Management's Discussion and Analysis

FOR THE THREE MONTHS ENDED
MARCH 31, 2017

STREET CAPITAL GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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STREET CAPITAL GROUP INC.
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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the results of operations of Street Capital Group Inc. ("Street Capital" or "the Company") for the three months ended March 31, 2017, and its financial condition as at March 31, 2017, is based on the Company's condensed consolidated interim financial statements prepared in accordance with accounting principles generally accepted in Canada ("GAAP"), which incorporate International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016. The effective date of this MD&A is May 9, 2017.

The discussion and analysis are primarily concerned with the Company's wholly owned subsidiary, Street Capital Bank of Canada ("Street Capital Bank" or the "Bank", formerly "Street Capital Financial Corporation"), which carries out the majority of the Company's operations. Effective February 1, 2017, Street Capital Financial Corporation has continued as Street Capital Bank of Canada and has commenced its operations as a federally regulated financial institution.

This MD&A contains non-GAAP measures that the Company uses to isolate the core operations and results of Street Capital Bank. These non-GAAP measures, and a glossary of terms used in this MD&A and the audited consolidated financial statements, are presented in the last section of this MD&A.

Additional information about the Company, including its continuous disclosure materials consisting of its interim filings, this MD&A, audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular, can be found on the Company's website at *www.streetcapital.ca* and on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at *www.sedar.com*.

At May 9, 2017 the Company had 121,580,238 common shares issued and outstanding.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and forward-looking information (collectively, forward-looking statements) that are based on management's exercise of business judgment as well as estimates, projections and assumptions made by, and information available to, management at the time the statement was made. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend", "forecast", "project" and "plan", and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect management's current view of future events and are subject to certain risks and uncertainties as outlined in this MD&A and in the Company's Annual Information Form and other filings made with securities regulators, which are available on SEDAR (www.sedar.com). These factors include, without limitation: expansion opportunities, technological changes, regulatory changes or regulatory requirements, changes to mortgage insurance rules, and changes to the business and economic environment, including, but not limited to, Canadian housing market conditions and activity, interest rates, mortgage backed securities markets, and employment conditions, which may impact the Company, its mortgage origination volumes, launch of new products at planned times, investments, and capital expenditures, and competitive factors that may impact revenue and operating costs. Any of these factors, amongst others, could cause actual results to vary materially from current results or from the Company's currently anticipated future results and financial condition. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation, and does not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although management believes that its expectations are based on reasonable assumptions, management can give no assurance that its expectations will materialize.

BUSINESS PROFILE

Street Capital (TSX: SCB) was established to create shareholder value by building a substantial, diversified financial services company. The Company's operations are currently concentrated in residential mortgage lending through its wholly owned subsidiary, Street Capital Bank (*www.streetcapital.ca*), which was founded in 2007, was approved on December 13, 2016 to commence business operations as a federally regulated Schedule I bank, and, as discussed in more detail below, began banking operations on February 1, 2017. Street Capital Bank was founded by members of its current senior management team, all of whom have previously occupied senior management positions at large Canadian financial institutions. Prior to obtaining its Schedule I bank license, Street Capital Bank established itself as one of the largest non-bank mortgage lenders in Canada, with a number four broker market share position at December 31, 2016.[1]

In prior years, the Company also had operations in other business areas, namely case goods, through Fleetwood Fine Furniture LP, asset liquidation, through Heritage Global Inc., and real estate. In the first quarter of 2013, the Company's board of directors (the "Board of Directors") approved a plan to dispose of these non-core operating business segments in order to focus on financial services through Street Capital Bank, and the dispositions were completed by the end of the first quarter of 2014. Please see *Legacy Business*, below for a more detailed discussion.

BUSINESS OVERVIEW

Prime Residential Lending

Since inception 10 years ago the Bank's core operations have centered on the origination and subsequent sale of both high ratio and conventional prime residential mortgages at competitive interest rates in all provinces of Canada, with the current exception of Quebec. In 10 years this business line has grown from a standing start to almost $28 billion in mortgages under administration ("MUA"). Prime residential mortgages are originated primarily through the Bank's network of high quality independent mortgage brokers. The majority of the mortgages underwritten are subsequently sold at the time of commitment to top-tier regulated financial institutions in return for a cash premium, a servicing fee over the life of the mortgage, and, in some cases, an excess interest rate spread over the life of the mortgage.

Any remaining mortgages are either securitized through the National Housing Act Mortgage Backed Securities ("NHA MBS") program or held directly by the Bank. By selling the majority of its originated prime residential mortgages, the Bank transfers substantially all of the risks of ownership to the purchaser and/or the party insuring the mortgage.

Even with the sale and transfer of credit risk, the Bank has always remained focused and committed to the credit quality of the mortgages it underwrites, and it maintains stringent underwriting and robust quality assurance processes. This is reflected in the high credit quality of the Bank's MUA, which had a serious arrears rate of 0.12% at March 31, 2017, compared to an overall rate of 0.26% at February 28, 2017 in the markets in which the Bank operates (the most recent date for which data are available). This credit quality contributes to the strong wholesale demand from institutional purchasers for the Bank's prime mortgages. Since the Bank's institutional purchasers commit to the purchase of prime residential mortgages at the point of mortgage commitment, the Bank mitigates its exposure to both interest rate and liquidity risk. Much less frequently, the Bank may sell funded prime insured loans on a whole loan basis. These sale transactions may expose the Bank to interest rate and liquidity risk for short periods of time, which are within the Bank's risk limits.

As an approved issuer of NHA MBS and an approved seller under the Canada Mortgage Bonds ("CMB") program, the Bank can also access the securitization market directly as a secondary source of liquidity for prime insured mortgages. While direct securitization of prime insured mortgages can be more profitable over the life of the mortgage, in the absence of a secondary transaction, such as the sale of the interest only strip, the underlying mortgages remain on the balance sheet of the Bank and attract a commensurate

[1] As measured by industry statistics. Market share data for the quarter ended March 31, 2017 was not available at the date of this MD&A.

increase in regulatory capital in the calculation of the leverage ratio prescribed by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Given that the Bank can earn a better rate of return on capital on an uninsured mortgage product, and also in light of the Bank's expectation that it will earn a better rate on its planned credit card products, the Bank does not intend to make prime insured mortgage securitization a major part of its funding model.

The Bank outsources the servicing of its MUA to third party providers. However, the Bank continues to administer the mortgages, and therefore remains the face of all direct communication with borrowers throughout the mortgage term. This ongoing customer relationship is a key part of the long term growth, profitability and recognition of the Street Capital Bank brand, since it promotes renewals, which are highly profitable due to much lower acquisition costs than newly originated mortgages. Additionally, it will provide potential cross-sell opportunities for the Bank's new product launches as its banking operations expand. Mortgage renewals will remain an important part of the business model, due to their higher profitability, and the Bank targets a renewal rate of approximately 75 - 80% of mortgages eligible for renewal. This is in line with the industry norm. The Bank therefore expects to achieve higher overall net sale margins as mortgage renewals become a greater part of its mix of business.

On October 3, 2016, the federal government's Department of Finance announced new mortgage insurance rules, with the most material items being increases to the qualifying rate for new insured mortgages and the elimination of mortgage insurance on most refinance transactions. These changes, along with previous changes that eliminated mortgage insurance for purchases over $1.0 million and amortizations greater than 25 years have, as expected, decreased the volume of mortgages that qualify for individual or portfolio mortgage insurance. Since most purchasers of prime mortgages securitize those mortgages through the NHA MBS and CMB programs, these changes have reduced the available funding for prime, but now uninsurable, mortgages. While the Company does have liquidity with a funder that purchases prime uninsured mortgages, the currently available funding from this purchaser was mostly utilized in Q1 2017. The Company is actively exploring additional funding options for prime uninsured lending, including non-government-sponsored residential mortgage backed securities ("RMBS"). The Company has been pleased with the level of interest and the progress to date, and is cautiously optimistic that funding options for prime uninsured mortgages will be available in the coming months, but currently Street Capital Bank only offers these mortgages on a limited basis.

Uninsured Residential Mortgage Lending and Deposit Products

On February 1, 2017, Street Capital Bank began operations as a Schedule I bank. That same month the Bank became a member of the Canadian Deposit Insurance Corporation ("CDIC") and began accepting CDIC-insured deposits. Deposit products are offered through a network of licensed investment dealers and include one to five year guaranteed investment certificates ("GICs") and a 90 day cashable GIC, all at competitive interest rates. Street Capital Bank does not offer demand deposit products such as High Interest Savings Accounts ("HISA").

The GIC deposit base will primarily fund the Bank's uninsured residential mortgage lending product, which is expected to launch in May 2017, creating an on-balance sheet lending base that will generate recurring net interest income. The Bank intends to enter the uninsured lending market in a prudent manner, with a focus on loans to the market segment consisting of quality, but under-served, borrowers who may not qualify for a prime insured residential mortgage under current regulations. These uninsured mortgages will be originated through the Bank's network of high quality mortgage brokers, and will be broadly focused on the following segments:

- *New immigrants* – who may not have enough Canadian credit history, but who nonetheless have sufficient capital and a willingness and ability to pay;

- *Self-employed persons* – whose income, which may include multiple sources, requires additional diligence to verify;

- *Rental investors* – whose lending needs, due to regulatory changes, no longer qualify under insured programs; and

- *Individuals with slightly bruised credit situations* – who, through life events, may have a lower credit score but have a willingness and ability to pay, along with sufficient capital.

Legacy Business

As noted above under *Business Profile*, by the end of the first quarter of 2014 the Company had completed the dispositions of its non-core operations, although it retained some real estate assets and liabilities that in aggregate were immaterial to the Company's financial position and operations. In 2016, the Company settled its remaining real estate liabilities. The Company expects to realize the majority of its remaining real estate assets by the end of 2018.

As part of the plan described above, the Company also began winding down its private equity business ("Private Equity"). Private Equity is carried on through the Company's wholly-owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"), which manages the Company's portfolio investments. At the end of 2016 the Company retained only two investments, only one of which was material. The Company continues to plan final exits from the remaining portfolio.

Q1 2017 RESULTS AGAINST 2017 OBJECTIVES

2017 Objectives	***Q1 2017 Results or Status***
Launch uninsured mortgage product, with $150 to $200 million in new originations in 2017.	On track to launch in Q2 2017.
Maintain broker market share at #4.	The Bank's market share in the mortgage broker channel was 8.8% and fourth place for the year ended December 31, 2016. Market share data for Q1 2017 was not available at the date of this MD&A.
Maintain renewal volumes of 75 – 80% of mortgages eligible for renewal.	In Q1 2017, we renewed between 75-80% of the mortgages eligible for renewal.
Build credit card capability and be ready to launch the product in 2018.	On track to launch in 2018.
Maintain credit quality, with serious arrears and early delinquency rates better than industry averages.	The Bank's serious arrears rate at March 31, 2017 was 0.12%, as compared to 0.11% at December 31, 2016. The rate was 0.26% at February 28, 2017 in the markets in which the Company operates.

Please see *Q1 2017 Summary and Highlights*, and *Q1 2017 Earnings Review*, below, for discussion of the Company's Q1 2017 results.

BUSINESS OUTLOOK

Note to readers: This section includes forward looking information and is qualified in its entirety by the discussion about Forward Looking Information on page 1.

Recent Market Developments – Funding and Liquidity

In the 10 years since Street Capital Bank's founding, its management team and Board of Directors have built its reputation as a prudent lender, with a conservative approach to growth. Street Capital Bank has designed its business with a relentless focus on credit quality and a conservative funding approach. These elements have ensured that the Bank is well-positioned to capitalize on opportunities that may be generated by market changes. The Bank has not been affected by the recent funding and liquidity challenges experienced by some of the other regulated financial institutions in recent weeks. It should be noted that:

- Today, all prime mortgages that Street Capital Bank is originating are insurable and are sold at the commitment stage to our various liquidity providers. There has been no observed reduction in demand or available funding for prime *insurable* mortgages.

- In Q4 2016 we added two new liquidity providers for prime insured funding. Street Capital Bank is also an approved issuer of NHA MBS and an approved seller under the CMB program, which allows it to access the securitization market directly as a secondary source of liquidity for prime insured mortgages.

- Street Capital Bank has designed its uninsured funding structure to limit liquidity and funding risk. The Bank does not rely on demand deposits, which helps to prevent any sudden disruption in liquidity. Funding, which will be duration matched to the underlying assets, is composed exclusively of fixed-term GICs. Street Capital Bank's deposit balance at May 4 was $28.4 million with the term structure as follows:

As at May 4, 2017

	Cashable *	1 Year	2 Year	3 Year	4 Year	5 Year	Total
Deposit maturities	**5%**	**36%**	**21%**	**13%**	**4%**	**21%**	**100%**

*** 90-day cashable 1 year GIC**

- Street Capital Bank operates within a risk-based framework, with segregation of the sales and underwriting functions, and our underwriting practices adhere to all principles set forth in OSFI's B-20 guidelines. As such, we validate income and down payments, along with collateral values, through multiple methods.

- The Bank allocates what it considers an industry-leading quantity of time and expense to thoroughly review its applications and ensure top quality credit. Street Capital Bank conducts rigorous quality assurance ("QA"), and its effective approach to underwriting and risk management resulted in a serious arrears rate of 0.12% at the end of Q1 2017, once again significantly outperforming the large Canadian banks[2]. Some of the QA measures the Bank currently takes to ensure top quality credit are:
  - 100% QA with new brokers
  - ~50% QA with known and trusted brokers
  - when launched, 100% QA for uninsured loans

[2] The Canadian Bankers Association reported a serious arrears rate of 0.26% at February 28, 2017 in the markets in which Street Capital Bank operates, based on % of total number of mortgages; mortgage arrears is three or more months.

- The Company has a robust corporate governance framework. Five of its eight Board members are independent, with significant, industry-specific experience running solid financial institutions.

- Street Capital Bank's management team is highly experienced and includes leaders that have run large mortgage and consumer credit portfolios and financial operations at other Canadian financial institutions.

Other Business Developments

On March 21, 2017, the Company's President, Lazaro DaRocha, announced his intention to retire from Street Capital Group Inc. and Street Capital Bank effective September 30, 2017. Effective April 1, 2017, as a result of a change to the initial arrangement, Mr. DaRocha resigned from both positions and entered into a consulting contract with the Company for the provision of certain services and deliverables, with an expected completion date of September 30, 2017. The contracted services were completed and reached a natural conclusion earlier than originally planned, and as a result the consulting contract was dissolved by mutual agreement, effective May 5, 2017.

Regulatory and Policy Changes

Many housing markets in Canada are experiencing prolonged periods of house price appreciation that have led to concerns from many observers and market participants, resulting in an increased focus on the stability of the domestic housing market. Partly in response, the federal government has implemented regulatory changes that tightened the qualification criteria for insured loans, with the most recent being in October and November of 2016. OSFI's introduction of higher regulatory capital requirements for mortgage insurers has increased the cost of insurance for some borrowers and for portfolio insurance. Additionally, the federal government has also proposed lender risk sharing arrangements that could further affect the insured mortgage market. Further, provincial governments in British Columbia and Ontario have recently introduced, and may introduce further, measures intended to slow house price appreciation in those provinces.

It will take some time to fully understand the combined effect that these changes will have on housing activity and prices, and ultimately on mortgage activity and mortgage rates. However, the Company believes directionally that prime insured mortgage activity and housing price appreciation will begin to slow in 2017. There remains a great deal of uncertainty in the markets, making it challenging to predict outcomes, and as a result the Company's views can change over time in response to observed factors and market trends.

Prime Mortgage Lending

Management expects that recent regulatory changes will reduce the volume of prime mortgages that qualify for insurance, thus reducing lending activity in the prime insured mortgage segment in 2017.

It remains difficult to estimate, with any level of certainty, the potential reduction in prime mortgage activity in the market and for the Bank. However, the Company anticipates being able to maintain strong origination volumes for prime *insurable* mortgages. These mortgages are not affected by the recent mortgage insurance rule changes. The Company has more than adequate funding and strong market demand, and the Bank remains competitive in this mortgage segment.

For mortgages that previously qualified for mortgage insurance, i.e.: prime uninsured mortgages, the Bank could access funding through one of its liquidity providers. It is now approaching the tail end of its current allotment. Management had believed that the Bank's allotment would be increased, and that other funders would become available, but market conditions have evolved such that progress has slowed on this front. The Company is actively pursuing additional funding for this specific product and, with the Bank's industry-leading credit quality, is in a strong position to attract it. The Company is also actively investigating the market for non-government-sponsored RMBS, and is currently evaluating this opportunity. However, given the uncertainty of the timing of funding availability, and the uncertainty of the potential profitability of these mortgages, management is taking a more conservative view of new prime origination volumes and gain on sale rates in 2017, and is updating its guidance in this regard. The Company now expects that new volumes could be 20 – 30% below 2016, and it cannot currently provide a reasonable estimate of gain on sale rates.

When market conditions stabilize, the Company hopes to resume providing guidance of this type moving forward.

Softness in new originations of prime mortgages will be partly offset by the Bank's highly profitable renewal activity in 2017, 2018 and 2019. Based on the maturity profile of the MUA, the Bank will experience material increases in renewal activity in these years. To optimize this revenue stream, the Bank will continue to focus on its service and retention activities. The Bank's almost $28 billion of MUA provides both a sustainable portfolio of quality revenue generating assets and a customer base to drive significant value over the coming years as it expands into additional product areas.

Uninsured Mortgage Lending

The Bank anticipates launching its uninsured mortgage product in Q2 2017. Discussions and observations in the market have been very positive, with many existing mortgage broker partners welcoming another provider in this segment. We are expecting demand to be very strong, based on both our solid relationships and recent market events with a specific lender in this space. As well, lower levels of prime insured mortgage activity in the market may provide additional support for the launch of this product. The Bank has relatively modest plans for uninsured lending origination in 2017, and will remain conservative in credit quality, as well as funding, and prudent with its growth to ensure it builds a sustainable and quality portfolio of assets and customers that drives profitability today and in the coming years.

Deposits

The Bank began taking its first CDIC-insured GIC deposits in February 2017. The Company offers deposits, in the form of GICs, for fixed terms from 90 days cashable, and 1 year to 5 years, with fixed interest rates. Deposits are sourced through investment dealers with the distribution network growing each month. Deposits will be duration matched to underlying mortgages and other assets, with maturity gaps managed within the Bank's conservative risk appetite. The Company did not observe any negative impacts to its deposit flows as a result of recent market disruption noted by certain regulated financial institutions, and is confident that it will achieve sufficient deposit flows to support $150-$200 million in uninsured mortgage funding in 2017.

Strategic Priorities

The Bank continues to focus on infrastructure and the development of a compelling credit card offering to be launched in 2018. The product will initially be offered directly to both qualifying borrowers in our current base of more than 130,000 customers, and new mortgage clients. Credit cards are expected to add modestly to revenue in 2018.

Financial Expectations – 2017 to 2019

Note: The Bank may not realize the financial expectations indicated below if business or competitive conditions, the regulatory environment, the housing market, or general economic conditions change, or if any of the other management assumptions do not materialize in the amount or within the timeframes expected. Please refer to the Forward Looking Information on page 1.

The financial expectations below have been updated from the expectations presented on March 8, 2017 to reflect management's most recent views.

	2016 – Actual	**2017**	**2018**	**2019**
Prime New Originations [1]	$7.94 billion	20%-30% lower than 2016	Maintain market share	Maintain market share
Prime Renewal Volume	$1.43 billion	$1.80 - $1.90 billion	$2.40 - $2.60 billion	$2.60 - $2.70 billion
Uninsured Originations	nil	$150 - $200 million	$600 - $700 million	$850 - $950 million
Uninsured Net Interest Margin (net of provisions for credit losses)	N/A	2.0% -2.5%	2.0% -2.5%	2.0% -2.5%
Expense Ratio (% of originations and renewals) [2]	0.50%	N/A	Positive operating leverage [3]	Positive operating leverage [3]

[1] Forecasting future prime insured originations remains challenging, given the recent regulatory changes, and competitors' and consumers' potential reactions thereto. The projections reflect management's current views only and are subject to change over time.

[2] As revenues from balance sheet lending begin to grow, the Bank will begin to measure itself on operating leverage.

[3] Positive operating leverage is defined as: percentage growth in revenue, minus percentage growth in expenses, is greater than zero.

Dividends

The Company and its management are committed to consistently creating shareholder value. At this time, this means retaining our earnings and allocating capital to the business opportunities within the growing potential of the bank platform. Over the next few years, it is the Company's intention that the creation of shareholder value will include consideration of an allocation between retaining and investing earnings, and distributing common shareholder dividends.

Sustainable Tax Advantage

The Company continues to generate a sustainable tax advantage, given the differing treatment between accounting and income tax rules for gains on sale. Its tax loss carryforwards were approximately $331 million at March 31, 2017. This represents a real and sustainable tax advantage as the Company is not paying cash taxes and does not expect to pay cash taxes for many years.

Legacy Operations

The Company's non-mortgage lending legacy businesses still include investments and assets associated with Private Equity, real estate and case goods, which are in the process of being liquidated or run-off. In total these assets represent $1.2 million on the balance sheet at March 31, 2017. These assets have associated fair value risk that could continue to create some minimal volatility in unadjusted earnings until they are realized. It is anticipated that the Private Equity investments and most of the real estate investments will be realized by the end of 2018. There were no exits or other significant cash transactions during Q1 2017.

Risk and Compliance

As a newly licensed federally regulated Schedule I Bank, and a long standing financial services company with almost $28 billion in MUA, the Bank has a strong and embedded risk and compliance culture, which starts with the tone at the top. Over the last four years, and through the bank application process, the Bank has more formally defined its risk culture, governance processes, and risk management and compliance frameworks. This includes a commitment to the three lines of defense model, supported by effective Board of Directors oversight, along with an effective system of internal controls that is commensurate with the size and complexity of the Bank, and meets regulatory expectations.

The Bank operates with the following risk appetite framework:

- The Bank will operate in markets where risks are understood and where long term macro-economic indicators support retail lending.

- The Bank will manage credit risk prudently by establishing and adhering to stringent underwriting guidelines.

- The Bank will maintain adequate capital and liquidity for its operations above regulatory minimums and sufficient to sustain the entity during times of stressed conditions.

- The Bank will limit market risk by pricing mortgages effectively and managing interest rates prudently in its banking book. Derivatives will only be used to enable effective risk management and product funding requirements.

- The Bank will maintain thorough and effective policies, standards, guidelines and other related measures including limits and key risk indicators that guide risk-taking activities to protect Street Capital's brand and reputation while adhering to all legal and regulatory obligations.

- The Bank will promote a sound risk management culture and awareness throughout the organization by promoting operational excellence, corporate governance, and risk and control practices that minimize the risk of any unforeseen adverse events occurring.

- The Bank will hire, retain and invest in quality and experienced staff that operate with high ethical standards and conduct themselves with integrity, honesty and respect.

- The Bank will not take risks that could expose it to any one single and severe loss event, including acquisitions, business ventures/partnerships or products.

- The Bank will continually assess the adequacy of its IT and operational infrastructure in relation to its business volumes and complexity and, where required, will make the necessary investment to scale supporting processes to required levels.

Q1 2017 SUMMARY AND HIGHLIGHTS

The following table sets out certain financial highlights for the quarter ending March 31, 2017, together with comparative information for prior periods. This table contains non-GAAP measures. The Company uses these non-GAAP measures in order to highlight its core operating business (the Bank) by removing non-recurring items, and items associated with the Company's legacy businesses, including non-recurring restructuring costs or recoveries. Please see the section *Non-GAAP Measures* for further detail and numerical reconciliations of these non-GAAP measures to the most directly comparable measure specified, defined or determined under the GAAP presented in the Company's financial statements.

Table 1 – Financial Highlights

(in thousands of $, except where defined)	**For the three months ended or as at**		
	March 31, 2017	December 31, 2016	March 31, 2016
Financial performance			
Shareholders' net income (loss)	**$ (2,574)**	$ 462	$ 3,003
Shareholders' diluted earnings (loss) per share	**$ (0.02)**	$ 0.00	$ 0.02
Adjusted shareholders' net income (i)	**$ 69**	$ 1,900	$ 2,444
Adjusted shareholders' diluted earnings per share (i)	**$ 0.00**	$ 0.02	$ 0.02
Total revenue (net of acquisition costs)	**$ 10,756**	$ 13,147	$ 13,225
Return on tangible equity	**(9.3%)**	2.2%	13.6%
Adjusted return on tangible equity (i)	**0.7%**	7.6%	11.1%
Mortgages originated and under administration			
Mortgages under administration ***(in billions of $)***	**$ 27.81**	$ 27.70	$ 25.02
Prime mortgage originations	**$1,213,257**	$ 2,101,474	$ 1,190,391
Prime mortgage renewals	**304,597**	358,043	328,032
Total prime originations and renewals	**$1,517,854**	$ 2,459,517	$ 1,518,423
Gain on sale of mortgages as a % of originations	**1.77%**	1.66%	1.77%
Acquisition expenses as a % of originations	**1.07%**	1.09%	0.94%
Net gain as a % of originations	**0.71%**	0.57%	0.83%
Operating expenses as a % of originations (ii)	**0.71%**	0.47%	0.65%
Credit quality			
Total portfolio serious arrears rate (iii)	**0.12%**	0.11%	0.13%
Average beacon (iv)	**747**	746	743
Average loan to value ratio (iv)	**80.7%**	80.8%	81.4%
Average total debt service ratio (iv)	**36.3%**	36.2%	36.2%
Regulatory Capital Ratios			
Common equity Tier 1 (CET1) ratio	**32.24%**	N/A	N/A
Total regulatory ratio	**32.24%**	N/A	N/A
Leverage ratio	**20.86%**	N/A	N/A
Equity and share information			
Shareholders' equity	**$ 131,998**	$ 134,492	$ 121,998
Shares outstanding end of period (000s)	**121,580**	121,532	122,154
Book value per share	**$ 1.09**	$ 1.11	$ 1.00
Market capitalization	**$ 182,370**	$ 228,480	$ 157,579
Share price at close of market	**$ 1.50**	$ 1.88	$ 1.29

(i) Non-GAAP measure the Company uses to measure its performance from continuing and recurring income from its core business. Please see the section *Non-GAAP Measures* for a reconciliation of amounts to GAAP measures.
(ii) Operating expenses are net of any non-recurring items, including restructuring costs or recoveries.
(iii) Defined as the number of mortgages that are greater than 90 days in arrears, plus the number of mortgages involved in legal action due to non-payment, divided by the number of mortgages under administration.
(iv) Calculated on a weighted average basis at origination. Please see the section *Non-GAAP Measures* for more detailed definitions of these metrics.

Significant Developments in Q1 2017

- As discussed above, under Other Business Developments, on March 21, 2017, the Company's President, Lazaro DaRocha, announced his intention to retire from Street Capital Group Inc. and Street Capital Bank, and effective May 5, 2017, Mr. DaRocha ceased to be either an employee of, or a consultant to, the Company or the Bank. As part of his retirement package, Mr. DaRocha will be paid $3.6 million over a period of two years. This amount is reflected in the results for Q1 2017, and is adjusted for purposes of adjusted non-GAAP performance measures.

Q1 2017 Financial Highlights

- Q1 2017 net loss of $2.6 million includes the $3.6 million retiring allowance discussed above. Adjusting primarily for this amount, adjusted net income was $0.1 million in Q1 2017 (please see the *Non-Core and Non-Recurring items* section of this MD&A for more detail) compared to $2.4 million in Q1 2016 and $1.9 million in Q4 2016.

- Mortgages under administration reached $27.81 billion at March 31, 2017, up $0.11 billion from $27.70 billion at December 31, 2016, and up $2.79 billion from $25.02 billion at March 31, 2016.

- New mortgage originations of $1.22 billion in Q1 2017 were up slightly from $1.19 billion in Q1 2016, and down seasonally from a strong $2.10 billion in Q4 2016. At the end of 2016, Street Capital Bank held the fourth position among mortgage lenders by market share within the broker channel in Canada, up from sixth in Q1 2016. Market share data for Q1 2017 was not available at the date of this MD&A.

- Renewal mortgage volumes, which have higher profitability, were $0.30 billion in Q1 2017, compared to $0.36 billion in Q4 2016 and $0.33 billion in Q1 2016. The Company still anticipates higher renewal volumes than 2016 as we move through the higher volume renewal months of 2017.

- Mortgage sales in both Q1 2017 and Q1 2016 were $1.52 billion. This was down seasonally as anticipated from $2.46 billion in Q4 2016.

- Net gains on mortgage sales were $10.7 million in Q1 2017, down from $12.6 million in Q1 2016 and down as expected from $14.1 million in Q4 2016. The decrease from Q1 2016, despite flat mortgage sales, reflects lower net gains on sale due to higher acquisition costs.

- Operating expenses, net of a $3.6 million allowance for the President's retirement, discussed above, decreased $0.9 million from Q4 2016, due largely to a decline in variable compensation reflecting quarterly results. Expenses increased $0.9 million from Q1 2016 due to people and operation costs required for business growth, and the additional staff required from the implementation of underwriting changes in 2016 in support of the bank application.

- The serious arrears rate was 0.12% of MUA at March 31, 2017, up marginally from 0.11% at December 31, 2016 and improved slightly from 0.13% at March 31, 2016. This remained significantly better than industry average[3] in the markets where the Company operates. While the Company is not directly exposed to the credit risk of its MUA, credit and underwriting quality, as measured by the serious arrears rate, is a key performance indicator of a portfolio's quality. A high quality portfolio is required in order to maintain strong wholesale demand from liquidity providers.

[3] As measured by statistics from the Canadian Bankers Association.

- The average origination beacon score for MUA remained relatively consistent over the periods presented, at 747 at March 31, 2017 compared to 746 at December 31, 2016 and 743 at March 31, 2016. Similar trends were observed for both the loan to value (LTV) and total debt service (TDS) ratios. Average origination LTV was 80.7% at March 31, 2017 compared to 80.8% at December 31, 2016 and 81.4% at March 31, 2016, while average origination TDS was 36.3% at March 31, 2017, close to 36.2% at December 31, 2016 and March 31, 2016. As with the serious arrears rate, the ratios are indicative of the high credit quality of MUA.

Q1 2017 EARNINGS REVIEW

Mortgage Sales

Table 2 - Mortgage Sales and MUA

	For the three months ended or as at		
	March 31, 2017	December 31, 2016	March 31, 2016
Mortgages sold and mortgages under administration			
(in billions of $)			
Originations	**$ 1.22**	$ 2.10	$ 1.19
Renewals	**0.30**	0.36	0.33
Total mortgages sold	**$ 1.52**	$ 2.46	$ 1.52
% Renewals	**19.7%**	14.6%	21.7%
Mortgages under administration	**$ 27.81**	$ 27.70	$ 25.02
Mortgage sale financial highlights			
(in thousands of $)			
Cash premium at sale	**$ 23,294**	$ 35,428	$ 22,921
Deferred gain on sale	**3,592**	5,365	3,962
Gain on sale of mortgages	**$ 26,886**	$ 40,793	$ 26,883
As a % of mortgages sold	**1.77%**	1.66%	1.77%
Acquisition expenses	**$ 16,166**	$ 26,735	$ 14,286
As a % of mortgages sold	**1.07%**	1.09%	0.94%
Net gain on sale	**$ 10,720**	$ 14,058	$ 12,597
As a % of mortgages sold	**0.71%**	0.57%	0.83%

Q1 2017 Discussion

New origination volumes of $1.22 billion were slightly better than Q1 2016, and down seasonally from Q4 2016. Q1 2017 volumes reflected solid demand for prime mortgages and the availability of funding for a full prime mortgage product suite. As discussed above, as we move into Q2, the Company has limited funding for the prime uninsured product and anticipates that total prime mortgage volumes in Q2 could be 20-30% lower than 2016, depending on the timing of funding for this product.

Renewal volumes of $0.30 million were lower than both Q1 2016 and Q4 2016. This reflects the maturity profile of the mortgages. Renewal rates were very strong. We still expect 2017 renewal volumes to increase compared to 2016, based on the maturity profile and our strong renewal rates.

The gross gain on sale rate of 1.77% improved from Q4 2016 and was flat to Q1 2016. While we saw improvement in gain on sale rates into Q1 2017 compared to Q4 2016, spreads remained compressed for a good part of the quarter, reflecting some spillover from competitive pricing in Q4 2016 and into Q1 2017 as well as fluctuations in spreads. The narrower gain on sale rates in Q4 2016 were a result of conflating factors in that quarter. With certain investors the premiums earned reflect the spread between five-year fixed mortgage rates and the five-year MBS or CMB rate. In Q4 2016 the spreads on sales to some investors, for which the premiums were based on the spread between the MBS or CMB rate and fixed mortgage rates, narrowed considerably when bond yields increased but the market rates for prime insured mortgages were slower to rise. Also, in limited cases during Q4 2016, Street Capital Bank took some interest rate risk on mortgages that it funded prior to sale to an investor. During the period when the mortgages were

warehoused on balance sheet, bond yields moved sharply upwards, leading to lower gains on those mortgages. The Company did not sell any funded mortgages in Q1 2017.

The acquisition expense rate of 1.07% is down 2 basis points from last quarter and up 13 basis points from Q1 2016. Compared to last year, the portfolio mix in 2017 included a higher percentage of 5-year mortgages compared to other terms, thus leading to higher broker commissions. Combined with an increase in portfolio insurance expense due to the overall growth of MUA, and lower levels of renewals, this led to a higher acquisition expense ratio.

Geographic Distribution - Mortgages

The Bank originates mortgages across Canada, with the exception of Quebec. The charts below show the geographic distribution of mortgage originations for the three months ended March 31, 2017, December 31, 2016 and March 31, 2016, MUA as at the same dates, and a table of the expected maturity profile of the Company's MUA.

Chart 1 – Geographic Distribution of New Originations (% of $)

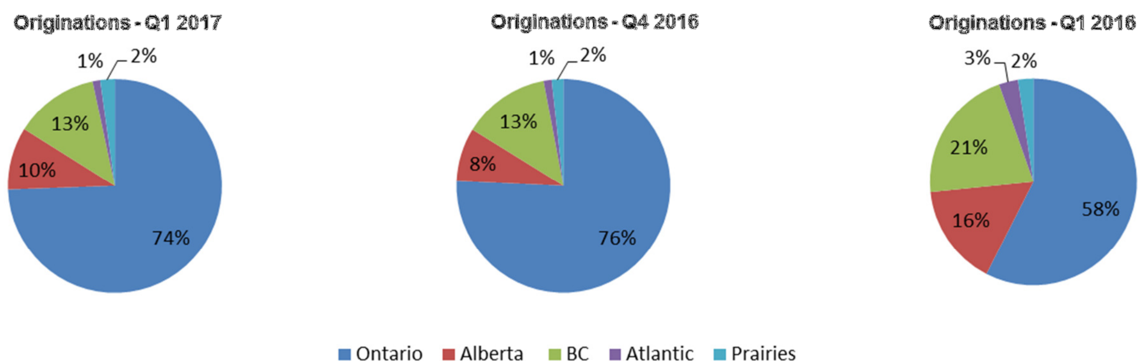

Chart 2 – Geographic Distribution of Mortgages under Administration (% of $)

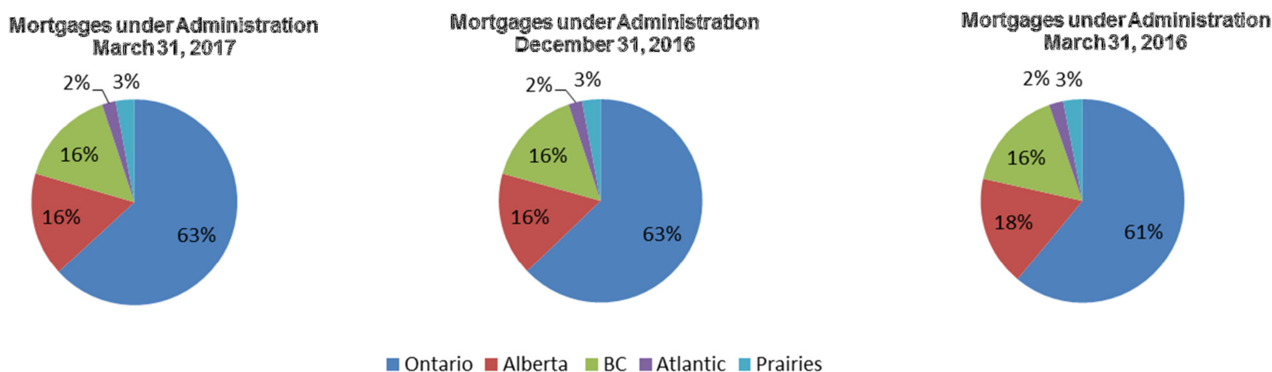

Table 3 – Expected maturity profile of the Company's MUA at March 31, 2017

(in billions of $)	2017	2018	2019	2020	2021	2022 and beyond	Total
	$	$	$	$	$	$	$
MUA maturities	2.20	4.20	5.31	6.84	7.98	1.28	**27.81**

The relative distribution of mortgage originations was essentially unchanged from Q4 2016 to Q1 2017, but differs markedly from that for Q1 2016. This is due to factors that were observed throughout 2016 and have changed little so far during 2017. Both Ontario and BC have experienced price appreciation, particularly in the major centres of those provinces; i.e.: the Greater Toronto Area and the Greater Vancouver Area. The 16% growth in relative Ontario originations since Q1 2016 is due to both an increase in applications and an increase in deal size. In BC, although average deal size increased over the same period, the number of deals in Q1 2017 compared to Q1 2016 declined, potentially due to higher taxes on foreign buyers and other government actions that were recently introduced in that province. Although originations in Alberta increased slightly in Q1 2017 compared to Q4 2016, both the number of applications and deal size decreased compared to Q1 2016, consistent with the economic conditions observed in the energy producing regions.

The relative distribution of MUA is largely unchanged for the periods presented, and continues to favour Ontario. This reflects the relative population density in urban centers of that province, and its higher average housing prices compared to most of Canada. As well, given the volume of MUA, which is $27.81 billion at March 31, 2017 and was $25.02 billion at March 31, 2016, relative origination volume in any given quarter or year has little impact on the pre-existing distribution.

Management, along with its business partners, continually monitors the economic and housing market conditions along with the credit quality in local regions, and adjusts underwriting criteria and origination volumes as circumstances warrant.

Net interest and other income

Table 4 - Net interest and other income

A breakdown of the Company's net interest and other income is shown below, allocated among net mortgage lending interest income (loss) and other items. To date, net mortgage lending interest income (loss) has been a relatively minor contributor to the Company's revenue, since the majority of originated mortgages have been sold or securitized. With the beginning of its banking operations in 2017, the Company expects that net lending interest income will increase over time, and will ultimately make up a significant part of its revenue.

	For the three months ended		
(in thousands of $)	**March 31, 2017**	December 31, 2016	March 31, 2016
Interest income - mortgage lending	**$ 1,909**	$ 2,446	$ 1,274
Interest expense - mortgage lending	**(1,451)**	(2,092)	(1,134)
Acquisition expense - mortgage lending	**(304)**	(292)	(187)
Net interest and other income (loss) - mortgage lending	**$ 154**	$ 62	$ (47)
Servicing and fee income	**(48)**	58	221
Interest income - other	**12**	49	43
Interest expense - other	**(62)**	(97)	(117)
Other income (loss)	**(20)**	17	528
Credit provisions	**-**	(1,000)	-
	$ 36	$ (911)	$ 628

Interest income – mortgage lending primarily includes the interest the Company earns on mortgages it holds on-balance sheet. These include mortgages that have been securitized by the Company through the NHA MBS program, mortgages held on-balance sheet prior to securitization or sale funding, and mortgages that the Company intends to hold to maturity.

Interest expense – mortgage lending includes the interest expense from the securitization liabilities resulting from the issuance of NHA MBS to fund the securitized mortgages, as well as interest expense on the credit facilities used to fund mortgages prior to take out funding. Effective the first quarter of 2017, it also includes interest expense on customer deposits, which is immaterial for the three months ended March 31, 2017.

Acquisition expense – mortgage lending includes the commissions and servicing fees associated with mortgages that have been securitized by the Company through the NHA MBS program.

Servicing and fee income is largely composed of the net servicing fees and trailing interest spread earned by the Company on mortgage loan sales, and represents the difference between the cash received by the Company and the amortization of the deferred placement fees. The amount realized is dependent on both the size of the portfolio and the extent to which actual experience differs from the assumptions made at the time of sale of the mortgages, and is therefore subject to variability. It also includes other variable fee revenue earned, such as on bridge loans.

Interest income – other consists primarily of interest income on cash deposits, as well as on miscellaneous loans receivable, such as unsecured bridge loans or loans that are associated with the Company's legacy business.

Interest expense – other similarly consists primarily of interest expense on loans that are associated with the Company's legacy business.

Other income (loss) consists of miscellaneous items, including some associated with the Company's legacy businesses. These include management fees and other income earned by Private Equity. Fee income fluctuates and has decreased overall as the portfolio investments have been exited.

Credit provisions are allowances on loans and other receivables that are not part of the Company's mortgage lending business.

Q1 2017 discussion

The Q1 2017 increase in net interest income and interest expense related to mortgage lending, as compared to Q4 2016, was primarily due to improved spreads associated with bridge loans. There were no issuances of NHA MBS in Q1 2017, and net income from securitized mortgages was almost unchanged, as was the associated acquisition expense. The net increase compared to Q1 2016 was due to NHA MBS sales during 2016. Securitized mortgage loans and securitization liabilities each increased by approximately $90 million over the period from March 31, 2016 to March 31, 2017.

The decrease in servicing and fee income in Q1 2017 compared to Q4 2016 is due to decreases in both the net servicing fees and trailing interest spread, and a decrease in income from bridge loans. The decrease compared to Q1 2016 is due to a decrease in the net servicing fees and trailing interest spread.

The decrease in both interest income – other and interest expense – other in Q1 2017 compared to both Q4 2016 and Q1 2016 is largely associated with corresponding decreases in the balances of the associated loans.

There were no significant items within other income (loss) in either Q1 2017 or Q4 2016. In Q1 2016, the most significant item of other income was income of $0.5 million associated with the sale of a key man life insurance policy on a former officer of the Company.

The credit provision in Q4 2016 was taken against the Company's loan receivable from Fleetwood, which resulted in this loan receivable having a carrying balance of zero at December 31, 2016. There were no similar items in Q1 2017 or Q1 2016.

Operating expenses

Table 5 Operating Expenses

A breakdown of the Company's operating expenses is shown below, net of the $3.6 million executive retiring allowance charged to income in Q1 2017 and the partial recovery of 2015 restructuring expense in Q1 2016 (please see the section *Non-GAAP Measures*).

	For the three months ended		
(in thousands of $)	**March 31, 2017**	December 31, 2016	March 31, 2016
Salaries and benefits	**$ 6,791**	$ 7,385	$ 6,643
Professional services	**633**	652	690
Legal, regulatory and audit	**330**	250	229
Premises	**677**	634	489
Business development	**726**	1,157	853
Other	**1,588**	1,553	981
	$ 10,745	$ 11,631	$ 9,885
Mortgages sold	**$1,517,854**	$ 2,459,517	$ 1,518,423
Operating expenses as a % of mortgages sold	**0.71%**	0.47%	0.65%

Q1 2017 discussion

As the Company's business has grown, and in connection with the operational changes related to the Company's preparation to become a Schedule I bank, the employee headcount has also increased. Headcount grew from 215 at March 31, 2016 to 243 at December 31, 2016, and then remained stable in Q1 2017 with a final count of 244 at March 31, 2017. Operating expenses over the past year have therefore increased as well, particularly salaries and benefits, legal and similar professional services, and premises, as the Company invested in the people, processes and technology required to offer additional products and services with the launch of bank operations in 2017.

Operating expenses as a percentage of mortgages sold increased in Q1 2017 to 0.71% from 0.47% in Q4 2016 and 0.65% in Q1 2016. The significant increase from Q4 2016 is due more to the reduction in mortgage sales than to changes in operating expenses. Several major components of the Company's operating expenses, such as base salaries, premises, and items within legal and similar professional services, are essentially fixed costs and therefore do not fluctuate with quarterly changes in mortgages sold.

Salary expense in Q1 2017 decreased compared to Q4 2016 reflecting lower variable compensation based on actual results for the quarter.

Professional services include tax and other consulting fees, and fees paid to the Board of Directors.

Business development includes sales and marketing expenses. Sales expenses primarily consist of sales-related travel and business development. Marketing expenses primarily consist of promotional materials, the maintenance of the Company's website, and broker-related costs. The decreased expense in Q1 2017 is largely due to seasonal fluctuations compared to Q4 2016.

Non-Core and Non-Recurring Items

Q1 2017 Discussion

The Company's results were affected by the following non-core and non-recurring items:

- In connection with the retirement of the Company's President, in Q1 2017 the Company recorded a retirement allowance of $3.6 million, pre-tax, which is expected to be paid out over two years. There were no similar items in either Q4 2016 or Q1 2016.

- In connection with its portfolio investments, which are part of its legacy business, in Q1 2017 the Company recorded unrealized fair value gains of $0.19 million, of which approximately $0.08 million was allocated to the Company's non-controlling interests. The net fair value gains were associated with a $0.40 million decline in the value of the Company's investment in Differential Brands Group Inc. ("DBGI"), offset by a $0.59 million increase in other investments.

Q4 2016 Discussion

- In Q4 2016, the Company recorded unrealized fair value losses of $2.9 million, of which approximately $2.0 million was allocated to the Company's non-controlling interests. The fair value losses were primarily associated with a decline in the value of DBGI.

- In connection with loans receivable that are also part of its legacy business, in Q4 2016 the Company recorded a credit allowance of $1.0 million on its loan receivable from Fleetwood, of which approximately $0.3 million was allocated to the Company's non-controlling interests. The provision reduced the carrying value of the loan receivable to zero.

Q1 2016 Discussion

- In Q1 2016, in connection with its portfolio investments, the Company recorded unrealized fair value losses of $0.4 million, of which approximately $0.3 million was allocated to the Company's non-controlling interests. The fair value losses were primarily associated with a decline in the value of DBGI.

- In Q1 2016, based on actual and expected payments, the Company recorded a recovery of $0.8 million of the $50.2 million of non-recurring restructuring costs that were recorded in Q2 2015 in connection with the Company's corporate realignment.

Fair Value Adjustments and Non-Controlling Interests

The Company's fair value adjustments relate to its legacy businesses, particularly its portfolio investments. Throughout 2016 the majority of the portfolio investments consisted of an investment in the publicly traded common shares in DBGI, and therefore fair value fluctuations have largely been driven by changes in DBGI's share price. The effects of these fluctuations in Q1 2017 as compared to Q4 2016 and Q1 2016 are discussed above under *Non-Core and Non-Recurring Items*.

Discontinued Operations

In the first quarter of 2013 the Company discontinued its asset liquidation, case goods and real estate segments. The case goods business and the last real estate property were sold in Q1 2014, while the asset liquidation business was distributed to the Company's shareholders via a dividend-in-kind of all of the Company's shares of Heritage Global Inc.

There were no significant transactions relating to discontinued operations during Q1 2017, Q4 2016 or Q1 2016.

Income Taxes

The income tax recovery during Q1 2017 primarily related to the Q1 2017 operating results of Street Capital Bank, with approximately 7% of the total recovery generated at the parent Company level.

At March 31, 2017, the Company had approximately $330.8 million in non-capital loss carry-forwards that may be used to reduce future years' taxable income until 2036.

The income tax recovery reported in the statement of comprehensive income is based on a number of different estimates made by management. The effective tax rate can change from period to period, based on the mix of income or loss among the different jurisdictions in which the Company operates, changes in tax laws in these jurisdictions, and changes in the estimated values of deferred tax assets and liabilities recorded on the statement of financial position. This is in addition to permanent differences that are either not in, or deductible from, the computation of taxable income. For a given period, the reported income tax expense or recovery reflects an estimate of cash taxes in the current year, offset by the associated utilization of non-capital loss carryforwards, and a provision for changes arising during the year in the value of the deferred tax assets and liabilities. The likelihood of recovering value from deferred tax assets such as loss carry-forwards, future tax depreciation of capital assets, and other assets, is assessed and recognized at each quarter-end. Material changes in income tax assets, liabilities, expense and recoveries may occur in the short term. Please see Note 15 to unaudited condensed consolidated interim financial statements for more information on the Company's tax rates, as well as both current and deferred income taxes.

QUARTERLY HIGHLIGHTS

The following table sets out financial highlights of the Company's consolidated quarterly results of operations for the eight quarters ended March 31, 2017. Please see the section *Non-GAAP Measures* for the definitions of adjusted net income, other related non-GAAP measures, and credit quality indicators.

Table 6 – Quarterly Financial Highlights

(in thousands of $, except where defined)	2015 Q2 $	2015 Q3 $	2015 Q4 $	2016 Q1 $	2016 Q2 $	2016 Q3 $	2016 Q4 $	**2017 Q1 $**
Financial performance								
Shareholders' net income (loss)	$ (37,666)	$ 6,676	$ (2,795)	$ 3,003	$ 5,310	$ 7,491	$ 462	**$ (2,574)**
Adjusted shareholders' net income	$ 8,767	$ 6,909	$ 4,792	$ 2,444	$ 5,845	$ 6,171	$ 1,900	**$ 69**
Shareholders' diluted earnings (loss) per share	$ (0.37)	$ 0.06	$ (0.02)	$ 0.02	$ 0.04	$ 0.06	$ 0.00	**$ (0.02)**
Adjusted shareholders' diluted earnings per share	$ 0.09	$ 0.06	$ 0.04	$ 0.02	$ 0.05	$ 0.05	$ 0.02	**$ 0.00**
Return on equity	(131.6%)	22.8%	(9.4%)	10.0%	17.1%	22.9%	1.4%	**(7.7%)**
Adjusted return on equity	30.6%	23.5%	16.0%	8.1%	18.8%	18.9%	5.7%	**0.2%**
Return on tangible equity	(174.4%)	30.5%	(11.7%)	13.6%	22.5%	29.6%	2.2%	**(9.3%)**
Adjusted return on tangible equity	41.3%	31.6%	21.5%	11.1%	24.7%	24.5%	7.6%	**0.7%**
Mortgages sold and under administration								
Mortgages sold - new	$ 2,520,648	$ 1,874,541	$ 1,553,556	$ 1,190,391	$ 2,155,761	$ 2,493,132	$ 2,101,474	**$ 1,213,257**
Mortgages sold - renewal	473,994	410,288	587,061	328,032	380,615	361,844	358,043	**304,597**
Mortgages sold - total	$ 2,994,642	$ 2,284,829	$ 2,140,617	$ 1,518,423	$ 2,536,376	$ 2,854,976	$ 2,459,517	**$ 1,517,854**
Mortgages under administration *(in billions of $)*	$ 23.38	$ 24.30	$ 24.75	$ 25.02	$ 25.67	$ 26.83	$ 27.70	**$ 27.81**
Gain on sale of mortgages	$ 56,749	$ 41,197	$ 35,729	$ 26,883	$ 46,797	$ 52,578	$ 40,793	**$ 26,886**
As a % of mortgages sold	1.90%	1.80%	1.67%	1.77%	1.85%	1.84%	1.66%	**1.77%**
Acquisition expenses	$ 30,544	$ 21,994	$ 19,313	$ 14,286	$ 27,009	$ 30,608	$ 26,735	**$ 16,166**
As a % of mortgages sold	1.02%	0.96%	0.90%	0.94%	1.06%	1.07%	1.09%	**1.07%**
Net gain on sale of mortgages	$ 26,205	$ 19,203	$ 16,416	$ 12,597	$ 19,788	$ 21,970	$ 14,058	**$ 10,720**
As a % of mortgages sold	0.88%	0.84%	0.77%	0.83%	0.78%	0.77%	0.57%	**0.71%**
Operating expenses	$ 11,027	$ 10,358	$ 11,459	$ 9,885	$ 12,140	$ 13,114	$ 11,631	**$ 10,745**
As a % of mortgages sold	0.37%	0.45%	0.54%	0.65%	0.48%	0.46%	0.47%	**0.71%**
Credit quality								
Total portfolio serious arrears rate	0.16%	0.14%	0.14%	0.13%	0.11%	0.11%	0.11%	**0.12%**
Average beacon	746	741	742	743	749	745	746	**747**
Average loan to value ratio	82.0%	81.8%	81.7%	81.4%	81.2%	81.0%	80.8%	**80.7%**
Average total debt service ratio	36.5%	36.2%	36.2%	36.2%	36.1%	36.2%	36.2%	**36.3%**
Equity and share performance								
Shareholders' equity	$ 113,985	$ 120,752	$ 118,245	$ 121,998	$ 127,001	$ 134,402	$ 134,492	**$ 131,998**
Shares outstanding end of period (in 000s)	120,866	120,866	121,226	122,154	121,876	121,790	121,532	**121,580**
Book value per share	$ 0.94	$ 1.00	$ 0.98	$ 1.00	$ 1.04	$ 1.10	$ 1.11	**$ 1.09**
Market capitalization	$ 284,035	$ 199,429	$ 162,443	$ 157,579	$ 152,345	$ 219,222	$ 228,480	**$ 182,370**
Share price at close of market	$ 2.35	$ 1.65	$ 1.34	$ 1.29	$ 1.25	$ 1.80	$ 1.88	**$ 1.50**

Mortgage originations tend to follow seasonal housing market trends, where the spring and summer markets outperform the fall and winter ones, generally leading to relatively higher gains on sale in Q2 and Q3 compared to Q4 and Q1. The Company’s results are consistent with this trend, as shown in the table above.

Q1 2017 FINANCIAL POSITION REVIEW

The following table sets out the Company's consolidated financial position as at March 31, 2017 and December 31, 2016.

Table 7 - Financial Position

(in thousands of $)	As at March 31, 2017	As at December 31, 2016
Assets		
Cash and cash equivalents	**$ 7,196**	$ 3,771
Restricted cash	**23,044**	31,159
Non-securitized mortgages and loans	**11,420**	9,323
Securitized mortgage loans	**253,165**	262,203
Deferred placement fees receivable	**50,139**	51,314
Prepaid portfolio insurance	**80,660**	79,049
Portfolio investments	**3,214**	3,026
Deferred income tax assets	**14,489**	14,429
Other assets	**18,163**	15,481
Goodwill and intangible assets	**28,949**	28,652
Total assets	**$ 490,439**	$ 498,407
Liabilities		
Bank facilities	**$ 15,900**	$ 3,400
Deposits	**2,358**	-
Loans payable	**4,220**	4,251
Securitization liabilities	**252,514**	262,663
Accounts payable and accrued liabilities	**44,480**	53,870
Deferred income tax liabilities	**43,064**	43,914
Total liabilities	**362,536**	368,098
Total shareholders' equity	**131,998**	134,492
Non-controlling interests	**(4,095)**	(4,183)
Total liabilities and equity	**$ 490,439**	$ 498,407

CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents at the balance sheet date represent funds on deposit with regulated Canadian financial institutions. Restricted cash represents mortgage loan repayments collected on behalf of third party investors via a third party service provider, cash collected that has not yet been allocated to securitization liabilities, and accrued interest from mortgage loan repayments collected in connection with securitization activities.

The Company's primary sources of cash are the premiums received on the sale of mortgages, and the net servicing revenue and excess spread received on mortgages under administration. The Company also has a $150.0 million mortgage purchase facility and a $15.0 million operating credit facility available, as discussed in more detail below.

MORTGAGE LENDING ASSETS AND LIABILITIES

Securitized Mortgage Loans and Securitization Liabilities

The Company occasionally originates prime insured mortgages that are securitized through the NHA MBS program and then sold to third-party investors as MBS. These mortgages and the associated securitization liabilities remain on balance sheet. The Company did not securitize any mortgages during Q1 2017; it securitized $116.9 million during 2016. Please see Note 5 of the unaudited condensed consolidated interim financial statements.

Non Securitized Mortgages and Loans

Under its current business model, which is focused on the origination and sale of prime mortgages, from time to time the Company has also originated loans that remain on balance sheet, are bridge loans, or are intended for future securitization and sale. As the Company's bank operations expand, non-securitized mortgages and loans are expected to become a more significant and long-term component of its revenue-generating assets. Please see Note 4 of the unaudited condensed consolidated interim financial statements.

Deferred Placement Fees Receivable

When mortgages are sold on a fully serviced basis the Company charges the institutional investor a servicing fee, which is received over the life of the underlying mortgage. In some cases, an excess interest rate spread is also received over the remaining mortgage term. The present value of (i) the servicing fee net of the Company's cost of servicing, plus (ii) the excess interest rate spread, is recognized as gain on sale of mortgages in the consolidated statement of comprehensive income and a resulting deferred placement fee receivable is recognized in the consolidated statement of financial position.

The net decrease from December 31, 2016 to March 31, 2017 reflects the seasonal decline in mortgage originations, as amortization during Q1 2017 exceeded the fees that were capitalized during the same period. Please see Note 6 of the unaudited condensed consolidated interim financial statements.

Prepaid Portfolio Insurance

Prepaid portfolio insurance represents portfolio mortgage insurance premiums paid by the Company to insure a pool of low ratio prime mortgages. Portfolio mortgage insurance provides insurance coverage over a pool of mortgages and is not mortgage specific. The length of the coverage is for the amortization period of the original underlying mortgages. Prepaid portfolio insurance is amortized into income over a maximum period of 15 years, using a declining balance method that estimates the pattern of consumption based on contractual terms and management assumptions about mortgage prepayments and renewals. For portfolio mortgage insurance purchased prior to May 14, 2015, if any part of a mortgage is prepaid in advance of the contractual amortization period, the Company is entitled to substitute that prepaid amount with another mortgage of equal value, at no additional cost. The substitution period varies by insurer, and can be as short as 5 years and as long as the amortization period, which can be up to 25 years. This substitution eligibility is factored into the pattern of amortization. Beginning in May 2015 the substitution entitlement was discontinued, and therefore the amortization pattern for portfolio insurance premiums paid for new mortgage pools after May 2015 tends to be shorter than for those purchased earlier.

The net increase in the prepaid portfolio insurance balance reflects the growth in the number of insured mortgages, less the amortization recognized during the same period. Please see Note 7 of the unaudited condensed consolidated interim financial statements.

Bank Facilities

At March 31, 2017 and December 31, 2016 the Company had a total credit facility of $165.0 million through a syndicate of Schedule I Canadian banks, of which $15.9 million was outstanding, leaving $149.1 million available (December 31, 2016 - $3.4 million and $161.6 million, respectively). The facility is available in three tranches, dependent on use of funds, and the balance at March 31, 2017 was allocated between $3.9 million in mortgage funding advances and $12.0 million in a draw on the operating line, compared to $1.4 million in mortgage funding and $2.0 million operating line draw at December 31, 2016. The amounts drawn on the respective tranches can fluctuate significantly depending on the timing of various cash receipts and payments. Please see Note 11 of the unaudited condensed consolidated interim financial statements.

CUSTOMER DEPOSITS

The Company's first new business activity, as it began operations as a Schedule I bank on February 1, 2017, was to begin offering CDIC-insured GIC deposits. These have been sourced through third party deposit agents, and at March 31, 2017 totaled $2.36 million, with terms ranging from 1 to 5 years, at interest rates between 1.64% and 2.18%. Please see Note 12 of the unaudited condensed consolidated interim financial statements.

OTHER ASSETS

Other Assets

Other assets include receivables for mortgage sale activity and mortgage insurance, loans and other receivables, accrued interest, capital assets, prepaid expenses, and assets associated with the Company's discontinued real estate operations. The loans receivable include a loan from the Company's former subsidiary, Heritage Global Inc., and have decreased by $0.3 million compared to December 2016 primarily due to payments received. The $0.9 million increase in prepaid expenses compared to December 31, 2016 is due to the payment of annual fees and costs that will be amortized over 2017. The $2.7 million increase in gain on sale receivable compared to December 31, 2016 is associated with normal fluctuations in the timing of mortgage loan sales. Please see Note 9 of the unaudited condensed consolidated interim financial statements.

Goodwill and Intangible Assets

The Company's goodwill relates to its acquisition of Street Capital Bank in 2011. The Company's intangible assets are also related to Street Capital Bank, and consist of both acquired and internally generated assets. There was no indication of impairment of either goodwill or intangible assets in either 2016 or Q1 2017. Please see Note 10 of the unaudited condensed consolidated interim financial statements.

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets are almost exclusively associated with non-capital losses related to the Company's legacy businesses and head office operations, and deferred income tax liabilities are almost exclusively associated with the Company's mortgage lending business. Please see Note 15 of the unaudited condensed consolidated interim financial statements.

OTHER LIABILITIES

Other Liabilities

Other liabilities include accounts payable, accrued operating liabilities, accrued mortgage acquisition costs, accrued interest, and liabilities associated with the Company's discontinued real estate operations. The decrease in other liabilities from $53.9 million at December 31, 2016 to $44.5 million at March 31, 2017 is largely due to a decrease of $7.1 million in payments due to mortgage servicers. The decrease of $1.6 million in accrued compensation reflects the net effect of paying bonuses accrued at December 31, 2016, and accruing $3.6 million in Q1 2017 as an allowance for a retiring executive. Please see Note 14 of the unaudited condensed consolidated interim financial statements.

LEGACY ASSETS AND LIABILITIES

Portfolio Investments and Non-Controlling Interests
The Company's portfolio investments of $3.2 million consist of investments held by the Company's Private Equity business (see also the discussion under *Fair Value Adjustments and Non-Controlling Interests*, above). The Company holds only approximately 16% of Private Equity, but it controls and consolidates the business due to its ability to influence its management and investments. At March 31, 2017, approximately $2.4 million of the portfolio investments were attributable to the Company's non-controlling interest (December 31, 2016 - $2.3 million).

As noted above under *Legacy Operations*, the Company is in the process of exiting Private Equity. Since Q1 2015, it has retained an interest in only two investments, only one of which, DBGI, is material. In Q1 2016 a portion of the investment in DBGI was converted to cash and distributed to the Private Equity investors, with the Company receiving approximately $1.3 million. Although management cannot know with certainty the date at which Private Equity will exit DBGI, it forecasts that this will occur in 2018, at which time the proceeds would be distributed to the investors. Pending that exit, changes in the reported balance of portfolio investments and the associated non-controlling interest, quarter over quarter and year over year, are primarily related to changes in the share price of DBGI. Please see Note 8 of the unaudited condensed consolidated interim financial statements.

Loans Payable
The loans payable are related to the Company's legacy businesses. The decrease from Q4 2016 is due to foreign exchange fluctuation on the $US loan. Please see Note 13 of the unaudited condensed consolidated interim financial statements.

SHAREHOLDERS' EQUITY AND UPDATED SHARE INFORMATION

The net decrease in shareholders' equity is almost exclusively due to the Company's Q1 2017 comprehensive loss, which is slightly offset by an exercise of stock options and amortization of stock-based compensation. During Q1 2017 there were no share repurchases under the normal course issuer bid, which is discussed below under *Share Capital* and *Capital Management*.

At April 30, 2017, the Company had 121,580,238 common shares issued and outstanding. In addition, there were 3,089,587 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $3.6 million.

CONTINGENCIES

The Company, from time to time, is involved in various claims, legal and tax proceedings, and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

OFF BALANCE SHEET ARRANGEMENTS

At March 31, 2017 the Company had $77.8 million of outstanding commitments for advances on mortgage loans that it intended to fund on-balance sheet (December 31, 2016 - none). Such offers to extend credit are in the normal course of business and are planned through the Company's liquidity management practices.

RELATED PARTY TRANSACTIONS

The Company's related parties include the following individuals or entities:

- Associates, or entities which are controlled or significantly influenced by the Company;
- Key management personnel, comprised of the Company's directors and officers, and other employees having authority and responsibility for planning, directing and controlling the Company's activities; and
- Entities controlled by key management personnel

The Company has few related party transactions. They are described in Note 9 and Note 23 to the unaudited condensed consolidated interim financial statements, and consist of shareholder loans to certain key employees and former employees.

CAPITAL MANAGEMENT

The Company has a Board-approved Capital Management Policy that governs the quantity and quality of capital held. The policy was developed with significant reference to the operations of the Company's wholly owned Schedule I bank, Street Capital Bank, which is the Company's sole operating subsidiary. The objective of the policy is to ensure that the Company appropriately balances its capital allocation between retention of a prudent margin above regulatory capital adequacy minimums in order to provide access to contingency capital, and maintenance of sufficient freely available capital to achieve business goals and objectives. Management defines capital as the Company's equity and deficit. The Company's Capital Management Policy is reviewed at least annually and more often if required by events or changing circumstances. There have been no material changes to the policy that was described in the Company's 2016 Annual Report.

Effective with the commencement of its banking operations on February 1, 2017, Street Capital Bank is required to calculate capital ratios and regulatory capital based on the capital adequacy requirements issued by OSFI, which are based on *International Convergence of Capital Measurement and Capital Standards – A Revised Framework* ("Basel II") and *Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework* ("Basel III"). Accordingly, the Company manages Street Capital Bank's capital through utilization of an Internal Capital Adequacy Assessment Process ("ICAAP"). Street Capital Bank defines capital as meeting the definition of regulatory capital as defined by the capital adequacy requirements defined by OSFI, which in its case is Street Capital Bank's common equity and retained earnings.

Two regulatory capital requirements are addressed in Street Capital Bank's policy: the Leverage Ratio and the Risk-Based Capital Ratios. OSFI establishes Leverage Ratio targets for each financial institution, which are confidential. At March 31, 2017, Street Capital Bank's Leverage Ratio was 20.86%, and Street Capital Bank was fully compliant with its regulatory requirements.

Under the Bank's capital and risk management policies, and OSFI's guidelines, the Bank is required to assess the adequacy of current and projected capital resources under expected and stressed conditions. At March 31, 2017, based on the Company's ICAAP, management has concluded that the Bank is adequately capitalized to continue operations and execute on its business plans. In the event the Bank or OSFI determined additional capital was required, the Bank could look to the Company to provide or access capital for the benefit of the Bank.

Shown below are Street Capital Bank's capital measures as at March 31, 2017. They are presented together with the same ratios as at December 31, 2016 and March 31, 2016, based on Street Capital Bank's financial position at those dates, and calculated as if Street Capital Bank had been operating as a Schedule I bank at those dates.

Table 8 – Basel III Regulatory Capital (based only on the consolidated subsidiary, Street Capital Bank)

(000s, except %)	March 31, 2017	December 31, 2016	March 31, 2016
	All-In Basis	All-In Basis	All-In Basis
	$	$	$
Common Equity Tier 1 capital (CET 1)			
Capital Stock	**16,426**	16,426	16,426
Retained Earnings	**77,317**	79,686	66,118
Less: Regulatory adjustments to CET 1	**(1,494)**	(1,073)	(730)
Total CET 1 capital	**92,249**	95,039	81,814
Additional Tier 1 capital	**-**	-	-
Total Tier 1 capital	**92,249**	95,039	81,814
Total Tier 2 capital	**-**	-	-
Total regulatory capital	**92,249**	95,039	81,814
Total risk-weighted assets	**286,132**	281,903	255,927
Regulated capital to risk-weighted assets			
Common equity Tier 1 ratio	**32.24%**	33.71%	31.97%
Tier 1 capital ratio	**32.24%**	33.71%	31.97%
Total regulatory capital ratio	**32.24%**	33.71%	31.97%
Leverage ratio	**20.86%**	21.13%	25.88%
National regulatory minimum			
CET 1 ratio	**7.00%**	7.00%	7.00%
Tier 1 capital ratio	**8.50%**	8.50%	8.50%
Total regulatory capital ratio	**10.50%**	10.50%	10.50%
Leverage ratio	**3.00%**	3.00%	3.00%

Normal Course Issuer Bid

The Company, with the approval of the Toronto Stock Exchange (the "Exchange") commenced a normal course issuer bid (the "NCIB") that became effective on March 23, 2016. It expired on March 22, 2017 and was subsequently renewed. The renewed NCIB will expire on March 22, 2018. Under the NCIB, the Company can purchase for cancellation up to 2% of its common shares outstanding. The Company makes those purchases on the open market through the facilities of the Exchange and otherwise in accordance with the rules and policies of the Exchange. The Company believes that the potential repurchase of a portion of its outstanding common shares is an appropriate use of available cash and is in the best interests of the Company and its shareholders.

During the period March 23, 2016 to December 31, 2016, the Company repurchased 630,132 of its common shares for $0.91 million, which reduced share capital by $1.27 million and increased contributed surplus by $0.36 million. Between December 31, 2016 and March 31, 2017, the Company did not purchase any additional common shares through the NCIB.

Dividends

There were no dividends declared or paid during 2016 or during Q1 2017.

There is no restriction on the Company's ability to declare dividends, except as described below. The declaration and payment of dividends is decided by the Board of Directors from time to time based upon and subject to the Company's earnings, financial requirements and other conditions prevailing at the time. The Company's wholly owned subsidiary, Street Capital Bank, has regulatory capital and business requirements stipulated by OSFI that must be met before dividends can be declared and paid. Its ability to pay dividends is also constrained by certain financial covenants associated with its credit facilities.

RISK MANAGEMENT

The Company's business strategies and operations expose the Company to a wide range of risks. The Company's continual investment in, and commitment to, risk management is a key component of its long-term success. In particular, through Street Capital Bank, the Company has exposure to risks that are similar to those of other financial institutions. These include the symptoms and effects of domestic and global economic conditions, among others, many of which are beyond the Company's control. Exposure to these risks could adversely affect the Company's operations, financial condition or financial performance, and in turn could influence an investor to buy, hold or sell the Company's shares.

When evaluating risks, the Company makes decisions, with reference to its risk appetite framework, about which risks it accepts, which risks it mitigates, and which risks it avoids. The Board of Directors has the overall responsibility for both establishment and oversight of the Company's risk appetite framework.

The Company's most significant risks, with respect to its business activities, are credit risk, liquidity and funding risk, and market risk. A detailed discussion of these and the other risks that affect the Company can be found in the Management's Discussion and Analysis section of the Company's 2016 Annual Report, under the section *Risk Management and Risk Factors*, on pages 54 - 62.

Credit Risk

Credit risk is the risk of financial loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations. Through its wholly owned subsidiary, Street Capital Bank, the Company's credit risk has been mainly associated with its mortgage lending business, in the form of the risk of default on the part of the borrower.

Historically, the majority of the Company's revenue has been earned from the placement, servicing and securitization activities of its mortgage lending business. Under this business model, most of the mortgages underwritten by the Company are sold to institutional investors and are insured or insurable against default with Canada Mortgage and Housing Corporation ("CMHC") and other government backed private insurers. This makes the residual credit risk to the Company immaterial overall. However, given that the vast majority of these mortgages have been sold to institutional investors, mortgage credit quality remains an important measure in ensuring continued demand from these investors.

The Company therefore applies a detailed set of Board-approved credit policies and underwriting procedures to ensure mortgages are insurable and meet investor requirements. Its serious arrears rate of 0.12%, at March 31, 2017, is significantly better than the industry average (excluding Quebec) of 0.26% at February 28, 2017 (the most recent information available).

As Street Capital Bank expands its products and services to include uninsured mortgages and other financial products, the Company will apply the appropriate credit policies and underwriting requirements with equal diligence. As with insured mortgages, these policies have been developed and will be updated as necessary with regard to such key factors as asset quality, loan to value ratio, debt service ratio, property location, and economic factors.

The Company's credit risk on liquid assets, the vast majority of which are cash and cash equivalents, is relatively limited as all counterparties are Schedule I Canadian banks with high credit ratings assigned by international rating agencies.

The Company has credit risk associated with specific loans receivable that are related to its discontinued real estate, asset liquidation and case goods businesses. The balance of these loans, net of credit provisions, was $1.2 million at March 31, 2017 (December 31, 2016 - $1.6 million).

Liquidity and Funding Risk

Liquidity and funding risk is the risk that the Company is unable to generate sufficient funds, in a timely and reasonably priced manner, to meet its financial obligations as they come due. This risk arises from the fluctuations in the Company's cash flows that are associated with loan sales, securitization, lending and deposits, investing and other business activities. As Street Capital Bank expands its operations and increases on-balance sheet lending and deposit taking, fluctuations in these cash flows will become significant contributors to liquidity and funding risk.

The Company's Liquidity and Funding Management policy is managed in conjunction with other policies, all of which are designed to ensure that cash balances and other high quality liquid assets a) are sufficient to meet all cash outflows, in both ordinary and stressed conditions, and b) are in compliance with regulatory requirements. The Company currently manages liquidity risk through both daily monitoring and measurement of the Company's liquidity position, and regular liquidity forecasting. This monitoring and measurement will become more complex as the Company's bank operations expand, and will increasingly involve variable inventories of liquid assets and the use of such liquidity metrics as maturity gap analysis and survival horizons.

The Company holds liquid assets primarily in the form of cash in bank deposits. At March 31, 2017 the Company had $7.2 million in cash and cash equivalents on deposit with a Schedule I Canadian bank (December 31, 2016 - $3.8 million).

As discussed above under *Bank Facilities*, the Company has a $165.0 million credit facility with a syndicate of Schedule I Canadian banks, which is available in three tranches depending on the use of funds. As an approved NHA MBS issuer, the Company can also access the NHA MBS market to fund insured mortgages.

Market Risk

Market risk is largely composed of two related risks: interest rate risk and investment risk. These are discussed below.

Interest Rate Risk

Interest rate risk is the risk of lost earnings or capital due to changes in interest rates. The objective of interest rate risk management is to ensure that the Company is able to realize stable and predictable earnings, over specific time periods, despite fluctuations in interest rates. Street Capital Bank has a Board-approved market risk management framework that defines strategies and policies that are aligned with the Company's risk appetite.

The Company's primary exposure to interest rate risk arises from fluctuations in interest rates on its mortgages and loans payable, which depend on prevailing rates at renewal. However, during Q1 2017, Street Capital Bank began to take customer deposits, which totaled approximately $2.4 million at March 31. Although this did not materially increase the Company's interest rate risk, as Street Capital Bank begins to offer uninsured loans and offer other products and services, interest rate risk will increase at the same time.

Generally, the Company is not exposed to material levels of interest rate risk arising from prime insured mortgage commitments, because the purchase price for mortgages sold to investors is normally based on customer commitment rates rather than the funded rate, thereby passing on the interest rate risk to the investors. Where the Company securitizes prime insured mortgages directly, or sells these loans on a whole loan basis after funding, it is exposed to interest rate risk arising from mortgage commitments issued and from the point of loan funding to the pooling of the loan for securitization. The level of risk has historically been low overall given low relative volumes.

At March 31, 2017 an immediate and sustained 100 basis point change in interest rates would result in a minimal change in net interest income over the next 12 months.

Investment Risk

Investment risk is the risk of loss due to impairment in the fair value of investments, and the Company has adopted a Board-approved investment policy that specifies the sources of cash to be invested and the constraints within which investments can be made. The Company's investment risk has historically been linked to its portfolio investments, as the Company was not a deposit taking institution prior to Street Capital Bank beginning operations as a Schedule I bank.

The portfolio investments are carried at fair value, and at March 31, 2017 had a fair value of $3.2 million, of which $2.4 million is attributable to the Company's non-controlling interests (December 31, 2016 - $3.0 million and $2.3 million, respectively). The Company's primary risk with respect to its portfolio investments is that their valuation is largely based on the price of publicly traded stock, and therefore there is potential for a decline in value prior to exiting the investment.

Operational Risk Management

Operational risk is the risk of loss resulting from either inadequate or failed internal processes, people and systems, or from external events. Operational risk cannot be completely eliminated, since it is inherent in all business activities, and it can occur in such diverse areas as fraud, equipment damage, system failure, cyber security, business disruption, human error, and natural disasters.

While aware of these constraints, the Company takes proactive steps to mitigate its operational risk. The Company has adopted an Enterprise Risk Management ("ERM") Framework that includes strategies to manage operational risk, including avoidance, transfer, insurance, acceptance and mitigation by controls. The Company employs a risk and compliance information system that facilitates the application of an enhanced operational risk methodology.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING STANDARDS AND POLICIES

The preparation of consolidated financial statements requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. The Company's management regularly reviews its estimates, assumptions and judgments, and updates them as required by events or changes in circumstances. The Company's key areas of judgment and estimation include: allowance for credit losses, valuations of mortgage and other loan receivables (i.e. duration factors on deferred placement fees receivable), the useful life and residual value of certain assets including prepaid portfolio insurance, intangible assets and goodwill, valuation of portfolio investments, and accounting for deferred income taxes. Actual results may differ from these estimates.

This MD&A should be read in conjunction with the Company's Q1 2017 unaudited condensed consolidated interim financial statements and the notes thereto. The significant accounting policies and critical accounting estimates are described in Note 3 of the audited consolidated financial statements included in the Company's 2016 Annual Report. These policies have the potential to significantly impact the Company's financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events that are continuous in nature.

There was one change to the Company's significant accounting policies during Q1 2017, due to the commencement of Street Capital Bank's banking operations and its deposit-taking activities. This update, together with future changes in accounting standards that may have an impact on the Company's financial position and results of operations, is discussed in Note 2 to the Q1 2017 unaudited condensed consolidated interim financial statements.

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain items in the comparative unaudited condensed consolidated interim financial statements have been reclassified from statements previously presented to conform to the presentation of the Q1 2017 unaudited condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws. They include controls and procedures that are designed to ensure that information is accumulated and communicated to senior management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There were no changes to the Company's internal controls over financial reporting during the period ended March 31, 2017 that have materially affected, or are expected to have a material effect on, the Company's financial reporting.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed consolidated interim financial statements. Street Capital has in place appropriate information systems and procedures to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, performs an oversight role with respect to all public financial disclosures made by the Company and has reviewed and approved this MD&A and the accompanying unaudited condensed consolidated interim financial statements.

NON-GAAP MEASURES

Management uses a variety of financial measures in its assessment and description of the Company's performance. In addition to GAAP-defined measures, such as earnings per share ("EPS"), management uses non-GAAP measures in order to provide investors with useful information regarding the Company's financial condition and results of operations. These non-GAAP measures do not have any standardized meaning under GAAP. These measures, therefore, may not be comparable to, or consistent with, similarly titled non-GAAP measures presented by other companies. The non-GAAP measures used in this MD&A are defined as follows:

Adjusted shareholders' net income and adjusted diluted shareholders' earnings per share
The adjusted results are intended to highlight the core operating business of the Company (the Bank) by removing material non-recurring items, and items associated with the Company's legacy businesses. These items include: i) fair value adjustments, provisions, private equity management expenses, and the results of discontinued operations associated with the Company's legacy businesses, ii) non-recurring income and expense items, net of applicable taxes, and iii) non-recurring restructuring expenses or recoveries, net of applicable taxes. The reconciliation of shareholders' net income (loss) to adjusted shareholders' net income, and the resulting adjusted earnings per share, are presented below. Adjusted diluted earnings per share is calculated using adjusted net income.

Reconciliation of Shareholders' Net Income (Loss) to Adjusted Shareholders' Net Income

(in thousands of $, except per share data)	For the three months ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Net income (loss)	**$ (2,574)**	$ 462	$ 3,003
Fair value adjustments (net of non-controlling interest)	**(103)**	898	48
Private equity management expense (net of tax)	**101**	-	-
Executive retiring allowance (net of tax)	**2,647**	-	-
Discontinued operations (net of tax)	**(2)**	(2)	(9)
Restructuring expense (recovery) (net of tax)	**-**	-	(598)
Provision against legacy non-trade receivable (net of tax and non-controlling interest)	**-**	542	-
Adjusted net income	**$ 69**	$ 1,900	$ 2,444
Shareholders' diluted earnings (loss) per share	**$ (0.02)**	$ 0.00	$ 0.02
Adjusted shareholders' diluted earnings per share	**$ 0.00**	$ 0.02	$ 0.02

Return on equity is defined as the net income (loss) available to common shareholders as a percentage of average shareholders' equity. It is calculated on an annualized basis.

Adjusted return on equity is calculated as the adjusted net shareholders' net income as a percentage of average shareholders' equity. It is calculated on an annualized basis.

Reconciliation of shareholders' equity to shareholders' tangible equity
Shareholders' tangible equity is defined as shareholders' equity less the Goodwill and Customer Intangibles related to Street Capital's acquisition of the Bank in 2011.

(in thousands of $)			As at
	March 31, 2017	December 31, 2016	March 31, 2016
Shareholders' equity	**$ 131,998**	$ 134,492	$ 121,998
Deduct: goodwill from purchase of Street Capital Bank	**(23,465)**	(23,465)	(23,465)
Deduct: intangible assets from purchase of Street Capital Bank	**(3,991)**	(4,114)	(4,484)
Shareholders' tangible equity	**$ 104,542**	$ 106,913	$ 94,049

Return on tangible shareholders' equity ("**ROTE**") is defined as the net income (loss) available to common shareholders, excluding the amortization of the Customer Intangibles referenced above, as a percentage of average shareholders' tangible equity. It is calculated on an annualized basis.

(in thousands of $)	For the three months ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Net income (loss)	**$ (2,574)**	$ 462	$ 3,003
Add back: amortization of intangible assets	**123**	123	123
Net income (loss) for return on shareholders' tangible equity	**$ (2,451)**	$ 585	$ 3,126
ROTE	**(9.3%)**	2.2%	13.6%

Adjusted return on shareholders' tangible equity ("**Adjusted ROTE**") is defined as the adjusted net income available to common shareholders, excluding the amortization of the Customer Intangibles referenced above, as a percentage of average shareholders' tangible equity. It is calculated on an annualized basis.

(in thousands of $)	For the three months ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Net adjusted income (loss)	**$ 69**	$ 1,900	$ 2,444
Add back: amortization of intangible assets	**123**	123	123
Adjusted net income for return on shareholders' tangible equity	**$ 192**	$ 2,023	$ 2,567
Adjusted ROTE	**0.7%**	7.6%	11.1%

Average beacon
Average beacon refers to the credit scores of new mortgage clients, and is calculated as the portfolio weighted average at the date of mortgage origination.

Book value per share
Book value per share is calculated by dividing shareholders' equity by the number of common shares outstanding.

Leverage Ratio
The Leverage Ratio provided in this MD&A is that of the Company's wholly owned subsidiary Street Capital Bank. The calculations are in accordance with guidelines issued by OSFI. The Leverage Ratio is defined as the Capital Measure divided by the Exposure Measure, with the ratio expressed as a percentage. The Capital Measure is the all-in Tier 1 capital of Street Capital Bank. The Exposure Measure consists of on-balance sheet, derivative, securities financing transactions and off-balance sheet exposures.

Loan to value ratio
The loan to value ratio ("**LTV**") is calculated as the portfolio weighted average ratio of outstanding loan balance to collateral value at origination.

Market capitalization
Market capitalization at a given date is calculated by multiplying that day's closing price of the Company's common shares by the number of common shares outstanding.

Mortgages under administration ("MUA")
Mortgages under administration includes all securitized and non-securitized mortgage loans, as well as all off-balance sheet mortgages that qualify for derecognition under IFRS.

New mortgage originations
New mortgage originations includes all mortgages sold to investors, conversions of adjustable rate mortgages to fixed rate mortgages, and mortgages that are securitized under the NHA MBS program.

Operating expenses
Operating expenses are defined as the total of the Company's i) salaries and benefits expense, plus ii) selling, general and administrative expense, less iii) a non-recurring provision for a retiring executive, less iv) restructuring expense recorded in the second quarter of 2015, plus v) a restructuring recovery recorded in the first quarter of 2016.

	For the three months ended	
(in thousands of $)	**March 31, 2017**	March 31, 2016
Expenses		
Salaries and benefits	**$ 10,391**	$ 6,643
Selling, general and administrative expenses	**3,954**	3,242
Restructuring expense (recovery)	**-**	(813)
Total expenses	**14,345**	9,072
Deduct: executive retiring allowance	**(3,600)**	-
Add: restructuring recovery	**-**	813
Operating expenses	**$ 10,745**	$ 9,885

Renewed Mortgages
Renewed mortgages includes all mortgages that are renewed at the end of their contractual term, with no changes to the contractual terms except interest rate.

Risk-Based Capital Ratios
The risk-based capital ratios are composed of the Common Equity Tier 1, Tier1, and Total Capital Ratios. The capital ratios provided in this MD&A are those of the Company's wholly owned subsidiary Street Capital Bank. The calculations are in accordance with guidelines issued by OSFI.

Risk-weighted assets
The risk-weighted assets reported in this MD&A are those of the Company's wholly owned subsidiary Street Capital Bank. The calculations are in accordance with guidelines issued by OSFI.

Serious arrears rate
Serious arrears rate is defined as the number of mortgages that are greater than 90 days in arrears, plus the number of mortgages involved in legal action due to non-payment, divided by the number of mortgages under administration. The calculation includes mortgages that have been sold to institutional investors.

Total debt service ratio
The total debt service ratio ("**TDSR**") refers to the debt service ratios of new mortgage clients, and is calculated as the portfolio weighted average at the date of mortgage origination.

GLOSSARY

Basis point
A basis point ("bp") is one hundredth of a percentage point.

Canada Deposit Insurance Corporation ("CDIC")
The Canada Deposit Insurance Corporation is a Canadian federal Crown corporation that insures Canadians' deposits held at Canadian banks up CDN $0.10 million in case of a bank failure.

Canada Mortgage and Housing Corporation ("CMHC")
The Canada Mortgage and Housing Corporation is a Canadian federal Crown corporation whose main function is to sell insurance to Canadian residential mortgage lenders to protect them against mortgage defaults. The cost of the insurance premiums is typically passed along to the borrower.

Guaranteed Investment Certificate ("GIC")
A Guaranteed Investment Certificate is an investment security, sold by Canadian banks and trust companies, that offers a guaranteed rate of return (interest rate) over a fixed period of time, commonly 1 to 5 years.

Impaired Loans
Loans are considered to be impaired when there is no reasonable assurance that principal and interest will be remitted to the lender on a timely basis.

Liquidity Adequacy Requirements ("LAR")
A guideline published by OSFI (see below) that requires banks, bank holding companies, trust and loan companies and cooperative retail associations to maintain adequate and appropriate forms of liquidity.

Liquidity Coverage Ratio ("LCR")
The Liquidity Coverage Ratio is a standard, and a component of the LAR, that aims to ensure that an institution has an adequate stock of unencumbered high-quality liquid assets ("**HQLA**") that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

National Housing Act Mortgage-Backed Securities ("NHA MBS") Program
NHA mortgage-backed securities are pools of CMHC insured residential mortgages that are sold to investors ("securitized" – see "Securitization", below).

Net Cumulative Cash Flow ("NCCF")
The Net Cumulative Cash Flow is a tool, and a component of the LAR, that measures an institution's cash flows beyond the 30 day horizon in order to capture the risk posed by funding mismatches between assets and liabilities, after the application of assumptions around the functioning of assets and modified liabilities (i.e. where rollover of certain liabilities is permitted). The NCCF measures an institution's cash flow horizon both on the basis of the consolidated balance sheet as well as by major individual balance sheets and components. The metric helps identify gaps between contractual inflows and outflows for various time bands over and up to a 12 month time horizon, which indicate potential liquidity shortfalls an institution may need to address.

Office of the Superintendent of Financial Institutions Canada ("OSFI")
The Office of the Superintendent of Financial Institutions Canada is the federal government agency that is responsible for regulation and supervision of banks, insurance companies, trust companies, loan companies and pension plans in Canada.

Provision for credit losses
A provision for credit losses is a charge to income that represents management's best estimate of the amount required to fully provide for impaired loans that will ultimately be deemed uncollectible.

Securitization
Securitization is the sale of pools of assets, such as insured residential mortgages, to third parties.