ECN CAPITAL

Management Discussion & Analysis

JUNE 30, 2018

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the financial condition and results of operations of ECN Capital Corp. (the "Company" or "ECN Capital") as at and for the three and six-month periods ended June 30, 2018, in comparison to the corresponding prior year periods. This MD&A, which has been prepared as of August 8, 2018, is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), as at and for the three-month and six-month periods ended June 30, 2018 (the "interim consolidated financial statements"), which readers are encouraged to review in conjunction with their review of this MD&A. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the two years year ended December 31, 2017 and 2016 and the related MD&A. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's website at www.ecncapitalcorp.com.

All amounts set forth in this MD&A are in U.S. dollars unless otherwise noted.

Cautionary Statement

This analysis has been prepared taking into consideration information available to August 8, 2018. Certain statements contained in this report constitute "forward looking statements". When used in this report, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the company, or its management, are intended to identify forward looking statements. Such statements reflect our current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic conditions, reliance on debt financing, dependence on borrowers, dependence on financing its business through funding commitments and the sale of loan portfolios to banks and other financial institutions, inability to recover receivables, competition, interest rates, regulation, demand for financing in the specialty finance sector, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described from time to time in reports of ECN Capital.

By their nature, forward looking statements involve numerous assumptions, known and unknown, risks and uncertainties, both general and specific, which contribute to the possibility that predictions, forecasts, projections and other forms of forward looking information may not be achieved. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements and readers are cautioned that the list of factors in the foregoing paragraph is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Accordingly, readers are cautioned not to place undue reliance on forward looking statements or interpret or regard forward-looking statements as guarantees of future outcomes. Except as may be required by applicable Canadian securities laws, we do not intend, and disclaim any obligation to update or rewrite any forward-looking statements whether oral or written as a result of new information, future events or otherwise.

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Overview

ABOUT ECN

ECN Capital Corp. ["ECN Capital" or the "Company"] is a leading provider of business services to United States ("U.S.") based banks and credit unions (our "Partners"). ECN Capital originates, manages and advises on prime consumer credit portfolios on behalf of its Partners, specifically unsecured loan portfolios, secured loan portfolios and credit card portfolios. Our customers are banks and credit unions seeking high quality assets to match with their deposits. Headquartered in Toronto and West Palm Beach, the registered office is located at 181 Bay Street, Suite 2830, Toronto, Ontario, Canada. ECN Capital has approximately 540 employees and operates principally in the United States. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol "ECN".

CHANGES IN FINANCIAL STATEMENT PRESENTATION AND NEW NON-IFRS MEASURES

Change in functional and presentation currency

As a result of the completion of the sale of the Company's Canada C&V Finance business in the first quarter of 2018 and the business acquisitions completed in 2017, the Company's business operations are conducted primarily in U.S. dollars. Consequently, effective January 1, 2018, the Company has changed its functional and presentation currency to U.S. dollars. See note 2 of the June 30, 2018 interim condensed consolidated financial statements for further details.

Change in Financial Statement presentation and business segments

The Company has reorganized the presentation of its interim condensed consolidated statement of operations ("Statement of Operations"). Previously, the Company's Statement of Operations reflected its net interest margin ("NIM") operating model. Beginning in the second quarter of 2018, the Company revised the Statement of Operations to reflect its current operating model, and as a result, the Company has added three new revenue line items: (i) Portfolio origination services; (ii) Portfolio management services; and (iii) Portfolio advisory services. See note 2 of the June 30, 2018 interim condensed consolidated financial statements for further details.

ECN Capital's business is conducted through its operating companies: Service Finance Company, LLC ("Service Finance"); Triad Financial Services, Inc ("Triad"); and Kessler Financial Services LLC ("Kessler"). These companies form the basis of the Company's core business segments: Service Finance - Unsecured Consumer Loan Portfolios, Triad - Secured Consumer Loan Portfolios and Kessler - Consumer Credit Card Portfolios. The Company also has two legacy business segments: Rail Finance and Aviation Finance. Beginning in the first quarter of 2018, the Company introduced a Corporate segment to reflect the operating results for the corporate office. The corporate office, which was previously integrated into the legacy businesses, is transitioning to a lean organizational structure with a focus to: (i) drive additional growth of new loans by leveraging our commercial finance heritage; (ii) source new bank and institutional partners with a successful ECN Capital relationship; (iii) cross sell portfolio solutions to existing Partners; and (iv) ensure appropriate controls, risk management, expense management and capital structures for all of our businesses. This structure reflects the completed transition of ECN Capital away from its legacy on-balance sheet lending businesses to providing business services to its Partners. Consequently, corporate office costs are not allocated to any of the business segments. In addition, only interest expense on debt used directly in the business is reflected in the business segment results. Interest expense attributable to outstanding balances on the senior credit facility that has been used to fund acquisitions, as well as all standby charges on the facility, are reflected in the Corporate segment. Our internal management reporting framework has been revised to reflect this operating model, and allows the Company to measure the performance of each business segment as a stand-alone business. This approach is intended to ensure that our business segments' results include all applicable revenue and expenses associated with the conduct of their business and depicts how management views those results.

Change in Non-IFRS Measures

Beginning in the first quarter of 2018, the Company began using earnings before interest expense, taxes, depreciation and amortization ("EBITDA") as a primary performance measure to assess the operating performance of its businesses, consistent with the transition from a NIM operating model to a provider of business services to U.S. financial institutions. We believe EBITDA is a key measure of the Company's operating performance over the long term and is a useful measure of the Company's ability to generate cash from operations to maintain and grow its core business. Investors and analysts also use EBITDA as a measure to compare the operating performance and to assess the enterprise value of these businesses as EBITDA eliminates the impact of financing decisions. We define EBITDA as net income before interest expense, income tax expense, depreciation and amortization. Non-IFRS measures are intended to provide additional information only and do not have any standardized meaning prescribed by IFRS, and therefore our definition of EBITDA may not be comparable to EBITDA presented by other issuers. Please see the Non-IFRS and Other Performance Measures section of this MD&A for further information.

BUSINESS STRATEGY

Over the last year, the Company has transitioned from a direct lender to a leading provider of business services to a growing network of U.S. banks and credit unions. **ECN Capital now partners with these financial institutions rather than competing with them.** Our business is conducted through three scalable platforms that were established with our investments in our operating companies: Service Finance, Triad and Kessler. ECN Capital has Managed and Advisory assets of over $28 billion and our customers include more than 90 banks and credit union partners. Specifically, our customers are the decision makers inside each institution who are looking for appropriate portfolios solutions to match customer deposit liabilities. We meet our customer needs by offering the following prime consumer portfolio solutions:

- Unsecured consumer loan portfolios
- Secured consumer loan portfolios
- Consumer credit card portfolios

The Company's immediate focus is on marketing all three solutions across our network of 90+ Partners. Management has begun the process of deepening our relationships with key Partners with a view to ensuring that they are customers of all three of our product lines instead of just one. Two Partners have now signed agreements to become customers of a second product line and three more Partners are in the process of doing so. The Company also provides its core business segments with the capital, knowledge and scale to help grow their businesses within their large addressable markets.

Each of the Company's investments in operating companies have been made within these strategic parameters and have demonstrated each of the following value propositions:

- Established originator / manager / adviser of prime consumer credit portfolios with a history of strong performance across business cycles;
- Enduring barriers to entry through proprietary intellectual capital, strong long-term relationships with the banks, credit unions and payment networks that are its customers and exclusive/preferred manufacturer and dealer arrangements that drive the Company's origination services;
- Excellent credit quality and track record of excellence in providing managerial and advisory services;
- Capital-light businesses with solid growth profiles;
- Scalable platforms with established operations and information technology

A description of each of our core business segments is provided below. The Company intends to continue the orderly wind-down of its legacy Rail Finance and Aviation Finance businesses in order to release capital that can be redeployed into our core business segments or returned to our shareholders.

Core Business Segments:

Service Finance - Unsecured Consumer Loan Portfolios

The Service Finance - Unsecured Consumer Loan Portfolios segment was formed on the completion of our investment in Service Finance on September 7, 2017. Founded in 2004, Service Finance is a premier portfolio solutions platform focused on originating and managing short duration unsecured consumer loans for 15+ Partners. These loans are primarily prime and super-prime retail installment contracts to finance home improvement projects in the U.S. Originations are sourced through national dealer networks through exclusive and preferred programs with top manufacturers in the home improvement industry. Originations are subsequently sold to third party financial institutions without recourse, and Service Finance retains the exclusive right to service all retail installment contracts that it originates. Service Finance is headquartered in Boca Raton, Florida and is licensed in all 50 States.

Triad - Secured Consumer Loan Portfolios

The Triad - Secured Consumer Loan Portfolios segment was formed on December 29, 2017 in connection with the completion of our investment in Triad. Founded in 1959, Triad is the oldest manufactured housing finance company in the U.S. Triad is a premier portfolio solutions platform focused on originating and managing longer duration secured consumer loan portfolios for 50+ Partners. These assets are primarily prime and super-prime loans to consumers for the purchase of manufactured homes throughout the U.S. with limited recourse. Originations are sourced through a decades old national network of dealers and manufacturers. In addition to originating prime consumer loans, Triad manages manufactured housing portfolios for third party owners and provides floor plan financing for select dealers and manufacturers. Triad is headquartered in Jacksonville, Florida and is licensed in 44 States.

Kessler - Consumer Credit Card Portfolios

The Kessler - Consumer Credit Card Portfolios segment was formed on May 31, 2018 on the completion of our investment in Kessler. Founded in 1978, Kessler is a premier portfolio solutions platform focused on managing, advising and structuring consumer credit card portfolios for 25+ Partners. Kessler has created over 6,000 partnerships between banks/credit card issuers and affinity co-brand groups and currently has approximately $25 billion in managed credit card portfolios and related assets. Kessler is headquartered in Boston, Massachusetts.

Key Business Developments

The Company remains committed to its strategy of divesting legacy businesses and redeploying capital into higher return, higher growth businesses that require less capital. Our key developments in support of this strategy are outlined below.

M&A DEVELOPMENTS

Investment in Kessler

On May 31, 2018, the Company completed its investment in Kessler. Kessler is the market leader in managing, advising and structuring credit card and other consumer portfolios for credit card issuers, banks, credit unions, processors and other payment networks. Under the terms of the agreement, the Company paid cash consideration of $221.2 million for an 80% equity interest in Kessler. Subsequent to the acquisition, the Company sold a 4% equity interest in Kessler to a member of senior management at the same valuation. In addition, the Company has entered into an incentive compensation plan with senior management that will be based on the achievement of a prescribed rate of return on average equity over the next five years.

CORPORATE FINANCE DEVELOPMENTS

Substantial Issuer Bid

On April 16, 2018 the Company completed its modified "Dutch auction" substantial issuer bid ("SIB") to purchase for cancellation up to C$115 million of its outstanding common shares from shareholders for cash. The Company purchased 31,944,444 shares at a purchase price of C$3.60 per share for an aggregate purchase price of approximately C$115 million excluding fees and expenses. After giving effect to the SIB, the Company had approximately 330,149,996 shares issued and outstanding.

Normal Course Issuer Bid

In the second quarter of 2018, the Company purchased 766,584 common shares for a total of C$2.7 million or C$3.48 per common share pursuant to a Normal Course Issuer Bid ("NCIB") that was launched on June 29, 2017. Under the NCIB, the Company may repurchase up to 36,999,219 common shares, representing approximately 10% of the "public float" as at June 29, 2017. The Company purchased 16,310,122 common shares for a total of C$61.2 million or C$3.75 per common share for the six-month period ended June 30, 2018. In total, the Company has repurchased 27,461,198 common shares under the NCIB for a total of C$104.2 million or $3.79 per common share.

On June 28, 2018, the TSX approved the renewal of the Company's NCIB commencing on July 5, 2018. Pursuant to the renewal, the Company may repurchase up to an additional 31,339,030 common shares, representing approximately 10% of the public float. The NCIB will end on the earlier of July 4, 2019 and the completion of purchases under the NCIB.

Results of Operations

OPERATING HIGHLIGHTS FOR THE QUARTER

1. Adjusted net income[1] for the quarter ended June 30, 2018 was $15.9 million or $0.05 per share. Adjusted net income applicable to common shareholders was $0.04 per share for the quarter ended June 30, 2018 which was in line with our 2018 guidance.

2. EBITDA[2] in the second quarter of 2018 was $36.6 million, compared to $24.7 million in the first quarter of 2018, which reflects strong growth from our Service Finance and Triad segments and the contribution of one-month of operating results from our Kessler segment.

3. Total originations for the quarter ended June 30, 2018 were $505.2 million compared to $349.2 million in the first quarter of 2018. The increase reflects the strong performance of both our Service Finance and Triad segments.

4. Managed and advisory portfolios totaled $28.1 billion as at June 30, 2018, compared to $3.2 billion for the immediately preceding quarter. The increase reflects the impact of our investment in Kessler, which closed on May 31, 2018.

5. In the second quarter, approximately 61% of the Company's revenue came from its core portfolio origination, management and advisory services.

6. The Company continued to accelerate the disposition of legacy assets with the successful sale of two aviation assets for proceeds of approximately $70 million. As a result, total aviation assets were about $438 million at the end of the second quarter, compared to $516 million at the end of the prior quarter.

1. Adjusted net income is a non-IFRS measure. Please refer to the "Reconciliation of Non-IFRS to IFRS Measures" section in this MD&A for a reconciliation to net income
2. This is a non-IFRS measures. Please refer to the "Non-IFRS and Other Performance Measures" section of this MD&A for a definition of these measures.

The following table sets forth a summary of the Company's consolidated results from continuing operations for the three-month periods ended June 30, 2018, March 31, 2018 and June 30, 2017 and the six-month periods ended June 30, 2018 and June 30, 2017 to be read in conjunction with the Company's interim condensed consolidated financial statements for the same periods.

	For the three-month period ended			For the six-month period ended	
(in 000's for stated values, except percent, ratio and per share amounts)	**June 30, 2018** $	March 31, 2018 $	June 30, 2017 $	**June 30, 2018** $	June 30, 2017 $
Select metrics					
Originations	**505,210**	349,166	32,358	**854,376**	63,360
Average earning assets - Owned (1)	**1,225,134**	1,167,430	2,310,207	**1,203,261**	2,398,476
Average earning assets - Managed and advisory (1)	**11,522,872**	3,151,081	—	**7,307,584**	—
Period end earning assets - Owned	**1,312,128**	1,259,534	2,408,940	**1,259,234**	2,408,940
Period end earning assets - Managed and advisory	**28,117,547**	3,221,523	—	**28,117,547**	—
Operating highlights:					
Portfolio origination services	**20,969**	13,432	—	**34,401**	—
Portfolio management services	**12,114**	8,580	—	**20,694**	—
Portfolio advisory services	**4,389**	—	—	**4,389**	—
Total portfolio revenue	**37,472**	22,012	—	**59,484**	—
Interest income and rental revenue	**22,065**	22,335	48,673	**44,400**	98,844
Other revenue	**2,125**	1,639	1,478	**3,764**	5,713
	61,662	45,986	50,151	**107,648**	104,557
Operating expenses	**25,013**	21,267	8,329	**46,280**	17,589
Provision for credit losses	**43**	52	1,331	**95**	1,419
EBITDA (1)	**36,606**	24,667	40,491	**61,273**	85,549
Depreciation & amortization	**6,633**	7,232	13,304	**13,865**	26,675
Interest expense	**10,287**	8,306	16,683	**18,593**	35,903
Adjusted operating income before tax (1)	**19,686**	9,129	10,504	**28,815**	22,971
Non-operating items:					
Share-based compensation	**2,550**	3,410	2,300	**5,960**	3,916
Amortization of intangibles	**3,037**	3,154	—	**6,191**	—
Business acquisition costs	**13,143**	250	—	**13,393**	—
Separation and reorganization costs	**—**	—	—	**—**	1,947
Business disposal (gain) / loss	**—**	—	(1,724)	**—**	(1,724)
	18,730	6,814	576	**25,544**	4,139
Net income (loss) before income taxes from continuing operations	**956**	2,315	9,928	**3,271**	18,832
Income tax expense (recovery)	**(1,693)**	161	482	**(1,532)**	1,626
Net income (loss) from continuing operations	**2,649**	2,154	9,446	**4,803**	17,206
Net income (loss) from discontinued operations	**—**	1,137	2,389	**1,137**	91,860
Net income for the period	**2,649**	3,291	11,835	**5,940**	109,066
Weighted Average number of shares outstanding	**336,166**	366,016	388,381	**351,008**	387,844
Earnings per share [basic] - continuing operations	**$0.00**	$0.00	$0.02	**$0.00**	$0.04
Non-IFRS Measures					
Adjusted operating results:					
EBITDA (1)	**36,606**	24,667	40,491	**61,273**	85,549
Adjusted operating income before tax (1)	**19,686**	9,129	10,504	**28,815**	22,971
Non-controlling interest in Kessler	**649**	—	—	**649**	—
Adjusted operating income before tax (1) - ECN share	**19,037**	9,129	10,504	**28,166**	22,971
Adjusted net income (1)	**15,917**	7,454	9,674	**23,371**	20,479
Adjusted net income applicable to common shareholders (1)	**13,448**	4,934	8,007	**18,382**	17,210
Adjusted net income per share [basic] (1)	**$0.05**	$0.02	$0.02	**$0.07**	$0.05
Adjusted net income applicable to common shareholders per share [basic] (1)	**$0.04**	$0.01	$0.02	**$0.05**	$0.04

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.

The following discussion relates to the results of operations for the three and six-month period ended June 30, 2018 presented on a continuing operations basis.

Q2 2018 vs Q1 2018

The Company reported consolidated net income of $2.6 million for the quarter ended June 30, 2018, compared to the net income of $3.3 million for the three-month period ended March 31, 2018. Net income in the current quarter reflects the impact of $13.1 million in business acquisition costs related to our investment in Kessler, $3.0 million in amortization of intangible assets related to the acquisitions of Service Finance and Triad and $2.6 million in share-based compensation expense.

Adjusted net income[1] and adjusted net income per share[1] was $15.9 million or $0.05 per share, respectively, for the quarter ended June 30, 2018, compared to $7.5 million or $0.02 per share for the immediately preceding quarter. Adjusted operating income before tax[1] was $19.0 million for the quarter ended June 30, 2018, compared to $9.1 million in the immediately preceding quarter. The increase in adjusted operating income before tax compared to the first quarter of 2018 primarily reflects the strong performance from Service Finance and Triad in the second quarter, as well as one-month of operating results from Kessler.

The Company reported total originations of $505.2 million in the second quarter of 2018, compared to $349.2 million in the immediately preceding quarter. Current quarter originations include $ 355.4 million from Service Finance and $149.8 million from Triad.

EBITDA[1] of $36.6 million in the current quarter was up 48.4% compared to the immediately preceding quarter. The increase compared to the prior quarter primarily reflects the strong performance of Service Finance and Triad in the second quarter.

Operating expenses were $25.0 million in the current quarter, compared to $21.3 million for the prior quarter. Higher operating expenses compared to the first quarter 2018 are primarily due to the inclusion of Kessler operating expenses.

1. This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition of these measures.

The table below illustrates the Company's operating expenses for the second quarter of 2018 and comparative periods:

(in 000's for stated values)	June 30, 2018	March 31, 2018	June 30, 2017
Service Finance	**6,536**	5,952	—
Triad	**6,957**	5,941	—
Kessler	**3,073**	—	—
Rail Finance	**1,293**	1,418	3,126
Aviation Finance	**1,139**	952	1,252
Business operating expenses	**18,998**	14,263	4,378
Corporate operating expenses	**6,015**	7,004	3,951
Total operating expenses	**25,013**	21,267	8,329

The effective tax rate on adjusted operating income before tax decreased from 18.35% in the first quarter of 2018 to 16.39% in the second quarter of 2018 primarily due to lower income in Canada compared to the first quarter.

Q2 AND Q2 YTD 2018 vs Q2 AND Q2 YTD 2017

Results of continuing operations for the three and six-month periods ended June 30, 2018 were net income of $2.6 million and $4.8 million, respectively, compared to net income of $9.4 million and $17.2 million for the same prior year periods. The decrease in net income compared to the prior year quarter and year-to-date was primarily due to the business acquisition costs related to the investment in Kessler, the amortization of intangible assets related to the Service Finance and Triad acquisitions, and the impact of the sale of approximately 65% of our railcar portfolio ("Railcar Dispositions") in the third quarter of 2017. Adjusted net income[1] was $15.9 million and $23.4 million for the quarter and year-to-date periods ended June 30, 2018, respectively, compared to $9.7 million and $20.5 million for the comparable prior year periods. The increases compared to the prior year reflect the impact of Service Finance and Triad segments, partially offset by the Railcar Dispositions.

Total originations from continuing operations for the three and six-month periods ended June 30, 2018 were $505.2 million and $854.4 million, respectively, compared to $32.4 million and $63.4 million for the comparable prior year periods. The year-to-date increase in originations is primarily from Service Finance and Triad segments.

EBITDA[1] for the three and six-month periods ended June 30, 2018 was $36.6 million and $61.3 million, respectively, compared to $40.5 million and $85.5 million for the same prior year periods. The decrease in EBITDA[1] reflects the impact of the Railcar Dispositions, which more than offset the strong performance of Service Finance and Triad segments in the second quarter of 2018.

Operating expenses of $25.0 million and $46.3 million for the three and six-month periods ended June 30, 2018, respectively, were up compared to the $8.3 million and $17.6 million reported for the same prior year periods. The increase in operating expenses compared to the prior year periods is primarily related to the addition of Service Finance and Triad segments partially, offset by lower operating expenses subsequent to the Railcar Dispositions.

The effective tax rate on adjusted operating income from continuing operations for the three and six-month periods ended June 30, 2018 were 16.39% and 17.03% respectively, compared to 7.90% and 10.85% for the comparable prior year periods. The higher rates compared to the prior year periods is primarily due to an increase in operating income levels from our U.S. operations.

1. This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a definition of these measures.

ECN CAPITAL

Business Segment Results

RESULTS OF SERVICE FINANCE - UNSECURED CONSUMER LOAN PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Service Finance segment, for the three-month periods ended June 30, 2018 and March 31, 2018 and the six-month period ended June 30, 2018.

	For the three-month period ended		For the six-month period ended
	June 30, 2018	March 31, 2018	**June 30, 2018**
(in 000's for stated values, except percent amounts)	**$**	$	**$**
Select metrics			
Originations	**355,369**	241,700	**597,069**
Managed Assets, Period End	**1,419,064**	1,217,757	**1,419,064**
Managed Assets, Period Average	**1,327,903**	1,169,923	**1,258,308**
Operating results			
Revenue	**20,559**	14,759	**35,318**
Operating expenses	**6,536**	5,952	**12,488**
EBITDA (1)	**14,023**	8,807	**22,830**
Interest & depreciation expense	**831**	443	**1,274**
Adjusted operating income before tax (1)	**13,192**	8,364	**21,556**

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.

Service Finance - Unsecured Consumer Loan Portfolios Segment

In the second quarter, Service Finance generated approximately $355 million in originations, which represents an increase of over 61% versus the comparable quarter in 2017, and an increase of approximately 47% compared to the first quarter of 2018.

Historically, originations have followed a seasonal pattern. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)[2]								
Q2, 2016	Q3, 2016	Q4, 2016	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017	Q1, 2018	Q2, 2018
143	167	138	135	221	249	213	242	355

(2) Includes results from periods prior to the Company's acquisition of Service Finance on September 7, 2017.

EBITDA and adjusted operating income before tax were $14.0 million and $13.2 million respectively, compared to $8.8 million and $8.4 million recorded in the prior quarter, and up 62% from what the segment recorded in the comparable quarter in 2017, and in line with our internal forecast for the second quarter of 2018. EBITDA margins increased to 68.2% in the second quarter of 2018, compared to 59.7% in the first quarter of 2018, primarily due to the increase in originations, which reflects the operating leverage inherent in the platform.

Our original guidance for 2018 reflected total originations of $1.365 billion, consisting of $1.135 billion in core originations and $230 million in new channel originations, which represents growth of approximately 67% compared to Service Finance's total originations in 2017. The mix between core and new channel originations will change overtime and are a function of strategic decisions and market conditions. The Company is focused on growing the operating earnings of the segment. Consequently, going forward the Company will only provide guidance on total originations and the overall profitability of the segment as measured by EBITDA and adjusted operating income before tax.

We continue to expect full year 2018 originations to be approximately $1.365 billion and the adjusted operating income before tax to be approximately $55 million.

RESULTS OF TRIAD - SECURED CONSUMER LOAN PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Triad segment, for the three-month periods ended June 30, 2018 and March 31, 2018 and the six-month periods ended June 30, 2018.

	For the three-month period ended		For the six-month period ended
	June 30, 2018	March 31, 2018	**June 30, 2018**
(in 000's for stated values, except percent amounts)	**$**	$	**$**
Select metrics			
Originations	**149,841**	94,018	**243,859**
Managed Assets, Period End	**2,008,483**	2,003,766	**2,008,483**
Managed Assets, Period Average	**1,964,969**	1,981,159	**1,934,276**
Operating results			
Revenue	**13,695**	8,455	**22,150**
Operating expenses	**6,957**	5,941	**12,898**
EBITDA (1)	**6,738**	2,514	**9,252**
Interest and depreciation expense	**421**	142	**563**
Adjusted operating income before tax (1)	**6,317**	2,372	**8,689**

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.

Triad - Secured Consumer Loan Portfolios Segment

Total originations in the second quarter of 2018 of $149.8 million were a new record for Triad and represent an increase of 18.9% compared to the same quarter in 2017 and an increase of 59.4% from the immediately preceding quarter. The growth in originations reflects the strong underlying fundamentals of the manufactured housing industry.

Traditionally, this business is impacted by seasonality. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)[2]								
Q2, 2016	Q3, 2016	Q4, 2016	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017	Q1, 2018	Q2, 2018
113	117	104	92	126	129	119	94	150

(2) Includes results from periods prior to the Company's acquisition of Triad on December 29, 2017.

EBITDA and adjusted operating income before tax were $6.7 million and $6.3 million, in the second quarter of 2018 compared to $2.5 million and $2.4 million, respectively in the first quarter of the year. The Company continues to expect total originations of $530 million and adjusted operating income before tax of $20 million in 2018.

RESULTS OF KESSLER - CONSUMER CREDIT CARD PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Kessler segment, for the one-month period ended June 30, 2018.

(in 000's for stated values, except percent amounts)	**For the one-month period ended June 30, 2018** **$**
Operating results	
Revenue	**5,666**
Operating expenses	**3,073**
EBITDA (1)	**2,593**
Interest and depreciation expense	**73**
Adjusted operating income before tax (1) - 100% basis	**2,520**
Non-controlling interest in Kessler	**649**
Adjusted operating income before tax (1) - ECN Share	**1,871**

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.

Kessler - Consumer Credit Card Portfolios Segment

The Company's investment in Kessler closed on May 31, 2018, and consequently the operating results for the quarter ended June 30, 2018 reflect one month of operating results. EBITDA was approximately $2.6 million and adjusted operating income before tax was about $2.5 million for the month ended June 30, 2018, and reflects strong performance from its strategic partnership business unit. The Company's share of the adjusted operating income before tax for the month was $1.9 million. We continue to expect Kessler to be accretive to adjusted net income per share by approximately $0.03 per share in 2018 (net of incremental financing costs), and we expect performance to be heavily weighted to the fourth quarter of 2018 when Kessler expects to earn the majority of its portfolio advisory fees from M&A transactions.

RESULTS OF RAIL FINANCE OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from the Rail Finance segment, for the three-month periods ended June 30, 2018, March 31, 2018 and June 30, 2017 and the six-month periods ended June 30, 2018 and June 30, 2017.

	For the three-month period ended			For the six-month period ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Select metrics					
Originations	**—**	13,448	32,358	**13,448**	63,360
Average earning assets - Owned (1)	**688,304**	687,541	1,664,731	**687,151**	1,708,421
Operating results					
Rental revenue	**12,791**	11,887	36,228	**24,678**	72,928
Syndication and other revenue	**990**	26	(6)	**1,016**	1,738
	13,781	11,913	36,222	**25,694**	74,666
Operating expenses	**1,293**	1,418	3,126	**2,711**	6,922
Provision for credit losses	**—**	—	—	**—**	—
EBITDA (1)	**12,488**	10,495	33,096	**22,983**	67,744
Depreciation of equipment under operating lease/ other	**3,903**	3,814	9,098	**7,717**	18,173
Interest expense	**2,911**	2,927	12,135	**5,838**	24,945
Adjusted operating income before tax (1)	**5,674**	3,754	11,863	**9,428**	24,626
Select operating ratios (2)					
Rental revenue	**7.43%**	6.92%	8.70 %	**7.18%**	8.54%
Other revenue	**0.58%**	0.02%	— %	**0.30%**	0.20%
	8.01%	6.93%	8.70 %	**7.48%**	8.74%
Operating expenses	**0.75%**	0.82%	0.75 %	**0.79%**	0.81%
Provision for credit losses	**—%**	—%	— %	**—%**	—%
EBITDA	**7.26%**	6.11%	7.95 %	**6.69%**	7.93%
Depreciation of equipment under operating lease/ other	**2.27%**	2.22%	2.19 %	**2.25%**	2.13%
Interest expense	**1.69%**	1.70%	2.92 %	**1.70%**	2.92%
Adjusted operating income before tax	**3.30%**	2.18%	2.85 %	**2.74%**	2.88%

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.
(2) Yield as a percent of average earning assets.

Rail Finance

The Company's Rail Finance business unit reported adjusted operating income before tax of $5.7 million for the quarter ended June 30, 2018 compared to $11.9 million for the comparable prior year period. The decrease in segment income compared to the same prior year period was primarily due to the impact of the Railcar Dispositions in the third quarter of 2017. The increase compared to the immediately preceding quarter is largely due to the fact that there was syndication income in the second quarter of 2018.

ECN Capital is focused on winding down its legacy Rail Finance business in order to release capital that can be redeployed into our core businesses or returned to shareholders. To this end, there were no new originations in the quarter ended June 30, 2018. Average earning assets were $688.3 million in the quarter ended June 30, 2018 compared to the $1,664.7 million reported in the comparable prior year period. The decrease in average earning assets from the comparable prior year period is primarily due to the Railcar Dispositions.

The new operations agreement with Trinity has enabled the Company to right-size portfolio operating costs in 2018. The Company expects the current trend of rising car loads, new railcar production at or below fleet retirement rates, and fewer stored railcars to continue to reduce excess capacity, which should result in a gradual improvement in lease renewal rates relative to current renewal rates.

We continue to expect to generate approximately $21 million in adjusted operating income before tax in 2018.

ECN CAPITAL

RESULTS OF AVIATION FINANCE OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from the Aviation Finance segment, for the three-month periods ended June 30, 2018, March 31, 2018 and June 30, 2017 and the six-month periods ended June 30, 2018 and June 30, 2017.

	For the three-month period ended			For the six-month period ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Select metrics					
Originations	**—**	—	—	**—**	—
Average earning assets - Owned (1)	**388,940**	441,297	645,476	**414,974**	690,055
Operating results					
Interest income and rental revenue	**6,437**	8,967	12,445	**15,404**	25,916
Other revenue	**(90)**	(285)	548	**(375)**	1,366
	6,347	8,682	12,993	**15,029**	27,282
Operating expenses	**1,139**	952	1,252	**2,091**	3,321
Provision for credit losses	**43**	52	1,331	**95**	1,419
EBITDA (1)	**5,165**	7,678	10,410	**12,843**	22,542
Depreciation of equipment under operating lease/ other	**2,141**	2,914	4,019	**5,055**	8,205
Interest expense	**—**	—	219	**—**	810
Adjusted operating income before tax (1)	**3,024**	4,764	6,172	**7,788**	13,527
Select operating ratios (2)					
Interest income and rental revenue	**6.62 %**	8.13 %	7.71%	**7.42 %**	7.51%
Other revenue	**(0.09)%**	(0.26)%	0.34%	**(0.18)%**	0.40%
	6.53 %	7.87 %	8.05%	**7.24 %**	7.91%
Operating expenses	**1.17 %**	0.86 %	0.78%	**1.01 %**	0.96%
Provision for credit losses	**0.04 %**	0.05 %	0.82%	**0.05 %**	0.41%
EBITDA	**5.31 %**	6.96 %	6.45%	**6.19 %**	6.53%
Depreciation of equipment under operating lease/ other	**2.20 %**	2.64 %	2.49%	**2.44 %**	2.38%
Interest expense	**— %**	— %	0.14%	**— %**	0.23%
Adjusted operating income before tax	**3.11 %**	4.32 %	3.82%	**3.75 %**	3.92%

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.
(2) Yield as a percent of average earning assets.

Aviation Finance

The Company's Aviation Finance business unit reported before-tax adjusted operating income of $3.0 million for the three-month period ended June 30, 2018 and $7.8 million for the six-month period ended June 30, 2018 compared to $6.2 million and $13.5 million respectively, for the comparable periods in the prior year. The decrease in segment income compared to the first quarter of 2017, primarily reflects the continued runoff and active sell-down of the aviation portfolio after the decision to discontinue new originations in the first quarter of 2016. The decrease in the adjusted operating income before tax compared to the first quarter of 2018 reflects the impact of an acceleration in the wind-down of the portfolio as the Company was able to successfully sell two aircraft in the quarter for proceeds of approximately $70 million. Adjusted net income before tax was also lower compared to the first quarter of 2018 due to the impact of positive one time rate adjustments on various transactions in the first quarter of 2018, and slightly higher operating expenses in the second quarter, primarily due to higher costs associated with the Company's sales activity. The Company is focused on the orderly wind down of its legacy Aviation Finance business in order to release capital that can be redeployed into our core businesses or returned to shareholders. As a result, the Company's efforts have shifted from re-leasing aircraft that are coming off lease or in inventory to the outright sale of these aircraft where possible in order to accelerate the return of capital from this segment. Consequently, the Company now expects earning assets to be in the range of $275 million to $300 million at the end of the year (compared to our original guidance of $460 million average for the year and $420 million at the end of the year), and adjusted operating income before tax to be in the range of $10 million to $12 million.

RESULTS OF CORPORATE SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Corporate segment, for the three-month periods ended June 30, 2018 , March 31, 2018 and June 30, 2017 and the six-month periods ended June 30, 2018 and June 30, 2017.

	For the three-month period ended			For the six-month period ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Operating results					
Interest income	**1,883**	974	—	**2,857**	—
Other revenue	**(269)**	1,203	936	**934**	2,609
	1,614	2,177	936	**3,791**	2,609
Operating expenses	**6,015**	7,004	3,951	**13,019**	7,346
EBITDA (1)	**(4,401)**	(4,827)	(3,015)	**(9,228)**	(4,737)
Depreciation & amortization	**329**	334	187	**663**	297
Interest expense	**6,311**	4,964	4,329	**11,275**	10,148
Adjusted operating income before tax (1)	**(11,041)**	(10,125)	(7,531)	**(21,166)**	(15,182)

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.

Corporate

Revenue was $1.6 million for the quarter compared to $2.2 million for first quarter of 2018. Revenue primarily consists of interest on legacy loans and leases and the decrease in the quarter reflects the wind-down of this portfolio.

Operating expenses were down slightly compared to the first quarter of 2018, primarily due to the impact of the successful closing of our investment in Kessler as certain deal related costs were classified as business acquisition costs.

Interest expense increased compared to the first quarter of 2018 as a result of the increase in senior line debt outstanding to fund the SIB and the investment in Kessler.

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by vertical, as at June 30, 2018, March 31, 2018 and June 30, 2017.

	June 30, 2018						
(in 000's for stated values, except percentage amounts)	Service Finance $	Triad $	Kessler $	Rail $	Aviation $	Corporate $	Total $
Assets							
Finance assets							
Finance receivables	128,552	64,599	47,465	5,128	170,248	17,749	**433,741**
Asset held-for-sale	—	—	—	—	—	7,446	**7,446**
Equipment under operating leases	—	—	—	676,698	201,689	—	**878,387**
Total finance assets	128,552	64,599	47,465	681,826	371,937	25,195	**1,319,574**
Retained reserve interest		19,837					**19,837**
Goodwill and intangible assets	353,893	66,455	245,490	—	—	125	**665,963**
Deferred tax assets						20,944	**20,944**
Other assets and investments	56,543	51,222	80,077	57,171	66,156	140,233	**451,402**
Total Assets	**538,988**	**202,113**	**373,032**	**738,997**	**438,093**	**186,497**	**2,477,720**
Liabilities							
Debt	152,446	68,221	47,465	286,205	—	359,144	**913,481**
Other liabilities	1,656	21,619	100,046	7,636	229	89,307	**220,493**
Total Liabilities	**154,102**	**89,840**	**147,511**	**293,841**	**229**	**448,451**	**1,133,974**
Earning Assets - Owned and Managed							
Earning assets - owned	128,552	64,599	47,465	681,826	371,937	17,749	**1,312,128**
Earning assets - managed and advisory	1,419,064	2,008,483	24,690,000	—	—	—	**28,117,547**
Total Earning Assets - Owned and Managed and Advisory	**1,547,616**	**2,073,082**	**24,737,465**	**681,826**	**371,937**	**17,749**	**29,429,675**

Total finance assets for continuing operations were $1,320 million on June 30, 2018 compared to $1,267 million at March 31, 2018, and $2,409 million at June 30, 2017. The decrease compared to the prior year reflects the impact of the Railcar Dispositions and the runoff of the aviation portfolio. The finance receivables balance at June 30, 2018 includes $128.6 million in home improvement loans. We have opportunistically warehoused these loans on our balance sheet as over the course of the quarter certain Partners committed to purchasing these loans on better terms than we had initially expected to receive under our current program. We expect to sell these loans through to our Partners before the end of the year. Finance receivables also includes $64.6 million in secured floorplan loans issued by Triad in order to drive growth in manufactured housing loan originations and a $47.5 million short duration senior loan to fund a credit card portfolio purchase for an important Partner. This loan is secured by the underlying portfolio of credit card receivables, will earn an appropriate risk-adjusted return, and will help deepen our relationship with an important Partner.

Earning assets - managed and advisory of $28,118 million as at June 31, 2018 reflects servicing assets of $1,419 million in Service Finance, $2,008 million in managed loans in Triad and $24,690 million in managed and advisory assets in Kessler.

Debt from continuing operations of $913 million decreased by $912 million compared to June 30, 2017, largely reflecting the ERL II program being transferred to the purchaser as part of the Railcar Dispositions. Debt increased $370 million over March 31, 2018, primarily due to the draw down on the senior facility to fund the investment in Kessler and the SIB.

	March 31, 2018					
(in 000's for stated values, except percentage amounts)	Service Finance $	Triad $	Rail $	Aviation $	Corporate $	Total $
Assets						
Finance assets						
Finance receivables	62,852	14,333	5,012	250,528	63,046	**395,771**
Asset held-for-sale	—	—	—	—	7,673	**7,673**
Equipment under operating leases	—	—	691,805	171,958	—	**863,763**
Total finance assets	62,852	14,333	696,817	422,486	70,719	**1,267,207**
Retained reserve interest	—	18,752	—	—	—	**18,752**
Goodwill and intangible assets	352,154	66,765	—	—	24	**418,943**
Deferred tax assets	—	—	—	—	32,495	**32,495**
Other assets and investments	39,501	37,505	60,492	93,706	126,929	**358,133**
Total Assets	**454,507**	**137,355**	**757,309**	**516,192**	**230,167**	**2,095,530**
Liabilities						
Debt	79,547	12,333	289,181	—	162,660	**543,721**
Other liabilities	1,948	23,057	3,856	1,967	79,367	**110,195**
Total Liabilities	**81,495**	**35,390**	**293,037**	**1,967**	**242,027**	**653,916**
Earning Assets - Owned and Managed						
Earning assets - owned	62,852	14,333	696,817	422,486	63,046	**1,259,534**
Earning assets - managed	1,217,757	2,003,766	—	—	—	**3,221,523**
Total Earning Assets - Owned and Managed	**1,280,609**	**2,018,099**	**696,817**	**422,486**	**63,046**	**4,481,057**

	June 30, 2017					
(in 000's for stated values, except percentage amounts)	Rail $	Aviation $	Corporate $	Continuing Operations $	Discontinued Operations $	Total $
Assets						
Finance assets						
Finance receivables	7,167	412,933	—	**420,100**	807,577	**1,227,677**
Equipment under operating leases	1,791,736	197,104	—	**1,988,840**	—	**1,988,840**
Total finance assets	1,798,903	610,037	—	**2,408,940**	807,577	**3,216,517**
Goodwill and intangible assets	—	—	3,561	**3,561**	—	**3,561**
Deferred tax assets	—	—	16,092	**16,092**	—	**16,092**
Other assets and investments	81,199	70,393	138,930	**290,522**	—	**290,522**
Total Assets	**1,880,102**	**680,430**	**158,583**	**2,719,115**	**807,577**	**3,526,692**
Liabilities						
Debt	1,044,705	(1,074)	781,951	**1,825,582**	—	**1,825,582**
Other liabilities	36,681	9,519	97,324	**143,524**	—	**143,524**
Total Liabilities	**1,081,386**	**8,445**	**879,275**	**1,969,106**	**—**	**1,969,106**

Book Value per Share

	Book value per share (C$)	Book value per share (US$)[1]
September 30, 2016	$4.42	$3.37
December 31, 2016	$4.47	$3.35
March 31, 2017	$4.75	$3.57
June 30, 2017	$4.70	$3.63
September 30, 2017	$4.51	$3.62
December 31, 2017	$4.47	$3.56
March 31, 2018	$4.61	$3.58
June 30, 2018	**$4.77**	**$3.63**

1 - Calculated by dividing the Canadian book value per share by the US$ to C$ exchange rate in effect as at the relevant balance sheet date, except March 31, 2018 and June 30, 2018 the Canadian book value per share is calculated by multiplying the US$ book value per share by the US$ to C$ exchange rate in effect.

As a result of the completion of the sale of the Company's Canada C&V Finance business in the first quarter of 2018 and the acquisitions of Service Finance, Triad and Kessler, the Company's business operations will be conducted primarily in U.S. dollars. Consequently, effective the first quarter of 2018, the Company is presenting its operating results and financial position in U.S. dollars. This will significantly reduce the impact of foreign exchange rate fluctuations between the Canadian and U.S. dollar on the Company's book value per share.

Delinquencies

The contractual delinquency of the net finance receivables at each reporting period is as follows:

	June 30, 2018		March 31, 2018		June 30, 2017	
	$	%	$	%	$	%
Current	**428,917**	**99.83%**	317,200	98.91%	1,221,601	99.83%
31-60 days past due	**106**	**0.03%**	—	—%	1,590	0.13%
61-90 days past due (1)	**617**	**0.14%**	3,481	1.09%	88	0.01%
Greater than 90 days past due	**—**	**—%**	—	—%	424	0.03%
Total continuing operations	**429,640**	**100.00%**	320,681	100.00%	1,223,703	100.00%

(1) Subsequent to March 31, 2018, the Company has reached an agreement in principal with the borrower to restructure the terms of the loan such that payments will resume and additional collateral will be provided to further secure the loan.

Allowance for Credit Losses

Credit losses and provisions, as at and for each of the respective periods are as follows:

	Three-month period ended June 30, 2018	Three-month period ended March 31, 2018
(in 000's except percentage amounts)	**$**	$
Allowance for credit losses, beginning of period	**9,163**	2,160
Opening balance sheet adjustment - IFRS 9	**—**	6,951
Provision for credit losses	**43**	52
Charge-offs, net of recoveries	**(4,550)**	—
Impact of foreign exchange	**(36)**	—
Allowance for credit losses, end of period	**4,620**	9,163
Allowance as a % of finance receivables	**1.35%**	2.86%

The Company's allowance for credit losses of $4.6 million as at June 30, 2018 represents 1.35% of the finance receivables outstanding, compared to the 2.86% reported at March 31, 2018. The decrease reflects the impact of approximately $4.6 million as a result of the sale of aviation assets for which the allowance was directly attributable. Overall, the allowance is in-line with management's expectation of losses from the business and the current mix of assets.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are: (i) cash flows from operating activities; (ii) the secured borrowing facilities; (iii) funding commitments from our Partners; and (iv) equity. The Company's primary use of cash is the funding of its capital allocation priorities, including funding organic growth initiatives for our new businesses, acquisition opportunities, and returning capital to shareholders. The Company manages its capital resources by utilizing the financial leverage available under its term funding and revolving facilities, selling loans that we originate to our Partners and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares. The Service Finance and Triad segments have commitments in place to fund their total budgeted loan originations in 2018.

The Company views its financial leverage as a key indicator of the strength of the Company's Consolidated Statements of Financial Position. As at June 30, 2018, the Company's financial leverage ratio was 0.68:1 and its tangible leverage ratio was 1.35:1; well within the most restrictive covenant of 4:1.

The Company's capitalization for continuing operations is calculated as follows:

		As at		
(in 000's for stated values, except for percentage amounts)		**June 30, 2018** **$**	March 31, 2018 $	June 30, 2017 $
Total debt	**(a)**	**913,481**	543,721	1,825,582
Shareholders' equity	**(b)**	**1,343,746**	1,441,614	1,557,586
Financial leverage	**(a)/(b)**	**0.68**	0.38	1.17
Goodwill and Intangibles	**(c)**	**665,963**	418,943	3,561
Tangible leverage	**(a)/[(b)-(c)]**	**1.35**	0.53	1.17

The increase in total debt compared to the first quarter of 2018 is primarily due to the draw down on the senior facility to fund the SIB and the investment in Kessler.

DEBT AND CONTRACTUAL REPAYMENT OBLIGATIONS

The Company has significant resources available to continue funding projected growth. Finance receivables are securitized or sold to third party funding counterparties on a regular basis to ensure cash is available to fund new transactions. Cash levels are also monitored by management. In addition, the Company adheres to a strict policy of matching the maturities of owned finance assets and the related debt as closely as possible in order to manage its liquidity position.

The Company's available sources of financing are as follows:

	As at		
	June 30, 2018	March 31, 2018	June 30, 2017
(in 000's)	**$**	$	$
Cash and cash equivalents	**51,619**	15,928	6,974
Senior Facilities			
Facilities	**2,200,000**	2,200,000	2,500,000
Utilized against Facility; Continuing operations	**640,578**	267,888	357,000
Utilized against Facility; Discontinued operations		—	—
	1,559,422	1,932,112	2,143,000
Life Insurance Company Term Funding Facilities			
Facilities	**—**	—	271,551
Utilized against Facility	**—**	—	164,259
	—	—	107,292
Securitization Programs			
Facilities	**—**	—	309,047
Facilities; Discontinued operations	**—**	—	—
Utilized against Facility	**—**	—	273,476
Utilized against Facility; Discontinued operations	**—**	—	—
	—	—	35,571
Public Asset-Backed Securities			
Facilities	**287,121**	290,284	1,060,967
Utilized against Facility	**287,121**	290,284	1,060,967
	—	—	—
Total available sources of capital, end of period	**1,611,041**	1,948,040	2,292,837
Unutilized Borrowing Facilities (i.e. excl. Cash & Equiv.)	**1,559,422**	1,932,112	2,285,863

The Company had available liquidity of approximately $1.6 billion at June 30, 2018 compared to $1.9 billion at March 31, 2018. The decrease in liquidity compared to March 31, 2018 is primarily related to the investment in Kessler and the completion of the SIB. Management believes that the available liquidity of $1.6 billion available is sufficient to fund operations and growth throughout 2018.

Summary of Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended as at June 30, 2018. Financial information prior to Q4, 2016 has been derived from the historical carve-out combined financial statements of the Company and is prepared as if ECN Capital had operated as a stand-alone entity throughout the reporting periods. The information should be read in conjunction with ECN Capital's audited and interim unaudited, consolidated financial statements, the notes thereto and the related management discussion and analysis for the relevant periods.

Key factors that account for the fluctuation in the Company's quarterly results include the volume of leases and loans that the Company has originated; the timing of the major portfolio acquisitions including the railcar portfolios acquired in June 2015, September 2015, December 2015 and March 2016, and subsequent railcar dispositions in August 2017 and September 2017; syndications; the various new vendor and commercial finance programs and relationships entered into; the decision to discontinue originations of the Aviation Finance assets in February 2016; the sale of the U.S. C&V Finance business in March 2017; the acquisition of Service Finance on September 7, 2017; the acquisition of Triad on December 29, 2017, the sale of the Canada C&V Finance business on January 21, 2018 and the related presentation of this business as a discontinued operation effective December 31, 2017, and the investment in Kessler on May 31, 2018.

ECN CAPITAL

(in $ 000's for stated values, except ratio and per share amounts)	**Q2, 2018**	Q1, 2018	Q4, 2017	Q3, 2017	Q2, 2017	Q1, 2017	Q4, 2016	Q3, 2016
Adjusted operating income before tax (1)	**19,686**	9,129	10,972	8,369	10,504	12,467	18,644	19,031
Amortization of intangibles	**3,037**	3,154	2,615	—	—	—	2,537	20,386
Asset valuation reserve	**—**	—	19,694	—	—	—	30,197	—
Share based compensation	**2,550**	3,410	4,611	1,370	2,300	1,616	1,276	1,887
Separation and reorganization costs	**—**	—	5,113	—	—	1,947	5,119	4,707
Business acquisition costs	**13,143**	250	2,368	14,940	—	—	—	—
Loss (gain) on business disposals	**—**	—	—	62,827	(1,724)	—	—	—
Net income / (loss) before income taxes	**956**	2,315	(23,429)	(70,769)	9,928	8,904	(20,485)	(7,949)
Net income, continuing operations	**2,649**	2,154	(1,741)	(43,108)	9,446	7,760	(16,369)	(470)
Net income, discontinuing operations	**—**	1,137	(6,513)	2,460	2,389	89,471	2,337	1,410
Net income / (loss) - total	**2,649**	3,291	(8,254)	(40,648)	11,835	97,231	(14,032)	939
Net earnings per share, basic, continuing operations	**$0.00**	$0.00	-$0.01	-$0.12	$0.02	$0.02	-$0.04	$0.00
Adjusted net income	**15,917**	7,454	10,842	15,342	9,674	10,805	26,946	14,558
Adjusted net income, per share (basic)	**$0.05**	$0.02	$0.03	$0.04	$0.02	$0.03	$0.07	$0.04
Adjusted net income applicable to common shareholders per share (basic)	**$0.04**	$0.01	$0.02	$0.03	$0.02	$0.02	$0.07	$0.04
Earning Assets - owned	**1,312,128**	1,259,534	1,293,607	1,156,556	2,408,940	2,400,950	2,469,864	2,525,048
Earning Assets - managed and advisory	**28,117,547**	3,221,523	3,080,639	1,022,854	—	—	—	—
Earning assets - total	**29,429,675**	4,481,057	4,374,246	2,179,410	2,408,940	2,400,950	2,469,864	2,525,048
Loan and lease originations, continuing operations	**505,210**	349,166	249,369	90,709	32,358	31,002	53,477	70,606
Allowance for credit losses	**4,620**	9,163	2,160	5,207	6,445	4,321	10,493	12,677
As a % of finance receivables	**1.35%**	2.86%	0.55%	0.44%	0.53%	0.36%	0.41%	0.54%
Term senior credit facility, total	**640,578**	267,888	444,681	284,012	357,000	1,260,707	1,299,611	1,233,499
Secured borrowings, total	**272,903**	275,833	697,693	735,344	1,468,582	1,903,360	2,055,264	2,020,699
Total Debt	**913,481**	543,721	1,142,374	1,019,356	1,825,582	3,164,066	3,354,875	3,254,198
Shareholders' Equity / Owners' Net Investment, total	**1,343,746**	1,441,614	1,498,392	1,537,232	1,557,588	1,458,292	1,360,819	1,304,012
Book value per share (excluding pref. shares), total (2)	**$ 3.63**	$ 3.58	$ 3.56	$ 3.62	$ 3.63	$ 3.57	$ 3.35	$ 3.37

(1) For additional information, see "Non-IFRS and Other Performance Measures" section.
(2) Book value per share prior to the Separation is based on the Element shares outstanding as the Separation resulted in the issuance of 1 Company share for each Element share

Non-IFRS and Other Performance Measures

DESCRIPTION OF NON-IFRS MEASURES

The Company uses certain measures to assess our financial performance that are not generally accepted accounting principles measures under IFRS ("Non-IFRS measures"). The Company believes the non-IFRS measures described below are more reflective of our ongoing operating results and provide readers with a better understanding of the Company's operating performance through the eyes of management. Non-IFRS measures are intended to provide additional information only and do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should not be considered in isolation or as a substitute for measures of performance determined under IFRS.

The following discussion describes the non-IFRS measures we use in evaluating our operating results.

Adjusted operating income before tax and Adjusted net income applicable to common shareholders

Adjusted operating income before tax is net income excluding the impact of share-based compensation, separation and reorganization costs, business acquisition costs, loss (gain) on business disposals, impairment charges and asset valuation reserves, amortization of intangible assets acquired in business combinations, deferred purchase consideration, cumulative dividends on preferred shares, loss (income) from discontinued operations and income tax. Management believes it is appropriate to adjust for these items when evaluating the underlying performance of our business because amortization of intangible assets and share-based compensation are primarily non-cash in nature; separation and reorganization costs, business acquisition costs and loss (gain) on business disposals do not relate to continuing operating activities; deferred purchase consideration is considered part of the purchase price consideration for business acquisitions notwithstanding the accounting treatment which views all or a portion of the related payments, depending on how it is structured, to be an operating expense; dividends on preferred shares are a financing cost not related to operating activities; and income tax expense is managed at a corporate level and is a function of the jurisdictions in which the Company operates and not the underlying performance of our business segments.

Adjusted net income is adjusted operating income before tax less the provision for income taxes applicable to adjusted operating income before tax. Adjusted net income per share applicable to common shareholders is computed as adjusted net income less cumulative preferred share dividends.

Adjusted operating income before tax is a key operating measure used by management to assess the underlying operating performance of the Company's business segments, including the determination of amounts to be paid out pursuant to deferred purchase consideration plans and Performance Share Unit (PSU) plans. Management also uses this measure to prepare the internal budgets and forecasts that support the Company's public guidance. Adjusted net income provides a consolidated view of the Company's underlying financial performance attributable to the common shareholders. The presentation of these measures enables investors and analysts to better understand the underlying performance of our business segments.

Adjusted net income per share and Adjusted net income per share applicable to common shareholders

Adjusted net income per share is computed as adjusted net income divided by the basic weighted average number of common shares outstanding during the period. Adjusted net income per share applicable to common shareholders is computed as adjusted net income applicable to common shareholders divided by the basic weighted average number of common shares outstanding during the period.

Average earning assets - owned
Average earning assets - owned is the sum of the average finance receivables and average equipment under operating leases.

Average earning assets - managed and advisory
Average earning assets - managed and advisory is the sum of the asset portfolios in the Company's Service Finance, Triad and Kessler segments that the Company manages, services or advises on behalf of its Partners. The Company earns either servicing, portfolio advisory or reserve income from these portfolios.

In addition, the Company utilizes the following performance measures, which are derived from amounts calculated in accordance with IFRS to assess performance:

Allowance for credit losses as a percentage of finance receivables
Allowance for credit losses as a percentage of finance receivables is the allowance for credit losses at the end of the period divided by the finance receivables (gross of the allowance for credit losses) at the end of the period.

Average debt
Average debt is calculated as the daily weighted average borrowings outstanding under all of the Company's secured borrowings facilities throughout the period.

Average equipment under operating leases
Average equipment under operating leases is the daily weighted average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation.

Average finance receivables
Average finance receivables is the daily weighted average finance receivables net investment balance [gross investment less unearned income] outstanding during the period.

Cost of debt
Average cost of borrowing is equal to interest expense divided by the average debt outstanding during the period and is presented on an annualized basis. The average cost of borrowing provides an indication of the average interest rate that the Company pays on debt financing.

Earnings before interest expense, taxes, depreciation and amortization ("EBITDA")
We define EBITDA as net income before interest expense, income tax expense, depreciation and amortization. We believe EBITDA is a key measure of the Company's operating performance over the long term and is a useful measure of the Company's ability to generate cash from operations to maintain and grow its core business. Investors and analysts also use EBITDA as a measure to compare the operating performance of different businesses in the business services sector and to assess the enterprise value of a business as EBITDA eliminates the impact of financing decisions.

Finance assets or total finance assets
Finance assets are the sum of the total finance receivables and the total carrying value of the equipment under operating leases.

Financial leverage or financial leverage ratio

Financial leverage or financial leverage ratio is calculated as total debt (secured borrowings) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Syndication and other income

Syndication and other income consist of syndication fees, capital advisory fees, and other income including gains/losses on foreign exchange.

Provision for credit loss as a percentage of average finance receivables

The provision for credit loss as a percentage of average finance receivables is the provision for credit losses during the period as recorded on the statements of operations divided by the average finance receivables outstanding throughout the period, presented on an annualized basis.

Tangible leverage ratio

The tangible leverage ratio has been computed as secured borrowings divided by the net of shareholders' equity less goodwill and intangible assets, at the period end. The tangible leverage ratio refers to the use of debt to acquire or finance additional finance receivables. Similar to the financial leverage ratios, the tangible leverage ratio provides an indication of the potential ability to increase the level of debt but based on tangible equity (excluding goodwill and intangible assets) within the Company.

RECONCILIATION OF NON-IFRS TO IFRS MEASURES

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for three month periods ended June 30, 2018, March 31, 2018 and June 30, 2017 and the six-month periods ended June 30, 2018 and June 30, 2017.

	For the three-month period ended			For the six-month period ended	
	June 30, 2018	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
(in 000's for stated values, except percent amounts)	**$**	**$**	**$**	**$**	**$**
Reported and adjusted measures					
Net income (loss) from continuing operations	**2,649**	2,154	9,446	**4,803**	17,206
Adjustments:					
Share-based compensation	**2,550**	3,410	2,300	**5,960**	3,916
Amortization of intangibles	**3,037**	3,154	—	**6,191**	—
Business acquisition costs	**13,143**	250	—	**13,393**	—
Separation and reorganization costs	**—**	—	—	**—**	1,947
Business disposal (gain) / loss	**—**	—	(1,724)	**—**	(1,724)
Provision (recovery)of income taxes	**(1,693)**	161	482	**(1,532)**	1,626
Adjusted operating income before tax	**19,686**	9,129	10,504	**28,815**	22,971
Non-controlling interest in Kessler	**649**	—	—	**649**	—
Adjusted operating income before tax - ECN share	**19,037**	9,129	10,504	**28,166**	22,971
Provision/(Recovery) for taxes applicable to adjusted operating income	**3,120**	1,675	830	**4,795**	2,492
Adjusted net income	**15,917**	7,454	9,674	**23,371**	20,479
Cumulative preferred share dividends during the period	**2,469**	2,520	1,667	**4,989**	3,269
Adjusted net income attributable to common shareholders	**13,448**	4,934	8,007	**18,382**	17,210
Per share information					
Weighted Average number of shares outstanding [basic]	**336,166,139**	366,015,740	388,380,693	**351,008,482**	387,844,429
Adjusted net income per share [basic]	**$0.05**	$0.02	$0.02	**$0.07**	$0.05
Adjusted net income applicable to common shareholders per share [basic]	**$0.04**	$0.01	$0.02	**$0.05**	$0.04
Adjusted operating income before tax comprised of:					
Service Finance	**13,192**	8,364	—	**21,556**	—
Triad	**6,317**	2,372	—	**8,689**	—
Kessler	**1,871**	—	—	**1,871**	—
Rail Finance	**5,674**	3,754	11,863	**9,428**	24,626
Aviation Finance	**3,024**	4,764	6,172	**7,788**	13,527
Corporate	**(11,041)**	(10,125)	(7,531)	**(21,166)**	(15,182)
	19,037	9,129	10,504	**28,166**	22,971

Accounting and Internal Control Matters

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in note 2 of our 2017 Annual Consolidated Financial Statements. Certain of these policies, and related estimates and judgements have been identified as "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgements about matters that are inherently uncertain; or there is a reasonable likelihood that material different amounts could be reported under different conditions or using different assumptions and estimates. Our significant accounting judgements, estimates and assumptions relate to inventory, allowances for credit losses, income taxes, useful lives and residual values of equipment under operating leases, goodwill and intangible assets, and derecognition of financial assets. Our critical accounting policies and estimates have been reviewed and approved by our Audit Committee, in consultation with management, as part of their review and approval of our significant accounting policies, judgements, estimates and assumptions. Please refer to note 3 of our 2017 Annual Consolidated Financial Statements for a description of each of our significant accounting judgements, estimates and assumptions.

Effective January 1, 2018, the Company made the following key changes to its significant accounting policies:

Presentation and Functional Currency Change

The Company changed its presentation and functional currency to U.S. dollars from Canadian dollars in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. These changes were made to better align the Company's reported results with it's current business activities and operating environment and coincided with the wind down and sale of its Canadian C&V Finance business in January 2018.

Adoption of IFRS 9, IFRS 9, Financial Instruments ["IFRS 9"]

The Company adopted IFRS 9 in place of IAS 39, *Financial Instruments: Recognition and Measurement ["IAS 39"]*, as required by the International Accounting Standards Board. As permitted under IFRS 9, the Company did not restate its prior period comparative consolidated financial statements. Any changes to carrying amounts as a result of adopting IFRS 9 have been recognized in our opening January 1, 2018 retained earnings.

IFRS 15, Revenue from Contracts with Customers ["IFRS 15"]

The Company adopted IFRS 15 which clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers, and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts. There was also no impact on the asset origination and asset management services revenues earned by the Company's Service Finance and Triad subsidiaries. However, IFRS 15 did apply to the net revenues earned from the risk-based marketing programs originated by Kessler.

Please refer to note 2 of our June 30, 2018 interim condensed consolidated financial statements for a detailed description of the accounting policy changes.

Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible to design, or cause to be designed under their supervision, internal controls over financial reporting to a standard that provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

It should be noted that while the Company's CEO and CFO believe that the Company's internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any designs will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place to ensure the effectiveness of the disclosure controls and internal controls over financial reporting.

Updated Share Information

The Company is currently authorized to issue (i) an unlimited number of common shares without nominal or par value and (ii) an unlimited number of preferred shares, issuable in series.

As at August 8, 2018, the Company had 330,037,319 common shares, 30,341,524 options; 4,000,000 Series A preferred shares issued and outstanding; and 4,000,000 Series C preferred shares issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on August 8, 2018.