FINAL TRANSCRIPT

Street Capital Group Inc.

Fourth Quarter and Full Year 2017 Financial Results Conference Call

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PRESENTATION

Operator

Hi, everyone. Welcome to the Street Capital Group Fourth Quarter and Full Year 2017 Financial Results Conference Call.

As a reminder, this call is being recorded on Wednesday, February 28, 2018.

At this time, all participants are in listen-only mode.

Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for research analysts to queue for questions.

If anyone has any difficulties hearing the conference, please press *, 0 for Operator assistance at any time.

I would now like to turn the call over to Jonathan Ross, Head of Investor Relations for Street Capital Group.

Please go ahead, Mr. Ross.

Jonathan Ross — Head of Investor Relations, Street Capital Group Inc.

Thanks, Kim. Good morning, everyone, and thanks for joining us today. I'm joined in the call by Duncan Hannay, Chief Executive Officer of Street Capital, and Marissa Water, Chief Financial Officer.

Street Capital Group's fourth quarter and full year 2017 financial results were released today. The press release, financial statements, and MD&A are available on SEDAR, as well as on our website, streetcapitalgroup.ca.

Before passing the call over to management, we would like to remind listeners that portions of today's discussion contain forward-looking statements that are based on management's exercise of business judgment, as well as assumptions made by and information currently available to management.

When used in this conference call the words may, plan, will, anticipate, believe, estimate, expect, intend, and words of similar import are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. They reflect our current views of future events, and are subject to certain risks and uncertainties, as outlined in the Company's Annual Information Form and other filings made with securities regulators, which are available on SEDAR.

These factors include, without limitation, expansion opportunities; technological changes; regulatory changes and requirements, including 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 that may impact the Company, its mortgage origination volumes, its gain on sale rates, and net interest margin 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, our actual results could differ materially from those anticipated in these forward-looking statements.

We undertake no obligation and do 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 we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

I will now pass the call over to Duncan Hannay, Chief Executive Officer of Street Capital Group.

Duncan Hannay — Chief Executive Officer, Street Capital Group Inc.

Thank, Jon, and good morning, everyone. We appreciate you taking the time to join the call today.

The mortgage industry in Canada continues to experience headwinds brought on by regulatory change and other influences. Despite these challenges, 2017 was a year of significant progress for Street Capital.

We launched Street Capital Bank of Canada in February 2017, met our prime mortgage renewal targets, and successfully grew our uninsured Street Solutions originations from a standing start to over 200 million for the year, coming in slightly above the top end of our targets. And this was just the beginning.

We are in the early stages of a multiyear transition from a monoline prime insured lending offering to a diversified modern, digitally enabled banking platform. Over the past two quarters in concert with the Board of Directors, we have landed our mid and long-term strategy and made key additions to the executive team to support this objective.

I should note that we anticipate further market-related volatility in 2018 based on what we have seen in Q1 so far, and we are not immune to these challenges. But after six months at Street and over 25 years of building successful companies in this industry, I'm increasingly confident that we have the right team in place, a strong foundation, and the right strategy to leverage our Schedule 1 bank licence into significant growth and shareholder value creation over the medium and long term.

We say it every quarter, but management and the Board of Directors own over 20 percent of this company. I personally bought 2 million shares when I joined. Combined with our collective record-building businesses and creating value for shareholders, this should give you confidence that we aligned and motivated to create significant value here over the long term.

I will come back with closing comments, but will pass the line to Marissa now to run us through the quarter.

Marissa Lauder — Chief Financial Officer, Street Capital Group Inc.

Thank, Duncan, and good morning, everyone. Overall, Q4 was a challenging period for Street Capital Bank in light of the regulatory impacts on prime insurable volumes and the market and competitive factors that weighed on gain on sale rates.

However, renewals are ramping up strongly as projected, and we are keeping a line on expenses as planned. In addition, the continued rollout of our Street Solutions product has been a resounding success in Q4 and into Q1. We feel we are on the right track to hit our 2018 origination targets for Street Solutions.

Adjusted diluted earnings per share in Q4 were $0.01 compared to $0.02 last year and $0.04 last quarter. In fiscal 2017, we originated $5.4 billion of new prime mortgages, which is roughly 32 percent lower than fiscal 2016.

When comparing apples-to-apples, though—that is, the volume of prime insurable mortgages originated in 2017—compared to same classification of mortgages in 2016, we were actually ahead of 2016 by just over 5 percent.

New prime mortgage originations were 1.1 billion in Q4, about 46 percent behind the same quarter last year. The outside year-over-year decline primarily reflects the fact in Q4 2016, borrowers were rushing to get ahead of pending regulatory changes, so it was a better than average quarter from an origination perspective.

We do expect that Q1 2018 will also show a decline in originations compared to the comparable quarter in 2017. This is because in the early part of 2017, we had access to prime uninsurable funding, and also some of the activity ahead of the pending regulatory changes would have funded in the first quarter of 2017.

Gross gain on sale rates were up year over year, coming in at 194 basis points compared to 168 basis points in the same quarter last year. Q4 2017 included higher premiums associated with promotions on certain products, compensation from investors for broker commission incentives, and also an increase in deferred premiums associated with a renegotiation of one of our servicing contracts.

The acquisition expense ratio moved up as well during the quarter, largely muting the conversion of higher growth gains to net gain on sale. Acquisition expenses included the expense associated with the broker commission incentive, and also an increase associated with portfolio insurance amortization. All in all, net gain on sale rates on new mortgages were 48 basis points in the quarter, up slightly compared to what was already a lower than expected 43 basis points in the same quarter last year.

Sequentially, gross gains on sale were down 10 basis points from last quarter, as the additional premiums earned on certain products and the broker commission incentive started to wind down and spreads began to tighten. This was combined with an increase in the acquisition expense ratio of 10 basis points. And this mostly reflects a relative increase in the rate of portfolio insurance amortization.

We have continued to observe pressure on gain on sale rates in our prime insurable business for both new and renewals, given the narrowing of spreads between market mortgage rates and MBS and CMB rates. We had hoped to see spreads settled into a more normalized range by now, but this compression will weigh on gain on sale rates at least into the early part of 2018.

While we hope these spreads will improve into 2018 and we have observed some marginal improvement over the last weeks compared to the lows we saw in mid-December to mid-February, there still remains a great deal of uncertainty around the gain on sale rates we can expect to earn, and predicting gain on sale rates for this segment is increasingly difficult.

We will continue to focus on maximizing financial returns in the product suite we have right now and also building our balance sheet to reduce our revenue variances over time. We also continue to proactively seek funding solutions for prime uninsurable mortgages, which is still a gap on our product shelf.

On a positive note and as projected, our renewal volumes continued to grow year over year. Prime renewals were 531 million, up 47 percent over last year. Renewal rates of a roughly 75 percent for the year were at the lower end of our 75 to 80 percent target. However, they improved throughout the year, with Q4 coming in just around 76 percent.

There were two primary reasons that the rate came in at the lower end of our target for the full year: First, our inability to offer prime uninsurable refinanced products at renewal impacted the number of loans we could renew; and secondly, we have focused on maximizing financial returns on renewals versus chasing a renewal rate that is higher within our targeted range. We would prefer to take a lower overall renewal rate if it offers our shareholders a better return.

For renewals, the net gain on sale rate was 139 basis points in Q4 compared to 141 basis points last year and 142 basis points last quarter.

As I’ve already mentioned, we continue to work to identify a funding solution for prime conventional uninsurable mortgages, which is a segment that has grown significantly since the mortgage insurance rules came into effect. We have made meaningful progress here, and will update the market as we settle on an approach.

Moving on to Street Solutions. We originated 62 million in mortgages in the quarter and 204 million for the year, which are funded with a portfolio of fixed-term GICs. The average rate on these Street Solution mortgages was 5.05 percent. We are off to a good start in 2018, and remain very comfortable with the 600 million to 700 million volume targeted for the year.

Over the course of 2017, we continued to build out our balance sheet and accumulate our liquidity pool. We generated a net interest income of 760,000 on uninsured lending and activities in the year.

Our net interest margin in 2017 was 68 basis points and was lower than what we would target on a normalized basis, but we just have started building up this book. But as we look into Q4 2017, we saw this rate move up to 1.21 percent.

The gross spread between Street Solutions mortgages and deposits was 2.54 for the year, and well within our targeted ranges.

As a new Schedule I bank, we are managing our funding and liquidity conservatively. We have continued to work out to term out our GIC portfolio, and as at December 31, 2017, our deposit base was just under 293 million, up from 198 million last quarter. And our liquid assets were 92.3 million at the end of the year.

Interest rates on the deposits range from 80 basis points to 3.09 percent, and we have been successful in passing on any higher funding we found in the funding costs in the market through higher mortgage rates.

Our CET1 ratio at the bank at the end of Q4 was 25.39 percent and our leverage ratio was 13.76 percent. As we continue to grow our balance sheet, we expect these ratios to trend into more optimized ranges with a corresponding lift to return on equity.

On expenses, we kept the line during the year as well and in Q4, and realized some benefit from the reorganization plan we implemented in Q2. We did ratchet back on variable compensation to executives and employees in Q4 based on our financial performance, and we continue to target positive operating leverage for the 12 months of 2018 and on a continuing basis.

Turning back to our outlook for just a couple more comments. We have slightly reduced our targets for prime renewal volumes to 2.2 billion to 2.4 billion in 2018 and 2.4 billion to 2.6 billion in 2019 based on the term liquidation rates in 2017. Both ranges are material increases from the 1.86 billion we renewed in 2017. We also introduced a target of 2.6 billion to 2.8 billion in prime renewals for 2020.

Additionally, we introduced a target of 1 billion to 1.2 billion in Street Solutions originations for 2020 and maintained our target of ongoing positive operating leverage. We continue to anticipate strong net interest margins for Street Solutions through 2018 in the range of 2 to 2.35 percent.

As mentioned, we expect prime insurable new volumes will be below Q1 2017, given the outsized activity in that quarter for the reasons already discussed. So far we have observed some softness in the market in Q1, but until the market has fully adapted to the multitude of changes, it is difficulty to reasonably set volume expectations for new prime insurable mortgages.

Having said that, we are very optimistic that we can gain our fair share in this product, and renewals will increase materially over 2017 [sic]. As already discussed, it is inherently difficult to predict gain on sale rates for new prime insurable mortgage sales and for renewals, given the volatility in bond yields and competitive pressures for prime insurable product. Again, having said that, we are committed to working to achieve the best financial returns for this product in the current environment while continuing to work on solutions to diversify our product shelf.

It is still too early to judge the full impact of OSFI's revised B-20 or other recent changes and developments in the housing markets. In terms of the recent changes to B-20, we still believe that there could be an overall decline in uninsured mortgage activity along with buyers adapting their borrowing habits to qualify, such as reducing their target price ranges.

For Street Capital, as we have communicated, we have relatively modest Street Solutions origination targets over the next three years compared to the overall size of the addressable market, and we believe we can meet these targets, even with the most recent changes in B-20 in place.

I'll now pass the call back to Duncan.

Duncan Hannay

Thanks, Marissa. Picking up on where I left off and continuing the theme from last quarter, there is still a significant amount of uncertainty in the market right now. We view this uncertainty as transitory in nature, and feel we have a competitively advantaged platform over the medium and long term.

To the extent Street Capital is susceptible to these market vagaries, it is only because we are in the process of transitioning our model from markets where we have a dominant presence but are essentially a price-taker to markets where we can be a price-maker. The successful launch of our uninsured product last year demonstrates that we are on the right track.

Obtaining a Schedule I bank licence took four years. This licence is a competitive advantage, and will enable us to build a robust suite of products and services around our strong foundation in the insurable mortgage market to become an enduring Canadian financial institution. This platform will generate strong mid and long-term returns for shareholders.

Last quarter I laid out five opportunity spaces for the business that would support our objective of optimizing our current deposit and lending platform to drive mid to long-term earnings and shareholders returns. Executing against these opportunities is a three-year journey, and we are just getting started. However, our team is making steady progress.

We have successfully begun to deepen and broaden our funding sources, adding new institutional funding partners on the insurable side throughout the year, as well as growing a number of deposit boards that sell Street Capital Bank GICs.

We have added a number of boards since Q3, including two large broker GIC boards. We have continued to add to the list in Q1, and we are well positioned to meet our origination targets.

Expanded balance sheet funding is supporting strong, but measured growth in our uninsured business, which will be a source of high-margin recurring revenue going forward. Additionally, our team has mapped the customer and broker journeys and is laying down a plan to improve the end-to-end experience for both these important groups, as well as refocusing on improving the contribution from our customer renewal and retention rate.

We have shifted some key accountabilities within the organization over the past quarter, and are investing prudently and efficiently to drive towards a lean, scalable operation. I'd like to emphasize that this is a long-term strategic journey.

While it could be a volatile start to 2018, Street Capital Bank has the right team, foundation, and strategic plan to drive significant mid and long-term growth.

The price of our common shares has suffered over the past 12 months due to a combination of regulatory, market, and other factors. For fundamental investors, we see this as an outstanding opportunity to align with a heavily invested management team with a track record of delivering strong performance.

I would like to thank all of our loyal long-term shareholders, our management team, our employees, and the Board of Directors for their ongoing support and counsel.

I would now like to pass the call back over to the Operator to open the line for questions.

Q&A

Operator

If you would like to ask a question, press *, then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Dylan Steuart from Industrial Alliance Securities. Your line is open.

Dylan Steuart — Industrial Alliance Securities

Good morning.

Duncan Hannay

Good morning, Dylan.

Marissa Lauder

Good morning, Dylan.

Dylan Steuart

At the end of last quarter, you sort of highlighted with the Street Solutions that the taps, you sort of turned them off going into the end of the year. But it sounds like heading into 2018, B-20 notwithstanding, expectations remain optimistic on that product line, I would think, going into the early part of the year?

Duncan Hannay

Yeah. Very much so, Dylan. Although we turned off the tap, if you will, in '16, we did continue to originate Street Solutions product in Q4 with 2018 fundings. So yeah, we've seen some very strong demand in that area.

As noted, we've also made real progress on the funding side in terms of our GIC footprint, and so we're pretty confident that we'll meet our 2018 targets, as demand remains strong and our funding sources are growing.

Dylan Steuart

And remind me on the geographic footprint or the rollout of that right now?

Duncan Hannay

Geographically we would … we are rolling it out nationally, with the exception of Quebec.

Dylan Steuart

Okay. And just shifting gears to the prime uninsured funding, just the language. It seems like you hope for first half of 2018. Any idea of what that funding would look like?

Duncan Hannay

We're still working through that, but we do believe that we will have a solution there within the first half certainly. And we do believe it's going to be meaningful funding, although I think it still remains to be seen how the overall market responds in the category in 2018.

But yeah, we again are looking to something in the first half certainly. And I think that will help, if you will, all boats float a little higher across our insured business, as well as the Alt-A side.

Dylan Steuart

And I guess with market share at number seven in the quarter, is that primarily due to the loss of that funding channel? Or is it being able to offer the whole product suite? Or is there any other levers you can pull to sort of get market—

Duncan Hannay

No, you're right. The big influence is really just the loss of sort of the prime uninsured segment of the market, which was meaningful to us in '17 and in Q4 in particular. We've seen strong performance in terms of year over year in the prime high ratio insured area, I think which is evidence that we're maintaining our market position in that critical area.

Dylan Steuart

Okay. That's great. I'll re-queue. Thanks very much.

Duncan Hannay

Thanks, Dylan.

Operator

Your next question comes from the line of Brenna Phelan from Raymond James. Your line is open.

Brenna Phelan — Raymond James

Hi. Good morning.

Duncan Hannay

Good morning, Brenna.

Marissa Lauder

Good morning.

Brenna Phelan

So the downward revision to guidance for renewals in 2018 and 2019, you spoke about this is based on your experience in midterm liquidations through the year. But isn't that—is it against the commentary before on B-20 actually incentivizing borrowers to stay with the same lender?

Marissa Lauder

Yeah. So I mean, Brenna, there could be a couple of offsetting effects there. Absolutely, when we refresh our models and we look at what's available for renewals into 2018 and 2019, there was a little bit of a decline related to some higher than expected midterm liquidations in late 2016 and into 2017. But we could see some uplift in our renewal rates from borrowers having a more difficult time moving lenders, but we really haven't included that in our targets at this point.

Brenna Phelan

Okay. So that's a function of there's actually less available mortgages to renew?

Marissa Lauder

Right.

Brenna Phelan

Okay.

Marissa Lauder

But we're not sure exactly what the effect of B-20 is going to be, so we're not comfortable at this time increasing our targets based on that.

Brenna Phelan

Okay. And so where would your guidance now, where would that sit in the 75 to 80 percent renewal range?

Marissa Lauder

In that range.

Brenna Phelan

Lower end? Middle? Just—

Marissa Lauder

It's well within that range.

Brenna Phelan

Okay.

Marissa Lauder

Yeah.

Duncan Hannay

The other thing I would add, Brenna, is just that we're really focused on maximizing the contribution from the renewal activity. So range aside, what's really critical for us is that we renew volume at maximum contribution. So as I—as noted in the commentary, we'd be happy to renew at a 75 percent range at a higher net contribution than to renew at 80 percent, but give it away on price at lower contribution.

So we're really focused on sort of, if you will, bespoke pricing each of our renewal opportunities for maximum contribution, but it should still fall in that 75 to 80 percent range.

Brenna Phelan

Okay. So then just to make sure I understand, the midterm liquidation that you experienced during the year, is that people leaving early?

Marissa Lauder

Yeah.

Duncan Hannay

Correct.

Marissa Lauder

And, Brenna, if you think about it, it is a little bit of a function of our inability to renew refinance because they didn't qualify for our mortgage insurance anymore, so that liquidation rate was perhaps a little bit elevated compared to where we'd normally expect to see that.

We have seen that start to level off as we move throughout the year.

Brenna Phelan

Okay. And then in the press release you speak to an increase in acquisition expense on renewals of up to 10 basis points.

Marissa Lauder

Yeah.

Brenna Phelan

That's really meaningful. So can you explain what that's a function of?

Marissa Lauder

So prior to 2015, there was a program that we had at Street Capital where we had effectively a trailer commission. So what that did was we paid a broker up front a certain amount of commission, but then we committed to also pay them upon renewal of that mortgage.

And so the effect of that, what we call the loyalty program, is starting to appear into our results over the next two to three years. And we did discontinue that in 2015, so from that perspective you'll stop seeing that effect sometime in 2020 and 2021.

Brenna Phelan

But it's going to take it from 10 basis points up to maybe 20 basis points?

Marissa Lauder

In that range, yes.

Brenna Phelan

Okay. Okay. So then just moving on to the non-prime mortgages, you also decreased your NIM guidance range down a bit, but commentary said you've to this point been successful in passing along the higher cost of funding in mortgage rates. So looking into 2018, do you expect you won't maybe be able to pass on all your deposit funding costs? Or what are you seeing with rates to date in 2018?

Marissa Lauder

I mean, we have in fact seen very good spreads between our deposit rates and our Street Solutions, and actually they have been better than expectations, Brenna. What I'm really trying to do there is we are trying to run a fairly conservative liquidity portfolio.

Brenna Phelan

Mm-hmm.

Marissa Lauder

And in terms of the potential impact that that may have on the net interest margin overall, which includes the returns on the liquidity portfolio, really trying to be conservative in that regard. And so that could have an impact bringing that down from the top end of the range at 250 to about 235.

I mean, we were looking at 2 to 250 in the past. And we're just kind of saying in light of wanting to make sure we have the conservative liquidity, it would be appropriate for us to just have that range a little tighter.

Brenna Phelan

Okay. And last one for me. Expenses, the restructuring charge in the quarter, is that finished now? Or will we see more restructuring charges in 2018?

Marissa Lauder

I think our best intention is we wouldn't have any more restructuring charges into 2018. Having said that, the business evolves and the markets evolve, but it's certainly not in our plans right now.

Brenna Phelan

Okay. Thanks very much.

Marissa Lauder

Okay.

Duncan Hannay

Thanks, Brenna.

Operator

Again, if you would like to ask a question, please press *, 1 on your telephone keypad.

Your next question comes from the line of Jaeme Gloyn from National Bank Financial. Your line is open.

Duncan Hannay

Hi, Jaeme.

Marissa Lauder

Hi, Jaeme.

Jaeme Gloyn — National Bank Financial

Yes. Good morning. So my first question is around the demand experience for Street Solutions. I'm just wondering if you can—and then around the average spread—I was wondering if you could just give us a little bit of colour around what the feedback has been on that product early here in 2018? And then around the average spread of 2.5 percent in Q4, how has that evolved in Q1 so far?

Duncan Hannay

So on the demand side, Jaeme, the demand continues to be particularly strong. And we are being, I would say, very selective about the product that we are originating. And as a result, we're seeing very high credit quality as part of this book.

So we're very pleased both with the credit quality we're getting, the demand that we're seeing, and we're very confident that we can originate against our target. We're going to grow this part of our book fairly conservatively as we build our balance sheet, as you know, and as a new Schedule 1 bank in Canada, we're going to be prudent overall with our growth, but certainly no issue on the demand side.

Marissa, maybe you can comment on the spreads.

Marissa Lauder

Yeah. So from a spread perspective, the Street Solutions commitment period is typically a little bit shorter, so our visibility into the future is, you know, might (phon) feel more limited that it is on the prime side. But having said that, we've seen that strengthen what I would call that spread continue into Q1 so far.

Jaeme Gloyn

Okay. And then—and I apologize if you answered this already—but around the prime insured markets, there was a comment—the guidance is to continue to maintain share; that's been the same guidance for a while now. And I just want to clarify, does that refer to being number four in the broker market, which was historically where Street Capital was? Or number five in 2017? Or number seven in Q4 2017? I'm just wondering where you guys think you'll land based on the maintain share guidance?

Duncan Hannay

I think it's fair to say that we've maintained our share, particularly in the prime high ratio space, Jaeme. We've been a little bit challenged in segments of the low ratio side of prime insured, just because of the portfolio insurance costs. So I think that the net of it is we don't see our market position meaningfully changing in kind of the prime insured space.

In fact, we think there's going to be a little bit of movement on the low ratio side that will allow us to be more competitive in that segment in 2018. So if anything, I think we may be able to build on where we ended 2017.

Jaeme Gloyn

Okay. So two follow-ups on that, I guess. I guess specifically, what would be a good result in broker share then? Like number six, seven is something where you'd be like, yeah, that's about where we expected to land based on the offsetting impacts of better prime insured and the lower low ratio? Yeah, sorry, go ahead.

Duncan Hannay

I think that will—because those rankings look at the whole market—

Jaeme Gloyn

Right.

Duncan Hannay

—so I think that will really depend upon the prime uninsured funding, which as noted, we're optimistic we're going to see something in the first half of 2018. And if that's the case and that the availability of that funding is robust as we come out of the end of 2018, I'd like to think we can restore our market position overall within the market by the end of '18.

Jaeme Gloyn

Okay. And then also in your comments in the prior answer just around some adjustments in the low ratio space that might help you guys out. Can you just explain what those are?

Duncan Hannay

Well, as you probably know, the capital requirements of mortgage insurers has changed as well, and that's caused their premiums on the low ratio side to rise, which has made us—put us really at a competitive disadvantage versus a lot of the balance sheet lenders, particularly the big banks. And that's created something of a regulatory windfall, I would call it, for the large banks and really put the small banks and monolines at a disadvantage in that category.

I think if we start to see things normalize there, and also as the … with the new B-20 and so forth as the qualification criteria and the stress test kind of normalizes the market a little bit, I think that will begin to level the playing field again, and allow us to be more competitive.

Jaeme Gloyn

Okay. And on that OSFI stuff, I mean that's more of a 2019 story than 2018, correct? Like we're not expecting changes to the OSFI capital requirements in 2018, effective in 2018 that is?

Duncan Hannay

No, this was really the—as it relates to the insurers with the capital requirements on them that were enacted that cause the portfolio insurance to rise, particularly in the low ratio side of the business, so that's happened. But as for what's ahead, I think that we're hoping we're moving into a place of stability for the next little from a regulatory perspective as we see where and how the market reacts to what's been done already.

Jaeme Gloyn

Okay. And last one for me just around the—actually, yeah, last one for me just around the portfolio amortization, portfolio insurance costs and the amortization there. A little bit higher in Q4. Is that a stable run rate we should expect from portfolio amortization as a drag on gain on sale?

Marissa Lauder

The way the amortization—it's a little bit technical—is it's not a function of the volume, so it's sort of a run rate on a dollar basis as opposed to a run rate based on volume. So the relative impact on your ratio is dependent upon the volumes and the dollar.

I don't know if that made any sense to you.

Jaeme Gloyn

Yeah. Right. So larger impact in the weaker quarters and smaller impact—

Marissa Lauder

Yeah. Exactly

Jaeme Gloyn

—in the Q2, Q3. Yeah.

Marissa Lauder

Yeah. So I encourage people to look at when you're looking at a true reflection of how we're doing in the quarter as it relates to net gain on sale rates, is look to look at that first before portfolio insurance amortization, isolate that impact, and look at the portfolio insurance amortization as a separate factor.

Jaeme Gloyn

Great. Thank you.

Marissa Lauder

Okay.

Operator

Your next question comes from the line of Stephen Boland from GMP Securities. Your line is open.

Stephen Boland — GMP Securities

Morning. Can you just go through the … remind me again the growth on the uninsured portfolio this year in terms of how that's being achieved? Is it just going after more brokers? Is it geographic expansion? And also if you could just talk about the products that you're currently offering in terms of one-year, three-year, five-year, is there any plans to expand that? And is that part of the growth in guidance—or growth in originations?

Duncan Hannay

So first of all on your question as it relates to Street Solutions, our strategy is really focused on leveraging the distribution footprint that we have and the large base of broker relationships that we have. And that is more than sufficient to fill, if you will, the targets that we've set for 2018. So that, again, we don't think we need to go out and create, if you will, incremental demand by expanding distribution. We're levering the distribution footprint we have, and we're still selectively rolling it out across our geographic footprint, which would be all of Canada effectively, except in Quebec.

And then, sorry, on your question on the one-, the three-, and five-year are you, is that specific to the mortgage side? Or the deposit—

Stephen Boland

Just the mortgage side.

Duncan Hannay

Just the mortgage side. So we're, I would say, we're … we continue to evaluate our mortgage lineup and product mix. For the time being I would say it's largely status quo in terms of the term offerings that we have. But we are and I think moving forward you'll see that we're going to be a little more responsive and at times creative in the terms of the product lineup to make sure that we're meeting the demands of the market and also reflecting the impact of a rising rate environment.

We have a new head of product and marketing that we've brought on in the fall, and the team there is looking at some potential opportunities. At the moment, it's status quo in terms of the terms.

Stephen Boland

Okay. And just maybe I will switch over to the deposit side. I mean, do you have to get on more boards to raise that deposit amount to match your new funding? Or are you comfortable with what you have in terms of access to GICs and the boards that you're on?

Duncan Hannay

No. We need to continue to expand. We brought on a very experienced deposit wholesaler in the fall as well, and she's been instrumental in levering her relationships to help us expand that footprint and will continue to do that.

Obviously, the lowest-hanging fruit is to get us on the large bank boards to start, and we're making good progress there. And then extend further in the dealer network, if you will, to expand our footprint.

So no, the focus is to continue to grow. Obviously, the broader our base of distribution, if you will, the less we'll have to compete on rate, as it were.

Stephen Boland

Okay. Thanks very much.

Duncan Hannay

No problem.

Operator

Again, if you'd like to ask question, press *, 1 on your telephone keypad.

Your next question comes from the line of Brenna Phelan from Raymond James. Your line is open.

Brenna Phelan

Just wanted to ask about within your strategic priorities in expanding addressable markets you mentioned new product offerings adjacent to mortgage. If you could just give some colour on what you're currently thinking there? I know the credit card was kind of taken off the table.

Duncan Hannay

So the thinking there, Brenna, is, I guess twofold. You're right. We did take the credit card off our near-term roadmap from a product extension perspective, but I think the products that you can think about in the near term, one is a renewed effectively life insurance product, which would be credit or life that we'll be rolling out as part of our overall mortgage offering.

And the second one would be a home warranty solution as well, both of which we think can shore up and strengthen our overall mortgage proposition. And both of those new products are in the process of being rolled out as we speak. And I think those would be the ones certainly in the near term.

Beyond that, our focus now is moving towards a direct-to-consumer deposit offering as we go into 2019 as a way to further expand our funding footprint, and provide a savings solution for prospective homeowners and other Canadians looking to optimize their savings.

Brenna Phelan

Great. So in 2018, the contribution from life insurance and the home warranty, is that factored into your forecast? Is that going to be a noticeable contribution to your bottom line?

Duncan Hannay

It won't be a noticeable contribution in 2018. It'll be a portfolio that we'll build, and as we get into the outer years it'll have a more meaningful impact.

Brenna Phelan

Okay. Thank you very much.

Duncan Hannay

No problem.

Operator

There are no further questions at this time. I now turn the call back over to Mr. Ross.

Jonathan Ross

Thanks, everyone, for participating on the call today. And if you have any questions throughout the day, please obviously feel free to give us a call. We look forward to speaking with you next quarter.

Thanks. Bye.

Operator

This concludes today's conference call. You may now disconnect.

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