MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

STREET CAPITAL GROUP INC.
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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the results of operations of Street Capital Group Inc. ("Street Capital", "the Company", or the "Bank" when referring to Street Capital Bank of Canada) for the three and six months ended June 30, 2018, and its financial condition as at June 30, 2018, is based on the Company's unaudited condensed consolidated interim financial statements prepared in accordance with accounting principles generally accepted in Canada ("GAAP"), which incorporate International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with these interim financial statements, and also with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017. The effective date of this MD&A is August 8, 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"), a federally regulated Schedule I bank that carries out the majority of the Company's operations.

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 and on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

At August 8, 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, 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" or the "Board") approved a plan to dispose of these non-core operating business segments in order to focus on financial services through Street Capital Bank. The majority of these dispositions were completed by the end of the first quarter of 2014. The Company's disposition of its Private Equity business was completed in Q2 2018, as discussed below under *Significant or Non-Recurring Financial Developments in Q2 2018*.

BUSINESS OVERVIEW

Prime Insurable Residential Lending ($27.07 B MUA at June 30, 2018)

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. Since 2007 this business line has grown to more than $27 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. As an approved issuer of NHA MBS and an approved seller under the Canada Mortgage Bonds ("CMB") program, the Bank can also 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. Given that the Bank can earn a better rate of return on capital on its uninsured mortgage product known as "Street Solutions", the Bank does not intend to make prime insured mortgage securitization a major part of its funding model in the near term.

Even with the sale and transfer of credit risk, the Bank has always focused on, and been committed to, the credit quality of the mortgages it underwrites, and it maintains stringent underwriting and robust quality assurance processes. This is core to being an originator of mortgages for third party funding partners, and critical to the Bank's success in building a solid balance sheet with predictable recurring revenues.

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 while the Bank generally targets a renewal rate in the range of 75% - 80% of prime mortgages eligible for renewal, the primary focus is maximizing the financial returns of the renewal portfolio.

Prime Uninsurable Residential Lending ($10 MM MUA at June 30, 2018)

After receiving an initial round of funding in Q2 2018 the Bank began originating prime uninsurable mortgages through the Bank's network of approved independent mortgage brokers. Prime uninsurable mortgages are mortgages that meet the credit quality criteria of prime insurable mortgages, but no longer qualify for mortgage insurance due to one or more criteria. These criteria include mortgages for the purpose of refinancing, mortgages on homes valued over $1 million, and mortgages with amortization periods over 25

years. These mortgages are sold at commitment to one of the Bank's funding partners. Management's current view is that meaningful growth in originations for this product will ultimately depend on the development of sufficiently liquid private residential mortgage backed securities ("RMBS") markets at sufficiently profitable spreads.

Street Solutions Uninsured Residential Mortgage Lending ($395 MM at June 30, 2018)

In May 2017 the Bank introduced the Street Solutions program. The program is based around the Bank's uninsured mortgage product suite, which is designed to provide alternative lending options for achieving the goal of home ownership. It targets a market segment that consists of credit-worthy, but generally under-served, borrowers who may not qualify for a prime residential mortgage. This segment of borrowers includes:

- New immigrants;
- Self-employed individuals;
- Rental investors; and
- Individuals with slightly bruised credit history.

The Street Solutions uninsured mortgage products are currently funded on the Bank's balance sheet with deposits and earn both net interest income and fee income. As the market is developing the Bank is actively investigating the diversification of its funding sources for Street Solutions, including sales to institutional investors similar to its program for prime mortgages.

Insured Multi-Unit Residential Lending ($199 MM MUA at June 30, 2018)

In Q3 2017 the Bank began to originate and securitize Insured Multi-Unit Residential mortgages through the CMB program. The mortgages have 10 year terms and are fully insured through CMHC programs. Given the underlying terms of the mortgages and the sale structure, these transactions qualify for off-balance sheet accounting and generate upfront gains on sale. The Bank will continue to take advantage of opportunities in this product space to the extent of the Bank's 10 year CMB allocation, and as the mortgages individually and on a portfolio basis meet its risk tolerance.

Broker Deposit Products ($481 MM at June 30, 2018)

In an effort to build its balance sheet lending portfolio, 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 product, Street Solutions; 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.

STRATEGIC PRIORITIES

In its 2017 Q4 and Annual Report the Bank set out five strategic priorities that will support its growth objectives over the medium to long-term. During the first six months of 2018 the Bank made progress on several fronts including:

- Diversifying funding sources by:
  - continuing to add deposit brokers; broker-sourced deposits increased by $188.2 million YTD in 2018, supporting the origination of $206.1 million in Street Solutions mortgages;
  - exploring off-balance sheet funding sources for Street Solutions; and
  - obtaining initial funding for a prime uninsurable mortgage product, thereby extending its mortgage shelf.

- Building momentum in new addressable markets by:
  - increasing Street Solutions balances to $394.6 million with a weighted average yield of 5.21%, which generated $2.2 million in net interest income in Q2 2018 and $3.6 million YTD (including other non-securitized assets); and
  - continuing expansion in multi-unit residential lending with net gains on sale of $0.8 million YTD.

- Driving contribution from mortgage renewals by:
  - delivering strong revenue contribution of $9.1 million on volume of $0.77 billion in Q2, up 41% from Q2 2017, achieved through a balanced focus on renewal rate and profitability.

- Enhancing the Bank’s risk and control governance framework by:
  - continuing to leverage the Bank’s Quality Assurance findings, third-party reviews, and the revisions to OSFI Guideline B-20 to further evolve its Mortgage Underwriting Guidelines; and
  - continuing to strengthen talent and capabilities under the Chief Risk Officer, including on-boarding experienced leadership in the newly created role of VP, Post-Fund Quality Assurance and Fraud Management.

- Transforming the organization by:
  - entering the final stages of exclusive negotiations with a core banking platform provider and premier cloud platform partner to enable a digital banking launch in 2019, including a direct to consumer deposits offering.

Please see *Q2 2018 Summary and Highlights*, and *Q2 2018 Earnings Review*, below, for discussion of the Bank’s Q2 and YTD 2018 results.

BUSINESS UPDATE AND 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.

Adjusted EPS for the quarter was $0.02, compared to $0.02 in Q2 2017 and up from ($0.01) last quarter. Revenue of $17.0 million in the quarter was relatively consistent compared to $16.9 million in Q2 2017 and up 47.0% from $11.6 million last quarter. Higher revenue contributions from prime insured mortgage renewals, along with net interest income from Street Solutions mortgages, are offsetting most of the weakness in contribution from prime mortgage sales.

The Bank originated (including Street Solutions) $1.17B in mortgages in the quarter and $2.09B YTD, down approximately 23% from $1.51B and $2.72B in the same periods last year reflecting softer housing market conditions in the regions and market segments the Bank serves, limited funding for prime uninsurable mortgages and heightened competition for a smaller addressable market of prime insurable mortgages.

As mortgage underwriting and mortgage insurance qualification requirements become more stringent, either because of changes in regulatory requirements, as seen through the Department of Finance in October 2016 and most recently from OSFI in October 2017 with respect to updates to Guideline B-20, or through changes in general industry practice, the inherent risk of misrepresentation in mortgage documents can increase. This is particularly the case when income qualification rules are tightened and within the current environment of high home prices and increasing interest rates. To proactively mitigate this higher inherent risk, and in line with management's ongoing focus on credit quality, the Bank continues to strengthen its internal capabilities and evolve its processes and use of technology. The Bank also carefully evaluates its broker relationships and takes actions as required, in the normal course of its business. These measures serve to protect the Bank and its business partners from the types of systemic issues that have affected other market participants. These actions, at times, can come at the expense of near-term volume growth and market share. The Bank sees these actions as important but generally transitory, as it also builds out offsetting plans to expand its distribution footprint and enter new profitable market segments.

As discussed previously, the current business model of the Bank, by its nature, is affected by the strength and health of the mortgage and real estate markets generally, as well as by the changing regulations and policies that govern these markets, more specifically prime mortgages. Changes to mortgage eligibility rules and increased competition for prime insurable mortgages have put increased pressure on the Bank's historical revenue model. In response to the changing market conditions, the Bank has diversified its strategy and revenue mix by building the Street Solutions mortgage program and the balance sheet of the Bank, and is now beginning to see the positive contribution from this strategy. Additionally, the Bank's over $27 billion in prime mortgages under administration provides a significant ongoing source of current period and future earnings.

The Bank continues to see strong demand and uptake for the Street Solutions product, originating $108 million in the quarter and $206 million YTD. The portfolio stood at $394.6 million at the end of the quarter with a healthy weighted average yield of 5.21% combined with strong credit quality and credit performance. Management takes a prudent approach to managing the growth in Street Solutions, both in terms of credit quality, which remains high with no loans reaching 90 days past due to date and no realized credit losses, and also by managing funding and liquidity risk. While management will work to achieve originations in the range of $600-$700 million in 2018, the previously disclosed target may not be achieved. Actual originations for Street Solutions in 2018 will depend on the outcome of current initiatives to deepen the Bank's funding sources, which include broadening its deposit broker base and developing new off-balance sheet funding relationships with institutional investors that could represent an important source of future liquidity. In the event that the Bank does not generate the target level of Street Solutions originations, management does not expect that 2018 earnings would be materially affected because the net interest forgone would not be significant in 2018 given the timing of the originations.

As expected, based on the maturity profile of the Bank's prime MUA, the contribution to revenue from renewals has increased materially year over year. Renewal volumes were $0.77 billion in the quarter and $1.29 billion for the year so far, and net revenue from renewals is up 41% and 48% respectively over last year. The average renewal rate for 2018 is approximately 73%. While the Bank targets renewal rates in the range of 75 – 80%, it will primarily look to maximize the overall return, which can at times mean modestly lower renewal rates but better contribution to revenue. Therefore, while renewals are lower than target, management is satisfied with the overall contribution to revenue.

As discussed last quarter, the Bank has secured an initial round of funding for prime uninsurable mortgages, a product the Bank has largely been without following the 2017 mortgage insurance eligibility rule changes. In Q2 the Bank funded $9.8 million in this product and had $30.4 million in commitments outstanding at the end of the quarter. Given the nascent funding model for prime uninsurable mortgages the Bank has not been able to offer competitive rates across the spectrum for this product. The ultimate success and sustainability of the prime uninsurable mortgage product, given the Bank's current business model, will depend on the development of a sufficiently liquid and active non-government sponsored Residential Mortgage Backed Securities ("RMBS") market. Until this market develops, management is not including material volumes or profit for this product in its targets.

Management continues to expect that 2018 will be both a pivotal and foundational year for the Bank as it continues to adapt to the changing business and market landscape, builds its balance sheet, and invests in the foundational capabilities required to enable its mid to long-term strategy. Management expects that market headwinds in the prime insurable mortgage segment will persist through the remainder of 2018 and that the funding marketplace for prime uninsurable mortgages will be slow to develop. Management expects demand for its non-prime, uninsured Street Solutions product to remain strong and will manage its growth prudently against credit quality, liquidity and regulatory capital levels.

Part of the Bank's strategic imperative over the medium to long-term is to continue to transform its business model from a mono-line prime insurable mortgage originator into a more fulsome banking offering with access to multiple on- and off-balance sheet funding sources that support both its growth objectives and its revenue diversification. As mentioned above, the Bank anticipates that it will complete negotiations with a global leader in core banking solutions and a premier cloud platform provider, enabling the delivery of a modern, digitally-enabled banking platform that offers a range of solutions across the home ownership life cycle. The initial launch of the Bank's web and mobile enabled banking platform, inclusive of a direct-to-consumer deposits offering, is anticipated in the second half of 2019.

Given the opportunities associated with the Bank's strategic investments and the regulatory capital requirements of its growing and profitable balance sheet, the Bank continues to 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 sufficiently capitalized to continue operations and execute on its 2018 business plan. Management continues to evaluate ways to strengthen its capital position as part of its medium to long term planning process. Management and the Board of Directors are committed to balancing the speed of execution against its transformation plan with the realities of the current market and its risk management framework, in order to choose the path that recognizes the needs of all stakeholders.

Prime Mortgage Lending

As noted above, competition for prime insurable mortgages remains high, and particularly in the high ratio segment, and is anticipated to continue through the remainder of the year. Housing activity is expected to modestly improve in the second half of the year with some stabilization in prices. This view reflects current economic forecasts, national housing sale statistics, and the effect of anticipated future interest rate increases. While management is actively working to strengthen the pipeline of prime originations, originations of prime insurable mortgages in the second half of 2018 could remain at levels 25-30% below 2017.

In addition, rising bond yields and price competition for prime insurable mortgages are expected to continue to put negative pressure on the gain on sale rates earned for these mortgages further into 2018, and as such management is not expecting to see an increase in margins over the second half of the year.

As discussed above, the Bank is offering a prime uninsurable mortgage product. The profitability and sustainability of this product is not yet clear; however, management is cautiously optimistic on the development of the market over the medium to long-term and will provide updates on progress once there is better clarity.

Prime Mortgage Renewals

Softness in new originations of prime insurable mortgages continues to be partly offset by the Bank's expected highly profitable mortgage renewal activity in 2018. Management continues to expect prime renewals in the range of $2.20-$2.40 billion.

However, this activity will be at lower net gain on sale rates compared to 2017 due to a few factors. First, from the period January 2011 – July 2015, the Bank offered brokers a Loyalty Program that pays a trailer commission upon mortgage renewal. The bulk of mortgages originated under this program are due to mature between 2018 and 2020, effectively increasing acquisition costs for renewals. Second, the Bank has differing contracts with funders, which determine the premiums paid on renewal. A higher relative proportion of renewals in 2018 with a funder who pays a lower premium on renewal will put some downward pressure on gain on sale rates. And, third, renewals are subject to the same margin pressure as new prime originations. Even with these pressures, the gain on sale rates for renewals remain materially more profitable than new originations and will continue to significantly contribute to the Bank's financial results.

It should be noted that optimizing contribution from mortgage renewals is a strategic priority for management. In that regard the Bank will continue to focus on its service and retention activities. The Bank's over $27 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 the Bank expands into additional product areas.

Street Solutions Uninsured Residential Mortgage Lending

The Bank launched its non-prime uninsured mortgage product, Street Solutions, in Q2 2017. The market response was positive, and demand was strong, with many existing mortgage broker partners welcoming another provider in this segment. The Bank continues to experience strong demand for the Street Solutions product, at high levels of credit quality and ongoing solid credit performance.

While management will continue to work on achieving originations in the range of $600-$700 million in 2018, there is a risk that this level of originations may not be achieved, depending on the outcome of certain initiatives to deepen funding sources, as discussed below under *Funding and Liquidity*. If originations are below $600-$700 million for the year this is not expected to have a material impact on earnings in 2018. Management continues to expect net interest margins within 2.0% - 2.35% for Street Solutions mortgages funded on-balance sheet.

Funding and Liquidity

As noted above under *Prime Insurable Residential Lending*, when investors purchase prime insurable mortgages at commitment, the Bank transfers substantially all of the risks associated with the mortgage. The Bank's access to this funding is currently adequate, and the Bank remains competitive in this mortgage segment. Also, as mentioned above, the Bank has been successful in obtaining initial funding for a prime uninsurable mortgage product.

The primary funding strategy for the Street Solutions product continues to be to originate deposits across tenors and focus on deposits with fixed terms in order to manage liquidity risk. Deposit balances, sourced through the investment broker network, were $481.2 million at the end of the quarter, increasing $188.2 million from the end of 2017 and $409.0 million from one year ago. The Bank continues to onboard new brokers in order to increase diversification and volume in the channel and remains very active in this regard. The Bank continues to see strong demand for Street Solutions and is making progress with initiatives designed to diversify funding sources, both on- and off-balance sheet.

As mentioned above, the Bank is working toward a digital banking launch in the second half of 2019 which will include a direct-to-consumer deposit offering. Direct-to-consumer deposits will help the Bank deepen its sources of stable funding, while providing a level of diversification away from broker-imposed concentration limits that may occur from time to time.

Operating Expenses

The Bank will continue to target positive operating leverage as a key performance indicator beyond 2018; however, management does not currently expect to meet this target for 2018, primarily due to lower than anticipated prime insurable originations lowering revenue expectations and the relatively high proportion of fixed costs associated with running a Schedule I bank.

Management has managed expenses and headcount prudently with year to date adjusted operating expenses running just 4.3% above last year. Management will continue to carefully manage expenses and balance improving efficiency against making the appropriate investments in people and technology to enable its strategic priorities and the strengthening of the Bank’s risk and compliance management programs.

UPDATE ON FINANCIAL TARGETS

In addition to forward-looking guidance, the Bank has provided financial targets to provide insight to some of its strategic financial performance objectives over the next three years.

Based on the Bank’s recent experience to date and current observable trends, management currently believes that certain of its previously disclosed 2018 financial targets may not be met. Updated expectations are as follows:

- renewal volumes are still expected in the range of $2.20 -2.40 billion, assuming renewal rates remain at the current year to date rate of 73%;

- Street Solutions originations may come in below the target range of $600-700 million with originations dependent on the success of the funding initiatives discussed in *Business Update and Outlook*, above;

- prime insurable new originations may continue to trend at 25-30% below the same period last year for the reasons discussed in *Business Update and Outlook*, above, which would not be expected to maintain market share; and

- if prime insurable originations do not improve, positive operating leverage would not be achieved in 2018.

While the Bank will continue to work towards the previously disclosed targets for 2019 to 2020, there is currently insufficient information to form a reasonable basis upon which to update these targets at this time. Management will provide updates as more information becomes available.

Q2 2018 SUMMARY AND HIGHLIGHTS

Table 1 – Financial Highlights

(in thousands of $, except where defined)	For the three months ended or as at June 30, 2018	March 31, 2018	June 30, 2017	For the six months ended or as at June 30, 2018	June 30, 2017
Financial performance					
Shareholders' net income (loss)	**$ 3,306**	$ (1,365)	$ (104)	**$ 1,941**	$ (2,678)
Shareholders' diluted earnings (loss) per share	**$ 0.03**	$ (0.01)	$ 0.00	**$ 0.02**	$ (0.02)
Adjusted shareholders' net income (loss) (i)	**$ 2,337**	$ (1,481)	$ 1,845	**$ 856**	$ 1,914
Adjusted shareholders' diluted earnings (loss) per share (i)	**$ 0.02**	$ (0.01)	$ 0.02	**$ 0.01**	$ 0.02
Total revenue (net of acquisition costs)	**$ 17,041**	$ 11,593	$ 16,881	**$ 28,634**	$ 28,453
Net gain on sale - new - excluding portfolio insurance (ii)	**$ 7,389**	$ 5,818	$ 12,361	**$ 13,207**	$ 21,766
Net gain on sale - new - % excluding portfolio insurance (ii)	**0.70%**	0.70%	0.82%	**0.70%**	0.80%
Net gain on sale of mortgages - renewals	**$ 9,071**	$ 6,709	$ 6,440	**$ 15,780**	$ 10,679
Net gain on sale - renewals - % of renewals	**1.18%**	1.29%	1.39%	**1.23%**	1.39%
Net interest income (expense) - non-securitized assets	**$ 2,156**	$ 1,402	$ (169)	**$ 3,558**	$ (179)
Net interest margin - non-securitized assets	**2.00%**	1.66%	N/A	**1.85%**	N/A
Return on tangible equity (i)	**12.2%**	(4.5%)	0.1%	**3.9%**	(4.6%)
Adjusted return on tangible equity (i)	**8.8%**	(4.9%)	7.5%	**2.0%**	4.1%
Mortgages originated and under administration					
Mortgages under administration ***(in billions of $)***	**$ 27.90**	$ 27.83	$ 27.81	**$ 27.90**	$ 27.81
Prime mortgages originated and sold	**$ 1,061,892**	$ 826,528	$ 1,499,930	**$ 1,888,420**	$ 2,713,187
Prime mortgage renewals sold	**767,830**	519,686	463,167	**1,287,516**	767,764
Total prime mortgages sold	**$ 1,829,722**	$ 1,346,214	$ 1,963,097	**$ 3,175,936**	$ 3,480,951
Total Street Solutions originations	**$ 107,805**	$ 98,285	$ 10,225	**$ 206,090**	$ 10,225
Credit quality - mortgages					
Provision for Street Solutions credit losses	**$ (140)**	$ (61)	$ -	**$ (201)**	$ -
Provision for Street Solutions credit losses - rate	**0.16%**	0.10%	N/A	**0.14%**	N/A
Allowance for Street Solutions credit losses	**$ 471**	$ 330	$ -	**$ 471**	$ -
Allowance for Street Solutions credit losses - % of Street Solutions assets	**0.12%**	0.11%	N/A	**0.12%**	N/A
Regulatory Capital Ratios - Street Capital Bank					
Risk-weighted assets	**$ 452,010**	$ 409,705	$ 308,014		
Common equity Tier 1 (CET1) ratio	**22.24%**	23.81%	29.99%		
Total capital ratio	**22.24%**	23.81%	29.99%		
Leverage ratio	**11.29%**	12.67%	18.37%		
Equity and share information					
Shareholders' equity	**$ 140,763**	$ 137,056	$ 132,252		
Shares outstanding end of period (000s)	**122,184**	122,184	121,974		
Book value per share	**$ 1.15**	$ 1.12	$ 1.08		
Market capitalization	**$ 103,856**	$ 91,638	$ 164,665		
Share price at close of market	**$ 0.85**	$ 0.75	$ 1.35		

Note: The table above includes non-GAAP measures that highlight the Company's 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.

(i) Non-GAAP measure the Company uses to measure its performance from continuing and recurring income from its core business.
(ii) Portfolio insurance refers to the amortization of the prepaid portfolio insurance asset which is included as an expense in the calculation of total revenue. This amortization of the asset is not variable based on the current period's volume, and, as such, can distort gain on sale trends. Please see Table 2 for additional information.

Significant or Non-Recurring Financial Developments in Q2 2018

- At the end of Q2 2018 the Company effectively exited its Private Equity operations via the sale of its sole remaining investment, with the Company's share of the proceeds totaling $1.03 million. The transaction resulted in Q2 fair value gains of $2.48 million, of which $1.29 million was allocated to the Company's non-controlling interests. The net gain is incorporated into the determination of non-GAAP adjusted performance measures.

Significant or Non-Recurring Financial Developments in Q1 2018

- In Q1 2018, in relation to achievement of 2017 performance goals, the Company awarded officers and members of senior management 2.412 million options to purchase shares of the Company's common stock. The options vest over 4 years, in four tranches of 25%, beginning on the first anniversary of the grant date. These particular option grants increased salaries and benefits expense by $0.12 million in Q2 2018 and $0.17 million YTD.

- Also related to 2017 compensation, in Q1 2018 the Company introduced a Restricted Share Unit plan (the "RSU Plan"), an incentive plan designed to work in tandem with the Company's stock option plan. The Company awarded officers and members of senior management 0.615 million RSUs in the quarter. The RSUs vest and are paid out over 3 years, in three equal tranches, beginning on the first anniversary of the grant date. The RSU grants increased salaries and benefits expense by $0.08 million in Q2 2018 and $0.11 million YTD.

- During Q1 2018 the Company recorded net fair value gains of $0.4 million, due to an increase in the value of its $US Private Equity investment, inclusive of foreign exchange fluctuations. $0.2 million was allocated to the Company's non-controlling interests. The net gain is incorporated into the determination of non-GAAP adjusted performance measures.

Significant or Non-Recurring Financial Developments in Q2 2017

- During Q2 2017 Street Capital Bank launched Street Solutions with initial originations of $10.2 million in the quarter.

- During Q2 2017 the Bank initiated a business reorganization that reduced its workforce by approximately 10%. Associated expenses of $2.5 million, pre-tax, were recorded in the quarter and brought the 2017 YTD restructuring expenses to $6.1 million. The expenses are incorporated into the determination of non-GAAP adjusted performance measures.

- During Q2 2017 the Company exited a Private Equity investment and the Company received approximately $0.2 million of the proceeds. The Company also recorded net fair value losses of $0.11 million, of which $0.09 million was allocated to the Company's non-controlling interests. The net loss is incorporated into the determination of non-GAAP adjusted performance measures.

Financial Highlights

- Q2 2018 net shareholders' income was $3.3 million, compared to a net loss of $0.1 million in Q2 2017 and a net loss of $1.4 million in Q1 2018. Year to date net shareholders' net income was $1.9 million, compared to a net loss of $2.7 million in the same period of last year.

- Adjusted net income for the quarter, which is primarily affected by eliminating the net fair value gains noted above, was $2.3 million, up 27% compared to adjusted net income of $1.8 million in Q2 2017 and up from adjusted net loss of $1.5 million in Q1 2018. Year to date adjusted net income was $0.9 million compared to $1.9 million in the same period last year.

- Mortgages under administration reached $27.90 billion at the end of the quarter, up from $27.83 billion at the end of Q1 2018 and up from $27.81 billion one year ago.

- Total revenue of $17.0 million in the quarter was relatively flat compared to $16.9 million in Q2 2017, and up 47% sequentially from $11.6 million in Q1 2018. Year to date revenue was $28.6 million, up marginally from $28.5 million in the same period last year. Higher revenue contributions from prime renewals, net interest margin from Street Solutions lending, and the origination and securitization of multi-unit residential mortgages is offsetting lower revenue from prime insurable originations and sales.

  Total new originations of single family mortgages were $1.17 billion in the quarter, down 23% from $1.51 billion in Q2 2017 and up 26% sequentially from $0.92 billion in Q1 2018. Year to date originations were $2.09 billion, down 23% from $2.72 billion in the same period last year. The declines year over year are in the prime insurable product segment, as discussed above.

- Prime new insurable mortgages originated and sold in the quarter were $1.06 billion, down 29% from $1.50 billion in Q2 2017 and up seasonally 28% from $0.83 billion in Q1 2018. Year to date originations and sales were $1.89 billion, down 30% from $2.71 billion in the same period last year.

- Prime insured renewals were $0.77 billion in the quarter, up, as expected, 66% from the $0.46 billion renewed in Q2 2017 and up seasonally 48% from the $0.52 billion renewed in Q1 2018. Year to date prime insured renewals were $1.29 billion, up from $0.77 billion in the same period last year.

- Street Solutions uninsured mortgage originations were $107.8 million in the quarter, up from $10.2 million in Q2 2017, which was the program's launch quarter, and up from $98.3 million last quarter. At the end of Q2 2018 outstanding Street Solutions mortgage loans stood at $394.6 million, up from $200.8 million at the end of 2017.

- Supporting the growth in Street Solutions, deposits ended the quarter at $481.2 million up $188.2 million from $293.0 million at the end of 2017, and up $409.0 million from $72.2 million at the end of Q2 2017.

- Following the trend in prime origination volume, revenue from prime originations and sales (excluding pre-paid portfolio insurance amortization) was $7.3 million in the quarter, down from $12.4 million in Q2 2017, and up seasonally from $5.8 million in Q1 2018. Year to date revenue was $13.2 million, down from $21.8 million in the same period last year. The declines year over year reflect both lower origination volumes and lower gain on sale rates.

- The gross gain on sale rate for prime mortgages was 1.76% in the quarter, down 27 basis points from 2.03% in Q2 2017 and relatively flat to 1.75% in Q1 2018. Year to date gross gains on sale rate was 1.76%, down from 1.94% last year. Compression year over year is a result of both spread compression, primarily related to competition for the product, and because 2017 included a specific product promotion with an investor where the Bank earned higher premiums.

- The acquisition cost rate for new prime mortgages, (excluding pre-paid portfolio insurance amortization), was 1.07% in the quarter, down from 1.20% in Q2 2017 and up from 1.04% in Q1 2018. Year to date the acquisition cost rate was 1.06%, down from 1.14% last year. The decline from 2017 reflects the run-off of a broker commission promotion on certain products that increased acquisition costs in 2017.

- Consistent with the increase in volumes, revenue from prime renewals was $9.1 million in the quarter, up 41% from $6.4 million in Q2 2017, and up 35% from $6.7 million in Q1 2018. Year to date revenue was $15.8 million, up 48% from $10.7 million last year.

- The gross gain on sale rate on renewals was 1.43% in the quarter, down from 1.49% in Q2 2017 and 1.51% in Q1 2018. Year to date the rate was 1.46% compared to 1.50% last year. Compression is due to the same market pressures as for new originations, and also to a higher proportion of volumes with an investor who pays a lower premium on renewal.

- The acquisition cost rate for renewals was 0.25% in the quarter, up from 0.10% in Q2 2017 and 0.22% last quarter. Year to date the rate was 0.24% compared to 0.11% last year. The increase year over year is largely due to trailing commissions on the Bank's former Loyalty Program that are increasing as renewals under this program increase.

- Net interest income on non-securitized assets increased to $2.2 million in the quarter from $1.4 million in Q1 2018, reflecting the continued growth of the Street Solutions portfolio. The average spread (weighted average yield on mortgages minus weighted average yield on deposits) on Street Solutions mortgages was 2.60% in Q2 2018 compared to 2.71% in Q1 2018 and 2.54% for all of 2017.

- Non-securitized net interest margin was 2.00% in the quarter, up from 1.66% in Q1 2018, reflecting the ongoing build of the balance sheet. As the balance sheet reaches scale the Bank expects net interest margin in the range of 2.0-2.35% over a twelve-month period**.**

- Expected credit losses, as calculated under IFRS 9, were $0.47 million at the end of the quarter, or 0.12% of ending Street Solutions mortgage balances. Provisions of $0.14 million were booked through income in the quarter, representing 0.16% of average balances, up from $0.06 million and 0.10% of average balances in Q1 2018. The credit experience of the Street Solutions portfolio remains very strong with 98.5% of the portfolio current. To date none of the loans originated under the program have reached 90 days past due and no credit losses have been realized on the portfolio. New originations continue to come in with strong credit and collateral profiles.

- The serious arrears rate (loans 90 days or more past due) on the prime mortgages under administration was consistent across all quarters presented, at 0.11% at June 30, 2018 compared to 0.10% at March 31, 2018 and 0.11% at June 30, 2017.

- Adjusted operating expenses were $13.8 million in the quarter, down from $14.5 million in Q2 2017 and up marginally from $13.4 million in Q1 2018. Year to date expense were $27.2 million, up from $26.1 million last year.

Prime Single-Family Mortgage Activity and MUA

Table 2 - Prime Single-Family Mortgages Sold and Gains on Sale

	For the three months ended or as at					
	June 30, 2018		March 31, 2018		June 30, 2017	
Mortgages sold *(in thousands of $)*						
Prime mortgages originated and sold	**$ 1,061,892**	**58.0%**	$ 826,528	61.4%	$ 1,499,930	76.4%
Prime mortgage renewals sold	**767,830**	**42.0%**	519,686	38.6%	463,167	23.6%
Total prime mortgages sold	**$ 1,829,722**		$ 1,346,214		$ 1,963,097	
Mortgages under administration *(in billions of $)*	**$ 27.90**		$ 27.83		$ 27.81	
Prime mortgage sale financial highlights *(in thousands of $)*						
Cash premium at sale - new	**$ 15,692**	**1.48%**	$ 11,766	1.42%	$ 26,634	1.78%
Deferred gain on sale - new	**3,044**	**0.29%**	2,673	0.32%	3,746	0.25%
Gain on sale of mortgages - new	**$ 18,736**	**1.76%**	$ 14,439	1.75%	$ 30,380	2.03%
Acquisition expenses - new	**11,347**	**1.07%**	8,621	1.04%	18,019	1.20%
Gain on sale before portfolio insurance	**$ 7,389**	**0.70%**	$ 5,818	0.70%	$ 12,361	0.82%
Portfolio insurance expense	**2,622**	**0.25%**	2,613	0.32%	2,425	0.16%
Net gain on sale - new	**$ 4,767**	**0.45%**	$ 3,205	0.39%	$ 9,936	0.66%
Cash premium at sale - renewals	**$ 8,976**	**1.17%**	$ 6,461	1.24%	$ 5,744	1.24%
Deferred gain on sale - renewals	**2,016**	**0.26%**	1,374	0.26%	1,154	0.25%
Gain on sale of mortgages - renewals	**$ 10,992**	**1.43%**	$ 7,835	1.51%	$ 6,898	1.49%
Acquisition expenses - renewals	**1,921**	**0.25%**	1,126	0.22%	458	0.10%
Net gain on sale - renewals	**$ 9,071**	**1.18%**	$ 6,709	1.29%	$ 6,440	1.39%

Table 2 (continued) - Prime Single-Family Mortgages Sold and Gains on Sale

	For the six months ended or as at					
		June 30, 2018			**June 30, 2017**	
Mortgages sold						
(in thousands of $)						
Prime mortgages originated and sold	**$**	**1,888,420**	**59.5%**	$	2,713,187	77.9%
Prime mortgage renewals sold		**1,287,516**	**40.5%**		767,764	22.1%
Total prime mortgages sold	**$**	**3,175,936**		$	3,480,951	
Mortgages under administration ***(in billions of $)***	**$**	**27.90**		$	27.81	
Prime mortgage sale financial highlights						
(in thousands of $)						
Cash premium at sale - new	**$**	**27,458**	**1.45%**	$	46,023	1.70%
Deferred gain on sale - new		**5,717**	**0.30%**		6,654	0.25%
Gain on sale of mortgages - new	**$**	**33,175**	**1.76%**	$	52,677	1.94%
Acquisition expenses - new		**19,968**	**1.06%**		30,911	1.14%
Gain on sale before portfolio insurance	**$**	**13,207**	**0.70%**	$	21,766	0.80%
Portfolio insurance expense		**5,235**	**0.28%**		4,706	0.17%
Net gain on sale - new	**$**	**7,972**	**0.42%**	$	17,060	0.63%
Cash premium at sale - renewals	**$**	**15,437**	**1.20%**	$	9,649	1.26%
Deferred gain on sale - renewals		**3,390**	**0.26%**		1,838	0.24%
Gain on sale of mortgages - renewals	**$**	**18,827**	**1.46%**	$	11,487	1.50%
Acquisition expenses - renewals		**3,047**	**0.24%**		808	0.11%
Net gain on sale - renewals	**$**	**15,780**	**1.23%**	$	10,679	1.39%

Q2 2018 v. Q2 2017

New Prime Single-Family Mortgage Sales

New sales volume was $1.06 billion in the quarter, down 29.2% compared to $1.50 billion Q2 2017. Volumes continued to be negatively affected by the general softening of housing activity across the Bank's lending regions, as observed in Q1, and some of the Bank's actions as described in *Business Update and Outlook*, above.

Net revenue from new sales (excluding portfolio insurance amortization) was $7.4 million in the quarter, down from $12.4 million Q2 2017, reflecting both lower volumes as described above and lower net gain on sale rates (before portfolio insurance amortization) of 0.70% compared to 0.82%.

The gross gain on sale rate was 1.76% in the quarter compared to 2.03% Q2 2017. The decline year over year reflects both increased competition for prime insurable mortgages leading to overall lower spreads, as mortgage rates do not increase at the same rate as the underlying cost of funds in the market, and the 2017 inclusion of additional promotional premiums earned on certain mortgages that was not in place in 2018.

The acquisition cost rate of 1.07% in the quarter is substantially down compared to 1.20% Q2 2017, benefiting from a reduction in commission expenses associated with a broker promotion that was in place last year.

Portfolio insurance amortization is not variable with volumes, as it represents an amortization pattern associated with the estimated remaining balances of the underlying portfolio-insured mortgages under administration.

Renewal Prime Single-Family Mortgage Sales

Renewal sales volume was $0.77 billion, up 65.8% from $0.46 billion Q2 2017. This increase was expected given the maturity profile of the Bank's MUA. Renewal rates in Q2 2018 were approximately 70% compared to approximately 71% Q2 2017. While the Bank targets a renewal rate in the mid to high 70's, it is most focused on maximizing the revenue contribution from renewals, by balancing renewal rate with maximizing profit contribution.

Net revenue from renewal sales was $9.1 million, up 40.9% from $6.4 million Q2 2017. The decrease in net gain on sale rates to 1.18% from 1.39% last year was more than offset by the increased sale volumes.

The gross gain on sale rate was 1.43% in the quarter compared to 1.49% Q2 2017. Management anticipated some pressure in Q2 and Q3 2018 due to a larger proportion of renewal sales to an investor that pays a discounted premium on renewal. Market competition also factored into the reduced rate.

The acquisition cost rate was 0.25%, up from 0.10% Q2 2017, due to the increased proportion of renewals that were part of the discontinued Loyalty Program. The program, which ran from January 2011 to July 2015, pays brokers who participated an annual trailing commission upon renewal. Upon sale, the expected future cost of the Loyalty Program payments is recorded as acquisition costs.

Q2 2018 v. Q1 2018

New Prime Single-Family Mortgage Sales

New sales volume of $1.06 billion was up 28.5% compared to $0.83 billion Q1 2018. Volumes typically follow seasonal trends where Q2 and Q3 are generally higher than Q1 and Q4.

Net revenue of $7.4 million from new sales (excluding portfolio insurance amortization) was up $1.6 million or 27.0% compared to Q1 2018, due to the higher volumes. The 0.70% net gain on sale rate (excluding portfolio insurance amortization) was unchanged from the previous quarter.

The gross gain on sale rate was consistent with Q1 2018, at 1.76% compared to 1.75% last quarter. The consistency reflects the absence of special promotions or other non-standard items that affect pricing.

The acquisition cost rate was up slightly to 1.07% compared to 1.04% Q1 2018.

Renewal Prime Single- Family Mortgage Sales

Renewal sales volume of $0.77 billion was up $0.25 billion or 47.7% over Q1 2018, which was expected based on the maturity profile of the MUA.

In line with the increased volume, net revenue of $9.1 million was up 35.2% from $6.7 million Q1 2018. The gross gain on sale rate decreased to 1.43% compared to 1.51% last quarter primarily reflecting the proportion of renewals with an investor who pays a lower rate than other investors on renewals, and, as discussed above, acquisition costs increased to 0.25% from 0.22% due to the increase in Loyalty Program commission expenses.

YTD 2018 v. YTD 2017

New Prime Single-Family Mortgage Sales

New sales volume of $1.89 billion was down 30.5% compared to $2.71 billion YTD 2017. As noted above, a general softening of housing activity in 2018 compared to 2017 and some of the Bank's risk mitigating actions as described in the *Business Update and Outlook*, above, have contributed to this decline. Additionally, Q1 2017 included some additional activity ahead of the mortgage rule changes, and activity associated with prime uninsurable mortgages as the Bank had some funding for this in early 2017. There were no comparable items YTD 2018, although the Bank did acquire some limited funding for prime uninsurable mortgages late Q2 2018 and will continue to pursue opportunities in this market to the extent that funding is available.

YTD 2018 net revenue of $13.2 million from new sales (excluding portfolio insurance amortization) was down $8.6 million or 39.3% compared to YTD 2017, in line with the reduced volumes. The 0.70% net gain on sale rate (excluding portfolio insurance amortization) was down from 0.80% YTD 2017 for the factors discussed above comparing Q2 2018 and Q2 2017.

The YTD 2018 gross gain on sale rate of 1.76% was also down from 1.94% YTD 2017, due to market pressure and the fact that 2017 included an investor promotion that increased the rate. The YTD 2018 acquisition cost rate of 1.06% was down compared to 1.14% YTD 2017 also due, in part, to the absence of a broker commission promotion.

Renewal Prime Single- Family Mortgage Sales

Renewal sales volume of $1.29 billion was up $0.52 billion or 67.7% over YTD 2017, which was expected based on the maturity profile of the MUA. Renewal rates both YTD 2018 and 2017 were approximately 73%.

As with the quarterly results, and in line with the increased volume, YTD 2018 net revenue of $15.8 million was up 47.8% from $10.7 million YTD 2017. The increase in volume compensated for a decrease in gross gain on sale rate to 1.46% compared to 1.50% last year. As discussed above, acquisition costs increased to 0.24% from 0.11% due to the increase in Loyalty Program commission expenses.

Net interest and other income

Table 3 - 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. Net mortgage lending interest income is not the primary component of the Bank's revenue, given that the majority of originated mortgages have been sold or securitized, but the contribution from net interest revenue has increased with the growth of the Street Solutions uninsured lending program that was launched in Q2 2017. For both Q2 2018 and YTD 2018, net interest income has been approximately 14% of the Bank's revenue. The Bank expects that net interest income will ultimately form a significant part of its revenue.

						For the three months ended		
		June 30,	**Average**		**March 31,**	**Average**		**June 30,**	**Average**
(in thousands of $)		**2018**	**rate**		**2018**	**rate**		**2017**	**rate**
Interest income - Street Solutions	**$**	**4,487**	**5.21%**	$	3,184	5.21%	$	18	4.34%
Interest income - bridge loans		**52**	**7.22%**		43	7.58%		108	7.03%
Interest income - other mortgages and loans		**98**	**2.67%**		83	2.63%		87	2.31%
Interest income - cash and liquidity		**287**	**1.66%**		282	1.44%		35	0.61%
Total interest income - non-securitized assets	**$**	**4,924**	**4.56%**	$	3,592	4.26%	$	249	2.15%
Interest expense - deposits and other		**(2,768)**	**2.60%**		(2,190)	2.65%		(418)	3.54%
Net interest income (expense) - non-securitized assets	**$**	**2,156**	**2.00%**	$	1,402	1.66%	$	(169)	N/A
(Provision for) recovery of credit losses		**(140)**			14			-	
Net interest income (expense) - non-securitized	**$**	**2,016**		$	1,416		$	(169)	
Interest income - securitized mortgages		**1,346**	**2.62%**		1,382	2.56%		1,469	2.39%
Interest expense - securitization liabilities		**(1,087)**	**2.12%**		(1,113)	2.07%		(1,251)	2.03%
Net interest income - securitized	**$**	**259**	**0.51%**	$	269	0.50%	$	218	0.36%
Total net interest income [1]	**$**	**2,275**	**1.52%**	$	1,685	1.21%	$	49	0.07%
Servicing and fee income - loan sales		**306**			303			68	
Gain on sale - CMB securitizations		**682**			119			-	
Other net interest income (expense) - non-core		**(57)**			(44)			(45)	
Other income (expense)		**(3)**			(384)			433	
Total fee and other income (expense)	**$**	**928**		$	(6)		$	456	
Total fee, interest and other income	**$**	**3,203**		$	1,679		$	505	

[1] **based on interest earning assets only**

Table 3 (continued) - Net interest, fee and other income (expense)

(in thousands of $)		For the six months ended June 30, 2018	Average rate		June 30, 2017	Average rate
Interest income - Street Solutions	**$**	**7,671**	**5.21%**	$	18	4.34%
Interest income - bridge loans		**95**	**7.38%**		211	7.68%
Interest income - other mortgages and loans		**181**	**2.65%**		102	2.28%
Interest income - cash and liquidity		**569**	**1.54%**		49	0.69%
Total interest income - non-securitized assets	**$**	**8,516**	**4.43%**	$	380	2.58%
Interest expense - deposits and other		**(4,958)**	**2.62%**		(559)	4.31%
Net interest income (expense) - non-securitized assets	**$**	**3,558**	**1.85%**	$	(179)	N/A
(Provision for) recovery of credit losses		**(126)**			-	
Net interest income (expense) - non-securitized	**$**	**3,432**		$	(179)	
Interest income - securitized mortgages		**2,728**	**2.59%**		3,030	2.41%
Interest expense - securitization liabilities		**(2,200)**	**2.09%**		(2,471)	1.96%
Net interest income - securitized	**$**	**528**	**0.49%**	$	559	0.44%
Total net interest income [1]	**$**	**3,960**	**1.37%**	$	380	0.27%
Servicing and fee income - loan sales		**609**			27	
Gain on sale - CMB securitizations		**801**			-	
Other net interest income (expense) - non-core		**(101)**			(99)	
Other income (expense)		**(387)**			406	
Total fee and other income (expense)	**$**	**922**		$	334	
Total fee, interest and other income	**$**	**4,882**		$	714	

[1] **based on interest earning assets only**

Net Interest Income – Non-Securitized

As expected, based on the growth of the Street Solutions portfolio, which at $394.6 million was up $100.2 million or 34% from Q1 2018, and $193.8 million or 96% from Q4 2017, net non-securitized interest income has increased significantly. Q2 2018 income was $2.16 million compared to $1.40 million in Q1 2018. YTD, net non-securitized income was $3.56 million compared to net non-securitized expense of $0.18 million YTD 2017. The YTD amounts reflect the fact that although the Bank began taking deposits in Q1 2017, it did not begin uninsured lending until late in Q2 2017. At June 30, 2017, deposits were $72.2 million compared to Street Solutions mortgages of $10.2 million.

The Q2 2018 net interest margin of 2.00% is up from 1.66% in Q1 2018, and YTD 2018 the net interest margin is 1.85%. As noted above, the balance sheet is gaining scale and the liquidity pool is being sized and managed. The Bank continues to target a net interest margin in the range of 2.0%-2.35% when the balance sheet is at scale, assuming market dynamics remain stable.

(Provisions for) Recovery of Credit Losses

The Bank adopted IFRS 9 on January 1, 2018, which affects the calculation of the provisions for credit losses. For further details please see Note 2 of the unaudited condensed consolidated interim financial statements and *Expected credit losses*, under *Credit Risk Management*, below. The adoption was not material to the current financial position of the Bank.

Given the relatively small size of the Street Solutions portfolio, provisions are not yet a significant contributor to results. Expense in the quarter was $0.14 million, compared to $0.06 million in Q1 2018, with the increase primarily related to the growth in the portfolio. Total provisions for credit losses booked in Q1 2018 were a small recovery that related to a bridge loan that was impaired at the end of Q4 2017. Please see *Expected credit losses*, under *Credit Risk Management*, below, for further information.

Net Interest Income – Securitized

Net interest income from this source is declining, as expected, as the related balances amortize. The Bank has not securitized mortgages for its own balance sheet since Q4 2016.

Fee and Other Income

Servicing income on loan sales is composed of the net servicing fees and trailing interest spread earned by the Bank on mortgage loan sales, and fee income is miscellaneous mortgage lending fees. Due to a Q2 2017 renegotiation with a service provider, the Bank’s servicing income increased to $0.27 million in Q2 2018, compared to income of $0.02 million in Q2 2017 and income of $0.29 million in Q1 2018. YTD, servicing income is $0.56 million in 2018 compared to a loss of $0.07 million YTD 2017. Miscellaneous fee income has similarly increased over the same period as the Bank has expanded its on-balance sheet lending activities.

The Q2 2018 Gain on sale from CMB securitizations of $0.68 million was earned from the Bank’s securitization and sale of $110.3 million of NHA MBS mortgage loans on multi-unit residential properties. The comparable amount for Q1 2018 was a gain of $0.12 million on a sale of $15.8 million, for YTD total gains of $0.80 million. There were no similar transactions prior to Q3 2017.

Net interest expense on non-core items relates to the Company’s legacy business.

Net other expense in Q1 2018 and Q2 2018 was primarily due to losses realized on the sale of artwork. Net other income in Q2 2017 and YTD 2017 was primarily due to one-time fee income earned by the Company’s legacy Private Equity business upon its exit from a portfolio investment.

Operating expenses

Table 4 – Adjusted Operating Expenses

Adjusted operating expenses are defined as the Company's total operating expenses net of the $2.5 million and $6.1 million reorganization expenses charged to income in Q2 2017 and YTD 2017, respectively (please see the section *Non-GAAP Measures*, and the table below).

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

	For the three months ended			For the six months ended	
(in thousands of $)	**June 30, 2018**	**March 31, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Salaries and benefits	**$ 8,157**	$ 7,729	$ 8,600	**$ 15,886**	$ 15,295
Information technology and telecom	**1,234**	914	847	**2,149**	1,428
Outsourcing and servicing	**930**	746	873	**1,676**	1,723
Professional services	**436**	713	626	**1,148**	960
Facilities and office	**805**	770	785	**1,575**	1,553
Marketing and business development	**674**	519	789	**1,192**	1,468
Depreciation and amortization	**480**	368	489	**849**	876
Other	**1,111**	1,598	1,501	**2,709**	2,768
Other operating expenses	**5,670**	5,628	5,910	**11,298**	10,776
Adjusted operating expenses	**13,827**	13,357	14,510	**27,184**	26,071
Restructuring costs (recoveries)	**-**	-	2,479	**-**	6,079
Total operating expenses	**$ 13,827**	$ 13,357	$ 16,989	**$ 27,184**	$ 32,150
Employee headcount at quarter end	**222**	218	240		

Salaries and Benefits

Q2 2018 salaries and benefits are down $0.4 million from Q2 2017, due to lower employee headcount. This is partially offset by higher stock-based compensation expense of $0.2 million relating to the Company's introduction of a revised executive compensation program for the 2017 fiscal year that involved grants of Stock Options and Restricted Share Units in late February 2018.

Compared to last quarter, salaries and benefits are up $0.4 million, mostly due to the inclusion of the above-noted stock based compensation expense for the entire quarter compared to only one month in Q1 2018.

Restructuring expenses in 2017 were related to the retirement of the Company's former President, and to the restructuring activity that largely occurred during Q2 and Q3 2017.

The Bank continues to anticipate selective increases in employee headcount during 2018 as its banking and product offerings expand.

Other operating expenses

Operating expenses of $5.7 million in Q2 2018 declined from $5.9 million in Q2 2017. Increases in IT and telecom to support the growing infrastructure for new products was offset by declines in other expenses which include such standard items as Board costs, training and development, and travel. Outsourcing and servicing will generally be expected to increase as the balance sheet grows, as these expenses include the servicing costs for both deposits and Street Solutions Mortgages. Professional services decreased in Q2 2018 due to a decline in consulting fees.

Operating expenses of $5.7 million in Q2 2018 were flat to $5.6 million in Q1 2018. As expected, outsourcing and servicing increased as the balance sheet grew in the quarter. IT and telecom, while expected to increase, also included some additional costs associated with IFRS 9 services. Professional services decreased as Q1 2018 included some consulting costs for strategic planning processes. Other expenses declined largely due to reductions in Board costs, travel, training, and licensing expenses in the current quarter.

Year to date operating expenses of $11.3 million are up $0.5 million from $10.8 in the same period last year. This was largely due to 2018 increases in IT costs, as noted above. Outsourcing costs were higher in 2017 due to a current year reduction in some expenses associated with prime volumes, in line with the Bank's reduced prime originations. 2018 includes Professional services consulting costs that were incurred in Q1 for strategic planning that was largely completed in late 2017. Business development expenses were higher in 2017 as they included costs associated with the launch of banking operations.

Fair Value Adjustments, Non-Controlling Interests and Discontinued Operations

The Company's fair value adjustments relate to its legacy businesses, particularly its Private Equity investments. As discussed above, with the sale of its final portfolio investment in June 2018, the Company has effectively exited Private Equity.

Since discontinuing its real estate business in the first quarter of 2013, the Company has retained some related assets and liabilities that in aggregate are immaterial to both the Company's operations and its financial position. There were no significant transactions involving discontinued operations during the first six months of either 2017 or 2018, although in Q2 2018 the Company received $0.34 million in cash relating to an outstanding receivable.

Income Taxes

The net income tax expense YTD 2018 is related to both the operating results of Street Capital Bank and recoveries generated at the parent Company.

At June 30, 2018, the Company had approximately $296.4 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.

QUARTERLY HIGHLIGHTS

The following table sets out financial highlights of the Company's consolidated quarterly results of operations for the eight quarters ended June 30, 2018. Please see the section *Non-GAAP Measures* for the definitions of adjusted net income and other related non-GAAP measures.

Table 5 – Quarterly Financial Highlights

(in thousands of $, except where defined)	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	**2018 Q2**
Financial performance								
Shareholders' net income (loss)	$ 7,491	$ 462	$ (2,574)	$ (104)	$ 3,731	$ 1,239	$ (1,365)	**$ 3,306**
Adjusted shareholders' net income (loss)	$ 6,171	$ 1,900	$ 69	$ 1,845	$ 4,297	$ 1,544	$ (1,481)	**$ 2,337**
Shareholders' diluted earnings (loss) per share	$ 0.06	$ 0.00	$ (0.02)	$ 0.00	$ 0.03	$ 0.01	$ (0.01)	**$ 0.03**
Adjusted shareholders' diluted earnings (loss) per share	$ 0.05	$ 0.02	$ 0.00	$ 0.02	$ 0.04	$ 0.01	$ (0.01)	**$ 0.02**
Return on equity	22.9%	1.4%	(7.7%)	(0.3%)	11.1%	3.6%	(4.0%)	**9.5%**
Adjusted return on equity	18.9%	5.7%	0.2%	5.6%	12.8%	4.5%	(4.3%)	**6.7%**
Return on tangible equity	29.6%	2.2%	(9.3%)	0.1%	14.4%	4.9%	(4.5%)	**12.2%**
Adjusted return on tangible equity	24.5%	7.6%	0.7%	7.5%	16.5%	6.1%	(4.9%)	**8.8%**
Mortgages sold and under administration								
Prime mortgages sold - new	$ 2,493,132	$ 2,101,474	$ 1,213,257	$ 1,499,930	$ 1,521,342	$ 1,138,274	$ 826,528	**$ 1,061,892**
Prime mortgages sold - renewal	361,844	358,043	304,597	463,167	560,423	531,080	519,686	**767,830**
Prime mortgages sold - total	$ 2,854,976	$ 2,459,517	$ 1,517,854	$ 1,963,097	$ 2,081,765	$ 1,669,354	$ 1,346,214	**$ 1,829,722**
Total Street Solutions originations	N/A	N/A	N/A	$ 10,225	$ 131,376	$ 62,116	$ 98,285	**$ 107,805**
Mortgages under administration *(in billions of $)*	$ 26.83	$ 27.70	$ 27.81	$ 27.81	$ 27.98	$ 28.02	$ 27.83	**$ 27.90**
Gain on sale of mortgages	$ 52,578	$ 40,793	$ 26,886	$ 37,278	$ 39,531	$ 30,077	$ 22,274	**$ 29,728**
As a % of mortgages sold	1.84%	1.66%	1.77%	1.90%	1.90%	1.80%	1.65%	**1.62%**
Acquisition expenses	$ 30,288	$ 26,538	$ 15,523	$ 20,902	$ 20,819	$ 16,750	$ 12,360	**$ 15,890**
As a % of mortgages sold	1.06%	1.08%	1.02%	1.06%	1.00%	1.00%	0.92%	**0.87%**
Net gain on sale of mortgages	$ 22,290	$ 14,255	$ 11,363	$ 16,376	$ 18,712	$ 13,327	$ 9,914	**$ 13,838**
As a % of mortgages sold	0.78%	0.58%	0.75%	0.83%	0.90%	0.80%	0.74%	**0.76%**
Operating expenses	$ 13,610	$ 12,085	$ 11,561	$ 14,510	$ 13,821	$ 12,223	$ 13,357	**$ 13,827**
As a % of mortgages sold	0.48%	0.49%	0.76%	0.74%	0.66%	0.73%	0.99%	**0.76%**
Equity and share performance								
Shareholders' equity	$ 134,402	$ 134,492	$ 131,998	$ 132,252	$ 136,590	$ 138,162	$ 137,056	**$ 140,763**
Shares outstanding end of period **(in 000s)**	121,790	121,532	121,580	121,974	122,184	122,184	122,184	**122,184**
Book value per share	$ 1.10	$ 1.11	$ 1.09	$ 1.08	$ 1.12	$ 1.13	$ 1.12	**$ 1.15**
Market capitalization	$ 219,222	$ 228,480	$ 182,370	$ 164,665	$ 171,058	$ 125,850	$ 91,638	**$ 103,856**
Share price at close of market	$ 1.80	$ 1.88	$ 1.50	$ 1.35	$ 1.40	$ 1.03	$ 0.75	**$ 0.85**

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.

Q2 2018 FINANCIAL POSITION REVIEW

The following table sets out the Company's consolidated financial position as at June 30, 2018; March 31, 2018; December 31, 2017; and June 30, 2017.

Table 6 - Financial Position

				As at
(in thousands of $)	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**June 30, 2017**
Assets				
Cash and cash equivalents	**$ 74,821**	$ 80,883	$ 89,414	$ 48,571
Restricted cash	**34,944**	12,561	35,543	33,829
Street Solutions uninsured mortgages	**394,644**	294,453	200,804	10,220
Other non-securitized mortgages and loans	**20,136**	15,460	13,259	18,524
Securitized mortgage loans	**199,748**	210,844	220,774	238,976
Deferred placement fees receivable	**51,024**	51,167	52,325	50,423
Prepaid portfolio insurance	**79,190**	81,157	82,511	80,008
Deferred income tax assets	**14,697**	14,644	14,568	14,557
Other assets	**32,831**	23,649	23,788	26,214
Goodwill and intangible assets	**28,179**	28,302	28,426	28,437
Total assets	**$ 930,214**	$ 813,120	$ 761,412	$ 549,759
Liabilities				
Deposits	**$ 481,220**	$ 382,489	$ 292,976	$ 72,187
Loans payable	**4,160**	4,095	4,039	4,143
Securitization liabilities	**201,496**	211,505	221,594	239,324
Accounts payable and accrued liabilities	**62,798**	38,080	64,802	64,049
Deferred income tax liabilities	**46,869**	45,720	45,889	43,139
Total liabilities	**796,543**	681,889	629,300	422,842
Total shareholders' equity	**140,763**	137,056	138,162	132,252
Non-controlling interests	**(7,092)**	(5,825)	(6,050)	(5,335)
Total liabilities and equity	**$ 930,214**	$ 813,120	$ 761,412	$ 549,759
Total MUA *(in billions of $)*	**$ 27.90**	$ 27.83	$ 28.02	$ 27.81

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 3 of the unaudited condensed consolidated interim 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, securitizations.

MORTGAGES UNDER ADMINISTRATION

Mortgages under administration grew slightly to $27.90 billion at June 30, 2018 compared to $27.83 billion at March 31, 2018.

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 $)

Softening housing markets in Ontario, combined with the actions discussed above under *Business Update and Outlook* that had more of an impact in Ontario, have reduced the relative proportion of originations in Ontario year over year.

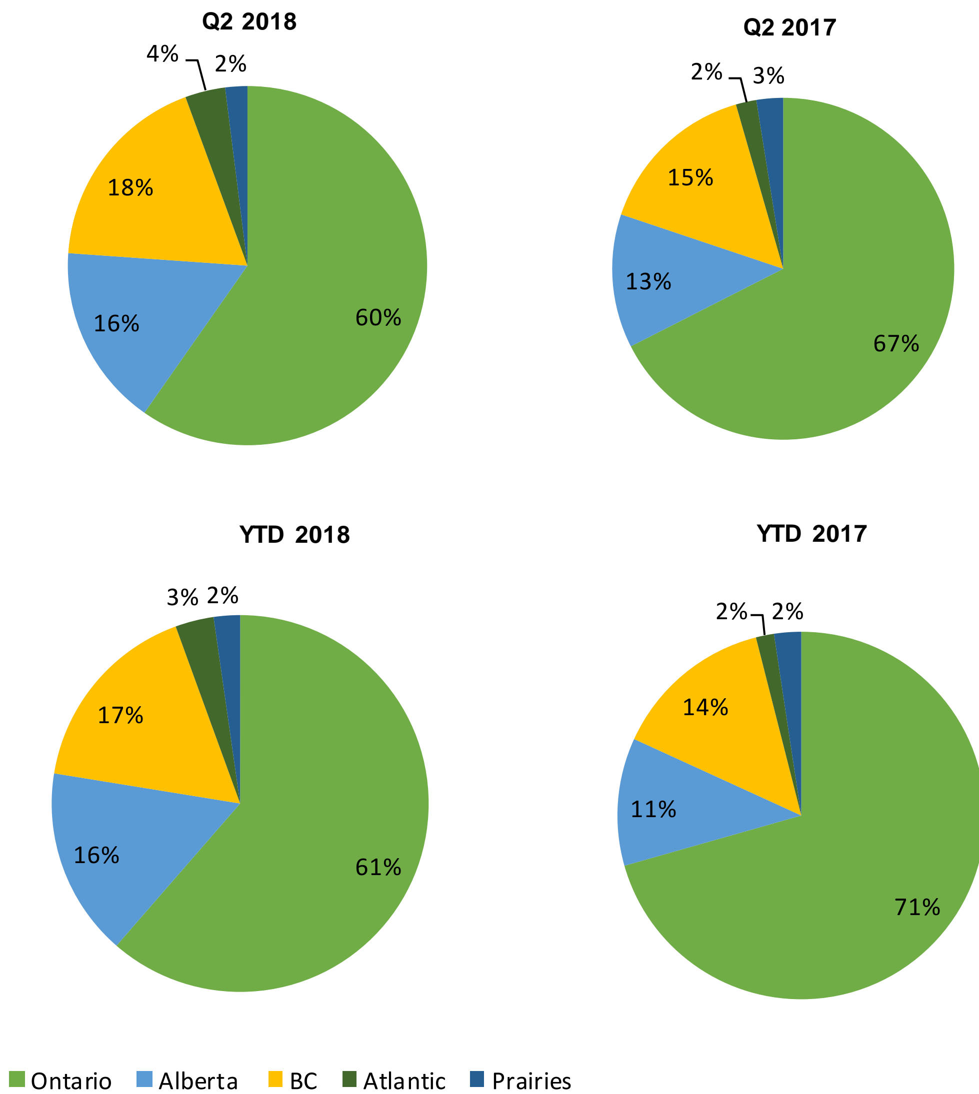
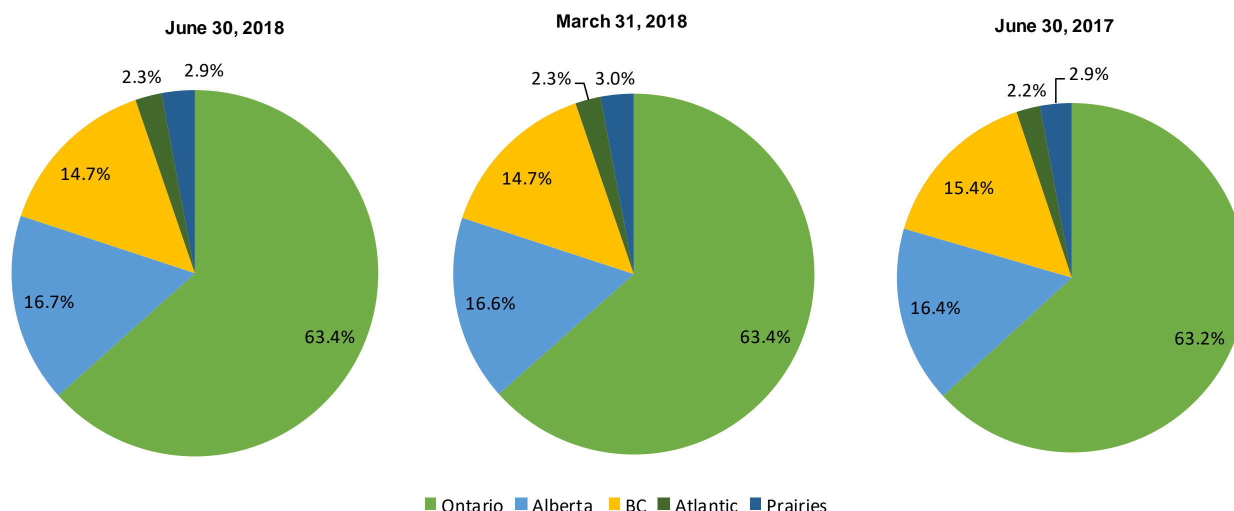


Chart 2 – Geographic Distribution of Prime Mortgages under Administration (% of $)



The relative distribution of prime mortgages under administration at June 30, 2018, shown above, is essentially unchanged from either March 31, 2018 or June 30, 2017. As noted in prior quarters, the distribution reflects both the relative population density in urban centers of Ontario, and the historically higher average housing prices there compared to most of Canada. Although the relative geographic distribution of prime originations has changed noticeably in 2018 compared to 2017, to date the changes are not significant enough to affect the entire portfolio.

Shown below is the contractual remaining maturity profile of the Company's prime MUA at June 30, 2018.

Table 7 – Prime MUA Maturity Table

(in billions of $)	2018	2019	2020	2021	2022	2023 and beyond	Total
	$	$	$	$	$	$	$
MUA maturities	1.69	4.37	5.66	6.85	5.92	2.81	**27.30**

ON BALANCE SHEET LENDING ASSETS

Street Solutions Uninsured Mortgages

The Bank launched its uninsured lending product, Street Solutions, in Q2 2017 and the portfolio has grown to $394.6 million in mortgages outstanding at June 30, 2018. Street Solutions mortgages are the largest component of the Bank's uninsured lending program, and are currently funded only from the Bank's GIC deposit base. The mortgages are originated through the Bank's broker channel, with the target market consisting of credit-worthy, but under-served, borrowers who may not qualify for a prime insurable residential mortgage in the current lending environment. In Q2 2018 interest revenue from these mortgages comprised approximately 26% of the Company's revenue, and this contribution is expected to grow into a significant and long-term revenue component.

Geographic Distribution

As noted previously, the geographic distribution of outstanding Street Solutions mortgages differs from that of the Bank's prime insured mortgages. At June 30, 2018 approximately 86% was concentrated in Ontario compared with 12% in British Columbia and just 2% in Alberta and the Atlantic provinces combined. This reflects the Bank's choice to initially focus the product on the areas of the country that have larger urban centers and correspondingly larger populations, along with strong employment trends and liquid housing markets. As the Street Solutions lending portfolio grows and expands geographically, management expects that loans will continue to be concentrated in larger urban centers.

The table below highlights the growth in the Street Solutions portfolio during 2018, as compared to 2017 overall.

Table 8 – Street Solutions mortgage principal continuity schedule

(in thousands of $)	For the quarter ended June 30, 2018	For the quarter ended March 31, 2018	For the year ended December 31, 2017
Balance - beginning of period	**$ 295,438**	$ 201,425	$ -
Originations	**107,805**	98,285	203,716
Discharges	**(6,016)**	(3,297)	(1,511)
Repayments	**(1,317)**	(975)	(780)
Balance - end of period	**$ 395,910**	$ 295,438	$ 201,425

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

Table 9 – Single-family Residential Loans by Province

	As at June 30, 2018				
(in thousands of $, except %)	**Insured Residential Mortgages**	**Percentage of Total by Province**	**Uninsured Residential Mortgages**	**Percentage of Total by Province**	**Total**
British Columbia	**$ 17,034**	**26.0%**	**$ 48,589**	**74.0%**	**$ 65,623**
Alberta	**22,022**	**75.3%**	**7,212**	**24.7%**	**29,234**
Prairies	**2,764**	**100.0%**	**-**	**-**	**2,764**
Ontario	**166,869**	**32.8%**	**342,324**	**67.2%**	**509,193**
Atlantic	**2,715**	**75.5%**	**880**	**24.5%**	**3,595**
	$ 211,404	**34.6%**	**$ 399,005**	**65.4%**	**$ 610,409**

	As at March 31, 2018				
(in thousands of $, except %)	**Insured Residential Mortgages**	**Percentage of Total by Province**	**Uninsured Residential Mortgages**	**Percentage of Total by Province**	**Total**
British Columbia	$ 18,264	39.0%	$ 28,596	61.0%	$ 46,860
Alberta	22,854	83.1%	4,648	16.9%	27,502
Prairies	2,785	100.0%	-	-	2,785
Ontario	173,041	39.5%	265,415	60.5%	438,456
Atlantic	2,772	92.0%	239	8.0%	3,011
	$ 219,716	42.4%	$ 298,898	57.6%	$ 518,614

Table 9 (continued) – 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

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

	As at June 30, 2018				
(in thousands of $, except %)	**≤ 20 years**	**> 20 and ≤ 25 years**	**> 25 and ≤ 30 years**	**> 30 and ≤ 35 years**	**Total**
Balance outstanding	**$ 13,576**	**$ 174,613**	**$ 422,220**	**$ -**	**$ 610,409**
Percentage of total	**2.2%**	**28.6%**	**69.2%**	**0.0%**	**100.0%**

	As at March 31, 2018				
(in thousands of $, except %)	**≤ 20 years**	**> 20 and ≤ 25 years**	**> 25 and ≤ 30 years**	**> 30 and ≤ 35 years**	**Total**
Balance outstanding	$ 10,517	$ 178,288	$ 329,204	$ 605	$ 518,614
Percentage of total	2.0%	34.4%	63.5%	0.1%	100.0%

	As at December 31, 2017				
(in thousands of $, except %)	**≤ 20 years**	**> 20 and ≤ 25 years**	**> 25 and ≤ 30 years**	**> 30 and ≤ 35 years**	**Total**
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%

The table below shows the weighted average loan to value ("LTV") ratios for all uninsured mortgages originated during Q4 2017, Q1 2018 and Q2 2018, which consist primarily of Street Solutions mortgages.

Table 11 – Weighted Average LTV Ratios – Uninsured Single-Family Residential Mortgages Originated Q4 2017, Q1 2018 and Q2 2018

	For the three months ended June 30, 2018					
	(Held on balance sheet)		(Originated and sold)		(Total originated)	
(in thousands of $, except %)	Volume	LTV	Volume	LTV	Volume	LTV
British Columbia	**$ 20,241**	**72.6%**	**$ 1,192**	**54.5%**	**$ 21,433**	**71.6%**
Ontario	**84,325**	**71.1%**	**2,091**	**71.9%**	**86,415**	**71.1%**
Alberta	**2,593**	**73.5%**	**-**	**N/A**	**2,593**	**73.5%**
Prairies	**-**	**N/A**	**183**	**75.0%**	**183**	**75.0%**
Atlantic	**646**	**69.2%**	**-**	**N/A**	**646**	**69.2%**
	$ 107,805	**71.4%**	**$ 3,465**	**66.1%**	**$111,270**	**71.2%**

	For the three months ended March 31, 2018					
	(Held on balance sheet)		(Originated and sold)		(Total originated)	
(in thousands of $, except %)	Volume	LTV	Volume	LTV	Volume	LTV
British Columbia	$ 9,674	75.4%	$ -	N/A	$ 9,674	75.4%
Ontario	86,086	72.5%	-	N/A	86,086	72.5%
Alberta	2,525	76.3%	-	N/A	2,525	76.3%
	$ 98,285	72.9%	$ -	N/A	$ 98,285	72.9%

	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%

Other non-securitized and securitized mortgage loans

The Bank originates a low volume of mortgages and loans that are bridge loans, mortgages intended for future securitization and sale, or mortgages that will be held on-balance sheet.

Between 2014 and 2016 the Bank securitized and sold prime insured mortgage loans through the NHA MBS program, and it may engage in similar transactions in the future.

DEFERRED PLACEMENT FEES RECEIVABLE AND PREPAID PORTFOLIO INSURANCE

When mortgages are sold on a fully serviced basis the Bank recognizes a gain on sale of mortgages and records a deferred placement fee receivable in the consolidated statement of financial position.

Prepaid portfolio insurance provides insurance coverage over a pool of mortgages, and is amortized into income over a maximum period of 15 years, using a declining balance method.

Both Deferred placement fees receivable and Prepaid portfolio insurance decreased from December 31, 2017 due to the fact that amortization exceeded increases from originations. Deferred placement fees increased slightly from June 30, 2017 due to an overall increase in MUA since that date. Please see Note 4 of the unaudited condensed consolidated interim financial statements.

DEPOSITS

The Bank offers CDIC insurance-eligible GIC deposits, sourced through third party deposit agents. At June 30, 2018 deposits totaled $481.2 million, net of deferred commissions (March 31, 2018 - $382.5 million; December 31, 2017 - $293.0 million), with terms ranging from 1 to 5 years, at interest rates between 0.80% and 3.37% (March 31, 2018 – 0.80% to 3.25%; December 31, 2017 - 0.80% to 3.09%). As noted above under *Street Solutions Uninsured Mortgages*, the deposits are the primary source of funding for the Bank's Street Solutions uninsured lending program. The table below shows the original term structure of the principal amount of the Bank's deposits. Please see Note 9 of the unaudited condensed consolidated interim financial statements for a schedule of the remaining term to maturity.

Table 12 – Term Structure of Deposits

(in thousands of $, except %)							**As at June 30, 2018**
Contractual term	**Cashable ***	**1 Year**	**2 Year**	**3 Year**	**4 Year**	**5 Year**	**Total**
Deposit principal	**$ 1,708**	**$ 177,408**	**$ 138,600**	**$ 78,708**	**$ 16,262**	**$ 70,343**	**$ 483,029**
% of principal	**0.4%**	**36.7%**	**28.7%**	**16.3%**	**3.4%**	**14.5%**	**100.0%**
							As at March 31, 2018
Contractual term	**Cashable ***	**1 Year**	**2 Year**	**3 Year**	**4 Year**	**5 Year**	**Total**
Deposit principal	$ 3,369	$ 135,656	$ 113,969	$ 53,349	$ 14,958	$ 62,667	$ 383,968
% of principal	0.9%	35.3%	29.7%	13.9%	3.9%	16.3%	100.0%
							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	1.3%	30.7%	30.5%	15.5%	4.7%	17.3%	100.0%

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

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

These liabilities include accounts payable; accrued operating liabilities including restructuring costs; accrued mortgage acquisition costs; accrued interest primarily relating to the Bank's deposits; and liabilities associated with the Bank's discontinued real estate operations. The small net decrease of $2.0 million since December 31, 2017 is largely due to the net effect of an increase of $2.8 million in accrued interest payable, offset by a decrease of $4.9 million in accrued restructuring costs. Please see Note 13 of the unaudited condensed consolidated interim financial statements.

SHAREHOLDERS' EQUITY AND UPDATED SHARE INFORMATION

As shown on the Q2 2018 interim statement of changes in equity, included in the Q2 2018 unaudited condensed consolidated interim financial statements, upon adoption of *IFRS 9 – Financial Instruments* on January 1, 2018, the Company recorded a $0.05 million negative adjustment to opening retained earnings. This was associated with an increase in the Bank's allowance for credit losses. Please see Note 2 of the unaudited condensed consolidated interim financial statements for discussion regarding the adoption of IFRS 9, which was not material with respect to the Bank's operations or financial position.

During Q2 2018, shareholders' equity was increased by the Company's $3.3 million comprehensive income, and by a $0.4 million increase to contributed surplus relating to the amortization of stock-based compensation. The Company awarded 0.25 million options during Q2 2018 and 2.4 million options during Q1 2018. There were no options exercised during either quarter. As previously reported, during 2017 the Company had a normal course issuer bid in place, which expired on March 22, 2018 and was not renewed. There were no share repurchases under the normal course issuer bid during Q1 2018.

At August 8, 2018, the Company had 122,184,182 common shares issued and outstanding. In addition, there were 8,977,165 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $10.4 million.

CONTINGENCIES

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

OFF BALANCE SHEET ARRANGEMENTS

At June 30, 2018 the Bank had $90.9 million of outstanding commitments for advances on mortgage loans (March 31, 2018 - $97.5 million; December 31, 2017 - $35.9 million). These amounts are for mortgages the Bank 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 Bank 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 Bank's liquidity management practices.

The Bank has $27.28 billion in loans under administration that are not included on the Bank'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 and the Bank's directors and officers, and other employees having authority and responsibility for planning, directing and controlling the Company and the Bank's activities; and
- entities controlled by key management personnel.

The Company has few related party transactions, which are described in more detail in Note 19 to the unaudited condensed consolidated interim financial statements. At December 31, 2017 and June 30, 2018 these consisted of shareholder loans to certain key employees and former employees.

During Q1 2018, the Chair of the Company's Board of Directors purchased two artworks from the Bank, at prices determined by a combination of art dealer valuations and bids by unrelated potential purchasers. The Bank recognized a loss of $0.36 million on the sales, which was reported as a component of Other income (expense).

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

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

Regulatory capital

Effective with the commencement of banking operations on February 1, 2017, the 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.

The 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 June 30, 2018, Street Capital Bank's Leverage Ratio was 11.29%, and the Bank was fully compliant with its regulatory requirements.

Table 13 – Basel III Regulatory Capital (based only on the consolidated subsidiary, Street Capital Bank)

(in thousands of $, except %)	June 30, 2018 All-In Basis	March 31, 2018 All-In Basis	June 30, 2017 All-In Basis
Common Equity Tier 1 capital (CET 1)			
Capital stock	**$ 16,426**	$ 16,426	$ 16,426
Contributed surplus	**1,444**	1,060	-
Retained earnings	**84,010**	81,416	77,059
Less: Regulatory adjustments to CET 1	**(1,341)**	(1,340)	(1,104)
Total CET 1 capital	**$ 100,539**	$ 97,562	$ 92,381
Additional Tier 1 capital	**-**	-	-
Total Tier 1 capital	**$ 100,539**	$ 97,562	$ 92,381
Total Tier 2 capital	**-**	-	-
Total regulatory capital	**$ 100,539**	$ 97,562	$ 92,381
Total risk-weighted assets	**$ 452,010**	$ 409,705	$ 308,014
Regulated capital to risk-weighted assets			
CET 1 ratio	**22.24%**	23.81%	29.99%
Tier 1 capital ratio	**22.24%**	23.81%	29.99%
Total regulatory capital ratio	**22.24%**	23.81%	29.99%
Leverage ratio	**11.29%**	12.67%	18.37%
National regulatory minimum			
CET 1 ratio	**7.00%**	7.00%	7.00%
Tier 1 capital ratio	**8.50%**	8.50%	8.50%
Total regulatory capital ratio	**10.50%**	10.50%	10.50%
Leverage ratio	**3.00%**	3.00%	3.00%

The Bank's regulatory capital ratios and leverage ratio remain well above regulatory minimums and internal targets. The ratios have declined over the periods presented as the Bank began to deploy its capital towards on-balance sheet 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.

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 Bank to implement strategies to improve capital adequacy.

Dividends

There were no dividends declared or paid during 2017 or YTD 2018. At this time the Company's best use of capital is reinvestment into the operations and growth of the Bank.

While there is no restriction on the Company's ability to declare dividends, the 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.

RISK MANAGEMENT AND RISK FACTORS

The Bank'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. The Bank 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 Bank's control. Exposure to these risks could adversely affect the Bank'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 Bank makes decisions with reference to its risk appetite framework. This process defines the Bank'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 Bank is exposed are set out below.

The Bank's most significant risks, with respect to its business activities, are credit risk, liquidity and funding risk, market risk, and operational risk. A detailed discussion of these and the other risks that affect the Bank can be found in the Management's Discussion and Analysis section of the Company's 2017 Annual Report, under the section *Risk Management and Risk Factors*.

Credit Risk Management

Credit risk is the risk of financial loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations. The Bank's credit risk is 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 Bank'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 Bank 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 Bank immaterial overall at this time. 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 Bank is not exposed to material levels of credit risk associated with its mortgage origination and sale business, the Bank 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 Bank 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 Bank's serious arrears rate of 0.11% on its prime mortgages, at June 30, 2018, reflects the Bank's due diligence and strong quality assurance processes. The Bank plans to continue selling insurable mortgages to institutional investors, and it will continue to apply these same rigorous policies and procedures. However, as the Bank's portfolio of prime insured loans seasons and becomes more weighted toward high-ratio insured loans, the Bank's serious arrears rate may increase over time as these loans typically experience higher delinquency rates compared to conventional insured mortgages.

During Q2 2018 the Bank began originating prime uninsurable mortgages through the Bank's network of approved independent mortgage brokers. Prime uninsurable mortgages are mortgages that meet the credit quality criteria of prime insurable mortgages, but no longer qualify for mortgage insurance due to one or more criteria. As the Bank expands its originations of this product for sale to institutional investors, the Bank will bear credit risk for any loans it may have to reacquire from investors if such loans are deemed by the investor at a later date to be ineligible.

In 2017 Street Capital Bank expanded its products and services to include uninsured mortgages and other financial products, which increased the Bank's exposure to credit risk. The amount, geographic distribution, and other information relating to these mortgages are detailed above in Tables 9, 10 and 11. In order to mitigate the credit risk associated with these products, the Bank 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 Bank 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 2017, the Bank began to securitize and sell, through the CMB program, 10-year insured NHA MBS mortgage loans on multi-unit residential properties. The underlying mortgage loans are closed to prepayment risk, and the Bank enters into third party arrangements to manage its seller swaps, thereby mitigating its interest rate risk. As a result, the Bank transfers control over the mortgage loans, and they are recognized on the Bank's balance sheet only to the extent of the Bank's continuing involvement in the mortgages. This is limited to a retained interest and the obligations and rights associated with servicing the mortgages, and the Bank does not retain any significant risks and rewards associated with the mortgages. The Bank 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. However, as the loans under this program are insured, any funding by the Bank should be recoverable through an insurance claim.

Expected credit losses

Effective January 1, 2018, the Bank adopted *IFRS 9 – Financial Instruments*, which is discussed in more detail in Note 2 of the Company's Q1 2018 unaudited condensed consolidated interim financial statements. IFRS 9 bases the accounting for mortgage and other loan loss impairments on a forward-looking expected credit loss ("ECL") model, rather than the incurred loss approach that was applied under the previous accounting standard, IAS 39. The determination of the ECL at a given date involves significant management judgment, as the calculation depends on the following parameters:

- the probability of default ("PD") – an estimate of the likelihood of default over a specified time horizon;
- the loss given default ("LGD") – an estimate of the loss occurring at the time of default; and
- the exposure at default ("EAD") – an estimate of the exposure at the default date.

The general principle is that an entity's ECL should reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments, and therefore the calculated ECL amount at a given measurement date depends on the entity's identification of increases or decreases in credit risk since initial recognition. This is recorded by the movement of financial instruments among three "stages", as described in Note 2 of the Q1 2018 unaudited condensed consolidated interim financial statements, referenced above.

The identification and assessment of significant increases in credit risk involve significant management judgment. The assessment is made at least quarterly, and incorporates the following factors:

- increases in lifetime PD, compared to PD at initial recognition, measured on an absolute and/or percentage basis;
- qualitative reviews of internally generated credit risk data, to ensure all instruments are appropriately assigned to Stage 1, 2 or 3; and
- identification of all instruments that are 30 days past due, which are migrated to Stage 2 regardless of management's assessment of other credit risk factors.

The adoption of IFRS 9 has changed the way the Bank defines impairment. Under IFRS 9, all loans that are contractually 90 days in arrears are classified as impaired and in Stage 3. Under IAS 39, the evaluation of impairment was generally the same, except that government-sponsored insured mortgages were not considered impaired until they were 365 days past due.

Due to the forward-looking nature of the ECL determined under IFRS 9, it is possible that the Bank's provisions could be both larger, and more volatile, than under IAS 39. However, at this point the Bank's ECL is not material with respect to either its operations or its financial position, as shown below.

Table 14 – Impact of IFRS 9 Adoption on the Bank's provision for credits losses

Upon adoption of IFRS 9, the Bank was required to book an adjustment to increase its ECL, as shown below.

	Allowance per IAS 39 at December 31, 2017				ECL per IFRS 9 at January 1, 2018			
(in thousands of $)	Collective Allowance	Individual Allowance	Total Allowance	Transition Adjustments	Stage 1	Stage 2	Stage 3	Total
Uninsured loans	$ 216	$ 75	$ 291	$ 53	$ 269	$ -	$ 75	$ 344
Insured loans	-	-	-	-	-	-	-	-
	$ 216	$ 75	$ 291	$ 53	$ 269	$ -	$ 75	$ 344

The Bank's ECL on uninsured mortgages at June 30, 2018, as determined under IFRS 9, is as shown below:

Table 15 – Provisions and allowances for credit losses

	Three months ended June 30, 2018			
(in thousands of $)	Stage 1 (Collective)	Stage 2 (Collective)	Stage 3 (Individual)	Total (under IFRS 9)
Uninsured mortgages and loans				
ECL allowance, beginning of period	$ 330	$ -	$ -	$ 330
Net originations	141	-	-	141
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	(184)	184	-	-
Transfers in (out) to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculation	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
ECL allowance, end of period, uninsured mortgages	$ 287	$ 184	$ -	$ 471

	Six months ended June 30, 2018			
(in thousands of $)	Stage 1 (Collective)	Stage 2 (Collective)	Stage 3 (Individual)	Total (under IFRS 9)
Uninsured mortgages and loans				
ECL allowance, beginning of period	$ 269	$ -	$ 75	$ 344
Net originations	202	-	-	202
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	(184)	184	-	-
Transfers in (out) to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculation	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	(75)	(75)
ECL allowance, end of period, uninsured mortgages	$ 287	$ 184	$ -	$ 471

	Three months ended March 31, 2018			
(in thousands of $)	Stage 1 (Collective)	Stage 2 (Collective)	Stage 3 (Individual)	Total (under IFRS 9)
Uninsured mortgages and loans				
ECL allowance, beginning of period	$ 269	$ -	$ 75	$ 344
Net originations	61	-	-	61
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Changes to models and inputs used for ECL calculation	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	(75)	(75)
ECL allowance, end of period, uninsured mortgages	$ 330	$ -	$ -	$ 330

At June 30, 2018 the Bank had not recorded any write-offs in the Street Solutions portfolio, nor had it identified any loans as impaired, and 98.5% of the balance of Street Solutions mortgages were current. The 1.5% identified as being 1 – 30 days in arrears consisted of 12 mortgages, of which 11 had returned to current status as of July 31.

At December 31, 2017, the $0.07 million individual allowance shown above related to a bridge loan that was identified as impaired. The loan was repaid in full in Q1 2018. The Bank has enhanced default management and collection strategies associated with Street Solutions mortgages, as these mortgages carry higher credit risk and higher propensity to default.

At June 30, 2018, there are no expected credit losses on the Bank's securitized mortgage assets as the mortgages are insured against default. No securitized mortgages were impaired at June 30, 2018.

As the Bank launches other financial products, the Bank 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 Bank'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 Bank purchases highly liquid investments in the form of Government of Canada Treasury Bills ("Treasury Bills") and bankers' acceptances. The Bank 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 Bank's credit risk.

The Bank has credit risk associated with specific loans and accounts receivable that are related to its discontinued real estate, asset liquidation and case goods businesses. The carrying value of these loans at June 30, 2018 was $0.5 million (March 31, 2018 - $1.0 million; December 31, 2017 - $1.2 million).

The maximum credit exposures of the financial assets are their carrying values as reflected on the unaudited condensed consolidated interim statements of financial position. The Bank's uninsured mortgages that are held on-balance sheet are concentrated in the province of Ontario. Aside from this, the Bank 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 Bank's cash flows that are associated with loan sales, securitization, lending and deposits, investing, and other business activities. As the 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 Bank 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 Bank currently manages liquidity risk through both daily monitoring and measurement of the Bank'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 Bank'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 Bank's share of servicing fees and excess spread, and, to a lesser extent, securitizations. As described above, the 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 and uninsurable mortgage commitments is limited, as most investors commit to funding at the time of mortgage commitment.

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 Bank'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 Bank'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 Bank'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. In the latter half of 2019, as discussed above under *Business Update and Outlook*, the Bank anticipates diversifying its deposit taking activities with additional deposit products and by offering direct-to-consumer products.

During Q2 2018 the Bank began originating prime uninsurable mortgages through the Bank's network of approved independent mortgage brokers. As the Bank expands its originations of such loans for sale to institutional investors, the Bank will bear the liquidity risk for any loans it may have to reacquire from investors if such loans are deemed by the investor to be ineligible. This could have a material impact on the Bank's liquidity reserves if it is required to repurchase a large amount of loans at once without the ability to replenish its pool of liquid assets. Acquisition due to ineligibility of loans may also compromise the ongoing funding from investors supporting the prime uninsurable lending program and force the Bank to curtail the product offering.

The Company holds liquid assets primarily in the form of cash in bank deposits, and, beginning Q2 2017, as Treasury Bills and bankers' acceptances. At June 30, 2018 the Company had $74.8 million in cash and cash equivalents on deposit with Schedule I Canadian banks (March 31, 2018 - $80.9 million; December 31, 2017 - $89.4 million), and no Treasury Bills and bankers' acceptances.

As an approved NHA MBS issuer, the Bank can also access the NHA MBS market to fund insured mortgages. The Bank'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 Bank's ability to originate mortgages, which could negatively impact future financial results.

At June 30, 2018 the Bank held $5.2 million (March 31, 2018 - $5.2 million; December 31, 2017 - $5.3 million) 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 the Bank are shown in the table below.

Table 16 – Liquid assets (based only on the consolidated subsidiary, Street Capital Bank)

			As at
(in thousands of $)	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**
Deposits with regulated financial institutions	**$ 74,636**	$ 78,746	$ 87,070
Stamped mortgages	**5,208**	5,239	5,270
Total liquid assets	**$ 79,844**	$ 83,985	$ 92,340

The Company periodically receives cash related to its Private Equity business, in connection with the disposition of portfolio investments. As discussed above, in Q2 2018 the sole remaining portfolio investment was sold, and at June 30, 2018 the Company had recorded a receivable of $0.47 million related to its investment as an Limited Partner, and $0.56 million related to its role as KBCP Fund 1's General Partner. The funds were received in July. There were no other receipts during 2018, and no more are expected, as the sale of the investment was effectively the Company's exit from Private Equity.

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. The Bank has a Board-approved market risk management framework that defines strategies and policies that are aligned with the Bank'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 technique. The policies are reviewed at least annually and more often if required by events or changing circumstances.

The Bank'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 Bank is not exposed to material levels of interest rate risk arising from prime insurable or uninsurable 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 Bank 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 Bank 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 the Bank, of sensitivity modelling interest rate increases and decreases during the 12-month period beginning on June 30, 2018. The model is based on a number of assumptions, and actual results could vary from these assumptions should an actual rate change occur.

Table 17 – Net interest income shock (based only on the consolidated subsidiary, Street Capital Bank)

	As at June 30, 2018	
(in thousands of $, except %)	**Increase in interest rates**	**Decrease in interest rates**
100 basis point shift		
Impact on net interest income	**$ 1,394**	**$ (1,908)**
Impact on EVE	**4,807**	**(5,537)**
EVE as a % of shareholders' equity	**3.22%**	**(3.71%)**
200 basis point shift		
Impact on net interest income	**$ 2,778**	**$ (3,869)**
Impact on EVE	**9,408**	**(11,364)**
EVE as a % of shareholders' equity	**6.30%**	**(7.61%)**

Although interest rate risk is concentrated within the Bank's operations, the Company does have legacy items that, while immaterial to overall operations, must also be considered. At June 30, 2018, 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 June 30, 2018 position of the Bank, with regard to the interest rate sensitivity of its assets, liabilities and equity. The information presented is based on the contractual maturity date.

							June 30, 2018
(in thousands of $, except %)	**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	$ -	$ 109,579	$ -	$ 109,579	$ -	$ -	$ 109,579
Weighted Average Contractual Rate	-	1.54%	-	1.54%	-	-	1.54%
Non-securitized mortgages - Street Solutions	-	110,760	251,213	361,973	33,937	(1,266)	394,644
Weighted Average Contractual Rate	-	4.83%	4.83%	4.83%	5.19%	-	4.88%
Non-securitized mortgages - stamped mortgages	-	-	-	-	5,208	-	5,208
Weighted Average Contractual Rate	-	-	-	-	2.55%	-	2.55%
Non-securitized mortgages - other	4,053	298	383	4,734	5,996	79	10,809
Weighted Average Contractual Rate	2.76%	3.99%	3.39%	2.89%	2.97%	-	2.92%
Bridge loans	4,119	-	-	4,119	-	-	4,119
Weighted Average Contractual Rate	8.45%	-	-	8.45%	-	-	8.45%
Securitized mortgages held on-balance sheet	67,734	4,790	15,801	88,325	110,045	1,378	199,748
Weighted Average Contractual Rate	2.95%	3.14%	3.35%	3.04%	2.59%	-	2.77%
Other assets	-	-	-	-	1,200	164,454	165,654
Weighted Average Contractual Rate				-	1.00%	-	0
Total assets	$ 75,906	$ 225,427	$ 267,397	$ 568,730	$ 156,386	$ 164,645	$ 889,761
Weighted Average Contractual Rate	3.24%	3.20%	4.75%	3.93%	3.16%	-	3.07%
Liabilities							
Cashable GICs [2]	$ -	$ 1,708	$ -	$ 1,708	$ -	$ (2)	$ 1,706
Weighted Average Contractual Rate	-	1.12%	-	1.12%	-	-	1.12%
Non-cashable GICs	-	49,978	150,069	200,047	281,274	(1,807)	479,514
Weighted Average Contractual Rate	-	2.20%	2.22%	2.21%	2.58%	-	2.44%
Securitization liabilities	70,211	-	20,961	91,172	110,755	(431)	201,496
Weighted Average Contractual Rate	2.00%	-	2.60%	2.14%	1.73%	-	1.92%
Other liabilities	-	-	-	-	-	105,166	105,166
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	101,879	101,879
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	$ 70,211	$ 51,686	$ 171,030	$ 292,927	$ 392,029	$ 204,805	$ 889,761
Weighted Average Contractual Rate	2.00%	2.16%	2.26%	2.18%	2.34%	-	1.75%
Excess (deficiency) of assets over liabilities and shareholders' equity	$ 5,695	$ 173,741	$ 96,367	$ 275,803	$ (235,643)	$ (40,160)	$ -

[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 Bank 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 the Bank beginning operations as a Schedule I bank. During the second quarter of 2018 the Company exited its sole remaining portfolio investment in return for net proceeds of $1.0 million (March 31, 2018 and December 31, 2017 – net carrying value of $0.3 million). At June 30, 2018 the Company has not begun more complex investing operations, although it expects to do so as the Bank's deposit taking and uninsured lending operations expand.

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 Bank is exposed to an inherently high level of fraud risk through the mortgage origination and underwriting processes. The Bank has quality control and fraud management practices in place to mitigate these risks, which practices and processes are evaluated and modified on an ongoing basis. 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 with respect to updates to Guideline B-20, or through changes in general industry practice, the inherent risk of mortgage fraud such as misrepresentation in mortgage documents can increase. This is particularly the case when income qualification rules are tightened within the current environment of high home prices and increasing interest rates.

Further, the Bank's mortgage sale agreements generally require the Bank to repurchase or substitute mortgages in the event there has been a breach of a representation or warranty made to the mortgage purchaser (generally including situations involving identification of mortgage fraud), and/or to indemnify the mortgage purchaser against any loss it may suffer. Any requirement for the Bank 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 Bank, 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.

As well, the Bank's mortgage lending operations are dependent on a network of mortgage brokers, some of whom may represent a material volume of the Bank's aggregate mortgage originations. If the Bank chooses to cease doing business with any particular broker or brokers as a result of identifying mortgage fraud or any other misrepresentation on the part of the broker, this could have a material adverse effect on the Bank's financial results.

The Bank is aware of the inherently high level of mortgage fraud risk in the mortgage industry and the associated effect of the above risks on its business model, and believes its current practices and processes to prevent and detect mortgage fraud are reasonable. However, even with reasonable and prudent controls in place, operational risks such as fraud cannot be fully mitigated or eliminated and therefore the practices and processes continue to be evaluated and improved as required.

While aware of these and other operational constraints, the Company takes proactive steps to mitigate its operational risk. The Bank has adopted an ERM Framework that includes strategies to manage operational risk, including avoidance, transfer, insurance, acceptance and mitigation by controls.

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 amount of trailer commission on certain products that will be paid in future periods; 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.

The Company adopted *IFRS 9 – Financial Instruments* effective January 1, 2018. Please see the discussion above under *Credit Risk Management*, and a more detailed discussion in Note 2 of the Q1 2018 unaudited condensed consolidated interim financial statements. There were no other changes to accounting policies during Q1 or Q2 2018.

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain items in the comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the Q2 2018 unaudited condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

There were no changes to the Company's internal controls over financial reporting during the period ended June 30, 2018 that have materially affected, or are expected to have a material effect on, the Company's financial reporting.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

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, and ii) fair value adjustments, provisions, and the results of discontinued operations associated with the Company's legacy businesses. The reconciliation of shareholders' net income (loss) to adjusted shareholders' net income (loss), and the resulting adjusted earnings (loss) per share, are presented below. Adjusted diluted earnings (loss) per share is calculated using adjusted net income (loss).

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

(in thousands of $, except per share data)	For the three months ended			For the six months ended	
	June 30, 2018	**March 31, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net income (loss)	**$ 3,306**	$ (1,365)	$ (104)	**$ 1,941**	$ (2,678)
Fair value adjustments (net of non-controlling interest)	**(1,189)**	(153)	(28)	**(1,342)**	(131)
Private equity management expense (net of tax)	**220**	37	137	**257**	238
Restructuring expense (recovery) (net of tax)	**-**	-	1,823	**-**	4,470
Discontinued operations (net of tax)	**-**	-	17	**-**	15
Adjusted net income (loss)	**$ 2,337**	$ (1,481)	$ 1,845	**$ 856**	$ 1,914
Shareholders' diluted earnings (loss) per share	**$ 0.03**	$ (0.01)	$ 0.00	**$ 0.02**	$ (0.02)
Adjusted shareholders' diluted earnings (loss) per share	**$ 0.02**	$ (0.01)	$ 0.02	**$ 0.01**	$ 0.02

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

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

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

(in thousands of $)			**As at**
	June 30, 2018	**March 31, 2018**	**June 30, 2017**
Shareholders' equity	**$ 140,763**	$ 137,056	$ 132,252
Deduct: goodwill from purchase of Street Capital Bank	**(23,465)**	(23,465)	(23,465)
Deduct: intangible assets from purchase of Street Capital Bank	**(3,374)**	(3,497)	(3,867)
Shareholders' tangible equity	**$ 113,924**	$ 110,094	$ 104,920

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

(in thousands of $)	For the three months ended			For the six months ended	
	June 30, 2018	**March 31, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net income (loss)	**$ 3,306**	$ (1,365)	$ (104)	**$ 1,941**	$ (2,678)
Add back: amortization of intangible assets	**123**	124	124	**247**	247
Net income (loss) for return on shareholders' tangible equity	**$ 3,429**	$ (1,241)	$ 20	**$ 2,188**	$ (2,431)
ROTE	**12.2%**	(4.5%)	0.1%	**3.9%**	(4.6%)

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

(in thousands of $)	For the three months ended			For the six months ended	
	June 30, 2018	**March 31, 2018**	**June 30, 2017**	**June 30, 2017**	**June 30, 2017**
Net adjusted income (loss)	**$ 2,337**	$ (1,481)	$ 1,845	**$ 856**	$ 1,914
Add back: amortization of intangible assets	**123**	124	124	**247**	247
Adjusted net income (loss) for return on shareholders' tangible equity	**$ 2,460**	$ (1,357)	$ 1,969	**$ 1,103**	$ 2,161
Adjusted ROTE	**8.8%**	(4.9%)	7.5%	**2.0%**	4.1%

Average beacon

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

Book value per share

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

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.

(in thousands of $)	For the three months ended **June 30, 2018**	 March 31, 2018	 June 30, 2017	For the six months ended **June 30, 2018**	 June 30, 2017
Expenses					
Salaries and benefits	**$ 8,157**	$ 7,729	$ 8,600	**$ 15,886**	$ 15,295
Selling, general and administrative expenses	**5,670**	5,628	5,910	**11,298**	10,776
Restructuring expense (recovery)	**-**	-	2,479	**-**	6,079
Total expenses	**13,827**	13,357	16,989	**27,184**	32,150
Deduct: restructuring expense	**-**	-	(2,479)	**-**	(6,079)
Add: restructuring recovery	**-**	-	-	**-**	-
Adjusted operating expenses	**$ 13,827**	$ 13,357	$ 14,510	**$ 27,184**	$ 26,071

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, which 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. Upon adoption of IFRS 9, the Bank considers uninsured and insured mortgage loans to be impaired when they are more than 90 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.

Prime uninsurable mortgage loans

A prime uninsurable mortgage loan is a mortgage transaction that is ineligible for either individual or portfolio insurance. Uninsurable mortgage loans include re-finances of existing mortgages, mortgages greater than $1 million, mortgages with amortization periods greater than 25 years, purchased or transferred loans, and many mortgages on small multi-unit residential properties.

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.