



STREET CAPITAL GROUP INC.

ANNUAL INFORMATION FORM

For the fiscal year ended
December 31, 2018

STREET CAPITAL GROUP INC.
1 Yonge Street, Suite 2401
Toronto, Ontario M5E 1E5

March 28, 2019

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2018 ANNUAL INFORMATION FORM

(All dollar amounts are in Canadian dollars unless otherwise noted.)

Information in this Annual Information Form ("**AIF**") is given as of December 31, 2018, unless otherwise indicated.

This AIF, and the Corporation's other regulatory filings and other communications, contain certain forward-looking statements and forward-looking information (collectively, forward-looking statements) within the meaning of applicable securities laws. In this and other documents, forward-looking statements can generally be identified by use of words such as "may", "will", "could", "should", "anticipate", "believe", "estimate", "expect", "intend", "forecast", "project", "plan", "schedule" and words of similar import. These forward-looking statements relate to matters including, but not limited to, the Corporation's objectives, strategies, financial and operating results, as well as to the Corporation's markets and the Canadian economy in general.

Forward-looking statements are presented for the purpose of assisting the Corporation's shareholders and other stakeholders in understanding the Corporation's financial position, objectives and priorities, as well as its anticipated financial performance as at and for the periods ended on the dates presented and may not be appropriate for other purposes.

Forward-looking statements reflect management's business judgement based on information available to management at the time they are made and on management's then-current view of future events and, as such, are subject to certain risks and uncertainties as outlined in this AIF, including in the sections titled "Risk Factors and Risk Management", "Litigation" and "Supervision and Regulation". Such risks and uncertainties are also discussed in the Corporation's Management's Discussion and Analysis and other filings made with securities regulators, which are available on SEDAR (www.sedar.com) and on the Corporation's website (www.streetcapital.ca).

Relevant risks and uncertainties include, without limitation, possible unanticipated changes in: technology, regulatory requirements, mortgage insurance rules and the business and economic environment generally, including, but not limited to, Canadian housing market conditions and activity, interest rates, mortgage backed securities markets, timing and execution of anticipated transactions, employment conditions, taxation, and competitive factors.

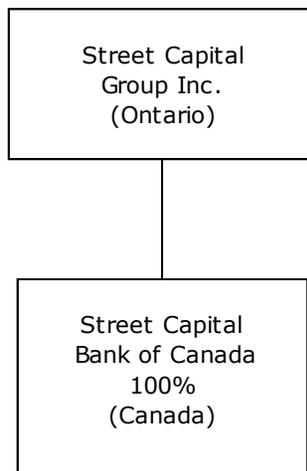
Should one or more of these risks materialize, or should underlying assumptions prove incorrect, the Corporation's actual results could differ materially from those anticipated in these forward-looking statements. Although management believes that its expectations are based on reasonable assumptions, management can give no assurance that its expectations will materialize. Therefore, the reader should not place undue reliance on forward-looking statements made in this AIF or in the Corporation's other regulatory filings and other communications. 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, except as required by applicable securities laws.

CORPORATE STRUCTURE

421367 Ontario Limited, the predecessor to Street Capital Group Inc., was incorporated under the *Business Corporations Act* (Ontario) by Articles of Incorporation dated August 2, 1979. It changed its name to Counsel Financial Services Limited by Articles of Amendment effective October 26, 1979, and changed its name to Counsel Trustco Corporation by Articles of Amendment effective July 15, 1982. The corporation amalgamated with its wholly owned subsidiary, 475848 Ontario Limited (formerly Counsel Management Limited), by Articles of Amalgamation effective December 31, 1984. By Articles of Amendment effective May 22, 1986, the corporation changed its name to Counsel Corporation. By Articles of Amendment effective May 5, 1987, the corporation subdivided each of its issued and unissued common shares on a 3 for 2 basis. The corporation amalgamated with its wholly owned subsidiary, Counsel Healthcare Assets Inc., by Articles of Amalgamation effective December 31, 1998. By Articles of Amendment effective June 9, 1999, the corporation simplified its capital structure by replacing its authorized classes and series of preferred shares with one class of an unlimited number of preferred shares, issuable in series, and changing the authorized number of its common shares to an unlimited number. By Articles of Amendment effective December 19, 2003, the corporation was authorized to issue, as a series of preferred shares, 12,000,000 shares designated as Preferred Shares, Series A. The Series A preferred shares were redeemed in full on July 24, 2009. By Articles of Amendment effective July 24, 2009, the corporation was authorized to issue, as a new series of preferred shares, 6,009,616 shares to be designated as Preferred Shares, Series B. On January 25, 2011, all of the Series B preferred shares were converted into common shares at \$0.75 per share, which resulted in the issuance of 15,384,617 common shares. The corporation amalgamated with its wholly owned subsidiary, Counsel Capital Corporation, by Articles of Amalgamation effective January 1, 2014. By Articles of Amendment effective June 19, 2015, the corporation changed its name to "Street Capital Group Inc." (hereinafter referred to as "**Street Capital**" or the "**Corporation**").

The registered and principal office of the Corporation is located at 1 Yonge Street, Suite 2401, Toronto, Ontario, M5E 1E5, and its telephone number is (647) 259-7873.

The following chart indicates the principal subsidiary of the Corporation, its jurisdiction of incorporation and the percentage of voting securities thereof which are owned directly or indirectly by the Corporation as at December 31, 2018.



GENERAL DEVELOPMENT OF THE BUSINESS

Financial Services

The Corporation operates primarily in the mortgage lending business through its wholly-owned subsidiary, Street Capital Bank of Canada ("**Street Capital Bank**" or "**the Bank**"), a federally regulated Schedule I bank. Prior to obtaining its bank license, the Bank was known as Street Capital Financial Corporation ("**Street Capital Financial**").

The Corporation acquired Street Capital Financial, a Canadian residential mortgage lender, in May 2011. Street Capital Financial successfully built a broad network of approved independent brokers, and generated a strong wholesale demand from institutional investors for the mortgages sourced by Street Capital Financial. The majority of the mortgages were sold to these investors.

In December 2012, Street Capital Financial applied to Canada's Minister of Finance for approval to operate as a federally regulated Schedule I bank. In May 2013, while the bank application was still under review, Street Capital Financial received approvals from the Canada Mortgage and Housing Corporation ("**CMHC**") to be an approved issuer of *National Housing Act* mortgage backed securities ("**NHA MBS**") and an approved seller under the Canada Mortgage Bonds ("**CMB**") program. This enabled the company's mortgages to be pooled into securities designated for sale to Canada Housing Trust under the CMB program, and provided a secondary source of funding.

In June 2015, the Corporation's shareholders approved an organizational realignment of the Corporation. As part of the reorganization: (i) the name of the corporation was changed to "Street Capital Group Inc.", (ii) the management teams and boards of the Corporation and Street Capital Financial were combined and streamlined, and (iii) all of the Class C non-voting shares of Street Capital Financial, which were held primarily by certain members of Street Capital Financial's management team, were exchanged for 20 million common shares of the Corporation and approximately \$3 million cash.

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 ("**OSFI**"), Canada, permitting Street Capital Financial to continue and operate as a Canadian Schedule I bank. Effective February 1, 2017, Street Capital Financial began operations as Street Capital Bank of Canada in English and Street Capital Banque du Canada in French. Street Capital Bank's head office is located in Toronto. Please note that in the remainder of this AIF, all references to Street Capital Financial have been replaced with Street Capital Bank (or the Bank), where appropriate.

During 2017, the origination and sale of prime insurable mortgages remained both the majority of the Corporation's operations and its primary source of revenue. However, the Bank began accepting deposits in the first quarter of 2017, and launched its uninsured on-balance sheet lending program, Street Solutions (Alt-A single family mortgages), in the second quarter of 2017. Beginning in the third quarter of 2017, the Bank also began participating in the 10-year CMB program through the securitization and sale of insured multi-unit residential mortgages.

Beginning in the second quarter of 2018, the Bank began originating prime uninsurable mortgages, on a limited scale, through its network of independent mortgage

brokers. In the fourth quarter of 2018, the Bank accessed a new funding source for Street Solutions by selling a small amount of these mortgages to an institutional investor. There were no other significant changes in the Corporation's business during 2018.

During 2018 the Bank began developing a core banking system, including a web and mobile-enabled banking platform that incorporated a direct-to-consumer deposit offering. The launch was originally planned for 2019. In December 2018, Management and the Board of Directors suspended the development of the core banking system. Although the project was terminated, the development and design work has been retained and the Bank will re-evaluate the implementation of the core banking system towards the end of 2019.

Legacy Business

Following the Corporation's 2013 decision to focus its strategy on financial services, by the end of the first quarter of 2014 the Corporation had completed the dispositions of its non-core operations. The Corporation did retain some real estate assets and liabilities that in aggregate were immaterial to its financial position and operations. The liabilities were settled by the end of 2016, and the Corporation continued to realize its net outstanding real estate assets during 2017 and 2018. At December 31, 2018 the net outstanding receivables were \$0.46 million.

As part of the strategy focus described above, the Corporation also began winding down its private equity business, which was carried on through the Corporation's wholly-owned subsidiary, Knight's Bridge Capital Partners Inc. At the end of 2015 Knight's Bridge Capital Partners Inc. had successfully divested most of its core holdings, retaining only two investments. These investments were exited during 2017 and 2018, effectively concluding the Corporation's private equity business.

DESCRIPTION OF THE BUSINESS OF THE CORPORATION

The Corporation's operations are currently concentrated in residential mortgage lending through its wholly owned subsidiary, Street Capital Bank, which was founded in 2007 as Street Capital Financial. Street Capital Bank has grown to establish itself as one of the largest mortgage lenders in Canada, with \$27.6 billion in mortgages under administration ("**MUA**") at December 31, 2018. As noted above, in December 2016 Street Capital Bank was approved to commence business operations as a federally regulated Schedule I bank, and bank operations began on February 1, 2017.

A description of the Corporation's business and discussion of its financial position and operations is included in its Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2018 ("**MD&A**"), which is incorporated herein by reference. The Corporation's MD&A and related audited financial statements are available on SEDAR at www.sedar.com.

Prime Insurable Residential Lending

Since its inception in 2007, the Bank's primary operations have centered on the origination and subsequent sale of both high ratio and conventional prime insurable single-family residential mortgages at competitive interest rates. These prime insurable residential mortgages are originated through the Bank's network of approved independent mortgage brokers, and almost all of them are sold at the time of commitment to top-tier financial institutions (the "**investors**" or "**funding partners**"). The Bank is an approved issuer of NHA MBS and an approved seller under the CMB program, and therefore can also securitize the mortgages and access the market directly. However, although direct securitization of prime insured mortgages at times can be more profitable over the life of the mortgage, depending on mortgage spreads, in the absence of a secondary transaction such as the sale of the interest-only strip, the underlying mortgages remain on the Bank's balance sheet and attract a commensurate increase in regulatory capital in the calculation of its leverage ratio. This, combined with the fact that the Bank can earn a better rate of return on capital on its uninsured mortgage product known as "Street Solutions", are disincentives to the Bank making prime insured mortgage securitization a major part of its funding model, and its participation in the direct securitization market has not been significant to date.

Although the Bank sells the majority of the prime mortgages it originates, thereby transferring the associated risks to the investor, the Bank has always focused on, and been committed to, the credit quality of the mortgages it underwrites. It maintains stringent underwriting and robust quality assurance processes. This is core as an originator of mortgages for third-party funding partners, and critical to the Bank's success in building a solid balance sheet with predictable recurring revenues.

The Bank outsources the servicing of its MUA to third-party service providers, but continues to administer the mortgages, and therefore remains the face of all direct communication with borrowers throughout the mortgage term. This ongoing customer relationship promotes renewals and is a key part of the long-term growth, profitability and recognition of the Street Capital Bank brand. Prime renewals are highly profitable due to their much lower acquisition costs as compared to newly originated mortgages. Additionally, existing customer relationships can be the source of potential cross-sell opportunities for the Bank's new products as its banking operations expand. Prime mortgage renewals are expected to remain an important part of the business model. While the Bank generally

targets a renewal rate in the range of 75% - 80% of prime mortgages eligible for renewal, the primary focus is maximizing the financial returns of the renewal portfolio. Renewal rates were 73% in 2018 compared to 75% in 2017.

Prime Uninsurable Residential Mortgage Lending

In Q2 2018 the Bank began originating prime uninsurable single-family mortgages, on a limited scale, through the Bank's network of approved independent mortgage brokers. Prime uninsurable mortgages are mortgages that have similar credit quality when compared to prime insurable mortgages, but that no longer qualify for mortgage insurance due to one or more criteria. These criteria include mortgages for the purpose of refinancing, mortgages on homes valued over \$1 million, and mortgages with amortization periods over 25 years.

As with the prime insurable mortgages discussed above, these prime uninsurable mortgages are sold at commitment to one of the Bank's funding partners. Meaningful growth in originations for this product will ultimately depend on the development of sufficiently liquid private residential mortgage backed securities ("**RMBS**") markets at sufficiently profitable spreads. At the date of this AIF, the originations and sale of prime uninsurable mortgages have been a relatively small proportion of the Corporation's operations but are expected to increase in 2019.

Street Solutions Uninsured Residential Mortgage Lending

Street Solutions are non-prime single-family residential mortgages that provide alternative lending options for achieving the goal of home ownership. The program targets a market segment that consists of credit-worthy, but generally under-served, borrowers who may not qualify for a prime residential mortgage. This segment of borrowers includes:

- New immigrants;
- Self-employed individuals;
- Rental investors; and
- Individuals with slightly bruised credit history.

The Street Solutions uninsured mortgage products consist entirely of first mortgages. Currently most of the mortgages are funded on the Bank's balance sheet with deposits, and earn both net interest income and fee income. In Q4 2018, the Bank sold \$26.2 million of funded Street Solutions mortgages to an institutional investor, and it may develop such sales as a new business segment going forward. Like its program for prime mortgages, the Bank earned an upfront gain on sale and transferred all the risks and rewards of the underlying mortgages upon sale, therefore derecognizing the mortgages from its balance sheet.

Insured Multi-Unit Residential Lending

In Q3 2017 the Bank began to originate and securitize insured multi-unit residential mortgages through the CMB program. The mortgages have 10-year terms and are fully insured through CMHC programs. The combination of the underlying terms of the mortgages and the sale structure allows these transactions to qualify for off-balance sheet accounting, resulting in derecognition and generating upfront gains on sale. The Bank has continued to participate in this product space to the extent of its 10-year CMB allocation, and will

continue to do so as the mortgages individually and on a portfolio basis meet the Bank's risk tolerance.

Broker Deposit Products

To build its balance sheet lending portfolio, since Q1 2017 the Bank has been offering CDIC insurance-eligible deposits through a network of licensed investment dealers. Products consist of one to five-year guaranteed investment certificates ("**GICs**") and a 90-day cashable GIC, all at competitive interest rates. The Bank does not offer demand deposit products such as High Interest Savings Accounts ("**HISAs**"). The GIC deposit base funds the Bank's Street Solutions program, its other mortgage loans that remain on-balance sheet, such as bridge loans or securitized mortgages awaiting sale, and its pool of high-quality liquid assets.

Regulatory, Market, and Competitive Conditions

In October 2016, the federal government's Department of Finance announced new mortgage insurance rules, with the most material items being increases to the qualifying rate for new insurable mortgages and the elimination of mortgage insurance on most refinance transactions. These changes, along with previous changes that eliminated mortgage insurance for purchases over \$1.0 million and amortizations greater than 25 years, decreased the volume of mortgages that qualify for individual or portfolio mortgage insurance. Most of the Bank's purchasers of prime mortgages securitize these mortgages through the NHA MBS and CMB programs, which mortgages must be insured. Therefore the Department of Finance changes have resulted in reduced funding for prime, but now uninsurable, mortgages, materially reducing the size of the prime insured mortgage market for the Bank and other mono-line mortgage lenders and thereby increasing competition for this business. The cost of funds through the broker GIC channel, combined with the capital requirements for prime uninsurable mortgages, makes it uneconomical for the Bank to fund these mortgages on its balance sheet.

As well, in 2016 OSFI introduced higher regulatory capital requirements for mortgage insurers, which increased lenders' cost of portfolio insurance. Higher portfolio insurance costs in certain segments have reduced Street Capital's prime mortgage business, as the insurance costs to Street Capital make these products less competitive in the market.

Additional regulatory changes occurred most recently in October 2017, when OSFI released amendments to Guideline B-20-*Residential Mortgage Underwriting Practices and Procedures* ("**Guideline B-20**"), which were effective on January 1, 2018. Although the basic framework of Guideline B-20 has not changed, OSFI tightened and clarified its expectations, and introduced new expectations, namely:

- Requiring a GDS/TDS stress test for all uninsured mortgages of the greater of (i) 2.00% above the contractual interest rate, or (ii) the five-year benchmark rate published by the Bank of Canada;
- Requiring that Loan-to-Value ("**LTV**") measurements remain dynamic and adjust for changes in local market conditions in order to accurately reflect the associated risks; and
- Expressly prohibiting co-lending arrangements that are designed, or appear to be designed, to circumvent LTV limits, or other underwriting policy or legal limitations.

Due to regulatory changes discussed above, as well as changes in general industry practice, there has been an increase in the inherent risk of misrepresentation of mortgage documentation, particularly income reasonability. The Bank has enacted proactive measures to mitigate this risk, by strengthening its internal capabilities through the use of evolving processes and technology. Furthermore, the Bank has undertaken a more scrutinous approach in evaluating its broker relationships, and will act as required, in the normal course of its business.

In order to enhance its competitive position in an ever-changing market space, the Bank has realigned its strategic outlook by creating three core priorities, that are being undertaken using an Agile workgroup methodology to execute project delivery:

- Prime New Mortgage Originations – leveraging off a go-to-market strategy initiated in late 2018, this workgroup will work to generate new prime insured and uninsured originations by focusing on new broker onboarding, deepening share of wallet, and improving end-to-end customer experience.
- Prime Mortgage Renewals – this workgroup will look to increase renewals and improve overall contribution by strengthening workflow processes and targeting offers to maximize customer retention and overall renewals profitability.
- Loan Origination Systems and Process – this workgroup’s objective will be to drive competitive advantage and strengthen overall market share by focusing on middle office transformation and digital delivery to improve throughput, customer experience and overall efficiency of the mortgage origination platform.

The following table sets out the Corporation's consolidated results of operations for the three years ended December 31, 2016, 2017 and 2018.

<i>(In thousands of \$ except per share data and as otherwise defined)</i>	2016	2017	2018
	\$	\$	\$
Revenue			
Net gain on sale of mortgages	68,413	59,778	42,170
Net interest and other income (loss)	(141)	3,379	12,791
Total revenue	68,272	63,157	54,961
Expenses and fair value adjustments			
Operating expenses	46,770	52,115	54,934
Restructuring expenses (recoveries)	(813)	6,779	7,633
Asset write offs	-	-	26,591
Fair value (appreciation) depreciation	2,476	885	(2,846)
Income (loss) before income taxes, discontinued operations and non-controlling interest	19,839	3,378	(31,351)
Income tax expense (recovery)	6,187	1,837	12,084
Income (loss) from continuing operations	13,652	1,541	(43,435)
Income (loss) from discontinued operations	510	(15)	161
Net (income) loss attributable to non-controlling interest	2,104	766	(1,515)
Net income (loss) attributable to shareholders	16,266	2,292	(44,789)
Basic and diluted net income (loss) per share			
Continuing operations	0.13	0.02	(0.37)
Discontinued operations	-	-	-
Basic and diluted net income (loss) per share	0.13	0.02	(0.37)
Adjusted net income (loss)	16,360	7,756	(97)
Adjusted net income (loss) per share	0.13	0.06	0.00
Return on equity	12.8%	1.7%	(34.4%)
Adjusted return on equity	12.9%	5.8%	(0.1%)
Net gain on sale as a % of mortgages sold	0.73%	0.83%	0.67%
Mortgages under administration (in billions of \$)	27.70	28.02	27.59
Mortgage sales (in billions of \$)	9.37	7.23	6.24
Renewal volumes	15.3%	25.7%	39.5%

Note: please see the section Non-GAAP Measures, included in the MD&A referenced above, for further detail and numerical reconciliations of Non-GAAP measures to the most directly comparable measure specified, defined or determined under the GAAP presented in the Corporation's financial statements. The Non-GAAP measures are intended to provide insight into the Corporation's core operating business (the Bank) by removing non-recurring items, and the material items associated with the Corporation's legacy businesses.

Risk Factors and Risk Management

An investment in the Corporation's securities involves a number of risks. The Corporation is exposed to various types of risks owing to the nature of its business activities and strategies, and like other financial institutions, it is exposed to the symptoms and effects of domestic and global economic conditions and other factors that could adversely affect its business, financial condition and operating results, which may influence an investor to buy, sell or hold shares in the Corporation. Business risks include strategic, credit, liquidity and funding, interest rate, investment, capital, operational, reputational, regulatory and legislative, cyber, and business continuity. The Corporation has established an enterprise risk management framework that contains policies, standards, and processes to measure, monitor, and manage these risks. The Corporation's Board of Directors (the "**Board of Directors**" or the "**Board**"), Enterprise Risk Management Committee ("**ERM Committee**") and Senior Management play an active role in monitoring the Corporation'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. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently considers immaterial, may also have a material adverse effect on the Corporation's business operations and/or financial condition. Many of these risk factors are beyond the Corporation's direct control.

The key risks faced by the Corporation and the way in which the Corporation manages them can be found in the MD&A referenced above. The Corporation cautions that the discussion of risks is not exhaustive. When considering whether to purchase common shares of the Corporation, investors and others should carefully consider these factors as well as other uncertainties, potential events, and industry- and Corporation-specific factors that may impact the Corporation's future results.

Employees

As at December 31, 2018, the Corporation and its subsidiaries employed approximately 222 employees, all of whom are employed by Street Capital Bank. In January 2019, in an effort to target efficiencies and profitability, Management reduced its workforce by approximately 30 positions, resulting in a final count of approximately 192 employees. As part of the restructuring, the management team was also reorganized to align its operating model to support its new strategic priorities, as outlined above.

Litigation

The Corporation, from time to time, is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Corporation is not aware of any pending or threatened proceedings that would have, or during 2018 could have had, a material adverse effect on the consolidated financial condition or future results of the Corporation.

Supervision and Regulation

As of February 1, 2017 the Corporation's operating subsidiary, Street Capital Bank, became a federally regulated Schedule I Bank. As such the Bank is supervised by OSFI and its activities are governed by the *Bank Act*, which prohibits the Bank from engaging in or carrying on any business other than the business of banking, except as specifically permitted.

OSFI is required to examine the affairs and business of each institution governed by the *Bank Act* to ensure compliance therewith and to ensure that each bank is in sound financial condition. OSFI is responsible to the Minister of Finance and its examination reports are submitted to the Minister of Finance.

The Bank is also subject to other acts and regulatory bodies including the CDIC, which insures certain deposits held at the member institutions, and the Financial Consumer Agency of Canada ("**FCAC**"). The FCAC is responsible for enforcing the Financial Consumer Agency of Canada Act, and the consumer-related provisions of the federal statutes that govern financial institutions, which includes the *Bank Act* and its regulations.

The Corporation is also subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* which applies to all federally regulated financial institutions in Canada and sets out the expectations and obligations on financial institutions related to detecting and deterring money laundering and the financing of terrorist activities.

SECURITIES OF THE CORPORATION

Capital Structure

The authorized capital stock of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

Common Shares

The Corporation is authorized to issue an unlimited number of common shares. As of December 31, 2018, the Corporation had 122,184,182 common shares issued and outstanding. Holders of common shares are entitled to one vote per share at meetings of shareholders of the Corporation, to receive dividends if and when declared by the Board of Directors, subject to the prior rights of holders of any preferred shares and any other shares ranking in priority to the common shares and to receive the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to the rights of shares having priority over the common shares.

Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares, issuable in series, 12,000,000 preferred shares, series A and an unlimited number of preferred shares, series B, none of which are outstanding at December 31, 2018. If issued, each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors prior to the issuance thereof. In addition to any voting rights the holders of series A shares may have under applicable law, on all matters submitted to a vote of holders of common shares, a holder of series A shares will be entitled to the number of votes equal to the number of common shares into which the series A shares are convertible on the record date for such vote. In addition to any voting rights the holders of series B shares may have under applicable law, on all matters submitted to a vote of holders of common shares, a holder of series B shares will be entitled to one vote per series B share. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the preferred shares are entitled to preference over the common shares.

Market for Securities

The Corporation's common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "SCB".

The Corporation's common share trading price and volume for 2018 on a monthly basis on the Toronto Stock Exchange, in Canadian dollars, was as follows:

Month	High \$	Low \$	Trading Volume (shares)
January	1.05	0.98	637,348
February	1.00	0.82	566,518
March	0.90	0.75	1,038,888
April	0.80	0.60	4,127,450
May	0.85	0.74	919,073
June	0.90	0.78	430,417
July	0.90	0.78	514,105
August	0.94	0.84	1,385,061
September	0.93	0.85	4,006,811
October	0.93	0.81	423,585
November	0.92	0.61	650,736
December	0.70	0.46	795,593

Dividends

There are no restrictions on the Corporation's ability to declare dividends. However, Street Capital Bank, the sole operating subsidiary of the Corporation, is subject to regulatory capital and business requirements stipulated by OSFI that must be met before dividends can be declared and paid. There were no dividends declared or paid in 2016, 2017 or 2018.

Securities Subject to Contractual Restriction on Transfer

Designation of class	Number of securities that are subject to a contractual restriction on transfer	Percentage of class
Common Shares	5,688,119 (1)	4.7%

Note:

- (1) Pursuant to a share purchase agreement dated May 13, 2015 which can be found on SEDAR at www.sedar.com (the "**Share Purchase Agreement**"), subject to certain exceptions as set out in the Share Purchase Agreement, the shares listed above are held by members of the Corporation's management, and may only be transferred or sold on or after June 1, 2019. Of the 8,580,540 shares that were subject to a contractual restriction on December 31, 2017, 2,892,421 were released from the restrictions during 2018 under the terms of the Share Purchase Agreement.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth under "*Securities Subject to Contractual Restriction on Transfer*", to the best of management's knowledge, there are no proposed transactions, nor have there been any transactions within the last three fiscal years, which in either case have materially affected or will materially affect the Corporation in which any of the Corporation's officers or directors or their affiliates had or has any material interest, direct or indirect.

TRANSFER AGENT & REGISTRAR

The transfer agent and registrar for the Corporation's common shares is Computershare Investor Services Inc., located in Toronto, Ontario, Canada.

DIRECTORS AND OFFICERS

All directors' terms of office will expire at the next annual meeting of shareholders unless re-elected. The information regarding the Corporation's directors, including principal occupation or employment at present and within the past five years is as follows:

Allan Silber, Ontario, Canada – Chair of the Board prior to his retirement, which was announced December 24, 2018 and was effective January 3, 2019; former President and Chief Executive Officer of the Corporation until June 17, 2015; Director of the Corporation since August 2, 1979.

Lea Ray, Ontario, Canada – Chair of the Board since January 3, 2019, following the retirement of the former Chair, Allan Silber, which was effective as of January 3, 2019; former Chair of the Audit Committee; director of the Corporation since June 18, 2015; Chartered Professional Accountant and former executive, Vice President Corporate Finance, of Warner Bros. Entertainment Canada Inc. Member of the Audit Committee, the ERM Committee and the Strategic Planning Committee.

Duncan Hannay, Ontario, Canada – Director of the Corporation, and President and Chief Executive Officer of the Corporation and Street Capital Bank since September 1, 2017; previously was Chief Operating Officer of Finastra following the merger of D + H and Misys; previously President, Global Lending Solutions at D + H since April 2016 after President, D

+ H Canada since February 2014; and previously Senior Vice President, Head of Canadian Marketing, Scotiabank.

Tom Bermingham, Ontario, Canada – Director of the Corporation since June 18, 2015; Chartered Professional Accountant; formerly Vice President Finance and Treasurer, Bank of Montreal; formerly Chief Risk Officer, Continental Bank of Canada; Consultant. Chair of the Audit Committee since January 18, 2019; Member of the ERM Committee.

Morris Perlis, Ontario, Canada – Director of the Corporation since June 18, 2015; former Executive Vice Chairman of the Corporation. Chair of the Governance, Conduct Review and Compensation Committee of the Corporation (the “**GCRC Committee**”).

Ron Lalonde, Ontario, Canada – Director of the Corporation since June 18, 2015; formerly Senior Executive Vice President, Technology and Operations at CIBC. Chair of the ERM Committee, and member of the GCRC Committee and the Strategic Planning Committee.

Carrie Russell, Ontario, Canada – Director of the Corporation since June 6, 2018; Independent Advisor to financial institutions and fintech; formerly EVP and Chief Marketing Officer at D&H; formerly SVP of TD Bank. Chair of the Strategic Planning Committee since the Board’s approval of the Strategic Planning Committee’s mandate on January 21, 2019, and member of the ERM Committee.

Ronald Appleby, Ontario, Canada – Director of the Corporation since June 19, 2007; employed as a partner of Robins Appleby LLP since 1973. Member of the Audit Committee and the GCRC Committee.

W. Ed Gettings, Ontario, Canada – Non-Management Director of the Corporation since September 1, 2017; Director and former Chief Executive Officer of the Corporation since June 18, 2015 and formerly Chief Executive Officer of Street Capital Bank since May 30, 2007.

Information regarding the Corporation’s executive officers who are not directors, including their principal occupation or employment at present and within the past five years is as follows:

Marissa Lauder, Ontario, Canada – Chief Financial Officer and Executive Vice President of the Corporation and Street Capital Bank since February 9, 2018; formerly Chief Financial Officer since June, 15, 2015; formerly Senior Vice President, Risk Management at Home Capital Group and Senior Vice President, Finance at Home Capital Group.

R. Adam Levy, Ontario, Canada – Executive Vice President, Corporate Development of the Corporation and Street Capital Bank effective January 16, 2019; formerly Executive Vice President and Chief Operating Officer since February 1, 2017; formerly Executive Vice-President and Chief Compliance Officer of the Corporation and Street Capital Bank since March 1, 2012; formerly the Senior Vice President Business Development and Corporate Counsel for the Corporation.

Gary H. Taylor, Ontario, Canada – Executive Vice President and Chief Risk Officer of the Corporation and Street Capital Bank since February 9, 2018; formerly Senior Vice President and Chief Risk Officer of Street Capital Bank since June 18, 2015; formerly the Vice President, Risk Management of Street Capital Bank since June 2013 and formerly the Vice President, Asset Management for the Corporation.

Gregory Parker, Ontario, Canada – Executive Vice President, Capital Markets and Treasury of the Corporation and Street Capital Bank since October 23, 2017; formerly Executive Vice President and Chief Risk Officer at Home Capital Group.

Alfonso Casciato, Ontario, Canada – Senior Vice President, Sales of Street Capital Bank since May 1, 2015; formerly the Vice President - Credit Operations of Street Capital Bank.

Stephen Kissuk, Ontario, Canada – Senior Vice President, Mortgage Credit of Street Capital Bank since February 9, 2018; formerly Vice President, Mortgage Credit of Street Capital Bank.

Mike Spero, Ontario, Canada – Senior Vice President, Operations of Street Capital Bank effective January 16, 2019; formerly Managing Director, New Business Initiatives and Transformation of Street Capital Bank since April 24, 2018.

Jeff Marshall, Ontario, Canada – Chief Product and Marketing Officer of Street Capital Bank since September 5, 2017; formerly Senior Vice President of Digital Banking at Scotiabank. Mr. Marshall resigned from the Corporation effective February 5, 2019.

As of December 31, 2018, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 26,393,971 common shares, representing approximately 21.6% of the outstanding common shares of the Corporation. Following the retirement of Allan Silber from his position as Board Chair, effective January 3, 2019, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 17,233,578 common shares, representing approximately 14.1% of the outstanding common shares of the Corporation.

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Professional Accountants, are the auditors of the Corporation and prepared an independent auditor's report dated March 4, 2019 in respect of the Corporation's consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years then ended. Ernst & Young LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

AUDIT COMMITTEE INFORMATION

The current members of the Audit Committee, effective as of January 18, 2019, are Tom Bermingham (Chair), Lea Ray (former Chair) and Ronald Appleby. Mr. Bermingham was appointed Chair of the Audit Committee to replace Ms. Ray following Ms. Ray's election as Board Chair effective January 3, 2019. The Corporation has determined that each member of the Audit Committee is independent and all are financially literate. Ms. Ray is a Chartered Professional Accountant and holds the ICD.D designation from the Institute of Corporate Directors. Mr. Appleby has been a partner of Robins Appleby LLP since 1973, specialising in taxation and estate planning. Mr. Bermingham is a Chartered Professional Accountant and a retired senior executive in the financial services industry.

Audit Committee Mandate

A copy of the Corporation's Audit Committee Mandate, as approved by the Board effective March 5, 2019, is attached as Exhibit A.

External Audit Fees

The following table sets forth external auditor service fees by category for the years ended December 31, 2018 and 2017 (\$000s):

	<u>2018</u>	<u>2017</u>
	\$	\$
Audit fees	541¹	343
Audit – related fees	20	17
Tax fees	7	21
All other fees	-	110
	<u>568</u>	<u>491</u>

Audit-related fees in both years include a review for specified audit procedures related to the Corporation's subsidiary, Street Capital Bank of Canada. Tax fees include services rendered for tax compliance. All other fees in 2017 primarily relate to services rendered in connection with the Corporation's banking strategy, and also include Canadian Public Accountability Board fees.

ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's financial statements and MD&A for its most recently completed fiscal year. A copy of such documents may be obtained from the Secretary of the Corporation, upon written request. They may also be accessed via the Corporation's website at www.streetcapitalgroup.ca. In addition, such documents and additional filings made by the Corporation can be found on SEDAR at www.sedar.com.

As well, additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular for its June 6, 2018 annual and special shareholders' meeting and will be contained in the information circular which will be filed in connection with its annual meeting scheduled for June 12, 2019.

¹ The Corporation has not received the final amount for external audit fees from the auditor for 2018, but the Corporation estimates the aggregate fees will include an increase of approximately \$150,000 for the fiscal year ended December 31, 2018.

Audit Committee Mandate

Purpose

To establish the authority, role and accountability of the Audit Committee (the “Audit Committee”) of Street Capital Group Inc. (“Street Capital”) and of Street Capital Bank of Canada (“Street Capital Bank”), and its affiliated entities (collectively referred to as the “Company”).

The Audit Committee has overall responsibility for performing the duties for Street Capital Group as set out in the *Business Corporations Act* (Ontario) (the “OBCA”). The Audit Committee has overall responsibility for performing the duties for Street Capital Bank as set out in the *Bank Act* (the “Act”).

The Audit Committee will assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities in relation to:

- The integrity of the Company’s financial statements and financial reporting process
- The integrity of the Company’s systems of internal accounting and financial controls
- The internal and external auditing, including the qualifications and independence of the outside auditor and the performance of the Company’s internal audit services function
- Whistleblowing procedures
- Other Audit Committee functions set forth in this mandate

Membership and Organization

Membership

The composition and organization of the Audit Committee, including the number, qualifications and remuneration of committee members, the number of meetings, Canadian residency requirements, quorum requirements, meeting procedures and notices of meetings as are established by applicable legislation and the by-laws of the Company.

The Audit Committee will consist of at least three independent directors appointed by the Board. The Board may at any time remove or replace any member of the Audit Committee at its discretion. A member of the Audit Committee ceases to be a member upon either his/her resignation or removal from the Audit Committee or upon ceasing to be a director of the Board.

The Board will appoint a member of the Audit Committee as its Chair annually. Members of the Audit Committee will be financially literate and will have relevant financial industry and risk management expertise to enable them to fully understand the risks undertaken by Street Capital. At least one member of the Committee will have financial and accounting expertise consistent with criteria established by the Board. In making such determination of expertise, the Board will review the individual’s executive, professional, educational, or regulatory experience in financial, auditing, accounting, or banking matters.

Independence

“Independence” is a core principle of the Company’s governance policies and procedures. In the context of its governance policies and procedures, with a small Board and management structure, the Company understands

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“demonstrable independence” as a quality that is demonstrated through practices and behaviours, and not necessarily defined by employment relationships or affiliations. Where independence requirements are defined by statute or rule, such as in respect of Board composition, the statutory requirement is observed.

Meetings, Attendance and Preparation

The Audit Committee will meet no less than four times during each financial year. A quorum of the Audit Committee shall consist of a majority of the Directors, and a majority of Directors participating in any meeting shall be resident Canadians. Members of the Audit Committee are expected to attend meetings of the committee and to review related meeting materials in advance.

Directors may participate in meetings in person or by telephone or other electronic means. A Director participating by such means is deemed to be present at that meeting.

The Committee may invite such persons as deemed appropriate to attend its meetings and to take part in the discussions and considerations of the affairs of the Committee.

Minutes of Committee meetings shall be recorded and maintained by the Corporate Secretary or his/her designate and subsequently presented to the Committee for approval.

Responsibilities and Duties

Financial Governance

The Audit Committee is responsible for reviewing the integrity of Street Capital’s financial statements and disclosures. In this regard, the Audit Committee will:

1. review the quarterly unaudited and annual audited financial statements of Street Capital, the external auditor’s report thereon (in the case of audited reports) and the related management’s discussion and analysis of Street Capital’s financial condition and operations, to determine whether they fairly reflect, in all material respects and in accordance with Canadian generally accepted accounting principles, the financial condition, operations and cash flows of Street Capital
2. review the quarterly unaudited and annual audited financial statements of Street Capital Bank, the external auditor’s report thereon (in the case of audited reports) to determine whether they fairly reflect, in all material respects and in accordance with Canadian generally accepted accounting principles, the accounting and disclosure requirements of the Office of the Superintendent of Financial Institutions (“OSFI”), the financial condition, operations and cash flows of Street Capital Bank
3. upon completion of the review in item (1) and (2) above, recommend for Board approval the interim unaudited and annual consolidated audited financial statements of Street Capital and Street Capital Bank
4. review critical accounting and other significant estimates and judgments underlying the financial statements as presented by management
5. meet periodically with management, with the Chief Financial Officer and the external auditor in separate executive sessions to review the financial statements and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate
6. review and recommend the Financial Governance Policy for Board approval annually

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7. review any audit report and the external auditor's report
8. review such investments and transactions that could adversely affect the well-being of the Company as the auditor or auditors or any officer of the Company may bring to the attention of the Audit Committee
9. review management's report on the effectiveness of internal control over financial reporting
10. oversee the credit risk provisioning program by reviewing and monitoring the reports generated and actions taken and/or recommended by the Chief Financial Officer and Chief Risk Officer
11. report on the financial performance against plan, and the Company's performance against key performance indicators to the Board on a quarterly basis
12. keep abreast of recent developments in financial reporting and regulatory actions
13. engage independent counsel or other advisors, as necessary, and set the compensation for any advisors
14. examine and consider such other matters related to the above duties as directed by the Board or as the Audit Committee, in its discretion, determine to be desirable

External Auditor

The Audit Committee will be responsible for overseeing the work of the external auditor, which will report directly to the Audit Committee. In this regard, the Audit Committee will:

1. recommend the appointment, reappointment, removal and remuneration of the Company's external auditor, subject to approval of the Board and shareholders
2. review and agree to the scope and terms of the external auditor's engagement and approve the engagement letter prior to it being signed
3. at least annually, report to the Board on the effectiveness of the external auditor, which review will evaluate the external auditor's qualifications, performance, fees and independence, including a review and evaluation of the lead audit partner
4. obtain from the external auditor a formal written declaration of all relationships between the external auditor and the Company, which will include confirmation that the external auditor is independent within the meaning of the Rules of Professional Conduct/Code of Ethics of the provincial institute or order of chartered accountants to which the external auditor belongs; if necessary, a governance framework will be implemented to address any concerns raised by interested persons or parties about the independence of the external auditor
5. review the annual audit plan for an appropriate, risk-based approach that addresses major areas of concern to the Company, and discuss with the external auditor any material changes to the scope of the plan
6. establish criteria for the types of non-audit services that the external auditor may provide and pre-approve any retainer relating to such non-audit services
7. at least annually, obtain and review a report by the external auditor describing its internal quality-control procedures and any material issues raised by its most recent internal quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding three years respecting one or more independent audits carried on by the external auditor and any steps taken to deal with any of these issues

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8. receive all material correspondence between the external auditor and management relating to audit findings and understands any concerns and responsibilities by the external auditor for generally accepted auditing standards
9. review with the external auditor the quality of the financial statements, as appropriate, to be satisfied that the financial statements represent fairly the financial position, operations and cash flow of Street Capital and Street Capital Bank and extent to which accounting practices being used are conservative and appropriate
10. discuss with Senior Management and the external auditor the results of the audit, the annual and quarterly financial statements and related documents, the audit report and any related concerns the external auditor may have. This should include, but is not limited to:
 - Key areas of risk for material misstatement of the financial statements, including critical accounting estimates or areas of measurement uncertainty
 - Areas of significant auditor judgment, including accounting policies, accounting estimates and financial statement disclosures
 - Whether the external auditor considers estimates/models to be “aggressive” or “conservative” within an acceptable range and, specifically, where there are options, the rationale for the final valuation decision and if the option is consistent with industry practice, significant or unusual transactions (e.g. restatements)
 - Difficult or contentious matters noted during the audit or other audit matters that would typically be discussed with an engagement quality control reviewer
 - Changes in the audit scope or strategy
 - Internal control deficiencies identified during the course of the audit
 - Areas of financial statement disclosures that could be improved
 - The role of other audit firms (e.g. with respect to the audit of any Street Capital subsidiaries)
11. hold regular in camera meetings with the external auditor and the Chief Internal Auditor to understand all relevant issues, including issues that may have arisen between the external auditor and management
12. resolve any disputes between the external auditor and management
13. oversee the usage of audit services
14. review the Basel Committee on Banking Supervision guidance on external audits and ensure Street Capital’s practices meet this guidance to ensure quality audits²
15. discuss systemic audit quality issues raised in Canadian Public Accountability Board (“CPAB”) public reports with external auditors and to enquire whether the audit file of Street Capital has been selected by the CPAB and whether there have been any significant inspection findings specific to Street Capital’s audit
16. review guidance resources issued by Chartered Professional Accountants of Canada (“CPA Canada”) and utilize this guidance and tools as part of the overall assessment of the external auditor.³

² BCBS *External audits of banks* (April 2014) and *Core Principles for Effective Banking Supervision* (September 2012).

³ CPA Canada, CPAB and the Institute of Corporate Directors have collaborated to publish guidance and tools for audit committees in January 2014: *Oversight of the External Auditor*; *Annual Assessment of the External Auditor*; and *Periodic Comprehensive Review of the External Auditor*.

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Internal Audit Function

The Audit Committee will be responsible for monitoring internal audits and reviewing the Company's internal controls over financial reporting and to validate that auditing resources are acquired economically and used efficiently. In this regard, the Audit Committee will:

1. confirm the appointment and replacement of the Chief Internal Auditor
2. review the annual compensation and performance appraisal of the Chief Internal Auditor
3. review and recommend the Internal Audit Policy for Board approval annually
4. review and discuss with the Company's Chief Internal Auditor the responsibilities and overall scope of the internal audit department, including approval of the annual audit plan, as well as other factors that may impact the effectiveness and timeliness of audit reviews
5. review and discuss with the Chief Internal Auditor the results of significant audit reviews, including company-wide audits where the scope includes Street Capital or the reviews otherwise contain findings that are significant to Street Capital's compliance program or internal controls, and reports by management regarding their action plans to implement Internal Audit's recommendations
6. review and discuss with the Chief Internal Auditor the department's reporting structures that optimize auditors' independence, experience and qualifications of senior audit staff on an annual basis
7. review and discuss with the Chief Internal Auditor the department's own quality control procedures and any external review of the internal auditing function which has been conducted for compliance with the Institute of Internal Auditors' International Standards for Professional Practice of Internal Auditing
8. review and discuss with the Chief Internal Auditor the operation of the Company's Whistleblower Code as well as complaints relating to Street Capital made under that policy
9. review and evaluate the coordination of the audit effort between internal and external audit to assure completion of coverage, reduction of redundancies, and the effective use of audit resources

Internal Controls

In overseeing the Company's internal control framework and management's reporting obligations in respect thereof, the Audit Committee will:

1. require management to implement and maintain appropriate internal control policies, including but not limited to internal control over financial reporting and disclosure, and review, on a regular and ongoing basis, these internal control policies
2. at least annually, obtain and review a report from management with respect to internal control policies and processes, including any material issues relating to those policies and processes
3. monitor remediation action plans for significant control issues

Regulatory and Legal Risk Management

The Audit Committee will:

1. review with the President & CEO and Legal Counsel an annual report on all material litigation matters that affect the Company's financial statements

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Whistleblowing Procedures

The Audit Committee will review and approve annually the procedures for the receipt, retention and treatment of complaints received by the Company from employees or others, confidentially and anonymously, as outlined in the Company's Whistleblower Code.

Access to Management

The Audit Committee shall have unrestricted access to management of the Company.

Reports

The Audit Committee will report the proceedings of each meeting and all recommendations made by the Audit Committee at such meeting at the next meeting of the Board following the meeting of the Audit Committee. In urgent matters, where time is of the essence, the Audit Committee's report should be communicated to the directors by the close of the following business day.

The Audit Committee will keep all other committees of the Board apprised of all matters relevant to the mandate of each such committees of the Board.

Annual Review and Assessment

The Audit Committee will conduct an annual review on the effectiveness of the external auditor and self-assessment of the performance of the Audit Committee and each of its members and the adequacy of this mandate and will make recommendations to the Board after consulting with Senior Management, internal and external auditors, if appropriate, on changes necessary to improve its overall effectiveness.

The following activities should take place as part of the annual assessment process:

1. question the Board about its satisfaction with the Audit Committee's performance
2. perform a benchmark comparison of the Audit Committee's activities to leading practices
3. compare the Audit Committee's activities to the mandate and any other objectives set by the Board
4. review the committee's work plans and assess them against the committee's mandate

Mandate Review

This mandate will be reviewed and approved by the Board at least annually.