ECN CAPITAL

Management Discussion & Analysis

DECEMBER 31, 2017

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 December 31, 2017, and should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2017 (the "2017 Annual Consolidated Financial Statements"). 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 February 28, 2018. Certain statements contained in this report constitute "forward looking statements". When used in this report, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the company, or its management, are intended to identify forward looking statements. Such statements reflect our current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic conditions, reliance on debt financing, dependence on borrowers, dependence on financing its business through funding commitments and the sale of loan portfolios to banks and other financial institutions, inability to recover receivables, competition, interest rates, regulation, demand for financing in the specialty finance sector, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described from time to time in reports of ECN Capital.

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

Table of Contents

Overview

ABOUT ECN

ECN Capital Corp. (the "Company" or "ECN Capital") is an independent financial services company that originates and services financial assets, principally in the vendor finance sector, 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 loans; leases, both financial and operating; conditional sales contracts; and retail installment contracts (collectively, "financings").

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

- Originates primarily through its manufacturer and dealer network relationships; and
- Funds its activities through commitments from banks and institutional investors or by selling loans that the Company originates to banks and other financial institutions, rather than accepting deposits from the public.

Financial information prior to October 3, 2016 included in this MD&A has, unless otherwise indicated, been derived from the historical consolidated financial statements of Element Financial Corporation 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.

CURRENT BUSINESSES

The Company has organized its operations around four separate business segments: Home Improvement Finance, Manufactured Housing Finance, Rail Finance and Aviation Finance. The Company's Chief Operating Decision Maker ("CODM"), the CEO, reviews the operating results, assesses performance and makes capital allocation decisions at the business segment level. Therefore, each of the Company's business segments is an operating segment for financial reporting purposes. Our management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way the business segment is managed. This approach is intended to ensure that our business segments' results include all applicable revenue and expenses associated with the conduct of their business and depicts how management views those results. Segment performance is evaluated based on a number of measures including adjusted operating income before tax. Our legacy business segments, Rail Finance and Aviation Finance, are integrated with our corporate office and consequently corporate general & administrative costs as well as interest and standby costs on our senior credit facility are allocated to these segments for presentation purposes.

Home Improvement Finance

The Home Improvement Finance business is an important strategic business segment to the Company, and was formed on completion of the Service Finance Company LLC ("Service Finance") acquisition on September 7, 2017. Founded in 2004, Service Finance originates, sells and services primarily prime and super-prime retail installment contracts to finance home improvement projects in the U.S. Originations are sourced through national vendor programs with high quality manufacturers and dealers. Originations are subsequently sold to third party financial institutions without recourse, and Service Finance retains the exclusive right to service all retail installment contracts that it originates. Service Finance currently has 14 financial institutions as funding counterparties.

Manufactured Housing Finance

The Manufactured Housing segment was formed on December 29, 2017 in connection with the completion of the acquisition of Triad Financial Services, Inc. ("Triad") and will be a core business segment for the Company going forward. Founded in 1959, Triad is the oldest manufactured housing finance company in the U.S. It originates, sells, and manages primarily prime and super-prime loans to consumers for the purchase of manufactured homes throughout the U.S. with limited recourse. Originations are sourced through a national network of dealers and manufacturers and are sold to an established network of over 40 banks and credit unions. In addition to originating prime loans, Triad manages manufactured housing portfolios for third party owners.

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.

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. Under the agreement, Trinity provides 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.

In Q3 2017, the Company completed two transactions in which it sold approximately US$1.15 billion of railcar assets, representing 65% of the Company's total rail portfolio. These dispositions have allowed the Company to right-size its railcar portfolio, which will continue to provide a core asset with strong after-tax cash flows, while releasing capital that can be redeployed into new businesses with the potential for higher yields.

In a subsequent transaction, the Company discontinued its direct rail operation by rolling all internally managed railcar assets under a Trinity servicing agreement with substantially similar terms as the Strategic Alliance agreement. This will enable the Company to match its operating cost structure to the size of its portfolio going forward.

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.

Following a strategic review of the Aviation Finance Business in February 2016, the Company decided to discontinue originations of aviation finance assets onto its balance sheet and to sell or manage to maturity its portfolio of assets. On May 31, 2017, the Company closed a transaction with Stellwagon Group to sell the Company's Commercial Aviation Advisory business. In 2018, the Company will continue to seek large portfolio sale opportunities to accelerate the wind-down.

BUSINESS STRATEGY

The Company's strategy is to deploy capital within the U.S. specialty finance sector, by originating and servicing portfolios of financial assets with yield, growth and credit characteristics that have consistently delivered superior risk-adjusted returns to shareholders. It is based on the following key principles: (i) a consistent focus on specialty finance, principally vendor finance, resulting in unequalled industry experience and relationships; (ii) superior credit management combined with traditional credit underwriting; (iii) maintaining optimal capital structures with matched and committed liquidity, access to committed funding from our network of bank partners, and broad access to debt and equity financing; (iv) partnering, not competing with banks; and (v) adaptive strategy: recognizing and responding to market changes to maximize profitability and scale while maintaining robust risk management.

The Company believes it is well positioned to capitalize on opportunities and successfully execute its strategy to transition from its legacy businesses to businesses with higher growth, increased profitability and those requiring less capital with core expertise. Refer to the "Key Business Developments" section of this MD&A for a summary of the Company's strategic progress in 2017.

As its disciplined acquisition process continues, the Company is focused on acquiring vendor origination and servicing franchises that offer unique value propositions:

- Established originators with a history of high quality production across cycles
- Enduring barriers to entry through industry relationships, manufacturers, dealer networks, customer loyalty and/or regulatory acceptance (bank funding partners)
- Excellent credit quality history and history of servicing excellence
- Solid growth profiles
- Scalable platforms with established operations and information technology

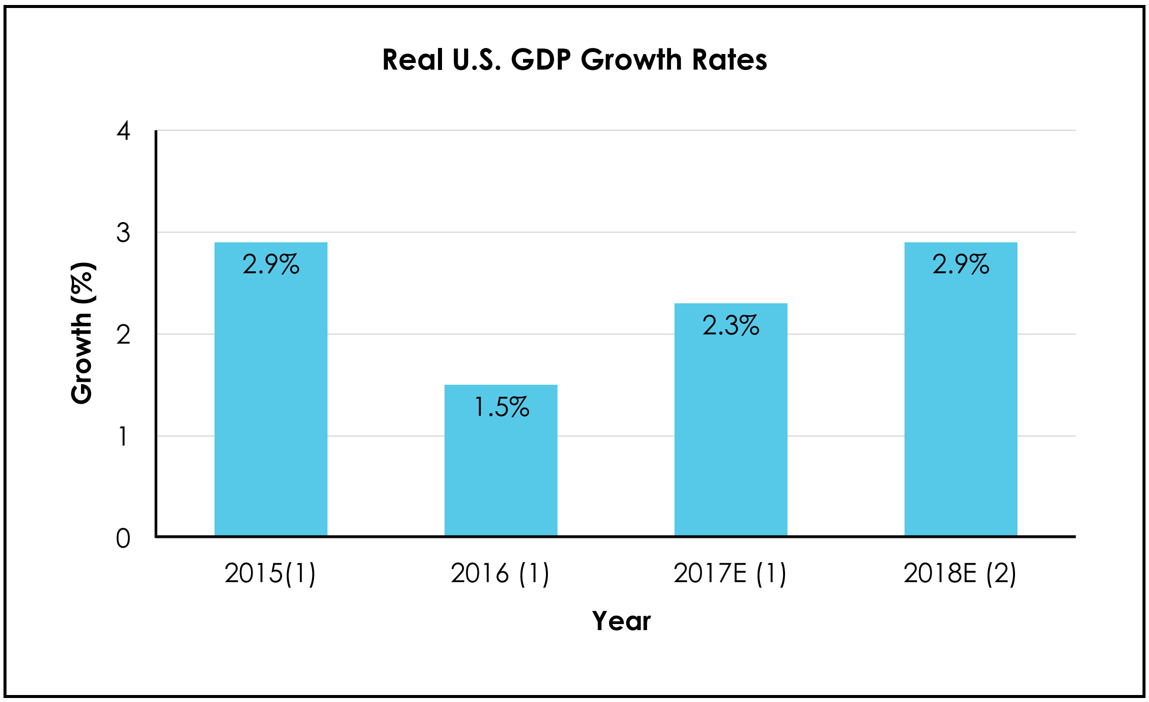
The Company provides origination and servicing partners the capital, knowledge and scale to help grow their businesses to the next level. In addition, the Company is focused on expanding and deepening its relationships with its network of bank partners.

MARKET OUTLOOK

As a result of the acquisitions of Service Finance and Triad, the Railcar Dispositions in third quarter 2017, the disposition of the Canada C&V Finance business on January 31, 2018 and the continued wind-down of our Aviation Finance portfolio, the Company's earnings and cash flow prospects are primarily driven by general economic conditions in the United States. The predictions and forecasts in this section are based on information and assumptions from sources we consider reliable. If this information or these assumptions are not accurate, actual economic outcomes may differ materially from the outlook presented in this section.

Based on current estimates, the U.S economy is expected to grow by 2.3% in calendar 2017, with growth in Q4 coming in at 2.6%. Growth in 2017 was supported by strong consumer spending, reflecting a strong labour market and elevated consumer confidence, as well as rising business investment.

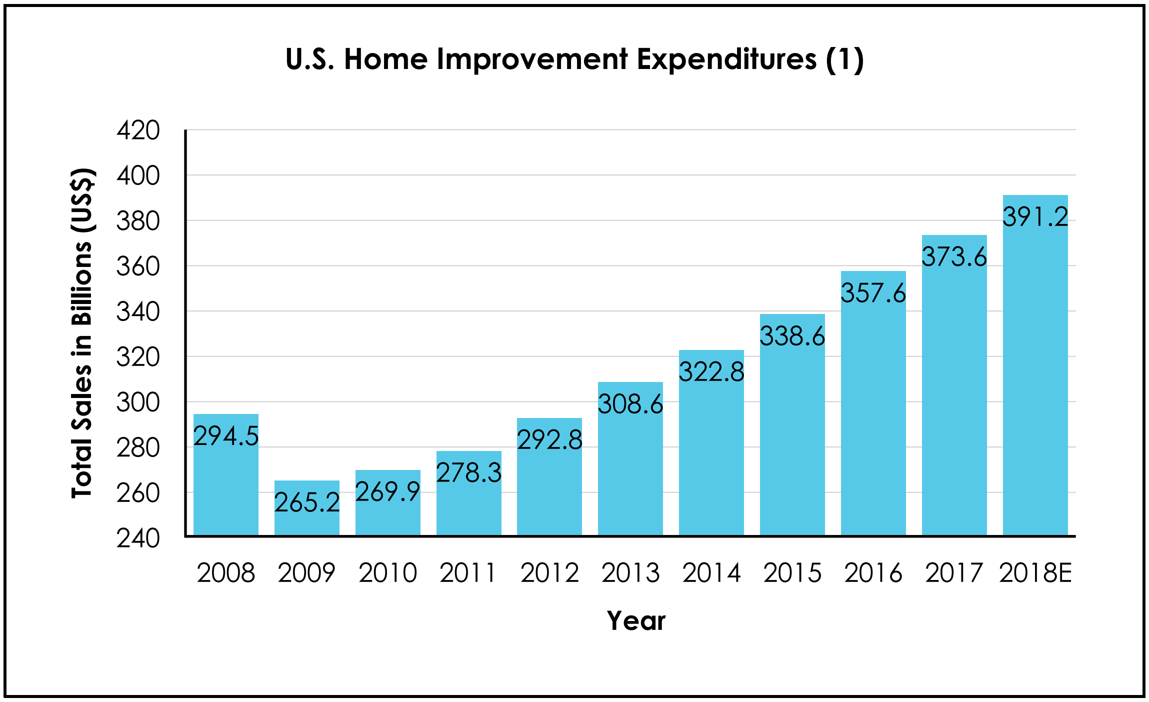
In calendar 2018, market consensus is that economic growth is expected to reach 2.9%, reflecting both the continued strength in consumer spending amid a strong job market (the unemployment rate is expected to dip below 4% in 2018) and elevated consumer confidence, and rising business investment due to increased business confidence in response to the U.S Tax Reform legislation that was enacted in December 2017 and the pro growth regulatory policies pursued by the U.S administration. The U.S Federal Reserve is expected to continue with steady, gradual rate hikes in response as growth continues to accelerate and inflation reaches target levels.



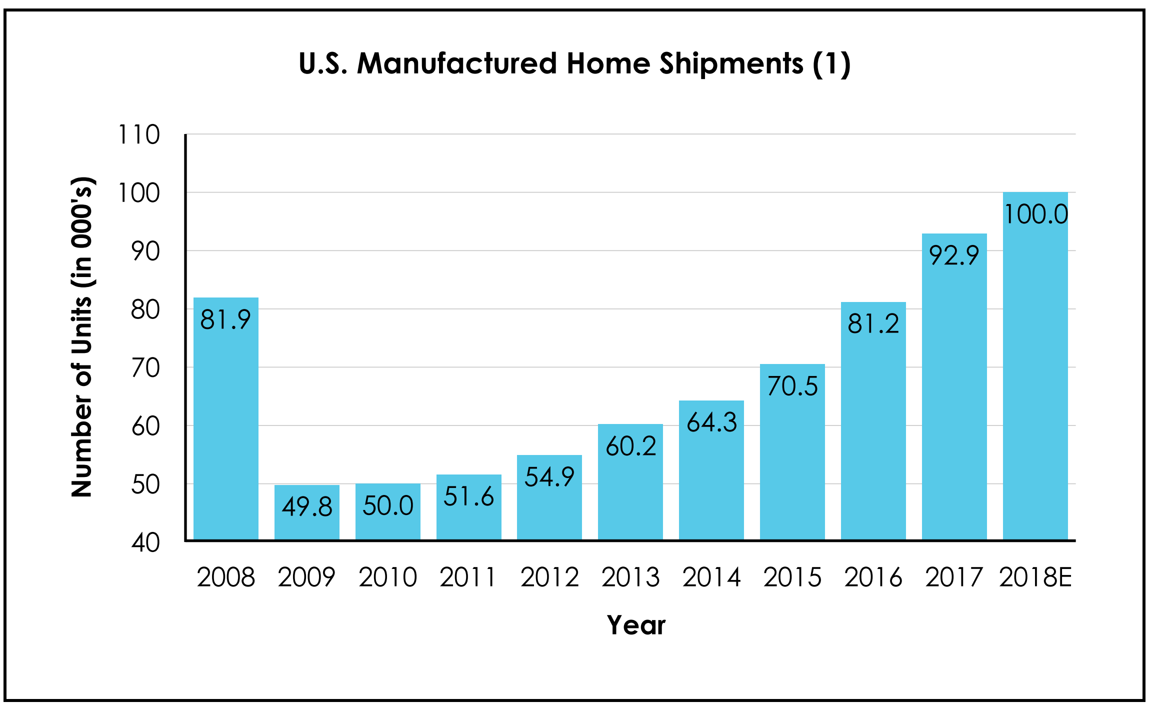
(1) Source: U.S. Bureau of Economic Analysis
(2) Source: The Conference Board

The strength of the economic environment in the U.S should be supportive of the continued growth of both our Home Improvement Finance and Manufactured Housing Finance business segments. Home improvement expenditures are expected to reach their pre-recession levels in 2018 (see chart below), as a result of the positive impact of tax reform, rising salaries and wages, and an aging housing stock. The strong economy, record home prices and slow rate of increase in new site built home construction is expected to benefit the manufactured housing industry. In 2018, the Company expects home shipments to increase by 10% to about 100,000 shipments (see chart below).

Our Rail Finance business segment is expected to benefit from the underlying improvement in North American railcar leasing fundamentals heading into 2018. The combination of rising shipments, declining new railcar production, lower network velocity and fewer stored railcars, is expected to reduce the excess capacity that has negatively impacted the industry in recent years.



(1) Source: North American Retail Hardware Association



(1) Source: The Manufactured Housing Institute

ECN CAPITAL

Key Business Developments

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

M&A DEVELOPMENTS

Sale of Canada C&V Finance Assets

On January 31, 2018, the Company closed the previously announced sale of the Company's Canada C&V Finance assets to CWB Financial Group for cash proceeds of approximately $850 million. The Company recorded a loss of $14.6 million pre-tax, or $10.7 million after-tax as a result of the transactions, primarily due to the write-off of associated goodwill, break fees on financing arrangements and employee severance costs.

Acquisition of Triad

On December 29, 2017 the Company completed the acquisition of Triad for cash consideration of US$100 million ($126.1 million). In addition, the Company entered into an incentive compensation plan with senior management that will be based on the achievement of a prescribed rate of return on average equity over the next five years.

Acquisition of Service Finance

On September 7, 2017, the Company completed the acquisition of Service Finance for cash consideration of US$309 million ($409 million) plus deferred purchase consideration with an estimated fair value of $40.4 million. The deferred purchase price consists of an earn-out plan with the principal sellers that will be based on the achievement of prescribed return on average equity targets over the next five years.

Sale of Rail Finance Assets

Consistent with the Company's ongoing strategic plan, on August 4, 2017 ECN Capital closed a transaction to sell approximately 1,550 railcar assets to ITE Management L.P. for cash proceeds of approximately US$173 million. On September 26, 2017, the Company completed a separate transaction in which it sold approximately 8,400 railcars (in its Element Rail Leasing II Portfolio) to Napier for cash proceeds of approximately US$935 million (collectively, the “Railcar Dispositions”). The total book value of the railcar assets sold was approximately US$1.15 billion and represents approximately 65% of the Company’s railcar portfolio. On an after-tax basis, the Railcar Dispositions resulted in a total loss on sale of $49.6 million, comprised of a 2% or $26.7 million after tax loss on the book value of finance assets, deferred financing write-offs, swap and foreign exchange losses of $17.4 million (of which $11.1 million of these costs were previously recorded in Accumulated Other Comprehensive Income and therefore did not affect overall book value in the third quarter); and transaction-related costs of $5.5 million.

The Railcar Dispositions have allowed the Company to right-size its railcar portfolio, which will continue to provide a core asset with strong after-tax cash flows, while releasing about $400 million in capital that can be redeployed into new businesses with the potential for higher yields.

Sale of Commercial Aviation Advisory Business

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

Sale of U.S. C&V Finance Business

On February 21, 2017, the Company announced that it had entered into an agreement to sell the majority of its U.S. C&V Finance business to PNC Financial Services Group for cash proceeds of approximately US$1.323 billion. As part of the transaction, PNC agreed to offer employment to all of the employees of the business as well as retaining the property lease on the existing operating office. On March 31, 2017 the Company sold the remaining assets of the U.S. C&V Finance business to another third party for total proceeds of US$208 million. The Company realized a gain of approximately $344 million as a result of the sale.

The gain on sale includes the realization of $155.2 million in accumulated other comprehensive income related to the US C&V Finance business, foreign exchange gains of $7.1 million relating to hedges entered into to reduce foreign exchange risk on the sale proceeds, transaction costs of $24.5 million and transaction-related compensation expenses of $6.5 million for employees retained by the purchasers of the US C&V Finance business.

Outlook for 2018

The Company expects to deploy significant capital on one or two on-target acquisitions in 2018. These acquisitions will have to meet the Company's high acquisition hurdles for returns and be consistent with our stringent assessment criteria in order to proceed.

CORPORATE FINANCE DEVELOPMENTS

Normal Course Issuer Bid

On June 29, 2017, the Toronto Stock Exchange approved the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, the Company may repurchase up to 36,999,219 common shares, representing approximately 10% of the "public float" as at June 29, 2017. The NCIB period commenced on July 5, 2017 and the Company purchased 6,522,400 common shares for a total of $25.0 million or $3.83 per common share during the quarter ended September 30, 2017. The Company purchased 4,628,676 common shares for a total of $18.1 million or $3.90 per common share during the quarter ended December 31, 2017. On December 22, 2017 the Company entered into an automatic share repurchase plan ("ASPP") with a designated broker to facilitate ongoing repurchases through self imposed blackout periods. As of

February 28, 2018, the Company has repurchased an additional 15,543,538 common shares under the NCIB for a total of $58.6 million or $3.77 per common share. In total, the Company has repurchased 26,694,614 common shares under the NCIB for a total of $101.7 million or $3.81 per common share.

Credit Facility Update

On October 6, 2017, the Company amended, extended and improved its senior credit agreement. Under the terms of the amended facility, the minimum tangible net worth covenant was replaced with a fixed minimum shareholders' equity covenant. The facility size was also reduced from US$2.5 billion to US$2.2 billion. These core changes to the facility better align with ECN Capital's transition to an asset light specialty finance business. The revised facility is syndicated to a group of 13 Canadian, US and International banks with a maturity date of December 31, 2020.

Credit Rating Update

On January 24, 2018, DBRS Inc. confirmed the Long-Term Issuer Rating of the Company at BBB (low) with a stable outlook. On November 2, 2017 Kroll Bond Rating Agency confirmed the Company's BBB issuer rating with a stable outlook.

Preferred Share Issuance

On May 25, 2017, the Company issued through a public offering, 4,000,000 6.25% Cumulative 5-year Minimum Rate Reset Preferred Shares, Series C ["Series C shares"], at a price of $25.00 per preferred share for gross proceeds of $100 million.

Consolidated Results of Operations

OPERATING HIGHLIGHTS FOR THE FOURTH QUARTER AND FULL YEAR 2017

1. Adjusted net income[1] for the quarter and year ended December 31, 2017 was $13.8 million or $0.04 per share and $60.3 million or $0.16 per share, respectively. Adjusted net income applicable to common shareholders was $0.03 per share and $0.13 per share for the quarter and year ended December 31, 2017, respectively.
2. Net loss from continuing operations in the fourth quarter on a reported basis was $2.2 million or $0.01 per share. For the full year, loss from continuing operations was $33.3 million or $0.11 per share.
3. Total originations for the quarter and year ended December 31, 2017 were $317 million and $514 million respectively. Total originations in the fourth quarter reflects $271.2 million from the new Home Improvement Finance business segment.
4. Average earning assets - owned[2] for the quarter ended December 31, 2017 were $1,402 million, and $3,323 million in the comparable quarter ended December 31, 2016. The decrease in average earning assets owned primarily reflects the Railcar Dispositions and, to a lesser extent, the Company's decision to no longer originate assets in the Aviation vertical. Average earning assets - managed[2] in the fourth quarter were $1,377 million which was attributable to the Home Improvement Finance segment. As at December 31, 2017, earning assets - managed totaled $3.9 billion, which reflects the addition of Triad's $2.5 billion loan portfolio.
5. The Company recorded a loss of $14.6 million or $10.7 million after-tax in the fourth quarter as a result of the sale of the Canada C&V Finance business, which closed on January 31, 2018.
6. The Company recorded a restructuring charge of $6.5 million or $4.8 million after-tax in the fourth quarter as part of the previously announced plan to reduce its corporate office as the transformation of the business continues.
7. In the fourth quarter, the Company recorded an additional asset valuation reserve of $25.0 million or $18.4 million after-tax, related to certain helicopters in inventory due to the continued grounding of these helicopters and limited sales activity at distressed prices. Please see Note 3 of the 2017 Annual Consolidated Financial Statements for a further description of this matter.
8. As a result of the U.S. tax legislation that was enacted in the fourth quarter, which reduced the U.S. corporate federal tax rate from 35% to 21% effective January 1, 2018, the Company recorded a tax benefit of approximately $13.9 million in the quarter.
9. The Company continues to have a strong liquidity position with diversified funding sources and is well capitalized with a 1.05:1 tangible leverage ratio at December 31, 2017. The Company has $2.3 billion of committed liquidity for organic and acquisition growth and the Company's Home Improvement Finance and Manufactured Housing Finance segments have commitments in place to fund their budgeted loan originations in 2018.
10. Book value per share was $4.47 as at December 31, 2017 compared to $4.51 as at September 30, 2017.

1. Adjusted net income is a non-IFRS measure. Please refer to the "Reconciliation of Non-IFRS to IFRS Measures" section in this MD&A for a reconciliation to net income

2. Average earning assets - owned and average earning assets - managed are non-IFRS measures. Please refer to the "Non-IFRS and Other Performance Measures" section of this MD&A for a definition of these measures.

The following table sets forth a summary of the Company's consolidated results from continuing operations for the three month periods ended December 31, 2017, September 30, 2017 and December 31, 2016 and the years ended December 31, 2017 and December 31, 2016 to be read with the Company's consolidated financial statements for the same periods.

	For the three-month period ended			For the year ended	
(in 000's for stated values, except percent, ratio and per share amounts)	**Dec 31, 2017** $	Sept 30, 2017 $	Dec 31, 2016 $	**Dec 31, 2017** $	Dec 31, 2016 $
Select metrics					
Originations	**316,937**	112,478	71,336	**513,937**	405,581
Average earning assets - Owned (1)	**1,401,738**	2,457,150	3,323,096	**2,471,935**	3,466,823
Average earning assets - Managed (1)	**1,377,497**	1,256,402	—	**1,347,760**	—
Average earning assets - Owned and Managed (1)	**2,779,235**	3,713,552	3,323,096	**3,819,695**	3,466,823
Period end earning assets - Owned	**1,626,193**	1,442,457	3,316,287	**1,626,193**	3,316,287
Period end earning assets - Managed	**3,872,671**	1,275,703	—	**3,872,671**	—
Period end earning assets - Owned and Managed	**5,498,864**	2,718,160	3,316,287	**5,498,864**	3,316,287
Average debt (1)	**673,010**	1,355,630	2,361,360	**1,504,431**	2,532,726
Average debt advance rate	**48.0%**	55.2%	71.1%	**60.9%**	73.1%
Net income					
Interest income and rental revenue, net (1)	**17,008**	33,335	49,895	**147,070**	215,193
Interest expense	**10,138**	18,269	25,912	**76,264**	99,908
	6,870	15,066	23,983	**70,806**	115,285
Syndication and other income	**24,260**	6,560	9,713	**38,409**	22,222
	31,130	21,626	33,696	**109,215**	137,507
Provision for credit losses	**72**	82	123	**2,061**	601
Net financial income	**31,058**	21,544	33,573	**107,154**	136,906
Operating expenses	**17,111**	11,055	8,703	**52,101**	32,664
Adjusted operating income (1)	**13,947**	10,489	24,870	**55,053**	104,242
Non-operating items:					
Share-based compensation	**5,861**	1,717	1,702	**12,809**	7,137
Impairment and amortization of intangible assets from acquisitions	**3,324**	—	3,384	**3,324**	30,639
Acquisition costs	**3,011**	18,724	—	**21,734**	—
Separation and corporate restructure	**6,500**	—	6,829	**9,075**	12,972
Asset valuation reserve	**25,036**	—	40,281	**25,036**	40,281
Loss on business disposals	**—**	78,740	—	**76,422**	—
	43,732	99,181	52,196	**148,400**	91,029
Net (loss) income before income taxes from continuing operations	**(29,785)**	(88,692)	(27,326)	**(93,347)**	13,213
Income tax recovery	**(27,571)**	(34,666)	(5,491)	**(60,076)**	(3,407)
Net (loss) income from continuing operations	**(2,214)**	(54,026)	(21,835)	**(33,271)**	16,620
Net (loss) income from discontinued operations	**(8,279)**	3,083	3,118	**271,585**	16,384
Net (loss) income for the period	**(10,493)**	(50,943)	(18,717)	**238,314**	33,004
Weighted Average number of shares outstanding [basic] (2)	**381,670**	385,887	386,929	**385,795**	386,523
(Loss) Earnings per share [basic] - continuing operations (2)	**-$0.01**	-$0.15	-$0.06	**-$0.11**	$0.05
Non-IFRS Measures					
Adjusted operating results:					
Adjusted operating income before tax (1)	**13,947**	10,489	24,870	**55,053**	104,242
Adjusted net income (1)	**13,781**	19,227	35,945	**60,312**	96,665
Adjusted net income applicable to common shareholders (1)	**10,594**	16,027	35,945	**49,564**	96,665
Adjusted net income per share [basic] (1)	**$0.04**	$0.05	$0.09	**$0.16**	$0.25
Adjusted net income applicable to common shareholders per share [basic] (1)	**$0.03**	$0.04	$0.09	**$0.13**	$0.25

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section on page 31.

(2) For periods prior to Separation, 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.

The following discussion relates to the results of operations for the three-month period and year ended December 31, 2017, which is presented on a continuing operations basis.

Q4 2017 VS Q3 2017 AND Q4 2016

The Company reported a net loss of $10.5 million for the quarter ended December 31, 2017, which is comprised of a net loss from continuing operations of $2.2 million and a net loss from discontinued operations of $8.3 million. This compares to the net losses of $50.9 million and $18.7 million for the three-month periods ended September 30, 2017 and December 31, 2016, respectively. The net loss from continuing operations in the current quarter reflects the after-tax asset valuation reserve of $18.4 million in Aviation Finance, an after-tax restructuring provision of $4.8 million related to the reduction of its corporate office due to the continuing transformation of the Company's business, the after-tax amortization of intangible assets related to the acquisition of Service Finance of $2.0 million and after-tax business acquisition costs of $1.9 million related to the Triad acquisition. The net loss for the immediately preceding previous quarter reflected the after-tax loss on the Railcar Dispositions of $49.6 million and the after-tax transaction costs related to the acquisition of Service Finance of $11.5 million. The loss in the fourth quarter of the prior year reflects an asset valuation reserve of $40.3 million and separation and restructuring charges of $6.8 million.

Adjusted net income[1] and adjusted net income per share[1] was $13.8 million or $0.04, respectively, for the quarter ended December 31, 2017, compared to $19.2 million or $0.05 for the immediately preceding quarter and $35.9 million and $0.09 for the same prior year quarter. Adjusted operating income before tax[1] was $13.9 million for the quarter ended December 31, 2017, compared to $10.5 million in the immediately preceding quarter and $24.9 million in the comparable prior year quarter. The increase in adjusted operating income before tax[1] compared to the quarter ended September 30, 2017 reflects a full quarter of operating results from the Home Improvement Finance segment offset by; lower earnings from the Rail Finance segment due to the impact of the Railcar Dispositions in the third quarter and lower earnings from the Aviation Finance segment due to the continued runoff of the aviation portfolio.

The Company reported total originations of $316.9 million in the fourth quarter of 2017, compared to $112.5 million in the immediately preceding quarter and $71.3 million in the same prior year quarter. Current quarter originations include $271.2 million from the Home Improvement Finance segment.

Net financial income of $31.1 million in the current quarter was up 44.2% compared to the immediately preceding quarter and down 7.5% from the same prior year quarter. The increase compared to the third quarter of 2017 reflects the impact of Home Improvement Finance, which more than offset the declines in Rail Finance and Aviation Finance. The decrease from the fourth quarter of 2016 reflects the Railcar Dispositions and lower earnings in Aviation Finance, which more than offset the positive impact from the addition of Home Improvement Finance.

Operating expenses were $17.1 million in the current quarter, compared to $11.1 million for the third quarter and $8.7 million in the fourth quarter of 2016. Higher operating expenses compared to the third quarter are primarily due to the inclusion of a full quarter of Home Improvement Finance operating expenses, higher Aviation Finance expenses and higher travel and professional fees related to M&A activities; partially offset by lower Rail Finance expenses.

1. This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a reconciliation to net income.

Income tax recovery of $27.6 million in the fourth quarter of 2017 includes a tax recovery of approximately $13.9 million, as a result of the impact of U.S. tax legislation enacted on December 22, 2017, which reduced the federal corporate tax rate from 35% to 21% effective January 1, 2018.

The income tax recovery also reflects the tax impact of non-operating items totaling $43.7 million in the quarter.

2017 VS 2016

Net income for the year ended December 31, 2017 was $238.3 million compared to $33.0 million for the prior year, which includes net income from discontinued operations of $271.6 million due to the dispositions of the US C&V and Canada C&V Finance businesses. On a continuing operations basis, the Company reported a net loss of $33.3 million or $0.11 per share compared to net income of $16.6 million or $0.05 per share. The net loss in 2017 reflects $148.4 million in non-operating items compared to $91.0 million in non-operating items in 2016. Non-operating items in 2017 include the following: impairment and amortization of intangible assets of $3.3 million; loss on business disposals of $76.4 million, primarily as a result of the Railcar Dispositions; business acquisition costs of $21.7 million; separation and reorganization costs of $9.1 million; and asset valuation reserve of $25.0 million.

Adjusted net income[1] in 2017 was $60.3 million or $0.16 per share, compared to $96.7 million or $0.25 per share in 2016. The decrease in adjusted net income[1] and adjusted net income per share[1] was primarily due to lower net financial income in the Rail Finance segment, primarily due to the impact of the Railcar Dispositions, and lower net financial income from the Aviation Finance segment due to the continued run down of the aviation portfolio, which was partially offset by the contribution of our Home Improvement Finance segment in 2017.

Total originations from our continuing business segments were $513.9 million in 2017, up from the $405.6 million for the prior year. The increase reflects $331.4 million in originations from the Home Improvement Finance segment in 2017, which more than offset the decline in Rail Finance and Aviation Finance originations.

Net financial income was $107.2 million in 2017 compared to $136.9 million in 2017. The decrease was primarily due to the $27.4 million decline in net financial income attributable to the Railcar Finance segment and $24.1 million decline in net financial income attributable to the Aviation Finance segment. These decreases were partially offset by the contribution of the Home Improvement Finance segment from September 7, 2017 onwards.

Operating expenses were $52.1 million in 2017, which was up from $32.7 million in 2016. Operating expenses in the prior periods are derived from the historical financial statements of Element on a carve out basis as described on page 3 of this MD&A. Consequently, they are not comparable to the operating expenses incurred in the current year.

Income tax recovery of $60.1 million for the year ended December 31, 2017 reflects the impact of the U.S. tax legislation, which was enacted on December 22, 2017, as described above, as well as the tax impact of non-operating items totaling $148.4 million.

1. This is a non-IFRS measure. Please refer to "Non-IFRS and Other Performance Measures" in this MD&A for a reconciliation to net income.

Business Segment Results

RESULTS OF HOME IMPROVEMENT FINANCE OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from the Home Improvement Finance operations, for the period September 7, 2017 to December 31, 2017.

	For the three-month period ended		For the period ended		For the year ended	
	Dec 31, 2017	**Dec 31, 2017**	Sept 30, 2017	Sept 30, 2017	**Dec 31, 2017**	**Dec 31, 2017**
(in 000's for stated values, except percent amounts)	**US$**	**$CAD**	US$	$CAD	**US$**	**$CAD**
Select metrics						
Originations	**213,360**	**271,160**	49,021	60,232	**262,381**	**331,392**
Managed Assets, Period End	**1,122,088**	**1,410,577**	1,022,854	1,275,703	**1,122,088**	**1,410,577**
Managed Assets, Period Average	**1,077,666**	**1,377,497**	1,007,378	1,256,402	**1,060,094**	**1,347,223**
Operating results						
Revenue	**13,903**	**17,673**	3,254	3,997	**17,157**	**21,671**
Operating Expenses	**5,494**	**6,674**	1,073	1,318	**6,567**	**7,993**
Adjusted operating income before tax	**8,409**	**10,999**	2,181	2,679	**10,590**	**13,678**

Home Improvement Finance

Adjusted operating income before tax was $11.0 million (US$8.4 million) for the quarter ended December 31, 2017 and $13.7 million (US$10.6 million) for the period from September 7 to December 31, 2017, which is higher than the original acquisition guidance provided on June 8 of US$8.1 million after-tax and in line with our updated market guidance of US$9.0 million after-tax. The Company evaluates the performance of its operating segments using adjusted operating income before tax, among other performance measures, and consequently the Company only reports segment income before tax, and our forward looking segment guidance for 2018 will similarly be presented on a before tax basis. The strong operating results for the stub period from September 7 to December 31, 2017 were achieved despite the negative impact from 2 severe hurricanes affecting several southern states in the U.S in the month of September.

Originations were $271.2 million (US$213.4 million) in the fourth quarter and $331.4 million (US$262.4 million) for the period from September 7 to December 31, 2017. For the full year, core originations for Service Finance were about US$818 million, which is higher than the Company's original projection for 2017 of US$740 million and in line with the updated forecast we provided in the third quarter of more than US$800 million. Average managed assets in the fourth quarter were $1,377 million (US$1,078 million) and managed assets as at December 31, 2017 were $1,411 million (US $1,122 million).

We expect significant growth from our Home Improvement Finance segment in 2018 from its existing core in-home originations business, the roll out of new distribution channels as well as from the leveraging of the Company's investment grade balance sheet to develop new business relationships. Please see the table below for the Company's 2018 outlook for the Home Improvement Finance segment.

Home Improvement Finance 2018 Outlook

Select Metrics (US$ millions)	
Core In-Home Originations	**1,135**
New Channels Originations	**230**
Total Originations	**1,365**
Managed Assets (Year-End)	**1,860**
Income Statement (US$ millions)	
Revenue	**81**
Adjusted Operating Income Before Tax	**55**

Traditionally, this business is impacted by seasonality. This is illustrated in the table below which shows originations by quarter for 2015 through 2017:

	Core Originations (US$ millions)[1]				
	Q1	**Q2**	**Q3**	**Q4**	**YTD**
2015	58	91	106	105	360
2016	99	143	167	138	547
2017	135	221	249	213	818

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

MANUFACTURED HOUSING FINANCE

The Manufactured Housing Finance business is new to the Company and was formed on completion of the Triad acquisition on December 29, 2017. Our Manufactured Housing Finance segment will be a key growth platform going forward, and the Company is actively engaged in implementing plans to increase the organic growth profile of the business, including the launch of an on-balance sheet dealer floorplan financing program in January, 2018. The new floorplan program will be additive to the existing managed floorplan servicing only program and is indicative of the opportunities from combining ECN Capital's investment grade balance sheet with Triad's robust originations platform. Please see the table below for the Company's guidance for 2018.

Manufactured Housing Finance 2018 Outlook

Select Metrics (US$ millions)	
Total Originations	**530**
Total Loans Outstanding	**2,310**
Income Statement (US$ millions)	
Revenue	**46**
Adjusted Operating Income Before Tax[1]	**20**

(1) Not inclusive of interest expense

Traditionally, this business is impacted by seasonality. This is illustrated in the table below which shows originations by quarter for 2015 through 2017:

	Core Originations (US$ millions)[1]				
	Q1	**Q2**	**Q3**	**Q4**	**YTD**
2015	59	84	93	87	323
2016	74	113	117	104	408
2017	92	126	129	119	466

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

RESULTS OF RAIL FINANCE OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from the Rail Finance operations, for the three-month periods ended December 31, 2017, September 30, 2017 and December 31, 2016 and for the year ended December 31, 2017 and December 31, 2016.

	For the three-month period ended			For the year ended	
	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016	**Dec 31, 2017**	Dec 31, 2016
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Select metrics					
Originations	**45,777**	52,246	71,336	**182,545**	231,467
Average earning assets - Owned (1)	**811,770**	1,751,287	2,319,577	**1,701,919**	2,298,184
Average debt (1)	**524,701**	1,175,382	1,795,071	**1,227,405**	1,820,232
Average debt advance rate (1)	**64.6%**	67.1%	77.4%	**72.1%**	79.2%
Operating results					
Interest income and rental revenue, net	**9,506**	24,423	35,884	**106,963**	149,302
Interest expense	**6,926**	14,657	20,224	**60,626**	74,240
	2,580	9,766	15,660	**46,337**	75,062
Syndication and other income	**5,697**	1,830	7,724	**12,287**	10,928
	8,277	11,596	23,384	**58,624**	85,990
Provision for credit losses	**—**	—	—	**—**	—
Net financial income	**8,277**	11,596	23,384	**58,624**	85,990
Operating expenses	**1,886**	3,048	4,297	**14,169**	17,855
Corporate allocations	**3,905**	3,920	1,435	**15,093**	3,738
Adjusted operating income before tax	**2,486**	4,628	17,652	**29,362**	64,397
Select operating ratios (2)					
Interest income and rental revenue, net	**4.68%**	5.58%	6.19%	**6.28%**	6.50%
Interest expense	**3.41%**	3.35%	3.49%	**3.56%**	3.23%
	1.27%	2.23%	2.70%	**2.72%**	3.27%
Syndication and other income	**2.81%**	0.42%	1.33%	**0.72%**	0.48%
Provision for credit losses	**—%**	—%	—%	**—%**	—%
Net financial income	**4.08%**	2.65%	4.03%	**3.44%**	3.74%
Operating expenses (1)	**2.85%**	1.59%	0.99%	**1.72%**	0.94%
Adjusted operating income before tax	**1.22%**	1.06%	3.04%	**1.73%**	2.80%
Cost of debt (3)	**4.26%**	4.47%	4.51%	**4.58%**	4.08%

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.
(2) Yield as a percent of average earning assets.
(3) Yield as a percent of average debt. The cost of debt calculation excludes $724 and $678 in standby charges incurred in the three month period ended September 30, 2017 and December 31, 2017 respectively and $2,206 in standby charges incurred in the year ended December 31, 2017, related to the undrawn portion of the Company's term senior credit facility as they are not representative of the business segments cost of debt capital. In addition, the cost of debt calculation also excludes $808 and $654 in corporate allocations incurred in the three month period ended September 30, 2017 and December 31, 2017 respectively and $2,164 in corporate allocations for the year ended December 31, 2017.

Rail Finance

The Company's Rail Finance business unit reported adjusted operating income before tax of $2.5 million for the three-month period ended December 31, 2017 and $29.4 million for the year ended December 31, 2017, compared to $17.7 million and $64.4 million for the comparable prior year periods. The decrease in segment income was primarily due to the Railcar Dispositions, higher interest expense rates and higher adjusted operating expenses. Interest expense and adjusted operating expenses for the prior year were determined on a carve-out basis, as described on page 3 of this MD&A, and therefore is not comparable to the actual interest and adjusted operating expenses incurred in the current year.

Total originations in the Rail Finance segment were $45.8 million in the quarter ending December 31, 2017 and $182.5 million for the year ended December 31, 2017 compared to $71.3 million and $231.5 million for the comparable prior year periods. Average earning assets were $811.8 million and net interest income and rental revenue was $9.5 million in the quarter ended December 31, 2017 compared to the $2,319.6 million and $35.9 million reported in the comparable prior year quarter. For the year ended December 31, 2017, average earning assets were $1,701.9 million and net interest and rental revenue was $107.0 million compared to $2,298.2 million and $149.3 million, respectively, for the prior year. The decrease in net interest and rental income in the current periods was primarily due to the Railcar Dispositions in the third quarter of 2017, and foreign exchange fluctuations.

The decrease in yield, excluding syndication and other income, to 4.68% from 5.58% in the third quarter of 2017 and 6.19% in the comparable prior year quarter is primarily due to the impact of the Railcar Dispositions. These dispositions enabled the portfolio to transition from higher yielding crude-by-rail tank cars to lower yielding freight cars. In addition, several renewals in the current quarter were completed at lower yields compared to the previous contracts.

In 2018, the Company expects originations and syndication activity to be modest. The new operations agreement with Trinity will enable the Company to rightsize portfolio operating costs in 2018. The Company expects the current trend of rising car loads, declining new railcar production and fewer stored railcars to continue to reduce excess capacity, which should result in a gradual improvement in lease renewal rates relative to current renewal rates. Please see the table below for the 2018 outlook for the Rail Finance segment.

Rail Finance 2018 Outlook

Select Metrics (US$ millions)	
Average Earning Assets	**670**
Income Statement	
Net Financial Revenue[1]	**37**
Adjusted Operating Income Before Tax[2]	**21**

(1) Inclusive of syndication and other income
(2) Includes only securitized interest expense

ECN CAPITAL

RESULTS OF AVIATION FINANCE OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from the Aviation Finance operations, for the three-month periods ended December 31, 2017, September 30, 2017 and December 31, 2016 and for the year ended December 31, 2017 and December 31, 2016.

	For the three-month period ended			For the year ended	
	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016	**Dec 31, 2017**	Dec 31, 2016
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Select metrics					
Originations	**—**	—	—	**—**	174,114
Average earning assets - Owned (1)	**589,968**	705,863	1,003,519	**770,016**	1,168,639
Average debt (1)	**148,309**	180,248	566,289	**277,026**	712,494
Average debt advance rate	**25.1 %**	25.5 %	56.4%	**36.0 %**	61.0%
Operating results					
Interest income and rental revenue, net	**7,502**	8,912	14,011	**40,107**	65,891
Interest expense	**3,212**	3,612	5,688	**15,638**	25,668
	4,290	5,300	8,323	**24,470**	40,223
Syndication and other income	**889**	732	1,989	**4,451**	11,294
	5,179	6,032	10,312	**28,920**	51,517
Provision for credit losses	**72**	82	123	**2,061**	601
Net financial income	**5,107**	5,951	10,189	**26,859**	50,916
Operating expenses	**1,807**	1,189	2,350	**7,495**	9,071
Corporate allocation	**2,838**	1,580	621	**7,351**	2,000
Adjusted operating income before tax	**462**	3,182	7,218	**12,013**	39,845
Select operating ratios (2)					
Interest income and rental revenue, net	**5.09 %**	5.05 %	5.58%	**5.21 %**	5.64%
Interest expense	**2.18 %**	2.05 %	2.27%	**2.03 %**	2.20%
	2.91 %	3.00 %	3.32%	**3.18 %**	3.44%
Syndication and other income	**0.60 %**	0.41 %	0.79%	**0.58 %**	0.97%
Provision for credit losses	**0.05 %**	0.05 %	0.05%	**0.27 %**	0.05%
Net financial income	**3.46 %**	3.37 %	4.06%	**3.49 %**	4.36%
Operating expenses (1)	**3.15 %**	1.57 %	1.18%	**1.93 %**	0.95%
Adjusted operating income before tax	**0.31 %**	1.80 %	2.88%	**1.56 %**	3.41%
Cost of debt (3)	**5.55 %**	5.32 %	4.02%	**4.29 %**	3.60%

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.
(2) Yield as a percent of average earning assets.
(3) Yield as a percent of average debt. The cost of debt calculation excludes $889 and $680 in standby charges incurred in the three month period ended September 30, 2017 and December 31, 2017 respectively and $2,666 in standby charges incurred in the year ended December 31, 2017, related to the undrawn portion of the Company's term senior credit facility as they are not representative of the business segments cost of debt capital. In addition, the cost of debt calculation also excludes $326 and $475 in corporate allocations incurred in the three month period ended September 30, 2017 and December 31, 2017 respectively and $1,085 in corporate allocations for the year ended December 31, 2017.

Aviation Finance

The Company's Aviation Finance business unit reported adjusted operating income before-tax of $0.5 million for the three-month period ended December 31, 2017 and $12.0 million for the year ended December 31, 2017, compared to $7.2 million and $39.8 million for the comparable prior year periods. The decrease in segment income primarily reflects the continued runoff of the aviation portfolio after the decision to discontinue new originations in the first quarter of 2016. Accordingly, average earning assets for the three and twelve-month periods ending December 31, 2017 were $590.0 million and $770.0 million, down from the $1,003.5 million and $1,168.6 million for the comparable prior year periods. In the third quarter of 2017, an aviation client filed for bankruptcy. The Company was able to repossess the aircraft and put it back in service at the end of the fourth quarter.

Please see the table below for the Company's 2018 outlook for the Aviation Finance segment.

Aviation Finance 2018 Outlook

Select Metrics (US$ millions)	
Average Earning Assets	**460**
Income Statement	
Net Financial Revenue[1]	**22**
Adjusted Operating Income Before Tax [2]	**19**

(1) Inclusive of syndication and other income
(2) Not inclusive of interest expense

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by vertical, as at December 31, 2017, September 30, 2017 and December 31, 2016.

	December 31, 2017							
(in 000's for stated values, except percentage amounts)	Home Improvement $	Manufactured Housing $	Rail $	Aviation $	Other $	Continuing Operations $	Discontinued Operations $	Total $
Assets								
Finance assets								
Finance receivables	—	—	4,214	332,970	152,947	**490,131**	—	**490,131**
Asset held-for-sale	—	—	—	—	—	**—**	857,240	**857,240**
Equipment under operating leases	—	—	858,999	277,063	—	**1,136,062**	—	**1,136,062**
Total finance assets	—	—	863,213	610,033	152,947	**1,626,193**	857,240	**2,483,433**
Retained reserve interest		22,627	—	—	—	**22,627**	—	**22,627**
Goodwill and intangible assets	443,178	78,914	—	—	36	**522,128**	—	**522,128**
Other assets and investments	74,589	41,907	72,164	96,990	197,390	**483,040**	—	**483,040**
Total Assets	**517,767**	**143,448**	**935,377**	**707,023**	**350,373**	**2,653,988**	**857,240**	**3,511,228**
Liabilities								
Debt	—	—	367,308	—	1,068,770	**1,436,078**	—	**1,436,078**
Other liabilities	1,770	17,334	3,005	11,698	157,714	**191,521**	—	**191,521**
Total Liabilities	**1,770**	**17,334**	**370,313**	**11,698**	**1,226,484**	**1,627,599**	**—**	**1,627,599**
Earning Assets - Owned and Managed								
Earning assets - owned	—	—	863,213	610,033	152,947	**1,626,193**	—	**1,626,193**
Earning assets - managed	1,410,577	2,462,094	—	—	—	**3,872,671**	—	**3,872,671**
Total Earning Assets - Owned and Managed	**1,410,577**	**2,462,094**	**863,213**	**610,033**	**152,947**	**5,498,864**	**—**	**5,498,864**

Total finance assets for continuing operations were $1,626 million on December 31, 2017 compared to $1,442 million at September 30, 2017, and $3,316 million at December 31, 2016. The increase compared to the prior quarter reflects several rail lease transactions in the fourth quarter. The decrease compared to the prior year reflects the impact of the Railcar Dispositions and the runoff of the aviation portfolio.

Earning assets - managed of $3.9 billion as at December 31, 2017 reflects servicing assets of $1.4 billion in the Home Improvement Finance segment and the $2.5 billion off-balance sheet loan portfolio in the Manufacturing Housing Finance segment.

Debt from continuing operations of $1,436 million decreased by $1,825 million compared to December 31, 2016, largely reflecting the ERL II program being transferred to the purchaser as part of the Railcar Dispositions. Debt decreased $3,069 million over December 31, 2016 which reflects the Railcar Dispositions and the repayment of the US$902.6 million of the senior facility with proceeds from the sale of the U.S. C&V Finance business.

(in 000's for stated values, except percentage amounts)	September 30, 2017 Home Improvement $	Rail $	Aviation $	Other $	Continuing Operations $	Discontinued Operations $	Total $
Assets							
Finance assets							
Finance receivables	—	3,959	407,600	—	**411,559**	1,050,601	**1,462,160**
Equipment under operating leases	—	800,632	230,266	—	**1,030,898**	—	**1,030,898**
Total finance assets	—	804,591	637,866	—	**1,442,457**	1,050,601	**2,493,058**
Goodwill and intangible assets	444,922	—	—	4,606	**449,528**	—	**449,528**
Other assets and investments	36,596	163,136	106,020	163,578	**469,330**	—	**469,330**
Total Assets	**481,518**	**967,727**	**743,886**	**168,184**	**2,361,315**	**1,050,601**	**3,411,916**
Liabilities							
Debt	—	472,007	115,481	683,853	**1,271,341**	—	**1,271,341**
Other liabilities	24,261	101,794	38,988	58,296	**223,339**	—	**223,339**
Total Liabilities	**24,261**	**573,801**	**154,469**	**742,149**	**1,494,680**	**—**	**1,494,680**
Earning Assets - Owned and Managed							
Earning assets - owned	—	804,591	637,866	—	**1,442,457**	1,050,601	**2,493,058**
Earning assets - managed	1,275,703	—	—	—	**1,275,703**	—	**1,275,703**
Total Earning Assets - Owned and Managed	**1,275,703**	**804,591**	**637,866**	**—**	**2,718,160**	**1,050,601**	**3,768,761**

(in 000's for stated values, except percentage amounts)	December 31, 2016 Rail $	Aviation $	Other $	Continuing Operations $	Discontinued Operations $	Total $
Assets						
Finance assets						
Finance receivables	7,347	690,328	—	**697,675**	2,690,304	**3,387,979**
Equipment under operating leases	2,346,242	272,370	—	**2,618,612**	—	**2,618,612**
Total finance assets	**2,353,589**	**962,698**	**—**	**3,316,287**	**2,690,304**	**6,006,591**
Goodwill and intangible assets	—	—	4,628	**4,628**	572	**5,200**
Other assets and investments	188,913	88,352	86,883	**364,148**	60,415	**424,563**
Total Assets	**2,542,502**	**1,051,050**	**91,511**	**3,685,063**	**2,751,291**	**6,436,354**
Liabilities						
Debt	1,793,583	534,053	933,450	**3,261,086**	1,243,505	**4,504,591**
Other liabilities	43,428	14,522	8,243	**66,193**	38,399	**104,592**
Total Liabilities	**1,837,011**	**548,575**	**941,693**	**3,327,279**	**1,281,904**	**4,609,183**

Book Value per Share

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

1 - Calculated by dividing the Canadian dollar book value per share by the US$ to $CAD exchange rate in effect as at the relevant balance sheet date.

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

Delinquencies and Losses

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

	December 31, 2017		September 30, 2017		December 31, 2016	
	$	%	$	%	$	%
Current	**490,692**	**99.74%**	1,387,208	95.53%	1,633,887	99.60%
31-60 days past due	**893**	**0.18%**	1,462	0.10%	2,589	0.16%
61-90 days past due	**383**	**0.08%**	70	0.01%	582	0.04%
Greater than 90 days past due	**—**	**—%**	1,024	0.07%	284	0.02%
Defaulted Accounts	**—**	**—%**	62,291	4.29%	2,985	0.18%
Total continuing operations	**491,968**	**100.00%**	1,452,055	100.00%	1,640,327	100.00%

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

	Year ended December 31, 2017	Year ended December 31, 2016
(in 000's except percentage amounts)	$	$
Allowance for credit losses continuing operations, beginning of period	**4,377**	8,122
Provision for credit losses	**2,061**	4,719
Charge-offs, net of recoveries	**(3,687)**	(8,444)
Impact of foreign exchange	**(36)**	(20)
Allowance for credit losses continuing operations, end of period	**2,715**	4,377
Allowance as a % of finance receivables	**0.55%**	0.27%

Allowance for Credit Losses

The Company's allowance for credit losses of $2.7 million as at December 31, 2017 represents 0.55% of the finance receivables outstanding, higher than the 0.27% reported at December 31, 2016, which reflects a decrease of $2.1 million attributable to the Canada C&V Finance business and an increase in provision for the Aviation Finance business of approximately $0.4 million. 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, 2017, September 30, 2017 and December 31, 2016:

(in 000's for stated values, except for percentage amounts)	**December 31, 2017** **$**	September 30, 2017 $	December 31, 2016 $	Change over September 30, 2017 %	Change over December 31, 2016 %
Equipment under operating leases, net					
Railcars	**858,999**	800,632	2,346,242	0.07	(0.63)
Aircraft	**277,063**	230,266	272,370	0.20	0.02
	1,136,062	1,030,898	2,618,612	0.10	(0.57)

(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.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are: (i) cash flows from operating activities; (ii) the secured borrowing facilities; (iii) funding commitments from an established network of banks and credit unions; and (iv) equity. The Company's primary use of cash is the funding of finance receivables, equipment under operating leases 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, selling loans that we originate to our funding partners and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares. The Home Improvement and Manufactured Housing Finance segments have commitments in place to fund their total budgeted loan originations in 2018.

The Company views its financial leverage as a key indicator of the strength of the Company's Consolidated Statements of Financial Position. As at December 31, 2017, the Company's financial leverage ratio was 0.76:1, 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, 2017**	September 30, 2017	December 31, 2016
		$	$	$
Total debt	**(a)**	**1,436,078**	1,271,341	4,504,591
Shareholders' equity	**(b)**	**1,883,629**	1,917,236	1,827,171
Financial leverage	**(a)/(b)**	**0.76**	0.66	2.47
Goodwill and Intangibles	**(c)**	**522,128**	449,528	5,200
Tangible leverage	**(a)/[(b)-(c)]**	**1.05**	0.87	2.47

The decrease in financial and tangible leverage reflects the repayment of the US$902.6 million of the senior facility with proceeds from the sale of the U.S. C&V Finance business and US$935.0 million the Railcar Dispositions.

DEBT AND CONTRACTUAL REPAYMENT OBLIGATIONS

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

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

	As at		
	December 31, 2017	September 30, 2017	December 31, 2016
(in 000's)	**$**	$	$
Cash and cash equivalents	**21,742**	23,791	45,849
Senior Facilities			
Facilities	**2,765,620**	3,118,000	3,356,750
Utilized against Facility	**559,008**	354,220	1,210,226
Utilized against Facility; Discontinued operations	**—**	—	534,762
	2,206,612	2,763,780	1,611,762
Life Insurance Company Term Funding Facilities			
Facilities	**195,580**	229,932	389,906
Utilized against Facility	**145,580**	179,932	262,363
	50,000	50,000	127,543
Securitization Programs			
Facilities	**400,629**	400,624	464,846
Facilities; Discontinued operations	**—**	—	906,323
Utilized against Facility	**382,597**	385,168	372,495
Utilized against Facility; Discontinued operations	**—**	—	715,297
	18,032	15,456	283,377
Public Asset-Backed Securities			
Facilities	**368,935**	369,990	1,457,569
Utilized against Facility	**368,935**	369,990	1,457,569
	—	—	—
Total available sources of capital, end of period	**2,296,386**	2,853,027	2,068,531
Unutilized Borrowing Facilities (i.e. excl. Cash & Equiv.)	**2,274,644**	2,829,236	2,022,682

The Company had available liquidity of approximately $2.3 billion at December 31, 2017. The decrease in liquidity compared to September 30, 2017 is due to the reduced commitments on the Senior Secured Facility and the acquisition of Triad. Management believes that the available liquidity of $2.3 billion available to the Company, combined with funding commitments from our network of bank partners, is sufficient to fund operations and growth throughout 2018.

Summary of Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended as at December 31, 2017. Financial information prior to Q4, 2016 has been derived from the historical carve-out combined financial statements of the Company and is prepared as if ECN Capital had operated as a stand-alone entity throughout the reporting periods. The information should be read in conjunction with ECN Capital's audited and interim unaudited, consolidated financial statements, the notes thereto and the related management discussion and analysis for the relevant periods.

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

(in $ 000's for stated values, except ratio and per share amounts)	**Q4, 2017**	Q3, 2017	Q2, 2017	Q1, 2017	Q4, 2016	Q3, 2016	Q2, 2016	Q1, 2016
Net financial income	**31,058**	21,544	25,615	28,937	33,573	32,283	33,232	37,819
Adjusted operating income before tax (1)	**13,947**	10,489	14,123	16,493	24,870	24,837	25,328	29,207
Impairment and amortization of intangible assets from acquisitions	**3,324**	—	—	—	3,384	26,605	—	650
Asset valuation reserve	**25,036**	—	—	—	40,281			
Share based compensation	**5,861**	1,717	3,093	2,138	1,702	2,463	1,443	1,528
Separation and reorganization costs	**6,500**	—	—	2,575	6,829	6,143	—	—
Acquisition costs	**3,011**	18,724	—	—	—	—	—	—
Loss (gain) on business disposals	**—**	78,740	(2,318)	—	—	—	—	—
Net income / (loss) before income taxes	**(29,785)**	(88,692)	13,348	11,780	(27,326)	(10,374)	23,885	27,029
Net income, continuing operations	**(2,214)**	(54,026)	12,702	10,266	(21,835)	(614)	18,392	20,678
Net income, discontinuing operations	**(8,279)**	3,083	3,212	273,569	3,118	1,840	5,540	5,885
Net income / (loss) - total	**(10,493)**	(50,943)	15,914	283,835	(18,717)	1,225	23,932	26,563
Net earnings per share, basic, continuing operations	**-$0.01**	-$0.15	$0.03	$0.02	-$0.06	$0.00	$0.05	$0.06
Adjusted net income	**13,781**	19,227	13,007	14,294	35,945	19,000	19,376	22,343
Adjusted net income, per share (basic)	**$0.04**	$0.05	$0.03	$0.04	$0.09	$0.05	$0.05	$0.06
Adjusted net income applicable to common shareholders per share (basic)	**$0.03**	$0.04	$0.03	$0.03	$0.09	$0.05	$0.05	$0.06
Earning Assets - owned	**1,626,193**	1,442,457	3,122,950	3,193,024	3,316,287	3,312,106	3,501,036	3,545,025
Earning Assets - managed	**3,872,671**	1,275,703	—	—	—	—	—	—
Earning assets - total	**5,498,864**	2,718,160	3,122,950	3,193,024	3,316,287	3,312,106	3,501,036	3,545,025
Loan and lease originations, continuing operations	**316,937**	112,478	43,508	41,014	71,336	92,149	71,285	170,811
Allowance for credit losses	**2,715**	6,494	8,355	5,746	14,089	16,629	18,092	17,855
As a % of finance receivables	**0.55%**	0.44%	0.53%	0.36%	0.41%	0.54%	0.56%	0.58%
Term senior credit facility, total	**559,008**	354,220	462,815	1,676,614	1,744,988	1,617,980	1,537,407	1,504,501
Secured borrowings, total	**877,070**	917,121	1,903,870	2,531,278	2,759,603	2,650,551	2,848,578	2,879,375
Total Debt	**1,436,078**	1,271,341	2,366,685	4,207,892	4,504,591	4,268,531	4,385,985	4,383,876
Shareholders' Equity / Owners' Net Investment, total	**1,883,629**	1,917,236	2,019,256	1,939,382	1,827,171	1,710,473	1,562,738	1,502,001
Book value per share (excluding pref. shares), total (2)	**$ 4.47**	$ 4.51	$ 4.70	$ 4.75	$ 4.47	$ 4.42	$ 4.04	$ 3.89

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

Non-IFRS and Other Performance Measures

DESCRIPTION OF NON-IFRS MEASURES

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

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

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

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

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

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

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

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

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

Average earning assets - managed
Average earning assets - managed is the sum of average off balance sheet loan portfolio which the Company manages and/or services on behalf of third party banks in return for a fee and the average off balance sheet loan portfolio of the Manufacturing Housing Finance segment, for which the Company holds amounts in reserve accounts against potential loan losses or the impact of loan prepayments.

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

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

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

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

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

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

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.

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.

RECONCILIATION OF NON-IFRS TO IFRS MEASURES

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for three month periods ended December 31, 2017, September 30, 2017 and December 31, 2016 and for the year ended December 31, 2017 and December 31, 2016.

	For the three-month period ended			For the year ended	
	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016	**Dec 31, 2017**	Dec 31, 2016
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Reported and adjusted measures					
Net (loss) income from continuing operations	**(2,214)**	(54,026)	(21,835)	**(33,271)**	16,620
Adjustments:					
Share-based compensation	**5,861**	1,717	1,702	**12,809**	7,137
Impairment and amortization of intangible assets from acquisitions	**3,324**	—	3,384	**3,324**	30,639
Acquisition costs	**3,011**	18,724	—	**21,734**	—
Separation and reorganization costs	**6,500**	—	6,829	**9,075**	12,972
Asset valuation reserve	**25,036**	—	40,281	**25,036**	40,281
Loss on business disposals	**—**	78,740	—	**76,422**	—
(Recovery) provision of income taxes	**(27,571)**	(34,666)	(5,491)	**(60,076)**	(3,407)
Adjusted operating income before tax	**13,947**	10,489	24,870	**55,053**	104,242
Provision/(Recovery) for taxes applicable to adjusted operating income	**165**	(8,738)	(11,075)	**(5,259)**	7,577
Adjusted net income	**13,781**	19,227	35,945	**60,312**	96,665
Cumulative preferred share dividends during the period	**3,188**	3,200	—	10,749	—
Adjusted net income attributable to common shareholders	**10,594**	16,027	35,945	**49,564**	96,665
Per share information					
Weighted Average number of shares outstanding [basic]	**381,669,570**	385,886,570	386,928,634	**385,794,538**	386,523,263
Adjusted net income per share [basic]	**$0.04**	$0.05	$0.09	**$0.16**	$0.25
Adjusted net income applicable to common shareholders per share [basic]	**$0.03**	$0.04	$0.09	**$0.13**	$0.25
Adjusted operating income before tax comprised of:					
Home Improvement Finance	**10,999**	2,679	—	**13,678**	—
Rail Finance	**2,486**	4,628	17,652	**29,362**	64,397
Aviation Finance	**462**	3,182	7,218	**12,013**	39,845
	13,947	10,489	24,870	**55,053**	104,242

Risk Management

RISK MANAGEMENT APPROACH

ECN Capital's various business segments are subject to numerous and substantial risks. Management believes that effective risk management is of primary importance to the achievement of the Company's strategic objectives, including the delivery of superior risk-adjusted returns to shareholders. We have risk management policies in place to monitor, evaluate and manage the principal risks we assume in conducting our activities. We seek to monitor and control our risk exposure through a variety of separate, but complementary financial, credit, and operational processes under the oversight of the Board of Directors, and in particular, the Audit, Credit and Risk, and Compensation and Governance Committees of the Board. Management oversight is a fundamental element of our risk management processes. The principal risks are discussed in further detail below.

PRINCIPAL RISKS

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 and derivative financial instruments. 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, 2017 and 2016 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 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 12]. 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 finance receivables/loans 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 or when the Company can sell the finance contracts through to third party financial institutions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing/selling through 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. Based on its unhedged exposure as at December 31, 2017, the Company estimates that a 50 basis point increase or decrease in interest rates 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. As at December 31, 2017, 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.

As a result of the sale of the Canada C&V Finance business and the acquisitions of Service Finance and Triad in 2017, approximately 95% of the Company's operating results will be denominated in US dollars. Consequently, effective the first quarter of 2018 the Company will change its functional and presentation currency to US dollars. This will significantly reduce the Company's foreign currency risk. Due to this change, the Company does not expect a change in the Canadian/ foreign exchange rate, in the absence of hedging transactions to have a material impact on the Company's reported net income.

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, including the tax-deferred spin-off from Element Financial Corporation on October 3, 2016. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines.

Business Environment

The Company's business segments operate in a competitive business environment. This creates a risk from 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. In addition, the Company's performance is strongly correlated to the overall economic environment in the U.S. Any adverse changes in the general economic environment in the U.S. could have a material impact on the Company's operating performance.

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.

Accounting and Internal Control Matters

Critical Accounting Policies and Estimates

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

Internal Control over Financial Reporting

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

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

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

Updated Share Information

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

As at February 28, 2018, the Company had 362,085,049 common shares, 31,610,115 options; 4,000,000 Series A preferred shares issued and outstanding; and 4,000,000 Series C preferred shares issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on February 28, 2018.

ecncapitalcorp.com