

STREET CAPITAL ANNOUNCES 2016 THIRD QUARTER RESULTS

Net gain on sale of mortgages \$22.0 million; adjusted shareholders' diluted EPS of \$0.05

TORONTO, ONTARIO, November 9, 2016 - Street Capital Group Inc. ("Street" or the "Company") (TSX: SCB), today announced financial results for the three and nine months ended September 30, 2016.

Q3-2016 Financial Highlights

All comparisons below are to Q3-2015, unless otherwise noted

- Total revenue was \$22.0 million in Q3-2016 compared to \$19.4 million.
- Net gains on sale of mortgages were \$22.0 million, compared to \$19.2 million.
- Adjusted shareholders' diluted earnings per share⁽ⁱ⁾ were \$0.05, compared to \$0.06.
- Street was #3 in the mortgage broker channel in Q3-2016, with 9.6% market share, compared to #4 and 8.4% in Q2-2016.
- Mortgages under administration were \$26.83 billion, compared to \$24.30 billion.
- Mortgages sold were \$2.85 billion in Q3-2016, compared to \$2.28 billion.
- The serious arrears rate⁽ⁱⁱⁱ⁾ was 0.11% at the end of Q3-2016 compared to 0.14%.

"We generated solid financial results in Q3 as underwriting service returned to normalized levels, driving strong origination growth," said Ed Gettings, Chief Executive Officer of Street Capital Group Inc. "We expect the Department of Finance's new mortgage insurance rules to impact our new originations by less than 10% in 2017. Street Capital has a variety of liquidity options, given our very strong credit performance, and we further expanded these options this quarter with an agreement in principle to sell mortgages to two additional Canadian Schedule I banks. Starting in 2017, we expect to drive solid earnings growth as the mortgage renewal cycle starts to track the growth in mortgage originations over the past five years. We remain confident that we will receive approval to operate as a Schedule I bank by the end of 2016, and that we are building a platform that will drive solid revenue and earnings growth for many years to come."

Financial Highlights

The following tables set out the financial highlights for the three and nine months ended September 30, 2016:

(in thousands of \$, except where defined)

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

- (i) Non-GAAP measure the Company uses to measure its performance from continuing and recurring income from its core business. Please see the section *Non-GAAP Measures* in the Company's Q3-2016 *Management's Discussion and Analysis* for a reconciliation of amounts to GAAP measures, and the reconciliation of Shareholders' Net Income (Loss) to Adjusted Shareholders' Net Income in the table below.
- (ii) Operating expenses are net of any restructuring costs or recoveries.
- (iii) Defined as the number of mortgages that are greater than 90 days in arrears, plus the number of mortgages involved in legal action due to non-payment, divided by the number of mortgages under administration.
- (iv) Calculated on a weighted average basis at origination. Please see the section *Non-GAAP Measures* in the Company's Q3-2016 *Management's Discussion and Analysis* for more detailed definitions of these metrics.

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

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

Bank Application Update

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

In Q1 2016, the Company implemented various operational changes in order to address OSFI observations. As discussed in its Q2 results announcement, OSFI returned on-site in July 2016 to confirm that these changes had been adequately implemented. The Company believes that it has now addressed all of OSFI's material concerns and the Company anticipates that OSFI will make a recommendation to the Minister of Finance for Letters Patent of Continuation and to the Superintendent of Financial Institutions for an Order to Commence and Carry on Business before the end of November. The Company is confident that it will receive approval before the end of calendar year 2016.

Outlook

Note to readers: This section includes forward looking information and readers are reminded to refer to the discussion about forward looking information at the end of this document.

Department of Finance Mortgage Insurance Rules:

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

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

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

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

lending financial institution. To that end, as discussed, we anticipate launching our various GIC products to fund our uninsured mortgages before the end of Q1 2017. This will be followed shortly thereafter by the launch of our credit card products at the beginning of 2018.

Financial Outlook:

2017:

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

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

2018:

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

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

Sustainable Tax Advantage

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

Update Regarding Normal Course Issuer Bid

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

Further Information

Please also refer to the Company’s Third Quarter Report, including Financial Statements and Management’s Discussion and Analysis, which are available on the Company’s website (www.streetcapitalgroup.ca) and on SEDAR (www.sedar.com).

Conference Call

Street will host a conference call today, November 9, 2016 at 9:00 a.m. ET to discuss its financial results. Ed Gettings, Chief Executive Officer of Street, will chair the call and will be joined by Lazaro DaRocha, President of Street, and Marissa Lauder, Chief Financial Officer of Street.

	Participant Dial-in	Webcast	Reference Number
Conference Call	647-427-7450; or 1-888-231-8191	http://bit.ly/2eP0xSq	
Replay (available for 2 weeks)	416-849-0833; or 1-855-859-2056		8525712

About Street Capital Group Inc. (www.streetcapitalgroup.ca)

Street Capital (TSX: SCB) is a financial services company operating in residential mortgage lending through its wholly owned subsidiary Street Capital Financial Corporation (www.streetcapital.ca), which was founded in 2007 and is one of the largest non-bank mortgage lenders in Canada. The Company's goal is to create shareholder value by building a substantial, diversified financial services organization. Street Capital Financial Corporation sources its mortgages primarily through a network of independent, high quality mortgage brokers across Canada with whom it has built relationships. Street Capital Financial Corporation offers a broad lineup of high ratio and conventional mortgages, to prime borrowers, and sells the mortgages it underwrites to top-tier financial institutions. Business revenues are almost entirely from the gain on sale of mortgages.

Forward-Looking Statements

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

For further information, please contact:

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The following table sets out the Company's consolidated quarterly results of operations for the eight quarters ended September 30, 2016.

<i>Unaudited</i>	2014	2015	2015	2015	2015	2016	2016	2016	2015	2016
<i>(in thousands of \$)</i>	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD	YTD
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Net gain on sale of mortgages	15,092	14,244	26,205	19,203	16,416	12,597	19,788	21,970	59,652	54,355
Net interest and other income (loss)	(52)	7	184	200	(1,299)	628	136	6	391	770
Total revenue	15,040	14,251	26,389	19,403	15,117	13,225	19,924	21,976	60,043	55,125
Expenses and fair value adjustments										
Operating expenses	9,806	10,089	11,027	10,358	11,459	9,885	12,140	13,114	31,474	35,139
Restructuring expenses (recoveries)	-	-	50,240	-	-	(813)	-	-	50,240	(813)
Fair value (appreciation) depreciation	(9,436)	2,710	(2)	(2,783)	11,967	352	1,810	(2,556)	(75)	(394)
Income (loss) before income taxes, discontinued operations and non-controlling interest	14,670	1,452	(34,876)	11,828	(8,309)	3,801	5,974	11,418	(21,596)	21,193
Income taxes	1,400	857	2,957	2,136	885	1,111	1,939	2,691	5,950	5,741
Income (loss) from continuing operations	13,270	595	(37,833)	9,692	(9,194)	2,690	4,035	8,727	(27,546)	15,452
Income (loss) from discontinued operations	8	8	(6)	9	6	9	6	493	11	508
Net (income) loss attributable to non-controlling interest	(8,374)	3,147	173	(3,025)	6,393	304	1,269	(1,729)	295	(156)
Net income (loss) attributable to shareholders	4,904	3,750	(37,666)	6,676	(2,795)	3,003	5,310	7,491	(27,240)	15,804

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

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