Management's Discussion and Analysis

FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2016

LETTER TO SHAREHOLDERS

Fellow Shareholders,

We are pleased to report that in 2016 we achieved all of the strategic objectives we set out for shareholders at the beginning of the year. We advanced our Schedule I bank application through to completion, grew mortgages under administration ("MUA") by 12%, held our market share steady in the mortgage broker channel and generated renewal volumes close to 75% of mortgages eligible for renewal.

2017 is going to be an exciting year for Street Capital Group Inc. ("Street Capital"). We have begun taking deposits, we will launch our uninsured mortgage product this spring, and we will be preparing to launch a credit card offering in 2018. As our subsidiary, Street Capital Bank of Canada ("Street Capital Bank" or "the Bank") is now operating as a Schedule I bank, we are positioned to continue to generate many years of sustainable growth, which we expect will drive substantial value for our shareholders.

During Q4 2016, we generated lower adjusted shareholders' earnings per share than we had targeted. Net gains on mortgage sales in the quarter were $14.1 million, down from $22.0 million in Q3 2016 and from $16.4 million in Q4 2015. While the decrease in Q4 reflects normal seasonal origination trends when compared to Q3 2016, it also reflects narrower gain on sale premiums compared to last year and last quarter. Two factors were the primary contributors: 1) With certain investors the gain on sale premiums earned reflect the spread between five-year fixed mortgage rates and the five-year MBS or CMB rate. In Q4 2016 these spreads narrowed considerably. 2) In limited cases during Q4 2016 we sold funded mortgages to certain investors, and as a result took some interest rate risk on those mortgages. Typically, Street Capital sells mortgages at the point of commitment, meaning no interest rate risk is taken. During the period when the mortgages were warehoused on our balance sheet, bond yields moved sharply upwards, leading to lower gains on those mortgages. While the interest rate risk was within the Bank's risk tolerance, it added to downward pressure on gain on sale margins in the quarter. We do not anticipate that warehousing will represent a meaningful portion of our prime insured volume.

Also, during Q4 2016 we successfully added two new investors and completed sales with each of them in the quarter.

Advance our Schedule I bank application through to completion

On December 13, 2016, we announced that Street Capital Financial Corporation ("Street Capital Financial") had received Letters Patent from the Federal Minister of Finance and an Order to Commence and Carry on Business from the Office of the Superintendent of Financial Institutions, Canada, permitting Street Capital Financial to continue and operate as a Canadian Schedule I bank. Further, effective February 1, 2017, Street Capital Financial was continued as Street Capital Bank of Canada. Operating as a bank will provide our company with a significant competitive advantage, enabling us to better serve the mortgage broker channel and our base of over 130,000 valued customers.

Grow MUA and hold our market share steady in the mortgage broker channel

In 2016, we grew MUA 12% to $27.70 billion from $24.75 billion in 2015. At the end of Q3 2016 our share in the mortgage broker channel remained steady at 8.7% compared to 8.8% in 2015; unfortunately, full-year 2016 market share information was not available at the date of this report. We also maintained solid credit quality during the year, with a serious arrears rate of 11 basis points, well below the Canadian Bankers Association average and below last year, which at 14 basis points was also a very good rate on a well-seasoned portfolio.

Generate renewal volumes of 75-80% of mortgages eligible for renewal

The majority of our mid and long-term growth will come from our bank platform; however, we still have significant earnings power as our renewals as a percentage of loans sold grow. By continuing to add to our MUA year-after-year, we are filling the pipeline with future high profitability renewals, in addition to customers that we can access as we become a diversified financial institution.

In 2016, we have successfully renewed close to 75% of the loans available for renewal.

As we have been saying for some time, Street Capital's strategic imperative is not to materially increase its market share of insured mortgages in the broker channel. Instead, we will seek to maintain our number three or number four position in that channel, while focusing our energy and capital on building our banking platform and, in the coming years, expanding into a full suite retail lending financial institution. We successfully launched our first guaranteed investment certificate ("GIC") product in February, to fund our uninsured mortgage product, which we expect to launch in early spring.

We have built a substantial brand in the industry, with over 130,000 customers and key broker relationships as a base. While we expect recent mortgage insurance changes to have some impact on our current primary business, the shifting regulatory environment further validates our long-term strategy to leverage our leading brand into a multi-product, multi-channel opportunity. Our strategic priorities for 2017 are as follows:

- *Launch our uninsured mortgage product*
- *Maintain #3 or #4 broker market share on insured mortgages*
- *Maintain renewal levels as percentage of mortgages available for renewal*
- *Build credit card capability*
- *Maintain leading credit quality*

We thank our shareholders for their ongoing commitment to Street Capital. We are aligned with our common shareholders, as Street Capital's senior management team and board of directors own more than 25% of the shares outstanding. We have generated outstanding operating performance since inception, and we look forward to using our growing foundation to drive sustainable earnings growth and shareholder value in the years to come.

W.E. Gettings	**Lazaro DaRocha**
Chief Executive Officer	**President**

STREET CAPITAL GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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, 2016, and its financial condition as at December 31, 2016, is based on the Company's audited consolidated financial statements prepared in accordance with accounting principles generally accepted in Canada ("GAAP"), which incorporate International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016. The effective date of this MD&A is March 7, 2017.

The discussion and analysis are primarily concerned with the Company's wholly owned subsidiary, Street Capital Bank of Canada ("Street Capital Bank", formerly "Street Capital Financial Corporation"), which carries out the majority of the Company's operations. As a result, this MD&A contains non-GAAP measures that the Company uses to isolate the operations and results of Street Capital Bank. 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.

Effective February 1, 2017, Street Capital Financial Inc. has continued as Street Capital Bank of Canada and has commenced its operations as a federally regulated financial institution. All references to Street Capital Financial Corporation and Street Capital Group Inc. have been replaced with Street Capital Bank (the "Bank"), when appropriate.

Additional information about the Company, including its continuous disclosure materials consisting of its interim filings, this MD&A, audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular, can be found on the Company's website at *www.streetcapitalgroup.ca* and on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at *www.sedar.com*.

At March 7, 2017 the Company had 121,531,794 common shares issued and outstanding.

FORWARD-LOOKING INFORMATION

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

BUSINESS PROFILE

Street Capital (TSX: SCB) was established to create shareholder value by building a substantial, diversified financial services company. The Company's operations are currently concentrated in residential mortgage lending through its wholly owned subsidiary, Street Capital Bank (*www.streetcapital.ca*), which was founded in 2007 and which was approved on December 13, 2016 to commence business operations as a federally regulated Schedule I bank. Street Capital Bank was founded by several members of its current senior management team, all of whom have previously occupied senior management positions at large Canadian financial institutions. Prior to obtaining its Schedule I bank license, Street Capital Bank established itself as one of the largest non-bank mortgage lenders in Canada, with a number three broker market share position at the end of Q3 2016.[1]

In prior years, the Company also had operations in other business areas, namely case goods, through Fleetwood Fine Furniture LP, asset liquidation, through Heritage Global Inc., and real estate. In the first quarter of 2013, the Company's board of directors (the "Board of Directors") approved a plan to dispose of these non-core operating business segments in order to focus on financial services through Street Capital Bank, and the dispositions were completed by the end of the first quarter of 2014. Please see *Legacy Business*, below for a more detailed discussion.

BUSINESS OVERVIEW

Prime Insured Residential Lending

Since inception 10 years ago the Bank's core operations have centered on the origination and subsequent sale of both high ratio and conventional prime residential mortgages at competitive interest rates in all provinces of Canada, with the current exception of Quebec. In 10 years this business line has grown from a standing start to more than $27 billion in mortgages under administration ("MUA"). Prime residential mortgages are originated primarily through the Bank's network of high quality independent mortgage brokers. The majority of the mortgages underwritten are sold on a whole loan basis to top-tier 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. The remaining mortgages are either securitized through the National Housing Act Mortgage Backed Securities ("NHA MBS") program or held directly by the Bank. By selling the majority of its originated prime residential mortgages, the Bank transfers substantially all of the risks of ownership to the purchaser and/or the party insuring the mortgage.

Even with the sale and transfer of credit risk, the Bank has always remained focused and committed to the credit quality of the mortgages it underwrites, and it maintains stringent underwriting and robust quality assurance processes. The resulting high credit quality of MUA contributes to the strong wholesale demand from institutional purchasers for the Bank's prime mortgages. Typically the Bank's institutional purchasers commit to the purchase of prime residential mortgages at the point of mortgage commitment. Through these sale transactions the Bank mitigates its exposure to both interest rate and liquidity risk. Much less frequently, the Bank may sell funded prime insured loans on a whole loan basis. These sale transactions may expose the Bank to interest rate and liquidity risk for short periods of time, which are within the Bank's risk limits.

As an approved issuer of NHA MBS and an approved seller under the Canada Mortgage Bonds ("CMB") program, the Bank can also access the securitization market directly as a secondary source of liquidity for prime insured mortgages. While direct securitization of prime insured mortgages can be more profitable over the life of the mortgage, in the absence of a secondary transaction, such as the sale of the interest only strip, the underlying mortgages remain on the balance sheet of the Bank and attract a commensurate increase in regulatory capital in the calculation of the leverage ratio prescribed by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). Since the Bank can earn a better rate of return on capital on its uninsured mortgage product, and will also on its planned credit card products, the Bank does not intend to make prime insured mortgage securitization a major part of its funding model. The Bank may consider

[1] As measured by industry statistics. Q4 2016 and full-year 2016 data were not available at the date of this MD&A.

occasionally securitizing prime insured mortgages and selling the interest only strips, up to any external limits imposed, if deemed an efficient use of capital at the time.

The Bank outsources the servicing of its MUA to third party providers. However; the Bank continues to administer the mortgages, 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 Bank brand, since it promotes renewals, which are highly profitable, and additionally it will provide potential cross-sell opportunities for new product launches. Mortgage renewals are an important part of the business model given their higher profitability due to much lower acquisition costs than newly originated mortgages. The Bank targets a renewal rate of approximately 75 - 80% for mortgages eligible for renewal, which is in line with the industry norm, and expects to achieve higher overall net sale margins as mortgage renewals become a greater part of its mix of business.

Uninsured Residential Mortgage Lending and Deposit Products

On February 1, 2017, Street Capital Bank began operations as a Schedule I bank. That same month the Bank became a member of the Canadian Deposit Insurance Corporation (“CDIC”) and began accepting CDIC-insured deposits. Deposit products are offered through a network of licensed investment dealers and include one to five year guaranteed investment certificates (“GICs”) and a 90 day cashable GIC, all at competitive interest rates.

The deposit base will primarily fund the Bank’s uninsured residential mortgage lending product, creating an on-balance sheet lending base that will generate recurring net interest income. Uninsured mortgages will be originated through the Bank’s network of high quality mortgage brokers, serving a growing segment of quality, but under-served, borrowers who may not qualify for a prime insured residential mortgage. This product is broadly focused on the following segments:

- *New immigrants* – who may not have enough Canadian credit history, but who none the less have sufficient capital and a willingness and ability to pay;

- *Self-employed persons* – whose income, which may include multiple sources, requires additional diligence to verify;

- *Rental investors* – whose lending needs, due to regulatory changes, no longer qualify under insured programs; and

- *Slightly bruised credit situations* – where the borrower, through life events, may have a lower credit score but has a willingness and ability to pay, along with sufficient capital.

Legacy Business

As noted above under Business Profile, by the end of the first quarter of 2014 the Company had completed the dispositions of its non-core operations, although it retained some real estate assets and liabilities that in aggregate were immaterial to the Company’s financial position and operations. In the third quarter of 2016, the Company settled its remaining real estate liabilities, and recognized a one-time pre-tax gain of $0.7 million. The Company expects to realize the majority of its remaining real estate assets by the end of 2018.

As part of the plan described above, 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. At the end of 2015 the Company had successfully divested most of its core holdings, and retained only two investments, only one of which was material. This investment was partially exited during the first quarter of 2016, and the Company continues to plan final exits from the remaining portfolio.

RESULTS AGAINST 2016 OBJECTIVES

2016 Objectives	***2016 Results***
Advance our Schedule I bank application through to completion.	Approval received on December 13, 2016 and bank operations commenced February 1, 2017.
Grow MUA and hold our market share steady in the mortgage broker channel.	Grew MUA by $2.95 billion or 12% over 2015. Our market share in the mortgage broker channel remained steady at 8.7% and third place at the end of Q3 2016, compared to 8.8% and third place in 2015. This was achieved while maintaining solid credit quality, as the serious arrears rate in 2016 fell to 0.11% compared to 0.14% in 2015.
Generate renewal volumes of 75 – 80% of mortgages eligible for renewal.	In 2016, we renewed close to 75% of the mortgages eligible for renewal.

The Bank was also successful in entering into contracts with two new institutional investors in 2016, diversifying its sources of funding for prime insured mortgages. It completed sales with these investors in Q4 2016.

Please see *2016 Summary and Highlights*, below, for discussion of the Company's 2016 results.

BUSINESS OUTLOOK

Note to readers: This section includes forward looking information and is qualified in its entirety by the discussion about Forward Looking Information on page 2.

Regulatory Landscape

On October 3, 2016, the federal government's Department of Finance announced new mortgage insurance rules. In the Bank's view, the most material items announced by the Department of Finance are the increases to the qualifying rate for new insured mortgages and the elimination of mortgage insurance on most refinance transactions.

The risks associated with the availability of government backed insurance continue to increase. Most recently, the Department of Finance issued a consultation paper on the concept of insurance risk sharing with lenders. While the final structure that this will take is yet to be determined, we believe that some form of loan loss risk sharing will be implemented at some point. In the Bank's opinion this will likely result in increasing costs, capital and, ultimately, rates for consumers. This will add even greater pressures on mono-line unregulated mortgage lenders. At the same time, other factors may help offset this pressure. Recently the Government of Canada announced a material increase to immigration targets for 2017, focused on economic immigration. The 2017 target has been set at 300,000, which, ignoring the one-time refugee increase in 2016, represents about a 20% increase. As has been noted in the past, immigration is a key driver of housing activity in Canada.

Approximately five years ago, Street Capital undertook a strategic review of its operations and concluded that the mono-line unregulated lending business model faced limited growth prospects and increasing risks. Management saw not only risks associated with the availability of mortgage insurance, but also risks associated with the declining availability of government sponsored securitization programs and significant risks associated with a revenue stream limited to insured mortgage product. To that end, Street Capital Bank decided to embark on the long road to becoming a Schedule I Bank. Since this time, over the past four years, various regulatory changes have indeed reduced the availability of government backed insurance and government sponsored securitization programs, culminating with the most recent Department of Finance changes and the impending risk sharing model. The Bank is confident that its bank platform will not only allow it to diversify its funding sources but also, more importantly, will allow it to raise its own funding for the expansion of products beyond an insured mortgage. This will diversify its revenue streams and enable it to more dynamically address any future disruptions to market conditions, be they regulatory or otherwise.

As management has been saying for some time, the Bank's strategic imperative is not to materially increase its market share of insured mortgages in the broker channel. Instead, the Bank will focus its energy and capital on building its bank platform and, in the coming years, expanding into a full suite retail lending financial institution.

Prime Insured Mortgage Lending

Management expects that recent regulatory changes could reduce overall housing activity and prime insured mortgage lending into 2017.

At this point in the year it is difficult to estimate, with any level of certainty, the potential reduction in prime insured mortgage activity in the market and for the Bank. While some reduction in new prime insured originations is expected for the Bank compared to strong volumes in 2016, the Bank is still targeting to remain number three or four in the mortgage broker channel while also expecting that its new prime mortgage originations could potentially be up to 10% lower than 2016. The Bank does have some access to funding for prime mortgages that previously qualified for portfolio insurance and also anticipates that some previously insured products, like rentals, will migrate to uninsured products and open up new opportunities in the uninsured mortgage segment.

Potential softness in new originations of prime insured mortgages will be more than offset by the Bank's highly profitable renewal activity in 2017, 2018 and 2019. Based on the maturity profile of the MUA, the Bank will experience material increases in renewal activity in these years. To optimize this revenue stream, the Bank will continue to focus on its service and retention activities. As well, lower levels of prime insured mortgage activity in the market may provide additional support for the launch of the Bank's uninsured mortgage products.

Uninsured Mortgage Lending

The Bank has relatively modest plans for uninsured lending origination in 2017, with increasing targets into 2018 and beyond. These plans are supported by the Bank's deep and long-standing broker relationships and the expected growth in the uninsured mortgage lending segment that is both market-driven, and based on the changes to mortgage insurance rules. Management is confident that the Bank will be able to meet its mortgage origination targets with a prudent and controlled launch of uninsured mortgages even in a slowing housing market.

Deposits

Deposits, taken for fixed terms from 90 days to 5 years, with fixed interest rates, will be sourced through investment dealers and used to fund the Bank's initial liquidity requirements and uninsured lending products. Deposits will be term matched to underlying assets to the extent possible, with maturity gaps managed within the Bank's conservative risk appetite.

Future Product Development

During 2017, the Bank will focus on infrastructure and the development of a compelling credit card offering to be launched in 2018. The product will initially be offered to both qualifying borrowers in our current base of more than 130,000 customers and new mortgage clients. Credit cards are expected to add modestly to revenue in 2018.

Financial Expectations – 2017 to 2019

Note: The Bank may not realize the financial expectations indicated below if business or competitive conditions, the regulatory environment, the housing market, or general economic conditions change, or if any of the other management assumptions do not materialize in the amount or within the timeframes expected. Please refer to Key Assumptions and Rationale, below, and Forward Looking Information on page 2.

	2016 – Actual	**2017**	**2018**	**2019**
Prime New Originations [1]	$7.94 billion	Up to 10% lower than 2016	Maintain market share	Maintain market share
Prime Renewal Volume	$1.43 billion	$1.80 - $1.90 billion	$2.40 - $2.60 billion	$2.60 - $2.70 billion
Gain on Sale Rates	1.78%	1.75% - 1.80%	1.75% - 1.80%	1.75% - 1.80%
Uninsured Originations	nil	$150 - $200 million	$600 - $700 million	$850 - $950 million
Uninsured Net Interest Margin (net of PCL)	n/a	2.0% -2.5%	2.0% -2.5%	2.0% -2.5%
Expense Ratio (% of originations and renewals) [2]	0.50%	0.54% - 0.56%	Positive operating leverage [5]	Positive operating leverage [5]
Change in Adjusted EPS vs prior year [3]	Down 38%	Flat to 5% growth	30% – 35% growth	40% – 45% growth
Adjusted Return on Tangible Equity [4]	17.0%	14.5% - 16%	16% - 18%	18% - 22%

[1] Forecasting future prime insured originations remains challenging, given the recent regulatory changes, and competitors' and consumers' potential reactions thereto. The projections reflect management's current views only and are subject to change over time.

[2] As revenues from balance sheet lending begin to grow, the Bank will begin to measure itself on operating leverage.

[3] 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 the amount to GAAP measures.

[4] Tangible equity excludes the Goodwill and Customer Intangibles related to Street Capital Group Inc.'s (formerly Counsel Corporation) purchase of the Bank (formerly Street Capital Financial Corporation) in 2011. Please see the section *Non-GAAP Measures* for a full definition.

[5] Positive operating leverage is defined as: percentage growth in revenue, minus percentage growth in expenses, is greater than zero.

Key Assumptions and Rationale

As indicated, prime insured originations are difficult to estimate for 2017, but management believes that a reduction in new originations of up to 10% compared to 2016 is possible. The Bank has other options to fund prime mortgages that no longer qualify for insurance, through third-party mortgage sales and potentially deposits raised through the Bank's GIC products. Additionally, the Bank will look to continue to maintain its share of mortgage originations in the broker channel through service and relationships, and through expanding its offerings in 2017 to include uninsured mortgages.

Renewal volumes are a function of both the maturity profile of the Bank's MUA and the success of its retention strategies. The maturity profile of the MUA is included on page 16 of this MD&A. Retention strategies are a key priority for the Bank, and include more frequent and targeted interaction with our customers throughout the mortgage term.

Gain on sale rates are affected by market spreads and can narrow or widen over the year, and as such they can be inherently difficult to estimate. Management anticipates gain on sale rates in the range of 1.75% to 1.80% over a twelve month period. This is lower than previous guidance of 1.78% to 1.82% because of recent volatility and continued uncertainty in the markets that may continue to contribute to volatility in Government of Canada bond prices, thus potentially narrowing the spreads.

Net interest margin for uninsured lending products reflects management's view of the margins typically earned for this product segment, which are within the risk appetite of the Bank, and includes a conservative estimate of potential provisions for credit losses.

The expense ratio reflects the Company's investment in obtaining its Bank license over the last four years, which led to increases in operating expenses beyond the growth in originations and revenue. Projected 2017 expenses reflect a full year of the additional costs added in 2016 and some further modest expense increases to support the Bank's new product development, which will likely lead to an increased expense ratio. Moving and looking ahead, management is targeting to achieve positive operating leverage into 2018 and 2019.

Dividends

The Company and its management are committed to consistently creating shareholder value. At this time, this means retaining our earnings and allocating capital to the business opportunities within the growing potential of the bank platform. Over the next few years, it is the Company's intention that the creation of shareholder value will include consideration of an allocation between retaining and investing earnings, and distributing common shareholder dividends.

Sustainable Tax Advantage

The Company continues to generate a sustainable tax advantage, given the differing treatment between accounting and income tax rules for gains on sale. Its tax loss carryforwards were approximately $333 million at December 31, 2016. This represents a real and sustainable tax advantage as the Company is not paying cash taxes and does not expect to pay cash taxes for many years.

Legacy Operations

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 $1.2 million on the balance sheet at December 31, 2016. 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 2018.

2017 Objectives

Objectives	***Expected Results or Measurements***
Launch uninsured mortgage product	$150 - $200 million in new originations in 2017
Maintain broker market share	Maintain broker market share at #3 or #4
Maintain renewal levels	Renew 75 - 80% of mortgages available for renewal
Build credit card capability	Be ready to launch product in 2018
Maintain credit quality	Serious arrears and early delinquency rates better than industry averages

Risk and Compliance

As a newly licensed federally regulated Schedule I Bank, and a long standing financial services company with over $27 billion in MUA, the Bank has a strong and embedded risk and compliance culture, which starts with the tone at the top. Over the last four years, and through the bank application process, the Bank has more formally defined its risk culture, governance processes, and risk management and compliance frameworks. This includes a commitment to the three lines of defense model, supported by effective Board of Directors oversight, along with an effective system of internal controls that is commensurate with the size and complexity of the Bank, and meets regulatory expectations.

The Bank operates with the following risk appetite framework:

- The Bank will operate in markets where risks are understood and where long term macro-economic indicators support retail lending.

- The Bank will manage credit risk prudently by establishing and adhering to stringent underwriting guidelines.

- The Bank will maintain adequate capital and liquidity for its operations above regulatory minimums and sufficient to sustain the entity during times of stressed conditions.

- The Bank will limit market risk by pricing mortgages effectively and managing interest rates prudently in its banking book. Derivatives will only be used to enable effective risk management and product funding requirements.

- The Bank will maintain thorough and effective policies, standards, guidelines and other related measures including limits and key risk indicators that guide risk-taking activities to protect Street Capital's brand and reputation while adhering to all legal and regulatory obligations.

- The Bank will promote a sound risk management culture and awareness throughout the organization by promoting operational excellence, corporate governance, and risk and control practices that minimize the risk of any unforeseen adverse events occurring.

- The Bank will hire, retain and invest in quality and experienced staff that operate with high ethical standards and conduct themselves with integrity, honesty and respect.

- The Bank will not take risks that could expose it to any one single and severe loss event, including acquisitions, business ventures/partnerships or products.

- The Bank will continually assess the adequacy of its IT and operational infrastructure in relation to its business volumes and complexity and, where required, will make the necessary investment to scale supporting processes to required levels.

2016 SUMMARY AND HIGHLIGHTS

The following tables set out certain financial highlights for the quarter and year ending December 31, 2016. These tables contain non-GAAP measures. The Company uses these non-GAAP measures in order to highlight its core operating business (the Bank) by removing items associated with the Company's legacy businesses, including non-recurring restructuring costs or recoveries. 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

(in thousands of $, except where defined)	For the three months ended or as at			For the year ended or as at	
	December 31, 2016	September 30, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Financial performance					
Total revenue (net of acquisition costs)	**$ 13,147**	$ 21,976	$ 15,117	**$ 68,272**	$ 75,160
Shareholders' net income (loss)	**$ 462**	$ 7,491	$ (2,795)	**$ 16,266**	$ (30,035)
Shareholders' diluted earnings (loss) per share	**$ 0.00**	$ 0.06	$ (0.02)	**$ 0.13**	$ (0.27)
Adjusted shareholders' net income (i)	**$ 1,900**	$ 6,171	$ 4,792	**$ 16,360**	$ 23,773
Adjusted shareholders' diluted earnings per share (i)	**$ 0.02**	$ 0.05	$ 0.04	**$ 0.13**	$ 0.21
Return on equity	**1.4%**	22.9%	(9.4%)	**12.8%**	(25.9%)
Adjusted return on equity (i)	**5.7%**	18.9%	16.0%	**12.9%**	20.5%
Return on tangible equity	**2.2%**	29.6%	(11.7%)	**16.9%**	(33.8%)
Adjusted return on tangible equity (i)	**7.6%**	24.5%	21.5%	**17.0%**	27.7%
Mortgages sold and under administration					
Mortgages sold - new	**$ 2,101,474**	$ 2,493,132	$ 1,553,556	**$ 7,940,758**	$ 7,264,888
Mortgages sold - renewal	**358,043**	361,844	587,061	**1,428,534**	1,772,290
Mortgages sold - new and renewal	**$ 2,459,517**	$ 2,854,976	$ 2,140,617	**$ 9,369,292**	$ 9,037,178
Mortgages under administration *(in billions of $)*	**$ 27.70**	$ 26.83	$ 24.75	**$ 27.70**	$ 24.75
Gain on sale of mortgages	**$ 40,793**	$ 52,578	$ 35,729	**$ 167,051**	$ 164,796
Gain as a % of mortgages sold	**1.66%**	1.84%	1.67%	**1.78%**	1.82%
Acquisition expenses	**$ 26,735**	$ 30,608	$ 19,313	**$ 98,638**	$ 88,728
Acquisition expenses as a % of mortgages sold	**1.09%**	1.07%	0.90%	**1.05%**	0.98%
Net gain on sale of mortgages	**$ 14,058**	$ 21,970	$ 16,416	**$ 68,413**	$ 76,068
Net gain as a % of mortgages sold	**0.57%**	0.77%	0.77%	**0.73%**	0.84%
Operating expenses (ii)	**$ 11,631**	$ 13,114	$ 11,459	**$ 46,770**	$ 42,933
Operating expenses as a % of mortgages sold	**0.47%**	0.46%	0.54%	**0.50%**	0.48%
Credit quality					
Total portfolio serious arrears rate (iii)	**0.11%**	0.11%	0.14%		
Average beacon (iv)	**746**	745	742		
Average loan to value ratio (iv)	**80.8%**	81.0%	81.7%		
Average total debt service ratio (iv)	**36.2%**	36.2%	36.2%		
Equity and share information					
Shareholders' equity	**$ 134,492**	$ 134,402	$ 118,245		
Shares outstanding end of period (000s)	**121,532**	121,790	121,226		
Book value per share	**$ 1.11**	$ 1.10	$ 0.98		
Market capitalization	**$ 228,480**	$ 219,222	$ 162,443		
Share price at close of market	**$ 1.88**	$ 1.80	$ 1.34		

(i) 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.
(ii) Operating expenses are net of any restructuring costs or recoveries.
(iii) 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.
(iv) Calculated on a weighted average basis at origination. Please see the section *Non-GAAP Measures* for more detailed definitions of these metrics.

Significant Developments in 2016

- After a four year process, Street Capital Financial received approval to operate as a Schedule I Bank. Effective February 1, 2017, Street Capital Financial has continued as Street Capital Bank of Canada and has commenced its operations as a federally regulated financial institution.

- By the end of 2015 the Company had successfully divested almost all of the core holdings in its Private Equity business, and was planning an exit from the majority of those remaining. In the first quarter of 2016, the Company partially exited a material investment. At December 31, 2016 it retained only two investments, from which it continues to plan an exit. See above under *Legacy Business*.

2016 Financial Highlights

- Mortgages under administration reached $27.70 billion at December 31, 2016, up 11.9% or $2.95 billion from $24.75 billion at December 31, 2015.

- New mortgage originations of $7.94 billion in 2016 were up 9.3% or $0.68 billion from $7.26 billion in 2015. Street Capital Bank was in the third position among mortgage lenders by market share within the broker channel in Canada at the end of Q3 2016, the same as its 2015 position.

- Renewal mortgage volumes, which have higher profitability, were $1.43 billion in 2016. As anticipated, this was lower than the $1.77 billion in 2015.

- Mortgage sales in 2016 increased to $9.37 billion, up $0.33 billion from $9.04 billion in 2015.

- Net gains on mortgage sales were $68.4 million in 2016, down from $76.1 million in 2015, reflecting lower renewal volumes, as expected, and the narrowing of gain on sale margins compared to 2015.

- Operating expenses increased $3.8 million or 8.9% from 2015, mainly due to the additional investments, in both people and premises, to support the banking application process.

- Shareholders' net income of $16.3 million in 2016 includes negative contributions of $0.10 million from non-core or non-recurring items discussed below under *2016 and 2016 Q4 2016 Earnings Review*. 2015 similarly includes negative contributions of $53.8 million from these items, with the largest component being a $50.2 million pre-tax charge for restructuring expenses that was recorded in Q2 2015. Without these non-core or non-recurring items, adjusted shareholders' net income of $16.4 million decreased, as expected, $7.4 million, or 31.2%, from $23.8 million in 2015.

- The serious arrears rate was 0.11% of MUA at December 31, 2016, unchanged from September 30, 2016 and improved from 0.14% at December 31, 2015. This remained significantly better than industry average[2]. 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 average origination beacon score for MUA remained relatively consistent over the periods presented, at 746 in 2016 compared to 742 in 2015. Similar trends were observed for both the loan to value (LTV) and total debt service (TDS) ratios. Average origination LTV was 80.8% in 2016 compared to 81.7% in 2015, while average origination TDS was 36.2% in both 2016 and 2015. As with the serious arrears rate, the ratios are indicative of the high credit quality of MUA.

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

Q4 2016 HIGHLIGHTS

- Mortgages under administration were up 3.2% or $0.87 billion from September 30, 2016.

- New mortgage originations of $2.10 billion in the quarter were down seasonally from $2.49 billion in Q3 2016 and up strongly from $1.55 billion in Q4 2015.

- Renewal mortgage volumes were $0.36 billion in the quarter, unchanged from Q3 2016 and lower, as expected from $0.59 billion in Q4 2015.

- Mortgage sales were $2.46 billion in the quarter, down seasonally $0.40 billion from Q3 2016 and up $0.32 billion from Q4 2015.

- Net gains on mortgage sales in the quarter were $14.1 million, down from $22.0 million in Q3 2016 and from $16.4 million in Q4 2015. The decrease in the current quarter reflects normal seasonal origination trends when compared to Q3 2016 and narrower gain on sale premiums compared to last year and last quarter. The narrower gain on sale premiums in Q4 2016 is a result of conflating factors. With certain investors the premiums earned reflect the spread between five-year fixed mortgage rates and the five-year MBS or CMB rate. In Q4 2016 these spreads narrowed considerably when bond yields increased but the market rates for prime insured mortgages were slower to rise. This led to lower gain on sale premiums for certain sales. Also, in limited cases during Q4 2016, Street Capital Bank sold funded mortgages to certain investors and took some interest rate risk on those mortgages. During the period when the mortgages were warehoused on balance sheet, bond yields moved sharply upwards, leading to lower gains on those mortgages. While the interest rate risk was within the Bank's risk tolerance, it added to downward pressure on gain on sale margins in the quarter.

- Operating expenses were down $1.5 million sequentially from Q3 2016, and up slightly by $0.2 million from Q4 2015, and mainly reflect a downwards adjustment of executive variable compensation to align with the actual 2016 results.

- Shareholders' net income of $0.5 million in Q4 2016 includes negative contributions of $1.4 million from non-core or non-recurring items discussed below under *2016 and 2016 Q4 2016 Earnings Review*. The comparative periods also include non-core and non-recurring items. Without these non-core or non-recurring items, adjusted shareholders' net income of $1.9 million decreased from adjusted net income of $6.2 million in Q3 2016 and decreased from $4.8 million in Q4 2015.

2016 AND Q4 2016 EARNINGS REVIEW

Mortgage Sales

Table 2 - Mortgage Sales and MUA

	For the three months ended or as at			For the year ended or as at	
	December 31, 2016	September 30, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Mortgages sold and mortgages under administration					
(in billions of $)					
Originations	**$ 2.10**	$ 2.49	$ 1.55	**$ 7.94**	$ 7.27
Renewals	**0.36**	0.36	0.59	**1.43**	1.77
Total mortgages sold	**$ 2.46**	$ 2.85	$ 2.14	**$ 9.37**	$ 9.04
% Renewals	**14.6%**	12.6%	27.5%	**15.3%**	19.6%
Mortgages under administration	**$ 27.70**	$ 26.83	$ 24.75	**$ 27.70**	$ 24.75
Mortgage sale financial highlights					
(in thousands of $)					
Cash premium at sale	**$ 35,428**	$ 45,860	$ 30,681	**$ 144,900**	$ 142,372
Deferred gain on sale	**5,365**	6,718	5,048	**22,151**	22,424
Gain on sale of mortgages	**$ 40,793**	$ 52,578	$ 35,729	**$ 167,051**	$ 164,796
Gain as a % of mortgages sold	**1.66%**	1.84%	1.67%	**1.78%**	1.82%
Acquisition expenses	**$ 26,735**	$ 30,608	$ 19,313	**$ 98,638**	$ 88,728
Acquisition expenses as a % of mortgages sold	**1.09%**	1.07%	0.90%	**1.05%**	0.98%
Net gain on sale	**$ 14,058**	$ 21,970	$ 16,416	**$ 68,413**	$ 76,068
Net gain as a % of total mortgages sold	**0.57%**	0.77%	0.77%	**0.73%**	0.84%

2016 Discussion

Mortgage sales increased to $9.37 billion in 2016 compared to $9.04 billion in 2015, with the increase in new originations concentrated in Q3 and Q4. This reflects the Company's concerted effort to improve service and improve volumes from the lower than expected levels in Q1 and Q2. This resulted in an increased share in the mortgage broker channel, which was third at the end of Q3 2016, compared to sixth in Q1 2016 and fourth in Q2 2016. As well, 2015 results included both some softening related to a July 2015 decision to discontinue a product that offered trailer fee commissions to brokers, and the effects of some normal course credit underwriting adjustments in Q3 2015.

Net gain on mortgage sales was down $7.7 million or 10.1% from 2015, despite the $0.33 billion increase in total mortgage sales, with the net gain on sale ratio decreasing to 0.73% from 0.84% in 2015. There were several factors contributing to the decline in net gain on sale ratio:

- Over half the decline in net gains on mortgage sales reflects the anticipated lower renewal volumes of $1.43 billion compared to $1.77 billion in 2015. Approximately 0.04% of the decline in the net gain on sale ratio reflects the lower relative proportion of renewals in 2016 of 15.3% compared to 19.6% in 2015. Since acquisition costs for renewals are lower than those for new mortgages, lower renewal volumes reduce the relative net gain on sale and the net gain on sale ratio.

- With certain investors the premiums earned reflect the spread between five-year fixed mortgage rates over the five-year MBS or CMB rate. During 2016, and in particular in Q4 2016, these spreads narrowed, leading to lower gain on sale premiums for certain sales and reducing the gross gain on sale to 1.78% from 1.82% last year.

Q4 2016 Discussion

Mortgage sales in Q4 2016 were $2.46 billion, up from $2.14 billion in Q4 2015 and down seasonally from $2.85 billion in Q3 2016.

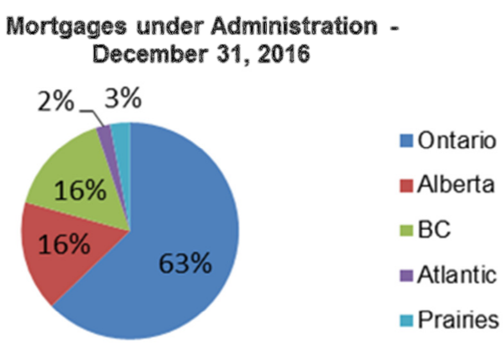
Compared to Q4 2015, net gains on mortgage sales in Q4 2016 were down $2.4 million or 14.4%, despite the $0.32 billion increase in total mortgage sales, and the net gain on sale ratio decreased to 0.57% from 0.77%. Most of the decline in net gains on sale is due to $0.23 billion in fewer renewals in Q4 2016 compared to Q4 2015. The decline in the net gain on sale ratio reflects the lower proportion of renewals, leading to the relatively higher acquisition cost ratio of 1.09% versus 0.90% in Q4 2015.

Compared to Q3 2016, net gains on sale in Q4 2016 were down $7.9 million due to seasonally lower mortgage sale volumes and margin compression compared to Q3 2016. The narrower gain on sale premiums in Q4 2016 is a result of conflating factors. With certain investors the premiums earned reflect the spread between five-year fixed mortgage rates and the five-year MBS or CMB rate. In Q4 2016 these spreads narrowed considerably when bond yields increased but the market rates for prime insured mortgages were slower to rise. This led to lower gain on sale premiums for certain sales. Also, in limited cases during Q4 2016, Street Capital Bank sold funded mortgages to certain investors and took some interest rate risk on those mortgages. During the period when the mortgages were warehoused on balance sheet, bond yields moved sharply upwards, leading to lower gains on those mortgages. While the interest rate risk was within the Bank's risk +, it added to downward pressure on gain on sale margins in the quarter.

Geographic Distribution - Mortgages

The Bank originates mortgages across Canada, with the exception of Quebec. The charts below show the geographic distribution of mortgages under administration and originations in 2016, compared to 2015, together with a table of expected maturity profile of the Company's MUA.

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



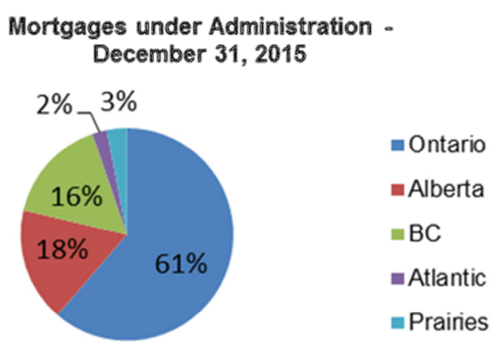
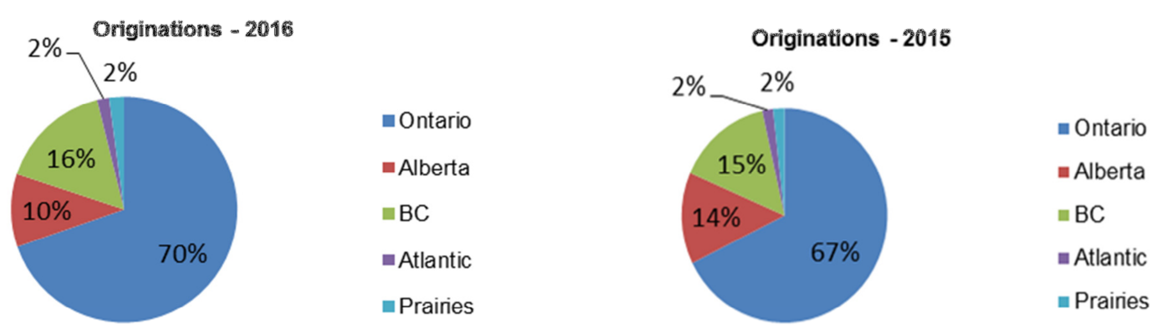


Table 3 – Expected maturity profile of the Company's MUA at December 31, 2016

(in billions of $)	2017	2018	2019	2020	2021 and beyond	Total
	$	$	$	$	$	$
MUA maturities	2.70	4.37	5.48	7.04	8.11	**27.70**

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



Originations in 2016 exceeded those in 2015 in all provinces except Alberta, but the relative distribution of both MUA and originations are largely unchanged and continue to favour Ontario. This reflects the relative population density in urban centers of that province, and its higher average housing prices compared to most of Canada.

The 3% increase in relative Ontario originations in 2016 is the result of both an increase in applications and an increase in deal size. Conversely, both the number of applications and deal size declined in Alberta, consistent with the economic conditions observed in the energy producing regions. During the first half of 2016, relative originations in BC increased by several percentage points, but by the end of the year had returned to approximately the same level observed in 2015. This is likely due to higher taxes and other market constraints that were introduced in the province during 2016.

Management, along with its business partners, continually monitors the economic and housing market conditions along with the credit quality in local regions, and adjusts underwriting criteria and origination volumes as circumstances warrant.

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 among net mortgage lending interest income (loss) and other items. To date, net mortgage lending interest income (loss) has been a relatively minor contributor to the Company's revenue, since the majority of originated mortgages have been sold or securitized. As the Company's banking operations expand, beginning in 2017, the Company expects that net lending interest income will form a significant part of its revenue.

	For the three months ended			For the year ended	
(in thousands of $)	**December 31, 2016**	September 30, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Interest income - mortgage lending	**$ 2,455**	$ 1,770	$ 1,360	**$ 6,773**	$ 3,485
Interest expense - mortgage lending	**(2,092)**	(1,699)	(1,138)	**(6,054)**	(3,573)
Acquisition expense - mortgage lending	**(292)**	(189)	(159)	**(848)**	(294)
Net interest and other income (loss) - mortgage lending	**$ 71**	$ (118)	$ 63	**$ (129)**	$ (382)
Servicing and fee income	**58**	168	282	**665**	1,263
Interest income - other	**40**	37	48	**171**	274
Interest expense - other	**(97)**	(104)	(217)	**(416)**	(949)
Other income	**17**	23	200	**568**	561
Credit provisions	**(1,000)**	-	(1,675)	**(1,000)**	(1,675)
	$ (911)	$ 6	$ (1,299)	**$ (141)**	$ (908)

Interest income – mortgage lending primarily includes the interest the Company earns on mortgages it holds on-balance sheet. These include mortgages that have been either securitized by the Company through the NHA MBS program, or held on-balance sheet prior to securitization or sale funding.

Interest expense – mortgage lending includes the interest expense from the securitization liabilities associated with 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.

Acquisition expense – mortgage lending includes the commissions and servicing fees associated with mortgages that have been securitized by the Company through the NHA MBS program.

Servicing and fee income is largely composed of the net servicing fees and trailing interest spread earned by the Company on mortgage loan sales, 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. It also includes other variable fee revenue earned, such as on bridge loans.

Interest income – other consists primarily of interest income on cash deposits and on loans receivable that are associated with the Company's legacy business.

Interest expense – other similarly consists primarily of interest expense on loans that are associated with the Company's legacy business.

Other income (loss) consists of miscellaneous items, including some associated with the Company's legacy businesses. These include management fees and other income earned by Private Equity, offset by some associated costs. Fee income fluctuates and has decreased overall as the portfolio investments have been exited.

Credit provisions are allowances on loans and other receivables that are not part of the Company's mortgage lending business.

2016 Discussion

Both interest income and interest expense related to mortgage lending increased in 2016 compared to 2015 due to corresponding increases in the Company's issuance of NHA MBS. Securitized mortgage loans and liabilities increased by $96.4 million and $97.4 million, respectively, year over year. Interest expense also increased due to higher interest expense related to funding warehoused mortgages prior to sale or securitization.

Acquisition expense – mortgage lending has increased in line with the increases in the Company's issuance of NHA MBS.

The decrease in servicing and fee income in 2016 compared to 2015 is primarily due to a decrease in the net servicing fees and trailing interest spread. Other fee income did not vary significantly year over year.

The decrease in both interest income – other and interest expense – other in 2016 compared to 2015 is largely associated with corresponding decreases in the balances of the associated loans.

In 2016, the most significant item of other income was income of $0.5 million associated with the Q1 sale of a key man life insurance policy on a former officer of the Company, with the balance primarily being fee income. In 2015, other income primarily consisted of fee income.

The credit provisions in both 2016 and 2015 were taken against the Company's loan receivable from Fleetwood, which resulted in this loan receivable having a carrying balance of zero at December 31, 2016.

Q4 2016 Discussion

The increase in the net mortgage lending margin in Q4 2016, compared to both Q3 2016 and Q4 2015, was due to improved spreads, including an increase in interest income on the Company's non-securitized loans. Both interest income and expense related to the Company's securitized mortgage loans and liabilities increased due to NHA MBS sales of $30.5 million in the current quarter.

Servicing and fee income in Q4 2016 decreased compared to both Q3 2016 and Q4 2015 primarily due to decreases in the net servicing fees and trailing interest spread. Fee income from bridge loans was also reduced in Q4 2016 compared to Q3 2016.

Interest expense - other decreased compared to both Q3 2016 and Q4 2015 due to corresponding decreases in the legacy loan balances.

The credit provision in both Q4 2016 and Q4 2015 was associated with the Company's loan receivable from Fleetwood, as discussed above.

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 Q2 2015 and the subsequent partial recovery in Q1 2016 (please see the section *Non-GAAP Measures*).

	For the three months ended			For the year ended	
(in thousands of $)	**December 31, 2016**	September 30, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Salaries and benefits	**$ 7,427**	$ 9,053	$ 6,972	**$ 31,370**	$ 28,147
Professional services	**652**	707	477	**2,776**	2,311
Legal, regulatory and audit	**250**	200	296	**901**	1,405
Premises	**634**	618	443	**2,398**	1,838
Business development	**1,157**	886	913	**3,786**	3,144
Other	**1,511**	1,650	2,358	**5,539**	6,088
	$ 11,631	$ 13,114	$ 11,459	**$ 46,770**	$ 42,933
Operating expenses as a % of mortgages sold	**0.47%**	0.46%	0.54%	**0.50%**	0.48%

2016 Discussion

As the Company's business has grown, and in connection with the operational changes related to the Company's preparation to become a Schedule I bank, the employee headcount has increased from 213 at December 31, 2015 to 243 at December 31, 2016. Operating expenses have increased correspondingly, particularly salaries and benefits, professional services, and premises, as the Company has invested in the people, processes and technology required to offer additional products and services with the launch of bank operations in 2017. Year over year, this has also led to an increase in operating expenses as a percentage of mortgages sold, growing to 0.50% from 0.48% in 2015 as the Company carried the additional expense associated with operating in a bank-ready state.

Professional services include tax and other consulting fees, and fees paid to the Board of Directors.

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 expense in 2016 compared to 2015 relates to the growth in the Company's business.

Q4 2016 Discussion

The $1.5 million decrease in Q4 2016 operating expenses, compared to Q3 2016, is largely due to a $1.6 million decrease in compensation expense that was primarily associated with a reduction in variable compensation for executives, based on the actual 2016 results. Business development expenses increased $0.3 million compared to Q3 2016 due to seasonal fluctuations. Compared to Q4 2015, expenses in Q4 2016 increased only slightly, by $0.2 million. However, Q4 2015 included a one-time reversal of a $0.9 million tax recoverable. If this recoverable is excluded, Q4 2016 operating expenses increase by approximately $1.1 million compared to Q4 2015, as would be expected given the general trends noted above.

Non-Core and Non-Recurring Items

2016 Discussion

The Company's results were affected by the following non-core and non-recurring items:

- In connection with its portfolio investments, which are part of its legacy business, in 2016 the Company recorded unrealized fair value losses of $2.5 million, of which approximately $1.8 million was allocated to the Company's non-controlling interests. The fair value losses were primarily associated with a $2.9 million net decline in the value of the Company's investment in Differential Brands Group Inc. ("DBGI"), partially offset by a $0.6 million increase in other investments.

- In 2016 the Company recorded income from discontinued operations of $0.5 million, net of tax, primarily due to a gain of $0.7 million related to the settlement of the Company's outstanding liabilities associated with discontinued operations.

- In connection with loans receivable that are also part of its legacy business, in Q4 2016 the Company recorded a credit allowance of $1.0 million on its loan receivable from Fleetwood Fine Furniture International, LP ("Fleetwood"), of which approximately $0.3 million was allocated to the Company's non-controlling interests. This reduced the carrying value of the loan to zero.

- In Q1 2016, based on actual and expected payments, the Company recorded a recovery of $0.8 million of the $50.2 million of non-recurring restructuring costs that were recorded in Q2 2015 in connection with the Company's corporate realignment, as discussed in Note 2 of the audited consolidated financial statements.

2015 Discussion

- In 2015, the Company recorded total unrealized fair value losses of $11.9 million. $2.9 million was associated with its portfolio investments, and the remaining $9.0 million was due to a write down of the Company's investment in Fleetwood. Approximately $6.2 million of the total write downs was allocated to the Company's non-controlling interests.

- In Q4 2015 the Company first recorded a credit allowance of $1.7 million on its loan receivable from Fleetwood. This reduced the carrying value of $2.7 million to $1.0 million. Approximately $0.5 million of the allowance was allocated to the Company's non-controlling interests.

- In Q2 2015 the Company recorded non-recurring restructuring expenses of $50.2 million in connection with the corporate realignment referenced above.

- In Q4 2015 the Company recorded a one-time reversal of $0.9 million in Harmonized Sales Tax ("HST") Input Tax Credits ("ITCs").

Q4 2016 Discussion

The Company's Q4 2016 results were affected by the following non-core and non-recurring items:

- In connection with its portfolio investments, in Q4 2016 the Company recorded unrealized fair value losses of $2.9 million, of which approximately $2.0 million was allocated to the Company's non-controlling interests. The fair value losses were primarily associated with a $3.0 million decline in the value of the investment in DBGI.

- In connection with loans receivable that are also part of its legacy business, in Q4 2016 the Company recorded a credit allowance of $1.0 million on its loan receivable from Fleetwood, of which approximately $0.3 million was allocated to the Company's non-controlling interests. The provision in the current quarter reduced the carrying value of the loan receivable to zero.

The Company's Q3 2016 results were affected by the following non-core and non-recurring items:

- In connection with its portfolio investments, in Q3 2016 the Company recorded unrealized fair value gains of $2.6 million, of which approximately $1.7 million was allocated to the Company's non-controlling interests. The fair value gains were primarily associated with an increase in the value of the investment in DBGI.

- In Q3 2016 the Company recorded income from discontinued operations of $0.5 million, net of tax, primarily due to a gain of $0.7 million related to the settlement of the Company's outstanding liabilities associated with discontinued operations.

Q4 2015 Discussion

The Company's Q4 2015 results were affected by the following non-core and non-recurring items:

- In Q4 2015 the Company recorded total unrealized fair value losses of $12.0 million. $6.0 million was associated with its portfolio investments, and, similar to Q4 2016, was primarily associated with the investment in DBGI. Approximately $4.2 million of these losses was allocated to the Company's non-controlling interests. The remaining $6.0 million was due to a write down of the Company's investment in Fleetwood, which reduced the carrying value of the investment to zero. Approximately $1.7 million of this amount was allocated to the Company's non-controlling interests.

- In Q4 2015 the Company first recorded a credit allowance of $1.7 million on its loan receivable from Fleetwood. This reduced the carrying value of $2.7 million to $1.0 million. Approximately $0.5 million of the allowance was allocated to the Company's non-controlling interests.

- In Q4 2015 the Company recorded a one-time reversal of $0.9 million in HST ITCs.

Fair Value Adjustments and Non-Controlling Interests

The Company's fair value adjustments relate to its legacy businesses, particularly its portfolio investments. Throughout 2016 the majority of the portfolio investments have consisted of an investment in the publicly traded common shares in DBGI, and therefore fair value fluctuations have largely been driven by changes in DBGI's share price. The effects of these fluctuations in 2016 and 2015 are discussed above under *Non-Core and Non-Recurring Items*.

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 Q1 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. In the third quarter of 2016, the Company negotiated final settlement of the outstanding liabilities associated with discontinued operations. In return for payments of $0.5 million, $1.2 million of liabilities were extinguished, resulting in a pre-tax gain of $0.7 million.

Income Taxes

Income tax expense during 2016 primarily related to the deferred tax attributable to Street Capital Bank, net of recoveries generated at the parent Company level.

At December 31, 2016, the Company had approximately $333.3 million non-capital loss carry-forwards that may be used to reduce future years' taxable income until 2036.

The income tax expense reported in the statement of comprehensive income is based on a number of different estimates made by management. The effective tax rate can change from period to period, based on the mix of income or loss among the different jurisdictions in which the Company operates, changes in tax laws in these jurisdictions, and changes in the estimated values of deferred tax assets and liabilities recorded on the statement of financial position. This is in addition to permanent differences that are either not in, or deductible from, the computation of taxable income. The income tax expense reflects an estimate of cash taxes in the current year, offset by the associated utilization of non-capital loss carryforwards, and a provision for changes arising during the year in the value of the deferred tax assets and liabilities. The likelihood of recovering value from deferred tax assets such as loss carry-forwards, future tax depreciation of capital assets and other assets is assessed and recognized at each quarter-end. Material changes in income tax assets, liabilities, expense and recoveries may occur in the short term. Please see Note 15 to audited consolidated financial statements for more information on the Company's tax rates, as well as both current and deferred income taxes.

2016 AND Q4 2016 FINANCIAL POSITION REVIEW

The following table sets out the Company's consolidated financial position for the years ended December 31, 2016 and 2015, as well as the financial position at the most recent quarter ended September 30, 2016.

Table 6 - Financial Position

						As at
(in thousands of $)		**December 31, 2016**		**September 30, 2016**		**December 31, 2015**
Assets						
Cash and cash equivalents	**$**	**3,771**	$	7,185	$	8,846
Restricted cash		**31,159**		24,607		13,078
Deferred placement fees receivable		**51,314**		50,561		46,442
Prepaid portfolio insurance		**79,049**		75,145		66,672
Securitized mortgage loans		**264,192**		242,333		167,762
Non-securitized mortgages and loans		**9,323**		70,914		16,843
Portfolio investments		**3,026**		5,897		13,506
Deferred income tax assets		**14,429**		14,071		14,135
Other assets		**14,659**		20,989		14,569
Goodwill and intangible assets		**28,652**		28,626		28,864
Total assets	**$**	**499,574**	$	540,328	$	390,717
Liabilities						
Bank facilities	**$**	**3,656**	$	65,505	$	15,817
Loans payable		**4,251**		6,826		8,972
Securitization liabilities		**264,732**		240,411		167,380
Accounts payable and accrued liabilities		**52,712**		51,997		38,929
Deferred income tax liabilities		**43,914**		43,110		37,250
Total liabilities		**369,265**		407,849		268,348
Total shareholders' equity		**134,492**		134,402		118,245
Non-controlling interests		**(4,183)**		(1,923)		4,124
Total liabilities and equity	**$**	**499,574**	$	540,328	$	390,717

CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents at December 31, 2016 represent funds on deposit with regulated Canadian 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 average restricted cash balance has increased due to additional mortgage securitizations that were completed during Q3 and Q4 2016.

The Company's primary sources of cash are the premiums received on the sale of mortgages, and the net servicing revenue and excess spread received on mortgages under administration. The Company also has $150.0 million mortgage purchase facilities and a $15.0 million operating credit facility available, as discussed in more detail below.

MORTGAGE LENDING ASSETS AND LIABILITIES

Securitized Mortgage Loans and Securitization Liabilities

The Company occasionally originates prime insured mortgages that are securitized through the NHA MBS program and then sold to third-party investors as MBS. These mortgages and the associated securitization liabilities remain on balance sheet. The Company securitized and sold $126.2 million in mortgages during 2015, and $116.9 million during 2016.

Non Securitized Mortgages and Loans

Under its current business model, which is focused on the origination and sale of prime mortgages, from time to time the Company has also originated loans that remain on balance sheet, are bridge loans, or are intended for future securitization and sale. As the Company begins operations as a Schedule I bank during 2017, non-securitized mortgages and loans are expected to become a more significant and long-term component of its revenue-generating assets.

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 comprehensive income 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 7 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 tends to be shorter than for those purchased earlier.

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 8 of the audited consolidated financial statements.

Bank Facilities

At December 31, 2016 the Company had a total credit facility of $165.0 million through a syndicate of Schedule I Canadian banks, of which $3.7 million was outstanding, leaving $161.3 million available (September 30, 2016 - $65.5 million and $99.5 million, respectively; December 31, 2015 - $15.8 million and $149.2 million, respectively). The facility is available in three tranches, dependent on use of funds, and the balance at December 31, 2016 was allocated between $1.4 million in mortgage funding advances and $2.3 million in a draw on the operating line, compared to $10.8 million in mortgage funding and $5.0 million operating line at December 31, 2015. Please see Note 12 of the audited consolidated financial statements.

OTHER ASSETS

Other Assets

Other assets include receivables for mortgage sale activity and mortgage insurance, loans and other receivables, capital assets, prepaid expenses, and assets associated with the Company's discontinued real estate operations. The loans receivable include receivables from the Company's former subsidiary, Heritage Global Inc., and from Fleetwood. These have decreased compared to December 2015 due to payments received from Heritage Global Inc. and a credit allowance of $1.0 million against the Fleetwood loan that was recorded in Q4 2016 and reduced the carrying balance to zero. Assets associated with the Company's discontinued operations have decreased compared to 2015 due to payments received during 2016. Over the same period, receivables relating to mortgage sale activity increased by $1.5 million. Please see Note 11 of the audited consolidated financial statements.

Goodwill and Intangible Assets

The Company's goodwill relates to its acquisition of Street Capital Bank in 2011. The Company's intangible assets are also related to Street Capital Bank, and consist of both acquired and internally generated assets. There was no indication of impairment of either goodwill or intangible assets in 2016 or 2015. Please see Note 9 of the audited consolidated financial statements.

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets are almost exclusively associated with non-capital losses related to the Company's legacy businesses and head office operations, and deferred income tax liabilities are almost exclusively associated with the Company's mortgage lending business. Please see Note 15 of the audited consolidated financial statements.

OTHER LIABILITIES

Other Liabilities

Other liabilities include accounts payable, accrued operating liabilities, accrued mortgage acquisition costs, and liabilities associated with the Company's discontinued real estate operations. The increase in other liabilities from $38.9 million at December 31, 2015 to $52.7 million at December 31, 2016 is largely due to an increase of $17.7 million in payments due to mortgage servicers.

Other significant changes year over year are a decrease of $3.2 million in accrued restructuring costs, from $11.1 million to $7.9 million, and a decrease of $1.2 million in liabilities of discontinued operations, effectively extinguishing them. Accrued compensation was almost unchanged, increasing slightly to $5.4 million at December 31, 2016 from $5.2 million at December 31, 2015. Please see Note 14 of the audited consolidated financial statements.

LEGACY ASSETS AND LIABILITIES

Portfolio Investments and Non-Controlling Interests

The Company's portfolio investments of $3.0 million consist of investments held by the Company's Private Equity business (see also the discussion under *Fair Value Adjustments and Non-Controlling Interests*, above). The Company also holds Class A units in Fleetwood, but that investment was written down to zero in Q4 2015. The Company holds only approximately 16% of Private Equity, but it controls and consolidates the business due to its ability to influence its management and investments. At December 31, 2016, approximately $2.3 million of the portfolio investments were attributable to the Company's non-controlling interest (September 30, 2016 - $4.1 million; December 31, 2015 - $10.3 million).

As noted above under *Legacy Business*, the Company is in the process of exiting Private Equity. Since Q1 2015, it has retained an interest in only two investments, only one of which, DBGI, is material. In Q1 2016 a portion of the investment in DBGI was converted to cash and distributed to the Private Equity investors, with the Company receiving approximately $1.3 million. Management expects that Private Equity will exit DBGI in 2017 or 2018, at which time the proceeds would be distributed to the investors. Pending that exit, changes in the reported balance of portfolio investments and the associated non-controlling interest, quarter over quarter and year over year, are primarily related to changes in the share price of DBGI.

Loans Payable

The loans payable are related to the Company's legacy businesses. The decrease from both Q4 2015 and Q3 2016 is primarily due to repayments. Please see Note 13 of the audited consolidated financial statements.

SHAREHOLDERS' EQUITY AND UPDATED SHARE INFORMATION

The net increase in shareholders' equity includes the Company's current year comprehensive income, as well as proceeds from the exercise of stock options, the conversion of deferred share units, and the repayment of a shareholder loan. These are partially offset by share repurchases under the normal course issuer bid, discussed below under *Share Capital* and *Capital Management*.

At March 7, 2017, the Company had 121,531,794 common shares issued and outstanding. In addition, there were 3,138,031 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $3.6 million.

CONTINGENCIES

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

QUARTERLY HIGHLIGHTS

The following table sets out financial highlights of the Company's consolidated quarterly results of operations for the eight quarters ended December 31, 2016. Please see the section *Non-GAAP Measures* for the definitions of adjusted net income, other related non-GAAP measures, and credit quality indicators.

Table 7 – Quarterly Financial Highlights

(in thousands of $, except where defined)	2015 Q1 $	2015 Q2 $	2015 Q3 $	2015 Q4 $	2016 Q1 $	2016 Q2 $	2016 Q3 $	**2016 Q4 $**
Financial performance								
Shareholders' net income (loss)	$ 3,750	$ (37,666)	$ 6,676	$ (2,795)	$ 3,003	$ 5,310	$ 7,491	**$ 462**
Adjusted shareholders' net income	$ 3,305	$ 8,767	$ 6,909	$ 4,792	$ 2,444	$ 5,845	$ 6,171	**$ 1,900**
Shareholders' diluted earnings (loss) per share	$ 0.04	$ (0.37)	$ 0.06	$ (0.02)	$ 0.02	$ 0.04	$ 0.06	**$ 0.00**
Adjusted shareholders' diluted earnings per share	$ 0.03	$ 0.09	$ 0.06	$ 0.04	$ 0.02	$ 0.05	$ 0.05	**$ 0.02**
Return on equity	13.3%	(131.6%)	22.8%	(9.4%)	10.0%	17.1%	22.9%	**1.4%**
Adjusted return on equity	11.7%	30.6%	23.5%	16.0%	8.1%	18.8%	18.9%	**5.7%**
Return on tangible equity	18.4%	(174.4%)	30.5%	(11.7%)	13.6%	22.5%	29.6%	**2.2%**
Adjusted return on tangible equity	16.2%	41.3%	31.6%	21.5%	11.1%	24.7%	24.5%	**7.6%**
Mortgages sold and under administration								
Mortgages sold - new	$1,316,143	$2,520,648	$1,874,541	$1,553,556	$1,190,391	$2,155,761	$2,493,132	**$2,101,474**
Mortgages sold - renewal	300,947	473,994	410,288	587,061	328,032	380,615	361,844	**358,043**
Mortgages sold - total	$1,617,090	$2,994,642	$2,284,829	$2,140,617	$1,518,423	$2,536,376	$2,854,976	**$2,459,517**
Mortgages under administration *(in billions of $)*	$ 22.16	$ 23.38	$ 24.30	$ 24.75	$ 25.02	$ 25.67	$ 26.83	**$ 27.70**
Gain on sale of mortgages	$ 31,121	$ 56,749	$ 41,197	$ 35,729	$ 26,883	$ 46,797	$ 52,578	**$ 40,793**
As a % of mortgages sold	1.92%	1.90%	1.80%	1.67%	1.77%	1.85%	1.84%	**1.66%**
Acquisition expenses	$ 16,877	$ 30,544	$ 21,994	$ 19,313	$ 14,286	$ 27,009	$ 30,608	**$ 26,735**
As a % of mortgages sold	1.04%	1.02%	0.96%	0.90%	0.94%	1.06%	1.07%	**1.09%**
Net gain on sale of mortgages	$ 14,244	$ 26,205	$ 19,203	$ 16,416	$ 12,597	$ 19,788	$ 21,970	**$ 14,058**
As a % of mortgages sold	0.88%	0.88%	0.84%	0.77%	0.83%	0.78%	0.77%	**0.57%**
Operating expenses	$ 10,089	$ 11,027	$ 10,358	$ 11,459	$ 9,885	$ 12,140	$ 13,114	**$ 11,631**
As a % of mortgages sold	0.62%	0.37%	0.45%	0.54%	0.65%	0.48%	0.46%	**0.47%**
Credit quality								
Total portfolio serious arrears rate	0.21%	0.16%	0.14%	0.14%	0.13%	0.11%	0.11%	**0.11%**
Average beacon	739	746	741	742	743	749	745	**746**
Average loan to value ratio	82.4%	82.0%	81.8%	81.7%	81.4%	81.2%	81.0%	**80.8%**
Average total debt service ratio	36.1%	36.5%	36.2%	36.2%	36.2%	36.1%	36.2%	**36.2%**
Equity and share performance								
Shareholders' equity	$ 115,024	$ 113,985	$ 120,752	$ 118,245	$ 121,998	$ 127,001	$ 134,402	**$ 134,492**
Shares outstanding end of period (000s)	99,903	120,866	120,866	121,226	122,154	121,876	121,790	**121,532**
Book value per share	$ 1.15	$ 0.94	$ 1.00	$ 0.98	$ 1.00	$ 1.04	$ 1.10	**$ 1.11**
Market capitalization	$ 210,795	$ 284,035	$ 199,429	$ 162,443	$ 157,579	$ 152,345	$ 219,222	**$ 228,480**
Share price at close of market	$ 2.11	$ 2.35	$ 1.65	$ 1.34	$ 1.29	$ 1.25	$ 1.80	**$ 1.88**

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 in the table above.

Q4 2016 FINANCIAL INFORMATION

Table 8 – Consolidated Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars, except per share data)

	Three months ended December 31,	
	2016	**2015**
	$	$
Revenue		
Gain on sale of mortgages	**40,793**	35,729
Acquistion costs	**(26,735)**	(19,313)
Net gain on sale of mortgages	**14,058**	16,416
Net interest and other income (expense)	**(911)**	(1,299)
Total revenue	**13,147**	15,117
Expenses		
Salaries and benefits	**7,427**	6,972
Selling, general and admininstrative expenses	**4,204**	4,487
Restructuring costs (recoveries)	**-**	-
Total expenses	**11,631**	11,459
Income (loss) before fair value adjustments	**1,516**	3,658
Fair value adjustments	**(2,870)**	(11,967)
Income (loss) before income taxes and discontinued operations	**(1,354)**	(8,309)
Income taxes	**446**	885
Income (loss) from continuing operations	**(1,800)**	(9,194)
Income from discontinued operations	**2**	6
Net income (loss) and comprehensive income (loss)	**(1,798)**	(9,188)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	**(2,260)**	(6,393)
Net income (loss) and comprehensive income (loss) attributable to shareholders	**462**	(2,795)
Basic and diluted earnings (loss) per share		
Continuing operations	**0.00**	(0.02)
Discontinued operations	**0.00**	0.00
Basic and diluted earnings (loss) per share	**0.00**	(0.02)
Weighted average number of common shares outstanding (in thousands) - basic and diluted	**121,632**	121,058

GAIN ON SALE OF MORTGAGES

Table 9 details the Company's gain on sale of mortgages for Q4 2016 and Q4 2015. The components are discussed above under *2016 and Q4 2016 Earnings Review*. Please see Note 7 of the audited consolidated financial statements for more detail.

Table 9 – Gain on Sale of Mortgages
(In thousands of Canadian dollars)

	Three months ended December 31,			
		2016		2015
Mortgages sold - new	$	2,101,474	$	1,553,556
Mortgages sold - renewals		358,043		587,061
Mortgages sold - total	$	2,459,517	$	2,140,617
Cash premium at sale	$	35,428	$	30,681
Deferred gain on sale		5,365		5,048
Acquisition costs		(26,735)		(19,313)
Net gain on sale of mortgages	$	14,058	$	16,416
% Gain		0.57%		0.77%

PREPAID PORTFOLIO INSURANCE

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

The net unamortized amount of prepaid portfolio insurance at December 31, 2016 and 2015 is shown below, together with a continuity schedule of the quarters ended December 31, 2016 and 2015. Please see Note 8 of the audited consolidated financial statements for more detail.

Table 10 – Prepaid Portfolio Insurance
(In thousands of Canadian dollars)

				Three months ended
		December 31,		December 31,
		2016		2015
Balance, beginning of period	$	75,145	$	64,776
Capitalized at purchase		6,044		3,565
Amortization during the period		(2,140)		(1,669)
Balance, end of period	$	79,049	$	66,672

SHARE CAPITAL

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

Table 11 – Share Capital

	For the three months ended					
Common shares Issued and outstanding (000s) (in thousands of $)	**December 31, 2016**			**December 31, 2015**		
	Number of Shares		**Amount**	**Number of Shares**		**Amount**
Outstanding, beginning of period	**121,790**	**$**	**244,960**	120,866	$	244,213
Options exercised	**-**		**-**	360		382
DSUs converted	**-**		**-**	-		-
Shares acquired via normal course issuer bid	**(258)**		**(522)**	-		-
Shares issued (net of share issue costs)				-		-
	121,532	**$**	**244,438**	121,226	$	244,595
Share purchase loans			**(1,912)**			(2,417)
Outstanding, end of period	**121,532**	**$**	**242,526**	121,226	$	242,178

NET INCOME PER SHARE

Table 12 – Net Income (Loss) per Share
(In thousands of Canadian dollars, except per share data)

The following is a reconciliation of the numerators and denominators used in computing net income (loss) per share for the three months ended December 31:

	Three months ended December 31,			
Basic and diluted net income (loss) per share:		**2016**		**2015**
Numerator:				
Income (loss) from continuing operations	**$**	**(1,800)**	$	(9,194)
Loss attributable to non-controlling interest		**(2,260)**		(6,393)
Income (loss) attributable to shareholders - continuing operations		**460**		(2,801)
Income from discontinued operations		**2**		6
Income attributable to non-controlling interest		**-**		-
Income attributable to shareholders - discontinued operations		**2**		6
Net income (loss) attributable to shareholders	**$**	**462**	$	(2,795)
Denominator:				
Weighted average common shares outstanding (000s) - basic and diluted		**121,632**		121,058
Basic and diluted net income (loss) per share from continuing operations	**$**	**0.00**	$	(0.02)
Basic and diluted net income (loss) per share from discontinued operations	**$**	**0.00**	$	0.00
Basic and diluted net income (loss) per share	**$**	**0.00**	$	(0.02)

In computing the diluted net income (loss) per share for the three months ended December 31, 2016 and 2015, the Company included in the calculation potential common share equivalents, which consist of incremental shares from stock options, and the outstanding deferred share units ("DSUs") held by directors. The inclusion of such common share equivalents was not sufficiently dilutive to change the income (loss) per share amounts for either period presented.

SELECTED ANNUAL INFORMATION

(in thousands of $, except per share data)	2014	2015	2016
Total revenue	$ 62,272	$ 75,160	**$ 68,272**
Net income (loss) from continuing operations	$ 44,418	$ (36,740)	**$ 13,652**
Net income (loss) attributable to shareholders	$ 12,929	$ (30,035)	**$ 16,266**
Basic and diluted net income (loss) per share:			
Continuing operations	$ 0.25	$ (0.27)	**$ 0.13**
Discontinued operations	$ (0.12)	$ -	**$ -**
Basic and diluted net income (loss per share	$ 0.13	$ (0.27)	**$ 0.13**
Total assets	$ 279,264	$ 390,717	**$ 499,574**
Total non-current financial liabilities	$ 55,212	$ 152,963	**$ 233,305**
Dividends	$0.167/share [1]	-	**-**

[1] 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 Q1 2014.

OFF BALANCE SHEET ARRANGEMENTS

At December 31, 2016 the Company had no outstanding commitments for advances on mortgage loans that it intended to fund on-balance sheet (September 30, 2016 - $198.4 million; December 31, 2015 - $4.5 million). Such offers to extend credit are in the normal course of business and are planned through the Company's liquidity management practices.

RELATED PARTY TRANSACTIONS

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

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

The Company has few related party transactions. They are described in Note 18 and Note 26 to the audited consolidated financial statements, and consist of shareholder loans to certain key employees and former employees.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING STANDARDS AND POLICIES

The preparation of consolidated financial statements requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. The Company's management regularly reviews its estimates, assumptions and judgments, and updates them as required by events or changes in circumstances. The Company's key areas of judgment and estimation are: allowance for credit losses, valuations of mortgage and other loan receivables (i.e. duration factors on deferred placement fees receivable), the useful life and residual value of certain assets including prepaid portfolio insurance, intangible assets and goodwill, valuation of portfolio investments, and accounting for deferred income taxes. Actual results may differ from these estimates.

This MD&A should be read in conjunction with the Company's 2016 audited consolidated financial statements and the notes thereto. The significant accounting policies and critical accounting estimates are described in Note 3 of the audited consolidated financial statements. These policies have the potential to significantly impact the Company's financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events that are continuous in nature.

There were no changes to the Company's significant accounting policies during 2016. 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 2016 audited consolidated financial statements.

INTERNAL CONTROL 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, 2016. 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, 2016.

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 that receipts and expenditures are being made in accordance with authorizations of management and the Board of Directors; 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 *Integrated (2013) Framework* published by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)* 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, 2016. 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, 2016.

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, 2016 that have materially affected, or are expected to have a material effect on, the Company's financial reporting.

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain items in the comparative audited consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 audited consolidated financial statements.

CAPITAL MANAGEMENT

An adequate reserve of capital provides a business such as the Company with a buffer for reasonably foreseeable losses in order that the Company may absorb such losses and position the business to remain stable. Additionally, a strong capital position helps to promote confidence among stakeholders such as investors, depositors, regulators and shareholders.

In anticipation of the Company's wholly owned subsidiary, Street Capital Financial (now Street Capital Bank), receiving approval to operate as a Schedule I bank, the Company developed a Board-approved Capital Management Policy that governs the quantity and quality of capital held. The objective of the policy is to ensure that the Company appropriately balances its capital allocation between retention of a prudent margin above regulatory capital adequacy minimums in order to provide access to contingency capital, and maintenance of sufficient freely available capital to achieve business goals and objectives. Management defines capital as the Company's equity and deficit. The Company's Capital Management Policy is reviewed at least annually and more often if required by events or changing circumstances.

Effective with the commencement of its banking operations on February 1, 2017, Street Capital Bank calculates capital ratios and regulatory capital based on the capital adequacy requirements issued by OSFI, which are based on *International Convergence of Capital Measurement and Capital Standards – A Revised Framework* ("Basel II") and *Basel III: A global regulatory framework for more resilient banks and banking systems – A Revised Framework* ("Basel III"). Accordingly, the Company manages Street Capital Bank's capital through utilization of an Internal Capital Adequacy Assessment Process ("ICAAP"). Street Capital Bank defines capital as meeting the definition of regulatory capital as defined by the capital adequacy requirements defined by OSFI, which in its case is Street Capital Bank's common equity and retained earnings. Two regulatory capital requirements are addressed in Street Capital Bank's policy: the Leverage Ratio and the Risk-Based Capital Ratios.

Shown below are the pro-forma regulatory capital ratios for Street Capital Bank, based on its December 31, 2016 and 2015 financial position, and calculated as if Street Capital Bank had been operating as a Schedule I bank at those dates.

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

(000s, except %)	**December 31, 2016**	December 31, 2015
	All-In Basis	All-In Basis
	$	$
Common Equity Tier 1 capital (CET 1)		
Capital Stock	**16,426**	16,426
Retained Earnings	**79,686**	66,160
Less: Regulatory adjustments to CET 1	**(789)**	(582)
Total CET 1 capital	**95,323**	82,004
Additional Tier 1 capital	**-**	-
Total Tier 1 capital	**95,323**	82,004
Total Tier 2 capital	**-**	-
Total regulatory capital	**95,323**	82,004
Total risk-weighted assets	**289,672**	249,582
Regulated capital to risk-weighted assets		
Common equity Tier 1 ratio	**32.91%**	32.86%
Tier 1 capital ratio	**32.91%**	32.86%
Total regulatory capital ratio	**32.91%**	32.86%
Leverage ratio	**21.06%**	24.95%
National regulatory minimum		
CET 1 ratio	**7.00%**	7.00%
Tier 1 capital ratio	**8.50%**	8.50%
Total regulatory capital ratio	**10.50%**	10.50%
Leverage ratio	**3.00%**	3.00%

Shown below are the risk-weighted assets of Street Capital Bank, based on its December 31, 2016 and 2015 financial position, and calculated as if Street Capital Bank had been operating as a Schedule I bank at those dates.

Table 14 – Risk-weighted Assets (RWA) (based only on the consolidated subsidiary, Street Capital Bank)

			2016			2015
(000's, except %)	**Balance Sheet Amounts**	**Effective Risk Weight[1]**	**Risk-weighted Amount**	Balance Sheet Amounts	Effective Risk Weight[1]	Risk-weighted Amount
	$		**$**	**$**		**$**
Cash and cash equivalents	**2,788**	**20.00%**	**558**	7,769	20.00%	1,554
Restricted cash	**31,159**	**20.00%**	**6,232**	13,078	20.00%	2,616
Non-securitized mortgage loans	**9,323**	**78.18%**	**7,289**	16,843	19.47%	3,280
Securitized mortgage loans	**264,192**	**1.58%**	**4,186**	167,762	2.09%	3,510
Deferred placement fees receivable	**51,314**	**100.00%**	**51,314**	46,442	100.00%	46,442
Prepaid portfolio insurance	**79,049**	**100.00%**	**79,049**	66,672	100.00%	66,672
Other assets	**13,634**	**100.00%**	**13,634**	9,373	100.00%	9,373
Total assets subject to risk weighting	**451,459**	**35.94%**	**162,262**	327,939	40.69%	133,447
Intangible assets	**1,073**	**0.00%**	**-**	792	0.00%	-
Total assets and credit risk	**452,532**	**35.86%**	**162,262**	328,731	40.59%	133,447
Operational risk	**-**		**127,410**			116,135
Total risk-weighted assets	**452,532**		**289,672**	328,731		249,582

[1] The effective risk weight represents the weighted average of the risk weights for each asset category prescribed by OSFI, weighted on the Company's balance sheet classification.

Internal Capital Adequacy Assessment Process

Under the Bank's capital and risk management policies, and OSFI's guidelines, the Bank is required to assess the adequacy of current and projected capital resources under expected and stressed conditions. This involves evaluating the Bank's strategy, financial plan and risk appetite, assessing the effectiveness of its risk and capital management practices (including Board of Directors and senior management oversight), subjecting the Bank's plans to a range of stress tests, and drawing conclusions about its capital adequacy (including a rigorous review and challenge). Based on the Company's ICAAP, management has concluded that the Bank is adequately capitalized to commence operations and execute on its business plans. In the event the Bank or OSFI determined additional capital was required, the Bank could look to the Company to provide or access capital for the benefit of the Bank.

Normal Course Issuer Bid

Street Capital, with the approval of the Toronto Stock Exchange (the "Exchange") commenced a normal course issuer bid (the "NCIB") that became effective on March 23, 2016 and will expire on March 22, 2017, with the intention of purchasing for cancellation up to 2% of the Company's common shares outstanding. Street Capital, through its broker, purchases 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. 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, and intends to renew the current NCIB upon its expiration.

During the period March 23, 2016 to December 31, 2016, the Company repurchased 630,132 of its common shares for $0.91 million, which reduced share capital by $1.27 million and increased contributed surplus by $0.36 million. Between December 31, 2016 and March 7, 2017, the Company did not purchase any additional common shares through the NCIB.

Dividends

There were no dividends declared or paid in 2015 or 2016.

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 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 Bank, has regulatory capital and business requirements stipulated by OSFI that must be met before dividends can be declared and paid. Its ability to pay dividends is also constrained by certain financial covenants associated with its credit facilities.

RISK MANAGEMENT AND RISK FACTORS

The Risk Appetite Framework, Risk Governance, Credit Risk Management, Liquidity and Funding Risk Management, and Market Risk Management sections below form an integral part of the 2016 annual consolidated financial statements as they present required IFRS disclosures as set out in *IFRS 7 Financial Instruments: Disclosures*, which permits cross-referencing between the notes to the financial statements and the MD&A. See Note 24 of the 2016 annual audited consolidated financial statements.

The Company's business strategies and operations expose the Company to a wide range of risks, and therefore ongoing investment in, and commitment to, risk management is a key component of the Company's long-term success. In particular, through the Company's wholly owned subsidiary, Street Capital Bank, the Company has exposure to risks that are similar to those of other financial institutions. These include the symptoms and effects of domestic and global economic conditions, among others, many of which are beyond the Company's control. Exposure to these risks could adversely affect the Company's operations, financial condition or financial performance, and in turn could influence an investor to buy, hold or sell the Company's shares.

When evaluating risks, the Company makes decisions about which risks it accepts, which risks it mitigates, and which risks it avoids. These decisions are made with reference to the Company's risk appetite framework. Both the framework and the principal risks to which the Company is exposed are set out below.

Risk Appetite Framework

The Board of Directors has the overall responsibility for both establishment and oversight of the Company's risk appetite framework. The framework addresses the limits of the risks that the Company assumes, and the Company's conduct with respect to its stakeholders such as customers and investors. The major principles of the risk appetite framework are as follows:

1. The Bank will **operate in markets where risks are understood** and where long term macro-economic indicators support retail lending.

2. The Bank will **manage credit risk prudently** by establishing and adhering to stringent **underwriting guidelines.**

3. The Bank will **maintain adequate capital and liquidity** for its operations above regulatory minimums and sufficient to sustain the entity during times of stressed conditions.

4. The Bank will **limit market risk by pricing mortgages effectively and managing interest rates prudently** in its banking book. Derivatives will only be used to enable effective risk management and product funding requirements.

5. The Bank will **maintain thorough and effective policies, standards, guidelines and other related measures including limits and key risk indicators** that guide risk-taking activities to protect Street Capital's brand and reputation while adhering to all legal and regulatory obligations.

6. The Bank will **promote a sound risk management culture and awareness** throughout the organization by promoting operational excellence, corporate governance, and risk and control practices that minimize the risk of any unforeseen adverse events from occurring.

7. The Bank will hire, retain and invest in quality and experienced staff that **operate with high ethical standards and conduct themselves with integrity, honesty and respect**.

8. The Bank will **not take risks that could expose it to any one single and severe loss event**, including acquisitions, business ventures/partnerships or products.

9. The Bank will continually **assess the adequacy of its IT and operational infrastructure** in relation to its business volumes and complexity and, where required, will make the necessary investment to scale supporting processes to required levels.

Risk Governance

The Company's strategies and the management of its risks are supported by an overall enterprise risk management ("ERM") framework, which includes policies, procedures and guidelines for each major risk category of the Company's operations. ERM requires the involvement of the Board of Directors, in particular the Bank's Enterprise Risk Management Committee, senior management, and other employees to continually identify, measure, assess and manage risks that could affect the Company either positively or negatively. At all levels of the Company, ERM is applied in defining strategies and setting goals, helping to ensure that these can be accomplished within the Company's defined risk appetite. The ultimate goal of ERM is to maximize benefits to the Company's various stakeholders within the limits of the risk the Company is prepared to accept to accomplish this.

The Company's risk governance follows the three lines of defense model:

- 1st Line of Defense: business units and their support areas. Management within each business unit is accountable for identifying, assessing, monitoring, reporting and managing the associated risks. The Company deploys a computerized risk management tool to assist with compliance and reporting.

- 2nd Line of Defense: the Company's Risk, Finance and Compliance units. They are responsible for the communication and implementation of the Company's risk management framework, along with independent assessment, monitoring and reporting on the Company's risk taking activities.

- 3rd Line of Defense: Internal Audit. This function is responsible for assessing the effectiveness of the Company's governance, risk management and control processes, and reporting their findings and conclusions to the Board of Directors.

The Company's actual risk profile is measured against the Board-approved risk appetite at least quarterly, and reported to the Board of Directors. Key risk policies are reviewed at least annually and updated as required.

Strategic and Business 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 costs to mitigate these changes. As Street Capital Bank begins operations as a Schedule I bank, its products and services will be competing with those offered by other banks and financial institutions, many of whom are strongly capitalized and hold significant market share. Similarly, the Company's existing mortgage lending business depends on continuing to attract business from independent mortgage brokers, who are not contractually obligated to do business with the Company, and who also do business with the Company's competitors.

Strategic and business risk for individual business segments is managed and monitored by senior management through regular weekly meetings. The Board of Directors approves the Company's strategies at least annually, and reviews results against strategies at least quarterly.

Credit Risk Management

Credit risk is the risk of financial loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations. Through its wholly owned subsidiary, Street Capital Bank, the Company's credit risk has been mainly associated with its mortgage lending business, in the form of the risk of default on the part of the borrower.

Historically, the majority of the Company's revenue has been earned from the placement, servicing and securitization activities of its mortgage lending business. Under this business model, most of the mortgages underwritten by the Company are sold to institutional investors and are insured or insurable against default with Canada Mortgage and Housing Corporation ("CMHC") and other government backed private insurers. This makes the residual credit risk to the Company immaterial overall. However, given that the vast majority of these mortgages have been sold to institutional investors, mortgage credit quality remains an important measure in ensuring continued demand from these investors.

Therefore, even though the 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. Given the Bank's funding model for insured mortgages, its underwriting and credit policies are compliant with OSFI's Guideline *B-20 Residential Mortgage Underwriting Practices and Procedures*. At the individual transaction level the Company applies a due diligence process to each mortgage underwritten, with oversight from an experienced management team. All mortgage applications are evaluated and assessed against risk criteria, and additional independent quality assurance procedures are performed on a significant percentage of mortgage files prior to funding. Post-funding reviews are also conducted in order to provide continuous feedback and monitoring of mortgage credit quality. The Company's serious arrears rate of 0.11%, at December 31, 2016, is significantly better than the industry average of 0.26% at October 31, 2016 (the most recent information available), and reflects the Company's due diligence and strong quality assurance processes. As Street Capital Bank begins operations as a Schedule I bank, the Company plans to continue selling insured mortgages to institutional investors, and it will continue to apply these same rigorous policies and procedures.

At the same time, Street Capital Bank also plans to expand its products and services to include uninsured mortgages and other financial products. The Company has identified equally detailed and Board-approved credit policies and underwriting procedures for these products, and will apply them with the same discipline and diligence. As with insured mortgages, these policies have been developed and will be updated as necessary with regard to such key factors as asset quality, loan to value ratio, debt service ratio, property location, and economic factors.

The 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, 2016 was $4.3 million (2015 - $5.6 million). The Company evaluated the collectability of these loans at December 31, 2016 and determined that a credit allowance of $2.7 million was required on its receivable from Fleetwood (December 31, 2015 - $1.7 million), reducing the carrying value of the receivable to zero, and reducing the net loans receivable to $1.6 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 and Funding Risk Management

Liquidity and funding risk is the risk that the Company is unable to generate sufficient funds, in a timely and reasonably priced manner, to meet its financial obligations as they come due. This risk arises from the fluctuations in the Company's cash flows that are associated with loan sales, securitization, investing and other business activities. As Street Capital Bank expands its operations to include on-balance sheet lending and deposit taking, fluctuations in these cash flows will also become important contributors to liquidity and funding risk.

The Company's Liquidity and Funding Management policy is managed in conjunction with other policies, all of which are designed to ensure that cash balances and other high quality liquid assets a) are sufficient to meet all cash outflows, in both ordinary and stressed conditions, and b) are in compliance with regulatory requirements. The Company currently manages liquidity risk through both daily monitoring and measurement of the Company's liquidity position, and regular liquidity forecasting. This monitoring and measurement will become more complex as the Company's bank operations expand, and will increasingly involve variable inventories of liquid assets and the use of such liquidity metrics as maturity gap analysis and survival horizons.

Street Capital Bank is subject to the OSFI Liquidity Requirement Guideline, and must report both its Liquidity Coverage Ratio ("LCR") and its Net Cumulative Cash Flow ("NCCF") to OSFI on a monthly basis. The LCR reports net cumulative cash flow requirements in a stressed environment. The NCCF measures detailed cash flows to capture the risk posed by funding mismatches over and up to a 12-month time horizon.

Currently, 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. As described above, Street Capital Bank underwrites only high quality mortgages and maintains stringent underwriting and quality assurance processes, in order to maximize investor demand and therefore liquidity. Generally, liquidity risk associated with prime insured mortgage commitments is limited, as most investors commit to funding 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, and manages liquidity risk within its risk appetite.

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.

As Street Capital Bank introduces on-balance sheet lending products as a Schedule I bank, its deposit taking activities will fund its on-balance sheet lending. Bank assets, when possible, will be term matched and maturity gaps managed within risk limits. The Company's access to deposits, as part of Schedule I bank operations, will also depend on a number of factors including general economic conditions, interest rates offered by competitors, and the securities markets in general. The Company's deposits have initially been sourced through the deposit broker network, and are CDIC-insured fixed-term GICs. This network is expected to have more than sufficient liquidity to meet the Bank's funding needs for the next few years. Over time, the Company anticipates diversifying its deposit taking activities by additional deposit products and by offering direct-to-consumer products.

The Company holds liquid assets primarily in the form of cash in bank deposits. At December 31, 2016 the Company had $3.8 million in cash and cash equivalents on deposit with a Schedule I Canadian bank (2015 - $8.9 million).

The Company has a $165.0 million credit facility with a syndicate of Schedule I Canadian banks, which is available in three tranches depending on the use of funds. Up to $125.0 million can be used to fund up to 98% of the value of insured high ratio mortgages, up to $25.0 million can be used to fund up to 80% of conventional, low ratio insurable mortgages, and up to $15.0 million is available as an operating line. The Company had $161.3 million total available capacity under these facilities at December 31, 2016 (2015 – $149.2 million). As an approved NHA MBS issuer, the Company can also access the NHA MBS market to fund insured mortgages.

The Company periodically receives cash related to its Private Equity business, in connection with the disposition of portfolio investments. In 2016 the net receipts were approximately $1.3 million (2015 - $4.5 million). As discussed above, management expects that Private Equity will exit from its remaining material investment in 2017, at which time the Company will receive its proportionate share, and no further cash flows will be received.

The Company's contractual liabilities at December 31, 2016 are summarized in the table below:

Table 15 – Contractual Liabilities
(In thousands of Canadian dollars)

	Within 1 Year	1 -3 Years	3 -5 Years	After 5 Years	Total
Accounts payable and accrued liabilities	$ 52,295	$ 190	$ 88	$ 139	$ 52,712
Bank facilities	3,656	-	-	-	3,656
Securitization liabilities	35,377	82,188	146,011	-	263,576
Loans payable	4,251	-	-	-	4,251
Operating leases	1,506	2,209	1,552	2,889	8,156
Total	**$ 97,085**	**$ 84,587**	**$ 147,651**	**$ 3,028**	**$ 332,351**

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.

Market Risk Management

Market risk is largely composed of two related risks: interest rate risk and investment risk. These are discussed below.

Interest Rate Risk

Interest rate risk is the risk of lost earnings or capital due to changes in interest rates. The objective of interest rate risk management is to ensure that the Company is able to realize stable and predictable earnings, over specific time periods, despite fluctuations in interest rates. Prior to Street Capital Bank beginning operations as a Schedule I bank, allowing it to take deposits, offer uninsured loans and offer other products and services, the Company's primary exposure to interest rate risk arose from fluctuations in interest rates on its mortgages and loans payable, which depend on prevailing rates at renewal.

Generally, the Company is not exposed to material levels of interest rate risk arising from prime insured mortgage commitments, because the purchase price for mortgages sold to investors is normally based on customer commitment rates rather than the funded rate, thereby passing on the interest rate risk to the investors. Where the Company securitizes prime insured mortgages directly, or sells these loans on a whole loan basis after funding, it is exposed to interest rate risk arising from mortgage commitments issued and from the point of loan funding to the pooling of the loan for securitization. The level of risk has historically been low overall given low relative volumes, however, in Q4 2016 the Company did take on more interest rate risk compared to historic periods leading to a small part of the compression in gains on sale.

With the expansion of its business to on-balance sheet lending and deposit-taking activities, the Bank will increase its exposure to interest rate risk due to the potential gap between the maturity dates of interest-sensitive assets and liabilities and commitment periods. The Bank has therefore adopted a Board-approved market risk management framework that defines strategies and policies that are aligned with the Company's risk appetite. In addition the framework specifies stress-testing and sensitivity analysis with regard to interest rates and related factors, along with appropriate use of hedging as a risk management technique. The policies are reviewed at least annually and more often if required by events or changing circumstances.

At December 31, 2016 an immediate and sustained 100 basis point change in interest rates would result in a minimal change 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 has historically been linked to its portfolio investments, as the Company was not a deposit taking institution prior to Street Capital Bank beginning operations as a Schedule I bank.

The portfolio investments are carried at fair value, and at December 31, 2016 had a fair value of $3.0 million, of which $2.3 million is attributable to the Company's non-controlling interests (December 31, 2015 - $10.3 million). At December 31, 2016 the Company has several risks with respect to its portfolio investments. The first is that virtually all of the valuation of the Private Equity investments at December 31, 2016 is based on the price of publicly traded stock, and therefore there is potential for a decline in value prior to exiting the investment. A second 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. The third point is that the fair value of the investment in Fleetwood, which management concluded was zero at both December 31, 2016 and 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 Company has adopted a Board-approved investment policy that specifies the sources of cash to be invested and the constraints within which investments can be made. The policy is designed to help mitigate credit, liquidity and market risk. It is reviewed at least annually, and more often if required by events or changing circumstances.

Operational Risk Management

Operational risk is the risk of loss resulting from either inadequate or failed internal processes, people and systems, or from external events. Operational risk cannot be completely eliminated, since it is inherent in all business activities, and it can occur in such diverse areas as fraud, equipment damage, system failure, cyber security, business disruption, human error, and natural disasters.

While aware of these constraints, the Company takes proactive steps to mitigate its operational risk. The Company has adopted an ERM Framework that includes strategies to manage operational risk, including avoidance, transfer, insurance, acceptance and mitigation by controls. The Company employs a risk and compliance information system that facilitates the application of an enhanced operational risk methodology. Key components of the Company's risk management framework are:

Governance

As described above under *Risk Governance*, this includes policies and an internal control framework designed to provide and support a healthy operational environment. The policies are approved by the Bank's ERM Committee.

Risk Identification and Assessment

This includes business line risk and control self-assessments, designed to identify the Company's exposure to key operational risks, and mitigate it through controls or other risk mitigation such as insurance. It also includes a risk assessment framework for new initiatives such as new products and services. This ensures that associated risks are identified, assessed and approved as being within the Company's risk appetite and that they can be supported by the Company's control systems.

Risk Measurement

As the Company's bank operations expand, stress testing and scenario analytics will become a more significant component of its risk management activities.

Risk Monitoring and Reporting

Monitoring the Company's risks and reporting the associated observations are key to the Company's management of operational risk processes. Together, they ensure that the risks and issues are identified, escalated, managed and mitigated on a timely basis. The Company's Risk and Compliance units report regularly on current and emerging operational risks, key risk indicators, operational loss events, external event analyses, issues management, risk assessments of new initiatives, crisis management readiness and third party risk management.

Measurement and monitoring of key risk and/or performance indicators takes place across the organization, and is designed to ensure that the Company's operations conform to its defined risk appetite. It is also a means for the Company to identify early warning signs of changes in the risk environment or control effectiveness, or of other potential issues, before they become significant enough to cause losses or other negative impacts.

Operational losses, including near misses, are recorded, analyzed and reported, with the objective of preventing recurrences. This may also highlight areas where risk management requires improvement. The Company also analyzes events reported by or about external organizations, in order to identify and prevent similar risks within the Company.

Business Continuity and Crisis Management

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. The Company has adopted a business continuity and crisis management strategy to minimize the impact of a disruption or other adverse event.

Cyber Risk Management

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, they are also expanding their use of newer information technology, such as outsourced cloud computing arrangements. In the face of this growing complexity, 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.

Insurance Management

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.

Compliance Risk

Compliance risk is the risk of the Company's non-compliance with applicable legislation, regulatory requirements, or Board-mandated policies. It is particularly significant in instances where non-compliance could negatively impact the Company's reputation and/or soundness. Compliance risk is managed primarily by the Chief Compliance Officer and the Chief Anti-Money Laundering Officer, with assistance from other senior management.

Capital Adequacy Risk

Capital adequacy risk is the risk that the Company holds insufficient capital to meet its regulatory requirements and any other requirements necessary to manage the organization as a going concern, including during periods of severe but plausible stress. Over time, insufficient capital can result in insolvency and losses by stakeholders such as creditors and depositors. As a regulated Schedule I bank, if OSFI deems the Bank undercapitalized it can require Street Capital Group Inc. to provide additional capital to the Bank. Please see *Capital Management*, above, for more discussion of the Company's capital.

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 the Company's 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.

Risk Factors that May Affect Future Results

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 2016, the Company placed 90% of newly originated mortgages with two institutional investors who are Canadian and US financial institutions, respectively. If any 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, and its other planned banking businesses, are regulated under lending and other legislation in certain of the jurisdictions in which the Company conducts business. Changes in regulatory legislation or the interpretation thereof, or the introduction of any new regulatory requirements, could have a material negative effect on the Company and its operating results. Any material future banking initiatives would also likely require regulatory consent from OSFI. Finally, as an approved lender and MBS issuer under the *National Housing Act*, the Bank is able to originate CMHC, Genworth and Canada Guaranty insured mortgages, as well as securitize such mortgages within certain prescribed limits. Any change in the Bank'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 third-party service providers to provide the respective services 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's 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. If the strategy proves to be ineffective, the Company could suffer material losses.

Reliance on Mortgage Insurers and Mortgage Insurance Rules

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, if the insurers were unable to fulfill their mortgage insurance payment obligations, or if the Company was unable to raise sufficient deposits and capital to increase its uninsured lending and other bank operations in order to compensate, this would have a negative impact on the Company's business and financial results.

Changes to mortgage insurance rules, and increased mortgage premiums that potentially limit the availability of mortgage insurance for prime mortgages or make mortgage rates uncompetitive, could have a negative impact on the Company's ability to offer competitive mortgage products and could reduce originations of prime mortgages. Recent mortgage rule changes and mortgage premium increases are expected to reduce new prime volumes by up to 10% in 2017 compared to 2016. Further changes in regulation or changes in consumer behavior could change management's view of the potential volume impact.

Mortgage Repurchase Obligations

Historically, the Company has sold the majority of 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, and the additional products and services that it plans to introduce as part of its bank operations, 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's competition includes 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 and/or depositors. This has the potential to reduce the level of mortgage originations or renewals, to reduce the value of the mortgages the Company sells to investors or securitizes, or to negatively impact the amount of deposits the Company can attract to fund its uninsured lending products. 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.

NON-GAAP MEASURES

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

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

The adjusted results are intended to highlight the core operating business of the Company (the Bank) by removing items associated with the Company's legacy businesses. These items include i) non-recurring restructuring expenses or recoveries, net of applicable taxes, ii) fair value adjustments, provisions, and the results of discontinued operations associated with the Company's legacy businesses, and iii) non-recurring reversals of HST ITCs, net of applicable taxes. 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.

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

								For the three months ended		For the year ended
(in thousands of $, except per share data)	**December 31, 2016**	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	**December 31, 2016**	December 31, 2015
Net income (loss)	**$ 462**	$ 7,491	$ 5,310	$ 3,003	$ (2,795)	$ 6,676	$ (37,666)	$ 3,750	**$ 16,266**	$ (30,035)
Fair value adjustments (net of non-controlling interest)	**898**	(827)	541	48	6,056	242	(175)	(437)	**660**	5,686
Restructuring expense (recovery) (net of applicable tax)	**-**	-	-	(598)	-	-	46,602	-	**(598)**	46,602
Discontinued operations (net of tax)	**(2)**	(493)	(6)	(9)	(6)	(9)	6	(8)	**(510)**	(17)
Provision against legacy non-trade receivable (net of applicable tax and non-controlling interest)	**542**	-	-	-	877	-	-	-	**542**	877
One time reversal of HST ITCs (net of applicable tax)	**-**	-	-	-	660	-	-	-	**-**	660
Adjusted net income	**$ 1,900**	$ 6,171	$ 5,845	$ 2,444	$ 4,792	$ 6,909	$ 8,767	$ 3,305	**$ 16,360**	$ 23,773
Shareholders' diluted earnings (loss) per share	**$ 0.00**	$ 0.06	$ 0.04	$ 0.02	$ (0.02)	$ 0.06	$ (0.37)	$ 0.04	**$ 0.13**	$ (0.27)
Adjusted shareholders' diluted earnings per share	**$ 0.02**	$ 0.05	$ 0.05	$ 0.02	$ 0.04	$ 0.06	$ 0.09	$ 0.03	**$ 0.13**	$ 0.21

Return on equity is defined as the net income (loss) 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.

Reconciliation of shareholders' equity to shareholders' tangible equity

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

								As at
(in thousands of $)	**December 31, 2016**	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Shareholders' equity	**$ 134,492**	$ 134,402	$ 127,001	$ 121,998	$ 118,245	$ 120,752	$ 113,985	$ 115,024
Deduct: goodwill from purchase of Street Capital Bank	**(23,465)**	(23,465)	(23,465)	(23,465)	(23,465)	(23,465)	(23,465)	(23,465)
Deduct: intangible assets from purchase of Street Capital Bank	**(4,114)**	(4,237)	(4,361)	(4,484)	(4,607)	(4,731)	(4,854)	(4,977)
Shareholders' tangible equity	**$ 106,913**	$ 106,700	$ 99,175	$ 94,049	$ 90,173	$ 92,556	$ 85,666	$ 86,582

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

(in thousands of $)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2016	December 31, 2015
	For the three months ended								For the year ended	
Net income (loss)	**$ 462**	$ 7,491	$ 5,310	$ 3,003	$ (2,795)	$ 6,676	$ (37,666)	$ 3,750	**$ 16,266**	$ (30,035)
Add back: amortization of intangible assets	**123**	124	123	123	124	123	123	124	**493**	494
Net income (loss) for return on shareholders' tangible equity	**$ 585**	$ 7,615	$ 5,433	$ 3,126	$ (2,671)	$ 6,799	$ (37,543)	$ 3,874	**$ 16,759**	$ (29,541)
ROTE	**2.2%**	29.6%	22.5%	13.6%	(11.7%)	30.5%	(174.4%)	18.4%	**16.9%**	(33.8%)

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

(in thousands of $)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2016	December 31, 2015
	For the three months ended								For the year ended	
Net adjusted income (loss)	**$ 1,900**	$ 6,171	$ 5,845	$ 2,444	$ 4,792	$ 6,909	$ 8,767	$ 3,305	**$ 16,360**	$ 23,773
Add back: amortization of intangible assets	**123**	124	123	123	124	123	123	124	**493**	494
Adjusted net income for return on shareholders' tangible equity	**$ 2,023**	$ 6,295	$ 5,968	$ 2,567	$ 4,916	$ 7,032	$ 8,890	$ 3,429	**$ 16,853**	$ 24,267
Adjusted ROTE	**7.6%**	24.5%	24.7%	11.1%	21.5%	31.6%	41.3%	16.2%	**17.0%**	27.7%

Average beacon

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

Book value per share

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

Leverage Ratio

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

Loan to value ratio

The loan to value ratio ("LTV") is calculated as the portfolio weighted average ratio of outstanding loan balance to collateral value at origination.

Market capitalization

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

Mortgages under administration ("MUA")

Mortgages under administration includes all securitized and non-securitized mortgage loans, 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 expense recorded in the second quarter of 2015, plus iv) a restructuring recovery recorded in the first quarter of 2016.

	For the three months ended		For the year ended	
(in thousands of $)	**March 31, 2016**	June 30 2015	**December 31, 2016**	December 31, 2015
Expenses				
Salaries and benefits	**$ 6,738**	$ 7,200	**$ 31,370**	$ 28,147
Selling, general and administrative expenses	**3,147**	3,827	**15,400**	14,786
Restructuring expense (recovery)	**(813)**	50,240	**(813)**	50,240
Total expenses	**9,072**	61,267	**45,957**	93,173
Add (deduct): restructuring (expense) recovery	**813**	(50,240)	**813**	(50,240)
Operating expenses	**$ 9,885**	$ 11,027	**$ 46,770**	$ 42,933

Renewed Mortgages

Renewed mortgages includes all mortgages that are renewed at the end of their contractual term, with no changes to the contractual terms except interest rate.

Risk-Based Capital Ratios

The risk-based capital ratios are composed of the Common Equity Tier 1, Tier1, and Total Capital Ratios. The capital ratios provided in this MD&A are those of the Company's wholly owned subsidiary Street Capital Bank. The calculations are in accordance with guidelines issued by OSFI.

Risk-weighted assets

The risk-weighted assets reported in this MD&A are those of the Company's wholly owned subsidiary Street Capital Bank. The calculations are in accordance with guidelines issued by OSFI.

Serious arrears rate

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

Total debt service ratio

The total debt service ratio ("TDS") refers to the debt service ratios of new mortgage clients, and is calculated as the portfolio weighted average at the date of mortgage origination.

GLOSSARY

Basis point
A basis point ("bp") is one hundredth of a percentage point.

Canada Deposit Insurance Corporation ("CDIC")
The Canada Deposit Insurance Corporation is a Canadian federal Crown corporation that insures Canadians' deposits held at Canadian banks up CDN $0.10 million in case of a bank failure.

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

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.

Liquidity Adequacy Requirements ("LAR")
A guideline published by OSFI (see below) that requires banks, bank holding companies, trust and loan companies and cooperative retail associations to maintain adequate and appropriate forms of liquidity.

Liquidity Coverage Ratio ("LCR")
The Liquidity Coverage Ratio is a standard, and a component of the LAR, that aims to ensure that an institution has an adequate stock of unencumbered high-quality liquid assets ("HQLA") that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

Net Cumulative Cash Flow ("NCCF")
The Net Cumulative Cash Flow is a tool, and a component of the LAR, that measures an institution's cash flows beyond the 30 day horizon in order to capture the risk posed by funding mismatches between assets and liabilities, after the application of assumptions around the functioning of assets and modified liabilities (i.e. where rollover of certain liabilities is permitted). The NCCF measures an institution's cash flow horizon both on the basis of the consolidated balance sheet as well as by major individual balance sheets and components. The metric helps identify gaps between contractual inflows and outflows for various time bands over and up to a 12 month time horizon, which indicate potential liquidity shortfalls an institution may need to address.

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.