Condensed consolidated interim financial statements - Unaudited

September 30, 2016

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016
(In thousands of Canadian dollars) Unaudited

	Notes	September 30, 2016	June 30, 2016	December 31, 2015
		$	$	$
Assets				
Cash and cash equivalents	4	**7,185**	5,514	8,846
Restricted cash	4	**24,607**	47,544	13,078
Non-securitized mortgage loans	5	**70,800**	39,109	16,741
Securitized mortgage loans	6	**242,333**	159,642	167,762
Deferred placement fees receivable	7	**50,561**	48,242	46,442
Prepaid portfolio insurance	8	**75,145**	70,840	66,672
Portfolio investments	10	**5,897**	3,338	13,506
Deferred income tax assets	15	**14,071**	14,354	14,135
Other assets	11	**21,103**	25,683	14,671
Intangible assets	9	**5,161**	5,145	5,399
Goodwill	9	**23,465**	23,465	23,465
Total assets		**540,328**	442,876	390,717
Liabilities				
Bank facilities	12	**65,505**	34,757	15,817
Loans payable	13	**6,826**	6,778	8,972
Securitization liabilities	6	**240,411**	158,630	167,380
Accounts payable and accrued liabilities	14	**51,997**	78,844	38,929
Deferred income tax liabilities	15	**43,110**	40,518	37,250
Total liabilities		**407,849**	319,527	268,348
Shareholders' equity				
Capital stock	18	**243,048**	243,221	242,178
Contributed surplus		**61,283**	61,200	61,800
Retained earnings (deficit)		**(169,929)**	(177,420)	(185,733)
Total shareholders' equity		**134,402**	127,001	118,245
Non-controlling interest	10	**(1,923)**	(3,652)	4,124
Total equity		**132,479**	123,349	122,369
Total liabilities and equity		**540,328**	442,876	390,717
Commitments and contingencies	17			

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

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Canadian dollars, except per share data) Unaudited

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
		$	$	$	$
Revenue					
Gain on sale of mortgages		**52,578**	41,197	**126,258**	129,067
Acquisition costs		**(30,608)**	(21,994)	**(71,903)**	(69,415)
Net gain on sale of mortgages	7	**21,970**	19,203	**54,355**	59,652
Net interest and other income	16	**6**	200	**770**	391
Total revenue		**21,976**	19,403	**55,125**	60,043
Expenses					
Salaries and benefits		**9,053**	7,039	**23,943**	21,175
Selling, general and administrative expenses		**4,061**	3,319	**11,196**	10,299
Restructuring costs (recoveries)	2	**-**	-	**(813)**	50,240
Total expenses		**13,114**	10,358	**34,326**	81,714
Income (loss) before fair value adjustments		**8,862**	9,045	**20,799**	(21,671)
Fair value adjustments	10	**2,556**	2,783	**394**	75
Income (loss) before income taxes and discontinued operations		**11,418**	11,828	**21,193**	(21,596)
Income taxes	15	**2,691**	2,136	**5,741**	5,950
Income (loss) from continuing operations		**8,727**	9,692	**15,452**	(27,546)
Income from discontinued operations	23	**493**	9	**508**	11
Net income (loss) and comprehensive income (loss)		**9,220**	9,701	**15,960**	(27,535)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	10	**1,729**	3,025	**156**	(295)
Net income (loss) and comprehensive income (loss) attributable to shareholders		**7,491**	6,676	**15,804**	(27,240)
Basic and diluted earnings (loss) per share					
Continuing operations	19	**0.06**	0.06	**0.13**	(0.25)
Discontinued operations		**0.00**	0.00	**0.00**	0.00
Basic and diluted earnings (loss) per share		**0.06**	0.06	**0.13**	(0.25)
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**121,833**	120,866	**121,889**	107,617

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

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Canadian dollars) Unaudited

	Attributable to shareholders of the Company					
	Share capital (Note 18)	Contributed surplus	Retained earnings (deficit)	Total shareholders' equity	Non-controlling interest	Total equity
	$	$	$	$	$	$
Balance - December 31, 2014	**204,263**	**62,311**	**(155,698)**	**110,876**	**20,677**	**131,553**
Comprehensive loss	-	-	(27,240)	(27,240)	(295)	(27,535)
Issuance of shares	36,300	-	-	36,300	-	36,300
Share issue costs	(399)	-	-	(399)	-	(399)
Exercise of stock options	1,632	(695)	-	937	-	937
Share-based compensation	-	278	-	278	-	278
Net reduction in non-controlling interest investment	-	-	-	-	(9,867)	(9,867)
Balance - September 30, 2015	**241,796**	**61,894**	**(182,938)**	**120,752**	**10,515**	**131,267**
Balance - December 31, 2015	**242,178**	**61,800**	**(185,733)**	**118,245**	**4,124**	**122,369**
Comprehensive income	**-**	**-**	**15,804**	**15,804**	**156**	**15,960**
Cancellation of shares related to NCIB	**(750)**	**249**	**-**	**(501)**	**-**	**(501)**
Exercise of stock options and conversion of deferred share units	**1,115**	**(930)**	**-**	**185**	**-**	**185**
Share-based compensation	**-**	**164**	**-**	**164**	**-**	**164**
Repayment of shareholder loan	**505**	**-**	**-**	**505**	**-**	**505**
Net reduction in non-controlling interest investment	**-**	**-**	**-**	**-**	**(6,203)**	**(6,203)**
Balance - September 30, 2016	**243,048**	**61,283**	**(169,929)**	**134,402**	**(1,923)**	**132,479**

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

STREET CAPITAL GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Canadian dollars) Unaudited

	Notes	September 30, 2016	September 30, 2015
		$	$
Operating activities			
Comprehensive income (loss) from continuing operations		**15,452**	(27,546)
Non-cash items			
Deferred income taxes		**5,924**	5,950
Foreign exchange on loans payable		**(174)**	419
Depreciation and amortization		**1,393**	1,169
Fair value adjustments		**(386)**	260
Share-based compensation		**164**	278
Income tax expense of discontinued operations		**(183)**	-
Share issuance - restructuring	2	**-**	35,345
Changes in operating assets and liabilities			
Increase in restricted cash		**(11,529)**	(21,422)
Increase in securitized mortgage loans		**(74,571)**	(51,519)
Increase in non-securitized mortgage loans		**(54,059)**	(32,956)
Increase in deferred placement fees receivable		**(4,119)**	(6,487)
Increase in prepaid portfolio insurance		**(8,473)**	(13,888)
Decrease (increase) in other assets		**(6,556)**	965
Increase in bank facilities		**49,688**	31,133
Increase in securitization liabilities		**73,031**	50,667
Increase (decrease) in restructuring accruals	2	**(3,118)**	11,437
Decrease in private equity distributions payable		**(114)**	(16,933)
Increase in other accounts payable and accrued liabilities		**17,459**	20,079
Cash used in continuing operations		**(171)**	(13,049)
Cash provided by (used in) discontinued operations		**(39)**	21
Cash used in operating activities		**(210)**	(13,028)
Investing activities			
Net distributions from portfolio investments		**1,562**	4,588
Purchase of capital assets		**(800)**	(763)
Purchase of intangible assets		**(430)**	(5)
Cash provided by investing activities		**332**	3,820
Financing activities			
Repayments of loans payable		**(1,972)**	-
Settlement of share purchase loan		**505**	-
Common shares purchased for cancellation		**(501)**	-
Exercise of stock options		**185**	937
Share issue costs		**-**	(399)
Payment of contingent liability		**-**	(4,027)
Cash used in financing activities		**(1,783)**	(3,489)
Decrease in cash and cash equivalents		**(1,661)**	(12,697)
Cash and cash equivalents - beginning of period		**8,846**	23,022
Cash and cash equivalents - end of period		**7,185**	10,325
Supplementary information			
Cash paid and received during the period			
Interest received		**4,288**	2,066
Interest paid		**3,459**	2,838
Income taxes paid (tax refunds received)		**(15)**	(5)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(9)**	1,784

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

Street Capital Group Inc.
Notes to the condensed consolidated interim financial statements
September 30, 2016

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

1. General information

Street Capital Group Inc. ("Street Capital" or "the Company") is a public corporation traded on the Toronto Stock Exchange under the ticker symbol "SCB". The Company was incorporated in the province of Ontario in 1979. The address of its registered office is 1 Toronto Street, Suite 700, P.O. Box 3, Toronto, Ontario, M5C 2V6. On June 23, 2015 the Company's name was changed to Street Capital Group Inc. from Counsel Corporation (see Note 2 – *Corporate realignment and restructuring charges*, below).

The Company operates principally as a mortgage lending business through its subsidiary, Street Capital Financial Corporation ("Street Capital Financial"), a Canadian residential mortgage lender that was founded in 2007 and acquired by the Company on May 31, 2011. In the first quarter of 2013, the Company discontinued its non-core operating businesses, and consequently Street Capital Financial is now the Company's sole operating business.

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

The Company's principal subsidiaries and its respective ownership interest in each subsidiary are as follows:

	September 30, 2016	June 30, 2016	December 31, 2015
Street Capital Financial Corporation	**100%**	100%	100%
Knight's Bridge Capital Partners Inc.	**100%**	100%	100%

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 8, 2016.

2. Corporate realignment and restructuring charges

During the second quarter of 2015, as part of the Company's transition from operating multiple businesses in diverse markets to becoming a focused financial services company, and in alignment with the Company's goal to strengthen its capital position and flexibility, the Company made significant changes to its organizational structure.

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

The issuance of common shares, the extinguishment of the contingent liability, and additional reorganization expenses relating to severance payments and legal costs were recognized as charges to income in the second quarter of 2015 and reported as restructuring expenses on the condensed consolidated interim statements of comprehensive income, as shown below:

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

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

At September 30, 2016, the remaining accrued balance of restructuring costs and severance is $8.027 million (June 30, 2016 - $8.122 million; December 31, 2015 - $11.145 million). Certain costs that were estimated at the date of the restructuring were settled in the first quarter of 2016, leading to a reduction in restructuring costs of $0.813 million.

3. Accounting policies used to prepare the unaudited condensed consolidated interim financial statements

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (the "IASB").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at, and for the year ended, December 31, 2015, as set out in the annual report on pages 53 to 94. The audited consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for publically accountable enterprises, which are International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies the Company applied in its annual audited consolidated financial statements as at, and for the year ended, December 31, 2015 are disclosed in Note 3 of those financial statements, to which reference should be made in reading these unaudited condensed consolidated interim financial statements.

Critical accounting estimates, assumptions and judgments

The preparation of unaudited condensed consolidated interim financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities, in the consolidated financial statements and accompanying notes. Key areas of such judgment and estimation are: allowance for credit losses, valuations of receivables (i.e. duration factors on deferred placement fees receivable), the useful life and residual value of certain assets including prepaid portfolio insurance, intangibles and goodwill, portfolio investments and provisions, and accounting for deferred income taxes. Actual results may differ from these estimates.

Allowance for credit losses represents management's best estimate of losses incurred in our loan portfolio at the date of the consolidated statement of financial position, and requires management's judgment in making assumptions and estimations. Given the Company's very limited exposure to uninsured assets, the allowance is not material. The determination of the Company's deferred tax asset or liability requires significant management judgment, as the recognition is dependent on management's projection of future taxable profits and tax rates expected to be in effect in the period in which the asset is realized or the liability settled. The majority of the Company's portfolio investments are in publicly traded investments, which minimizes the uncertainty in determining their fair value.

Critical judgments include the determination of amortization periods for prepaid portfolio insurance and intangible assets.

Future changes in accounting policies

IAS 1 – Presentation of Financial Statements In December 2014, the IASB issued amendments to *IAS 1 – Presentation of Financial Statements*, which clarifies judgments that management can make with respect to the presentation of information in an entity's financial reporting. The amendments are effective for annual periods beginning on or after January 1, 2016. Based on the Company's assessment of the impact of the amendments on its unaudited condensed consolidated interim financial statements at September 30, 2016, it is not expected that they will result in material changes to the Company's audited annual consolidated financial statements.

IFRS 9 – Financial Instruments In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments* ("IFRS 9"), which replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Upon adoption of IFRS 9, the Company will also be required to adopt amendments to *IFRS 7 – Financial Instruments: Disclosures*, which will require more extensive disclosures relating to such areas as classification, impairment and hedge accounting. The Company's assessment of the impact of the new standard and the amendments on its results of operations, financial position and disclosures is in progress, and it is not expected to be material with respect to current operations and products.

IFRS 15 – Revenue From Contracts with Customers In May 2014, the IASB issued *IFRS 15 – Revenue From Contracts with Customers* ("IFRS 15"), which supersedes all current revenue recognition requirements under IFRS. The standard establishes a single, five-step, structured model for recognizing revenue from contracts with customers. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company's assessment of the impact of the new standard on its results of operations, financial position and disclosures is in progress.

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

IFRS 2 – Share-based Payment In June 2016, the IASB issued amendments to *IFRS 2 – Share-based Payment* ("IFRS 2"). These amendments are narrow in scope and are intended to eliminate diversity in accounting in three main areas: 1) the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, 2) the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and 3) the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective for accounting periods beginning on or after January 1, 2018, with earlier application permitted. Prior periods need not be restated upon adoption. Entities may elect to apply the amendments retrospectively, providing this approach is adopted for all of them. The Company's assessment of the impact of the amendments on its results of operations, financial position and disclosures is in progress, but

it is not expected to be material with respect to the currently outstanding options. The Company does not plan to apply the amendments retrospectively.

4. Cash and cash equivalents, and restricted cash

The Company had the following cash and cash equivalents, and restricted cash, as at September 30, 2016, June 30, 2016 and December 31, 2015:

	September 30, 2016	June 30, 2016	December 31, 2015
Deposits with regulated financial institutions	**$ 7,185**	$ 5,514	$ 8,846
Cash and cash equivalents	**$ 7,185**	$ 5,514	$ 8,846
Restricted cash - servicing	**$ 23,209**	$ 46,729	$ 10,114
Restricted cash - securitization	**1,398**	815	2,964
Total restricted cash	**$ 24,607**	$ 47,544	$ 13,078

Restricted cash - servicing represents mortgage loan repayments collected on behalf of a third party investor. **Restricted cash - securitization** represents cash collected that has not yet been allocated to securitization liabilities, and accrued interest from mortgage loan repayments collected in connection with securitization activities.

5. Non-securitized mortgage loans

Non-securitized mortgage loans are primarily made up of either mortgages intended for whole loan sales to various purchasers, insured mortgages awaiting securitization and sale through the NHA MBS program, or bridge loans, with any remaining amounts consisting of mortgages or loans that the Company intends to hold until maturity. At September 30, 2016, the majority of the non-securitized mortgage loans consisted of $63.3 million held for sale or securitization, and $6.6 million of bridge loans. At June 30, 2016, approximately $27 million of the non-securitized mortgages and loans were being held for sale or securitization, and approximately $12 million consisted of bridge loans. At December 31, 2015, the majority consisted of loans that were held for sale.

Mortgage loans carry interest rates ranging from 1.9% to 7.7% with maturities up to 5 years (June 30, 2016 – 2.2% to 7.7% with maturities up to 5 years; December 31, 2015 – 1.9% to 7.7% with maturities up to 5 years), as shown below:

	Within 1 Year	1 -3 Years	3 -5 Years	September 30, 2016 Total book value	June 30, 2016 Total book value	December 31, 2015 Total book value
Maturities	**$ 7,625**	**$ 354**	**$ 62,821**	**$ 70,800**	$ 39,109	$ 16,741

6. Securitization activity

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

Due to this retention, the gross carrying amounts of mortgages and related assets assigned in securitization transactions are recorded on the consolidated statements of financial position as securitized mortgage loans, and the securitization proceeds are accounted for as offsetting secured borrowing transactions. Deferred securitized mortgage acquisition costs are directly attributable to the acquisition of securitized mortgage loans and are amortized into income using the effective interest rate method. Accrued interest on securitization liabilities is recorded in securitization liabilities on the consolidated statements of financial position and is based on the underlying MBS coupon**.** Premiums, discounts and transaction costs from the issuance of NHA MBS securities are amortized through interest expense using the effective interest rate method.

There are no expected credit losses on the securitized mortgage assets as the mortgages are insured against default, and therefore the Company has not recorded a provision for credit losses. Insured mortgages are considered impaired when they are more than 365 days in arrears. At September 30, 2016, June 30, 2016 and December 31, 2015, none of the transferred mortgages were 365 or more days in arrears.

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

	September 30, 2016	
	Carrying amount of securitized mortgage loans	**Carrying amount of securitization liabilities**
Securitized mortgage loans	**$ 238,575**	**$ 239,735**
Deferred securitized mortgage acquisition costs	**3,758**	**-**
Deferred transaction costs	**-**	**676**
	$ 242,333	**$ 240,411**

	June 30, 2016	
	Carrying amount of securitized mortgage loans	**Carrying amount of securitization liabilities**
Securitized mortgage loans	$ 156,789	$ 158,142
Deferred securitized mortgage acquisition costs	2,853	-
Deferred transaction costs	-	488
	$ 159,642	$ 158,630

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

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

				September 30, 2016
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Contractual repayments	**$ 28,904**	**$ 78,103**	**$ 131,297**	**$ 238,304**

				June 30, 2016
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Contractual repayments	$ 19,436	$ 62,858	$ 74,309	$ 156,603

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

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

				September 30, 2016
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Projected payments	**$ 29,971**	**$ 78,103**	**$ 131,297**	**$ 239,371**

				June 30, 2016
	Within 1 Year	1 -3 Years	3 -5 Years	Total
Projected payments	$ 20,720	$ 62,858	$ 74,309	$ 157,887

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

Securitization liabilities include $1.398 million (June 30, 2016 - $0.815 million; December 31, 2015 - $2.964 million) that has been collected from the securitized mortgages but not yet paid to the MBS holders to settle securitization liabilities.

7. Mortgage sale activity

Gain on sale of mortgages and deferred placement fees receivable

The Company originates mortgages, the majority of which are sold to institutional investors at commitment, who assume the contractual right to receive the associated mortgage cash flows. Since the Company has transferred substantially all the risks and rewards of ownership of these mortgages, they are removed from the consolidated statements of financial position, and the Company recognizes income from multiple sources:

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

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

The table below presents the mortgages sold and the associated gain on sale for the three and nine months ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Mortgages sold	**$ 2,854,976**	$ 2,284,829	**$ 6,909,775**	$ 6,896,561
Cash premium at sale	**$ 45,860**	$ 35,934	**$ 109,472**	$ 111,691
Deferred gain on sale	**6,718**	5,263	**16,786**	17,376
Acquisition costs	**(30,608)**	(21,994)	**(71,903)**	(69,415)
Net gain on sale of mortgages	**$ 21,970**	$ 19,203	**$ 54,355**	$ 59,652
% Gain	**0.770%**	0.840%	**0.787%**	0.865%

The difference between the cash collected and the amortization of the deferred placement fees receivable is recognized as income or loss in the consolidated statements of comprehensive income through net interest and other income. The net deferred placement fees at September 30, 2016, June 30, 2016 and December 31, 2015 are shown below:

			September 30, 2016			June 30, 2016			December 31, 2015
	Capitalized at sale	**Accumulated amortization**	**Net book value**	Capitalized at sale	Accumulated amortization	Net book value	Capitalized at sale	Accumulated amortization	Net book value
Deferred placement fees receivable	**$ 119,796**	**$ 69,235**	**$ 50,561**	$ 112,994	$ 64,752	$ 48,242	$ 102,926	$ 56,484	$ 46,442

Mortgages under administration

In accordance with respective agreements with third-party mortgage servicers, the Company administers mortgages purchased by third parties. As at September 30, 2016, total mortgages under administration, including mortgages sold to third parties, amounted to $26.83 billion (June 30, 2016 - $25.67 billion; December 31, 2015 - $24.75 billion).

8. Prepaid portfolio insurance

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

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

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

The net unamortized amount of prepaid portfolio insurance at September 30, 2016, June 30, 2016 and December 31, 2015 is shown below, together with a continuity schedule for the three months ending September 30, 2016, June 30, 2016 and December 31, 2015.

			September 30, 2016			June 30, 2016			December 31, 2015
	Capitalized at purchase	Accumulated amortization	Net book value	Capitalized at purchase	Accumulated amortization	Net book value	Capitalized at purchase	Accumulated amortization	Net book value
Prepaid portfolio insurance	**$ 97,465**	**$ 22,320**	**$ 75,145**	$ 91,209	$ 20,369	$ 70,840	$ 83,546	$ 16,874	$ 66,672

	September 30, 2016	June 30, 2016	December 31, 2015
Balance, beginning of period	**$ 70,840**	$ 68,138	$ 64,776
Capitalized at purchase	**6,256**	4,497	3,566
Amortization during the period	**(1,951)**	(1,795)	(1,670)
Balance, end of period	**$ 75,145**	$ 70,840	$ 66,672

As shown above, the expense associated with the amortization recognized during the three and nine months ended September 30, 2016 was $1.951 million and $5.446 million, respectively (Q3 2015 - $1.463 million; YTD 2015 - $3.969 million).

9. Intangible assets and goodwill

Intangible assets

At September 30, 2016, the Company has both acquired and internally generated intangible assets. The acquired intangible asset relates to the mortgage renewal stream associated with the Company's 2011 acquisition of Street Capital Financial. The internally generated intangible assets consist of internally developed systems and software. At September 30, 2016 and December 31, 2015, there were no external or internal indicators that required impairment testing of the assets.

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

	September 30, 2016	June 30, 2016	December 31, 2015
Acquired:			
Mortgage renewal stream	$ 6,869	$ 6,869	$ 6,869
Accumulated amortization	(2,632)	(2,508)	(2,262)
	$ 4,237	$ 4,361	$ 4,607
Internally developed:			
Systems and software	$ 3,193	$ 2,954	$ 2,763
Accumulated amortization	(2,269)	(2,170)	(1,971)
	$ 924	$ 784	$ 792
	$ 5,161	$ 5,145	$ 5,399

Amortization expense for the mortgage renewal stream was $0.124 million and $0.370 million for the three and nine months, respectively, ended September 30, 2016 (Q3 2015 - $0.123 million; YTD 2015 - $0.369 million). The amortization period of 15 years is based on historical renewal rates and industry benchmarks, and at September 30, 2016 the remaining amortization term was 9.75 years.

Amortization expense for the internally developed systems and software assets for the three and nine months ended September 30, 2016, was $0.099 million and $0.298 million, respectively (Q3 2015 - $0.098 million; YTD 2015 - $0.286 million). The amortization period of 5 years is based on the assets's estimated useful lives, and at September 30, 2016 the remaining amortization terms varied from 2 to 5 years. The amortization expense relating to intangible assets is reported in selling, general and administrative expenses in the consolidated statements of comprehensive income.

Goodwill

	September 30, 2016	June 30, 2016	December 31, 2015
Acquisition of Street Capital Financial Corporation	$ 23,465	$ 23,465	$ 23,465

The Company's sole cash generating unit ("CGU") is Street Capital Financial, and therefore all of the acquired goodwill is assigned to Street Capital Financial. There were no indicators of impairment of goodwill at either September 30, 2016 or December 31, 2015.

10. Portfolio investments and non-controlling interest

Investments

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

	September 30, 2016	June 30, 2016	December 31, 2015
Private Equity investments	$ 5,897	$ 3,338	$ 13,506
Portfolio investments attributable to non-controlling interest	(4,107)	(2,387)	(10,343)
Portfolio investments attributable to shareholders	$ 1,790	$ 951	$ 3,163

A reconciliation of the carrying amount of portfolio investments from December 31, 2014 to September 30, 2016 is set out below:

Balance at December 31, 2014	**$**	**40,010**
Fair value adjustments		(16,054)
Foreign exchange adjustments		4,005
Distributions		(14,455)
Balance at December 31, 2015	**$**	**13,506**
Fair value adjustments		796
Foreign exchange adjustments		(220)
Distributions		(8,185)
Balance at September 30, 2016	**$**	**5,897**

Although the Company holds only approximately 16% of the Private Equity business, it controls and therefore consolidates this business. As an LP, the Company earns a preferred return and participates in profits. The Company is also entitled to a carried interest of 20% of the total profits remaining after all LPs have been returned their contributed capital and an 8% per annum return on that capital.

The Company began exiting from its investments in 2013. By the end of 2015, it retained two investments, only one of which was material. In January 2016, this investment was partially redeemed for cash, and the remaining portion was converted into publicly traded common shares. The cash was distributed to the LPs and the general partner, and the Company received approximately $1.4 million. The Company anticipates that the common shares will be sold and the proceeds will be similarly distributed, although the timing is uncertain.

Non-controlling interest

The net income attributable to the non-controlling interest associated with the Private Equity business was $1.729 million and $0.156 million for the three and nine months, respectively, ended September 30, 2016 (Q3 2015 – $3.961 million; YTD 2015 – $1.091 million). The non-controlling interest in the Private Equity business amounts to $4.881 million at September 30, 2016 (June 30, 2016 - $3.152 million; December 31, 2015 - $10.928 million).

No income or loss was allocated to the non-controlling interest associated with Fleetwood Fine Furniture LP during the three and nine months ended September 30, 2016, and therefore it remained at $(6.804) million. During the three and nine months ended September 30, 2015, net losses of $0.936 million and $1.386 million, respectively, were attributed. The allocation in September 2015 was related to the Company's $3.0 million write-down of its investment in Fleetwood.

11. Other assets

The Company's other assets consist of:

		September 30, 2016		**June 30, 2016**		**December 31, 2015**
Gain on sale receivable	**$**	**9,261**	$	11,975	$	2,902
Loans receivable (net of credit allowance)		**2,878**		3,779		3,947
Capital assets		**4,448**		4,602		4,373
Accounts receivable		**2,139**		2,675		881
Prepaid and other assets		**1,468**		1,701		1,230
Assets of discontinued operations		**909**		951		1,338
	$	**21,103**	$	25,683	$	14,671

Gain on sale receivable represents amounts not yet received on mortgage sale activities. Loans receivable includes loans made to a former subsidiary and to a company held as a portfolio investment, and a loan to a senior executive of the Company as discussed further in Note 24 – *Related Party Transactions*. Accounts receivable includes mortgage insurance receivables, trade receivables, and any other amounts receivable.

12. Bank facilities

Details of bank facilities are as follows:

	Maturity date	September 30, 2016	June 30, 2016	December 31, 2015
Revolving credit facility - Insured loans	Demand	**$ 37,900**	$ 22,600	$ 8,200
Revolving credit facility - Conventional insurable loans	Demand	**19,300**	1,100	2,600
Revolving credit facility - Operating line	Demand	**8,305**	11,057	5,017
		$ 65,505	$ 34,757	$ 15,817

At September 30, 2016, the Company had a total credit facility of $165 million with a syndicate of Schedule I Canadian banks that was available in three tranches dependent on use of funds, with variable interest rates based on bankers' acceptance rates. Under the terms of the facility, the Company had $110 million available to fund a maximum of 98% of insured mortgage loans, and $40 million available to fund a maximum of 80% of conventional insurable mortgage loans, both of which must be on Canadian properties. Draws on the facility for funding mortgage loans are supported and secured by the underlying mortgages, and repaid from the proceeds of securitization and/or sale of the mortgage loans. An operating line of $15 million can be drawn at any time providing the Company has met certain affirmative and financial covenants. As at September 30, 2016, the Company has met all required covenants under the agreement. The entire credit facility is secured by a general security agreement.

13. Loans payable

Details of loans payable are as follows:

	Maturity date	September 30, 2016	June 30, 2016	December 31, 2015
Corporate loans	Jan 15/2017	**$ 6,826**	$ 6,778	$ 7,472
Corporate loan	Demand	**-**	-	100
Corporate loans	Demand	**-**	-	1,400
		$ 6,826	$ 6,778	$ 8,972

The loans bear interest at 6% and are not subject to security or covenants.

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as shown below:

	September 30, 2016	June 30, 2016	December 31, 2015
Payment due to mortgage servicers	$ 23,209	$ 46,729	$ 10,114
Accrued mortgage acquisition costs	13,796	17,942	8,626
Accrued restructuring costs	8,027	8,122	11,145
Accrued compensation	4,764	2,745	5,226
Private equity distributions payable	-	-	114
Liabilities of discontinued operations	8	1,166	1,166
Other	2,193	2,140	2,538
	$ 51,997	$ 78,844	$ 38,929

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

15. Income taxes

For the three and nine months ended September 30, 2016, the Company recognized a deferred income tax expense of $2.691 million and $5.741 million, respectively (Q3 2015 - $2.136 million; YTD 2015 - $5.950 million). The deferred income tax expense is primarily due to earnings generated from the Company's residential mortgage lending business, which will be taxable in the future, and which will reduce available tax loss carry-forwards.

The $43.110 million deferred income tax liability balance as at September 30, 2016 (June 30, 2016 - $40.518 million; December 31, 2015 - $37.250 million) reflects primarily the estimated tax liabilities from prior and current period earnings that are expected to be taxable in the future, net of available tax loss carry–forwards, the utilization of which is considered probable. The $14.071 million deferred tax asset as at September 30, 2016 (June 30, 2016 – $14.354 million; December 31, 2015 - $14.135 million) primarily represents tax losses of the Street Capital Group Inc. separate legal entity.

The combined Canadian federal and provincial statutory tax rate used for September 30, 2016 is 26.5% (September 30, 2015 - 26.5%). The income tax expense provision differs from the computed statutory rate due to permanent non-deductible differences.

As at September 30, 2016 the Company had recognized approximately $325.889 million (September 30, 2015 – approximately $309.316 million) in non-capital loss carry-forwards, which may be used to reduce future years' taxable income until 2035.

In addition, at September 30, 2016, the Company had approximately $80.940 million (September 30, 2015 – approximately $91.543 million) of unrecognized capital losses that may be carried forward indefinitely. Substantially all of the Company's capital losses are unlikely to be utilized and accordingly these capital losses have not been recognized in the statements of financial position at the end of the period.

16. Net interest and other income

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Interest income - mortgage lending	**$ 1,770**	$ 914	**$ 4,318**	$ 2,125
Interest expense - mortgage lending	**(1,699)**	(1,002)	**(3,962)**	(2,435)
Acquisition expense - mortgage lending	**(189)**	(135)	**(556)**	(135)
Net interest and other income (loss) - mortgage lending	**$ (118)**	$ (223)	**$ (200)**	$ (445)
Servicing and fee income	**168**	324	**607**	981
Net other interest income (loss)	**$ (67)**	$ (190)	**$ (188)**	$ (506)
Other income (loss)	**$ 23**	289	**551**	361
	$ 6	$ 200	**$ 770**	$ 391

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

Interest expense – mortgage lending includes the interest expense from the securitization liabilities resulting from the issuance of NHA MBS to fund the securitized mortgages. The expense also includes interest expense on the credit facilities used to fund mortgages prior to take out funding.

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

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

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

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

17. Contingencies

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

18. Share capital

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

	For the three months ended					
Common shares	**September 30,**		**June 30,**		**September 30,**	
Issued and outstanding (000s)	**2016**		**2016**		**2015**	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
Outstanding, beginning of period	**121,876**	**$ 245,133**	122,154	$ 245,694	120,866	$ 244,213
Options exercised	**-**	**-**	-	-	-	-
DSUs converted	**-**	**-**	-	-	-	-
Shares acquired via normal course issuer bid	**(86)**	**(173)**	(278)	(561)	-	-
Shares issued (net of share issue costs)	**-**	**-**	-	-	-	-
	121,790	**$ 244,960**	121,876	$ 245,133	120,866	$ 244,213
Share purchase loans		**(1,912)**		(1,912)		(2,417)
Outstanding, end of period	**121,790**	**$ 243,048**	121,876	$ 243,221	120,866	$ 241,796

	For the nine months ended			
Common shares	**September 30,**		**September 30,**	
Issued and outstanding (000s)	**2016**		**2015**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
Outstanding, beginning of period	**121,226**	**$ 244,595**	99,358	$ 206,680
Options exercised	**269**	**319**	1,508	1,632
DSUs converted	**667**	**796**	-	-
Shares acquired via normal course issuer bid	**(372)**	**(750)**	-	-
Shares issued (net of share issue costs)	**-**	**-**	20,000	35,901
	121,790	**244,960**	120,866	244,213
Share purchase loans		**(1,912)**		(2,417)
Outstanding, end of period	**121,790**	**$ 243,048**	120,866	$ 241,796

Share purchase loans, which are collateralized by the shares purchased and by personal guarantees, were granted to certain key employees and former employees. During the first quarter of 2016, one of the loans was repaid in full. At September 30, 2016, the remaining share purchase loans outstanding were for the purchase of 462,500 (June 30, 2016 – 462,500; December 31, 2015 – 780,000) common shares of the Company. These loans have various maturity dates through to December 31, 2020, and are non-interest bearing.

Stock options

Stock Options Outstanding and exercisable (000s except price)	For the three months ended September 30, 2016			June 30, 2016			September 30, 2015		
	Number of options		Weighted-average exercise Price	Number of options		Weighted-average exercise price	Number of options		Weighted-average exercise price
Outstanding, beginning of period	**3,138**	**$**	**1.14**	**3,138**	**$**	**1.14**	3,767	$	1.06
Granted	**-**		**-**	**-**		**-**	-		-
Exercised	**-**		**-**	**-**		**-**	-		-
Forfeited	**-**		**-**	**-**		**-**	-		-
Outstanding, end of period	**3,138**	**$**	**1.14**	**3,138**	**$**	**1.14**	3,767	$	1.06
Exercisable, end of period	**2,825**	**$**	**1.05**	**2,816**	**$**	**1.05**	2,705	$	0.95
Weighted-average market price per share at date of exercise		**$**	**-**		**$**	**-**		$	-
Weighted-average remaining contractual life in years			**2.07**			**2.32**			2.83

Stock Options Outstanding and exercisable (000s except price)	For the nine months ended September 30, 2016			September 30, 2015		
	Number of options		Weighted-average exercise price	Number of options		Weighted-average exercise price
Outstanding, beginning of period	**3,407**	**$**	**1.11**	5,025	$	0.87
Granted	**-**		**-**	250		2.32
Exercised	**(269)**		**0.68**	(1,508)		0.62
Forfeited	**-**		**-**	-		-
Outstanding, end of period	**3,138**	**$**	**1.14**	3,767	$	1.06
Exercisable, end of period	**2,825**	**$**	**1.05**	2,705	$	0.95
Weighted-average market price per share at date of exercise		**$**	**1.21**		$	2.22
Weighted-average remaining contractual life in years			**2.07**			2.83

Deferred Share Units

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

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

19. Net income per share

The following is a reconciliation of the numerators and denominators used in computing net income (loss) per share for the three and nine months ended September 30:

Basic and diluted net income (loss) per share:	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Numerator:				
Income (loss) from continuing operations	$ 8,727	$ 9,692	$ 15,452	$ (27,546)
Income (loss) attributable to non-controlling interest	1,729	2,575	156	(295)
Income (loss) attributable to shareholders - continuing operations	6,998	7,117	15,296	(27,251)
Income from discontinued operations	493	9	508	11
Income attributable to non-controlling interest	-	450	-	-
Income (loss) attributable to shareholders - discontinued operations	493	(441)	508	11
Net income (loss) attributable to shareholders	$ 7,491	$ 6,676	$ 15,804	$ (27,240)
Denominator:				
Weighted average common shares outstanding (000s) - basic and diluted	121,833	120,866	121,889	107,617
Basic and diluted net income (loss) per share from continuing operations	$ 0.06	$ 0.06	$ 0.13	$ (0.25)
Basic and diluted net income (loss) per share from discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Basic and diluted net income (loss) per share	$ 0.06	$ 0.06	$ 0.13	$ (0.25)

In computing the diluted net income (loss) per share for the periods ended September 30, 2016 and 2015, the Company included in the calculation potential common share equivalents, which consist of incremental shares from stock options, and the outstanding DSUs held by directors. The inclusion of such common share equivalents was not sufficiently dilutive to change the income or loss per share amounts for any of the periods presented.

20. Capital risk management

The Company's objective is to maintain a strong simplified capital base in order to maintain investor confidence and support the future development of the business, while allocating capital for maximum economic benefit. Management defines capital as the Company's equity and deficit. The Company's wholly owned subsidiary, Street Capital Financial, has minimum net worth requirements as stipulated under the bank facilities discussed in Note 12. As at September 30, 2016 and December 31, 2015, Street Capital Financial far exceeded the minimum, and had been compliant throughout the nine months and year ending on the respective dates.

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

21. Financial instruments

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

	September 30, 2016				December 31, 2015	
	Due within one year	Due after one year	Total carrying value	Fair value	Total carrying value	Fair value
Financial assets						
Cash and cash equivalents (i)	$ 7,185	$ -	$ 7,185	$ 7,185	$ 8,846	$ 8,846
Restricted cash (i)	24,607	-	24,607	24,607	13,078	13,078
Non-securitized mortgage loans (ii)	7,625	63,175	70,800	71,404	16,741	16,922
Securitized mortgage loans (ii)	30,304	212,029	242,333	245,563	167,762	171,217
Deferred placement fees receivable (ii)	12,750	37,811	50,561	50,561	46,442	46,442
Other assets (ii)	12,216	3,079	15,295	15,295	9,183	9,183
Portfolio investments (i)	-	5,897	5,897	5,897	13,506	13,506
	$ 94,687	$ 321,991	$ 416,678	$ 420,512	$ 275,558	$ 279,194
Financial liabilities						
Bank facilities (iii)	$ 65,505	$ -	$ 65,505	$ 65,505	$ 15,817	$ 15,817
Loans payable (iii)	6,826	-	6,826	6,826	8,972	8,972
Securitization liabilities (iii)	30,630	209,781	240,411	242,307	167,380	168,702
Accounts payable and accrued liabilities (iii)	51,614	383	51,997	51,997	38,929	38,929
	$ 154,575	$ 210,164	$ 364,739	$ 366,635	$ 231,098	$ 232,420

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

The valuation methods and assumptions are described below.

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

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

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

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

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

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

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

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

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

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

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

The following tables present the financial instruments measured at fair value at September 30, 2016 and December 31, 2015 as classified by the fair value hierarchy set out above:

				September 30, 2016
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents (i)	$ 7,185	$ -	$ -	$ 7,185
Restricted cash (i)	24,607	-	-	24,607
Non-securitized mortgage loans (ii)	-	-	71,404	71,404
Securitized mortgage loans (ii)	-	-	245,563	245,563
Deferred placement fees receivable (ii)	-	-	50,561	50,561
Other assets (ii)	-	-	15,295	15,295
Portfolio investments (i)	5,305	-	592	5,897
	$ 37,097	$ -	$ 383,415	$ 420,512
Financial liabilities				
Bank facilities (iii)	$ 65,505	$ -	$ -	$ 65,505
Loans payable (iii)	-	6,826	-	6,826
Securitization liabilities (iii)	-	-	242,307	242,307
Accounts payable and accrued liabilities (iii)	-	-	51,997	51,997
	$ 65,505	$ 6,826	$ 294,304	$ 366,635

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

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

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

22. Financial risk management

The Company is exposed to various risks given the nature of its business activities and its exposure to financial instruments. The Company has established policies and processes to measure and manage the risks, as set out below.

Credit risk

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

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

Even though the Company is not exposed to material levels of credit risk associated with its mortgage lending business, the Company applies a detailed set of Board-approved credit policies and underwriting procedures, in order to ensure that mortgages are insurable and meet investor requirements. At the individual transaction level the Company applies a due diligence process to each mortgage underwritten, with oversight from an experienced management team. All mortgage applications are risk ranked, and additional independent quality assurance procedures are performed on a significant percentage of mortgage files prior to funding. Post-funding reviews are also conducted in order to provide continuous feedback and monitoring of mortgage credit quality.

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

The Company has credit risk associated with specific loans receivable that are related to its discontinued Real Estate, Asset Liquidation and Case Goods businesses. The balance of these loans at September 30, 2016 was $4.2 million (June 30, 2016 - $5.1 million; December 31, 2015 - $5.6 million). The Company evaluated the collectibility of these loans at September 30, 2016 and determined that no increase to the existing credit allowances of $1.7 million was required. The Company's net receivable at September 30, 2016 was therefore $2.5 million (June 30, 2016 - $3.4 million; December 31, 2015 - $3.9 million).

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

Liquidity risk

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

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

The Company holds liquid assets primarily in the form of cash in bank deposits. At September 30, 2016 the Company had $7.2 million in unrestricted cash and cash equivalents on deposit with a Schedule I Canadian bank.

The Company has a $165 million credit facility with a syndicate of Schedule I Canadian banks, which is available in three tranches depending on the use of funds, as described in Note 12. The Company had $99 million total unused available capacity under these facilities at September 30, 2016 (June 30, 2016 - $130 million; December 31, 2015 – $149 million). As an approved NHA MBS issuer, the Company can also access the NHA MBS market to fund insured mortgages.

The Company periodically receives cash related to its Private Equity business, in connection with the disposition of KBCP Fund I's investments. In the first nine months of 2016, the net receipts were approximately $1.4 million ($4.5 million during the year ended December 31, 2015). As discussed above, management expects that KBCP Fund I will exit from its remaining material investment in 2016 or 2017, at which time the Company will receive its proportionate share, and no further cash flows will be received.

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

Interest rate risk

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

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

At September 30, 2016 an immediate and sustained 100 basis point change in interest rates would result in a $0.019 million pre-tax increase in net interest income over the next 12 months (June 30, 2016 - $0.010 million increase in net interest income; December 31, 2015 - $0.053 million increase in net interest expense).

Investment risk

Investment risk is the risk of loss due to impairment in the fair value of investments. The Company's investment risk arises from its portfolio investments, which are carried at fair value. At September 30, 2016 these portfolio investments had a fair value of $5.9 million, of which $4.1 million is attributable to the Company's non-controlling interests. The Company has two primary valuation risks with respect to its portfolio investments. The fair value of the investment in Fleetwood, which management concluded was zero at both September 30, 2016 and December 31, 2015, is based on management's analysis of Fleetwood's financial position and projections, as well as management's estimate of an appropriate discount rate and time horizon. The inclusion of significant unobservable inputs increases the risk that the investment fair value is not correct. The fair value of the Private Equity investments includes fewer unobservable inputs, as the majority of those inputs at September 30, 2016 consist of publicly traded stock. The primary valuation risk is the potential for a decline in the share price of the common stock prior to exiting the investment. An additional risk specific to Private Equity is that the majority of the remaining investments are in US dollars and therefore are also subject to the risk of an increase in the value of the Canadian dollar relative to the US dollar.

23. Discontinued operations

At September 30, 2016, the Company's assets and liabilities of discontinued operations are a net receivable of $0.901 million (June 30, 2016 – net payable of $0.215 million; December 31, 2015 – net receivable of $0.172 million), and consist of $0.675 million net commissions receivable and a $0.226 million loan receivable. The Company reports these amounts as components of Other Assets and Accounts Payable and Accrued Liabilities, respectively. Please see Note 11 and Note 14 of these condensed consolidated interim financial statements.

In the third quarter of 2016, the Company negotiated final settlement of the outstanding liabilities associated with discontinued operations. In return for payments of $0.473 million, $1.146 million of liabilities were extinguished, resulting in a pre-tax gain of $0.673 million.

The Company's net income from discontinued operations for the three and nine months ended September 30 is shown below.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Interest income	**$ 3**	$ 9	**$ 18**	$ 26
Other income	**673**	-	**673**	1
Total income	**$ 676**	$ 9	**$ 691**	$ 27
Selling, general and administrative expense	**-**	-	**-**	16
Income before income taxes	**$ 676**	$ 9	**$ 691**	$ 11
Income tax expense	**183**	-	**183**	-
Net income from discontinued operations	**$ 493**	$ 9	**$ 508**	$ 11

24. Related party transactions

In addition to the shareholder loans described in Note 18, the Company has a $0.565 million non-interest bearing loan made to a senior executive of the Company (June 30, 2016 and December 31, 2015 - $0.565 million). This loan is included in the loans receivable balance at September 30, 2016, reported within other assets as detailed in Note 11.

25. Subsequent events

The Company has evaluated events subsequent to September 30, 2016 through to the date of approval of the financial statements by the Board of Directors for disclosure. There were no material subsequent events requiring disclosure.