

## STREET CAPITAL ANNOUNCES 2018 SECOND QUARTER RESULTS

**TORONTO, ONTARIO, August 9, 2018** - Street Capital Group Inc. ("**Street Capital**" or the "**Company**") (**TSX: SCB**), today announced its financial results for the three and six months ended June 30, 2018.

### Q2-2018 Financial Highlights

*All comparisons below are to Q2-2017, unless otherwise noted*

- Total revenue (net of acquisition costs) was \$17.0 million, compared to \$16.9 million.
- Reported shareholders' diluted earnings per share were \$0.03, compared to \$0.00.
- Adjusted shareholders' diluted earnings per share <sup>(i)</sup> were unchanged at \$0.02.
- Adjusted return on tangible equity <sup>(i)</sup> was 8.8%, compared to 7.5%.
- Book value per share was \$1.15, compared to \$1.08.
- Mortgages under administration were \$27.90 billion, compared to \$27.81 billion.
- Total prime originations and renewals were \$1.83 billion, compared to \$1.96 billion.
- Total Street Solutions originations were \$107.8 million in Q2-2018.

"During Q2, Street Capital continued to make progress against its strategic objectives in an environment where borrowers and lenders alike continued to adjust to recent regulatory changes, driving softness in the Company's two largest urban markets," said Duncan Hannay, President and CEO of Street Capital. "Street Capital is steadily moving toward a more diversified lending platform and the results of this shift are becoming apparent in its financial results. Despite sustained pressure on the prime new origination side of the business, the Company generated revenue growth compared to Q2 of 2017 thanks to a planned focus on growing prime renewal volume and contribution, as well as on generating Street Solutions originations. The Company is on track to launch a modern, cloud-based digital banking solution in the second half of 2019, which will enable it to further diversify its offerings over time and accelerate its deposit-gathering capabilities. Street Capital's management team and board of directors view the current environment as one of potentially elevated risk given the combination of regulatory change and sustained, elevated housing prices. In response, the Company proactively took additional steps to protect its historically strong underwriting and credit performance. While this decision may temper new originations in the near-term, it will set Street Capital up for healthy mid and long-term growth and the generation of meaningful shareholder value."

### Business Update and Outlook

*Note to readers: This section includes forward-looking information and is qualified in its entirety by the discussion about Forward-Looking Information, below.*

Adjusted EPS for the quarter was \$0.02, compared to \$0.02 in Q2 2017 and up from (\$0.01) last quarter. Revenue of \$17.0 million in the quarter was relatively consistent compared to \$16.9 million in Q2 2017 and up 47.0% from \$11.6 million last quarter. Higher revenue contributions from prime insured mortgage renewals, along with net interest income from Street Solutions mortgages, are offsetting most of the weakness in contribution from prime mortgage sales.

The Bank originated (including Street Solutions) \$1.17B in mortgages in the quarter and \$2.09B YTD, down approximately 23% from \$1.51B and \$2.72B in the same periods last year reflecting softer housing market conditions in the regions and market segments the Bank serves, limited funding for prime uninsurable mortgages and heightened competition for a smaller addressable market of prime insurable mortgages.

As mortgage underwriting and mortgage insurance qualification requirements become more stringent, either because of changes in regulatory requirements, as seen through the Department of Finance in October 2016 and most recently from OSFI in October 2017 with respect to updates to Guideline B-20, or through changes in general industry practice, the inherent risk of misrepresentation in mortgage documents can increase. This is particularly the case when income qualification rules are tightened and within the current environment of high home prices and increasing interest rates. To proactively mitigate this higher inherent risk, and in line with management's ongoing focus on credit quality, the Bank continues to strengthen its internal capabilities and evolve its processes and use of technology. The Bank also carefully evaluates its broker relationships and takes actions as required, in the normal course of its business. These measures serve to protect the Bank and its business partners from the types of systemic issues that have affected other market participants. These actions, at times, can come at the expense of near-term volume growth and market share. The Bank sees these actions as important but generally transitory, as it also builds out offsetting plans to expand its distribution footprint and enter new profitable market segments.

As discussed previously, the current business model of the Bank, by its nature, is affected by the strength and health of the mortgage and real estate markets generally, as well as by the changing regulations and policies that govern these markets, more specifically prime mortgages. Changes to mortgage eligibility rules and increased competition for prime insurable mortgages have put increased pressure on the Bank's historical revenue model. In response to the changing market conditions, the Bank has diversified its strategy and revenue mix by building the Street Solutions mortgage program and the balance sheet of the Bank, and is now beginning to see the positive contribution from this strategy. Additionally, the Bank's over \$27 billion in prime mortgages under administration provides a significant ongoing source of current period and future earnings.

The Bank continues to see strong demand and uptake for the Street Solutions product, originating \$108 million in the quarter and \$206 million YTD. The portfolio stood at \$394.6 million at the end of the quarter with a healthy weighted average yield of 5.21% combined with strong credit quality and credit performance. Management takes a prudent approach to managing the growth in Street Solutions, both in terms of credit quality, which remains high with no loans reaching 90 days past due to date and no realized credit losses, and also by managing funding and liquidity risk. While management will work to achieve originations in the range of \$600-\$700 million in 2018, the previously disclosed target may not be achieved. Actual originations for Street Solutions in 2018 will depend on the outcome of current initiatives to deepen the Bank's funding sources, which include broadening its deposit broker base and developing new off-balance sheet funding relationships with institutional investors that could represent an important source of future liquidity. In the event that the Bank does not generate the target level of Street Solutions originations, management does not expect that 2018 earnings would be materially affected because the net interest forgone would not be significant in 2018 given the timing of the originations.

As expected, based on the maturity profile of the Bank's prime MUA, the contribution to revenue from renewals has increased materially year over year. Renewal volumes were \$0.77 billion in the quarter and \$1.29 billion for the year so far, and net revenue from renewals is up 41% and 48% respectively over last year. The average renewal rate for 2018 is approximately 73%. While the Bank targets renewal rates in the range of 75 – 80%, it will primarily look to maximize the overall return, which can at times mean modestly lower renewal rates but better contribution to revenue. Therefore, while renewals are lower than target, management is satisfied with the overall contribution to revenue.

As discussed last quarter, the Bank has secured an initial round of funding for prime uninsurable mortgages, a product the Bank has largely been without following the 2017 mortgage insurance eligibility rule changes. In Q2 the Bank funded \$9.8 million in this product and had \$30.4 million in commitments outstanding at the end of the quarter. Given the nascent funding model for prime uninsurable mortgages the Bank has not been able to offer competitive rates across the spectrum for this product. The ultimate success and sustainability of the prime uninsurable mortgage product, given the Bank's current business model, will depend on the development of a sufficiently liquid and active non-government sponsored Residential Mortgage Backed Securities ("RMBS") market. Until this market develops, management is not including material volumes or profit for this product in its targets.

Management continues to expect that 2018 will be both a pivotal and foundational year for the Bank as it continues to adapt to the changing business and market landscape, builds its balance sheet, and invests in the foundational capabilities required to enable its mid to long-term strategy. Management expects that market headwinds in the prime insurable mortgage segment will persist through the remainder of 2018 and that the funding marketplace for prime uninsurable mortgages will be slow to develop. Management expects demand for its non-prime, uninsured Street Solutions product to remain strong and will manage its growth prudently against credit quality, liquidity and regulatory capital levels.

Part of the Bank's strategic imperative over the medium to long-term is to continue to transform its business model from a mono-line prime insurable mortgage originator into a more fulsome banking offering with access to multiple on- and off-balance sheet funding sources that support both its growth objectives and its revenue diversification. The Bank anticipates that it will complete negotiations with a global leader in core banking solutions and a premier cloud platform provider, enabling the delivery of a modern, digitally-enabled banking platform that offers a range of solutions across the home ownership life cycle. The initial launch of the Bank's web and mobile enabled banking platform, inclusive of a direct-to-consumer deposits offering, is anticipated in the second half of 2019.

Given the opportunities associated with the Bank's strategic investments and the regulatory capital requirements of its growing and profitable balance sheet, the Bank continues to assess the adequacy of current and projected capital resources under expected and stressed conditions. Based on management's assessment of the adequacy of the Bank's capital, the Bank is currently sufficiently capitalized to continue operations and execute on its 2018 business plan. Management continues to evaluate ways to strengthen its capital position as part of its medium to long term planning process. Management and the Board of Directors are committed to balancing the speed of execution against its transformation plan with the realities of the current market and its risk management framework, in order to choose the path that recognizes the needs of all stakeholders.

### ***Prime Mortgage Lending***

As noted above, competition for prime insurable mortgages remains high, and particularly in the high ratio segment, and is anticipated to continue through the remainder of the year. Housing activity is expected to modestly improve in the second half of the year with some stabilization in prices. This view reflects current economic forecasts, national housing sale statistics, and the effect of anticipated future interest rate increases. While management is actively working to strengthen the pipeline of prime originations, originations of prime insurable mortgages in the second half of 2018 could remain at levels 25-30% below 2017.

In addition, rising bond yields and price competition for prime insurable mortgages are expected to continue to put negative pressure on the gain on sale rates earned for these mortgages further into 2018, and as such management is not expecting to see an increase in margins over the second half of the year.

In Q2 2018 the Bank began offering a prime uninsurable mortgage product. The profitability and sustainability of this product is not yet clear; however, management is cautiously optimistic on the development of the market over the medium to long-term and will provide updates on progress once there is better clarity.

### ***Prime Mortgage Renewals***

Softness in new originations of prime insurable mortgages continues to be partly offset by the Bank's expected highly profitable mortgage renewal activity in 2018. Management continues to expect prime renewals in the range of \$2.20-\$2.40 billion.

However, this activity will be at lower net gain on sale rates compared to 2017 due to a few factors. First, from the period January 2011 – July 2015, the Bank offered brokers a Loyalty Program that pays a trailer commission upon mortgage renewal. The bulk of mortgages originated under this program are due to mature between 2018 and 2020, effectively increasing acquisition costs for renewals. Second, the Bank has differing contracts with funders, which determine the premiums paid on renewal. A higher relative proportion of renewals in 2018 with a funder who pays a lower premium on renewal will put some downward pressure on gain on sale rates. And, third, renewals are subject to the same margin pressure as new prime originations. Even with these pressures, the gain on sale rates for renewals remain materially more profitable than new originations and will continue to significantly contribute to the Bank's financial results.

It should be noted that optimizing contribution from mortgage renewals is a strategic priority for management. In that regard the Bank will continue to focus on its service and retention activities. The Bank's over \$27 billion of prime MUA provides both a sustainable portfolio of quality revenue generating assets and a customer base to drive significant value over the coming years as the Bank expands into additional product areas.

### ***Street Solutions Uninsured Residential Mortgage Lending***

The Bank launched its non-prime uninsured mortgage product, Street Solutions, in Q2 2017. The market response was positive, and demand was strong, with many existing mortgage broker partners welcoming another provider in this segment. The Bank continues to experience strong demand for the Street Solutions product, at high levels of credit quality and ongoing solid credit performance.

While management will continue to work on achieving originations in the range of \$600-\$700 million in 2018, there is a risk that this level of originations may not be achieved, depending on the outcome of certain initiatives to deepen funding sources, as discussed below under *Funding and Liquidity*. If originations are below \$600-\$700 million for the year this is not expected to have a material impact on earnings in 2018. Management continues to expect net interest margins within 2.0% - 2.35% for Street Solutions mortgages funded on-balance sheet.

### ***Funding and Liquidity***

When investors purchase prime insurable mortgages at commitment, the Bank transfers substantially all of the risks associated with the mortgage. The Bank's access to this funding is currently adequate, and the Bank remains competitive in this mortgage segment. Also, as mentioned above, the Bank has been successful in obtaining initial funding for a prime uninsurable mortgage product.

The primary funding strategy for the Street Solutions product continues to be to originate deposits across tenors and focus on deposits with fixed terms in order to manage liquidity risk. Deposit balances, sourced through the investment broker network, were \$481.2 million at the end of the quarter, increasing \$188.2 million from the end of 2017 and \$409.0 million from one year ago. The Bank continues to onboard new brokers in order to increase diversification and volume in the channel and remains very active in this regard. The Bank continues to see strong demand for Street Solutions and is making progress with initiatives designed to diversify funding sources, both on- and off-balance sheet.

The Bank is working toward a digital banking launch in the second half of 2019 which will include a direct-to-consumer deposit offering. Direct-to-consumer deposits will help the Bank deepen its sources of stable funding, while providing a level of diversification away from broker-imposed concentration limits that may occur from time to time.

### ***Operating Expenses***

The Bank will continue to target positive operating leverage as a key performance indicator beyond 2018; however, management does not currently expect to meet this target for 2018, primarily due to lower than anticipated prime insurable originations lowering revenue expectations and the relatively high proportion of fixed costs associated with running a Schedule I bank.

Management has managed expenses and headcount prudently with year to date adjusted operating expenses running just 4.3% above last year. Management will continue to carefully manage expenses and balance improving efficiency against making the appropriate investments in people and technology to enable its strategic priorities and the strengthening of the Bank's risk and compliance management programs.

### **Update on Strategic Priorities**

In its 2017 Q4 and Annual Report the Bank set out five strategic priorities that will support its growth objectives over the medium to long-term. During the first six months of 2018 the Bank made progress on several fronts including:

- Diversifying funding sources by:
  - continuing to add deposit brokers; broker-sourced deposits increased by \$188.2 million YTD in 2018, supporting the origination of \$206.1 million in Street Solutions mortgages;
  - exploring off-balance sheet funding sources for Street Solutions; and
  - obtaining initial funding for a prime uninsurable mortgage product, thereby extending its mortgage shelf.

- Building momentum in new addressable markets by:
  - increasing Street Solutions balances to \$394.6 million with a weighted average yield of 5.21%, which generated \$2.2 million in net interest income in Q2 2018 and \$3.6 million YTD (including other non-securitized assets); and
  - continuing expansion in multi-unit residential lending with net gains on sale of \$0.8 million YTD.
- Driving contribution from mortgage renewals by:
  - delivering strong revenue contribution of \$9.1 million on volume of \$0.77 billion in Q2, up 41% from Q2 2017, achieved through a balanced focus on renewal rate and profitability.
- Enhancing the Bank's risk and control governance framework by:
  - continuing to leverage the Bank's Quality Assurance findings, third-party reviews, and the revisions to OSFI Guideline B-20 to further evolve its Mortgage Underwriting Guidelines; and
  - continuing to strengthen talent and capabilities under the Chief Risk Officer, including on-boarding experienced leadership in the newly created role of VP, Post-Fund Quality Assurance and Fraud Management.
- Transforming the organization by:
  - entering the final stages of exclusive negotiations with a core banking platform provider and premier cloud platform partner to enable a digital banking launch in 2019, including a direct to consumer deposits offering.

## Update on Financial Targets

In addition to forward-looking guidance, the Bank has provided financial targets to provide insight to some of its strategic financial performance objectives over the next three years.

Based on the Bank's recent experience to date and current observable trends, management currently believes that certain of its previously disclosed 2018 financial targets may not be met. Updated expectations are as follows:

- renewal volumes are still expected in the range of \$2.20-2.40 billion, assuming renewal rates remain at the current year to date rate of 73%;
- Street Solutions originations may come in below the target range of \$600-700 million with originations dependent on the success of the funding initiatives discussed in *Business Update and Outlook*, above;
- prime insurable new originations may continue to trend at 25-30% below the same period last year for the reasons discussed in *Business Update and Outlook*, above, which would not be expected to maintain market share; and
- if prime insurable originations do not improve, positive operating leverage would not be achieved in 2018.

While the Bank will continue to work towards the previously disclosed targets for 2019 to 2020, there is currently insufficient information to form a reasonable basis upon which to update these targets at this time. Management will provide updates as more information becomes available.

**Dividends**

The Company and its management are committed to consistently creating shareholder value. At the present time, this is best achieved through the retention of earnings and the allocation of capital to the business opportunities within the growing potential of the bank platform. Over the longer term, it is the Company's intention that the creation of shareholder value will include consideration of an allocation between retaining and investing earnings, and distributing common shareholder dividends.

While there is no restriction on the Company's ability to declare dividends, the Bank is the sole operating subsidiary of the Company and is subject to regulatory capital and business requirements stipulated by OSFI that must be met before dividends can be declared and paid.

**Sustainable Tax Advantage**

The Company continues to generate a sustainable tax advantage, given the differing treatment between accounting and income tax rules for gains on sale. Its tax loss carryforwards were approximately \$296 million at June 30, 2018. This represents a real and sustainable tax advantage as the Company is not paying cash taxes.



## Q2 2018 Summary and Highlights

The following tables set out the financial highlights for the three and six months ended June 30, 2018:

*(in thousands of \$, except where defined)*

	For the three months ended or as at			For the six months ended or as at	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Financial performance</b>					
Shareholders' net income (loss)	\$ 3,306	\$ (1,365)	\$ (104)	\$ 1,941	\$ (2,678)
Shareholders' diluted earnings (loss) per share	\$ 0.03	\$ (0.01)	\$ 0.00	\$ 0.02	\$ (0.02)
Adjusted shareholders' net income (loss) (i)	\$ 2,337	\$ (1,481)	\$ 1,845	\$ 856	\$ 1,914
Adjusted shareholders' diluted earnings (loss) per share (i)	\$ 0.02	\$ (0.01)	\$ 0.02	\$ 0.01	\$ 0.02
Total revenue (net of acquisition costs)	\$ 17,041	\$ 11,593	\$ 16,881	\$ 28,634	\$ 28,453
Net gain on sale - new - excluding portfolio insurance (ii)	\$ 7,389	\$ 5,818	\$ 12,361	\$ 13,207	\$ 21,766
Net gain on sale - new - % excluding portfolio insurance (ii)	0.70%	0.70%	0.82%	0.70%	0.80%
Net gain on sale of mortgages - renewals	\$ 9,071	\$ 6,709	\$ 6,440	\$ 15,780	\$ 10,679
Net gain on sale - renewals - % of renewals	1.18%	1.29%	1.39%	1.23%	1.39%
Net interest income (expense) - non-securitized assets	\$ 2,156	\$ 1,402	\$ (169)	\$ 3,558	\$ (179)
Net interest margin - non-securitized assets	2.00%	1.66%	N/A	1.85%	N/A
Return on tangible equity (i)	12.2%	(4.5%)	0.1%	3.9%	(4.6%)
Adjusted return on tangible equity (i)	8.8%	(4.9%)	7.5%	2.0%	4.1%
<b>Mortgages originated and under administration</b>					
Mortgages under administration <i>(in billions of \$)</i>	\$ 27.90	\$ 27.83	\$ 27.81	\$ 27.90	\$ 27.81
Prime mortgages originated and sold	\$ 1,061,892	\$ 826,528	\$ 1,499,930	\$ 1,888,420	\$ 2,713,187
Prime mortgage renewals sold	767,830	519,686	463,167	1,287,516	767,764
Total prime mortgages sold	\$ 1,829,722	\$ 1,346,214	\$ 1,963,097	\$ 3,175,936	\$ 3,480,951
Total Street Solutions originations	\$ 107,805	\$ 98,285	\$ 10,225	\$ 206,090	\$ 10,225
<b>Credit quality - mortgages</b>					
Provision for Street Solutions credit losses	\$ (140)	\$ (61)	\$ -	\$ (201)	\$ -
Provision for Street Solutions credit losses - rate	0.16%	0.10%	N/A	0.14%	N/A
Allowance for Street Solutions credit losses	\$ 471	\$ 330	\$ -	\$ 471	\$ -
Allowance for Street Solutions credit losses - % of Street Solutions assets	0.12%	0.11%	N/A	0.12%	N/A
<b>Regulatory Capital Ratios - Street Capital Bank</b>					
Risk-weighted assets	\$ 452,010	\$ 409,705	\$ 308,014		
Common equity Tier 1 (CET1) ratio	22.24%	23.81%	29.99%		
Total capital ratio	22.24%	23.81%	29.99%		
Leverage ratio	11.29%	12.67%	18.37%		
<b>Equity and share information</b>					
Shareholders' equity	\$ 140,763	\$ 137,056	\$ 132,252		
Shares outstanding end of period (000s)	122,184	122,184	121,974		
Book value per share	\$ 1.15	\$ 1.12	\$ 1.08		
Market capitalization	\$ 103,856	\$ 91,638	\$ 164,665		
Share price at close of market	\$ 0.85	\$ 0.75	\$ 1.35		

Note: The table above includes non-GAAP measures that highlight the Company's core operating business (the Bank) by removing non-recurring items, including non-recurring restructuring costs or recoveries, and material items associated with the Company's legacy businesses. Please see the section *Non-GAAP Measures* in the Company's Management's Discussion and Analysis for the Three and Six Months ended June 30, 2018 (the "MD&A"), which is available on the Company's website and on SEDAR, for further detail and numerical reconciliations of these non-GAAP measures to the most directly comparable measure specified, defined or determined under the GAAP presented in the Company's financial statements.



- (i) Non-GAAP measure the Company uses to measure its performance from continuing and recurring income from its core business.
- (ii) Portfolio insurance refers to the amortization of the prepaid portfolio insurance asset which is included as an expense in the calculation of total revenue. This amortization of the asset is not variable based on the current period's volume, and, as such, can distort gain on sale trends. Please see Table 2 in the MD&A for additional information.

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

<i>(in thousands of \$, except per share data)</i>	For the three months ended			For the six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Net income (loss)</b>	\$ 3,306	\$ (1,365)	\$ (104)	\$ 1,941	\$ (2,678)
Fair value adjustments (net of non-controlling interest)	(1,189)	(153)	(28)	(1,342)	(131)
Private equity management expense (net of tax)	220	37	137	257	238
Restructuring expense (recovery) (net of tax)	-	-	1,823	-	4,470
Discontinued operations (net of tax)	-	-	17	-	15
<b>Adjusted net income (loss)</b>	\$ 2,337	\$ (1,481)	\$ 1,845	\$ 856	\$ 1,914
Shareholders' diluted earnings (loss) per share	\$ 0.03	\$ (0.01)	\$ 0.00	\$ 0.02	\$ (0.02)
Adjusted shareholders' diluted earnings (loss) per share	\$ 0.02	\$ (0.01)	\$ 0.02	\$ 0.01	\$ 0.02

## Further Information

Please also refer to the Company's Q2 2018 Condensed Consolidated Interim Financial Statements, and the Company's Three and Six Months Ended June 30, 2018 Management's Discussion and Analysis, which are available on the Company's website ([www.streetcapital.ca](http://www.streetcapital.ca)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

## Conference Call

Street will host a conference call today, Thursday, August 9, 2018 at 8:00 a.m. ET to discuss its financial results. Duncan Hannay, Chief Executive Officer of Street, will chair the call with Marissa Lauder, Chief Financial Officer of Street.

	Participant Dial-in	Webcast	Reference Number
Conference Call	<b>416-764-8609</b> ; or <b>1-888-390-0605</b>	<a href="https://bit.ly/2uMYeaQ">https://bit.ly/2uMYeaQ</a>	
Replay (available for 2 weeks)	416-764-8677; or 1-888-390-0541		453771

## **About Street Capital Group Inc. ([streetcapitalgroup.ca](http://streetcapitalgroup.ca))**

Street Capital Group Inc. (TSX: SCB) is a public company operating through its wholly-owned subsidiary, Street Capital Bank of Canada, a federally regulated Schedule I Bank offering residential mortgage loans with the strategic goal of introducing additional retail banking products in the coming years. Street Capital Bank of Canada sources its mortgage products primarily through a network of independent mortgage brokers across Canada with whom it has built relationships. Street Capital Bank of Canada offers a broad line-up of high ratio and conventional mortgages to borrowers and either sells the mortgages it underwrites to top tier financial institutions or holds them on balance sheet. Street Capital Bank of Canada lends throughout all of the Provinces of Canada (other than Quebec) and has offices in Ontario, Alberta and British Columbia. For more information please visit [streetcapital.ca](http://streetcapital.ca).

## **Forward-Looking Statements**

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

## **For further information, please contact:**

**Duncan Hannay**  
CEO, Street Capital Group Inc.  
[duncan.hannay@streetcapital.ca](mailto:duncan.hannay@streetcapital.ca)

**Jonathan Ross, CFA**  
LodeRock Advisors Inc., Inv. Relations  
[jon.ross@loderockadvisors.com](mailto:jon.ross@loderockadvisors.com)  
(416) 283-0178

The following table sets out financial highlights of the Company's consolidated quarterly results of operations for the eight quarters ended June 30, 2018. Please see the section *Non-GAAP Measures* in the Company's Management's Discussion and Analysis for the Three and Six Months Ended June 30, 2018, which is available on the Company's website ([www.streetcapital.ca](http://www.streetcapital.ca)) and on SEDAR ([www.sedar.com](http://www.sedar.com)), for the definitions of adjusted net income, other related non-GAAP measures, and credit quality indicators.

<i>(in thousands of \$, except where defined)</i>	2016	2016	2017	2017	2017	2017	2018	2018
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Financial performance</b>								
Shareholders' net income (loss)	\$ 7,491	\$ 462	\$ (2,574)	\$ (104)	\$ 3,731	\$ 1,239	\$ (1,365)	\$ <b>3,306</b>
Adjusted shareholders' net income (loss)	\$ 6,171	\$ 1,900	\$ 69	\$ 1,845	\$ 4,297	\$ 1,544	\$ (1,481)	\$ <b>2,337</b>
Shareholders' diluted earnings (loss) per share	\$ 0.06	\$ 0.00	\$ (0.02)	\$ 0.00	\$ 0.03	\$ 0.01	\$ (0.01)	\$ <b>0.03</b>
Adjusted shareholders' diluted earnings (loss) per share	\$ 0.05	\$ 0.02	\$ 0.00	\$ 0.02	\$ 0.04	\$ 0.01	\$ (0.01)	\$ <b>0.02</b>
Return on equity	22.9%	1.4%	(7.7%)	(0.3%)	11.1%	3.6%	(4.0%)	<b>9.5%</b>
Adjusted return on equity	18.9%	5.7%	0.2%	5.6%	12.8%	4.5%	(4.3%)	<b>6.7%</b>
Return on tangible equity	29.6%	2.2%	(9.3%)	0.1%	14.4%	4.9%	(4.5%)	<b>12.2%</b>
Adjusted return on tangible equity	24.5%	7.6%	0.7%	7.5%	16.5%	6.1%	(4.9%)	<b>8.8%</b>
<b>Mortgages sold and under administration</b>								
Prime mortgages sold - new	\$ 2,493,132	\$ 2,101,474	\$ 1,213,257	\$ 1,499,930	\$ 1,521,342	\$ 1,138,274	\$ 826,528	\$ <b>1,061,892</b>
Prime mortgages sold - renewal	361,844	358,043	304,597	463,167	560,423	531,080	519,686	<b>767,830</b>
Prime mortgages sold - total	\$ 2,854,976	\$ 2,459,517	\$ 1,517,854	\$ 1,963,097	\$ 2,081,765	\$ 1,669,354	\$ 1,346,214	\$ <b>1,829,722</b>
Total Street Solutions originations	N/A	N/A	N/A	\$ 10,225	\$ 131,376	\$ 62,116	\$ 98,285	\$ <b>107,805</b>
Mortgages under administration <i>(in billions of \$)</i>	\$ 26.83	\$ 27.70	\$ 27.81	\$ 27.81	\$ 27.98	\$ 28.02	\$ 27.83	\$ <b>27.90</b>
Gain on sale of mortgages As a % of mortgages sold	\$ 52,578 1.84%	\$ 40,793 1.66%	\$ 26,886 1.77%	\$ 37,278 1.90%	\$ 39,531 1.90%	\$ 30,077 1.80%	\$ 22,274 1.65%	\$ <b>29,728</b> <b>1.62%</b>
Acquisition expenses As a % of mortgages sold	\$ 30,288 1.06%	\$ 26,538 1.08%	\$ 15,523 1.02%	\$ 20,902 1.06%	\$ 20,819 1.00%	\$ 16,750 1.00%	\$ 12,360 0.92%	\$ <b>15,890</b> <b>0.87%</b>
Net gain on sale of mortgages As a % of mortgages sold	\$ 22,290 0.78%	\$ 14,255 0.58%	\$ 11,363 0.75%	\$ 16,376 0.83%	\$ 18,712 0.90%	\$ 13,327 0.80%	\$ 9,914 0.74%	\$ <b>13,838</b> <b>0.76%</b>
Operating expenses As a % of mortgages sold	\$ 13,610 0.48%	\$ 12,085 0.49%	\$ 11,561 0.76%	\$ 14,510 0.74%	\$ 13,821 0.66%	\$ 12,223 0.73%	\$ 13,357 0.99%	\$ <b>13,827</b> <b>0.76%</b>
<b>Equity and share performance</b>								
Shareholders' equity	\$ 134,402	\$ 134,492	\$ 131,998	\$ 132,252	\$ 136,590	\$ 138,162	\$ 137,056	\$ <b>140,763</b>
Shares outstanding end of period <i>(in 000s)</i>	121,790	121,532	121,580	121,974	122,184	122,184	122,184	<b>122,184</b>
Book value per share	\$ 1.10	\$ 1.11	\$ 1.09	\$ 1.08	\$ 1.12	\$ 1.13	\$ 1.12	\$ <b>1.15</b>
Market capitalization	\$ 219,222	\$ 228,480	\$ 182,370	\$ 164,665	\$ 171,058	\$ 125,850	\$ 91,638	\$ <b>103,856</b>
Share price at close of market	\$ 1.80	\$ 1.88	\$ 1.50	\$ 1.35	\$ 1.40	\$ 1.03	\$ 0.75	\$ <b>0.85</b>

The following table sets out the Company's consolidated financial position as at June 30, 2018, March 31, 2018, December 31, 2017 and June 30, 2017.

	<b>As at</b>			
<i>(in thousands of \$)</i>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 74,821	\$ 80,883	\$ 89,414	\$ 48,571
Restricted cash	34,944	12,561	35,543	33,829
Street Solutions uninsured mortgages	394,644	294,453	200,804	10,220
Other non-securitized mortgages and loans	20,136	15,460	13,259	18,524
Securitized mortgage loans	199,748	210,844	220,774	238,976
Deferred placement fees receivable	51,024	51,167	52,325	50,423
Prepaid portfolio insurance	79,190	81,157	82,511	80,008
Deferred income tax assets	14,697	14,644	14,568	14,557
Other assets	32,831	23,649	23,788	26,214
Goodwill and intangible assets	28,179	28,302	28,426	28,437
<b>Total assets</b>	<b>\$ 930,214</b>	<b>\$ 813,120</b>	<b>\$ 761,412</b>	<b>\$ 549,759</b>
<b>Liabilities</b>				
Deposits	\$ 481,220	\$ 382,489	\$ 292,976	\$ 72,187
Loans payable	4,160	4,095	4,039	4,143
Securitization liabilities	201,496	211,505	221,594	239,324
Accounts payable and accrued liabilities	62,798	38,080	64,802	64,049
Deferred income tax liabilities	46,869	45,720	45,889	43,139
<b>Total liabilities</b>	<b>796,543</b>	<b>681,889</b>	<b>629,300</b>	<b>422,842</b>
<b>Total shareholders' equity</b>	<b>140,763</b>	<b>137,056</b>	<b>138,162</b>	<b>132,252</b>
Non-controlling interests	(7,092)	(5,825)	(6,050)	(5,335)
<b>Total liabilities and equity</b>	<b>\$ 930,214</b>	<b>\$ 813,120</b>	<b>\$ 761,412</b>	<b>\$ 549,759</b>
<b>Total MUA (in billions of \$)</b>	<b>\$ 27.90</b>	<b>\$ 27.83</b>	<b>\$ 28.02</b>	<b>\$ 27.81</b>