ECN CAPITAL

Management Discussion & Analysis

2016

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of ECN Capital Corp. (the "Company" or "ECN Capital") as at and for the year ended 2016, and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended 2016. Additional information relating to the Company 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 Canadian dollars unless otherwise noted.

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO MARCH 6, 2017. 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, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, 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

ECN Capital Corp. (the "Company" or "ECN Capital") is an independent financial services company that originates and services portfolios of financial assets with operations in the United States ("US") and Canada. The Company originates the financing of a broad range of equipment and capital assets by way of secured loans, financial leases, conditional sales contracts and operating leases.

ECN Capital originates its financings through its employee sales force, equipment vendors and direct equipment users, distinguishing itself from traditional lenders such as banks and finance companies in that it:

- Originates primarily through its manufacturer relationships; and
- Funds its activities through commitments from institutional investors rather than accepting deposits from the public.

Backed by the industry leaders and funding partners who built Element Financial Corporation ("Element") into on of North America's largest independent equipment finance company, ECN Capital is proud to continue that legacy of innovation, determination and service in support of its customers. With $8 billion in owned and managed assets, the Company is a major force in the commercial finance sector and has established strong platforms across multiple lines of business in the asset and equipment finance market place. The Company plans to continue to grow its business organically, but will also continue to capitalize on new opportunities where the Company believes it is beneficial.

On February 16, 2016, the Board of Directors of Element approved a plan to separate into two publicly-traded companies (the "Separation"). The plan involved the separation of the portion of Element and its subsidiaries comprising the Commercial and Vendor ("C&V") Finance, Rail Finance and Aviation Finance verticals from the existing corporate structure into ECN Capital Corp., a newly created publicly-traded company. The Fleet Management vertical continues to operate within the then existing corporate structure which has been renamed Element Fleet Management Corp. ("Element Fleet").

The separation of Element into ECN Capital and Element Fleet has been 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. The Separation was effective on October 3, 2016.

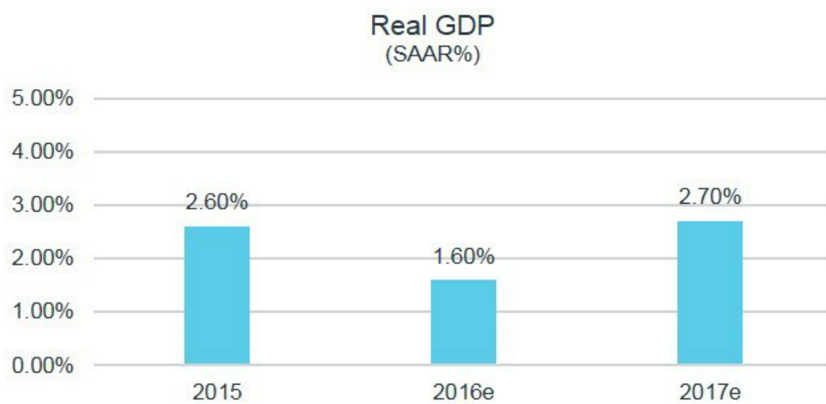
Subsequent to the year end, the Company entered into two separate transactions resulting in the sale of its Commercial and Vendor Finance business in the United States. The transactions are expected to close during the first quarter of 2017 and cover in the aggregate the totality of the Company's C&V US finance business, assets and operations.

Financial information prior to October 3, 2016 included in this Management Discussion and Analysis has, unless otherwise indicated, been derived from the historical consolidated financial statements of Element on a carve-out basis and is presented as if the Company's C&V Finance, Rail Finance and Aviation Finance segments had always operated as a stand-alone entity. The financial information post October 3, 2016 represents the actual results of the Company post Separation.

Market Trends - United States

While investment and real GDP was dampened in the U.S. by uncertainty related to slowing growth in the global economy, the Brexit referendum and the U.S. presidential election, credit conditions remain at generally healthy levels and we anticipate that this will continue into 2017. Fiscal policy should be more expansionary in response to the US President's proposals to reduce personal income and business taxes, and to increase infrastructure spending. As a result, investment in equipment and software is expected to rebound from a contraction in 2016 to mid-single digit growth in 2017, resulting in opportunities for the Company.

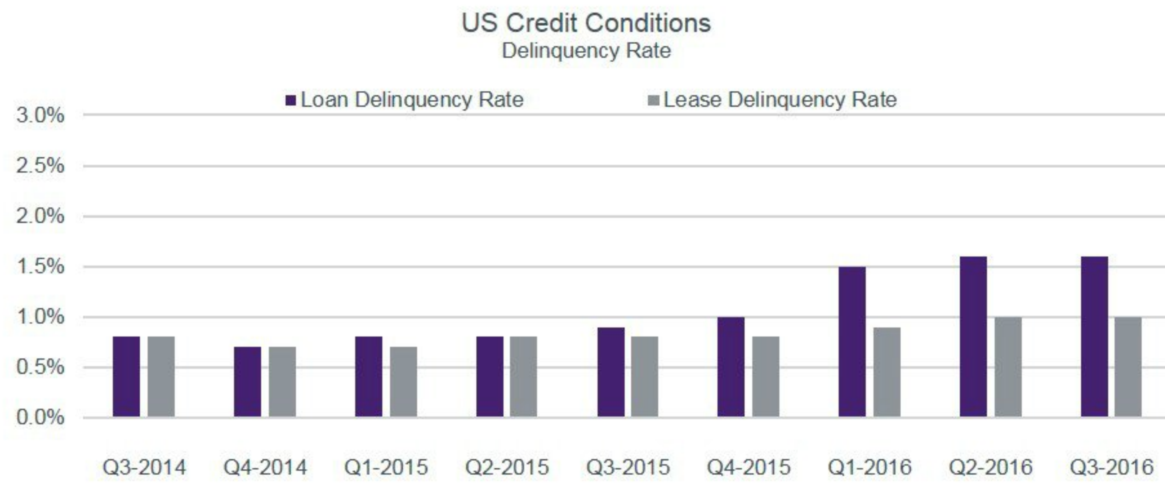
According to the 2017 Equipment Leasing & Finance U.S. Economic Outlook published by the Equipment Leasing & Finance Foundation (the “ELFF”), the U.S. economy appears to have finally moved past a growth pause and is poised for a rebound. Labour markets are this year’s persistent bright spot, and continued labour market strength is likely to drive additional gains in wages and income, consumption, and housing growth. Business investment and manufacturing activity were disappointing in 2016, but many indicators suggest that investment is emerging from a trough and should improve in the coming months. Overall, the economy is well-positioned for GDP growth in 2017.



Source: 2017 Equipment Leasing & Finance U.S. Economic Outloook

U.S. credit conditions remained stable, with little change from the previous quarter in the areas of credit supply and financial stress, and a slight increase in credit demand (especially among consumers and households). Business demand for credit remained tepid in the third quarter of 2016 but improved from the previous quarter.

The ELFF notes that financial stress reported in the third quarter of 2016 is virtually unchanged from the previous quarter. The St. Louis Fed Financial Stress Index increased slightly in November but remains below normal, while the Kansas City Fed Financial Stress Index fell slightly. Loan and lease delinquency rates were flat in the third quarter of 2016, although delinquencies have increased overall in 2016, moving from 0.87% to 1.56% for loans and from 0.77% to 0.98% for leases. Looking ahead, while delinquencies may continue to trend slowly upwards, the ELFF sees little indication of a large-scale deterioration in financial market conditions in 2017.



Source: 2017 Equipment Leasing & Finance U.S. Economic Outlook

Market Trends - Canada

The Canadian economy continues to grow at a relatively slow pace and largely in line with expectations. Despite a weak second quarter in 2016, due in large part to the Alberta wildfires, economic growth rebounded very strongly in the third quarter of 2016. While the level of growth experienced in the third quarter is not expected to continue, commodity related industries appear to have troughed, and growth is expected to moderate in the 2% range looking forward to 2017.

Foreign demand is expected to be strong in 2017, based partly on US fiscal stimulus, however this positive impact could be tempered by a stronger Canadian dollar and a more competitive US corporate tax framework. Investment in the service sector, which represents approximately 40% of total business investment in Canada, is expected to increase according to the winter Business Outlook Survey which should result in higher levels of machinery and equipment purchases.

The Company expects that these slightly improved market conditions will contribute favourably to growth in new business originations in Canada and reduce the risk of credit losses and provisioning requirements in segments of the market that had been under stress in previous quarters.

Net investment in capital assets has trended up over the previous four quarters in five of the seven industry sectors reported by Statistics Canada. The Total Non-Financial sector reported a 1.2% increase in net investments in capital assets between Q4, 2015 and Q3, 2016. Positive asset growth was reported by Utilities (+0.7%), Manufacturing (+0.8%), Mining sector (+1.1%), Wholesale Trade (+3.8%) and the Transportation & Warehousing (+5.1%) sectors. The Construction sector saw a 1.4% decrease in its net investment in capital assets while the Oil & Gas Extraction sector reported a 2.7% decrease over the four quarter period.

CURRENT BUSINESSES

The Company has organized its operations around three separate segments of the equipment finance namely: Rail Finance, Aviation Finance and Commercial and Vendor Finance.

Rail Finance

The Rail Finance segment focuses on vendor relationships with rail manufacturers to provide railcar financing and other secured financing for the North American rail industry. Financing opportunities are sourced through both the Company's direct origination channel and participation in the secondary market.

In 2013, the Company first entered the Rail Finance market through a strategic alliance agreement with Trinity Industries, Inc. ("Trinity"), a leading North American manufacturer of railcars. The agreement initially provided the Company with lease financing for up to US$2 billion worth of railcars over two years. The leases included financing for newly manufactured railcars, existing railcars and secondary market purchases from third parties identified by Trinity, and were based on predetermined diversification criteria, including limits on railcar type, use, lease duration, average age and credit quality of the lessee. Under the agreement, Trinity also provided the Company with new business and general advisory services, including assisting with analyzing the operating and financial performance of the railcar assets and advising the Company on the status of the railcar and railcar leasing markets. In addition, Trinity was and continues to be responsible for performing operating maintenance and servicing on behalf of the Company in respect of the railcar assets. The strategic alliance with Trinity enabled the Company to enter the railcar financing segment with limited investment in overhead and a low operating expense base to grow and manage the portfolio. Since the inception of the strategic alliance agreement, the Company has acquired $2,120 million in railcar leases from Trinity. On October 14, 2015, the Company renewed its strategic alliance agreement with Trinity to provide for the purchase of up to US$1 billion of leased railcars from Trinity over the next four years.

The Company, starting in 2015, also established direct origination capabilities through the creation of a dedicated rail investment team operating out of offices in Toronto, Montréal and Chicago. The group's mandate is to internally source railcar asset investment opportunities that consist of newly manufactured railcars, existing railcars and secondary market purchases from third parties. Railcar asset lease structures, terms and lessee counter-parties are subject to the same prudent diversification and investment criteria as the Trinity alliance agreement. The Company, through an agreement with a third party, performs operating, maintenance and servicing in respect of the railcar assets purchased through the direct origination channel.

Aviation Finance

Historically, the Aviation Finance segment provided leases and other secured financing arrangements for corporate airplanes and helicopters and financing ranging in size from approximately $5 million to $150 million. The Company originated these larger, longer-duration aviation financing transactions through its teams of knowledgeable aviation finance specialists who have established networks of contacts with both manufacturers and end-users of various types of equipment.

On December 19, 2013, the Company acquired a portfolio of helicopter leases for US $242.7 million as well as the related customer lists from GE Capital Corporation. The portfolio and associated customer list acquisition added further scale and scope to Aviation Finance's position in civil aviation equipment financing and leasing.

In June 2015, the Company completed the closing of a US$1.21 billion debt offering for the ECAF I Fund secured by a portfolio of commercial passenger aircraft manufactured by Boeing and Airbus. The Company acted as structurer in the formation of the ECAF I Fund and sourced the third-party institutional equity co-investors.

Following a strategic review of the aviation business in February 2016, the Company decided to discontinue its "on balance sheet" aviation finance business and to sell, manage to maturity and/or transition to a future aviation fund, its portfolio of aviation assets.

Commercial and Vendor Finance

The Commercial and Vendor Finance segment serves the mid-ticket finance segment of the equipment finance industry. Commercial and Vendor Finance, in conjunction with manufacturers and distributors, delivers financing and leasing solutions to end-user customers in the transportation, construction, commercial, industrial, health care, franchise, technology, office products and energy sectors. The mid-ticket finance segment involves financing for the acquisition of equipment ranging in value from approximately $10 thousand to $10 million. In general, the Canadian and US equipment finance industry is served by three main industry participants: independent lease finance companies, captive finance companies owned by manufacturers and distributors, and banks.

The Company has identified four key objectives for the development of its Commercial and Vendor Finance business: (i) target specific segments of the equipment finance market and establish separate business units to cover each segment; (ii) evaluate expansion opportunities to expand our vendor finance business by increasing the number of vendor relationships; (iii) continue to expand our equipment finance origination capabilities through targeted organic and acquisitive growth and iv) evaluate opportunities to monetize assets when valuations are favorable.

The Company primarily originates its equipment finance assets directly through its relationships or programs with equipment vendors. Unlike many of its competitors, the Company does not rely on third party brokers to originate its business. To further assure the quality of its equipment finance assets, ECN Capital emphasizes the creditworthiness of the ultimate lessee or borrower, the value of the financed assets and the creditworthiness of the vendor. The Commercial and Vendor Finance segment has assembled an industry-leading sales force, and has employees covering Canada and the United States with offices in Mississauga, Montréal, Calgary, and Philadelphia.

On February 21, 2017, the Company announced that it has entered into an agreement to sell its U.S. Commercial and Vendor business to PNC Financial Services Group for cash proceeds of approximately US $1.253 billion, a premium of approximately 16.5% over the US $1.075 billion book value of the assets with a closing expected in early April, 2017. As part of the transaction, PNC has agreed to offer employment to all of the employees of the business as well as retaining the property lease on the existing operating office.

STRATEGY

For over 30 years, ECN Capital's management has pursued a strategy of successfully deploying capital within asset classes that comprise the specialty finance sector. This strategy is comprised of four key drivers:

1. Building robust specialty finance businesses that have grown and prospered even in difficult cycles and acting opportunistically within a specific framework to maximize returns through the cycle;
2. Originating and servicing portfolios of financial assets with yield, growth and credit characteristics that have consistently delivered superior risk-adjusted returns to shareholders;
3. Scaling robust businesses organically and through acquisitions that are competitively positioned to complement banks and institutional investors; and
4. Designing optimal capital structures that provide broad access to debt and equity funding sources.

The Company's growth strategy relating to its "on balance sheet" Commercial Finance business is based on four broad initiatives: (i) capitalizing on organic and direct origination opportunities by leveraging established customer relationships and by continuing to "build out" its existing capabilities in North America; (ii) developing new strategic vendor relationships and programs with manufacturers, dealers and distributors; (iii) pursuing and completing acquisitions that can broaden the base of vendor and dealer relationships; and (iv) capitalizing on opportunities to monetize assets when valuations are favorable.

The Company believes it is well positioned to capitalize on opportunities to expand its business through potential acquisition and partnership opportunities. The market dislocation that began in 2008 and the regulatory response to that dislocation as it affected regulated financial institutions created opportunities to acquire attractive portfolios and seasoned businesses at favorable prices, to expand its origination staff by hiring experienced teams with well-established origination relationships and to pursue other strategic and accretive acquisition opportunities. The Company believes that opportunities currently exist similar to those created by the market dislocation in 2008 which will present acquisition and partnership opportunities going forward. With access to capital, a highly experienced management team and a broad network of relationships, the Company has the capability to opportunistically complete accretive transactions and develop long-term strategic partnerships.

Results of Operations - For the three months ended December 31, 2016, September 30, 2016 and December 31, 2015

The following table summarizes key consolidated financial operating data as at and for the three month periods ended December 31, 2016, September 30, 2016 and December 31, 2015:

	As at and for the three months ended				
	December 31, 2016	September 30, 2016	December 31, 2015	Change over September 30, 2016	Change over December 31, 2015
(in 000's for stated values, except ratios)	**$**	$	$	%	%
Net financial income	**54,836**	48,544	60,960	13.0 %	(10.0)%
Adjusted operating income	**33,485**	31,087	43,567	7.7 %	(23.1)%
After-tax adjusted operating income	**25,224**	27,444	33,547	(8.1)%	(24.8)%
Net Income (loss) before income taxes	**(26,259)**	(8,857)	40,878	(196.5)%	(164.2)%
Net income (loss) for the period	**(18,717)**	1,225	31,598	(1,627.9)%	(159.2)%
Total assets	**6,436,354**	6,091,489	6,172,251	5.7 %	4.3 %
Earning assets					
Net investment in finance receivables	**3,386,425**	3,071,763	3,158,079	10.2 %	7.2 %
Equipment under operating leases	**2,618,612**	2,559,235	2,692,731	2.3 %	(2.8)%
Total earning assets	**6,005,037**	5,630,998	5,850,810	6.6 %	2.6 %
Total finance assets	**6,006,591**	5,633,909	5,822,525	6.6 %	3.2 %
New originations	**533,832**	407,015	856,121	31.2 %	(37.6)%
Debt	**4,504,591**	4,268,531	4,471,392	5.5 %	0.7 %
Total average earning assets	**5,778,545**	5,723,270	5,527,209	1.0 %	4.5 %
Average debt outstanding	**4,383,449**	4,537,920	4,107,463	(3.4)%	6.7 %
Tangible leverage	**2.47**	2.51	2.87	(1.6)%	(13.9)%
Net Income EPS - Basic	**-$0.05**	$0.00	$0.08	— %	(162.5)%
Adjusted Operating Income EPS - Basic	**$0.07**	$0.07	$0.09	— %	(22.2)%

HIGHLIGHTS

- ECN Capital was successfully spun-out of Element Financial and is reporting its first quarterly financial results as a separate company.

- During this first quarter of stand-alone operations, the Company demonstrated its ability to access capital for both organic and acquisitive growth with the completion of an investment grade 6.50% Cumulative 5-Year Minimum Rate Reset Preferred Share issuance, raising $100 million in gross proceeds.

- Total originations were $533.8 million during the current quarter compared to $407 million for the immediate prior quarter and $856 million during the comparable quarter ended December 31, 2015. The reduction over the originations reported during the fourth quarter of 2015 is the result of the discontinuance of from the Aviation segment and the lower origination in the Rail segment considering current economic condition for rail operators during the period.

- Average earning assets for the quarter ended December 31, 2016 were $5,779 million, an increase of $55 million or 1.0% over the amounts reported during the previous quarter ended September 30, 2016 and an increase of $251 million or 4.5% over the amounts reported during the comparable quarter of 2015.

- Net financial income was $54.8 million for the current quarter, an increase of $6.3 million or 13% over the amount reported in the previous quarter from increased syndication activities.

- During the quarter, and while the Company believes that it will be successful in litigation, it took a pre-tax asset valuation reserve of $40.2 million against it's litigation with the manufacturer of certain helicopters that have with manufacturer's defect.

- The Company also recorded during the quarter, an additional one time charge of $13.2 million relating to the separation and restructuring of ECN Capital inclusive of an employment contract charge for $5.8 million.

- Earnings per share was a negative $0.05 per share on a net loss of $18.7 million for the quarter.

- **Adjusted operating income before income taxes (a described non-IFRS measure; refer to "IFRS to Non-IFRS Reconciliation in this MD&A) was $33.5 million compared to $31.1 million during the previous quarter or $0.07 per share compared to similar $0.07 per share for the third quarter of 2016.**

- The company continues its strong liquidity position with diversified funding sources and is well capitalized with a 2.47:1 tangible leverage ratio expected to be reduced to approximately 1.3:1 pro-forma the sale of the Company's U.S. C&V business and utilization of funds to de-leverage its balance sheet.

The following table summarizes key consolidated financial data as at and for the quarter ended December 31, 2016, September 30, 2016 and December 31, 2015.

		For the three-month period ended		
(in 000's for stated values, except percent, ratio and per share amounts)		**December 31, 2016** **$**	September 30, 2016 $	December 31, 2015 $
Select metrics				
Originations		**533,832**	407,015	856,121
Average earning assets		**5,778,545**	5,723,270	5,527,209
Average debt		**4,383,449**	4,537,920	4,107,463
Average debt advance rate		**75.9%**	79.3%	74.3%
Net income and adjusted operating income				
Interest income and rental revenue, net		**86,891**	87,353	89,630
Interest expense		**41,928**	41,544	36,732
		44,963	45,809	52,898
Syndication and other income		**16,560**	10,574	13,704
		61,523	56,383	66,602
Provision for credit losses		**6,687**	7,839	5,642
Net financial income	a	**54,836**	48,544	60,960
Operating expenses	b	**21,351**	17,457	17,393
Impairment and amortization of intangible assets from acquisitions		**3,384**	26,605	299
Asset valuation reserve		**40,281**	—	—
Share based compensation		**2,871**	3,089	2,390
Separation and reorganization costs		**13,208**	10,250	—
		81,095	47,151	20,082
Net Income (loss) before income taxes		**(26,259)**	(8,857)	40,878
Income tax expense (recovery)		**(7,542)**	(10,082)	9,280
Net income for the period		**(18,717)**	1,225	31,598
Adjusted operating income (1)	a-b	**33,485**	31,087	43,567
Income tax expense		**8,261**	3,643	10,020
After-tax adjusted operating income (1)		**25,224**	27,444	33,547
Weighted Average number of shares outstanding [basic] (2)		**386,929**	386,742	385,930
Earnings (loss) per share [basic] (2)		**-$0.05**	$0.00	$0.08
Before tax adjusted earnings per share [basic] (2)		**$0.09**	$0.08	$0.11
After tax adjusted earnings per share [basic] (2)		**$0.07**	$0.07	$0.09
Tangible leverage (1)		**2.47**	2.51	2.87

(1) For additional information, see "Description of Non-IFRS Measures" section.

(2) For periods prior to Separation, book value per share is based on the Element shares outstanding as the Separation resulted in the issuance of one Company share for each Element share.

Results of Operations by Segment – For the three months ended December 31, 2016, September 30, 2016 and December 31, 2015

The following table sets forth a summary of the Company's select metrics and carve-out combined results of operations, including a breakdown by vertical for the three months ended December 31, 2016, September 30, 2016 and December 31, 2015.

For the three month period ended December 31, 2016

in 000's for stated values, except percent amounts	Rail	Aviation	C&V	Total	% change over September 30, 2016	% change over December 31, 2015
	$	$	$	$	$	$
Select metrics						
Originations	**71,336**	**—**	**462,496**	**533,832**	31.2 %	(37.6)%
Average earning assets	**2,319,577**	**1,003,519**	**2,455,449**	**5,778,545**	0.9 %	4.5 %
Average debt	**1,795,071**	**566,289**	**2,022,088**	**4,383,448**	(3.4)%	6.7 %
Average debt advance rate	**77.4%**	**56.4%**	**82.4%**	**75.9%**		
Vertical adjusted operating income						
Interest income and rental revenue, net	**35,884**	**14,011**	**36,996**	**86,891**	(0.5)%	(3.1)%
Interest expense	**20,224**	**5,688**	**16,016**	**41,928**	0.9 %	14.1 %
	15,660	**8,323**	**20,980**	**44,963**	(1.8)%	(15.0)%
Syndication and other income	**7,724**	**1,989**	**6,847**	**16,560**	56.6 %	20.8 %
	23,384	**10,312**	**27,827**	**61,523**	9.1 %	(7.6)%
Provision for credit losses	**—**	**123**	**6,564**	**6,687**	(14.7)%	18.5 %
Net financial income	**23,384**	**10,189**	**21,263**	**54,836**	13.0 %	(10.0)%
Adjusted operating expenses (1)	**5,732**	**2,971**	**12,648**	**21,351**	22.3 %	22.8 %
Vertical adjusted operating income before tax	**17,652**	**7,218**	**8,615**	**33,485**	7.7 %	(23.1)%
Select operating ratios (2)						
Interest income and rental revenue, net	**6.19%**	**5.58%**	**6.03%**	**6.01%**		
Interest expense	**3.49%**	**2.27%**	**2.61%**	**2.90%**		
	2.70%	**3.32%**	**3.42%**	**3.11%**		
Syndication and other income	**1.33%**	**0.79%**	**1.12%**	**1.15%**		
Provision for credit losses	**—%**	**0.05%**	**1.07%**	**0.46%**		
Net financial income	**4.03%**	**4.06%**	**3.46%**	**3.80%**		
Adjusted operating expenses (1)	**0.99%**	**1.18%**	**2.06%**	**1.48%**		
Vertical adjusted operating income before tax	**3.04%**	**2.88%**	**1.40%**	**2.32%**		
Cost of debt (3)	**4.51%**	**4.02%**	**3.17%**	**3.83%**		

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) Yield as a percent of average earning assets.
(3) Yield as a percent of average debt.

For the three month period ended September 30, 2016				
(in 000's for stated values, except percent amounts)	**Rail**	**Aviation**	**C&V**	**Total**
	$	**$**	**$**	**$**
Select metrics				
Originations	92,149	—	314,866	**407,015**
Average earning assets	2,308,617	1,121,297	2,293,356	**5,723,270**
Average debt	1,885,548	694,000	1,958,372	**4,537,920**
Average debt advance rate	81.7%	61.9%	85.4%	**79.3%**
Vertical adjusted operating income				
Interest income and rental revenue, net	36,767	15,364	35,222	**87,353**
Interest expense	20,143	6,363	15,038	**41,544**
	16,624	9,001	20,184	**45,809**
Syndication and other income	3,282	3,524	3,768	**10,574**
	19,906	12,525	23,952	**56,383**
Provision for credit losses	—	147	7,692	**7,839**
Net financial income	19,906	12,378	16,260	**48,544**
Adjusted operating expenses (1)	4,953	2,494	10,010	**17,457**
Vertical adjusted operating income before tax	14,953	9,884	6,250	**31,087**
Select operating ratios (2)				
Interest income and rental revenue, net	6.37%	5.48%	6.14%	**6.11%**
Interest expense	3.49%	2.27%	2.62%	**2.90%**
	2.88%	3.21%	3.52%	**3.20%**
Syndication and other income	0.57%	1.26%	0.66%	**0.74%**
Provision for credit losses	—%	0.05%	1.34%	**0.55%**
Net financial income	3.45%	4.42%	2.84%	**3.39%**
Adjusted operating expenses (1)	0.86%	0.89%	1.75%	**1.22%**
Vertical adjusted operating income before tax	2.59%	3.53%	1.09%	**2.17%**
Cost of debt (3)	4.27%	3.67%	3.07%	**3.66%**

For the quarter ending September 30th, the average debt and interest expense by vertical was adjusted to reflect the allocation methodology applicable on a post separation basis, which varies slightly from that used to present carved-out data based on historical information.

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) Yield as a percent of average earning assets.
(3) Yield as a percent of average debt.

For the three-month period ended December 31, 2015

in 000's for stated values, except percent amounts	Rail	Aviation	C&V	**Total**
	$	$	$	**$**
Select metrics				
Originations	197,552	305,540	353,029	**856,121**
Average earning assets	2,166,634	1,363,128	1,997,447	**5,527,209**
Average debt	1,676,485	768,752	1,662,226	**4,107,463**
Average debt advance rate	77.4%	56.4%	83.2%	**74.3%**
Vertical adjusted operating income				
Interest income and rental revenue, net	39,134	18,004	32,492	**89,630**
Interest expense	15,955	6,745	14,032	**36,732**
	23,179	11,259	18,460	**52,898**
Syndication and other income	6,782	6,006	916	**13,704**
	29,961	17,265	19,376	**66,602**
Provision for credit losses	—	154	5,488	**5,642**
Net financial income	29,961	17,111	13,888	**60,960**
Adjusted operating expenses (1)	4,911	2,276	10,206	**17,393**
Vertical adjusted operating income before tax	25,050	14,835	3,682	**43,567**
Select operating ratios (2)				
Interest income and rental revenue, net	7.22%	5.28%	6.51%	**6.49%**
Interest expense	2.95%	1.98%	2.81%	**2.66%**
	4.28%	3.30%	3.70%	**3.83%**
Syndication and other income	1.25%	1.76%	0.18%	**0.99%**
Provision for credit losses	—%	0.05%	1.10%	**0.41%**
Net financial income	5.53%	5.02%	2.78%	**4.41%**
Adjusted operating expenses (1)	0.91%	0.67%	2.04%	**1.26%**
Vertical adjusted operating income before tax	4.62%	4.35%	0.74%	**3.15%**
Cost of debt (3)	3.81%	3.51%	3.38%	**3.58%**

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) Yield as a percent of average earning assets.
(3) Yield as a percent of average debt.

The following discussion relates to the financial results of operation for the three-month period ended December 31, 2016 presented on both a consolidated and segmented basis.

Q4 2016 vs Q3 2016

The Company is reporting total originations of $533.8 million for the quarter ended December 31, 2016 compared to $407.0 million during the immediately preceding quarter ended September 30, 2016 with the increase in our Commercial and Vendor Finance segment.

Interest income and rental revenue, net of depreciation of $86.9 million decreased $0.5 million from the amount reported during the previous quarter ending on September 30, 2106, where marginally lower yields were off-set by slightly higher average earning assets.

In Rail Finance, interest income and net rental revenue of $35.9 million declined $0.9 million from the third quarter on lower yields partly offset by slightly higher average earning assets. In Aviation Finance, interest income and net rental revenue of $14.0 million declined $1.4 million as the portfolio continues to runoff. In Commercial and Vendor Finance, interest income and net rental revenue of $37.0 million increased $1.8 million driven by mainly by higher average earning assets net.

Interest expense of $41.9 million for the quarter ended December 31, 2016, was consistent with the third quarter and interest expense as a percent of average earning assets remained constant at 2.9% over both periods.Debt costs being interest expense over the average debt outstanding during the period was slightly higher at 3.83% compared to 3.66% during the previous quarter of 2016. This marginal increase was off-set by lower leverage while the interest expense reported during the quarter ended September 30, 2016 is derived from corporate allocation and carved-out financial information and not perfectly comparable as allocated on a different basis.

Syndication and other revenue of $16.6 million for the quarter ended December 31, 2016, an increase of $6.0 million from the amount reported during the immediately preceding quarter ended September 30, 2016 driven by higher Syndication fees in the Company's Rail segment where the Company took advantage of valuation up-side on certain rail car types.

Adjusted operating expenses (a non-IFRS measure, refer to "IFRS to Non-IFRS Reconciliations" in this MD&A for a reconciliation to net income) were $21.4 million for the quarter ended December 31, 2016 compared to $17.5 million for the third quarter driven by higher expense in salaries and wages related to timing of variable compensation expenses.

Impairment and amortization of intangible assets from acquisitions represents the amortization of the remaining goodwill associated with the Aviation segment as the Company has indicated that it does no longer intent to originate this type of assets in the future and is running off it's current book of on balance sheet aviation assets.

The Company recorded an asset valuation reserve of $40.3 million (approximately 47% of the carrying value) in connection with a number of helicopters it recovered from customers (predominantly CHC) that present manufacturer defects. These helicopters include one Airbus EC 225 and four Airbus AS332L2s models have been subject to groundings and some operational restrictions by aviation authorities since an April 2016 crash of an Airbus H225, which resulted in thirteen fatalities. In addition, a number of customers and operators voluntarily suspended operations of EC 225 and AS332L2 helicopter models. Any extended suspension or grounding of these helicopter models could decrease demand and increase the number of idle helicopters of such model, increase the supply of such model available for sale or lease, and negatively impact market values. The Company elected, on a precautionary basis, to take a valuation reserve against these assets at this time following the discontinuance of negotiations with the manufacturer earlier in the year. There are a number of initiatives underway that the Company is pursuing for recovery, including bankruptcy and insurance claims against CHC, product liability litigation against Airbus and marketing re-leasing efforts that the Company believes will provide for a full recovery.

One-time separation and related reorganization costs were $13.2 million during the quarter consisting of $5.4 million reflecting accruals for organizational restructuring charges following the separation, $5.8 million in connection with an employment contract charge (see below) as well as $2.0 million for third party separation related costs incurred during the quarter. The Company is not expected to incur any additional costs in connection with the separation initiative.

> As part of the Separation Transaction, certain executive officers of Element, Steve Hudson, Michel Béland and Jim Nikopoulos (the “Executives”), ceased to be employed by Element. The Executives did not receive special compensation for the Separation Transaction or as a result of cessation of employment with Element.
>
> The Executives entered into employment arrangements (“Employment Contracts”) with ECN Capital Corp. (“ECN Capital”) on conventional market terms, including reduced salary and total compensation packages (with short and long-term incentives tied to corporate performance scorecards, not acquisition transactions). Neither Element nor ECN Capital have pension plans, or provide retirement consideration for executives. The Employment Contracts are for a five-year term and provide for pension entitlements to recognize past service at Element and continued service at ECN. In the case of ECN Capital’s Chief Executive Officer (“CEO”), for example, he will be entitled at the end of the five-term term to a pension amount equal to $950,000 per year of service (recognizing the seven years in which he served as CEO of Element, together with the five years in which he has agreed to serve as CEO of ECN Capital). In addition, the CEO has agreed to continue under a consulting arrangement for a four-year term following the expiry of the Employment Contract term and shall receive $900,000 per year in consulting fees.
>
> Pursuant to the Separation Agreement dated October 3, 2016, Element has agreed to pay $24.9 million of the Employment Contract termination amounts. In the fourth quarter of 2016, ECN Capital established provisions against the Employment Contracts future obligations of $5.8 million.

Share-based compensation expense of $2.9 million was in line with the $3.0 million expense in the third quarter. Share-based compensation represents the recognition of the non-cash fair value attributed to the options granted to the Company's employees and directors, and the value of the deferred share units (DSU's) granted during the quarter. Options expense are recognized on a proportionate basis consistent with the vesting period of such options.

As a result, the Company is reporting a pre-tax loss of $26.3 million compared to a pre-tax loss of $8.9 million during the previous quarter ended September 30, 2016. The loss negatively affected mainly as a result of asset valuation reserved booked by the Company against the portfolio of returned aviation assets.

Adjusted operating income before taxes (a non-IFRS measure, refer to "IFRS to Non-IFRS Reconciliations" in this MD&A for a reconciliation to net income) for the three months ended December 31, 2016 was $33.5 million compared to $31.1 million reported in the immediately preceding quarter again, driven mostly by higher syndication activities inside the Company's Rail segment.

Adjusted operating income after taxes per share was consistent at $0.07 for the current quarter, compared to $0.07 for the quarter ended September 30, 2016

Q4 2016 vs Q4 2015

The Company is reporting total originations of $533.8 million for the quarter ended December 31, 2016 compared to $856.1 million during the comparative quarter of 2015. As stated previously, the Company is no longer originating assets in its Aviation vertical and in early 2016 the Company decided to reduce/defer originations in the Rail vertical due to changes in the market place for rail cars and in order to be well positioned to capitalize on market opportunities. These actions resulted in lower originations year-over-year partly mitigated by higher originations in Commercial and Vendor Finance.

Interest income and rental revenue, net of depreciation for the quarter ended December 31, 2016 were $86.9 million and decreased $2.7 million year-over-year from lower yields of 48 basis points from both reductions in the Rail and Commercial & Vendor segments and partly partly offset by higher average earning assets. In Rail, interest income and net rental revenue of $35.9 million declined over the prior year driven by lower yields as average earning assets increased year-over-year In the Aviation segment, interest income and net rental revenue of $14.0 million declined over the prior year as the portfolio runs off partly offset by higher yields. In the C&V vertical, interest income and net rental revenue of $37.0 million increased year-over-year driven by higher average earning assets net of lower yields.

Interest expense of $42.0 million for the quarter ended December 31, 2016, an increase of $5.2 million compared to the prior year. The increase year-over-year is the result of higher average outstanding debt during the period from higher average earning assets and slightly higher debt cost. In the Rail segment, interest expense of $20.2 million increased year-over-year due to higher debt costs and higher average debt to support higher average earning assets. The Aviation segment reported interest expense of $5.7 million, a slight decrease over the prior year, due to lower average debt given lower earning assets net of higher debt costs. In the C&V segment, interest expense of $16.0 million increased over the prior year primarily due to higher average debt to support higher average earning assets partly offset by a lower C&V average cost of debt year-over-year. Comparable fourth quarter of 2015 numbers for interest expense were computed on a carved-out basis and not totally comparable to direct debt costs supported by the Company on a stand-alone basis.

Syndication and other revenue of $16.6 million for the quarter ended December 31, 2016, a net increase of $2.9 million year-over-year driven by higher Syndication fees in the Company's Rail and Commercial & Vendor segments off-set by reduction in the Aviation as the Company is running-off its portfolio of Aviation assets.

Adjusted operating expenses (a non-IFRS measure, refer to "IFRS to Non-IFRS Reconciliations" in this MD&A for a reconciliation to net income), which consist of direct operating expenses and an allocation of corporate expenses, were $21.4 million for the quarter compared to $17.4 million for the prior year driven by increases in salaries and wages related to timing of variable compensation expenses. Adjusted operating expenses compared to the prior year were up modestly across the Rail, Aviation and C&V verticals. As stated previously, corporate expenses were allocated on a different basis pre-separation and not fully comparable post separation.

There were no impairment charges during the comparative fourth quarter of 2015.

There were no separation costs incurred during the comparative fourth quarter of 2015.

As a result, the Company is reporting a pre-tax loss of $26.3 million during the current quarter ended December 31, 2016 compared to a pre-tax income of $40.9 million during the quarter ended December 31, 2015.

Adjusted operating income before taxes (a non-IFRS measure, refer to "IFRS to Non-IFRS Reconciliations" in this MD&A for a reconciliation to net income) for the three months ended December 31, 2016 was $33.5 million compared to $43.6 million reported in the comparative quarter of 2015, again resulting from lower net financial income and increased operating expenses. As stated previously, comparable amounts reported for the fourth quarter of 2015 are presented on a carved-out basis and do not represent exactly the operating and net interest expenses of a stand-alone operations as corporate costs were distributed throughout a larger asset base and under a different methodology.

Adjusted operating income after taxes per share was consistent at $0.07 for the current quarter, compared to $0.09 for the quarter ended December 31, 2015.

Results of Operations - For the years ended December 31, 2016, and December 31, 2015

The following table summarizes key consolidated financial operating data as at and for the years ended December 31, 2016 and December 31, 2015:

	As at and for the year ended December 31		
(in 000's for stated values, except ratios)	**2016**	2015	Change over 2015
	$	$	%
Net financial income	**207,115**	217,668	(4.8)%
Adjusted operating income	**134,911**	152,546	(11.6)%
After-tax adjusted operating income	**106,829**	127,481	(16.2)%
Net Income (loss) before income taxes	**30,689**	140,461	(78.2)%
Net income for the period	**33,004**	109,771	(69.9)%
Total assets	**6,436,354**	6,172,251	4.3 %
Earning assets			
Net investment in finance receivables	**3,386,425**	3,158,079	7.2 %
Equipment under operating leases	**2,618,612**	2,692,731	(2.8)%
Total earning assets	**6,005,037**	5,850,810	2.6 %
Total finance assets	**6,006,591**	5,822,525	3.2 %
New originations	**1,892,267**	3,024,702	(37.4)%
Debt	**4,504,591**	4,471,392	0.7 %
Total average earning assets	**5,714,472**	4,724,828	20.9 %
Average debt outstanding	**4,371,222**	3,528,803	23.9 %
Tangible leverage	**2.47**	2.87	(13.9)%
Net Income EPS - Basic	**$0.09**	$0.36	(75.0)%
Adjusted Operating Income EPS - Basic	**$0.28**	$0.42	(33.3)%

HIGHLIGHTS

- Originations of $1,892 million during fiscal 2016 compared to $3,025 million during the previous year, a decline of $1,133 million or 37% from lower Rail originations in a challenging market and the Company's decision in early 2016 to no longer originate assets in its Aviation segment. The C&V business originations grew 22% or $274 million with continued expansion of vendor relationship.

- As we have stated previously, comparative figures for fiscal 2015 as well as the financial results for the first three quarters of 2016 are presented on a carved-out basis based on a methodology of cost allocations for certain corporate overhead expenses and interest expense that differ slightly from those on a stand-alone basis.

- Average earning assets of $5,714 million increased 21% or $989 million over the $4,725 million reported during the prior year from increases in both the Rail and C&V segments partially offset by the reduction in Aviation business.

- Interest income income was $354.7 million compared to $312.4 million, an increase of 13.5% from higher average earning assets off-set by lower yields of 40 basis points

- Interest expense remained relatively constant as a percent of average earning assets at 2.86% compared to 2.73% during fiscal 2015. Interest expense as a percent of average debt outstanding increased slightly to 3.74% compared to 3.65% consistent with the carved-out accounting methodology.

- Adjusted operating expenses as a percent of average earning assets continued to improve, lowering to 1.26% for the year compared to 1.38% in 2015.

- For the year ended December 31, 2016, the Company did not have current income tax expense but is reporting a tax recovery through the combination of its i) legal structure; ii) jurisdictional operating results in Canada and in the US; iii) its financing and capital structure; and, iv) the nature of tax depreciation being larger than book depreciation on the Company's underlying assets.

- Net income before income taxes was $30.7 million during the current year compared to $140.5 million during the comparative fiscal 2015 year. The negative variance is in large part the result of both impairment and separation costs for approximately $94.4 million incurred during the current year.

- **Adjusted operating income before taxes for fiscal 2016 was $134.9 million compared to $152.5 million for the comparative year driven by lower net finance income yield off-set by increased average assets outstanding during the year resulting in an after-tax adjusted operating income per share of $0.28.**

The following table summarizes key consolidated financial data as at and for the year ended December 31, 2016, and December 31, 2015.

(in 000's for stated values, except percent, ratio and per share amounts)		2016 $	2015 $
Select metrics			
Originations		1,892,267	3,024,702
Average earning assets		5,714,472	4,724,828
Average debt		4,371,222	3,528,803
Average debt advance rate		76.5%	74.7%
Segment adjusted operating income			
Interest income and rental revenue, net		354,691	312,390
Interest expense		163,596	128,843
		191,095	183,547
Syndication and other income		40,221	51,851
		231,316	235,398
Provision for credit losses		24,201	17,730
Net financial income	a	207,115	217,668
Adjusted Operating expenses (1)	b	72,204	65,122
Impairment and amortization of intangible assets from acquisitions		30,639	1,719
Asset valuation reserve		40,281	—
Share based compensation		9,844	10,366
Separation and reorganization costs		23,458	—
		176,426	77,207
Net Income (loss) before income taxes		30,689	140,461
Income tax expense (recovery)		(2,315)	30,690
Net income for the period		33,004	109,771
Adjusted operating income (1)	a-b	134,911	152,546
Income tax expense		28,082	25,065
After-tax adjusted operating income (1)		106,829	127,481
Weighted Average number of shares outstanding [basic] (2)		386,523	305,230
Earnings per share [basic] (2)		$0.09	$0.36
Before tax adjusted earnings per share [basic] (2)		$0.35	$0.50
After tax adjusted earnings per share [basic] (2)		$0.28	$0.42
Tangible leverage (1)		2.47	2.87

Results of Operations by Segment – For the year ended December 31, 2016 and 2015

The following tables set forth a summary of the Company's vertical results of operations for the year ended December 31, 2016 and 2015.

Annual December 31, 2016

in 000's for stated values, except percent amounts	Rail $	Aviation $	C&V $	Total $	% change over 2015
Originations	**231,467**	**174,114**	**1,486,686**	**1,892,267**	(37.4)%
Average earning assets	**2,298,184**	**1,168,639**	**2,247,649**	**5,714,472**	20.9 %
Average debt	**1,820,232**	**712,494**	**1,838,496**	**4,371,222**	23.9 %
Average debt advance rate	**79.2%**	**61.0%**	**81.8%**	**76.5%**	
<u>Vertical adjusted operating income</u>					
Interest income and rental revenue, net	**149,302**	**65,891**	**139,498**	**354,691**	13.5 %
Interest expense	**74,240**	**25,668**	**63,688**	**163,596**	27.0 %
	75,062	**40,223**	**75,810**	**191,095**	4.1 %
Syndication and other income	**10,928**	**11,294**	**17,999**	**40,221**	(22.4)%
	85,990	**51,517**	**93,809**	**231,316**	(1.7)%
Provision for credit losses	**—**	**601**	**23,600**	**24,201**	36.5 %
Net financial income	**85,990**	**50,916**	**70,209**	**207,115**	(4.8)%
Adjusted operating expenses (1)	**21,593**	**11,071**	**39,540**	**72,204**	10.9 %
Vertical adjusted operating income before tax	**64,397**	**39,845**	**30,669**	**134,911**	(11.6)%
<u>Select operating ratios (2)</u>					
Interest income and rental revenue, net	**6.50%**	**5.64%**	**6.21%**	**6.21%**	
Interest expense	**3.23%**	**2.20%**	**2.83%**	**2.86%**	
	3.27%	**3.44%**	**3.37%**	**3.34%**	
Syndication and other income	**0.48%**	**0.97%**	**0.80%**	**0.70%**	
Provision for credit losses	**—%**	**0.05%**	**1.05%**	**0.42%**	
Net financial income	**3.74%**	**4.36%**	**3.12%**	**3.62%**	
Adjusted operating expenses (1)	**0.94%**	**0.95%**	**1.76%**	**1.26%**	
Vertical adjusted operating income before tax	**2.80%**	**3.41%**	**1.36%**	**2.36%**	
Cost of debt (3)	**4.08%**	**3.60%**	**3.46%**	**3.74%**	

(1) For additional information, see "Description of Non-IFRS Measures" section

(2) Yield as a percent of average earning assets

(3) Yield as a percent of average debt

Annual December 31, 2015				
in 000's for stated values, except percent amounts	**Rail**	**Aviation**	**C&V**	**Total**
	$	**$**	**$**	**$**
Originations	992,354	819,230	1,213,118	**3,024,702**
Average earning assets	1,640,562	1,294,985	1,789,281	**4,724,828**
Average debt	1,284,385	761,677	1,482,741	**3,528,803**
Average debt advance rate	78.3%	58.8%	82.9%	**74.7%**
Vertical adjusted operating income				
Interest income and rental revenue, net	119,681	72,367	120,342	**312,390**
Interest expense	48,501	28,026	52,316	**128,843**
	71,180	44,341	68,026	**183,547**
Syndication and other income	7,075	25,077	19,699	**51,851**
	78,255	**69,418**	**87,725**	**235,398**
Provision for credit losses	—	1,472	16,258	**17,730**
Net financial income	**78,255**	**67,946**	**71,467**	**217,668**
Adjusted operating expenses (1)	15,597	10,125	39,400	**65,122**
Vertical adjusted operating income before tax	**62,658**	**57,821**	**32,067**	**152,546**
Select operating ratios (2)				
Interest income and rental revenue, net	7.30%	5.59%	6.73%	**6.61%**
Interest expense	2.96%	2.16%	2.92%	**2.73%**
	4.34%	3.42%	3.80%	**3.88%**
Syndication and other income	0.43%	1.94%	1.10%	**1.10%**
Provision for credit losses	—%	0.11%	0.91%	**0.38%**
Net financial income	4.77%	5.25%	3.99%	**4.61%**
Adjusted operating expenses (1)	0.95%	0.78%	2.20%	**1.38%**
Vertical adjusted operating income before tax	3.82%	4.46%	1.79%	**3.23%**
Cost of debt (3)	3.78%	3.68%	3.53%	**3.65%**

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) Yield as a percent of average earning assets.
(3) Yield as a percent of average debt.

Annual 2016 Results compared to Annual 2015

The following discussion relates to the financial results of operation for the year ended December 31, 2016 presented on both a consolidated and segmented basis.

Originations of $1,892 million during fiscal 2016 compared to $3,025 million during the previous year, a decline of $1,133 million or 37% from lower Rail originations on a rail market with headwinds but with recovery insight underpinned with a strong portfolio and the Company's decision in early 2016 to no longer originate assets in its Aviation segment. The C&V business originations grew 22% or $274 million with continued expansion of vendor relationship.

Interest income and rental revenue, net of depreciation for the twelve month period ended December 31, 2016 was $354.7 million, an increase of $42.3 million from the $312.4 million reported during the comparative year ended December 31, 2015. The increase in interest income and net rental revenue, over the comparative year ended December 31, 2015 resulted from increases in average earning assets outstanding during the period which grew to $5,714 million in 2016 from $4,725 million in 2015, partially offset by lower yields across all verticals. In the Rail and C&V verticals, interest income and net rental revenues increased over the prior year driven by higher average earning assets net of lower yield. In the Aviation vertical, interest income and net rental revenues decreased slightly over the prior year driven by lower average earning assets.

Interest expense was $163.6 million for the twelve months ended December 31, 2016, an increase of $34.8 million from the $128.8 million reported during the comparative year ended December 31, 2015. The increase over the comparative year is primarily the result of higher average outstanding debt which increased to $4,371 million in 2016 from $3,529 million in 2015 and the slightly higher debt cost of 3.74% in 2016 compared to 3.65% in 2015.

Syndication and other revenue was $40.2 million for the twelve months ended December 31, 2016, a decrease of $11.7 million from the $51.9 million reported during the year ended December 31, 2015. The decrease was partially due to a $12 million decline in advisory fees as 2015 had the benefit of structuring fees earned on ECAF I Ltd.

Adjusted operating expenses (a non-IFRS measure, refer to "IFRS to Non-IFRS Reconciliations" in this MD&A for a reconciliation to net income) were $72.2 million for the twelve months ended December 31, 2016 compared to $65.1 million for the year 2015. The increase is directly attributable to increase operating costs to support the operation and maintenance of rail cars inside the Company's Rail segment.

Impairment and amortization of intangible assets from acquisitions expense were $30.6 million compared to $1.7 million in 2015. The large increase resulting from the write-down of intangible and goodwill associated with the Company's Aviation segment which is being run-off.

The Company recorded an asset valuation reserve of $40.3 million (approximately 47% of the carrying value) in connection with a number of helicopters it recovered from customers that present manufacturer defects. These helicopters include one Airbus EC 225 and four Airbus AS332L2s models have been subject to groundings and some operational restrictions by aviation authorities since an April 2016 crash of an Airbus H225, which resulted in thirteen fatalities. In addition, a number of customers and operators voluntarily suspended operations of EC 225 and AS332L2 helicopter models. Any extended suspension or grounding of these helicopter models could decrease demand and increase the number of idle helicopters of such model, increase the supply of such model available for sale or lease, and negatively impact market values. There are a number of initiatives underway that the Company is pursuing for recovery, including bankruptcy and insurance claims against CHC, product liability litigation against Airbus and marketing re-leasing efforts that the Company believes will provide for a full recovery.

Separation and reorganization costs of $23.5 million were incurred during the year in connection with the actual separation effort as well as costs of reorganization directly resulting from that initiative. The Company is not expected to incur any additional costs related to this initiative.

Share-based compensation expense of $10 million was slightly lower than the expense in the prior year. Share-based compensation represents the recognition of the non-cash fair value attributed to the options granted to the Company's employees and directors, and the value of the performance share units granted during the year. Stock option expense is recognized on a proportionate basis consistent with the vesting period of such options. The options amounts are calculated using the Black-Scholes option pricing model.

Net income for the current year was $33.0 million compared to $109.8 million for the previous year driven by the one-time separation costs and amortization and impairment of both intangibles and aviation equipment.

Net income per share was $0.09 per share during the current year compared to $0.36 during the comparable year of 2015.

Adjusted operating income before taxes (a non-IFRS measure, refer to "IFRS to Non-IFRS Reconciliations" in this MD&A for a reconciliation to net income) for the twelve months ended December 31, 2016 was $134.9 million compared to $152.5 million reported in 2015 driven by a combination of relatively small increases in provisions and expenses along with lower other revenues.

Adjusted operating income after taxes per share was $0.28 in 2016 compared to $0.42 in 2015.

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by vertical, as at December 31, 2016, September 30, 2016 and December 31, 2015.

	December 31, 2016					
(in 000's for stated values, except percentage amounts)	**Rail**	**Aviation**	**C&V**	**ECN Capital**	Change over September 30, 2016	Change over December 31, 2015
	$	$	$	**$**	%	%
Assets						
Finance assets						
Finance receivables	**7,347**	**690,328**	**2,690,304**	**3,387,979**	10.2	8.2
Equipment under operating leases	**2,346,242**	**272,370**	**—**	**2,618,612**	2.3	(2.8)
Total finance assets	**2,353,589**	**962,698**	**2,690,304**	**6,006,591**	6.6	3.2
Other assets	**188,913**	**88,352**	**147,298**	**424,563**	(5.5)	34.3
Goodwill and Intangible assets	**—**	**—**	**5,200**	**5,200**	(36.8)	(84.5)
Total Assets	**2,542,502**	**1,051,050**	**2,842,802**	**6,436,354**	5.7	4.3
Liabilities						
Debt	**1,793,583**	**534,053**	**2,176,955**	**4,504,591**	5.5	0.7
Other liabilities	**43,428**	**14,522**	**46,642**	**104,592**	(7.0)	(4.4)
Total Liabilities	**1,837,011**	**548,575**	**2,223,597**	**4,609,183**	5.2	0.6

(in 000's for stated values, except percentage amounts)	September 30, 2016			
	Rail Finance Vertical	Aviation and Advisory Finance Vertical	C&V Finance Vertical	**ECN Capital**
	$	$	$	**$**
Assets				
Finance assets				
Finance receivables	3,916	748,955	2,321,803	**3,074,674**
Equipment under operating leases	2,296,234	263,001	—	**2,559,235**
Total finance assets	2,300,150	1,011,956	2,321,803	**5,633,909**
Other assets	174,942	124,180	150,233	**449,355**
Goodwill and Intangible assets	—	3,330	4,895	**8,225**
Total Assets	**2,475,092**	**1,139,466**	**2,476,931**	**6,091,489**
Liabilities				
Debt	1,771,684	575,275	1,921,572	**4,268,531**
Other liabilities	57,254	24,095	31,136	**112,485**
Total Liabilities	**1,828,938**	**599,370**	**1,952,708**	**4,381,016**

(in 000's for stated values, except percentage amounts)	December 31, 2015			
	Rail	Aviation	C&V	**ECN Capital**
	$	$	$	**$**
Assets				
Finance assets				
Finance receivables	1,123	1,054,582	2,074,089	**3,129,794**
Equipment under operating leases	2,342,058	350,673	—	**2,692,731**
Total finance assets	2,343,181	1,405,255	2,074,089	**5,822,525**
Other assets	110,646	40,173	165,268	**316,087**
Goodwill and Intangible assets	—	28,605	5,034	**33,639**
Total Assets	**2,453,827**	**1,474,033**	**2,244,391**	**6,172,251**
Liabilities				
Debt	1,735,479	929,641	1,806,272	**4,471,392**
Other liabilities	32,507	19,079	57,862	**109,448**
Total Liabilities	**1,767,986**	**948,720**	**1,864,134**	**4,580,840**

Total finance assets were $6,007 million on December 31, 2016, compared to $5,823 million at December 31, 2015 and $5,634 million at September 30, 2016.

The Rail assets increased $10 million over the prior year and $53 million over the balance at September 30, 2016 from ongoing net originations.

Aviation assets decreased $443 million over the balance at December 31, 2015 and $49 million over the balance at September 30, 2016 reflecting the continued run-off of this business.

Commercial & Vendor assets increased by $616 million from December 31, 2015 and $369 million over the balance at September 30, 2016 on strong originations and new vendor relationships. However, as indicated earlier, the Company has entered into an agreement to sell its Commercial & Vendor operations in the United States which would reduce the above December 31, 2016 balance for this segment to a pro-forma total finance asset of $934 million and total assets of $1,060 million representing the assets remaining in Canada for this segment

Debt, consisting of direct securitization debt and the allocation of the term senior credit facility, increased by $33 million compared to December 31, 2015 and $236 million over September 30, 2016 and remained essentially constant as a percent of total finance assets at 75.0% compared to 75.8% and 76.8% at December 31, 2016, September 30, 2016 and December 31, 2015 respectively.

Portfolio Finance Asset Details

Finance Receivables

The following table sets forth a breakdown of the Company's finance receivables as of December 31, 2016, September 30, 2016 and December 31, 2015:

(in 000's for stated values, except percentage amounts)	**December 31, 2016** **$**	September 30, 2016 $	December 31, 2015 $	Change over September 30, 2016 %	Change over December 31, 2015 %
Net investment in finance receivables	**3,386,425**	3,071,763	3,158,079	10.2 %	7.2 %
Impaired receivables - at net realizable value	**2,985**	6,932	4,029	(56.9)%	(25.9)%
	3,389,410	3,078,695	3,162,108	10.1 %	7.2 %
Unamortized origination costs and subsidies	**26,657**	23,755	19,722	12.2 %	35.2 %
Net finance receivables	**3,416,067**	3,102,450	3,181,830	10.1 %	7.4 %
Prepaid lease payments and security deposits	**(23,355)**	(30,348)	(33,585)	(23.0)%	(30.5)%
Interim funding	**3,177**	9,131	1,723	(65.2)%	84.4 %
Other	**6,179**	10,070	220	(38.6)%	2,708.6 %
	3,402,068	3,091,303	3,150,188	10.1 %	8.0 %
Allowance for credit losses	**14,089**	16,629	20,394	(15.3)%	(30.9)%
Total finance receivables	**3,387,979**	3,074,674	3,129,794	10.2 %	8.2 %
Ratios					
Allowance for credit losses as a percentage of finance receivables	**0.41%**	0.54%	0.65%		

Total finance receivables of $3,386,425 have increased by $228,346 or 7.2% over the amount reported at December 31, 2015 and $314,662 or 10.2% over the balance at September 30, 2016 from continued growth in origination during the periods off-set by the continued decline in the Aviation segment from the Company's decision to no longer originate new transactions in this segment.

Impaired receivables of $3.0 million are stated at net realizable value and reflect an improvement over the amounts reported in the comparative periods.

The allowance for credit losses of $14 million represents 0.41% of finance receivables as the credit quality remains strong.

All finance receivables are secured under the applicable provincial personal property registries and the applicable United States Uniform Commercial Code.

Geographic Portfolio Segmentation

ECN Capital's portfolio of net finance receivables (inclusive of impaired receivables and deferred origination costs and subsidies) continues to be weighted to the United States, which accounted for 68% of the portfolio, while Canada represents 32%.

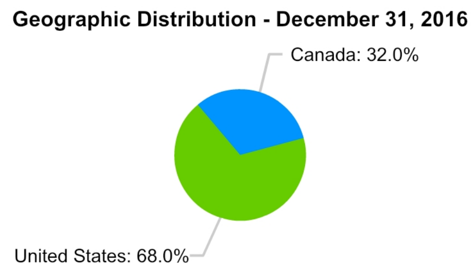
On a pro-forma basis to effect the sale of the U.S. C&V business and operations mentioned earlier, finance receivable would be distributed as to 34% in the United States and 66% in Canada compared to 68% in the United States and 32% in Canada at December 31, 2016.

The geographic distribution of the Company's net finance receivables at the indicated periods and by the ultimate obligor is as follows:

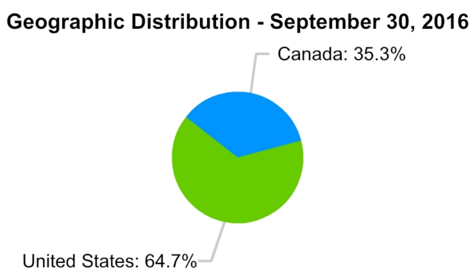
	December 31, 2016			
	Rail	**Aviation**	**C&V**	**Total**
United States	**2,423**	**555,175**	**1,766,492**	**2,324,090**
Canada	**403**	**159,152**	**932,422**	**1,091,977**
Total	**2,826**	**714,327**	**2,698,914**	**3,416,067**

	September 30, 2016			
	Rail Finance	Aviation Finance	C&V Finance	Total
United States	1,939	573,748	1,432,828	2,008,515
Canada	397	197,808	895,730	1,093,935
Total	2,336	771,556	2,328,558	3,102,450

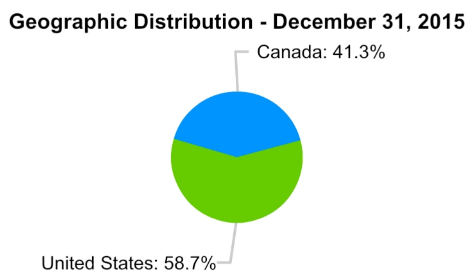
	December 31, 2015			
	Rail Finance	Aviation Finance	C&V Finance	Total
United States	1,782	666,715	1,199,267	1,867,764
Canada	435	421,528	892,103	1,314,066
Total	2,217	1,088,243	2,091,370	3,181,830



Geographic Distribution - December 31, 2016
Canada: 32.0%
United States: 68.0%



Geographic Distribution - September 30, 2016
Canada: 35.3%
United States: 64.7%



Geographic Distribution - December 31, 2015
Canada: 41.3%
United States: 58.7%

Asset Class Portfolio Distribution

The distribution of the net finance receivables over asset classes at each reporting period is as follows:

	December 31, 2016		September 30, 2016		December 31, 2015	
in 000's except percentage amounts)	**$**	**%**	$	%	$	%
Construction equipment	**858,202**	**25.1%**	629,609	20.3%	458,241	14.4%
Aircraft (1)	**714,327**	**20.9%**	771,557	24.9%	1,088,243	34.3%
Highway Tractors	**520,122**	**15.2%**	425,360	13.7%	417,993	13.1%
Restaurant equipment	**293,057**	**8.6%**	222,349	7.2%	189,646	6.0%
Highway Trailers	**254,289**	**7.4%**	247,965	8.0%	201,327	6.3%
Healthcare equipment	**220,863**	**6.5%**	199,950	6.4%	172,844	5.4%
Inter-city transportation equipment	**211,393**	**6.2%**	318,438	10.3%	321,686	10.1%
Office equipment	**137,183**	**4.0%**	131,323	4.2%	169,540	5.3%
Manufacturing equipment	**111,733**	**3.3%**	60,188	1.9%	48,333	1.5%
Industrial equipment	**50,687**	**1.5%**	44,761	1.4%	44,846	1.4%
Technology equipment	**22,203**	**0.6%**	29,013	0.9%	41,381	1.3%
Other equipment	**16,136**	**0.5%**	14,301	0.6%	16,671	0.6%
Golf carts	**5,871**	**0.2%**	7,636	0.2%	11,079	0.3%
	3,416,067	**100.0%**	3,102,450	100.0%	3,181,830	100.0%

Net finance receivables previously classified as vehicles have been categorized into highway tractors, highway trailers and inter-city transportation equipment.

(1) The Company will discontinue the majority of its "on balance sheet" aviation finance business and sell, manage to maturity or transition to a future aviation fund its portfolio of aviation assets.

Delinquencies and losses

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

	December 30, 2016		September 30, 2016		December 31, 2015	
	$	**%**	$	%	$	%
Current	**3,389,073**	**99.21%**	3,076,589	99.17%	3,163,207	99.41%
31 to 60 days	**14,071**	**0.41%**	10,768	0.35%	8,952	0.28%
61 to 90 days	**6,106**	**0.18%**	5,335	0.17%	2,612	0.08%
91 to 120 days	**3,832**	**0.11%**	2,826	0.09%	3,030	0.10%
Impaired receivables	**2,985**	**0.09%**	6,932	0.22%	4,029	0.13%
Total	**3,416,067**	**100.00%**	3,102,450	100.00%	3,181,830	100.00%

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

(in 000's except percentage amounts)	**2016** **$**	**2015** **$**
Allowance for credit losses, beginning of the year	**20,394**	14,120
Provision for credit losses	**24,201**	17,730
Charge-offs, net of recoveries	**(31,014)**	(13,559)
Impact of foreign exchange	**508**	2,103
Allowance for credit losses, end of the year	**14,089**	20,394
Allowance as a % of finance receivables	**0.41%**	0.65%

Allowance for credit losses

Management maintains an allowance for credit losses, which it establishes to provide for impairment of individual, or groups of assets. Individual impairment is assessed by examining contractual delinquency, and the individual borrower's financial condition, such as the identification of a borrower entering bankruptcy, or the company being in the process of legal or collateral repossession proceedings with a debtor. Accounts over 120 days past due are automatically considered to be impaired and are fully provisioned net of any anticipated recoveries and are presented at their net realizable value. Accounts that are contractually delinquent less than 120 days are provisioned by applying probability-weighted assumptions consistent with industry standards and the Company's own experience with respect to chances of an identified account resulting in a borrower default. The amount of allowance for credit losses is measured as the difference between the carrying amounts of the assets on the consolidated statement of financial position and the present value of the estimated future cash flows on the financial receivables, discounted at the original effective interest rate of the finance receivable.

According to the Company's underwriting policies and procedures, the Company assesses credit risk related to specific customer defaults, by performing detailed assessments on the value of the underlying security, the customer's financial condition and ability to service the debt, both at loan inception and throughout the term of the loan.

The Company's allowance for credit losses of $14.1 million as at December 31, 2016 represents 0.41% of the finance receivables outstanding, an improvement from the 0.65% reported at December 31, 2015. Overall, the allowance is in-line with management's expectation of losses from the business and the current mix of assets.

Equipment Under Operating Leases

The following table sets forth a breakdown by asset category of the Company's equipment under operating leases as of December 31, 2016, September 30, 2016 and December 31, 2015:

(in 000's for stated values, except for percentage amounts)	**December 31, 2016** **$**	September 30, 2016 $	December 31, 2015 $	Change over September 30, 2016 %	Change over December 31, 2015 %
Equipment under operating leases, net					
Railcars	**2,346,242**	2,296,234	2,342,058	2.2	0.2
Aircraft	**272,370**	263,001	350,673	3.6	(22.3)
	2,618,612	2,559,235	2,692,731	2.3	(2.8)

(1) The Company will discontinue the majority of its "on balance sheet" aviation finance business and sell, manage to maturity or transition to a future aviation fund its portfolio of aviation assets.

The Company's railcar assets are amortized for up to 50 years from their manufacture date to an approximate 10% salvage value. The Company's aircraft assets are amortized for up to 30 years from their manufacture date to a 30% salvage value.

The unexpected increase in aviation equipment under operating leases during the current quarter considering the non-origination of new assets in this segment reflects the impact of the appreciation of the US dollar over its Canadian counterpart between the periods.

Geographic Portfolio Segmentation

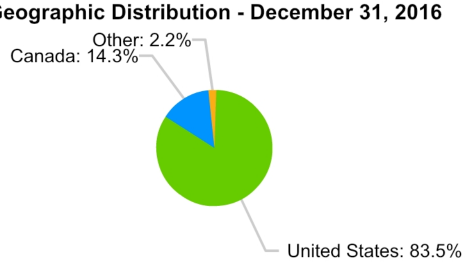
The geographic distribution of the Company's equipment under operating lease by the ultimate obligor is as follows:

	December 31, 2016		
	Rail	**Aviation**	**Total**
United States	**2,057,561**	**129,349**	**2,186,910**
Canada	**240,167**	**133,142**	**373,309**
Other	**48,514**	**9,879**	**58,393**
Total	**2,346,242**	**272,370**	**2,618,612**

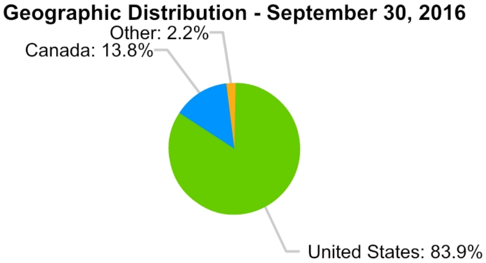
	September 30, 2016		
	Rail	Aviation	Total
United States	2,027,412	120,009	2,147,421
Canada	221,154	133,220	354,374
Other	47,668	9,772	57,440
Total	2,296,234	263,001	2,559,235

	December 31, 2015		
	Rail	Aviation	Total
United States	2,058,787	143,565	2,202,352
Canada	232,127	190,157	422,284
Other	51,144	16,951	68,095
Total	2,342,058	350,673	2,692,731

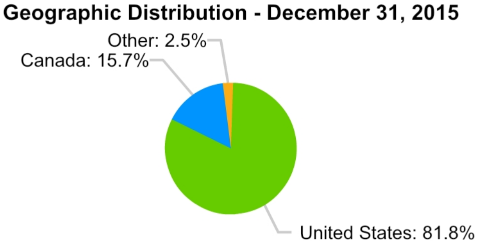
Geographic Distribution - December 31, 2016



Geographic Distribution - September 30, 2016



Geographic Distribution - December 31, 2015



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; and (iii) equity. The Company's primary use of cash is the funding of finance receivables and the funding of working capital. The Company manages its capital resources by utilizing the financial leverage available under its term funding and revolving facilities and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares.

The Company views its financial leverage as a key indicator of the strength of the Company's carve-out combined Statements of Financial Position. As at December 31, 2016, the Company's financial leverage ratio was 2.47:1. As at the same date, the Company's tangible leverage ratio was 2.47:1 and well within the most restrictive covenant of 4:1.

The Company's capitalization is calculated as follows:

				As at
(in 000's for stated values, except for percentage amounts)		**December 31, 2016**	September 30, 2016	December 31, 2015
		$	$	$
Total debt	**(a)**	**4,504,591**	4,268,531	4,471,392
Shareholders' equity	**(b)**	**1,827,171**	1,710,473	1,591,411
Financial leverage	**(a)/(b)**	**2.47**	2.50	2.81
Goodwill and Intangibles	**(c)**	**5,200**	8,225	33,639
Tangible leverage	**(a)/[(b)-(c)]**	**2.47**	2.51	2.87

Cash flow and liquidity

During the year ended December 31, 2016, the Company utilized $108.3 million to fund its operating activities compared to $1,205.2 million during the previous year ended December 31, 2015 and funded these activities from the issuance of secured borrowings and advances from its pre-separation parent.

During the current year, the Company also raised $100 million in Series A preferred shares before net issue costs of $2.5 million.

As a result, cash on hand was $45.8 million at December 31, 2016 compared to nil at December 31, 2015.

Debt and contractual repayment obligations

With $2.1 billion in available sources of financing, the Company has significant resources available to continue funding projected growth. Finance receivables are securitized on a regular basis to ensure cash is always available to fund new transactions. Cash levels are also monitored closely 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
	December 31, 2016	September 30, 2016	December 31, 2015
(in 000's)	**$**	$	$
Cash	**45,849**	47,204	—
Term Senior Facility			
Facility	**3,356,750**	3,279,250	2,029,816
Utilized against facilities	**1,744,988**	1,617,980	2,029,816
	1,611,762	1,661,270	—
Life Insurance Company Term Funding Facilities			
Facility	**389,906**	428,925	689,983
Utilized against facilities	**262,363**	289,411	444,128
	127,543	139,514	245,855
Securitization Programs			
Facility	**1,371,169**	1,426,249	1,349,188
Utilized against facility	**1,087,792**	970,822	1,038,048
	283,377	455,427	311,140
Public Asset-Backed Securities			
Facility	**1,457,569**	1,440,207	980,503
Utilized against facility	**1,457,569**	1,440,207	980,503
	—	—	—
Total available sources of capital, end of period	**2,068,531**	2,303,415	556,995

Management believes that the immediate liquidity available to the Company of more than $2 billion at December 31, 2016 plus the cash flow internally generated from the repayment of leases and loans is sufficient to fund operations throughout 2017 and into 2018.

Prior to the Separation, the Company did not have its own independent senior term facility and relied on funding from inter-company debt supported by the overall Element senior term facility. As at September 30, 2016, the amount available reported under "Facility" under the term senior facility represent an allocation of the Element term senior facility. For December 31, 2015, the facility and utilization are equal and represent the amount of inter-company debt allocated.

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 December 31, 2016. 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's audited and interim unaudited, consolidated financial statements, the notes thereto and the related management discussion and analysis for the relevant periods.

(in $ 000's for stated values, except ratio and per share amounts)	**Q4, 2016**	**Q3, 2016**	**Q2, 2016**	**Q1, 2016**	**Q4, 2015**	**Q3, 2015**	**Q2, 2015**	**Q1, 2015**
Net financial income	**54,836**	48,544	47,811	55,924	60,960	53,388	52,693	50,627
Adjusted operating income before tax (1)	**33,485**	31,087	32,896	37,443	43,567	34,978	36,967	37,034
Impairment and amortization of intangible assets from acquisitions	**43,665**	26,605	—	650	299	377	780	263
Share based compensation	**2,871**	3,089	1,814	2,070	2,390	2,796	2,887	2,293
Separation and reorganization costs	**13,208**	10,250	—	—	—	—	—	—
Net income / (loss) before income taxes	**(26,259)**	(8,857)	31,082	34,723	40,878	31,805	33,300	34,478
Net income / (loss)	**(18,717)**	1,225	23,933	26,563	31,598	24,849	26,017	27,307
Net earnings per share, basic	**-$0.05**	$0.00	$0.07	$0.07	$0.08	$0.08	$0.10	$0.10
Total Earning Assets	**6,005,037**	5,630,998	5,662,400	5,658,417	5,850,810	5,266,690	4,747,326	4,479,836
Loan and lease originations	**533,832**	407,015	474,093	477,327	856,121	767,226	753,519	647,836
Allowance for credit losses	**14,089**	16,629	18,092	17,855	20,394	17,542	16,861	17,343
As a % of finance receivables	**0.41%**	0.54%	0.56%	0.58%	0.65%	0.62%	0.60%	0.61%
Term senior credit facility	**1,744,988**	1,617,980	1,537,407	1,504,501	2,029,816	1,598,939	994,316	519,726
Secured borrowings	**2,759,603**	2,650,551	2,848,578	2,879,375	2,441,576	2,467,468	2,657,734	2,838,041
Total Debt	**4,504,591**	4,268,531	4,385,985	4,383,876	4,471,392	4,066,407	3,652,050	3,357,767
Shareholders' Equity / Owners' Net Investment	**1,827,171**	1,710,473	1,562,738	1,502,001	1,591,411	1,380,309	1,307,151	1,342,949
Book value per share (excluding pref. shares) (2)	**$4.47**	$4.42	$4.04	$3.89	$4.12	$3.58	$4.92	$5.09

(1) For additional information, see "Description of Non-IFRS 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

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 as well as the timing of the major portfolio acquisitions including the railcar portfolios acquired in June 2014, September 2014, December 2014, March 2015, June 2015, September 2015, December 2015 and March 2016, syndications, and the various new vendor and commercial finance programs and relations entered into during the intervening periods.

Other Disclosures

Risk Management

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its normal course business activities. The principal risks are discussed in further detail below.

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on direct financing leases and loans. Counterparty limits are established by the use of both external and internal credit risk classification systems, which assign each counterparty a risk rating. The Company also manages credit risk through the existence of asset collateral held against both direct financing leases and loans. The Company maintains insurance coverage over these assets to further mitigate risk of loss. In situations where the Company takes possession of collateral under the terms of the direct finance lease or loan agreement, the asset is sold and a gain or loss on disposal is recognized.

The Company also monitors the diversification of its lending across asset class, geography and transaction size. As a result of transaction sizes and collateral arrangements, no individual customer represents a significant credit risk to the Company.

The Company has credit risk relating to cash and cash equivalents. The Company manages this risk by dealing with large chartered Canadian and global banks.

The Company's maximum exposure to credit risk for consolidated statements of financial position as at December 31, 2016 and 2015 is the carrying amounts as disclosed on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's manages its liquidity risk by monitoring its operating and growth requirements. The Company prepares forecasts to ensure it has sufficient liquidity to fulfill its obligations and operating plans, and actively pursues new funding sources to meet future liquidity requirements.

The most significant exposure to liquidity risk relates to the repayment of secured borrowings [note 9]. This exposure is managed as the cash flows generated by the Company's net investment in leases and loans, and future minimum payments on equipment under operating leases are term matched to meet the repayment requirements.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving loan facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances the Company enters into interest rate swaps in order to align the interest rate variability.

The Company does experience short-term interest rate risk on these finance receivables during the period between fixing the contractual rate under the finance contracts with its customers and the locking of the interest rate under its funding facilities. During this time, an upward movement in benchmark rates can negatively impact the spread on the transaction. In order to mitigate this risk, the Company carefully monitors its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. In order to further mitigate risk, the Company undertakes regular securitizations under its secured borrowing arrangements to ensure its finance contracts are appropriately match-funded by its secured borrowings, which reduces the warehouse period and the likelihood that a significant movement in bond rates will negatively impact the spreads on such transactions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing such finance assets.

After considering the fixed interest rate spread on the secured borrowing programs and high exposure to fixed rate finance receivables described above, the Company's interest rate risk is limited to cash and restricted cash, floating-rate finance receivables which are neither hedged nor part of a match-funded secured borrowing arrangement, senior revolving credit facility, and floating-rate finance receivables that are hedged with interest rate caps and these interest rate caps are out-of-the-money. Based on its exposure as at December 31, 2016, the Company estimates that a 50 basis point increase or decrease in interest rates [subject to a floor of 1 basis point] would not have a significant impact on the Company's earnings.

Foreign currency risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk that the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company mitigates and manages this risk by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. The Company currently partially hedges its net investment in foreign subsidiaries. As at December 31, 2016, the Company did not have a significant un-hedged exposure to this type of foreign currency risk that would have an impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average Canadian and foreign currency exchange rate used to translate the Company's foreign currency denominated net income into Canadian dollar equivalent during each period. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts to reduce or hedge this exposure to foreign currency risk. If future net income before business acquisition costs and income taxes is consistent with the results generated in 2015, each one cent increase (decrease) in the average Canadian/foreign currency exchange rates would be expected to increase/decrease net income before business acquisition costs and income taxes for the year by approximately $600 [2015 - $805] in the absence of hedging transactions.

Taxes

ECN Capital is a Canadian corporation which operates in multiple jurisdictions. As a result, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments and of the governments of foreign jurisdictions in which ECN Capital operates, as well as to any income tax treaties between Canada and any such jurisdictions, and to the risk that those tax laws, regulations and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, and the effective tax rate in the jurisdictions in which ECN Capital operates.

The determination of ECN Capital's provision for income taxes in Canada and elsewhere, including current and deferred tax assets and liabilities on ECN Capital's financial statements, require estimates, interpretation and significant judgment. Various internal and external factors may have favorable or unfavorable effects on future provisions for income taxes and ECN Capital's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements can have a material impact on ECN Capital's effective income tax rate.

ECN Capital could be impacted by certain tax treatment for various revenue streams in different tax jurisdictions. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines. This would potentially reduce the amounts of revenue ultimately received by ECN Capital.

ECN Capital, from time to time, has executed or may execute reorganization transactions impacting its tax structure. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines.

Competitive Business Environment

Competitive business environment risk is the potential impact of current and former competitors. There can be no assurance that the Company will be able to compete successfully against its competitors or that such competition will not have a material adverse effect on the Company's financial condition and operations.

Potential Acquisitions and Investments

As the Company seeks to acquire or invest in businesses that complement or expand its business, there is a risk if the Company commits significant financial or other resources that results in a material adverse effect on the Company's financial condition and operations.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, including legal risks. Operational risk also includes the ability of the Company to recruit and retain key qualified personnel. The Company mitigates these risks through strong internal controls and providing employees with competitive compensation packages while continuously seeking to align the interest of employees and shareholders.

Internal Control over Disclosure and 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.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

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 which includes the continuous testing and reporting of the results to senior management and the Board of Directors on the effectiveness of the disclosure controls and internal controls over financial reporting.

IFRS to Non-IFRS Measures
Description of Non-IFRS Measures

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the accounting policies we adopted in accordance with IFRS. These consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at December 31, 2016 and December 31, 2015, the results of operations, comprehensive income and cash flows for the year ended December 31, 2016 and December 31, 2015.

Management uses both IFRS and Non-IFRS Measures to monitor and assess the operating performance of the Company's operations. Throughout this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

Adjusted operating expenses

Adjusted operating expenses are equal to Salaries, wages and benefits and, General and administration expenses. Adjusted operating expenses excludes Impairment and amortization of intangible assets from acquisitions, Share-based compensation, and Separation and reorganization costs. Management believes Adjusted operating expenses is a useful supplementary measure of operating costs incurred during the period because Impairment and amortization of intangible assets from acquisitions and Share-based compensation are primarily non-cash in nature while separation and reorganization costs do not relate to maintaining operating activities. Impairment and amortization of intangible assets from acquisitions, Share-based compensation and Separation and reorganization costs are isolated by management and assessed separately from Salaries, wages and benefits and General and administrative expenses and are discussed quantitatively and qualitatively elsewhere in this document.

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects Income before income taxes, Impairment and amortization of intangible assets from acquisitions, Share-based compensation, and Separation and reorganization costs. Management believes adjusted operating income is a useful supplementary measure of operating results during the period because Impairment and amortization of intangible assets from acquisitions and Share-based compensation are primarily non-cash in nature while Separation and reorganization costs do not relate to maintaining operating activities. Impairment and amortization of intangible assets from acquisitions, Share-based compensation and Separation and reorganization costs are isolated by management and assessed separately from Salaries, wages and benefits and General and administrative expenses and are discussed quantitatively and qualitatively elsewhere in this document.

Adjusted operating expense ratio

Adjusted operating expense ratio is calculated as the adjusted operating expenses divided by average earning assets outstanding throughout the period. The adjusted operating expense ratio, presented on an annualized basis, is used by the Company to assess the efficiency of the management of the Company's earning assets.

Adjusted operating income on average earning assets

Adjusted operating income on average earning assets is the adjusted operating income for the period divided by the average earning assets outstanding throughout the period, presented on an annualized basis.

After-tax adjusted operating income
After-tax adjusted operating income reflects the adjusted operating income after the application of the Company's effective tax rates.

After-tax adjusted earnings per share
After-tax adjusted earnings per share is computed as the after-tax adjusted operating income attributable to common shareholders for the period, divided by the basic weighted average number of common shares outstanding during the period.

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 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.

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 net financial income margin yield
Average net financial income margin yield is the net financial income divided by average earning assets outstanding during the period provided on an annualized basis. Average net financial income margin yield provides an indication of the effective net yield generated on the earning assets before deductions for all other operating expenses and of the net margin generated on the portfolio of earning assets.

Average portfolio yield
Average portfolio yield is financial revenue divided by average earning assets in the period. Average portfolio yield provides an indication of the effective yield generated on the earning assets before deductions for financial, operating, transaction costs and income tax expenses.

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

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.

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.

Earning assets or total earning assets
Earning assets are the sum of the total net investment in finance receivables and the total carrying value of the equipment under operating leases.

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.

Gross average yield
Gross average yield is equal to financial revenues before provision for credit losses divided by average earning assets outstanding throughout the period, and is presented on an annualized basis. Gross average yield provides an indication of the yield earned on earning assets before consideration of credit losses.

Net interest income and rental revenue, net before provisions for credit losses
Net interest income and rental revenue, net before provisions for credit losses is equal to total interest income and total rental revenue, net less total interest expense and excludes provisions for credit losses as reported for the period. Net interest income and rental revenue before provisions for credit losses provides an indication of the gross interest and rental revenues from earning assets, before consideration of credit losses.

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.

Rental revenue, net
Rental revenue, net is equal to rental income earned on equipment under operating leases, less depreciation.

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.

IFRS to Non-IFRS Reconciliations

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company

		Annual		For the 3 months ended		
(in 000's)		December 31, 2016	December 31, 2015	December 31, 2016	September 30, 2016	December 31, 2015
Reported and adjusted income measures						
Net income (loss)	A	**33,004**	109,771	**(18,717)**	1,225	31,598
Adjustments:						
Impairment and amortization of intangible assets from acquisition and separation costs		**70,920**	1,719	**43,665**	26,605	299
Share-based compensation		**9,844**	10,366	**2,871**	3,089	2,390
Separation and reorganization costs		**23,458**	—	**13,208**	10,250	—
Provision (recovery) of income taxes		**(2,315)**	30,690	**(7,542)**	(10,082)	9,280
Adjusted operating income before tax	B	**134,911**	152,546	**33,485**	31,087	43,567
Provision for taxes applicable to adjusted operating income	C	**28,082**	25,065	**8,261**	3,643	10,020
After-tax adjusted operating income	D = B - C	**106,829**	127,481	**25,224**	27,444	33,547
Selected statement of financial position amounts						
Finance receivables, before allowance for credit losses	E	**3,402,068**	3,150,188	**3,402,068**	3,091,303	3,150,188
Allowance for credit losses	F	**14,089**	20,394	**14,089**	16,629	20,394
Earning assets						
Net investment in finance receivable	G	**3,386,425**	3,158,079	**3,386,425**	3,071,763	3,158,079
Equipment under operating leases	H	**2,618,612**	2,692,731	**2,618,612**	2,559,235	2,692,731
Total earning assets	I = G + H	**6,005,037**	5,850,810	**6,005,037**	5,630,998	5,850,810
Average earning assets, net	J	**5,714,472**	4,724,828	**5,778,545**	5,723,270	5,527,209
Goodwill and intangible assets	K	**5,200**	33,639	**5,200**	8,225	33,639
Accounts payable and accrued liabilities	L	**84,252**	57,080	**84,252**	78,351	57,080
Secured borrowings	M	**4,504,591**	4,471,392	**4,504,591**	4,268,531	4,471,392
Average debt	N	**4,371,222**	3,528,803	**4,383,449**	4,537,920	4,107,463
Total shareholders' equity	O	**1,827,171**	1,591,411	**1,827,171**	1,710,473	1,591,411
Preferred shares	P	**97,315**	—	**97,315**	—	—
Common shareholders' equity	Q = O - P	**1,729,856**	1,591,411	**1,729,856**	1,710,473	1,591,411
Key operating ratios						
Leverage ratios						
Financial leverage ratio	M/O	**2.47**	2.81	**2.47**	2.50	2.81
Tangible leverage ratio	M/(O-K)	**2.47**	2.87	**2.47**	2.51	2.87
Other key operating ratios						
Allowance for credit losses as a percentage of finance receivables	F/E	**0.41%**	0.65%	**0.41%**	0.54%	0.65%
Adjusted operating income before tax on average earning assets	B/J	**2.36%**	3.23%	**2.32%**	2.17%	3.15%
Per share information						
Weighted average number of shares outstanding [basic]	R	**386,523,263**	305,230,121	**386,928,634**	386,741,904	385,929,710
Net income per share [basic]	A/R	**$0.09**	$0.36	**-$0.05**	$0.00	$0.08
Before tax adjusted income per share [basic]	B/R	**$0.35**	$0.50	**$0.09**	$0.08	$0.11
After-tax adjusted income per share [basic]	D/R	**$0.28**	$0.42	**$0.07**	$0.07	$0.09

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 March 6, 2017, the Company had 387,172,622 common shares, 30,779,569 options and 4,000,000 Series A preferred shares issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on March 6, 2017.

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