

# ANNUAL MEETING

---

JUNE 19, 2019







# Lea Ray

---

CHAIR

# FORWARD LOOKING STATEMENTS

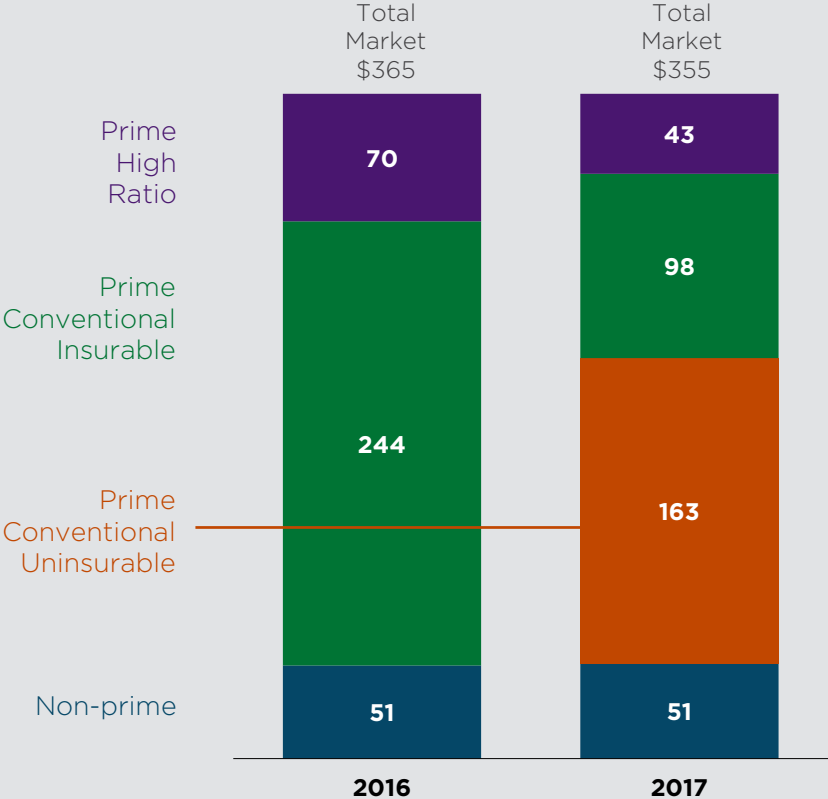
The statements made in this presentation that are not historical facts contain forward-looking information that involves risks and uncertainties. Forward-looking information includes statements concerning: the anticipated benefits of the Arrangement to the parties and to Street Capital's shareholders; the anticipated receipt of required regulatory, court and shareholder approvals for the transaction; the ability of the parties to satisfy the other conditions to, and to complete, the Arrangement; the mailing of the management information circular; and the anticipated timing of the closing of the Arrangement. All statements, other than statements of historical facts, which address Street Capital Group Inc.'s expectations, should be considered as forward-looking statements and therefore subject to various risks and uncertainties.

Such statements are based on knowledge of the environment in which Street Capital Group Inc. currently operates, but because of the factors listed herein, as well as other factors beyond Street Capital Group Inc.'s control, actual results may differ materially from the expectations expressed in the forward-looking statements. Factors that could cause results to vary include those identified in Street Capital Group Inc.'s Annual Information Form and other regulatory filings and all forward-looking statements included herein should be considered in conjunction with such filings. Such factors include, but are not limited to, the time required to prepare and mail shareholder meeting materials; the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court and shareholder approvals; the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Arrangement, changes to the business environment that may impact Street Capital Group Inc., its investments and capital expenditures; and competitive factors which may impact revenue and operating costs. Street Capital Group Inc. undertakes no obligation, and does not intend, to update or revise any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events, except as required by applicable securities laws.

REGULATORY CHANGE HAS REDUCED THE SIZE OF STREET CAPITAL'S ADDRESSABLE MARKET AND ELEVATED COMPETITIVE INTENSITY - IMPACTING ORIGINATION VOLUME AND MARGINS

While mortgage rule changes created a new prime conventional uninsurable market segment, this opportunity was not meaningfully accessible to Street Capital.

REGULATION HAS SHIFTED MORTGAGE MIX  
(in Billions, 2017)



Sources: Deloitte Analysis, CMHC, MPC, TransUnion, Equifax Globe and Mail, Canadian Mortgage Trends, CMHC, RBC Equity Research

WINNERS

- Big banks
- Fringe lenders
- Non-prime lenders with sufficient balance sheets to support

LOSERS

- Non-big bank lenders
- Borrowers

## IT BECAME APPARENT THAT STREET CAPITAL WOULD REQUIRE ADDITIONAL OUTSIDE EQUITY CAPITAL TO SOLIDIFY THE BUSINESS, GROW FROM CURRENT LEVELS AND BUILD THE SCALE REQUIRED TO OPERATE AS A SCHEDULE I BANK

Successive mortgage rule changes continue to challenge growth and profitability in the prime space

**Lack of internal capital generation from legacy mortgage business**

**Significant barriers to financial performance and sustainable growth**

Street Capital Bank launched in February 2017 – Street Solutions product met with significant demand

**Requires capital to sustain/grow and significant cost infrastructure**

# IN EARLY 2019 THE BOARD FORMED A SPECIAL COMMITTEE, WHICH UNDERTOOK A THOROUGH REVIEW OF THE STRATEGIC ALTERNATIVES AVAILABLE TO THE COMPANY

## Key Requirements

1. Significant and immediate investment of new equity capital
2. A substantial demonstration and commitment of ongoing capital and financial strength

## Paths Considered

1. A significant strategic capital infusion, with a commitment of ongoing capital support
2. The sale of select assets of the Company
3. The sale of 100% of the Company

## A Holistic Solution

- Discussions with expansive list of most logical counterparties
- Initial non-binding proposals related to all three potential transaction structures incl. more than one proposal for 100% purchase of the Company
- After a thorough review of the proposals received, the Board advanced two counterparties to conduct detailed due diligence with respect to their proposals to acquire 100% of the Company

---

In January, the Board agreed a strategic realignment was necessary to reduce costs in the business and conserve capital.

---

Arrangement Agreement secures Street Capital shareholders with attractive cash consideration and represents a source of ongoing financial strengths for the Company – the Board, with the support of the entire senior management team, unanimously recommends that shareholders vote in favour of the transaction\*

\*BMO Capital Markets is acting as exclusive financial advisor to the Company and has provided an opinion to the Special Committee and the Board of Directors that, subject to the assumptions, limitations and qualifications contained therein, the consideration to be received by the holders of Shares pursuant to the Arrangement is fair from a financial point of view to the holders of Shares. A copy of the opinion will be included in the management information circular to be filed and mailed to Street Capital shareholders in connection with the approval of the Arrangement at a special meeting of shareholders





# Duncan Hannay

---

**PRESIDENT & CEO**

# STREET CAPITAL FACED SEVERAL CHALLENGES DURING 2018 LEADING TO A LACK OF CAPITAL FORMATION

## Progress

- Diversification of funding sources
- More than doubled Street Solutions originations
- Strong revenue contribution from prime mortgage renewals
- Began to transform and modernize the organization
- Further enhancing risk and governance framework

## Challenges

- Smaller/more competitive prime insured segment = limited ability to generate capital and grow Street Solutions originations further
- Limited funding in the large prime uninsured segment
- The increased costs of operating a Schedule I bank without the requisite balance sheet scale

	Year ended December 31, 2018	Year ended December 31, 2017
Total Street Solutions originations	\$421.4mm	\$203.7mm
Net interest margin – non-securitized assets	1.99%	0.82%
	Year ended December 31, 2018	Year ended December 31, 2017
Adjusted shareholders' diluted earnings (loss) per share	\$0.00	\$0.06
Adjusted return on tangible equity	0.4%	7.7%
Book value per share	\$0.78	\$1.13
Total prime mortgages sold	\$6.239B	\$7.232B
Net gain on sale - %*	New - 0.64% Renewal - 1.16%	New - 0.81% Renewal - 1.40%

\*New excludes portfolio insurance, Renewals reflected as a % of renewals



## STRATEGIC REALIGNMENT DEMONSTRATING EARLY PROGRESS BUT A HOLISTIC LONG TERM SOLUTION IS REQUIRED

- Indefinitely postponed the ongoing implementation of a core banking system, which would have enabled Street Capital to begin taking direct deposits
- Made the difficult decision to cut 30 positions across the organization
- Executed against a renewed go-to-market strategy calling for action on three specific streams focused on the prime side of the business

**#1 - Prime New Mortgage Originations;**

**#2 - Prime Mortgage Renewals; and**

**#3 - Loan Origination Systems and Processes.**

While Q1-2019 results showed some positive progress against the strategic realignment, a longer term solution is required.

# THIS TRANSACTION IS A POSITIVE OUTCOME FOR SCB SHAREHOLDERS

**\$0.68**

per share

**~\$85mm**

aggregate cash consideration

## **36% Premium**

36% premium to the closing price of Street Capital shares on June 14, 2019; implies a multiple of price-to-book value per share of approximately 1.0x.

## **100% Cash**

Shareholders will receive payment for their shares in cash, enabling them to immediately re-allocate capital on close.

## **Capital Support**

RFA Capital will inject a minimum of \$50mm equity capital up-front with significant follow-on capital available to support balance sheet growth.

## **Mortgage Funding**

Immediate access to RFA Capital’s mortgage funding eco-system which includes up to \$5 billion in additional mortgage funding.

## **Solid Regulatory Position**

As part of the transaction, RFA Capital completed extensive regulatory due diligence and has committed to what the Street Board – based on advice from its regulatory counsel – believes to be an attractive and accelerated plan to obtain OSFI (Bank Act) approval.

## **Support**

Transaction is unanimously supported by the entire Board of Directors and senior management team.\*

\*BMO Capital Markets is acting as exclusive financial advisor to the Company and has provided an opinion to the Special Committee and the Board of Directors that, subject to the assumptions, limitations and qualifications contained therein, the consideration to be received by the holders of Shares pursuant to the Arrangement is fair from a financial point of view to the holders of Shares. A copy of the opinion will be included in the management information circular to be filed and mailed to Street Capital shareholders in connection with the approval of the Arrangement at a special meeting of shareholders

# ADDITIONAL DETAILS

<b>Structure</b>	Statutory plan of arrangement under the <i>Business Corporations Act</i> (Ontario)
<b>Closing conditions</b>	<ul style="list-style-type: none"><li>• Approval of the Arrangement by the Superior Court of Ontario</li><li>• A shareholder vote (details below)</li><li>• Applicable regulatory approvals, including, without limitations, approval of the Canadian Minister of Finance pursuant to the <i>Bank Act</i>.</li></ul>
<b>Shareholder vote</b>	<ul style="list-style-type: none"><li>• Approval of two-thirds of the votes cast by holders of Shares in person or by proxy at the Special Meeting</li><li>• Approval of a “majority of the minority” of votes cast by shareholders other than three senior officers of the Company who would receive certain employment-related benefits upon completion of the Arrangement</li></ul>
<b>Closing</b>	The parties expect to close the Arrangement by the end of the year
<b>Financial Advisors</b>	BMO Capital Markets
<b>Legal Counsel</b>	Goodmans LLP
<b>Regulatory Counsel</b>	Torys LLP



# Q & A

---

JUNE 19, 2019



**STREET CAPITAL**  
GROUP INC.