AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

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Management's Responsibility for Financial Reporting

The consolidated financial statements and Management's Discussion and Analysis ("MD&A") of Street Capital Group Inc. (the "Company") have been prepared by management. Management is responsible for the integrity and fairness of the financial information presented. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for publicly accountable enterprises, which are International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in effect at December 31, 2018, and pursuant to the requirements of the Bank Act (Canada) (the "Bank Act"), which is applicable to the Company's wholly-owned subsidiary, Street Capital Bank of Canada (the "Bank"). The consolidated financial statements reflect amounts which must, of necessity, be based on management's best judgments and estimates, with appropriate consideration regarding materiality. The financial information presented elsewhere in this report is consistent with the information in the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of securities regulators.

As part of its responsibility for the fairness and integrity of the Company's financial information, management is responsible for the implementation of supporting accounting systems. Management therefore maintains and monitors a system of internal controls. These controls are designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that the financial records are accurate and complete. Management also administers a program of ethical business conduct, whose controls include, among other things, quality standards in hiring and training employees, written policies and procedures, compliance with authorization limits for managers, appropriate management information systems, and a corporate code of conduct and ethical behavior. Management has formed a disclosure committee, chaired by the Chief Financial Officer, which reviews all of the Company's financial disclosures for fairness before being released to the Board of Directors and publicly.

The internal control systems are further supported by a regulatory compliance function, which ensures that the Company and its employees comply with all regulatory requirements, as well as by enterprise risk management and operational risk management functions that ensure proper risk control including maintaining the related documentation and the measurement of the financial impact of risks. In addition, the internal auditors periodically assess various aspects of the Company's operations and make recommendations to management for, among other things, improvements to the internal control systems. As at December 31, 2018, the Company's Chief Executive Officer and Chief Financial Officer have determined that the Company's internal control over financial reporting is effective.

Annually, the Office of the Superintendent of Financial Institutions Canada ("OSFI") makes such examinations and inquiries as deemed necessary to satisfy itself that the Bank is in a sound financial position and that it complies with the provisions of the Bank Act, particularly those regarding the safety of the depositors of the Bank.

Ernst & Young LLP has been appointed as independent auditors by the shareholders to perform an annual audit of the Company's consolidated financial statements. Their report follows.

The internal auditors, Chief Compliance Officer, and the independent auditors meet periodically with the Audit Committee, in the presence or absence of management, to discuss all aspects of their duties and matters arising therefrom.

The Company's Board of Directors is responsible for reviewing and approving the consolidated financial statements and MD&A. Its Audit Committee is responsible for oversight of management's preparation and presentation of the consolidated financial statements, management's maintenance of internal controls, and management's assessment of significant transactions and related party transactions. The Audit Committee is also responsible for selecting the external auditors. The Audit Committee is composed solely of Independent Directors.

Duncan Hannay
President and Chief Executive Officer

Marissa Lauder, CPA, CA
Executive Vice President and
Chief Financial Officer

Toronto, Canada
March 5, 2019

Independent Auditors' Report

To the Shareholders of Street Capital Group Inc.

Opinion

We have audited the consolidated financial statements of Street Capital Group Inc. (the Company) which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion & Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert Farlinger.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

EY Tower
100 Adelaide Street West, PO Box 1
Toronto, ON M5H 0B3
March 4, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 AND 2017
(In thousands of Canadian dollars)

	Notes	December 31, 2018	December 31, 2017
		$	$
Assets			
Cash and cash equivalents	4	**65,018**	89,414
Restricted cash	4	**9,656**	35,543
Securities	4	**22,692**	-
Non-securitized mortgages and loans	7	**564,778**	214,063
Securitized mortgage loans	9	**123,362**	220,774
Deferred placement fees receivable	5	**48,670**	52,325
Prepaid portfolio insurance	5	**75,285**	82,511
Deferred income tax assets	16	**-**	14,568
Other assets	12	**33,204**	23,826
Intangible assets	13	**1,500**	4,961
Goodwill	13	**-**	23,465
Total assets		**944,165**	761,450
Liabilities			
Deposits	10	**638,710**	292,976
Loans payable	15	**4,274**	4,039
Securitization liabilities	9	**125,472**	221,594
Accounts payable and accrued liabilities	14	**44,334**	64,840
Deferred income tax liabilities	16	**43,507**	45,889
Total liabilities		**856,297**	629,338
Shareholders' equity			
Share capital	20	**243,417**	243,417
Contributed surplus		**63,282**	61,920
Accumulated other comprehensive income		**278**	-
Retained earnings (deficit)		**(212,017)**	(167,175)
Total shareholders' equity		**94,960**	138,162
Non-controlling interest	25	**(7,092)**	(6,050)
Total equity		**87,868**	132,112
Total liabilities and equity		**944,165**	761,450

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

On behalf of the Board:

Duncan Hannay
President and Chief Executive Officer

Tom Bermingham, CA, CPA
Chair of Audit Committee

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Canadian dollars, except per share data)

	Notes	Year ended December 31, 2018	2017
		$	$
Revenue			
Gain on sale of mortgages		**99,536**	133,772
Acquisition costs		**(57,366)**	(73,994)
Net gain on sale of mortgages	5	**42,170**	59,778
Interest income - non-securitized assets		**22,272**	4,140
Interest expense - deposits and other		**(12,739)**	(3,218)
Net interest income - non-securitized assets		**9,533**	922
Provision for credit losses	8	**(251)**	(291)
Net interest income - non-securitized		**9,282**	631
Interest income - securitized mortgages		**5,004**	5,827
Interest expense - securitization liabilities		**(4,138)**	(4,754)
Net interest income - securitized mortgages	9	**866**	1,073
Total net interest income		**10,148**	1,704
Fee and other income	11	**2,643**	1,675
Total revenue		**54,961**	63,157
Expenses			
Salaries and benefits		**31,812**	30,859
Selling, general and administrative expenses		**23,122**	21,256
Restructuring costs	2	**7,633**	6,779
Impairment of goodwill and intangibles	13	**26,591**	-
Total expenses		**89,158**	58,894
Income (loss) before fair value adjustments		**(34,197)**	4,263
Fair value adjustments	25	**2,846**	(885)
Income (loss) before income taxes and discontinued operations		**(31,351)**	3,378
Income tax expense	16	**12,084**	1,837
Income (loss) from continuing operations		**(43,435)**	1,541
Income (loss) from discontinued operations	25	**161**	(15)
Net income (loss)		**(43,274)**	1,526
Net income (loss) attributable to non-controlling interest	25	**1,515**	(766)
Net income (loss) attributable to shareholders		**(44,789)**	2,292
Basic and diluted earnings (loss) per share			
Continuing operations	23	**$ (0.37)**	$ 0.02
Discontinued operations		**0.00**	0.00
Basic and diluted earnings (loss) per share		**$ (0.37)**	$ 0.02
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**122,184**	121,857

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Canadian dollars)

	Year ended December 31,	
	2018	**2017**
	$	**$**
Net income (loss)	**(43,274)**	1,526
Other comprehensive income (loss)		
Net unrealized gains due to changes in fair value of securities	**379**	-
Income tax expense	**101**	-
Net other comprehensive income	**278**	-
Comprehensive income (loss)	**(42,996)**	1,526
Comprehensive income (loss) attributable to:		
Shareholders	**(44,511)**	2,292
Non-controlling interest	**1,515**	(766)
Comprehensive income (loss)	**(42,996)**	1,526

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Canadian dollars)

	Attributable to shareholders of the Company						
	Share capital (Note 20)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest (Note 25)	Total equity
	$	$	$	$	$	$	$
Balance - December 31, 2016	242,526	61,433	(169,467)	-	134,492	(4,183)	130,309
Comprehensive income (loss)	-	-	2,292	-	2,292	(766)	1,526
Exercise of stock options	891	(382)	-	-	509	-	509
Share-based compensation	-	869	-	-	869	-	869
Net reduction in non-controlling interest investment	-	-	-	-	-	(1,101)	(1,101)
Balance - December 31, 2017	243,417	61,920	(167,175)	-	138,162	(6,050)	132,112
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**
Comprehensive income (loss)	-	-	**(44,789)**	**278**	**(44,511)**	**1,515**	**(42,996)**
Share-based compensation	-	**1,362**	-	-	**1,362**	-	**1,362**
Net reduction in non-controlling interest investment	-	-	-	-	-	**(2,557)**	**(2,557)**
Balance - December 31, 2018	**243,417**	**63,282**	**(212,017)**	**278**	**94,960**	**(7,092)**	**87,868**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Canadian dollars)

	Year ended December 31, 2018	2017
	$	$
Operating activities		
Income (loss) from continuing operations	**(43,435)**	1,541
Non-cash items		
Deferred income taxes	**12,084**	1,837
Foreign exchange on loans payable	**263**	(212)
Depreciation and amortization	**2,109**	2,305
Fair value adjustments	**(1,710)**	885
Provision for credit losses	**251**	291
Share-based compensation	**1,362**	869
Write off of goodwill	**23,465**	-
Write off of intangible assets	**3,126**	-
Other losses	**386**	192
Write off of certain development costs	**-**	378
Changes in assets and liabilities		
Restricted cash	**25,887**	(4,384)
Securities	**379**	-
Non-securitized mortgage loans	**(351,019)**	(205,031)
Securitized mortgage loans	**97,412**	41,429
Deferred placement fees receivable	**3,655**	(1,011)
Prepaid portfolio insurance	**7,226**	(3,462)
Other assets	**(11,452)**	(8,521)
Deposits	**345,734**	292,976
Bank facilities	**-**	(3,400)
Securitization liabilities	**(96,122)**	(41,069)
Restructuring accruals	**(1,112)**	2,398
Other accounts payable and accrued liabilities	**(19,394)**	8,534
Cash provided by (used in) continuing operations	**(905)**	86,545
Cash provided by discontinued operations	**419**	214
Cash provided by (used in) operating activities	**(486)**	86,759
Investing activities		
Purchase of capital assets	**(2,707)**	(876)
Purchase of intangible assets	**(620)**	(1,223)
Purchase of securities	**(22,313)**	-
Proceeds from sale of artwork	**731**	260
Net distributions from portfolio investments	**1,027**	214
Cash used in investing activities	**(23,882)**	(1,625)
Financing activities		
Exercise of stock options	**-**	509
Repayments of loans payable	**(28)**	-
Cash provided by (used in) financing activities	**(28)**	509
Increase (decrease) in cash and cash equivalents	**(24,396)**	85,643
Cash and cash equivalents - beginning of period	**89,414**	3,771
Cash and cash equivalents - end of period	**65,018**	89,414
Supplementary information		
Cash paid and received during the year		
Interest received	**26,511**	10,388
Interest paid	**9,308**	5,709
Income taxes paid (tax refunds received)	**-**	6

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

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

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 12, 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 consolidated financial statements were approved by the Board of Directors and authorized for issue on March 5, 2019.

2. Restructuring charges

In the fourth quarter of 2018, as part of a strategic realignment, the Company terminated a major contract with a key information technology partner. This was related to the Company's decision to postpone the development of its core banking initiative, the initial launch of which had been planned for 2019. Although the Company has retained intellectual property in the form of the partially-developed core banking system, and it remains available for future development and deployment, the termination of this contract and associated costs resulted in a $7.38 million charge to Restructuring Expense. During the first quarter of 2019, as discussed in Note 26, the Company expects to incur up to $2.3 million in restructuring expense related to a workforce reduction.

Restructuring expense during 2017 was related to the retirement of the Company's President and its CEO, together with organizational reorganizations that involved the reduction of approximately 10% of the Company's workforce.

Total reorganization expenses are reported separately as Restructuring costs in the consolidated statements of operations, and the unpaid portion is recorded as part of Accounts Payable and Accrued Liabilities in the consolidated statements of financial position at December 31, 2018 and 2017.

3. Basis of preparation and significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and in effect at December 31, 2018. The Company's functional and presentation currency is Canadian dollars.

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

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

Principles of consolidation

The consolidated financial statements include the assets, liabilities, results of operations and comprehensive income 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. The Company reassesses its control of an entity in the event that facts and circumstances indicate there may have been changes in the elements required for control. Non-controlling interests in the equity and results of the Company's subsidiaries are shown separately in the consolidated statement of changes in shareholders' equity. Intercompany balances and transactions among the Company and its subsidiaries are eliminated on consolidation.

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, expenses, and other comprehensive income (loss) 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 interests in securitization transactions, and intangible assets and goodwill; derecognition of mortgages that have been sold; 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

The determination of the Company's expected credit losses ("ECLs") is a complex calculation that depends on several highly related variables, and it is subject to significant management judgment.

As such, it is sensitive to changes in the key variables:

- changes in the credit quality of an individual borrower and/or individual mortgage loan;
- changes in the forward-looking macroeconomic variables used in the Company's ECL models, and particularly in the variables that the Company deems to be most correlated with changes in credit quality;
- changes in the design of the models that the Company uses to model ECLs; and
- migrations of mortgage loans between stages.

These variables are discussed in more detail below, under *Accounting Policies*, in the section *Expected credit losses and impaired loans*.

(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. This is discussed in more detail below, under *Accounting Policies*, in the section *Expected credit losses and impaired loans*.

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 prepayment rates of the underlying mortgages.

The reported value of prepaid portfolio insurance at each reporting date 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 of the underlying insured mortgages.

The measurement of the retained interest on a multi-unit CMB securitization represents management's best estimate of expected future cash flows. Although the mortgage term is fixed and closed to prepayment, 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. At times, the Company may securitize MURS that are in excess of the Company's allotment under the CMB program. These surplus mortgages are therefore recognized on the Company's balance sheet as mortgage loans receivable. Because the Company intends to sell these mortgages, and any collection of principal and interest is incidental, they are classified as debt instruments at fair value through profit and loss, and adjusted to fair value at each reporting date.

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. However, when the Company engages in transactions involving the sale of the net interest receivable on these MBS ("I/O strip transactions"), the effect of the I/O strip transactions is to transfer the Company's remaining risks and rewards of ownership to the purchaser, in return for a guaranteed cash flow to be received over the remaining mortgage term. The Company is then able to derecognize these mortgages in a similar manner as for its whole loan sales, as described above.

Accounting policies

Financial instruments

As described above in Note 1, the Company's operations are principally in mortgage lending and banking. Its consolidated statement of financial position is therefore primarily composed of financial instruments, and the majority of the Company's net income is derived from these financial instruments.

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.

(i) Classification and measurement

The IFRS 9 classifications of financial assets are:

- debt instruments at amortized cost;
- debt instruments at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition;
- financial assets at fair value through profit and loss ("FVTPL"); and
- equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.

In order for debt instruments to be held at amortized cost, they must meet two criteria that are deemed consistent with a basic lending arrangement: i) they are held within a business model with the objective of collecting contractual principal and interest payments ("hold to collect"); and ii) the contractual cash flows consist solely of payments of principal and interest ("SPPI"). Sales of the debt instruments can occur, but they must be incidental to an entity's business model and its objectives for holding the debt instruments; i.e.: infrequent and not significant. Principal is defined as the fair value of the financial asset at initial recognition, which may change over time due to repayments or amortization of a premium or discount. Interest is defined as consideration for the credit risk and time value of money, and can include a profit margin, as well as other basic lending costs such as servicing costs.

Debt instruments are classified as FVOCI when they are: i) held within a business model that includes both hold to collect and sales of the instruments as significant components; and ii) the contractual cash flows collected are SPPI. All other debt instruments are measured at FVTPL.

The majority of the Company's financial assets consist of loans, mortgages and other accounts receivable, which are held to collect contractual cash flows characterized as SPPI. They are therefore classified at amortized cost.

The Company holds liquid assets in the form of Canada Housing Trust mortgage-backed securities, which may be either held to maturity or sold, and therefore are classified as FVOCI.

The Company also occasionally holds 10-year insured NHA MBS mortgage loans on multi-unit residential properties prior to eventual sale. As these mortgages are intended for sale in subsequent quarters, they are classified at FVTPL. When the Company funds single-family mortgages that it intends to subsequently sell, the funded mortgages are classified as FVTPL.

The Company's other financial assets consist of cash and cash equivalents, which are classified at FVTPL.

Financial assets must be reclassified if there are changes to the business model under which they are held. Any such reclassifications are applied prospectively from the date of the reclassification.

Under IFRS 9, financial liabilities are primarily classified at amortized cost. There are limited exceptions, which primarily relate to the classification of a financial liability at FVTPL in order to provide better matching with an associated financial asset, but these exceptions are not relevant to the Company's current operations. All of the Company's financial liabilities are classified at amortized cost.

The accounting policies for the Company's individual financial instruments are discussed in more detail below.

Cash and cash equivalents

Cash and cash equivalents include cash deposited with regulated financial institutions, restricted cash, and other short-term highly liquid investments with original maturities of three months or less, such as Treasury Bills or bankers' acceptances. Interest income earned on cash and cash equivalents is included in Interest Income – Non-Securitized Assets in the consolidated statements of operations.

Restricted cash

Restricted cash includes cash and cash equivalents that are contractually restricted, primarily related to principal and interest payments collected on behalf of mortgage servicers.

Securities

Securities consist of Canada Housing Trust mortgage-backed securities. Purchases and sales are accounted for on a trade date basis, and the securities are classified as FVOCI. At each reporting date the fair value is determined by reference to published market values at that date. The changes in fair value are reported in the consolidated statements of comprehensive income, net of tax. The coupon interest earned is reported as a component of Interest Income – Non-Securitized Assets in the consolidated statements of operations.

Street Solutions uninsured loans

The mortgages advanced under the Street Solutions uninsured lending program are funded from the Company's Guaranteed Investment Certificates ("GICs") deposit base. Street Solutions mortgages are carried at amortized cost, net of acquisition costs and deferred income, using the effective interest rate method. The associated interest revenue is reported as a component of Interest Income – Non-

Securitized Assets, with the funding interest expense reported as a component of Interest Expense – Deposits and Other, on the consolidated statements of operations.

Non-securitized mortgage loans

Non-securitized mortgage loans consist of insured mortgages awaiting securitization and sale, bridge loans, and mortgage loans on multi-unit residential properties. With the exception of the NHA MBS mortgage loans held for sale, they are carried at amortized cost, using the effective interest rate method. The associated interest revenue is reported as a component of Interest Income – Non-Securitized Assets, with the funding interest expense reported as a component of Interest Expense – Deposits and Other, on the consolidated statements of operations. The mortgages held for sale are carried at FVTPL. The changes in fair value are reported in the consolidated statements of operations as part of Other Income. The associated interest revenue and funding interest expense are reported as described for the other non-securitized mortgage loans.

Securitized mortgage loans and securitization liabilities

Securitized mortgage loans result from the Company's participation in the Government of Canada's NHA MBS program, which is facilitated by Canada Mortgage and Housing Corporation ("CMHC"). As noted above under *Use of judgment and estimates*, these loans are not derecognized when sold, and they are carried at amortized cost using the effective interest rate method. Interest income is recognized over the expected life of the mortgage by applying the effective interest rate to the mortgage's carrying amount, and reported as Interest Income – Securitized Mortgages on the consolidated statements of operations.

Securitization liabilities, which correspond to the securitized mortgage loans, are also recorded at amortized cost using the effective interest rate method. Any premiums or discounts and transaction costs incurred in obtaining the secured financing are amortized to income on an effective yield basis over the term of the liabilities to which they relate, and the amortization of these amounts is reported as a component of Interest Expense – Securitization Liabilities in the consolidated statements of operations. Interest expense is allocated over the expected term of borrowing by applying the effective interest rate to the carrying amount of the liability, and is also included in Interest Expense – Securitization Liabilities.

As noted above under *Derecognition*, when the Company engages in I/O strip transactions after the initial securitization and sale, the transfer of the Company's remaining risks and rewards of ownership to the purchaser allows the derecognition of these NHA MBS mortgages and the associated liabilities.

(ii) Expected credit losses and impaired loans

Under IFRS 9, the accounting for mortgage and other loan loss impairments is based on a forward-looking expected credit loss ("ECL") model. The ECL model requires an entity to record an allowance for ECLs for all loans and other debt instruments that are classified at either amortized cost or FVOCI. The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by: evaluating possible outcomes; the time value of money; reasonable and supportable information about past events; and current and forecasted economic conditions.

The Company's credit provisions are primarily associated with its uninsured non-prime mortgage loans, which are advanced under the Street Solutions program. As noted above under *Use of judgment and estimates*, the determination of an ECL involves significant management judgment and estimation, including the explicit incorporation of forward-looking information. At each measurement date, the calculation of the ECL allowance depends on the following key inputs that are used to determine the present value of the expected cash shortfalls (defined as the difference between contractual cash flows and expected cash flows, discounted at the effective interest rate over the life of the instrument):

- 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 determination of the PD, LGD and EAD parameters can be quite complex, particularly the determination of PD. They must incorporate both factors unique to the entity and macroeconomic factors that can be associated with increases or decreases in credit risk. However, the calculation of the allowance can be summarized as:

ECL = (PD x LGD x EAD) as discounted to the measurement date

The Company's definition of default used to determine ECLs corresponds to the definition used internally for credit risk management purposes.

The general principle of the ECL model is to reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments. 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, as recorded by the movement of financial instruments among three "stages":

- Stage 1 – includes financial instruments that have not had a significant increase in credit risk ("SICR") since initial recognition, or that have low credit risk at the reporting date. An ECL equal to expected credit losses resulting from default events over the next 12 months ("12-month ECL") is recognized and interest revenue is calculated on the assets' gross carrying amounts.

- Stage 2 – includes financial instruments that have had SICR since initial recognition, but for which there is no objective evidence of impairment at the reporting date. An ECL equal to expected credit losses resulting from default events over the assets' lifetime ("lifetime ECL") is recognized and interest revenue is calculated on the assets' gross carrying amounts. In general, an asset's lifetime is considered to be its remaining contractual lifetime.

- Stage 3 – includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime ECL is recognized and interest revenue is calculated on the assets' net carrying amounts, which are determined as the asset amount net of their lifetime ECL.

The changes in the ECL allowance at each measurement date are recognized as Provision for credit losses on the Company's consolidated statements of operations.

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:

- at the pool level, increases in lifetime PD, compared to PD at initial recognition, measured on an absolute and/or percentage basis;
- at the individual loan level, qualitative reviews of internally generated credit risk data, to ensure all instruments are appropriately assigned to Stage 1, 2 or 3; and
- at the individual loan level, 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.

For financial instruments that migrate to Stage 2 due to SICR, subsequent improvements in credit risk may result in a symmetrical remigration back to Stage 1 and the reversion to a 12-month ECL rather than a lifetime ECL.

In addition to the assessment of SICR, financial assets are also assessed for credit impairment at least quarterly. Indicators of possible credit impairment include adverse changes in the payment status of borrowers in a given group (i.e.: a group of loans in arrears greater than 90 days); deteriorating credit scores; changes in national or local economic conditions such as an increase in the unemployment rate or a decrease in property prices; or a rapid increase in interest rates. Under IFRS 9, the Company's financial instruments are considered impaired when repayment of principal or payment of interest is contractually 90 days in arrears. Impaired loans are moved to Stage 3.

Financial instruments cease to be impaired when all past due amounts, including interest, have been recovered, and the principal and interest are deemed fully collectible in accordance with original or revised contractual terms. This will result in migration of the instruments back to Stage 2. Should credit risk improve to the point that SICR since initial recognition no longer exists, there will be further migration back to Stage 1.

Financial instruments that are determined to be uncollectible are written off against the Allowance for credit losses. Any subsequent recoveries are recorded as a credit to Provision for credit losses. All of the Company's mortgages receivable are secured by the underlying property, and its insured mortgages are further secured by CMHC, thereby helping to mitigate the Company's risk of loss. The Company's risk of loss is greatest on unsecured bridge loans, which are a minor component of the Company's lending portfolio, and as such do not represent a material loss exposure.

The Company's accounting policies for its other significant assets and liabilities are discussed below:

Deposits

The Company's deposits, which are sourced through deposit broker agents and which are in the form of 1 to 5 year GICs, are carried at amortized cost, net of deferred broker agent commissions. The commissions are amortized and calculated on an effective yield basis as a component of interest expense, and reported in Interest Expense – Deposits and Other on the consolidated statements of operations. Interest expense is allocated over the contractual deposit term by applying the effective interest rate to the deposit principal amount, and is also included in Interest Expense – Deposits and Other.

Deferred placement fees receivable

Deferred placement fees receivable relate to mortgages that the Company sells to investors on a fully serviced basis. At the point of sale, the Company charges the investor a deferred placement fee that is received over the life of the underlying mortgage. The present value of the deferred placement fee, less the Company's cost of servicing, is recognized as Gain on Sale of Mortgages in the consolidated statements of operations, and a resulting Deferred Placement Fee Receivable is recognized in the consolidated statements of financial position.

In some cases an excess interest rate spread is also received over the remaining term of the mortgage. The present value of the excess interest rate spread is also recognized as Gain on Sale of Mortgages, and a resulting Deferred Placement Fee Receivable is recognized. The present value of this excess spread is calculated based on a duration factor of the underlying mortgage sold.

Any difference between the cash collected and the amortization of the deferred placement fee receivable is recognized as income or loss in the consolidated statements of operations, through Fee and Other Income.

Prepaid portfolio insurance

The Company purchases portfolio mortgage insurance on most of the low ratio insurable mortgages it originates. Mortgage insurance is required under the NHA MBS and CMB programs on which the Company and most of its investors rely to fund the mortgages. The portfolio insurance purchased provides coverage for the pool of individual mortgages over the amortization period, rather than the contractual term, providing a benefit to the Company over the amortization period. The portfolio insurance is capitalized on purchase and amortized as an expense into income over a maximum period of 15 years, using a declining balance method that estimates the pattern of consumption of the insurance based on management's assumptions about the underlying insured mortgages' contractual paydowns, prepayments and renewals.

Capital assets

The Company's capital assets consist of office furniture, fixtures and equipment, computer hardware and software, leasehold improvements, and artwork. Capital assets, other than artwork, are recorded at cost, which includes expenditures that are directly attributable to the asset acquisitions, and are amortized over their estimated useful lives on the following basis:

Office furniture, fixtures and equipment	Straight-line over periods from 3 to 10 years
Leasehold improvements	Straight-line over the shorter of the term of the lease or estimated useful life of the asset
Computer hardware and software	Straight-line over 1 to 3 years

At each reporting date, the Company assesses whether there are any indications that a capital asset may be impaired. If indicators of impairment exist, the Company performs an impairment test to determine whether an impairment loss should be recognized.

Artwork is recorded at appraised value, which represents deemed cost.

Intangible assets

The Company recognizes internally generated intangible assets, when the asset costs can be reliably measured and it is probable that associated future economic benefits will accrue to the Company. These internally generated intangible assets consist of systems and software, and include all directly attributable costs necessary to create an asset that is capable of operating as intended by management. Overhead, research and training costs are excluded, as are costs incurred after the asset is substantially complete and available for use. Internally generated intangible assets are amortized on a straight-line basis over their estimated lives. The Company has no indefinite life intangible assets.

At each reporting date the Company qualitatively assesses its intangible assets for indicators of impairment. If such indicators exist, an impairment test is conducted to determine whether the carrying amount of an intangible asset exceeds its recoverable amount. If so, an impairment loss is recognized in the consolidated statements of operations for the amount of the difference between the carrying and recoverable amounts.

Goodwill

Goodwill is the residual amount by which the purchase price of a business acquisition exceeds the sum of the fair values allocated to the net identifiable tangible and intangible assets acquired. The amount of the goodwill is allocated to each cash generating unit ("CGU"), or group of CGUs, that is expected to benefit from the business acquisition. A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of those from other assets or groups of assets. Each unit to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Such units may not be higher than an operating segment. At December 31, 2018, the Company had only one CGU, banking operations.

Subsequent to acquisition, goodwill is carried at cost less accumulated impairment losses. It is tested annually for impairment, with more frequent testing required if events or changes in circumstances indicate possible impairment. Goodwill is considered impaired if the carrying value of a CGU, including its allocated goodwill, exceeds the CGU's recoverable amount. If so, an amount equal to the difference between the carrying value and the recoverable value is recognized in the consolidated statements of comprehensive income.

Income taxes

Income taxes consist of both current and deferred tax. The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the difference between the carrying values of assets and liabilities, and their values for tax purposes. Any change in the net amount of deferred income tax assets and liabilities is included in income. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws that are expected to apply to the Company's taxable income in the periods during which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable that they will be recovered.

Current taxes are the expected taxes payable on the taxable income for the reporting period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustments to taxes payable in respect of previous years.

Income taxes are recognized in the consolidated statements of operations except to the extent that they relate to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Discontinued operations

A discontinued operation is a component of a business that represents a separate major line of business, a geographical area of operations, or a subsidiary acquired exclusively with a view to resale, and that has been disposed of, abandoned, or otherwise meets the criteria to be classified as held for sale. Discontinued operations are presented in the consolidated statements of comprehensive income (including the comparative period) as a single line comprising the post-tax profit or loss of the discontinued operation. Where relevant, it includes the post-tax gain or loss recognized on the re-measurement to fair value less costs to sell, or on disposal.

Revenue recognition

Mortgage loan sales

The majority of the Company's revenue is earned from the placement and renewal, servicing, and securitization activities of its mortgage lending business. Under this model, the Company sells whole loan mortgages to third parties and receives some or all of the following forms of compensation:

- Cash premium – The cash premium received for the mortgages sold is recognized and reported in Gain on Sale of Mortgages in the consolidated statements of operations.

- Deferred Placement Fees –The institutional investor pays a deferred placement fee to the Company, which is received over the life of the underlying mortgage. The present value of the estimated deferred placement fee, less the Company's estimated cost of servicing the underlying mortgages, is also recognized in Gain on Sale of Mortgages. The corresponding receivable is reported as Deferred Placement Fees Receivable in the consolidated statements of financial position.

- Excess interest rate spread – In some cases, an excess interest rate spread is received over the remaining term of the mortgage. The present value of the excess interest rate spread is also recognized in Gain on Sale of Mortgages, and the corresponding receivable is also reported as Deferred Placement Fees Receivable.

- Mortgage life insurance referral fees – The Company receives a fee when life insurance is purchased for a mortgage that the Company originates. It is received as part of the deal closing and recognized as a component of Fee and Other Income in the consolidated statements of operations.

- Mortgage prepayment penalty fees – The prepayment penalty received less the amount owed to the holder of the securities when a securitized mortgage is prepaid is recognized as Interest Income – Securitized Mortgages in the consolidated statements of operations.

Net interest margin – mortgage lending

The net interest margin earned on the Company's lending and deposit-taking operations is calculated using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. The Company's net interest margin has two components:

- Net interest income (expense) – non-securitized – The revenue portion of this component consists of interest income from uninsured and other non-securitized lending, and interest income earned on cash and cash equivalents. It is reported in the consolidated statements of operations as Interest Income – Non-Securitized Assets. The expense portion consists of interest expense on deposits, which is reported as Interest Expense – Deposits and Other. The net of these two amounts is adjusted to include the provision for credit losses on uninsured lending, to determine the net interest income (expense) – non-securitized.

- Net interest income (expense) – securitized mortgages – This amount consists of the difference between interest income from securitized mortgages and the interest expense on the associated securitization liabilities. These two amounts are reported in the consolidated statements of operations as, respectively, Interest Income – Securitized Mortgages and Interest Expense – Securitization Liabilities.

Other income – mortgage lending

Other income from mortgage lending includes the net run-off of the deferred revenue related to its mortgage loan sales, as discussed above under Mortgage loan sales. It also includes the gains on the sale of MURS, and the gains on I/O strip transactions. All of these are recognized as part of Fee and Other Income on the consolidated statements of operations.

Fee income – mortgage lending

The Company earns various one-time and ongoing fees as part of its mortgage lending operations. These are currently an immaterial component of the Company's revenue, and recognized as part of Fee and Other Income.

Other income – fair value adjustments

The Company classifies the mortgages it holds on-balance sheet and intends to sell as FVTPL. Adjustments to the fair value of these mortgages at each balance sheet date are recognized as a component of Fee and Other Income.

Other items

Stock-based compensation plans

The Company issues share-based awards, in the form of options to purchase SCGI's common stock, to employees of the Company as compensation for their service to the Company. The cost of these awards is determined to be the fair value of the options on the grant date, as calculated using the Black-Scholes fair value model. This cost is recognized in Salaries and Benefits expense on a proportionate basis consistent with the vesting features of each tranche of the grant, with the offsetting credit recorded in Contributed Surplus.

The Company also issues Restricted Stock Units ("RSUs") to employees of the Company as compensation for their service to the Company. The grant price of the RSUs is equal to the weighted average closing price of the Company's common shares for the five trading days immediately prior to the Grant Date, and the redemption price is calculated as the weighted average closing price of the Company's common shares for the five trading days immediately prior to the vesting date. The cost is recognized in Salaries and Benefits expense on a proportionate basis consistent with the vesting features of each tranche of the grant, with the offsetting credit recorded in Accounts Payable and Accrued Liabilities as Accrued Compensation. At each balance sheet date, the accrued liability is adjusted to the current value of the redemption price, with the increase or decrease recognized in Salaries and Benefits expense.

Employee benefits

The Company's contributions to the Group Retirement Savings Plan are expensed when paid, as a component of Salaries and Benefits expense.

Earnings per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments, which consist of common stock options and deferred share units. The number of shares included with respect to dilutive instruments is computed using the treasury stock method.

Non-controlling interest

At December 31, 2018, Non-Controlling Interest represents the interests in controlled assets owned by outside investors in Fleetwood Fine Furniture, LP. The share of net assets attributable to the non-controlling interest is presented as a separate component within equity. The non-controlling interest share of net income is presented separately in the consolidated statements of comprehensive income. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation

The financial statements of entities that have a functional currency different from that of Street Capital ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; income and expenses – at the average rate during the period (as this is considered a reasonable approximation of actual rates). Transactions in foreign currencies are translated into Canadian dollars using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses are recognized in Selling, General and Administrative Expenses in the consolidated statements of operations.

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 did not early adopt 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 consolidated 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 that the financial impact of adopting the new standard will be material to its financial position or results of operations.

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

The Company had the following cash, restricted cash, and securities as at December 31, 2018 and 2017:

		December 31, 2018		December 31, 2017
Cash on deposit with regulated financial institutions	**$**	**65,018**	$	89,414
Cash and cash equivalents	**$**	**65,018**	$	89,414
Restricted cash - servicing	**$**	**6,706**	$	31,621
Restricted cash - securitization		**2,950**		3,922
Total restricted cash	**$**	**9,656**	$	35,543
Canada Trust Housing mortgage-backed securities	**$**	**22,692**	$	-
Securities	**$**	**22,692**	$	-

Restricted cash - servicing consists of mortgage loan repayments collected on behalf of mortgage servicers and not yet remitted.

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 $22.5 million, of which $7.5 million mature June 15, 2023 and $15.0 million mature December 15, 2023. They are considered part of the Company's liquid assets. At December 31, 2018 the accumulated OCI relating to the CMBs was an unrealized gain of $0.28 million, net of tax.

5. Single-family mortgage sale activity

(a) Gain on sale of mortgages

The largest component of the Company's business is the origination of prime insurable mortgages that are sold to institutional investors, with the sale primarily occurring 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. As discussed above under *Revenue Recognition*, in *Note 3 - Basis of preparation and significant accounting policies*, the Company recognizes income from multiple sources when the mortgage is funded.

The Company also sells uninsured prime and non-prime mortgages under programs similar to the insured loan sales, except that uninsured non-prime mortgages that are sold on a funded basis.

The table below presents all mortgages sold and the associated gains on sale for the years ended December 31, 2018 and 2017.

	Year ended December 31, 2018	2017
Prime insured mortgages sold - new	**$ 3,742,008**	$ 5,372,803
Prime insured mortgages sold - renewals	**2,440,286**	1,859,267
Prime insured mortgages sold - total	**$ 6,182,294**	$ 7,232,070
Prime uninsured mortgages sold	**56,559**	-
Street Solutions mortgages sold	**26,210**	-
Mortgages sold - total	**$ 6,265,063**	$ 7,232,070
Cash premium at sale - prime insured	**$ 81,644**	$ 113,418
Deferred gain on sale - prime insured	**16,825**	20,354
Acquisition costs - prime insured	**(56,943)**	(73,994)
Net gain on sale - prime insured	**$ 41,526**	$ 59,778
Cash premium at sale - prime uninsured	**$ 826**	-
Deferred gain on sale - prime uninsured	**93**	-
Acquisition costs - prime uninsured	**(424)**	-
Net gain on sale - prime uninsured	**$ 495**	$ -
Cash premium at sale - Street Solutions	**$ 131**	-
Deferred gain on sale - Street Solutions	**17**	-
Acquisition costs - Street Solutions	**1**	-
Net gain on sale - Street Solutions	**$ 149**	$ -
Total net gain on sale of mortgages	**$ 42,170**	$ 59,778
% Gain	**0.67%**	0.83%

(b) Deferred placement fees receivable

The difference between the net 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 December 31, 2018 and 2017 are shown below.

	December 31, 2018	December 31, 2017
Deferred placement fees recognized	**$ 162,641**	$ 145,819
Accumulated amortization	**(113,971)**	(93,494)
Net book value	**$ 48,670**	$ 52,325

(c) Prepaid portfolio insurance

As discussed above under *Basis of preparation and significant accounting policies*, the Company purchases portfolio mortgage insurance on most of the low ratio insurable mortgages it originates, which is capitalized on purchase and amortized as an expense into income over a maximum period of 15 years, using a declining balance method. The net unamortized amount of prepaid portfolio insurance at December 31, 2018 and 2017 is shown below, together with a continuity schedule for the years ended December 31, 2018 and 2017.

		As at
	December 31, 2018	**December 31, 2017**
Insurance capitalized at purchase	**$ 119,966**	$ 116,726
Accumulated amortization	**(44,681)**	(34,215)
Net book value	**$ 75,285**	$ 82,511

		Year ended
	December 31, 2018	**December 31, 2017**
Balance, beginning of period	**$ 82,511**	$ 79,049
Capitalized at purchase	**3,240**	13,217
Amortization during the period	**(10,466)**	(9,755)
Balance, end of period	**$ 75,285**	$ 82,511

6. 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, which consist primarily of uninsured mortgage loans.

At December 31, 2018, total mortgages under administration amounted to $27.59 billion (December 31, 2017 - $28.02 billion).

7. Non-securitized mortgages and loans

(a) Mortgages receivable

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

	Under IFRS 9		Under IAS 39	
		December 31, 2018		**December 31, 2017**
Street Solutions mortgage loans	**$**	**527,377**	$	201,020
Allowance for expected credit losses		**(595)**		(216)
Street Solutions mortgage loans, net	**$**	**526,782**	$	200,804
Stamped insured mortgages		**24,778**		5,270
Single-family mortgages		**12,423**		6,662
Bridge loans - secured		**236**		1,152
Allowance for impaired loan		**-**		(75)
Bridge loans - secured - net	**$**	**236**	$	1,077
Bridge loans - unsecured		**559**		250
Total non-securitized mortgages and loans	**$**	**564,778**	$	214,063

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

Stamped mortgages are prime residential insured mortgages, which can be either single-family or multi-unit mortgages, that have been securitized but not sold to third parties. Both are readily convertible to cash. Single family insured mortgages securitized but not sold are intended to be held until maturity and are part of the Company's liquidity pool. Generally, multi-unit residential insured mortgages securitized but not sold are held for future sale. They form part of the Company's liquidity pool while held. Please see Note 4 and *Risk Management* for a table of the Company's liquid assets.

(b) Maturity profile

The principal balances of the non-securitized loans have maturities up to 10 years, as shown below.

					December 31, 2018
	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
Street Solutions mortgages	$ 502,964	$ 25,036	$ 342	$ -	$ 528,342
Stamped insured mortgages	-	3,502	10,560	10,716	24,778
Single-family mortgages	1,624	4,178	6,621	-	12,423
Bridge loans - secured	236	-	-	-	236
Bridge loans - unsecured	559	-	-	-	559
Total non-securitized loans	$ 505,383	$ 32,716	$ 17,523	$ 10,716	$ 566,338

					December 31, 2017
	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Total
Street Solutions mortgages	$ 168,928	$ 31,748	$ 749	$ -	$ 201,425
Stamped insured mortgages	-	-	5,270	-	5,270
Single-family 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 table below shows the continuity and credit migration of the principal balances of the Company's Street Solutions mortgage loans over the year ended December 31, 2018.

				Year ended December 31, 2018
	Stage 1	Stage 2	Stage 3	Total
Street Solutions				
Gross carrying amount, beginning of year	$ 201,425	$ -	$ -	$ 201,425
Mortgages issued, net of repayments and other derecognitions	372,388	(45,471)	-	326,917
Transfers in (out) to Stage 2	(124,275)	123,859	416	-
Transfers in (out) to Stage 3	(1,016)	-	1,016	-
Write-offs	-	-	-	-
Recoveries	483	-	(483)	-
Gross carrying amount, end of year	$ 449,005	$ 78,388	$ 949	$ 528,342

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

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

												December 31, 2018
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Street Solutions mortgages	**$**	**521,422**	**$**	**4,913**	**$**	**1,058**	**$**	**416**	**$**	**533**	**$**	**528,342**
Stamped insured mortgages		**14,062**		**-**		**-**		**-**		**-**		**14,062**
Single-family mortgages		**22,803**		**336**		**-**		**-**		**-**		**23,139**
Bridge loans - secured		**236**		**-**		**-**		**-**		**-**		**236**
Bridge loans - unsecured		**559**		**-**		**-**		**-**		**-**		**559**
Total non-securitized loans	**$**	**559,082**	**$**	**5,249**	**$**	**1,058**	**$**	**416**	**$**	**533**	**$**	**566,338**

												December 31, 2017
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Street Solutions mortgages	$	201,425	$	-	$	-	$	-	$	-	$	201,425
Stamped insured mortgages		5,270		-		-		-		-		5,270
Single-family 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 the previous accounting standard, 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.

The Company makes the decision to write off a loan, either in full or in part, when the amount owing is considered beyond a realistic probability of recovery. This is the case when a loan is sold, when all security has been realized, or when all security has been resolved with a receiver or bankruptcy court.

8. Provisions and allowances for credit losses

The table below provides a reconciliation of the opening balance to the closing balance of the ECL allowance under IFRS 9, over the period from January 1, 2018 to December 31, 2018. The Company has determined that no allowance for insured mortgages was required at either January 1, 2018 or December 31, 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 ECL 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.

Uninsured mortgages and loans	Year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance, beginning of year	$ 269	$ -	$ 75	$ 344
Net originations	388	(204)	-	184
Transfers in (out) to Stage 2	(325)	325	-	-
Transfers in (out) to Stage 3	(44)	-	44	-
Changes to models and inputs used for ECL calculation	85	57	-	142
Write-offs	-	-	-	-
Recoveries	30	-	(105)	(75)
ECL allowance, end of year	$ 403	$ 178	$ 14	$ 595

The Company has been lending in the uninsured mortgage product space only since the second quarter of 2017, and it uses external credit scores (Beacon score), at the date the loan is originated, to categorize these mortgages by credit quality.

The following table categorizes the Street Solutions mortgage portfolio by Beacon ranges, which are generally accepted as ranges of credit quality, at December 31, 2018 and 2017.

Beacon Score (Primary Borrower)	At December 31, 2018 Mortgage balance	% of mortgages	At December 31, 2017 Mortgage balance	% of mortgages
700+	$ 245,735	46.5%	$ 92,738	46.0%
600 - 699	235,038	44.5%	88,215	43.8%
<600	47,569	9.0%	20,472	10.2%
	$ 528,342	100.0%	$ 201,425	100.0%

9. Securitization activity

(a) Mortgages receivable and securitization liabilities

The Company occasionally securitizes and sells insured single-family residential mortgage loans by participating in the NHA MBS program, with the most recent such transaction occurring during the fourth quarter of 2016. 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 and does not derecognize the mortgages upon sale.

The Company also occasionally sells, to independent third parties, the net interest spread on previously securitized and sold mortgage loans (an “I/O strip transaction”). As a result of the I/O strip transaction, the Company transfers the prepayment and interest rate risks and rewards on the mortgages to the third party, and therefore derecognizes both the mortgages receivable and the associated securitization liabilities. In Q4 2018 the Company sold I/O strips relating to $47.26 million of its previously securitized mortgage loans, recognizing a net gain of $0.47 million, which is included in Fee and Other Income. A deferred receivable of $0.74 million was recorded in Other Assets.

The table below presents the carrying amounts of the securitized mortgages and the corresponding liabilities at December 31, 2018 and 2017.

	December 31, 2018	
	Carrying amount of securitized mortgage loans	Carrying amount of securitization liabilities
Securitized mortgage loans	$ 122,570	$ 125,805
Deferred acquisition costs	792	-
Deferred transaction costs	-	(333)
	$ 123,362	$ 125,472

	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 on-balance sheet securitized mortgages have maturities up to 5 years, as shown below.

	December 31, 2018			
	Within 1 Year	1 - 3 Years	3 - 5 Years	Total
Securitized mortgages	$ 5,152	$ 117,418	$ -	$ 122,570

	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 table shows the continuity of the Company's securitized mortgage loans over the year ended December 31, 2018.

	Year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Securitized mortgage loans				
Gross carrying amount, beginning of year	$ 205,279	$ 13,845	$ -	$ 219,124
Mortgages issued, net of repayments and other derecognitions	(95,439)	(1,115)	-	(96,554)
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	12,730	(12,730)	-	-
Transfers in (out) to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Gross carrying amount, end of year	$ 122,570	$ -	$ -	$ 122,570

(d) Aging and impairment – securitized mortgages

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

						December 31, 2018
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Total securitized mortgage loans	**$ 121,466**	**$ 1,104**	**$ -**	**$ -**	**$ -**	**$ 122,570**

						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 11.

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 expenses, to be received over the mortgage terms. The retained interest receivables are recorded as a component of Other Assets, as reported in Note 12.

The key components of the CMB transactions during the years ended December 31, 2018 and 2017 are shown below. The Company began participating in these transactions during the third quarter of 2017, and therefore the amounts for 2017 reflect activity for only two quarters, as compared to four quarters during 2018.

(in thousands of $, except %)

	Year ended December 31, 2018
Multi-unit residential mortgages securitized and sold	**$ 264,491**
Gain on sales of multi-unit residential mortgages	**$ 1,563**
Gain on sales as a percentage of the mortgage amounts	**0.59%**
Retained interests recognized for the year	**$ 10,962**

	Year ended December 31, 2017
Multi-unit residential mortgages securitized and sold	$ 74,188
Gain on sales of multi-unit residential mortgages	$ 574
Gain on sales as a percentage of the mortgage amounts	0.77%
Retained interests recognized for the year	$ 2,837

10. 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.

	December 31, 2018	December 31, 2017
Deposit principal	**$ 641,149**	$ 294,219
Deferred deposit agent commissions	**(2,439)**	(1,243)
Net deposits	**$ 638,710**	$ 292,976

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

December 31, 2018	Cashable *	Within 1 Year	1 -3 Years	3 -5 Years	Total
Deposit maturities	**$ 3,485**	**$ 272,185**	**$ 251,982**	**$ 111,058**	**$ 638,710**
Average contractual rate	**1.45%**	**2.33%**	**2.77%**	**3.00%**	**2.61%**

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**

11. 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 on January 1, 2018.

The details of Fee and Other Income for the years ended December 31, 2018 and 2017 are shown below. Other income (loss) is primarily related to the Company's legacy operations. The primary components during 2018 are net interest expense of $0.65 million on third-party loans and amounts owed to related parties, a loss of $0.39 million relating to sales of the Company's art, and the recovery of a $0.15 million receivable that had been reduced to $0.

	Year ended December 31,			
		2018		**2017**
Servicing and fee income - mortgages	**$**	**1,167**	$	1,010
Gain on sale - CMB securitization		**1,691**		574
Gain on sale of I/O strip		**470**		-
Fair value adjustments - mortgages held for sale		**204**		-
Other income (loss)		**(889)**		91
Total fee and other income	**$**	**2,643**	$	1,675

12. Other assets

The Company's other assets consist of:

		December 31, 2018		**December 31, 2017**
Gain on sale receivable	**$**	**4,193**	$	6,275
CMB retained interest receivable		**13,095**		2,810
I/O strip sale receivable		**725**		-
Accrued interest receivable		**1,571**		794
Accounts receivable		**6,130**		5,030
Employee loans receivable (Note 21)		**1,765**		1,765
Non-mortgage loans receivable		**-**		479
Prepaid and other assets		**1,358**		1,662
Capital assets		**3,904**		3,469
Portfolio investments		**-**		859
Assets of discontinued operations (Note 25)		**463**		683
	$	**33,204**	$	23,826

Gain on sale receivable represents amounts not yet received on 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 9. 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 21.

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.

13. Goodwill and intangible assets

(a) Goodwill

	December 31, 2018		December 31, 2017
Acquisition of Street Capital Bank of Canada	**$**	**-**	$ 23,465

The Company recognized goodwill of $23.47 million when it acquired Street Capital Bank, the Company's sole cash generating unit ("CGU"). All the goodwill was allocated to Street Capital Bank.

Impairment testing

Subsequent to acquisition, the carrying amount of goodwill has been tested for impairment annually as at December 31, and whenever there have been events or changes in circumstances which indicated that the carrying amount may not be recoverable. Goodwill impairment testing compares the recoverable amount of the CGU to its carrying amount, with any deficiency recognized as goodwill impairment. Impairment losses relating to goodwill cannot be reversed in future periods.

In accordance with *IAS 36 - Impairment of Assets* ("IAS 36"), at December 31, 2018 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, projected until 2021 and using a discount rate of 15%, 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.

As at December 31, 2018, using the latest set of Board-approved forecasts, the estimated recoverable amount of the CGU was determined to be below its carrying value. Accordingly, an impairment charge representing the entire book value of the Company's goodwill, was recorded as a component of Impairment of Goodwill and Intangibles in the Company's consolidated statements of operations.

(b) Intangible assets

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

		December 31, 2018		December 31, 2017
Internally developed:				
Systems and software	**$**	**4,907**	$	4,287
Accumulated amortization		**(3,407)**		(2,947)
	$	**1,500**	$	1,340
Acquired:				
Mortgage renewal stream		**-**		6,869
Accumulated amortization		**-**		(3,248)
	$	**-**	$	3,621
	$	**1,500**	$	4,961

(i) Internally developed

The internally developed intangible assets consist of systems and software developed by the Company. The assets' amortization period is 5 years, which is based on their estimated useful lives, and at December 31, 2018 the remaining amortization terms varied from 0.50 to 5.00 years. The amortization expense is reported in Selling, general and administrative expenses in the consolidated statements of operations, and for 2018 was $0.46 million (2017 - $0.58 million).

During the fourth quarter of 2018, the Company capitalized, as an internally developed intangible asset, $2.75 million of costs associated with the development of its planned core banking initiative. Following the postponement of this initiative, also in the fourth quarter of 2018, these costs were instead charged to Restructuring Expense.

At both December 31, 2018 and 2017, management assessed potential external and internal indicators of impairment for the remainder of the internally developed intangible assets, and concluded that none were present. Impairment testing of these assets was therefore not required. In the second quarter of 2017 the Company wrote down one internally developed intangible asset by $0.38 million.

(ii) Acquired

The acquired intangible asset relates to the mortgage renewal stream associated with the Company's 2011 acquisition of Street Capital Bank.

In conjunction with the impairment testing of the Company's goodwill as at December 31, 2018, management concluded that the goodwill impairment was an internal indicator of potential impairment of the acquired intangible asset. Impairment testing of the intangible asset determined that its recoverable amount was below its net carrying value of $3.13 million. An impairment charge of $3.13 million was therefore recorded as a component of Impairment of Goodwill and Intangibles in the Company's consolidated statements of operations. This was partially offset by an income tax recovery of $0.83 million, which was recorded as a credit to Income Tax Expense in the Company's consolidated statements of operations.

The acquired intangible asset had an original amortization period of 15 years, based on historical renewal rates and industry benchmarks, and prior to the impairment the remaining amortization term was 7.50 years. The amortization expense was reported in Selling, General and Administrative expenses in the consolidated statements of operations, and for both 2018 and 2017 was $0.49 million.

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as shown below.

	December 31, 2018		December 31, 2017	
Payment due to mortgage servicers	**$**	**6,706**	$	31,621
Accrued mortgage acquisition costs		**10,697**		12,504
Accrued interest payable		**9,255**		3,139
Accrued restructuring costs		**9,226**		10,338
Accrued compensation		**4,600**		4,519
Liabilities of discontinued operations (Note 25)		**8**		8
Other		**3,842**		2,711
	$	**44,334**	$	64,840

Payments due to mortgage servicers consists of cash collected on behalf of servicers that has not been remitted. Approximately half of the accrued restructuring costs, $4.63 million, relate to the Company's December 2018 decision to terminate a major contract with a key information technology partner in connection with the postponement of the Company's core banking initiative. The remainder relates 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.

15. Loans payable

Details of loans payable are as shown below.

	Maturity date	December 31, 2018		December 31, 2017	
Corporate loan - $Cdn	Jan 15, 2020	**$**	**1,000**	$	1,028
Corporate loan - $US	Jan 15, 2020		**3,274**		3,011
		$	**4,274**	$	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.

16. Income taxes

The Company recognized the following tax expense in its income from continuing operations for the years ended December 31:

	Year ended December 31, 2018 $		2017 $	
Current tax expense - current year	**$**	**-**	$	-
Deferred tax expense - current year		**(1,972)**		1,614
Derecognition of previously recognized tax losses and temporary differences		**14,010**		-
Deferred tax attributable to changes in tax rates and laws		**46**		223
Total income tax expense recognized in the current year in income (loss)	**$**	**12,084**	$	1,837

The Company's provision for income taxes differs from the provision computed at statutory rates for the years ended December 31, as follows:

	Year ended December 31, 2018 $	2017 $
Income (loss) before income taxes, non-controlling interest and discontinued operations	**$ (31,351)**	$ 3,378
Income tax expense (recovery) based on a statutory income tax rate of 26.50%	**$ (8,308)**	$ 895
Increase (decrease) in income taxes resulting from:		
Goodwill writedown	**6,218**	-
Unrecognized tax losses	**1,346**	283
Income not subject to tax	**(1,839)**	-
Other non-deductible items	**583**	432
Derecognition of previously recognized tax losses and temporary differences	**14,010**	-
Other	**74**	227
Income tax expense recognized in income (loss) from continuing operations	**$ 12,084**	$ 1,837
Income tax expense attributable to discontinued operations	**-**	-
	$ 12,084	$ 1,837

The combined Canadian federal and provincial statutory income tax rate used for 2018 is 26.50% (2017 – 26.50%).

At December 31, 2018 the Company had $1.52 million (December 31, 2017 - $14.57 million) in deferred income tax assets and $45.02 million (December 31, 2017 - $45.89 million) in deferred income tax liabilities, comprising net liabilities of $43.51 million (December 31, 2017 – net liabilities of $31.30 million).

The 2018 decrease in deferred income tax assets is due to management's periodic reassessments of the probability that existing non-capital loss carryforwards would be utilized to reduce income taxes payable in future years. In the third quarter of 2018, the Company determined that approximately $6.7 million of non-capital loss carryforwards were not eligible to be used, and recorded a reduction of $1.8 million in its deferred tax assets. In the fourth quarter of 2018, in conjunction with the Company's assessment that its goodwill and acquired intangible assets were impaired, the Company determined that a further $38.3 million of non-capital loss carryforwards were not probable to be used, and that $8.0 million of temporary differences were not likely to be recovered. As a result, the Company recorded further reductions of its deferred tax assets, totalling $12.2 million for the year and $12.5 million in the fourth quarter.

The composition of the Company's net income tax liabilities at December 31, 2018 and 2017 is shown below.

	Year ended December 31, 2018			
	Opening balance	**Recognized in income (loss)**	**Recognized in OCI**	**Closing balance**
Capital assets	**$ 1,088**	**$ (1,044)**	**$ -**	**$ 44**
Intangible assets	**(960)**	**960**	**-**	**-**
Accrued liabilities	**2,408**	**(2,178)**	**-**	**230**
Other financial liabilities	**(99,877)**	**11,378**	**-**	**(88,499)**
Prepaid portfolio insurance	**(21,970)**	**1,902**	**-**	**(20,068)**
Other	**345**	**(302)**	**-**	**43**
	(118,966)	**10,716**	**-**	**(108,250)**
Tax losses - non capital	**84,299**	**(19,455)**	**(101)**	**64,743**
Tax losses - restricted non capital	**3,346**	**(3,346)**	**-**	**-**
	$ (31,321)	**$ (12,085)**	**$ (101)**	**$(43,507)**

	Year ended December 31, 2017			
	Opening balance	**Recognized in income (loss)**	**Other**	**Closing balance**
Capital assets	$ 569	$ 519	$ -	$ 1,088
Intangible assets	(1,090)	130	-	(960)
Accrued liabilities	2,354	54	-	2,408
Other financial liabilities	(102,418)	2,541	-	(99,877)
Prepaid portfolio insurance	(20,943)	(1,027)	-	(21,970)
Other	468	(123)	-	345
	(121,060)	2,094	-	(118,966)
Tax losses - non capital	88,229	(3,930)	-	84,299
Tax losses - restricted non capital	3,346	-	-	3,346
	$ (29,485)	$ (1,836)	$ -	$ (31,321)

The composition of the Company's aggregate unrecognized deductible temporary differences and unused tax losses at December 31, 2018 and 2017 is as shown below.

	December 31, 2018	**December 31, 2017**
Investment property	**$ 2,732**	$ 2,722
Temporary differences	**4,579**	-
Tax losses – non-capital – legacy businesses	**-**	6,870
Tax losses - non-capital - Canadian business - derecognized in 2018	**42,447**	-
Tax losses – capital – legacy businesses	**63,317**	81,514
	$ 113,075	$ 91,106

As at December 31, 2018 the Company had approximately $243.13 million (December 31, 2017 - $317.00 million) in non-capital loss carry-forwards, which may be used to reduce future years' taxable income until 2038. Unrecorded non-capital losses from the Company's Canadian business begin expiring in 2026.

17. Commitments and contingencies

(a) Credit commitments

At December 31, 2018 the Company had credit commitments in the form of the securitization liabilities discussed in Note 9 and the loans payable discussed in Note 15.

The Company also had $140.2 million of commitments for mortgage loans intended to be funded on-balance sheet (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 is committed to operating leases for office premises located in Toronto, Vancouver and Calgary. Additionally, the Company is committed to various automotive and equipment leases. The total lease payments recognized as an expense during the period totalled $3.13 million, of which $1.39 million consisted of operating expenses that were in addition to the minimum lease payments (2017 - $2.85 million, including operating expenses of $1.32 million). The future minimum annual payments are shown below.

	December 31, 2018	December 31, 2017
Within 1 year	**$ 1,446**	$ 1,783
1 to 5 years	**4,935**	5,531
Over 5 years	**1,586**	3,015
	$ 7,967	$ 10,329

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.

18. 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.

	December 31, 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	$ 65,018	$ -	$ -	$ 65,018	$ 65,018	$ -	$ 89,414	$ 89,414
Restricted cash	9,656	-	-	9,656	9,656	-	35,543	35,543
Securities	-	22,692	-	22,692	-	22,692	-	-
Street Solutions mortgage loans	-	-	526,782	534,754	501,450	25,332	200,804	205,893
Stamped insured mortgages	10,716	-	14,062	24,731	-	24,778	5,270	5,239
Single-family mortgages	-	-	12,423	12,125	1,624	10,799	6,662	6,777
Bridge loans	-	-	795	795	795	-	1,327	1,327
Securitized mortgage loans	-	-	123,362	123,099	5,534	117,828	220,774	221,037
Deferred placement fees receivable	-	-	48,670	48,670	20,808	27,862	52,325	52,325
Other assets	-	-	28,048	28,048	15,411	12,637	18,801	18,801
	$ 85,390	$ 22,692	$ 754,142	$ 869,588	$ 620,296	$ 241,928	$ 630,920	$ 636,356
Financial liabilities								
Deposits	$ -	$ -	$ 638,710	$ 642,864	$ 275,670	$ 363,040	$ 292,976	$ 294,313
Loans payable	-	-	4,274	4,274	-	4,274	4,039	4,039
Securitization liabilities	-	-	125,472	124,354	8,209	117,263	221,594	219,232
Accounts payable and accrued liabilities	-	-	44,334	44,334	41,371	2,963	64,840	64,840
	$ -	$ -	$ 812,790	$ 815,826	$ 325,250	$ 487,540	$ 583,449	$ 582,424

[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; 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 December 31, 2018 and 2017, as classified by the fair value hierarchy described above.

				December 31, 2018
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and cash equivalents	**$ 65,018**	**$ -**	**$ -**	**$ 65,018**
Restricted cash	**9,656**	**-**	**-**	**9,656**
Securities	**22,692**	**-**	**-**	**22,692**
Street Solutions mortgage loans	**-**	**-**	**534,754**	**534,754**
Stamped insured mortgages	**-**	**24,731**	**-**	**24,731**
Single-family mortgages	**-**	**-**	**12,125**	**12,125**
Bridge loans	**-**	**-**	**795**	**795**
Securitized mortgage loans	**-**	**-**	**123,099**	**123,099**
Deferred placement fees receivable	**-**	**-**	**48,670**	**48,670**
Other assets	**-**	**-**	**28,048**	**28,048**
	$ 97,366	**$ 24,731**	**$ 747,491**	**$ 869,588**
Financial liabilities				
Deposits	**$ -**	**$ -**	**$ 642,864**	**$ 642,864**
Loans payable	**-**	**-**	**4,274**	**4,274**
Securitization liabilities	**-**	**-**	**124,354**	**124,354**
Accounts payable and accrued liabilities	**-**	**-**	**44,334**	**44,334**
	$ -	**$ -**	**$ 815,826**	**$ 815,826**

				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 insured mortgages	-	5,239	-	5,239
Single-family mortgages	-	-	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	-	17,942	18,801
	$ 125,816	$ 5,239	$ 505,301	$ 636,356
Financial liabilities				
Deposits	$ -	$ -	$ 294,313	$ 294,313
Loans payable	-	-	4,039	4,039
Securitization liabilities	-	-	219,232	219,232
Accounts payable and accrued liabilities	-	-	64,840	64,840
	$ -	$ -	$ 582,424	$ 582,424

19. 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.

A description of the Company's risk management policies and procedures is included in the shaded text of the Risk Management section of the MD&A that is contained within the Company's 2018 Annual Report. Significant exposures to credit, liquidity and interest rate risks are contained in Notes 4, 7, 8 and 24.

20. 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 year ended	
Common shares Issued and outstanding (000s)		**December 31, 2018**		**December 31, 2017**
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Outstanding, beginning of year	**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 year	**122,184**	**$ 243,417**	122,184	$ 243,417

Please see Note 21 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.

The maximum number of common shares subject to options under all share compensation arrangements is 10% of the total issued and outstanding common shares. At December 31, 2018, under the 1997 Plan, 9,027,165 options were outstanding (December 31, 2017 – 6,460,643 options) and 2,991,663 options were available for grant (December 31, 2017 – 5,558,186 options). At both December 31, 2018 and 2017, no options were outstanding under the 1992 Plan, and 53,000 options were available for grant.

A summary of the status of the Company's stock option plans, and changes during the years ended December 31, 2018 and 2017, is shown below.

Stock Options **Outstanding and exercisable (000s except price)**	**December 31, 2018** **Number of options**		**Weighted-average exercise price**	**December 31, 2017** **Number of options**		**Weighted-average exercise price**
Outstanding, beginning of year	**6,461**	**$**	**1.26**	3,138	$	1.14
Granted	**2,712**		**0.89**	3,975		1.28
Exercised	**-**		**-**	(652)		0.78
Expired	**(146)**		**0.87**	-		-
Outstanding, end of year	**9,027**	**$**	**1.16**	6,461	$	1.26
Exercisable, end of year	**3,930**	**$**	**1.22**	3,165	$	1.22
Weighted-average market price per share at date of exercise		**$**	**-**		$	1.27
Weighted-average remaining contractual life in years			**3.68**			3.95

During 2018, the Company granted 2,711,854 options to officers and senior management. The majority of these grants, totalling 2,411,854, were made during the first quarter of 2018 as part of the long-term component of the Company's 2017 variable compensation program. The remaining 300,000 options were granted to individual members of senior management upon commencement of their employment with the Company.

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 2.47%
Expected option term (years)	5.1
Volatility	49.14% to 49.80%
Dividends	$0.00
Strike price	$0.76 to $0.90
Weighted average fair value per option	$0.4044

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.

The amortization of the fair value of the stock options over their vesting period is recorded as a component of Salaries and Benefits expense, with an offsetting credit to Contributed Surplus. For the year ended December 31, 2018, total compensation expense related to stock options was $1.34 million (2017 - $0.83 million). When options are exercised, the amount of the proceeds, together with the amount recorded in Contributed Surplus, is reported as a credit to Capital Stock. There were no stock option exercises during 2018; during 2017, exercises resulted in a $0.89 million credit to Capital Stock.

The table below summarizes the stock options outstanding and exercisable at December 31, 2018.

	Options outstanding			Options exercisable	
Range of exercise prices $	Number outstanding (000s)	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number exercisable (000s)	Weighted average exercise price $
0.76 to 0.91	4,260	5.19	0.89	1,548	0.91
1.19 to 1.95	4,517	4.34	1.34	2,132	1.41
2.32	250	2.47	2.32	250	2.32
	9,027			3,930	

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, which was introduced during the first quarter of 2017. 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 as part of the long-term component of the Company's 2017 variable compensation program. 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 December 31, 2018 the calculated value per RSU was $0.5297, and all of the RSUs remained outstanding. Total expense related to RSUs during 2018 was $0.22 million, which was recorded as a component of Salaries and Benefits expense, 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 December 31, 2018 and 2017 there were 146,590 DSUs outstanding, all of which are held by an active director.

21. 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.

(a) Compensation of key management personnel and employee benefits

The remuneration of directors and key management personnel in continuing operations during the year is shown below.

	Year ended December 31, 2018	2017
Short-term benefits	$ 3,749	$ 4,265
Share-based compensation	1,308	697
Termination	-	5,027
	$ 5,057	$ 9,989

The total compensation benefits for 2018 for the Company within continuing operations, including compensation paid to the Board of Directors, were $32.60 million (2017 - $37.72 million). This included $0.58 million (2017 - $0.63 million) in Company contributions to the employee group registered retirement savings plan.

(b) Share purchase loans, shareholdings and options

At December 31, 2018, the Company's directors and key management personnel held 26,393,971 common shares (December 31, 2017 – 26,393,971 common shares). The non-management directors held 20,546,602 common shares, either directly or indirectly. Following the retirement of the Company's former Board Chair (the "Former Chair"), which was announced on December 24, 2018 and was effective January 3, 2019 upon election of a new Board Chair, these amounts were reduced to 17,233,578 common shares and 11,386,209 common shares, respectively. At December 31, 2018 key management personnel, including non-management directors, held 6,208,065 options to purchase the Company's common shares (December 31, 2017 – 5,488,956 options) at prices between $0.87 and $1.95 per common share, and 146,590 DSUs convertible into the same number of common shares. 1,500,000 of these options were held by the Former Chair, and they subsequently expired unexercised on January 17, 2019.

At December 31, 2018 the Company had outstanding share purchase loans made to certain key employees and former employees, as shown below.

December 31, 2018

	Date Granted	Amount	Due Date	Interest Rate	Terms
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 Chair of the Board	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 [2]
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.

[2] The Company assisted the Executive with the purchase of common shares in order to satisfy an agreement between the Executive and the Company. The costs associated with this agreement were included as part of the organizational realignment and share exchange completed by the Company in June 2015.

(c) Other

During the first quarter of 2018, the Former Chair 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 Chair, regarding the terms of both the share purchase loan owing from the Former Chair and an accrued payable of $3.1 million owing to the Former Chair, 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 2018, the Company recorded interest receivable of $0.05 million and interest payable of $0.49 million, representing the cumulative amounts for the period beginning January 1, 2016 and ending December 31, 2018. Both the interest receivable and the interest payable have been recorded in Fee and Other Income in the consolidated 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 December 31, 2018, mortgage loans made to key management personnel totaled $1.78 million.

22. 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 fourth quarter and year ended December 31, 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 $, except %)	December 31, 2018 All-In Basis	December 31, 2017 All-In Basis
Common Equity Tier 1 capital (CET 1)		
Capital stock	**$ 16,426**	$ 16,426
Contributed surplus	**2,072**	767
Retained earnings	**77,673**	82,726
Accumulated other comprehensive income	**278**	-
Less: Regulatory adjustments to CET 1	**(1,234)**	(1,340)
Total CET 1 capital	**$ 95,215**	$ 98,579
Additional Tier 1 capital	**-**	-
Total Tier 1 capital	**$ 95,215**	$ 98,579
Total Tier 2 capital	**581**	-
Total regulatory capital	**$ 95,796**	$ 98,579

23. 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 years ended December 31:

Basic and diluted net income (loss) per share	**Year ended December 31, 2018**	**2017**
Numerator:		
Income (loss) from continuing operations	**$ (43,435)**	$ 1,541
Income (loss) attributable to non-controlling interest	**1,515**	(766)
Income (loss) attributable to shareholders - continuing operations	**(44,950)**	2,307
Income (loss) from discontinued operations	**161**	(15)
Income attributable to non-controlling interest	**-**	-
Income (loss) attributable to shareholders - discontinued operations	**161**	(15)
Net income (loss) attributable to shareholders	**$ (44,789)**	$ 2,292
Denominator:		
Weighted average common shares outstanding - basic and diluted (000s)	**122,184**	121,857
Basic and diluted net income (loss) per share from continuing operations	**$ (0.37)**	$ 0.02
Basic and diluted net income (loss) per share from discontinued operations	**0.00**	0.00
Basic and diluted net income (loss) per share	**$ (0.37)**	$ 0.02

In computing the diluted net loss per share for the year ended December 31, 2018, the Company did not include in the calculation potential common share equivalents, which consist of incremental shares from stock options and the outstanding DSUs held by directors, as they would be anti-dilutive. The potential common share equivalents are included in EPS only when the Company has earnings. The inclusion of the potential common share equivalents for the year ended December 31, 2017 was not sufficiently dilutive to change the earnings per share.

24. Interest rate sensitivity

The following table shows the December 31, 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.

							December 31, 2018
(in thousands of $)	**Floating Rate**	**0 to 3 Months**	**4 Months to 1 Year**	**1 Year to 5 Years**	**Greater than 5 Years**	**Non Rate Sensitive**	**Total [1]**
Assets							
Cash and restricted cash	$ -	$ 74,151	$ -	$ -	$ -	$ -	$ 74,151
Weighted Average Contractual Rate	-	1.75%	-	-	-	-	1.75%
Securities	-	-	-	22,692	-	-	22,692
Weighted Average Contractual Rate	-	-	-	2.48%	-	-	2.48%
Non-securitized mortgages - Street Solutions	-	82,304	420,660	25,378	-	(1,560)	526,782
Weighted Average Contractual Rate	-	4.76%	4.87%	5.34%	-	-	4.89%
Non-securitized mortgages - stamped mortgages	8,018	-	-	6,044	10,716	-	24,778
Weighted Average Contractual Rate	3.15%	-	-	2.71%	3.41%	-	3.15%
Non-securitized mortgages - other	1,129	336	1,287	9,671	-	-	12,423
Weighted Average Contractual Rate	3.10%	3.49%	3.86%	3.19%	-	-	3.26%
Bridge loans	795	-	-	-	-	-	795
Weighted Average Contractual Rate	8.95%	-	-	-	-	-	8.95%
Securitized mortgages held on-balance sheet	62,645	3,897	-	56,028	-	792	123,362
Weighted Average Contractual Rate	3.45%	3.22%	-	2.63%	-	-	3.05%
Other assets	-	-	-	1,200	-	158,865	160,065
Weighted Average Contractual Rate	-	-	-	1.00%		-	0.01%
Total assets	$ 72,587	$ 160,688	$ 421,947	$ 121,013	$ 10,716	$ 158,097	$ 945,048
Weighted Average Contractual Rate	3.47%	3.33%	4.87%	2.74%	3.41%	-	3.40%
Liabilities							
Cashable GICs [2]	$ -	$ 3,488	$ -	$ -	$ -	$ (13)	$ 3,475
Weighted Average Contractual Rate	-	1.45%	-	-	-	-	1.45%
Non-cashable GICs	-	47,189	225,349	365,122	-	(2,425)	635,235
Weighted Average Contractual Rate	-	2.22%	2.50%	2.84%	-	-	2.68%
Securitization liabilities	62,899	6,878	-	56,028	-	(333)	125,472
Weighted Average Contractual Rate	2.58%	2.36%	-	1.71%	-	-	2.19%
Other liabilities	-	-	-	-	-	84,417	84,417
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	96,449	96,449
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	$ 62,899	$ 57,555	$ 225,349	$ 421,150	$ -	$ 178,095	$ 945,048
Weighted Average Contractual Rate	2.58%	2.19%	2.50%	2.69%	-	-	2.10%
Excess (deficiency) of assets over liabilities and shareholders' equity	$ 9,688	$ 103,133	$ 196,598	$ (300,137)	$ 10,716	$ (19,998)	$ -

[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.

25. Discontinued operations and non-controlling interest

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

Discontinued operations

At December 31, 2018 the Company’s assets and liabilities of discontinued operations consist of net commissions receivable of $0.46 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 12 and Note 14. During the fourth quarter of 2018 the Company recognized income of $0.16 million in connection with the settlement of a portion of the outstanding receivables. There were no other significant transactions during 2018 other than the collection of $0.39 million of outstanding receivables during the second quarter. There were no significant transactions during 2017.

Non-controlling interest

At June 30, 2018, due to the effective liquidation of the Private Equity business 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), and there have been no further transactions. 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 either 2018 or 2017. The non-controlling interest in FFF amounts to $(7.09) million at December 31, 2018 and 2017.

26. Subsequent events

The Company has evaluated events subsequent to December 31, 2018 through to the date of approval of the audited consolidated financial statements by the Board of Directors for disclosure, and determined that there is one subsequent event that should be disclosed in this report.

On January 16, 2019 the Company announced a continuation of the strategic realignment that began in December 2018, and which is discussed in Note 2. The January event involved a workforce reduction that affected approximately 30 positions, and the Company expects to incur up to $2.3 million as a charge against income in Q1 2019.