STREET CAPITAL
GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS UNAUDITED

SEPTEMBER 30, 2018

TABLE OF CONTENTS **PAGE**

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Financial Position	**2**
Condensed Consolidated Interim Statements of Operations	**3**
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)	**4**
Condensed Consolidated Interim Statements of Changes in Equity	**5**
Condensed Consolidated Interim Statements of Cash Flows	**6**

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 – Corporate information	**7**
Note 2 – Basis of preparation and significant accounting policies	**7**
Note 3 – Cash and cash equivalents, restricted cash, and securities	**12**
Note 4 – Prime single-family mortgage sale activity	**13**
Note 5 – Mortgages under administration	**14**
Note 6 – Non-securitized mortgages and loans	**15**
Note 7 – Provisions and allowances for credit losses	**18**
Note 8 – Securitization activity	**20**
Note 9 – Deposits	**23**
Note 10 – Other interest income, fee income, and other income	**24**
Note 11 – Other assets	**25**
Note 12 – Goodwill and intangible assets	**25**
Note 13 – Accounts payable and accrued liabilities	**27**
Note 14 – Loans payable	**27**
Note 15 – Commitments and contingencies	**27**
Note 16 – Financial instruments	**28**
Note 17 – Financial risk management	**30**
Note 18 – Share capital and share-based compensation	**31**
Note 19 – Related party transactions	**33**
Note 20 – Capital management	**35**
Note 21 – Net earnings (loss) per share	**36**
Note 22 – Interest rate sensitivity	**37**
Note 23 – Income taxes	**38**
Note 24 – Discontinued operations and non-controlling interest	**38**
Note 25 – Subsequent events	**38**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018, JUNE 30, 2018 AND DECEMBER 31, 2017

(In thousands of Canadian dollars) Unaudited

	Notes	September 30, 2018	June 30, 2018	December 31, 2017
		$	$	$
Assets				
Cash and cash equivalents	3	**77,529**	74,821	89,414
Restricted cash	3	**17,437**	34,944	35,543
Securities	3	**7,414**	-	-
Non-securitized mortgage loans	6	**486,738**	414,780	214,063
Securitized mortgage loans	8	**193,202**	199,748	220,774
Deferred placement fees receivable	4	**50,187**	51,024	52,325
Prepaid portfolio insurance	4	**77,251**	79,190	82,511
Deferred income tax assets		**13,062**	14,697	14,568
Other assets	11	**27,217**	32,984	23,826
Intangible assets	12	**4,533**	4,714	4,961
Goodwill	12	**23,465**	23,465	23,465
Total assets		**978,035**	930,367	761,450
Liabilities				
Deposits	9	**555,848**	481,220	292,976
Loans payable	14	**4,107**	4,160	4,039
Securitization liabilities	8	**193,056**	201,496	221,594
Accounts payable and accrued liabilities	13	**45,126**	62,951	64,840
Deferred income tax liabilities		**47,247**	46,869	45,889
Total liabilities		**845,384**	796,696	629,338
Shareholders' equity				
Share capital	18	**243,417**	243,417	243,417
Contributed surplus		**62,995**	62,633	61,920
Accumulated other comprehensive income (loss)		**(21)**	-	-
Retained earnings (deficit)		**(166,648)**	(165,287)	(167,175)
Total shareholders' equity		**139,743**	140,763	138,162
Non-controlling interest	24	**(7,092)**	(7,092)	(6,050)
Total equity		**132,651**	133,671	132,112
Total liabilities and equity		**978,035**	930,367	761,450

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Canadian dollars, except per share data) Unaudited

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
		$	$	$	$
Revenue					
Gain on sale of mortgages		**26,075**	39,531	**78,077**	103,695
Acquisition costs		**(15,118)**	(20,819)	**(43,368)**	(57,244)
Net gain on sale of mortgages	4	**10,957**	18,712	**34,709**	46,451
Interest income - non-securitized assets		**6,324**	1,164	**14,840**	1,544
Interest expense - deposits and other		**(3,556)**	(891)	**(8,514)**	(1,450)
Net interest income - non-securitized assets		**2,768**	273	**6,326**	94
Provision for credit losses	7	**(67)**	(136)	**(193)**	(136)
Net interest income - non-securitized		**2,701**	137	**6,133**	(42)
Interest income - securitized mortgages		**1,270**	1,393	**3,998**	4,423
Interest expense - securitization liabilities		**(1,067)**	(1,153)	**(3,267)**	(3,624)
Net interest income - securitized mortgages		**203**	240	**731**	799
Total net interest income		**2,904**	377	**6,864**	757
Fee and other income	10	**159**	827	**1,081**	1,161
Total revenue		**14,020**	19,916	**42,654**	48,369
Expenses					
Salaries and benefits		**7,379**	8,790	**23,265**	24,085
Selling, general and administrative expenses		**5,971**	5,031	**17,269**	15,807
Restructuring costs		**-**	477	**-**	6,556
Total expenses		**13,350**	14,298	**40,534**	46,448
Income before fair value adjustments		**670**	5,618	**2,120**	1,921
Fair value adjustments		**(11)**	(610)	**2,846**	(529)
Income before income taxes and discontinued operations		**659**	5,008	**4,966**	1,392
Income tax expense	23	**2,020**	1,724	**2,871**	821
Income (loss) from continuing operations		**(1,361)**	3,284	**2,095**	571
Income (loss) from discontinued operations	24	**-**	-	**-**	(15)
Net income (loss)		**(1,361)**	3,284	**2,095**	556
Net income (loss) attributable to non-controlling interest	24	**-**	(447)	**1,515**	(497)
Net income (loss) attributable to shareholders		**(1,361)**	3,731	**580**	1,053
Basic and diluted earnings (loss) per share					
Continuing operations	21	**$ (0.01)**	$ 0.03	**$ 0.00**	$ 0.01
Discontinued operations		**0.00**	0.00	**0.00**	0.00
Basic and diluted earnings (loss) per share		**$ (0.01)**	$ 0.03	**$ 0.00**	$ 0.01
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**122,184**	122,039	**122,184**	121,747

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Canadian dollars) Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	$	$	$	$
Net income (loss)	**(1,361)**	3,284	**2,095**	556
Other comprehensive income (loss)				
Net unrealized losses due to changes in fair value of securities	**(28)**	-	**(28)**	-
Income tax expense (recovery)	**(7)**	-	**(7)**	-
Net other comprehensive income (loss)	**(21)**	-	**(21)**	-
Comprehensive income (loss)	**(1,382)**	3,284	**2,074**	556
Comprehensive income (loss) attributable to:				
Shareholders	**(1,382)**	3,731	**559**	1,053
Non-controlling interest	-	(447)	**1,515**	(497)
Comprehensive income (loss)	**(1,382)**	3,284	**2,074**	556

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Canadian dollars) Unaudited

	Attributable to shareholders of the Company						
	Share capital (Note 18)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest (Note 24)	Total equity
	$	$	$	$	$	$	$
Balance - December 31, 2016	242,526	61,433	(169,467)	-	134,492	(4,183)	130,309
Net income (loss)	-	-	1,053	-	1,053	(497)	556
Exercise of stock options	891	(382)	-	-	509	-	509
Share-based compensation	-	536	-	-	536	-	536
Net reduction in non-controlling interest investment	-	-	-	-	-	(1,101)	(1,101)
Balance - September 30, 2017	243,417	61,587	(168,414)	-	136,590	(5,781)	130,809
Balance - December 31, 2017 - under IAS 39	**243,417**	**61,920**	**(167,175)**		**138,162**	**(6,050)**	**132,112**
Impact of adopting IFRS 9 at January 1, 2018	-	-	**(53)**		**(53)**	-	**(53)**
Balance - January 1, 2018 - under IFRS 9	**243,417**	**61,920**	**(167,228)**	-	**138,109**	**(6,050)**	**132,059**
Net income (loss)	-	-	**580**	**(21)**	**559**	**1,515**	**2,074**
Share-based compensation	-	**1,075**	-	-	**1,075**	-	**1,075**
Net reduction in non-controlling interest investment	-	-	-	-	-	**(2,557)**	**(2,557)**
Balance - September 30, 2018	**243,417**	**62,995**	**(166,648)**	**(21)**	**139,743**	**(7,092)**	**132,651**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Canadian dollars) Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	$	$	$	$
Operating activities				
Income (loss) from continuing operations	**(1,361)**	3,284	**2,095**	571
Non-cash items				
Deferred income taxes	**2,020**	1,723	**2,871**	820
Foreign exchange on loans payable	**(53)**	(120)	**96**	(228)
Depreciation and amortization	**532**	587	**1,628**	1,723
Fair value adjustments	**11**	610	**(1,331)**	529
Provision for credit losses	**67**	136	**193**	136
Share-based compensation	**362**	470	**1,075**	536
Write off of certain development costs	**-**	-	**-**	378
Other losses	**-**	3	**386**	61
Changes in operating assets and liabilities				
Restricted cash	**17,507**	10,492	**18,106**	7,822
Non-securitized mortgage loans	**(72,025)**	(127,038)	**(272,921)**	(146,459)
Securitized mortgage loans	**6,546**	10,814	**27,572**	34,041
Deferred placement fees receivable	**837**	(1,722)	**2,138**	(831)
Prepaid portfolio insurance	**1,939**	(1,548)	**5,260**	(2,507)
Other assets	**4,500**	2,730	**(4,683)**	(6,994)
Deposits	**74,628**	126,157	**262,872**	198,344
Bank facilities	**-**	-	**-**	(3,400)
Securitization liabilities	**(8,440)**	(10,064)	**(28,538)**	(33,403)
Restructuring accruals	**(464)**	(1,004)	**(5,329)**	3,026
Other accounts payable and accrued liabilities	**(17,361)**	(11,884)	**(14,385)**	(5,735)
Cash provided by (used in) continuing operations	**9,245**	3,626	**(2,895)**	48,430
Cash provided by discontinued operations	**-**	-	**339**	214
Cash provided by (used in) operating activities	**9,245**	3,626	**(2,556)**	48,644
Investing activities				
Purchase of capital assets	**(56)**	(181)	**(2,573)**	(483)
Purchase of intangible assets	**(66)**	(27)	**(335)**	(723)
Purchase of investments	**(7,442)**	-	**(7,442)**	-
Proceeds from sale of artwork	**-**	2	**22**	196
Net distributions from portfolio investments	**1,027**	-	**1,027**	214
Cash used in investing activities	**(6,537)**	(206)	**(9,301)**	(796)
Financing activities				
Exercise of stock options	**-**	137	**-**	509
Repayments of loans payable	**-**	-	**(28)**	-
Cash provided by (used in) financing activities	**-**	137	**(28)**	509
Increase (decrease) in cash and cash equivalents	**2,708**	3,557	**(11,885)**	48,357
Cash and cash equivalents - beginning of period	**74,821**	48,571	**89,414**	3,771
Cash and cash equivalents - end of period	**77,529**	52,128	**77,529**	52,128
Supplementary information				
Cash paid and received during the period				
Interest received	**7,305**	2,470	**18,175**	6,497
Interest paid	**3,082**	2,171	**6,870**	5,281
Income taxes paid (tax refunds received)	**-**	-	**-**	3

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

(In thousands of Canadian dollars, except per share data, or where specified) Unaudited

1. Corporate information

Street Capital Group Inc. ("Street Capital" or "the Company") is a public corporation traded on the Toronto Stock Exchange under the ticker symbol "SCB". The Company was incorporated in the province of Ontario in 1979. The address of its registered office is 1 Yonge Street, Suite 2401, Toronto, Ontario, M5E 1E5.

The Company's principal operations are as a mortgage lending business through its only significant subsidiary, Street Capital Bank of Canada ("Street Capital Bank" or "the Bank", formerly "Street Capital Financial Corporation"). Street Capital Financial Corporation received a Schedule I bank license in December 2016 and began banking operations on February 1, 2017. It operates as Street Capital Bank of Canada in English and Street Capital Banque du Canada in French. The Bank's head office is located in Toronto. The origination and sale of prime insurable mortgages remains the Company's primary business, but during 2017 its operations expanded to include deposit taking and on-balance sheet mortgage lending.

The Company formerly controlled a private equity business ("Private Equity") through a wholly owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"). Knight's Bridge was responsible for managing a private equity investment fund ("KBCP Fund I"), the legal entity that held the Company's Private Equity portfolio investments. As referenced in Note 11, in June 2018 KBCP Fund I sold its only remaining investment and has been effectively liquidated. The Company participated in the liquidation as both a Limited Partner ("LP") and a General Partner ("GP").

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 14, 2018.

2. Basis of preparation and significant accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (the "IASB"), and therefore do not include all information presented in full annual financial statements. These unaudited condensed consolidated interim financial statements should therefore be read in conjunction with the Company's audited consolidated financial statements as at, and for the year ended, December 31, 2017, as set out in the Company's annual report. The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and in effect at December 31, 2017. Except as discussed below, under *Changes in, and adoption of, accounting policies*, the accounting policies that the Company applied in its annual audited consolidated financial statements as at, and for the year ended, December 31, 2017 have not changed. These policies are disclosed in Note 3 of those financial statements, to which reference should be made in reading these unaudited condensed consolidated interim financial statements.

The Company's functional and presentation currency is Canadian dollars.

Certain items in the comparative audited consolidated financial statements and the comparative unaudited condensed consolidated interim financial statements have been reclassified from statements previously presented. This is to ensure conformity with the presentation of the Q3 2018 unaudited condensed consolidated interim financial statements.

Principles of consolidation

The unaudited condensed consolidated interim financial statements include the assets, liabilities and results of operations of the Company and its consolidated subsidiaries, which are entities over which the Company has control. Control exists when the Company has exposure to variable returns from its investment in the investee, along with the power, directly or indirectly, to govern the financial and operating policies of the investee so as to affect its returns. Non-controlling interests in the equity and results of the Company's subsidiaries are shown separately in the unaudited condensed consolidated interim statement of changes in shareholders' equity. Intercompany balances and transactions among the Company and its subsidiaries are eliminated on consolidation.

Changes in, and adoption of, accounting policies

(1) IFRS 9 and IFRS 7

Effective January 1, 2018, the Company adopted *IFRS 9 – Financial Instruments* ("IFRS 9"), which replaces *IAS 39 – Financial Instruments: Recognition and Measurement* ("IAS 39"). As required, the Company also adopted amendments to *IFRS 7 – Financial Instruments: Disclosures* ("IFRS 7"), which requires more extensive disclosures relating to such areas as classification, impairment and hedge accounting. As permitted by IFRS 9's transition provisions, the Company has not restated its prior period comparative consolidated financial statements, which were prepared under IAS 39 and therefore are not comparable to the current year's information. Adjustments to the carrying amounts of financial assets and liabilities at January 1, 2018 have been recognized in the current year's opening balance of the Company's equity. These adjustments, and other detail regarding the Company's adoption of IFRS 9, are discussed in Note 2 of the Company's unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2018, which are available on SEDAR at *sedar.com* and also on the Company's website.

(2) IFRS 15

Effective January 1, 2018 the Company adopted *IFRS 15 – Revenue from Contracts with Customers* ("IFRS 15"), which supersedes all previous revenue recognition requirements under IFRS. The standard establishes a single, five-step, structured model for recognizing revenue from contracts with customers.

The adoption of IFRS 15 had no impact on the Company's accounting for revenue recognition, in either the current period or via the permitted retrospective application. The Company earns the majority of its revenue from financial instruments, which are accounted for under IFRS 9, which was also adopted on January 1, 2018. The Company has made minor changes to its disclosures in order to identify revenue that is within the scope of IFRS 15.

(3) Restricted share unit plan

As discussed below in *Note 18 – Share capital and share-based compensation*, during the first three months of 2018 the Company introduced a restricted share unit plan (the "RSU Plan"), and granted a total of 615,436 RSUs to officers and senior management. The RSUs vest over three years and are cash settled, with payout occurring in three equal tranches at the end of each of the three anniversaries following the grant date. The expense corresponding to the grant date fair value is recognized over the vesting term, and is calculated in the same manner as the expense for stock option grants. The expense is recognized as a component of Salaries and benefits, and the offsetting credit is recorded as Compensation payable. At the end of each period, the amount of the accrued compensation liability is revalued based on the current value of the RSUs, with the offsetting adjustment recorded as a component of Salaries and benefits.

(4) Investment in securities

During the third quarter of 2018, the Company invested in Canada Housing Trust mortgage-backed securities ("CMBs") having a par value of $7.5 million and maturing June 15, 2023. The Company's policy is to use trade date to account for the purchase and sale of securities. The CMBs are held within a business model that includes the objectives of both i) collection of contractual principal and interest payments, which are the only cash flows associated with these securities (solely payments of principal and interest, or "SPPI"); and ii) sale of the instrument. Under IFRS 9 the CMBs are therefore classified as fair value through other comprehensive income ("FVOCI"). At each balance sheet date, the fair value of the CMBs is determined by reference to the published market value at that date. The CMBs are considered to be a component of the Company's liquid assets, and are reported separately on the consolidated statements of financial position. Changes in fair value are reported in the consolidated statements of comprehensive income.

Use of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS 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 revenues and expenses during the reporting period. Key areas of such 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 Canada Mortgage Bond ("CMB") securitizations and intangible assets and goodwill; valuation of securities and other investments; and accounting for deferred income taxes.

Management reviews its estimates, assumptions and judgments on an ongoing basis, and at least quarterly. 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.

Credit losses and non-impaired loans

(i) Allowances and provisions

As discussed in Note 2 of the Company's unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2018, referenced above, the determination of the Company's expected credit losses ("ECLs") is a complex calculation that depends on several highly related variables, and is subject to significant management judgment.

(ii) Impairment

Loans are considered impaired when the Company is no longer assured of timely collection of the full amount of principal and interest, which requires judgment of indicators of impairment.

Valuation of assets

The measurement of deferred placement fees receivable represents management's best estimate of expected future cash flows. It therefore requires significant judgment with respect to assumptions about the duration of the underlying assets on which the fees are based, particularly assumptions relating to mortgage prepayment rates.

The residual value of prepaid portfolio insurance represents management's best estimate of both the duration and the future value of the asset. It therefore requires significant management judgment with respect to assumptions about prepayment and renewal behaviors.

The measurement of the retained interest on a CMB securitization represents management's best estimate of expected future cash flows. Although the mortgage term is fixed, the amount recorded as a receivable requires judgment with respect to assumptions about the discount factors applied to measure the value of the cash flows.

The reported values of intangible assets and capital assets represent management's best estimate of their fair values at acquisition, less accumulated amortization. The amortization period of intangible assets and capital assets corresponds to management's best estimate of their useful lives. Goodwill is determined as part of a business combination and is the residual amount that results from management's best estimate of the fair values of the acquired assets and liabilities.

The reported values of securities and other investments represent management's best estimate of their fair values at a given reporting date. In the case of publicly traded securities, the fair value is the published market value.

Variable mortgage broker compensation

The Company has various broker compensation programs in place, some of which are based on a broker's volume of business over the entire fiscal year. At each balance sheet date, management must exercise judgement in determining and recording the amount of compensation that will be payable.

Loyalty program renewal commissions

The Company has an obligation to pay trailer commissions on certain mortgage renewals, subject to conditions relating to both brokers and customers. At each balance sheet date, management must exercise judgement in estimating the actual liability that will be payable, including consideration of prepayment rates and the discount rate used to determine the present value of the liability.

Variable employee compensation

The Company's employees, including its officers and senior managers, have a significant portion of their compensation "at risk", since it is linked to both the Company's financial performance and the achievement of personal objectives. Management must regularly evaluate the factors contributing to variable employee compensation and exercise judgement in its estimation of the amount that will be payable.

Income taxes

The determination of the Company's deferred income tax assets and liabilities requires significant management judgment, as the recognition is dependent on management's projection of future taxable profits and the tax rates expected to be in effect in the periods in which the assets are realized or the liabilities are settled.

Derecognition

A significant portion of the Company's operations involves the transfer of mortgage loans to third parties, through either whole loan sales or participation in securitization programs. Management therefore must apply significant judgment with respect to its accounting policies related to derecognition of the transferred mortgage loans. This judgment is particularly required with respect to the evaluation of the extent of the Company's continuing involvement with, and/or exposure to, the risks and rewards of the loans.

In the case of whole loan sales of prime insurable or uninsurable mortgages, management has determined that it has transferred substantially all of the risks and rewards of ownership of the mortgage loans to the purchaser, and it therefore derecognizes the mortgage loans.

In cases where the Company securitizes and sells multi-unit residential securities ("MURS") through the CMB program, the associated mortgages are recognized on the Company's balance sheet only to the extent of the Company's continuing involvement in the mortgages. This is limited to a retained interest associated with the future cash flows, and the obligations and rights associated with servicing the mortgages. Management's judgment is that the risks and rewards of the loans are fully transferred to third parties, because a) the loans are closed to prepayment, and there is no prepayment risk associated with either the retained interest or loan servicing, and b) the Company enters into arrangements with third parties to manage interest rate risk associated with the CMB seller swap. The loans are therefore effectively derecognized when securitized and sold.

In cases where the Company securitizes prime single family residential mortgage loans through the National Housing Act Mortgage Backed Securities ("NHA MBS") program, management's judgment is that the Company retains some risks, particularly prepayment risk, rather than transferring significantly all of the associated risks and rewards of ownership. The loans are therefore not derecognized upon sale of the MBS.

Future accounting changes

IFRS 16 – Leases

In January 2016 the IASB issued IFRS 16 – Leases ("IFRS 16"), which supersedes IAS 17 - Leases and its interpretive guidance. The standard applies a control model to the identification of leases, and distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The most significant changes are to lessee accounting, since the standard removes the distinction between operating and finance leases, and requires assets and liabilities to be recognized for all leases, with limited exceptions. The standard does not significantly change the accounting by lessors. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that have also adopted IFRS 15. The Company will not be early adopting IFRS 16.

Implementation of IFRS 16 is expected to result in changes to the consolidated statements of financial position in the form of right of use assets and associated lease obligations. The Company's assessment of the impact of the new standard on its results of operations, financial position and disclosures is in progress. At the date of these financial statements, the Company has reviewed its existing leases and contracts in order to determine those that will be impacted by adoption of IFRS 16. Based on its current assessment, the Company does not expect the financial impact of adopting the new standard will be material to its financial position or results of operations.

3. Cash and cash equivalents, restricted cash, and securities

The Company had the following cash and cash equivalents, and restricted cash, as at September 30, 2018, June 30, 2018 and December 31, 2017:

	September 30, 2018	June 30, 2018	December 31, 2017
Cash on deposit with regulated financial institutions	**$ 77,529**	$ 74,821	$ 89,414
Cash and cash equivalents	**$ 77,529**	$ 74,821	$ 89,414
Restricted cash - servicing	**$ 14,735**	$ 30,413	$ 31,621
Restricted cash - securitization	**2,702**	4,531	3,922
Total restricted cash	**$ 17,437**	$ 34,944	$ 35,543
Canada Trust Housing mortgage-backed securities	**$ 7,414**	$ -	$ -
Securities	**$ 7,414**	$ -	$ -

Restricted cash - servicing consists of mortgage loan repayments collected on behalf of mortgage servicers.

Restricted cash - securitization consists of cash collected that has not yet been allocated to securitization liabilities, and accrued interest from mortgage loan repayments collected in connection with securitization activities.

Securities - securities consist of publicly traded Canada Housing Trust mortgage-backed securities ("CMBs"), par value $7.5 million, maturing June 15, 2023. They are considered part of the Company's liquid assets. At September 30, 2018 the accumulated OCI relating to the CMBs was an unrealized loss of $0.02 million, net of tax.

4. Prime single-family mortgage sale activity

(a) Gain on sale of mortgages

The Company originates mortgages that are sold to institutional investors, primarily at the point of commitment. Upon sale, the investors assume the contractual right to receive the associated mortgage cash flows. Since the Company transfers substantially all of the risks and rewards of ownership of these mortgages, they are not included in the consolidated statements of financial position, and the Company recognizes income from multiple sources when the mortgage is funded:

- a cash premium;
- a servicing fee that is received over the remaining life of the mortgage;
- in some cases, an excess interest rate spread over the remaining life of the mortgage;
- accrued interest.

The present value of (i) the difference between the servicing fee and fair value of servicing, and (ii) the excess spread, is recorded as Gain on sale of mortgages in the consolidated statements of operations and as Deferred placement fees receivable in the consolidated statements of financial position. When an excess interest rate spread is received over the remaining term of the mortgage, the present value of the spread, calculated based on a duration factor of the underlying mortgage sold, is recognized as Gain on sale of mortgages in the consolidated statements of operations. An associated Deferred placement fee receivable is recognized in the consolidated statements of financial position.

The table below presents the prime mortgages sold and the associated gain on sale for the three and nine months ended September 30.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Mortgages sold - new	**$ 1,005,705**	$ 1,521,342	**$ 2,894,125**	$ 4,234,529
Mortgages sold - renewals	**695,609**	560,423	**1,983,125**	1,328,187
Mortgages sold - total	**$ 1,701,314**	$ 2,081,765	**$ 4,877,250**	$ 5,562,716
Cash premium at sale	**$ 21,735**	$ 32,925	**$ 64,630**	$ 88,597
Deferred gain on sale	**4,340**	6,606	**13,447**	15,098
Acquisition costs	**(15,118)**	(20,819)	**(43,368)**	(57,244)
Net gain on sale of mortgages	**$ 10,957**	$ 18,712	**$ 34,709**	$ 46,451
% Gain	**0.64%**	0.90%	**0.71%**	0.84%

(b) Deferred placement fees receivable

The difference between the cash collected and the amortization of the deferred placement fees receivable is recognized as a component of Fee and other income in the consolidated statements of operations. The net deferred placement fees receivable at September 30, 2018, June 30, 2018 and December 31, 2017 are shown below.

	September 30, 2018	**June 30, 2018**	**December 31, 2017**
Fees capitalized at sale	**$ 159,103**	$ 154,865	$ 145,819
Accumulated amortization	**(108,916)**	(103,841)	(93,494)
Net book value	**$ 50,187**	$ 51,024	$ 52,325

In the second quarter of 2017 the Company renegotiated the terms with one of its servicers, resulting in a reduction in the cost of servicing. This reduction in fees is being recognized over time as servicing income. Please see Note 10 for more information regarding servicing fees.

(c) Prepaid portfolio insurance

Prepaid portfolio insurance is amortized into income over a maximum period of 15 years, using a declining balance method that estimates the pattern of consumption based on management's assumptions about prepayments and renewals of the underlying insured mortgages.

The net unamortized amount of prepaid portfolio insurance at September 30, 2018, June 30, 2018 and December 31, 2017 is shown below, together with a continuity schedule for the three months ended September 30, 2018, June 30, 2018 and December 31, 2017.

	September 30, 2018	June 30, 2018	December 31, 2017
Insurance capitalized at purchase	**$ 119,314**	$ 118,636	$ 116,726
Accumulated amortization	**(42,063)**	(39,446)	(34,215)
Net book value	**$ 77,251**	$ 79,190	$ 82,511

	Three months ended		
	September 30, 2018	June 30, 2018	December 31, 2017
Balance, beginning of period	**$ 79,190**	$ 81,157	$ 81,556
Capitalized at purchase	**678**	654	3,538
Amortization during the period	**(2,617)**	(2,621)	(2,583)
Balance, end of period	**$ 77,251**	$ 79,190	$ 82,511

5. Mortgages under administration

Mortgages under administration include all mortgages that are administered by the Company:

- the mortgages purchased by investors;
- the mortgages securitized as NHA MBS or CMB;
- the stamped mortgages that the Company has securitized but not sold; and
- the mortgages that the Company holds on-balance sheet, primarily consisting of uninsured mortgage loans.

At September 30, 2018, total mortgages under administration amounted to $27.64 billion (June 30, 2018 - $27.90 billion; December 31, 2017 - $28.02 billion).

6. Non-securitized mortgages and loans

(a) Mortgages receivable

The composition of Non-Securitized Mortgages and Loans at September 30, 2018, June 30, 2018 and December 31, 2017 is shown below.

	Under IFRS 9	Under IFRS 9	Under IAS 39
	September 30, 2018	**June 30, 2018**	**December 31, 2017**
Street Solutions mortgage loans	**$ 460,784**	$ 395,115	$ 201,020
Allowance for expected credit losses	**(538)**	(471)	(216)
Street Solutions mortgage loans, net	**$ 460,246**	$ 394,644	$ 200,804
Stamped mortgages	**14,162**	5,208	5,270
Other non-securitized mortgage loans	**9,510**	10,809	6,662
Bridge loans - secured	**1,820**	1,930	1,152
Allowance for impaired loan	**-**	-	(75)
Bridge loans - secured - net	**1,820**	1,930	1,077
Bridge loans - unsecured	**1,000**	2,189	250
Total non-securitized mortgages and loans	**$ 486,738**	$ 414,780	$ 214,063

Street Solutions mortgage loans are the Company's uninsured mortgage loan program.

Stamped mortgages are prime insured mortgages that have been securitized but not sold to third parties. Although the Company includes these loans in its liquidity pool as they are readily convertible to cash, in the ordinary course of business the Company intends to hold them to maturity.

Other non-securitized mortgage loans are prime insured or insurable mortgages that are held on balance sheet.

(b) Maturity profile

The principal balances of the non-securitized loans have maturities up to 5 years, as shown below.

								September 30, 2018
		Within 1 year		**1 - 3 years**		**3 - 5 years**		**Total**
Street Solutions mortgages	**$**	**435,625**	**$**	**24,878**	**$**	**1,087**	**$**	**461,590**
Stamped mortgages		**-**		**149**		**14,013**		**14,162**
Other non-securitized mortgages		**655**		**1,994**		**6,861**		**9,510**
Bridge loans - secured		**1,820**		**-**		**-**		**1,820**
Bridge loans - unsecured		**1,000**		**-**		**-**		**1,000**
Total non-securitized loans	**$**	**439,100**	**$**	**27,021**	**$**	**21,961**	**$**	**488,082**

								June 30, 2018
		Within 1 year		**1 - 3 years**		**3 - 5 years**		**Total**
Street Solutions mortgages	$	361,973	$	32,845	$	1,092	$	395,910
Stamped mortgages		-		-		5,208		5,208
Other non-securitized mortgages		959		1,181		8,590		10,730
Bridge loans - secured		1,930		-		-		1,930
Bridge loans - unsecured		2,189		-		-		2,189
Total non-securitized loans	$	367,051	$	34,026	$	14,890	$	415,967

								December 31, 2017
		Within 1 year		**1 - 3 years**		**3 - 5 years**		**Total**
Street Solutions mortgages	$	168,928	$	31,748	$	749	$	201,425
Stamped mortgages		-		-		5,270		5,270
Other non-securitized mortgages		818		152		5,602		6,572
Bridge loans - secured		1,152		-		-		1,152
Bridge loans - unsecured		250		-		-		250
Total non-securitized loans	$	171,148	$	31,900	$	11,621	$	214,669

(c) Mortgage continuity and credit migration

The following tables show the continuity and credit migration of the principal balances of the Company's Street Solutions mortgage loans over the three and nine months ended September 30, 2018, and the six months ended June 30, 2018.

	Three months ended September 30, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions				
Gross carrying amount, beginning of period	**$ 368,643**	**$ 27,267**	**$ -**	**$ 395,910**
Mortgages issued, net of repayments and other derecognitions	**78,319**	**(12,639)**	**-**	**65,680**
Transfers in (out) to Stage 2	**(39,364)**	**39,364**	**-**	**-**
Transfers in (out) to Stage 3	**(483)**	**-**	**483**	**-**
Write-offs	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Gross carrying amount, end of period	**$ 407,115**	**$ 53,992**	**$ 483**	**$ 461,590**

	Nine months ended September 30, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions				
Gross carrying amount, beginning of period	**$ 201,425**	**$ -**	**$ -**	**$ 201,425**
Mortgages issued, net of repayments and other derecognitions	**272,804**	**(12,639)**	**-**	**260,165**
Transfers in (out) to Stage 2	**(66,631)**	**66,631**	**-**	**-**
Transfers in (out) to Stage 3	**(483)**	**-**	**483**	**-**
Write-offs	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Gross carrying amount, end of period	**$ 407,115**	**$ 53,992**	**$ 483**	**$ 461,590**

	Six months ended June 30, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions				
Gross carrying amount, beginning of period	$ 201,425	$ -	$ -	$ 201,425
Mortgages issued, net of repayments and other derecognitions	194,485	-	-	194,485
Transfers in (out) to Stage 2	(27,267)	27,267	-	-
Transfers in (out) to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Gross carrying amount, end of period	$ 368,643	$ 27,267	$ -	$ 395,910

(d) Aging and impairment – non-securitized mortgage loans

Aging tables for the outstanding principal balances of the non-securitized mortgage loans are shown below.

												September 30, 2018
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Street Solutions mortgages	**$**	**455,405**	**$**	**5,702**	**$**	**-**	**$**	**-**	**$**	**483**	**$**	**461,590**
Stamped mortgages		**14,162**		**-**		**-**		**-**		**-**		**14,162**
Other non-securitized mortgages		**9,510**		**-**		**-**		**-**		**-**		**9,510**
Bridge loans - secured		**1,820**		**-**		**-**		**-**		**-**		**1,820**
Bridge loans - unsecured		**1,000**		**-**		**-**		**-**		**-**		**1,000**
Total non-securitized loans	**$**	**481,897**	**$**	**5,702**	**$**	**-**	**$**	**-**	**$**	**483**	**$**	**488,082**

												June 30, 2018
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Street Solutions mortgages	$	389,287	$	6,623	$	-	$	-	$	-	$	395,910
Stamped mortgages		5,208		-		-		-		-		5,208
Other non-securitized mortgages		10,554		176		-		-		-		10,730
Bridge loans - secured		1,930		-		-		-		-		1,930
Bridge loans - unsecured		2,189		-		-		-		-		2,189
Total non-securitized loans	$	409,168	$	6,799	$	-	$	-	$	-	$	415,967

												December 31, 2017
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Street Solutions mortgages	$	201,425	$	-	$	-	$	-	$	-	$	201,425
Stamped mortgages		5,270		-		-		-		-		5,270
Other non-securitized mortgages		6,572		-		-		-		-		6,572
Bridge loans - secured		836		-		-		-		161		997
Bridge loans - unsecured		250		-		-		-		-		250
Total non-securitized loans	$	214,353	$	-	$	-	$	-	$	161	$	214,514

Upon adoption of IFRS 9 on January 1, 2018, 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.

7. Provisions and allowances for credit losses

The following table provides a reconciliation of the opening balance to the closing balance of the ECL allowance under IFRS 9, over the periods from January 1, 2018 to September 30, 2018. The Company has determined that no allowance for insured mortgages was required at either January 1, 2018 or September 30, 2018. The reconciling items shown below comprise the following components:

- net originations, which reflects both the increase in the allowance related to mortgages originated during the period, and the decrease in the allowance related to mortgages derecognized during the period that did not incur a credit loss;
- transfers between stages, which are assumed to occur prior to any corresponding remeasurement of the allowance;
- the impact of changes to the ECLs models and their inputs, including changes related to modifications of forward-looking indicators, which include macroeconomic conditions;
- write-offs of mortgages deemed uncollectible; and
- recoveries.

	Three months ended September 30, 2018			
	Stage 1 (Collective)	Stage 2 (Collective)	Stage 3 (Individual)	Total (under IFRS 9)
Uninsured mortgages and loans				
ECL allowance, beginning of period	$ 287	$ 184	$ -	$ 471
Net originations	76	(85)	-	(9)
Transfers in (out) to Stage 2	(67)	67	-	-
Transfers in (out) to Stage 3	(30)	-	30	-
Changes to models and inputs used for ECL calculation	36	40	-	76
Write-offs	-	-	-	-
Recoveries	-	-	-	-
ECL allowance, end of period	$ 302	$ 206	$ 30	$ 538

	Nine months ended September 30, 2018			
	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	278	(85)	-	193
Transfers in (out) to Stage 2	(251)	251	-	-
Transfers in (out) to Stage 3	(30)	-	30	-
Changes to models and inputs used for ECL calculation	36	40	-	76
Write-offs	-	-	-	-
Recoveries	-	-	(75)	(75)
ECL allowance, end of period	$ 302	$ 206	$ 30	$ 538

	Six months ended June 30, 2018			
	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 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	$ 287	$ 184	$ -	$ 471

The Company has been lending in the uninsured mortgage product space only since the second quarter of 2017, and does not yet have sufficient data to support internal credit scores that could be used to categorize mortgages by credit quality. However, the Company does monitor and can classify relative credit risk based on external credit scores (Beacon score) at the date the loan is originated.

The following table categorizes the Street Solutions mortgage portfolio by Beacon ranges, which are generally accepted as ranges of credit quality.

	At September 30, 2018			At June 30, 2018		
Beacon Score (Primary Borrower)	**Mortgage balance**		**% of mortgages**	**Mortgage balance**		**% of mortgages**
700+	**$**	**214,516**	**46.5%**	$	183,199	46.3%
600 - 699		**206,652**	**44.8%**		175,319	44.3%
<600		**40,422**	**8.7%**		37,392	9.4%
	$	**461,590**	**100.0%**	$	395,910	100.0%

8. Securitization activity

(a) Mortgages receivable and securitization liabilities

The Company occasionally securitizes insured single-family residential mortgage loans by participating in the NHA MBS program. As the issuer of the MBS, the Company is responsible for advancing all scheduled principal and MBS interest payments to CMHC, whether or not the amounts have been collected on the underlying transferred mortgages. Therefore the Company retains certain prepayment and/or interest rate risks and rewards.

The table below presents the carrying amounts of the securitized mortgages and the corresponding liabilities.

	September 30, 2018			
	Carrying amount of securitized mortgage loans		**Carrying amount of securitization liabilities**	
Securitized mortgage loans	**$**	**191,958**	**$**	**193,405**
Deferred acquisition costs		**1,244**		**-**
Deferred transaction costs		**-**		**(349)**
	$	**193,202**	**$**	**193,056**

	June 30, 2018			
	Carrying amount of securitized mortgage loans		**Carrying amount of securitization liabilities**	
Securitized mortgage loans	$	198,369	$	201,927
Deferred acquisition costs		1,379		-
Deferred transaction costs		-		(431)
	$	199,748	$	201,496

	December 31, 2017			
	Carrying amount of securitized mortgage loans		**Carrying amount of securitization liabilities**	
Securitized mortgage loans	$	219,124	$	222,190
Deferred acquisition costs		1,650		-
Deferred transaction costs		-		(596)
	$	220,774	$	221,594

(b) Maturity profile

The principal balances of the securitized mortgages have maturities up to 5 years, as shown below.

				September 30, 2018
	Within 1 Year	1 - 3 Years	3 - 5 Years	Total
Securitized mortgages	**$ 19,328**	**$ 167,238**	**$ 5,392**	**$ 191,958**

				June 30, 2018
	Within 1 Year	1 - 3 Years	3 - 5 Years	Total
Securitized mortgages	$ 21,869	$ 84,698	$ 91,801	$ 198,368

				December 31, 2017
	Within 1 Year	1 - 3 Years	3 - 5 Years	Total
Securitized mortgages	$ 19,220	$ 98,687	$ 101,217	$ 219,124

(c) Mortgage continuity and credit migration

The following tables show the continuity of the Company's securitized mortgage loans over the three and nine months ended September 30, 2018, and the six months ended June 30, 2018.

				Three months ended September 30, 2018
	Stage 1	Stage 2	Stage 3	Total
Securitized mortgage loans				
Gross carrying amount, beginning of period	**$ 198,369**	**$ -**	**$ -**	**$ 198,369**
Mortgages issued, net of repayments and other derecognitions	**(6,411)**	**-**	**-**	**(6,411)**
Transfers in (out) to Stage 2	**(215)**	**215**	**-**	**-**
Transfers in (out) to Stage 3	**-**	**-**	**-**	**-**
Write-offs	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Gross carrying amount, end of period	**$ 191,743**	**$ 215**	**$ -**	**$ 191,958**

				Nine months ended September 30, 2018
	Stage 1	Stage 2	Stage 3	Total
Securitized mortgage loans				
Gross carrying amount, beginning of period	**$ 205,279**	**$ 13,845**	**$ -**	**$ 219,124**
Mortgages issued, net of repayments and other derecognitions	**(26,051)**	**(1,115)**	**-**	**(27,166)**
Transfers in (out) to Stage 2	**12,515**	**(12,515)**	**-**	**-**
Transfers in (out) to Stage 3	**-**	**-**	**-**	**-**
Write-offs	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Gross carrying amount, end of period	**$ 191,743**	**$ 215**	**$ -**	**$ 191,958**

				Six months ended June 30, 2018
	Stage 1	Stage 2	Stage 3	Total
Securitized mortgage loans				
Gross carrying amount, beginning of period	$ 205,279	$ 13,845	$ -	$ 219,124
Mortgages issued, net of repayments and other derecognitions	(19,640)	(1,115)	-	(20,755)
Transfers in (out) to Stage 2	12,730	(12,730)	-	-
Transfers in (out) to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Gross carrying amount, end of period	$ 198,369	$ -	$ -	$ 198,369

(d) Aging and impairment – securitized mortgages

Shown below is an aging table for the outstanding principal balances of the securitized mortgages.

												September 30, 2018
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Total securitized mortgage loans	**$**	**191,397**	**$**	**346**	**$**	**215**	**$**	**-**	**$**	**-**	**$**	**191,958**

												June 30, 2018
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Total securitized mortgage loans	$	198,369	$	-	$	-	$	-	$	-	$	198,369

												December 31, 2017
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Total securitized mortgage loans	$	217,877	$	748	$	499	$	-	$	-	$	219,124

Upon adoption of IFRS 9 on January 1, 2018, all loans that are contractually 90 days in arrears are classified as impaired and in Stage 3. Under IAS 39, government-sponsored insured mortgages were not considered impaired until they were 365 days past due.

(e) Other securitization activity

The Company securitizes and sells, through the CMB program, 10-year insured NHA MBS mortgage loans on multi-unit residential properties. The underlying mortgage loans are closed to prepayment, and the Company enters into third party arrangements to manage its CMB seller swaps, thereby mitigating its interest rate risk. As noted above under *Derecognition*, these mortgages are recognized on the Company's balance sheet only to the extent of the Company's continuing involvement in the mortgages, which is limited to a retained interest receivable and the obligations and rights associated with servicing the mortgages. The mortgages are therefore effectively derecognized because of the securitization, and the gain on sale on these transactions is reported on the consolidated statements of operations as a component of Fee and other income, as discussed below in Note 10.

The retained interest receivable is set up at the time of each sale as the present value of the expected net cash flows, including servicing, to be received over the mortgage terms. The retained interests are recorded as a component of Other assets, as reported in Note 11.

The key components of the CMB transactions during the three and nine months ended September 30, 2018, and the six months ended June 30, 2018, are shown below.

		Three months ended September 30, 2018
Multi-unit residential mortgages securitized and sold	**$**	**23,845**
Gain on sales of multi-unit residential mortgages	**$**	**170**
Gain on sales as a percentage of the mortgage amounts		**0.71%**
Retained interests recognized in the quarter	**$**	**1,149**

		Nine months ended September 30, 2018
Multi-unit residential mortgages securitized and sold	**$**	**149,910**
Gain on sales of multi-unit residential mortgages	**$**	**961**
Gain on sales as a percentage of the mortgage amounts		**0.64%**
Retained interests recognized year to date	**$**	**5,863**

		Six months ended June 30, 2018
Multi-unit residential mortgages securitized and sold	$	126,065
Gain on sales of multi-unit residential mortgages	$	791
Gain on sales as a percentage of the mortgage amounts		0.63%
Retained interests recognized year to date	$	4,714

9. Deposits

The Company offers deposits, in the form of guaranteed investment certificates ("GICs"), through deposit broker agents. These deposits are eligible to be insured by Canada Deposit Insurance Corporation ("CDIC") up to $100 thousand per depositor. Deposit terms range from 1 to 5 years.

The Company's deposits include deferred deposit agent commissions, as shown below.

		September 30, 2018		June 30, 2018		December 31, 2017
Deposit principal	**$**	**558,047**	$	483,029	$	294,219
Deferred deposit agent commissions		**(2,199)**		(1,809)		(1,243)
Net deposits	**$**	**555,848**	$	481,220	$	292,976

Shown below is a maturity table of the remaining term to maturity for these deposits at September 30, 2018, June 30, 2018 and December 31, 2017.

					September 30, 2018
	Cashable *	**Within 1 Year**	**1 -3 Years**	**3 -5 Years**	**Total**
Deposit maturities	**$ 4,104**	**$ 225,132**	**$ 229,423**	**$ 97,189**	**$ 555,848**
Average contractual rate	**1.40%**	**2.26%**	**2.62%**	**2.90%**	**2.51%**

					June 30, 2018
	Cashable *	**Within 1 Year**	**1 -3 Years**	**3 -5 Years**	**Total**
Deposit maturities	$ 1,705	$ 199,789	$ 197,375	$ 82,351	$ 481,220
Average contractual rate	1.12%	2.21%	2.51%	2.80%	2.43%

					December 31, 2017
	Cashable *	**Within 1 Year**	**1 -3 Years**	**3 -5 Years**	**Total**
Deposit maturities	$ 3,920	$ 89,775	$ 134,870	$ 64,411	$ 292,976
Average contractual rate	1.13%	2.13%	2.35%	2.70%	2.34%

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

10. Other interest income, fee income, and other income

The fee and other non-interest revenue earned from banking operations, and from legacy operations, are considered revenue from contracts with customers. No changes to the accounting for this revenue were required upon adopting IFRS 15.

The details of Fee and other income are shown below.

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	**2017**	**2018**	**2017**
Servicing and fee income - mortgages	**$ 236**	$ 556	**$ 845**	$ 583
Gain on sale - CMB securitization	**221**	327	**1,022**	327
Other income (loss)	**(298)**	(56)	**(786)**	251
Total fee and other income	**$ 159**	$ 827	**$ 1,081**	$ 1,161

11. Other assets

The Company's other assets consist of: -

	September 30, 2018	June 30, 2018	December 31, 2017
Gain on sale receivable	**$ 4,493**	$ 8,493	$ 6,275
CMB retained interest receivable	**8,257**	7,308	2,810
Accrued interest receivable	**1,468**	1,179	794
Accounts receivable	**5,014**	7,173	5,030
Employee loans receivable (Note 19)	**1,765**	1,765	1,765
Non-mortgage loans receivable	**-**	187	479
Prepaid and other assets	**1,816**	2,246	1,662
Capital assets	**4,060**	4,289	3,469
Portfolio investments	**-**	-	859
Assets of discontinued operations (Note 24)	**344**	344	683
	$ 27,217	$ 32,984	$ 23,826

Gain on sale receivable represents amounts not yet received from mortgage sale activities, and can fluctuate substantially based on both loan sales and the timing of cash receipts from third parties. The CMB retained interest receivable is described in Note 8. Accrued interest receivable primarily comprises interest receivable related to the Company's on-balance sheet lending. Accounts receivable includes mortgage insurance receivables, trade receivables, and any other amounts receivable. The employee loans receivable are made to senior executives of the Company, and are discussed further in Note 19. The non-mortgage loans receivable consisted of a loan made to a former subsidiary that was fully repaid in August 2018.

The portfolio investments, which consisted of shares in a publicly traded US company, relate to the Company's legacy Private Equity business. The shares were sold effective June 30, 2018.

12. Goodwill and intangible assets

Goodwill

	September 30, 2018	June 30, 2018	December 31, 2017
Acquisition of Street Capital Bank of Canada	**$ 23,465**	$ 23,465	$ 23,465

The Company recognized goodwill of $23,465 when it acquired Street Capital Bank, the Company's sole cash generating unit ("CGU"). All the goodwill has been allocated to Street Capital Bank.

Impairment testing

The carrying amount of goodwill is tested for impairment annually as at December 31, and whenever there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. The goodwill impairment test compares the recoverable amount of the CGU to its carrying amount, with any deficiency recognized as goodwill impairment. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Impairment losses relating to goodwill cannot be reversed in future periods.

In accordance with *IAS 36 - Impairment of Assets* ("IAS 36"), the recoverable amounts of the CGU's net assets have been determined using the higher of: i) the estimated fair value less costs to sell ("FVLCS"); and ii) its value-in-use ("VIU"). These approaches are based on future cash flow assumptions that carry a material degree of uncertainty in estimating the recoverable amounts of the CGU. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Bank's mortgage lending activities. These valuations are categorized as Level 3 in the fair value hierarchy.

In order to estimate the FVLCS and VIU, cash flows are projected until 2021 using the most recent financial forecasts approved by management. A terminal growth rate is applied, and then such cash flows are discounted to their present value.

The discount rate utilized for the purposes of these calculations is 15%. The discount rate reflects current market assessment of the risks specific to the Bank, and it is dependent on the Bank's risk profile and capital requirements.

The Company performed a quarterly off-cycle goodwill impairment test in the quarter in response to the regulatory and economic mortgage market conditions. As at September 30, 2018, using the latest set of management-approved forecasts, the estimated recoverable amount of the CGU approximated its carrying value. The Company's impairment testing has determined that reasonably possible adverse changes in the key assumptions may cause an impairment loss to be recognized.

Intangible assets

At September 30, 2018, the Company has both acquired and internally generated intangible assets. The acquired intangible asset relates to the mortgage renewal stream associated with the Company's 2011 acquisition of Street Capital Bank. The internally generated intangible assets consist of internally developed systems and software.

Details of the Company's intangible assets are shown below.

		September 30, 2018		June 30, 2018		December 31, 2017
Acquired:						
Mortgage renewal stream	**$**	**6,869**	$	6,869	$	6,869
Accumulated amortization		**(3,619)**		(3,495)		(3,248)
	$	**3,250**	$	3,374	$	3,621
Internally developed:						
Systems and software		**4,622**		4,556		4,287
Accumulated amortization		**(3,339)**		(3,216)		(2,947)
	$	**1,283**	$	1,340	$	1,340
	$	**4,533**	$	4,714	$	4,961

The amortization expense relating to intangible assets is reported in Selling, general and administrative expenses in the consolidated statements of operations.

Amortization expense for the mortgage renewal stream was $0.12 million and $0.37 million for the three and nine months, respectively, ending both September 30, 2018 and 2017. The amortization period of 15 years is based on historical renewal rates and industry benchmarks, and at September 30, 2018 the remaining amortization term was 7.75 years.

Amortization expense for the internally developed systems and software assets for the three and nine months ending September 30, 2018 was $0.12 million and $0.39 million, respectively (three and nine months ended September 30, 2017 - $0.15 million and $0.43 million). The amortization period of 5 years is based on the assets' estimated useful lives, and at September 30, 2018 the remaining amortization terms varied from 0.75 to 5.00 years.

At September 30, 2018 and December 31, 2017 there were no external or internal indicators of impairment for both classes of intangible assets.

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as shown below.

		September 30, 2018		June 30, 2018		December 31, 2017
Payment due to mortgage servicers	**$**	**14,654**	$	30,413	$	31,621
Accrued mortgage acquisition costs		**10,584**		14,271		12,504
Accrued interest payable		**7,042**		5,895		3,139
Accrued restructuring costs		**5,009**		5,473		10,338
Accrued compensation		**2,966**		2,613		4,519
Liabilities of discontinued operations (Note 24)		**8**		8		8
Other		**4,863**		4,278		2,711
	$	**45,126**	$	62,951	$	64,840

The accrued restructuring costs are related to reorganizations that occurred during 2017, and the corporate realignment that occurred in June 2015. Accrued interest payable primarily comprises interest payable related to the Company's deposits.

14. Loans payable

Details of loans payable are as shown below.

	Maturity date		September 30, 2018		June 30, 2018		December 31, 2017
Corporate loan - $Cdn	Jan 15, 2019	**$**	**1,000**	$	1,000	$	1,028
Corporate loan - $US	Jan 15, 2019		**3,107**		3,160		3,011
		$	**4,107**	$	4,160	$	4,039

The loans are associated with the Company's legacy businesses. They bear interest at 6%, are not subject to security or covenants, and can be prepaid by the Company without penalty.

15. Commitments and contingencies

At September 30, 2018 the Company had credit commitments in the form of the securitization liabilities discussed in Note 8 and the loans payable discussed in Note 14.

The Company also had $56.8 million of commitments for mortgage loans intended to be funded on-balance sheet (June 30, 2018 - $90.9 million; December 31, 2017 - $35.9 million). Such offers to extend credit are in the normal course of business, and the amount represents the maximum amount that the Company would be obligated to fund. In the course of its operations, the Company does not expect to fund 100% of its outstanding mortgage loan commitments.

The Company, from time to time, is involved in various claims, legal 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.

16. Financial instruments

The amounts set out in the following table represent the carrying value, the fair value and the current/non-current classification of the Company's financial instruments. The estimated fair values approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction in the principal or most advantageous market accessible to the Company. The valuation methods and assumptions are described below.

	September 30, 2018						December 31, 2017	
	FVTPL [1]	FVOCI	Amortized cost [2]	Fair value	Due within one year	Due after one year	Total carrying value [3]	Fair value [3]
Financial assets								
Cash and cash equivalents	$ 77,529	$ -	$ -	$ 77,529	$ 77,529	$ -	$ 89,414	$ 89,414
Restricted cash	17,437	-	-	17,437	17,437	-	35,543	35,543
Securities	-	7,414	-	7,414	-	7,414	-	-
Street Solutions mortgage loans	-	-	460,246	468,289	434,280	25,966	200,804	205,893
Stamped prime insured mortgage loans	-	-	14,162	14,121	-	14,162	5,270	5,239
Other non-securitized mortgages and loans	-	-	9,510	9,698	655	8,855	6,662	6,777
Bridge loans	-	-	2,820	2,820	2,820	-	1,327	1,327
Securitized mortgage loans	-	-	193,202	192,486	19,839	173,363	220,774	221,037
Deferred placement fees receivable	-	-	50,187	50,187	18,496	31,691	52,325	52,325
Other assets	-	-	21,447	21,447	13,697	7,750	18,763	18,763
	$ 94,966	$ 7,414	$ 751,574	$ 861,428	$ 584,753	$ 269,201	$ 630,882	$ 636,318
Financial liabilities								
Deposits	$ -	$ -	$ 555,848	$ 558,701	$ 229,236	$ 326,612	$ 292,976	$ 294,313
Loans payable	-	-	4,107	4,107	4,107	-	4,039	4,039
Securitization liabilities	-	-	193,056	188,863	20,579	172,477	221,594	219,232
Accounts payable and accrued liabilities	-	-	45,126	45,126	43,903	1,223	64,802	64,802
	$ -	$ -	$ 798,137	$ 796,797	$ 297,825	$ 500,312	$ 583,411	$ 582,386

[1] Formerly designated as "Held for trading" under IAS 39
[2] Formerly designated as "Loans and receivables/financial liabilities at amortized cost" under IAS 39
[3] As reported under IAS 39

Cash and cash equivalents (including restricted cash); other assets; bank facilities and loans payable; and accounts payable and accrued liabilities – fair value approximates carrying value due to the short-term nature of the financial instrument.

Securities – fair value is determined by reference to market values at financial reporting dates.

Non-securitized and securitized mortgage loans – fair value is determined by discounting the expected future cash flows, adjusting for prepayment and credit loss assumptions, if applicable, at current rates for offered loans with similar terms.

Deferred placement fees receivable – fair value approximates carrying value as the discount rates used to discount expected future cash flows from this asset have not changed materially from the time of recognition.

Deposits - estimated fair value is determined by discounting the expected future contractual cash flows using observed market interest rates offered for deposits with similar terms.

Securitization liabilities – fair value is determined by discounting the expected future cash flows using current rates for MBS.

The Company uses the following hierarchy for determining the fair value of financial instruments:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 – one or more significant inputs to the valuation methodology are unobservable.

The following tables present the financial instruments measured at fair value at September 30, 2018 and December 31, 2017, as classified by the fair value hierarchy described above.

				September 30, 2018
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and cash equivalents	$ 77,529	$ -	$ -	$ 77,529
Restricted cash	17,437	-	-	17,437
Securities	-	7,414	-	7,414
Street Solutions mortgage loans	-	-	468,289	468,289
Stamped prime insured mortgage loans	-	-	14,121	14,121
Other non-securitized mortgages and loans	-	-	9,698	9,698
Bridge loans	-	-	2,820	2,820
Securitized mortgage loans	-	-	192,486	192,486
Deferred placement fees receivable	-	-	50,187	50,187
Other assets	-	-	21,447	21,447
	$ 94,966	$ 7,414	$ 759,048	$ 861,428
Financial liabilities				
Deposits	$ -	$ -	$ 558,701	$ 558,701
Loans payable	-	-	4,107	4,107
Securitization liabilities	-	-	188,863	188,863
Accounts payable and accrued liabilities	-	-	45,126	45,126
	$ -	$ -	$ 796,797	$ 796,797

				December 31, 2017
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	$ 89,414	$ -	$ -	$ 89,414
Restricted cash	35,543	-	-	35,543
Street Solutions mortgage loans	-	-	205,893	205,893
Stamped prime insured mortgage loans	-	-	5,239	5,239
Other non-securitized mortgages and loans	-	-	6,777	6,777
Bridge loans	-	-	1,327	1,327
Securitized mortgage loans	-	-	221,037	221,037
Deferred placement fees receivable	-	-	52,325	52,325
Other assets	859	-	17,904	18,763
Portfolio investments	-	-	-	-
	$ 125,816	$ -	$ 510,502	$ 636,318
Financial liabilities				
Deposits	$ -	$ -	$ 294,313	$ 294,313
Loans payable	-	-	4,039	4,039
Securitization liabilities	-	-	219,232	219,232
Accounts payable and accrued liabilities	-	-	64,802	64,802
	$ -	$ -	$ 582,386	$ 582,386

17. Financial risk management

The Company is exposed to various types of risk owing to the nature of its business activities, and, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. These risks include strategic, credit, liquidity, interest rate, investment, operational, reputational, and regulatory and legislative risk, and many of these cannot be directly controlled by the Company. The Company has established policies, processes and frameworks to measure and monitor the risks. The Company's Board of Directors, and its Enterprise Risk Management Committee, play an active role in monitoring the Company's key risks and in determining the policies and limits that are best suited to manage them. The policies are reviewed and approved by the Board of Directors at least annually.

The Company's risk management policies and procedures are described under the headings Risk Appetite Framework, Risk Governance, Credit Risk Management, Liquidity and Funding Risk Management, and Market Risk Management within the Risk Management and Risk Factors section of the MD&A that is contained within the Company's 2017 Annual Report, and in the Company's MD&A for the three and nine months ended September 30, 2018. There have been no material changes to these risk factors subsequent to December 31, 2017.

18. Share capital and share-based compensation

Share capital

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

									For the three months ended
Common shares Issued and outstanding (000s)			**September 30, 2018**			**June 30, 2018**			**September 30, 2017**
	Number of shares		**Amount**	**Number of shares**		**Amount**	**Number of shares**		**Amount**
Outstanding, beginning of period	**122,184**	**$**	**245,329**	122,184	$	245,329	121,974	$	245,092
Options exercised	**-**		**-**	-		-	210		237
	122,184	**$**	**245,329**	122,184	$	245,329	122,184	$	245,329
Share purchase loans			**(1,912)**			(1,912)			(1,912)
Outstanding, end of period	**122,184**	**$**	**243,417**	122,184	$	243,417	122,184	$	243,417

						For the nine months ended
Common shares Issued and outstanding (000s)			**September 30, 2018**			**September 30, 2017**
	Number of shares		**Amount**	**Number of shares**		**Amount**
Outstanding, beginning of period	**122,184**	**$**	**245,329**	121,532	$	244,438
Options exercised	**-**		**-**	652		891
	122,184	**$**	**245,329**	122,184	$	245,329
Share purchase loans			**(1,912)**			(1,912)
Outstanding, end of period	**122,184**	**$**	**243,417**	122,184	$	243,417

Please see Note 19 for discussion of the share purchase loans included in the table above.

Stock options

The Company has two stock option plans available for the grant of options to its directors, officers, employees, and any other person or company engaged to provide ongoing management or consulting services for the Company. These plans are i) the Director, Officer and Employee Stock Option Plan (the "1992 Plan"), and ii) the 1997 Stock Option Plan (the "1997 Plan"). Under the 1992 Plan, the exercise price of each option equals, at a minimum, the closing price of the Company's common shares on the day prior to the grant date. Under the 1997 Plan, the exercise price of each option equals the volume weighted average trading price of the Company's common shares on the TSX for the five trading days immediately prior to the grant date. Unless otherwise provided, the maximum term of the grant is six years from the grant date, and options vest 20% on the date of grant and 20% on each of the first through fourth anniversaries of the grant date. All unvested options vest upon a change of control of the Company.

During the first quarter of 2018, the Company's Board of Directors approved amendments to the 1997 Plan. These were minor in nature, with the exception of the amendment to change the option exercise price. Under the previous terms of the 1997 Plan, the exercise price was calculated as the closing price of the Company's common shares on the day prior to the grant date, rather than as the weighted average price described in the previous paragraph.

During the second quarter of 2018, the Company granted 250,000 options to a member of senior management. This brought total option grants during the year to 2,661,854. The fair values of the options were estimated at the grant dates using the Black-Scholes valuation model, with expected volatilities based on the Company's historic pricing data and the following additional assumptions and values:

Risk-free rates	2.21% to 2.30%
Expected option term (years)	5.1
Volatility	49.35% to 49.80%
Dividends	$0.00
Strike price	$0.76 to $0.90
Weighted average fair value per option	$0.4044

There were no option grants during the third quarter of 2018.

All of the options that were granted vest in four tranches of 25%, beginning on the first anniversary of the grant date and continuing for the next three years. These option grants resulted in $0.32 million of expense in the first nine months of 2018, out of total stock option expense of $1.06 million. Stock option expense is recorded as a component of Salaries and benefits, with an offsetting credit to Contributed surplus.

A summary of the status of the Company's stock option plans, and changes during the three and nine months ended September 30, is shown below.

	For the three months ended								
Stock options Outstanding and exercisable (000s except price)	**September 30, 2018**			**June 30, 2018**			**September 30, 2017**		
	Number of options		**Weighted-average exercise price**	**Number of options**		**Weighted-average exercise price**	**Number of options**		**Weighted-average exercise price**
Outstanding, beginning of period	**9,123**	**$**	**1.15**	8,873	$	1.17	2,696	$	1.19
Granted	-		-	250	$	0.76	3,225	$	1.29
Expired	**(146)**	**$**	**0.87**						
Exercised	-		-	-		-	(210)	$	0.65
Outstanding, end of period	**8,977**	**$**	**1.16**	9,123	$	1.15	5,711	$	1.27
Exercisable, end of period	**3,727**	**$**	**1.27**	3,228	$	1.24	2,962	$	1.21
Weighted-average market price per share at date of exercise		**$**	**-**		$	-		$	1.29
Weighted-average remaining contractual life in years			**3.92**			4.10			3.95

	For the nine months ended					
Stock options Outstanding and exercisable (000s except price)	**September 30, 2018**			**September 30, 2017**		
	Number of options		**Weighted-average exercise price**	**Number of options**		**Weighted-average exercise price**
Outstanding, beginning of period	**6,461**	**$**	**1.26**	3,138	$	1.14
Granted	**2,662**	**$**	**0.89**	3,225	$	1.29
Expired	**(146)**	**$**	**0.87**			
Exercised	-		-	(652)	$	0.78
Outstanding, end of period	**8,977**	**$**	**1.16**	5,711	$	1.27
Exercisable, end of period	**3,727**	**$**	**1.27**	2,962	$	1.21
Weighted-average market price per share at date of exercise		**$**	**-**		$	1.27
Weighted-average remaining contractual life in years			**3.92**			3.95

Restricted Share Units

The Company has a restricted share unit plan (the "RSU Plan") for the grant of restricted share units ("RSUs") to employees of the Company. The grant price of the RSUs is equal to the weighted average closing price of the Company's common shares on the TSX, or any other exchange upon which the common shares of Street Capital are traded if not traded on the TSX, for the five trading days immediately prior to the Grant Date. Unless otherwise provided, the maximum term of the grant is three years from the date of the grant. The RSU vesting period is determined by the RSU Plan administrators at the time of grant, and the vested RSUs are redeemed in cash within 30 days of the date they vest. The redemption price is calculated similarly to the grant price, as the weighted average closing price of the Company's common shares for the five trading days immediately prior to the vesting date. All unvested RSUs vest upon a change of control of the Company.

During the first quarter of 2018, the Company granted 615,436 RSUs to officers and senior management. The RSUs vest in three equal tranches and will be paid out over three years, beginning on the first anniversary of the grant date. The grant date value of each RSU was $0.9042. The outstanding RSU liability is adjusted at each balance sheet date to reflect changes in the calculated value, which is primarily based on changes in the Company's share price. At September 30, 2018 the calculated value per RSU was $0.9005 (June 30, 2018 - $0.8313 per RSU). Total expense related to RSUs in the first nine months of 2018 was $0.20 million, which was recorded as a component of Salaries and benefits, with an offsetting credit to Accrued Compensation.

Deferred Share Units

The Company granted deferred share units ("DSUs") to its independent directors from 2006 until 2011, which are exchangeable for common shares of the Company upon a director's retirement. At both September 30, 2018 and December 31, 2017 there were 146,590 DSUs outstanding, all of which are held by an active director.

19. Related party transactions

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

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

Share purchase loans

At September 30, 2018 the Company had outstanding share purchase loans made to certain key employees and former employees, as shown below.

	Date Granted	Amount	Due Date	Interest Rate	Terms
					September 30, 2018
Former Executive	November 30, 1999 December 17, 1999	412	December 31, 2020	Non-interest bearing	Secured by 0.16 million common shares held in trust by the Company, and by personal guarantee
Former Executive/ current Director	January 19, 1996	1,500	December 31, 2019 [1]	1% [1]	Secured by 0.30 million common shares held in trust by the Company, and by personal guarantee
Executive and Officer	June 1, 2015	565	March 31, 2019 [1]	Non-interest bearing	To finance purchase of 0.40 million common shares
Executive and Officer	August 16, 2017	1,200	December 31, 2019	1%	To finance purchase of 1 million common shares; interest rate as prescribed by Canada Revenue Agency
		3,677			

[1] The terms of this loan have been revised.

Other

During the first quarter of 2018, the Chair of the Company's Board of Directors purchased two artworks from the Company for prices of US $0.44 million and Cdn $8.0 thousand, respectively. The prices were determined by a combination of art dealer valuations and bids by unrelated potential purchasers. The Company recognized a loss of $0.36 million on the sale, which is reported as a component of Fee and other income.

During the third quarter of 2018, the Company entered into an agreement with the Former Executive/current Director, regarding the terms of both the share purchase loan referenced above and an accrued payable of $3.1 million owing to the Former Executive/current Director which arose from the corporate reorganization that occurred in June 2015. Under the terms of the agreement, the share purchase loan bears simple interest at 1% per annum, and the accrued payable bears simple interest at the Canada Revenue Agency's prescribed annual interest rate applicable to overdue taxes owed by individuals (the "CRA rate"). The CRA rate is currently 6%. An additional term of the agreement is that the interest on both the loan receivable and the amount payable accrues from January 1, 2016. During the third quarter of 2018, the Company recorded interest receivable of $0.04 million and interest payable of $0.44 million, representing the cumulative amounts for the period beginning January 1, 2016. Both the interest receivable and the interest payable have been recorded in Fee and other income in the condensed consolidated interim statements of operations.

In the ordinary course of business, the Company underwrites mortgages for its senior management, other related parties, and employees of the Company. The mortgage terms are similar to those offered to unrelated parties, and incorporate an interest rate discount that is available to all employees of the Company. At September 30, 2018, mortgage loans made to key management personnel totaled $1.81 million.

20. Capital management

The Company has a Board-approved Capital Management Policy that governs the quantity and quality of capital held. 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.

The Company's subsidiary, Street Capital Bank, calculates capital ratios and regulatory capital based on the capital adequacy requirements issued by OSFI, which are based on standards issued by the Basel Committee on Banking Supervision, and which are discussed in more detail in the Company's MD&A for the three and nine months ended September 30, 2018, under *Capital Management*. Street Capital Bank maintains a capital management policy and an Internal Capital Adequacy Assessment Process ("ICAAP"), which governs the quality and quantity of capital utilized in its operations. Dividend payments to Street Capital by Street Capital Bank are subject to restrictions by OSFI.

Shown below is the regulatory capital for Street Capital Bank. During the periods shown, Street Capital Bank was in compliance with all internal and external capital requirements.

Basel III Regulatory Capital (Based only on the consolidated subsidiary, Street Capital Bank of Canada)

(in thousands of $, except %)	September 30, 2018	June 30, 2018	September 30, 2017
	All-In Basis	All-In Basis	All-In Basis
Common Equity Tier 1 capital (CET 1)			
Capital stock	**$ 16,426**	$ 16,426	$ 16,426
Contributed surplus	**1,793**	1,444	452
Retained earnings	**84,633**	84,010	81,196
Accumulated other comprehensive income (loss)	**(21)**	-	-
Less: Regulatory adjustments to CET 1	**(1,283)**	(1,341)	(987)
Total CET 1 capital	**$ 101,548**	$ 100,539	$ 97,087
Additional Tier 1 capital	**-**	-	-
Total Tier 1 capital	**$ 101,548**	$ 100,539	$ 97,087
Total Tier 2 capital	**508**	-	-
Total regulatory capital	**$ 102,056**	$ 100,539	$ 97,087

21. Net earnings (loss) per share

The following is a reconciliation of the numerators and denominators used in computing net income or loss per share for the three and nine months ended September 30:

Basic and diluted net income (loss) per share	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Numerator:				
Income (loss) from continuing operations	**$ (1,361)**	$ 3,284	**$ 2,095**	$ 571
Income (loss) attributable to non-controlling interest	**-**	(447)	**1,515**	(497)
Income (loss) attributable to shareholders - continuing operations	**(1,361)**	3,731	**580**	1,068
Income (loss) from discontinued operations	**-**	-	**-**	(15)
Income attributable to non-controlling interest	**-**	-	**-**	-
Income (loss) attributable to shareholders - discontinued operations	**-**	-	**-**	(15)
Net income (loss) attributable to shareholders	**$ (1,361)**	$ 3,731	**$ 580**	$ 1,053
Denominator:				
Weighted average common shares outstanding - basic and diluted (000s)	**122,184**	122,039	**122,184**	121,747
Basic and diluted net income (loss) per share from continuing operations	**$ (0.01)**	$ 0.03	**$ 0.00**	$ 0.01
Basic and diluted net income (loss) per share from discontinued operations	**0.00**	0.00	**0.00**	0.00
Basic and diluted net income (loss) per share	**$ (0.01)**	$ 0.03	**$ 0.00**	$ 0.01

In computing the diluted net earnings per share for the nine months ended September 30, 2018, the Company included in the calculation potential common share equivalents, which consist of incremental shares from stock options and the outstanding DSUs held by directors. The inclusion of the potential common share equivalents was not sufficiently dilutive to change the earnings per share. The potential common share equivalents were not included in computing the net loss per share for the three months ended September 30, 2018, as they would be anti-dilutive.

22. Interest rate sensitivity

The following table shows the September 30, 2018 position of the Company's wholly owned subsidiary, Street Capital Bank of Canada, with regard to the interest rate sensitivity of its assets, liabilities and equity. The information presented is based on the contractual maturity date.

(in thousands of $)	Floating Rate	0 to 3 Months	4 Months to 1 Year	1 Year to 5 Years	Non Rate Sensitive	Total [1]
						September 30, 2018
Assets						
Cash and restricted cash	$ -	$ 94,306	$ -	$ -	$ -	$ 94,306
Weighted Average Contractual Rate	-	1.50%	-	-	-	1.50%
Securities	-	-	-	7,414	-	7,414
Weighted Average Contractual Rate	-	-	-	2.35%	-	2.35%
Non-securitized mortgages - Street Solutions	-	60,611	375,014	25,965	(1,344)	460,246
Weighted Average Contractual Rate	-	4.94%	4.91%	5.38%	-	4.95%
Non-securitized mortgages - stamped mortgages	8,077	-	-	6,085	-	14,162
Weighted Average Contractual Rate	2.90%	-	-	2.71%	-	2.82%
Non-securitized mortgages - other	1,030	380	-	8,100	-	9,510
Weighted Average Contractual Rate	3.23%	3.39%	-	3.06%	-	3.09%
Bridge loans	2,820	-	-	-	-	2,820
Weighted Average Contractual Rate	8.70%	-	-	-	-	8.70%
Securitized mortgages held on-balance sheet	66,551	14,125	3,936	107,346	1,244	193,202
Weighted Average Contractual Rate	3.20%	3.38%	3.22%	2.59%	-	2.85%
Other assets	-	-	-	1,200	156,245	157,445
Weighted Average Contractual Rate	-	-	-	1.00%	-	0.01%
Total assets	$ 78,478	$ 169,422	$ 378,950	$ 156,110	$ 156,145	$ 939,105
Weighted Average Contractual Rate	3.37%	2.89%	4.89%	2.95%	-	3.27%
Liabilities						
Cashable GICs [2]	$ -	$ 4,109	$ -	$ -	$ (16)	$ 4,093
Weighted Average Contractual Rate	-	1.40%	-	-	-	1.41%
Non-cashable GICs	-	23,369	203,562	327,006	(2,182)	551,755
Weighted Average Contractual Rate	-	2.19%	2.29%	2.71%	-	2.54%
Securitization liabilities	66,846	15,278	3,936	107,345	(349)	193,056
Weighted Average Contractual Rate	2.26%	2.64%	2.47%	1.73%	-	2.00%
Other liabilities	-	-	-	-	87,370	87,370
Weighted Average Contractual Rate	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	102,831	102,831
Weighted Average Contractual Rate	-	-	-	-	-	-
Total liabilities and shareholders' equity	$ 66,846	$ 42,755	$ 207,498	$ 434,351	$ 187,654	$ 939,105
Weighted Average Contractual Rate	2.26%	2.28%	2.29%	2.47%	-	1.91%
Excess (deficiency) of assets over liabilities and shareholders' equity	$ 11,631	$ 126,667	$ 171,452	$ (278,242)	$ (31,509)	$ -

[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.***

23. Income taxes

For the three months ended September 30, 2018, the Company recognized $2.02 million of deferred income tax expense and no current income tax expense. The major component of the expense was a $1.77 million reversal of deferred tax recoveries for the tax years 2005 to 2007. These tax assets were originally recorded by the parent company, Street Capital Group Inc. Management's analysis determined that these tax recoveries are associated with tax losses whose applicability in reducing future taxable income is no longer considered probable. When the reversal is excluded from the income tax calculation, the effective tax rate for the consolidated entity is approximately 20%.

At September 30, 2018 the Company had recognized approximately $280.09 million in non-capital loss carry-forwards, which may be used to reduce future years' taxable income until 2036.

24. Discontinued operations and non-controlling interest

Both discontinued operations and the non-controlling interest relate to the Company's legacy businesses.

Discontinued operations

At September 30, 2018 the Company's assets and liabilities of discontinued operations consist of net commissions receivable of $0.34 million (June 30, 2018 – $0.34 million; December 31, 2017 - $0.67 million). The Company reports discontinued assets and liabilities as components of Other assets and Accounts payable and accrued liabilities, respectively; please see Note 11 and Note 13. There were no significant transactions involving discontinued operations during the three or nine months ended September 30, 2018, as the decrease in the outstanding receivable was due to cash receipts corresponding to contractual amounts. During the three and nine months ended September 30, 2017 the only significant transaction was the settlement of a $0.23 million loan receivable for proceeds of $0.21 million.

Non-controlling interest

At June 30, 2018, due to the effective liquidation of Private Equity upon the sale of its final asset, the non-controlling interest in the Private Equity business was reduced to zero (December 31, 2017 - $1.04 million). Prior to this liquidation, during the first six months of 2018, a total of $1.52 million net income was attributable to the Company's non-controlling interest associated with the Private Equity business.

There is also a non-controlling interest associated with the Company's legacy investment in Fleetwood Fine Furniture, LP ("FFF"). No income or loss was attributable to the non-controlling interest associated with FFF during the first nine months of either 2018 or 2017. The non-controlling interest in FFF amounts to $(7.09) million at both September 30, 2018 and December 31, 2017.

25. Subsequent events

The Company has evaluated events subsequent to September 30, 2018 through to the date of approval of the condensed consolidated interim financial statements by the Board of Directors for disclosure. There were no material subsequent events requiring disclosure.