CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
UNAUDITED

MARCH 31, 2019

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2019 AND DECEMBER 31, 2018
(In thousands of Canadian dollars) Unaudited

	Notes	March 31, 2019	December 31, 2018
		$	$
Assets			
Cash and cash equivalents	3	**33,277**	65,018
Restricted cash	3	**18,112**	9,656
Marketable securities	3	**23,112**	22,692
Non-securitized mortgages and loans	6	**675,636**	564,778
Securitized mortgage loans	8	**104,799**	123,362
Deferred placement fees receivable	4	**46,985**	48,670
Prepaid portfolio insurance	4	**72,533**	75,285
Other assets	12	**42,570**	34,704
Total assets		**1,017,024**	944,165
Liabilities			
Deposits	9	**720,757**	638,710
Loans payable	14	**4,207**	4,274
Securitization liabilities	8	**107,180**	125,472
Accounts payable and accrued liabilities	13	**55,064**	44,334
Deferred income tax liabilities		**43,166**	43,507
Total liabilities		**930,374**	856,297
Shareholders' equity			
Share capital	18	**243,417**	243,417
Contributed surplus		**63,412**	63,282
Accumulated other comprehensive income		**586**	278
Retained earnings (deficit)		**(213,673)**	(212,017)
Total shareholders' equity		**93,742**	94,960
Non-controlling interest	23	**(7,092)**	(7,092)
Total equity		**86,650**	87,868
Total liabilities and equity		**1,017,024**	944,165

Commitments and contingencies 15

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In thousands of Canadian dollars, except per share data) Unaudited

	Notes	Three months ended March 31, 2019	2018
		$	$
Revenue			
Gain on sale of mortgages		**22,483**	22,274
Acquisition costs		**(14,359)**	(12,360)
Net gain on sale of mortgages	4	**8,124**	9,914
Interest income - non-securitized assets		**8,646**	3,592
Interest expense - deposits and other		**(4,927)**	(2,190)
Net interest income - non-securitized assets		**3,719**	1,402
Provision for credit losses	7	**(226)**	14
Net interest income - non-securitized		**3,493**	1,416
Interest income - securitized mortgages		**804**	1,382
Interest expense - securitization liabilities		**(668)**	(1,113)
Net interest income - securitized mortgages		**136**	269
Total net interest income		**3,629**	1,685
Fee and other income (expense)	10	**1,583**	(6)
Total revenue		**13,336**	11,593
Expenses			
Salaries and benefits		**8,057**	7,729
Selling, general and administrative expenses		**5,249**	5,628
Restructuring costs	11	**2,138**	-
Total expenses		**15,444**	13,357
Loss before fair value adjustments		**(2,108)**	(1,764)
Fair value adjustments		**-**	378
Loss before income taxes		**(2,108)**	(1,386)
Income tax expense (recovery)		**(452)**	(246)
Net loss		**(1,656)**	(1,140)
Net income attributable to non-controlling interest	21	**-**	225
Net loss attributable to shareholders		**(1,656)**	(1,365)
Basic and diluted earnings (loss) per share			
Continuing operations	21	**$ (0.01)**	(0.01)
Basic and diluted earnings (loss) per share		**$ (0.01)**	(0.01)
Weighted average number of common shares outstanding (in thousands) - basic and diluted		**122,184**	122,184

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 MONTHS ENDED MARCH 31, 2019 AND 2018
(In thousands of Canadian dollars) Unaudited

	Three months ended March 31,	
	2019	**2018**
	$	**$**
Net loss	**(1,656)**	(1,140)
Other comprehensive income (loss)		
Net unrealized gains due to changes in fair value of securities	**420**	-
Income tax expense	**112**	-
Net other comprehensive income	**308**	-
Comprehensive loss	**(1,348)**	(1,140)
Comprehensive loss attributable to:		
Shareholders	**(1,348)**	(1,365)
Non-controlling interest	**-**	225
Comprehensive loss	**(1,348)**	(1,140)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(In thousands of Canadian dollars) Unaudited

	Attributable to shareholders of the Company						
	Share capital (Note 18)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest (Note 23)	Total equity
	$	$	$	$	$	$	$
Balance - December 31, 2017 - under IAS 39	243,417	61,920	(167,175)	-	138,162	(6,050)	132,112
Impact of adopting IFRS 9 at January 1, 2018	-	-	(53)	-	(53)	-	(53)
Balance - January 1, 2018 - under IFRS 9	243,417	61,920	(167,228)	-	138,109	(6,050)	132,059
Comprehensive income (loss)	-	-	(1,365)	-	(1,365)	225	(1,140)
Share-based compensation	-	312	-	-	312	-	312
Balance - March 31, 2018	243,417	62,232	(168,593)	-	137,056	(5,825)	131,231
Balance - December 31, 2018	**243,417**	**63,282**	**(212,017)**	**278**	**94,960**	**(7,092)**	**87,868**
Operating income (loss)	-	-	**(1,656)**	-	**(1,656)**	-	**(1,656)**
Other comprehensive income (loss), net of tax	-	-	-	**308**	**308**	-	**308**
Share-based compensation	-	**130**	-	-	**130**	-	**130**
Balance - March 31, 2019	**243,417**	**63,412**	**(213,673)**	**586**	**93,742**	**(7,092)**	**86,650**

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In thousands of Canadian dollars) Unaudited

	Three months ended March 31,	
	2019	**2018**
	$	**$**
Operating activities		
Income (loss) from continuing operations	**(1,656)**	(1,140)
Non-cash items		
Deferred income taxes	**(452)**	(244)
Foreign exchange on loans payable	**(67)**	84
Depreciation and amortization	**664**	492
Fair value adjustments	**(601)**	(153)
Provision for credit losses	**226**	(14)
Share-based compensation	**130**	312
Other losses	**92**	364
Changes in assets and liabilities		
Restricted cash	**(8,456)**	22,982
Non-securitized mortgage loans	**(110,483)**	(95,889)
Securitized mortgage loans	**18,563**	9,930
Deferred placement fees receivable	**1,685**	1,158
Prepaid portfolio insurance	**2,752**	1,354
Other assets	**(8,401)**	923
Deposits	**82,047**	89,513
Securitization liabilities	**(18,292)**	(10,089)
Restructuring accruals	**(4,211)**	(948)
Other accounts payable and accrued liabilities	**15,262**	(25,716)
Cash used in continuing operations	**(31,198)**	(7,081)
Cash provided by discontinued operations	**-**	-
Cash used in operating activities	**(31,198)**	(7,081)
Investing activities		
Purchase of capital assets	**(240)**	(1,280)
Purchase of intangible assets	**-**	(142)
Proceeds from sale of artwork	**18**	-
Cash used in investing activities	**(222)**	(1,422)
Financing activities		
Payment of lease liabilities	**(321)**	-
Repayments of loans payable	**-**	(28)
Cash used in financing activities	**(321)**	(28)
Decrease in cash and cash equivalents	**(31,741)**	(8,531)
Cash and cash equivalents - beginning of period	**65,018**	89,414
Cash and cash equivalents - end of period	**33,277**	80,883
Supplementary information		
Cash paid and received during the year		
Interest received	**9,012**	4,819
Interest paid	**2,420**	1,857
Income taxes paid (tax refunds received)		-

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

(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 Yonge Street, Suite 2401, Toronto, Ontario, M5E 1E5.

The Company's principal operations are as a mortgage lending business through its operating subsidiary, Street Capital Bank of Canada ("Street Capital Bank" or "the Bank", formerly "Street Capital Financial Corporation"). It operates as Street Capital Bank of Canada in English and Street Capital Banque du Canada in French. The Bank's head office is located in Toronto. The origination and sale of prime insurable mortgages remains the Bank's primary business, but during 2017 its operations expanded to include deposit taking and on-balance sheet mortgage lending.

The Company formerly controlled a private equity business ("Private Equity") through a wholly owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"). Knight's Bridge was responsible for managing a private equity investment fund ("KBCP Fund I"), the legal entity that held the Company's Private Equity portfolio investments. In June 2018 KBCP Fund I sold its only remaining investment and was effectively liquidated. The Company participated in the liquidation as both a Limited Partner ("LP") and a General Partner ("GP").

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on May 7, 2019.

2. 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, 2018. Except as discussed below, under *Changes in, and adoption of, 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, 2018 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 Q1 2019 unaudited condensed consolidated interim financial statements.

Principles of consolidation

The 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. Control exists when the Company has exposure to variable returns from its investment in the investee, along with the power, directly or indirectly, to govern the financial and operating policies of the investee so as to affect its returns. Non-controlling interests in the equity and results of the Company's subsidiaries are shown separately in the unaudited condensed consolidated interim statement of changes in shareholders' equity. Intercompany balances and transactions among the Company and its subsidiaries are eliminated on consolidation.

Changes in, and adoption of, accounting policies

IFRS 16

Effective January 1, 2019, the Company adopted *IFRS 16 – Leases* ("IFRS 16"), which supersedes *IAS 17 - Leases* ("IAS 17") and its interpretive guidance.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts based on whether there is an identified asset and who retains control over the asset for the defined period of the arrangement. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. The Company does not have any contracts where it is a lessor, and therefore the impact of adopting IFRS 16 is limited to contracts where the Company is a lessee.

Under IFRS 16, all leases are recognized in the statement of financial position as right of use assets, with corresponding recognition of lease liabilities, at the present value of the future expected cash flows. Over the contract term, the cost of the contract is recognized as a combination of depreciation expense relating to the right of use asset, and interest expense relating to the accretion of the lease liability. This differs from IAS 17, under which the costs were recognized as lease expense over the contract term. The total expense recognized under IFRS 16 and IAS 17 is unchanged, but under IFRS 16 the expense is greater during the first half of the contract term, when the interest expense portion is highest, and therefore reduced over the second half of the contract term, as interest expense declines.

As permitted by IFRS 16, the Company has elected to adopt the standard using a modified retrospective approach and therefore has not restated its prior period comparative consolidated financial statements, which were prepared under IAS 17. Therefore the prior year and current year financials are not comparable. No adjustment to the Company's equity was required upon the adoption of IFRS 16.

The modified retrospective approach requires the lease liability of leases previously classified as operating leases to be calculated as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. As permitted on transition, the Company has elected for all leases to set the right of use asset equal to the amount of the lease liability, adjusted by the amount of any previously recognized prepaid or accrued lease payments relating to that lease.

On adoption, the Company applied this standard using the modified retrospective approach and the following practical expedients:

- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- The use of a single discount rate for each defined portfolio of leases; premises, automobile and office equipment categories;
- Reliance on previous assessments on whether leases are onerous; and
- The exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4.

The Company's leasing activities

The Company leases premises, automobiles and office equipment. Rental contracts are typically for fixed periods from three to seven years, but may have extension options. Where the Company is reasonably certain to extend the option, it is included in the term of the lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company's right of use assets and lease liabilities

(1) Lease liabilities at adoption

Shown below is a continuity schedule of the Company's lease commitments at December 31, 2018, and its lease liabilities upon adoption of IFRS 16 at January 1, 2019. The amounts identified as "Leases not subject to IFRS 16" correspond to leases that were classified as either short-term leases or as an onerous contract.

	Premises	Automobiles	Equipment	Total
Lease commitments identified at December 31, 2018	$ 7,244	$ 496	$ 227	$ 7,967
Leases not subject to IFRS 16	(255)	(198)	-	(453)
Discount factor	(1,868)	(14)	(45)	(1,927)
Lease liabilities at January 1, 2019	$ 5,121	$ 284	$ 182	$ 5,587

None of the leases identified at the transition date had a stated contract rate, and accordingly the Company determined its incremental borrowing rate. This rate was then adjusted for the nature of the assets, the term of the contracts and the relative economic environment in order to determine the following portfolio rates: Premises – 8.50% annually; Automobiles – 4.00% annually; and Equipment – 8.50% annually.

The associated right of use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and lease incentives relating to that lease that were recognised in the balance sheet as at December 31, 2018.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- Other assets – increase by $5.12 million due to the addition of the right of use assets;
- Rental inducements – decrease by $0.25 million; and
- Accounts Payable and Accrued Liabilities – increase by $5.37 million due to the addition of the lease liabilities

(2) Right of use assets and lease liabilities following adoption

The Company reports its right of use assets and lease liabilities as components of Other Assets and Accounts Payable and Accrued Liabilities, respectively, in its consolidated statement of financial position. The tables below show continuity schedules of the right of use assets and lease liabilities for the three months ended March 31, 2019.

	Premises	Automobiles	Equipment	Total
Right of use assets as identified at January 1, 2019	$ 5,374	$ 284	$ 182	$ 5,840
Application of rental inducements	(253)	-	-	(253)
Depreciation - three months ended March 31, 2019	(211)	(34)	(13)	(258)
Right of use assets at March 31, 2019	$ 4,910	$ 250	$ 169	$ 5,329

	Premises	Automobiles	Equipment	Total
Lease liabilities as identified at January 1, 2019	$ 5,374	$ 284	$ 182	$ 5,840
Interest accretion - three months ended March 31, 2019	111	3	4	118
Payments - three months ended March 31, 2019	(271)	(35)	(15)	(321)
Lease liabilities at March 31, 2019	$ 5,214	$ 252	$ 171	$ 5,637

Lease liabilities include the net present value of fixed payments, discounted using the Company's incremental borrowing rate. Right of use assets are measured at the amount of the initial lease liability and adjusted for prepaid lease payments, initial direct costs and restoration costs, if applicable. Each lease payment is allocated between the liability and the financing cost. The financing cost is charged to profit or loss over the lease period, producing a constant periodic rate of interest on the remaining balance of the liability for each period. This amount is included as interest expense in the Company's Selling, General and Administration expenses in the consolidated statement of operations. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and is also included in depreciation expense in Selling, General and Administration expenses. For the three months ended March 31, 2019, these amounts correspond to the depreciation of $258 and the interest accretion of $118 reported in the tables above.

(3) Total lease expenses during the period of adoption

Shown below is a table detailing the components of all cash payments relating to leases during the three months ending March 31, 2019, following adoption of IFRS 16.

Lease expenses - three months ended March 31, 2019	Premises	Automobiles	Equipment	Total
Payments - lease liabilities per IFRS 16	$ 271	$ 35	$ 15	$ 321
Non-lease components - per IFRS 16	253	6	9	267
Payments - short term leases	61	7	-	68
Total cash payments for the period	$ 585	$ 48	$ 24	$ 656

(4) Lease liabilities – maturity analysis

Shown below is a maturity analysis of the lease liabilities at March 31, 2019.

Maturity analysis - lease liabilities at March 31, 2019	Premises	Automobiles	Equipment	Total
Payments within 1 year	$ 680	$ 131	$ 45	$ 856
Payments 1 - 5 years	3,302	120	125	3,547
Payments over 5 years	1,233	-	-	1,233
	$ 5,214	$ 252	$ 171	$ 5,637

Use of judgment and estimates

The preparation of consolidated 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 date, as well as the reported amounts of revenues and expenses during the reporting period. Key areas of such judgment and estimation include: amount of allowance for credit losses; valuation of mortgages and other loans receivable (including estimates such as duration factors on deferred placement fees receivable); the amount of variable mortgage broker compensation; the amount of trailer commission on certain products that will be paid in future periods; the useful life and residual value of certain assets including prepaid portfolio insurance, retained interest on Canada Mortgage Bond ("CMB") securitizations and intangible assets; valuation of lease liabilities and associated right of use assets; valuation of securities and other investments; and accounting for deferred income taxes.

Management reviews its estimates, assumptions and judgments on an ongoing basis, and at least quarterly. Changes to estimates and assumptions may therefore affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses, and comprehensive income, during the reporting period. Additionally, actual results could differ from those estimates under different assumptions and conditions.

Credit losses and non-impaired loans

(i) Allowances and provisions

The determination of the Company's expected credit losses ("ECLs") is a complex calculation that depends on several highly related variables, and it is subject to significant management judgment. As such, it is sensitive to changes in the key variables:

- changes in the credit quality of an individual borrower and/or individual mortgage loan;
- changes in the forward-looking macroeconomic variables used in the Company's ECL models, and particularly in the variables that the Company deems to be most correlated with changes in credit quality;
- changes in the design of the models that the Company uses to model ECLs; and
- migrations of mortgage loans between stages.

These variables are discussed in more detail in Note 3 of the Company's 2018 annual audited consolidated financial statements.

(ii) Impairment

Loans are considered impaired they are contractually 90 days in arrears, or when the Company is no longer assured of timely collection of the full amount of principal and interest, which requires judgment of indicators of impairment.

Valuation of assets and liabilities

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, particularly assumptions relating to prepayment rates of the underlying mortgages.

The reported value of prepaid portfolio insurance at each reporting date 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 of the underlying insured mortgages.

The measurement of the retained interest on a multi-unit CMB securitization represents management's best estimate of expected future cash flows. Although the mortgage term is fixed and closed to prepayment, the amount recorded as a receivable requires judgment with respect to assumptions about the discount factors applied to measure the value of the cash flows.

The reported values of intangible assets and capital assets represent management's best estimate of their fair values 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 the acquired assets and liabilities.

The reported value of lease liabilities and right of use assets are subject to estimations and judgements as described above under *Changes in, and adoption of, accounting policies*.

The reported values of securities and other investments represent management's best estimate of their fair values at a given reporting date. In the case of publicly traded securities, the fair value is the published market value.

Variable mortgage broker compensation

The Company has various broker compensation programs in place, some of which are based on a broker's volume of business over the entire fiscal year. At each balance sheet date, management must exercise judgement in determining and recording the amount of compensation that will be payable.

Loyalty program renewal commissions

The Company has an obligation to pay trailer commissions on certain mortgage renewals, subject to conditions relating to both brokers and customers. At each balance sheet date, management must exercise judgement in estimating the actual liability that will be payable, including consideration of prepayment rates and the discount rate used to determine the present value of the liability.

Variable employee compensation

The Company's employees, including its officers and senior managers, have a significant portion of their compensation "at risk", since it is linked to both the Company's financial performance and the achievement of personal objectives. Management must regularly evaluate the factors contributing to variable employee compensation and exercise judgement in its estimation of the amount that will be payable.

Income taxes

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 the tax rates expected to be in effect in the periods in which the assets are realized or the liabilities are settled.

Derecognition

A significant portion of the Company's operations involves the transfer of mortgage loans to third parties, through either whole loan sales or participation in securitization programs. Management therefore must apply significant judgment with respect to its accounting policies related to derecognition of the transferred mortgage loans. This judgment is particularly required with respect to the evaluation of the extent of the Company's continuing involvement with, and/or exposure to, the risks and rewards of the loans.

In the case of whole loan sales of prime insurable or uninsurable mortgages, management has determined that it has transferred substantially all of the risks and rewards of ownership of the mortgage loans to the purchaser, and it therefore derecognizes the mortgage loans.

In cases where the Company securitizes and sells multi-unit residential securities ("MURS") through the CMB program, the associated mortgages are recognized on the Company's balance sheet only to the extent of the Company's continuing involvement in the mortgages. This is limited to a retained interest associated with the future cash flows, and the obligations and rights associated with servicing the mortgages. Management's judgment is that the risks and rewards of the loans are fully transferred to third parties, because a) the loans are closed to prepayment, and there is no prepayment risk associated with either the retained interest or loan servicing, and b) the Company enters into arrangements with third parties to manage interest rate risk associated with the CMB seller swap. The loans are therefore effectively derecognized when securitized and sold. At times, the Company may securitize MURS that are in excess of the Company's allotment under the CMB program. These surplus mortgages are therefore recognized on the Company's balance sheet as mortgage loans receivable. Because the Company intends to sell these mortgages, and any collection of principal and interest is incidental, they are classified as debt instruments at fair value through profit and loss, and adjusted to fair value at each reporting date.

In cases where the Company securitizes prime single-family residential mortgage loans through the National Housing Act Mortgage Backed Securities ("NHA MBS") program, management's judgment is that the Company retains some risks, particularly prepayment risk, rather than transferring significantly all of the associated risks and rewards of ownership. The loans are therefore not derecognized upon sale of the MBS. However, when the Company engages in transactions involving the sale of the net interest receivable on these MBS ("I/O strip transactions"), the effect of the I/O strip transactions is to transfer the Company's remaining risks and rewards of ownership to the purchaser, in return for a guaranteed cash flow to be received over the remaining mortgage term.

The Company is then able to derecognize these mortgages in a similar manner as for its whole loan sales, as described above.

Future accounting changes

The Company is not aware of any future changes in accounting standards that are expected to have a material impact on its financial position and results of operations.

3. Cash and cash equivalents, restricted cash, and marketable securities

The Company had the following cash and cash equivalents, restricted cash, and marketable securities as at March 31, 2019 and December 31, 2018:

		March 31, 2019		December 31, 2018
Cash on deposit with regulated financial institutions	**$**	**33,277**	$	65,018
Cash and cash equivalents	**$**	**33,277**	$	65,018
Restricted cash - servicing	**$**	**13,499**	$	6,706
Restricted cash - securitization		**4,613**		2,950
Total restricted cash	**$**	**18,112**	$	9,656
Canada Trust Housing mortgage-backed securities	**$**	**23,112**	$	22,692
Marketable securities	**$**	**23,112**	$	22,692

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.

Marketable securities – marketable securities at both March 31, 2019 and December 31, 2018 consisted of publicly traded Canada Housing Trust mortgage-backed securities ("CMBs"), par value $7.5 million, maturing June 15, 2023 and par value $15.0 million, maturing December 15, 2023. They are considered part of the Company's liquid assets. At March 31, 2019 the accumulated OCI relating to the CMBs was an unrealized gain of $0.59 million, net of tax (December 31, 2018 - $0.28 million, net of tax).

4. Prime single-family mortgage sale activity

(a) Gain on sale of mortgages

The largest component of the Company's business is the origination of prime insurable mortgages that are sold to institutional investors, with the sale primarily occurring at the point of commitment. Upon sale, the investors 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. The Company recognizes income from multiple sources when the mortgage is funded, such as:

- 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;
- accrued interest.

The Company also sells uninsured prime and non-prime mortgages under programs similar to the insured loan sales, except that uninsured non-prime mortgages are generally sold on a funded basis.

The table below presents the mortgages sold and the associated gain on sale for the three months ended March 31, 2019 and 2018.

	Three months ended March 31,			
		2019		**2018**
Prime insured mortgages sold - new	**$**	**813,909**	$	826,528
Prime insured mortgages sold - renewals		**473,806**		519,686
Prime insured mortgages sold - total	**$**	**1,287,715**	$	1,346,214
Prime uninsured mortgages sold		**61,620**		-
Street Solutions mortgages sold		**-**		-
Mortgages sold - total	**$**	**1,349,335**	$	1,346,214
Cash premium at sale - prime insured	**$**	**18,148**	$	18,227
Deferred gain on sale - prime insured		**3,380**		4,047
Acquisition costs - prime insured		**(10,435)**		(9,747)
Net gain on sale - before portfolio insurance	**$**	**11,093**	$	12,527
Portfolio insurance amortization		**(3,333)**		(2,613)
Net gain on sale - prime insured	**$**	**7,760**	$	9,914
Cash premium at sale - prime uninsured	**$**	**858**	$	-
Deferred gain on sale - prime uninsured		**97**		-
Acquisition costs - prime uninsured		**(591)**		-
Net gain on sale - prime uninsured	**$**	**364**	$	-
Total net gain on sale of mortgages	**$**	**8,124**	$	9,914
% Gain		**0.60%**		0.74%

(b) Deferred placement fees receivable

The difference between the cash collected and the amortization of the deferred placement fees receivable is recognized as a component of Fee and other income in the consolidated statements of operations. The net deferred placement fees receivable at March 31, 2019 and December 31, 2018 are shown below.

				As at
		March 31, 2019		**December 31, 2018**
Deferred placement fees recognized	**$**	**166,197**	$	162,641
Accumulated amortization		**(119,212)**		(113,971)
Net book value	**$**	**46,985**	$	48,670

(c) Prepaid portfolio insurance

The Company purchases portfolio mortgage insurance on most of the low ratio insurable mortgages it originates, which is capitalized on purchase and amortized as an expense into income over a maximum period of 15 years, using a declining balance method.

The net unamortized amount of prepaid portfolio insurance at March 31, 2019 and December 31, 2018 is shown below, together with a continuity schedule for the three months ended March 31, 2019 and 2018.

		As at
	March 31, 2019	**December 31, 2018**
Insurance capitalized at purchase	**$ 120,548**	$ 119,966
Accumulated amortization	**(48,015)**	(44,681)
Net book value	**$ 72,533**	$ 75,285

	Three months ended	
	March 31, 2019	**March 31, 2018**
Balance, beginning of period	**$ 75,285**	$ 82,511
Capitalized at purchase	**582**	1,256
Amortization during the period	**(3,334)**	(2,610)
Balance, end of period	**$ 72,533**	$ 81,157

5. Mortgages under administration

Mortgages under administration include all mortgages that are administered by the Company:

- the mortgages purchased by investors;
- the mortgages securitized as NHA MBS or CMB;
- the stamped mortgages that the Company has securitized but not sold; and
- the mortgages that the Company holds on-balance sheet, primarily consisting of uninsured mortgage loans.

At March 31, 2019, total mortgages under administration amounted to $27.76 billion (December 31, 2018 - $27.59 billion).

6. Non-securitized mortgages and loans

(a) Mortgages receivable

The composition of Non-Securitized Mortgages and Loans at March 31, 2019 and December 31, 2018 is shown below.

		March 31, 2019		December 31, 2018
Street Solutions mortgage loans	**$**	**622,833**	$	527,377
Allowance for expected credit losses		**(821)**		(595)
Street Solutions mortgage loans, net	**$**	**622,012**	$	526,782
Stamped insured mortgages		**32,883**		24,778
Single-family mortgages		**16,694**		12,423
Bridge loans - secured	**$**	**2,897**	$	236
Bridge loans - unsecured		**1,150**		559
Total non-securitized mortgages and loans	**$**	**675,636**	$	564,778

Street Solutions mortgage loans are the Company's uninsured mortgage loan program. Stamped mortgages are prime residential insured mortgages, which can be either single-family or multi-unit mortgages that have been securitized but not sold to third parties. Both are readily convertible to cash. Single family insured mortgages securitized but not sold are intended to be held until maturity and are part of the Company's liquidity pool. Generally, multi-unit residential insured mortgages securitized but not sold are held for future sale. They form part of the Company's liquidity pool while held. Please see Note 3 and the *Risk Management and Risk Factors* section of the Company's Management's Discussion and Analysis ("MD&A") for the Three Months Ended March 31, 2019 for detail of the Company's liquid assets.

(b) Maturity profile

The principal balances of the non-securitized loans have maturities up to 10 years, as shown below.

March 31, 2019		Within 1 year		1 - 3 years		3 - 5 years		5 - 10 years		Total
Street Solutions mortgages	**$**	**599,193**	**$**	**24,121**	**$**	**436**	**$**	**-**	**$**	**623,750**
Stamped insured mortgages		**-**		**5,168**		**7,867**		**18,936**		**31,971**
Single-family mortgages		**1,677**		**5,486**		**9,504**		**-**		**16,667**
Bridge loans - secured		**2,897**		**-**		**-**		**-**		**2,897**
Bridge loans - unsecured		**1,150**		**-**		**-**		**-**		**1,150**
Total non-securitized loans	**$**	**604,917**	**$**	**34,775**	**$**	**17,807**	**$**	**18,936**	**$**	**676,435**

December 31, 2018		Within 1 year		1 - 3 years		3 - 5 years		5 - 10 years		Total
Street Solutions mortgages	**$**	**502,964**	**$**	**25,036**	**$**	**342**	**$**	**-**	**$**	**528,342**
Stamped insured mortgages		**-**		**3,502**		**10,560**		**10,716**		**24,778**
Single-family mortgages		**1,624**		**4,178**		**6,621**		**-**		**12,423**
Bridge loans - secured		**236**		**-**		**-**		**-**		**236**
Bridge loans - unsecured		**559**		**-**		**-**		**-**		**559**
Total non-securitized loans	**$**	**505,383**	**$**	**32,716**	**$**	**17,523**	**$**	**10,716**	**$**	**566,338**

(c) Mortgage continuity and credit migration

The following tables show the continuity and credit migration of the principal balances of the Company's Street Solutions mortgage loans for the three months ended March 31, 2019 and 2018.

	Three months ended March 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions				
Gross carrying amount, beginning of period	$ 449,005	$ 78,388	$ 949	$ 528,342
Mortgages originated	120,303	-	-	120,303
Transfers from Stage 1	(48,428)	48,428	-	-
Transfers from Stage 2	20,404	(22,469)	2,065	-
Transfers from Stage 3	-	-	-	-
Mortgages paid or derecognized	(11,470)	(13,009)	(416)	(24,895)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Gross carrying amount, end of period	$ 529,814	$ 91,338	$ 2,598	$ 623,750

	Three months ended March 31, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions				
Gross carrying amount, beginning of period	$ 201,425	$ -	$ -	$ 201,425
Mortgages originated	98,285	-	-	98,285
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Mortgages paid or derecognized	(4,272)	-	-	(4,272)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Gross carrying amount, end of period	$ 295,438	$ -	$ -	$ 295,438

(d) Aging and impairment – non-securitized mortgage loans

Aging tables for the outstanding principal balances of the non-securitized mortgage loans are shown below.

					March 31, 2019
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Street Solutions mortgages	$ 616,379	$ 6,122	$ 716	$ -	$ 533	$ 623,750
Stamped insured mortgages	31,971	-	-	-	-	31,971
Single-family mortgages	16,250	-	-	-	417	16,667
Bridge loans - secured	2,897	-	-	-	-	2,897
Bridge loans - unsecured	1,135	15	-	-	-	1,150
Total non-securitized loans	$ 668,632	$ 6,137	$ 716	$ -	$ 950	$ 676,435

						December 31, 2018
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Street Solutions mortgages	$ 521,422	$ 4,913	$ 1,058	$ 416	$ 533	$ 528,342
Stamped insured mortgages	14,062	-	-	-	-	14,062
Single-family mortgages	22,803	336	-	-	-	23,139
Bridge loans - secured	236	-	-	-	-	236
Bridge loans - unsecured	559	-	-	-	-	559
Total non-securitized loans	$ 559,082	$ 5,249	$ 1,058	$ 416	$ 533	$ 566,338

Under IFRS 9, all loans that are contractually 90 days in arrears are classified as impaired and in Stage 3. The Company makes the decision to write off a loan, either in full or in part, when the amount owing is considered beyond a realistic probability of recovery. This is the case when a loan is sold, when all security has been realized, or when all security has been resolved with a receiver or bankruptcy court.

7. Provisions and allowances for credit losses

The following table provides a reconciliation of the opening balance to the closing balance of the ECL allowance over the three months ending March 31, 2019 and 2018. The Company has determined that no allowance for insured mortgages was required at either date. The reconciling items shown below comprise the following components:

- originations, which reflect the increase in the allowance related to mortgages originated during the period;
- transfers between stages, which are assumed to occur prior to any corresponding remeasurement of the allowance;
- the decrease in the allowance related to mortgages derecognized during the period that did not incur a credit loss;
- the impact of changes to the ECL models and their inputs, including changes related to modifications of forward-looking indicators, which include macroeconomic conditions;
- write-offs of mortgages deemed uncollectible; and
- recoveries.

	Three months ended March 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Street Solutions				
ECL allowance, beginning of period	**$ 403**	**$ 178**	**$ 14**	**$ 595**
Mortgages originated	**289**	-	-	**289**
Transfers from Stage 1	**(111)**	**111**	-	-
Transfers from Stage 2	**42**	**(56)**	**14**	-
Transfers from Stage 3	-	-	-	-
Mortgages paid or derecognized	**(26)**	**(30)**	**(7)**	**(63)**
Write-offs	-	-	-	-
Recoveries	-	-	-	-
ECL allowance, end of period	**$ 597**	**$ 203**	**$ 21**	**$ 821**

	Three months ended March 31, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Uninsured mortgages and loans				
ECL allowance, beginning of period	$ 269	$ -	$ 75	$ 344
Mortgages originated	64	-	-	64
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Mortgages paid or derecognized	(3)	-	-	(3)
Write-offs	-	-	-	-
Recoveries	-	-	(75)	(75)
ECL allowance, end of period	$ 330	$ -	$ -	$ 330

The Company has been lending in the uninsured mortgage product space only since the second quarter of 2017, and does not yet have sufficient data to support internal credit scores that could be used to categorize mortgages by credit quality. However, the Company does monitor and can classify relative credit risk based on external credit scores (Beacon score) at the date the loan is originated.

The following table categorizes the Street Solutions mortgage portfolio by Beacon ranges, which are generally accepted as ranges of credit quality.

	At March 31, 2019		At December 31, 2018	
Beacon Score (Primary Borrower)	**Mortgage balance**	**% of mortgages**	**Mortgage balance**	**% of mortgages**
700+	**$ 296,189**	**47.5%**	$ 245,735	46.5%
600 - 699	**267,497**	**42.9%**	235,038	44.5%
<600	**60,064**	**9.6%**	47,569	9.0%
	$ 623,750	**100.0%**	$ 528,342	100.0%

8. Securitization activity

(a) Mortgages receivable and securitization liabilities

The Company occasionally securitizes and sells insured single-family residential mortgage loans by participating in the NHA MBS program, with the most recent such transaction occurring during the fourth quarter of 2016. As the issuer of the MBS, the Company is responsible for advancing all scheduled principal and MBS interest payments to CMHC, whether or not the amounts have been collected on the underlying transferred mortgages. Therefore the Company retains certain prepayment and/or interest rate risks and rewards and does not derecognize the mortgages upon sale.

The Company also occasionally sells, to independent third parties, the net interest spread on previously securitized and sold mortgage loans (an "I/O strip transaction"). As a result of the I/O strip transaction, the Company transfers the prepayment and interest rate risks and rewards on the mortgages to the third party, and therefore derecognizes both the mortgages receivable and the associated securitization liabilities. In the first quarter of 2019 the Company sold I/O strips relating to $8.72 million of its previously securitized mortgage loans, recognizing a net gain of $0.08 million, which is included in Fee and Other Income. A deferred receivable of $0.15 million was recorded in Other Assets. There were no similar transactions in the first quarter of 2018. In the fourth quarter of 2018 the Company sold I/O strips relating to $47.26 million of its previously securitized mortgage loans, recognizing a net gain of $0.47 million, and a deferred receivable of $0.74 million.

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

	March 31, 2019	
	Carrying amount of securitized mortgage loans	Carrying amount of securitization liabilities
Securitized mortgage loans	$ 104,154	$ 107,441
Deferred acquisition costs	645	-
Deferred transaction costs	-	(261)
	$ 104,799	$ 107,180

	December 31, 2018	
	Carrying amount of securitized mortgage loans	Carrying amount of securitization liabilities
Securitized mortgage loans	$ 122,570	$ 125,805
Deferred acquisition costs	792	-
Deferred transaction costs	-	(333)
	$ 123,362	$ 125,472

(b) Maturity profile

The principal balances of the securitized mortgages have maturities up to 5 years, as shown below.

				March 31, 2019
	Within 1 Year	1 - 3 Years	3 - 5 Years	Total
Securitized mortgages	$ 507	$ 103,647	$ -	$ 104,154

				December 31, 2018
	Within 1 Year	1 - 3 Years	3 - 5 Years	Total
Securitized mortgages	$ 5,152	$ 117,418	$ -	$ 122,570

(c) Mortgage continuity and credit migration

The following tables show the continuity of the Company's securitized mortgage loans over the three months ended March 31, 2019 and 2018.

	Three months ended March 31, 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Securitized mortgage loans				
Gross carrying amount, beginning of period	**$ 122,570**	**$ -**	**$ -**	**$ 122,570**
Mortgages originated	-	-	-	-
Transfers from Stage 1	**(770)**	**770**	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Mortgages paid or derecognized	**(18,416)**	-	-	**(18,416)**
Write-offs	-	-	-	-
Recoveries				
Gross carrying amount, end of period	**$ 103,384**	**$ 770**	**$ -**	**$ 104,154**

	Three months ended March 31, 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Securitized mortgage loans				
Gross carrying amount, beginning of period	$ 205,279	$ 13,845	$ -	$ 219,124
Mortgages originated	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Mortgages paid or derecognized	(9,168)	(626)	-	(9,794)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Gross carrying amount, end of period	$ 196,111	$ 13,219	$ -	$ 209,330

(d) Aging and impairment – securitized mortgages

Shown below is an aging table for the outstanding principal balances of the securitized mortgages.

Under IFRS 9, all loans that are contractually 90 days in arrears are classified as impaired and in Stage 3. At March 31, 2019, the $0.77 million balance in the 31 – 60 day consisted of one loan. Management has determined that no provision was required on this loan at March 31, 2019 because it is fully insured, and the Company does not expect to incur a credit loss.

						March 31, 2019
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Total securitized mortgage loans	**$ 103,384**	**$ -**	**$ 770**	**$ -**	**$ -**	**$ 104,154**

						December 31, 2018
	Current	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**> 90 days**	**Total**
Total securitized mortgage loans	**$ 121,466**	**$ 1,104**	**$ -**	**$ -**	**$ -**	**$ 122,570**

(e) Other securitization activity

The Company securitizes and sells, through the CMB program, 10-year insured NHA MBS mortgage loans on multi-unit residential properties. The underlying mortgage loans are closed to prepayment, and the Company enters into third party arrangements to manage its CMB seller swaps, thereby mitigating its interest rate risk. As noted above in Note 2, under *Derecognition*, these mortgages are recognized on the Company's balance sheet only to the extent of the Company's continuing involvement in the mortgages, which is limited to a retained interest receivable and the obligations and rights associated with servicing the mortgages. The mortgages are therefore effectively derecognized because of the securitization, and the gain on sale on these transactions is reported on the consolidated statements of operations as a component of Fee and other income, as reported below in Note 10.

The retained interest receivable is set up at the time of each sale as the present value of the expected net cash flows, including servicing, to be received over the mortgage terms. The retained interests are recorded as a component of Other assets, as reported in Note 12.

The key components of the CMB transactions during the three months ended March 31, 2019 and 2018 are shown below.

	Three months ended March 31, 2019	
Multi-unit residential mortgages securitized and sold	**$**	**96,397**
Gain on sales of multi-unit residential mortgages	**$**	**611**
Gain on sales as a percentage of the mortgage amounts		**0.63%**
Retained interests recognized in the quarter	**$**	**5,240**

	Three months ended March 31, 2018	
Multi-unit residential mortgages securitized and sold	$	15,785
Gain on sales of multi-unit residential mortgage	$	119
Gain on sales as a percentage of the mortgage amounts		0.75%
Retained interests recognized in the quarter	$	714

9. Deposits

The Company offers deposits, in the form of guaranteed investment certificates ("GICs"), through deposit broker agents. These deposits are eligible to be insured by Canada Deposit Insurance Corporation ("CDIC") up to $100 thousand per depositor. Deposit terms range from 1 to 5 years.

The Company's deposits include deferred deposit agent commissions, as shown below.

		March 31, 2019		December 31, 2018
Deposit principal	**$**	**723,488**	$	641,149
Deferred deposit agent commissions		**(2,731)**		(2,439)
Net deposits	**$**	**720,757**	$	638,710

Shown below is a maturity table of the remaining term to maturity for these deposits at March 31, 2019 and December 31, 2018.

					March 31, 2019
	Cashable *	Within 1 Year	1 -3 Years	3 -5 Years	Total
Deposit maturities	$ 2,295	$ 291,160	$ 298,608	$ 128,694	$ 720,757
Average contractual rate	1.44%	2.40%	2.82%	3.02%	2.69%

					December 31, 2018
	Cashable *	Within 1 Year	1 -3 Years	3 -5 Years	Total
Deposit maturities	$ 3,485	$ 272,185	$ 251,982	$ 111,058	$ 638,710
Average contractual rate	1.45%	2.33%	2.77%	3.00%	2.61%

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

10. Other interest income, fee income, and other income

The details of Fee and Other Income for the three months ended March 31, 2019 and 2018 are shown below. With respect to the fair value adjustments, $0.21 million was recognized in the quarter upon sale of the associated mortgages. Other income (loss) is primarily related to the Company's legacy operations.

	Three months ended March 31, 2019	2018
Servicing and fee income - mortgages	$ 170	$ 303
CMB securitization income (Note 8(e))	721	119
Gain on sale of I/O strip	84	-
Fair value adjustments - mortgages held for sale	808	
Other income (loss)	(200)	(428)
Total fee and other income (expense)	$ 1,583	$ (6)

11. Corporate reorganization and restructuring charges

During the first quarter of 2019, the Company incurred $2.1 million in restructuring expense related to a workforce reduction. This was related to a strategic realignment that occurred during the fourth quarter of 2018. At that time, the Company terminated a major contract with a key information technology partner, in connection with the Company's decision to postpone the development of its core banking initiative, the initial launch of which had been planned for 2019. Although the Company has retained the development and design work for the partially-developed core banking system, and it remains available for future development and deployment, the termination of this contract and associated costs resulted in a $7.38 million charge to Restructuring Expense in Q4 2018.

Total reorganization expenses are reported separately as Restructuring costs in the consolidated statements of operations, and the unpaid portion is recorded as part of Accounts Payable and Accrued Liabilities in the consolidated statements of financial position at March 31, 2019 and December 31, 2018. There were no restructuring charges during the first quarter of 2018.

12. Other assets

The Company's other assets consist of:

	March 31, 2019	December 31, 2018
Gain on sale receivable	**$ 3,567**	$ 4,193
CMB retained interest receivable (Note 8(e))	**17,991**	13,095
I/O strip sale receivable	**795**	725
Accrued interest receivable	**2,016**	1,571
Accounts receivable	**3,979**	6,130
Employee loans receivable (Note 19)	**1,765**	1,765
Prepaid and other assets	**1,536**	1,358
Right of use assets (Note 2)	**5,329**	-
Capital assets	**3,742**	3,904
Intangible assets	**1,386**	1,500
Assets of discontinued operations (Note 23)	**464**	463
	$ 42,570	$ 34,704

At March 31, 2019 and December 31, 2018 there were no external or internal indicators of impairment for the intangible assets. For more information regarding the right of use assets, please refer to the discussion in Note 2 regarding the adoption of IFRS 16.

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as shown below.

	March 31, 2019	December 31, 2018
Payment due to mortgage servicers	**$ 13,499**	$ 6,706
Accrued mortgage acquisition costs	**13,259**	10,697
Accrued interest payable	**12,102**	9,255
Accrued restructuring costs	**5,015**	9,226
Accrued compensation	**2,215**	4,600
Lease liabilities (Note 2)	**5,637**	
Liabilities of discontinued operations (Note 23)	**8**	8
Other	**3,386**	3,842
	$ 55,064	$ 44,334

For more information regarding the lease liabilities, please refer to the discussion in Note 2 regarding the adoption of IFRS 16.

14. Loans payable

Details of loans payable are as shown below.

	Maturity date	March 31, 2019	December 31, 2018
Corporate loan - $Cdn	Jan 15, 2020	**$ 1,000**	$ 1,000
Corporate loan - $US	Jan 15, 2020	**3,207**	3,274
		$ 4,207	$ 4,274

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. Commitments and contingencies

At March 31, 2019 the Company had credit commitments in the form of the securitization liabilities discussed in Note 8 and the loans payable discussed in Note 14.

The Company also had $68.9 million of commitments for mortgage loans intended to be funded on-balance sheet (December 31, 2018 - $140.2 million). Such offers to extend credit are in the normal course of business, and the amount represents the maximum amount that the Company would be obligated to fund. In the course of its operations, the Company does not expect to fund 100% of its outstanding mortgage loan commitments.

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.

16. Financial instruments

The amounts set out in the following table represent the carrying value, 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.

						March 31, 2019	December 31, 2018	
	FVTPL	FVOCI	Amortized cost	Fair value	Due within one year	Due after one year	Carrying value	Fair value
Financial assets								
Cash and cash equivalents	$ 33,277	$ -	$ -	$ 33,277	$ 33,277	$ -	$ 65,018	$ 65,018
Restricted cash	18,112	-	-	18,112	18,112	-	9,656	9,656
Marketable securities	-	23,112	-	23,112	-	23,112	22,692	22,692
Street Solutions mortgage loans	-	-	622,012	632,388	597,492	24,520	526,782	534,754
Stamped insured mortgages	19,848	-	13,035	32,905	19,848	13,035	24,778	24,731
Single-family mortgages	971	-	16,694	16,977	2,648	15,017	12,423	12,125
Bridge loans	-	-	4,047	4,047	4,047	-	795	795
Securitized mortgage loans	-	-	104,799	104,931	848	103,951	123,362	123,099
Deferred placement fees receivable	-	-	46,985	46,985	18,013	28,972	48,670	48,670
Other assets	-	-	30,683	30,683	13,710	16,973	28,048	28,048
	$ 72,208	$ 23,112	$ 838,255	$ 943,417	$ 707,994	$ 225,581	$ 862,224	$ 869,588
Financial liabilities								
Deposits	$ -	$ -	$ 720,757	$ 733,853	$ 275,670	$ 445,087	$ 638,710	$ 642,864
Loans payable	-	-	4,207	4,207	4,207	-	4,274	4,274
Securitization liabilities	-	-	107,180	106,703	3,641	103,539	125,472	124,354
Accounts payable and accrued liabilities	-	-	55,064	55,064	51,233	3,831	44,334	44,334
	$ -	$ -	$ 887,208	$ 899,827	$ 334,751	$ 552,457	$ 812,790	$ 815,826

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

Marketable securities – fair value is determined by reference to market values at financial reporting dates.

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

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

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 March 31, 2019 and December 31, 2018, as classified by the fair value hierarchy described above.

				March 31, 2019
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	$ 33,277	$ -	$ -	$ 33,277
Restricted cash	18,112	-	-	18,112
Marketable securities	23,112	-	-	23,112
Street Solutions mortgage loans	-	-	632,388	632,388
Stamped insured mortgages	-	32,905	-	32,905
Single-family mortgages	-	-	16,977	16,977
Bridge loans	-	-	4,047	4,047
Securitized mortgage loans	-	-	104,931	104,931
Deferred placement fees receivable	-	-	46,985	46,985
Other assets	-	-	30,683	30,683
	$ 74,501	$ 32,905	$ 836,011	$ 943,417
Financial liabilities				
Deposits	$ -	$ -	$ 733,853	$ 733,853
Loans payable	-	-	4,207	4,207
Securitization liabilities	-	-	106,703	106,703
Accounts payable and accrued liabilities	-	-	55,064	55,064
	$ -	$ -	$ 899,827	$ 899,827

								December 31, 2018
		Level 1		Level 2		Level 3		Total
Financial assets								
Cash and cash equivalents	$	65,018	$	-	$	-	$	65,018
Restricted cash		9,656		-		-		9,656
Marketable securities		22,692		-		-		22,692
Street Solutions mortgage loans		-		-		534,754		534,754
Stamped insured mortgages		-		24,731		-		24,731
Single-family mortgages		-		-		12,125		12,125
Bridge loans		-		-		795		795
Securitized mortgage loans		-		-		123,099		123,099
Deferred placement fees receivable		-		-		48,670		48,670
Other assets		-		-		28,048		28,048
	$	97,366	$	24,731	$	747,491	$	869,588
Financial liabilities								
Deposits	$	-	$	-	$	642,864	$	642,864
Loans payable		-		-		4,274		4,274
Securitization liabilities		-		-		124,354		124,354
Accounts payable and accrued liabilities		-		-		44,334		44,334
	$	-	$	-	$	815,826	$	815,826

17. 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, capital, credit, liquidity, interest rate, investment, operational, reputational, and regulatory and legislative risk, and many of these 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 its 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 Company's 2018 MD&A, and in the Company's MD&A for the three months ended March 31, 2019. There have been no material changes to these risk factors subsequent to December 31, 2018.

18. Share capital and share-based compensation

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.

Common shares Issued and outstanding (000s)	March 31, 2019 Number of Shares		March 31, 2019 Amount	March 31, 2018 Number of shares		March 31, 2018 Amount
Outstanding, beginning of period	**122,184**	**$**	**245,329**	122,184	$	245,329
Options exercised	-		-	-		-
	122,184	**$**	**245,329**	122,184	$	245,329
Share purchase loans			**(1,912)**			(1,912)
Outstanding, end of period	**122,184**	**$**	**243,417**	122,184	$	243,417

Please see Note 19 for discussion of the share purchase loans included in the table above.

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 the 1992 Plan, 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 grant date. Under the 1997 Plan, the exercise price of each option equals the volume weighted average trading price of the Company's common shares on the TSX for the five trading days immediately prior to the grant date. Unless otherwise provided, the maximum term of the grant is six years from the grant date, 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.

There were no options either granted or exercised during the first quarter of 2019. In connection with the reduction in headcount due to the restructuring discussed in Note 11, 355,597 unvested options were forfeited. The forfeitures reduced expense in the quarter by $0.12 million due to the reversal of associated expense. An additional 1,500,000 vested options expired unexercised in the quarter.

A summary of the status of the Company's stock option plans and changes during the three months ended March 31, is shown below.

Stock options Outstanding and exercisable (000s except price)	March 31, 2019 Number of options		March 31, 2019 Weighted-average Exercise Price	March 31, 2018 Number of options		March 31, 2018 Weighted-average exercise price
Outstanding, beginning of period	**9,027**	**$**	**1.16**	6,461	$	1.26
Granted	-		-	2,412		0.90
Expired	**(1,500)**	**$**	**0.91**	-		-
Forfeited	**(356)**		**1.25**	-		-
Outstanding, end of period	**7,171**	**$**	**1.20**	8,873	$	1.17
Exercisable, end of period	**3,019**	**$**	**1.38**	3,165	$	1.22
Weighted-average remaining contractual life in years			**4.30**			4.31

Restricted Share Units

The Company has a restricted share unit plan (the "RSU Plan") for the grant of restricted share units ("RSUs") to employees of the Company. The grant price of the RSUs is equal to the weighted average closing price of the Company's common shares on the TSX, or any other exchange upon which the common shares of Street Capital are traded if not traded on the TSX, for the five trading days immediately prior to the Grant Date. Unless otherwise provided, the maximum term of the grant is three years from the date of the grant. The RSU vesting period is determined by the RSU Plan administrators at the time of grant, and the vested RSUs are redeemed in cash within 30 days of the date they vest. The redemption price is calculated similarly to the grant price, as the weighted average closing price of the Company's common shares for the five trading days immediately prior to the vesting date. All unvested RSUs vest upon a change of control of the Company.

During the first quarter of 2019, the Company granted 2,511,321 RSUs to officers and senior management. The RSUs vest in three equal tranches and will be paid out over three years, beginning on the first anniversary of the grant date. The grant date value of each RSU was $0.61. The outstanding RSU liability is adjusted at each balance sheet date to reflect changes in the calculated value, which is primarily based on changes in the Company's share price.

The Company made a similar grant of 615,436 RSUs during the first quarter of 2018, and the first tranche vested in February 2019. 204,615 RSUs were redeemed for a total of $0.12 million, with the redemption price being $0.5982 per RSU. During the first quarter of 2019, in connection with the restructuring discussed in Note 11, 17,433 RSUs were forfeited, which reduced expense in the quarter by approximately $6.4 thousand.

At March 31, 2019 the calculated value per outstanding RSU was $0.5301. Total expense related to RSUs in the first three months of 2019 was $0.10 million (Q1 2018 - $0.03 million), which was recorded as a component of Salaries and benefits, with an offsetting credit to Accrued Compensation.

Deferred Share Units

The Company granted deferred share units ("DSUs") to its independent directors from 2006 until 2011. The DSUs are exchangeable for common shares of the Company upon a director's retirement. At both March 31, 2019 and December 31, 2018 there were 146,590 DSUs outstanding, all of which are held by an active director.

19. Related party transactions

The Company's related parties include the following individuals or entities:

- associates, or entities, that are controlled or significantly influenced by the Company;
- key management personnel, comprised of the Company's directors and officers, and other employees having authority and responsibility for planning, directing and controlling the Company's activities; and
- entities controlled by key management personnel

Share purchase loans

At March 31, 2019 the Company had outstanding share purchase loans made to certain key employees and former employees, as shown below. Only the parties identified as "Executive and Officer are related parties at March 31, 2019.

					March 31, 2019
	Date Granted	**Amount [1]**	**Due Date**	**Interest Rate**	**Terms**
Former Executive	November 30, 1999 December 17, 1999	$ 412	December 31, 2020	Non-interest bearing	Secured by 0.16 million common shares held in trust by the Company, and by personal guarantee
Former Chair of the Board	January 19, 1996	1,500	December 31, 2019 [2]	1% [2]	Secured by 0.30 million common shares held in trust by the Company, and by personal guarantee
Executive and Officer	June 1, 2015	565	May 15, 2019 [2]	Non-interest bearing	To finance purchase of 0.40 million common shares [3]
Executive and Officer	August 16, 2017	1,200	December 31, 2019	1%	To finance purchase of 1 million common shares; interest rate as prescribed by Canada Revenue Agency
		$ 3,677			

[1] These amounts exclude any accrued interest.

[2] The terms of this loan have been revised.

[3] The Company assisted the Executive with the purchase of common shares in order to satisfy an agreement between the Executive and the Company. The costs associated with this agreement were included as part of the organizational realignment and share exchange completed by the Company in June 2015.

Other

During the third quarter of 2018, the Company entered into an agreement with the Former Chair of the Board (the "Former Chair"), regarding the terms of both the share purchase loan referenced above and an accrued payable of $3.1 million owing to the Former Chair which arose from the corporate reorganization that occurred in June 2015. Under the terms of the agreement, the share purchase loan bears simple interest at 1% per annum, and the accrued payable bears simple interest at the Canada Revenue Agency's prescribed annual interest rate applicable to overdue taxes owed by individuals (the "CRA rate"). The CRA rate is currently 6%. At March 31, 2019 the accrued payable had been reduced to $2.9 million, and during the first quarter of 2019 the Company recorded net interest expense of $0.04 million. This has been recorded in Fee and other income in the condensed consolidated interim statements of operations.

In the ordinary course of business, the Company underwrites mortgages for its senior management, other related parties, and employees of the Company. The mortgage terms are similar to those offered to unrelated parties, and incorporate an interest rate discount that is available to all employees of the Company. At March 31, 2019, mortgage loans made to key management personnel totaled $1.78 million.

20. 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, 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 MD&A for the three months ended March 31, 2019, 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. Dividend payments to Street Capital by Street Capital Bank are subject to restrictions by OSFI.

Shown below is the regulatory capital for Street Capital Bank. During the periods shown, Street Capital Bank was in compliance with all internal and external capital requirements.

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

(in thousands of $, except %)		**March 31, 2019**		**December 31, 2018**		**March 31, 2018**
		All-In Basis		**All-In Basis**		**All-In Basis**
Common Equity Tier 1 capital (CET 1)						
Capital stock	**$**	**16,426**	$	16,426	$	16,426
Contributed surplus		**2,202**		2,072		1,060
Retained earnings		**76,059**		77,673		81,416
Accumulated other comprehensive income		**586**		278		-
Less: Regulatory adjustments to CET 1		**(1,865)**		(1,234)		(1,340)
Total CET 1 capital	**$**	**93,408**	$	95,215	$	97,562
Additional Tier 1 capital		**-**		-		-
Total Tier 1 capital	**$**	**93,408**	$	95,215	$	97,562
Total Tier 2 capital		**800**		581		-
Total regulatory capital	**$**	**94,208**	$	95,796	$	97,562

21. Net earnings (loss) per share

The following is a reconciliation of the numerators and denominators used in computing net loss per share for the three months ended March 31:

Basic and diluted net income (loss) per share		**Three months ended March 31, 2019**		**2018**
Numerator:				
Income (loss) from continuing operations	**$**	**(1,656)**	$	(1,140)
Income (loss) attributable to non-controlling interest		-		225
Income (loss) attributable to shareholders - continuing operations		**(1,656)**		(1,365)
Income (loss) from discontinued operations		-		-
Income attributable to non-controlling interest		-		-
Income (loss) attributable to shareholders - discontinued operations		-		-
Net income (loss) attributable to shareholders	**$**	**(1,656)**	$	(1,365)
Denominator:				
Weighted average common shares outstanding - basic and diluted (000s)		**122,184**		122,184
Basic and diluted net income (loss) per share from continuing operations	**$**	**(0.01)**	$	(0.01)
Basic and diluted net income (loss) per share from discontinued operations		**0.00**		0.00
Basic and diluted net income (loss) per share	**$**	**(0.01)**	$	(0.01)

In computing the diluted net loss per share, the Company did not include in the calculation potential common share equivalents, which consist of incremental shares from stock options and the outstanding DSUs held by directors, as they would be anti-dilutive. The potential common share equivalents are included in EPS only when the Company has earnings.

22. Interest rate sensitivity

The following table shows the March 31, 2019 position of the Company's wholly owned subsidiary, Street Capital Bank of Canada, with regard to the interest rate sensitivity of its assets, liabilities and equity. The information presented is based on the contractual maturity date.

(in thousands of $)	Floating Rate	0 to 3 Months	4 Months to 1 Year	1 Year to 5 Years	Greater than 5 Years	Non Rate Sensitive	March 31, 2019 Total [1]
Assets							
Cash and restricted cash	$ -	$ 51,101	$ -	$ -	$ -	$ -	$ 51,101
Weighted Average Contractual Rate	-	1.75%	-	-	-	-	1.75%
Securities	-	-	-	23,112	-	-	23,112
Weighted Average Contractual Rate	-	-	-	2.48%	-	-	2.48%
Non-securitized mortgages - Street Solutions	-	108,857	490,336	24,556	-	(1,737)	622,012
Weighted Average Contractual Rate	-	4.82%	4.94%	5.61%	-	-	4.96%
Non-securitized mortgages - stamped mortgages	7,032	-	-	6,002	19,509	340	32,883
Weighted Average Contractual Rate	3.09%	-	-	2.71%	3.23%	-	3.07%
Non-securitized mortgages - other	1,534	-	1,677	13,483	-	-	16,694
Weighted Average Contractual Rate	3.22%	0.00%	3.89%	3.27%	-	-	3.33%
Bridge loans	4,047	-	-	-	-	-	4,047
Weighted Average Contractual Rate	8.95%	-	-	-	-	-	8.95%
Securitized mortgages held on-balance sheet	57,819	-	-	46,335	-	645	104,799
Weighted Average Contractual Rate	3.45%	0.00%	-	2.62%	-	-	3.06%
Other assets	-	-	-	1,200	-	162,289	163,489
Weighted Average Contractual Rate	-	-	-	1.00%	-	-	0.01%
Total assets	$ 70,432	$ 159,958	$ 492,013	$ 114,688	$ 19,509	$ 161,537	$1,018,137
Weighted Average Contractual Rate	3.73%	3.84%	4.94%	2.80%	3.23%	-	3.62%
Liabilities							
Cashable GICs [2]	$ -	$ 2,297	$ -	$ -	$ -	$ (9)	$ 2,288
Weighted Average Contractual Rate	-	1.44%	-	-	-	-	1.45%
Non-cashable GICs	-	78,300	214,599	428,293	-	(2,723)	718,469
Weighted Average Contractual Rate	-	2.34%	2.44%	2.88%	-	-	2.70%
Securitization liabilities	59,601	1,505	-	46,335	-	(261)	107,180
Weighted Average Contractual Rate	2.45%	2.39%	-	1.77%	-	-	2.16%
Other liabilities	-	-	-	-	-	94,927	94,927
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	95,273	95,273
Weighted Average Contractual Rate	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	$ 59,601	$ 82,102	$ 214,599	$ 474,628	$ -	$ 187,207	$1,018,137
Weighted Average Contractual Rate	2.45%	2.32%	2.44%	2.77%	-	-	2.14%
Excess (deficiency) of assets over liabilities and shareholders' equity	$ 10,831	$ 77,856	$ 277,414	$ (359,940)	$ 19,509	$ (25,670)	$ -

[1] Accrued interest is included in "Other assets" and "Other liabilities", respectively.

[2] Cashable GICs are redeemable by the depositor after 90 days from the issue date.

23. Discontinued operations and non-controlling interest

Both discontinued operations and the non-controlling interest relate to the Company’s legacy businesses.

Discontinued operations

At both March 31, 2019 and December 31, 2018 the Company’s assets and liabilities of discontinued operations consisted of net commissions receivable of $0.46 million. The Company reports discontinued assets and liabilities as components of Other assets and Accounts payable and accrued liabilities, respectively; please see Note 12 and Note 13. There were no transactions involving discontinued operations during the three months ended either March 31, 2019 and 2018.

Non-controlling interest

At June 30, 2018, due to the effective liquidation of Private Equity upon the sale of its final asset, the non-controlling interest in the Private Equity business was reduced to zero (March 31, 2018 - $1.27 million). During the first three months of 2018, a total of $0.23 million net income was attributable to the Company’s non-controlling interest associated with the Private Equity business.

There is also a non-controlling interest associated with the Company’s legacy investment in Fleetwood Fine Furniture, LP (“FFF”). No income or loss was attributable to the non-controlling interest associated with FFF during the first three months of either 2019 or 2018. The non-controlling interest in FFF amounts to $(7.09) million at both March 31, 2019 and December 31, 2018.

24. Subsequent events

The Company has evaluated events subsequent to March 31, 2019 through to the date of approval of the condensed consolidated interim financial statements by the Board of Directors for disclosure. There were no material subsequent events requiring disclosure.