STREET CAPITAL
GROUP INC.

Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2015

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the results of operations of Street Capital Group Inc. ("Street Capital" or "the Company") for the year ended December 31, 2015, and its financial condition as at December 31, 2015, is based on the Company's audited consolidated financial statements prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which incorporate International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. The effective date of this MD&A is March 8, 2016. This MD&A contains non-GAAP measures. These non-GAAP measures, and a glossary of terms used in this MD&A and the audited consolidated financial statements, are presented in the last section of this MD&A.

Additional information about the Company, including the Annual Information Form, can be found on www.sedar.com. As of March 8, 2016 the Company had 121,892,826 common shares issued and outstanding.

During the second quarter of 2015, management changed the presentation of the financial statements to better reflect the financial results and financial position of its core operating activities. The comparative quarterly and annual amounts have been reclassified to conform to the current period financial statement presentation. (Please see Note 28 to the audited consolidated financial statements for details.)

Forward-looking Information

This MD&A contains certain forward-looking statements that are based on management's exercise of business judgment as well as assumptions made by, and information currently available to, management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend", and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as outlined in this MD&A and in the Company's Annual Information Form and other filings made with securities regulators, which are available on SEDAR (www.sedar.com). These factors include, without limitation: timing and results of bank application process, expansion opportunities, technological changes, regulatory changes, and changes to the business and economic environment, including, but not limited to, Canadian housing market conditions and activity, interest rates, mortgage backed securities markets, and employment conditions that may impact the Company, its mortgage origination volumes, investments, and capital expenditures, and competitive factors that may impact revenue and operating costs. Any of these factors, amongst others, could cause actual results to vary materially from current results or from the Company's currently anticipated future results and financial condition. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. We undertake no obligation, and do not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

BUSINESS PROFILE

Street Capital (TSX: SCB) was founded in 1979, and has been publicly traded for more than a quarter century. Its goal is to create shareholder value by building a substantial, diversified financial services company. The Company's operations are currently concentrated in residential mortgage lending through its wholly owned subsidiary, Street Capital Financial Corporation (www.streetcapital.ca, "Street Capital Financial"), which was acquired by the Company on May 31, 2011. Street Capital Financial was founded by several members of its current senior management team, who all have extensive experience in the mortgage and consumer lending industry and have previously occupied senior management positions at large Canadian financial institutions. Street Capital Financial is one of the largest non-bank mortgage lenders in Canada, in third position among mortgage brokers during 2015.

Residential Lending

Business Overview

Street Capital Financial originates residential mortgage loans in all provinces of Canada, with the current exception of Quebec. The majority of the mortgages that it underwrites are sold on a whole loan basis to top-tier regulated financial institutions. The remaining mortgages are either securitized or held directly. By selling the majority of its originated mortgages, Street Capital Financial transfers substantially all of the risks of ownership to the purchaser and/or party insuring the mortgage. However, Street Capital Financial maintains stringent underwriting and robust quality assurance processes in order to maintain the strong wholesale demand for its mortgages from institutional purchasers. This has resulted in a high quality portfolio of mortgages under administration ("MUA").

Street Capital Financial sources its mortgages primarily through its network of high quality independent mortgage brokers. Mortgage brokers are an important distribution channel in Canada, capturing over half of first time homebuyers and 42% of repeat buyers, according to the 2015 Mortgage Consumer Survey by the Canada Mortgage and Housing Corporation ("CMHC"), the Government of Canada's national housing agency. In developing its broker network, Street Capital Financial selectively targets high opportunity broker teams based on a variety of factors, including the volume and quality of mortgages they source. It incentivizes brokers to direct business to the Company by providing a broad suite of mortgage products, competitive pricing, and timely, efficient service and support. Since launching operations in 2008, Street Capital Financial has grown rapidly to become one of the leaders in the mortgage broker market based on funded volume, according to reported industry statistics.

Street Capital Financial offers a variety of both high ratio and conventional prime mortgages at competitive interest rates. At the point of commitment, Street Capital Financial sells most of these mortgages to regulated financial institutions in return for a cash premium, a servicing fee over the life of the mortgage and, in some cases, an excess interest rate spread over the life of the mortgage. By not accumulating ("warehousing") material amounts of mortgages for a period of time prior to sale, Street Capital Financial mitigates both interest rate and liquidity risk.

Although the Company outsources servicing of the related mortgages to third parties, it continues to administer them, and therefore remains the face of all direct communication with borrowers throughout the mortgage term. This ongoing customer relationship is a key part of the long term growth, profitability and recognition of the Street Capital Financial brand, since it promotes renewals. Since acquisition costs of renewed mortgages are much less than that of new ones, renewals are particularly important. Street Capital Financial targets a renewal rate of approximately 75 - 80% for mortgages it has originated, which is in line with the industry norm, and expects to achieve higher overall margins as mortgage renewals become a greater part of its mix of business.

In 2013, Street Capital Financial received approvals from CMHC to be an approved issuer of National Housing Act Mortgage Backed Securities ("NHA MBS") and an approved seller under the Canada Mortgage Bonds ("CMB") program. This has enabled Street Capital Financial to access the securitization market directly. The Company began to participate in these programs, on a limited scale, in the second quarter of 2014 and continues to participate on a limited scale. Although Street Capital Financial does not intend to make mortgage securitization a major part of its business model, the ability to securitize mortgages does provide Street Capital Financial with a secondary source of funding.

Bank Application

In September 2012, Street Capital Financial announced its intention to apply to Canada's Minister of Finance for approval to operate as a federally regulated Schedule I bank, with its banking business primarily focused on residential mortgage lending, although also providing other consumer lending and related services. As discussed in the Company's 2015 Third Quarter Report, Street Capital Financial is in the Pre-Commencement Review phase of its application to the Minister of Finance to continue as a Schedule I bank. This phase, which is one of the last stages of the continuation process, has included an on-site review by the Office of the Superintendent of Financial Institutions Canada ("OSFI") to determine whether Street Capital Financial is sufficiently prepared to commence business operations as a federally regulated financial institution.

The Company is currently implementing various operational changes in order to address OSFI observations. Once this process is completed, the Company anticipates that OSFI would make a recommendation to the Minister of Finance for Letters Patent of Continuation and to the Superintendent of Financial Institutions for an Order to Commence and Carry on Business. While Street Capital Financial remains confident that it has the appropriate structure, processes, leadership, maturity and scale to complete this application process and subsequently operate as a bank, it cannot provide assurances that it will be successful. While the exact timing continues to be uncertain given the nature of the review process, the Company is confident that it will receive approval before the end of calendar year 2016. In the meantime, the Company will continue to grow its core insured mortgage lending business and generate highly profitable renewals, which are expected to drive earnings growth in 2017 and beyond.

Intention to Make a Normal Course Issuer Bid

Street Capital, subject to the approval of the Toronto Stock Exchange (the "Exchange") intends to make a normal course issuer bid (the "NCIB"), to purchase up to 2% of the Company's common shares outstanding for cancellation. Street Capital, through its broker, will purchase the common shares on the open market through the facilities of the Exchange and otherwise in accordance with the rules and policies of the Exchange. Further details with respect to any future NCIB will be set out in a press release once the Exchange has reviewed it. Street Capital believes that the potential repurchase by Street Capital of a portion of outstanding common shares is an appropriate use of available cash and is in the best interests of Street Capital and its shareholders. Although the Company intends to purchase common shares under its NCIB, there are no assurances that such purchases will be completed.

Legacy Business

In the first quarter of 2013, the Company's Board of Directors approved a plan to dispose of the Company's non-core operating business segments, in order to focus on financial services through Street Capital Financial. The disposition plan, which is discussed in more detail in Note 25 of the Company's audited consolidated financial statements, involved the Company's Asset Liquidation ("Heritage Global Inc.", or "HGI"), Case Goods and Real Estate businesses. At March 31, 2013 the assets and liabilities of these entities were classified as held for sale and their operating results were classified separately as discontinued operations. By the end of the first quarter of 2014, the Company had disposed of its Asset Liquidation business via a dividend-in-kind of its shares in HGI, and disposed of its majority ownership stakes in the Case Goods and Real Estate businesses through sales to third parties.

The Company also began winding down its private equity business ("Private Equity"). Private Equity is carried on through the Company's wholly-owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"), which manages the Company's portfolio investment opportunities. By the first quarter of 2015 the Company had successfully divested of most of the core holdings in Private Equity, and at the end of 2015 was planning the exit from the remaining holdings.

2015 SUMMARY AND HIGHLIGHTS

The following tables set out certain financial highlights for the year ending December 31, 2015. These tables contain non-GAAP measures. These non-GAAP measures are intended to provide a view of the core operating business of the Company by removing non-recurring restructuring expenses, and items associated with the Company's legacy businesses. Please see the section *Non-GAAP Measures* for further detail and numerical reconciliations of these non-GAAP measures to the most directly comparable measure specified, defined or determined under the GAAP presented in the Company's financial statements.

Table 1 – Financial Highlights

	For the three months ended			% Change	For the year ended		% Change
(in thousands of $, except where defined)	**December 31, 2015**	September 30, 2015	December 31, 2014	2014 to 2015	**December 31, 2015**	December 31, 2014	2014 to 2015
Shareholders' net income (loss)	**$ (2,795)**	$ 6,676	$ 4,904	(157.0%)	**$ (30,035)**	$ 12,929	(332.3%)
Adjusted shareholders' net income (i)	**$ 4,792**	$ 6,909	$ 3,834	25.0%	**$ 23,773**	$ 17,435	36.4%
Shareholders' diluted earnings per share	**$ (0.02)**	$ 0.06	$ 0.05	(140.0%)	**$ (0.27)**	$ 0.13	(307.7%)
Adjusted shareholders' diluted earnings per share (i)	**$ 0.04**	$ 0.06	$ 0.04	0.0%	**$ 0.21**	$ 0.17	23.5%
Return on equity	**(9.4%)**	22.8%	18.1%	(151.8%)	**(25.9%)**	12.4%	(309.8%)
Adjusted return on equity (i)	**16.0%**	23.5%	14.1%	13.5%	**20.5%**	16.7%	23.2%
Mortgages sold	**$ 2,140,617**	$ 2,284,829	$ 2,180,330	(1.8%)	**$ 9,037,178**	$ 7,753,292	16.6%
Gain on sale of mortgages	**$ 35,729**	$ 41,197	$ 38,299	(6.7%)	**$ 164,796**	$ 138,965	18.6%
Gain as a % of mortgages sold	**1.67%**	1.80%	1.76%	(5.0%)	**1.82%**	1.79%	1.7%
Acquisition expenses	**$ 19,313**	$ 21,994	$ 23,207	(16.8%)	**$ 88,728**	$ 82,481	7.6%
Acquisition expenses as % of mortgages sold	**0.90%**	0.96%	1.06%	(15.2%)	**0.98%**	1.06%	(7.7%)
Net gain on sale of mortgages	**$ 16,416**	$ 19,203	$ 15,092	8.8%	**$ 76,068**	$ 56,484	34.7%
Net gain as a % of mortgages sold	**0.77%**	0.84%	0.69%	10.8%	**0.84%**	0.73%	15.5%
Operating expenses	**$ 11,434**	$ 10,385	$ 9,806	16.6%	**$ 42,789**	$ 37,792	13.2%
Operating expenses as % of mortgages sold	**0.53%**	0.45%	0.45%	18.8%	**0.47%**	0.49%	(2.9%)

	As at			% Change
	December 31, 2015	September 30, 2015	December 31, 2014	2014 to 2015
Mortgages under administration in billions ("MUA")	**$ 24.75**	$ 24.30	$ 21.59	14.6%
Serious arrears rate %	**0.14%**	0.14%	0.23%	(39.1%)
Shareholders' equity	**$ 118,245**	$ 120,752	$ 110,876	6.6%
Number of shares outstanding end of period	**121,226**	120,866	99,358	22.0%
Share price at close of market	**$ 1.34**	$ 1.65	$ 1.82	(26.4%)
Market capitalization	**$ 162,443**	$ 199,429	$ 180,832	(10.2%)
Book value per share	**$ 0.98**	$ 1.00	$ 1.12	(12.6%)

(i) Adjusted shareholders' net income is a non-GAAP measure the Company uses to measure its performance from continuing and recurring income from its core business. Please see the section *Non-GAAP Measures* for a reconciliation of amounts to GAAP measures.

2015 Highlights

Items of Note

The Company's results were affected by the following items of note in 2015:

- In the second quarter, as discussed below under *Significant Developments in 2015*, the Company made significant changes to its organizational structure that resulted in non-recurring restructuring expenses of $50.2 million.
- In the fourth quarter, the Company recorded a credit allowance against a non-trade receivable from Fleetwood, which is part of its legacy businesses, of $1.7 million. Approximately $0.5 million of the allowance was allocated to the Company's non-controlling interests.
- Also in the fourth quarter, the Company recorded a one-time reversal of a tax recoverable of $0.9 million due to an unfavorable ruling from the tax authorities.
- The Company recorded fair value losses of $11.9 million in connection with its portfolio investments, which are part of its legacy businesses, of which approximately $6.2 million was allocated to the Company's non-controlling interests.

The Company's results were affected by the following items of note in 2014:

- The Company recorded net fair value gains of $27.0 million in connection with its Private Equity business, of which approximately $19.1 million was allocated to the Company's non-controlling interests. Included in the net amount was a write-off of $1.5 million of goodwill associated with Private Equity, with respect to the exits and planned exits of the majority of its Private Equity investments.
- The Company completed its planned exit from its Asset Liquidation, Case Goods and Real Estate businesses, and incurred a net loss from discontinued operations of $11.6 million. This was primarily associated with the Asset Liquidation business.
- The Company realized a gain of $4.1 million associated with its exit from Case Goods, which was recorded as other income.

Financial and Performance Highlights

- Shareholders' net loss was $30.0 million in 2015, compared to net income of $12.9 million in 2014. The net loss in 2015 reflects the items of note described above.

- Adjusted shareholders' net income[1] increased to $23.8 million in 2015, up 36.4% from $17.4 million in 2014. This was largely driven by solid increases in new mortgage originations and mortgage renewals leading to higher gain on sale income in 2015.

- Mortgage sales in 2015 reached $9.04 billion, up 16.6% from $7.75 billion in 2014 on growth in both origination volumes and increased mortgage renewals.

- Net gains on mortgage sales in 2015 increased to $76.1 million, up 34.7% from $56.5 million in 2014. The solid increase reflects the year over year increases in mortgage sales, higher relative renewal volumes and increased margins. Renewal sale volumes, which have higher margins, represented 19.6% of sale volumes in 2015 as compared to 11.5% in 2014, and the net gain on sale rate increased to 0.84% from 0.73% in 2014.

- New mortgage origination volumes in 2015 were $7.40 billion, up $0.49 billion or 7.1% over 2014, reflecting the Company's continued strong market position supported by its focus on quality service. These volumes placed the

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[1] Please see the section *Non-GAAP Measures* for a definition of adjusted shareholder's net income and related non-GAAP measures.

Company in third position among mortgage underwriters by market share within the broker channel in Canada in 2015.

- Mortgages under administration reached $24.75 billion at December 31, 2015, up 14.6% or $3.16 billion from $21.59 billion at December 31, 2014.

- The serious arrears rate was 0.14% of MUA at the end of 2015 and remained significantly better than industry average[2], and was improved from 0.23% at the end of 2014. While the Company is not directly exposed to the credit risk of its MUA, credit and underwriting quality, as measured by the serious arrears rate, is a key performance indicator of a portfolio's quality. A high quality portfolio is required in order to maintain strong wholesale demand from institutional purchasers.

- The Company recorded fair value losses of $5.7 million attributable to shareholders on its portfolio investments that are part of its legacy businesses compared to fair value gains of $7.1 million in 2014. These fair value adjustments represent movements in the market value of certain publicly traded shares, as well as changes in the estimated fair value of a privately held investment. Management adjusts these amounts from net income for purposes of measuring the performance of the core operations.

Significant Developments in 2015

- After exiting from the majority of its non-mortgage lending businesses in 2014, by the end of the first quarter of 2015 the Company had successfully divested almost all of the core holdings in its Private Equity business, and at December 31, 2015 was planning an exit from the majority of its remaining holdings. See above under *Legacy Business*.

- As part of the Company's transition from operating multiple businesses in diverse markets to a focused financial services company, on June 23, 2015 the Company purchased all of the issued and outstanding Class C shares of its subsidiary, Street Capital Financial, that were held by certain members of Street Capital Financial's management, in exchange for 20 million common shares of Street Capital Group Inc. and $2.9 million in cash. Subject to the occurrence of certain events, the vendors of the Class C shares have agreed not to transfer or sell the common shares issued to them except that i) 25% of such shares may be transferred on or after June 1, 2017; ii) 50% of such shares may be transferred on or after June 1, 2018; and iii) 100% of such shares may be transferred on or after June 1, 2019. As part of the exchange of Class C shares of Street Capital Financial for common shares of Street Capital Group Inc., the remaining contingent liability and earn-out payments attached to the Class C shares were extinguished. The issuance of common shares, the extinguishment of an associated contingent liability and additional reorganization expenses were recognized as a $50.2 million charge to income in the second quarter.

[2] As measured by statistics from the Canadian Bankers Association.

Fourth Quarter 2015 Highlights

Items of Note

The Company's results were affected by the following items of note in Q4 2015:

- The Company recorded a credit allowance against a non-trade receivable from Fleetwood, which is part of its legacy businesses, of $1.7 million. Approximately $0.5 million was allocated to the Company's non-controlling interests.
- The Company recorded a one-time reversal of a tax recoverable of $0.9 million due to an unfavorable ruling from the tax authorities.
- The Company recorded a negative fair value adjustment of $6.0 million on its portfolio investment in Fleetwood, of which $1.7 million was allocated to the non-controlling interests. The Company recorded net fair value losses of $6.0 million connected with its portfolio investments, which are part of its legacy businesses, of which approximately $4.2 million was allocated to the Company's non-controlling interests.

The Company's results were affected by the following items of note in Q3 2015:

- The Company recorded a negative fair value adjustment of $3.0 million on its portfolio investment in Fleetwood, of which $0.9 million was allocated to the Company's non-controlling interests. The Company recorded net fair value gains of $5.8 million on other portfolio investments, of which approximately $3.9 million was allocated to the Company's non-controlling interests.

The Company's results were affected by the following items of note in Q4 2014:

- The Company recorded net fair value gains of $10.9 million connected with its portfolio investments, of which approximately $8.4 million was allocated to the Company's non-controlling interests.
- The Company recorded a write-off of $1.5 million in goodwill associated with its Private Equity business, in connection with the exits and planned exits of the majority of its Private Equity investments.

Fourth Quarter Financial and Performance Highlights

- Net loss was $2.8 million in Q4 2015, down from $4.9 million net income in Q4 2014 and $6.7 million net income in Q3 2015, and was affected by the items of note described above.

- Adjusted shareholders' net income[3] increased to $4.8 million in the quarter, up 25.0% from $3.8 million in Q4 2014 due primarily to an increase in net gains on mortgage sales of $1.3 million over Q4 2014. Adjusted shareholders' net income was down $2.1 million from $6.9 million in Q3 2015 mostly due to a $2.8 million decline in net gains on mortgage sales reflecting normal and expected seasonally lower mortgage sales volume combined with some margin compression.

- Mortgage sales in Q4 2015 of $2.14 billion were down 1.8% from $2.18 billion in Q4 2014. The decline in mortgage sale volume reflects lower new origination sales in Q4 2015 compared to a record achievement in Q4 2014**.** The new origination decline was offset by higher renewal volumes of $0.59 billion representing 27.5% of volumes in the quarter as compared to $0.27 billion or 12.4% of volumes in Q4 2014. Total mortgage sales in Q4 2015 were down 6.3% from $2.28 billion in Q3 2015 on lower new originations, reflecting normal and expected seasonal factors. This was partially offset by higher renewal volumes compared to $0.41 billion in Q3 2015.

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[3] Please see the section *Non-GAAP Measures* for a definition of adjusted shareholders' net income and related non-GAAP measures.

- New mortgage origination volumes were $1.62 billion in Q4 2015, which, while lower than $1.95 billion in Q4 2014, still placed the Company in fourth position among mortgage underwriters by market share within the broker channel in Canada in the quarter.

- Despite the decrease in mortgage sales in Q4 2015 compared to Q4 2014, the quarter's net gains on mortgage sales increased to $16.4 million, up 8.8% from $15.1 million in Q4 2014. The increase is primarily due to the higher profitability of renewed mortgages due to lower acquisition costs compared to new originations leading to a higher net gain on sale ratio of 0.77% compared to 0.69% in Q4 2014. Net gains on mortgage sales were down $2.8 million from Q3 2015 on seasonally lower new originations and margin compression in the quarter offset by slightly higher mortgage renewal volumes.

- MUA grew to $24.75 billion under administration at December 31, 2015, compared to $24.30 billion at September 30, 2015, an increase of 1.9%.

- The Company's serious arrears rate, a key measure of the Company's credit and underwriting quality, was 0.14% at the end of the year, unchanged from September 30, 2015 and down from 0.23% at the end of 2014.

- The Company recorded fair value losses of $6.1 million attributable to shareholders on its portfolio investments that are part of its legacy businesses, compared to net fair value gains of $1.1 million in Q4 2014. These fair value adjustments represent movements in the market value of certain publicly traded shares, as well as changes in the estimated fair value of a privately held investment. Management adjusts these amounts from net income for purposes of measuring the performance of the core operations.

OUTLOOK

Note to readers: This section includes forward looking information and readers are reminded to refer to the discussion about forward looking information on page 2.

Looking forward, management anticipates economic conditions in 2016 to include continued low interest rates and stable employment in most regions, with the exception of energy producing locations, along with continued positive demographic trends and immigration levels. These factors are expected to contribute to balanced housing markets in most of the Company's lending regions with the exception of energy producing regions where management expects softening of housing markets, with slowing purchase and sale activity and moderate increases in unemployment. This could lead to the risk of relatively higher arrears and slower mortgage volumes from these regions in 2016, but the negative trends are expected to be offset by stability and moderate growth in other regions of Canada.

The Company anticipates total sales of mortgages in 2016 to be in line with the higher than expected volumes experienced in 2015 but with lower relative renewal volumes as discussed below, leading to lower gain on sales than 2015. Margins earned on the sale of mortgages are subject to market conditions and as such are not reliably predictable, but management expects a moderate contraction of spreads in 2016 compared to the average experienced in 2015. The Company's 2015 mortgage lending results were very strong, with new mortgage origination volumes and margins better than expectations.

The Company will continue to focus on realizing the significant renewal opportunities in the Company's MUA that lead to higher net gains on sale than new originations, and contribute to sustainable profitability. Renewal volumes in 2015 related to both 5 year terms originated in 2010 and to higher than usual 4 and 3 year terms originated in 2011 and 2012, which reflected investor demand at that time. In 2016, renewal volumes will be limited to primarily 5 year terms originated in 2011, which will lead to renewal volumes approximately 15% lower than 2015. Moving into 2017, renewal volumes are expected to increase over 2015 and 2016.

The Company is making significant investments in processes and people, including technology, risk management and internal audit, to both support its bank application, and realize on its strategic priorities. Moving forward the Company will continue to build on, and invest in, its processes and capabilities in anticipation of, and to support, its future growth and product diversification strategies. In the shorter term in 2016, this will lead to some disciplined increases in expenditures ahead of expansion and revenue growth that will increase the Company's relative cost structure in 2016.

Given relatively higher expenses combined with anticipated lower gains on sale in 2016, management expects slightly lower adjusted net income in 2016 compared to a very strong 2015, and improving earnings in 2017 compared to 2016. Management is committed to process efficiency, along with product diversification and sales growth as strategic objectives, and expects to drive higher profitability beyond 2016 as revenue begins to grow to match the expenditures required to build a diversified financial institution.

As discussed in the *Bank Application* section above, there remains uncertainly regarding the timing of the potential approval from Canada's Minister of Finance to operate as a federally regulated Schedule I bank. If the approval is granted, management would introduce its deposit taking and uninsured mortgage products in a measured and prudent manner with the addition of other retail and consumer products following in future periods. Given the uncertainty of the timing of the bank application at this time, the Company is not expecting a material profit contribution from the launch of deposit taking and uninsured mortgage products in 2016. If the Company receives the approval in 2016, it anticipates that deposit taking and uninsured mortgage products could begin to contribute to revenue in 2017.

The Company's non-mortgage lending legacy businesses still include investments and assets associated with Private Equity, Real Estate and Case Goods, which are in the process of being liquidated or run-off. In total these assets represent $1.6 million on the balance sheet at the end of 2015. These assets have associated fair value risk that could continue to create some minimal volatility in unadjusted earnings until they are realized. It is anticipated that the Private Equity investments and most of the Real Estate investments will be realized by the end of 2016 or early 2017.

The Company continuously monitors market conditions though frequent evaluation of macro, regional and localized economic indicators and the credit performance of its MUA. The Company is also engaged in ongoing dialogue with its business partners about market conditions, credit performance and other observations, and will adjust lending criteria, as required, to ensure the quality of the mortgage portfolio reflects both the Company's and its business partners' risk appetite.

QUARTERLY FINANCIAL RESULTS

The following table sets out the Company's consolidated quarterly results of operations for the eight quarters ended December 31, 2015, and the three years ended December 31, 2013, 2014 and 2015. Please see the section *Non-GAAP Measures* for a definition of adjusted net income and related non-GAAP measures.

Table 2 – Financial Results

(in thousands of $ except where defined)	2014 Q1 $	2014 Q2 $	2014 Q3 $	2014 Q4 $	2015 Q1 $	2015 Q2 $	2015 Q3 $	2015 Q4 $	2013 $	2014 $	2015 $
Revenue											
Net gain on sale of mortgages	10,112	15,462	15,818	15,092	14,244	26,205	19,203	**16,416**	51,080	56,484	**76,068**
Net interest and other income (loss)	4,114	(34)	1,760	(52)	(106)	151	227	**(1,324)**	181	5,788	**(1,052)**
Total revenue	14,226	15,428	17,578	15,040	14,138	26,356	19,430	**15,092**	51,261	62,272	**75,016**
Expenses and fair value adjustments											
Operating expenses	8,461	9,571	9,954	9,806	9,976	10,994	10,385	**11,434**	33,359	37,792	**42,789**
Restructuring expenses	-	-	-	-	-	50,240	-	**-**	-	-	**50,240**
Fair value (appreciation) depreciation	(3,099)	(6,420)	(8,028)	(9,436)	2,710	(2)	(2,783)	**11,967**	(9,740)	(26,983)	**11,892**
Income (loss) before income taxes, discontinued operations and non-controlling interest	8,864	12,277	15,652	14,670	1,452	(34,876)	11,828	**(8,309)**	27,642	51,463	**(29,905)**
Income taxes	1,447	2,125	2,073	1,400	857	2,957	2,136	**885**	5,728	7,045	**6,835**
Income (loss) from continuing operations	7,417	10,152	13,579	13,270	595	(37,833)	9,692	**(9,194)**	21,914	44,418	**(36,740)**
Income (loss) from discontinued operations	(11,782)	169	11	8	8	(6)	9	**6**	(8,649)	(11,594)	**17**
Net (income) loss attributable to non-controlling interest	(2,061)	(4,082)	(5,378)	(8,374)	3,147	173	(3,025)	**6,393**	(3,799)	(19,895)	**6,688**
Net income (loss) attributable to shareholders	(6,426)	6,239	8,212	4,904	3,750	(37,666)	6,676	**(2,795)**	9,466	12,929	**(30,035)**
Basic and diluted net income (loss) per share											
Continuing operations	0.07	0.06	0.08	0.05	0.04	(0.37)	0.06	**(0.02)**	0.16	0.25	**(0.27)**
Discontinued operations	(0.13)	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**	(0.06)	(0.12)	**0.00**
Basic and diluted net income (loss) per share	(0.06)	0.06	0.08	0.05	0.04	(0.37)	0.06	**(0.02)**	0.10	0.13	**(0.27)**
Adjusted net income	4,318	3,732	5,551	3,834	3,305	8,767	6,909	**4,792**	12,174	17,435	**23,773**
Adjusted net income per share	0.04	0.04	0.05	0.04	0.03	0.09	0.06	**0.04**	0.12	0.17	**0.21**
Return on equity	(24.7%)	26.3%	32.2%	18.1%	13.3%	(131.6%)	22.8%	**(9.4%)**	9.4%	12.4%	**(25.9%)**
Adjusted return on equity	16.6%	15.7%	21.8%	14.1%	11.7%	30.6%	23.5%	**16.0%**	12.1%	16.7%	**20.5%**
Net gain on sale as a % of mortgages sold	0.74%	0.80%	0.70%	0.69%	0.88%	0.88%	0.84%	**0.77%**	0.66%	0.73%	**0.84%**
Assets under administration ***(in billions of $)***	18.21	19.27	20.38	21.59	22.16	23.38	24.30	**24.75**	17.52	21.59	**24.75**
Mortgage sales ***(in billions of $)***	1.37	1.93	2.27	2.18	1.62	3.00	2.28	**2.14**	7.71	7.75	**9.04**
Renewal volumes	12.4%	10.9%	10.6%	12.4%	18.5%	15.7%	18.0%	**27.5%**	5.6%	11.5%	**19.6%**
Dividends declared									-	(i)	**-**

(i) Dividends in 2014 were $0.167/share. They consisted of a dividend-in-kind comprised of the shares in Heritage Global Inc. that were held by the Company prior to its exit from the Asset Liquidation business in the first quarter of 2014.

The Company's revenue is earned primarily from its mortgage lending business, which is dominated by sales of whole loan mortgages to third party investors. The trend of increasing net gains on mortgage sales, which were $76.1 million in 2015, up from $56.5 million in 2014 and from $51.1 million in 2013, is due to several factors. In addition to increased origination and renewal volumes, which reflect the growth in the Company's market share as it has become more established, two external economic drivers are the overall price appreciation and strong housing market activity that have been seen in most regions of Canada over the last several years.

Mortgage originations tend to follow seasonal housing market trends, where the spring and summer markets outperform the fall and winter ones, generally leading to relatively higher gains on sale in Q2 and Q3 compared to Q4 and Q1. The Company's results are consistent with this trend, as shown above in the table above. At the same time, the Company's overall increasing gains on sale of mortgages, year over year, reflect increased origination and renewal volumes. These have been supported by strong housing market activity in most regions, price appreciation and the Company's market position.

FINANCIAL PERFORMANCE REVIEW

Gain on Mortgage Sales

Table 3 - Mortgage Sales and MUA

	For the three months ended			For the year ended	
	December 31, 2015	September 30, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
Mortgages sold and mortgages under administration					
(in billions of $)					
Originations	**$ 1.55**	$ 1.87	$ 1.91	**$ 7.27**	$ 6.86
Renewals	**0.59**	0.41	0.27	**1.77**	0.89
Total mortgages sold	**$ 2.14**	$ 2.28	$ 2.18	**$ 9.04**	$ 7.75
% Renewals	**27.5%**	18.0%	12.4%	**19.6%**	11.5%
Mortgages under administration	**$ 24.75**	$ 24.30	$ 21.59	**$ 24.75**	$ 21.59
Mortage sale financial highlights					
(in thousands of $)					
Cash premium at sale	**$ 30,681**	$ 35,934	$ 32,571	**$ 142,372**	$ 117,541
Deferred gain on sale	**5,048**	5,263	5,728	**22,424**	21,424
Gain on sale of mortgages	**$ 35,729**	$ 41,197	$ 38,299	**$ 164,796**	$ 138,965
Gain as a % of mortgages sold	**1.67%**	1.80%	1.76%	**1.82%**	1.79%
Acquisition expenses	**$ 19,313**	$ 21,994	$ 23,207	**$ 88,728**	$ 82,481
Acquisition expenses as % of mortgages sold	**0.90%**	0.96%	1.06%	**0.98%**	1.06%
Net gain on sale	**$ 16,416**	$ 19,203	$ 15,092	**$ 76,068**	$ 56,484
Net gain on sale as % of mortgages sold	**0.77%**	0.84%	0.69%	**0.84%**	0.73%
Operating expenses	**$ 11,434**	$ 10,385	$ 9,806	**$ 42,789**	$ 37,792
Operating expenses as % of mortgages sold	**0.53%**	0.45%	0.45%	**0.47%**	0.49%

2015 Discussion

Net gains on mortgage sales increased $19.6 million or 34.7% over 2014 reflecting the $1.29 billion increase in total mortgage sales and the improvement of the net gain on sale ratio to 0.84% from 0.73% in 2014.

2015 was notable for the increase in the Company's renewal volumes to $1.77 billion from $0.89 billion in the prior year. The acquisition costs for renewals are lower than those for new mortgages, and therefore increase the relative net gain on sale ratios. Renewal volumes in 2015 were positively affected by the inclusion of renewals from each of 5-year terms originated in 2010, and higher than usual 4- and 3-year terms originated in 2011 and 2012.

The Company's originations of new mortgages were up in 2015, particularly in the first half of the year on strong spring markets in key regions of the country. There was some softening in new mortgage originations into the third quarter of 2015 compared to market activity, which reflected management's decision in July to discontinue its Loyalty product, which offered trailer fee commissions to brokers, along with some normal course credit underwriting adjustments in the third quarter to maintain strong credit performance.

Q4 2015 Discussion

Mortgage sales in Q4 2015 were $2.14 billion compared to $2.18 billion in Q4 2014 and $2.28 billion in the prior quarter.

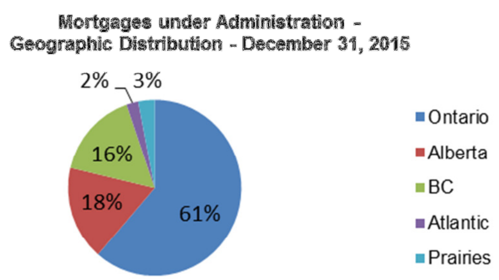
Compared to Q4 2014, net gains on sale were up $1.32 million or 8.8% in Q4 2015 on slightly lower volumes sold. The higher net gains are due to a significantly higher relative proportion of renewals, which were 27.5% of total in Q4 2015 versus 12.4% in Q4 2014, offset by margin compression. Margins earned reflect both market rates and the duration of the underlying mortgages sold.

Net gains on sale in Q4 2015 were down $2.8 million from Q3 2015 due to seasonally lower mortgage sales volume, and margin compression compared to the prior quarter.

Geographic Distribution - Mortgages

The Company originates mortgages across Canada, with the exception of Quebec. The charts below show the geographic distribution of mortgages under administration and originations in 2015, compared to 2014.

Chart 1 – Geographic Distribution of Mortgages under Administration (% of $)



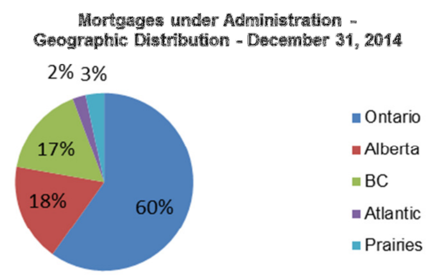
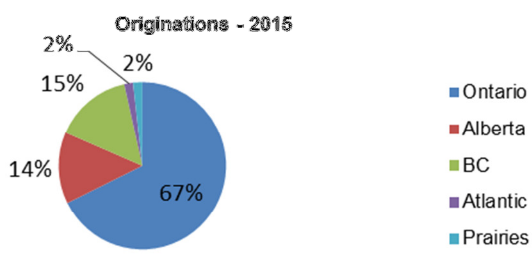
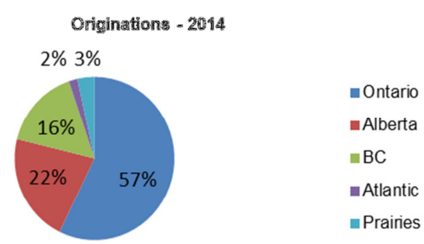


Chart 2 – Geographic Distribution of New Originations (% of $)





Both MUA and originations continue to favour Ontario, which is reflective of the relative population density in urban centers of that province, and its higher average housing prices. Relative origination volumes in Alberta declined from 2014 due to some tightening of lending criteria in the region, given both the declining market conditions and slowing markets in the region.

Net interest and other income

Table 4 Net interest and other income

A breakdown of the Company's net interest and other income is shown below, allocated between net interest income and other income.

	For the three months ended			For the year ended	
	December 31, 2015	September 30, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
Interest income - mortgage lending	**$ 1,360**	$ 914	$ 439	**$ 3,485**	$ 946
Interest expense - mortgage lending	**(1,163)**	(975)	(723)	**(3,717)**	(1,589)
Net interest income (loss) - mortgage lending	**197**	(61)	(284)	**(232)**	(643)
Servicing and fee income	**282**	324	313	**1,263**	1,819
Interest income - other	**48**	47	109	**274**	356
Interest expense - other	**(217)**	(237)	(137)	**(949)**	(536)
Other income (loss)	**41**	154	(53)	**267**	4,792
Credit provisions	**(1,675)**	-	-	**(1,675)**	-
	$ (1,324)	$ 227	$ (52)	**$ (1,052)**	$ 5,788

2015 Discussion

Interest income – mortgage lending primarily includes the interest the Company earns on mortgages it holds on-balance sheet where a mortgage has either been securitized by the Company through the NHA MBS program, or is held on-balance sheet prior to securitization or sale funding. The interest income has increased year over year primarily due to the $117.4 million increase in 2015 of securitized mortgages held on balance sheet.

Interest expense – mortgage lending includes the interest expense from the securitization liabilities resulting from the issuance of NHA MBS to fund the securitized mortgages. The expense also includes interest associated with funding mortgages warehoused on-balance sheet prior to take out funding.

Servicing and fee income is the net servicing fees and trailing interest spread earned by the Company and represents the difference between the cash received by the Company and the amortization of the deferred placement fees. The amount realized is dependent on both the size of the portfolio and the extent to which actual experience differs from the assumptions made at the time of sale of the mortgages.

The Company also earns interest income and incurs interest expense on loans that are associated with its legacy businesses. Interest income - other has decreased year over year in line with a decrease of $1.0 million in loans receivable. Interest expense - other has increased primarily due to the Company's use of the operating line that became available in 2015.

Other income (loss) is largely comprised of items associated with the Company's legacy businesses. These include management fees and other income earned by the Private Equity business, offset by some associated costs. Fee income fluctuates and has decreased overall as the portfolio investments have been exited. The larger amount of income in 2014 is primarily due to two items: a gain of $4.1 million associated with the Company's exit from Case Goods, and $0.7 million income that was received as an additional carry when the Company exited a private equity investment.

Credit provisions are allowances on loans and other receivables that are not part of the Company's mortgage lending business. The provision in 2015 represents an allowance of $1.7 million on the Company's loan receivable from Fleetwood, as discussed above in *2015 Highlights*.

Q4 2015 Discussion

Net interest and other income was a loss of $1,324 in Q4 2015, as compared to income of $227 in Q3 2015 and a loss of $52 in Q4 2014, primarily due to the $1.7 million credit provision discussed above. The provision was slightly offset by improved margins on the net interest income associated with the mortgage lending business. Other interest expense also decreased compared to Q3 2015, reflecting the Q4 2015 decrease in the Company's operating line, from $11.0 million at September 30 to $5.0 million at December 31.

Operating expenses

Table 5 Operating Expenses

A breakdown of the Company's operating expenses is shown below, net of the restructuring expense charged to income in the second quarter of 2015 (please see the section *Non-GAAP Measures*).

	For the three months ended			For the year ended	
	December 31, 2015	September 30, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
Salaries and benefits	**$ 6,972**	$ 7,040	$ 6,081	**$ 28,147**	$ 24,056
Professional services	**906**	991	1,013	**4,200**	3,101
Legal and regulatory	**134**	175	222	**816**	745
Premises	**443**	481	435	**1,837**	1,769
Business development	**913**	722	574	**3,144**	2,512
Other	**2,066**	976	1,481	**4,645**	5,609
	$ 11,434	$ 10,385	$ 9,806	**$ 42,789**	$ 37,792
Operating expenses as a % of mortgages sold	**0.53%**	0.45%	0.45%	**0.47%**	0.49%

2015 Discussion

As the Company's business has grown, and in connection with the Company's application to become a Schedule I bank, the employee headcount has increased from 175 at December 31, 2014 to 213 at December 31, 2015. This has resulted in a corresponding increase in operating expenses, particularly in salaries and benefits. However, as shown above, operating expenses have remained relatively consistent as a percentage of mortgages sold.

Although the Company was able to realize some cost savings as a result of the corporate realignment that took place in the second quarter of 2015, discussed above under *Significant Developments in 2015*, management expects that as the business continues to expand, it will incur additional operating expenses in order to accommodate its growth. As an example, in the first quarter of 2016, the Company acquired additional office space for its Toronto operations to support growth, which will result in additional costs moving forward. Additionally, the Company is investing in the people, processes and technology required to realize on its strategic plans to roll out additional retail products once the bank is launched.

Professional services includes legal, audit, tax and other consulting fees, and fees paid to the Company's Board of Directors. The increase in 2015 over 2014 is related to the expansion of the Company's Board, along with increases in consulting costs related to its bank application and to IT services.

Business development includes sales and marketing expenses. Sales expenses primarily consist of sales-related travel and entertainment. Marketing expenses primarily consist of promotional materials, the maintenance of the Company's website, and broker-related costs. The increase in 2015 over 2014 is related to the growth in the Company's business.

Q4 2015 Discussion

Operating expenses in Q4 2015 increased $1.0 million compared to Q3 2015 primarily because of the inclusion of a one-time reversal of a tax recoverable of $0.9 million, included in other expenses, due to an unfavorable ruling from tax authorities. If this item is excluded, Q4 2015 operating expenses as a percentage of mortgages sold decreases to 0.49%, consistent with the results for the other periods presented. The minor decrease in salary and benefits expense in Q4 2015 compared to Q3 2015 is due to employee headcount reductions in the Company's legacy operations.

Operating expenses increased $1.6 million compared to Q4 2014, largely due to the tax assessment noted above. As well, salary and benefit expense increased $0.9 million, in connection with the greater employee headcount, year over year, and the continuing investment associated with the Company's expansion of its business.

Fair Value Adjustments

The Company's fair value adjustments relate to its legacy businesses, particularly its portfolio investments. These investments consist of the Company's direct investment in capital units of Fleetwood Fine Furniture International LP ("Fleetwood"), and its investments that are part of Private Equity. Fair value adjustments tend to fluctuate due to the potential for the Company's investments to increase or decrease in value, depending on factors that tend to be unique to each investment.

2015 Discussion

In 2015, the Company's $9.0 million investment in Fleetwood was written down to zero, based on the Company's analysis of Fleetwood's financial position and projections of its future operations. The Company also recorded a net write down of $2.8 million related to the investments held by its Private Equity business. This was primarily associated with two investments. The Company's investment in Tube Mogul, which realized an overall return of over twelve times the original investment, declined $4.1 million in value between the end of 2014 and its sale in the first quarter of 2015, due to a decline in its share price. The Company's investment in Robert Graham increased by $1.3 million during the year, largely due to its agreement to merge with a publicly traded company, Joe's Jeans. This agreement received shareholder approval in Q1 2016.

In 2014, Private Equity investments net fair value gains of $28.4 million were primarily due to an increase of $10.3 million associated with the exit from Authentic Brands, and an increase of $17.8 million in the values of the investments in TubeMogul and Robert Graham.

Q4 2015 Discussion

In the fourth quarter of 2015, the Company recorded negative fair value adjustments of $6.0 million related to the investments held by its Private Equity business, largely due to the decline in the value of the investment in Robert Graham. Although the investment's fair value increased approximately $1.3 million during 2015, inclusive of foreign exchange fluctuations, the write-up of over $7 million that was recorded during the first nine months of 2015 was largely reversed during the fourth quarter, due to a decrease in the share price of the associated public company. Approximately $4.1 million of the $6.0 fair value losses in the quarter was allocated to the Company's non-controlling interests.

In the fourth quarter of 2015, the Company also recorded a $6.0 million write down of its investment in Fleetwood, which reduced its value to zero. Approximately $1.7 million of this amount was allocated to the Company's non-controlling interests.

In the fourth quarter of 2014, fair value gains of $10.9 million relating to the Private Equity investments were primarily associated with increases of $10.3 million associated with the value of the investments in TubeMogul and Robert Graham. These were partially offset by the write-off of the $1.5 million of goodwill associated with the Company's Private Equity business.

Discontinued Operations

In the first quarter of 2013 the Company discontinued its Asset Liquidation, Case Goods and Real Estate segments. The Case Goods business and the last Real Estate property were sold in the first quarter of 2014, while the Asset Liquidation business was distributed to the Company's shareholders via a dividend-in-kind of all of the Company's shares of Heritage Global Inc. There were no significant transactions relating to discontinued operations during 2015.

Income Taxes

Income taxes for the fourth quarter and the year ended December 31, 2015 primarily relate to the deferred tax attributable to Street Capital Financial, net of recoveries generated at the parent Company level. Non-cash reorganization expenses of $36.3 million recorded in Q2 2015 associated with the issuance of 20 million shares of the Company were recorded as permanent differences. As such, no tax recovery was recorded.

Income taxes during 2014 also included income taxes on gains realized on the disposition of Fleetwood.

At December 31, 2015, the Company has approximately $311.6 million non-capital loss carry-forwards that may be used to reduce future years' taxable income until 2035.

The income tax expense reported in the statement of operations and statement of comprehensive income is based on a number of different estimates made by management. The effective tax rate can change from year to year based on the mix of income or loss among the different jurisdictions in which the Company operates, changes in tax laws in these jurisdictions, and changes in the estimated values of deferred tax assets and liabilities recorded on the statement of financial position. The income tax expense reflects an estimate of cash taxes expected to be paid in the current year, as well as a provision for changes arising during the year in the value of deferred tax assets and liabilities. The likelihood of recovering value from deferred tax assets such as loss carry-forwards, future tax depreciation of capital assets and other assets is assessed and recognized at each quarter-end. Material changes in income tax assets, liabilities, expense and recoveries may occur in the short term. Please see Note 16 to audited consolidated financial statements for more information on the Company's tax rates, as well as both current and deferred income taxes.

REVIEW OF FINANCIAL POSITION

The following table sets out the Company's consolidated financial position for the years ended December 31, 2014 and 2015, as well as the financial position at the most recent quarter ended September 30, 2015.

Table 6 - Financial Position

			As at			
(in thousands of $)		**December 31, 2015**		**September 30, 2015**		**December 31, 2014**
Assets						
Cash and cash equivalents	$	8,846	$	10,325	$	23,022
Restricted cash		13,078		34,552		13,130
Deferred placement fees receivable		46,442		45,236		38,749
Prepaid portfolio insurance		66,672		64,776		50,888
Securitized mortgage loans		167,762		101,837		50,318
Non-securitized mortgages and loans		16,741		37,241		4,285
Portfolio Investments		13,506		25,375		40,010
Deferred income tax assets		14,135		13,163		9,939
Other assets		13,333		17,274		17,994
Goodwill and intangible assets		28,864		28,937		29,588
		389,379		378,716		277,923
Assets of discontinued operations		1,338		1,329		1,341
Total assets	**$**	**390,717**	**$**	**380,045**	**$**	**279,264**
Liabilities						
Bank facilities		15,817		40,906		9,773
Loans payable		8,972		9,553		9,134
Securitization liabilities		167,380		101,213		50,546
Other liabilities		75,013		95,939		77,091
		267,182		247,611		146,544
Liabilities of discontinued operations		1,166		1,167		1,167
Total liabilities		268,348		248,778		147,711
Total shareholders' equity		118,245		120,752		110,876
Non-controlling interests		4,124		10,515		20,677
Total liabilities and equity	**$**	**390,717**	**$**	**380,045**	**$**	**279,264**

Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents at December 31, 2015 represent funds on deposit with regulated financial institutions. Restricted cash represents mortgage loan repayments collected on behalf of third party investors via a third party service provider, cash collected that has not yet been allocated to securitization liabilities, and accrued interest from mortgage loan repayments collected in connection with securitization activities.

The primary source of cash is the cash premiums received on the sale of mortgages, and the net servicing revenue and excess spread received on its assets under administration. Beginning in 2015, the Company had committed mortgage purchase facilities with a syndicate of Schedule I Canadian banks in the amount of $125 million and $25 million. These facilities can be used to fund, respectively, insured high ratio mortgage loans and conventional low ratio mortgages that are insurable. Proceeds from securitization or loan sales are used to pay down the facilities. The Company also has a $15 million operating credit facility with the same syndicate. As at December 31, 2015, $16 million was drawn on these three facilities (December 31, 2014 - nil). Please see Note 13 of the audited consolidated financial statements.

Deferred Placement Fees Receivable

When mortgages are sold on a fully serviced basis the Company charges the institutional investor a servicing fee, which is received over the life of the underlying mortgage. In some cases, an excess interest rate spread is also received over the remaining mortgage term. The present value of (i) the servicing fee net of the Company's cost of servicing, plus (ii) the excess interest rate spread, is recognized as gain on sale of mortgages in the consolidated statement of operations and a resulting deferred placement fee receivable is recognized in the consolidated statement of financial position.

The net increase period over period reflects the growth of the Company's mortgage sale activity, net of amortization. Please see Note 8 of the audited consolidated financial statements.

Prepaid Portfolio Insurance

Prepaid portfolio insurance represents portfolio mortgage insurance premiums paid by the Company to insure a pool of low ratio prime mortgages. Portfolio mortgage insurance provides insurance coverage over a pool of mortgages and is not mortgage specific. The length of the coverage is for the amortization period of the original underlying mortgages. Prepaid portfolio insurance is amortized into income over a maximum period of 15 years, using a declining balance method that estimates the pattern of consumption based on contractual terms and management assumptions about mortgage prepayments and renewals. For portfolio mortgage insurance purchased prior to May 14, 2015, if any part of a mortgage is prepaid in advance of the contractual amortization period, the Company is entitled to substitute that prepaid amount with another mortgage of equal value, at no additional cost. The substitution period varies by insurer, and can be as short as 5 years and as long as the amortization period, which can be up to 25 years. This substitution eligibility is factored into the pattern of amortization. Beginning in May 2015 the substitution entitlement was discontinued, and therefore the amortization pattern for portfolio insurance premiums paid for new mortgage pools after May 2015 will tend to be shorter than for those purchased earlier. While this change in substitution policy did not have a material effect on the current year, assuming the same level of originations and portfolio insurance purchased in 2016 as in 2015, the amortization expense could increase by approximately $0.5 to $1.0 million in 2016 compared to 2015.

The net increase in the prepaid portfolio insurance balance reflects the growth in the number of insured mortgages, less the amortization recognized during the same period. Please see Note 9 of the audited consolidated financial statements.

Securitized Mortgage Loans and Securitization Liabilities

Beginning in 2014, and continuing through 2015, the Company occasionally originated prime insured mortgages that were securitized through the NHA MBS program and sold to third-party investors as MBS. These mortgages and the associated securitization liabilities remain on balance sheet. The Company securitized and sold $69.7 million of mortgages during Q4 2015, compared to $38.3 million in Q4 2014. This brought the total amount of mortgages securitized during 2015 to $126.2 million, more than double the $49.3 million total securitized during 2014.

Non Securitized Mortgages and Loans

From time to time the Company originates loans that remain on balance sheet or are intended for securitization and sale. At December 31, 2015 $13.5 million of mortgages were being held for future securitization and sale (September 30, 2015 - $32.3 million; December 31, 2014 – $2.4 million).

Portfolio Investments

The Company's portfolio investments of $13.5 million consist of investments held by the Company's Private Equity business (see also the discussion under *Fair Value Adjustments* above). The Company also holds Class A units in Fleetwood, but as discussed below, that investment was written down to zero in 2015. The Company holds only approximately 14% of the Private Equity business, but it controls and consolidates the business due to its ability to influence its management and investments. At December 31, 2015, approximately $10.3 million of the portfolio investments were attributable to the Company's non-controlling interest (September 30, 2015 - $16.0 million; December 31, 2014 - $25.2 million).

As noted above under *Legacy Business*, the Company is in the process of exiting Private Equity. Over the period from December 2013 to December 2015, Private Equity recorded net fair value increases of $25.7 million, including the effects of changes in foreign exchange rates, and distributed $65.5 million of capital, preferred return and profits to its investors and managers, of which the Company's share was approximately $12.7 million.

At December 31, 2015 and September 30, 2015, Private Equity retained two investments, only one of which, Robert Graham, was material. The decrease of $12.0 million in portfolio investments in Q4 2015, of which approximately $5.9 million is attributable to the Company's non-controlling interest, is largely due to two factors.

The first is the write down of Robert Graham by $5.8 million, of which approximately $4.2 million is attributable to the Company's non-controlling interest, to reflect a decline in the associated share price from $0.36 to $0.16 during the quarter. In January 2016, the shareholders of an unrelated public company, Joe's Jeans, approved an agreement to merge with Robert Graham and form Differential Brands Group Inc., a publicly traded company. This will have the effect of converting the investment in Robert Graham into publicly traded shares. Management therefore expects that Private Equity will exit the investment in 2016 or 2017, at which time the proceeds would be distributed to the investors. The second relates to the Company's $9.0 million investment in Fleetwood. During the fourth quarter of 2015, management's assessment of Fleetwood's financial position and projection led to the conclusion that the value of the investment had decreased to zero. This resulted in a Q4 2015 write down of $6.0 million, of which $1.7 million was attributable to the Company's non-controlling interests.

Deferred income tax assets

Deferred income tax assets are almost exclusively associated with non-capital losses related to the Company's legacy businesses and head office operations. They have increased compared to December 31, 2015 largely due to the restructuring charges discussed above under *Significant Developments in 2015*. Please see Note 16 of the audited consolidated financial statements.

Other Assets

Other assets include receivables for mortgage sale activity and mortgage insurance, loans and other receivables, capital assets, and prepaid expenses. The loans receivable include receivables from the Company's former subsidiary, HGI, and from Fleetwood. The decrease in 2014 primarily reflects decreases in non-mortgage loans receivable due to the receipt of repayments. It also includes a credit allowance of $1.7 million that was recorded in Q4 2015, relating to the Company's receivable from Fleetwood. Please see Note 12 of the audited consolidated financial statements.

Goodwill and Intangible Assets

The Company's goodwill relates to its acquisition of Street Capital Financial in 2011. The Company's intangible assets are also related to Street Capital Financial, and consist of both acquired and internally generated assets. There was no indication of impairment of either goodwill or intangible assets in 2015 or 2014. Please see Note 10 of the audited consolidated financial statements.

Bank Facilities

At December 31, 2015 the Company had a total credit facility of $165 million through a syndicate of Schedule I Canadian banks, of which $16 million was outstanding, leaving $149 million available. The facility is available in three tranches, dependent on use of funds. The balance decreased in Q4 2015 due to a decrease of $19.1 million in the mortgage funding facility as the mortgages were funded by securitization or sale, and a decrease of $6.0 million in the Company's operating line. The term debt and credit facilities outstanding at December 31, 2014 were repaid in Q1 2015. Please see Note 13 of the audited consolidated financial statements.

Loans Payable

The loans payable are related to the Company's legacy businesses. The decrease in Q4 2015 is primarily due to a $0.7 million repayment. Please see Note 14 of the audited consolidated financial statements.

Other Liabilities

Other liabilities include accounts payable, accrued liabilities, accrued mortgage acquisition costs, and deferred tax liabilities. The decrease in other liabilities in Q4 2015, from $95.9 million at September 30, 2015 to $75.0 million at December 31, 2015, was largely due to a decrease of $23.3 million in payments due to mortgage servicers. This fluctuation is due to timing differences in cash receipts and subsequent payment, quarter over quarter. The decrease was partially offset by increases of $2.7 million in accrued compensation and $2.1 million in deferred income taxes payable.

Shareholders' Equity

The increase in shareholders' equity includes the Company's net loss, offset by the share issuance transaction that affected both capital stock and retained earnings in 2015, and the exercise of stock options.

CONTINGENCIES

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

OFF BALANCE SHEET ARRANGEMENTS

The Company has outstanding commitments for advances on mortgage loans, which it intends to fund on-balance sheet, which amounted to $4.5 million at December 31, 2015 ($30.3 million at September 30, 2015; $nil million at December 31, 2014), and are up to 90 days. The offers to extend credit are in the normal course of business and are planned through the Company's liquidity management practices.

RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 26 to the audited consolidated financial statements. There are two significant transactions: a management services agreement and loan the Company had with a former subsidiary, Heritage Global Inc., and an interest-free loan of $0.57 million with a senior executive of the Company.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING STANDARDS & POLICIES

This MD&A should be read in conjunction with the Company's 2015 audited consolidated financial statements and the notes thereto. The significant accounting policies and critical accounting estimates are described in Note 3 to the audited consolidated financial statements. These policies have the potential to significantly impact the Company's financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events that are continuous in nature.

Future changes in accounting standards that may have an impact on the Company's financial position and results of operations are discussed in Note 3 to the audited consolidated financial statements.

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative audited consolidated financial statements, and the unaudited interim periods within, have been reclassified from statements previously presented to conform to the presentation of the 2015 audited consolidated financial statements.

CAPITAL MANAGEMENT

The Company's objective is to maintain a strong simplified capital base in order to maintain investor confidence and support the future development of the business, while allocating capital for maximum economic benefit. Management defines capital as the Company's equity and deficit. The Company's wholly owned subsidiary, Street Capital Financial, has minimum net worth requirements as stipulated under the bank facilities discussed in Note 13 of the audited consolidated financial statements. As at December 31, 2015, Street Capital Financial far exceeded the minimum, and was compliant throughout the year.

Street Capital Financial has applied to Canada's Minister of Finance for approval to operate as a Schedule I Bank. In anticipation of Street Capital Financial receiving this approval, the Company has developed a Board-approved Capital Management Policy that will govern the quantity and quality of capital held. The objective of the policy is to ensure that, in addition to ensuring the Company has adequate capital to support its strategic and business objectives, it also has adequate capital to absorb potential unexpected losses and meet the minimum regulatory capital requirements as stipulated by OSFI. Street Capital Financial defines capital as meeting the definition of regulatory capital as defined by the capital adequacy requirements defined by OSFI, which in its case is Street Capital Financial's common equity and retained earnings. Two regulatory capital requirements are addressed in Street Capital Financial's policy: the Leverage Ratio and the Risk-Based Capital Ratios. As at December 31, 2015, Street Capital Financial had sufficient regulatory capital to well exceed both the regulatory minimums and its internal policy requirements.

Based on the December 31, 2015 financial position of Street Capital Financial, the regulatory capital ratios have been estimated as follows:

Regulatory capital Ratios (i)	**December 31, 2015**	**National Regulatory Minimum**
CET 1 Ratio	33.1%	7.0%
Tier 1 Ratio	33.1%	8.5%
Total Capital Ratio	33.1%	10.5%
Leverage Ratio	25.2%	3.0%

(i) Capital ratios have been calculated based on regulations in effect at December 31, 2015 and are based on certain estimates and judgements made by management.

Should Street Capital Financial be approved to operate as a Schedule I bank, it will be held to higher required regulatory capital ratios than the National Regulatory Minimums.

Dividends

In March 2014 the Company declared a special dividend-in-kind of the Company's entire holding of 20.6 million shares of HGI. The special dividend was paid on April 30, 2014 to shareholders of record as at April 1, 2014. Holders of the Company's common shares received approximately 0.2084 HGI shares for each share of the Company owned on the record date. There were no dividends declared or paid in 2013 or 2015.

There is no restriction on the Company's ability to declare dividends, except as described below. The declaration and payment of dividends is decided by the Company's Board of Directors from time to time based upon and subject to the Company's earnings, financial requirements and other conditions prevailing at the time. The Company's wholly owned subsidiary, Street Capital Financial, has certain financial covenants associated with its credit facilities that need to be met before dividends can be declared and paid. As described above, if Street Capital Financial were to receive approval to operate as a Schedule I Bank, its ability to declare and pay dividends would also be subject to meeting the regulatory capital requirements as stipulated by OSFI.

RISK MANAGEMENT AND RISK FACTORS

The Company's business strategies and operations expose the Company to a wide range of risks that could adversely affect its operations, financial condition or financial performance, and which could influence an investor to buy, hold or sell the Company's shares. When evaluating risks, the Company makes decisions about which risks it accepts, which risks it mitigates, and which risks it avoids. The principal risks to which the Company is exposed are set out below.

Strategic Risk

Strategic and business risk is the risk of loss associated with changes in the external business environment, management's failure to implement appropriate strategies and business activities in response to changing environments and/or financial results, or management's inability to adjust cost structures as required. Strategic and business risk is managed and monitored by senior management through regular weekly meetings. The Board approves the Company's strategies at least annually, and reviews results against strategies at least quarterly.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations.

The Company's credit risk is mainly associated with its mortgage lending business, in the form of the risk of default on the part of the borrower. The vast majority of the mortgages that the Company underwrites are sold to institutional investors and are insured or insurable against default with CMHC and other government backed private insurers, such that the residual credit risk to the Company is immaterial overall. Given that the vast majority of these mortgages are sold to institutional investors, their credit quality remains an important measure in ensuring continued demand from these investors. If mortgages that the Company sold or securitized in the past perform poorly, it may adversely affect the perceived value, or reduce the quantity, of any future mortgages it attempts to sell or securitize.

Even though the Company is not exposed to material levels of credit risk associated with its mortgage lending business, the Company applies a detailed set of Board approved credit policies and underwriting procedures, to ensure mortgages are insurable and meet investor requirements. At the individual transaction level the Company applies a due diligence process to each mortgage underwritten, with oversight from an experienced management team. All mortgage applications are risk ranked, and additional independent quality assurance procedures are performed on a significant percentage of mortgage files prior to funding. Post-funding reviews are also conducted in order to provide continuous feedback and monitoring of mortgage credit quality. The Company's serious arrears rate of 0.14%, at December 31, 2015, is significantly better than the industry average of 0.24% at November 30, 2015 (the most recent information available), and reflects the Company's due diligence and strong quality assurance.

The Company's credit risk on liquid assets, the vast majority of which are cash and cash equivalents, is relatively limited as all counterparties are Schedule I Canadian banks with high credit ratings assigned by international rating agencies.

The Company has credit risk associated with specific loans receivable that are related to its discontinued Real Estate, Asset Liquidation and Case Goods businesses. The balance of these loans at December 31, 2015 was $5.6 million (2014 - $6.5 million). The Company evaluated the collectibility of these loans at December 31, 2015 and determined that a credit allowance of $1.7 million was required on its receivable from Fleetwood, reducing the net loans receivable to $3.9 million.

The maximum credit exposures of the financial assets are their carrying values as reflected on the audited consolidated statements of financial position. The Company does not have any significant concentrations of credit risk within any geographic region or group of customers.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. This risk arises from the fluctuations in the Company's cash flows that are associated with loan sales, securitization, investing and other business activities. The Company manages liquidity risk through both daily monitoring and measurement of the Company's liquidity position, and regular liquidity forecasting to ensure it has sufficient liquidity to meet all expected cash outflows, both in ordinary market conditions and during periods of market stress.

The Company's main sources of cash and operating liquidity are the cash premiums received from the sale of mortgages to investors, cash received from the Company's share of servicing fees and excess spread, and, to a lesser extent, the sale of NHA MBS. In order to maintain strong investor demand for Street Capital Financial's mortgages, and target the maximum gain on sale, Street Capital Financial invests only in high quality mortgages and maintains stringent underwriting and quality assurance processes. If mortgages that the Company sold or securitized in the past perform poorly, it may adversely affect the perceived value, or reduce the quantity, of any future mortgages it attempts to sell or securitize.

The Company holds liquid assets primarily in the form of cash in bank deposits. At December 31, 2015 the Company had $8.9 million in cash and cash equivalents on deposit with a Schedule I Canadian bank.

The Company has a $165 million credit facility with a syndicate of Schedule 1 Canadian banks, which is available in three tranches depending on the use of funds. Up to $125 million can be used to fund up to 98% of the value of insured high ratio mortgages, up to $25 million can be used to fund up to 80% of conventional, low ratio insurable mortgages, and up to $15 million is available as an operating line. The Company had $149 million total available capacity under these facilities at December 31, 2015 (2014 – nil, as facility was acquired in 2015). As an approved NHA MBS issuer, the Company can also access the NHA MBS market to fund insured mortgages.

The Company's access to liquidity through investors and the NHA MBS securitization market depends on a number of factors, including general economic conditions, spreads on mortgages relative to other investments, and conditions in both the securities markets in general and the MBS market specifically. Accordingly, a decline in investor demand or securitization markets could adversely affect the Company's ability to originate mortgages, which could negatively impact future financial results.

The Company periodically receives cash related to its Private Equity business, in connection with the disposition of portfolio investments. In 2015 the net receipts were approximately $4.5 million. As discussed above, management expects that KBCP Fund 1 will exit from its remaining material investment in 2016 or 2017, at which time the Company will receive its proportionate share, and no further cash flows will be received.

Liquidity risk associated with mortgage commitments is limited, as the investors commit to funding the vast majority at the time of mortgage commitment. For the small number of mortgage commitments without an upfront investor commitment, the Company utilizes its available credit facility prior to issuing NHA MBS or sale to an investor.

Contractual Obligations

The table below presents the outstanding obligations of the Company's continuing operations by the year in which they become due. The Company expects to fund the bank facilities from the sale of the underlying mortgages, and the securitization liabilities from collection of the securitized receivables. The remaining items will be funded from operating income and cash on hand.

	Within 1 Year	1 -3 Years	3 -5 Years	After 5 Years	Total
Accounts payable and accrued liabilities	$ 37,490	$ 259	$ 14	$ -	$ 37,763
Bank facilities	15,817	-	-	-	15,817
Securitization liabilities	21,660	59,002	85,852	-	166,514
Loans payable	1,500	7,472	-	-	8,972
Operating leases	1,036	1,609	-	-	2,645
Total	**$ 77,503**	**$ 68,342**	**$ 85,866**	**$ -**	**$ 231,711**

Interest Rate Risk

Interest rate risk is the risk of lost earnings or capital due to changes in interest rates. The objective of interest rate risk management is to ensure that the Company is able to realize stable and predictable earnings, over specific time periods, despite fluctuations in interest rates. The Company manages interest rate risk to minimize its exposure to fluctuations in interest rates by assessing the potential impact of interest rate changes on net interest income. The Company's primary exposure to interest rate risk arises from fluctuations in interest rates on its mortgages and loans payable, which depend on prevailing rates at renewal.

The Company is not exposed to a material level of interest rate risk arising from mortgage commitments, because the purchase price for mortgages sold to investors is based on customer commitment rates rather than the funded rate, thereby passing on the interest rate risk to the investors. Where the Company securitizes its mortgages directly, it is exposed to interest rate risk arising from mortgage commitments issued and from the point of loan funding to the pooling of the loan for securitization, but this has been immaterial overall given low relative volumes.

At December 31, 2015 an immediate and sustained 100 basis point change in interest rates would result in a $53 (2014 - $114) before tax decrease in net interest income over the next 12 months.

Investment Risk

Investment risk is the risk of loss due to impairment in the fair value of investments. The Company's investment risk arises from its portfolio investments, which are carried at fair value. At December 31, 2015 these portfolio investments had a fair value of $13.5 million, of which $10.3 million is attributable to the Company's non-controlling interests. At December 31, 2015 the Company has two primary valuation risks with respect to its portfolio investments. The fair value of the investment in Fleetwood, which management concluded was zero at December 31, 2015, is based on management's analysis of Fleetwood's financial position and projections, as well as management's estimate of an appropriate discount rate and time horizon. The inclusion of significant unobservable inputs increases the risk that the investment fair value is not correct. The fair value of the Private Equity investments includes fewer unobservable inputs, as virtually all of those inputs at December 31, 2015 consist of either expected cash proceeds or publicly traded stock. The primary valuation risk is the potential for a decline in the share price of the common stock prior to exiting the investment. An additional risk specific to Private Equity is that the investments are primarily in US dollars and therefore are also subject to the risk of an increase in the value of the Canadian dollar relative to the US dollar.

Operational Risk

Operational risk, which is inherent in all business activities, is the risk of loss resulting from either inadequate or failed internal processes, people and systems, or from external events. Operational risk cannot be eliminated, but the Company has taken proactive steps to mitigate this risk. The Company has adopted an Enterprise Risk Management Framework that includes strategies to manage operational risk, including avoidance, transfer, acceptance and mitigation by controls. The Company employs a risk and compliance information system that facilitates the application of an enhanced operational risk methodology, including event data monitoring, business line risk and control self-assessments, measurement and monitoring of key risk/performance indicators, and a new initiatives risk assessment framework. The Company relies upon the uninterrupted functioning of its computer systems and other technology. The failure of any of these components could interrupt operations or materially impact the Company's ability to originate, monitor or service customer accounts, or to comply with contractual obligations to investors and third parties. A sustained or prolonged outage could negatively impact the Company's financial results.

Companies that provide financial services, including the Company, are exposed to cyber-risk. Cyber threats continue to increase in size and complexity. While the Company and, more broadly, the industry, are continuously monitoring and improving their information and cyber security programs, the Company and its third-party service providers may not be able to fully mitigate all risks associated with increased threats. Cyber security breaches may lead to the loss of confidential information and related privacy issues.

The Company maintains insurance coverage in order to mitigate, where possible, the various forms of operational risk outlined above. This insurance coverage includes commercial property, general liability, computer crime, cyber liability, directors' and officers' liability, umbrella and errors and omissions, and other standard business policies.

Reputational Risk

Reputational risk is the risk that shareholders or the public will, with or without basis, judge the Company's operations, actions or business practices unfavorably, potentially resulting in a decline in its value, brand, liquidity, or customer base. The Company manages reputational risk through adequate employee training and a code of ethics supported by corporate governance, compliance and risk management practices and policies.

<u>Risk Factors that May Affect Future Results</u>

In addition to the risks described above, there are other risk factors, in particular macroeconomic and industry factors beyond the Company's control, which could cause the Company's results to differ significantly from the Company's plans, objectives and estimates. All forward looking statements, including those in this MD&A, are subject to inherent risks and uncertainties, both general and specific, which may cause the Company's actual results to differ materially from the expectations expressed. The material factors are described below.

Concentration of Investors

In 2015, the Company placed 85% of newly originated mortgages with two institutional investors who are a Canadian and US financial institutions. If either institutional investor were to terminate its relationship with the Company, or materially reduce its purchases of mortgages, and the Company was unable to either replace the investor with another investor or sell the mortgages through securitization markets at similar prices, this could have a material adverse effect on the Company's financial results.

Government Regulation

The Company's Canadian mortgage lending business is regulated under lending and other legislation in certain of the jurisdictions in which it conducts business. Changes in regulatory legislation or the interpretation thereof, or in the introduction of any new regulatory requirements, could have a negative effect on the Company and its operating results. In addition, failure to be appropriately registered in the various Canadian jurisdictions in which it operates could result in enforcement action and potential interruption of certain of the Company's activities, which could have a material adverse effect on the Company's business, financial condition and results of operations. Finally, as an approved lender under the *National Housing Act*, the Company's mortgage lending subsidiary is able to originate CMHC, Genworth and Canada Guaranty insured mortgages. Any change in the subsidiary's status as an approved lender under the *National Housing Act* could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Independent Mortgage Brokers

The Company's mortgage lending operations are dependent on a network of mortgage brokers. The mortgage brokers with whom the Company does business are not contractually obligated to do business with the Company. Further, the Company's competitors also have relationships with the same brokers and actively compete with the Company in its efforts to expand its broker network and originate mortgage loans. If the Company is unable to sustain or increase its current level of mortgage origination from these sources it could have a material adverse effect on the Company's financial results.

Reliance on Third Party Service Providers

The Company, in particular its mortgage lending operations, is dependent upon the successful and uninterrupted functioning of the computer systems and data processing systems at its third party service providers. The failure of the third-party service providers to provide the service could interrupt operations or materially impact the Company's ability to originate, monitor or service customer accounts, or to comply with contractual obligations to investors and third parties. A sustained or prolonged outage could negatively impact the Company's financial results.

In addition, the Company maintains confidential information regarding customers in its computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage the Company reputation or result in liability.

The Company has implemented a business continuity and crisis management strategy to minimize the impact on its customers, investors and operations in the event of a disruption. Should this prove ineffective, the Company could suffer material losses.

Reliance on Mortgage Insurers

The Company relies on mortgage insurance provided by CMHC, as well as by other private mortgage insurers, to carry on business. If this insurance was not available, or the insurers were unable to fulfill their mortgage insurance payment obligations, this would have a negative impact on the Company's insured lending business and financial results.

Mortgage Repurchase Obligations

The Company sells the mortgages that it originates as soon as practicable after committing to the mortgages. When selling mortgages, the Company makes a variety of customary representations and warranties regarding itself, its mortgage origination activities, and the mortgages that are sold. These representations and warranties survive for the life of the mortgages and relate to, among other things, compliance with laws, mortgage underwriting and origination practices and standards, the accuracy and completeness of information in the mortgage documents and mortgage files, and the characteristics and enforceability of the mortgages.

The Company's mortgage origination, underwriting and quality assurance processes and controls are designed to provide a high level of assurance that the mortgages it originates comply with all underwriting requirements and do not contain misrepresentations. However, there is no absolute assurance that the Company will not make mistakes or that certain employees, brokers or borrowers will not inadvertently or deliberately violate the Company's underwriting or other policies, or misrepresent information in the mortgage application. The Company's mortgage sale agreements generally require it to repurchase or substitute mortgages in the event it has breached a representation or warranty made to the mortgage purchaser, and/or to indemnify the mortgage purchaser against any loss it may suffer. Any requirement for the

Company to repurchase or substitute a significant amount of mortgages that it has sold or to indemnify mortgage purchasers could have a negative impact on the Company's financial condition and results of operations. Significant breaches of mortgage sale agreements may also discourage mortgage purchasers from doing business with the Company, which could have a negative impact on its ability to sell mortgages and could have a material adverse effect on its business, financial condition and results of operations. To date the Company's mortgage repurchase obligations have been immaterial, and therefore have not had a significant impact on its business or financial results.

Key employees

The Company has certain key employees. These employees are involved in executing the strategy that is expected to lead to the Company's planned results. If these key employees cease to be employed with the Company, planned results could be delayed or might not materialize. The Company mitigates this risk through the use of employment contracts, the formalization of the Company strategy and business plans, and by ensuring the existence of timely knowledge exchange and collaboration.

Competition

The mortgage products offered by the Company compete with similar products of banks, insurance companies and other lenders. Some of these competitors have more scale, greater resources and better access to capital than the Company. The Company experiences competition in the mortgage market, including price competition. If price competition increases, the Company may not always be able to compete by raising or lowering the rates it charges its borrowers. This has the potential to reduce the level of mortgage originations or renewals, or to reduce the value of the mortgages the Company sells to investors or securitizes. This may reduce profits and negatively impact financial results.

General Economic Conditions

The housing and mortgage markets in Canada continue to benefit from historically low and stable interest rates, stable employment, stable GDP growth, and positive demographic trends. Negative trends or decline in general economic conditions could adversely impact any or all of property sales, mortgage growth rates, default rates, and property values. These factors could have a negative effect on the Company's financial results.

CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Internal Control over Financial Reporting

Management is responsible for the fairness and integrity of financial information presented in the consolidated financial statements, which are prepared in accordance with GAAP. Management has therefore established a system of disclosure controls and procedures, and internal controls over financial reporting. These controls are designed to ensure that the Company's consolidated financial statements and MD&A present fairly, in all material respects, the Company's financial position and operating results.

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as of December 31, 2015. Based on that evaluation, the Company's management, including the Chief Executive

Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as defined by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, were effective as of December 31, 2015.

Internal Control over Financial Reporting

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and receipts and expenditures are being made in accordance with authorizations of management and the Board of Directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Due to inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. As a result, the Company's management acknowledges that its internal control over financial reporting will not prevent or detect all misstatements due to error or fraud. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992 framework to evaluate the design of the Company's internal controls over financial reporting.

An evaluation of the design and operating effectiveness of internal controls over financial reporting was conducted as of December 31, 2015. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's internal controls over financial reporting were operating effectively as of December 31, 2015.

Changes in Internal Control over Financial Reporting

There were no changes to the Company's internal controls over financial reporting during the period ended December 31, 2015 that have materially affected, or are expected to have a material effect on, the Company's financial reporting.

NON-GAAP MEASURES

Management uses a variety of financial measures in its assessment and description of the Company's performance. In addition to GAAP-defined measures, such as earnings per share ("EPS"), management uses non-GAAP measures in order to provide investors with useful information regarding the Company's financial condition and results of operations. These non-GAAP measures do not have any standardized meaning under GAAP. These measures, therefore, may not be comparable to, or consistent with, similarly titled non-GAAP measures presented by other companies. The non-GAAP measures used in this MD&A are defined as follows:

Adjusted shareholders' net income and adjusted diluted shareholders' earnings per share

The adjusted results are intended to give readers a view of the core operating business of the Company by removing i) the non-recurring restructuring expenses incurred in 2015, net of applicable taxes, and ii) the fair value adjustments, provision, and the results of discontinued operations associated with the Company's legacy businesses. The reconciliation of shareholders' net income to adjusted shareholders' net income and the resulting adjusted earnings per share are presented below. Adjusted diluted earnings per share is calculated using adjusted net income.

(in thousands of $, except where defined)	For the three months ended **December 31, 2015**	 September 30, 2015	 December 31, 2014	For the year ended **December 31, 2015**	 December 31, 2014
Net income (loss)	**$ (2,795)**	$ 6,676	$ 4,904	**$ (30,035)**	$ 12,929
Restructuring expenses (net of applicable tax)	**-**	-	-	**46,602**	-
Tax assessment (net of applicable tax)	**660**	-	-	**660**	-
Fair value adjustments (net of non-controlling interest)	**6,056**	242	(1,062)	**5,686**	(7,088)
Provision against legacy non-trade receivable (net of applicable tax and non-controlling interest)	**877**	-	-	**877**	-
Discontinued operations	**(6)**	(9)	(8)	**(17)**	11,594
Adjusted net income	**$ 4,792**	$ 6,909	$ 3,834	**$ 23,773**	$ 17,435
Shareholders' diluted earnings per share	**$ (0.02)**	$ 0.06	$ 0.05	**$ (0.27)**	$ 0.13
Adjusted shareholders' diluted earnings per share	**$ 0.04**	$ 0.06	$ 0.04	**$ 0.21**	$ 0.17

Return on equity is defined as the net income available to common shareholders as a percentage of average shareholders' equity. **Adjusted return on equity** is calculated as the adjusted net shareholders' net income as a percentage of average shareholders' equity.

Book value per share

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

Common Equity Tier 1, Tier1, and Total Capital Ratios

The capital ratios provided in this MD&A are those of the Company's wholly owned subsidiary Street Capital Financial. The calculations are in accordance with guidelines issued by OSFI.

Leverage Ratio

The Leverage Ratio provided in this MD&A is that of the Company's wholly owned subsidiary Street Capital Financial. The calculations are in accordance with guidelines issued by OSFI. The Leverage Ratio is defined as the Capital Measure divided by the Exposure Measure, with the ratio expressed as percentage. The Capital Measure is the all-in Tier 1 capital of Street Capital Financial. The Exposure Measure consists of on-balance sheet, derivative, securities financing transactions and off-balance sheet exposures.

Market capitalization

Market capitalization at a given date is calculated by multiplying that day's closing price of the Company's common shares by the number of common shares outstanding.

Mortgages under administration ("MUA")

Mortgages under administration includes all securitized and non-securitized mortgage loans, as well as all off-balance sheet mortgages that qualify for derecognition under IFRS.

New mortgage originations

New mortgage originations includes all mortgages sold to investors, conversions of adjustable rate mortgages to fixed rate mortgages, and mortgages that are securitized under the NHA MBS program.

Operating expenses

Operating expenses are defined as the total of the Company's i) salaries and benefits expense, plus ii) selling, general and administrative expense, less iii) restructuring expenses recorded in the second quarter of 2015.

(in thousands of $)	For the three months ended June 30, 2015	For the year ended December 31, 2015
Expenses		
Salaries and benefits	$ 7,200	$ 28,147
Selling, general and administrative expenses	3,794	14,642
Restructuring costs	50,240	50,240
Total expenses	$ 61,234	$ 93,029
Less: restructuring costs	(50,240)	(50,240)
Operating expenses	**$ 10,994**	**$ 42,789**

Serious arrears rate

Serious arrears rate is defined as the number of mortgages that are greater than 90 days in arrears, plus the number of mortgages involved in legal action due to non-payment, divided by the number of mortgages under administration. The calculation includes mortgages that have been sold to institutional investors.

GLOSSARY

Canada Mortgage and Housing Corporation ("CMHC")
The Canada Mortgage and Housing Corporation is a Canadian federal Crown corporation whose main function is to sell insurance to Canadian residential mortgage lenders to protect them against mortgage defaults. The cost of the insurance premiums is typically passed along to the borrower.

National Housing Act Mortgage-Backed Securities ("NHA MBS") Program
NHA mortgage-backed securities are pools of CMHC insured residential mortgages that are sold to investors ("securitized" – see "Securitization", below).

Impaired Loans
Loans are considered to be impaired when there is no reasonable assurance that principal and interest will be remitted to the lender on a timely basis.

Office of the Superintendent of Financial Institutions Canada ("OSFI")
The Office of the Superintendent of Financial Institutions Canada is the federal government agency that is responsible for regulation and supervision of banks, insurance companies, trust companies, loan companies and pension plans in Canada.

Provision for credit losses
A provision for credit losses is a charge to income that represents management's best estimate of the amount required to fully provide for impaired loans that will ultimately be deemed uncollectible.

Securitization
Securitization is the sale of pools of assets, such as insured residential mortgages, to third parties.