ECN CAPITAL

Interim Condensed Consolidated Financial Statements

SEPTEMBER 30, 2017

ECN Capital Corp.

Interim condensed consolidated statements of financial position

[unaudited, in thousands of Canadian dollars]

	As at September 30, 2017	As at December 31, 2016
	$	$
Assets		
Cash	**23,791**	45,849
Restricted funds *[note 7]*	**60,171**	136,871
Finance receivables *[note 4]*	**1,462,160**	3,387,979
Equipment under operating leases *[note 5]*	**1,030,898**	2,618,612
Inventories *[note 6]*	**187,200**	140,019
Accounts receivable and other assets	**104,098**	38,212
Notes receivable *[note 12]*	**48,668**	40,668
Derivative financial instruments *[note 14]*	**7,146**	11,385
Property, equipment and leasehold improvements	**19,981**	3,812
Intangible assets *[note 3]*	**146,651**	640
Deferred tax assets	**18,275**	7,747
Goodwill *[note 3]*	**302,877**	4,560
	3,411,916	6,436,354
Liabilities and shareholders' equity		
Liabilities		
Accounts payable and accrued liabilities	**176,398**	84,252
Derivative financial instruments *[note 14]*	**2,976**	2,980
Secured borrowings *[note 7]*	**1,271,341**	4,504,591
Deferred tax liabilities	**43,965**	17,360
Total liabilities	**1,494,680**	4,609,183
Shareholders' equity	**1,917,236**	1,827,171
	3,411,916	6,436,354

See accompanying notes

Interim condensed consolidated statements of operations

[unaudited, in thousands of Canadian dollars, except for per share amounts]

	Three-month period ended September 30, 2017	Three-month period ended September 30, 2016	Nine-month period ended September 30, 2017	Nine-month period ended September 30, 2016
	$	$	$	$
Net financial income				
Interest income	**23,054**	25,849	**70,276**	82,624
Rental revenue, net *[note 5]*	**26,768**	40,172	**105,175**	124,681
	49,822	66,021	**175,451**	207,305
Interest expense	**22,954**	34,854	**81,706**	97,305
Net interest income before provision for credit losses	**26,868**	31,167	**93,745**	110,000
Provision for credit losses *[note 4]*	**658**	421	**3,104**	3,290
Net interest income	**26,210**	30,746	**90,641**	106,710
Other revenue *[note 10]*	**5,358**	7,927	**13,997**	15,995
	31,568	38,673	**104,638**	122,705
Operating expenses and other costs				
Salaries, wages and benefits	**7,926**	4,836	**23,131**	14,725
General and administrative expenses	**8,249**	5,674	**25,596**	17,690
Share-based compensation *[note 9]*	**2,480**	2,792	**9,380**	6,033
Impairment and amortization of intangible assets from acquisitions	**—**	26,605	**—**	27,255
Separation and reorganization costs *[note 11]*	**—**	7,704	**3,300**	7,704
Acquisition costs	**18,724**	—	**18,724**	—
Loss on business disposals *[note 3]*	**78,348**	—	**76,030**	—
	115,727	47,611	**156,161**	73,407
(Loss) income from continuing operations before income taxes	**(84,159)**	(8,938)	**(51,523)**	49,298
(Recovery) provision for income taxes	**(33,216)**	(10,010)	**(27,977)**	3,492
Net (loss) income from continuing operations	**(50,943)**	1,072	**(23,546)**	45,806
Net income from discontinued operations *[note 3]*	**—**	153	**272,352**	5,915
Net (loss) income for the period	**(50,943)**	1,225	**248,806**	51,721
Basic				
Continuing operations *[note 13]*	**$ (0.14)**	$ —	**$ (0.08)**	$ 0.12
Discontinued operations *[note 13]*	**$ —**	$ —	**$ 0.70**	$ 0.02
Total basic (loss) earnings per share *[note 13]*	**$ (0.14)**	$ —	**$ 0.62**	$ 0.14
Diluted				
Continuing operations *[note 13]*	**$ (0.14)**	$ —	**$ (0.08)**	$ 0.11
Discontinued operations *[note 13]*	**$ —**	$ —	**$ 0.69**	$ 0.02
Total diluted earnings per share *[note 13]*	**$ (0.14)**	$ —	**$ 0.61**	$ 0.13

See accompanying notes

Interim condensed consolidated statements of comprehensive (loss) income

[unaudited, in thousands of Canadian dollars]

	Three-month period ended September 30, 2017 $	Three-month period ended September 30, 2016 $	Nine-month period ended September 30, 2017 $	Nine-month period ended September 30, 2016 $
Net (loss) income for the period	**(50,943)**	1,225	**248,806**	51,721
Other comprehensive (loss) income				
Cash flow and foreign exchange hedges *[note 14]*	**23,982**	1,734	**26,790**	(10,234)
Net unrealized foreign exchange (loss) gain	**(42,520)**	(1,115)	**(89,311)**	15,258
	(18,538)	619	**(62,521)**	5,024
Deferred tax (recovery) expense	**2,001**	489	**2,971**	(3,285)
Total other comprehensive (loss) income	**(20,539)**	130	**(65,492)**	8,309
Other comprehensive income (loss) from discontinued operations				
Realization of accumulated other comprehensive income on the sale of the US C&V Finance business	**—**	—	**(155,812)**	—
Total other comprehensive income (loss) from discontinued operations, net of tax	**—**	10,777	**607**	(47,136)
Total other comprehensive income (loss) from discontinued operations	**—**	10,777	**(155,205)**	(47,136)
Total other comprehensive (loss) income	**(20,539)**	10,907	**(220,697)**	(38,827)
Comprehensive (loss) income for the period	**(71,482)**	12,132	**28,109**	12,894

See accompanying notes

ECN Capital Corp.

Interim condensed consolidated statements of changes in shareholders' equity

[unaudited, in thousands of Canadian dollars]

	Common share capital $	Preferred share capital $	Contributed surplus $	Retained earnings $	Owners' net investment $	Accumulated other comprehensive income $	Total shareholders' equity $
Balance, December 31, 2015	—	—	—	—	1,403,325	188,086	1,591,411
Net adjustment to owners' equity	—	—	—	—	101,820	—	101,820
Comprehensive income (loss) for the period	—	—	—	—	51,721	(38,825)	12,896
Employee stock option expense *[note 9]*	—	—	—	—	4,346	—	4,346
Balance, September 30, 2016	—	—	—	—	1,561,212	149,261	1,710,473
Balance, December 31, 2016	**1,418,882**	**97,315**	**119,309**	**(18,717)**	**—**	**210,382**	**1,827,171**
Employee stock options exercised *[note 8]*	**1,114**	**—**	**—**	**—**	**—**	**—**	**1,114**
Common share repurchases *[note 8]*	**(24,994)**	**—**	**—**	**—**	**—**	**—**	**(24,994)**
Preferred shares issued	**—**	**97,404**	**—**	**—**	**—**	**—**	**97,404**
Comprehensive income (loss) for the period	**—**	**—**	**—**	**248,806**	**—**	**(65,492)**	**183,314**
Accumulated other comprehensive income on							—
sale of businesses	**—**	**—**	**—**	**—**	**—**	**(155,205)**	**(155,205)**
Dividends – Preferred shares *[note 8]*	**—**	**—**	**—**	**(7,768)**	**—**	**—**	**(7,768)**
Dividends – Common shares *[note 8]*	**—**	**—**	**—**	**(11,637)**	**—**	**—**	**(11,637)**
Employee stock option expense *[note 9]*	**—**	**—**	**7,837**	**—**	**—**	**—**	**7,837**
Balance September 30, 2017	**1,395,002**	**194,719**	**127,146**	**210,684**	**—**	**(10,315)**	**1,917,236**

See accompanying notes

ECN Capital Corp.

Interim condensed consolidated statements of cash flows

[unaudited, in thousands of Canadian dollars]

	Nine-month period ended September 30, 2017 $	Nine-month period ended September 30, 2016 $
Operating activities		
Net (loss) income for the period from continuing operations	**(23,546)**	45,806
Items not affecting cash		
Share-based compensation *[note 9]*	**9,380**	3,702
Depreciation of property, equipment and leasehold improvements	**886**	116
Amortization of intangible assets	**32**	—
Amortization of deferred lease costs	**3,449**	3,494
Amortization of deferred financing costs	**12,636**	7,237
Amortization of equipment under operating leases	**(48,945)**	49,543
Change in asset valuation reserve	**412**	27,255
Provision for credit losses	**3,104**	13,696
Loss on sale of businesses	**36,398**	—
	(6,194)	150,849
Changes in non-cash operating assets and liabilities		
Investment in finance receivables	**(556,628)**	(224,388)
Reduction in finance receivables	**624,367**	(190,027)
Investment in equipment under operating leases	**(136,768)**	(175,691)
Proceeds on disposal of equipment under operating leases	**497,201**	215,556
Syndications of finance receivables	**8,336**	95,609
Other non-cash operating assets and liabilities	**(76,273)**	(124,511)
Cash provided by (used in) operating activities – continuing operations	**354,041**	(252,603)
Investing activities		
Decrease in restricted funds	**6,649**	63,219
Proceeds on sale of rail businesses	**246,643**	—
Proceeds on disposal of U.S. C&V Finance business	**2,024,532**	—
Acquisition of Service Finance	**(408,965)**	—
Purchase of property, equipment and leasehold improvements	**(19,292)**	(988)
Proceeds on disposal of property, equipment and leasehold improvements, and intangible assets	**226**	(21)
Increase in notes receivable	**(9,199)**	—
Cash provided by investing activities – continuing operations	**1,840,594**	62,210
Financing activities		
Option exercises	**1,114**	—
Issuance of preferred shares, net *[note 8]*	**97,404**	—
Net investment from parent	**—**	131,112
Common share repurchases	**(24,994)**	—
Repayment of secured borrowings, net	**(2,284,407)**	146,496
Dividends paid or accrued	**(19,408)**	—
Increase in deferred financing costs	**15,987**	(40,011)
Cash (used in) provided by financing activities – continuing operations	**(2,214,304)**	237,597
Cash (utilized) provided by discontinued operations	**(2,389)**	—
Net (decrease) increase in cash during the period	**(22,058)**	47,204
Cash, beginning of period	**45,849**	—
Cash, end of period from continuing operations	**23,791**	47,204
Supplemental cash flow information		
Cash taxes paid	**25,347**	—
Cash interest paid	**84,920**	121,668

See accompanying notes

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

1. Corporate information and basis of presentation

ECN Capital Corp. ["ECN Capital" or the "Company"] is an independent financial services company that originates, co-invests in and manages asset-based financing and related service programs. The Company originates a broad range of equipment and capital assets by way of secured loans, financial leases, conditional sales contracts, retail installment contracts, and operating leases. Headquartered in Toronto, the registered office is located at 181 Bay Street, Suite 2830, Toronto, Ontario, Canada. ECN Capital has approximately 277 employees and operates in Canada and the United States. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol "ECN".

On February 16, 2016, the Board of Directors of Element Financial Corporation ["Element"] approved a plan to separate into two publicly traded companies [the "Separation"]. The Separation of Element into ECN Capital and Element Fleet Management Corp. ["Element Fleet"] was implemented through a court approved plan of arrangement and was approved at a special meeting of the Element shareholders on September 20, 2016, and received final approval from the Ontario Supreme Court of Justice on September 21, 2016. Upon the Separation on October 3, 2016, common shareholders of Element were granted one common share of Element Fleet and one common share of ECN Capital in exchange for each Element share.

These interim condensed consolidated financial statements present the financial position, results of operations, changes in shareholders' equity and cash flows of the Company as if it had operated on a stand-alone basis throughout the reported periods. Namely, the comparative results as at and for the period ended September 30, 2016 were prepared on a carve-out basis. The operating results for the current period ended September 30, 2017 represent actual financial results for the period. The financial position of the Company as at December 31, 2016 was derived from the assets and liabilities assumed as part of the Separation and actual transactions post the Separation date of October 3, 2016.

See Note 1 of the December 31, 2016 consolidated financial statements for further information on the Separation.

2. Summary of significant accounting policies

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. These interim condensed consolidated financial statements have been prepared in conformity with accounting policies disclosed in the consolidated financial statements for the year ended December 31, 2016.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2016, which include information necessary or useful to understanding the Company's business and financial statement presentation. The results reported in these interim condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 14, 2017.

Discontinued operations

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations; and
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations for each period and are presented as a single amount as profit or loss after income taxes from discontinued operations in the interim condensed consolidated statements of operations. All other notes to the interim condensed consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

Business combinations

The Company uses the acquisition method of accounting for business combinations which requires the allocation of the purchase consideration to identifiable assets and liabilities acquired on a fair value basis at the date of acquisition. Any contingent consideration is also measured at fair value at the date of acquisition. Provisional fair values are finalized as the relevant information becomes available, for a period of up to twelve months from the acquisition date. Incremental costs related to acquisitions are expensed as incurred. When the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill.

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3. Business acquisitions and disposals

Acquisition of Service Finance

On September 7, 2017, the Company completed the acquisition of Service Finance Holdings, LLC ["Service Finance"] for cash consideration of $409 million (US$ 309 million).

The table below presents the preliminary allocation of fair values to the net assets acquired as at September 30, 2017. We expect to finalize the purchase price allocation in the fourth quarter 2017.

Consideration paid:	
Cash	**408,965**
Fair value of contingent consideration	**40,370**
Total consideration	**449,335**
Fair value of identifiable assets and liabilities:	
Cash and cash equivalents	**6,453**
Accounts receivable and other	**22,895**
Fixed assets	**1,060**
Intangible assets	**142,288**
Goodwill	**300,976**
Accounts payable and other liabilities	**(24,337)**
Net assets acquired	**449,335**

The Company has agreed to a deferred purchase price earn-out plan with the vendors that is based on the achievement of a prescribed return on average equity targets. The estimated fair value of the contingent purchase consideration of $40.4 million has been recorded as a liability. Subsequent changes in the estimated fair value of the liability will be recorded in the consolidated statement of operations.

Acquisition-related costs expensed in the period were $18.7 million, including investment banking fees of $10.9 million, and legal, accounting, due diligence and other transaction-related expenses of $7.8 million.

Sale of railcar assets

Consistent with the Company's strategic plan to redeploy capital into higher yield businesses, on August 4, 2017 ECN Capital closed a transaction to sell approximately 1,550 railcar assets to ITE Management L.P. for cash proceeds of approximately US$173 million. On September 26, 2017 the Company closed a separate transaction to sell approximately 8,400 railcars (in its Element Rail Leasing II Portfolio) to Napier Park Global Capital US LP for cash proceeds of approximately US$935 million (collectively, the "Railcar Dispositions"). The total book value of the railcar assets sold was approximately US$1.15 billion and represent approximately 65% of the Company's railcar portfolio. The Railcar Dispositions resulted in a total loss on sale of $78.3 million, and an after-tax loss of $49.6

million comprised of a 2% or $26.7 million after tax loss on the book value of finance assets, deferred financing write-offs, swap and foreign exchange losses of $17.4 million (of which $11.1 million of these costs were previously recorded in Accumulated Other Comprehensive Income and therefore did not affect overall book value in the third quarter); and transaction-related costs of $5.5 million.

Sale of advisory business

On May 31, 2017, the Company closed a transaction with Stellwagon Group, the commercial aviation finance advisory and asset management business of Acasta Enterprises Inc. ["Acasta"], to sell the Company's Commercial Aviation Advisory Business. As part of the transaction, certain key employees of the ECN Commercial Aviation Advisory and the office in Stamford, CT transitioned to Acasta. In connection with the transaction, the Company received 3,037,500 shares of Acasta and recorded a gain of $2.3 million which is stated net of a reserve of $8.0 million to reflect the impact of a twelve-month hold period on the Acasta shares, transaction-related costs of $7.2 million, and transaction-related compensation expenses of $4.8 million for employees retained by Acasta.

Sale of U.S. C&V Finance business

In the first quarter of 2017, the Company entered into two separate transactions resulting in the sale of its U.S. C&V Finance business. The transactions were structured as asset sales and cover the exclusivity of the Company's C&V Finance business in the United States. The total sale price of US $1,531,095 for the US C&V Finance business include cash proceeds of US$1,521,910 and a performance-based contingent amount of US$9,185 that has been included in other assets. The fair value of the performance-based contingent amount is re-evaluated on a quarterly basis.

The gain on sale of business of $343,926 includes the realization of $155,205 in accumulated other comprehensive income related to the US C&V Finance business and foreign exchange gains of $7,091 relating to hedges entered into to reduce foreign exchange risk on the sale proceeds. Gain on sale of business is stated net of transaction costs of $24,471 and transaction-related compensation expenses of $6,522 for employees retained by the purchasers of the US C&V Finance business.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

4. Finance receivables

The following tables present finance receivables based on the type of contract:

	September 30, 2017		
	Leases	Loans	Total
	$	$	$
Minimum lease payments	**692,846**	**837,699**	**1,530,545**
Non-guaranteed residual values	**64,096**	**—**	**64,096**
Gross investment	**756,942**	**837,699**	**1,594,641**
Unearned income	**(109,686)**	**(95,191)**	**(204,877)**
Net investment	**647,256**	**742,508**	**1,389,764**
Net realizable value of accounts in default [2]	**59,218**	**3,073**	**62,291**
Unamortized deferred costs and subsidies	**3,810**	**3,950**	**7,760**
Security deposits	**(4,291)**	**(1,122)**	**(5,413)**
Other receivables	**4,420**	**9,832**	**14,252**
Allowance for credit losses	**(3,586)**	**(2,908)**	**(6,494)**
Total finance receivables	**706,827**	**755,333**	**1,462,160**

	December 31, 2016 [1]		
	Leases	Loans	Total
	$	$	$
Minimum lease payments	879,628	961,378	1,841,006
Non-guaranteed residual values	64,962	—	64,962
Gross investment	944,590	961,378	1,905,968
Unearned income	(150,363)	(118,263)	(268,626)
Net investment	794,227	843,115	1,637,342
Net realizable value of accounts in default	1,316	1,669	2,985
Unamortized deferred costs and subsidies	6,943	3,196	10,139
Security deposits	(19,372)	(1,000)	(20,372)
Other receivables	3,999	2,380	6,379
Allowance for credit losses	(3,147)	(1,230)	(4,377)
Total finance receivables - continuing operations	783,966	848,130	1,632,096
Total finance receivables - discontinued operations	369,546	1,386,337	1,755,883
Total finance receivables	1,153,512	2,234,467	3,387,979

[1] Amounts have been adjusted to show discontinued operations finance receivables as a single line.

[2] During the quarter, a borrower of the Company in the Aviation Finance vertical filed for bankruptcy protection and accordingly, its contracts have been transferred to accounts in default. Based on current valuations of the underlying collateral, the Company has not taken an impairment charge.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

The following table presents the delinquency status of the net investment in finance receivables of continuing operations, by contract balance:

	September 30, 2017		December 31, 2016 [1]	
	$	%	$	%
31 - 60 days past due	**1,462**	**0.11**	2,589	0.16
61 - 90 days past due	**70**	**0.01**	582	0.04
Greater than 90 days past due	**1,024**	**0.07**	284	0.02
Total past due	**2,556**	**0.18**	3,455	0.22
Current	**1,387,208**	**99.82**	1,633,887	99.78
Total net investment, continuing operations	**1,389,764**	**100.00**	1,637,342	100.00

[1] There were no finance receivables outstanding as at September 30, 2017 related to discontinued operations. For December 31, 2016, amounts have been adjusted to exclude discontinued operations.

The following table presents selected characteristics of the finance receivables of continuing operations:

	September 30, 2017		December 31, 2016 [1]	
	Leases	Loans	Leases	Loans
Net investment, continuing operations	**$647,256**	**$742,508**	$794,227	$843,115
Weighted average fixed interest rate	**6.70%**	**6.32%**	6.65%	6.37%
Weighted average floating interest rate	**n/a**	**7.13%**	n/a	5.05%
Percentage of portfolio with fixed interest rate	**100.00%**	**76.77%**	100.00%	71.69%

[1] There were no finance receivables outstanding as at September 30, 2017 related to discontinued operations. For December 31, 2016, amounts have been adjusted to exclude discontinued operations.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

Allowance for credit losses

An analysis of the Company's allowance for credit losses for continuing operations is as follows:

	Nine-month period ended September 30, 2017	Year ended December 31, 2016 [1]
	$	$
Allowance for credit losses, beginning of period	**4,377**	8,122
Provision for credit losses [2]	**8,400**	4,719
Charge-offs, net of recoveries	**(6,245)**	(8,444)
Impact of foreign exchange rates	**(38)**	(20)
Allowance for credit losses, end of period	**6,494**	4,377
Allowance as a percentage of finance receivables	**0.44%**	0.27%

[1] There was no allowance for discontinued operations as at September 30, 2017. For December 31, 2016, amounts have been adjusted to exclude discontinued operations.

[2] Includes $4,000 reclassified from discontinued operations to continuing operations in the nine-month period ended September 30, 2017.

5. Equipment under operating leases

The Company acts as a lessor in connection with equipment under operating leases and continues to recognize the leased assets in its interim condensed consolidated statements of financial position. The lease payments received, net of depreciation, are recognized in income as rental revenue, net.

	September 30, 2017	December 31, 2016
	$	$
Cost	**1,120,322**	2,748,685
Accumulated amortization	**(89,424)**	(130,073)
Net carrying amount of equipment under operating leases	**1,030,898**	2,618,612

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

Rental revenue, net, from continuing operations consists of the following:

	For the three-month periods ended		For the nine-month periods ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Rental revenue	**40,625**	56,656	**154,124**	174,224
Amortization of equipment under operating leases	**(13,857)**	(16,484)	**(48,949)**	(49,543)
	26,768	40,172	**105,175**	124,681

6. Inventories

The following table presents the assets currently held in inventory for realization or awaiting new lease arrangements and presented at their net estimated realizable value. The majority of railcar inventory items represent current purchases where the Company is negotiating new lease arrangements.

	Railcar	Aviation	Canada C&V Finance	Continuing operations	U.S. C&V Finance [1]	Total
	$	$	$	$	$	$
At December 31, 2015	—	—	2,840	2,840	12,452	15,292
Net additions during the year	56,574	99,938	4,255	160,767	4,241	165,008
Valuation reserve	—	(40,281)	—	(40,281)	—	(40,281)
At December 31, 2016	56,574	59,657	7,095	123,326	16,693	140,019
Net additions/removals during the period	**37,316**	**37,690**	**(739)**	**74,267**	**(16,693)**	**57,574**
Valuation reserve	**—**	**2,020**	**—**	**2,020**	**—**	**2,020**
Foreign exchange rate adjustments	**(6,209)**	**(6,204)**	**—**	**(12,413)**	**—**	**(12,413)**
At September 30, 2017	**87,681**	**93,163**	**6,356**	**187,200**	**—**	**187,200**

[1] U.S. C&V Finance inventories represent discontinued operations.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

7. Secured borrowings

	September 30, 2017			
	Balance outstanding	Weighted average interest rate [1]	Pledged finance receivables and equipment under operating leases	Cash reserves
	$	%	$	$
Life insurance company term funding facilities	**179,932**	**2.91**	**178,191**	**22,810**
Securitization programs	**385,168**	**2.26**	**415,091**	**4,209**
Asset-backed securities	**369,990**	**3.55**	**500,426**	**9,866**
Term senior credit facility [2]	**354,220**	**2.93**	**—**	**—**
	1,289,310	**2.90**	**1,093,708**	**36,885**
Deferred financing costs	**(17,969)**			
Total secured borrowings	**1,271,341**			

	December 31, 2016			
	Balance outstanding	Weighted average interest rate [1]	Pledged finance receivables and equipment under operating leases	Cash reserves
	$	%	$	$
Life insurance company term funding facilities	262,363	2.96	257,841	30,428
Securitization programs	1,087,792	2.22	1,337,498	19,583
Asset-backed securities	1,457,569	3.95	1,816,193	43,312
Term senior credit facility [2]	1,744,988	2.56	—	—
	4,552,712	2.95	3,411,532	93,323
Deferred financing costs	(48,121)			
Total secured borrowings	4,504,591			

[1] Represents the weighted average stated interest rate of outstanding debt at period-end, and excludes amortization of deferred financing costs, premiums or discounts, stand-by fees and the effects of hedging.

[2] The revolving senior credit facility is secured by a general security agreement in favour of the lenders consisting of first priority interest on all property.

The Company was in compliance with all financial and reporting covenants with all of its lenders as at September 30, 2017.

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

Life insurance company term funding facilities

At September 30, 2017, the Company had committed lines of funding of $229,932, of which $179,932 was utilized providing the Company access to $50,000.

At December 31, 2016, the Company had committed lines of funding in the amount of $389,906, of which $262,363 was utilized providing the Company with access to $127,543.

Securitization programs

As at September 30, 2017, the Company had available capacity of $15,456 [December 31, 2016 - $283,377].

On April 3, 2017, in connection with the sale of the US C&V Finance business, the Company repaid the outstanding balance of US$420,705 and terminated its securitization program related to the business sold.

Asset-backed securities

As at September 30, 2017, the Company has the following asset-backed securitizations outstanding:

Issuance date	At issuance	Outstanding as at September 30, 2017	
	US$	US$	C$
April 11, 2014	340,347	**296,657**	**369,990**

During the quarter, in connection with the sale of certain rail assets, the Company transferred the obligation related to the ERL II program to the purchaser.

Term senior credit facility

The Company's US$2,500,000 term senior credit facility in place as at September 30, 2017 was syndicated to a group of 20 Canadian, U.S. and international banks with a maturity date of September 30, 2019.

At September 30, 2017, the Company had available capacity of US$2,215,987 [December 31, 2016 - US$1,200,391].

On April 3, 2017, in connection with the sale of the US C&V Finance business, the Company repaid US$902,595 of the term senior credit facility.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

Restricted funds

	September 30, 2017	December 31, 2016
	$	$
Continuing operations		
Restricted - cash in collection accounts	**23,286**	26,797
Restricted - cash reserves	**36,885**	83,896
	60,171	110,693
Discontinued operations		
Restricted - cash in collection accounts	—	16,751
Restricted - cash reserves	—	9,427
	—	26,178

8. Share capital

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.

	Common shares	
	Shares	Amount
	#	$
Issued pursuant to the Separation transaction	386,755,808	1,418,727
Exercise of options	356,681	155
Balance, December 31, 2016	387,112,489	1,418,882
Exercise of options	1,009,293	573
Balance, March 31, 2017	388,121,782	1,419,455
Exercise of options	405,101	415
Balance, June 30, 2017	388,526,883	1,419,870
Exercise of options	**94,138**	**126**
Common share repurchases	**(6,522,400)**	**(24,994)**
Balance, September 30, 2017	**382,098,621**	**1,395,002**

Normal Course Issuer Bid

On June 30, 2017, the Toronto Stock Exchange approved the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"). Pursuant to 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 NCIB period commenced on July 5, 2017 and will end on the earlier of July 4, 2018, and the completion of purchases under the NCIB. During the three and nine-month period ended September 30, 2017, the Company purchased 6,522,400 common shares for a total of $25.0 million or $3.83 per common share.

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

The following table summarizes the Company's outstanding preferred share capital:

	Preferred shares	
	Shares	Amount
	#	$
Issued during the year	4,000,000	97,315
Balance, December 31, 2016	4,000,000	97,315
Issuance of shares, net of costs	**4,000,000**	**97,404**
Balance, September 30, 2017	**8,000,000**	**194,719**

Preferred share dividends

On December 2, 2016, the Company issued through a public offering, 4,000,000 6.50% Cumulative 5-year Minimum Rate Reset Preferred Shares, Series A ["Series A shares"], at a price of $25.00 per preferred share for gross proceeds of $100,000. The issuance included pre-tax transaction costs of $3,659 [or after-tax transaction costs of $2,685].

On May 25, 2017, the Company issued through a public offering, 4,000,000 6.25% Cumulative 5-year Minimum Rate Reset Preferred Shares, Series C ["Series C shares"], at a price of $25.00 per preferred share for gross proceeds of $100,000. The issuance included pre-tax transaction costs of $3,537 [or after-tax transaction costs of $2,596].

During the three- and nine-month periods ended September 30, 2017, the Company paid $1,625 and $5,368 [after tax cost of $1,670 and $5,516] or $0.40625 and $1.34225 per Series A share in preferred share dividends [three- and nine-month periods ended September 30, 2016 - nil].

During the three- and nine-month periods ended September 30, 2017, the Company paid $1,575 and $2,192 [after tax cost of $1,617 and $2,253] or $0.5480 per Series C share in preferred share dividends [three- and nine-month periods ended September 30, 2016 - nil].

Common share dividends

During the three- and nine-month periods ended September 30, 2017, the Company paid $3,885 and $11,637 or $0.01 and $0.03 per common share, respectively [three- and nine-month periods ended September 30, 2016 - nil].

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

9. Share-based compensation

Share-based compensation expense consists of the following for the periods ended:

	Three-month period ended		Nine-month period ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
[a] Stock options	**1,975**	1,017	**7,033**	3,458
[b] Deferred share units	**505**		**2,347**	
[c] Performance share units and restricted share units		1,775		2,575
Total share-based compensation	**2,480**	2,792	**9,380**	6,033

[a] Stock options

The changes in the number of stock options during the periods were as follows:

	Number of options	Weighted average exercise price
	#	$
Issued on Separation	22,556,684	2.59
Granted	8,895,000	2.70
Forfeited	(97,372)	2.95
Exercised	(400,720)	1.08
Outstanding, December 31, 2016	30,953,592	2.64
Granted	4,200,000	3.50
Forfeited	(109,505)	3.11
Exercised	(2,046,470)	2.02
Outstanding, March 31, 2017	32,997,617	2.79
Granted	505,000	3.79
Forfeited	(85,196)	2.97
Exercised	(1,012,898)	2.50
Outstanding, June 30, 2017	32,404,523	2.81
Granted	**375,000**	**3.93**
Forfeited	**(133,896)**	**3.32**
Exercised	**(143,298)**	**1.88**
Outstanding, September 30, 2017	**32,502,329**	**2.83**

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

[b] Deferred Share Units [“DSU”]

	Deferred share units
	#
Outstanding, December 31, 2016	96,678
Granted	419,700
Outstanding, March 31, 2017	516,378
Granted	150,129
Outstanding, June 30, 2017	**666,507**
Granted	**46,406**
Outstanding, September 30, 2017	**712,913**

As at September 30, 2017, the fair value of DSUs recorded on the interim condensed consolidated statements of financial position as accounts payable and accrued liabilities was $2,666 [December 31, 2016 - $319]. There are no hedges on DSU share units.

10. Other revenue

Other revenue consists of the following for the periods ended September 30:

	Three-month period ended		Nine-month period ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Origination fees	**2,035**	—	**2,035**	—
Servicing fees	**1,905**	—	**1,905**	—
Syndication fees	**—**	3,417	**2,698**	4,977
Capital advisory fees	**—**	1,114	**1,738**	3,688
Prepayment charges	**1,328**	1,663	**3,658**	3,504
Other revenue	**90**	1,733	**1,963**	3,826
Total other revenue, continuing operations	5,358	7,927	**13,997**	15,995
Discontinued operations	**—**	2,647	**—**	7,666
Total other revenue	**5,358**	10,574	**13,997**	23,661

11. Separation and reorganization costs

Separation and reorganization costs for the three and nine-month periods ended September 30, 2017 were nil and $4,672, respectively, for the termination of corporate office space commitments of which $3,300 was allocated to continuing operations. There were $7,704 in separation and reorganization costs incurred by the Company in the three and nine-month periods ended September 30, 2016.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

12. Related party transactions

Notes receivable

Notes receivable of $48,668 as at September 30, 2017 [December 31, 2016 - $40,668] represent loans to certain employees and officers of the Company granted in order to help finance the purchase of Element's shares acquired prior to the Separation and to finance the purchase of the Company's shares post-separation. The loans bear interest at a rate of Canadian prime less 50 basis points with interest payable monthly or annually. The principal is payable on demand in the event of non-payment of interest and the notes receivable are secured by the Element Fleet and ECN Capital shares purchased with full recourse to the employee.

The changes in the notes receivable during the periods were as follows:

	Nine-month period ended September 30, 2017	Year ended December 31, 2016
	$	$
Notes receivable, beginning of period	**40,668**	27,338
Additions	**12,911**	13,051
Interest income	**644**	802
Repayments (interest and principal)	**(5,555)**	(523)
Notes receivable, end of period	**48,668**	40,668

Corporate allocations

Element utilized a centralized corporate platform to provide shared services for general and administrative functions to the Company prior to the Separation. Corporate overhead allocations and allocated expenses recorded within salaries, wages and benefits for the three- and nine-month periods ended September 30, 2016 were $874 and $3,561 respectively. Corporate overhead allocations and allocated expenses recorded within general and administrative expense for the three- and nine-month periods ended September 30, 2016 were $981 and $2,992, respectively.

C&V Finance and Aviation Finance allocations

There were certain assets that were historically managed within the C&V Finance and Aviation Finance verticals but were retained by Element as part of the Separation. There were certain direct and indirect operating costs associated with these assets, which were excluded from the carve-out figures comprising the three- and nine-month periods ended September 30, 2016 statement of operations, including both direct costs identified by management and an allocation of certain indirect costs based on net average earning assets. The operating costs excluded from the carve-out statement of operations include salaries, wages and benefits of $326 and $992, respectively, and general and administration expenses of $98 and $298, respectively.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

13. Earnings (loss) per share

	Three-month period ended		Nine-month period ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Net (loss) income from continuing operations attributable to shareholders	**(50,943)**	1,072	**(23,546)**	45,806
Cumulative dividends on preferred shares	**3,200**	—	**7,561**	—
Net (loss) income from continuing operations available to common shareholders	**(54,143)**	1,072	**(31,107)**	45,806
Net income (loss) from discontinued operations attributable to common shareholders	**—**	153	**272,352**	5,915
Total net (loss) income attributable to common shareholders	**(54,143)**	1,225	**241,245**	51,721
Weighted average number of common shares outstanding - basic	**385,886,570**	386,741,904	**387,184,637**	386,389,018
Basic earnings per share from continuing operations	**$ (0.14)**	$ —	**$ (0.08)**	$ 0.12
Basic earnings per share from discontinued operations	**$ —**	$ —	**$ 0.70**	$ 0.02
Total earnings per share	**$ (0.14)**	$ —	**$ 0.62**	$ 0.14
Weighted average number of common shares outstanding - diluted	**385,886,570**	390,574,614	**396,459,291**	390,582,143
Diluted earnings per share from continuing operations	**$ (0.14)**	$ —	**$ (0.08)**	$ 0.11
Diluted earnings per share from discontinued operations	**$ —**	$ —	**$ 0.69**	$ 0.02
Total diluted earnings per share	**$ (0.14)**	$ —	**0.61**	$ —

Instruments outstanding as at September 30, 2017 that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive, include 9,274,654 and nil stock options for the three- and nine-month periods ended September 30, 2017, respectively [three- and nine-month periods ended September 30, 2016 - nil and 153,332, respectively].

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

14. Derivative financial instruments

In the normal course of business, and consistent with its risk management program, the Company enters into interest rate derivatives to manage interest rate risk and foreign exchange forward agreements to manage foreign currency exposure. All derivative instruments are designated in hedging relationships.

Cash flow hedging relationships

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the periods ended September 30:

	Three-month period ended		Nine-month period ended	
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
	$	$	$	$
Fair value gains (losses) recorded in other revenues	**4,644**	1,274	**15,080**	(17,438)
Fair value gains (losses) recorded in other comprehensive income (loss)	**23,982**	7,259	**26,790**	(13,604)

Notional amounts and fair values of derivative instruments

The following table summarizes the notional principal and fair values of the derivative financial instruments outstanding:

	As at September 30, 2017		As at December 31, 2016	
	Notional principal	**Fair value**	**Notional principal**	**Fair value**
	$	$	$	$
Derivative assets				
Interest rate contracts	**471,098**	**7,041**	1,934,581	10,950
Foreign exchange agreements	**5,516**	**105**	542,480	435
	476,614	**7,146**	2,477,061	11,385
Derivative liabilities				
Interest rate contracts	**16,963**	**84**	226,888	2,200
Foreign exchange agreements	**172,737**	**2,892**	168,240	780
	189,700	**2,976**	395,128	2,980

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

Offsetting of derivative assets and liabilities

The following table presents a summary of the Company's derivative portfolio, which includes the gross amounts of recognized financial assets and liabilities; the amounts offset in the interim condensed consolidated statements of financial position; the net amounts presented in the interim condensed consolidated statements of financial position; the amounts subject to an enforceable master netting agreement or similar agreement that were not included in the offset amount above; and the amount of cash collateral received or pledged.

	September 30, 2017 $	December 31, 2016 $
Derivative assets		
Gross amounts of financial instruments recognized on the interim condensed consolidated statements of financial position	**7,146**	11,385
Amounts subject to an enforceable master netting agreement	**2,775**	2,980
	4,371	8,405
Derivative liabilities		
Gross amounts of financial instruments recognized on the interim condensed consolidated statements of financial position	**2,976**	2,980
Amounts subject to an enforceable master netting agreement	**2,775**	2,980
	201	—

15. Capital disclosures

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value.

The Company's capitalization is as follows:

	September 30, 2017 $	December 31, 2016 $
Secured borrowings	**1,271,341**	4,504,591
Accounts payable and accrued liabilities	**176,398**	84,252
	1,447,739	4,588,843
Shareholders' equity	**1,917,236**	1,827,171
	3,364,975	6,416,014

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

16. Segmented information

[a] Operating segments

ECN Capital's operating results are categorized into four operating and reporting segments consisting of: [a] the Rail Finance vertical; [b] the Aviation Finance vertical; [c] the C&V Finance vertical; and [d] the Home Improvement Finance vertical. Rail Finance, with a focus on vendor relationships with rail manufacturers, provides leases and other secured financing for railcars for the North American rail industry. Aviation Finance provides leases and other secured financing for corporate airplanes and helicopters. C&V Finance, in conjunction with manufacturers and distributors, delivers financing and leasing solutions to customers in the transportation, construction, commercial, industrial, health care, golf, technology, and office products sectors. C&V Finance consists of the Canada C&V Finance continuing operations and the US C&V Finance discontinued operations whose earning assets were sold in the the first quarter 2017. Home Improvement Finance includes the operations of Service Finance from September 7, 2017.

The business segments are based upon the types of assets leased and serviced and the types of clients served. The financial reporting of ECN Capital's four business segments is consistent with the manner in which management currently evaluates the operating segment performance.

The interim condensed consolidated statements of operations by segment for the periods ended September 30 are shown in the tables below:

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

	For the three-month period ended September 30, 2017				
	Rail Finance	Aviation Finance	Canada C&V Finance	Home Improvement	Total
	$	$	$	$	$
Interest income and rental revenue, net	**24,423**	**8,912**	**16,487**	**—**	**49,822**
Interest expense	**13,849**	**3,286**	**5,819**	**—**	**22,954**
	10,574	**5,626**	**10,668**	**—**	**26,868**
Provision for credit losses	**—**	**82**	**576**	**—**	**658**
Other revenues	**(435)**	**(180)**	**1,976**	**3,997**	**5,358**
Net financial income	**10,139**	**5,364**	**12,068**	**3,997**	**31,568**
Adjusted operating expenses	**6,968**	**2,769**	**5,120**	**1,318**	**16,175**
Net adjusted operating income before income taxes	**3,171**	**2,595**	**6,948**	**2,679**	**15,393**
Share-based compensation					**2,480**
Acquisition costs					**18,724**
Loss on sale of businesses					**78,348**
Net loss before income taxes					**(84,159)**
Recovery of income taxes					**(33,216)**
Net loss for the period					**(50,943)**

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

	For the nine-month period ended September 30, 2017						
	Rail Finance	Aviation Finance	Canada C&V Finance	Home Improvement	Total continuing operations	Discontinued Operations	Total
	$	$	$		$	$	$
Interest income and rental revenue, net	**97,457**	**32,605**	**45,389**	**—**	**175,451**	**26,328**	**201,779**
Interest expense	**52,190**	**11,816**	**17,700**	**—**	**81,706**	**10,289**	**91,995**
	45,267	**20,789**	**27,689**	**—**	**93,745**	**16,039**	**109,784**
Provision for credit losses	**—**	**1,989**	**1,115**	**—**	**3,104**	**5,949**	**9,053**
Other revenues	**2,358**	**1,854**	**5,788**	**3,997**	**13,997**	**4,592**	**18,589**
Net financial income	**47,625**	**20,654**	**32,362**	**3,997**	**104,638**	**14,682**	**119,320**
Adjusted operating expenses	**23,471**	**10,202**	**13,736**	**1,318**	**48,727**	**8,975**	**57,702**
Net adjusted operating income before taxes	**24,154**	**10,452**	**18,626**	**2,679**	**55,911**	**5,707**	**61,618**
Share-based compensation					**9,380**	**971**	**10,351**
Separation and reorganization costs					**3,300**	**1,372**	**4,672**
Acquisition costs					**18,724**	**—**	**18,724**
Loss (gain) on sale of businesses					**76,030**	**(341,817)**	**(265,787)**
Net (loss) income before income taxes					**(51,523)**	**345,181**	**293,658**
Provision for income taxes					**(27,977)**	**72,829**	**44,852**
Net (loss) income for the period					**(23,546)**	**272,352**	**248,806**

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

	For the three-month period ended September 30, 2016					
	Rail Finance	Aviation Finance	Canada C&V Finance	Total continuing operations	Discontinued Operations	Total
	$	$	$	$	$	$
Interest income and rental revenue, net	36,767	15,364	13,890	66,021	21,332	87,353
Interest expense	20,143	6,363	8,348	34,854	6,690	41,544
	16,624	9,001	5,542	31,167	14,642	45,809
Provision for credit losses	—	147	274	421	7,418	7,839
Other revenues	3,282	3,524	1,121	7,927	2,647	10,574
Net financial income	19,906	12,378	6,389	38,673	9,871	48,544
Adjusted operating expenses	4,953	2,494	3,063	10,510	6,947	17,457
Net adjusted operating income before taxes	14,953	9,884	3,326			
Impairment and amortization of intangible assets from acquisitions				26,605	—	26,605
Share-based compensation				2,792	297	3,089
Separation and reorganization costs				7,704	2,546	10,250
Net operating income [before income taxes]				(8,938)	81	(8,857)
Provision for income taxes				(10,010)	(72)	(10,082)
Net income for the period				1,072	153	1,225

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

	For the nine-month period ended September 30, 2016					
	Rail Finance	Aviation Finance	Canada C&V Finance	Total continuing operations	Discontinued operations	Total
	$	$	$	$	$	$
Interest income and rental revenue, net	113,418	51,880	42,007	207,305	60,495	267,800
Interest expense	54,016	19,980	23,309	97,305	24,363	121,668
	59,402	31,900	18,698	110,000	36,132	146,132
Provision for credit losses	—	478	2,812	3,290	14,225	17,515
Other revenue	3,204	9,305	3,486	15,995	7,666	23,661
Net financial income	62,606	40,727	19,372	122,705	29,573	152,278
Adjusted operating expenses	15,862	8,100	8,453	32,415	18,436	50,851
Net adjusted operating income before income taxes	46,744	32,627	10,919	90,290	11,137	101,427
Impairment and amortization of intangible assets from acquisitions				27,255	—	27,255
Share-based compensation				6,033	941	6,974
Separation and reorganization costs				7,704	2,546	10,250
Net operating income [before income taxes]				49,298	7,650	56,948
Provision for income taxes				3,492	1,735	5,227
Net income for the period				45,806	5,915	51,721

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

September 30, 2017

[b] Geographic Segments

The Company primarily operates in Canada, the US and Other.

Geographic information as at September 30, 2017 and December 31, 2016, is as follows:

	As at September 30, 2017				As at December 31, 2016 [1]			
	Canada	US	Other	Total	Canada	US	Other	Total
	$	$	$	$	$	$	$	$
Select assets								
Finance receivables	**1,139,031**	**323,129**	**—**	**1,462,160**	1,089,854	2,301,247	(3,122)	3,387,979
Equipment under operating leases	**183,833**	**828,758**	**18,307**	**1,030,898**	373,309	2,186,910	58,393	2,618,612
Goodwill	**4,560**	**298,317**	**—**	**302,877**	4,560	—	—	4,560
Property, equipment and leasehold improvements and intangibles	**4,495**	**162,137**	**—**	**166,632**	2,593	1,859	—	4,452
	1,331,919	**1,612,341**	**18,307**	**2,962,567**	1,470,316	4,490,016	55,271	6,015,603

[1] Select assets related to discontinued operations are included in the comparative period-end.

17. Fair value of financial instruments

The Company estimates the fair value of the following financial instruments using the methodology described below.

Valuation methods and assumptions

Finance receivables and secured borrowings on finance receivables

The carrying value of finance receivables and secured borrowings approximates fair value. The assertion that the carrying value of the finance receivables approximates fair value requires the use of estimates and significant judgment. Finance receivables and secured borrowings on finance receivables are classified as Level 3 financial instruments. The finance receivables were credit-scored based on an internal model, which is not used in market transactions. They comprise a large number of transactions with commercial customers in different businesses, are secured by liens on various types of equipment and may be guaranteed by third parties and cross-collateralized. The fair value of any receivable would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, payment history, yield, term, documents and other legal matters, and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations, and other factors.

Notes receivable

The carrying value of the notes receivable approximates their fair value, as the interest rate on these assets are commensurate with market interest rates for this type of asset with similar duration and credit risk. Notes receivable are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

Derivatives

The fair values of derivatives are presented in note 14 and are determined by the derivative counterparty using the related interest rate swap curves, foreign exchange forward values, intrinsic values and/or the Company's stock price for the total return swaps. Derivatives are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

18. Subsequent events

Sale of Canadian C&V Finance Assets

On October 30, 2017, the Company announced that it has entered into a definitive agreement with Canadian Western Bank ("CWB") to sell the Company's Canadian C&V Finance assets for cash proceeds of approximately $900 million. The transaction is subject to customary approvals and is expected to close in the first quarter 2018.

Acquisition of Triad Financial Services, Inc.

On October 25, 2017, the Company entered into a definitive agreement to acquire Triad Financial Services, Inc. ("Triad"). Under the terms of the agreement, the Company will pay approximately $125 million (US$ 100 million) in cash for Triad. 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.

Term senior credit facility

On October 6, 2017, the Company amended and revised its senior credit agreement. The revised facility of US$ 2,200,000 was reduced from US$ 2,500,000 and is syndicated to a group of 13 Canadian, US and international banks with a maturity date of December 31, 2020.

19. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

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