ECN CAPITAL

Management Discussion & Analysis

MARCH 31, 2022

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the financial condition and results of operations of ECN Capital Corp. (the "Company" or "ECN Capital") as at and for the three-month period ended in comparison to the corresponding prior year period. This MD&A, which has been prepared as of May 12, 2022, is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), as at and for the three-month period ended March 31, 2022 (the "interim consolidated financial statements"), which readers are encouraged to read in conjunction with their review of this MD&A. This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended December 31, 2021 and December 31, 2020. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and on the Company's website at www.ecncapitalcorp.com.

Certain comparative figures have been reclassified to conform to the current period's presentation. All amounts set forth in this MD&A are in U.S. dollars unless otherwise noted.

Cautionary Statement

This analysis has been prepared taking into consideration information available to May 12, 2022. 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 and industry 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.

ECN CAPITAL

Table of Contents

Overview

ABOUT ECN

ECN Capital Corp. (“ECN Capital” or the “Company”) is a leading provider of business services to North American based banks, credit unions, life insurance companies, pension funds and institutional investors (collectively our "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically consumer (manufactured housing and marine and recreational vehicle) loans and credit card receivables. Our Partners are seeking high quality assets to match with their deposits or other liabilities. Headquartered in South Florida and Toronto, the registered office is located at 161 Bay Street, Suite 2800, Toronto, Ontario, Canada. ECN Capital has approximately 490 employees and operates principally in the United States. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol “ECN”.

BUSINESS STRATEGY

ECN Business Model

The Company owns a portfolio of operating businesses that operate under a fee-based, asset-light model through which it leverages highly specialized expertise, industry knowledge, regulatory compliance and strategic relationships. This specialized business model provides significant barriers to entry. Our core investor companies are: Triad Financial Services, Inc. ("Triad Financial Services"), Source One Financial Services, LLC ("Source One") and Kessler Financial Services LLC ("KG"). ECN Capital has managed and advisory assets[1] of continuing operations of approximately $31.3 billion and our customers include more than 100 bank, credit union, insurance company, pension plan and institutional investor partners. ECN Capital partners with these financial institutions rather than competing with them. Specifically, our Partners are the decision makers inside each institution who are looking for appropriate portfolio solutions to match customer deposits and other liabilities. We meet our customer needs by offering the following consumer portfolio solutions:

- Secured consumer loans - Manufactured home, marine and recreational vehicle loans
- Consumer credit card receivables and related unsecured consumer loans - Focused on co-branded credit cards and related financial products

The Company's focus is to drive origination and asset management growth as well as broadening our Partner relationships through the marketing of our solutions across our network of 100+ Partners. In pursuit of these objectives: (i) The Company provides its portfolio companies with modest capital, extensive knowledge and scale to help grow their businesses within their large addressable markets; and (ii) The Company continuously brings new funding relationships and structures to our investor companies.

(1) This is a non-IFRS measure. Please refer to the "Non-IFRS and Other Performance Measures" section of this MD&A for a definition and reconciliation of this measure.

The Company's operating businesses have demonstrated each of the following value propositions:

- Significant barriers to entry including long-term relationships with banks, credit unions, insurance companies and institutional investors that are its customers
- Business longevity resulting in favorable regulatory outcomes; No objection or negative comments from financial services regulators
- Exclusive/preferred manufacturer and dealer arrangements that drive origination services
- Established originator/manager/adviser of consumer credit assets with a history of strong performance across business cycles
- Superior credit quality across portfolios with a long-term track record of servicing/ management excellence
- Capital-light businesses with solid growth profiles
- Scalable platforms with established operations and proprietary intellectual capital

Our intention is to partner with banks, credit unions, insurance companies and other institutional investors, and not to compete with them. If and when our Partners or their competitors look to directly compete with ECN's investor companies, ECN will consider existing the business on terms acceptable to shareholders.

A description of each of our core business segments is provided below.

Core Business Segments:

Secured Consumer Loans

Triad Financial Services - Manufactured Home Loans

Founded in 1959, Triad Financial Services is the oldest manufactured housing finance company in the U.S. Triad Financial Services is a premier portfolio solutions platform focused on originating and managing longer duration secured consumer loan portfolios for 50+ active Partners. These assets are primarily prime and super-prime loans to consumers for the purchase of manufactured homes throughout the U.S. Originations are sourced through a long-established national network of dealers and manufacturers. Triad's Fitch-rated servicing department manages the growing portfolio of manufactured housing loans on behalf of their third party owners. In addition, Triad Financial Services provides floorplan financing for select dealers and manufacturers in the industry. Triad Financial Services is headquartered in Jacksonville, Florida and is licensed in 47 States.

Source One - Marine and Recreational Vehicle Loans

Founded in 1999, Source One is a premier provider of consumer lending programs and outsourced finance and insurance solutions to the marine and recreational vehicle industries. Through an established network of dealers covering 38 states, Source One originates prime and super-prime loans to consumers to facilitate the purchase of marine and recreational vehicles. Source One is headquartered in Lakeville, Minnesota.

Consumer Credit Card and Related Unsecured Consumer Loans

KG - Co-brand Credit Card Portfolios and Related Financial Products

Founded in 1978, KG is a premier manager, adviser and structuring partner to credit card issuers, banks, credit unions and payment networks. KG helps clients grow and optimize partnership credit card portfolios and other financial products and has created over 6,000 partnerships between banks/credit card issuers and partner organizations. Through its credit card investment management platform, KG enables institutional investors to participate in credit card and consumer loan portfolios that historically moved among banks. KG also offers performance marketing solutions to drive improved customer acquisition outcomes. KG currently has approximately $28.0 billion in managed credit card portfolios and related assets and is headquartered in Boston, Massachusetts.

Key Business Developments

Information related to the key developments in support of the Company's business strategy for the three-month period ended March 31, 2022 are outlined below.

ACQUISITION OF SOURCE ONE

On December 21, 2021, the Company completed the acquisition of Source One Financial Services, LLC and subsidiary ("Source One"), a marine and recreational vehicle finance company, for cash consideration of approximately $89.1 million, net of cash acquired. Founded in 1999, Source One originates prime and super-prime loans on behalf of 30+ bank and credit union Partners through its network of over 2,000 dealers in 38 states. Source One will form part of our Secured Consumer Loan reporting segment, together with Triad Financial Services, and will leverage Triad Financial Services' existing processes and proven business model.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") UPDATE

During the first quarter of 2022, Sustainalytics, a leading ESG research, ratings and data firm, began updating the Company's ESG risk rating following the Company's 2022 Investor Day and updated ESG disclosure. Subsequent to the end of the first quarter, Sustainalytics published an updated ESG risk rating which showed a 22% improvement and classifies the Company as medium risk, down from high risk previously. The improvement reflects the Company's ongoing efforts to improve the Company's ESG impact and disclosure.

CORPORATE FINANCE DEVELOPMENTS

Normal Course Issuer Bids

On September 14, 2021, the TSX approved the renewal of the Company's Normal Course Issuer Bid (the "Common Share Bid") for common shares of the Company and the Company's notice of intention to commence a Normal Course Issuer Bid (the "Preferred Share Bid" and, together with the Common Share Bid, the "NCIBs") for the Company's Series A 6.50% Rate Reset Preferred Shares (the "Series A Preferred Shares") and Series C 6.25% Rate Reset Preferred Shares (the "Series C Preferred Shares") for commencement on September 17, 2021. Pursuant to the NCIBs, the Company may repurchase up to an additional 22,455,925 common shares, 384,210 Series A Preferred Shares and 371,040 Series C Preferred Shares, representing approximately 10% of the public float of each of the common shares, the Series A Preferred Shares and the Series C Preferred Shares. The NCIBs will end on the earlier of September 16, 2022 or the completion of purchases under the applicable NCIB. All of the Company's outstanding Series A Preferred Shares were redeemed in 2021.

During the three-month period ended March 31, 2022, the Company purchased 50,200 common shares for a total of $0.2 million (C$0.3 million) or C$5.30 per common share pursuant to the Common Share Bid. During the three-month period ended March 31, 2022, the Company did not purchase any of its Series C Preferred Shares pursuant to the Preferred Share Bid.

Capital Reinvestment

Under its NCIBs and substantial issuer bids ("SIBs"), ECN has repurchased for cancellation approximately 37% of the total common shares outstanding and approximately 54% of the total preferred shares outstanding through May 12, 2022.

The following table sets forth a summary of the Company's capital reinvestment under its common share transactions.

Capital Reinvestment - Common Shares	Shares Retired (millions)	Average Price (C$)	Total Consideration (C$ millions)
NCIB since inception 2017	58.2	$4.11	$239
SIB April 2018	31.9	$3.60	$115
SIB January 2019	70.7	$3.75	$265
Total common shares repurchased for cancellation	**160.8**	**$3.85**	**$619**

Common shares outstanding pre-buyback	390
Common shares outstanding as at May 12, 2022	247
% common shares repurchased to date	**~37%**

The following table sets forth a summary of the Company's capital reinvestment under its preferred share transactions.

Capital Reinvestment - Preferred Shares	Shares Retired (millions)	Average Price (C$)	Total Consideration (C$ millions)
Preferred shares repurchased under NCIB	0.5	$22.47	$10
Series A preferred share redemption	3.8	$25.00	$96
Total preferred shares repurchased for cancellation	**4.3**	**$24.74**	**$106**

Preferred shares outstanding pre-buyback	8.0
Preferred shares outstanding as at May 12, 2022	3.7
% preferred shares repurchased to date	**~54%**

Results of Operations

The following table sets forth a summary of the Company's consolidated results from continuing operations and is to be read in conjunction with the Company's consolidated financial statements for the same periods.

	For the three-month period ended		
(in 000's for stated values, except per share amounts)	**March 31, 2022** $	December 31, 2021 $	March 31, 2021 $
Select metrics			
Originations	**397,970**	299,611	182,223
Average earning assets - Owned (1)	**254,772**	239,431	230,133
Average earning assets - Managed and advisory (1)	**31,264,027**	30,687,313	29,702,936
Period end earning assets - Owned (1)	**282,829**	226,715	233,319
Period end earning assets - Managed and advisory (1)	**31,250,386**	31,277,667	29,659,555
Operating highlights:			
Loan origination revenues	**23,596**	22,940	12,585
Asset management and servicing revenues	**25,463**	32,984	18,917
Marketing and other services revenues	**4,587**	6,472	2,904
Interest income	**6,157**	6,037	4,816
Other revenue	**52**	1,039	3,326
Total revenue	**59,855**	69,472	42,548
Operating expenses	**32,383**	40,693	26,588
Adjusted EBITDA (1)	**27,472**	28,779	15,960
Interest expense	**6,229**	6,410	5,567
Depreciation & amortization	**1,955**	2,908	1,793
Adjusted operating income before tax (1)	**19,288**	19,461	8,600
Adjustments:			
Share-based compensation	**5,168**	14,333	5,205
Amortization of intangible assets	**5,347**	4,595	4,595
Accretion of deferred purchase consideration	**704**	867	962
Separation and corporate restructure	**—**	6,054	—
Business acquisition costs	**—**	3,074	—
	11,219	28,923	10,762
Net income (loss) before income taxes from continuing operations	**8,069**	(9,462)	(2,162)
Income tax expense (benefit)	**2,599**	(1,970)	(424)
Net income (loss) from continuing operations	**5,470**	(7,492)	(1,738)
Cumulative dividends on preferred shares	**1,146**	2,390	2,395
Series A preferred share redemption charge	**—**	5,213	—
Net income (loss) from continuing operations attributable to common shareholders	**4,324**	(15,095)	(4,133)
Net income from discontinued operations	**—**	928,416	10,044
Net income for the period attributable to common shareholders	**4,324**	913,321	5,911
Weighted Average number of shares outstanding (basic)	**246,626**	243,625	244,502
Earnings (loss) per share (basic) - continuing operations attributable to common shareholders	**$0.02**	$(0.06)	(0.02)
Earnings per share (basic) - discontinued operations attributable to common shareholders	**$—**	$3.81	0.04
Non-IFRS Measures			
Adjusted operating results:			
Adjusted EBITDA (1)	**27,472**	28,779	15,960
Adjusted operating income before tax (1)	**19,288**	19,461	8,600
Adjusted net income (1)	**15,430**	16,153	7,138
Adjusted net income applicable to common shareholders (1)	**14,284**	13,763	4,743
Adjusted net income per share (basic) (1)	**$0.06**	$0.07	$0.03
Adjusted net income applicable to common shareholders per share (basic) (1)	**$0.06**	$0.06	$0.02

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

The following discussion relates to the results of operations for the three-month period ended March 31, 2022 presented on a continuing operations basis.

Q1 2022 vs Q1 2021

The Company reported total revenue of $59.9 million for the quarter ended March 31, 2022, up 40.7% compared to total revenue of $42.5 million for the prior year quarter. The quarter-to-date increase in revenue reflects the growth in loan originations revenues, servicing revenues, and interest income at our Secured Consumer Loans segment and higher asset management services revenue and marketing and other services revenue at our Unsecured Consumer Loans segment. Secured Consumer Loans originations and managed assets increased to $398.0 million and $3.2 billion, respectively, compared to $182.2 million and $2.7 billion in the prior year quarter, which drove the increase in loan originations revenues and servicing revenues. Secured Consumer Loans originations in the current quarter include $111.3 million of originations at Source One, which was acquired during the fourth quarter of 2021. Higher interest income was primarily driven by higher average floorplan loan balances in 2022.

The table below illustrates the Company's operating expenses for the three-month periods ended March 31, 2022 and March 31, 2021:

	For the three-month period ended	
	March 31, 2022	March 31, 2021
(in 000's for stated values)	**$**	$
Secured Consumer Loans segment	**16,484**	10,642
Unsecured Consumer Loans segment	**11,490**	7,820
Business segment operating expenses	**27,974**	18,462
Corporate operating expenses	**4,095**	6,233
Legacy Businesses operating expenses (1)	**314**	1,893
Total operating expenses	**32,383**	26,588

(1) For the three-month periods ended March 31, 2022 and March 31, 2021, the results of operations of our Legacy Businesses were not material to the Company's consolidated results and are included in the results of continuing operations as shown in the table above.

Operating expenses were $32.4 million in the current quarter, compared to $26.6 million for the prior year quarter. The increase in operating expenses compared to the prior year quarter is primarily attributable to growth in originations and managed assets at our Secured Consumer Loans segment and higher compensation expense at our Unsecured Consumer Loans segment due to the increase in revenue. Corporate operating expenses were $4.1 million in the current quarter compared to $6.2 million in the prior year quarter, which reflects the impact of cost reduction efforts, including reductions in senior executive cash compensation as a result of the sale of Service Finance, which was completed in the fourth quarter of 2021.

Interest expense was $6.2 million for the quarter ended March 31, 2022 compared to $5.6 million in the prior year quarter, primarily reflecting a higher average borrowing rate in the current quarter-to-date period, including the impact of the issuance of C$86.25 million (US$69.9 million) aggregate principal amount of listed senior unsecured debentures on October 28, 2021 and C$60 million (US$46.9 million) aggregate principal amount of listed senior unsecured debentures on December 23, 2021.

Depreciation and amortization expense was $2.0 million for the quarter ended March 31, 2022, compared to $1.8 million in the prior year quarter.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were $11.2 million for the quarter ended March 31, 2022 compared to $10.8 million in the prior year quarter. Share-based compensation expense for the quarter ended March 31, 2022 was $5.2 million compared to $5.2 million in the prior year quarter.

Adjusted EBITDA[1] increased to $27.5 million for the quarter ended March 31, 2022, compared to $16.0 million for the prior year quarter. The increase in adjusted EBITDA[1] in the current quarter reflects the growth at our business segments. Adjusted net income applicable to common shareholders[1] was $14.3 million or $0.06 per share for the quarter ended March 31, 2022, compared to $4.7 million or $0.02 per share for the prior year quarter. The increase in adjusted net income applicable to common shareholders[1] in the current quarter reflects higher operating income from our business segments, partially offset by higher interest expense and depreciation and amortization expense.

The Company reported net income from continuing operations of $5.5 million for the quarter ended March 31, 2022, compared to a net loss of $1.7 million for the prior year quarter.

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

Business Segment Results

RESULTS OF SECURED CONSUMER LOANS SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Secured Consumer Loans segment for the three-month periods ended March 31, 2022, December 31, 2021, and March 31, 2021. Operating results for the Secured Consumer Loans segment for the three-month period ended March 31, 2022 include Triad Financial Services and Source One, which was acquired on December 21, 2021. Operating results for the Secured Consumer Loans segment for the three-month periods ended December 31, 2021 and March 31, 2021 include Triad Financial Services.

	For the three-month period ended		
	March 31, 2022	December 31, 2021	March 31, 2021
(in 000's for stated values)	**$**	$	$
Select metrics			
Originations	**397,970**	299,611	182,223
Managed assets, period end (1)	**3,247,854**	3,117,704	2,731,645
Managed assets, period average (1)	**3,182,779**	3,038,095	2,685,130
Manufactured housing loans	**220,630**	182,029	126,619
Held-for-trading financial assets	**62,199**	44,686	55,375
Operating results			
Loan originations revenue	**23,596**	22,940	12,585
Servicing revenue	**4,682**	4,962	2,283
Interest income & other revenue	**5,703**	5,489	4,033
Total revenue	**33,981**	33,391	18,901
Operating expenses	**16,484**	17,102	10,642
Adjusted EBITDA (1)	**17,497**	16,289	8,259
Interest and depreciation expense	**2,741**	2,427	1,148
Adjusted operating income before tax (1)	**14,756**	13,862	7,111

The following table sets forth a summary of select metrics of Triad Financial Services and Source One, together comprising the Secured Consumer Loans segment, for the three-month period ended March 31, 2022.

	For the three-month period ended March 31, 2022		
(in 000's for stated values)	**Triad Financial Services**	**Source One**	**Secured Consumer Loan Segment**
Originations	**286,647**	**111,323**	**397,970**
Revenues	**30,158**	**3,823**	**33,981**
Operating Expenses	**14,831**	**1,653**	**16,484**
Adjusted EBITDA (1)	**15,327**	**2,170**	**17,497**
Interest and depreciation expense	**2,690**	**51**	**2,741**
Adjusted operating income before tax (1)	**12,637**	**2,119**	**14,756**

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

Secured Consumer Loans Segment

Secured Consumer Loans originations for the quarter ended March 31, 2022 were $398.0 million, up 118.4% from the prior year period. Managed assets were $3.2 billion as at March 31, 2022, an increase of 18.9% compared to managed assets of $2.7 billion as at March 31, 2021.

Traditionally, this segment is impacted by seasonality, with the second and third quarters of the year being the strongest performing quarters. Recent quarters have benefited beyond a typical seasonal slowdown as a result of loan product expansion and manufacturer deliverables, which is illustrated in the table below:

Originations (US$ millions) (1)								
Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021	Q3, 2021	Q4,2021	Q1, 2022
133	163	202	197	182	262	299	300	398

(1) Originations in the table above include originations at Triad Financial Services and Source One beginning in Q1 2022. Originations for periods prior to Q1 2022 include originations at Triad Financial Services.

Loan originations revenue for the quarter ended March 31, 2022 was $23.6 million, up 87.5% from the prior year periods, which reflects the year-over-year increase in total originations, the impact of the acquisition of Source One, and the impact of bulk loan portfolio sales.

Servicing revenues of $4.7 million for the quarter ended March 31, 2022 were up 105.1% from the prior year quarter, reflecting growth in managed assets and an increase in full serviced accounts at Triad Financial Services.

Interest income and other revenue for the quarter ended March 31, 2022 was $5.7 million, up 41.4% from the prior quarter, primarily driven by higher average floorplan loan balances in 2022.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $17.5 million and $14.8 million, respectively, for the current quarter compared to $8.3 million and $7.1 million, respectively, for the prior year quarter.

Manufactured housing loans were $220.6 million as at March 31, 2022, compared to $182.0 million as at December 31, 2021 and $126.6 million as at March 31, 2021. Manufactured housing loans consist primarily of floorplan loans as well as a modest amount of loans committed to funding partners. The floorplan loans enable key dealers to finance their inventory and support the growth of their businesses. These loans strengthen the relationship with our key dealers and manufacturers.

Held-for-trading financial assets were $62.2 million as at March 31, 2022, compared to $44.7 million as at December 31, 2021 and $55.4 million as at March 31, 2021. Held-for-trading financial assets consist of loans that are originated on behalf of our partners with the intention of selling through under bulk loan portfolio sales agreements.

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

Secured Consumer Loans Segment 2022 Outlook

The Company maintains its 2022 outlook for the Secured Consumer Loans segment. Please see the table below.

	Triad Financial Services 2022 Forecast Range		Source One 2022 Forecast Range		Secured Consumer Loan Segment 2022 Forecast Range	
Select Metrics (US$ millions)						
Total Originations	1,400	1,600	525	595	1,925	2,195
Floorplan line utilized	200	300	—	—	200	300
Managed & advised portfolio (period end)	3,900	4,300	—	—	3,900	4,300
Income Statement (US$ millions)						
Loan Origination Revenues	100	112	18.5	21.6	118.5	133.6
Servicing Revenues	19	22	—	—	19	22
Interest & Other	23	26	—	—	23	26
Total Revenues	142	160	18.5	21.6	160.5	181.6
Adjusted EBITDA (1)	71	80	12.1	14.1	83.1	94.1
Adjusted Operating Income Before Tax (1)	62	70	12	14	74	84

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

The material factors and assumptions used to develop the forward-looking information related to the 2022 outlook for Triad Financial Services and Source One include current and anticipated demand, as well as the availability of inventory, in the manufactured housing, marine, and recreational vehicle industries, including trends relating to such demand, volume of loan applications and approvals, available commitments from funding partners, the growth in dealer networks and the impact of new product offerings and market penetration. Management believes the information is reasonable based on historical growth and positive trends in loan application and approval volumes experienced by Triad and Source One and the manufactured housing and marine and recreational vehicle industries generally, which indicate demand and future originations. Additionally, growth in originations is one of the primary drivers of managed and advised assets growth and future servicing revenues for Triad Financial Services.

RESULTS OF UNSECURED CONSUMER LOANS SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Unsecured Consumer Loans segment, which reflects the operating results of KG, for the three-month periods ended March 31, 2022, December 31, 2021, and December 31, 2021.

	For the three-month period ended		
	March 31, 2022	**December 31, 2021**	**March 31, 2021**
(in 000's for stated values)	**$**	$	$
Operating results			
Partnership services revenue	14,266	8,950	12,004
Credit card investment management revenue	6,515	19,072	4,630
Marketing and other services revenue	4,587	6,472	2,904
Interest income & other revenue	(45)	85	203
Revenue	**25,323**	**34,579**	**19,741**
Operating expenses	11,490	17,375	7,820
Adjusted EBITDA (1)	**13,833**	**17,204**	**11,921**
Interest and depreciation expense	271	17	654
Adjusted operating income before tax (1)	**13,562**	**17,187**	**11,267**

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

Unsecured Consumer Loans Segment

KG helps clients grow and optimize co-brand credit card portfolios and other financial products through three primary product lines:

1. **Partnership Services:** managing and advising on the purchase, sale and renewal of co-brand credit card programs through long-term relationships with banks, issuers and co-brand partners.
2. **Credit Card Investment Management ("CCIM"):** source, structure, acquire and manage credit cards and loan portfolios on behalf of third party investors.
3. **Marketing and Other Services:** full suite of marketing services (including performance marketing capabilities), Card as a Service ("CaaS") solutions for credit unions, banks and other non-financial partners.

Total KG revenues for the quarter ended March 31, 2022 were $25.3 million, compared to $19.7 million in the prior year quarter, reflecting higher partnership services revenue primarily due to two partnership agreements completed in the quarter, and higher marketing and CCIM revenues.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $13.8 million and $13.6 million, respectively, for the current quarter compared to $11.9 million and $11.3 million, respectively, for the prior year quarter.

Unsecured Consumer Loans Segment - KG 2022 Outlook

The Company maintains its 2022 outlook for the Unsecured Consumer Loans Segment. Please see the table below.

	2022 Forecast Range	
Income Statement (US$ millions)		
Revenue	**114**	**123**
Adjusted EBITDA (1)	**57**	**62**
Adjusted Operating Income Before Tax (1)	**55**	**60**

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

The material factors and assumptions used to develop the forward-looking information related to the 2022 outlook for the Unsecured Consumer Loans segment include trends in the consumer credit card industry, existing contracts with customers, the ability to acquire new portfolios, and the impact of new programs by KG. Management believes that the forward-looking information is reasonable based on the continued recovery of the credit card industry and timing of revenues under new and existing programs.

RESULTS OF CORPORATE SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Corporate segment for the three-month periods ended March 31, 2022, December 31, 2021, and March 31, 2021.

	For the three-month period ended		
	March 31, 2022	December 31, 2021	March 31, 2021
(in 000's for stated values)	**$**	$	$
Operating results			
Corporate			
Revenues	**505**	(217)	2,333
Operating expenses	**4,095**	4,612	6,233
Adjusted EBITDA - Corporate (1)	**(3,590)**	(4,829)	(3,900)
Legacy Businesses			
Revenues	**46**	1,719	1,573
Operating expense	**314**	1,604	1,893
Adjusted EBITDA - Legacy Businesses (1)	**(268)**	115	(320)
Adjusted EBITDA - Corporate and Other (1)	**(3,858)**	(4,714)	(4,220)
Interest expense	**4,164**	4,840	4,397
Depreciation & amortization	**1,008**	2,034	1,161
Adjusted operating income before tax (1)	**(9,030)**	(11,588)	(9,778)

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

Corporate and Other

Corporate revenue was $0.5 million for the quarter ended March 31, 2022, compared to $2.3 million for the prior year quarter. Revenue primarily consists of gains/losses from legacy corporate investments and gains/losses from foreign currency transactions and related hedge contracts.

Corporate operating expenses were $4.1 million in the first quarter of 2022 compared to $6.2 million in the prior year quarter, which reflects the impact of cost reduction efforts, including reductions in senior executive cash compensation as a result of the sale of Service Finance, which was completed in the fourth quarter of 2021.

Legacy businesses revenue and operating expenses for the current quarter were $0.05 million and $0.3 million, respectively, reflecting the impact of the continuing reduction of the legacy asset portfolio.

Corporate interest expense was $4.2 million for the current quarter, compared to $4.4 million for the prior year quarter.

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by core business segment, as at March 31, 2022, December 31, 2021 and March 31, 2021.

	March 31, 2022			
	Secured Consumer Loans	Unsecured Consumer Loans	Corporate	Total
(in 000's for stated values, except percentage amounts)	$	$	$	**$**
Assets				
Cash	8,612	19,954	5,972	**34,538**
Restricted funds	2,043	—	—	**2,043**
Accounts receivable	107,122	48,865	877	**156,864**
Finance assets				
Loans receivable	220,630	—	—	**220,630**
Held-for-trading financial assets	62,199	—	—	**62,199**
Total finance assets	282,829	—	—	**282,829**
Retained reserve interest	34,066	—	—	**34,066**
Continuing involvement asset	94,344	—	—	**94,344**
Goodwill and intangible assets	155,212	208,241	772	**364,225**
Deferred tax assets	—	—	38,969	**38,969**
Other assets and investments	16,132	5,411	162,924	**184,467**
Total Assets	**700,360**	**282,471**	**209,514**	**1,192,345**
Liabilities				
Debt	251,733	—	113,509	**365,242**
Continuing involvement liability	94,344	—	—	**94,344**
Other liabilities	31,327	85,201	91,737	**208,265**
Taxes Payable	1,824	—	292,362	**294,186**
Total Liabilities	**379,228**	**85,201**	**497,608**	**962,037**
Earning Assets - Owned and Managed				
Earning assets - owned (1)	282,829	—	—	**282,829**
Earning assets - managed and advisory (1)	3,247,854	28,002,532	—	**31,250,386**
Total Earning Assets - Owned and Managed and Advisory (1)	**3,530,683**	**28,002,532**	**—**	**31,533,215**

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

Total finance assets from continuing operations were $282.8 million as at March 31, 2022 compared to $226.7 million as at December 31, 2021 and $438.5 million at March 31, 2021. The increase compared to the preceding quarter primarily reflects an increase in floorplan loans and held-for-trading financial assets at Triad Financial Services.

Debt from continuing operations of $365.2 million increased by $90.6 million compared to December 31, 2021, primarily reflecting the increased investment in finance assets at Triad Financial Services during the quarter.

Earning assets - managed and advisory of $31.3 billion as at March 31, 2022 reflects $3.2 billion in managed loans at Triad Financial Services and $28.0 billion in advisory assets at KG.

	December 31, 2021			
	Secured Consumer Loans	**Unsecured Consumer Loans**	**Corporate**	**Total**
(in 000's for stated values, except percentage amounts)	$	$	$	**$**
Assets				
Cash	27,384	13,960	3,697	**45,041**
Restricted funds	2,198	—	—	**2,198**
Accounts Receivable	90,420	45,767	12,715	**148,902**
Finance assets				
Finance receivables	182,029	—	—	**182,029**
Held-for-trading financial assets	44,686	—	—	**44,686**
Total finance assets	226,715	—	—	**226,715**
Retained reserve interest asset	32,767	—	—	**32,767**
Continuing involvement asset	103,592	—	—	**103,592**
Goodwill and intangible assets	155,246	212,468	876	**368,590**
Deferred tax assets	—	—	38,898	**38,898**
Other assets and investments	15,352	9,295	154,765	**179,412**
Total Assets	**653,674**	**281,490**	**210,951**	**1,146,115**
Liabilities				
Debt	212,022	—	62,575	**274,597**
Continuing involvement liability	103,592	—	—	**103,592**
Other liabilities	27,958	102,516	125,202	**255,676**
Taxes Payable	1,092		292,531	**293,623**
Total Liabilities	**344,664**	**102,516**	**480,308**	**927,488**
Earning Assets - Owned and Managed				
Earning assets - owned (1)	226,715	—	—	**226,715**
Earning assets - managed and advisory (1)	3,117,704	28,159,963	—	**31,277,667**
Total Earning Assets - Owned and Managed and Advisory (1)	**3,344,419**	**28,159,963**	**—**	**31,504,382**

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

	March 31, 2021						
	Secured Consumer Loans - Triad	Unsecured Consumer Loans - KG	Service Finance	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	15,324	8,449	15,903	1,052	**40,728**	—	**40,728**
Accounts receivable	41,672	36,205	5,402	1,486	**84,765**	6,291	**91,056**
Finance assets:							
Loans receivable	126,619	51,325	52,700	—	**230,644**	—	**230,644**
Held-for-trading financial assets	55,375	—	152,443	—	**207,818**	—	**207,818**
Total finance assets	181,994	51,325	205,143	—	**438,462**	—	**438,462**
Retained reserve interest	29,519	—	—	—	**29,519**	—	**29,519**
Continuing involvement asset (1)	149,616	—	—	—	**149,616**	—	**149,616**
Goodwill and intangible assets	63,823	225,166	382,494	1,328	**672,811**	—	**672,811**
Deferred tax assets	—	—	—	59,680	**59,680**	—	**59,680**
Other assets and investments	7,266	25,682	12,669	122,313	**167,930**	1,586	**169,516**
Assets held-for-sale	—	—	—	—	**—**	104,917	**104,917**
Total Assets	**489,214**	**346,827**	**621,611**	**185,859**	**1,643,511**	**112,794**	**1,756,305**
Liabilities							
Debt	138,657	51,325	75,159	296,579	**561,720**	—	**561,720**
Continuing involvement liability (1)	149,616	—	—	—	**149,616**	—	**149,616**
Other liabilities	23,250	94,089	22,900	53,965	**194,204**	33,158	**227,362**
Total Liabilities	**311,523**	**145,414**	**98,059**	**350,544**	**905,540**	**33,158**	**938,698**

(1) Effective January 1, 2021, the Company made the determination that all loans sold by Triad Financial Services qualify for full derecognition as Triad Financial Services does not exercise control over the loans. As a result, the continuing involvement asset and continuing involvement liability of $149.6 million in the table above have been restated from the previously reported continuing involvement asset and continuing involvement liability as at March 31, 2021 of $171.9 million to reflect the derecognition of the continuing involvement asset and continuing involvement liability of $22.3 million related to loans sold by Triad Financial Services during the three-month period ended March 31, 2021.

Delinquencies

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

	March 31, 2022		December 31, 2021		March 31, 2021	
	$	%	$	%	$	%
Current	**221,225**	**100 %**	182,556	100 %	231,383	99.93 %
31-60 days past due	**—**	**— %**	—	— %	—	— %
61-90 days past due	**—**	**— %**	—	— %	—	— %
Greater than 90 days past due	**—**	**— %**	—	— %	155	0.07 %
Total continuing operations	**221,225**	**100 %**	182,556	100 %	231,538	100 %

Allowance for Credit Losses

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

	Three-month period ended March 31, 2022	Year ended December 31, 2021	Three-month period ended March 31, 2021
(in 000's except percentage amounts)	**$**	$	$
Allowance for credit losses, beginning of period	**527**	868	868
Provision for credit losses	**68**	429	21
Charge-offs, net of recoveries, and other	**—**	(70)	5
Disposals	**—**	(700)	—
Allowance for credit losses, end of period	595	527	894

The Company's allowance for credit losses was $0.6 million as at March 31, 2022, compared to $0.5 million at December 31, 2021. The allowance for credit losses of $0.6 million as at March 31, 2022 is in line with management's expectation of losses from the business segments and the current mix of assets.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are: (i) cash flows from operating activities; (ii) borrowings on our term senior credit facility and proceeds from the issuance of our senior unsecured debentures; (iii) funding commitments from our Partners; and (iv) equity. The Company's primary use of cash is the funding of its capital allocation priorities, including funding organic growth initiatives for our new businesses, acquisition opportunities and returning capital to shareholders. The Company manages its capital resources by utilizing the financial leverage available under its senior credit facilities, selling loans that we originate to our Partners and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares.

The Company's capitalization and key leverage ratios are as follows:

		As at		
(in 000's for stated values, except for percentage amounts)		**March 31, 2022** **$**	December 31, 2021 $	March 31, 2021 $
Total debt, including borrowings on term senior credit facility and senior unsecured debentures	**(a)**	**365,242**	274,597	561,720
Shareholders' equity	**(b)**	**230,308**	218,627	817,607
Debt to equity ratio	**(a)/(b)**	**1.59**	1.26	0.69

As at March 31, 2022, the Company's debt to equity ratio was 1.59:1. The increase in total debt compared to the fourth quarter of 2021 primarily reflects the increased investment in finance assets at Triad Financial Services during the quarter.

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

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

		As at	
	March 31, 2022	December 31, 2021	March 31, 2021
(in 000's)	**$**	$	$
Cash and cash equivalents	**34,538**	45,041	34,518
Senior Facilities			
Facilities	**700,000**	700,000	1,000,000
Utilized against Facility	**182,000**	122,000	515,692
Unutilized Borrowing Facilities (i.e., excl. Cash & Equiv.)	**518,000**	578,000	484,308
Total available sources of capital, end of period	**552,538**	623,041	518,826

As at March 31, 2022, the unutilized balance of the borrowing facility was approximately $0.52 billion compared to $0.58 billion at December 31, 2021 and $0.48 billion at December 31, 2021. This $0.52 billion in unutilized borrowings is in addition to the commitments in place to fund loan originations from our Secured Consumer Loans business segment for 2022. Management believes the available liquidity from its cash and equivalents, unutilized borrowing capacity and the funding commitments in place at its Secured Consumer Loans business segment is sufficient to fund operations and internal growth initiatives.

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 March 31, 2022. 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 year-over-year growth in originations at Triad Financial Services, the seasonality of Triad's business, and fluctuation in KG's other revenues from period to period. ECN acquired Triad Financial Services on December 29, 2017, 76% of KG on May 31, 2018, an additional 20% of KG on March 21, 2019, the remaining 4% interest of KG on December 31, 2019, and Source One on December 21, 2021.

(in $ 000's for stated values, except ratio and per share amounts)	**Q1, 2022**	Q4, 2021	Q3, 2021	Q2, 2021	Q1, 2021	Q4, 2020	Q3, 2020	Q2, 2020
Adjusted operating income before tax (1)	**19,288**	19,461	19,387	16,390	8,600	4,620	12,511	9,527
Amortization of intangibles	**5,347**	4,595	4,594	4,594	4,595	4,744	4,545	4,544
Accretion of deferred purchase consideration	**704**	867	962	1,020	962	4,573	1,126	2,416
Unrealized gain on foreign currency forward contract	**—**	—	(2,856)	—	—	—	—	—
Impairment of legacy corporate investment	**—**	—	—	—	—	13,000	—	—
Share based compensation	**5,168**	14,333	5,642	4,683	5,205	6,096	5,956	3,621
Corporate restructuring and transition costs	**—**	6,054	—	—	—	—	—	1,486
Business acquisition costs	**—**	3,074	—	—	—	—	—	—
Net income (loss) before income taxes	**8,069**	(9,462)	11,045	6,093	(2,162)	(23,793)	884	(2,540)
Net income (loss) from continuing operations	**4,324**	(15,095)	9,614	4,585	(1,738)	(19,177)	657	(1,824)
Net income (loss) from discontinuing operations	**—**	928,416	13,556	12,811	10,044	(7,937)	7,382	2,335
Net income (loss) - total	**4,324**	913,321	23,170	17,396	8,306	(27,114)	8,039	511
Earnings per share (basic) - continuing operations attributable to common shareholders	**$0.02**	($0.06)	$0.03	$0.01	($0.02)	($0.09)	($0.01)	($0.02)
Adjusted net income (1)	**15,430**	16,153	16,091	13,604	7,138	3,816	10,334	7,622
Adjusted net income per share (basic) (1)	**$0.06**	$0.07	$0.07	$0.06	$0.03	$0.02	$0.04	$0.03
Adjusted net income applicable to common shareholders per share (basic) (1)	**$0.06**	$0.06	$0.06	$0.05	$0.02	$0.01	$0.03	$0.02
Period end earning assets - owned	**282,829**	226,715	252,147	234,203	233,319	226,946	233,207	219,575
Period end earning assets - managed and advisory	**31,250,386**	31,277,667	30,096,958	29,898,783	29,659,555	29,746,317	29,006,900	30,409,453
Period end earning assets - total	**31,533,215**	31,504,382	30,349,105	30,132,986	29,892,874	29,973,263	29,240,107	30,629,028
Originations	**397,970**	299,611	298,992	262.052	182.223	197.398	201.754	163.183
Allowance for credit losses	**595**	527	266	1,032	894	868	6,864	5,331
Allowance for credit losses as a % of finance receivables (1)	**0.21 %**	0.23 %	0.11 %	0.23 %	0.20 %	0.23 %	1.62 %	1.04 %
Term senior credit facility & other	**196,245**	107,664	458,639	547,757	505,684	462,083	506,480	672,876
Senior unsecured debentures	**168,997**	166,933	55,848	56,960	56,036	55,109	53,264	—
Total debt	**365,242**	274,597	514,487	604,717	561,720	517,192	559,744	672,876
Shareholders' equity	**230,308**	218,627	823,535	823,713	817,607	822,561	851,753	841,194

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

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 Earnings before interest expense, taxes, depreciation and amortization ("adjusted EBITDA")

We define adjusted EBITDA as net income before interest expense, income tax expense, depreciation and amortization, adjusted to exclude the impact of share-based compensation, amortization of intangible assets acquired in business combinations, accretion of deferred purchase consideration, corporate restructuring costs, business acquisition costs, cumulative dividends on preferred shares, income tax, and certain non-recurring items. Management believes it is appropriate to adjust for these items because share-based compensation and amortization of intangible assets are primarily non-cash in nature, accretion of 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 to be an operating expense, corporate restructuring and business acquisition costs do not relate to continuing operating activities, dividends on preferred shares are a financing cost not related to operating activities, and income tax 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. We believe adjusted EBITDA is a key measure of the Company's operating performance over the long term and is a useful measure of the Company's ability to generate cash from operations to maintain and grow its core business. Investors and analysts also use adjusted EBITDA as a measure to compare the operating performance of different businesses in the business services sector and to assess the enterprise value of a business as adjusted EBITDA eliminates the impact of financing decisions. For a reconciliation of adjusted EBITDA to net income (loss) from continuing operations, being the most directly comparable IFRS measure, please see "Reconciliation of non-IFRS to IFRS measures" below.

Adjusted operating income before tax

Adjusted operating income before tax is net income excluding the impact of share-based compensation, amortization of intangible assets acquired in business combinations, accretion of deferred purchase consideration, corporate restructuring costs, business acquisition costs, cumulative dividends on preferred shares, income tax, and certain non-recurring items. Management believes it is appropriate to adjust for these items because share-based compensation and amortization of intangible assets are primarily non-cash in nature, accretion of 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 to be an operating expense, corporate restructuring and business acquisition costs do not relate to continuing operating activities, dividends on preferred shares are a financing cost not related to operating activities, and income tax 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 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. The presentation of this measure enables investors and analysts to better understand the underlying performance of our business segments. For a reconciliation of adjusted operating income before tax to net income (loss) from continuing operations, being the most directly comparable IFRS measure, please see "Reconciliation of non-IFRS to IFRS measures" below.

Adjusted net income and Adjusted net income applicable to common shareholders

Adjusted net income is net income excluding the impact of share-based compensation, amortization of intangible assets acquired in business combinations, accretion of deferred purchase consideration, corporate restructuring costs, business acquisition costs, and certain non-recurring items, less the applicable provision for income taxes excluding the tax impact of these adjustments. Management believes it is appropriate to adjust for these items because share-based compensation and amortization of intangible assets are primarily non-cash in nature, accretion of 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 to be an operating expense, and corporate restructuring and business acquisition costs do not relate to continuing operating activities. Adjusted net income applicable to common shareholders is computed as adjusted net income less cumulative preferred share dividends. Adjusted net income provides a consolidated view of the Company's underlying financial performance attributable to the common shareholders. The presentation of this measure enables investors and analysts to better understand the underlying performance of our business segments. For a reconciliation of adjusted net income to net income (loss) from continuing operations, being the most directly comparable IFRS measure, please see "Reconciliation of non-IFRS to IFRS measures" below.

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

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

Earning assets - owned

Earning assets - owned are the finance receivables from continuing operations held on our balance sheet.

ECN CAPITAL

Managed and advisory assets

Managed and advisory assets are the asset portfolios from continuing operations that the Company manages, services or advises on behalf of its Partners. The Company earns either servicing, portfolio advisory or reserve income from these portfolios.

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

Allowance for credit losses as a percentage of finance receivables

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

Average debt

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

Finance assets or total finance assets

Finance assets are the sum of the total finance receivables.

Debt to equity ratio

Debt to equity ratio is calculated as total debt (borrowings) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Debt to equity refers to the use of debt to acquire/finance additional finance receivables and other assets 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.

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 the three-month periods ended March 31, 2022, December 31, 2021, and March 31, 2021.

	For the three-month period ended		
	March 31, 2022	December 31, 2021	March 31, 2021
(in 000's for stated values, except percent amounts)	**$**	$	$
Reconciliation of adjusted operating income before tax:			
Net income (loss) from continuing operations	**5,470**	(7,492)	(1,738)
Adjustments:			
Share-based compensation	**5,168**	14,333	5,205
Amortization of intangibles	**5,347**	4,595	4,595
Accretion of deferred purchase consideration	**704**	867	962
Corporate restructuring and transition costs	**—**	6,054	—
Business acquisition costs	**—**	3,074	—
Provision for (recovery of) income taxes	**2,599**	(1,970)	(424)
Adjusted operating income before tax	**19,288**	19,461	8,600
Adjusted operating income before tax comprised of:			
Secured Consumer Loans segment	**14,756**	13,862	7,111
Unsecured Consumer Loans Segment	**13,562**	17,187	11,267
Corporate and Other	**(9,030)**	(11,588)	(9,778)
	19,288	19,461	8,600
Reconciliation of adjusted EBITDA:			
Adjusted operating income before tax	**19,288**	19,461	8,600
Interest expense	**6,229**	6,410	5,567
Depreciation & amortization	**1,955**	2,908	1,793
Adjusted EBITDA	**27,472**	28,779	15,960
Reconciliation of adjusted net income and adjusted net income attributable to common shareholders:			
Adjusted operating income before tax	**19,288**	19,461	8,600
Provision for taxes applicable to adjusted operating income (1)	**3,858**	3,308	1,462
Adjusted net income	**15,430**	16,153	7,138
Cumulative preferred share dividends during the period	**1,146**	2,390	2,395
Adjusted net income attributable to common shareholders	**14,284**	13,763	4,743
Per share information			
Weighted average number of shares outstanding (basic)	**246,626**	243,625	244,502
Adjusted net income per share (basic)	**$0.06**	$0.07	$0.03
Adjusted net income applicable to common shareholders per share (basic)	**$0.06**	$0.06	$0.02

(1) Provision for taxes applicable to adjusted operating income reflects an effective tax rate of 20.0% for the three-month period ended March 31, 2022 and 17.0% for the three-month periods ended December 31, 2021 and March 31, 2021.

Accounting and Internal Control Matters

Critical Accounting Policies and Estimates and Use of Judgments

The Company's significant accounting policies are described in note 2 of our 2021 Annual Consolidated Financial Statements. Certain of these policies, and related estimates and judgments 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 judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. Our significant accounting judgments, 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, derecognition of financial assets, and the outcome of contingencies such as lawsuits, claims or proceedings incident to the operation of our businesses. 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, judgments, estimates and assumptions. Please refer to note 2 of our 2021 Annual Consolidated Financial Statements for a description of each of our significant accounting judgments, estimates and assumptions.

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued.

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

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 May 12, 2022, the Company had 247,279,276 common shares, 3,580,538 options and 3,712,400 Series C preferred shares issued and outstanding.

ecncapitalcorp.com