**Tier 1 capital**	**85,332**	**86,498**	84,786	86,052	84,755	86,591
59	**Total capital**	**85,332**	**86,498**	84,786	86,052	84,755	86,591
60	**Total risk-weighted assets**	**130,181**	**131,347**	140,390	141,656	158,327	160,163
	Capital ratios						
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	**65.5%**	**65.8%**	60.4%	60.7%	53.5%	54.1%
62	Tier 1 (as percentage of risk-weighted assets)	**65.5%**	**65.8%**	60.4%	60.7%	53.5%	54.1%
63	Total capital (as percentage of risk-weighted assets)	**65.5%**	**65.8%**	60.4%	60.7%	53.5%	54.1%
	Assets-to-Capital Multiple		**3.8x**		4.2x		5.0x
	Leverage Ratio	**26.1%**		23.5%		19.5%	
	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.

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 has a strong capital base to support its growth objectives in alternative mortgage lending. We may, however, require further capital from time to time to pursue strategic initiatives or to develop future related lines of business.

RISK MANAGEMENT

The shaded areas of this section of the MD&A represent a discussion of risk management policies and procedures relating to credit, liquidity and interest rate risks that are required under *IFRS 7 Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. Therefore, the shaded areas presented in this Risk Management section form an integral part of the consolidated financial statements for the year ended December 31, 2014.

Credit Risk

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

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

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

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

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

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 required under Basel III and included in the Liquidity Adequacy Requirements Guideline (“LARG”) issued by OSFI in May 2014:

- Liquidity Coverage Ratio (“LCR”): the ratio of the Equity Trust’s cash reserve to net cash inflows and outflows for a specified time horizon; and
- Net Stable Funding Ratio (“NSFR”): the ratio of the Equity Trust’s liabilities to assets adjusted by factors that represent their inherent stability or permanence.

These requirements are supplemented by additional supervisory monitoring metrics including the OSFI-designed Net Cumulative Cash Flow (NCCF). Regulatory reporting requirements under the LARG will become effective January 1, 2015.

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	$ 336	$ (361)
Impact on EVE	(449)	455
EVE impact as a % of common shareholders' equity	(0.5%)	0.5%
	200 bps	
Impact on net interest income	$ 656	$ (611)
Impact on EVE	(906)	560
EVE impact as a % of common shareholders' equity	(1.0%)	0.6%

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.

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.

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.

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.

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

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.

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 income 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 to finance growth in our mortgage business. 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.

SIGNIFICANT ACCOUNTING ESTIMATES

To prepare the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. The significant accounting estimates that require management to make significant judgments are outlined in Note 2 to the 2014 Audited Financial Statements. Key areas where management has made estimates and applied judgment include allowance for credit losses, intangible assets, and income taxes. Estimates and underlying assumptions are continually evaluated by management based on historical experience, other external factors, and for certain estimates, expectations of future events that are believed to be reasonable under the current circumstances. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions used. Actual results could differ from these estimates.

ACCOUNTING STANDARDS AND POLICIES

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

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 on January 1, 2014 did not materially impact the 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

On July 24, 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces all earlier versions of the standard and completes the IASB’s project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard will come into effect on January 1, 2018 with early adoption permitted. 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 December 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 (COSO), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In May 2013, COSO issued its updated Internal Control Integrated Framework, which superseded the original framework on December 16, 2014. The adoption of the updated framework did not have a material impact on our ICFR.

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 internal controls review, the Board and management 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 implemented 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 remediated 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 year ended December 31, 2014 that materially affected or are reasonably likely to materially affect, the reliability of our financial reporting or the preparation of our financial statements for external purposes.

NON-IFRS FINANCIAL MEASURES

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

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

Our net income was 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 consultant and external audit fees of $1,300 ($956 after tax) as a result of an internal controls review. Prior year net income was also affected by one-time costs incurred in the fourth quarter of 2013 related to the same shareholder action of $550 ($404 after tax) and external audit fees of $600 ($441 after tax) for additional audit work performed as a result of the internal controls review. The table below provides a reconciliation of net income (loss) from continuing operations to adjusted net income (loss) from continuing operations.

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

	For the three months ended					For the years ended						
($000, except per share and percentage amounts)	**December 31, 2014**	September 30, 2014	% Change	December 31, 2013	% Change	**December 31, 2014**	December 31, 2013	% Change	December 31, 2012	% Change
Net (loss) income from continuing operations	**$ (229)**	$ 535	(143%)	$ 235	(197%)	**$ (2,919)**	$ (327)	(793%)	$ (1,958)	(49%)
Adjustment for costs incurred in relation to the shareholder action settlement (net of tax)	**-**	-	0%	404	(100%)	**3,138**	404	677%	-	100%
Adjustment for costs incurred in relation to the review and external audit (net of tax)	**-**	-	0%	441	(100%)	**956**	441	117%	-	100%
Adjusted net (loss) income from continuing operations	**$ (229)**	$ 535	(143%)	$ 1,080	(121%)	**$ 1,175**	$ 518	127%	$ (1,958)	160%
Adjusted basic (loss) earnings per share from continuing operations	**$ (0.02)**	$ 0.06	(133%)	$ 0.12	(117%)	**$ 0.12**	$ 0.06	100%	$ (0.21)	157%
Adjusted diluted (loss) earnings per share from continuing operations	**$ (0.02)**	$ 0.06	(133%)	$ 0.11	(118%)	**$ 0.12**	$ 0.06	100%	$ (0.21)	157%

Net interest margin

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

Return on equity (“ROE”)

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

DISCLOSURE OF OUTSTANDING SHARE DATA

Our common shares trade on the TSX under the symbol "**EQI**". Our authorized share capital consists of an unlimited number of common shares without par value. As at February 12, 2015 we had 9,527,508 common shares outstanding and 583,000 stock options to purchase up to an aggregate of 583,000 common shares, with a weighted average exercise price of $9.79, expiring from March 2015 to December 2019.

ADDITIONAL INFORMATION

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