Management's Discussion and Analysis

FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2017

CEO MESSAGE TO SHAREHOLDERS

Fiscal 2017 Highlights

- Fiscal 2017 EPS $0.02; adjusted EPS $0.06
- Mortgages under administration $28.02 billion at December 31
- Prime mortgages sold of $7.23 billion including $1.86 billion of renewals
- Street Solutions originations of $203.7 million

Street Capital Bank is in the midst of an important and exciting transition from a mono-line prime-insurable mortgage lender to a diversified, modern, digitally enabled banking platform.

Fellow shareholders,

Fiscal 2017 was a challenging period for small and mid-cap Canadian mortgage lenders. Pervasive regulatory change and market dynamics impacted the competitive landscape, which in turn pressured operating results and share prices.

Despite these headwinds, 2017 was a year of substantial progress for Street Capital. On February 1, 2017, we launched Street Capital Bank of Canada as Canada's newest Schedule I bank and subsequently introduced the Street Solutions Program - our mortgage program targeting the uninsured segment of the market. This program was a solid early success in 2017, growing from a standing start to over $200 million in originations for the year, slightly above our plan. We also generated significant growth in insurable mortgage renewals in 2017, which contributed significantly to our bottom line.

Street Capital Bank is in the midst of an important and exciting transition, from a mono-line prime insurable mortgage lender to a diversified, modern, digitally enabled banking platform. Over the mid and long-term, this will enable us to expand our addressable markets and share of the customer wallet and, in so doing, expand our recurring revenue base.

Over the past two quarters, in concert with our Board of Directors, we have established our mid and long-term strategy and made key additions to the executive team to support this objective. We remain focused on five key opportunity spaces over the next three years:

1. Diversifying and deepening on and off-balance sheet funding sources;
2. Unlocking addressable markets and focusing on growing higher margin products;
3. Improving the end-to-end experience for both consumers and our broker partners;
4. Modernizing our operating platform towards a lean, scalable operation; and
5. Driving higher customer renewal and retention rates.

I'd like to emphasize that this is a long-term strategic journey. The price of our common shares has suffered over the past 12 months due to a combination of regulatory, market and other factors. In the short term, we anticipate continued volatility in the mortgage market as lenders and borrowers adjust to regulatory changes and the impact on the new competitive dynamic. We are not immune to these transitory challenges; however, for fundamental investors, we see this as an outstanding opportunity to align with a heavily invested management team with a track record of success.

I would like to thank our highly committed staff, our Board of Directors and all of our stakeholders including shareholders and our valued partners, for their loyalty and support. I look forward to working with our management team as we build on the Company's impressive foundation to grow Street Capital Bank into a leading Canadian banking platform in the coming years.

Kind regards,

Duncan Hannay
President and CEO
Street Capital Group Inc. and Street Capital Bank of Canada

STREET CAPITAL GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the results of operations of Street Capital Group Inc. ("Street Capital" or "the Company") for the three months and year ended December 31, 2017, and its financial condition as at December 31, 2017, is based on the Company's audited consolidated financial statements prepared in accordance with accounting principles generally accepted in Canada ("GAAP"), which incorporate International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017. The effective date of this MD&A is February 27, 2018.

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 Schedule I bank.

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 February 26, 2018 the Company had 122,184,182 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, its gain on sale rates and net interest margins earned, 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.

In prior years, the Company also had operations in other business areas. 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. 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 Insurable Residential Lending ($27.81 B MUA at December 31, 2017)

Since inception, the Bank's primary operations have centered on the origination and subsequent sale of both high ratio and conventional prime insurable residential mortgages at competitive interest rates in all provinces of Canada, with the exception of Quebec. In 10 years this business line has grown to almost $28 billion in mortgages under administration ("MUA"). Prime insurable residential mortgages are originated primarily through the Bank's network of approved independent mortgage brokers. The vast majority of these mortgages are subsequently sold at the time of commitment to top-tier 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 insurable 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 credit quality contributes to the strong wholesale demand from institutional purchasers for the Bank's prime insurable mortgages. Since the Bank's institutional purchasers commit to the purchase of prime insurable 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, which are within its risk limits, for short periods of time.

The Bank also has a secondary source of liquidity for prime insurable 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 Bank's balance sheet and attract a commensurate increase in regulatory capital in the calculation of the leverage ratio prescribed by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Given that the Bank can earn a better rate of return on capital on its uninsured mortgage product, "Street Solutions", which was launched in Q2 2017 and which is discussed further below, in the short term the Bank does not intend to make prime insured mortgage securitization a major part of its funding model.

The Bank outsources the servicing of its MUA to third party service 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 their much lower acquisition costs compared to newly originated mortgages. Additionally, the customer relationships can be the source of 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 generally targets a renewal rate in the range of 75% - 80% of prime mortgages eligible for renewal, while maximizing the financial returns of the renewal portfolio.

Deposit Products ($293 MM at December 31, 2017)

The Bank offers CDIC insurance-eligible deposits through a network of licensed investment dealers. Products include one to five year guaranteed investment certificates ("GICs") and a 90-day cashable GIC, all at competitive interest rates. Currently, the 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 products; its other mortgage loans that remain on-balance sheet, such as bridge loans or securitized mortgages awaiting sale; and its pool of high quality liquid assets.

Street Solutions Uninsured Residential Mortgage Lending ($201 MM at December 31, 2017)

In May 2017 the Bank introduced, initially through a small group of the Bank's existing network of approved mortgage brokers, the Street Solutions program. The program is based around the Bank's uninsured mortgage product suite, which is designed to provide Canadians with alternative lending options for achieving their goal of home ownership.

The Street Solutions program targets a market segment that consists of credit-worthy, but under-served, borrowers who may not qualify for a prime residential mortgage. Street Solutions mortgages 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 insurable 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.

The Street Solutions uninsured mortgage products are currently funded on the Bank's balance sheet, and earn both net interest margin and fee income.

Immediately following the introduction of the Street Solutions program, it was evident that there was a strong demand in the Canadian market for alternative mortgage solutions, and by the end of Q3 2017 the Bank was close to its 2017 targets for both funding and lending commitments for Street Solutions products. In mid-October the Bank put a hold on issuing new commitments with closing dates in 2017, while continuing to accept Street Solutions applications with closing dates in 2018. The Bank has resumed the Street Solutions lending program in 2018.

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 most of its remaining $0.67 million net 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.

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 2.

2017 marked another year of change in the mortgage industry and for the Company. While dealing with changes in mortgage insurance rules, a new bank license, and new leadership, the Company was able to successfully launch its deposit platform and its Street Solutions uninsured mortgage offering, and also developed a set of strategic priorities to innovate and grow the business in 2018 and beyond. Financial results in 2017 were disappointing, reflecting a decline in prime mortgage originations as the Company's addressable market in the prime insurable market was materially reduced following the Department of Finance mortgage insurance eligibility rule changes in late 2016.

2018 will be both a pivotal and foundational year for the Company as it continues to adapt to the changing business and market landscape, grows its balance sheet, builds the foundational elements to enable realization of its strategy, and improves its financial performance. The Company recognizes that challenges remain in the market. The business model, by its nature, is affected by the strength and health of the mortgage and real estate markets, as well as the changing regulations and policies that govern these markets, and the Company's financial performance is directly affected by these elements. Part of the Company's strategic imperative over the medium to long term is to transform the business model from a mono-line prime mortgage originator into a full suite mortgage lender with access to multiple on- and off-balance sheet funding channels to both support growth objectives and diversify revenue sources.

Beginning in 2018 the Company has begun focusing on the following Strategic Priorities:

1. Diversify its Funding Sources
    - Increase access to Broker GIC channels
    - Develop capabilities for direct savings and deposits
    - Leverage capital market solutions for mortgage funding

2. Expand its Addressable Markets
    - Build its Street Solutions uninsured portfolio
    - Launch a prime uninsurable mortgage product
    - Evaluate and enter new product offerings adjacent to a mortgage

3. Strengthen its Broker and Client Experiences
    - Evaluate and improve end-to-end processes
    - Reinforce a customer-centric culture

4. Build a Lean and Scalable Operation
    - Improve operating efficiency across the Company
    - Strengthen controls and risk management

5. Drive Customer Renewal and Retention
   - Maximize the financial returns of the renewal portfolio
   - Reduce mid-term liquidation rates

Regulatory Developments

Changes to Guideline B-20 Residential Mortgage Underwriting Practices and Procedures

On October 17, 2017, OSFI released amendments to *Guideline B-20–Residential Mortgage Underwriting Practices and Procedures* ("Guideline B-20") that became effective on January 1, 2018. The basic framework of Guideline B-20 has not changed: the five fundamental principles for sound residential mortgage underwriting remain. However, OSFI tightened and clarified its expectations, and introduced new expectations, namely:

- Requiring a GDS/TDS stress test for all uninsured mortgages of the greater of i) 2.00% above the contractual interest rate, or ii) the five-year benchmark rate published by the Bank of Canada;

- Requiring that Loan-to-Value ("LTV") measurements remain dynamic and adjust for changes in local market conditions in order to accurately reflect the associated risks; and

- Expressly prohibiting co-lending arrangements that are designed, or appear to be designed, to circumvent LTV limits, or other underwriting policy or legal limitations.

These changes in Guideline B-20 have the potential to reduce the size of mortgage a borrower may qualify for, as well as require more documentation for self-employed borrowers, and therefore reduce the level of uninsured mortgage lending activity originated by OSFI-regulated financial institutions. However, management is maintaining its previously outlined origination targets for Street Solutions, given the demand experienced for the product, and the fact that the targets are relatively modest compared to the overall size of the addressable market.

There remains a great deal of uncertainty in the housing 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.

Market Conditions

The tighter mortgage lending rules from regulatory changes over the last two years, the likelihood of higher interest rates, and a forecasted decline in GDP growth are expected in combination to lead a general softening in housing activity in 2018. Management views a general softening as a positive course towards more normalized and sustainable housing markets. Current forecasts continue to predict relatively stable employment and high immigration targets. These factors, combined with a tight housing supply in key economic centers, continue to support the Company's targets in its lending regions. Management, along with its business partners, will continue to monitor the economic and housing market conditions along with the credit quality in local regions, and will adjust underwriting criteria and origination volumes as circumstances warrant.

Prime Mortgage Originations

The Department of Finance mortgage insurance eligibility changes made in late 2016 significantly reduced the Company's prime mortgage volumes and its financial performance in 2017. The mortgage insurance eligibility rule changes materially reduced the size of the prime insurable mortgage market and competition for these mortgages increased. While the Company was actively engaged in securing funding for prime mortgages that no longer qualified for insurance (i.e.: prime uninsurable mortgages), it had only limited access to this funding in 2017.

In 2018, the Company expects that competition for prime insurable mortgages will remain high and that overall prime insurable mortgage activity will be flat to moderately declining compared to 2017. This view reflects the current economic forecasts, moderating housing prices, and expected interest rate increases. Rising bond yields and price competition for prime insurable mortgages have continued to put negative pressure on the gain on sale rates earned for these mortgages in late 2017 and into 2018, and it is too early to determine when this pressure might subside.

The Company has continued to pursue options for funding prime uninsurable mortgages and is cautiously optimistic some funding will become available in the first half of 2018, allowing it to selectively offer new prime uninsured products and expand its product suite. Financial returns for the product are still uncertain, but could add positively to revenue in 2018.

Prime Mortgage Renewals

Softness in new originations of prime insurable mortgages will continue to be partly offset by the Bank's expected highly profitable renewal activity in 2018. Based on the maturity profile of the MUA, the Bank expects to experience increases in renewal activity in 2018 in the range of $2.20 - $2.40 billion. To optimize this revenue stream, the Bank will continue to focus on its service and retention activities as discussed in its strategic priorities above. Consistent with the gain on sale rate pressure for new prime mortgage sales, renewal gain on sale rates also face the same pressures. Additionally, the Company expects an increase of up to 10 bp in the renewal acquisition expense rates as mortgages originated under the broker Loyalty commission program, which was discontinued in 2015, start to renew in greater numbers. The Bank's almost $28 billion of prime 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. It should also be noted that the stress test associated with the recent changes to Guideline B-20, which applies to all refinances of mortgages or a change in mortgage lender, will potentially buoy renewal rates in 2018 and beyond. Management will monitor this carefully.

Street Solutions Uninsurable Residential Mortgage Lending

The Bank launched its uninsured mortgage product, Street Solutions, in Q2 2017. The market response was very positive and demand was very strong, with many existing mortgage broker partners welcoming another provider in this segment. In mid-October 2017 the Bank put a hold on new commitments for closings in 2017 as it had met its funding targets for that year, but continued to accept commitments for 2018. The Bank is experiencing continued strong demand for the Street Solutions product, at high levels of credit worthiness, and expects to meet its target originations of $600 - $700 million for this product in 2018 with net interest margins within 2.0% - 2.35% for those funded on-balance sheet.

As discussed above, the changes to underwriting standards employed by federally regulated financial institutions in OSFI Guideline B-20, which came into effect in January 2018, have not changed management's target Street Solutions origination volumes given the relatively modest size of the Company's targets compared to the projected size of the addressable market.

Funding and Liquidity

As noted above under *Prime Insurable Residential Lending*, when investors purchase prime insurable mortgages at commitment, the Company transfers substantially all of the risks and rewards of the ownership of the mortgage. The Company's access to this funding is more than adequate, and the Bank remains competitive in this mortgage segment.

Also, as noted above, the Company continues to explore alternatives for funding prime uninsurable mortgages and is cautiously optimistic that some funding will available in the first half of 2018.

In order to fund its on-balance sheet loans and liquid assets (e.g.: Street Solutions mortgages, prime uninsurable mortgages, stamped mortgages, and bridge loans), the Bank offers a full product suite of CDIC insurance-eligible retail GICs ranging in terms from 1 to 5 years, including a 90-day cashable option. Currently, the Bank's GIC distribution strategy is focused on the third-party deposit broker network, including IIROC, MFDA, RDBA and MGA members. Management believes the Bank is well-positioned to penetrate this channel, and has recently hired a business development manager who is charged with diversifying the Bank's deposit broker relationships. Success in building a well-diversified portfolio of stable retail term deposits will enable the Bank to meet its targets for uninsurable mortgage originations.

As also noted above, the Bank has a secondary source of funding for prime insurable mortgages, through their securitization. However, when the underlying mortgages remain on the Bank's balance sheet, they attract a commensurate increase in regulatory capital in the calculation of the Bank's leverage ratio, which management believes is an inefficient use of its capital.

Operating Expenses

The Company continues to target the achievement of positive operating leverage in 2018. This will involve careful management of expenses, as the Company balances improving efficiency against making the appropriate investments in the people and technology that will enable strategic priorities and the strengthening of the Company's risk and compliance management programs.

FINANCIAL TARGETS – 2018 to 2020

Note: The Bank may not realize the financial targets 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 2.

	2017 Actual	2018	2019	2020
Prime New Originations [1]	$5.37 billion	Maintain market share	Maintain market share	Maintain market share
Prime Renewal Volume	$1.86 billion	$2.20-$2.40 billion	$2.40-$2.60 billion	$2.60-$2.80 billion
Street Solutions Originations	$204 million	$600-$700 million	$850-$950 million	$1.0-$1.2 billion
Operating Leverage [2]	N/A	Positive operating leverage [3]	Positive operating leverage [3]	Positive operating leverage [3]

[1] Estimating future prime insurable originations in the markets where the Company does business remains challenging, given the recent regulatory changes. The market for this business has been reduced, and at times there has been spread compression leading to unprofitable transactions that the Company avoids. 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 net revenue, minus percentage growth in expenses, is greater than zero.

Dividends

The Company and its management are committed to consistently creating shareholder value. At the present time, this is best achieved through the retention of earnings and the allocation of capital to the business opportunities within the growing potential of the bank platform. Over the longer term, 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 $317 million at December 31, 2017. This represents a real and sustainable tax advantage as the Company is not paying cash taxes.

2017 REVIEW OF RESULTS

2017 Objectives	***2017 Results or Status***
• Launch uninsured mortgage product, with $150 to $200 million in new originations in 2017.	• Street Solutions originations totaled $203.7 million in 2017, with $200.8 million outstanding mortgages receivable at December 31, 2017.
• Maintain broker market share at #4.	• Market share was #7 for Q4 2017 and #5 for the year. [1]
• Maintain renewal volumes of 75 – 80% of mortgages eligible for renewal.	• Renewed 75% of eligible mortgages.
• Build credit card capability and be ready to launch the product in 2018.	• As discussed in Q3 2017 – de-prioritized by management.
• Maintain credit quality, with serious arrears and early delinquency rates better than industry averages.	• Serious arrears rate for prime mortgages of 0.08% compared to industry average of 0.22%[2] for all types of mortgages in the markets in which the Company operates.

Please see *2017 and Q4 2017 Summary and Highlights*, and *2017 and Q4 2017 Earnings Review*, below, for discussion of the Company's 2017 results.

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

2017 and Q4 2017 SUMMARY AND HIGHLIGHTS

The table below sets out certain financial highlights for the three months and year ending December 31, 2017, together with comparative information for prior periods. This table contains non-GAAP measures. The Company uses these non-GAAP measures in order to highlight its core operating business (the Bank) by removing non-recurring items, including non-recurring restructuring costs or recoveries, and material 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 $, except where defined)	For the three months ended or as at			For the year ended or as at	
	December 31, 2017	September 30, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Financial performance					
Shareholders' net income	**$ 1,239**	$ 3,731	$ 462	**$ 2,292**	$ 16,266
Shareholders' diluted earnings per share	**$ 0.01**	$ 0.03	$ 0.00	**$ 0.02**	$ 0.13
Adjusted shareholders' net income (i)	**$ 1,544**	$ 4,297	$ 1,900	**$ 7,756**	$ 16,360
Adjusted shareholders' diluted earnings per share (i)	**$ 0.01**	$ 0.04	$ 0.02	**$ 0.06**	$ 0.13
Total revenue (net of acquisition costs)	**$ 14,125**	$ 19,198	$ 13,147	**$ 60,171**	$ 68,272
Net gain on sale of mortgages - new	**$ 5,409**	$ 10,175	$ 9,008	**$ 31,339**	$ 47,720
Net gain on sale - new - % of prime originations	**0.48%**	0.67%	0.43%	**0.58%**	0.60%
Net gain on sale of mortgages - renewals	**$ 7,376**	$ 7,935	$ 5,050	**$ 25,990**	$ 20,693
Net gain on sale - renewals - % of renewals	**1.39%**	1.42%	1.41%	**1.40%**	1.45%
Net interest income (expense) - non-securitized assets	**$ 792**	$ 243	$ (181)	**$ 760**	$ (646)
Net interest margin - non-securitized assets	**1.21%**	0.75%	N/A	**0.68%**	N/A
Return on tangible equity (i)	**4.9%**	14.4%	2.2%	**2.6%**	16.9%
Adjusted return on tangible equity (i)	**6.1%**	16.5%	7.6%	**7.7%**	17.0%
Mortgages originated and under administration					
Mortgages under administration ***(in billions of $)***	**$ 28.02**	$ 27.98	$ 27.70	**$ 28.02**	$ 27.70
Prime mortgages originated and sold	**$ 1,138,274**	$ 1,521,342	$ 2,101,474	**$ 5,372,803**	$ 7,940,758
Prime mortgage renewals sold	**531,080**	560,423	358,043	**1,859,267**	1,428,534
Total prime mortgages sold	**$ 1,669,354**	$ 2,081,765	$ 2,459,517	**$ 7,232,070**	$ 9,369,292
Total Street Solutions originations	**$ 62,116**	$ 131,376	N/A	**$ 203,717**	N/A
Credit quality - mortgages					
Provision for credit losses - uninsured loans	**$ (155)**	$ (136)	N/A	**$ (291)**	N/A
Provision for credit losses - uninsured loans - rate	**0.33%**	0.64%	N/A	**0.39%**	N/A
Allowance for credit losses on uninsured loans	**$ (291)**	$ (136)	N/A	**$ (291)**	N/A
Allowance for credit losses on uninsured loans - % of uninsured loans	**0.14%**	0.09%	N/A	**0.14%**	N/A
Regulatory Capital Ratios - Street Capital Bank					
Risk-weighted assets	**$ 388,187**	$ 352,467	N/A		
Common equity Tier 1 (CET1) ratio	**25.39%**	27.54%	N/A		
Total capital ratio	**25.39%**	27.54%	N/A		
Leverage ratio	**13.76%**	15.85%	N/A		
Equity and share information					
Shareholders' equity	**$ 138,162**	$ 136,590	$ 134,492		
Shares outstanding end of period (000s)	**122,184**	122,184	121,532		
Book value per share	**$ 1.13**	$ 1.12	$ 1.11		
Market capitalization	**$ 125,850**	$ 171,058	$ 228,480		
Share price at close of market	**$ 1.03**	$ 1.40	$ 1.88		

(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.

BUSINESS DEVELOPMENTS IN 2017

On February 1, 2017, Street Capital Financial Corporation began operations as Street Capital Bank of Canada, a Schedule I bank, and immediately began accepting deposits. At December 31, 2017 total deposits, net of deferred agent commissions, were $293.0 million.

On May 5, 2017, as previously announced on March 21, 2017, the Company's former President, Lazaro DaRocha, retired from both the Bank and Street Capital Group Inc. The Company recorded $3.6 million, pre-tax, in restructuring expenses associated with Mr. DaRocha's retirement.

Also during Q2 2017, the Company initiated a business restructuring that involved the reduction of approximately 10% of its workforce. Associated restructuring expenses of $3.2 million, pre-tax, were recorded over the period from Q2 – Q4 2017, bringing total 2017 restructuring expenses to $6.8 million. The Bank continues to target positive operating leverage beginning in 2018.

In June 2017 the Bank launched its highly successful Street Solutions lending program, an uninsured mortgage product suite designed to provide Canadians with alternative lending options. During 2017 the Bank achieved its 2017 lending objectives, and at December 31, 2017 outstanding Street Solutions mortgages, net of deferred agent commissions and credit provisions, were $200.8 million.

On September 1, 2017, as previously announced on June 29, 2017, the Company's former CEO and then-acting President, W. Edward Gettings, retired from Street Capital Group Inc. and Street Capital Bank. The Company recorded $0.9 million expense, pre-tax, in association with Mr. Gettings's retirement, which is included in the total $6.8 restructuring expense referenced above. Mr. Gettings has continued to serve as a member of the Company's Board of Directors.

Also on September 1, 2017, as previously announced on June 29, 2017, Duncan Hannay, a seasoned financial services and technology executive leader, assumed the responsibilities of President and CEO of both the Company and Street Capital Bank.

On September 5, 2017, Jeff Marshall, an experienced financial product development and marketing executive, assumed the responsibilities of Chief Product and Marketing Officer of Street Capital Bank.

On October 23, 2017, as previously announced on September 28, 2017, Gregory Parker, an experienced capital markets, treasury and risk management leader, assumed the responsibilities of Executive Vice President, Capital Markets and Treasury of Street Capital Bank.

Significant or Non-Recurring Financial Developments in 2017

- As discussed above, under *Business Developments in 2017*, during 2017 the Company recorded $6.8 million in restructuring expenses, relating to both the retirement of its former President and former CEO, and the business reorganization that was developed in Q2 2017 and implemented during the remainder of the year. The expenses are incorporated into the determination of non-GAAP adjusted performance measures.

- During Q3 and Q4 2017, Street Capital Bank entered into transactions to securitize and sell, through the CMB program, a total of $74.2 million 10-year insured NHA MBS mortgage loans on multi-unit residential properties. These were the Bank's first transactions in the multi-unit residential mortgage market. Based on a combination of the mortgages' features and mitigation of interest rate risk through third party management of CMB seller swaps, the Bank transferred control of the mortgages and derecognized them upon their sale to third parties. Therefore the mortgages did not remain on the Bank's balance sheet, and the Bank recognized $0.6 million gains on the sales. The Company is planning to engage in similar transactions in the future.

- During 2017 the Company awarded, to officers and members of senior management, 3.975 million options to purchase shares of the Company's common stock. The options vest over 4 years, with the first 20% vesting on the date of grant. The option grants increased the year's salaries and benefits expense by $0.8 million.

- During 2017 the Company recorded net fair value losses of $0.9 million, primarily due to a reduction in the value of its $US Private Equity investments, inclusive of foreign exchange fluctuations. $0.8 million was allocated to the Company's non-controlling interests. The net loss is incorporated into the determination of non-GAAP adjusted performance measures.

- Also during 2017, the Company exited its Private Equity portfolio investment in Fresh Brands ("The Works") for proceeds of $1.3 million, with the Company receiving net $0.2 million. At December 31, 2017, the sole remaining portfolio investment is in Differential Brands Group Inc. ("DBGI"), a publicly traded US company.

Significant or Non-Recurring Financial Developments in Q4 2017

- As discussed above, under *Business Developments in 2017*, during Q4 2017 the Company recorded $0.2 million in restructuring expenses. The expenses are incorporated into the determination of non-GAAP adjusted performance measures.

- During Q4 2017, Street Capital Bank entered into a transaction to securitize and sell, through the CMB program, a $31.1 million 10-year insured NHA MBS mortgage loan on a multi-unit residential property. As discussed above, the Bank derecognized the mortgage upon its sale to a third party, and recognized a $0.2 million gain on the sale.

- During Q4 2017 the Company recorded net fair value losses of $0.4 million, primarily due to a reduction in the value of its $US Private Equity investments, inclusive of foreign exchange fluctuations. $0.3 million was allocated to the Company's non-controlling interests. The net loss is incorporated into the determination of non-GAAP adjusted performance measures.

2017 Financial Highlights

- 2017 net shareholders' income was $2.3 million, compared to $16.3 million in 2016. The 2017 earnings include the $6.8 million reorganization expense, the $0.6 million gains on the CMB securitization and sales, and the $0.8 million stock-based compensation expense discussed above. Adjusted net income for 2017, which is primarily affected by eliminating the post-tax reorganization expense, was $7.8 million (please see the *Non-Core and Non-Recurring Items* section of this MD&A for more detail) compared to $16.4 million in 2016. The difference is almost entirely due to 2017's decrease of $11.1 million in gains on sale compared to 2016.

- Prime new mortgages originated and sold in 2017 were $5.37 billion, down 32% from the $7.94 billion in 2016, in line with our expected 30% - 35% reduction in volume. The reduction from 2016 largely reflects mortgage insurance rule changes in 2016 that affected the Bank's ability to fund and therefore originate prime uninsurable mortgages during most of 2017.

- During 2017 sales of prime mortgages generated a gross gain on sale, as a percentage of mortgages sold, of 1.97%, up 0.15% compared to the 1.82% in 2016. The increase reflects additional premiums paid to support a broker incentive commission program, increased premiums earned on a specific product promotion, and higher deferred premiums associated with the successful renegotiation of one of the Company's servicing contracts.

- The increase in gross gain on sale rates for prime mortgage sales was offset by an increase in acquisition costs, which were up 0.17% to 1.39% of sales in 2017 compared to 1.22% of sales in 2016. The increase reflects the cost of the broker incentive commission promotion and a relative increase in the rate associated with portfolio insurance amortization, which was 0.18% in 2017 compared to 0.10% in 2016.

- Prime renewal mortgage volumes were $1.86 billion in 2017, which were up, as expected, 30% from the $1.43 billion renewed in 2016. The renewals sales generated a net gain on sale, as a percentage of renewal sales, of 1.40% compared to 1.45% in 2016.

- Street Solutions mortgage originations, new in 2017, were $203.7 million, slightly exceeding the higher end of the Company's origination targets of $150 million - $200 million.

- Total mortgages under administration ("MUA") were $28.02 billion at December 31, 2017, up $0.32 billion from $27.70 billion at December 31, 2016. Lower new originations combined with mid-term liquidations have slowed the relative growth of MUA during 2017 as compared to the trend in prior years.

- The Company's net interest income on its non-securitized assets was $0.8 million in 2017, reflecting the growth of the uninsured lending business that is funded by the Company's deposit-taking activities. The average spread (weighted average yield on mortgages minus average weighted yield on deposits) on Street Solutions mortgages was 2.54% for the year. Overall net interest margin was 0.68%, with the lower level reflecting the build of the balance sheet and liquidity portfolio. As the balance sheet reaches scale the Company expects net interest margin in the range of 2.0-2.35% over a twelve-month period.

- In 2017 the Company recorded $0.29 million of provisions for credit losses, based on management's best estimate of incurred losses on its non-securitized loan portfolio. Credit provisions as a percentage of average non-securitized loans outstanding were 0.39% for the year. This percentage is somewhat elevated due to the fact that the largest component of non-securitized loans is Street Solutions mortgages, which were zero at the beginning of year, and whose average balance is therefore low relative to the ending balance. This percentage is expected to normalize beginning in 2018. Included in the provision amount is a $0.1 million provision on a bridge loan that was deemed non-performing at the end of the year. Subsequent to the end of the year the amount set aside for the bridge loan was fully recovered.

- 2017 adjusted operating expenses, net of the $6.8 million restructuring expenses as discussed above, increased $2.4 million compared to 2016. This was due in part to the $0.8 million increase in non-cash compensation for the stock option issuances, as noted above, and also due to higher costs for IT and third-party professional and legal services associated with increases in the Company's product offering and execution activities associated with strategic priorities.

- The serious arrears rate on the prime mortgages under administration was 0.08% at December 31, 2017, compared to 0.11% at December 31, 2016. This remained significantly better than industry average[3] in the markets where the Company operates. While the Company is not directly exposed to the credit risk of its prime insured MUA, credit and underwriting quality, as measured by the serious arrears rate, is a key performance indicator of a portfolio's quality. A relatively high-quality portfolio helps to maintain strong wholesale demand from liquidity providers.

- The average origination LTV for Street Solutions mortgages was 71.7% in 2017, and at December 31, 2017, no Street Solutions mortgages were in arrears.

- The average origination beacon score for prime MUA improved slightly over the periods presented: 750 at December 31, 2017 compared to 746 at December 31, 2016. There was little change in both the loan to value (LTV) and total debt service (TDS) ratios. Average origination LTV was 81.1% at December 31, 2017 compared to 80.8% at December 31, 2016, while average origination TDS was 36.7% at December 31, 2017 and 36.4% at December 31, 2016. As with the serious arrears rate, the ratios are indicative of the high credit quality of prime MUA.

Q4 2017 Financial Highlights

- Q4 2017 net shareholders' income was $1.2 million, compared to $0.5 million in Q4 2016 and $3.7 million in Q3 2017. Q4 2017 earnings include $0.2 million reorganization expense, a $0.2 gain on a CMB securitization and sale, $0.3 million stock-based compensation expense, and $1.2 million in contractual minimum payments for outsourced services. Adjusted net income for Q4 2017, which is primarily affected by eliminating the post-tax reorganization expense and the net fair value adjustment, was $1.5 million (please see the *Non-Core and Non-Recurring Items* section of this MD&A for more detail) compared to $1.9 million in Q4 2016 and $4.3 million in Q3 2017.

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

- Prime new insurable mortgages originated and sold in Q4 2017 were $1.14 billion, down 46% from the $2.10 billion in Q4 2016 and down seasonally 25% from $1.52 billion in Q3 2017. The reduction from 2016 reflects the changes to mortgage insurance rules, as well as relatively higher activity in Q4 2016 that occurred in advance of the pending regulatory changes.

- Q4 2017 sales of new prime insurable mortgages generated a gross gain on sale, as a percentage of mortgages sold, of 1.94%, up 0.26% from 1.68% in Q4 2016 and down 0.10% from 2.04% in Q3 2017. The increase from last year reflects additional premiums paid to support a broker incentive commission program, increased premiums earned on a specific product promotion, and higher deferred premiums associated with the successful renegotiation of one of the Company's servicing contracts. As well, there was some spread compression in Q4 2016 that reduced rates last year. Compared to last quarter rates are down as both the broker incentive commission program and the specific product promotion began to wind down and there was spread compression over the period.

- Acquisition costs for new prime insurable mortgages were 1.47% of sales in Q4 2017, up 0.22% from Q4 2016 and up 0.10% from Q3 2017. Compared to Q4 2016, rates are up due to the cost of the broker incentive commission promotion and a relative increase in the rate associated with portfolio insurance amortization, which was 0.23% in Q4 2017 compared to 0.10% in Q4 2016. The increase compared to last quarter primarily reflects the relative increase in the rate associated with portfolio insurance amortization, which was 0.16% in Q3 2017.

- Prime renewal mortgage volumes in Q4 2017 were $0.53 billion, which were up, as expected, 47% from the $0.36 billion renewed in Q4 2016 and down seasonally 5% from $0.56 billion in Q3 2017. The net gain on sale of renewals, as a percentage of renewal sales, was 1.39% in Q4 2017, comparable to 1.41% in Q4 2016 and 1.42% in Q3 2017.

- Street Solutions mortgage originations were $62.1 million in Q4 2017. This was down from $131.4 million in Q3 2017 due to the Company's mid-October decision to limit 2017 commitments and remain within its 2017 origination and funding targets of $150 million - $200 million. At December 31, 2017 the Company's Street Solutions mortgage loans were $200.8 million at the end of the year.

- Mortgages under administration were relatively flat compared to Q3 2017, increasing $0.04 billion in the quarter.

- The average spread on Street Solutions mortgages (weighted average yield on mortgages minus average weighted yield on deposits) was 2.53% in the quarter.

- In Q4 2017 the Company recorded a $0.2 million provision for expected credit losses, based on management's best estimate of incurred losses on its non-securitized mortgage portfolio, bringing the total provision for 2017 to $0.29 million. Included in the Q4 2017 provision is a $0.1 million individual provision on a bridge loan, that subsequent to year-end was fully recovered.

- Q4 2017 adjusted operating expenses of $11.6 million, net of the $0.2 million restructuring expenses noted above were flat compared to Q4 2016 and down $1.5 million from Q3 2017. Q4 2017 operating expenses included a contractual minimum top-up payment of $1.2 million, which is expected to be non-recurring. This was offset by a decrease in variable pay reflecting a true-down of executive and employee bonuses to reflect 2017 financial performance.

2017 AND Q4 2017 EARNINGS REVIEW

Mortgage Activity

Table 2 - Mortgage Activity and MUA

	For the three months ended or as at			For the year ended or as at	
	December 31, 2017	**September 30, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Mortgages sold and mortgages under administration					
(in billions of $)					
Prime mortgages originated and sold	**$ 1.14**	$ 1.52	$ 2.10	**$ 5.37**	$ 7.94
Prime mortgage renewals sold	**0.53**	0.56	0.36	**1.86**	1.43
Total prime mortgages sold	**$ 1.67**	$ 2.08	$ 2.46	**$ 7.23**	$ 9.37
% Prime renewals	**31.7%**	26.9%	14.6%	**25.7%**	15.3%
Street Solutions originations ***(in thousands of $)***	**$ 62,116**	$ 131,376	N/A	**$ 203,717**	N/A
Mortgages under administration	**$ 28.02**	$ 27.98	$ 27.70	**$ 28.02**	$ 27.70
Prime mortgage sale financial highlights					
(in thousands of $)					
Cash premium at sale - new	**$ 18,238**	$ 26,008	$ 30,833	**$ 90,269**	$ 126,262
Deferred gain on sale - new	**3,898**	5,025	4,532	**15,577**	18,519
Gain on sale of mortgages - new	**$ 22,136**	$ 31,033	$ 35,365	**$ 105,846**	$ 144,781
As a % of mortgages sold	**1.94%**	2.04%	1.68%	**1.97%**	1.82%
Acquisition expenses - new	**$ 16,727**	$ 20,858	$ 26,357	**$ 74,507**	$ 97,061
As a % of mortgages sold	**1.47%**	1.37%	1.25%	**1.39%**	1.22%
Net gain on sale - new	**$ 5,409**	$ 10,175	$ 9,008	**$ 31,339**	$ 47,720
As a % of mortgages sold	**0.48%**	0.67%	0.43%	**0.58%**	0.60%
Cash premium at sale - renewals	**$ 6,583**	$ 6,917	$ 4,595	**$ 23,149**	$ 18,638
Deferred gain on sale - renewals	**1,358**	1,581	833	**4,777**	3,632
Gain on sale of mortgages - renewals	**$ 7,941**	$ 8,498	$ 5,428	**$ 27,926**	$ 22,270
As a % of mortgages sold	**1.50%**	1.52%	1.52%	**1.50%**	1.56%
Acquisition expenses - renewals	**$ 565**	$ 563	$ 378	**$ 1,936**	$ 1,577
As a % of mortgages sold	**0.11%**	0.10%	0.11%	**0.10%**	0.11%
Net gain on sale - renewals	**$ 7,376**	$ 7,935	$ 5,050	**$ 25,990**	$ 20,693
As a % of mortgages sold	**1.39%**	1.42%	1.41%	**1.40%**	1.45%

2017 Discussion

New Prime Mortgage Sales
Prime new mortgage sales volume was $5.37 billion in 2017, down 32% from $7.94 billion in 2016. The decline year over year can be tied to the previously discussed effect of changes in mortgage insurance eligibility criteria that have reduced the availability of mortgage insurance. Most of the Bank's investors were only purchasing prime insurable mortgages in 2017, and therefore the absence of liquidity for prime uninsurable mortgages reduced the Bank's accessible market.

New Prime Mortgage Gain on Sale Rates
The decline in new prime sales volume in the year led directly to lower net gains on sale, of $31.3 million compared to $47.7 million in 2016. However, the annual net gain on sale rate of 0.58% was comparable to 0.60% in 2016 reflecting offsetting factors.

The new prime mortgages gross gain on sale ratio increased to 1.97% in 2017 compared to 1.82% in 2016. The increase of 0.15% primarily reflects the following factors in 2017:

- A promotion for most of Q2 to Q4 with a certain investor that increased the premiums earned for certain mortgage products;
- A broker commission promotion introduced in Q2 that continued into Q4, under which the Bank paid additional commission to brokers and the cost was partially recovered through an increase in the premium paid to the Company by investors; and
- A renegotiation of a servicing contract that reduced the servicing cost to the Bank, which in turn increased the deferred gain on sale the Bank earned with one investor, leading to a 0.06% increase in the deferred gain on sale rate.

The 0.15% increase in gross gain on sale rates was matched by a 0.17% increase in the acquisition expense ratio, to 1.39% in 2017 compared to 1.22% in 2016. The increase primarily reflects the following:

- The additional expense of the broker commission promotion mentioned above;
- Other promotions that were introduced in Q4; and
- The amortization of portfolio insurance was relatively higher given the lower new origination volumes. Portfolio insurance amortization was 0.18% of new prime originations in 2017 compared to 0.10% in 2016.

Renewal Prime Mortgage Sales
With respect to prime renewals, the 30% increase in volume, from $1.43 billion in 2016 to $1.86 billion in 2017, reflects management's expectations, which have been based on the historical increases in prior originations coming up for renewal. The renewal rate was approximately 75% for the year, at the lower end of the target range of 75%-80%, but was improving throughout the year. Management believes that this overall lower rate is primarily due to requests by some clients to refinance at renewal, a relatively unprofitable option the Bank currently chooses not to offer, combined with increased competition for insurable mortgages. As described above under *Strategic Priorities*, a key Company initiative is to maximize the financial contribution of the renewal revenue stream.

Renewal Prime Mortgage Gain on Sale Rates
The increase in prime renewal volume led directly to increased net gains on sale, as 2017 net prime renewal gains on sale were $26.0 million compared to $20.7 million in 2016. The annual net gain on sale rate of 1.40% was reduced from 1.45% in 2016. This reflects spread compression and the competitive factors noted above.

Q4 2017 Discussion

New Prime Mortgage Sales

Prime new mortgage sales volume of $1.14 billion in Q4 2017 was down 46% from $2.10 billion in Q4 2016 and down seasonally 25% from $1.52 billion in Q3 2017. The decline year over year can largely be tied to changes in mortgage eligibility rules that reduced the Company's addressable markets and the relatively higher activity in Q4 2016 in advance of the pending regulatory changes.

New Prime Mortgage Gains on Sale Rates

Q4 2017 v. Q4 2016

The decline in new prime mortgage sales volume in the quarter led directly to lower net gains on sale of $5.4 million compared to $9.0 million in Q4 2016. The Q4 2017 net gain on sale rate was 0.48% compared to 0.43% in Q4 2016.

The new prime gross gain on sale ratio increased 0.26% to 1.94% from 1.68% last year. This increase reflects the following factors:

- A promotion for most of Q4 2017 with a certain investor that increased the premiums earned for certain mortgage products;
- A broker commission promotion introduced in Q2 2017 that continued into Q4, under which the Bank paid additional commission to brokers and the cost was partially recovered through an increase in the premium paid to the Company by investors;
- A renegotiation of a servicing contract that reduced the servicing cost to the Bank, which in turn increased the deferred gain on sale the Bank earned with one investor, leading to a 0.12% increase in the deferred gain on sale rate; and
- competitive factors in Q4 2016 that reduced gain on sale rates in that quarter.

The 0.26% increase in gross gain on sale rates was mostly matched by a 0.22% increase in the acquisition expense ratio, to 1.47% compared to 1.25% in Q4 2016. The increase primarily reflects the additional expense of the broker commission promotion mentioned above, and the relatively higher effect of portfolio insurance amortization, which was 0.23% of sales in Q4 2017 compared to 0.10% of sales in Q4 2016.

Q4 2017 v. Q3 2017

Net new prime mortgage gains on sale decreased because of both seasonally lower originations, and lower net gains on sale rates. Net gains on sale were $5.4 million, down 47% from $10.2 million in Q3 2017. The Q4 2017 net gain on sale rate of 0.48% was 0.19% lower than 0.67% in Q3 2017.

The new prime origination gross gain on sale ratio decreased to 1.94% from 2.04% reflecting both the beginning of the wind down of the broker incentive commission program and the specific product promotion, and there was spread compression in the market.

The acquisition expense ratio also increased to 1.47% compared to 1.37% last quarter, mostly due to the amortization of portfolio insurance that was 0.23% of sales in Q4 2017, compared 0.16% in Q3 2017.

Renewal Prime Mortgage Sales

With respect to prime renewals, Q4 2017 volume of $0.53 billion was up 47% from $0.36 billion in Q4 2016 and down seasonally 5% from $0.56 billion in Q3 2017, and in line with expectations. The Q4 2017 renewal rate was approximately 76%, slightly exceeding the annual rate as renewal rates were improving during the year.

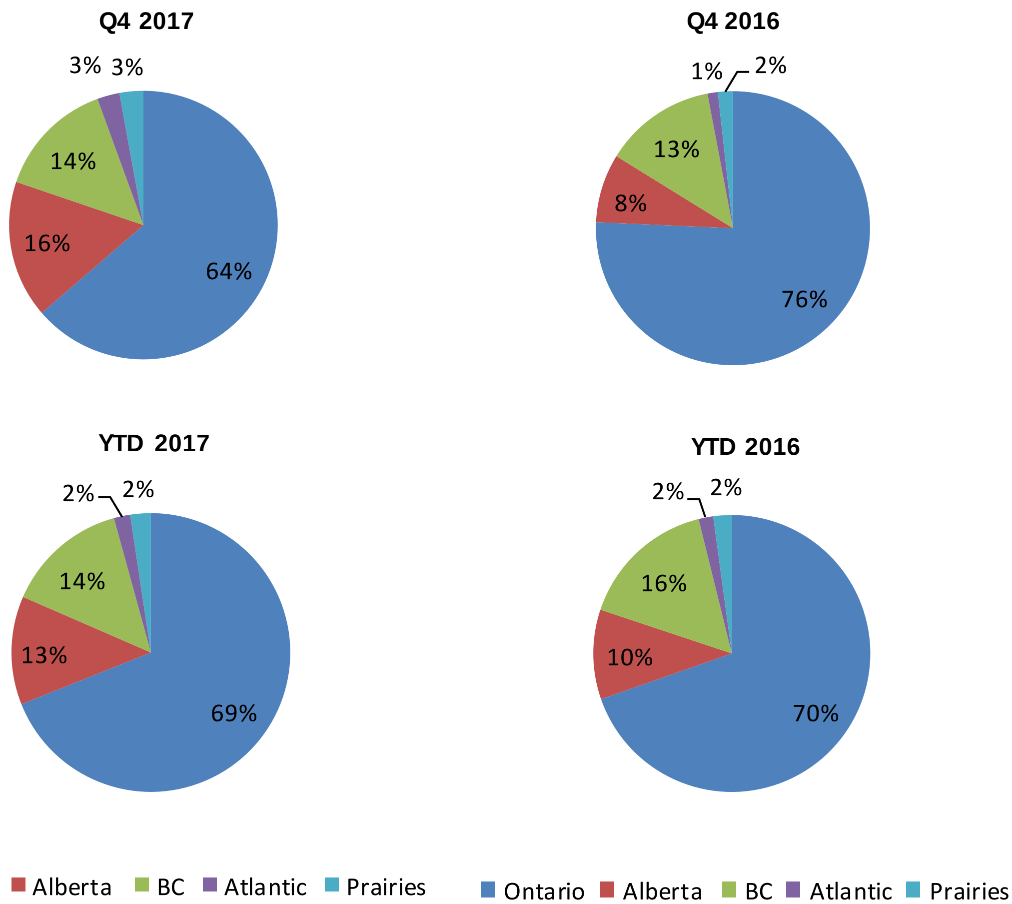
Renewal Prime Mortgage Gain on Sale Rates

Prime renewal net gains on sale were $7.4 million in Q4 2017. These were in line with the associated changes in volume compared to prior quarters, being an increase of $2.3 million from Q4 2016 and a small decrease of $0.5 million from Q3 2017. The quarterly net gain on sale rates were relatively constant, at 1.39% for Q4 2017 compared to 1.41% in Q4 2016 and 1.42% in Q3 2017.

Geographic Distribution – Prime Mortgages

The charts below show the geographic distribution of prime mortgage originations and MUA.

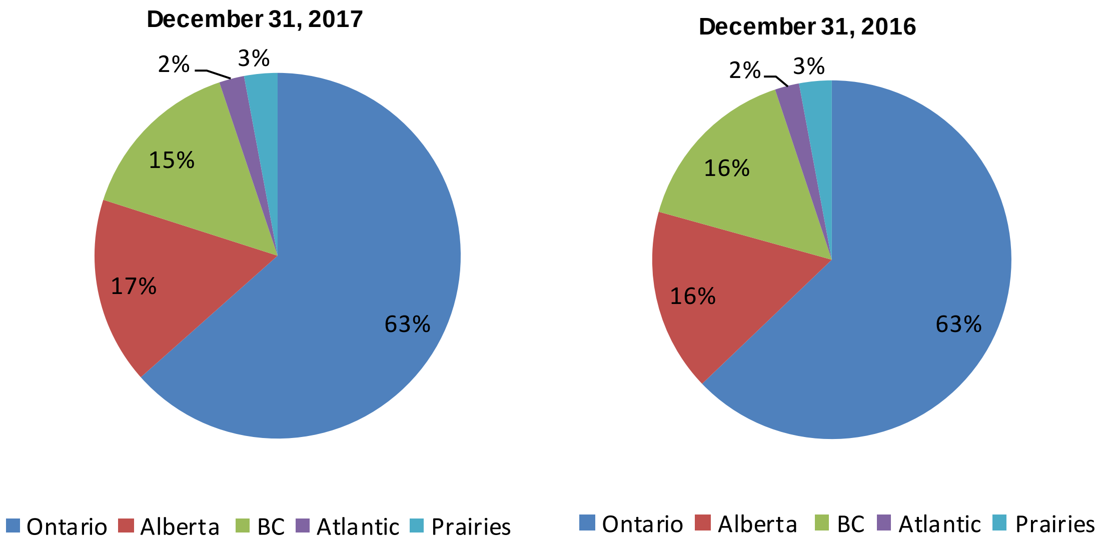
Chart 1 – Geographic Distribution of Prime New Originations (% of $)



Full year 2017 distribution of prime mortgage originations by province was relatively consistent with 2016. Ontario originations were essentially the same, while Alberta had a small increase that was offset by a decrease in BC.

However, there are distinct differences between Q4 2017 and Q4 2016, especially regarding Ontario originations. Q4 2016 saw an increase in mortgage activity in advance of mortgage rule changes, which had the greatest impact in Ontario due to its larger population and higher average housing prices. By Q4 2017, there were two market factors at play that contributed to the opposite result. One of these was the decrease throughout 2017 in the prime insurable market. The other was the result of the amendments to Guideline B-20 that OSFI announced in October 2017, to be effective January 2018, which are discussed above under *Regulatory Developments*. Ahead of this effective date, market activity in the prime uninsurable mortgage space, for both new originations and refinancing of existing mortgages, was increased as borrowers sought to obtain financing in advance of the requirement for stress testing. As the Company does not currently participate in the prime uninsurable market, its relative Ontario originations decreased. Similar to Q4 2016, this had a greater relative impact on Ontario due to the comparatively higher housing prices in the province.

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



As noted in prior quarters, given the volume of the Company's prime MUA, and the relatively static demographic and economic trends within the country, the relative distribution of prime MUA at December 31, 2017 is little changed from the distribution at December 31, 2016. This reflects both the relative population density in urban centers of Ontario, and higher average housing prices there compared to most of Canada.

Shown below is the contractual maturity profile of the Company's prime MUA at December 31, 2017.

Table 3 – Prime MUA Maturity Table

(in billions of $)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 and beyond**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
MUA maturities	3.66	4.65	5.99	7.27	6.12	0.12	**27.81**

Street Solutions Uninsured Mortgages

At December 31, 2017, the geographic distribution of outstanding Street Solutions mortgages differs from that of the Company's prime insured mortgages, with almost 90% concentrated in Ontario compared with 9% in British Columbia and just 1% in Alberta. This reflects key features of the portfolio to date; i.e.: its initial launch in the Greater Toronto area, followed by the Greater Vancouver area. These areas of the country have larger urban centers and correspondingly larger populations, along with strong employment trends and liquid housing markets. As the Street Solutions lending portfolio grows, management expects to see some decline in the concentration in Ontario, but with continued concentration in larger urban centers.

Net interest and other income

Table 4 - Net interest, fee and other income (expense)

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 (expense) has been a relatively minor contributor to the Company's revenue, since the majority of originated mortgages have been sold or securitized. With the launch of the Street Solutions uninsured lending program in Q2 2017, the Company has seen a significant increase in net lending interest income, which it expects to ultimately form a significant part of its revenue.

	For the three months ended					
(in thousands of $)	**December 31, 2017**	**Average rate**	**September 30, 2017**	**Average rate**	**December 31, 2016**	**Average rate**
Interest income - Street Solutions	**$ 2,306**	**5.13%**	$ 910	4.85%	$ -	-
Interest income - bridge loans	**53**	**6.30%**	125	6.89%	160	7.88%
Interest income - other mortgages and loans	**100**	**3.29%**	66	2.40%	456	3.71%
Interest income - cash and liquidity	**137**	**0.83%**	63	0.71%	11	0.73%
Total interest income - non-securitized assets	**$ 2,596**	**3.97%**	$ 1,164	3.60%	$ 627	3.88%
Interest expense - deposits and other	**(1,804)**	**2.87%**	(921)	2.94%	(808)	7.57%
Net interest income (expense) - non-securitized assets	**$ 792**	**1.21%**	$ 243	0.75%	$ (181)	N/A
Provision for credit losses	**(155)**		(136)		-	
Net interest income (expense) - non-securitized	**$ 637**		$ 107		$ (181)	
Interest income - securitized mortgages	**1,622**	**2.89%**	1,612	2.76%	1,848	2.82%
Interest expense - securitization liabilities	**(1,433)**	**2.56%**	(1,458)	2.49%	(1,575)	2.41%
Net interest income - securitized	**$ 189**	**0.33%**	$ 154	0.26%	$ 273	0.42%
Total net interest income (expense) [1]	**$ 826**	**0.81%**	$ 261	0.44%	$ 92	0.12%
Servicing and fee income - loan sales	**427**		556		76	
Gain on sale - CMB securitizations	**247**		327		-	
Other net interest income (expense) - non-core	**(65)**		(51)		(79)	
Other income (expense)	**(95)**		(5)		(0)	
Total fee and other income	**$ 514**		$ 827		$ (3)	
Credit provisions - non-core	**-**		-		(1,000)	
Total fee, interest and other income (expense)	**$ 1,340**		$ 1,088		$ (911)	

[1] based on interest earning assets only

(in thousands of $)	December 31, 2017	Average rate	December 31, 2016	Average rate
			For the year ended	
Interest income - Street Solutions	**$ 3,239**	**5.05%**	$ -	-
Interest income - bridge loans	**383**	**7.10%**	499	6.40%
Interest income - other mortgages and loans	**269**	**2.61%**	741	2.30%
Interest income - cash and liquidity	**249**	**0.77%**	89	0.81%
Total interest income - non-securitized assets	**$ 4,140**	**3.68%**	$ 1,329	2.84%
Interest expense - deposits and other	**(3,380)**	**3.15%**	(1,975)	6.94%
Net interest income (expense) - non-securitized assets	**$ 760**	**0.68%**	$ (646)	N/A
Provision for credit losses	**(291)**		-	
Net interest income (expense) - non-securitized	**$ 469**		$ (646)	
Interest income - securitized mortgages	**6,705**	**2.79%**	5,542	2.91%
Interest expense - securitization liabilities	**(6,007)**	**2.50%**	(4,927)	2.61%
Net interest income - securitized	**$ 698**	**0.29%**	$ 615	0.32%
Total net interest income (expense) [1]	**$ 1,167**	**0.41%**	$ (31)	N/A
Servicing and fee income - loan sales	**1,010**		715	
Gain on sale - CMB securitizations	**574**		-	
Other net interest income (expense) - non-core	**(215)**		(344)	
Other income (expense)	**306**		519	
Total fee and other income	**$ 1,675**		$ 890	
Credit provisions - non-core	**-**		(1,000)	
Total fee, interest and other income (expense)	**$ 2,842**		$ (141)	

[1] based on interest earning assets only

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 advanced under the Bank's Street Solutions program, stamped mortgages, other mortgages held on-balance sheet that may be sold or securitized, and bridge loans (see Note 8 of the audited consolidated financial statements). Non-securitized assets also include liquid cash equivalents such as cash, Treasury Bills or bankers' acceptances, on which the Company earns interest prior to using the cash to fund mortgages or other loans. Interest income is calculated using the effective interest rate method.

Interest expense – deposits and other includes the interest expense on deposits, and the interest expense and the standby charges on the mortgage funding portion of the Bank's credit facility (see Note 5 of the audited consolidated financial statements). Interest expense is calculated using the effective interest rate method.

Provision for credit losses includes both the collective and individual provisions related to the Company's non-securitized assets (see Note 8 of the audited consolidated financial statements).

Interest income – securitized mortgages is the total interest income and fees relating to the mortgages that the Company has securitized through the NHA MBS program. Interest income is calculated using the effective interest rate method.

Interest expense – securitization liabilities is the total interest expense, fees and acquisition costs associated with the securitization liabilities that correspond to the securitized mortgages. Interest expense is calculated using the effective interest rate method.

Servicing and fee income – loan sales is the net servicing fees and trailing interest spread earned by the Company on mortgage loan sales, representing 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 (see Note 12 of the audited consolidated financial statements). It also includes miscellaneous fees earned by the Company's banking operations, such as bridge loan fees.

Gain on sale – CMB securitization is the net gains on the Company's securitization and sales of multi-unit residential mortgage loans through the CMB program. The gains are calculated as the present value of the future cash flows of the expected net spread between the servicing fees and interest that will be collected, and the interest that will be paid, over the 10-year mortgage terms (see Note 12 of the audited consolidated financial statements).

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

Other income (expense) consists of other variable income earned, or expense incurred, by the Company's legacy operations.

2017 Discussion

Net interest income – non-securitized assets was $0.76 million up from a loss of $0.65 million last year from the introduction of the Street Solutions lending program in 2017. Street Solutions contributed $3.2 million interest revenue in the year at an average effective rate of 5.05%. Deposits, also launched in 2017, cost $2.6 million at an average effective rate of 2.51%. The average net spread between Street Solutions and Deposits was 2.54% in the year and well within management's expectations. Net interest margin on non-securitized assets was 0.68% and reflects lower margins earned while building the liquidity pool of the bank to support its lending activities.

Provisions for credit losses were $0.29 million for year, which includes $0.07 million in a specific provision on a specific bridge loan that was fully recovered after year-end. Credit provisions as a percentage of average non-securitized mortgages were 0.39% for 2017 and 0.33% in Q4 2017. These percentages are elevated because of the relatively lower average balances as the Company is just beginning to build balances. These ratios are expected to normalize as the balance sheet grows. To date the Company has not experienced any realized credit losses on the Street Solutions portfolio and none of the loans have been identified as impaired.

Net interest income – securitized assets was $0.7 million compared to $0.6 million last year. This income is earned on mortgages the Company securitized for its own balance sheet in 2015 and 2016. The increase in net interest income over 2016 reflects the larger average balance in 2017. At this time the Company expects that this income stream will decline as the underlying mortgages mature and any renewals are sold through whole loan sales.

The 2017 increase in servicing and fee income from loan sales, compared to 2016, was almost completely due to the renegotiation of a contract with a third-party servicer that increased the ongoing servicing spread earned by the Company. This increase was slightly offset by a decline in fee income from bridge loans.

The Company's gains on sales from CMB securitizations were earned in Q3 and Q4 2017. The Company plans to participate in similar transactions in future quarters.

Other non-core net interest expense decreased in 2017 due to decreases in the balances of the associated loans payable and receivable.

The most significant item of Other income in 2017 is Private Equity fee income of $0.5 million earned in Q2. This was offset by losses of $0.2 million on disposals of fixed assets. The most significant item in 2016 was 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, with the balance being fee income.

The credit provisions in 2016 was taken against the Company's loan receivable from Fleetwood Fine Furniture International, LP ("Fleetwood"), which resulted in this loan receivable having a carrying balance of zero at December 31, 2016.

Q4 2017 Discussion

Net interest income – non-securitized assets was $0.6 million in Q4 2017, up from $0.1 million last quarter and improved from expense of $0.2 million in the same quarter last year. Street Solutions interest income of $2.3 million at an average effective rate of 5.13% is the largest contributor to the increase. The net interest spread between Street Solutions and deposits was 2.53% in the quarter, up from 2.43% in Q3. Net interest margin on non-securitized assets was 1.21%, improving from 0.75% last quarter as the Company began to deploy its liquidity into higher yielding Street Solution mortgages. Interest expense in Q4 2016 is attributed to the use of the Company's credit facilities which were not used in Q4 2017.

Provisions for credit losses were $0.15 million in the quarter, up from $0.14 million last quarter, reflecting portfolio growth. The provision includes a collective provision for Street Solutions mortgages of $0.08 million and a specific provision of $0.07 million for a specific bridge loan. Subsequent to year-end the Company fully collected on the bridge loan.

Q4 2017 net interest income on securitized assets was down from Q4 2016 due to decreases in the balances of both the securitized mortgages and the associated securitization liabilities. It was increased from Q3 2017 due to earlier interest rate increases on the variable rate mortgages portion of the securitized mortgage loans while the variable rate liabilities increased later.

As noted above, the Q4 2017 increase in servicing and fee income from loan sales, compared to Q4 2016, is primarily associated with the 2017 increase in the ongoing servicing spread earned by the Company. This income declined in Q4 2017 compared to Q3 2017, as did fee income from bridge loans.

Other non-core net interest expense decreased in Q4 2017 compared to Q4 2016 due to decreases in the balances of the associated loans payable and receivable. It increased compared to Q3 2017 due to foreign exchange fluctuations on the portion of the interest expense that is calculated in $US.

The most significant item of Other income in Q4 2017 is losses of $0.1 million on disposals of fixed assets. There were no significant items in either Q4 2016 or Q3 2017.

The non-core credit provision in Q4 2016 was associated with the Company's loan receivable from Fleetwood, as discussed above.

Operating expenses

Table 5 Adjusted Operating Expenses

Adjusted operating expenses are defined as the Company's total operating expenses net of the $6.8 million reorganization expenses charged to income in 2017 and the $0.8 million partial recovery in 2016 of 2015 restructuring expense (please see the section *Non-GAAP Measures*, and the table below). Adjusted operating expenses as a percentage of mortgages sold increased to 0.76% in Q4 2017 compared to 0.47% in Q4 2016, and were up from 0.63% in Q3 2017. Major components of the Company's operating expenses, such as base salaries, premises, and items related to legal and similar professional services, are essentially fixed costs and therefore do not fluctuate with quarterly changes in mortgages sold. Therefore, the increased percentages in 2017 relate directly to lower mortgage sales this year compared to 2016.

A breakdown of the Company's adjusted operating expenses is shown below.

	For the three months ended			For the year ended	
(in thousands of $)	**December 31, 2017**	**September 30, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Salaries and benefits	**$ 6,843**	$ 8,836	$ 7,385	**$ 31,230**	$ 31,117
Professional services	**1,020**	668	459	**2,799**	1,768
Outsourced services	**1,460**	298	612	**2,419**	2,542
Legal, regulatory and audit	**214**	447	250	**1,555**	901
Premises	**662**	642	634	**2,645**	2,398
Business development	**1,066**	772	1,213	**3,755**	4,162
Other	**295**	1,440	1,078	**4,726**	3,882
Adjusted operating expenses	**11,560**	13,103	11,631	**49,129**	46,770
Restructuring costs (recoveries)	**223**	477	-	**6,779**	(813)
Total operating expenses	**$ 11,783**	$ 13,580	$ 11,631	**$ 55,908**	$ 45,957
Mortgages sold	**$ 1,669,354**	$ 2,081,765	$ 2,459,517	**$ 7,232,070**	$ 9,369,292
Adjusted operating expenses as a % of mortgages sold	**0.69%**	0.63%	0.47%	**0.68%**	0.50%

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 invested in the people, processes and technology required for banking operations. The majority of the growth had occurred by Q2 2016, resulting in the relative stability of adjusted operating expenses year over year.

Employee headcount at December 31, 2017 was 218, compared to 224 at September 30, 2017, and reduced from 243 at December 31, 2016 due to restructuring during 2017. The Company anticipates selectively increasing employee headcount during 2018 as banking operations and product offerings expand, with a commensurate increase in salaries and benefits.

Salaries and benefits in 2017 include $0.8 million of non-cash expense associated with the 3.975 million stock options granted during the year, 20% of which vested on the grant date and whose fair value was therefore expensed immediately. When this item is excluded, salaries and benefits expenses are reduced to $30,463, decreased from 2016, consistent with the reduced employee headcount.

Professional services include tax and other consulting fees, and fees paid to the Board of Directors. The increased expense in 2017 compared to 2016 is due to additional services related to the expansion of the Bank's products and strategic activities.

Outsourced services include fees to third parties for servicing the Company's MUA, maintaining records of deposits, and similar administrative matters.

Legal, regulatory and audit increased in 2017 compared to 2016 primarily due to new and renegotiated agreements relating to bank operations, and additional regulatory and compliance expenses.

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 2017 compared to 2016 is largely due to reduced spend reflecting lower anticipated revenue.

Q4 2017 Discussion

Salaries and benefits in Q4 2017 include $0.3 million of non-cash expense associated with the 3.975 million stock options granted during 2017, of which 0.75 million were granted in Q4 with the remainder granted in Q3. For these tranches of stock options, 20% of option grants vested on the grant date and therefore were expensed immediately. In Q3 2017, this resulted in an additional non-cash expense of $0.5 million. When the stock option expense is excluded from the Q4 and Q3 2017 expense, salaries and benefits are reduced to $6,528 and $8,384, respectively. The reduced expense in Q4 2017 compared to Q4 2016 is related to the restructuring noted above. The decrease compared to Q3 2017 was largely due to downward adjustments of executive and employee variable compensation to align with 2017 operating results.

Increased expense for Professional services in Q4 2017 as compared to both Q4 2016 and Q3 2017 is due to the factors noted above.

Outsourced services increased from both Q4 2016 and Q3 2017 primarily due to the additional payments associated with contractual minimums with one of the Company's service providers as determined at the end of 2017.

Non-Core and Non-Recurring Items

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

2017 Discussion

- As discussed above, under *2017 Summary and Highlights*, during 2017 the Company recorded restructuring expenses of $6.8 million, pre-tax, relating to its business reorganization.

- In connection with its portfolio investments, which are part of its legacy business, during 2017 the Company recorded unrealized net fair value losses of $0.9 million, primarily due to a reduction in the value of its $US Private Equity investment, DBGI, inclusive of foreign exchange fluctuations related to the strengthening of the Canadian dollar against the US dollar. $0.8 million was allocated to the Company's non-controlling interests.

2016 Discussion

- During 2016 the Company recorded fair value losses of $2.5 million on its portfolio investments, of which approximately $1.8 million was allocated to the Company's non-controlling interests. As in 2017, the fair value losses were primarily associated with a $2.9 million net decline in the value of the investment in DBGI, partially offset by a $0.6 million increase in other investments.

- During 2016 the Company recorded income from discontinued operations of $0.5 million, net of tax, primarily due to a gain of $0.7 million related to the settlement of the Company's outstanding liabilities associated with discontinued operations.

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

- During 2016 the Company recorded a recovery of $0.8 million, pre-tax, of the $50.2 million of non-recurring restructuring costs that were recorded in Q2 2015.

Q4 2017 discussion

- During Q4 2017 the Company recorded expenses of $0.2 million, pre-tax, in connection with the business reorganization referenced above.

- During Q4 2017 the Company recorded unrealized fair value losses of $0.4 million in connection with its investment in DBGI, of which approximately $0.3 million was allocated to the Company's non-controlling interests.

Q4 2016 discussion

- During Q4 2016 the Company recorded unrealized fair value losses of $2.9 million in connection with its portfolio investments, of which approximately $2.0 million was allocated to the Company's non-controlling interests. The fair value losses were primarily associated with a $3.0 million decline in the value of the investment in DBGI.

- As noted above, in Q4 2016 the Company recorded a credit allowance of $1.0 million on its loan receivable from Fleetwood, reducing the carrying value of the loan receivable to zero.

Fair Value Adjustments and Non-Controlling Interests

The Company's fair value adjustments relate to its legacy businesses, particularly its Private Equity investments. As discussed above under *Legacy Business*, at December 31, 2017 the investments consist solely of an investment in the publicly traded common shares in DBGI. Throughout 2016 and 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 2017 and 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. At the same time, 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 other significant transactions during 2017. The only significant transaction during 2016 is discussed above under *Non-Core and Non-Recurring Items*.

Income Taxes

The net income tax expense YTD 2017 is largely related to the operating results of Street Capital Bank, net of recoveries generated at the parent Company level.

At December 31, 2017, the Company had approximately $318.2 million in non-capital loss carryforwards that may be used to reduce future years' taxable income until 2036.

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 not 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 audited consolidated financial statements for more information on the Company’s tax rates, as well as both current and deferred income taxes.

2017 AND Q4 2017 FINANCIAL POSITION REVIEW

The following table sets out the Company's consolidated financial position for the years ended December 31, 2017 and 2016, as well as the financial position at the most recent quarter ended September 30, 2017.

Table 6 - Financial Position

(in thousands of $)	**December 31, 2017**	**September 30, 2017**	**December 31, 2016**
			As at
Assets			
Cash and cash equivalents	**$ 89,414**	$ 52,128	$ 3,771
Restricted cash	**35,543**	23,337	31,159
Street Solutions uninsured loans	**200,804**	140,673	-
Other non-securitized mortgages and loans	**13,259**	14,973	9,323
Securitized mortgage loans	**220,774**	228,162	262,203
Deferred placement fees receivable	**52,325**	52,145	51,314
Prepaid portfolio insurance	**82,511**	81,556	79,049
Portfolio investments	**859**	1,215	3,026
Deferred income tax assets	**14,568**	14,538	14,429
Other assets	**22,929**	21,517	15,481
Goodwill and intangible assets	**28,426**	28,196	28,652
Total assets	**$ 761,412**	$ 658,440	$ 498,407
Liabilities			
Bank facilities	**$ -**	$ -	$ 3,400
Deposits	**292,976**	198,344	-
Loans payable	**4,039**	4,023	4,251
Securitization liabilities	**221,594**	229,260	262,663
Accounts payable and accrued liabilities	**64,802**	51,161	53,870
Deferred income tax liabilities	**45,889**	44,843	43,914
Total liabilities	**629,300**	527,631	368,098
Total shareholders' equity	**138,162**	136,590	134,492
Non-controlling interests	**(6,050)**	(5,781)	(4,183)
Total liabilities and equity	**$ 761,412**	$ 658,440	$ 498,407

CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

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 audited consolidated financial statements.

The Company's primary sources of cash are the premiums received on the sale of mortgages, deposits, the net servicing revenue and excess spread received on mortgages that have been sold, and, to a lesser extent, the sale of NHA MBS. The Company also has a mortgage purchase facility and an operating credit facility, as discussed in more detail below.

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. At December 31, 2017 the Bank does not have funds drawn against any of the lines (September 30, 2017 - unutilized; December 31, 2016 - $1.4 million mortgage funding and $2.0 million operating line), and does not currently require funds from the facilities for its operations or financial targets. These lines can be drawn at any time provided the Bank has met certain affirmative and financial covenants, and at December 31, 2017 the Bank was in compliance with all of them. However, at September 30, 2017 the Bank had marginally breached the interest coverage ratio covenant. The Bank received a waiver in the short term, and subsequently negotiated a revised calculation of the covenant that better reflects the Bank's evolving business model. Please see Note 5 of the audited consolidated financial statements.

MORTGAGE LENDING ASSETS AND LIABILITIES

The tables and discussion, below, detail the geographic distribution and remaining amortization of the loans that the Company holds on-balance sheet, inclusive of credit provisions.

Table 7 – Single-family Residential Loans by Province

	As at December 31, 2017				
(in thousands of $, except %)	**Insured Residential Mortgages**	**Percentage of Total by Province**	**Uninsured Residential Mortgages**	**Percentage of Total by Province**	**Total**
British Columbia	**$ 18,848**	**49.6%**	**$ 19,143**	**50.4%**	**$ 37,991**
Alberta	**23,644**	**91.7%**	**2,153**	**8.3%**	**25,797**
Prairies	**3,222**	**100.0%**	**-**	**-**	**3,222**
Ontario	**179,394**	**49.4%**	**184,086**	**50.6%**	**363,480**
Atlantic	**2,781**	**92.1%**	**239**	**7.9%**	**3,020**
	$ 227,889	**52.6%**	**$ 205,621**	**47.4%**	**$ 433,510**

	As at September 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	$ 19,421	69.2%	$ 8,635	30.8%	$ 28,056
Alberta	23,973	95.8%	1,039	4.2%	25,012
Prairies	3,265	100.0%	-	-	3,265
Ontario	185,847	58.0%	134,611	42.0%	320,458
Atlantic	2,825	92.1%	242	7.9%	3,067
	$ 235,331	62.0%	$ 144,527	38.0%	$ 379,858

The Bank defines "insured" residential mortgage loans as any loan that has been insured individually or as part of a portfolio of loans, by either CMHC or one of two government backed private insurers in the Canadian market.

Table 8 – Insured and Uninsured Single-Family Residential Mortgages by Effective Remaining Amortization Period

(in thousands of $, except %)	≤ 20 years	> 20 and ≤ 25 years	> 25 and ≤ 30 years	> 30 and ≤ 35 years	Total
					As at December 31, 2017
Balance outstanding	**$ 1,427**	**$ 181,668**	**$ 248,824**	**$ 1,591**	**$ 433,510**
Percentage of total	**0.3%**	**41.9%**	**57.4%**	**0.4%**	**100.0%**

(in thousands of $, except %)	≤ 20 years	> 20 and ≤ 25 years	> 25 and ≤ 30 years	> 30 and ≤ 35 years	Total
					As at September 30, 2017
Balance outstanding	$ 1,457	$ 187,349	$ 189,451	$ 1,601	$ 379,858
Percentage of total	0.4%	49.3%	49.9%	0.4%	100.0%

Street Solutions Uninsured Loans

The Company launched its uninsured lending product, Street Solutions, in Q2 2017 and achieved its 2017 funding and lending targets, with $200.8 million Street Solutions mortgages outstanding at December 31. Street Solutions mortgages are the largest component of the Bank's uninsured lending, and are funded from the Company's GIC deposit base. The mortgages are originated through the Bank's existing broker channel, and the target market consists of credit-worthy, but under-served, borrowers who may not qualify for a prime insurable residential mortgage in the current lending environment. Street Solutions mortgages are expected to grow into a significant and long-term component of the Bank's revenue-generating assets.

Table 9 – Street Solutions mortgage principal continuity schedule

(in thousands of $)	**For the year ended December 31, 2017**
Balance - beginning of period	**$ -**
Originations	**203,716**
Discharges	**(1,511)**
Repayments	**(780)**
Balance - end of period	**$ 201,425**

The table below shows the weighted average loan to value ("LTV") ratios for all uninsured mortgages originated during Q3 and Q4 2017, including Street Solutions mortgages. Please see Note 8 of the audited consolidated financial statements.

Table 10 – Weighted Average LTV Ratios – Uninsured Single-Family Residential Mortgages Originated Q3 and Q4 2017

	For the three months ended December 31, 2017					
	(Held on balance sheet)		**(Originated and sold)**		**(Total originated)**	
(in thousands of $, except %)	**Volume**	**LTV**	**Volume**	**LTV**	**Volume**	**LTV**
British Columbia	**$ 10,480**	**72.3%**	**$ -**	**N/A**	**$ 10,480**	**72.3%**
Ontario	**50,523**	**69.6%**	**-**	**N/A**	**50,523**	**69.6%**
Alberta	**1,113**	**74.1%**	**-**	**N/A**	**1,113**	**74.1%**
	$ 62,116	**70.1%**	**$ -**	**N/A**	**$ 62,116**	**70.1%**

	For the three months ended September 30, 2017					
	(Held on balance sheet)		**(Originated and sold)**		**(Total originated)**	
(in thousands of $, except %)	**Volume**	**LTV**	**Volume**	**LTV**	**Volume**	**LTV**
British Columbia	$ 7,679	73.1%	$ -	N/A	$ 7,679	73.1%
Ontario	122,654	72.6%	-	N/A	122,654	72.6%
Alberta	1,042	70.4%	-	N/A	1,042	70.4%
	$ 131,376	72.6%	$ -	N/A	$ 131,376	72.6%

Other Non-Securitized Mortgages and Loans

From time to time the Company originates mortgages and loans that remain on balance sheet, are bridge loans, or are intended for future securitization and sale. At this time, these mortgages and loans are not expected to become a significant component of revenue-generating assets.

Securitized Mortgage Loans and Securitization Liabilities

The Company occasionally originates prime insurable 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 has not securitized and sold any prime insured residential mortgages during 2017; it securitized $116.9 million during 2016. Please see Note 9 of the audited consolidated financial statements.

In Q3 and Q4 2017, the Company entered into two transactions to securitize and sell 10-year insured NHA MBS mortgage loans on multi-unit residential properties, through the CMB program. The Company did not retain any risks or rewards associated with the mortgage loans, thereby qualifying the transactions for derecognition, and no assets or liabilities have been recorded on the Company’s consolidated statement of financial position. The Company recorded gains of $0.6 million on the sales. The Company also set up total $2.8 million retained interests for the present value of the expected net cash flows to be received over the mortgage terms, net of any acquisition or transaction costs. The retained interests have been recorded as a component of Other assets. Please see Note 9 and Note 13 of the audited consolidated 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 6 of the audited consolidated 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. Please see Note 6 of the audited consolidated financial statements.

DEPOSITS

The Company's first new business activity, as it began banking operations in Q1 2017, was to begin offering CDIC insurance-eligible GIC deposits. These are sourced through third party deposit agents, and at December 31, 2017 totaled $293.0 million, net of deferred commissions (September 30, 2017 - $198.3 million), with terms ranging from 1 to 5 years, at interest rates between 0.80% and 3.09% (September 30, 2017 - 0.90% to 3.09%). As noted above under *Street Solutions Uninsured Loans*, the deposits are the primary source of funding for the Company's Street Solutions uninsured lending program. The table below shows the original term structure of the principal amount of the Company's deposits. Please see Note 10 of the audited consolidated financial statements for a schedule of the remaining term to maturity.

Table 11 – Term Structure of Deposits

	As at December 31, 2017						
Contractual term	**Cashable** *	**1 Year**	**2 Year**	**3 Year**	**4 Year**	**5 Year**	**Total**
Deposit principal	**$ 3,924**	**$ 90,213**	**$ 89,622**	**$ 45,549**	**$ 13,962**	**$ 50,949**	**$ 294,219**
% of principal	**1%**	**31%**	**30%**	**16%**	**5%**	**17%**	**100%**

	As at September 30, 2017						
Contractual term	**Cashable** *	**1 Year**	**2 Year**	**3 Year**	**4 Year**	**5 Year**	**Total**
Deposit principal	$ 4,336	$ 67,421	$ 54,978	$ 28,622	$ 8,122	$ 35,738	$ 199,217
% of principal	1%	34%	28%	15%	4%	18%	100%

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

OTHER ASSETS

Other Assets

Other assets include receivables for mortgage sale activity and mortgage insurance; the retained interests described above under *Securitized Mortgage Loans and Securitization Liabilities*; employee loans and other non-mortgage loans; accounts receivable; accrued interest primarily relating to the Company's uninsured mortgage loans receivable; capital assets; prepaid expenses; and assets associated with the Company's discontinued real estate operations. The increase from December 31, 2016 is largely due to increases of $1.9 million in receivables associated with the timing of mortgage loan sales, and the addition of the $2.8 million retained interest relating to the CMB securitizations. The employee loans receivable are share purchase loans to two senior executives of the Company, and are described further in Note 24 of the audited consolidated financial statements. The non-mortgage loans receivable include a loan to the Company's former subsidiary, Heritage Global Inc. Please see Note 13 of the audited consolidated 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 the acquired intangible assets in either 2016 or 2017. However, in Q2 2017 the Company wrote down one internally developed intangible asset by $0.4 million.

As the Company's common shares were trading at a discount to book value at the end of 2017, per IFRS requirements the Company was required to perform an additional annual impairment test using the value-in-use method to assess the recoverable amount of Street Capital Bank compared to its carrying amount. The test determined that the recoverable amount exceeded the carrying value and there was no impairment of the goodwill at December 31, 2017. Please see Note 14 of the audited consolidated 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 audited consolidated financial statements.

OTHER LIABILITIES

Other Liabilities

Other liabilities include accounts payable; accrued operating liabilities including restructuring costs; accrued mortgage acquisition costs; accrued interest primarily relating to the Company's deposits; and liabilities associated with the Company's discontinued real estate operations. Since December 31, 2016 the most significant changes have been a $6.5 million increase in payments related to mortgage servicing and mortgages acquisitions, a net $2.4 million increase in accrued restructuring costs, and a $2.5 million increase in interest payable. The restructuring costs are related to the reorganization discussed above under *Significant or Non-Recurring Financial Developments in 2017*. The significant increase in interest payable is due to beginning deposit taking operations in Q1 2017. Please see Note 15 of the audited consolidated financial statements.

LEGACY ASSETS AND LIABILITIES

Portfolio Investments and Non-Controlling Interests

At December 31, 2017, the Company's portfolio investments of $0.9 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 December 31, 2017, approximately $0.7 million of the portfolio investments were attributable to the Company's non-controlling interest.

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, it forecasts that this will occur in 2018, at which time the exit 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 17 of the audited consolidated financial statements.

Loans Payable
The loans payable are related to the Company's legacy businesses. The decrease from December 31, 2016 is due to foreign exchange fluctuation on the $US loan. Please see Note 18 of the audited consolidated financial statements.

SHAREHOLDERS' EQUITY AND UPDATED SHARE INFORMATION

The largest component of the net $3.7 million increase in shareholders' equity since December 31, 2016 is the Company's 2017 comprehensive income of $2.3 million. The remainder is attributable to $0.5 million relating to exercise of stock options, and an additional $0.9 million relating to the amortization of stock-based compensation. During 2017 there were no share repurchases under the normal course issuer bid, which is discussed below under *Capital Management*.

At February 26, 2018, the Company had 122,184,182 common shares issued and outstanding. In addition, there were 6,460,643 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $8.1 million.

CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

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.

At December 31, 2017 the Company has $10.3 million of lease commitments, which are detailed further in Table 23, below.

OFF BALANCE SHEET ARRANGEMENTS

At December 31, 2017 the Company had $35.9 million of outstanding commitments for advances on mortgage loans (September 30, 2017 - $86.7 million; December 31, 2016 - none). These amounts are for mortgages the Company intends to fund on its own balance sheet, and include offers made to customers that have not yet been accepted as of the reporting date. In the normal course of business the Company does not expect to fund 100% of the outstanding commitments. Such offers to extend credit are in the normal course of business and are planned through the Company's liquidity management practices.

The Company has $27.58 billion in loans under administration that are not included on the Company's balance sheet, because they have been sold to third parties through a whole loan sale or derecognized through a securitization transaction.

RELATED PARTY TRANSACTIONS

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

- associates, or entities, that 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 24 to the audited consolidated financial statements, and consist of shareholder loans to certain key employees and former employees.

In the ordinary course of business, the Company underwrites mortgages for its senior management, other related parties, and employees of the Company. The mortgage terms are similar to those offered to unrelated parties, and incorporate an interest rate discount that is available to all employees of the Company.

QUARTERLY HIGHLIGHTS

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

Table 12 – Quarterly Financial Highlights

(in thousands of $, except where defined)	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**
Financial performance								
Shareholders' net income (loss)	$ 3,003	$ 5,310	$ 7,491	$ 462	$ (2,574)	$ (104)	$ 3,731	**$ 1,239**
Adjusted shareholders' net income	$ 2,444	$ 5,845	$ 6,171	$ 1,900	$ 69	$ 1,845	$ 4,297	**$ 1,544**
Shareholders' diluted earnings (loss) per share	$ 0.02	$ 0.04	$ 0.06	$ 0.00	$ (0.02)	$ 0.00	$ 0.03	**$ 0.01**
Adjusted shareholders' diluted earnings per share	$ 0.02	$ 0.05	$ 0.05	$ 0.02	$ 0.00	$ 0.02	$ 0.04	**$ 0.01**
Return on equity	10.0%	17.1%	22.9%	1.4%	(7.7%)	(0.3%)	11.1%	**3.6%**
Adjusted return on equity	8.1%	18.8%	18.9%	5.7%	0.2%	5.6%	12.8%	**4.5%**
Return on tangible equity	13.6%	22.5%	29.6%	2.2%	(9.3%)	0.1%	14.4%	**4.9%**
Adjusted return on tangible equity	11.1%	24.7%	24.5%	7.6%	0.7%	7.5%	16.5%	**6.1%**
Mortgages sold and under administration								
Prime mortgages sold - new	$ 1,190,391	$ 2,155,761	$ 2,493,132	$ 2,101,474	$ 1,213,257	$ 1,499,930	$ 1,521,342	**$ 1,138,274**
Prime mortgages sold - renewal	328,032	380,615	361,844	358,043	304,597	463,167	560,423	**531,080**
Prime mortgages sold - total	$ 1,518,423	$ 2,536,376	$ 2,854,976	$ 2,459,517	$ 1,517,854	$ 1,963,097	$ 2,081,765	**$ 1,669,354**
Total Street Solutions originations	N/A	N/A	N/A	N/A	N/A	$ 10,225	$ 131,376	**$ 62,116**
Mortgages under administration ***(in billions of $)***	$ 25.02	$ 25.67	$ 26.83	$ 27.70	$ 27.81	$ 27.81	$ 27.98	**$ 28.02**
Gain on sale of mortgages	$ 26,883	$ 46,797	$ 52,578	$ 40,793	$ 26,886	$ 37,278	$ 39,531	**$ 30,077**
As a % of mortgages sold	1.77%	1.85%	1.84%	1.66%	1.77%	1.90%	1.90%	**1.80%**
Acquisition expenses	$ 14,286	$ 27,009	$ 30,608	$ 26,735	$ 16,166	$ 21,564	$ 21,421	**$ 17,292**
As a % of mortgages sold	0.94%	1.06%	1.07%	1.09%	1.07%	1.10%	1.03%	**1.04%**
Net gain on sale of mortgages	$ 12,597	$ 19,788	$ 21,970	$ 14,058	$ 10,720	$ 15,714	$ 18,110	**$ 12,785**
As a % of mortgages sold	0.83%	0.78%	0.77%	0.57%	0.71%	0.80%	0.87%	**0.77%**
Operating expenses	$ 9,885	$ 12,140	$ 13,114	$ 11,631	$ 10,745	$ 13,721	$ 13,103	**$ 11,560**
As a % of mortgages sold	0.65%	0.48%	0.46%	0.47%	0.71%	0.70%	0.63%	**0.69%**
Equity and share performance								
Shareholders' equity	$ 121,998	$ 127,001	$ 134,402	$ 134,492	$ 131,998	$ 132,252	$ 136,590	**$ 138,162**
Shares outstanding end of period **(in 000s)**	122,154	121,876	121,790	121,532	121,580	121,974	122,184	**122,184**
Book value per share	$ 1.00	$ 1.04	$ 1.10	$ 1.11	$ 1.09	$ 1.08	$ 1.12	**$ 1.13**
Market capitalization	$ 157,579	$ 152,345	$ 219,222	$ 228,480	$ 182,370	$ 164,665	$ 171,058	**$ 125,850**
Share price at close of market	$ 1.29	$ 1.25	$ 1.80	$ 1.88	$ 1.50	$ 1.35	$ 1.40	**$ 1.03**

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 has experienced material declines in prime mortgages sold in 2017 as changes in mortgage eligibility rules in late 2016 reduced the Company’s addressable market, reducing origination volumes.

Q4 2017 FINANCIAL INFORMATION

Table 13 – Consolidated Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars, except per share data) Unaudited

	Notes	Three months ended December 31, 2017	2016
		$	$
Revenue			
Gain on sale of mortgages		**30,077**	40,793
Acquisition costs		**(17,292)**	(26,735)
Net gain on sale of mortgages	6	**12,785**	14,058
Interest income - non-securitized assets		**2,596**	627
Interest expense - deposits and other		**(1,804)**	(808)
Net interest income (expense) - non-securitized assets	11	**792**	(181)
Provision for credit losses	8	**(155)**	-
Net interest income (expense) - non-securitized		**637**	(181)
Interest income - securitized mortgages		**1,622**	1,848
Interest expense - securitization liabilities		**(1,433)**	(1,575)
Net interest income - securitized mortgages	11	**189**	273
Total net interest income (expense)		**826**	92
Fee and other interest income (expense)	12	**514**	(1,003)
Total revenue		**14,125**	13,147
Expenses			
Salaries and benefits		**6,843**	7,385
Selling, general and administrative expenses		**4,717**	4,246
Restructuring costs (recoveries)	2	**223**	-
Total expenses		**11,783**	11,631
Income before fair value adjustments		**2,342**	1,516
Fair value adjustments	17	**(356)**	(2,870)
Income before income taxes and discontinued operations		**1,986**	(1,354)
Income tax expense	16	**1,016**	446
Income from continuing operations		**970**	(1,800)
Income (loss) from discontinued operations	28	**-**	2
Net income and comprehensive income		**970**	(1,798)
Net income (loss) attributable to non-controlling interest	17	**(269)**	(2,260)
Net income and comprehensive income attributable to shareholders		**1,239**	462
Basic and diluted earnings per share			
Continuing operations	26	**$ 0.01**	$ 0.00
Discontinued operations		**0.00**	0.00
Basic and diluted earnings per share		**$ 0.01**	$ 0.00
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**122,184**	121,632

Table 14 – Consolidated Statements of Cash Flows
(In thousands of Canadian dollars) Unaudited

	Three months ended December 31,	
	2017	**2016**
	$	$
Operating activities		
Income from continuing operations	**970**	(1,800)
Non-cash items		
Deferred income taxes	**1,016**	446
Foreign exchange on loans payable	**16**	75
Depreciation and amortization	**582**	497
Fair value adjustments	**356**	2,873
Provision for credit losses	**155**	-
Share-based compensation	**333**	39
Other losses	**131**	-
Changes in operating assets and liabilities		
Restricted cash	**(12,206)**	(6,552)
Non-securitized mortgage loans	**(58,572)**	61,591
Securitized mortgage loans	**7,388**	(21,888)
Deferred placement fees receivable	**(180)**	(753)
Prepaid portfolio insurance	**(955)**	(3,904)
Other assets	**(1,526)**	5,663
Deposits	**94,632**	-
Bank facilities	**-**	(61,800)
Securitization liabilities	**(7,666)**	24,362
Restructuring accruals	**(628)**	(87)
Other accounts payable and accrued liabilities	**14,269**	1,239
Cash provided by (used in) continuing operations	**38,115**	1
Cash provided by (used in) discontinued operations	**-**	-
Cash provided by (used in) operating activities	**38,115**	1
Investing activities		
Purchase of capital assets	**(393)**	(105)
Purchase of intangible assets	**(500)**	(249)
Proceeds from sale of artwork	**64**	-
Cash used in investing activities	**(829)**	(354)
Financing activities		
Common shares purchased for cancellation	**-**	(411)
Repayments of loans payable	**-**	(2,650)
Cash provided by (used in) financing activities	**-**	(3,061)
Increase (decrease) in cash and cash equivalents	**37,286**	(3,414)
Cash and cash equivalents - beginning of period	**52,128**	7,185
Cash and cash equivalents - end of period	**89,414**	3,771
Supplementary information		
Cash paid and received during the period		
Interest received	**3,891**	2,465
Interest paid	**428**	1,974
Income taxes paid (tax refunds received)	**3**	7
Effects of exchange rate changes on the balance of cash held in foreign currencies	**1**	9

GAIN ON SALE OF MORTGAGES

The table below details the Company's gain on sale of mortgages for Q4 2017 and Q4 2016. The components are discussed above under *2017 and Q4 2017 Earnings Review*. Please see Note 6 of the audited consolidated financial statements for more detail.

Table 15 – Gain on Sale of Mortgages
(In thousands of Canadian dollars) Unaudited

	Three months ended December 31, 2017	2016
Mortgages sold - new	**$ 1,138,274**	$ 2,101,474
Mortgages sold - renewals	**531,080**	358,043
Mortgages sold - total	**$ 1,669,354**	$ 2,459,517
Cash premium at sale	**$ 24,821**	$ 35,428
Deferred gain on sale	**5,256**	5,365
Acquisition costs	**(17,292)**	(26,735)
Net gain on sale of mortgages	**$ 12,785**	$ 14,058
% Gain	**0.77%**	0.57%

PREPAID PORTFOLIO INSURANCE

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 management's assumptions about prepayments and renewals.

The net unamortized amount of prepaid portfolio insurance at December 31, 2017 and 2016 is shown below, as part of a continuity schedule of the quarters ended December 31, 2017 and 2016. Please see Note 6 of the audited consolidated financial statements for more detail.

Table 16 – Prepaid Portfolio Insurance
(In thousands of Canadian dollars) Unaudited

	Three months ended December 31, 2017	2016
Balance, beginning of period	**$ 81,556**	$ 75,145
Capitalized at purchase	**3,538**	6,044
Amortization during the period	**(2,583)**	(2,140)
Balance, end of period	**$ 82,511**	$ 79,049

SHARE CAPITAL

The authorized capital stock consists of an unlimited number of common and preferred shares with no par value. There are no preferred shares outstanding.

Table 17 – Share Capital
(In thousands of Canadian dollars, except shares) Unaudited

	For the three months ended			
Common shares Issued and outstanding (000s)	**December 31, 2017**		**December 31, 2016**	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Outstanding, beginning of period	**122,184**	**$ 245,329**	121,790	$ 244,960
Options exercised	**-**	**-**	-	-
Deferred share units converted	**-**	**-**	-	-
Shares acquired via normal course issuer bid	**-**	**-**	(258)	(522)
	122,184	**$ 245,329**	121,532	$ 244,438
Share purchase loans		**(1,912)**		(1,912)
Outstanding, end of period	**122,184**	**$ 243,417**	121,532	$ 242,526

NET INCOME PER SHARE

Table 18 – Net Income per Share
(In thousands of Canadian dollars, except per share data) Unaudited

The following is a reconciliation of the numerators and denominators used in computing net income per share for the three months ended December 31:

	Three months ended December 31,	
Basic and diluted net income per share	**2017**	**2016**
Numerator:		
Income (loss) from continuing operations	**$ 970**	$ (1,800)
Income (loss) attributable to non-controlling interest	**(269)**	(2,260)
Income attributable to shareholders - continuing operations	**1,239**	460
Income (loss) from discontinued operations	**-**	2
Income attributable to non-controlling interest	**-**	-
Income (loss) attributable to shareholders - discontinued operations	**-**	2
Net income attributable to shareholders	**$ 1,239**	$ 462
Denominator:		
Weighted average common shares outstanding (000s) - basic and diluted	**122,184**	121,632
Basic and diluted net income per share from continuing operations	**$ 0.01**	$ 0.00
Basic and diluted net income per share from discontinued operations	**0.00**	$ 0.00
Basic and diluted net income per share	**$ 0.01**	$ 0.00

In computing the diluted net income per share for the three months ended December 31, 2017 and 2016, the Company included in the calculation potential common share equivalents, which consist of incremental shares from stock options, and the outstanding deferred share units ("DSUs") held by directors. The inclusion of such common share equivalents was not sufficiently dilutive to change the income per share amounts for either period presented.

SELECTED ANNUAL INFORMATION

(in thousands of $, except per share data)		**2015**		**2016**		**2017**
Total revenue	$	75,160	$	68,272	**$**	**60,171**
Net income (loss) from continuing operations	$	(36,740)	$	13,652	**$**	**1,541**
Net income (loss) attributable to shareholders	$	(30,035)	$	16,266	**$**	**2,292**
Basic and diluted net income (loss) per share:						
Continuing operations	$	(0.27)	$	0.13	**$**	**0.02**
Discontinued operations	$	-	$	-	**$**	**-**
Basic and diluted net income (loss) per share	$	(0.27)	$	0.13	**$**	**0.02**
Total assets	$	390,717	$	498,407	**$**	**761,412**
Total non-current financial liabilities	$	152,963	$	233,305	**$**	**369,063**
Dividends		-		-		**-**

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. These affect the reported amounts of assets and liabilities, including disclosure of contingent assets and liabilities, at the financial statements date, as well as the reported amounts of revenue and expenses during the reporting period. The Company's management reviews its estimates, assumptions and judgments on an ongoing basis, at least quarterly, and updates them as required by events or changes in circumstances. Changes to estimates and assumptions may therefore affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Additionally, actual results could differ from those estimates under different assumptions and conditions.

The Company's key areas of judgment and estimation include: amount of allowance for credit losses; valuation of mortgages and other loans receivable (including estimates such as duration factors on deferred placement fees receivable); the amount of variable mortgage broker compensation; the useful life and residual value of certain assets including prepaid portfolio insurance, retained interest on CMB securitizations and intangible assets and goodwill; valuation of portfolio investments; and accounting for deferred income taxes.

This MD&A should be read in conjunction with the Company's 2017 audited consolidated 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. 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. These accounting policies include the policies that relate to the commencement of Street Capital Bank's banking operations.

Future changes in accounting standards that may have an impact on the Company's financial position and results of operations are discussed in Note 3 to the 2017 audited consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Internal Control over Financial Reporting

Management is responsible for the fairness and integrity of financial information presented in the consolidated financial statements, which are prepared in accordance with GAAP. Management has therefore established a system of disclosure controls and procedures, and internal controls over financial reporting. These controls are designed to ensure that the Company's consolidated financial statements and MD&A present fairly, in all material respects, the Company's financial position and operating results.

Disclosure Controls and Procedures

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.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as of December 31, 2017. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as defined by *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*, were effective as of December 31, 2017.

Internal Control over Financial Reporting

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. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions, and acquisitions and dispositions of the assets, of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made in accordance with authorizations of management and the Board of Directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Due to inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. As a result, the Company's management acknowledges that its internal control over financial reporting will not prevent or detect all misstatements due to error or fraud. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company has used the *Integrated (2013) Framework* published by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)* to evaluate the design of the Company's internal controls over financial reporting.

An evaluation of the design and operating effectiveness of internal controls over financial reporting was conducted as of December 31, 2017. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's internal controls over financial reporting were operating effectively as of December 31, 2017.

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

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

CAPITAL MANAGEMENT

An adequate reserve of capital provides the Company with a buffer for reasonably foreseeable losses, to ensure that the Company may absorb such losses and to position the business to remain stable. Additionally, a strong capital position helps to promote confidence among stakeholders such as investors, depositors, regulators and shareholders.

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, and it is aligned with the Company's risk appetite and strategic plan. 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.

As a regulated financial institution that is subject to the capital requirements of its regulator, Street Capital Bank must continually monitor and assess its capital adequacy. Capital adequacy is in part affected by changes in the Company's financial performance, its business plans, or regulatory requirements that could lead to a requirement for the Company to implement strategies to improve capital adequacy.

Regulatory capital
Effective with the commencement of 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. These 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"). The Bank must maintain minimum levels of capital in order to meet minimum risk-based capital ratios based on Basel II and Basel III. Accordingly, the Company manages the Bank's capital through utilization of an Internal Capital Adequacy Assessment Process ("ICAAP"), as discussed below. 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.

Street Capital Bank's capital management policy addresses two regulatory capital requirements: the Leverage Ratio and the Risk-Based Capital Ratios. OSFI establishes Leverage Ratio targets for each financial institution, which are confidential. At December 31, 2017, Street Capital Bank's Leverage Ratio was 13.76%, and Street Capital Bank was fully compliant with its regulatory requirements.

Shown below are Street Capital Bank's capital measures as at December 31, 2017. They are presented together with the same ratios as at December 31, 2016, based on Street Capital Bank's financial position at December 31, 2016, and calculated as if Street Capital Bank had been operating as a Schedule I bank at that date. The minimum Risk-Based Capital Ratios and the minimum Leverage Ratio are also provided for reference.

Table 19 – Basel III Regulatory Capital (based only on the consolidated subsidiary, Street Capital Bank)

(000s, except %)	**December 31, 2017**	**December 31, 2016**
	All-In Basis	**All-In Basis**
Common Equity Tier 1 capital (CET 1)		
Capital stock	**$ 16,426**	$ 16,426
Contributed surplus	**767**	-
Retained earnings	**82,726**	79,686
Less: Regulatory adjustments to CET 1	**(1,340)**	(1,073)
Total CET 1 capital	**$ 98,579**	$ 95,039
Additional Tier 1 capital	**-**	-
Total Tier 1 capital	**$ 98,579**	$ 95,039
Total Tier 2 capital	**-**	-
Total regulatory capital	**$ 98,579**	$ 95,039
Total risk-weighted assets	**$ 388,187**	$ 281,903
Regulated capital to risk-weighted assets		
Common equity Tier 1 ratio	**25.39%**	33.71%
Tier 1 capital ratio	**25.39%**	33.71%
Total regulatory capital ratio	**25.39%**	33.71%
Leverage ratio	**13.76%**	15.82%
National regulatory minimum		
CET 1 ratio	**7.00%**	7.00%
Tier 1 capital ratio	**8.50%**	8.50%
Total regulatory capital ratio	**10.50%**	10.50%
Leverage ratio	**3.00%**	3.00%

The Bank's regulatory capital ratios and leverage ratio remain well above regulatory minimums and internal targets. The ratios have declined year over year as the Bank began to deploy its capital towards on-balance lending through the Street Solutions product. The Bank expects that its capital ratios will continue to decline to target capital ratios as it continues to increase the assets on its balance sheet.

Shown below are the risk-weighted assets of Street Capital Bank, based on its December 31, 2017 and 2016 financial position, and calculated as if Street Capital Bank had been operating as a Schedule I bank at December 31, 2016.

Table 20 – Risk-weighted Assets (RWA) (based only on the consolidated subsidiary, Street Capital Bank)

			2017			2016
(000's, except %)	**Balance Sheet Amount**	**Effective Risk Weight[1]**	**Risk-weighted Amount**	Balance Sheet Amount	Effective Risk Weight[1]	Risk-weighted Amount
	$		**$**	$		$
On-balance sheet:						
Cash and cash equivalents	**87,071**	**20.00%**	**17,414**	2,788	20.00%	558
Restricted cash	**35,543**	**20.00%**	**7,109**	31,159	20.00%	6,232
Non-securitized mortgage loans	**214,063**	**33.90%**	**72,571**	9,323	41.03%	3,825
Securitized mortgage loans	**220,774**	**0.00%**	**-**	262,203	0.00%	-
Deferred placement fees receivable	**52,325**	**100.00%**	**52,325**	51,314	100.00%	51,314
Prepaid portfolio insurance	**82,511**	**100.00%**	**82,511**	79,049	100.00%	79,049
Other assets	**23,558**	**96.66%**	**22,772**	13,940	97.69%	13,618
Total assets subject to risk weighting	**715,845**	**35.58%**	**254,702**	449,776	34.37%	154,596
Intangible assets	**1,340**	**0.00%**	**-**	1,073	0.00%	-
Total Street Capital Bank assets	**717,185**	**35.51%**	**254,702**	450,850	34.29%	154,596
Off-balance sheet:						
Loan commitments			**199**			-
Total credit risk			**254,901**			154,596
Operational risk			**133,286**			127,307
Total risk-weighted assets	**717,185**		**388,187**	450,850		281,903

[1] The effective risk weight represents the weighted average of the risk weights for each asset category prescribed by OSFI, weighted on the Company's balance sheet classification.

Internal Capital Adequacy Assessment Process

Under the Bank's capital and risk management policies, and OSFI's guidelines, the Bank is required to continually assess the adequacy of current and projected capital resources under expected and stressed conditions. Based on management's assessment of the adequacy of the Bank's capital, the Bank is currently adequately capitalized to continue operations and execute on its 2018 business plan. However; any changes to its financial performance, its business plans, or regulatory requirements, could lead to a requirement for the Company to implement strategies to improve capital adequacy.

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. 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 NCIB expired on March 22, 2017 and was subsequently renewed. The renewed NCIB will expire on March 22, 2018. The Company does not intend to renew the NCIB in March 2018.

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. During 2017, the Company did not purchase any additional common shares through the NCIB.

Dividends

There were no dividends declared or paid during 2016 or 2017. At this time the Company's best use of capital is reinvestment into the operations and growth of Street Capital Bank.

While there is no restriction on the Company's ability to declare dividends, Street Capital Bank is the sole operating subsidiary of the Company and is subject to regulatory capital and business requirements stipulated by OSFI that must be met before dividends can be declared and paid. Additionally the Bank's ability to pay dividends is also constrained by certain financial covenants associated with its credit facilities.

RISK MANAGEMENT AND RISK FACTORS

The shaded areas of the MD&A below form an integral part of the 2017 annual consolidated financial statements as they present required IFRS disclosures for risk management policies and procedures for certain risks as set out in *IFRS 7 Financial Instruments: Disclosures*, which permits cross-referencing between the notes to the financial statements and the MD&A. See Note 21 of the 2017 annual audited consolidated financial statements.

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 regulated 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. This process defines the Company's risk capacity and sets out which risks it will accept, which risks it mitigates, and which risks it will avoid. Both the framework and the principal risks to which the Company is exposed are set out below.

Risk Factors that May Affect Future Results

The Company is exposed to a variety of risks, in particular macroeconomic and industry factors beyond the Company's control, which could cause the Company's results to differ significantly from the Company's plans, objectives and estimates. All forward looking statements, including those in this MD&A, are subject to inherent risks and uncertainties, both general and specific, which may cause the Company's actual results to differ materially from the expectations expressed. The material risk factors are described below.

General Economic Conditions

The housing and mortgage markets in Canada have in recent years benefitted from historically low and stable interest rates, stable employment, stable GDP growth, and positive demographic trends. Negative trends or a decline in general economic conditions could adversely impact any or all of property sales, mortgage growth rates, default rates, and property values, and could have a negative effect on the Company's financial results.

Concentration of Investors

In 2017, the Company placed approximately 83% of newly originated mortgages with two institutional investors who are Canadian and US financial institutions, respectively, compared to 90% in 2016. If any institutional investor were to terminate its relationship with the Company, or materially reduce its purchases of mortgages, and the Company was unable to either replace the investor with another investor or sell the mortgages through securitization markets at similar prices, this could have a material adverse effect on the Company's financial results.

Government Regulation
As a Schedule I bank, the Bank is regulated under the federal Bank Act, and is also subject to the guidelines imposed by OSFI and other regulatory bodies. Changes in the Bank Act or the interpretation thereof, or in any other regulatory legislation that impacts the Bank's operations, or the introduction of any new regulatory requirements, could have a material negative effect on the Company and its operating results. Any material future banking initiatives would also likely require regulatory consent from OSFI. Finally, as an approved lender and MBS issuer under the *National Housing Act*, the Bank is able to originate CMHC, Genworth and Canada Guaranty insured mortgages, as well as securitize such mortgages within certain prescribed limits. Any change in the Bank's status as an approved lender under the *National Housing Act* could have a material adverse effect on the Company's business, financial condition and results of operations.

Capital Adequacy
As a regulated financial institution that is subject to the capital requirements of its regulator, Street Capital Bank must continually monitor and assess its capital adequacy. Capital adequacy is in part affected by changes in the Company's financial performance, its business plans, or regulatory requirements that could lead to a requirement for the Company to implement strategies to improve capital adequacy.

Reliance on Independent Mortgage Brokers
The Company's mortgage lending operations are dependent on a network of mortgage brokers. The mortgage brokers with whom the Company does business are not contractually obligated to do business with the Company. Further, the Company's competitors also have relationships with the same brokers and actively compete with the Company in its efforts to expand its broker network and originate mortgage loans. If the Company is unable to sustain or increase its current level of mortgage origination from these sources, or chooses to cease doing business with any particular broker or brokers, it could have a material adverse effect on the Company's financial results.

Reliance on Independent Deposit Brokers
The Company relies on raising GIC deposits through independent and bank-owned deposit dealers. The Bank is exposed to concentration risk through having a limited number of dealers that offer its GICs to their clients. This limits the Bank's aggregate deposit-raising capabilities. In addition, as a result of external market events in the first half of 2017 impacting one of the Company's bank competitors, access to deposits from dealers has become more challenging, with dealers imposing aggregate institution-specific concentration limits on issuers and limiting placement of individual deposits to CDIC-insured maximums. If the Company is unable to raise the requisite amount of deposits, it will be unable to achieve its target uninsured mortgage originations. In addition, the Company may not be able to raise sufficient deposits to replace maturing GIC deposits, and may therefore not be able to renew maturing uninsured mortgages. These events could have a material adverse effect on the Company's financial results.

Reliance on Third Party Service Providers
The Company, in particular its mortgage lending operations, is dependent upon the successful and uninterrupted functioning of the computer systems and data processing systems of its third-party service providers. It is also dependent on the provision of various contracted business process services, such as those with respect to mortgage loan servicing and funding operations. The failure of third-party service providers to provide the respective services could interrupt operations or materially impact the Company's ability to originate, monitor or service customer accounts, or to comply with contractual obligations to investors and third parties. A sustained or prolonged outage could negatively impact the Company's financial results.

In addition, the Company, and its service providers, maintain confidential information regarding customers in their computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties, or similar disruptive problems. A security breach of computer systems could disrupt operations, damage the Company's reputation, or result in liability.

The Company has implemented a business continuity and crisis management strategy to minimize the impact on its customers, investors and operations in the event of a disruption. The Company also relies on the availability and effectiveness of similar strategies from its third party service providers. If any of these strategies prove to be ineffective or insufficient, the Company could suffer material losses.

Reliance on Mortgage Insurers and Mortgage Insurance Rules
The Company relies on mortgage insurance provided by CMHC, as well as by other private mortgage insurers, to carry on business. If this insurance was not available, if the insurers were unable to fulfill their mortgage insurance payment obligations, or if the Company was unable to raise sufficient deposits and capital to increase its uninsured lending and other bank operations in order to compensate, this would have a negative impact on the Company's business and financial results.

Changes to mortgage insurance rules, and increased premiums that potentially limit the availability of mortgage insurance for prime mortgages or make mortgage rates uncompetitive, could have a negative impact on the Company's ability to offer competitive mortgage products and could reduce originations of prime mortgages. Mortgage rule changes in late 2016 and mortgage premium increases at the beginning of 2017 reduced new prime volumes by 32% in 2017 compared to 2016. Further changes in regulation or changes in consumer behavior could negatively impact the Company's financial results.

Mortgage Repurchase Obligations
Historically, the Company has sold the majority of the prime insurable mortgages that it originates as soon as practicable after committing to the mortgages. When selling mortgages, the Company makes a variety of customary representations and warranties regarding itself, its mortgage origination activities, and the mortgages that are sold. These representations and warranties survive for the life of the mortgages and relate to, among other things, compliance with laws, mortgage underwriting and origination practices and standards, the accuracy and completeness of information in the mortgage documents and mortgage files, and the characteristics and enforceability of the mortgages.

The Company's mortgage origination, underwriting and quality assurance processes and controls are designed to provide a high level of assurance that the mortgages it originates comply with all underwriting requirements and do not contain misrepresentations. However, there is no absolute assurance that the Company will not make mistakes or that certain employees, brokers or borrowers will not inadvertently or deliberately violate the Company's underwriting or other policies, or misrepresent information in the mortgage application. The Company's mortgage sale agreements generally require it to repurchase or substitute mortgages in the event it has breached a representation or warranty made to the mortgage purchaser, and/or to indemnify the mortgage purchaser against any loss it may suffer. Any requirement for the Company to repurchase or substitute a significant amount of mortgages that it has sold or to indemnify mortgage purchasers could have a negative impact on the Company's financial condition and results of operations. Significant breaches of mortgage sale agreements may also discourage mortgage purchasers from doing business with the Company, which could have a negative impact on its ability to sell mortgages and could have a material adverse effect on its business, financial condition and results of operations. To date the Company's mortgage repurchase obligations have been immaterial, and therefore have not had a significant impact on its business or financial results.

Key Employees
The Company has certain key employees. These employees are involved in executing the strategy that is expected to lead to the Company's planned results. If these key employees cease to be employed with the Company, planned results could be delayed or might not materialize. The Company mitigates this risk through the use of employment contracts, the formalization of the Company strategy and business plans, and by ensuring the existence of timely knowledge exchange and collaboration.

Competition
The mortgage and other products offered by the Company, and the additional products and services that it plans to introduce, compete with similar products and services of banks, insurance companies and other lenders. Some of these competitors have more scale, greater resources and better access to capital than the Company. The Company's competition includes price competition. If price competition increases, the Company may not always be able to compete by raising or lowering the rates it charges its borrowers and/or depositors. This has the potential to reduce the level of mortgage originations or renewals, to reduce the value of the mortgages the Company sells to investors or securitizes, or to negatively impact the amount of deposits the Company can attract to fund its uninsured lending products. This may reduce profits and negatively impact financial results.

Accounting Policies and Estimates

The Company uses judgement in the application of accounting policies and in estimating certain values in its financial statements. The application of judgement using estimates requires management to rely on assumptions that are inherently uncertain and may require revisions as additional information becomes available. These revisions can have material effects on the results of operations and financial position of the Company. Please see the Accounting Standards and Policies section of the MD&A and the notes to the audited consolidated financial statements for more information.

Risk Governance

The Company's strategies and the management of its risks are supported by an overall enterprise risk management ("ERM") framework, which includes policies, procedures and guidelines for each major risk category of the Company's operations, in particular Street Capital Bank. As the Bank is a newly regulated entity, its ERM framework continues to evolve. ERM requires the involvement of the Board of Directors, the Enterprise Risk Management Committee, senior management, and other employees to continually identify, measure, assess and manage risks that could affect the Company either positively or negatively. The Board is responsible for establishing the overall strategy and objectives of the Company and the Company's overall risk appetite. At all levels of the Company, ERM is applied in defining strategies and setting goals, helping to ensure that these can be accomplished within the Company's defined risk appetite. The ultimate goal of ERM is to maximize benefits to the Company's various stakeholders within the limits of the risk the Company is prepared to accept to accomplish this.

The Company's risk governance follows the three lines of defense model:

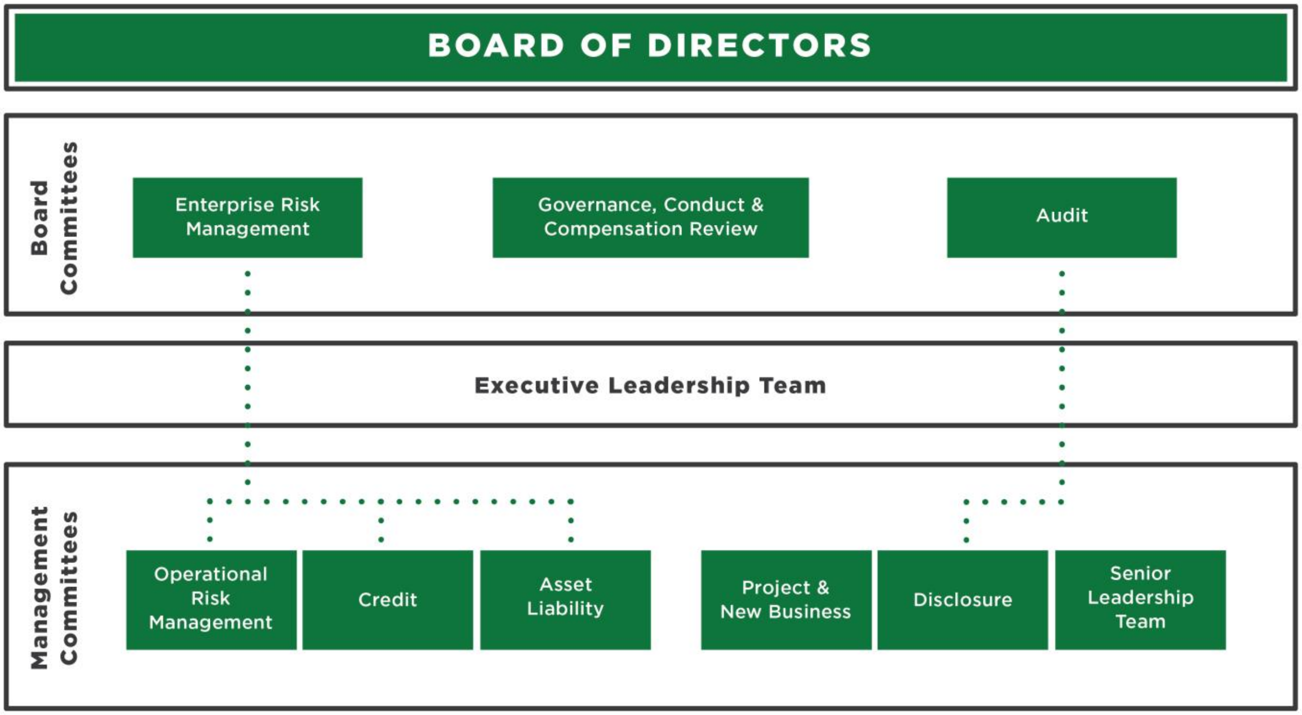
- 1st Line of Defense: business units and their support areas. Management within each business unit is accountable for identifying, assessing, monitoring, reporting and managing the associated risks. The Company deploys a computerized risk management tool to assist with compliance and reporting.

- 2nd Line of Defense: the Company's Risk, Finance and Compliance units. They are responsible for the communication and implementation of the Company's risk management framework, along with independent assessment, monitoring and reporting on the Company's risk taking activities.

- 3rd Line of Defense: Internal Audit. This function is responsible for assessing the effectiveness of the Company's governance, risk management and control processes, and reporting their findings and conclusions to the Board of Directors. The Board's Audit Committee assists the Board with its oversight of the Company's financial reporting and internal audit functions.

The Company's actual risk profile is measured against the Board-approved risk appetite at least quarterly, and reported to the Board of Directors. Key risk policies are reviewed at least annually and updated as required.

The risk governance structure as shown below is in place to ensure appropriate risk oversight and accountability across the Company.



Risk Identification and Assessment
This includes business line risk and control self-assessments, which are designed to identify the Company's exposure to key operational risks, and mitigate it through controls or other risk mitigation such as insurance. It also includes a risk assessment framework for new initiatives such as new products and services. This ensures that associated risks are identified, assessed and approved as being within the Company's risk appetite, and that they can be supported by the Company's control systems.

Risk Measurement
Through the Company's ERM framework, the Company has a methodology that aggregates risk levels within the Company and measures the level of risk against the Bank's risk appetite. Other risk measurement techniques such as stress testing and scenario analytics are also used to measure risk.

Risk Monitoring and Reporting
Monitoring the Company's risks and reporting the associated observations are key to the Company's management of operational risk processes. Together, they ensure that the risks and issues are identified, escalated, managed and mitigated on a timely basis. The Company's Risk and Compliance units report regularly on current and emerging operational risks, key risk indicators, operational loss events, external event analyses, issues management, risk assessments of new initiatives, crisis management readiness and third-party risk management.

Measurement and monitoring of key risk and/or performance indicators takes place across the organization, and is designed to ensure that the Company's operations conform to its defined risk appetite. It is also a means for the Company to identify early warning signs of changes in the risk environment or control effectiveness, or of other potential issues, before they become significant enough to cause losses or other negative impacts.

Operational losses, including near misses, are recorded, analyzed and reported, with the objective of preventing recurrences. This may also highlight areas where risk management requires improvement. The Company also monitors and considers events reported by or about external organizations, in order to identify and prevent similar risks within the Company.

Risk Appetite Framework
The Board of Directors has the overall responsibility for both establishment and oversight of the Company's risk appetite framework. The framework addresses the limits of the risks that the Company assumes, and the Company's conduct with respect to its stakeholders such as customers and investors. The major principles of the risk appetite framework are as follows:

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

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

3. 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.

4. 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.

5. 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.

6. 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 from occurring.

7. 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**.

8. 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.

9. 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.

The following sections describe the Company's principle risks and how they are managed.

Credit Risk Management
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.

Therefore, even though the Company is not exposed to material levels of credit risk associated with its mortgage origination and sale business, the Company applies a detailed set of Board-approved credit policies and underwriting procedures to ensure mortgages are insurable and meet investor requirements. Given the Bank's funding model for insurable mortgages, its underwriting and credit policies are compliant with OSFI's Guideline *B-20 Residential Mortgage Underwriting Practices and Procedures*. At the individual transaction level the Company applies a due diligence process to each mortgage underwritten, with oversight from an experienced management team. All mortgage applications are evaluated and assessed against risk criteria, and additional independent quality assurance procedures are performed on a significant percentage of mortgage files prior to funding. Post-funding reviews are also conducted in order to provide continuous feedback and monitoring of mortgage credit quality. The Company's serious arrears rate of 0.08% on its prime mortgages, at December 31, 2017, is significantly better than the industry average of 0.22% for all mortgages at November 30, 2017 (the most recent information available), and reflects the Company's due diligence and strong quality assurance processes. The Company plans to continue selling insured mortgages to institutional investors, and it will continue to apply these same rigorous policies and procedures.

In 2017 Street Capital Bank expanded its products and services to include uninsured mortgages and other financial products, which increased the Company's exposure to credit risk. The amount, geographic distribution, and other information relating to these mortgages are detailed above in Tables 7, 8 and 10. In order to mitigate its credit risk associated with these new plans, the Company has established appropriate credit policies and underwriting requirements, and has ensured their consistent application. These policies have been developed, and will be updated as necessary, with regard to such key factors as asset quality, loan to value ratio, debt service ratio, property location, and economic factors. The Company also mitigates its risk by targeting the market segment that consists of credit-worthy quality borrowers who may not qualify for a prime insurable residential mortgage under current regulations, and by limiting its lending areas primarily to urban locations.

In Q3 and Q4 2017, Street Capital Bank entered into two transactions to securitize and sell 10-year insured NHA MBS mortgage loans on multi-unit residential properties. The loans were securitized and sold through the CMB program. The underlying mortgage loans are closed to prepayment risk, and the Company entered into a third party arrangement to manage its seller swap, thereby mitigating its interest rate risk. As a result, the Company transferred control over the mortgage loans and did not retain any risks and rewards associated with them. With respect to any multi-unit residential loans sold through the CMB program, while there is no prepayment or credit risk associated with a retained interest or the cost of loan servicing, the Company would be obligated to fund any deficiency in any interest owing to CMB investors in the event that a loan became delinquent during the term of the loan, and to fund the balloon outstanding balance at maturity. As the loans under this program are insured, any funding by the Company should be recoverable through an insurance claim.

Mortgage loans guaranteed by the Government of Canada ("insured mortgages"), are deemed to be impaired when payment is contractually 365 days past due, or when the Company is no longer assured of timely collection of principal and interest. Uninsured loans are considered to be impaired when payment is more than 90 days past due, or when the Company is no longer assured of timely collection of principal and interest. Historically, no provisions have been required on prime insured or insurable mortgages. With respect to the Company's uninsured mortgages, at December 31, 2017 the Bank had collective credit allowances of $0.22 million based on management's judgement of losses that have been incurred. At the same date, the Bank had an individual allowance of $0.07 million on a bridge loan that was identified as impaired. The loan was repaid in full subsequent to December 31. The credit allowances are shown in the table below.

Table 21 – Provisions and allowances for credit losses

	Year ended December 31, 2017	2016
Collective allowance - Street Solutions mortgages		
Balance, beginning of period	**$ -**	$ -
Provisions for credit losses	**(216)**	-
Write-offs	**-**	-
Recoveries	**-**	-
Balance, end of period	**$ (216)**	$ -
Individual allowance - Bridge loans		
Balance, beginning of period	**$ -**	$ -
Provisions for credit losses	**(75)**	-
Write-offs	**-**	-
Recoveries	**-**	-
Balance, end of period	**$ (75)**	$ -
Total allowances, end of period	**$ (291)**	$ -
Provisions for credit losses - % of uninsured loans	**0.39%**	N/A
Allowance for credit losses - % of uninsured loans	**0.14%**	N/A

At December 31, 2017 the Bank had not recorded any write-offs in the Street Solutions portfolio, nor had it identified any loans as impaired, and 100% of Street Solutions mortgages were current. The Company has enhanced default management and collection strategies associated with Street Solutions mortgages, as these mortgages carry higher credit risk and higher propensity to default.

As the Bank launches other financial products, the Company 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 majority of which are cash and cash equivalents, is relatively limited as all counterparties are Schedule I Canadian banks with high credit ratings assigned by international rating agencies. The Company purchases 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 real estate, asset liquidation and case goods businesses. The carrying value of these loans at December 31, 2017 was $0.5 million (2016 - $1.4 million). The Company evaluated the collectability of these loans at December 31, 2017 and determined that a credit allowance of $2.7 million, which was originally recorded in 2015 and 2016, continued to be required on its receivable from Fleetwood. As a result, the carrying value of the receivable is zero.

The maximum credit exposures of the financial assets are their carrying values as reflected on the audited consolidated statements of financial position. The Company's uninsured mortgages that are held on-balance sheet are concentrated in the province of Ontario. Aside from this, the Company does not have any significant concentrations of credit risk within any geographic region or group of customers.

Liquidity and Funding Risk Management

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 continues its expansion of on-balance sheet lending and deposit taking, fluctuations in these cash flows will become significant contributors to liquidity and funding risk.

The Company has a low tolerance for liquidity and funding risk and has a Liquidity and Funding Management policy that 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, including the Liquidity Coverage Ratio ("LCR") and Net Cumulative Cash Flow ("NCCF") metrics prescribed by OSFI. The LCR reports net cumulative cash flow requirements in a stressed environment over a short-term period of 30 days. The NCCF measures detailed cash flows to capture the risk posed by funding mismatches over and up to a 12-month time horizon. The Company currently manages liquidity risk through both daily monitoring and measurement of the Company's liquidity position, and regular liquidity forecasting. Monitoring includes liquidity metrics such as maturity gap analysis and survival horizons. Even with the Bank's underlying policies and monitoring there is a risk of disruption in the funding markets beyond the Bank's control. In cases where the disruption is severe or prolonged the Bank may need to take further contingency actions, which could include curtailing lending activity.

The Company's main sources of cash and operating liquidity are the cash premiums received from the sale of mortgages to investors, deposits, cash received from the Company's share of servicing fees and excess spread, and, to a lesser extent, the sale of NHA MBS. As described above, Street Capital Bank underwrites for sale only high quality mortgages and maintains stringent underwriting and quality assurance processes, in order to maximize investor demand and therefore liquidity. Generally, liquidity risk associated with prime insurable mortgage commitments is limited, as most investors commit to funding at the time of mortgage commitment. For the small number of mortgage commitments without an upfront investor commitment, the Company utilizes its available credit facility prior to issuing NHA MBS or sale to an investor, and manages liquidity risk within its risk appetite.

With respect to the Bank's on-balance sheet mortgages, in particular Street Solutions uninsured loans, this lending activity is funded by the Bank's deposit taking activity. The Company's funding strategy, where possible, is to be long on deposits relative to the expected duration of its on-balance sheet mortgage lending. Any maturity gaps are managed within risk limits. The Company's access to deposits depends upon a number of factors including general economic conditions, interest rates offered by competing lenders, and the securities markets in general. The Company's deposits have initially been sourced through the deposit broker network, and are CDIC-insured fixed-term GICs. This network is expected to have more than sufficient liquidity to meet the Bank's funding needs for the next few years. The Bank is, however, exposed to deposit dealer-imposed concentration limit restrictions from time to time. Over time, the Company anticipates diversifying its deposit taking activities with additional deposit products and by offering direct-to-consumer products.

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 December 31, 2017, the Company had $89.4 million in cash and cash equivalents on deposit with Schedule I Canadian banks (September 30, 2017 - $52.1 million; December 31, 2016 - $3.8 million), and no Treasury Bills and bankers' acceptances (September 30, 2017 - $0).

As an approved NHA MBS issuer, the Bank can also access the NHA MBS market to fund insured mortgages. The Company's access to liquidity through investors and the NHA MBS securitization market depends on a number of factors, including general economic conditions, spreads on mortgages relative to other investments, and conditions in both the securities markets in general and the MBS market specifically. Accordingly, a decline in investor demand or securitization markets could adversely affect the Company's ability to originate mortgages, which could negatively impact future financial results.

At December 31, 2017 the Bank held $5.3 million (September 30, 2017 - $5.3 million; December 31, 2016 - $0) of mortgages that it had securitized through the NHA MBS program and not yet sold to investors ("stamped mortgages"), which can be readily converted to cash. The liquid assets of Street Capital Bank are shown in the table below.

Table 22 – Liquid assets (based only on the consolidated subsidiary, Street Capital Bank)

			As at
(in thousands of $)	**December 31, 2017**	**September 30, 2017**	**December 31, 2016**
Deposits with regulated financial institutions	**$ 87,070**	$ 50,069	$ 2,788
Stamped mortgages	**5,270**	5,302	-
Balance - end of period	**$ 92,340**	$ 55,371	$ 2,788

As discussed above under *Bank Facilities*, the Bank 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. These lines can be drawn at any time provided the Bank has met certain affirmative and financial covenants. At December 31, 2017 the Bank did not have funds drawn against any of the lines and the Company did not require funds from the facilities for its operations or financial targets.

The Company periodically receives cash related to its Private Equity business, in connection with the disposition of portfolio investments. In 2017 the net receipts were approximately $0.2 million (2016 - $1.3 million). As discussed above, management expects that Private Equity will exit from its remaining investment in 2018, at which time the Company will receive its proportionate share, and no further cash flows will be received.

The Company's contractual liabilities at December 31, 2017 are summarized in the table below:

Table 23 – Contractual Liabilities

(in thousands of $)	**Within 1 Year**	**1 -3 Years**	**3 -5 Years**	**After 5 Years**	**Total**
Accounts payable and accrued liabilities	**$ 62,540**	**$ 1,499**	**$ 660**	**$ 103**	**$ 64,802**
Securitization liabilities	**54,400**	**106,235**	**61,555**	**-**	**222,190**
Loans payable	**4,039**	**-**	**-**	**-**	**4,039**
Operating leases	**1,783**	**2,845**	**2,686**	**3,015**	**10,329**
Total	**$ 122,762**	**$ 110,579**	**$ 64,901**	**$ 3,118**	**$ 301,360**

The Company expects to fund the securitization liabilities from collection of the securitized receivables. The remaining items will be funded from operating income and cash on hand. See Note 19 of the audited consolidated financial statements for discussion of the Company's commitments and contingencies.

Market Risk Management
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. In addition, the framework specifies stress-testing and sensitivity analysis with regard to interest rates and related factors, along with appropriate use of hedging as a risk management techniques. The policies are reviewed at least annually and more often if required by events or changing circumstances.

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 insurable 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. Interest rate risk also may arise if committed and allocated loans no longer qualify at funding based on individual investor criteria, and are either funded by the Company directly or sold to another investor where the loan does qualify under the specific investor's criteria. In a rate-rising environment, interest rate risk increases. 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.

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 December 31, 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 24 – Net interest income shock (based only on the consolidated subsidiary, Street Capital Bank)

	As at December 31, 2017	
(000s, except %)	**Increase in interest rates**	**Decrease in interest rates**
100 basis point shift		
Impact on net interest income	$ 1,214	$ (1,214)
Impact on EVE	3,675	(4,070)
EVE as a % of shareholders' equity	2.52%	(2.79%)
200 basis point shift		
Impact on net interest income	$ 2,428	$ (2,428)
Impact on EVE	7,190	(8,367)
EVE as a % of shareholders' equity	4.92%	(5.73%)

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 December 31, 2017, an immediate and sustained 100 basis point increase in interest rates on these legacy items would result in approximately $0.04 million expense over the next 12 months.

Shown below is the December 31, 2017 position of the Company's wholly owned subsidiary, Street Capital Bank of Canada, with regard to the interest rate sensitivity of its assets, liabilities and equity. The information presented is based on the contractual maturity date.

	December 31, 2017						
	Floating Rate	**0 to 3 Months**	**4 Months to 1 Year**	**Total Within 1 Year**	**1 Year to 5 Years**	**Non Rate Sensitive**	**Total [1]**
Assets							
Cash and restricted cash	$ -	$ 122,614	$ -	$ 122,614	$ -	$ -	$ 122,614
Weighted Average Contractual Rate	-	1.00%	-	1.00%	-	-	1.00%
Non-securitized mortgages - Street Solutions	-	-	178,659	178,659	22,766	(621)	200,804
Weighted Average Contractual Rate	-	-	4.88%	4.88%	5.17%	-	4.93%
Non-securitized mortgages - stamped mortgages	-	-	-	-	5,270	-	5,270
Weighted Average Contractual Rate	-	-	-	-	2.55%	-	2.55%
Non-securitized mortgages - other	1,930	55	481	2,466	4,106	90	6,662
Weighted Average Contractual Rate	2.88%	3.19%	3.69%	3.04%	2.91%	-	2.92%
Bridge loans	1,402	-	-	1,402	-	(75)	1,327
Weighted Average Contractual Rate	8.09%	-	-	8.09%	-	-	8.55%
Securitized mortgages held on-balance sheet	78,488	-	19,220	97,708	121,416	1,650	220,774
Weighted Average Contractual Rate	2.71%	-	3.30%	2.83%	2.62%	-	2.69%
Other assets	-	-	-	-	-	159,734	159,734
Weighted Average Contractual Rate				-		-	-
Total assets	$ 81,820	$ 122,669	$ 198,360	$ 402,849	$ 153,558	$ 160,778	$ 717,185
Weighted Average Contractual Rate	2.81%	1.00%	4.72%	3.20%	3.00%	-	2.44%
Liabilities							
Cashable GICs [2]	$ -	$ 3,924	$ -	$ 3,924	$ -	$ -	$ 3,924
Weighted Average Contractual Rate	-	1.12%	-	1.12%	-	-	1.12%
Non-cashable GICs	-	1,004	89,209	90,213	200,082	(1,243)	289,052
Weighted Average Contractual Rate	-	1.78%	2.13%	2.13%	2.45%	-	2.36%
Securitization liabilities	78,212	-	13,793	92,005	131,452	(1,863)	221,594
Weighted Average Contractual Rate	1.87%	-	2.53%	1.97%	1.81%	-	1.89%
Other liabilities	-	-	-	-	-	102,696	102,696
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	99,919	99,919
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	$ 78,212	$ 4,928	$ 103,002	$ 186,142	$ 331,534	$ 199,509	$ 717,185
Weighted Average Contractual Rate	1.87%	1.26%	2.18%	2.03%	2.20%	-	1.54%
Excess (deficiency) of assets over liabilities and shareholders' equity	$ 3,608	$ 117,741	$ 95,358	$ 216,707	$ (177,976)	$ (38,731)	$ -

[1] ***Accrued interest is included in "Other assets" and "Other liabilities", respectively.***

[2] ***Cashable GICs are redeemable by the depositor after 90 days from the issue date.***

Investment Risk
Investment risk is the risk of loss due to impairment in the fair value of investments. 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 policy is designed to help mitigate credit, liquidity and market risk. It is reviewed at least annually, and more often if required by events or changing circumstances.

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 December 31, 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 December 31, 2017 had a fair value of $0.9 million, of which $0.6 million is attributable to the Company's non-controlling interest (September 30, 2017 - $1.2 million and $0.9 million, respectively; December 31, 2016 - $3.0 million and $2.3 million, respectively). At December 31, 2017, the Company retained an interest in only one investment, in the form of publicly traded shares in a US company. The Company's primary risks 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.

As part of normal operations as a mortgage lender, the Company is exposed to fraud risk through the mortgage origination and underwriting processes. The Company has quality control and fraud management practices in place to mitigate these risks. As mortgage underwriting and mortgage insurance qualification requirements become more stringent (either as a result of changes in regulatory requirements, as seen through recent updates from the Department of Finance in October 2016 and most recently from OSFI in October 2017 in respect of updates to Guideline B-20, or through changes in general industry practice), the inherent risk of mortgage fraud can increase. This is particularly the case when income qualification rules are tightened. The Company is aware of the heightened risks associated with such changes, and believes its current practices are reasonable. However, even with reasonable and prudent controls in place, operational risks such as fraud cannot be fully mitigated or eliminated.

While aware of these constraints, the Company takes proactive steps to mitigate its operational risk. The Company has adopted an 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. Key components of the Company's risk management framework are discussed below.

Strategic and Business Risk
Strategic and business risk is the risk of loss associated with changes in the external business environment, management's failure to implement appropriate strategies and business activities in response to changing environments and/or financial results, or management's inability to adjust costs to mitigate these changes. As Street Capital Bank continues to grow its banking operations, its products and services compete with those offered by other banks and financial institutions, many of whom are strongly capitalized and hold significant market share. Similarly, the Company's existing mortgage lending business depends on continuing to attract business from independent mortgage brokers, who are not contractually obligated to do business with the Company, and who also do business with the Company's competitors.

Strategic and business risk for individual business segments is managed and monitored by senior management through regular weekly meetings. The Board of Directors approves the Company's strategies at least annually, and reviews results against strategies at least quarterly.

Business Continuity and Crisis Management
The Company relies upon the uninterrupted functioning of its computer systems and other technology. It also relies on the uninterrupted functioning of the computer systems and other technology of its third party service providers. The failure of any of these components could interrupt operations or materially impact the Company's ability to originate, monitor or service customer accounts, or to comply with contractual obligations to investors and third parties. A sustained or prolonged outage could negatively impact the Company's financial results. The Company has adopted a business continuity and crisis management strategy to minimize the impact of a disruption or other adverse event.

Cyber Risk Management
Companies that provide financial services, including the Company and its service providers, are exposed to cyber-risk. Cyber threats continue to increase in size and complexity. While the Company and, more broadly, the industry, are continuously monitoring and improving their information and cyber security programs, they are also expanding their use of newer information technology, such as outsourced cloud computing arrangements. In the face of this growing complexity, the Company and its third-party service providers may not be able to fully mitigate all risks associated with increased threats. Cyber security breaches may lead to the loss of confidential information and related privacy issues.

Insurance Management
The Company maintains insurance coverage in order to mitigate, where possible, the various forms of operational risk outlined above. This insurance coverage includes commercial property, general liability, computer crime, cyber liability, directors' and officers' liability, umbrella and errors and omissions, and other standard business policies. Although the Company is insured for a variety of risks, in the event of a loss event the Company may not fully recover all of its losses.

Compliance Risk
Compliance risk is the risk of the Company's non-compliance with applicable legislation, regulatory requirements, or Board-mandated policies. It is particularly significant in instances where non-compliance could negatively impact the Company's reputation and/or soundness. Compliance risk is managed primarily by the Bank's Chief Compliance Officer and the Bank's Chief Anti-Money Laundering Officer, with assistance from other senior management.

Capital Adequacy Risk
Capital adequacy risk is the risk that the Company holds insufficient capital to meet its regulatory requirements and any other requirements necessary to manage the organization as a going concern, including during periods of severe but plausible stress. Over time, insufficient capital can result in insolvency and losses by stakeholders such as creditors and depositors. As a regulated Schedule I bank, if OSFI deems the Bank undercapitalized it can require Street Capital Group Inc. to provide additional capital to the Bank. Please see *Capital Management*, above, for more discussion of the Company's capital.

Reputational Risk
Reputational risk is the risk that shareholders or the public will, with or without basis, judge the Company's operations, actions or business practices unfavorably, potentially resulting in a decline in the Company's value, brand, liquidity, or customer base.

The Company manages reputational risk through adequate employee training and its Code of Conduct and Ethical Behaviour, supported by corporate governance, compliance and risk management practices and policies.

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 non-recurring items, and items associated with the Company's legacy businesses. These items include i) non-recurring restructuring expenses or recoveries, net of applicable taxes, ii) fair value adjustments, provisions, and the results of discontinued operations associated with the Company's legacy businesses, and iii) non-recurring reversals of HST ITCs, 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 $, except per share data)								For the three months ended		For the year ended
	December 31, 2017	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**	**December 31, 2017**	**December 31, 2016**
Net income (loss)	**$ 1,239**	$ 3,731	$ (104)	$ (2,574)	$ 462	$ 7,491	$ 5,310	$ 3,003	**$ 2,292**	$ 16,266
Fair value adjustments (net of non-controlling interest)	**87**	163	(28)	(103)	898	(827)	541	48	**119**	660
Private equity management expense (net of tax)	**54**	52	137	101	-	-	-	-	**345**	-
Restructuring expense (recovery) (net of tax)	**164**	351	1,823	2,647	-	-	-	(598)	**4,985**	(598)
Discontinued operations (net of tax)	**-**	-	17	(2)	(2)	(493)	(6)	(9)	**15**	(510)
Provision against legacy receivable (net of tax and non-controlling interest)	**-**	-	-	-	542	-	-	-	**-**	542
Adjusted net income	**$ 1,544**	$ 4,297	$ 1,845	$ 69	$ 1,900	$ 6,171	$ 5,845	$ 2,444	**$ 7,756**	$ 16,360
Shareholders' diluted earnings (loss) per share	**$ 0.01**	$ 0.03	$ 0.00	$ (0.02)	$ 0.00	$ 0.06	$ 0.04	$ 0.02	**$ 0.02**	$ 0.13
Adjusted shareholders' diluted earnings per share	**$ 0.01**	$ 0.04	$ 0.02	$ 0.00	$ 0.02	$ 0.05	$ 0.05	$ 0.02	**$ 0.06**	$ 0.13

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.

								As at
(in thousands of $)	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Shareholders' equity	**$ 138,162**	$ 136,590	$ 132,252	$ 131,998	$ 134,492	$ 134,402	$ 127,001	$ 121,998
Deduct: goodwill from purchase of Street Capital Bank	**(23,465)**	(23,465)	(23,465)	(23,465)	(23,465)	(23,465)	(23,465)	(23,465)
Deduct: intangible assets from purchase of Street Capital Bank	**(3,621)**	(3,744)	(3,867)	(3,991)	(4,114)	(4,237)	(4,361)	(4,484)
Shareholders' tangible equity	**$ 111,076**	$ 109,381	$ 104,920	$ 104,542	$ 106,913	$ 106,700	$ 99,175	$ 94,049

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

	For the three months ended								For the year ended	
(in thousands of $)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2017	December 31, 2016
Net income (loss)	**$ 1,239**	$ 3,731	$ (104)	$ (2,574)	$ 462	$ 7,491	$ 5,310	$ 3,003	**$ 2,292**	$ 16,266
Add back: amortization of intangible assets	**123**	123	124	123	123	124	123	123	**493**	493
Net income (loss) for return on shareholders' tangible equity	**$ 1,362**	$ 3,854	$ 20	$ (2,451)	$ 585	$ 7,615	$ 5,433	$ 3,126	**$ 2,785**	$ 16,759
ROTE	**4.9%**	14.4%	0.1%	(9.3%)	2.2%	29.6%	22.5%	13.6%	**2.6%**	16.9%

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.

	For the three months ended								For the year ended	
(in thousands of $)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2017	December 31, 2016
Net adjusted income	**$ 1,544**	$ 4,297	$ 1,845	$ 69	$ 1,900	$ 6,171	$ 5,845	$ 2,444	**$ 7,756**	$ 16,360
Add back: amortization of intangible assets	**123**	123	124	123	123	124	123	123	**493**	493
Adjusted net income for return on shareholders' tangible equity	**$ 1,667**	$ 4,420	$ 1,969	$ 192	$ 2,023	$ 6,295	$ 5,968	$ 2,567	**$ 8,249**	$ 16,853
Adjusted ROTE	**6.1%**	16.5%	7.5%	0.7%	7.6%	24.5%	24.7%	11.1%	**7.7%**	17.0%

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.

Economic Value of Shareholders' Equity ("EVE")

Economic value of shareholders' equity is a risk analysis tool that is used to model the effect of interest rate changes on an entity's total capital. EVE is calculated by subtracting the present value of liability cash flows from the present value of asset cash flows.

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 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 held on-balance sheet, 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.

Adjusted operating expenses
Adjusted 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.

	For the three months ended			For the year ended	
(in thousands of $)	**December 31, 2017**	**September 30, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Expenses					
Salaries and benefits	**$ 6,843**	$ 8,836	$ 7,385	**$ 31,230**	$ 31,117
Selling, general and administrative expenses	**4,717**	4,267	4,246	**17,899**	15,653
Restructuring expense (recovery)	**223**	477	-	**6,779**	(813)
Total expenses	**11,783**	13,580	11,631	**55,908**	45,957
Deduct: restructuring expense	**(223)**	(477)	-		
Add: restructuring recovery	**-**	-	-	**(6,779)**	813
Adjusted operating expenses	**$ 11,560**	$ 13,103	$ 11,631	**$ 49,129**	$ 46,770

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

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

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

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

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

GLOSSARY

Allowance for credit losses
An allowance for credit losses is a deduction from mortgages and loans receivable at a given balance sheet date. It represents management's best estimate of the amount of impaired loans that will ultimately be deemed uncollectible. It is increased by provisions for credit losses (see below) and decreased when individual loans are written off.

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 $100 thousand per issuer 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 when a loan's LTV is > 80%, and paid by the lender when a loan's LTV is < 80%.

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. The Company considers uninsured mortgage loans to be impaired when they are more than 90 days past due, and insured mortgage loans to be impaired when they are more than 365 days past due.

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.

Net Interest Margin ("NIM")
Net Interest Margin is a significant measure of the profitability of the Bank's operations. It is calculated as the excess of interest revenues over funding costs, as a percentage of average interest earning assets.

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.

Prime insurable mortgage loans
A prime mortgage loan is considered insurable when it can be insured individually, or insured as part of a portfolio of loans. Prime insurable mortgages originated by the Bank and sold to third parties may be insured either by the Bank or by the investor.

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.