



# Interim Condensed Consolidated Financial Statements

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**MARCH 31, 2019**

## Interim condensed consolidated statements of financial position

[unaudited, in thousands of United States dollars]

	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Assets</b>		
Cash	97,202	51,992
Restricted funds <i>[note 5]</i>	23,690	18,929
Finance receivables <i>[note 4]</i>	345,374	402,418
Short-term receivables and other assets	178,625	152,366
Retained reserve interest	22,729	22,020
Notes receivable <i>[note 9]</i>	33,512	38,146
Derivative financial instruments <i>[note 10]</i>	479	433
Leasehold improvements and other equipment	34,892	15,905
Intangible assets	260,959	264,727
Deferred tax assets	46,260	35,467
Goodwill	413,067	413,067
<b>Total assets excluding assets held-for-sale</b>	<b>1,456,789</b>	1,415,470
Assets held-for-sale <i>[note 3]</i>	280,241	333,963
<b>Total assets</b>	<b>1,737,030</b>	1,749,433
 <b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	207,002	200,782
Derivative financial instruments <i>[note 10]</i>	1,966	6,118
Secured borrowings <i>[note 5]</i>	585,876	335,436
Other liabilities <i>[note 12]</i>	62,151	100,120
<b>Total liabilities</b>	<b>856,995</b>	642,456
<b>Shareholders' equity</b>	<b>880,035</b>	1,106,977
	<b>1,737,030</b>	1,749,433

See accompanying notes

## Interim condensed consolidated statements of operations

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	\$	\$
<b>Revenues</b>		
Portfolio origination services	18,140	13,432
Portfolio management services	19,088	8,580
Portfolio advisory services	11,956	—
<b>Total portfolio revenue</b>	<b>49,184</b>	<b>22,012</b>
Interest income	6,449	1,480
Other revenue <i>[note 8]</i>	985	1,899
	<b>56,618</b>	<b>25,391</b>
<b>Operating expenses and other</b>		
Compensation and benefits	19,299	11,181
General and administrative expenses	10,583	7,716
Interest expense	6,298	5,379
Depreciation and amortization	610	504
Share-based compensation <i>[note 7]</i>	6,160	3,334
Other items <i>[note 8]</i>	44,255	3,415
	<b>87,205</b>	<b>31,529</b>
Loss before income taxes from continuing operations	<b>(30,587)</b>	<b>(6,138)</b>
Recovery of income taxes	<b>(9,806)</b>	<b>(4,555)</b>
<b>Net loss from continuing operations</b>	<b>(20,781)</b>	<b>(1,583)</b>
Net (loss) income from discontinued operations <i>[note 3]</i>	<b>(2,160)</b>	<b>4,874</b>
<b>Net (loss) income for the period</b>	<b>(22,941)</b>	<b>3,291</b>
<b>(Loss) earnings per common share - Basic</b>		
Continuing operations <i>[note 11]</i>	<b>(0.09)</b>	<b>(0.01)</b>
Discontinued operations <i>[note 11]</i>	<b>(0.01)</b>	<b>0.01</b>
<b>Total basic (loss) earnings per share <i>[note 11]</i></b>	<b>(0.10)</b>	<b>—</b>
<b>(Loss) earnings per common share - Diluted</b>		
Continuing operations <i>[note 11]</i>	<b>(0.09)</b>	<b>(0.01)</b>
Discontinued operations <i>[note 11]</i>	<b>(0.01)</b>	<b>0.01</b>
<b>Total diluted (loss) earnings per share <i>[note 11]</i></b>	<b>(0.10)</b>	<b>—</b>

See accompanying notes

## Interim condensed consolidated statements of comprehensive (loss) income

[unaudited, in thousands of United States dollars]

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	\$	\$
<b>Net (loss) income for the period</b>	<b>(22,941)</b>	3,291
<b>Other comprehensive income (loss)</b>		
Cash flow hedges <i>[note 10]</i>	(2,056)	675
Net unrealized foreign exchange gain (loss)	4,374	(2,987)
	<b>2,318</b>	(2,312)
Deferred tax expense	—	(265)
<b>Total other comprehensive income (loss)</b>	<b>2,318</b>	(2,047)
<b>Comprehensive (loss) income for the period</b>	<b>(20,623)</b>	1,244

See accompanying notes

**Interim condensed consolidated statements of changes in shareholders' equity**

[unaudited, in thousands of United States dollars]

	<b>Common share capital</b>	<b>Preferred share capital</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive loss</b>	<b>Total shareholders' equity</b>
	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2017</b>	1,023,479	144,918	96,437	248,914	(15,356)	1,498,392
Adjustment to opening retained earnings	—	—	—	(6,951)	—	(6,951)
Employee stock option expense	—	—	1,535	—	—	1,535
Common share repurchases	(46,991)	—	—	—	—	(46,991)
Comprehensive income (loss) for the period	—	—	—	3,291	(2,047)	1,244
Dividends – Preferred shares	—	—	—	(2,593)	—	(2,593)
Dividends – Common shares	—	—	—	(3,022)	—	(3,022)
<b>Balance, March 31, 2018</b>	976,488	144,918	97,972	239,639	(17,403)	1,441,614
<b>Balance, December 31, 2018</b>	<b>817,919</b>	<b>144,918</b>	<b>99,330</b>	<b>65,075</b>	<b>(20,265)</b>	<b>1,106,977</b>
Employee stock options exercised [note 6]	1,351	—	—	—	—	1,351
Employee stock options expense	—	—	(300)	—	—	(300)
Common share repurchases [note 6]	(201,328)	—	—	—	—	(201,328)
Comprehensive loss for the period	—	—	—	(22,941)	2,318	(20,623)
Dividends – Preferred shares [note 6]	—	—	—	(2,477)	—	(2,477)
Dividends – Common shares [note 6]	—	—	—	(3,565)	—	(3,565)
<b>Balance, March 31, 2019</b>	<b>617,942</b>	<b>144,918</b>	<b>99,030</b>	<b>36,092</b>	<b>(17,947)</b>	<b>880,035</b>

See accompanying notes

## Interim condensed consolidated statements of cash flows

[unaudited, in thousands of United States dollars]

	<b>Three-month period ended March 31, 2019</b>	<b>Three-month period ended March 31, 2018</b>
	<u>\$</u>	<u>\$</u>
<b>Operating activities</b>		
Net income (loss) for the period from continuing operations	(20,781)	(1,583)
Items not affecting cash:		
Depreciation and amortization	610	504
Share-based compensation	6,160	3,410
Amortization of intangible assets	6,453	3,154
Amortization of deferred lease and financing costs	1,649	1,625
Deferred purchase price consideration	1,358	—
Non-controlling interest expense	546	—
SIB FX forward	(4,789)	—
	<u>(8,794)</u>	7,110
Changes in non-cash operating assets and liabilities:		
Sale of finance receivables, net	67,329	—
Other non-cash operating assets and liabilities	3,450	(127,944)
<b>Cash provided by (used in) operating activities – continuing operations</b>	<b>61,985</b>	<b>(120,834)</b>
<b>Investing activities</b>		
Decrease in restricted funds	(4,761)	31,804
Acquisition of non-controlling interest	(89,255)	—
Decrease in notes receivable	4,634	2,267
Cash proceeds from sale of Canadian C&V Finance	—	684,937
<b>Cash (used in) provided by investing activities – continuing operations</b>	<b>(89,382)</b>	<b>719,008</b>
<b>Financing activities</b>		
Option exercises	1,351	—
Common share repurchases	(201,328)	(46,991)
Repayment of secured borrowings, net of deferred financing costs	250,440	(598,653)
Dividends paid or accrued	(5,970)	(5,615)
<b>Cash provided by (used in) financing activities – continuing operations</b>	<b>44,493</b>	<b>(651,259)</b>
Net changes in cash provided by discontinued operations	28,114	51,718
Net increase (decrease) in cash during the period	45,210	(1,367)
Cash, beginning of period	51,992	17,295
<b>Cash, end of period from continuing operations</b>	<b>97,202</b>	<b>15,928</b>
<b>Supplemental cash flow information</b>		
Cash taxes paid	—	28,528
Cash interest paid	6,298	9,238

See accompanying notes

**Notes to interim condensed consolidated financial statements**

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

March 31, 2019

**1. Corporate Information**

ECN Capital Corp. ["ECN Capital" or the "Company"] is a leading provider of business services to United States ["U.S."] based banks, credit unions and a life insurance company [collectively our "Partners"]. The Company originates, manages and advises on prime consumer credit portfolios on behalf of its Partners, specifically unsecured consumer loan portfolios, secured loan portfolios and consumer credit card portfolios. Our customers are banks and credit unions seeking high quality assets to match with their deposits. Headquartered in South Florida and Toronto, the registered office is located at 181 Bay Street, Suite 2830, Toronto, Ontario, Canada. ECN Capital has approximately 560 employees and operates principally in the U.S. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol "ECN".

**2. Basis of Presentation and Summary of Significant Accounting Policies**

**Statement of compliance**

These interim condensed consolidated financial statements are prepared in accordance with *International Accounting Standard 34, Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements. They should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2018, which include information necessary or useful to understanding the Company's business and financial statement presentation.

These interim condensed consolidated financial statements are presented in thousands of U.S. dollars, except where otherwise noted.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 8, 2019.

**Adoption of International Financial Reporting Standards 16 - Leases ["IFRS 16"]**

On January 1, 2019, the Company adopted IFRS 16 which has replaced *IAS 17, Leases* ["IAS 17"]. The Company uses the modified retrospective approach and has implemented the following accounting policies in respect of right-of-use assets and lease liabilities as a result of the IFRS 16 adoption.

*Right-of-Use Assets*

The Company measures right-of-use assets at amortized cost less any accumulated depreciation and impairment charges. Right-of-use assets are recognized at the time that the underlying asset is available for use ("lease commencement date").

**Notes to interim condensed consolidated financial statements**

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*Lease Liabilities*

Lease liabilities are measured at the discounted present value of lease payments over the term of the lease. Following initial recognition at the time of the lease commencement date, the Company increases the lease liability for accretion and reduces the lease liability for any payments made.

As a result of the adoption of IFRS 16, the Company recorded an asset of \$18,416 and an offsetting liability to the lessor in the same amount.

**3. Business Acquisitions and Disposals**

**Investment in the Kessler Group**

On May 31, 2018, the Company completed its investment in Kessler Financial Services (The "Kessler Group"). Under the terms of the agreement, the Company paid cash consideration of \$221.2 million for an 80% equity interest in the Kessler Group. Subsequent to the acquisition, the Company sold a 4% interest in the Kessler Group to a member of senior management at the same valuation. In addition, the Company has entered into an incentive compensation plan with senior management that will be based on the achievement of a prescribed rate of return on average equity over the next five years.

The table below presents the preliminary allocation of fair values to the net assets acquired as at May 31, 2018. The Company will finalize the purchase price allocation, including finalizing the allocation to the identifiable intangible assets and goodwill, the impact on deferred taxes and the impact of final purchase price adjustments, in second quarter of 2019. Costs related to this transaction were \$13.1 million, including banking, legal, accounting, due diligence and other transaction-related expenses.

	\$
<b>Consideration paid:</b>	
Cash	<b>221,200</b>
<b>Fair value of identifiable assets and liabilities:</b>	
Cash and cash equivalents	<b>30,190</b>
Accounts receivable and other	<b>33,485</b>
Fixed assets	<b>2,626</b>
Goodwill	<b>123,833</b>
Intangible assets	<b>118,000</b>
Accounts payable and other liabilities	<b>(31,634)</b>
Redemption liability related to non-controlling interest	<b>(55,300)</b>
<b>Net assets acquired</b>	<b>221,200</b>

On March 21, 2019, the Company acquired 20% of its interest in the Kessler Group from a non-controlling shareholder for \$89.3 million. On the initial acquisition of the 80% interest in the Kessler Group, this non-controlling interest was recorded as a liability and as such the purchase of this 20% interest has been treated as the settlement of a liability. The excess between the liability recorded on the balance sheet on March 21, including \$7.5 million in accrued contingent purchase consideration, and the purchase price amounted to \$26.5 million and together with \$1.6 million in



## ECN Capital Corp.

### Notes to interim condensed consolidated financial statements

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transaction costs was recorded in Other expenses in the consolidated statements of operations (see Note 8).

#### Discontinued operations

Discontinued operations for the three-month periods ended March 31, 2019 and 2018 include the results of the Company's Rail Finance, Aviation Finance, and Canada C&V business segments as shown below:

	Three-month period-ended March 31, 2019 \$	Three-month period-ended March 31, 2018 \$
<b>Revenues</b>	<b>433</b>	17,575
<b>Operating expenses and other costs</b>		
Compensation and benefits	552	1,321
General and administrative expenses	2,648	2,494
Interest expense	—	3,641
Provision for credit losses	—	52
Share-based compensation	2	67
	<b>3,202</b>	7,575
(Loss) income from discontinued operations before income taxes	<b>(2,769)</b>	10,000
(Recovery) provision for income taxes	<b>(609)</b>	5,126
<b>Net (loss) income from discontinued operations</b>	<b>(2,160)</b>	4,874

#### Assets Held for Sale

The following tables present the Company's assets held for sale:

	March 31, 2019	December 31, 2018
Rail Finance	38,810	64,062
Aviation Finance	221,146	248,995
C&V Canada	20,285	20,906
	<b>280,241</b>	333,963

**Notes to interim condensed consolidated financial statements**

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**4. Finance Receivables**

The following table presents the Company's finance receivables based on the type of contract:

	March 31, 2019	December 31, 2018
	\$	\$
Floorplan loans	85,311	78,140
Dealer advances	24,367	17,946
Other loans	29,009	32,904
Gross finance receivable at amortized cost	138,687	128,990
Allowance for credit losses	(768)	(644)
Net finance receivables at amortized cost	137,919	128,346
Held-for-trading financial assets	207,455	274,072
<b>Total finance receivable</b>	<b>345,374</b>	<b>402,418</b>

**Finance receivables at amortized cost**

Floorplan loans receivable includes \$85.3 million in secured floorplan loans issued by Triad Financial Services, Inc. to finance dealer inventory. Other loans include a \$29.0 million short-term secured loan to facilitate the purchase of a credit card portfolio from a Partner.

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

	March 31, 2019		December 31, 2018	
	\$	%	\$	%
31 - 60 days past due	931	0.67	369	0.29
61 - 90 days past due	516	0.37	147	0.11
Greater than 90 days past due	556	0.40	108	0.08
Total past due	2,003	1.44	624	0.48
Current	136,684	98.56	128,366	99.52
Total net investment	138,687	100.00	128,990	100.00

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

	March 31, 2019	December 31, 2018
	\$	\$
Net investment, continuing operations [1]	\$138,687	\$128,990
Weighted average fixed interest rate	7.50%	5.92%
Weighted average floating interest rate	n/a	n/a
Percentage of portfolio with fixed interest rate	100.00%	100.00%

**Notes to interim condensed consolidated financial statements**

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[1] There were no finance receivables outstanding as at March 31, 2019 related to discontinued operations. For December 31, 2018, amounts have been adjusted to exclude discontinued operations.

The following table provides net investments in finance receivables segregated by Stage:

	<b>March 31, 2019</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>(Performing)</b>	<b>(Under-Performing)</b>	<b>(Non-Performing)</b>	<b>Total</b>
	\$	\$	\$	\$
Low risk	56,643	954	6	57,603
Medium risk	79,081	1,426	27	80,534
High risk	—	—	550	550
Gross carrying amount	<b>135,724</b>	<b>2,380</b>	<b>583</b>	<b>138,687</b>

	<b>December 31, 2018</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>(Performing)</b>	<b>(Under-Performing)</b>	<b>(Non-Performing)</b>	<b>Total</b>
	\$	\$	\$	\$
Low risk	25,970	213	32	26,215
Medium risk	100,980	1,480	—	102,460
High risk	—	—	315	315
Gross carrying amount	<b>126,950</b>	<b>1,693</b>	<b>347</b>	<b>128,990</b>

**Low risk:** Loans that have below average probability of default with credit risk that is lower than the Company's risk appetite and risk tolerance levels. While the Company does originate loans under this category, these loans may have lower yield due to high credit quality.

**Medium risk:** Loans that have an average probability of default with credit risk which is within the Company's risk appetite and risk tolerance. The Company actively originates loans under this category due to higher yields.

**High risk:** Loans that were originated within the Company's risk appetite but have subsequently experienced an increase in credit risk which is outside of the Company's typical risk appetite and risk tolerance levels. The Company will generally not originate loans in this category.

**Default:** Loans that are over 120 days past due or loans for which there is objective evidence of impairment.

**Notes to interim condensed consolidated financial statements**

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**Allowance for credit losses**

The Company's allowance for credit losses is reported in accordance with IFRS 9 and is shown in the table below as at March 31, 2019 and 2018:

	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
	\$	\$	\$	\$
<b>Balance as at December 31, 2017</b>				<b>2,160</b>
IFRS 9 transition adjustment				<b>6,951</b>
Balance as at January 1, 2018	<b>5,220</b>	<b>3,891</b>	—	<b>9,111</b>
Provision for credit losses	<b>52</b>	—	—	<b>52</b>
<b>Balance as at March 31, 2018</b>	<b>5,272</b>	<b>3,891</b>	—	<b>9,163</b>
<b>Balance as at December 31, 2018</b>	<b>475</b>	<b>89</b>	<b>80</b>	<b>644</b>
Provision for credit losses	<b>22</b>	<b>20</b>	<b>83</b>	<b>125</b>
Stage transfers	<b>(4)</b>	<b>3</b>	—	<b>(1)</b>
<b>Balance as at March 31, 2019</b>	<b>493</b>	<b>112</b>	<b>163</b>	<b>768</b>

**Assets held for trading**

The loans balance as at March 31, 2019 includes \$207.5 million (December 31, 2018 - \$274.1 million) in home improvement loans, which are classified as held-for-trading, originated by Service Finance. Finance receivables are classified as held for trading if the related loans were originated with the intention of selling the instrument in the near term. Held-for-trading finance receivables are measured on the consolidated financial statements at fair value through profit and loss. These loans are considered Level 3 assets and the Company measures the fair value of these loans based on a valuation model using internal inputs. Upon origination, the Company's internal valuation may determine a fair value that is in excess of the origination or transaction value of the loan. In these circumstances, the Company will not recognize such gains until the fair value estimated by the internal model is substantiated by a market observable event such as an executed sales contract. During the three-month period ended March 31, 2019, \$2.2 million in fair value gains was recorded in the consolidated statement of operations.

## Notes to interim condensed consolidated financial statements

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### 5. Secured Borrowings

	March 31, 2019		December 31, 2018	
	Balance outstanding	Weighted average interest rate [1]	Balance outstanding	Weighted average interest rate [1]
	\$	%	\$	%
Term senior credit facility [2]	599,535	4.20	350,000	4.20
	599,535		350,000	
Deferred financing costs	(13,659)		(14,564)	
<b>Total secured borrowings</b>	<b>585,876</b>		<b>335,436</b>	

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

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

The Company was in compliance with all financial and reporting covenants with all of its lenders as at March 31, 2019.

#### Term senior credit facility

On December 31, 2018, the Company amended the term senior credit facility, reducing its size to \$1,000,000. The amended facility is syndicated to a group of seven Canadian, US and international banks with a maturity date of December 31, 2022. The facility bears interest at the prime rate plus 0.70% or one-month bankers' acceptance rate plus 1.70% per annum on outstanding Canadian denominated balances and US base rate plus 0.70% per annum or one-month LIBOR rate plus 1.70% per annum on outstanding US denominated balances. The term senior credit facility is secured by a general security agreement in favor of the lenders consisting of a first priority interest on all property.

At March 31, 2019, the Company has available capacity of \$400,465 (December 31, 2018 - \$650,000).

#### Restricted funds

Restricted cash in collection accounts as at March 31, 2019 was \$23,690 (December 31, 2018 - \$18,929) and represents cash we have collected on behalf of certain counterparties where we have recorded an offsetting liability in accounts payable and accrued liabilities.

## Notes to interim condensed consolidated financial statements

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### 6. Share Capital

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

	Common shares	
	Shares	Amount
	#	\$
<b>Balance, December 31, 2017</b>	377,628,587	1,023,479
Exercise of options	(15,543,538)	(46,991)
Common share repurchases	33,788	—
<b>Balance, March 31, 2018</b>	362,118,837	976,488
<b>Balance, December 31, 2018</b>	306,643,351	817,919
Substantial Issuer Bid repurchases	<b>(70,666,666)</b>	<b>(201,328)</b>
Exercise of options	<b>3,329,762</b>	<b>1,351</b>
<b>Balance, March 31, 2019</b>	<b>239,306,447</b>	<b>617,942</b>

### Substantial Issuer Bid

On January 15, 2019, the Company completed a modified “Dutch auction” substantial issuer bid (“SIB”) to purchase for cancellation up to C\$265 million of its outstanding common shares from shareholders for cash. The Company purchased 70,666,666 shares at a purchase price of C\$3.75 per share for an aggregate purchase price of approximately \$201.3 million (C\$265 million) including fees and expenses.

### Preferred share dividends

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

	Preferred shares	
	Shares	Amount
	#	\$
Series A 6.50% Rate Reset Preferred Shares	4,000,000	72,477
Series C 6.25% Rate Reset Preferred Shares	4,000,000	72,441
<b>Balance, March 31, 2019</b>	<b>8,000,000</b>	<b>144,918</b>

During the three-month period ended March 31, 2019, the Company paid \$1,228 [after tax cost of \$1,261] or C\$0.40625 per Series A share in dividends. During the three month period ended March 31, 2018, the Company paid \$1,284 [after tax cost of \$1,321] or C\$0.40625 per Series A share in preferred share dividends.

During the three-month period ended March 31, 2019 the Company paid \$1,179 [after tax cost of \$1,214] or C\$0.390625 per Series C share in dividends. During the three month period ended March

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31, 2018, the Company paid \$1,236 [after tax cost of \$1,272] or C\$0.390625 per Series C share in preferred share dividends.

#### Common share dividends

During the three month period ended March 31, 2019, the Company declared a \$3,565 or C\$0.02 per common share which was paid on April 15, 2019 [March 31, 2018 - \$3,022 or C\$0.01 per common share].

## 7. Share-Based Compensation

### Share-based compensation expense

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

	Three-month period ended	
	March 31, 2019	March 31, 2018
	\$	\$
Stock options	335	1,111
Deferred share units ("DSUs")	1,564	6
Performance share units and restricted share units ("PSUs" and "RSUs")	4,261	2,217
<b>Share-based compensation - continuing operations</b>	<b>6,160</b>	<b>3,334</b>

During the three-month period ended March 31, 2019, the Company did not grant any stock options.

During the three-month period ended March 31, 2019, the Company granted 285,217 DSUs to members of the Company's Board of Directors.

During the three-month period ended March 31, 2019, the Company granted 2,842,566 PSUs and 198,060 RSUs to senior executives and employees of the Company.

## 8. Other Revenue and Other Expenses

Other revenue consists of the following for the periods ended March 31:

	Three-month period ended	
	March 31, 2019	March 31, 2018
	\$	\$
Income from corporate investments	376	16
Other fees	501	716
Other interest income	—	922
Foreign exchange and other	108	245
<b>Total other revenue - continuing operations</b>	<b>985</b>	<b>1,899</b>

Other expenses consist of the following for the periods ended March 31:

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### Notes to interim condensed consolidated financial statements

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March 31, 2019

	Three-month period ended	
	March 31, 2019	March 31, 2018
	\$	\$
Amortization of intangibles	6,453	3,154
Restructuring costs	12,549	—
Purchase price premium on non-controlling interest [note 3]	28,138	—
Business acquisition costs	—	261
Accretion of deferred purchase consideration	1,358	—
Gain on SIB FX forward	(4,789)	—
Non-controlling interest	546	—
<b>Total other expenses - continuing operations</b>	<b>44,255</b>	<b>3,415</b>

Restructuring costs reflect corporate executive severance costs as well as severance costs related to staff reductions at our Kessler Group and Triad Financial Services business segments.

## 9. Related Party Transactions

### Notes receivable

Notes receivable of \$33,512 as at March 31, 2019 [December 31, 2018 - \$38,146] represent loans to certain employees and officers of the Company granted in order to help finance the purchase of the Company's shares post-separation. The loans bear interest at a rate of Canadian prime less 50 basis points with interest payable monthly or annually. The principal is payable on demand in the event of non-payment of interest, and the notes receivable are secured by the Element Fleet Management Corp. and ECN Capital shares purchased with full recourse to the employee/officer.

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

	March 31, 2019	December 31, 2018
	\$	\$
<b>Notes receivable, beginning of period</b>	<b>51,744</b>	46,411
Additions	406	11,583
Interest income	454	1,670
Repayments (interest and principal)	(5,659)	(4,608)
Foreign exchange	855	(3,312)
<b>Notes receivable, end of period</b>	<b>47,800</b>	51,744
Set-off amounts	(14,288)	(13,598)
	<b>33,512</b>	38,146



**Notes to interim condensed consolidated financial statements**

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**10. Derivative Financial Instruments**

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

**Cash flow hedging relationships**

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the periods ended March 31:

	<b>Three-month period ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	\$	\$
Foreign exchange agreements recorded in other revenue	<b>13</b>	244
Fair value (losses) gains recorded in other comprehensive income	<b>(2,056)</b>	675

**Notional amounts and fair values of derivative instruments**

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

	<b>March 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Notional principal</b>	<b>Fair value</b>	<b>Notional principal</b>	<b>Fair value</b>
	\$	\$	\$	\$
Derivative assets				
Interest rate contracts	<b>37,264</b>	<b>189</b>	41,690	433
Foreign exchange agreements	<b>36,096</b>	<b>290</b>	—	—
	<b>73,360</b>	<b>479</b>	41,690	433
Derivative liabilities				
Interest rate contracts	<b>97,255</b>	<b>1,958</b>	95,331	1,253
Foreign exchange agreements	<b>6,370</b>	<b>8</b>	231,441	4,865
	<b>103,625</b>	<b>1,966</b>	326,772	6,118

**Notes to interim condensed consolidated financial statements**

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March 31, 2019

**11. Earnings Per Share**

	<b>Three-month period ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	\$	\$
Net loss from continuing operations attributable to shareholders	<b>(20,781)</b>	(1,583)
Cumulative dividends on preferred shares	<b>2,405</b>	2,593
Net loss from continuing operations attributable to common shareholders	<b>(23,186)</b>	(4,176)
Net income from discontinued operations attributable to common shareholders	<b>(2,160)</b>	4,874
<b>Total net (loss) income attributable to common shareholders</b>	<b>(25,346)</b>	698
Weighted average number of common shares outstanding - basic	<b>250,289,146</b>	387,184,637
Basic loss per share from continuing operations	<b>\$ (0.09)</b>	\$ (0.01)
Basic earnings per share from discontinued operations	<b>\$ (0.01)</b>	\$ 0.01
<b>Total loss per share</b>	<b>\$ (0.10)</b>	\$ —
Weighted average number of common shares outstanding - diluted	<b>250,289,146</b>	394,787,661
Diluted loss per share from continuing operations	<b>\$ (0.09)</b>	\$ (0.01)
Diluted earnings per share from discontinued operations	<b>\$ (0.01)</b>	\$ 0.01
<b>Total diluted loss per share</b>	<b>\$ (0.10)</b>	\$ —

Instruments outstanding as at March 31, 2019 that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive, include 17,161,119 stock options for the three-month period ended March 31, 2019 [three-month periods ended March 31, 2018 - nil].

## Notes to interim condensed consolidated financial statements

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### 12. Capital Disclosures

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

The Company's capitalization is as follows:

	March 31, 2019	December 31, 2018
	\$	\$
Secured borrowings	585,876	335,436
Accounts payable and accrued liabilities	207,002	200,782
Other liabilities <sup>[1]</sup>	62,151	100,120
	<b>855,029</b>	636,338
Shareholders' equity	880,035	1,106,977
	<b>1,735,064</b>	1,743,315

[1] Includes a \$11.1 million [December 31, 2018 - \$66.4 million] redemption liability to the non-controlling interest of the Kessler Group, a \$32.7 million [December 31, 2018 - \$33.1 million] deferred purchase consideration liability relating to the acquisition of Service Finance in 2017, and an \$18.4 million lease liability recognized in connection with the adoption of IFRS 16.

### 13. Segmented Information

#### Operating segments

ECN Capital's operating results are categorized into three core operating segments and a Corporate segment. The Company's core operating segments consist of: [a] Service Finance - Unsecured Consumer Loans; [b] the Kessler Group - Consumer Credit Cards; and [c] Triad Financial Services - Secured Consumer Loans. 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 and reporting segment for financial reporting purposes.

The financial reporting of ECN Capital's three core and two legacy business segments is consistent with the manner in which management currently evaluates the operating segment performance.

The interim condensed consolidated statements of operations by segment for the periods ended March 31 are shown in the tables below:

**Notes to interim condensed consolidated financial statements**

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

March 31, 2019

	For the three-month period ended March 31, 2019				
	Service Finance - Unsecured Consumer Loans	The Kessler Group - Consumer Credit Cards	Triad Financial Services - Secured Consumer Loans	Corporate	Total
	\$	\$	\$	\$	\$
<b>Revenues</b>	19,758	24,562	11,634	664	56,618
<b>Operating and other expenses</b>					
Compensation and benefits	4,258	7,707	4,508	2,826	19,299
General and administrative expenses	3,219	2,421	2,247	2,696	10,583
Interest expense	1,691	313	691	3,603	6,298
Depreciation and amortization	81	183	101	245	610
Share-based compensation	1,273	701	96	4,090	6,160
Other expenses	1,908	37,810	1,310	3,227	44,255
	<b>12,430</b>	<b>49,135</b>	<b>8,953</b>	<b>16,687</b>	<b>87,205</b>
<b>Income (loss) before income taxes from continuing operations</b>	<b>7,328</b>	<b>(24,573)</b>	<b>2,681</b>	<b>(16,023)</b>	<b>(30,587)</b>

**Notes to interim condensed consolidated financial statements**

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

March 31, 2019

	For the three-month period ended March 31, 2018			
	Service Finance - Unsecured Consumer Loans	Triad Financial Services - Secured Consumer Loans	Corporate	Total continuing operations
	\$	\$	\$	\$
<b>Revenues</b>	14,759	8,455	2,177	25,391
<b>Expenses</b>				
Compensation and benefits	3,785	3,986	3,410	11,181
General and administrative expenses	2,167	1,955	3,594	7,716
Interest expense	387	28	4,964	5,379
Depreciation and amortization	56	114	334	504
Share-based compensation	658	—	2,676	3,334
Other expenses	2,025	400	990	3,415
<b>Income (loss) before income taxes from continuing operations</b>	5,681	1,972	(13,791)	(6,138)

