STREET CAPITAL GROUP INC.

Management's Discussion and Analysis

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

LETTER TO SHAREHOLDERS

Fellow Shareholders,

We are pleased to report strong financial performance during the three months ended September 30, 2016, driven by higher new funded sales volumes. We are looking forward to continued strength during Q4 as we target to remain number three or four in the broker channel. During Q3 we were number three in the channel, compared to number six in Q1 and number four in Q2.

As you know, critical to the Company's current business model is the availability of liquidity through loan sales agreements with institutional investors. Street Capital currently sells most of its mortgages to several institutional investors. In Q3, Street Capital came to an agreement in principle to sell mortgages to two more Canadian Schedule I banks. We completed our first sale with one investor in October 2016 and anticipate completing the first loans sale to the other investor before the end of the year.

On October 3, 2016, the federal government's Department of Finance announced new mortgage insurance rules. We expect these rules to have a modest impact of less than 10% on new originations in 2017 and we expect this impact will be more than offset by higher renewal volumes and our transition to a Schedule I banking platform.

As we have been saying for some time, Street Capital's strategic imperative is not to materially increase its market share of insured mortgages in the broker channel. We will seek to maintain our number three or number four position in that channel, while focusing our energy and capital on building our banking platform and, in the coming years, expanding into a full suite retail lending financial institution. Utilizing our Bank platform, we anticipate launching our GIC products before the end of Q1 2017, which will fund our uninsured mortgage product to be launched in the same timeframe.

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

- *Advance our Schedule I bank application through to completion;*
- *Grow MUA and hold our market share steady in the mortgage broker channel; and*
- *Generate renewal volumes of 75-80% of loans eligible for renewal.*

Advance our Schedule I bank application through to completion

We previously communicated that in connection with our Schedule I bank application, the Office of the Superintendent of Financial Institutions ("OSFI") had some observations that required us to make certain modifications to our underwriting process to align with new, industry-wide changes. As discussed in our Q2 results announcement, OSFI returned on-site in July 2016 to confirm that these changes had been adequately implemented. The Company believes that it has now addressed all of OSFI's material concerns and the Company anticipates that OSFI will make a recommendation to the Minister of Finance for Letters Patent of Continuation and to the Superintendent of Financial Institutions for an Order to Commence and Carry on Business before the end of November. The Company is confident that it will receive approval before the end of calendar year 2016.

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

Our share in the mortgage broker channel improved to 9.6% in Q3 from 8.4% in Q2 and 7.6% in Q1, as our underwriters adapted to the process changes we made in response to OSFI's observations. We also maintained solid credit quality during the quarter, with a serious arrears rate of 11 basis points, well below the Canadian Bankers Association average and well below last year, which at 14 basis points was also a very good rate on a well-seasoned portfolio.

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

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

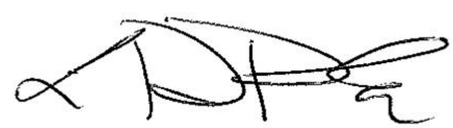
In 2016, we have successfully renewed close to 75% of the loans available for renewal.

NCIB

In March 2016, we announced the initiation of a normal course issuer bid. We have been active in the market buying back our own stock and will continue to do so. We fully expect that as we continue to execute on our strategic priorities this year, the market will see increased value in this business.

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

W.E. Gettings
Chief Executive Officer



Lazaro DaRocha
President

STREET CAPITAL GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the results of operations of Street Capital Group Inc. ("Street Capital" or "the Company") for the three and nine months ended September 30, 2016, and its financial condition as at September 30, 2016, is based on the Company's condensed consolidated interim financial statements prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which incorporate International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. The effective date of this MD&A is November 8, 2016. This MD&A contains non-GAAP measures. These non-GAAP measures, and a glossary of terms used in this MD&A and the condensed consolidated interim financial statements, are presented in the last section of this MD&A.

Additional information about the Company, including the Annual Information Form, can be found on *www.sedar.com*. As of October 31, 2016 the Company had 121,651,173 common shares issued and outstanding.

Forward-looking Information

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

BUSINESS PROFILE

Street Capital (TSX: SCB) was established to create shareholder value by building a substantial, diversified financial services company. The Company's operations are currently concentrated in residential mortgage lending through its wholly owned subsidiary, Street Capital Financial Corporation (*www.streetcapital.ca*, "Street Capital Financial"), which was founded in 2007. Street Capital Financial was founded by several members of its current senior management team, who all have extensive experience in the mortgage and consumer lending industry and have previously occupied senior management positions at large Canadian financial institutions. Street Capital Financial is one of the largest non-bank mortgage lenders in Canada, with a number three broker market share position YTD in 2016.

Residential Lending

Business Overview

Since inception, Street Capital Financial's business has been concentrated on the origination and subsequent sale of both high ratio and conventional prime residential mortgages at competitive interest rates in all provinces of Canada, with the current exception of Quebec. Mortgages are originated primarily through Street Capital Financial's network of high quality independent mortgage brokers. The majority of the mortgages that it underwrites are sold on a whole loan basis to top-tier regulated financial institutions. The remaining mortgages are either securitized or held directly. By selling the majority of its originated mortgages, Street Capital Financial transfers substantially all of the risks of ownership to the purchaser and/or party insuring the mortgage. However, Street Capital Financial maintains stringent underwriting and robust quality assurance processes in order to maintain the strong wholesale demand for its mortgages from institutional purchasers. This has resulted in a high quality portfolio of mortgages under administration ("MUA").

The majority of mortgages are sold to regulated financial institutions at the point of commitment, in return for a cash premium, a servicing fee over the life of the mortgage and, in some cases, an excess interest rate spread over the life of the mortgage. By not accumulating ("warehousing") material amounts of mortgages for a period of time prior to sale, Street Capital Financial mitigates both interest rate and liquidity risk. As an approved issuer of National Housing Act Mortgage Backed Securities ("NHA MBS") and an approved seller under the Canada Mortgage Bonds ("CMB") program, Street Capital Financial can access the securitization market as a secondary source of liquidity; however, the Company does not intend to make mortgage securitization a major part of its business model.

Although the Company outsources servicing of the originated mortgages to third parties, it continues to administer them, and therefore remains the face of all direct communication with borrowers throughout the mortgage term. This ongoing customer relationship is a key part of the long term growth, profitability and recognition of the Street Capital Financial brand, since it promotes renewals. Acquisition costs of renewed mortgages are much less than those of new ones, and an important part of the business model. Street Capital Financial targets a renewal rate of approximately 75 - 80% for mortgages it has originated, which is in line with the industry norm, and expects to achieve higher overall margins as mortgage renewals become a greater part of its mix of business.

Bank Application

In September 2012, Street Capital Financial announced its intention to apply to Canada's Minister of Finance for approval to operate as a federally regulated Schedule I bank, with its banking business primarily focused on residential mortgage lending, although also providing other consumer lending and related services. As discussed in the Company's 2016 First Quarter Report, Street Capital Financial is in the Pre-Commencement Review phase of its application to the Minister of Finance to continue as a Schedule I bank. This phase, which is one of the last stages of the continuation process, has included an on-site review by the Office of the Superintendent of Financial Institutions Canada ("OSFI") to determine whether Street Capital Financial is sufficiently prepared to commence business operations as a federally regulated financial institution.

In Q1 2016, the Company implemented various operational changes in order to address OSFI observations. As discussed in its Q2 results announcement, OSFI returned on-site in July 2016 to confirm that these changes had been adequately implemented. The Company believes that it has now addressed all of OSFI's material concerns and the Company anticipates that OSFI will make a recommendation to the Minister of Finance for Letters Patent of Continuation and to the

Superintendent of Financial Institutions for an Order to Commence and Carry on Business before the end of November. The Company is confident that it will receive approval before the end of calendar year 2016.

Legacy Business

In the first quarter of 2013, the Company's Board of Directors approved a plan to dispose of the Company's non-core operating business segments. The disposition plan reflected the Company's strategy to focus on financial services through Street Capital Financial. By the end of the first quarter of 2014 the Company had completed these dispositions, although it retained some Real Estate assets and liabilities that in aggregate were immaterial to the Company's financial position and operations. In the third quarter of 2016, the Company settled its remaining Real Estate liabilities, and recognized a one-time pre-tax gain of $0.673 million. The Company expects to realise the majority of its remaining Real Estate assets by the end of 2017.

As part of the plan described above, the Company also began winding down its private equity business ("Private Equity"). Private Equity is carried on through the Company's wholly-owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"), which manages the Company's portfolio investment opportunities. At the end of 2015 the Company had successfully divested most of its core holdings, and retained only two investments, only one of which was material. This investment was partially exited during the first quarter of 2016, and the Company anticipates completing the exit during the current year or in 2017.

BUSINESS OUTLOOK

Note to readers: This section includes forward looking information and readers are reminded to refer to the discussion about forward looking information on page 1.

Housing Markets

Looking forward, the Company continues to anticipate economic conditions in late 2016 and into 2017 to include low interest rates and stable employment in most regions along with continued positive demographic trends and immigration levels, with the likely exception of the energy producing regions. Relatively higher levels of housing price increases in Vancouver and the Greater Toronto Area tend to reflect a tight supply and the rate of price appreciation is likely not sustainable over the long run. These markets are being tempered by relatively stable to moderate decreases in housing activity in other regions of Canada. Overall the Company has observed relatively stable housing markets in the regions and locales where it lends. The Company continuously monitors market conditions through frequent evaluation of macro, regional and localized economic indicators and the credit performance of its mortgages under administration, and will adjust lending criteria, as required, to ensure the quality of the mortgage portfolio reflects both the Company's and its business partners' risk appetite. Management has observed some softening of housing markets in the energy producing regions, with slowing purchase and sale activity and moderate increases in unemployment. This has not translated into higher arrears at this point, but management is prepared for perhaps some moderate increases in arrears rates as the cycle continues. Management had already tightened some of the underwriting guidelines in these areas as the economic conditions were changing. Management continues to anticipate slower mortgage volumes from these regions in 2016 and into 2017, but this slowing is expected to mostly be offset by relative stability in other regions of Canada.

Department of Finance Mortgage Insurance Rules

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

The Company has reviewed these changes in detail and believes that these changes will have a relatively modest impact on its 2017 new mortgage originations. The results of these changes are expected to reduce new originations in 2017 by less than 10%. Street Capital Financial has various liquidity options that will mute the impact of reduced insurance availability. Additionally, the modest reduction in new originations will be more than offset by a strong growth in renewals.

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

Approximately four years ago, Street Capital undertook a strategic review of its operations and concluded that the mono-line unregulated lending business model faced limited growth prospects and increasing risks. Management saw not only risks associated with the availability of mortgage insurance but also risks associated with the declining availability of government sponsored securitization programs and significant risks associated with a revenue stream limited to insured mortgage product. To that end, Street Capital Financial decided to embark on the long road to becoming a Schedule I Bank. Since this time, over the past four years, various regulatory changes have indeed reduced the availability of government backed insurance and government sponsored securitization programs, culminating with the most recent Department of Finance changes and the impending risk sharing model to come. The Company is confident that the Bank platform will not only allow Street Capital Financial to diversify its funding sources but, more importantly, allow it to raise its own funding for the expansion of products beyond an insured mortgage, thereby diversifying its revenue streams and allowing it to more dynamically address any future disruptions to market conditions be they regulatory or otherwise. As management has been saying for some time, Street Capital Financial's strategic imperative is not to materially increase its market share of insured mortgages in the broker channel. The Company will focus its energy and capital on building its banking platform and, in the coming years, expanding into a full suite retail lending financial institution. To that end, as discussed, we anticipate launching our various GIC products to fund our uninsured mortgages before the end of Q1 2017. This will be followed shortly thereafter by the launch of our credit card products at the beginning of 2018.

Financial Outlook

Based on current projections the Company anticipates that 2017 adjusted net income will be approximately 4 - 7% higher than 2016 for the following reasons:

- Mortgage insurance rule changes are expected to reduce new originations in 2017 by less than 10%. The Company will continue to target number three or four market share in the broker channel. Gross margins on the sale of mortgages are expected to remain in the range of 178-182 basis points on average over the twelve months.
- Insured mortgage renewal volume is expected to be approximately 30 – 35% higher in 2017 compared to 2016 with renewals generating between 80-100 basis points higher profitability.
- Utilizing the Bank platform, Street Capital Financial anticipates launching both its GIC products and its uninsured mortgage product before the end of Q1 2017 adding 2 – 5% to net revenue compared to 2016.
- A significant portion of Bank platform expenses are now fully baked into current operations and thus the Company anticipates its expense ratio to stabilize in the range of 50-52 basis points of new and renewal volume over twelve months.

Looking ahead to 2018 the Company anticipates that 2018 adjusted net income will be approximately 40-45% higher than 2017 given expectations that:

- New insured mortgage originations anticipated in line with market growth, with the Company targeting to maintain number three or four market share in the broker channel.
- Insured mortgage renewal volume will be 35 – 40% higher than 2017.
- Uninsured mortgage lending anticipated to add 10 – 15 % to revenue compared to 2017.
- Credit card lending anticipated to add 1 - 2% to revenue compared to 2017.
- Expenses expected to reflect an expense ratio in the range of 46-50 basis points over 12 months.

Sustainable Tax Advantage

The Company continues to generate a sustainable tax advantage, given the differing treatment between accounting and income tax rules for gains on sale. Its tax loss carryforwards were approximately $326 million at the end of Q3 2016. This represents a real and sustainable tax advantage as the Company is not paying cash taxes and does not expect to pay cash taxes for many years.

Legacy Operations

The Company's non-mortgage lending legacy businesses still include investments and assets associated with Private Equity, Real Estate and Case Goods, which are in the process of being liquidated or run-off. In total these assets represent $3.3 million on the balance sheet at September 30, 2016. These assets have associated fair value risk that could continue to create some minimal volatility in unadjusted earnings until they are realized. It is anticipated that the Private Equity investments and most of the Real Estate investments will be realized by the end of 2016 or in 2017.

Q3 2016 SUMMARY AND HIGHLIGHTS

The following table sets out certain financial highlights for the three and nine months ending September 30, 2016. These tables contain non-GAAP measures, which are intended to provide a view of the core operating business of the Company by removing non-recurring restructuring costs or recoveries, and items associated with the Company's legacy businesses. Please see the section *Non-GAAP Measures* for further detail and numerical reconciliations of these non-GAAP measures to the most directly comparable measure specified, defined or determined under the GAAP presented in the Company's financial statements.

Table 1 – Financial Highlights

(in thousands of $, except where defined)	For the three months ended or as at			For the nine months ended or as at	
	September 30, 2016	June 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Financial performance					
Shareholders' net income (loss)	**$ 7,491**	$ 5,310	$ 6,676	**$ 15,804**	$ (27,240)
Adjusted shareholders' net income (i)	**$ 6,171**	$ 5,845	$ 6,909	**$ 14,460**	$ 18,981
Shareholders' diluted earnings (loss) per share	**$ 0.06**	$ 0.04	$ 0.06	**$ 0.13**	$ (0.25)
Adjusted shareholders' diluted earnings per share (i)	**$ 0.05**	$ 0.05	$ 0.06	**$ 0.12**	$ 0.17
Return on equity	**22.9%**	17.1%	22.8%	**16.8%**	(31.5%)
Adjusted return on equity (i)	**18.9%**	18.8%	23.5%	**15.4%**	22.0%
Mortgages sold and assets under administration					
Mortgages sold	**$ 2,854,976**	$ 2,536,376	$ 2,284,829	**$ 6,909,775**	$ 6,896,561
Mortgages under administration *(in billions of $)*	**$ 26.83**	$ 25.67	$ 24.30	**$ 26.83**	$ 24.30
Gain on sale of mortgages	**$ 52,578**	$ 46,797	$ 41,197	**$ 126,258**	$ 129,067
Gain as a % of mortgages sold	**1.84%**	1.85%	1.80%	**1.83%**	1.87%
Acquisition expenses	**$ 30,608**	$ 27,009	$ 21,994	**$ 71,903**	$ 69,415
Acquisition expenses as a % of mortgages sold	**1.07%**	1.06%	0.96%	**1.04%**	1.01%
Net gain on sale of mortgages	**$ 21,970**	$ 19,788	$ 19,203	**$ 54,355**	$ 59,652
Net gain as a % of mortgages sold	**0.77%**	0.78%	0.84%	**0.79%**	0.86%
Operating expenses (ii)	**$ 13,114**	$ 12,140	$ 10,358	**$ 35,139**	$ 31,474
Operating expenses as a % of mortgages sold	**0.46%**	0.48%	0.45%	**0.51%**	0.46%
Credit quality					
Total portfolio serious arrears rate (iii)	**0.11%**	0.11%	0.14%		
Average beacon (iv)	**745**	749	741		
Average loan to value ratio (iv)	**81.0%**	81.2%	81.8%		
Average total debt service ratio (iv)	**36.2%**	36.1%	36.2%		
Equity and share performance					
Shareholders' equity	**$ 134,402**	$ 127,001	$ 120,752		
Number of shares outstanding end of period	**121,790**	121,876	120,866		
Share price at close of market	**$ 1.80**	$ 1.25	$ 1.65		
Market capitalization	**$ 219,222**	$ 152,345	$ 199,429		
Book value per share	**$ 1.10**	$ 1.04	$ 1.00		

(i) Non-GAAP measure the Company uses to measure its performance from continuing and recurring income from its core business. Please see the section *Non-GAAP Measures* for a reconciliation of amounts to GAAP measures.
(ii) Operating expenses are net of any restructuring costs or recoveries.
(iii) Defined as the number of mortgages that are greater than 90 days in arrears, plus the number of mortgages involved in legal action due to non-payment, divided by the number of mortgages under administration.
(iv) Calculated on a weighted average basis at origination. Please see the section *Non-GAAP Measures* for more detailed definitions of these metrics.

2016 Highlights

Financial Highlights

- Shareholders' net income of $7.5 million in Q3 2016 and $15.8 million YTD includes positive contributions of $1.3 million, in both periods, from non-core or non-recurring items noted below. The comparative periods also include non-core and non-recurring items. Without these non-core or non-recurring items, adjusted shareholders' net income[1] of $6.2 million increased 5.6% from adjusted net income of $5.8 million in Q2 2016 and decreased 10.7% from $6.9 million in Q3 2015. YTD 2016 adjusted net income of $14.5 million is down $4.5 million from $19.0 million in the comparative period of 2015.

- Mortgages under administration reached $26.83 billion at September 30, 2016, up 10.4% or $2.53 billion from $24.30 billion at September 30, 2015, and up 4.5% or $1.16 billion from $25.67 billion at June 30, 2016.

- Mortgage sales increased to $2.85 billion in the quarter, up $0.31 billion from Q2 2016 and up $0.57 billion from Q3 2015. YTD 2016 mortgage sales of $6.91 billion were slightly ahead of the same period in 2015, despite the slower start to 2016.

- New mortgage originations of $2.49 billion in the quarter were up strongly from $2.16 billion in Q2 2016 and from $1.87 billion in Q3 2015. YTD new mortgage originations were $5.84 billion, up from $5.72 billion in the same period of 2015. The operational challenges from the process changes made earlier this year have largely been resolved leading to increased volumes and improved market position in the quarter. Street Capital Financial was in the third position among mortgage lenders by market share within the broker channel in Canada during the quarter and YTD, up from fourth last quarter and sixth in Q1 2016.

- Renewal mortgage volumes, which have higher profitability, were $0.36 billion in the quarter, down from $0.38 billion in Q2 2016 and lower, as expected from $0.41 billion in Q3 2015. YTD renewal volumes of $1.07 billion were down, as expected, from $1.18 billion in the same period of 2015.

- Net gains on mortgage sales in the quarter were $22.0 million, up from $19.8 million in Q2 2016 and up from $19.2 million in Q3 2015. YTD net gains were $54.4 million, down from $59.7 million in the same period of 2015.

- The acquisition expense ratio was 1.07% in the quarter, relatively consistent with 1.06% in Q2 2016 and up from 0.96% in Q3 2015. For part of 2016, Street Capital Financial offered additional broker incentives that increased acquisition expenses. Additionally, relative renewal volumes, as expected, are lower in 2016 compared to 2015, leading to relatively higher acquisition expenses ratios.

- The gain on sale ratio was 1.84% in the quarter, fairly consistent with the 1.85% in Q2 2016, up from 1.80% in Q3 2015, and trending above our 1.78% to 1.82% expected twelve month range.

- The operating expense ratio was 0.46% in the quarter, relatively flat to 0.48% in Q2 2016 and up marginally from 0.45% in Q3 2015. YTD the ratio is running at 0.51% compared to 0.46% for the same period last year. Operating expenses have increased quarter over quarter and year over year as the Company implemented the operational changes in support of the bank application that led to increased FTE and associated costs, as well as continuing to carry the additional expenses associated with operating in a bank-ready state.

- The serious arrears rate was 0.11% of MUA at both September 30 and June 30, 2016, improved from 0.14% at September 30, 2015. This remained significantly better than industry average[2]. While the Company is not directly exposed to the credit risk of its MUA, credit and underwriting quality, as measured by the serious arrears rate, is a

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[1] Please see the section *Non-GAAP Measures* for a definition of adjusted shareholders' net income and related non-GAAP measures.

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

key performance indicator of a portfolio's quality. A high quality portfolio is required in order to maintain strong wholesale demand from institutional purchasers.

- The average origination beacon score for mortgages under administration remained consistent over the periods presented, at 745 in Q3 2016 compared to 749 in Q2 2016 and 741 in Q3 2015. Similar trends were observed for both the loan to value (LTV) and total debt service (TDSR) ratios. Average origination LTV was 81.0% in Q3 2016 compared to 81.2% in Q2 2016 and 81.8% in Q3 2015, while average origination TDSR was 36.2% in Q3 2016 compared to 36.1% in Q2 2016 and 36.2% in Q3 2015. As with the serious arrears rate, the ratios are indicative of the high credit quality of the mortgages under administration.

Non-Core and Non-Recurring Items

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

- In connection with its portfolio investments, which are part of its legacy business, in Q3 2016 the Company recorded unrealized fair value gains of $2.6 million, of which approximately $1.7 million was allocated to the Company's non-controlling interests. The fair value gains were primarily associated with an increase in the value of the investment in DBGI. In Q2 2016, the Company recorded unrealized fair value losses of $1.8 million, of which approximately $1.3 million was allocated to the Company's non-controlling interests.

- In Q3 2015 the Company recorded unrealized fair value gains of $2.8 million. The most significant items were a $6.2 million write-up of DBGI, and a $3.0 million writedown of Fleetwood. In connection with these items, $3.0 million of gains were allocated to the Company's non-controlling interests.

- In Q3 2016 the Company recorded income from discontinued operations of $0.49 million, net of tax, primarily due to a gain of $0.67 million related to the settlement of the Company's outstanding liabilities associated with discontinued operations. There were no significant transactions involving discontinued operations during the remainder of 2016 or in 2015.

- In Q2 2015, the Company recorded $50.2 million of non-recurring restructuring costs in connection with the Company's corporate realignment. Based on actual and expected payments, in Q1 2016 the Company recorded a recovery of $0.8 million of these costs.

QUARTERLY FINANCIAL RESULTS

The following table sets out the Company's consolidated quarterly results of operations for the eight quarters ended September 30, 2016. Please see the section *Non-GAAP Measures* for a definition of adjusted net income and related non-GAAP measures.

Table 2 – Financial Results

Unaudited (in thousands of $ except per share data and as otherwise defined)	2014 Q4 $	2015 Q1 $	2015 Q2 $	2015 Q3 $	2015 Q4 $	2016 Q1 $	2016 Q2 $	2016 Q3 $	2015 YTD $	2016 YTD $
Revenue										
Net gain on sale of mortgages	15,092	14,244	26,205	19,203	16,416	12,597	19,788	**21,970**	59,652	**54,355**
Net interest and other income (loss)	(52)	7	184	200	(1,299)	628	136	**6**	391	**770**
Total revenue	15,040	14,251	26,389	19,403	15,117	13,225	19,924	**21,976**	60,043	**55,125**
Expenses and fair value adjustments										
Operating expenses	9,806	10,089	11,027	10,358	11,459	9,885	12,140	**13,114**	31,474	**35,139**
Restructuring expenses (recoveries)	-	-	50,240	-	-	(813)	-	**-**	50,240	**(813)**
Fair value (appreciation) depreciation	(9,436)	2,710	(2)	(2,783)	11,967	352	1,810	**(2,556)**	(75)	**(394)**
Income (loss) before income taxes, discontinued operations and non-controlling interest	14,670	1,452	(34,876)	11,828	(8,309)	3,801	5,974	**11,418**	(21,596)	**21,193**
Income taxes	1,400	857	2,957	2,136	885	1,111	1,939	**2,691**	5,950	**5,741**
Income (loss) from continuing operations	13,270	595	(37,833)	9,692	(9,194)	2,690	4,035	**8,727**	(27,546)	**15,452**
Income (loss) from discontinued operations	8	8	(6)	9	6	9	6	**493**	11	**508**
Net (income) loss attributable to non-controlling interest	(8,374)	3,147	173	(3,025)	6,393	304	1,269	**(1,729)**	295	**(156)**
Net income (loss) attributable to shareholders	4,904	3,750	(37,666)	6,676	(2,795)	3,003	5,310	**7,491**	(27,240)	**15,804**
Basic and diluted net income (loss) per share	0.05	0.04	(0.37)	0.06	(0.02)	0.02	0.04	**0.06**	(0.25)	**0.13**
Adjusted net income	3,834	3,305	8,767	6,909	4,792	2,444	5,845	**6,171**	18,981	**14,460**
Adjusted net income per share	0.04	0.03	0.09	0.06	0.04	0.02	0.05	**0.05**	0.17	**0.12**
Return on equity	18.1%	13.3%	(131.6%)	22.8%	(9.4%)	10.0%	17.1%	**22.9%**	(31.5%)	**16.8%**
Adjusted return on equity	14.1%	11.7%	30.6%	23.5%	16.0%	8.1%	18.8%	**18.9%**	22.0%	**15.4%**
Net gain on sale as a % of mortgages sold	0.69%	0.88%	0.88%	0.84%	0.77%	0.83%	0.78%	**0.77%**	0.86%	**0.79%**
Mortgages under administration *(in billions of $)*	21.59	22.16	23.38	24.30	24.75	25.02	25.67	**26.83**	24.30	**26.83**
Mortgage sales *(in billions of $)*	2.18	1.62	3.00	2.28	2.14	1.52	2.54	**2.85**	6.90	**6.91**
Renewal volumes	12.4%	18.5%	15.7%	18.0%	27.5%	21.7%	15.0%	**12.6%**	17.1%	**15.5%**

The Company’s revenue is earned primarily from its mortgage lending business, which is dominated by sales of whole loan mortgages to third party investors. Although the Company’s net gains on mortgage sales have decreased YTD 2016 compared to YTD 2015, for reasons described above, Q3 2016 gains exceeded Q3 2015 gains by over 14%. The Company remains one of the leading originators of prime residential mortgages in the mortgage broker channel, being number three in 2015 and number three YTD in 2016. The Company has benefited from the overall price appreciation and the strong housing market activity experienced in most regions of Canada over the last several years.

Mortgage originations tend to follow seasonal housing market trends, where the spring and summer markets outperform the fall and winter ones, generally leading to relatively higher gains on sale in Q2 and Q3 compared to Q4 and Q1. The Company’s results are consistent with this trend, as shown above in the table above.

FINANCIAL PERFORMANCE REVIEW

Gain on Mortgage Sales

Table 3 - Mortgage Sales and Mortgages Under Administration

	For the three months ended or as at			For the nine months ended or as at	
	September 30, 2016	June 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Mortgages sold and mortgages under administration					
(in billions of $)					
Originations	**$ 2.49**	$ 2.16	$ 1.87	**$ 5.84**	$ 5.72
Renewals	**0.36**	0.38	0.41	**1.07**	1.18
Total mortgages sold	**$ 2.85**	$ 2.54	$ 2.28	**$ 6.91**	$ 6.90
% Renewals	**12.6%**	15.0%	18.0%	**15.5%**	17.1%
Mortgages under administration	**$ 26.83**	$ 25.67	$ 24.30	**$ 26.83**	$ 24.30
Mortgage sale financial highlights					
(in thousands of $)					
Cash premium at sale	**$ 45,860**	$ 40,691	$ 35,934	**$ 109,472**	$ 111,691
Deferred gain on sale	**6,718**	6,106	5,263	**16,786**	17,376
Gain on sale of mortgages	**$ 52,578**	$ 46,797	$ 41,197	**$ 126,258**	$ 129,067
Gain as a % of mortgages sold	**1.84%**	1.85%	1.80%	**1.83%**	1.87%
Acquisition expenses	**$ 30,608**	$ 27,009	$ 21,994	**$ 71,903**	$ 69,415
Acquisition expenses as a % of mortgages sold	**1.07%**	1.06%	0.96%	**1.04%**	1.01%
Net gain on sale	**$ 21,970**	$ 19,788	$ 19,203	**$ 54,355**	$ 59,652
Net gain as a % of total mortgages sold	**0.77%**	0.78%	0.84%	**0.79%**	0.86%
Operating expenses					
(in thousands of $)	**$ 13,114**	$ 12,140	$ 10,358	**$ 35,139**	$ 31,474
Operating expenses as a % of total mortgages sold	**0.46%**	0.48%	0.45%	**0.51%**	0.46%

Mortgage sales in Q3 2016 were $2.85 billion, up from $2.28 billion in Q3 2015, and from $2.54 billion in Q2 2016. Mortgage sales YTD 2016 were virtually unchanged compared to YTD 2015, at $6.91 billion and $6.90 billion respectively.

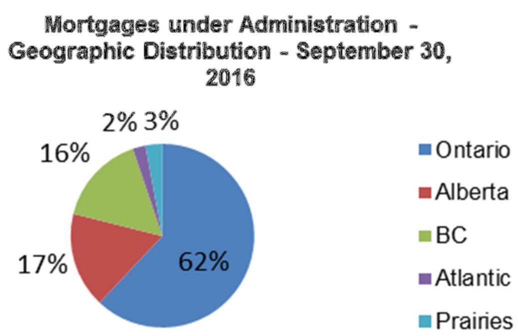
Compared to Q3 2015, net gains on sale in Q3 2016 were up $2.77 million or 14.4% on approximately 25% higher volumes sold but a lower net gain on sale percentage. Compared to Q2 2016, net gains were up $2.18 million or 11.0% in Q3 2016. As a percentage of sales they were consistent at 0.77% in Q3 2016 and 0.78% in Q2 2016, compared to 0.84% in Q3 2015. Net gains on sale YTD 2016, as compared to YTD 2015, were down $5.30 million or 8.9% on similar volumes sold and a lower net gain on sale percentage. This reflects the lower volumes in Q1 and Q2 2016 as compared to the same periods in 2015, as well as the reduced percentage in renewal volumes year over year and quarter over quarter.

With respect to the components of the net gains on sale, gross gains as a percentage of mortgages sold were 1.84% in Q3 2016, greater than 1.80% in Q3 2015, and consistent with 1.85% in Q2 2016. YTD, gross gains were 1.83% in 2016 and compared to a higher than average 1.87% in 2015. Acquisition expenses as a percentage of mortgages sold in Q3 2016 were 1.07% compared to 0.96% in Q3 2015, but consistent with 1.06% in Q2 2016, on both lower relative renewal volumes and a broker incentive program launched in late Q1 2016 that increased acquisition costs into Q3 2016. YTD, acquisition expenses as a percentage of mortgages sold were 1.04% in 2016 compared to 1.01% in 2015. Margins earned on mortgage sales reflect both market rates and the duration of the underlying mortgages sold.

Geographic Distribution – Mortgages

The Company originates mortgages across Canada, with the exception of Quebec. The charts below show the geographic distribution of mortgages under administration and originations in 2016, compared to 2015.

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



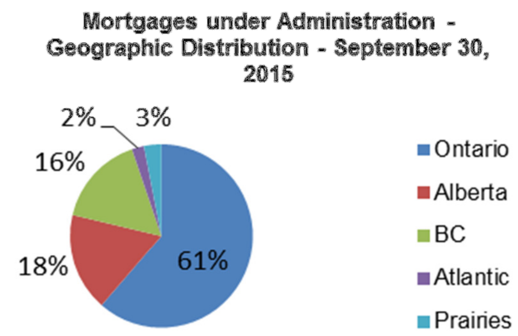
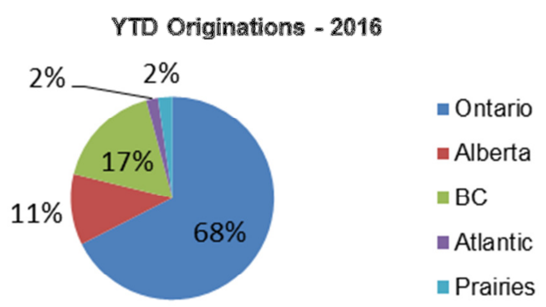
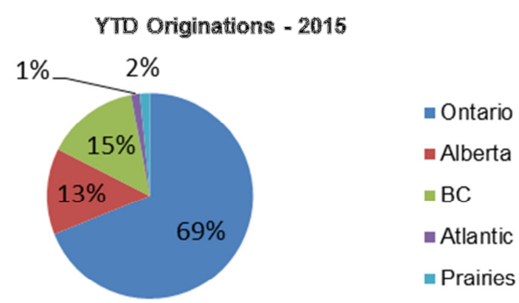


Chart 2 – Geographic Distribution of New Originations (% of $)





As shown above, both MUA and originations continue to favour Ontario, reflecting the relative population density in urban centers of that province, and its higher average housing prices compared to most of Canada. The distribution of MUA is virtually unchanged in Q3 2016 compared to Q3 2015.

As previously observed in Q1 and Q2 2016, but to a lesser extent YTD, the number of applications and the average deal size in BC increased compared to 2015. This reflects both management's efforts to increase the Company's presence in the BC marketplace, and the strong markets in the region. At the same time, consistent with economic conditions observed in the energy producing regions, both the number of applications and the average deal size declined in Alberta. Management, along with its business partners, is continually monitoring the economic and housing market conditions along with the credit quality in local regions and adjusts underwriting criteria and origination volumes as required.

MUA maturities

Table 4 - Expected maturity profile of the Company's MUA at September 30, 2016

(in billions of $)	2016	2017	2018	2019	2020	2021 and beyond	Total
	$	$	$	$	$	$	$
MUA maturities	0.51	2.81	4.60	5.73	7.36	5.82	**26.83**

Note: the amount reported for 2016 primarily represents maturities between October and December. Similarly, the amount reported for 2021 and beyond primarily represents maturities of mortgages that were originated during the period January to September 2016.

Net interest and other income

Table 5 - Net interest and other income

A breakdown of the Company's net interest and other income is shown below, allocated between net interest income and other income.

(in thousands of $)	For the three months ended			For the nine months ended	
	September 30, 2016	June 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Interest income - mortgage lending	**$ 1,770**	$ 1,274	$ 914	**$ 4,318**	$ 2,125
Interest expense - mortgage lending	**(1,699)**	(1,129)	(1,002)	**(3,962)**	(2,435)
Acquisition expense - mortgage lending	**(189)**	(180)	(135)	**(556)**	(135)
Net interest and other income (loss) - mortgage lending	**$ (118)**	$ (35)	$ (223)	**$ (200)**	$ (445)
Servicing and fee income	**168**	218	324	**607**	981
Interest income - other	**37**	51	47	**131**	226
Interest expense - other	**(104)**	(98)	(237)	**(319)**	(732)
Other income (loss)	**23**	-	289	**551**	361
	$ 6	$ 136	$ 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 associated with funding mortgages warehoused on-balance sheet prior to take out funding.

Both interest income and interest expense related to mortgage lending increased in Q3 2016 compared to Q2 2016 and Q3 2015 due to corresponding increases in the Company's issuance of NHA MBS. Securitized mortgage loans and liabilities increased by $140 million and $139 million, respectively, over the period from September 30, 2015 to September 30, 2016. They increased by $83 million and $82 million in Q3 2016 due to MBS sales in the current quarter.

Interest expense quarter over quarter and year over year also increased due to higher interest expense related to funding warehoused mortgages prior to sale or securitization.

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. It has increased in line with the increases in the Company's issuance of NHA MBS.

Servicing and fee income is largely composed of 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. It also includes other fee revenue earned, such as on bridge loans. It is therefore subject to variability, as is evident in the decreased income in Q3 2016 compared to Q3 2015, and YTD 2016 compared to YTD 2015.

Interest income – other consists primarily of interest income on cash deposits and on loans receivable that are associated with the Company's legacy business. The decrease both quarter over quarter and year over year is primarily due to corresponding decreases in the balances of the associated loans receivable.

Interest expense – other consists primarily of interest expense on loans that are associated with the Company's legacy business. It has decreased in line with the decreases in balances owing.

Other income (loss) consists of miscellaneous items, including some associated with the Company's legacy businesses. These include management fees and other income earned by Private Equity, offset by some associated costs. Fee income fluctuates and has decreased overall as the portfolio investments have been exited. In 2016, the most significant item has been income of $0.48 million associated with the Q1 sale of a key man life insurance policy on a former officer of the Company, with the balance primarily being fee income. In 2015, other income primarily consisted of fee income.

Operating expenses

Table 6 – Operating Expenses

A breakdown of the Company's operating expenses is shown below, not including the restructuring costs that were charged to income in 2015, or the recovery of a portion of those costs in 2016 (please see the section *Non-GAAP Measures*).

	For the three months ended			For the nine months ended	
(in thousands of $)	**September 30, 2016**	June 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Salaries and benefits	**$ 9,053**	$ 8,152	$ 7,039	**$ 23,943**	$ 21,175
Professional services	**707**	727	635	**2,124**	1,834
Legal, regulatory and audit	**200**	222	239	**651**	1,109
Premises	**618**	657	481	**1,764**	1,395
Business development	**886**	890	722	**2,629**	2,231
Other	**1,650**	1,492	1,242	**4,028**	3,730
	$ 13,114	$ 12,140	$ 10,358	**$ 35,139**	$ 31,474
Operating expenses as a % of mortgages sold	**0.46%**	0.48%	0.45%	**0.51%**	0.46%

As the Company's business has grown, and in connection with its application and preparation to become a Schedule I bank, the employee headcount has increased from 197 at September 30, 2015 to 241 at June 30, 2016 and 238 at September 30, 2016. Operating expenses, most noticeably salaries and benefits, have increased correspondingly as compared to both Q2 2016 and Q3 2015. Although headcount declined slightly between Q2 and Q3 2016, salaries and benefits expense increased primarily due to variable compensation costs.

The majority of the Company's operating expenses remained in line with Q2 2016, as it continues to operate as though it is a Schedule I bank. The increase in other expenses in Q3 2016 compared to Q2 2016 is due to the fact that Q2 included a $0.5 million recovery of prior period HST paid. Beginning in Q3 2016, recoveries have begun to normalize, with Q3's recovery falling to $0.05 million.

Professional services includes tax and other consulting fees, and fees paid to the Company's Board of Directors.

Business development includes sales and marketing expenses. Sales expenses primarily consist of sales-related travel and entertainment. Marketing expenses primarily consist of promotional materials, the maintenance of the Company's website, and broker-related costs.

Fair Value Adjustments and Non-Controlling Interests

The Company's fair value adjustments relate to its legacy businesses, particularly its portfolio investments. These investments consist of the Company's investments that are part of Private Equity. Fair value adjustments fluctuate due to the potential for the Company's investments to increase or decrease in value, depending on factors that tend to be unique to each investment.

In Q3 2016, the Company recorded a fair value increase of $2.6 million related to the Private Equity investments, inclusive of foreign exchange fluctuations, which was associated with the Company's investment in Differential Brands Group Inc. ("DBGI"), and was composed of both an increase in the investment's share price and foreign exchange fluctuation due to weakening of the Canadian dollar against the US dollar. Approximately $1.7 million was allocated to the Company's non-controlling interests. In Q1 and Q2 2016, the Company recorded total negative fair value adjustments of $2.2 million related to the Private Equity investments, of which approximately $1.6 million was allocated to the Company's non-controlling interests.

In Q3 2015, the Company recorded fair value increases of $5.8 million related to the Private Equity investments, primarily associated with DBGI, and allocated $4.0 million to the non-controlling interests. These increases were partially offset by a $3.0 million write-down of the Company's investment in Fleetwood, of which $0.9 million was allocated to the non-controlling interests. In Q1 and Q2 2015, the Company recorded total negative fair value adjustments of $2.7 million, and allocated $3.3 million to the non-controlling interests.

Discontinued Operations

In the first quarter of 2013 the Company discontinued its Asset Liquidation, Case Goods and Real Estate segments. The Case Goods business and the last Real Estate property were sold in Q1 2014, while the Asset Liquidation business was distributed to the Company's shareholders via a dividend-in-kind of all of the Company's shares of Heritage Global Inc.

There were no significant transactions relating to discontinued operations during 2015 or the first two quarters of 2016. In the third quarter of 2016, the Company negotiated final settlement of the outstanding liabilities associated with discontinued operations. In return for payments of $0.47 million, $1.14 million of liabilities were extinguished, resulting in a pre-tax gain of $0.67 million.

Income Taxes

Income taxes during 2016 primarily relate to the deferred tax attributable to Street Capital Financial, net of recoveries generated at the parent Company level.

At September 30, 2016, the Company has approximately $325.9 million non-capital loss carry-forwards that may be used to reduce future years' taxable income until 2035.

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

REVIEW OF FINANCIAL POSITION

The following table sets out the Company's consolidated financial position at September 30, 2016, June 30, 2016 and December 31, 2015.

Table 7 - Financial Position

(in thousands of $)		**As at**	
	September 30, 2016	**June 30, 2016**	**December 31, 2015**
Assets			
Cash and cash equivalents	**$ 7,185**	$ 5,514	$ 8,846
Restricted cash	**24,607**	47,544	13,078
Deferred placement fees receivable	**50,561**	48,242	46,442
Prepaid portfolio insurance	**75,145**	70,840	66,672
Securitized mortgage loans	**242,333**	159,642	167,762
Non-securitized mortgages and loans	**70,800**	39,109	16,741
Portfolio investments	**5,897**	3,338	13,506
Deferred income tax assets	**14,071**	14,354	14,135
Other assets	**21,103**	25,683	14,671
Goodwill and intangible assets	**28,626**	28,610	28,864
Total assets	**$ 540,328**	$ 442,876	$ 390,717
Liabilities			
Bank facilities	**$ 65,505**	$ 34,757	$ 15,817
Loans payable	**6,826**	6,778	8,972
Securitization liabilities	**240,411**	158,630	167,380
Accounts payable and accrued liabilities	**51,997**	78,844	38,929
Deferred income tax liabilities	**43,110**	40,518	37,250
Total liabilities	**407,849**	319,527	268,348
Total shareholders' equity	**134,402**	127,001	118,245
Non-controlling interests	**(1,923)**	(3,652)	4,124
Total liabilities and equity	**$ 540,328**	$ 442,876	$ 390,717

Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents at September 30, 2016 represent funds on deposit with regulated Canadian financial institutions. Restricted cash represents mortgage loan repayments collected on behalf of third party investors via a third party service provider, cash collected that has not yet been allocated to securitization liabilities, and accrued interest from mortgage loan repayments collected in connection with securitization activities. The unusually large balance of restricted cash at June 30, 2016 was due to a timing difference relating to funds that were collected in June but remitted in July. Due to additional mortgage securitizations that were completed during Q3 2016, the average restricted cash balance is expected to increase.

The Company's primary source of cash is the premiums received on the sale of mortgages, and the net servicing revenue and excess spread received on mortgages under administration.

Deferred Placement Fees Receivable

When mortgages are sold on a fully serviced basis the Company charges the institutional investor a servicing fee, which is received over the life of the underlying mortgage. In some cases, an excess interest rate spread is also received over the remaining mortgage term. The present value of (i) the servicing fee net of the Company's cost of servicing, plus (ii) the excess interest rate spread, is recognized as gain on sale of mortgages in the consolidated statement of comprehensive income and a resulting deferred placement fee receivable is recognized in the consolidated statement of financial position. Please see Note 7 of the unaudited condensed consolidated interim financial statements.

Prepaid Portfolio Insurance

Prepaid portfolio insurance represents portfolio mortgage insurance premiums paid by the Company to insure a pool of low ratio prime mortgages. Portfolio mortgage insurance provides insurance coverage over a pool of mortgages and is not mortgage specific. The length of the coverage is for the amortization period of the original underlying mortgages. Prepaid portfolio insurance is amortized into income over a maximum period of 15 years, using a declining balance method that estimates the pattern of consumption based on contractual terms and management assumptions about mortgage prepayments and renewals.

The net increase in the prepaid portfolio insurance balance reflects the growth in the number of insured mortgages, less the amortization recognized during the same period. Please see Note 8 of the unaudited condensed consolidated interim financial statements.

Securitized Mortgage Loans and Securitization Liabilities

Beginning in 2014, and continuing through 2015, the Company occasionally originated prime insured mortgages that were securitized through the NHA MBS program and sold to third-party investors as MBS. These mortgages and the associated securitization liabilities remain on balance sheet. The Company also securitized and sold $86.3 million of mortgages during Q3 2016. Mortgages securitized during 2015 totalled $126.2 million.

Non Securitized Mortgages and Loans

From time to time the Company originates loans that remain on balance sheet, are bridge loans, or are intended for securitization and sale. 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.

Portfolio Investments

The Company's portfolio investments of $5.9 million consist of investments held by the Company's Private Equity business (see also the discussion under *Fair Value Adjustments and Non-Controlling Interests*, above). The Company also holds Class A units in Fleetwood, but that investment was written down to zero in Q4 2015. The Company holds only approximately 16% of Private Equity, but it controls and consolidates the business due to its ability to influence its management and investments. At September 30, 2016, approximately $4.1 million of the portfolio investments were attributable to the Company's non-controlling interest (June 30, 2016 - $2.4 million; December 31, 2015 - $10.3 million).

As noted above under *Legacy Business*, the Company is in the process of exiting Private Equity. Since Q1 2015, it has retained an interest in only two investments, only one of which, Differential Brands Group Inc. ("DBGI", formerly "Robert Graham"), is material. In Q1 2016 an unrelated public company, Joe's Jeans, merged with Robert Graham and formed DBGI, a publicly traded company. The merger had the effect of converting Private Equity's investment into cash and publicly traded shares. Net cash proceeds of $8.2 million were distributed to the Private Equity investors, with the Company receiving approximately $1.4 million. Management expects that Private Equity will exit DBGI in Q4 2016 or in 2017, at which time the proceeds would be distributed to the investors.

Deferred income tax assets and deferred income tax liabilities

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

Other Assets

Other assets include receivables for mortgage sale activity and mortgage insurance, loans and other receivables, capital assets, prepaid expenses, and assets associated with the Company's discontinued real estate operations. The loans receivable include receivables from the Company's former subsidiary, Heritage Global Inc., and from Fleetwood. The increase in both Q3 and Q2 2016, when compared to Q4 2015, is primarily due to an increase in receivables relating to mortgage sale activity. Loans receivable and assets associated with the Company's discontinued operations have decreased due to payments received. Please see Note 11 of the unaudited condensed consolidated interim financial statements.

Goodwill and Intangible Assets

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

Bank Facilities

At September 30, 2016 the Company had a total credit facility of $165 million through a syndicate of Schedule I Canadian banks, of which $66 million was outstanding, leaving $99 million available (June 30, 2016 - $35 million and $130 million, respectively; December 31, 2015 - $16 million and $149 million, respectively). The facility is available in three tranches, dependent on use of funds. The $50 million increase in the outstanding balance at September 30, 2016 as compared to December 31, 2015 is due to an approximately $47 million increase in mortgage funding and an approximately $3 million increase in the operating line. The $35 million balance at June 30, 2016 consisted of $24 million of mortgage funding and an $11 million draw on the operating line. Please see Note 12 of the unaudited condensed consolidated interim financial statements.

Loans Payable

The loans payable are related to the Company's legacy businesses. The decrease at September 30, 2016 compared to December 31, 2015 is primarily due to $2.0 million in repayments made during Q1 2016. Please see Note 13 of the unaudited condensed consolidated interim financial statements.

Other Liabilities

Other liabilities include accounts payable, accrued liabilities, accrued mortgage acquisition costs, and liabilities associated with the Company's discontinued Real Estate operations. The most significant components of the balance at September 30, 2016 are $23.2 million of payments due to mortgage servicers and $13.8 million of accrued mortgage acquisition costs. The increases from December 31, 2015 reflect the seasonal variation in mortgage originations and sales.

Accrued restructuring costs decreased from $11.1 million at December 31, 2015 to $8.0 million at September 30, 2016, and accrued compensation decreased from $5.2 million to $4.8 million over the same period. Please see Note 14 of the unaudited condensed consolidated interim financial statements.

Shareholders' Equity and Updated Share Information

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

At October 31, 2016, the Company had 121,651,173 common shares issued and outstanding. In addition, there were 3,138,031 unexercised stock options, which are, or will be, exercisable to purchase common shares for maximum proceeds of $3.6 million.

Contingencies

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

Off balance sheet arrangements

At September 30, 2016 the Company had outstanding commitments for advances on mortgage loans, which it intended to fund on-balance sheet, which amounted to $198.4 million (June 30, 2016 - $91.3 million; December 31, 2015 - $4.5 million). Such offers to extend credit are in the normal course of business and are planned through the Company's liquidity management practices.

Related party transactions

Related party transactions are described in Note 18 and Note 24 to the unaudited condensed consolidated interim financial statements. They consist of shareholder loans to certain key employees and former employees.

CAPITAL 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, June 30, 2016 and December 31, 2015, the Company far exceeded the minimum, and was compliant throughout both 2015 and 2016.

Normal Course Issuer Bid

Street Capital, with the approval of the Toronto Stock Exchange (the "Exchange") commenced a normal course issuer bid (the "NCIB") that became effective on March 23, 2016 and will expire on March 22, 2017, with the intention of purchasing for cancellation up to 2% of the Company's common shares outstanding. Street Capital, through its broker, purchases the common shares on the open market through the facilities of the Exchange and otherwise in accordance with the rules and policies of the Exchange. Street Capital believes that the potential repurchase by Street Capital of a portion of outstanding common shares is an appropriate use of available cash and is in the best interests of Street Capital and its shareholders. At October 31, 2016, Street Capital had purchased 510,753 of the Company's common shares through the NCIB.

Regulatory Capital

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. As at September 30, 2016, Street Capital Financial had sufficient regulatory capital to well exceed both the regulatory minimums and its internal policy requirements.

Based on the September 30, 2016 financial position of Street Capital Financial, the regulatory capital ratios have been estimated as follows:

Regulatory capital Ratios (i)	September 30, 2016	June 30, 2016	December 31, 2015	National Regulatory Minimum
CET 1 Ratio	33.3%	31.0%	33.1%	7.0%
Tier 1 Ratio	33.3%	31.0%	33.1%	8.5%
Total Capital Ratio	33.3%	31.0%	33.1%	10.5%
Leverage Ratio	19.6%	22.7%	25.2%	8.0%

(i) Capital ratios have been calculated based on regulations in effect at the reporting date, and are based on certain estimates and judgements made by management.

Should Street Capital Financial be approved to operate as a Schedule I bank, it will be held to higher required regulatory capital ratios than the National Regulatory Minimums.

RISK MANAGEMENT

Through its wholly owned subsidiary Street Capital Financial, the Company is exposed to financial and operational risks, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect its business, financial condition and operating results. These factors may also influence an investor to buy, sell or hold shares in the Company. When evaluating risks, the Company makes decisions about which risks it accepts, which risks it mitigates, and which risks it avoids. Many of these risk factors are beyond the Company's direct control. The Board of Directors (the "Board") plays an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

The Company's business activities, including its use of financial instruments, expose the Company to various risks, the most significant of which are credit risk, liquidity and funding risk, and market risk. For a detailed discussion of the risks, and risk factors that affect the Company, please refer to pages 44 to 48 of the Company's 2015 Annual Report, which contains the Company's 2015 Management's Discussion and Analysis. The Company's Annual Report is available on SEDAR at *www.sedar.com*.

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 Company sells the vast majority of the mortgages that it underwrites to institutional investors. These mortgages 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.

The Company's serious arrears rate, which is 0.11% at September 30, 2016, is significantly better than the industry average disclosed by the Canadian Bankers Association. This reflects the Company's due diligence and strong quality assurance.

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 net $2.5 million, net of an allowance of $1.7 million (June 30, 2016 - $3.4 million; December 31, 2015 - $3.9 million; at both dates net of an allowance of $1.7 million). The Company evaluated the collectability of these loans at September 30, 2016 and determined that no further allowance for credit losses was required.

Liquidity Risk

Liquidity risk is the risk that the Company is 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 holds liquid assets primarily in the form of cash in bank deposits. At September 30, 2016 the Company had $31.8 million in cash and cash equivalents on deposit with a Schedule I Canadian Bank, which included $24.6 million of restricted cash representing mortgage loan repayments collected on behalf of third party investors, cash to be allocated to securitization liabilities, and accrued interest from securitized mortgage loan repayments.

The Company has a $165 million credit facility with a syndicate of Schedule I Canadian banks, as described above under Bank Facilities. It is available in three tranches dependent on use of funds, as described in Note 12 of the unaudited condensed consolidated interim financial statements.

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 overall 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).

Operational Risk

Operational risk, which is inherent in all business activities, is the risk of loss resulting from either inadequate or failed internal processes, people and systems, or from external events. Operational risk cannot be eliminated, but the Company has taken proactive steps to mitigate this risk. The Company has adopted an Enterprise Risk Management Framework that includes strategies to manage operational risk, including avoidance, transfer, acceptance and mitigation by controls. The Company employs a risk and compliance information system that facilitates the application of an enhanced operational risk methodology, including event data monitoring, business line risk and control self-assessments, measurement and monitoring of key risk/performance indicators, and a new initiatives risk assessment framework.

The Company relies upon the uninterrupted functioning of its computer systems and other technology. The failure of any of these components could interrupt operations or materially impact the Company’s ability to originate, monitor or service customer accounts, or to comply with contractual obligations to investors and third parties. A sustained or prolonged outage could negatively impact the Company’s financial results.

Companies that provide financial services, including the Company, are exposed to cyber-risk. Cyber threats continue to increase in size and complexity. While the Company and, more broadly, the industry, are continuously monitoring and improving their information and cyber security programs, the Company and its third-party service providers may not be able to fully mitigate all risks associated with increased threats. Cyber security breaches may lead to the loss of confidential information and related privacy issues.

The Company maintains insurance coverage in order to mitigate, where possible, the various forms of operational risk outlined above. This insurance coverage includes commercial property, general liability, computer crime, cyber liability, directors’ and officers’ liability, umbrella and errors and omissions, and other standard business policies.

ACCOUNTING STANDARDS & POLICIES

This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and notes. The significant accounting policies and critical accounting estimates are described in Note 3 of the audited consolidated financial statements included in the 2015 Annual Report. These policies have the potential to significantly impact the Company’s financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events that are continuous in nature.

Future changes in accounting standards that may have an impact on the Company’s financial position and results of operations are discussed in Note 3 to the unaudited condensed consolidated interim financial statements.

Disclosure Controls and Internal Control over Financial Reporting

The Company’s disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws. They include controls and procedures that are designed to ensure that information is accumulated and communicated to senior management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There were no changes to the Company’s internal controls over financial reporting during the period ended September 30, 2016 that have materially affected, or are expected to have a material effect on, the Company’s financial reporting.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed consolidated interim financial statements. Street Capital has in place appropriate information systems and procedures to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, performs an oversight role with respect to all public financial disclosures made by the Company and has reviewed and approved this MD&A and the accompanying unaudited condensed consolidated interim financial statements.

NON-GAAP MEASURES

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

Adjusted shareholders' net income and adjusted diluted shareholders' earnings per share
The adjusted results are intended to give readers a view of the core operating business of the Company by removing i) non-recurring restructuring expenses or recoveries, net of applicable taxes, ii) the fair value adjustments, provisions, and the results of discontinued operations associated with the Company's legacy businesses, and iii) non-recurring reversals of HST ITCs, net of applicable taxes. The reconciliation of shareholders' net income to adjusted shareholders' net income, and the resulting adjusted earnings per share, are presented below. Adjusted diluted earnings per share is calculated using adjusted net income.

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

	For the three months ended			For the nine months ended	
(in thousands of $, except per share data)	**September 30, 2016**	June 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Net income (loss)	**$ 7,491**	$ 5,310	$ 6,676	**$ 15,804**	$ (27,240)
Restructuring expense (recovery) (net of applicable tax)	**-**	-	-	**(598)**	46,602
Fair value adjustments (net of non-controlling interest)	**(827)**	541	242	**(238)**	(370)
Discontinued operations (net of tax)	**(493)**	(6)	(9)	**(508)**	(11)
Adjusted net income	**$ 6,171**	$ 5,845	$ 6,909	**$ 14,460**	$ 18,981
Shareholders' diluted earnings (loss) per share	**$ 0.06**	$ 0.04	$ 0.06	**$ 0.13**	$ (0.25)
Adjusted shareholders' diluted earnings per share	**$ 0.05**	$ 0.05	$ 0.06	**$ 0.12**	$ 0.17

Return on equity is defined as the net income available to common shareholders as a percentage of average shareholders' equity. **Adjusted return on equity** is calculated as the adjusted net shareholders' net income as a percentage of average shareholders' equity.

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

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

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

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

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

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

Mortgages under administration ("MUA")
Mortgages under administration includes all securitized and non-securitized mortgage loans, as well as all off-balance sheet mortgages that qualify for derecognition under IFRS.

New mortgage originations
New mortgage originations includes all mortgages sold to investors, conversions of adjustable rate mortgages to fixed rate mortgages, and mortgages that are securitized under the NHA MBS program.

Operating expenses
Operating expenses are defined as the total of the Company's i) salaries and benefits expense, plus ii) selling, general and administrative expense, less iii) restructuring expense recorded in the second quarter of 2015, plus iv) a restructuring recovery recorded in the first quarter of 2016.

(in thousands of $)	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Expenses		
Salaries and benefits	$ 23,943	$ 21,175
Selling, general and administrative expenses	11,196	10,299
Restructuring expense (recovery)	(813)	50,240
Total expenses	$ 34,326	$ 81,714
Add (deduct): restructuring (expense) recovery	813	(50,240)
Operating expenses	**$ 35,139**	**$ 31,474**

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

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

GLOSSARY

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

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

National Housing Act Mortgage-Backed Securities ("NHA MBS") Program
NHA mortgage-backed securities are pools of CMHC insured residential mortgages that are sold to investors ("securitized" – see "Securitization", below).

Impaired Loans
Loans are considered to be impaired when there is no reasonable assurance that principal and interest will be remitted to the lender on a timely basis.

Office of the Superintendent of Financial Institutions Canada ("OSFI")
The Office of the Superintendent of Financial Institutions Canada is the federal government agency that is responsible for regulation and supervision of banks, insurance companies, trust companies, loan companies and pension plans in Canada.

Provision for credit losses
A provision for credit losses is a charge to income that represents management's best estimate of the amount required to fully provide for impaired loans that will ultimately be deemed uncollectible.

Securitization
Securitization is the sale of pools of assets, such as insured residential mortgages, to third parties.