Audited Consolidated Financial Statements
December 31, 2016

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Management's Responsibility for Financial Information

The consolidated financial statements and Management's Discussion and Analysis ("MD&A") of Street Capital Group Inc. (the "Company") are prepared by management. Management is responsible for the integrity and fairness of the information presented. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in effect at December 31, 2016. The consolidated financial statements reflect amounts which must, of necessity, be based on management's best judgments and estimates, with appropriate consideration regarding materiality. The financial information presented elsewhere in this report is consistent with the information in the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of securities regulators.

Management is responsible for the fairness and integrity of the consolidated financial statements and other financial information, and for the implementation of supporting accounting systems. Management therefore maintains and monitors a system of internal controls. These controls are designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that the financial records are accurate and complete. Management also administers a program of ethical business conduct, whose controls include quality standards in hiring and training employees, written policies and procedures, authorization limits for managers, appropriate management information systems, and a corporate code of conduct. As at December 31, 2016, the Company's Chief Executive Officer and Chief Financial Officer have determined that the Company's internal control over financial reporting is effective.

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

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

W.E. Gettings
Chief Executive Officer

Marissa Lauder, CPA, CA
Chief Financial Officer

Toronto, Canada
March 7, 2017

Independent Auditors' Report

To the Shareholders of Street Capital Group Inc.

We have audited the accompanying consolidated financial statements of Street Capital Group Inc. ("Street"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

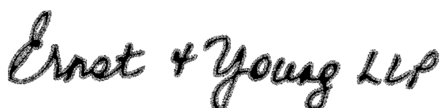
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Street as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto Canada
March 7, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016 and 2015

(In thousands of Canadian dollars)

	Notes	December 31, 2016	December 31, 2015
		$	$
Assets			
Cash and cash equivalents	4	**3,771**	8,846
Restricted cash	4	**31,159**	13,078
Non-securitized mortgage loans	5	**9,323**	16,843
Securitized mortgage loans	6	**264,192**	167,762
Deferred placement fees receivable	7	**51,314**	46,442
Prepaid portfolio insurance	8	**79,049**	66,672
Portfolio investments	10	**3,026**	13,506
Deferred income tax assets	15	**14,429**	14,135
Other assets	11	**14,659**	14,569
Intangible assets	9	**5,187**	5,399
Goodwill	9	**23,465**	23,465
Total assets		**499,574**	390,717
Liabilities			
Bank facilities	12	**3,656**	15,817
Loans payable	13	**4,251**	8,972
Securitization liabilities	6	**264,732**	167,380
Accounts payable and accrued liabilities	14	**52,712**	38,929
Deferred income tax liabilities	15	**43,914**	37,250
Total liabilities		**369,265**	268,348
Shareholders' equity			
Share capital	18	**242,526**	242,178
Contributed surplus		**61,433**	61,800
Retained earnings (deficit)		**(169,467)**	(185,733)
Total shareholders' equity		**134,492**	118,245
Non-controlling interest	10	**(4,183)**	4,124
Total equity		**130,309**	122,369
Total liabilities and equity		**499,574**	390,717
Commitments and contingencies	17		

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

On behalf of the Board:

W.E. Gettings
Chief Executive Officer

Lea Ray, CPA, ICD.D
Chair of Audit Committee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands of Canadian dollars, except per share data)

	Notes	Year ended December 31, 2016	2015
		$	$
Revenue			
Gain on sale of mortgages		**167,051**	164,796
Acquisition costs		**(98,638)**	(88,728)
Net gain on sale of mortgages	7	**68,413**	76,068
Net interest and other income (expense)	16	**(141)**	(908)
Total revenue		**68,272**	75,160
Expenses			
Salaries and benefits		**31,370**	28,147
Selling, general and administrative expenses		**15,400**	14,786
Restructuring costs (recoveries)	2	**(813)**	50,240
Total expenses		**45,957**	93,173
Income (loss) before fair value adjustments		**22,315**	(18,013)
Fair value adjustments	10	**(2,476)**	(11,892)
Income (loss) before income taxes and discontinued operations		**19,839**	(29,905)
Income taxes	15	**6,187**	6,835
Income (loss) from continuing operations		**13,652**	(36,740)
Income from discontinued operations	25	**510**	17
Net income (loss) and comprehensive income (loss)		**14,162**	(36,723)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	10	**(2,104)**	(6,688)
Net income (loss) and comprehensive income (loss) attributable to shareholders		**16,266**	(30,035)
Basic and diluted earnings (loss) per share			
Continuing operations	19	**0.13**	(0.27)
Discontinued operations		**0.00**	0.00
Basic and diluted earnings (loss) per share		**0.13**	(0.27)
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**121,825**	111,005

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands of Canadian dollars)

	Attributable to shareholders of the Company					
	Share capital (Note 18)	Contributed surplus	Retained earnings (deficit)	Total shareholders' equity	Non-controlling interest (Note 10)	Total equity
	$	$	$	$	$	$
Balance - December 31, 2014	**204,263**	**62,311**	**(155,698)**	**110,876**	**20,677**	**131,553**
Comprehensive loss	-	-	(30,035)	(30,035)	(6,688)	(36,723)
Issuance of shares	36,300	-	-	36,300	-	36,300
Share issue costs	(399)	-	-	(399)	-	(399)
Exercise of stock options	2,014	(860)	-	1,154	-	1,154
Share-based compensation	-	349	-	349	-	349
Net reduction in non-controlling interest investment	-	-	-	-	(9,865)	(9,865)
Balance - December 31, 2015	**242,178**	**61,800**	**(185,733)**	**118,245**	**4,124**	**122,369**
Comprehensive income	-	-	16,266	16,266	(2,104)	14,162
Cancellation of shares related to NCIB	(1,272)	360	-	(912)	-	(912)
Exercise of stock options	319	(134)	-	185	-	185
Conversion of deferred share units	796	(796)	-	-	-	-
Share-based compensation	-	203	-	203	-	203
Repayment of shareholder loan	505	-	-	505	-	505
Net reduction in non-controlling interest investment	-	-	-	-	(6,203)	(6,203)
Balance - December 31, 2016	**242,526**	**61,433**	**(169,467)**	**134,492**	**(4,183)**	**130,309**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands of Canadian dollars)

	Notes	Year ended December 31, 2016	2015
		$	$
Operating activities			
Comprehensive income (loss) from continuing operations		**13,652**	(36,740)
Non-cash items			
Deferred income taxes	15	**6,370**	6,835
Foreign exchange on loans payable		**(99)**	538
Depreciation and amortization		**1,890**	1,593
Fair value adjustments		**2,487**	12,130
Share-based compensation		**203**	349
Income tax expense of discontinued operations		**(183)**	-
Share issuance - restructuring	2	**-**	35,345
Changes in operating assets and liabilities			
(Increase) decrease in restricted cash		**(18,081)**	52
Increase in securitized mortgage loans		**(96,430)**	(117,444)
(Increase) decrease in non-securitized mortgage loans		**7,520**	(12,456)
Increase in deferred placement fees receivable		**(4,872)**	(7,693)
Increase in prepaid portfolio insurance		**(12,377)**	(15,784)
(Increase) decrease in other assets		**(383)**	5,345
Increase (decrease) in bank facilities		**(12,161)**	6,044
Increase in securitization liabilities		**97,352**	116,834
Increase (decrease) in restructuring accruals	2	**(3,205)**	11,145
Decrease in private equity distributions payable		**(114)**	(16,819)
Increase (decrease) in other accounts payable and accrued liabilities		**18,261**	(2,527)
Cash used in continuing operations		**(170)**	(13,253)
Cash provided by (used in) discontinued operations		**(39)**	19
Cash used in operating activities		**(209)**	(13,234)
Investing activities			
Net distributions from portfolio investments		**1,562**	4,590
Purchase of capital assets		**(905)**	(1,405)
Purchase of intangible assets		**(679)**	(155)
Cash provided by (used in) investing activities		**(22)**	3,030
Financing activities			
Repayments of loans payable		**(4,622)**	(700)
Settlement of share purchase loan		**505**	-
Common shares purchased for cancellation		**(912)**	-
Exercise of stock options		**185**	1,154
Share issue costs		**-**	(399)
Payment of contingent liability		**-**	(4,027)
Cash used in financing activities		**(4,844)**	(3,972)
Decrease in cash and cash equivalents		**(5,075)**	(14,176)
Cash and cash equivalents - beginning of period		**8,846**	23,022
Cash and cash equivalents - end of period		**3,771**	8,846
Supplementary information			
Cash paid and received during the period			
Interest received		**6,786**	3,438
Interest paid		**5,913**	3,963
Income taxes paid (tax refunds received)		**(8)**	12
Effects of exchange rate changes on the balance of cash held in foreign currencies		**-**	1,981

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

STREET CAPITAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

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

1. Corporate information

Street Capital Group Inc. (“Street Capital” or “the Company”) is a public corporation traded on the Toronto Stock Exchange under the ticker symbol “SCB”. The Company was incorporated in the province of Ontario in 1979. The address of its registered office is 1 Toronto Street, Suite 700, P.O. Box 3, Toronto, Ontario, M5C 2V6.

Since May 2011, when the Company acquired Street Capital Financial Corporation (“Street Capital Financial”), a Canadian residential mortgage lender that was founded in 2007, the Company has operated principally as a mortgage lending business through Street Capital Financial. Effective February 1, 2017, Street Capital Financial has begun operations as Street Capital Bank of Canada in English and Street Capital Banque du Canada in French (collectively, "Street Capital Bank"). Street Capital Bank’s head office is located in Toronto.

The Company also controls a private equity business (“Private Equity”) through a wholly owned subsidiary, Knight’s Bridge Capital Partners Inc. (“Knight’s Bridge”). Knight’s Bridge is responsible for managing a private equity investment fund (“KBCP Fund I”), the legal entity that holds the Company’s Private Equity portfolio investments. KBCP Fund I was founded in 2008 and has largely been liquidated. The Company is a Limited Partner (“LP”) of KBCP Fund I and holds approximately 16% of its units.

The table below details the Company's principal subsidiaries and its respective ownership interest in each as at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Street Capital Financial Corporation	**100%**	100%
Knight's Bridge Capital Partners Inc.	**100%**	100%

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 7, 2017.

2. Corporate realignment and restructuring charges

On June 23, 2015 the Company made significant changes to its organizational structure, in order to strengthen its capital position and flexibility. The Company issued 20 million of its common shares and paid $2.9 million in cash in order to purchase, from certain members of Street Capital Financial management, all of the issued and outstanding Class C shares of Street Capital Financial. Subject to the occurrence of certain events, the vendors of the Class C shares agreed not to transfer or sell the common shares issued to them except that i) 25% of such shares may be transferred on or after June 1, 2017; ii) 50% of such shares may be transferred on or after June 1, 2018; and iii) 100% of such shares may be transferred on or after June 1, 2019. As part of the share exchange, a contingent liability attached to the Class C shares was extinguished.

The issuance of common shares, the extinguishment of the contingent liability, and additional reorganization expenses relating to severance payments and legal costs were recorded as restructuring expenses on the condensed consolidated interim statement of comprehensive income, as shown below:

		June 30, 2015
Issuance of 20 million common shares of Street Capital Group Inc. (1)	$	36,300
Cash consideration		2,919
Settlement of contingent liability		(955)
Cost to extinguish contingent liability	**$**	**38,264**
Restructuring costs and severance		11,976
Total restructuring costs	**$**	**50,240**

(1) Calculated at $2.42 per share, which was the market closing stock price on June 23, 2015, less a 25% discount reflecting the sale restrictions on the shares issued.

At December 31, 2016, the remaining accrued balance of restructuring costs and severance is $7.94 million (December 31, 2015 - $11.15 million). Certain costs that were estimated at the date of the restructuring were settled in the first quarter of 2016, leading to a $0.81 million recovery of restructuring costs.

3. Basis of preparation and significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in effect at December 31, 2016. The Company’s functional and presentation currency is Canadian dollars.

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.

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

Use of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities, in the consolidated financial statements and accompanying notes. Key areas of such 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.

The allowance for credit losses represents management’s best estimate of losses incurred on the Company’s loan portfolio at the date of the consolidated statement of financial position, and requires management’s judgment in making assumptions and estimations that are primarily related to default and loss rates. At the date of these consolidated financial statements the Company’s allowance for mortgage credit losses is not material, since virtually all on-balance sheet mortgage assets are fully insured or deemed fully collectible. Additionally, at the date of these consolidated financial statements, all other originated mortgages had been sold to investors.

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

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

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

The determination of the fair value of portfolio investments not traded in an open market requires management judgment regarding valuation techniques and inputs to valuation models.

The determination of a provision on a non-trade receivable is based on management's judgment regarding collectability.

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

Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

Management has exercised judgment in the application of its accounting policies. In particular, management has applied judgment in the application of its accounting policies related to derecognition of mortgage loans that are either sold through whole loan sales or used in its securitization programs. In the case of whole loan sales, management has determined that it has transferred substantially all the risk and rewards of ownership of the mortgage loan to the purchaser, and it therefore derecognizes the mortgage loans. Mortgage loans that have been securitized by the Company are not derecognized, based on management's judgment that the Company has not transferred all the risks and rewards of ownership of the mortgage loans.

Principles of Consolidation
The consolidated financial statements include the assets, liabilities and results of operations of the Company and its consolidated subsidiaries, which are entities over which the Company has control, and which are identified in Note 1. Control exists when the Company has exposure to variable returns from its investment in the investee, along with the power, directly or indirectly, to govern the financial and operating policies of the investee so as to affect its returns. Non-controlling interests in the equity and results of the Company's subsidiaries are shown separately in the consolidated statement of changes in shareholders' equity. Intercompany balances and transactions among the Company and its subsidiaries are eliminated on consolidation.

Financial instruments
As described above in Note 1, in recent years the Company's operations have been principally in mortgage lending, and in February 2017 the Company began operations as a Schedule I bank through Street Capital Bank. Its consolidated statement of financial position is therefore primarily composed of financial instruments, and the majority of the Company's net income is derived from these financial instruments.

The Company classifies its financial instruments as follows:

(i) Financial assets and liabilities at fair value through profit or loss ("FVTPL")
Financial assets or liabilities are classified as at FVTPL if acquired principally for the purpose of selling or repurchasing in the short-term, or if designated as at FVTPL at acquisition. Financial instruments in this category are recognized initially at fair value, and subsequent gains and losses due to changes in fair value are recognized in the consolidated statements of comprehensive income in the periods in which they occur. The fair values of financial assets that are not traded in an active market are determined by using valuation techniques appropriate for each asset or class of assets. The Company classifies cash and cash equivalents, marketable securities and portfolio investments as at FVTPL.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's classifications to loans and receivables includes non-securitized and securitized mortgage loans, deferred placement fees receivable and accrued gain on sale, accounts receivable, and non-mortgage loans receivable.

Mortgage loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the loan's carrying amount. The effective interest rate is the rate that exactly discounts future cash receipts over the life of the loan. Net origination costs, plus any premium or discount relating to mortgage origination, are amortized to income on an effective yield basis over the term of the loans to which they relate, and are included in interest income in the consolidated statements of comprehensive income. Loans are carried net of credit allowances.

A loan is deemed to be impaired when the Company no longer has reasonable assurance of timely collection of the full amount of principal and interest. Mortgage loans guaranteed by the Government of Canada ("insured mortgages") are not considered impaired until payment is contractually 365 days past due. Material credit losses are generally not expected on insured mortgages.

Receivables and non-mortgage loans (collectively, "receivables") are initially recognized at the amount expected to be received less, when material, a discount to reduce the receivables to fair value. Subsequently, receivables are measured at amortized cost using the effective interest rate method, less any allowance for impairment that is deemed necessary.

(iii) Financial liabilities at amortized cost
The Company classifies bank facilities, accounts payable and accrued liabilities, mortgages and loans payable, and securitization liabilities as financial liabilities at amortized cost. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method. Bank facilities, mortgages and loans payable, and securitization liabilities are recognized initially at fair value net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. At December 31, 2016 the Company does not have any financial liabilities designated as at FVTPL.

The Company's individual financial instruments are discussed in more detail below.

Cash and cash equivalents
Cash and cash equivalents includes cash deposited with regulated financial institutions, restricted cash, and other short-term highly liquid investments with original maturities of three months or less. Interest income earned on cash and cash equivalents is included in interest income in the consolidated statements of comprehensive income.

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

Non-securitized mortgage loans
Non-securitized mortgage loans primarily consist of either mortgages intended for sale to investors, or insured mortgages awaiting securitization and sale. They are carried at amortized cost, using the effective interest rate method. Interest income earned, and interest expense associated with funding these loans, are included in interest income and interest expense, respectively, in the consolidated statements of comprehensive income.

Securitized mortgage loans and securitization liabilities
Securitized mortgage loans result from the Company's participation in the Government of Canada's National Housing Act Mortgage-Backed Securities ("NHA MBS") program, which is facilitated by Canada Mortgage and Housing Corporation ("CMHC"). The securitized mortgage loans are carried at amortized cost using the effective interest rate method. Interest income is recognized over the expected life of the mortgage by applying the effective interest rate to the mortgage's carrying amount.

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

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

In some cases an excess interest rate spread is also received over the remaining term of the mortgage. The present value of the excess interest rate spread is recognized as gain on sale in the consolidated statements of comprehensive income, and a resulting deferred placement fee receivable is recognized in the consolidated statements of financial position. The present value of this excess spread is calculated based on a duration factor of the underlying mortgages sold.

Any difference between the cash collected and the amortization of the deferred placement fee receivable is recognized as income or loss in the consolidated statements of comprehensive income, through net interest and other income (loss).

Prepaid portfolio insurance
The Company purchases portfolio mortgage insurance on some of its low ratio insurable mortgages, which provides coverage over the amortization, rather than the contractual, period of the original underlying mortgage pools. The portfolio insurance is capitalized and 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.

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

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

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

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

Intangible assets
The Company recognizes both acquired and internally generated intangible assets, in cases where their costs can be reliably measured and it is probable that associated future economic benefits will accrue to the Company. Acquired intangible assets are recorded at fair value upon acquisition and amortized on a straight-line basis over their estimated lives. Subsequent to acquisition, the assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets, which consist of systems and software, include all directly attributable costs necessary to create an asset that is capable of operating as intended by management. Overhead, research and training costs are excluded, as are costs incurred after the asset is substantially complete and available for use. Internally generated intangible assets are amortized on a straight-line basis over their estimated lives. The Company has no indefinite life intangible assets.

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

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

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

Portfolio investments
The Company's portfolio investments are carried at fair value. Changes in fair value, inclusive of foreign exchange, are recorded as fair value adjustments and recognized in net income through profit and loss.

Income taxes

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

Income taxes consist of both current and deferred tax. Income taxes are recognized in the consolidated statements of comprehensive income except to the extent that they relate to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

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

Discontinued operations

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

Revenue recognition

Mortgage lending

In recent years, the majority of the Company's revenue has been earned from the placement, servicing and securitization activities of its mortgage lending business. Under this model, the Company sells whole loan mortgages to third parties and receives up to five of the following forms of compensation:

- Cash premium – The cash premium received for the mortgages sold is recognized as gain on sale of mortgages in the consolidated statements of comprehensive income.

- Servicing fees – 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. The present value of the servicing fee, less the Company's cost of servicing, is recognized as gain on sale of mortgages in the consolidated statements of comprehensive income, and a resulting deferred placement fees receivable is recognized in the consolidated statements of financial position.

- Excess interest rate spread – In some cases, an excess interest rate spread is received over the remaining term of the mortgage. The present value of the excess interest rate spread is recognized as gain on sale of mortgages in the consolidated statements of comprehensive income, and a resulting deferred placement fees receivable is recognized in the consolidated statements of financial position.

- Mortgage prepayment penalty fees – The prepayment penalty received when a securitized mortgage is prepaid is recognized as interest income.

- Mortgage life insurance referral fees – The Company receives a fee when life insurance is purchased for a mortgage that the Company originates. It is received as part of the deal closing, and recognized as other income.

Private equity
The Company's Private Equity business earns management fees related to the investments that it manages. The Company recognizes management fees as they are earned, as part of other income.

Stock-based compensation plans
The Company and its subsidiaries issue share-based awards, in the form of options to purchase common stock, to certain employees and non-employee directors. The cost of these awards is determined to be the fair value of the options on the grant date, as calculated using a fair value model. This cost is recognized in salaries and benefits expense on a proportionate basis consistent with the vesting features of each tranche of the grant.

Employee benefits
The Company's contributions to the Group Retirement Savings Plan are expensed when paid.

Carried interest
The Company, through its 100% owned subsidiary, Knight's Bridge Capital Partners GP, L.P., which is the General Partner of KBCP Fund I, is entitled to a carried interest of 20% of the total profits realized by KBCP Fund I after the investors (the LPs) in the fund have received the return of their contributed capital and a minimum 8% per annum preferred return on their capital.

The unrealized carried interest is calculated based on the fair values of the underlying investments of KBCP Fund I and in accordance with the limited partnership agreements. The unrealized carried interest reduces the amount due to the LPs (non-controlling interest) and will be paid upon the realization of the underlying KBCP Fund I investments. The change in net carried interest attributable to the Company is recognized through the attribution of the LPs' interests (net income (loss) attributable to non-controlling interest).

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

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

Non-controlling interest
At December 31, 2016, non-controlling interest represents the interests in controlled assets owned by outside investors in KBCP Fund I and in Fleetwood Fine Furniture, LP. The share of net assets attributable to non-controlling interest is presented as a separate component within equity. The non-controlling interest share of net income is presented separately in the consolidated statements of comprehensive income. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation
Functional and presentation currency
"Functional currency" is defined as the currency of the primary economic environment in which an entity operates. The Company operates primarily in Canada, and therefore its functional currency is Canadian dollars, and its consolidated financial statements are presented in Canadian dollars.

The financial statements of entities that have a functional currency different from that of Street Capital ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in the consolidated statements of comprehensive income.

Transactions and balances
Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the transaction dates. Assets and liabilities held in foreign currencies are translated into Canadian dollars using the closing rate at the date of the consolidated statement of financial position. The resulting foreign exchange gains and losses are recognized in the consolidated statement of comprehensive income.

Future accounting changes

IFRS 9 – Financial Instruments In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments* ("IFRS 9"), which replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company will not be early adopting IFRS 9. Retrospective application is required, but comparative information is not compulsory.

Upon adoption of IFRS 9, the Company will also be required to adopt amendments to *IFRS 7 – Financial Instruments: Disclosures*, which will require more extensive disclosures relating to such areas as classification, impairment and hedge accounting. The Company's assessment of the impact of the new standard and the amendments on its results of operations, financial position and disclosures is in progress, and it is not expected to be material with respect to current operations and products. The Company will continue to focus on the implementation of IFRS 9 during 2017. Also in progress is the Company's assessment of IFRS 9's impact on the products and services that it will introduce as part of its operations as a Schedule I bank.

IFRS 15 – Revenue From Contracts with Customers In May 2014, with a subsequent amendment in April 2016, the IASB issued *IFRS 15 – Revenue From Contracts with Customers* ("IFRS 15"), which supersedes all current revenue recognition requirements under IFRS. The standard establishes a single, five-step, structured model for recognizing revenue from contracts with customers. The amendment clarifies how to identify a performance obligation and determine whether a company is a principal or an agent. The amendments have the same effective date as the original standard of January 1, 2018. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company will not be early adopting IFRS 15. The Company's assessment of the impact of the new standard on its results of operations, financial position and disclosures is in progress. The Company will continue to focus on implementation of the standard throughout 2017. Given that the Company earns the majority of its revenue from financial instruments, which are accounted for under IFRS 9, adoption of IFRS 15 is not expected to be material with respect to current operations.

IFRS 16 – Leases In January 2016 the IASB issued *IFRS 16 – Leases* ("IFRS 16"), which supersedes *IAS 17 - Leases* and its interpretive guidance. The standard applies a control model to the identification of leases, and distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The most significant changes are to lessee accounting, since the standard removes the distinction between operating and finance leases, and requires assets and liabilities to be recognized for all leases, with limited exceptions. The standard does not significantly change the accounting by lessors. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that have also adopted IFRS 15. The Company's assessment of the impact of the new standard on its results of operations, financial position and disclosures is in progress. Implementation of IFRS 16 is expected to result in changes to the consolidated statements of financial position in the form of right of use assets and associated lease obligations.

IFRS 2 – Share-based Payment In June 2016, the IASB issued amendments to *IFRS 2 – Share-based Payment* ("IFRS 2"). These amendments are narrow in scope and are intended to eliminate diversity in accounting in three main areas: 1) the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, 2) the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and 3) the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The

amendments to IFRS 2 are effective for accounting periods beginning on or after January 1, 2018, with earlier application permitted. Prior periods need not be restated upon adoption. Entities may elect to apply the amendments retrospectively, providing this approach is adopted for all of them. The Company does not expect the impact to be material with respect to the currently outstanding options, and does not plan to apply the amendments retrospectively.

4. Cash and cash equivalents, and restricted cash

The Company had the following cash and cash equivalents, and restricted cash, as at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Deposits with regulated financial institutions	**$ 3,771**	$ 8,846
Cash and cash equivalents	**$ 3,771**	$ 8,846
Restricted cash - servicing	**$ 27,704**	$ 10,114
Restricted cash - securitization	**3,455**	2,964
Total restricted cash	**$ 31,159**	$ 13,078

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

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

5. Non-securitized mortgage loans

Non-securitized mortgage loans are primarily made up of mortgages intended for whole loan sales to various purchasers, insured mortgages awaiting securitization and sale through the NHA MBS program, or bridge loans, with any remaining amounts consisting of mortgages or loans that the Company intends to hold until maturity.

Mortgage loans carry interest rates ranging from 2.3% to 7.70% with maturities up to 5 years (December 31, 2015 – 1.9% to 7.7%), as shown below:

	Within 1 Year	1 -3 Years	3 -5 Years	December 31, 2016 Total book value	December 31, 2015 Total book value
Maturities	**$ 7,490**	**$ 351**	**$ 1,482**	**$ 9,323**	$ 16,843

6. Securitization activity

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

Due to this retention, the gross carrying amounts of mortgages and related assets assigned in securitization transactions are recorded in the consolidated statements of financial position as securitized mortgage loans, and the securitization proceeds are accounted for as offsetting secured borrowing transactions. Deferred securitized mortgage acquisition costs are directly attributable to the acquisition of securitized mortgage loans

and are amortized into income using the effective interest rate method. Accrued interest on securitization liabilities is recorded in securitization liabilities in the consolidated statements of financial position and is based on the underlying MBS coupon**.** Premiums, discounts and transaction costs from the issuance of NHA MBS securities are amortized through interest expense using the effective interest rate method.

There are no expected credit losses on the securitized mortgage assets as the mortgages are insured against default, and therefore the Company has not recorded a provision for credit losses. Insured mortgages are considered impaired when they are more than 365 days in arrears. At December 31, 2016 and 2015, none of the transferred mortgages were 365 or more days in arrears.

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

		December 31, 2016		
		Carrying amount of securitized mortgage loans		**Carrying amount of securitization liabilities**
Securitized mortgage loans	**$**	**260,315**	**$**	**263,965**
Deferred securitized mortgage acquisition costs		**3,877**		**-**
Deferred transaction costs		**-**		**767**
	$	**264,192**	**$**	**264,732**

		December 31, 2015		
		Carrying amount of securitized mortgage loans		**Carrying amount of securitization liabilities**
Securitized mortgage loans	$	164,451	$	166,766
Deferred securitized mortgage acquisition costs		3,311		-
Deferred transaction costs		-		614
	$	167,762	$	167,380

The tables below present the contractual principal repayments to be received with respect to the Company's securitized mortgage loans receivable:

								December 31, 2016
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Contractual repayments	**$**	**31,807**	**$**	**82,188**	**$**	**146,011**	**$**	**260,006**

								December 31, 2015
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Contractual repayments	$	19,398	$	59,002	$	85,852	$	164,252

The principal amount of NHA MBS securitization liabilities are estimated to be paid as follows:

				December 31, 2016
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Projected payments	$ 35,377	$ 82,188	$ 146,011	$ 263,576

				December 31, 2015
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Projected payments	$ 21,660	$ 59,002	$ 85,852	$ 166,514

Securitization liabilities include $3.46 million (2015 - $2.96 million) that has been collected from the securitized mortgages but not yet paid to the MBS holders to settle securitization liabilities.

7. Mortgage sale activity

Gain on sale of mortgages and deferred placement fees receivable

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

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

The present value of (i) the difference between the servicing fee and fair value of servicing, and (ii) the excess spread, is recorded as gain on sale of mortgages in the consolidated statements of comprehensive income and as deferred placement fees receivable in the consolidated statements of financial position. As well, in some cases an excess interest rate spread is received over the remaining term of the mortgage. The present value of the excess interest rate spread, calculated based on a duration factor of the underlying mortgage sold, is recognized as gain on sale of mortgages in the consolidated statements of comprehensive income, and a resulting deferred placement fee receivable is recognized in the consolidated statements of financial position.

The table below presents the mortgages sold and the associated gain on sale for the years ended December 31:

	Year ended December 31, 2016	2015
Mortgages sold - new	$ 7,940,758	$ 7,264,888
Mortgages sold - renewals	1,428,534	1,772,290
Mortgages sold - total	$ 9,369,292	$ 9,037,178
Cash premium at sale	$ 144,900	$ 142,372
Deferred gain on sale	22,151	22,424
Acquisition costs	(98,638)	(88,728)
Net gain on sale of mortgages	$ 68,413	$ 76,068
% Gain	0.73%	0.84%

The difference between the cash collected and the amortization of the deferred placement fees receivable is recognized as income or loss in the consolidated statements of comprehensive income through net interest and other income. The net deferred placement fees at December 31, 2016 and 2015 are shown below:

			December 31, 2016			December 31, 2015
	Capitalized at sale	Accumulated amortization	Net book value	Capitalized at sale	Accumulated amortization	Net book value
Deferred placement fees receivable	$ 125,205	$ (73,891)	$ 51,314	$ 102,926	$ (56,484)	$ 46,442

Mortgages under administration

In accordance with agreements with its respective third party mortgage servicers, the Company administers the mortgages purchased by investors and securitized as NHS MBS. As at December 31, 2016, total mortgages under administration, including the mortgages sold and securitized, amounted to $27.70 billion (December 31, 2015 - $24.75 billion).

8. 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.

For portfolio mortgage insurance purchased prior to May 14, 2015, the Company was entitled to substitute prepaid mortgage amounts with another mortgage of equal value at no additional cost. The substitution period varied, by insurer, from 5 to 25 years. When estimating the pattern of amortization for portfolio mortgage pools purchased prior to this date, assumptions included the substitution feature.

For portfolio mortgage insurance purchased after May 14, 2015, there are no substitutions permitted, except for replacements of loans to the same borrower. This has the effect of speeding up the pattern of amortization compared to pools with substitution eligibility, while maintaining the maximum 15-year amortization period. This change only applies to portfolio mortgage insurance purchased after May 14, 2015.

The net unamortized amount of prepaid portfolio insurance at December 31, 2016 and 2015 is shown below, together with a continuity schedule for the years ended December 31, 2016 and 2015.

	Capitalized at purchase	Accumulated amortization	December 31, 2016 Net book value	Capitalized at purchase	Accumulated amortization	December 31, 2015 Net book value
Prepaid portfolio insurance	**$ 103,509**	**$ (24,460)**	**$ 79,049**	$ 83,546	$ (16,874)	$ 66,672

	Year ended December 31, 2016	2015
Balance, beginning of period	**$ 66,672**	$ 50,888
Capitalized at purchase	**19,963**	21,423
Amortization during the period	**(7,586)**	(5,639)
Balance, end of period	**$ 79,049**	$ 66,672

9. Intangible assets and goodwill

Intangible assets

At December 31, 2016, the Company has both acquired and internally generated intangible assets. The acquired intangible asset relates to the mortgage renewal stream associated with the Company's 2011 acquisition of Street Capital Financial. The internally generated intangible assets consist of internally developed systems and software. At December 31, 2016 and 2015, there were no external or internal indicators that led to the requirement for impairment testing of the assets.

Details of the Company's intangible assets are as follows:

	December 31, 2016	December 31, 2015
Acquired:		
Mortgage renewal stream	**$ 6,869**	$ 6,869
Accumulated amortization	**(2,755)**	(2,262)
	$ 4,114	$ 4,607
Internally developed:		
Systems and software	**$ 3,442**	$ 2,763
Accumulated amortization	**(2,369)**	(1,971)
	$ 1,073	$ 792
	$ 5,187	$ 5,399

Amortization expense for the mortgage renewal stream was $0.49 million for both 2016 and 2015. The amortization period of 15 years is based on historical renewal rates and industry benchmarks, and at December 31, 2016 the remaining amortization term was 9.5 years.

Amortization expense for the internally developed systems and software assets for the year ended December 31, 2016, was $0.40 million (2015 - $0.39 million). The amortization period of 5 years is based on their estimated useful lives, and at December 31, 2016 the remaining amortization terms varied from 1.5 to 5 years.

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

Goodwill

	December 31, 2016	December 31, 2015
Acquisition of Street Capital Financial Corporation	**$ 23,465**	$ 23,465

The Company's sole CGU is Street Capital Financial, and therefore all of the acquired goodwill is assigned to Street Capital Financial. In testing the goodwill for impairment, the Company's market capitalization was used as the CGU's recoverable amount, given that the market value of the Company's shares is associated solely with Street Capital Financial's net assets and operations. The market capitalization was determined at December 31, 2016 and it exceeded the Company's carrying value by approximately $98.2 million. The same test was performed using the Company's lowest share price during 2016, resulting in an excess of approximately $2.36 million. Management therefore concluded that there was no impairment at December 31, 2016.

10. Portfolio investments and non-controlling interest

Investments

The Company's portfolio investments, and its net interest in those investments, are shown below:

	December 31, 2016	December 31, 2015
Portfolio investments	**$ 3,026**	$ 13,506
Portfolio investments attributable to non-controlling interest	**(2,272)**	(10,343)
Portfolio investments attributable to shareholders	**$ 754**	$ 3,163

A reconciliation of the carrying amount of portfolio investments from December 31, 2014 to December 31, 2016 is set out below:

Balance at December 31, 2014	**$ 40,010**
Fair value adjustments	(16,054)
Foreign exchange adjustments	4,005
Distributions	(14,455)
Balance at December 31, 2015	**$ 13,506**
Fair value adjustments	(2,200)
Foreign exchange adjustments	(95)
Distributions	(8,185)
Balance at December 31, 2016	**$ 3,026**

Although the Company holds only approximately 16% of the Private Equity business, it controls and therefore consolidates this business. As an LP of KBCP Fund I, the Company earns a preferred return and participates in profits. The Company is also entitled to a carried interest of 20% of the total profits remaining after all LPs have been returned their contributed capital and a preferred return on that capital.

The Company began exiting from its investments in 2013. By the end of 2015, it retained two investments, only one of which was material. In January 2016, this investment was partially redeemed for cash, and the remaining portion was converted into publicly traded common shares. The cash was distributed to the LPs and the general partner, and the Company received approximately $1.3 million. The Company anticipates that ultimately the remaining investments will be sold and the proceeds will be similarly distributed, although the timing is uncertain.

Through a non-wholly-owned subsidiary, Fleetwood Fine Furniture, LP ("FFF"), the Company also holds an investment in a non-publicly traded company, Fleetwood Fine Furniture International, LP ("Fleetwood"). This investment was written down to zero during 2015 and remained at zero at December 31, 2016.

Non-controlling interest

The net loss attributable to the non-controlling interest associated with the Private Equity business was $1.81 million for the year ended December 31, 2016 (2015 - $3.05 million). The non-controlling interest in the Private Equity business amounts to $2.91 million at December 31, 2016 (December 31, 2015 - $10.93 million).

The net loss attributable to the non-controlling interest associated with FFF was $0.29 million for the year ended December 31, 2016 (2015 - $3.64 million). The non-controlling interest in FFF amounts to $(7.09) million at December 31, 2016 (December 31, 2015 - $(6.80) million).

11. Other assets

The Company's other assets consist of:

	December 31, 2016	December 31, 2015
Gain on sale receivable	**$ 4,376**	$ 2,902
Loans receivable (net of credit allowance)	**1,923**	3,947
Capital assets	**4,279**	4,373
Accounts receivable	**1,553**	779
Prepaid and other assets	**1,617**	1,230
Assets of discontinued operations	**911**	1,338
	$ 14,659	$ 14,569

Gain on sale receivable represents amounts not yet received on mortgage sale activities. Loans receivable includes a loan made to a former subsidiary, and a loan to a senior executive of the Company, which is discussed further in Note 26 – *Related Party Transactions*. Accounts receivable includes mortgage insurance receivables, trade receivables, and any other amounts receivable.

At December 31, 2015, management determined that a $2.68 million demand loan receivable from Fleetwood was impaired. A credit allowance of $1.68 million was therefore recorded against the loan receivable, which was recognized in net interest and other income (loss) in the consolidated statements of comprehensive income. The non-controlling interest was allocated $0.48 million of this amount. At December 31, 2016, a further credit allowance of $1.00 million was recorded, of which $0.29 million was allocated to the non-controlling interest, thereby reducing the carrying amount of the loan receivable to zero.

12. Bank facilities

Details of bank facilities are as follows:

	Maturity date	December 31, 2016	December 31, 2015
Revolving credit facility - Insured loans	Demand	$ 800	$ 8,200
Revolving credit facility - Conventional insurable loans	Demand	600	2,600
Revolving credit facility - Operating line	Demand	2,256	5,017
		$ 3,656	$ 15,817

At December 31, 2016, the Company had a total credit facility of $165.00 million with a syndicate of Schedule I Canadian banks that was available in three tranches dependent on use of funds, with variable interest rates based on bankers' acceptance rates. Under the terms of the facility, the Company has $110.00 million available to fund a maximum of 98% of insured mortgage loans, and $40.00 million available to fund a maximum of 80% of conventional insurable mortgage loans, both of which must be on Canadian properties. Draws on the facility for funding mortgage loans are supported and secured by the underlying mortgages, and repaid from the proceeds their securitization and/or sale. An operating line of $15.00 million can be drawn at any time providing the Company has met certain affirmative and financial covenants. As at December 31, 2016, the Company has met all required covenants under the agreement. The entire credit facility is secured by a general security agreement.

13. Loans payable

Details of loans payable are as shown below:

	Maturity date	December 31, 2016	December 31, 2015
Corporate loans	Jan 15/2018	$ 4,251	$ 7,472
Corporate loan	Demand	-	100
Corporate loans	Demand	-	1,400
		$ 4,251	$ 8,972

The loans outstanding at December 31, 2016 are associated with the Company's legacy businesses. They bear interest at 6% and are not subject to security or covenants.

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as shown below:

	December 31, 2016	December 31, 2015
Payment due to mortgage servicers	$ 27,704	$ 10,114
Accrued mortgage acquisition costs	9,876	8,626
Accrued restructuring costs	7,940	11,145
Accrued compensation	5,391	5,226
Private equity distributions payable	-	114
Liabilities of discontinued operations	8	1,166
Other	1,793	2,538
	$ 52,712	$ 38,929

The accrued restructuring costs are related to the corporate realignment discussed in Note 2.

15. Income taxes

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

	Year ended December 31, 2016 $	2015 $
Deferred tax expense - current year	$ 6,229	$ 6,433
Deferred tax attributable to changes in tax rates and laws	(42)	402
Total income tax expense recognized in the current year in income (loss)	$ 6,187	$ 6,835

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

	Year ended December 31, 2016 $	2015 $
Income (loss) before income taxes, non-controlling interest and discontinued operations	$ 19,839	$ (29,905)
Income tax expense (recovery) based on a statutory income tax rate of 26.50% (2015 - 26.50%)	$ 5,257	$ (7,925)
Increase (decrease) in income taxes resulting from:		
Unrecognized tax losses	732	4,223
Non-deductible item - restructuring costs	-	10,865
Other non-deductible items	171	182
Higher (lower) future tax rate of domestic subsidiaries	-	402
Other	27	(913)
Income tax expense recognized in income (loss) from continuing operations	$ 6,187	$ 6,835
Income tax attributable to a discontinued operation	183	-
	$ 6,370	$ 6,835

The combined Canadian federal and provincial statutory income tax rate used for 2016 is 26.50% (2015 - 26.50%).

At December 31, 2016 the Company had $14.43 million (December 31, 2015 - $14.14 million) in deferred income tax assets and $43.91 million (December 31, 2015 - $37.25 million) in deferred income tax liabilities, comprising net liabilities of $29.49 million (December 31, 2015 - $23.12 million). The composition of the Company's net deferred income tax liabilities as at December 31 is shown below:

				December 31, 2016
	Opening balance	Recognized in income (loss)	Recognized in discontinued operations	Closing balance
Capital assets	$ 377	$ 192	$ -	**$ 569**
Intangible assets	(1,221)	131	-	**(1,090)**
Incorporation costs	-	-	-	**-**
Deferred financing and other costs	-	-	-	**-**
Stock based compensation	-	-	-	**-**
Accrued liabilities	3,050	(696)	-	**2,354**
Other financial liabilities	(93,865)	(8,553)	-	**(102,418)**
Deferred portfolio insurance	(17,667)	(3,276)	-	**(20,943)**
Other	475	(7)	-	**468**
	(108,851)	(12,209)	-	**(121,060)**
Tax losses - non capital	82,578	5,834	(183)	**88,229**
Tax losses - restricted non capital	3,158	188	-	**3,346**
	$ (23,115)	**$ (6,187)**	**$ (183)**	**$ (29,485)**

			December 31, 2015
	Opening balance	**Recognized in income (loss)**	**Closing balance**
Capital assets	$ 93	$ 284	$ 377
Intangible assets	(1,352)	131	(1,221)
Incorporation costs	-	-	-
Deferred financing and other costs	-	-	-
Accrued liabilities	516	2,534	3,050
Other financial liabilities	(77,918)	(15,947)	(93,865)
Deferred portfolio insurance	(13,281)	(4,386)	(17,667)
Other	484	(9)	475
	(91,458)	(17,393)	(108,851)
Tax losses - non-capital	72,975	9,603	82,578
Tax losses - restricted non-capital	2,203	955	3,158
	$ (16,280)	$ (6,835)	$ (23,115)

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

	December 31, 2016	**December 31, 2015**
Investment property	**$ 2,722**	$ 2,722
Tax losses - non-capital - legacy businesses	**6,870**	6,597
Tax losses - capital - legacy businesses	**81,514**	80,940
	$ 91,106	$ 90,259

As of December 31, 2016 the Company had $333.27 million (December 31, 2015 - $311.62 million) in non-capital loss carry forwards, which may be used to reduce future years' taxable income until 2036. Unrecorded non-capital losses from the Company's legacy businesses expire in 2024.

16. Net interest and other income (loss)

The table below details the breakdown of the Company's net interest and other income (loss):

	Year ended December 31, 2016	2015
Interest income - mortgage lending	$ **6,773**	$ 3,485
Interest expense - mortgage lending	**(6,054)**	(3,573)
Acquisition expense - mortgage lending	**(848)**	(294)
Net interest and other income (loss) - mortgage lending	$ **(129)**	$ (382)
Servicing and fee income	**665**	1,263
Net other interest income (loss)	**(245)**	(675)
Other income (loss)	**568**	561
Credit provisions	**(1,000)**	(1,675)
	$ **(141)**	$ (908)

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

Interest expense – mortgage lending includes the interest expense from the securitization liabilities resulting from the issuance of NHA MBS to fund the securitized mortgages. The expense also includes interest expense on the credit facilities used to fund mortgages 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 the net servicing fees and trailing interest spread earned by the Company, and represents the difference between the cash received by the Company and the amortization of the deferred placement fees. The amount realized is dependent on both the size of the portfolio and the extent to which actual experience differs from the assumptions made at the time of sale of the mortgages, and is therefore subject to variability.

Net other interest income (loss) is the net interest on loans receivable and payable that are associated with the Company's legacy businesses, and also includes miscellaneous interest income earned on cash and cash equivalents.

Other income (loss) is largely composed of items associated with the Company's legacy businesses. These include management fees and other income earned by the Private Equity business, offset by some associated costs.

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

17. Commitments and contingencies

In addition to the securitization liabilities, bank facilities, and loans discussed in Notes 6, 12 and 13, the Company has other commitments as detailed below.

Lease commitments

The Company is committed to operating leases for office premises located in Toronto, Vancouver and Calgary. These contracts are renewable upon their expiration. Additionally, the Company is committed to various automotive and equipment leases. The total lease payments recognized as an expense during the period totalled $2.69 million, of which $1.38 million consisted of operating expenses that were in addition to the minimum lease payments (2015 - $2.12 million, including operating expenses of $0.97 million). The future minimum annual payments are shown below:

	December 31, 2016	December 31, 2015
Within 1 year	$ 1,506	$ 1,036
1 to 5 years	3,761	1,609
Over 5 years	2,889	-
	$ 8,156	$ 2,645

Contingencies

The Company, from time to time, is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company. Contingent consideration associated with potential earn-out payments related to the purchase of Street Capital Financial was extinguished on the share exchange in the second quarter of 2015 (see Note 2).

18. 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.

				For the year ended
Common shares		**December 31,**		**December 31,**
Issued and outstanding (000s)		**2016**		**2015**
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Outstanding, beginning of period	121,226	$ 244,595	99,358	$ 206,680
Options exercised	269	319	1,868	2,014
Deferred share units converted	667	796	-	-
Shares acquired via normal course issuer bid	(630)	(1,272)	-	-
Shares issued (net of share issue costs)	-	-	20,000	35,901
	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

The Company, 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. At December 31, 2016, the Company had purchased and cancelled 630,132 of its common shares through the NCIB.

Share purchase loans, which are collateralized by the shares purchased and by personal guarantees, were granted to certain key employees and former employees. During the first quarter of 2016, one of the loans was repaid in full. At December 31, 2016, the remaining share purchase loans outstanding, totaling $1.91 million, were for the purchase of 462,500 (December 31, 2015 – 780,000) common shares of the Company. These loans are either demand or mature on December 31, 2020, and are non-interest bearing.

19. Net income (loss) per share

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

	Year ended December 31,	
Basic and diluted net income (loss) per share:	**2016**	**2015**
Numerator:		
Income (loss) from continuing operations	**$ 13,652**	$ (36,740)
Loss attributable to non-controlling interest	**(2,104)**	(6,688)
Income (loss) attributable to shareholders - continuing operations	**15,756**	(30,052)
Income from discontinued operations	**510**	17
Income attributable to non-controlling interest	**-**	-
Income attributable to shareholders - discontinued operations	**510**	17
Net income (loss) attributable to shareholders	**$ 16,266**	$ (30,035)
Denominator:		
Weighted average common shares outstanding (000s) - basic and diluted	**121,825**	111,005
Basic and diluted net income (loss) per share from continuing operations	**$ 0.13**	$ (0.27)
Basic and diluted net income (loss) per share from discontinued operations	**$ 0.00**	$ 0.00
Basic and diluted net income (loss) per share	**$ 0.13**	$ (0.27)

In computing the diluted net income (loss) per share for the years 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 year.

20. Stock-based compensation plans

Stock options

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

A summary of the status of the Company's stock option plans and changes during the years ended December 31 is as follows:

Stock Options Outstanding and exercisable (000s except price)	December 31, 2016 Number of options	December 31, 2016 Weighted-average exercise price	December 31, 2015 Number of options	December 31, 2015 Weighted-average exercise price
				For the year ended
Outstanding, beginning of period	**3,407**	**$ 1.11**	5,025	$ 0.87
Granted	**-**	**-**	250	2.32
Exercised	**(269)**	**0.68**	(1,868)	0.62
Forfeited	**-**	**-**	-	-
Outstanding, end of period	**3,138**	**$ 1.14**	3,407	$ 1.11
Exercisable, end of period	**2,888**	**$ 1.07**	2,682	$ 0.99
Weighted-average market price per share at date of exercise		**$ 1.21**		$ 2.05
Weighted-average remaining contractual life in years		**1.82**		2.74

In 2011, the 1997 Plan was amended such that the maximum number of common shares subject to options under the 1997 Plan and all other share compensation arrangements is 10% of the total issued and outstanding common shares. At December 31, 2016, under the 1997 Plan, 3,138,031 options were outstanding (December 31, 2015 – 3,407,131 options) and 8,815,559 options were available for grant (December 31, 2015 – 7,849,545 options). No options under the 1992 Plan were outstanding at either December 31, 2016 or 2015, and 53,000 options remained available for grant at both dates.

The fair value of option grants is estimated on the grant date using the Black-Scholes option pricing model, with expected volatilities based on the Company's historic pricing data. No options were granted during 2016. The following weighted average assumptions were used for option grants in 2015: risk-free interest rate of 1.29%, expected dividend yield of nil%, expected life of five years, and expected volatility of 57.7%, resulting in a per option weighted average fair value of $1.17.

The fair value of stock options is amortized as salaries and benefits expense in the consolidated statements of comprehensive income over the vesting period, with a corresponding credit to contributed surplus. For the year ended December 31, 2016, total compensation expense related to stock options was $0.20 million (2015 - $0.35 million). When stock options are exercised, the amount of the proceeds, together with the amount recorded in contributed surplus, is reported as a credit to capital stock. For the year ended December 31, 2016, this was $0.32 million (2015 - $2.01 million).

The following table summarizes the stock options outstanding and exercisable as at December 31, 2016:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$	(000s)	(yrs)	$	(000s)	$
0.65 to 0.91	**2,346**	**1.16**	**0.87**	**2,346**	**0.87**
1.70 to 2.32	**792**	**3.77**	**1.96**	**542**	**1.92**
	3,138	**1.82**	**1.14**	**2,888**	**1.07**

Deferred Share Units

The Company implemented a Deferred Share Unit Plan ("DSU Plan") in March 2006, under which the Company's independent directors received annual grants of DSUs. The terms of the DSU Plan provided that when a DSU holder ceased to be a director, the DSUs were to be paid out based on the closing price of the Company's common stock at that time. In June 2011, the Company ceased granting DSUs, but the outstanding DSUs retained the same terms and conditions. In 2013, the DSU Plan was amended to provide for payment in shares rather than cash.

Approximately 813,000 DSUs, which were equivalent to that number of the Company's common shares, were outstanding at December 31, 2015. Approximately 667,000 of these DSUs were held by retired directors, and were exchanged for common shares during the first quarter of 2016. Following this exchange approximately 146,000 DSUs, all of which are held by an active director, remain outstanding at December 31, 2016.

21. Compensation of key management personnel and employee benefits

The remuneration of directors and key management personnel in continuing operations during the year was as follows:

	Year ended December 31, 2016	2015
Short-term benefits	**$ 7,526**	$ 11,227
Share-based compensation	**79**	294
	$ 7,605	$ 11,521

The total compensation benefits for 2016 for the Company within continuing operations, including compensation paid to the Board of Directors, were $32.09 million (2015 - $28.56 million). This included $0.59 million (2015 - $0.53 million) in Company contributions to the employee group registered retirement savings plan.

22. Capital management

The Company has a Board-approved Capital Management Policy that governs the quantity and quality of capital held. The objective of the policy is to ensure that the Company appropriately balances its capital allocation between retention of a prudent margin above regulatory capital adequacy minimums in order to provide access to contingency capital, and maintenance of sufficient freely available capital to achieve business goals and objectives. Management defines capital as the Company's equity and deficit. The Company's Capital Management Policy is reviewed at least annually, and more often if required by events or changing circumstances.

The Company's subsidiary, Street Capital Bank, commenced 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"). Street Capital Bank follows the Basel II Standardized Approach to calculate credit risk, and the Basic Indicator Approach for operational risk. As well, dividends paid to Street Capital by Street Capital Bank may be subject to restrictions by OSFI.

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.

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 common shares through the NCIB.

23. Financial instruments

The amounts set out in the following table represent the fair value and the current/non-current classification of the Company's financial instruments.

	December 31, 2016				December 31, 2015	
	Due within one year	Due after one year	Total carrying value	Fair value	Total carrying value	Fair value
Financial assets						
Cash and cash equivalents (i)	$ 3,771	$ -	$ 3,771	$ 3,771	$ 8,846	$ 8,846
Restricted cash (i)	31,159	-	31,159	31,159	13,078	13,078
Non-securitized mortgage loans (ii)	7,490	1,833	9,323	9,347	16,843	16,922
Securitized mortgage loans (ii)	33,325	230,867	264,192	266,623	167,762	171,217
Deferred placement fees receivable (ii)	13,808	37,506	51,314	51,314	46,442	46,442
Other assets (ii)	6,926	1,943	8,869	8,869	9,183	9,183
Portfolio investments (i)	-	3,026	3,026	3,026	13,506	13,506
	$ 96,479	$ 275,175	$ 371,654	$ 374,109	$ 275,660	$ 279,194
Financial liabilities						
Bank facilities (iii)	$ 3,656	$ -	$ 3,656	$ 3,656	$ 15,817	$ 15,817
Loans payable (iii)	-	4,251	4,251	4,251	8,972	8,972
Securitization liabilities (iii)	36,095	228,637	264,732	265,256	167,380	168,702
Accounts payable and accrued liabilities (iii)	52,295	417	52,712	52,712	38,929	38,929
	$ 92,046	$ 233,305	$ 325,351	$ 325,875	$ 231,098	$ 232,420

(i) Fair value through profit or loss
(ii) Loans and receivables at amortized cost
(iii) Financial liabilities at amortized cost

The valuation methods and assumptions are described below.

The estimated fair values approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction in the principal or most advantageous market accessible to the Company.

The following assumptions and methods were used to determine the fair values of financial instruments:

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

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

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

Portfolio investments – fair value is determined primarily by market prices (see Note 10).

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

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

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

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

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

The following tables present the financial instruments measured at fair value at December 31, 2016 and 2015 as classified by the fair value hierarchy set out above:

				December 31, 2016
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents (i)	$ 3,771	$ -	$ -	$ 3,771
Restricted cash (i)	31,159	-	-	31,159
Non-securitized mortgage loans (ii)	-	-	9,347	9,347
Securitized mortgage loans (ii)	-	-	266,623	266,623
Deferred placement fees receivable (ii)	-	-	51,314	51,314
Other assets (ii)	-	-	8,869	8,869
Portfolio investments (i)	2,275	-	751	3,026
	$ 37,205	$ -	$ 336,904	$ 374,109
Financial liabilities				
Bank facilities (iii)	$ 3,656	$ -	$ -	$ 3,656
Loans payable (iii)	-	4,251	-	4,251
Securitization liabilities (iii)	-	-	265,256	265,256
Accounts payable and accrued liabilities (iii)	-	-	52,712	52,712
	$ 3,656	$ 4,251	$ 317,968	$ 325,875

(i) Fair value through profit or loss
(ii) Loans and receivables at amortized cost
(iii) Financial liabilities at amortized cost

During the first quarter of 2016, one of the Company's portfolio investments was transferred from Level 2 to Level 1. As described in Note 10, the investment was converted into publicly traded common shares following its merger with a publicly traded company.

				December 31, 2015
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents (i)	$ 8,846	$ -	$ -	$ 8,846
Restricted cash (i)	13,078	-	-	13,078
Non-securitized mortgage loans (ii)	-	-	16,922	16,922
Securitized mortgage loans (ii)	-	-	171,217	171,217
Deferred placement fees receivable (ii)	-	-	46,442	46,442
Other assets (ii)	-	-	9,183	9,183
Portfolio investments (i)	-	13,322	184	13,506
	$ 21,924	$ 13,322	$ 243,948	$ 279,194
Financial liabilities				
Bank facilities (iii)	$ 15,817	$ -	$ -	$ 15,817
Loans payable (iii)	-	8,972	-	8,972
Securitization liabilities (iii)	-	-	168,702	168,702
Accounts payable and accrued liabilities (iii)	-	-	38,929	38,929
	$ 15,817	$ 8,972	$ 207,631	$ 232,420

24. Risk management

The Company is exposed to various types of risk owing to the nature of its business activities, and, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. These risks include strategic, credit, liquidity, interest rate, investment, operational, reputational, and regulatory and legislative risk. The Company has established policies, processes and frameworks to measure and monitor the risks. The Company's Board of Directors, and Street Capital Bank's Enterprise Risk Management Committee, play an active role in monitoring the Company's key risks and in determining the policies and limits that are best suited to manage these risks. The policies are reviewed and approved by the Board of Directors at least annually.

As permitted by IFRS, the Company presents the required disclosures as set out in *IFRS 7 – Financial Instruments: Disclosures* as part of its Fourth Quarter and Year Ended December 31, 2016 Management's Discussion and Analysis ("MD&A"). The Company's risk management policies and procedures are described under the headings *Risk Appetite Framework*, *Risk Governance*, *Credit Risk Management*, *Liquidity and Funding Risk Management*, and *Market Risk Management* within the *Risk Management and Risk Factors* section of the MD&A.

25. Discontinued operations

At December 31, 2016, the Company's assets and liabilities of discontinued operations are a net receivable of $0.90 million (December 31, 2015 – net receivable of $0.17 million), and consist of $0.67 million net commissions receivable and a $0.23 million loan receivable. The Company reports these amounts as components of Other Assets and Accounts Payable and Accrued Liabilities, respectively. Please see Note 11 and Note 14.

In the third quarter of 2016, the Company negotiated final settlement of the outstanding liabilities associated with discontinued operations. In return for payments of $0.48 million, $1.15 million of liabilities were extinguished, resulting in a pre-tax gain of $0.67 million.

The Company’s net income from discontinued operations for the years ended December 31 is shown below.

	Year ended December 31,	
	2016	**2015**
Interest income	**$ 20**	$ 34
Other income	**673**	1
Total income	**$ 693**	$ 35
Selling, general and administrative expense	**-**	18
Income before income taxes	**$ 693**	$ 17
Income tax expense	**183**	-
Net income from discontinued operations	**$ 510**	$ 17

26. Related party transactions

In addition to the shareholder loans described in Note 18, the Company has a $0.57 million non-interest bearing loan made to a senior executive of the Company (December 31, 2015 - $0.57 million). This loan is included in the loans receivable balance at December 31, 2016, reported within other assets as detailed in Note 11.

27. Subsequent events

The Company has evaluated events subsequent to December 31, 2016 through to the date of approval of the consolidated financial statements by the Board of Directors for disclosure, and determined that there is one subsequent event that should be disclosed in this report.

As discussed above in Note 1, on December 13, 2016, Street Capital Financial 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. Effective February 1, 2017, Street Capital Financial has begun operations as Street Capital Bank of Canada in English and Street Capital Banque du Canada in French (collectively, "Street Capital Bank").