STREET CAPITAL
GROUP INC.

Condensed Consolidated Interim Financial Statements
Unaudited
June 30, 2017

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2017, MARCH 31, 2017 and DECEMBER 31, 2016
(In thousands of Canadian dollars) Unaudited

	Notes	June 30, 2017	March 31, 2017	December 31, 2016
		$	$	$
Assets				
Cash and cash equivalents	4	**48,571**	7,196	3,771
Restricted cash	4	**33,829**	23,044	31,159
Non-securitized mortgage loans	5	**28,744**	11,420	9,323
Securitized mortgage loans	6	**238,976**	253,165	262,203
Deferred placement fees receivable	7	**50,423**	50,139	51,314
Prepaid portfolio insurance	8	**80,008**	80,660	79,049
Portfolio investments	9	**1,825**	3,214	3,026
Deferred income tax assets	16	**14,557**	14,489	14,429
Other assets	10	**24,389**	18,163	15,481
Intangible assets	11	**4,972**	5,484	5,187
Goodwill	11	**23,465**	23,465	23,465
Total assets		**549,759**	490,439	498,407
Liabilities				
Bank facilities	12	**-**	15,900	3,400
Deposits payable on a fixed date	13	**72,187**	2,358	-
Loans payable	14	**4,143**	4,220	4,251
Securitization liabilities	6	**239,324**	252,514	262,663
Accounts payable and accrued liabilities	15	**64,049**	44,480	53,870
Deferred income tax liabilities	16	**43,139**	43,064	43,914
Total liabilities		**422,842**	362,536	368,098
Shareholders' equity				
Share capital	19	**243,180**	242,603	242,526
Contributed surplus		**61,217**	61,436	61,433
Retained earnings (deficit)		**(172,145)**	(172,041)	(169,467)
Total shareholders' equity		**132,252**	131,998	134,492
Non-controlling interest	9	**(5,335)**	(4,095)	(4,183)
Total equity		**126,917**	127,903	130,309
Total liabilities and equity		**549,759**	490,439	498,407
Commitments and contingencies	18			

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands of Canadian dollars, except per share data) Unaudited

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2017**	**2016**	**2017**	**2016**
		$	**$**	**$**	**$**
Revenue					
Gain on sale of mortgages		**37,278**	46,797	**64,164**	73,680
Acquisition costs		**(21,564)**	(27,009)	**(37,730)**	(41,295)
Net gain on sale of mortgages	7	**15,714**	19,788	**26,434**	32,385
Net interest and other income	17	**378**	136	**414**	764
Total revenue		**16,092**	19,924	**26,848**	33,149
Expenses					
Salaries and benefits		**8,760**	8,101	**15,551**	14,744
Selling, general and administrative expenses		**4,961**	4,039	**8,915**	7,281
Restructuring costs (recoveries)	2	**2,479**	-	**6,079**	(813)
Total expenses		**16,200**	12,140	**30,545**	21,212
Income (loss) before fair value adjustments		**(108)**	7,784	**(3,697)**	11,937
Fair value adjustments	9	**(105)**	(1,810)	**81**	(2,162)
Income (loss) before income taxes and discontinued operations		**(213)**	5,974	**(3,616)**	9,775
Income tax expense	16	**7**	1,939	**(903)**	3,050
Income (loss) from continuing operations		**(220)**	4,035	**(2,713)**	6,725
Income (loss) from discontinued operations	25	**(17)**	6	**(15)**	15
Net income (loss) and comprehensive income (loss)		**(237)**	4,041	**(2,728)**	6,740
Net loss and comprehensive loss attributable to non-controlling interest	9	**(133)**	(1,269)	**(50)**	(1,573)
Net income (loss) and comprehensive income (loss) attributable to shareholders		**(104)**	5,310	**(2,678)**	8,313
Basic and diluted earnings (loss) per share					
Continuing operations	19	**0.00**	0.04	**(0.02)**	0.07
Discontinued operations		**0.00**	0.00	**0.00**	0.00
Basic and diluted earnings (loss) per share		**0.00**	0.04	**(0.02)**	0.07
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**121,655**	122,011	**121,599**	121,918

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands of Canadian dollars) Unaudited

	Attributable to shareholders of the Company					
	Share capital (Note 19)	Contributed surplus	Retained earnings (deficit)	Total shareholders' equity	Non-controlling interest (Note 9)	Total equity
	$	$	$	$	$	$
Balance - December 31, 2015	**242,178**	**61,800**	**(185,733)**	**118,245**	**4,124**	**122,369**
Comprehensive income	-	-	8,313	8,313	(1,573)	6,740
Cancellation of shares related to NCIB	(577)	204	-	(373)	-	(373)
Exercise of stock options	319	(134)	-	185	-	185
Conversion of deferred share units	796	(796)	-	-	-	-
Share-based compensation	-	126	-	126	-	126
Repayment of shareholder loan	505	-	-	505	-	505
Net reduction in non-controlling interest investment	-	-	-	-	(6,203)	(6,203)
Balance - June 30, 2016	**243,221**	**61,200**	**(177,420)**	**127,001**	**(3,652)**	**123,349**
Balance - December 31, 2016	**242,526**	**61,433**	**(169,467)**	**134,492**	**(4,183)**	**130,309**
Comprehensive income (loss)	**-**	**-**	**(2,678)**	**(2,678)**	**(50)**	**(2,728)**
Exercise of stock options	**654**	**(282)**	**-**	**372**	**-**	**372**
Share-based compensation	**-**	**66**	**-**	**66**	**-**	**66**
Net reduction in non-controlling interest investment	**-**	**-**	**-**	**-**	**(1,102)**	**(1,102)**
Balance - June 30, 2017	**243,180**	**61,217**	**(172,145)**	**132,252**	**(5,335)**	**126,917**

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands of Canadian dollars) Unaudited

	Notes	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
		$	$	**$**	$
Operating activities					
Comprehensive income (loss) from continuing operations		**(220)**	4,035	**(2,713)**	6,725
Non-cash items					
Deferred income taxes	16	**7**	1,938	**(903)**	3,049
Foreign exchange on loans payable		**(77)**	(17)	**(108)**	(222)
Depreciation and amortization		**619**	466	**1,136**	905
Fair value adjustments		**107**	1,810	**(81)**	2,162
Share-based compensation		**28**	56	**66**	126
Write off certain development costs		**378**	-	**378**	-
Other losses		**31**	-	**58**	-
Changes in operating assets and liabilities					
Increase in restricted cash		**(10,785)**	(33,818)	**(2,670)**	(34,466)
Decrease in securitized mortgage loans		**14,189**	4,606	**23,227**	7,807
Increase in non-securitized mortgage loans		**(17,324)**	(33,929)	**(19,421)**	(22,379)
(Increase) decrease in deferred placement fees receivable		**(284)**	(1,914)	**891**	(1,800)
(Increase) decrease in prepaid portfolio insurance		**652**	(2,702)	**(959)**	(4,168)
Increase in other assets		**(6,717)**	(6,945)	**(9,724)**	(10,723)
Increase in deposits		**69,829**	-	**72,187**	-
Increase (decrease) in bank facilities		**(15,900)**	22,699	**(3,400)**	18,908
Decrease in securitization liabilities		**(13,190)**	(4,258)	**(23,339)**	(8,452)
Increase (decrease) in restructuring accruals	15	**526**	(106)	**4,030**	(3,023)
Increase in other accounts payable and accrued liabilities		**19,043**	46,287	**6,149**	42,792
Decrease in private equity distributions payable		**-**	-	**-**	(114)
Cash provided by (used in) continuing operations		**40,912**	(1,792)	**44,804**	(2,873)
Cash provided by discontinued operations		**214**	301	**214**	310
Cash provided by (used in) operating activities		**41,126**	(1,491)	**45,018**	(2,563)
Investing activities					
Purchase of capital assets		**(237)**	(313)	**(302)**	(689)
Purchase of intangible assets		**(165)**	(155)	**(696)**	(191)
Proceeds from sale of artwork		**107**	-	**194**	-
Net distributions from portfolio investments		**214**	-	**214**	1,766
Cash provided by (used in) investing activities		**(81)**	(468)	**(590)**	886
Financing activities					
Exercise of stock options		**330**	-	**372**	185
Common shares purchased for cancellation		**-**	(363)	**-**	(373)
Repayments of loans payable		**-**	-	**-**	(1,972)
Settlement of share purchase loan		**-**	-	**-**	505
Cash provided by (used in) financing activities		**330**	(363)	**372**	(1,655)
Increase (decrease) in cash and cash equivalents		**41,375**	(2,322)	**44,800**	(3,332)
Cash and cash equivalents - beginning of period		**7,196**	7,836	**3,771**	8,846
Cash and cash equivalents - end of period		**48,571**	5,514	**48,571**	5,514
Supplementary information					
Cash paid and received during the period					
Interest received		**2,132**	1,288	**4,027**	2,509
Interest paid		**1,466**	1,050	**3,110**	2,278
Income taxes paid (tax refunds received)		**-**	-	**3**	(11)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(23)**	1	**(21)**	(9)

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

1. Corporate information

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

Since May 2011, following the acquisition of Street Capital Bank of Canada ("Street Capital Bank" or "the Bank", formerly "Street Capital Financial"), the Company has operated principally as a mortgage lending business. Street Capital Financial was founded in 2007, and on December 13, 2016 it received Letters Patent from the Federal Minister of Finance and an Order to Commence and Carry on Business from the Office of the Superintendent of Financial Institutions, Canada, permitting it to continue and operate as a Canadian Schedule I bank. Bank operations began February 1, 2017, as Street Capital Bank of Canada in English and Street Capital Banque du Canada in French. Street Capital Bank's head office is located in Toronto.

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

The table below details the Company's principal subsidiaries and its respective ownership interest in each as at June 30, 2017 and December 31, 2016:

	June 30, 2017	**March 31, 2017**	**December 31, 2016**
Street Capital Bank of Canada	**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 August 2, 2017.

2. Corporate reorganization

In March 2017, the Company announced the retirement of its President, and $3.6 million was recorded as a retiring allowance in the quarter ended March 31, 2017. During the second quarter of 2017, the Company initiated a further restructuring that involved the reduction of approximately 10% of its workforce, on July 5, 2017, and the September 1, 2017 retirement of the CEO and current acting President concurrent with the appointment of a new President and CEO. In the quarter ending June 30, 2017, $2.5 million was recorded as reorganization expense for these and related items. The reorganization expenses have been recorded as a component of operating expense in the condensed consolidated statements of comprehensive income, and in accrued liabilities in the condensed consolidated statement of financial position at June 30, 2017.

3. Basis of preparation and significant accounting policies

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"), and therefore do not include all information presented in full annual financial statements. These unaudited condensed consolidated interim financial statements should therefore be read in conjunction with the Company's audited consolidated financial statements as at, and for the year ended, December 31, 2016, as set out in the annual report on pages 68 to 101. The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and in effect at December 31, 2016. Except as discussed below, under *Update – significant accounting policies*, the accounting policies that the Company applied in its annual audited consolidated financial statements as at, and for the year ended, December 31, 2016 have not changed. These policies are disclosed in Note 3 of those financial statements, to which reference should be made in reading these unaudited condensed consolidated interim financial statements.

The Company's functional and presentation currency is Canadian dollars.

Certain items in the comparative audited consolidated financial statements and the comparative unaudited condensed consolidated interim financial statements have been reclassified from statements previously presented. This is to ensure conformity with the presentation of the Q2 2017 unaudited condensed consolidated interim financial statements.

Update – significant accounting policies
As described in Note 3 of the Company's 2016 audited consolidated financial statements, in recent years the Company's operations have been principally in mortgage lending through Street Capital Bank. Its consolidated statement of financial position is therefore primarily composed of financial instruments, and the majority of the Company's comprehensive income is derived from these financial instruments.

In February 2017, Street Capital Bank began accepting customer deposits in the form of Guaranteed Investment Certificates ("GICs"), which are a financial instrument. These are classified as financial liabilities at amortized cost. They are recorded on the consolidated statement of financial position at amortized cost, including deferred deposit broker agent commissions, which are amortized and calculated on an effective yield basis as a component of interest expense.

During the second quarter of 2017 the Company began purchasing highly liquid investments in the form of Government of Canada Treasury Bills ("Treasury Bills") and bankers' acceptances. The Company uses these investments to meet its funding and liquidity requirements, particularly its mortgage lending operations. The investments are recorded in cash and cash equivalents on the consolidated statement of financial position, at fair value on the settlement date, as their term to maturity is less than three months, and they are readily convertible into cash subject to immaterial changes in fair value. Interest earned on cash and cash equivalents is recorded as a component of net interest and other income in the condensed consolidated statements of comprehensive income.

Use of judgment and estimates
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. These affect the reported amounts of assets and liabilities, including disclosure of contingent assets and liabilities, at the financial statements dates, and the reported amounts of revenues and expenses during the reporting periods. Key areas of such judgment and estimation include: allowance for credit losses, valuation of mortgages and other loan receivables (i.e. duration factors on deferred placement fees receivable), the useful life and residual value of certain assets including prepaid portfolio insurance, intangible assets and goodwill, valuation of portfolio investments, and accounting for deferred income taxes. Actual results may differ from those estimated. Management reviews its estimates, assumptions and judgments on an ongoing basis, at least quarterly.

The allowance for credit losses represents management's best estimate of losses incurred on the Company's loan portfolio at the date of the consolidated statement of financial position. This requires management's judgment in making assumptions and estimations that are primarily related to default and loss rates. The Company began its uninsured loans business, Street Solutions, during the second quarter of 2017. Incurred losses on this portfolio to date are immaterial and no allowance for credit losses has been set up. For other loans, the allowance for mortgage credit losses is not material, since the remaining on-balance sheet mortgage assets are either fully insured or deemed fully collectible. Additionally, at the date of these unaudited condensed consolidated interim financial statements, the majority of the originated mortgages had been sold to investors.

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

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

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

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

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

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

Principles of consolidation
These unaudited condensed consolidated interim financial statements include the assets, liabilities and results of operations of the Company and its consolidated subsidiaries, which are entities over which the Company has control, and which are identified in Note 1. Non-controlling interests in the equity and results of the Company's subsidiaries are shown separately in the unaudited condensed consolidated interim statements of changes in shareholders' equity. Intercompany balances and transactions among the Company and its subsidiaries are eliminated on consolidation.

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

Upon adoption of IFRS 9, the Company will also be required to adopt amendments to *IFRS 7 – Financial Instruments: Disclosures*, which will require more extensive disclosures relating to such areas as classification, impairment and hedge accounting. The Company's current assessment of the impact of IFRS 9 and its amendments, and IFRS 7 (collectively, "the New Standard") is that it will not be material with respect to the Company's historic and current primary operations and products; i.e.: whole loan sales and mortgage securitization. The Company is assessing the impact of the New Standard on the results of operations, financial position, and disclosures that relate to the products and services that have been, or will be, introduced as part of bank operations; e.g.: uninsured lending, deposits, and credit cards. The Company has established an implementation team for the New Standard that includes representatives from all relevant departments, and has also engaged an external consultant with specialized knowledge to assist with the development of the appropriate credit models, business processes and controls, as well as with the education of stakeholders including the Company's board of directors and Audit

Committee. During the remainder of 2017, the Company will complete the work required to implement the New Standard on January 1, 2018.

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

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

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

4. Cash and cash equivalents, and restricted cash

The Company had the following cash and cash equivalents, and restricted cash, as at June 30, 2017, March 31, 2017 and December 31, 2016:

		June 30, 2017		March 31, 2017		December 31, 2016
Cash on deposit with regulated financial institutions	**$**	**18,588**	$	7,196	$	3,771
Liquid instruments		**29,983**		-		-
Cash and cash equivalents	**$**	**48,571**	$	7,196	$	3,771
Restricted cash - servicing	**$**	**30,380**	$	20,429	$	27,704
Restricted cash - securitization		**3,449**		2,615		3,455
Total restricted cash	**$**	**33,829**	$	23,044	$	31,159

Liquid instruments consist of Treasury Bills, bankers' acceptances and similar easily liquidated short-term investments.

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

Restricted cash - securitization consists of 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

With the commencement of banking operations in 2017, the Company has begun offering uninsured mortgage loans under the name "Street Solutions". These are reported on the statement of financial position as a component of non-securitized mortgage loans, with the associated interest revenue reported as a component of net interest and other income on the statement of comprehensive income. The remaining balance of non-securitized mortgage loans consists of insured or insurable mortgages that are either intended for whole loan sales to various purchasers or awaiting securitization and sale through the Government of Canada's National Housing Act Mortgage-Backed Securities ("NHA MBS") program, and of bridge loans. The composition at June 30, 2017, March 31, 2017 and December 31, 2016, including deferred acquisition costs, is shown below:

		June 30, 2017		March 31, 2017		December 31, 2016
Street Solutions mortgage loans	**$**	**10,220**	$	-	$	-
Insured/insurable mortgage loans		**10,794**		6,154		1,944
Bridge loans - secured		**5,285**		3,647		5,536
Bridge loans - unsecured		**2,445**		1,619		1,843
Total non-securitized loans	**$**	**28,744**	$	11,420	$	9,323

Loans are considered impaired when the Company is no longer assured of timely collection of the full amount of principal and interest, or when the loan is more than 90 days past due. At June 30, 2017, no provisions for credit losses have been recorded for Street Solutions, based on management's judgement that no losses have yet been incurred. An aging table for the outstanding principal balances of the non-securitized loans is shown below:

												June 30, 2017
		Current		**1 - 30 days**		**31 - 60 days**		**61 - 90 days**		**> 90 days**		**Total**
Street Solutions mortgage loans	**$**	**10,225**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**10,225**
Insured/insurable mortgage loans		**9,582**		**1,118**		**-**		**-**		**-**		**10,700**
Bridge loans - secured		**4,769**		**516**		**-**		**-**		**-**		**5,285**
Bridge loans - unsecured		**2,278**		**167**								**2,445**
Total non-securitized loans	**$**	**26,854**	**$**	**1,801**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**28,655**

The non-securitized loans have maturities up to 5 years, as shown below:

								June 30, 2017
		Within 1 year		**1 - 3 years**		**3 - 5 years**		**Total**
Street Solutions mortgage loans	**$**	**6,222**	**$**	**4,003**	**$**	**-**	**$**	**10,225**
Insured/insurable mortgage loans		**238**		**316**		**10,146**		**10,700**
Bridge loans - secured		**5,285**		**-**		**-**		**5,285**
Bridge loans - unsecured		**2,445**		**-**		**-**		**2,445**
Total non-securitized loans	**$**	**14,190**	**$**	**4,319**	**$**	**10,146**	**$**	**28,655**

6. Securitization activity

The Company occasionally 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 Canada Mortgage and Housing Corporation ("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.

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

	June 30, 2017	
	Carrying amount of securitized mortgage loans	**Carrying amount of securitization liabilities**
Securitized mortgage loans	**$ 237,053**	**$ 240,069**
Deferred securitized mortgage acquisition costs	**1,923**	**-**
Deferred transaction costs	**-**	**(745)**
	$ 238,976	**$ 239,324**

	March 31, 2017	
	Carrying amount of securitized mortgage loans	**Carrying amount of securitization liabilities**
Securitized mortgage loans	$ 251,105	$ 253,342
Deferred securitized mortgage acquisition costs	2,060	-
Deferred transaction costs	-	(828)
	$ 253,165	$ 252,514

	December 31, 2016	
	Carrying amount of securitized mortgage loans	**Carrying amount of securitization liabilities**
Securitized mortgage loans	$ 260,006	$ 263,576
Deferred securitized mortgage acquisition costs	2,197	-
Deferred transaction costs	-	(913)
	$ 262,203	$ 262,663

There are no incurred 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 June 30, 2017, March 31, 2017 and December 31, 2016, none of the securitized and sold mortgages were 365 or more days in arrears. An aging table for the securitized mortgage loans is shown below:

						June 30, 2017
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Total securitized mortgage loans	**$ 237,053**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 237,053**

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

								June 30, 2017
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Contractual repayments	**$**	**25,105**	**$**	**68,978**	**$**	**142,970**	**$**	**237,053**

								March 31, 2017
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Contractual repayments	$	26,237	$	80,946	$	143,922	$	251,105

								December 31, 2016
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Contractual repayments	$	26,579	$	83,307	$	150,120	$	260,006

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

								June 30, 2017
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Projected payments	**$**	**28,121**	**$**	**68,978**	**$**	**142,970**	**$**	**240,069**

								March 31, 2017
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Projected payments	$	28,474	$	80,946	$	143,922	$	253,342

								December 31, 2016
		Within 1 Year		**1 -3 Years**		**3 -5 Years**		**Total**
Projected payments	$	30,148	$	83,307	$	150,120	$	263,575

Securitization liabilities include $3.45 million (March 31, 2017 - $2.62 million; December 31, 2016 - $3.46 million) that has been collected from the securitized mortgage holders, but not yet paid to the MBS holders.

7. Mortgage sale activity

Gain on sale of mortgages and deferred placement fees receivable

Historically, the Company's primary source of revenue has been gains from the sale of mortgages. Under this business model, the Company originates mortgages, the majority of which are sold to institutional investors at commitment, who assume the contractual right to receive the associated mortgage cash flows. Since the Company transfers substantially all of the risks and rewards of ownership of these mortgages, they are not included in the consolidated statements of financial position, and the Company recognizes income from multiple sources when the mortgage is funded:

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Mortgages sold - new	**$ 1,499,930**	$ 2,155,761	**$ 2,713,187**	$ 3,346,152
Mortgages sold - renewals	**463,167**	380,615	**767,764**	708,647
Mortgages sold - total	**$ 1,963,097**	$ 2,536,376	**$ 3,480,951**	$ 4,054,799
Cash premium at sale	**$ 32,378**	$ 40,691	**$ 55,672**	$ 63,612
Deferred gain on sale	**4,900**	6,106	**8,492**	10,068
Acquisition costs	**(21,564)**	(27,009)	**(37,730)**	(41,295)
Net gain on sale of mortgages	**$ 15,714**	$ 19,788	**$ 26,434**	$ 32,385
% Gain	**0.80%**	0.78%	**0.76%**	0.80%

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 receivable at June 30, 2017, March 31, 2017 and December 31, 2016 are shown below:

	June 30, 2017			March 31, 2017			December 31, 2016		
	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	**$ 133,916**	**$ (83,493)**	**$ 50,423**	$ 128,819	$ (78,680)	$ 50,139	$ 125,205	$ (73,891)	$ 51,314

Mortgages under administration

Mortgages under administration include:

- the mortgages purchased by investors, which are administered by the Company;
- the mortgages securitized as NHA MBS; and
- the mortgages that the Company holds on-balance sheet.

At June 30, 2017, total mortgages under administration amounted to $27.81 billion (March 31, 2017 - $27.81 billion; December 31, 2016 - $27.70 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 June 30, 2017, March 31, 2017 and December 31, 2016 is shown below, together with a continuity schedule for the three months ended June 30, 2017, March 31, 2017 and December 31, 2016.

	June 30, 2017			March 31, 2017			December 31, 2016		
	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	**$ 109,133**	**$ (29,125)**	**$ 80,008**	$ 107,411	$ (26,751)	$ 80,660	$ 103,509	$ (24,460)	$ 79,049

	Three months ended		
	June 30, 2017	March 31, 2017	December 31, 2016
Balance, beginning of period	**$ 80,660**	$ 79,049	$ 75,145
Capitalized at purchase	**1,722**	3,902	6,044
Amortization during the period	**(2,374)**	(2,291)	(2,140)
Balance, end of period	**$ 80,008**	$ 80,660	$ 79,049

9. Portfolio investments and non-controlling interest

Investments

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

	June 30, 2017	March 31, 2017	December 31, 2016
Portfolio investments	**$ 1,825**	$ 3,214	$ 3,026
Portfolio investments attributable to non-controlling interest	**(1,249)**	(2,402)	(2,272)
Portfolio investments attributable to shareholders	**$ 576**	$ 812	$ 754

A reconciliation of the carrying amount of portfolio investments from December 31, 2015 to June 30, 2017 is set out below:

Balance at December 31, 2015	**$**	**13,506**
Fair value adjustments		(2,200)
Foreign exchange adjustments		(95)
Distributions		(8,185)
Balance at December 31, 2016	**$**	**3,026**
Fair value adjustments		187
Foreign exchange adjustments		(99)
Distributions		(1,289)
Balance at June 30, 2017	**$**	**1,825**

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

The Company began exiting from Private Equity in 2013, and by the end of 2016 Private Equity retained only two investments. Only one of these was material, and the Company received approximately $1.3 million when it was partially exited in January 2016. The remaining immaterial investment was exited in the second quarter of 2017, and the Company received $0.21 million. Although the timing is uncertain, the Company anticipates that at some point the remaining investment will be sold and the proceeds distributed.

Non-controlling interest

The net loss attributable to the non-controlling interest associated with the Private Equity business was $0.13 million and $0.05 million for the three and six months, respectively, ended June 30, 2017 (Q2 2016 – net loss of $1.27 million; YTD 2016 – net loss of $1.57 million). The non-controlling interest in the Private Equity business amounts to $1.76 million at June 30, 2017 (March 31, 2017 - $3.00 million; December 31, 2016 - $2.91 million).

The Company also has a non-controlling interest associated with its legacy investment in Fleetwood Fine Furniture, LP ("FFF"). No income or loss was attributable to the non-controlling interest associated with FFF during the three and six month periods ending June 30, 2017 and 2016. The non-controlling interest in FFF amounts to $(7.09) million at June 30, 2017, March 31, 2017 and December 31, 2016.

10. Other assets

The Company's other assets consist of:

		June 30, 2017		**March 31, 2017**		**December 31, 2016**
Gain on sale receivable	**$**	**13,442**	$	7,050	$	4,376
Accounts receivable		**2,836**		2,155		2,375
Loans receivable (net of credit allowance)		**1,361**		1,579		1,923
Prepaid and other assets		**2,341**		2,519		1,617
Capital assets		**3,726**		3,946		4,279
Assets of discontinued operations (Note 25)		**683**		914		911
	$	**24,389**	$	18,163	$	15,481

Gain on sale receivable represents amounts not yet received on mortgage sale activities, and can fluctuate substantially based on both loan sales and the timing of cash receipts from third parties. Loans receivable includes a loan made to a former subsidiary, and a loan to a senior executive of the Company, which is discussed further in Note 24 – *Related Party Transactions*. Accounts receivable includes mortgage insurance receivables, accrued interest receivable, trade receivables, and any other amounts receivable.

11. Intangible assets and goodwill

Intangible assets

At June 30, 2017, 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 Bank. The internally generated intangible assets consist of internally developed systems and software. At June 30, 2017 and December 31, 2016, and at all times in between, there were no external or internal indicators of impairment of the acquired intangible assets; however, in Q2 2017 the Company wrote down one internally developed intangible asset by $0.38 million.

Details of the Company's intangible assets are shown below:

		June 30, 2017		March 31, 2017		December 31, 2016
Acquired:						
Mortgage renewal stream	**$**	**6,869**	$	6,869	$	6,869
Accumulated amortization		**(3,002)**		(2,878)		(2,755)
	$	**3,867**	$	3,991	$	4,114
Internally developed:						
Systems and software	**$**	**3,760**	$	3,973	$	3,442
Accumulated amortization		**(2,655)**		(2,480)		(2,369)
	$	**1,105**	$	1,493	$	1,073
	$	**4,972**	$	5,484	$	5,187

Amortization expense for the mortgage renewal stream was $0.13 million and $0.25 million for the three and six months, respectively, ending June 30, 2017 and 2016. The amortization period of 15 years is based on historical renewal rates and industry benchmarks, and at June 30, 2017 the remaining amortization term was 9.00 years.

Amortization expense for the internally developed systems and software assets for the three and six months ended June 30, 2017 was $0.18 million and $0.29 million, respectively (Q2 2016 - $0.10 million; YTD 2016 $0.20 million). The amortization period of 5 years is based on their estimated useful lives, and at June 30, 2017 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

		June 30, 2017		March 31, 2017		December 31, 2016
Acquisition of Street Capital Bank of Canada	**$**	**23,465**	$	23,465	$	23,465

The Company's sole cash generating unit ("CGU") is Street Capital Bank, and therefore all of the acquired goodwill is assigned to Street Capital Bank. At June 30, 2017 and December 31, 2016, and at all times in between, there were no external or internal indicators of impairment.

12. Bank facilities

Details of the Company's bank facilities are shown below:

	Maturity date	June 30, 2017	March 31, 2017	December 31, 2016
Revolving credit facility - mortgage funding	Demand	**$ -**	$ 3,900	$ 1,400
Revolving credit facility - operating line	Demand	**-**	12,000	2,000
		$ -	$ 15,900	$ 3,400

At June 30, 2017, the Company had a total credit facility of $165.00 million with a syndicate of Schedule I Canadian banks, available in three tranches dependent on use of funds, with variable interest rates based on bankers' acceptance rates. Under the terms of the facility, the Company has $150.00 million available to fund insured or insurable mortgage loans, which must be on Canadian properties. Draws on the facility for funding mortgage loans are supported and secured by the underlying mortgages, and are repaid from the proceeds of their sale and/or securitization. An operating line of $15.00 million is secured by a general security agreement, and can be drawn at any time providing the Company has met certain affirmative and financial covenants. At June 30, 2017, although no balances were outstanding for either mortgage funding or operations financing, the Company met all required covenants under the agreement.

13. Deposits payable on a fixed date

Customer deposits include GICs offered through deposit broker agents. These deposits are insured by Canada Deposit Insurance Corporation ("CDIC") up to $0.10 million per depositor. Deposit terms range from 1 to 5 years. Shown below is a maturity table for these deposits at June 30, 2017 and March 31, 2017.

					June 30, 2017
	Cashable *	Within 1 Year	1 -3 Years	3 -5 Years	Total
Deposit maturities	**$ 4,023**	**$ 16,418**	**$ 38,256**	**$ 13,490**	**$ 72,187**
Average contractual rate	**1.21%**	**2.04%**	**2.28%**	**2.46%**	**2.20%**

					March 31, 2017
	Cashable *	Within 1 Year	1 -3 Years	3 -5 Years	Total
Deposit maturities	$ 189	$ 1,002	$ 534	$ 633	$ 2,358
Average contractual rate	1.30%	1.78%	1.79%	2.17%	1.85%

*** 90-day cashable 1 year GIC**

14. Loans payable

Details of loans payable are as shown below:

	Maturity date	June 30, 2017	March 31, 2017	December 31, 2016
Corporate loan - $Cdn	Jan 15, 2018	**$ 1,028**	$ 1,028	$ 1,028
Corporate loan - $US	Jan 15, 2018	**3,115**	3,192	3,223
		$ 4,143	$ 4,220	$ 4,251

The loans are associated with the Company's legacy businesses. They bear interest at 6%, are not subject to security or covenants, and can be prepaid by the Company without penalty.

15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as shown below:

	June 30, 2017	March 31, 2017	December 31, 2016
Payment due to mortgage servicers	**$ 30,380**	$ 20,429	$ 27,704
Accrued mortgage acquisition costs	**16,712**	10,035	9,876
Accrued interest payable	**603**	599	645
Accrued restructuring costs	**11,970**	11,444	7,940
Accrued compensation	**2,235**	182	5,391
Liabilities of discontinued operations (Note 25)	**8**	8	8
Other	**2,141**	1,783	2,306
	$ 64,049	$ 44,480	$ 53,870

The accrued restructuring costs are related to both the reorganization discussed above in Note 2, and the corporate realignment that occurred in June 2015.

16. Income taxes

For the three months ended June 30, 2017, the Company recognized $0.01 million of deferred income tax expense and no current income tax expense. For the six months ended June 30, 2017, the Company recognized a deferred income tax recovery of $0.90 million (Q2 2016 – deferred tax expense of $1.94 million; YTD 2016 – deferred tax expense of $3.05 million) and no current income tax expense (Q2 2016 - nil; YTD 2016 - nil). The deferred income tax expense is primarily due to differences in tax and accounting treatment of the deferred gain on sale of mortgages, which will be taxable in the future.

The $43.14 million deferred income tax liability balance as at June 30, 2017 (March 31, 2017 - $43.06 million; December 31, 2016 - $43.91 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 $14.56 million deferred tax asset as at June 30, 2017 (March 31, 2017 – $14.49 million; December 31, 2016 - $14.43 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 June 30, 2017 is 26.5% (March 31, 2017 - 26.5%). The income tax expense provision differs from the computed statutory rate due to permanent non-deductible differences.

As at June 30, 2017 the Company had recognized approximately $330.97 million (March 31, 2017 – approximately $330.79 million; December 31, 2016 - $333.27 million) in non-capital loss carry-forwards, which may be used to reduce future years' taxable income until 2035.

In addition, at June 30, 2017, the Company had approximately $81.51 million (March 31, 2017 and December 31, 2016 - approximately $81.51 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.

17. Net interest and other income

As the Company's bank operations are expanding, the presentation of the Company's net interest and other income is being amended to more clearly distinguish between the amounts related to its core business operations, and those that are either incidental or related to real estate or private equity. The relevant details are shown below:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Interest income - Street Solutions	**$ 18**	$ -	**$ 18**	$ -
Interest income - bridge loans	**102**	109	**205**	168
Interest income - other mortgages and loans	**93**	12	**108**	70
Interest income - cash and liquidity	**36**	52	**49**	62
Total interest income - non-securitized assets	**$ 249**	$ 173	**$ 380**	$ 300
Interest expense - deposits	**(216)**	-	**(218)**	-
Interest expense - other	**(235)**	(239)	**(437)**	(488)
Total interest expense - non-securitized	**$ (451)**	$ (239)	**$ (655)**	$ (488)
Net interest income (expense) - non-securitized	**$ (202)**	$ (66)	**$ (275)**	$ (188)
Interest income - securitized	**1,689**	1,152	**3,471**	2,310
Interest expense - securitized	**(1,565)**	(1,070)	**(3,116)**	(2,142)
Net interest income - securitized	**$ 124**	$ 82	**$ 355**	$ 168
Other net interest income (expense) - non-core	**(45)**	(98)	**(99)**	(183)
Total net interest income (expense)	**$ (123)**	$ (82)	**$ (19)**	$ (203)
Other income and fee income (loss)	**501**	218	**433**	967
Total net interest and other income	**$ 378**	$ 136	**$ 414**	$ 764

Interest income – non-securitized assets is the interest the Company earns on assets that it holds on-balance sheet. These include uninsured mortgages that have been made under the Bank's Street Solutions program, mortgages held on-balance sheet that may be sold or securitized, and bridge loans. Non-securitized assets also include liquid cash equivalents such as Treasury Bills or bankers' acceptances, on which the Company earns interest prior to using the cash to fund mortgages or other loans.

Interest expense – non-securitized includes the interest expense on customer deposits, which the Company began incurring with the launch of bank operations in the first quarter of 2017. It also includes the interest expense and the standby charges on the mortgage funding portion of the Bank's credit facility (see Note 12), and other miscellaneous interest related to mortgage lending.

Net interest income – securitized is the net margin earned on mortgages that have been securitized by the Company through the NHA MBS program.

Other net interest income – non-core consists primarily of the net interest income or expense on loans receivable and payable that are associated with the Company's legacy businesses.

Other income and fee income is largely composed of the net servicing fees and trailing interest spread earned by the Company on mortgage loan sales, 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. It also includes other variable fee revenue earned, from either the Company's banking operations or its legacy operations.

18. Commitments and 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.

19. Share capital and stock options

Share capital

The Company's 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 Issued and outstanding (000s)		**June 30, 2017**			**March 31, 2017**			**June 30, 2016**	
	Number of shares		**Amount**	**Number of shares**		**Amount**	**Number of shares**		**Amount**
Outstanding, beginning of period	**121,580**	**$**	**244,515**	121,532	$	244,438	122,154	$	245,694
Options exercised	**394**		**577**	48		77	-		-
Deferred share units converted	**-**		**-**	-		-	-		-
Shares acquired via normal course issuer bid	**-**		**-**	-		-	(278)		(561)
	121,974		**245,092**	121,580	$	244,515	121,876	$	245,133
Share purchase loans			**(1,912)**			(1,912)			(1,912)
Outstanding, end of period	**121,974**	**$**	**243,180**	121,580	$	242,603	121,876	$	243,221

					For the six months ended	
Common shares Issued and outstanding (000s)		**June 30, 2017**			**June 30, 2016**	
	Number of shares		**Amount**	**Number of shares**		**Amount**
Outstanding, beginning of period	**121,532**	**$**	**244,438**	121,226	$	244,595
Options exercised	**442**		**654**	269		319
DSUs converted	**-**		**-**	667		796
Shares acquired via normal course issuer bid	**-**		**-**	(286)		(577)
	121,974	**$**	**245,092**	121,876	$	245,133
Share purchase loans			**(1,912)**			(1,912)
Outstanding, end of period	**121,974**	**$**	**243,180**	121,876	$	243,221

The Company, with the approval of the Toronto Stock Exchange (the "Exchange") commenced a normal course issuer bid (the "NCIB") that became effective on March 23, 2016. It expired on March 22, 2017 and was subsequently renewed to March 22, 2018. The Company can purchase for cancellation up to 2% of the Company's common shares outstanding, and through its broker the Company purchases the common shares on the open market through the facilities of the Exchange and otherwise in accordance with the rules and policies of the Exchange. At June 30, 2017, the Company had purchased and cancelled a total of 630,132 of its common shares through the NCIBs. All of these purchases were made during 2016.

Share purchase loans, which are collateralized by the shares purchased and by personal guarantees, were granted to certain key employees and former employees. At both June 30, 2017 and December 31, 2016 the share purchase loans outstanding totalled $1.91 million, and were for the purchase of 462,500 common shares of the Company. These loans are either demand or mature on December 31, 2020, and are non-interest bearing.

Stock options

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

					For the three months ended			
Stock Options Outstanding and exercisable (000s except price)			**June 30, 2017**			**March 31, 2017**			**June 30, 2016**
	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	**3,090**	**$**	**1.15**	3,138	$	1.14	3,138	$	1.14
Granted	**-**		**-**	-		-	-		-
Exercised	**(394)**		**0.84**	(48)		0.87	-		-
Forfeited	**-**		**-**	-		-	-		-
Outstanding, end of period	**2,696**	**$**	**1.19**	3,090	$	1.15	3,138	$	1.14
Exercisable, end of period	**2,527**	**$**	**1.14**	2,849	$	1.07	2,816	$	1.05
Weighted-average market price per share at date of exercise		**$**	**1.22**		$	1.64		$	-
Weighted-average remaining contractual life in years			**1.50**			1.58			2.32

				For the six months ended		
Stock Options Outstanding and exercisable (000`s except price)			**June 30, 2017**			**June 30, 2016**
	Number of options		**Weighted-average exercise price**	**Number of options**		**Weighted-average exercise price**
Outstanding, beginning of period	**3,138**	**$**	**1.14**	3,407	$	1.11
Granted	**-**		**-**	-		-
Exercised	**(442)**		**0.84**	(269)		0.68
Forfeited	**-**		**-**	-		-
Outstanding, end of period	**2,696**	**$**	**1.19**	3,138	$	1.14
Exercisable, end of period	**2,527**	**$**	**1.14**	2,816	$	1.05
Weighted-average market price per share at date of exercise		**$**	**1.26**		$	1.21
Weighted-average remaining contractual life in years			**1.50**			2.32

Deferred Share Units

The Company granted deferred share units ("DSUs") to its independent directors from 2006 until 2011, which are exchangeable for common shares of the Company upon a director's retirement. At June 30, 2017 approximately 146,000 DSUs, all of which are held by an active director, are outstanding.

20. Net earnings per share

The following is a reconciliation of the numerators and denominators used in computing net income per share for the three and six months ended June 30:

Basic and diluted net income (loss) per share	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Numerator:				
Income (loss) from continuing operations	**$ (220)**	$ 4,035	**$ (2,713)**	$ 6,725
Income (loss) attributable to non-controlling interest	**(133)**	(1,269)	**(50)**	(1,573)
Income (loss) attributable to shareholders - continuing operations	**$ (87)**	$ 5,304	**$ (2,663)**	$ 8,298
Income (loss) from discontinued operations	**$ (17)**	$ 6	**$ (15)**	$ 15
Income (loss) attributable to non-controlling interest	**-**	-	**-**	-
Income (loss) attributable to shareholders - discontinued operations	**$ (17)**	$ 6	**$ (15)**	$ 15
Net income (loss) attributable to shareholders	**$ (104)**	$ 5,310	**$ (2,678)**	$ 8,313
Denominator:				
Weighted average common shares outstanding (000s) - basic and diluted	**121,655**	122,011	**121,599**	121,918
Basic and diluted net income (loss) per share from continuing operations	**$ 0.00**	$ 0.04	**$ (0.02)**	$ 0.07
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	**$ 0.00**	$ 0.04	**$ (0.02)**	$ 0.07

In computing the diluted net income per share for the three and six months ended June 30, 2017 and 2016, 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 per share amounts for either period.

21. Capital management

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

The Company's subsidiary, Street Capital Bank, commenced its banking operations on February 1, 2017. Street Capital Bank calculates capital ratios and regulatory capital based on the capital adequacy requirements issued by OSFI, which are based on standards issued by the Basel Committee on Banking Supervision, and which are discussed in more detail in the Company's Management's Discussion and Analysis ("MD&A"), as at and for the six months ended June 30, 2017, under *Capital Management*. Street Capital Bank maintains a capital management policy and an Internal Capital Adequacy Assessment Process ("ICAAP"), which governs the quality and quantity of capital utilized in its operations. Dividends paid to Street Capital by Street Capital Bank may be subject to restrictions by OSFI.

Shown below is the regulatory capital for Street Capital Bank at June 30, 2017 and March 31, 2017. Street Capital Bank was not operating as a Schedule I Bank at June 30, 2016. The amounts presented for June 30, 2016 are provided for comparative purposes only. During the period February 1, 2017 to June 30, 2017, Street Capital Bank complied with all internal and external capital requirements.

Basel III Regulatory Capital (Based only on the consolidated subsidiary, Street Capital Bank of Canada)

(000s, except %)	June 30, 2017	March 31, 2017	June 30, 2016
	All-In Basis	All-In Basis	All-In Basis
	$	$	$
Common Equity Tier 1 capital (CET 1)			
Capital Stock	**16,426**	16,426	16,426
Retained Earnings	**77,059**	77,317	72,494
Less: Regulatory adjustments to CET 1	**(1,104)**	(1,494)	(785)
Total CET 1 capital	**92,381**	92,249	88,135
Additional Tier 1 capital		-	-
Total Tier 1 capital	**92,381**	92,249	88,135
Total Tier 2 capital		-	-
Total regulatory capital	**92,381**	92,249	88,135

As noted above in Note 19, Street Capital has an NCIB in place that will expire on March 22, 2018. During the period from March 23, 2016 to December 31, 2016, the Company repurchased a total of 630,132 of its common shares for $0.91 million, which reduced share capital by $1.27 million and increased contributed surplus by $0.36 million. The Company did not purchase any common shares through the NCIB during the first six months of 2017.

22. 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. 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 valuation methods and assumptions are described below.

						June 30, 2017	December 31, 2016	
	Held for trading	Loans and receivables/ financial liabilities at amortized cost	Total carrying value	Fair value	Due within one year	Due after one year	Total carrying value	Fair value
Financial assets								
Cash and cash equivalents	$ 48,571	$ -	$ 48,571	$ 48,571	$ 48,571	$ -	$ 3,771	$ 3,771
Restricted cash	33,829	-	33,829	33,829	33,829	-	31,159	31,159
Street Solutions mortgage loans	-	10,220	10,220	10,364	6,214	4,006	58	58
Insured mortgage loans	-	10,794	10,794	10,845	259	10,535	1,886	1,910
Other non-securitized mortgages and loans	-	7,730	7,730	7,730	7,730	-	7,379	7,379
Securitized mortgage loans	-	238,976	238,976	237,889	25,650	213,326	262,203	266,287
Deferred placement fees receivable	-	50,423	50,423	50,423	16,228	34,195	51,314	51,314
Other assets	-	18,428	18,428	18,428	17,593	835	9,691	9,691
Portfolio investments	1,825	-	1,825	1,825	-	1,825	3,026	3,026
	$ 84,225	$ 336,571	$ 420,796	$ 419,904	$ 156,074	$ 264,722	$ 370,487	$ 374,595
Financial liabilities								
Bank facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,400	$ 3,400
Customer deposits	-	72,187	72,187	71,657	20,441	51,746	-	-
Loans payable	-	4,143	4,143	4,143	4,143	-	4,251	4,251
Securitization liabilities	-	239,324	239,324	235,760	27,794	211,530	262,663	264,867
Accounts payable and accrued liabilities	-	64,049	64,049	64,049	61,946	2,103	53,870	53,870
	$ -	$ 379,703	$ 379,703	$ 375,609	$ 114,324	$ 265,379	$ 324,184	$ 326,388

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

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

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

Portfolio investments – fair value is determined primarily by market prices (see Note 9).

Customer deposits - estimated fair value is determined by discounting the expected future contractual cash flows using observed market interest rates offered for deposits with similar terms.

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 June 30, 2017 and December 31, 2016, as classified by the fair value hierarchy described above:

				June 30, 2017
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and cash equivalents	**$ 48,571**	**$ -**	**$ -**	**$ 48,571**
Restricted cash	**33,829**	**-**	**-**	**33,829**
Street Solutions mortgage loans	**-**	**-**	**10,364**	**10,364**
Insured mortgage loans	**-**	**-**	**10,845**	**10,845**
Other non-securitized mortgages and loans	**-**	**-**	**7,730**	**7,730**
Securitized mortgage loans	**-**	**-**	**237,889**	**237,889**
Deferred placement fees receivable	**-**	**-**	**50,423**	**50,423**
Other assets	**-**	**-**	**18,428**	**18,428**
Portfolio investments	**1,825**	**-**	**-**	**1,825**
	$ 84,225	**$ -**	**$ 335,679**	**$ 419,904**
Financial liabilities				
Bank facilities	**$ -**	**$ -**	**$ -**	**$ -**
Customer deposits	**-**	**-**	**71,657**	**71,657**
Loans payable	**-**	**-**	**4,143**	**4,143**
Securitization liabilities	**-**	**-**	**235,760**	**235,760**
Accounts payable and accrued liabilities	**-**	**-**	**64,049**	**64,049**
	$ -	**$ -**	**$ 375,609**	**$ 375,609**

				December 31, 2016
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Cash and cash equivalents	$ 3,771	$ -	$ -	$ 3,771
Restricted cash	31,159	-	-	31,159
Non-securitized mortgages and loans	-	-	9,347	9,347
Securitized mortgage loans	-	-	266,287	266,287
Deferred placement fees receivable	-	-	51,314	51,314
Other assets	-	-	9,691	9,691
Portfolio investments	2,275	-	751	3,026
	$ 37,205	$ -	$ 337,390	$ 374,595
Financial liabilities				
Bank facilities	$ 3,400	$ -	$ -	$ 3,400
Loans payable	-	-	4,251	4,251
Securitization liabilities	-	-	264,867	264,867
Accounts payable and accrued liabilities	-	-	53,870	53,870
	$ 3,400	$ -	$ 322,988	$ 326,388

23. Financial risk management

The Company is exposed to various types of risk owing to the nature of its business activities, and, like other financial institutions, is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. These risks include strategic, credit, liquidity, interest rate, investment, operational, reputational, and regulatory and legislative risk, and many of them cannot be directly controlled by the Company. The Company has established policies, processes and frameworks to measure and monitor the risks. The Company's Board of Directors, and Street Capital Bank's Enterprise Risk Management Committee, play an active role in monitoring the Company's key risks and in determining the policies and limits that are best suited to manage them. The policies are reviewed and approved by the Board of Directors at least annually. The Company's risk management policies and procedures are described under the headings *Risk Appetite Framework*, *Risk Governance*, *Credit Risk Management*, *Liquidity and Funding Risk Management*, and *Market Risk Management* within the *Risk Management and Risk Factors* section of the MD&A that is contained within the Company's 2016 Annual Report. Although there have been no material changes to these risk factors subsequent to December 31, 2016, the Company's exposure to interest rate risk, investment risk and credit risk has increased in the second quarter of 2017 due to its launch of both customer deposits and uninsured loans. Please see the MD&A for the three and six months ended June 30, 2017 for more discussion of these risks.

24. Related party transactions

In addition to the shareholder loans described in Note 19, the Company has a non-interest bearing loan made to a senior executive of the Company, the balance of which was $0.57 million at both June 30, 2017 and December 31, 2016. This loan is included in the loans receivable balance at June 30, 2017, reported within Other Assets as detailed in Note 10.

25. Discontinued operations

At June 30, 2017 the Company's assets and liabilities of discontinued operations consist of net commissions receivable of $0.67 million (December 31, 2016 – net receivable of $0.90 million, consisting of $0.67 million net commissions receivable and a $0.23 million loan receivable). During the second quarter of 2017, the $0.23 million loan receivable was settled in return for a payment of $0.21 million. The Company reports discontinued assets and liabilities as components of Other Assets and Accounts Payable and Accrued Liabilities, respectively. Please see Note 10 and Note 15. There were no significant transactions involving discontinued operations during the three or six month periods ended June 30, 2016.

26. Subsequent events

The Company has evaluated events subsequent to June 30, 2017 through to the date of approval of the unaudited condensed consolidated interim financial statements by the Board of Directors for disclosure. There were no material subsequent events requiring disclosure.