Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

STREET CAPITAL GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 and six months ended June 30, 2017, and its financial condition as at June 30, 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 these interim financial statements, and also with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016. The effective date of this MD&A is August 2, 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 Bank of Canada began 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 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 August 2, 2017 the Company had 121,974,182 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 began banking operations on February 1, 2017. Prior to obtaining its bank licence, 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 and a number six position at March 31, 2017.[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 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 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 these prime mortgages 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 focused on, and been 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 0.11% at June 30, 2017, compared to an overall rate of 0.24% at May 31, 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.

The Bank also has a secondary source of liquidity for prime insured mortgages. As an approved issuer of NHA MBS and an approved seller under the Canada Mortgage Bonds ("CMB") program, the Bank can securitize the mortgages and access the market directly. However, although 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 increase in regulatory capital in the calculation of the leverage ratio

[1] As measured by industry statistics. Market share data for the quarter ended June 30, 2017 was not available at the date of this MD&A.

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 its uninsured mortgage product, "Street Solutions", which was launched in Q2 2017 and which is discussed further below, 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 its MUA servicing to third party providers, but continues to administer the mortgages, and therefore the Bank remains the face of all direct communication with borrowers throughout the mortgage term. This ongoing customer relationship promotes renewals and is a key part of the long term growth, profitability and recognition of the Street Capital Bank brand. Renewals are highly profitable due to much lower acquisition costs compared to newly originated mortgages. Additionally, the customer relationships can provide potential cross-sell opportunities for the Bank's new products as its banking operations expand. Mortgage renewals are expected to remain an important part of the business model, and the Bank targets a renewal rate of approximately 75 - 80% of mortgages eligible for renewal, 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 did have some limited liquidity with a funder that purchases prime uninsured mortgages, this funding was mostly utilized in Q1 2017. The Company continues to actively explore additional funding options for prime uninsured lending, including non-government-sponsored residential mortgage backed securities ("RMBS") and whole loan sales. The Company is making progress on this initiative, 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 prime uninsured mortgages on a limited basis.

Uninsured Residential Mortgage Lending and Deposit Products

Upon beginning its banking operations in February 2017, Street Capital 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 ("HISAs").

The GIC deposit base funds the Bank's uninsured residential mortgage lending product, which was launched in May 2017 under the name *Street Solutions*. Although for the period ended June 30, 2017, interest expense on deposits exceeded interest earned on mortgages, as the Street Solutions and other uninsured lending products grow, they will create an on-balance sheet lending base that generates recurring net interest and fee income. The Bank is entering the uninsured lending market in a prudent manner, targeting a market segment that consists of quality, but under-served, borrowers who may not qualify for a prime insured residential mortgage. Street Solutions mortgages are originated through the Bank's existing network of high quality mortgage brokers, and broadly focus 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 two investments, only one of which was material. The non-material investment was exited in Q2 2017, and the Company continues to plan a final exit from the remaining investment, although the timing is uncertain.

YTD 2017 RESULTS AGAINST 2017 OBJECTIVES

2017 Objectives	***YTD 2017 Results or Status***
Launch uninsured mortgage product, with $150 to $200 million in new originations in 2017.	Street Solutions launched in Q2 2017 with $10 million in new originations in the quarter, and is on track to meet the target.
Maintain broker market share at #4.	The Bank's market share in the mortgage broker channel was 7.4% and sixth place for the quarter ended March 31, 2017. Market share data for Q2 2017 was not available at the date of this MD&A.
Maintain renewal volumes of 75 – 80% of mortgages eligible for renewal.	Q2 2017 – renewed approximately 72% of the mortgages eligible for renewal. YTD 2017 – renewed approximately 75%.
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 June 30, 2017 was 0.11%, as compared to 0.12% at March 31, 2017 and 0.11% at December 31, 2016. The rate was 0.24% at May 31, 2017 in the markets in which the Company operates.

Please see *Q2 2017 Summary and Highlights*, and *2017 Earnings Review*, below, for discussion of the Company's 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.

Regulatory and Policy Changes

Many housing markets in Canada are experiencing prolonged periods of house price appreciation that have led to concerns from 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, as well as the cost of portfolio insurance. The federal government has also proposed lender risk sharing arrangements that could further affect the insured mortgage market, and provincial governments in British Columbia and Ontario have recently introduced, and may further introduce, measures intended to slow house price appreciation in those provinces. Additionally, in July 2017, OSFI released draft amendments to Guideline B-20–*Residential Mortgage Underwriting Practices and Procedures* ("Guideline B-20") for public consultation. The basic framework of Guideline B-20 has not changed: the five fundamental principles for sound residential mortgage underwriting remain. However, OSFI is proposing to tighten and clarify its expectations, and introduce new expectations, including:

- Requiring a GDS/TDS stress test for all uninsured mortgages of at least 2.00% above the contractual interest rate;
- Requiring that Loan-to-Value (LTV) measurements remain dynamic and adjust for local market conditions where they are used as a risk control, such as for qualifying borrowers;
- Expressly prohibiting co-lending arrangements that are designed, or appear to be designed, to circumvent regulatory requirements; and
- Additional requirements with respect to income verification.

It will take some time to fully understand the complete effect that the combination of these changes would 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 during the remainder of 2017, as we have seen in some markets in Q2 2017.

Changes proposed in Guideline B-20 have the potential to reduce the size of mortgage a borrower may qualify for and require more documentation for self-employed borrowers, and therefore perhaps reduce the level of lending activity in uninsured mortgages originated by OSFI-regulated financial institutions. While the Company is in the preliminary stages of reviewing the potential implications of proposed changes to Guideline B-20 and developing its comments to OSFI on the proposals, management is maintaining its previously outlined origination targets for Street Solutions, given that they are relatively modest compared to the size of the market.

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.

Other Business Developments

On June 29, 2017 the Company's CEO and acting President, Mr. W. Edward Gettings, announced his intention to retire from Street Capital Group Inc. and Street Capital Bank effective September 1, 2017. Mr. Gettings will continue to serve as a member of the Company's Board of Directors.

Concurrently, the Company also announced that Duncan Hannay, a seasoned financial services and technology executive leader, has been appointed President and CEO of both the Company and Street Capital Bank. Mr. Hannay will assume these responsibilities subsequent to the retirement of Mr. Gettings, on September 1, 2017.

During Q2 2017, the Company initiated a business restructuring that involved the reduction of approximately 10% of its workforce. An action plan was developed during the quarter and selected reductions were implemented beginning July 5, 2017. Associated reorganization expenses of $2.5 million, pre-tax, were recorded as a component of operating expense in Q2 2017. Together with the $3.6 million retiring allowance recorded in Q1 2017 for Mr. DaRocha, the former President, total pre-tax reorganization expenses in 2017 are $6.1 million. The anticipated ongoing expense savings from the staff reduction is between $1.5 to $2.0 million per year. Over time, and as the Bank more formally develops its mid- and long-term strategy, the Company expects to add additional staff with the relevant skills and experience to execute that strategy. The Bank is still targeting positive operating leverage beginning in 2018.

Prime Mortgage Lending

Recent regulatory changes, discussed above, have reduced the volume of prime mortgages that qualify for insurance, leading to a decline in lending activity in the prime insured mortgage segment in 2017.

While it remains difficult to estimate, with any level of certainty, the potential reduction in prime mortgage activity in the market and for the Bank, the Company has been 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 is offering these mortgages on a very limited basis. The Company remains active in pursuing additional funding for this specific product and has made good progress on this front during Q2 2017. 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. The Company still expects that new prime originations 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 expected 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 and as we have seen in this quarter. 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 launched its uninsured mortgage product, Street Solutions, 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. Management deliberately limited the launch of Street Solutions to a handful of brokers and geographic regions in order to manage demand and monitor our underwriting processes. After a successful test run we have expanded our broker reach and geographic regions, and are expecting to make the origination targets as set out in the guidance. The Bank has relatively modest plans for uninsured lending origination in 2017, and will remain conservative in both credit quality and funding, and prudent with 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 of 90 days cashable, and 1 year to 5 years, with fixed interest rates. Deposits are sourced through investment dealers and the distribution network has been growing each month. As banking operations continue to expand, deposits will be cash flow duration matched to underlying mortgages and other assets, with maturity gaps managed within the Bank's conservative risk appetite. The Company is confident that it will achieve sufficient deposit flows to support $150-$200 million in uninsured mortgage funding in 2017.

Near-term 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.

Management's financial expectations, below, are unchanged since they were originally presented on May 10, 2017.

	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 June 30, 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. During Q2 2017, the Company received payment of a $0.2 million loan receivable, and received $0.2 million proceeds upon exiting a Private Equity investment. The remaining net assets represent $1.1 million on the balance sheet at June 30, 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 sole remaining Private Equity investment and most of the remaining real estate investments will be realized by the end of 2018.

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.

Q2 2017 SUMMARY AND HIGHLIGHTS

The table below sets out certain financial highlights for the three and six months ending June 30, 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, including non-recurring restructuring costs or recoveries, and items associated with the Company's legacy businesses. 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 $, except where defined)	**For the three months ended or as at**			**For the six months ended or as at**	
	June 30, 2017	March 31, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Financial performance					
Shareholders' net income (loss)	**$ (104)**	$ (2,574)	$ 5,310	**$ (2,678)**	$ 8,313
Shareholders' diluted earnings (loss) per share	**$ 0.00**	$ (0.02)	$ 0.04	**$ (0.02)**	$ 0.07
Adjusted shareholders' net income (i)	**$ 1,845**	$ 69	$ 5,845	**$ 1,914**	$ 8,289
Adjusted shareholders' diluted earnings per share (i)	**$ 0.02**	$ 0.00	$ 0.05	**$ 0.02**	$ 0.07
Total revenue (net of acquisition costs)	**$ 16,092**	$ 10,756	$ 19,924	**$ 26,848**	$ 33,149
Return on tangible equity	**0.1%**	(9.3%)	22.5%	**(4.6%)**	18.1%
Adjusted return on tangible equity (i)	**7.5%**	0.7%	24.7%	**4.1%**	18.1%
Mortgages originated and under administration					
Mortgages under administration ***(in billions of $)***	**$ 27.81**	$ 27.81	$ 25.67	**$ 27.81**	$ 25.67
Prime mortgage originations	**$1,499,930**	$ 1,213,257	$ 2,155,761	**$ 2,713,187**	$ 3,346,152
Prime mortgage renewals	**463,167**	304,597	380,615	**767,764**	708,647
Total prime originations and renewals	**$1,963,097**	$ 1,517,854	$ 2,536,376	**$ 3,480,951**	$ 4,054,799
Total Street Solutions originations	**$ 10,225**	N/A	N/A	**$ 10,225**	N/A
Gain on sale - new mortgages - % of originations	**2.03%**	1.84%	1.88%	**1.94%**	1.86%
Acquisition expenses - new mortgages - % of originations	**1.41%**	1.30%	1.24%	**1.36%**	1.21%
Net gain on sale - new mortgages - % of originations	**0.62%**	0.53%	0.65%	**0.58%**	0.65%
Gain on sale - renewals - % of originations	**1.49%**	1.51%	1.63%	**1.50%**	1.61%
Acquisition expenses - renewals - % of originations	**0.10%**	0.11%	0.10%	**0.11%**	0.11%
Net gain on sale - renewals - % of originations	**1.39%**	1.39%	1.54%	**1.39%**	1.51%
Operating expenses as a % of originations (ii)	**0.70%**	0.71%	0.48%	**0.70%**	0.54%
Credit quality - prime mortgages					
Total portfolio serious arrears rate (iii)	**0.11%**	0.12%	0.11%		
Average beacon (iv)	**748**	747	749		
Average loan to value ratio (iv)	**80.8%**	80.7%	81.2%		
Average total debt service ratio (iv)	**36.5%**	36.3%	36.1%		
Regulatory Capital Ratios					
Common equity Tier 1 (CET1) ratio	**29.99%**	32.24%	N/A		
Total regulatory ratio	**29.99%**	32.24%	N/A		
Leverage ratio	**18.37%**	20.86%	N/A		
Equity and share information					
Shareholders' equity	**$ 132,252**	$ 131,998	$ 127,001		
Shares outstanding end of period (000s)	**121,974**	121,580	121,876		
Book value per share	**$ 1.08**	$ 1.09	$ 1.04		
Market capitalization	**$ 164,665**	$ 182,370	$ 152,345		
Share price at close of market	**$ 1.35**	$ 1.50	$ 1.25		

(please see definitions on following page)

(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 Q2 2017

- During Q2 2017, Street Capital Bank launched its uninsured mortgage lending product, Street Solutions, and at June 30, 2017 had outstanding Street Solutions mortgage loans of $10.2 million.

- As discussed above, under *Other Business Developments*, on June 29, 2017 the Company announced that Duncan Hannay, a seasoned financial services and technology executive leader, has been appointed President and CEO of both the Company and Street Capital Bank. Mr. Hannay will assume these responsibilities on September 1, 2017, concurrent with the retirement of the current CEO and acting President, W. Edward Gettings. The Company and Bank's former President, Lazaro DaRocha, ceased any employment or consultant relationship with both entities effective May 5, 2017.

- As discussed above, under *Other Business Developments*, during Q2 2017, the Company initiated a restructuring that involved the reduction of approximately 10% of its workforce. Associated expenses of $2.5 million, pre-tax, were recorded as a component of operating expense in Q2 2017, bringing total pre-tax reorganization expense in 2017 to $6.1 million. These amounts are incorporated in the determination of adjusted non-GAAP performance measures.

- During Q2 2017 Company recorded net fair value losses of $0.11 million, primarily due to foreign exchange fluctuations in the value of its $US private equity investments, of which $0.09 million was allocated to the Company's non-controlling interests.

- In June 2017, Private Equity exited its portfolio investment in Fresh Brands ("The Works") for proceeds of $1.3 million, with the Company receiving $0.2 million. Following this exit, the sole remaining portfolio investment is in Differential Brands Group Inc., ("DBGI"), a publicly traded US company.

Significant Developments in Q1 2017

- Mr. DaRocha announced his retirement, as noted above under *Other Business Developments*, and will be paid $3.6 million over a period of two years. This amount is a component of the 2017 $6.1 million reorganization expense discussed above under *Significant Developments in Q2 2017*.

Q2 2017 Financial Highlights

- Q2 2017 net shareholders' loss of $0.1 million includes the $2.5 million reorganization expense discussed above. Adjusted net income, which is primarily affected by eliminating the post-tax reorganization expense, was $1.8 million in Q2 2017 (please see the *Non-Core and Non-Recurring Items* section of this MD&A for more detail) compared to $5.8 million in Q2 2016 and $0.1 million in Q1 2017.

- New mortgage originations of $1.51 billion in Q2 2017, which include Street Solutions originations, were down from $2.16 billion in Q2 2016, and up seasonally from $1.21 billion in Q1 2017. The difference compared to Q2 2016 is approximately 30% and in-line with management's previously disclosed expectation of a 20% - 30% decrease in prime originations compared to 2016. At both March 31, 2017 and 2016, Street Capital Bank held the sixth position among mortgage lenders by market share within the broker channel in Canada; market share position for Q4 2016 was fourth. Market share data for Q2 2017 was not available at the date of this MD&A.

- Mortgages under administration ("MUA") were $27.81 billion at both June 30 and March 31, 2017, up $0.11 billion from $27.70 billion at December 31, 2016, and up $2.14 billion from $25.67 billion at June 30, 2016. Relatively lower new originations combined with seasonally higher maturities and mid-term liquidations have led to relatively flat MUA quarter over quarter.

- Renewal mortgage volumes, which have more than double the profitability of new mortgages, increased as expected to $0.46 billion in Q2 2017. This represents an increase of 22% and 52% from $0.38 billion in Q2 2016 and $0.30 billion in Q1 2017, respectively. These sales generated a net gain on sale, as a percentage of originations, of 1.39% compared to 1.54% in Q2 2016 and 1.39% in Q1 2017.The Company continues to anticipate higher total renewal volumes in 2017 compared to 2016.

- New prime mortgage sales were $1.50 billion in Q2 2017; as expected this was down 30% from $2.16 billion in Q2 2016, and up seasonally from $1.21 billion in Q1 2017. These sales generated a net gain on sale, as a percentage of originations, of 0.62% compared to 0.65% in Q2 2016 and 0.53% in Q1 2017.

- Q2 2017 operating expenses, net of $2.5 million reorganization expenses as discussed above, increased $3.0 million from Q1 2017, primarily due to increases in variable compensation tied to quarterly results and higher legal costs associated with ongoing initiatives. The increase in expenses compared to Q2 2016 was less, at $1.6 million, and related to expected costs of additional headcount and operations required for business growth and support of banking operations.

- The serious arrears rate on the prime mortgages originated by the Company was 0.11% of MUA at both June 30, 2017 and 2016; the current quarter is improved marginally from 0.12% at March 31, 2017. This remained significantly better than industry average[2] in the markets where the Company operates. While the Company is not directly exposed to the credit risk of its prime 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.

- The average origination beacon score for prime MUA remained relatively consistent over the periods presented, being 748 at June 30, 2017 compared to 747 at March 31, 2017 and 749 at June 30, 2016. There was also little change in both the loan to value (LTV) and total debt service (TDS) ratios. Average origination LTV was 80.8% at June 30, 2017 compared to 80.7% at March 31, 2017 and 81.2% at June 30, 2016, while average origination TDS was 36.5% at June 30, 2017, 36.3% at March 31, 2017 and 36.1% at June 30, 2016. As with the serious arrears rate, the ratios are indicative of the high credit quality of prime MUA.

YTD 2017 Financial Highlights

- YTD 2017 net shareholders' loss of $2.7 million includes the $6.1 million reorganization expense discussed above. Adjusted net income, which is primarily affected by eliminating the post-tax reorganization expense, was $1.9 million YTD 2017 (please see the *Non-Core and Non-Recurring Items* section of this MD&A for more detail) compared to $8.3 million YTD 2016.

- New mortgage originations of $2.72 billion YTD 2017, which include Street Solutions originations, were down from $3.35 billion YTD 2016. The decrease is approximately 19% year over year.

- Renewal mortgage volumes, which have higher profitability, were $0.76 billion YTD 2017, up slightly from $0.71 billion YTD 2016. These sales generated a net gain on sale, as a percentage of originations, of 1.39% compared to 1.51% in 2016.

- New prime mortgage sales were $2.71 billion YTD 2017, down from $3.35 billion YTD 2016. These sales generated a net gain on sale, as a percentage of originations, of 0.58% compared to 0.65% in 2016.

- YTD 2017 operating expenses, net of $6.1 million restructuring expenses as discussed above, increased $2.4 million compared to YTD 2016, primarily due to increases in headcount and associated expenses related to becoming and operating as a bank.

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

2017 EARNINGS REVIEW

Mortgage Activity

Table 2 - Mortgage Activity and MUA

	For the three months ended or as at			For the six months ended or as at	
	June 30, 2017	March 31, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Mortgages sold and mortgages under administration					
(in billions of $)					
Prime mortgages originated and sold	**$ 1.50**	$ 1.22	$ 2.16	**$ 2.72**	$ 3.35
Prime mortgage renewals sold	**0.46**	0.30	0.38	**0.76**	0.71
Total prime mortgages sold	**$ 1.96**	$ 1.52	$ 2.54	**$ 3.48**	$ 4.06
% Prime renewals	**23.5%**	19.7%	15.0%	**21.8%**	17.5%
Street Solutions originations ***(in thousands of $)***	**$ 10,225**	N/A	N/A	**$ 10,225**	N/A
Mortgages under administration	**$ 27.81**	$ 27.81	$ 25.67	**$ 27.81**	$ 25.67
Prime mortgage sale financial highlights					
(in thousands of $)					
Cash premium at sale - new	**$ 26,634**	$ 19,389	$ 35,508	**$ 46,023**	$ 54,136
Deferred gain on sale - new	**3,746**	2,908	5,073	**6,654**	8,104
Gain on sale of mortgages - new	**$ 30,380**	$ 22,297	$ 40,581	**$ 52,677**	$ 62,240
As a % of mortgages sold	**2.03%**	1.84%	1.88%	**1.94%**	1.86%
Acquisition expenses - new	**$ 21,106**	$ 15,816	$ 26,644	**$ 36,922**	$ 40,525
As a % of mortgages sold	**1.41%**	1.30%	1.24%	**1.36%**	1.21%
Net gain on sale - new	**$ 9,274**	$ 6,481	$ 13,937	**$ 15,755**	$ 21,715
As a % of mortgages sold	**0.62%**	0.53%	0.65%	**0.58%**	0.65%
Cash premium at sale - renewals	**$ 5,744**	$ 3,905	$ 5,184	**$ 9,649**	$ 9,477
Deferred gain on sale - renewals	**1,154**	684	1,032	**1,838**	1,963
Gain on sale of mortgages - renewals	**$ 6,898**	$ 4,589	$ 6,216	**$ 11,487**	$ 11,440
As a % of mortgages sold	**1.49%**	1.51%	1.63%	**1.50%**	1.61%
Acquisition expenses - renewals	**$ 458**	$ 350	$ 365	**$ 808**	$ 770
As a % of mortgages sold	**0.10%**	0.11%	0.10%	**0.11%**	0.11%
Net gain on sale - renewals	**$ 6,440**	$ 4,239	$ 5,851	**$ 10,679**	$ 10,670
As a % of mortgages sold	**1.39%**	1.39%	1.54%	**1.39%**	1.51%

Q2 2017 vs. Q2 2016

New prime origination volume of $1.50 billion was down, as expected, 30% from the $2.16 billion originated in the same period last year. The decline in new mortgage originations reflects the previously discussed effect of the changes in mortgage insurance eligibility criteria that reduced the availability of mortgage insurance. Since most of the Bank's liquidity providers currently only purchase insurable mortgages, the Bank could not offer a full suite of mortgage products in the quarter.

Net new prime mortgage gains on sale were $9.3 million, down from $13.9 million in the same period last year. This reflects both the lower volume sold and slightly lower net gain on sale rates of 0.62% versus 0.65% last year.

The new prime origination gross gain on sale ratio was 2.03% this quarter compared to 1.88% in the same period last year. The increase of 0.15% primarily reflects the following:

- A promotion with an investor that increased the premiums earned for certain mortgage products;
- A commission promotion where the Bank paid additional commission to brokers and the cost was partially recovered through an increase in the premium paid by investors;
- A renegotiation of a servicing contract that reduced the servicing cost to the Bank, which in turn increases the deferred gain on sale the Bank earns with one investor; and
- An offsetting decrease that reflects the spread compression between Government of Canada bonds and mortgage rates.

The increase in gross gain on sale rates was offset by a 0.17% increase in the acquisition expense ratio, to 1.41% from 1.24%. The increase primarily reflects the following:

- The additional expense of the commission promotion mentioned above; and
- The amortization of portfolio insurance is relatively higher given the lower origination volumes.

Prime renewal volume of $0.46 million was up 22%, as expected, compared to $0.38 million in the same period last year, reflecting the historical increases in new originations that are coming up for renewal. The renewal rate was approximately 72% in the quarter, below our target range of 75%-80%. The renewal rate below target is primarily due to seasonal activity, requests by some clients to refinance at renewal, which the Bank cannot currently offer, and increased competition for insured mortgages leading to heavy discounting in the market.

Net gains on prime renewals were $6.4 million, up 10% from $5.9 million in the same period last year. This reflects increased volume offset by a lower net gain on sale ratio of 1.39% compared to 1.54% last year.

The prime renewal gross gain on sale ratio was 1.49%, and 0.14% lower than 1.63% in the same period last year. The lower rate primarily reflects the following factors:

- Spread compression between Government of Canada bond rates and mortgage rates; and
- Additional rate discounts for high quality renewing customers.

The acquisition expense ratio for prime renewals was consistent at 0.10% in both periods. These costs include renewal success fees for servicers and some loyalty commissions for brokers.

Q2 2017 vs. Q1 2017

New prime insured originations were up seasonally to $1.50 billion from $1.22 billion last quarter. Q1 2017 included some activity in the prime uninsured mortgage product while Q2 2017 included an immaterial volume.

New prime insured mortgage gains were also up to $9.3 million from $6.5 million last quarter. This reflects the increase in volume and a net increase in gain on sale rates to 0.62% from 0.53% last quarter.

Gross gain on sale rates for new prime insured volume were up to 2.03% from 1.84% and reflect the same factors as described above in the Q2 2017 vs. Q2 2016 section.

The acquisition expense ratio for new prime insured volume was 1.41%, up from 1.30% last quarter, and primarily reflects the commission promotion mentioned above that was in place through Q2 2017.

YTD 2017 vs. YTD 2016

Year to date new prime insured volumes of $2.72 billion are down 19% from $3.35 billion in the same period last year, reflecting the limitations in the Bank's prime mortgage offerings.

Year to date new prime insured net gains on sale of $15.8 million are down from $21.7 million in the same period last year. The decline reflects both lower volumes and compressed net gain on sale rates of 0.58% compared to 0.65% in the same period last year.

The year to date new prime insured gross gains on sale ratio was 1.94% up from 1.86% last year. This increase reflects primarily the same factors discussed above in the Q2 2017 vs. Q2 2016 section. The year to date new prime insured acquisition expense ratio also increased to 1.36% from 1.21% year over year, and also reflects the factors discussed above.

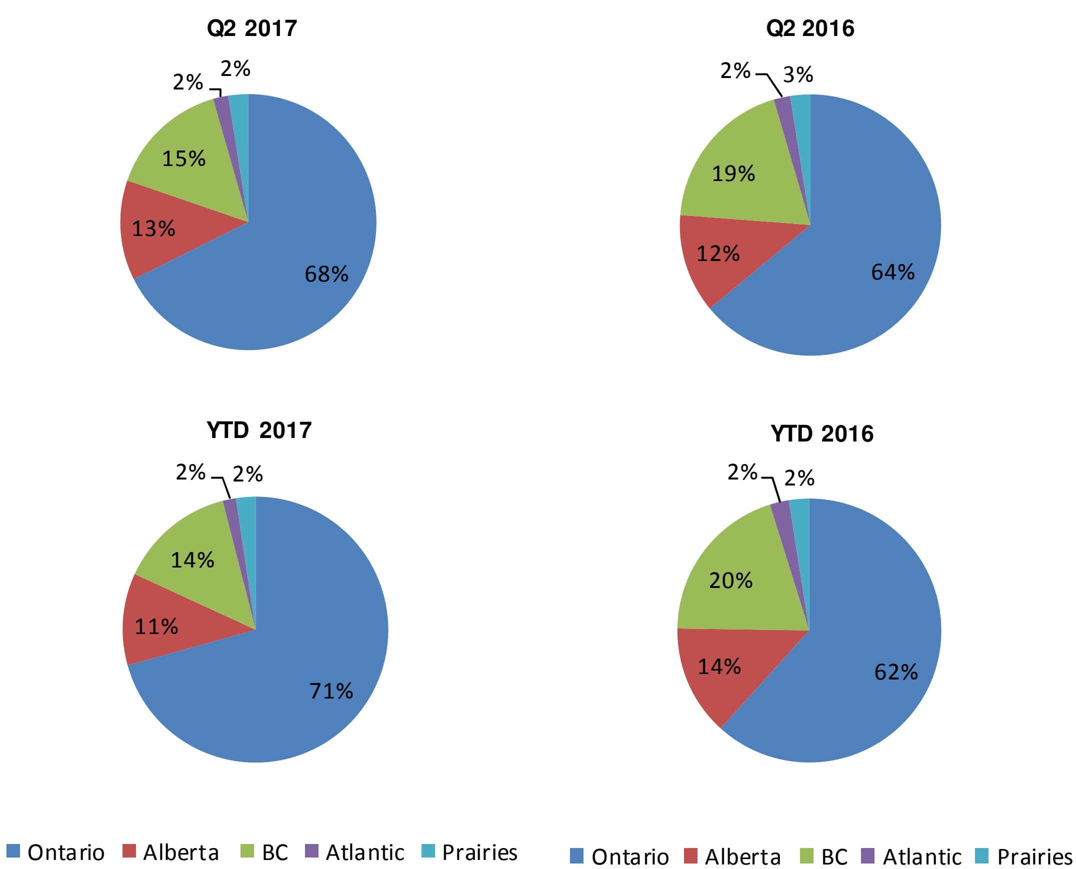
Year to date renewal prime insured volumes were $0.76 billion up from $0.71 billion in the first six months of 2016. Management expects the second half of 2017 to show greater increases in renewal volume than the first half. The net gain on sales for renewals was unchanged at $10.7 million in the first six months of both 2017 and 2016. This reflects the increase in volumes in 2017 being offset by a decrease in the net gain on sale ratio year over year.

The net renewal gain on sale ratio was 1.39% in 2017, compared to 1.51% in the six months ended June 30, 2016. The decrease reflects a lower gross gain on sale rate of 1.50% compared to 1.61% last year, and a flat acquisition rate. Gross gain on sale rates were affected by the same factors discussed above under Q2 2017 vs. Q2 2016.

Geographic Distribution - Mortgages

The Bank originates mortgages across Canada, with the exception of Quebec. The charts below show the geographic distribution of mortgage originations and MUA, together with a table of the contractual maturity profile of the Company's MUA.

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

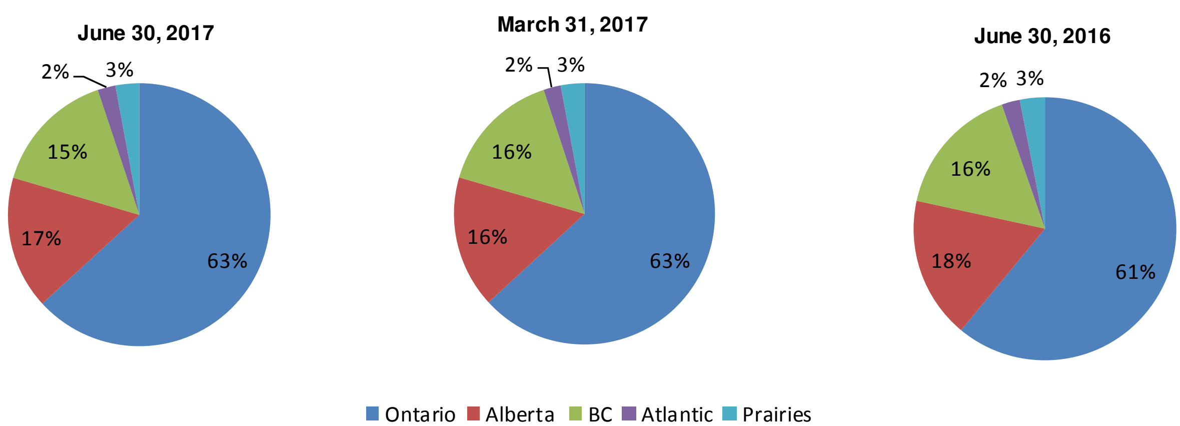


During 2017, as compared to 2016, the relative distribution of mortgage originations as a percentage of mortgage funding amounts has increased in Ontario while decreasing in BC and Alberta. As noted in Q1 2017, this is likely attributable to economic and political factors that were observed throughout 2016 and have changed little so far during 2017. Both Ontario and BC have experienced overall price appreciation, particularly in the major centres of those provinces. However, government actions in BC, such as higher taxes on foreign buyers, may have helped introduce some downward pressure in that region. Compared to both Q1 2017 and Q2 2016, the average deal size in Ontario increased, while decreasing in all other provinces.

At the same time, it should be noted that during 2017 the Company has seen an increase in the relative percentage of the number of deals in BC, as well as a small uptick in the relative percentage in Alberta, offset by a decline in Ontario. During Q2 2017 the Ontario government introduced some cooling measures to that market. It remains to be seen whether there will be sustained national changes in the real estate sector, and how those changes will affect the Company's business.

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.

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



Both total MUA and their relative distribution are largely unchanged from either Q1 2017 or Q4 2016, and continue to reflect both the relative population density in urban centers of Ontario, and higher average housing prices there compared to most of Canada. Given the volume of the Company's MUA, and the relatively static demographic and economic trends within the country, it is not expected that major changes would be observed over time periods as short as one year.

Table 3 – Contractual maturity profile of the Company's MUA at June 30, 2017

(in billions of $)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 and beyond**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
MUA maturities	1.50	4.00	5.08	6.54	7.73	2.96	**27.81**

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 the Company's core banking business components 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, and the launch of the Street Solutions uninsured lending program in Q2 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				For the six months ended	
(in thousands of $)	**June 30, 2017**	**Average rate**	March 31, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Interest income - Street Solutions	**$ 18**	**5.06%**	$ -	$ -	**$ 18**	$ -
Interest income - bridge loans	**102**	**7.70%**	103	109	**205**	168
Interest income - other mortgages and loans	**93**	**2.66%**	15	12	**108**	70
Interest income - cash and liquidity	**36**	**0.50%**	13	52	**49**	62
Total interest income - non-securitized assets	**$ 249**	**4.58%**	$ 131	$ 173	**$ 380**	$ 300
Interest expense - deposits	**(216)**	**2.20%**	(2)	-	**(218)**	-
Interest expense - other	**(235)**	**3.28%**	(202)	(239)	**(437)**	(488)
Total interest expense - non-securitized	**$ (451)**	**2.76%**	$ (204)	$ (239)	**$ (655)**	$ (488)
Net interest income (expense) - non-securitized	**$ (202)**		$ (73)	$ (66)	**$ (275)**	$ (188)
Interest income - securitized	**1,689**	**2.54%**	1,782	1,152	**3,471**	2,310
Interest expense - securitized	**(1,565)**	**1.67%**	(1,551)	(1,070)	**(3,116)**	(2,142)
Net interest income - securitized	**$ 124**		$ 231	$ 82	**$ 355**	$ 168
Other net interest income (expense) - non-core	**(45)**		(54)	(98)	**(99)**	(183)
Total net interest income (expense)	**$ (123)**		$ 104	$ (82)	**$ (19)**	$ (203)
Other income and fee income (loss)	**501**		(68)	218	**433**	967
Total net interest and other income	**$ 378**		$ 36	$ 136	**$ 414**	$ 764

Interest income – non-securitized assets is the interest the Company earns on assets that it holds on-balance sheet. These include uninsured mortgages that have been made under the Bank's Street Solutions program, mortgages held on-balance sheet that may be sold or securitized, and bridge loans. Non-securitized assets also include liquid cash equivalents such as Treasury Bills or bankers' acceptances, on which the Company earns interest prior to using the cash to fund mortgages or other loans.

Interest expense – non-securitized includes the interest expense on customer deposits, which the Company began incurring with the launch of bank operations in the first quarter of 2017. It also includes the interest expense and the standby charges on the mortgage funding portion of the Bank's credit facility (see Note 12 of the unaudited condensed consolidated interim financial statements), and other miscellaneous interest related to mortgage lending.

Net interest income – securitized is the net margin earned on mortgages that have been securitized by the Company through the NHA MBS program.

Other net interest income (loss) – non-core consists primarily of the net interest on loans receivable and payable that are associated with the Company's legacy businesses.

Other income 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, from either the Company's banking operations or its legacy operations.

Q2 2017 discussion

Interest income from non-securitized assets increased significantly in Q2 2017 compared to Q1 2017, due to both the launch of uninsured lending and income earned on liquid assets. However, the corresponding increases in non-securitized interest expense were approximately double the additional income. This was related to two factors. The first is that Q2 2017 was the Company's first occurrence of significant interest expense on customer deposits, which the Company began accepting in February 2017, ahead of accepting mortgage commitments, in order to build a sufficient liquidity pool. The second is that the Company incurred increased interest expense on the mortgage funding portion of the Bank's credit facilities, in line with the seasonal increase in business compared to Q1.

There were no issuances of NHA MBS in Q2 2017, and therefore net interest income from securitized mortgages compared to Q1 2017 decreased along with the respective asset and liability balances.

The increase in other income and fee income in Q2 2017 compared to Q1 2017 is primarily due to one-time fee income of $0.5 million earned by the Company's legacy Private Equity business upon its exit from a portfolio investment.

Compared to Q2 2016, the increases in both non-securitized interest income and interest expense were due to the launch of uninsured lending and customer deposit taking, respectively, as noted above. Net income from securitized mortgages increased due to issuances of NHA MBS in Q3 and Q4 2016. With respect to other income and fee income, net income in the category was greater in Q2 2017 due to the inclusion of the fee income referenced above.

YTD 2017 discussion

As noted above under *Q2 2017 discussion*, uninsured lending was launched in Q2 2017, and an increase in on-balance sheet lending is the primary reason that YTD 2017 interest income on non-securitized assets increased compared to YTD 2016. Similarly, customer deposit interest expense in Q2 2017 caused a similar increase in YTD 2017 non-securitized interest expense. Year over year, net interest income from securitized mortgages increased due to NHA MBS issuances in Q3 and Q4 2016.

Other income and fee income YTD 2016 was greater than YTD 2017 primarily due to the differences in the net trailing spread earned on loan sales. The $0.5 million one-time Private Equity fee income earned in Q2 2017 was equal to the $0.5 million gain associated with the Q1 2016 sale of a key man life insurance policy on a former officer of the Company.

Operating expenses

Table 5 Operating Expenses

A breakdown of the Company's operating expenses is shown below, net of the total $6.1 million reorganization expenses charged to income in Q1 and Q2 2017 and the partial recovery of 2015 restructuring expense in Q1 2016 (please see the section *Non-GAAP Measures*).

	For the three months ended			For the six months ended	
(in thousands of $)	**June 30, 2017**	March 31, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Salaries and benefits	**$ 8,760**	$ 6,791	$ 8,101	**$ 15,551**	$ 14,744
Professional services	**790**	633	727	**1,423**	1,417
Legal, regulatory and audit	**564**	330	222	**894**	451
Premises	**664**	677	657	**1,341**	1,146
Business development	**924**	726	890	**1,650**	1,743
Other	**2,019**	1,588	1,543	**3,607**	2,524
	$ 13,721	$ 10,745	$ 12,140	**$ 24,466**	$ 22,025
Mortgages sold	**$1,963,097**	$ 1,517,854	$ 2,536,376	**$3,480,951**	$ 4,054,799
Operating expenses as a % of mortgages sold	**0.70%**	0.71%	0.48%	**0.70%**	0.54%

Q2 2017 discussion

As noted in previous reports, the growth of the Company's business has involved a corresponding increase in operating expenses, as the Company has made the necessary investments in the people, processes and technology required to offer additional products and services as a bank. The most notable changes relate to salaries and benefits, legal and similar professional services, and premises. The majority of the growth had occurred by Q2 2016, at which point employee headcount was 241, essentially the same as the 240 observed at June 30, 2017 before the reductions that were made in early July, and significantly greater than 187 in Q2 2015.

Operating expenses as a percentage of mortgages sold was relatively flat in Q2 2017 and Q1 2017, at 0.70% and 0.71%, respectively, and up from 0.48% in Q2 2016. 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. However, there were several factors causing total operating expenses to increase significantly in Q2 2017 compared to both Q1 2017 and Q2 2016.

The increase in salaries and benefits compared to Q1 2017 is due to greater seasonal variable compensation in Q2 2017, and compared to Q2 2016 it reflects a full quarter at the increased headcount referenced above. It should be noted that salary expense in Q1 2017 was reduced due to 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. The increases in professional services, as well as in legal, regulatory and audit in Q2 2017 compared to both Q1 2017 and Q2 2016 primarily related to new and renegotiated agreements relating to bank operations, and additional regulatory and compliance expenses. We expect the growth in this category to moderate in the second half of the year.

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 lower expense in Q1 2017 compared to both Q2 2017 and Q2 2016 is largely due to seasonal fluctuations.

The increase in other operating expenses in Q2 2017 compared to Q1 2017 and Q2 2016 is largely due to the timing of technology and telecommunications expenses.

YTD 2017 discussion

The majority of the increase in operating expenses YTD 2017 compared to YTD 2016 is due to the growth of the Company's business associated with the acquisition of its bank licence and the introduction of banking operations in Q1 2017, primarily due to increases in headcount and associated expenses such as premises. Other significant contributing factors are increased legal and similar expense in 2017. As well, YTD 2016 operating expenses were reduced by larger commodity tax credits compared to YTD 2017, as 2016 included recoveries from prior years. It should also be noted that the increase in YTD 2017 operating expenses as a percentage of mortgages sold, to 0.70% as compared to 0.54% YTD 2016, is largely due to the decrease in mortgages sold rather than the actual increase in expenses.

Non-Core and Non-Recurring Items

Note: these amounts are incorporated in the determination of adjusted non-GAAP performance measures.

Q2 2017 discussion

- As discussed under *Other Business Developments*, during Q2 2017 the Company initiated a reorganization that involved the reduction of approximately 10% of its workforce. Associated expenses of $2.5 million, pre-tax, were recorded as a component of operating expense in Q2 2017.

- In connection with its portfolio investments, which are part of its legacy business, in Q2 2017 the Company recorded unrealized fair value losses of $0.11 million, of which approximately $0.09 million was allocated to the Company's non-controlling interests. The net fair value losses were primarily associated with foreign exchange fluctuations in the value of the Company's investments, due to strengthening of the Canadian dollar compared to the US dollar.

Q1 2017 discussion

- 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.

- In connection with its portfolio investments, 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 DBGI, offset by a $0.59 million increase in its investment in The Works.

Q2 2016 discussion

- In Q2 2016, the Company recorded unrealized fair value losses of $1.8 million on its portfolio investments, of which approximately $1.3 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, including foreign exchange fluctuations.

Fair Value Adjustments and Non-Controlling Interests

The Company's fair value adjustments relate to its legacy businesses, particularly its portfolio investments. As discussed above, at June 30, 2017 the portfolio investments consist solely of an investment in the publicly traded common shares in DBGI. Throughout 2016 and YTD 2017, fair value fluctuations have largely been driven by changes in the value of DBGI, with some contribution from the investment in The Works, which was exited in Q2 2017. The effects of fair value fluctuations in Q2 2017 as compared to Q1 2017 and Q2 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.

During Q2 2017 the Company settled an outstanding loan receivable of $0.23 million for total payments of $0.21 million, thereby reducing the net assets and liabilities relating to discontinued operations to $0.67 million. There were no significant transactions relating to discontinued operations during Q1 2017 or Q2 2016.

Income Taxes

The net income tax recovery YTD 2017 is largely related to the operating results of Street Capital Bank, with approximately 14% of it generated at the parent Company level.

At June 30, 2017, the Company had approximately $331.0 million in non-capital loss carryforwards that may be used to reduce future years' taxable income until 2035.

The income tax expense or 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 16 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 June 30, 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 Q3**	**2015 Q4**	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**	**2017 Q1**	**2017 Q2**
Financial performance								
Shareholders' net income (loss)	$ 6,676	$ (2,795)	$ 3,003	$ 5,310	$ 7,491	$ 462	$ (2,574)	**$ (104)**
Adjusted shareholders' net income	$ 6,909	$ 4,792	$ 2,444	$ 5,845	$ 6,171	$ 1,900	$ 69	**$ 1,845**
Shareholders' diluted earnings (loss) per share	$ 0.06	$ (0.02)	$ 0.02	$ 0.04	$ 0.06	$ 0.00	$ (0.02)	**$ 0.00**
Adjusted shareholders' diluted earnings per share	$ 0.06	$ 0.04	$ 0.02	$ 0.05	$ 0.05	$ 0.02	$ 0.00	**$ 0.02**
Return on equity	22.8%	(9.4%)	10.0%	17.1%	22.9%	1.4%	(7.7%)	**(0.3%)**
Adjusted return on equity	23.5%	16.0%	8.1%	18.8%	18.9%	5.7%	0.2%	**5.6%**
Return on tangible equity	30.5%	(11.7%)	13.6%	22.5%	29.6%	2.2%	(9.3%)	**0.1%**
Adjusted return on tangible equity	31.6%	21.5%	11.1%	24.7%	24.5%	7.6%	0.7%	**7.5%**
Mortgages sold and under administration								
Prime mortgages sold - new	$ 1,874,541	$ 1,553,556	$ 1,190,391	$ 2,155,761	$ 2,493,132	$ 2,101,474	$ 1,213,257	**$ 1,499,930**
Prime mortgages sold - renewal	410,288	587,061	328,032	380,615	361,844	358,043	304,597	**463,167**
Prime mortgages sold - total	$ 2,284,829	$ 2,140,617	$ 1,518,423	$ 2,536,376	$ 2,854,976	$ 2,459,517	$ 1,517,854	**$ 1,963,097**
Total Street Solutions originations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**$ 10,225**
Mortgages under administration ***(in billions of $)***	$ 24.30	$ 24.75	$ 25.02	$ 25.67	$ 26.83	$ 27.70	$ 27.81	**$ 27.81**
Gain on sale of mortgages	$ 41,197	$ 35,729	$ 26,883	$ 46,797	$ 52,578	$ 40,793	$ 26,886	**$ 37,278**
As a % of mortgages sold	1.80%	1.67%	1.77%	1.85%	1.84%	1.66%	1.77%	**1.90%**
Acquisition expenses	$ 21,994	$ 19,313	$ 14,286	$ 27,009	$ 30,608	$ 26,735	$ 16,166	**$ 21,564**
As a % of mortgages sold	0.96%	0.90%	0.94%	1.06%	1.07%	1.09%	1.07%	**1.10%**
Net gain on sale of mortgages	$ 19,203	$ 16,416	$ 12,597	$ 19,788	$ 21,970	$ 14,058	$ 10,720	**$ 15,714**
As a % of mortgages sold	0.84%	0.77%	0.83%	0.78%	0.77%	0.57%	0.71%	**0.80%**
Operating expenses	$ 10,358	$ 11,459	$ 9,885	$ 12,140	$ 13,114	$ 11,631	$ 10,745	**$ 13,721**
As a % of mortgages sold	0.45%	0.54%	0.65%	0.48%	0.46%	0.47%	0.71%	**0.70%**
Credit quality-prime mortgages								
Total portfolio serious arrears rate	0.14%	0.14%	0.13%	0.11%	0.11%	0.11%	0.12%	**0.11%**
Average beacon	741	742	743	749	745	746	747	**748**
Average loan to value ratio	81.8%	81.7%	81.4%	81.2%	81.0%	80.8%	80.7%	**80.8%**
Average total debt service ratio	36.2%	36.2%	36.2%	36.1%	36.2%	36.2%	36.3%	**36.5%**
Equity and share performance								
Shareholders' equity	$ 120,752	$ 118,245	$ 121,998	$ 127,001	$ 134,402	$ 134,492	$ 131,998	**$ 132,252**
Shares outstanding end of period **(in 000s)**	120,866	121,226	122,154	121,876	121,790	121,532	121,580	**121,974**
Book value per share	$ 1.00	$ 0.98	$ 1.00	$ 1.04	$ 1.10	$ 1.11	$ 1.09	**$ 1.08**
Market capitalization	$ 199,429	$ 162,443	$ 157,579	$ 152,345	$ 219,222	$ 228,480	$ 182,370	**$ 164,665**
Share price at close of market	$ 1.65	$ 1.34	$ 1.29	$ 1.25	$ 1.80	$ 1.88	$ 1.50	**$ 1.35**

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.

Q2 2017 FINANCIAL POSITION REVIEW

The following table sets out the Company's consolidated financial position as at June 30, 2017, March 31, 2017 and December 31, 2016.

Table 7 - Financial Position

						As at
(in thousands of $)		**June 30, 2017**		**March 31, 2017**		**December 31, 2016**
Assets						
Cash and cash equivalents	**$**	**48,571**	$	7,196	$	3,771
Restricted cash		**33,829**		23,044		31,159
Street Solutions uninsured loans		**10,220**		-		-
Other non-securitized mortgages and loans		**18,524**		11,420		9,323
Securitized mortgage loans		**238,976**		253,165		262,203
Deferred placement fees receivable		**50,423**		50,139		51,314
Prepaid portfolio insurance		**80,008**		80,660		79,049
Portfolio investments		**1,825**		3,214		3,026
Deferred income tax assets		**14,557**		14,489		14,429
Other assets		**24,389**		18,163		15,481
Goodwill and intangible assets		**28,437**		28,949		28,652
Total assets	**$**	**549,759**	$	490,439	$	498,407
Liabilities						
Bank facilities	**$**	**-**	$	15,900	$	3,400
Deposits		**72,187**		2,358		-
Loans payable		**4,143**		4,220		4,251
Securitization liabilities		**239,324**		252,514		262,663
Accounts payable and accrued liabilities		**64,049**		44,480		53,870
Deferred income tax liabilities		**43,139**		43,064		43,914
Total liabilities		**422,842**		362,536		368,098
Total shareholders' equity		**132,252**		131,998		134,492
Non-controlling interests		**(5,335)**		(4,095)		(4,183)
Total liabilities and equity	**$**	**549,759**	$	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. It includes highly liquid investments such as Treasury Bills and bankers' acceptances. 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. Please see Note 4 of the unaudited condensed consolidated financial statements.

The Company's primary sources of cash are the premiums received on the sale of mortgages, the net servicing revenue and excess spread received on mortgages under administration, and customer deposits. 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

The tables below detail the geographic distribution and remaining amortization of the loans that the Company holds on-balance sheet. More information about the various components is provided following the tables.

Table 8 – Single-family Residential Loans by Province

	As at June 30, 2017				
(in thousands of $, except %)	**Insured Residential Mortgages**	**Percentage of Total by Province**	**Uninsured Residential Mortgages**	**Percentage of Total by Province**	**Total**
British Columbia	$ 20,231	97.9%	$ 433	2.1%	$ 20,664
Alberta	24,173	100.0%	-	-	24,173
Prairies	3,798	100.0%	-	-	3,798
Ontario	195,208	93.7%	13,058	6.3%	208,266
Atlantic	2,844	92.1%	245	7.9%	3,089
	$ 246,254	**94.7%**	**$ 13,736**	**5.3%**	**$ 259,990**

Table 9 – Insured and Uninsured Single-Family Residential Mortgages by Effective Remaining Amortization Period

	As at June 30, 2017				
(in thousands of $, except %)	**≤ 20 years**	**> 20 and ≤ 25 years**	**> 25 and ≤ 30 years**	**> 30 and ≤ 35 years**	**Total**
Balance outstanding	$ 1,288	$ 190,414	$ 67,215	$ 1,073	$ 259,990
Percentage of total	0.5%	73.2%	25.9%	0.4%	100.0%

Street Solutions Uninsured Loans

The Company launched its uninsured lending product, Street Solutions, in Q2 2017. Street Solutions mortgages are funded from the Company's GIC deposit base. The loans are originated through the Bank's existing broker channel, and are targeted at the market segment that consists of quality, but under-served, borrowers who may not qualify for a prime insured residential mortgage in the current lending environment. As the Company's bank operations continue to expand, Street Solutions mortgages are expected to become a more significant and long-term component of its revenue-generating assets. The table below shows the weighted average loan to value ("LTV") ratios for all uninsured mortgages originated during Q2 2017, including Street Solutions mortgages. Please see Note 5 of the unaudited condensed consolidated interim financial statements.

Table 10 – Weighted Average LTV Ratios – Uninsured Single-Family Residential Mortgages Originated Q2 2017

	For the three months ended June 30, 2017					
	(Held on balance sheet)		(Originated and sold)		(Total originated)	
(in thousands of $, except %)	Volume	LTV	Volume	LTV	Volume	LTV
British Columbia	$ 431	79.9%	$ 1,276	74.7%	$ 1,707	76.0%
Ontario	11,625	72.0%	16,810	67.4%	28,435	69.3%
Atlantic	244	80.0%	-	N/A	244	80.0%
	$ 12,300	72.4%	$ 18,086	67.9%	$ 30,386	69.8%

Non Securitized Mortgages and Loans

From time to time the Company originates loans that remain on balance sheet, are bridge loans, or are intended for future securitization and sale. Although the Company's bank operations have expanded in Q2 2017 to include Street Solutions uninsured loans, other non-securitized mortgages and loans are not expected to become a significant component of revenue-generating assets at this time. Please see Note 5 of the unaudited condensed consolidated interim financial statements.

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 or Q2 2017; it securitized $116.9 million during 2016. Please see Note 6 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. Please see Note 7 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.

Bank Facilities

The Company has a total credit facility of $165.0 million through a syndicate of Schedule I Canadian banks, which is available in three tranches, dependent on use of funds, and which was unutilized at June 30, 2017 (March 31, 2017 - $3.9 million draw for mortgage funding and $12.0 million draw on operating line; December 31, 2016 - $1.4 million mortgage funding and $2.0 million operating line). The amounts drawn on the respective tranches can fluctuate significantly depending on the timing of various cash receipts and payments. Since the Company began taking deposits in Q1 2017, the Company has reduced its use of the credit facility. Please see Note 12 of the unaudited condensed consolidated interim financial statements.

CUSTOMER DEPOSITS

The Company's first new business activity, as it began banking operations in Q1 2017, was to begin offering CDIC-insured GIC deposits. These have been sourced through third party deposit agents, and at June 30, 2017, net of deferred commissions, totaled $72.2 million (March 31, 2017 - $2.4 million), with terms ranging from 1 to 5 years, at interest rates between 1.00% and 2.80% (March 31, 2017 - 1.25% to 2.25%). The table below shows the term structure of the principal amount of the Company's deposits. Please see Note 13 of the unaudited condensed consolidated interim financial statements.

Table 11 – Term Structure of Customer Deposits

							As at June 30, 2017
	Cashable *	**1 Year**	**2 Year**	**3 Year**	**4 Year**	**5 Year**	**Total**
Contractual term	**$ 4,030**	**$ 16,446**	**$ 25,934**	**$ 12,484**	**$ 3,430**	**$ 10,174**	**$ 72,498**
	5%	**23%**	**36%**	**17%**	**5%**	**14%**	**100%**

							As at March 31, 2017
	Cashable *	**1 Year**	**2 Year**	**3 Year**	**4 Year**	**5 Year**	**Total**
Contractual term	$ 189	$ 1,082	$ 368	$ 92	$ 97	$ 543	$ 2,371
	8%	46%	15%	4%	4%	23%	100%

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

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 most significant change from December 31, 2016 is the $9.1 million increase in gain on sale receivable, which is associated with normal fluctuations in the timing of mortgage loan sales. The loans receivable include a loan from the Company's former subsidiary, Heritage Global Inc., and have decreased by $0.6 million compared to December 2016 primarily due to payments received. The $0.7 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. Assets of discontinued operations have decreased $0.2 million since December 31, 2016 due to settlement of outstanding receivables. Please see Note 10 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 the acquired intangible assets in either 2016 or YTD 2017; however, in Q2 2017 the Company wrote down one internally developed intangible asset by $0.4 million. Please see Note 11 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 16 of the unaudited condensed consolidated interim financial statements.

OTHER LIABILITIES

Other Liabilities

Other liabilities include accounts payable, accrued operating liabilities including restructuring costs, accrued mortgage acquisition costs, accrued interest, and liabilities associated with the Company's discontinued real estate operations. The increase in other liabilities from $53.9 million at December 31, 2016 to $64.0 million at June 30, 2017 is largely due to an increase of $9.1 million in payments related to mortgage servicing and mortgages acquisitions. Accrued restructuring costs increased by net $4.0 million, related to the reorganization discussed above under *Significant Developments in Q2 2017*. The decrease of $3.2 million in accrued compensation reflects the net effect of paying bonuses accrued at December 31, 2016, and current year bonus and other variable compensation accruals. Please see Note 15 of the unaudited condensed consolidated interim financial statements.

LEGACY ASSETS AND LIABILITIES

Portfolio Investments and Non-Controlling Interests

At June 30, 2017 the Company's portfolio investments of $1.8 million consist of a single investment in DBGI 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 June 30, 2017, approximately $1.2 million of the portfolio investments were attributable to the Company's non-controlling interest (March 31, 2017 - $2.4 million; December 31, 2016 - $2.3 million).

As noted above under *Legacy Operations*, the Company is in the process of exiting Private Equity, with the most recent investment exit occurring in Q2 2017 and providing cash proceeds of $0.2 million to the Company. Although management cannot know with certainty the exit date for 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 and Canadian dollar value of DBGI. Please see Note 9 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 14 of the unaudited condensed consolidated interim financial statements.

SHAREHOLDERS' EQUITY AND UPDATED SHARE INFORMATION

The net $2.2 million decrease in shareholders' equity since December 31, 2016 is attributable to the Company's YTD 2017 comprehensive loss of $2.7 million, somewhat offset by exercises of stock options and a smaller contribution from the amortization of stock-based compensation. During Q1 and Q2 2017 there were no share repurchases under the normal course issuer bid, which is discussed below under *Capital Management*.

At July 31, 2017, the Company had 121,974,182 common shares issued and outstanding. In addition, there were 2,695,643 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $3.2 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 June 30, 2017 the Company had $32.9 million of outstanding commitments for advances on mortgage loans that it intended to fund on-balance sheet (March 31, 2017 - $77.8 million; 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 10 and Note 24 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 June 30, 2017, Street Capital Bank's Leverage Ratio was 18.37%, 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 June 30, 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 June 30, 2017 and March 31, 2017. They are presented together with the same ratios as at June 30, 2016, based on Street Capital Bank's financial position at June 30, 2016, and calculated as if Street Capital Bank had been operating as a Schedule I bank at that date.

Table 12 – Basel III Regulatory Capital (based only on the consolidated subsidiary, Street Capital Bank)

(000s, except %)	**June 30, 2017**	**March 31, 2017**	**June 30, 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	**77,059**	77,317	72,494
Less: Regulatory adjustments to CET 1	**(1,104)**	(1,494)	(785)
Total CET 1 capital	**92,381**	92,249	88,135
Additional Tier 1 capital		-	-
Total Tier 1 capital	**92,381**	92,249	88,135
Total Tier 2 capital		-	-
Total regulatory capital	**92,381**	92,249	88,135
Total risk-weighted assets	**308,014**	286,132	258,939
Regulated capital to risk-weighted assets			
Common equity Tier 1 ratio	**29.99%**	32.24%	34.04%
Tier 1 capital ratio	**29.99%**	32.24%	34.04%
Total regulatory capital ratio	**29.99%**	32.24%	34.04%
Leverage ratio	**18.37%**	20.86%	22.66%
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 June 30, 2017, the Company did not purchase any additional common shares through the NCIB.

Dividends

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

There is no restriction on the Company's ability to declare dividends, subject to the following: 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 0.11%, at June 30, 2017, is significantly better than the industry average (excluding Quebec) of 0.24% at May 31, 2017 (the most recent information available).

During Q2 2017, Street Capital Bank began to expand its products and services to include uninsured mortgages under the "Street Solutions" brand, which increased the Company's credit risk. The amount, geographic distribution and other information relating to these mortgages are detailed above in Tables 8, 9 and 10. In order to mitigate its credit risk, the Company has established appropriate credit policies and underwriting requirements and has ensured that these are being applied. The Company is also mitigating its risk by targeting the market segment that consists of quality borrowers who may not qualify for a prime insured residential mortgage under current regulations, and limiting its lending areas to urban locations. Please see more detailed discussion of this market segment under *Uninsured Residential Mortgage Lending and Deposit Products* in the *Business Overview* section of this MD&A.

Loans are considered impaired when the Company is no longer assured of timely collection of the full amount of principal and interest, or when the loan is more than 90 days past due. Historically, no provisions have been required on prime insured or insurable mortgages. With respect to the Company's uninsured mortgages, at June 30, 2017 no provisions for credit losses have been recorded, based on management's judgement that no losses have yet been incurred.

As the Company launches other financial products, it will continue to develop and apply the appropriate credit policies and underwriting requirements, taking into consideration 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. During Q2 2017 the Company began purchasing highly liquid investments in the form of Government of Canada Treasury Bills ("Treasury Bills") and bankers' acceptances. The Company uses these investments to meet its funding and liquidity requirements, particularly its mortgage lending operations. The investments are readily convertible into cash subject to immaterial changes in fair value, and therefore have not increased the Company's credit risk.

The Company has credit risk associated with specific loans receivable that are related to its discontinued asset liquidation and case goods businesses. The balance of these loans, net of credit provisions, was $0.8 million at June 30, 2017 (March 31, 2017 - $1.2 million; 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, and, beginning Q2 2017, as Treasury Bills and bankers' acceptances. At June 30, 2017 the Company had $18.6 million in cash and cash equivalents on deposit with a Schedule I Canadian bank (March 31, 2017 - $7.2 million; December 31, 2016 - $3.8 million), and $30.0 million of Treasury Bills and bankers' acceptances.

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. There were no amounts outstanding on this facility at June 30, 2017. 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 the possibility that a significant portion of its assets and liabilities could have unmatched terms and/or interest rates. 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.

During Q2 2017 Street Capital Bank entered into on-balance sheet lending and deposit taking operations, and therefore its inherent interest rate risk increased. As shown in *Table 4 - Net interest and other income*, interest expense on deposits YTD 2017 was $0.2 million as compared to interest income of $0.02 million on Street Solutions uninsured mortgage loans. This result is expected at this point in the Company's new banking operations, as sufficient deposits had to be accumulated prior to the launch of uninsured lending, and the Company expects to earn a net interest margin as Street Solutions loans increase.

The table below details the results, for Street Capital Bank, of sensitivity modelling both interest rate increases and decreases during the 12 month period beginning on June 30, 2017. The model is based on a number of assumptions, and actual results could vary from these assumptions should an actual rate change occur.

Table 13 – Net interest income shock (based only on the consolidated subsidiary, Street Capital Bank)

	As at June 30, 2017	
(000s, except %)	**Increase in interest rates**	**Decrease in interest rates**
100 basis point shift		
Impact on net interest income	$ 1,759	$ (1,759)
Impact on EVE	786	(1,057)
EVE as a % of shareholders' equity	0.84%	(1.13%)
200 basis point shift		
Impact on net interest income	$ 3,519	$ (3,519)
Impact on EVE	1,539	(2,225)
EVE as a % of shareholders' equity	1.65%	(2.38%)

Although interest rate risk is concentrated within the Bank's operations, the Company does have legacy items that, while immaterial to overall operations, must also be considered. At June 30, 2017, an immediate and sustained 100 basis point increase in interest rates on these legacy items would result in approximately $0.03 million expense 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. At June 30, 2017 the Company has not begun more complex investing operations, although it expects to do so as its deposit taking and uninsured lending operations expand.

The portfolio investments are carried at fair value, and at June 30, 2017 had a fair value of $1.8 million, of which $1.2 million is attributable to the Company's non-controlling interests (March 31, 2017 - $3.2 million and $2.4 million, respectively; December 31, 2016 - $3.0 million and $2.3 million, respectively). At June 30, 2017, the Company retains an interest in only one investment, in the form of publicly traded shares in a US company. The Company's primary risk with respect to this investment is that its valuation fluctuates with both the price of its stock, and the relative strength of the Canadian and US dollars. There is therefore 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 Q2 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 have been two changes to the Company’s significant accounting policies during 2017, due to the commencement of Street Capital Bank’s banking operations, its deposit-taking activities, and its expanded investing activities. These updates, together with future changes in accounting standards that may have an impact on the Company’s financial position and results of operations, are discussed in Note 2 to the Q2 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 Q2 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 June 30, 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 $, except per share data)	For the three months ended			For the six months ended	
	June 30, 2017	March 31, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Net income (loss)	**$ (104)**	$ (2,574)	$ 5,310	**$ (2,678)**	$ 8,313
Fair value adjustments (net of non-controlling interest)	**(28)**	(103)	541	**(131)**	589
Private equity management expense (net of tax)	**137**	101	-	**238**	-
Restructuring expense (recovery) (net of tax)	**1,823**	2,647	-	**4,470**	(598)
Discontinued operations (net of tax)	**17**	(2)	(6)	**15**	(15)
Adjusted net income	**$ 1,845**	$ 69	$ 5,845	**$ 1,914**	$ 8,289
Shareholders' diluted earnings (loss) per share	**$ 0.00**	$ (0.02)	$ 0.04	**$ (0.02)**	$ 0.07
Adjusted shareholders' diluted earnings per share	**$ 0.02**	$ 0.00	$ 0.05	**$ 0.02**	$ 0.07

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 $)		As at	
	June 30, 2017	March 31, 2017	June 30, 2016
Shareholders' equity	**$ 132,252**	$ 131,998	$ 127,001
Deduct: goodwill from purchase of Street Capital Bank	**(23,465)**	(23,465)	(23,465)
Deduct: intangible assets from purchase of Street Capital Bank	**(3,867)**	(3,991)	(4,361)
Shareholders' tangible equity	**$ 104,920**	$ 104,542	$ 99,175

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 $)	For the three months ended			For the six months ended	
	June 30, 2017	March 31, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Net income (loss)	**$ (104)**	$ (2,574)	$ 5,310	**$ (2,678)**	$ 8,313
Add back: amortization of intangible assets	**124**	123	123	**247**	246
Net income (loss) for return on shareholders' tangible equity	**$ 20**	$ (2,451)	$ 5,433	**$ (2,431)**	$ 8,559
ROTE	**0.1%**	(9.3%)	22.5%	**(4.6%)**	18.1%

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 $)	For the three months ended			For the six months ended	
	June 30, 2017	March 31, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Net adjusted income (loss)	**$ 1,845**	$ 69	$ 5,845	**$ 1,914**	$ 8,289
Add back: amortization of intangible assets	**124**	123	123	**247**	246
Adjusted net income for return on shareholders' tangible equity	**$ 1,969**	$ 192	$ 5,968	**$ 2,161**	$ 8,535
Adjusted ROTE	**7.5%**	0.7%	24.7%	**4.1%**	18.1%

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, all new mortgage originations held on-balance sheet, 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) restructuring expenses, plus iv) restructuring recoveries.

(in thousands of $)	For the three months ended June 30, 2017	March 31, 2017	June 30, 2016	For the six months ended June 30, 2017	June 30, 2016
Expenses					
Salaries and benefits	**$ 8,760**	$ 6,791	$ 8,101	**$ 15,551**	$ 14,744
Selling, general and administrative expenses	**4,961**	3,954	4,039	**8,915**	7,281
Restructuring expense (recovery)	**2,479**	3,600	-	**6,079**	(813)
Total expenses	**16,200**	14,345	12,140	**30,545**	21,212
Deduct: restructuring expense	**(2,479)**	(3,600)	-	**(6,079)**	-
Add: restructuring recovery	**-**	-	-	**-**	813
Operating expenses	**$ 13,721**	$ 10,745	$ 12,140	**$ 24,466**	$ 22,025

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, Tier 1, 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 to 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.