ECN CAPITAL

Management Discussion & Analysis

JUNE 30, 2020

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 and six-month periods ended June 30, 2020, in comparison to the corresponding prior year periods. This MD&A, which has been prepared as of August 12, 2020, 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 and six-month periods ended June 30, 2020 (the "interim consolidated financial statements"), which readers are encouraged to review 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, 2019 and December 31, 2018. 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 August 12, 2020. 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.

Risk Factors

The following information updates, and should be read in conjunction with, the information disclosed in the Company's Annual Information Form dated March 26, 2020 for the financial year ended December 31, 2019, available on SEDAR at www.sedar.com and on the Company's website at www.ecncapitalcorp.com.

The COVID-19 Pandemic may adversely affect ECN Capital's business, operations and results

The outbreak of the coronavirus disease 2019 ("COVID-19") caused by a novel strain of coronavirus, specifically identified as "SARS-CoV-2", has been declared a pandemic by the World Health Organization. COVID-19 continues to spread in the United States, Canada and a number of other countries globally and has created, and continues to create, significant societal and economic disruptions, including global stock market and financial market volatility, a general reduction in consumer activity, operating, supply chain and project development delays and disruptions and declining trade and market sentiment, all of which have and could further affect, among other things, the markets and/or industries in which ECN Capital participates, the economy and consumer spending, commodity prices, interest rates, credit ratings and credit and counterparty risk. Furthermore, governments worldwide have enacted emergency measures in response to the COVID-19 pandemic. These measures, which include the implementation of regional and/or international travel bans, border closings, mandated closure of non-essential services, social and physical distancing, self-imposed quarantine periods, "shelter-in place" policies and/or similar restrictions on individuals and businesses, have caused material disruption to the economy, businesses and industries globally, resulting in an economic slowdown. Governments and central banks have also reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The ever-changing and rapidly-evolving effects of the COVID-19 pandemic, including the accompanying response measures, on investors, businesses, the economy, society and the financial markets may negatively impact ECN Capital as well as its Partners, customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting local, national or international economies and employment levels, triggering potentially significant inflationary pricing or a recession, increasing delinquencies, non-accruals and credit losses and reducing origination and asset management volumes; (ii) adversely affecting the business operations, liquidity and capital allocation decisions of ECN Capital's existing or potential lenders and/or Partners and other financing sources, reducing or eliminating the availability of funding and/or sufficient funding commitments from Partners and/or existing or potential lenders and other financing sources; (iii) causing business interruptions as a result of the strain on ECN Capital's existing resources, including information technology systems and infrastructure resulting from senior management and other employees working remotely, the inability to receive necessary technology or other hardware, including updates thereto, due to supply chain interruption, other extended disruptions in the telecommunications and internet infrastructures that support the Corporation's remote work capability and increased cybersecurity risk due to cybercriminals' attempting to capitalize from the disruption; and (iv) adversely affecting ECN Capital's ability to maintain the performance of or compel growth in the verticals in which it operates, all of which could have a material negative impact on ECN Capital's financial condition, operating results and cash flows.

In general, a decline in economic conditions, either in the markets or industries in which ECN Capital participates, or both, will result in downward pressure on its operating margins and asset values as a result of lower demand and increased price competition for the services and products that it provides. If global economic conditions deteriorate, ECN Capital's performance could suffer, resulting in decreased cash flow from operations, which could adversely affect ECN Capital's liquidity position and the amount of cash it has on hand to conduct its operations. A reduction in ECN Capital's cash flow from operations could, in turn, require ECN Capital to rely on other sources of capital (such as the capital markets which may not be available to ECN Capital on acceptable terms, or debt and other forms of capital). Further or prolonged economic slowdowns or recessions, including those caused by the ongoing COVID-19 pandemic, could lead to financial losses in ECN Capital's portfolio and a decrease in ECN Capital's adjusted net income applicable to common shareholders, adjusted EBITDA, total originations and managed and advisory assets (and, to the extent applicable, the relevant closest comparable IFRS measure from which these metrics are derived, including net income). Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on ECN Capital's businesses, operating results, and financial condition.

The duration and ultimate impact of the COVID-19 pandemic on ECN Capital's business, operations and financial results, in the near, medium and long-term, is unknown at this time, as is the efficacy of the various government and central bank interventions, including any future interventions and responses. The extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity or spread of COVID-19 and the further actions taken to contain it or treat its impact.

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Overview

ABOUT ECN

ECN Capital Corp. ("ECN Capital" or the "Company") is a leading provider of business services to United States ("U.S.") based banks, credit unions, life insurance companies and investment funds (collectively our "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically unsecured loan portfolios, secured loan portfolios and credit card portfolios. Our Partners are seeking high quality assets to match with their deposits or liabilities. Headquartered in South Florida and Toronto, the registered office is located at 200 Bay Street, Suite 1625, Toronto, Ontario, Canada. ECN Capital has approximately 590 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 business services providers 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. ECN Capital partners with these financial institutions rather than competing with them. Our core investor companies are: Service Finance Company LLC ("Service Finance"), Kessler Financial Services LLC ("KG") and Triad Financial Services, Inc. ("Triad Financial Services"). ECN Capital has managed and advisory assets[1] of approximately $33.3 billion and our customers include more than 90 bank, credit union, insurance company and investment fund partners. Specifically, our Partners are the decision makers inside each institution who are looking for appropriate portfolio solutions to match customer deposits and liabilities. We meet our customer needs by offering the following consumer portfolio solutions:

- Unsecured consumer loan portfolios - Home improvement loans
- Consumer credit card portfolios - Focused on co-branded credit cards and related financial products
- Secured consumer loan portfolios - Manufactured home loans

The Company's focus is to drive origination and asset management growth as well as broadening our Partner relationships through the marketing of all three solutions across our network of 90+ Partners. In pursuit of these objectives: (i) The Company provides its portfolio companies with modest capital, knowledge and scale to help grow their businesses within their large addressable markets; and (ii) The Company brings new funding relationships to our investor companies and is actively expanding Partner relationships to include more than one solution.

(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 investments are made within these strategic parameters and have demonstrated each of the following value propositions:

- Significant barriers to entry through established long-term regulatory relationships with financial services regulators; strong long-term relationships with the banks, credit unions, insurance companies, investment funds and payment networks that are its customers; exclusive/preferred manufacturer and dealer arrangements that drive the Company's origination services; and proprietary intellectual capital
- Established originator / manager / adviser of consumer credit assets with a history of strong performance across business cycles
- Excellent credit quality and track record of excellence in providing managerial and advisory services
- Capital-light businesses with solid growth profiles
- Scalable platforms with established operations and information technology.

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

Core Business Segments:

Service Finance - Home Improvement Loans

Founded in 2004, Service Finance utilizes a technology-driven platform to originate and manage short duration unsecured consumer loans for 25+ Partners. These loans are primarily prime and super-prime retail installment contracts to finance home improvement projects in the U.S. Originations are sourced through national dealer networks through exclusive and preferred programs with top manufacturers in the home improvement industry. Originations are sold to third party financial institutions without recourse with respect to credit losses, prepayments or yield, and Service Finance retains the exclusive right to service all retail installment contracts that it originates. Service Finance has sold loans to over 20 Federal Deposit Insurance Corporation ("FDIC") insured institutions with zero objections and negative comments during formal examinations by and through all bank counterparties. Service Finance is headquartered in Boca Raton, Florida and is a fully licensed sales finance company and third-party servicer in all 50 States.

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

Founded in 1978, KG has grown to become the premier manager, adviser and structuring partner to credit card issuers, banks, credit unions and payment networks. KG has created over 6,000 partnerships between banks/credit card issuers and partner organizations and currently has approximately $28 billion in managed credit card portfolios and related assets. KG is headquartered in Boston, Massachusetts.

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+ 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. In addition to originating prime consumer loans, Triad Financial

Services manages manufactured housing portfolios for third party owners and provides floor plan financing for select dealers and manufacturers. Triad Financial Services is headquartered in Jacksonville, Florida and is licensed in 47 States.

Key Business Developments

Information related to the current market and business outlook for the three and six-month periods ended June 30, 2020 is outlined below.

IMPACT OF COVID-19 AND MARKET OUTLOOK

During the first half of 2020, the novel coronavirus, identified as COVID-19, has adversely impacted the economies and financial markets of many countries, including the U.S. Actions taken to mitigate the spread of COVID-19, which has been declared a global pandemic by the World Health Organization, include restrictions on travel, quarantines in certain areas and forced closure for certain types of public places and businesses. While certain parts of the U.S. have begun to lift these measures, others have had to re-establish restrictions due to a resurgence in COVID-19 cases. It currently remains unknown how long these conditions will last and what the complete financial effect will be to the U.S. economy and the Company.

ECN Capital's home improvement finance and manufactured housing finance platforms are considered "essential businesses" and have been exempted from restrictive orders, including shutdowns, in response to the COVID-19 pandemic in the jurisdictions in which they operate. As such, these platforms have continued physical operations while keeping the safety and well-being of employees, Partners, customers and the communities in which these platforms operate as their top priority.

Loan applications, approvals and funding levels at Service Finance and Triad Financial Services continued to improve in June and July from the peak impact of the COVID-19 pandemic in April and early May. In June and July, total originations for Service Finance were up 43.5% and 40.8%, respectively, compared to the same prior year periods. The comparable numbers for Triad Financial Services were 7.0% and 11.4%, respectively. Loan applications for June and July were up 38.8% and 24.8%, respectively, for Service Finance and 54.8% and 31.7%, respectively, for Triad Financial Services. Loan approvals for the same months were up 41.6% and 27.3%, respectively, on a year-over-year basis for Service Finance and 40.8% and 23.2%, respectively, for Triad Financial Services. KG results have been lower compared to 2019 but we continue to expect a strong pipeline of potential transactions to be realized in late 2020 and into 2021.

Based on these results to date and the trend with respect to loan applications and approvals, we now expect adjusted operating income before tax of $105 million to $111 million and adjusted net income applicable to common shareholders of $75 million to $79 million, or $0.31-$0.33 per share for the full year 2020. See Business Segment Results in this MD&A for further information regarding our outlook for each of our business segments. These financial expectations are based on our current evaluation of the impact of COVID-19 and actual results may vary materially from these estimates.

During the current quarter, the Company recorded a $4.4 million ($3.2 million after-tax) provision for credit losses that management considered to be a consequence of the impact of the COVID-19. COVID-19 has affected solar dealers' ability to complete customer transactions on a timely basis, and consequently the timing and expenses associated with certain of these advances is uncertain. Total solar exposure in our outstanding dealer advances is approximately $13.6 million. The Company also recorded a provision of approximately $1.5 million ($1.1 million after-tax) related to the right-sizing of corporate staffing levels, office space and other corporate expenses in response to the economic impacts associated with the pandemic.

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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 interim condensed consolidated financial statements for the same periods.

	For the three-month period ended			For the six-month period ended	
	June 30, 2020	March 31, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(in 000's for stated values, except per share amounts)	$	$	$	$	$
Select metrics					
Originations	**676,372**	509,026	598,010	**1,185,398**	1,017,211
Average earning assets - Owned (1)	**437,811**	338,061	328,415	**396,283**	353,082
Average earning assets - Managed and advisory (1)	**33,460,259**	33,613,973	32,020,111	**33,506,291**	31,719,631
Period end earning assets - Owned (1)	**512,726**	362,895	311,455	**512,726**	311,455
Period end earning assets - Managed and advisory (1)	**33,290,926**	33,629,592	32,178,949	**33,290,926**	32,178,949
Operating highlights:					
Portfolio origination services	**25,825**	20,193	24,159	**46,018**	40,723
Portfolio management services	**24,580**	29,475	22,772	**54,055**	42,615
Portfolio advisory services	**2,285**	3,175	6,475	**5,460**	17,874
Marketing services	**1,299**	1,827	3,728	**3,126**	5,861
Total portfolio revenue	**53,989**	54,670	57,134	**108,659**	107,073
Interest income	**6,321**	5,538	5,062	**11,859**	11,160
Other revenue	**909**	670	(193)	**1,579**	388
	61,219	60,878	62,003	**122,097**	118,621
Operating expenses	**29,927**	33,169	28,762	**63,096**	57,795
Adjusted EBITDA (1)	**31,292**	27,709	33,241	**59,001**	60,826
Interest expense	**5,501**	5,070	7,154	**10,571**	13,605
Depreciation & amortization	**1,689**	1,621	1,388	**3,310**	2,694
Adjusted operating income before tax and NCI (1)	**24,102**	21,018	24,699	**45,120**	44,527
Adjustments:					
Share-based compensation	**3,922**	3,214	2,970	**7,136**	9,130
Amortization of intangibles	**6,453**	6,453	6,453	**12,906**	12,906
Accretion of deferred purchase consideration	**2,416**	611	1,223	**3,027**	2,581
Corporate restructuring and transition costs	**1,486**	—	—	**1,486**	12,549
Provision for credit losses	**4,400**	—	—	**4,400**	—
Purchase price premium on non-controlling interest	**—**	—	—	**—**	28,138
Unrealized (gain) loss on economic currency hedge	**—**	—	—	**—**	(4,789)
Non-controlling interest	**—**	—	326	**—**	872
	18,677	10,278	10,972	**28,955**	61,387
Net income (loss) before income taxes from continuing operations	**5,425**	10,740	13,727	**16,165**	(16,860)
Income tax expense (recovery)	**1,530**	3,025	2,871	**4,555**	(6,935)
Net income (loss) from continuing operations	**3,895**	7,715	10,856	**11,610**	(9,925)
Cumulative dividends on preferred shares	**2,309**	2,350	2,389	**4,659**	4,794
Net income (loss) from continuing operations attributable to common shareholders	**1,586**	5,365	8,467	**6,951**	(14,719)
Net loss from discontinued operations	**(3,384)**	(2,692)	(932)	**(6,076)**	(3,092)
Net (loss) income for the period attributable to common shareholders	**(1,798)**	2,673	7,535	**875**	(17,811)
Weighted Average number of shares outstanding (basic)	**242,045**	240,628	239,647	**241,336**	244,937
Earnings (loss) per share (basic) - continuing operations attributable to common shareholders	**$0.01**	$0.02	0.04	**$0.03**	$ (0.06)
<u>Non-IFRS Measures</u>					
Adjusted operating results:					
Adjusted EBITDA (1)	**31,292**	27,709	33,241	**59,001**	60,826
Adjusted operating income before tax and NCI(1)	**24,102**	21,018	24,699	**45,120**	44,527
Non-controlling interest in KG	**—**	—	326	**—**	872
Adjusted operating income before tax (1)	**24,102**	21,018	24,373	**45,120**	43,655
Adjusted net income (1)	**19,282**	16,814	19,011	**36,096**	34,051
Adjusted net income applicable to common shareholders (1)	**16,973**	14,464	16,622	**31,437**	29,257
Adjusted net income per share (basic) (1)	**$0.08**	$0.07	$0.08	**$0.15**	$0.14
Adjusted net income applicable to common shareholders per share (basic) (1)	**$0.07**	$0.06	$0.07	**$0.13**	$0.12

(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 and six-month period ended June 30, 2020 presented on a continuing operations basis.

Q2 AND Q2 YTD 2020 vs Q2 AND Q2 YTD 2019

The Company reported total originations of $676.4 million and $1.2 billion for the second quarter and six-month period ended June 30, 2020, respectively, compared to $598.0 million and $1.0 billion, respectively, for the prior year periods. Current quarter originations include $513.2 million from Service Finance and $163.2 million from Triad Financial Services. For the current year-to-date period, originations include $888.8 million from Service Finance and $296.6 million from Triad Financial Services.

Total portfolio revenue for the second quarter and six-month period ended June 30, 2020 was $54.0 million and $108.7 million, respectively, compared to $57.1 million and $107.1 million, respectively, in the prior year periods, primarily reflecting lower transaction services and marketing services revenue from KG. Current quarter-to-date portfolio revenue for Service Finance and Triad Financial Services was in line with 2019 portfolio revenue, despite the impact of the COVID-19 pandemic. Total revenue for the second quarter and six-month period ended June 30, 2020 was $61.2 million and $122.1 million, respectively, compared to $62.0 million and $118.6 million, respectively, for the prior year periods.

The table below illustrates the Company's operating expenses for the three and six-month periods ended June 30, 2020 and June 30, 2019:

	For the three-month period ended		**For the six-month period ended**	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(in 000's for stated values)	**$**	$	**$**	$
Service Finance	**10,965**	7,852	**21,165**	15,216
KG	**6,263**	8,419	**13,503**	18,222
Triad Financial Services	**8,255**	7,706	**16,530**	14,197
Business segment operating expenses	**25,483**	23,977	**51,198**	47,635
Corporate operating expenses	**4,444**	4,785	**11,898**	10,160
Total operating expenses	**29,927**	28,762	**63,096**	57,795

Operating expenses were $29.9 million in the current quarter, compared to $28.8 million for the prior year quarter. The increase in operating expenses compared to the prior year quarter is primarily attributable to growth in Service Finance and Triad Financial Services. This increase was partially offset by lower operating expenses at KG as a result of lower incentive compensation due to lower revenue as well as expense reduction efforts. Additionally, corporate operating expenses decreased as a result of cost-reduction initiatives implemented during the second quarter of 2020.

Interest expense was $5.5 million and $10.6 million for the second quarter and six-month period ended June 30, 2020 compared to $7.2 million and $13.6 million in the prior year periods. The decrease in interest expense reflects a lower average borrowing rate, partially offset by a higher average debt balance during the current year periods. Depreciation expense was $1.7 million and $3.3 million for the quarter and six-month period ended June 30, 2020, respectively, compared to $1.4 million and $2.7 million, respectively, in the prior year periods.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were $18.7 million and $29.0 million for the second quarter and six-month period ended June 30, 2020 compared to $11.0 million and $61.4 million in the prior year periods. The increase in current quarter-to-date other expenses is primarily due to $1.5 million of corporate severance and restructuring costs and a $4.4 million increase in our provision for credit losses due to the economic impacts associated with the COVID-19 pandemic. The decrease in current year-to-date other expenses is primarily due to $28.1 million of purchase price premium plus associated transaction costs to acquire a non-controlling interest in KG, $12.5 million of corporate restructuring and transition costs and a $4.8 million gain on a foreign currency hedge, each incurred during the prior year period. Additionally, the prior year quarter and year-to-date periods include $0.3 million and $0.9 million, respectively, of expense attributable to a non-controlling interest in KG, which ECN acquired during the fourth quarter of 2019. Share-based compensation expense was $3.9 million and $7.1 million for the quarter and six-month period ended June 30, 2020 compared to $3.0 million and $9.1 million for the prior year periods.

Adjusted EBITDA[1] was $31.3 million and $59.0 million for the second quarter and six-month period ended June 30, 2020, respectively, compared to $33.2 million and $60.8 million, respectively, for the prior year periods. The decrease in adjusted EBITDA[1] in the current quarter was primarily due to lower revenue and margins. Adjusted net income applicable to common shareholders[1] was $17.0 million or $0.07 per share and $31.4 million or $0.13 per share for the quarter and six-month period ended June 30, 2020, respectively, compared to $16.6 million or $0.07 per share and $29.3 million or $0.12, respectively, for the prior year periods, reflecting lower interest expense.

The Company reported net income of $3.9 million and $11.6 million for the second quarter and six-month period ended June 30, 2020, respectively, compared to net income of $10.9 million and a net loss of $9.9 million, respectively, for the prior year periods.

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.

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Business Segment Results

RESULTS OF SERVICE FINANCE - HOME IMPROVEMENT LOANS

The following table sets forth a summary of the Company's select metrics and results from the Service Finance segment, for the three-month periods ended June 30, 2020, March 31, 2020, and June 30, 2019 and the six-month periods ended June 30, 2020 and June 30, 2019.

	For the three-month period ended			For the six-month period ended	
	June 30, 2020	March 31, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations (1)	**513,189**	375,618	428,321	**888,807**	729,831
Managed assets, period end (2)	**2,881,473**	2,659,920	2,049,581	**2,881,473**	2,049,581
Managed assets, period average (2)	**2,770,697**	2,582,595	1,955,791	**2,682,221**	1,893,319
Dealer advances	**61,650**	52,382	43,358	**61,650**	43,358
Held-for-trading financial assets	**231,501**	99,247	112,597	**231,501**	112,597
Operating results					
Originations revenue	**14,383**	9,957	11,988	**24,340**	20,540
Servicing revenue	**9,791**	14,279	10,875	**24,070**	19,027
Interest income & other revenue	**2,670**	1,876	2,341	**4,546**	5,395
Revenue	**26,844**	26,112	25,204	**52,956**	44,962
Operating expenses	**10,965**	10,200	7,852	**21,165**	15,216
Adjusted EBITDA (2)	**15,879**	15,912	17,352	**31,791**	29,746
Interest & depreciation expense	**1,304**	866	1,483	**2,170**	3,368
Adjusted operating income before tax (2)	**14,575**	15,046	15,869	**29,621**	26,378

(1) Amounts presented include originations of PACE loans. The PACE loan program was discontinued in the second quarter of 2019.
(2) 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.

Service Finance - Home Improvement Loans

Originations at Service Finance for the second quarter and six-month period ended June 30, 2020 were approximately $513.2 million and $888.8 million, respectively, up 20.5% and 24.1% from the prior year periods, excluding property assessed clean energy ("PACE") loans. The PACE loan program was discontinued in the second quarter of 2019.

After slowing down in April and early May due to the impact of the COVID-19 pandemic and related economic shutdown, originations growth accelerated in the latter half of May and into June. June originations of $224 million were up 43.5% compared to the same prior year period. This growth has continued in July 2020 with total originations of $227 million, up 40.8% on a year-over-year basis. The growth in originations reflects the strength and stability of Service Finance's business model, driven by continued growth in Service Finance's core HVAC, roofing and windows and doors business lines which more than made up for the planned reduction in solar originations.

Historically, originations have followed a seasonal pattern, with the second and third quarters being the strongest performing quarters. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)[1]								
Q2, 2018	Q3, 2018	Q4, 2018	Q1, 2019	Q2, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020
336	346	307	290	426	468	397	376	513

(1) Amounts presented exclude originations of PACE loans.

As COVID-19 created marketplace disruptions beginning in the first quarter of 2020, dealers using Service Finance or competitor financing products became acutely focused on financing platforms with short- and long-term financial stability. A significant take-share market opportunity had developed. In response, management pursued the strategic objective of accelerating funding commitments and thereby maximize the long-term value of this take share opportunity.

To this end, Service Finance moved quickly to seize this take share opportunity and position it for growth in 2021 and beyond. Service Finance provided a temporary reduction in fees for 2020, primarily servicing fees, to provide our Partners protection in an uncertain credit performance environment in return for securing the funding described below. The subsequent credit performance has met or exceeded our Partners' expectations.

Service Finance added a major Canadian pension plan as a funding partner. Despite significant market uncertainty, this pension plan provided a commitment to purchase in excess of $1 billion of originations during 2020 and 2021. In addition to adding two credit unions, Service Finance also expanded capacity at several existing funding partners and renewed commitments for 2021 in excess of $1.5 billion, well in advance of contractual roll over dates. These 2021 funding commitments are on historical contractual terms, both for originations and servicing fees.

With this funding in place, Service Finance accelerated its take share plan and has added new dealers at a rate significantly higher than average.

Originations revenue for the second quarter and six-month period ended June 30, 2020 was approximately $14.4 million and $24.3 million, respectively, up 21.1% and 22.1% from the prior year periods, excluding revenues from PACE loans, which is in line with total originations growth.

Servicing revenues of $9.8 million for the second quarter were down 10.0% from the prior year, reflecting the impact of lower servicing fees on 2020 originations as noted above. For the six-month period ended June 30, 2020, servicing revenues of $24.1 million were up 26.5%, reflecting the year-to-date growth in managed assets.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $15.9 million and $14.6 million respectively, for the second quarter of 2020 compared to $17.4 million and $15.9 million, respectively, for the second quarter of 2019. For the six-month period ended June 30, 2020, adjusted EBITDA[1] and adjusted operating income before tax[1] were $31.8 million and $29.6 million, respectively, compared to $29.7 million and $26.4 million, respectively, in the prior year periods.

Dealer advances as at June 30, 2020 were $61.7 million compared to $43.4 million as at June 30, 2019 and $52.4 million as at March 31, 2020. Dealer advances consist primarily of staged fundings to key dealers with respect to committed home improvement loans. These loans are similar to Triad Financial's successful floorplan initiative and strengthen the relationship with Service Finance's key dealers. The increase in dealer advances outstanding compared to the prior year quarter reflects the continued growth in exclusive arrangements with top home improvement dealers as Service Finance continues to enroll new dealers and take market share. Service Finance increased its provision for credit losses with respect to its dealer advances by approximately $4.4 million due to the economic impacts associated with the COVID-19 pandemic.

Held-for-trading assets as at June 30, 2020 were $231.5 million compared to $99.2 million at the end of the preceding quarter. Held-for-trading assets consist of loans that are originated on behalf of our bank partners with the intention of selling through under a portfolio sales agreement. The increase in held-for-trading assets compared to the prior quarter primarily reflects our complementary flow program that we launched in 2019 as well as the building of a portfolio for our new pension plan funding partner. Service Finance completed a portfolio sale of $106.8 million in July to the new partner, which is now buying core loans on a regular basis. Service Finance also entered into an agreement in early August with a Partner to sell an additional $108.0 million in complementary flow loans. Subsequent to that transaction, pro forma held-for-trading assets are approximately $89.7 million (including the impact of pro forma additions of approximately $73.0 million).

Despite the economic impact associated with the COVID-19 pandemic, we continue to anticipate growth for Service Finance for the full 2020 year. Originations have continued to improve in June and July, with total originations increasing to approximately $224 million and $227 million, or 43.5% and 40.8%, respectively, compared to June and July 2019. Service Finance's business is considered an "essential business" and is exempted from restrictive orders, including shutdowns. In addition, Service Finance's managed portfolio continues to perform demonstrating the value of its focus on prime and super prime consumers. We believe Service Finance is well positioned to take market share from its competitors and to benefit from the economic recovery that has begun to take place. The Company's revised 2020 outlook for the Service Finance segment are originations of $1.9 billion to $2.1 billion and adjusted EBITDA and adjusted operating income before tax of $76 million to $84 million and $67 million to $72 million, respectively.

RESULTS OF KG - CONSUMER CREDIT CARD PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the KG segment for the three-month periods ended June 30, 2020, March 31, 2020 and June 30, 2019 and the six-month periods ended June 30, 2020 and June 30, 2019.

	For the three-month period ended			For the six-month period ended	
	June 30, 2020	March 31, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(in 000's for stated values)	**$**	$	$	**$**	**$**
Operating results					
Partnership services revenue	**12,894**	13,477	10,361	**26,371**	**20,600**
Marketing services revenue	**1,299**	1,827	3,728	**3,126**	**5,861**
Transaction services revenue	**2,285**	3,175	6,475	**5,460**	**17,874**
Interest income & other revenue	**10**	281	(607)	**291**	**184**
Revenue	**16,488**	18,760	19,957	**35,248**	**44,519**
Operating expenses	**6,263**	7,240	8,419	**13,503**	**18,222**
Adjusted EBITDA (1)	**10,225**	11,520	11,538	**21,745**	**26,297**
Interest and depreciation expense	**848**	1,097	984	**1,945**	**1,805**
Adjusted operating income before tax and non-controlling interest (1)	**9,377**	10,423	10,554	**19,800**	**24,492**
Non-controlling interest in KG	**—**	—	326	**—**	**872**
Adjusted operating income before tax (1)	**9,377**	10,423	10,228	**19,800**	**23,620**

(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.

KG - Consumer Credit Card Portfolios 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 co-brand credit card programs and portfolios
2. **Marketing Services:** marketing services and data analytics
3. **Transaction Services:** purchase, sale and renewal of co-brand credit card portfolios/ programs

KG Revenue Mix

(as % of total portfolio revenues)	At Transaction	Q2 2020	YTD 2020	2020 Forecast
Partnership Services(1)	54 %	78 %	75 %	65 %
Marketing Services	12 %	8 %	9 %	20 %
Total Recurring Revenue	**66 %**	**86 %**	**84 %**	**85 %**
Transaction Services	34 %	14 %	16 %	15 %
Total Portfolio Revenue	**100 %**	**100 %**	**100 %**	**100 %**

(1) Partnership Services includes Credit Card Investment Management revenues.

Total KG revenues for the second quarter and six-month period ended June 30, 2020 were $16.5 million and $35.2 million, respectively, compared to $20.0 million and $44.5 million in the same prior year periods, reflecting lower transaction services and marketing services revenue during the current year primarily as a result of the impact of the COVID-19 pandemic and associated responses. As a result, banks have scaled back their marketing campaigns and delayed executing on any M&A transactions. In addition, transaction services revenue for the prior year-to-date period included $8.2 million of revenue from the closing of a significant credit card partnership by a KG partner. Partnership services revenues were up $5.8 million, or 28.0%, year-to-date compared to 2019, primarily due to the growth in KG's credit card investment management platform. Operating expenses were down to $13.5 million year-to-date from $18.2 million in the prior year as a result of expense reductions and lower incentive compensation costs due to lower revenue.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $10.2 million and $9.4 million, respectively, for the second quarter of 2020 compared to $11.5 million and $10.2 million, respectively, for the prior year quarter. For the six-month period ended June 30, 2020, adjusted EBITDA[1] and adjusted operating income before tax[1] were $21.7 million and $19.8 million, respectively, compared to $26.3 million and $23.6 million, respectively, for the prior year. Adjusted operating income before tax[1] for the second quarter and six-month period ended June 30, 2019 includes $0.3 million and $0.9 million, respectively, of expense attributable to the non-controlling interest in KG. During the fourth quarter of 2019, ECN acquired the remaining non-controlling interests of KG and KG became 100% owned by ECN.

Due to the economic impact associated with the COVID-19 pandemic, we anticipate somewhat lower results compared to 2019. Partnership Services results should largely be unchanged due to long-term contracts and the acquisition of our credit card investment management platform. In Marketing Services, KG continues to work with bank partners to assess the timing of future marketing campaigns. We expect these campaigns to begin to ramp up in the fourth quarter of 2020 and into 2021. KG has a large pipeline of potential transactions that will contribute significant transaction services and partnership services revenues in 2021. We believe KG is well positioned to benefit from this period of economic dislocation as conditions normalize. The Company's revised 2020 outlook for the KG segment are adjusted EBITDA and adjusted operating income before tax of $39 million to $42 million and $36 million to $39 million, respectively.

RESULTS OF TRIAD FINANCIAL SERVICES - SECURED CONSUMER LOAN PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Triad Financial Services segment for the three-month periods ended June 30, 2020, March 31, 2020 and June 30, 2019 and the six-month periods ended June 30, 2020 and June 30, 2019.

	For the three-month period ended			For the six-month period ended	
	June 30, 2020	March 31, 2020	June 30, 2019	**June 30, 2020**	**June 30, 2019**
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations	**163,183**	133,408	169,689	**296,591**	287,380
Managed assets, period end (1)	**2,562,829**	2,478,470	2,288,214	**2,562,829**	2,288,214
Managed assets, period average (1)	**2,520,650**	2,453,290	2,260,688	**2,489,803**	2,228,965
Manufactured housing loans	**121,339**	119,114	89,254	**121,339**	89,254
Held-for-trading financial assets	**31,188**	20,302	5,679	**31,188**	5,679
Operating results					
Originations revenue	**11,442**	10,236	12,100	**21,678**	20,112
Servicing revenue	**1,895**	1,719	1,607	**3,614**	3,059
Interest income & other revenue	**3,229**	3,182	2,601	**6,411**	4,771
Total revenue	**16,566**	15,137	16,308	**31,703**	27,942
Operating expenses	**8,255**	8,275	7,706	**16,530**	14,197
Adjusted EBITDA (1)	**8,311**	6,862	8,602	**15,173**	13,745
Interest and depreciation expense	**1,117**	1,294	1,120	**2,411**	2,176
Adjusted operating income before tax (1)	**7,194**	5,568	7,482	**12,762**	11,569

(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.

Triad Financial Services - Secured Consumer Loan Portfolios Segment

Originations at Triad Financial Services for the second quarter and six-month period ended June 30, 2020 were approximately $163.2 million and $296.6 million, respectively, compared to $169.7 million and $287.4 million, respectively, in the prior year, reflecting a decrease in originations during April and May 2020 as a result of the impact associated with the COVID-19 pandemic. In June, total originations of $61.1 million were up 7.0% compared to the same prior year month and total originations of $64.8 million in July were up 11.4% year-over-year. Further, applications and approvals for June and July were up 54.8% and 31.7% and 40.8% and 23.2%, respectively, compared to the same prior year months. This data provides support for a very strong second half of 2020 for Triad Financial Services. Managed assets were $2.6 billion as at June 30, 2020, an increase of 12% compared to managed assets of $2.3 billion as at June 30, 2019.

Traditionally, this business is impacted by seasonality, with the second and third quarters of the year being the strongest performing quarters. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)								
Q2, 2018	Q3, 2018	Q4, 2018	Q1, 2019	Q2, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020
150	147	135	118	170	171	144	133	163

Originations revenue for the second quarter and six-month period ended June 30, 2020 was approximately $11.4 million and $21.7 million, respectively, compared to $12.1 million and $20.1 million in the prior year periods, respectively, which is in line with total originations results.

Servicing revenues of $1.9 million and $3.6 million for the second quarter and six-month period ended June 30, 2020 were up 17.9% and 18.1%, respectively, reflecting growth in managed assets.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $8.3 million and $7.2 million, respectively, for the current quarter compared to $8.6 million and $7.5 million, respectively, for the prior year quarter. For the six-month period ended June 30, 2020, adjusted EBITDA[1] and adjusted operating income before tax[1] of $15.2 million and $12.8 million, respectively, represent increases of 10.4% and 10.3% from the prior year.

Manufactured housing loans consist primarily of floorplan loans as well as a modest amount of loans originated on behalf of partners under a portfolio sales agreement. 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.

Despite the economic impact associated with the COVID-19 pandemic, we continue to anticipate growth for Triad Financial Services for the full 2020 year. Originations, loan applications and approvals are back to growth again as noted above. We believe manufactured housing will remain an attractive, affordable housing solution, and Triad is well positioned to benefit from the economic recovery that has begun to take place. The Company's revised outlook for the Triad Financial Services segment are originations of $650 million to $700 million and adjusted EBITDA and adjusted operating income before tax of $34 million to $39 million and $30 million to $34 million, respectively.

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 June 30, 2020, March 31, 2020 and June 30, 2019 and the six-month periods ended June 30, 2020 and June 30, 2019.

	For the three-month period ended			For the six-month period ended	
	June 30, 2020	March 31, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(in 000's for stated values)	**$**	**$**	**$**	**$**	**$**
Operating results					
Revenues	**1,321**	869	534	**2,190**	1,198
Operating expenses	**4,444**	7,454	4,785	**11,898**	10,160
Adjusted EBITDA (1)	**(3,123)**	(6,585)	(4,251)	**(9,708)**	(8,962)
Interest expense	**3,280**	2,788	4,452	**6,068**	8,097
Depreciation & amortization	**641**	646	503	**1,287**	853
Adjusted operating income before tax (1)	**(7,044)**	(10,019)	(9,206)	**(17,063)**	(17,912)

(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

Revenue was $1.3 million and $2.2 million for the second quarter and six-month period ended June 30, 2020, respectively, compared to $0.5 million and $1.2 million, respectively, for the prior year. Revenue primarily consists of gains or losses from legacy corporate investments.

Corporate operating expenses of approximately $4.4 million were in line with our revised target of approximately $4.0 million per quarter for the remainder of 2020. The Company has implemented several cost-reduction initiatives, including significant reductions in executive compensation, business development and travel and entertainment expenditures. Interest expense increased compared to the first quarter of 2020 as a result of a higher average debt balance during the second quarter of $571.9 million compared to $485.8 million in the preceding quarter, partially offset by a lower average borrowing rate. Interest expense in the second quarter of 2020 is lower than the comparable prior year quarter, primarily due to lower average borrowing costs.

RESULTS OF DISCONTINUED OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from discontinued operations for the three-month periods ended June 30, 2020, March 31, 2020 and June 30, 2019 and the six-month periods ended June 30, 2020 and June 30, 2019.

	For the three-month period ended			For the six-month period ended	
	June 30, 2020	March 31, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(in 000's for stated values)	**$**	**$**	**$**	**$**	**$**
Operating results					
Revenues	**30**	477	2,286	**507**	2,719
Operating expenses	**4,071**	3,585	3,480	**7,656**	6,680
Adjusted EBITDA (1)	**(4,041)**	(3,108)	(1,194)	**(7,149)**	(3,961)
Interest expense	**300**	389	—	**689**	—
Adjusted operating (loss) income before tax (1)	**(4,341)**	(3,497)	(1,194)	**(7,838)**	(3,961)
Adjustments:					
Share-based compensation	**—**	1	2	**1**	4
Recovery of income taxes	**(957)**	(806)	(264)	**(1,763)**	(873)
	(957)	(805)	(262)	**(1,762)**	(869)
Net loss from discontinued operations	**(3,384)**	(2,692)	(932)	**(6,076)**	(3,092)

(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.

Discontinued Operations

Revenue from discontinued operations was $0.03 million and $0.5 million for the second quarter and six-month period ended June 30, 2020, respectively, compared to $2.3 million and $2.7 million, respectively, in the prior year periods, reflecting the impact of the rundown of the legacy asset portfolio. Operating expenses were $4.1 million and $7.7 million, respectively, for the quarter and six-month period ended June 30, 2020, up from $3.5 million and $6.7 million in the prior year periods, respectively, primarily due to increased legal, maintenance, holding and other costs associated with the wind-down of legacy aviation assets. Net loss related to discontinued operations was $3.4 million and $6.1 million for the current quarter and year-to-date periods, respectively.

The following table sets forth a summary of assets held-for-sale as at June 30, 2020 and December 31, 2019:

	As at	
	June 30, 2020	December 31, 2019
(in 000's for stated values)	**$**	**$**
Rail Finance	**32,475**	35,581
Aviation Finance	**74,003**	97,480
C&V Finance	**9,496**	9,911
Total assets held-for-sale	**115,974**	142,972

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by core business segment, as at June 30, 2020, March 31, 2020 and June 30, 2019.

	June 30, 2020						
	Service Finance	KG	Triad Financial Services	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	21,814	10,251	6,026	24,435	**62,526**	—	**62,526**
Restricted funds	—	—	26,570	—	**26,570**	—	**26,570**
Accounts receivable	7,052	17,316	35,128	1,133	**60,629**	10,005	**70,634**
Finance assets:							
Loans receivable	61,650	67,048	121,339	—	**250,037**	—	**250,037**
Held-for-trading financial assets	231,501	—	31,188	—	**262,689**	—	**262,689**
Total finance assets	293,151	67,048	152,527	—	**512,726**	—	**512,726**
Retained reserve interest	—	—	27,486	—	**27,486**	—	**27,486**
Continuing involvement asset	—	—	152,105	—	**152,105**	—	**152,105**
Goodwill and intangible assets	360,741	237,434	64,647	1,667	**664,489**	—	**664,489**
Deferred tax assets	—	—	—	40,762	**40,762**	—	**40,762**
Other assets and investments	39,931	34,901	6,814	128,668	**210,314**	4,479	**214,793**
Assets held-for-sale	—	—	—	—	**—**	115,974	**115,974**
Total Assets	**722,689**	**366,950**	**471,303**	**196,665**	**1,757,607**	**130,458**	**1,888,065**
Liabilities							
Debt	225,385	67,048	129,908	250,535	**672,876**	—	**672,876**
Continuing involvement liability	—	—	152,105	—	**152,105**	—	**152,105**
Other liabilities	26,865	88,971	32,901	60,619	**209,356**	12,534	**221,890**
Total Liabilities	**252,250**	**156,019**	**314,914**	**311,154**	**1,034,337**	**12,534**	**1,046,871**
Earning Assets - Owned and Managed							
Earning assets - owned	293,151	67,048	152,527	—	**512,726**	—	**512,726**
Earning assets - managed and advisory	2,881,473	27,846,624	2,562,829	—	**33,290,926**	—	**33,290,926**
Total Earning Assets - Owned and Managed and Advisory	**3,174,624**	**27,913,672**	**2,715,356**	**—**	**33,803,652**	**—**	**33,803,652**

Total finance assets for continuing operations were $512.7 million at June 30, 2020 compared to $362.9 million at March 31, 2020, and $311.5 million at June 30, 2019. The increase compared to the preceding quarter primarily reflects an increase in held-for-trading financial assets at Service Finance and an increase in floorplan loans at Triad Financial Services.

Debt from continuing operations of $672.9 million increased by $178.2 million compared to March 31, 2020, primarily reflecting the increased investments in finance assets at Service Finance and Triad Financial Services during the quarter.

Earning assets - managed and advisory of $33.3 billion as at June 30, 2020 reflects managed loans of $2.9 billion at Service Finance, $27.8 billion in advisory assets at KG and $2.6 billion in managed loans at Triad Financial Services.

					March 31, 2020		
	Service Finance	KG	Triad Financial Services	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	5,656	9,836	—	21,896	**37,388**	—	**37,388**
Restricted funds	—	—	19,705	—	**19,705**	—	**19,705**
Accounts receivable	5,178	38,124	27,345	1,079	**71,726**	9,245	**80,971**
Finance assets							
Loans receivable	52,382	71,850	119,114	—	**243,346**	—	**243,346**
Held-for-trading financial assets	99,247	—	20,302	—	**119,549**	—	**119,549**
Total finance assets	151,629	71,850	139,416	—	**362,895**	—	**362,895**
Retained reserve interest	—	—	26,308	—	**26,308**	—	**26,308**
Continuing involvement asset	—	—	139,143	—	**139,143**	—	**139,143**
Goodwill and intangible assets	363,551	241,629	64,972	1,797	**671,949**	—	**671,949**
Deferred tax assets	—	—	—	41,642	**41,642**	—	**41,642**
Other assets and investments	39,787	37,673	6,901	129,987	**214,348**	2,093	**216,441**
Assets held-for-sale	—	—	—	—	**—**	121,335	**121,335**
Total Assets	**565,801**	**399,112**	**423,790**	**196,401**	**1,585,104**	**132,673**	**1,717,777**
Liabilities							
Debt	78,684	71,850	111,205	232,921	**494,660**	—	**494,660**
Continuing involvement liability	—	—	139,143	—	**139,143**	—	**139,143**
Other liabilities	25,600	103,963	28,146	71,174	**228,883**	11,943	**240,826**
Total Liabilities	**104,284**	**175,813**	**278,494**	**304,095**	**862,686**	**11,943**	**874,629**
Earning Assets - Owned and Managed							
Earning assets - owned	151,629	71,850	139,416	—	**362,895**	—	**362,895**
Earning assets - managed and advisory	2,659,920	28,491,202	2,478,470	—	**33,629,592**	—	**33,629,592**
Total Earning Assets - Owned and Managed and Advisory	**2,811,549**	**28,563,052**	**2,617,886**	**—**	**33,992,487**	**—**	**33,992,487**

	June 30, 2019						
	Service Finance	KG	Triad Financial Services	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	7,725	14,249	4,997	2,547	**29,518**	—	**29,518**
Restricted funds	2,789	—	29,496	—	**32,285**	—	**32,285**
Accounts Receivable	6,400	35,185	18,825	489	**60,899**	9,245	**70,144**
Finance assets							
Loans receivable	43,358	60,567	89,254	—	**193,179**		**193,179**
Held-for-trading financial assets	112,597	—	5,679	—	**118,276**	—	**118,276**
Total finance assets	155,955	60,567	94,933	—	**311,455**	—	**311,455**
Retained reserve interest	—	—	22,941	—	**22,941**	—	**22,941**
Continuing involvement asset	—	—	106,981	—	**106,981**	—	**106,981**
Goodwill and intangible assets	356,379	244,724	65,398	1,515	**668,016**	—	**668,016**
Deferred tax assets	—	—	—	44,155	**44,155**	—	**44,155**
Other assets and investments	37,443	32,777	12,603	111,886	**194,709**	3,513	**198,222**
Asset held-for-sale	—	—	—		**—**	230,191	**230,191**
Total Assets	**566,691**	**387,502**	**356,174**	**160,592**	**1,470,959**	**242,949**	**1,713,908**
Liabilities							
Debt	124,285	60,567	80,499	172,375	**437,726**	—	**437,726**
Continuing involvement liability	—	—	106,981	—	**106,981**	—	**106,981**
Other liabilities	23,520	124,880	37,968	83,524	**269,892**	11,320	**281,212**
Total Liabilities	**147,805**	**185,447**	**225,448**	**255,899**	**814,599**	**11,320**	**825,919**
Earning Assets - Owned and Managed and Advisory							
Earning assets - owned	155,955	60,567	94,933	—	**311,455**	—	**311,455**
Earning assets - managed and advisory	2,049,581	27,841,154	2,288,214	—	**32,178,949**	—	**32,178,949**
Total Earning Assets - Owned and Managed and Advisory	**2,205,536**	**27,901,721**	**2,383,147**	**—**	**32,490,404**	**—**	**32,490,404**

Delinquencies

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

	June 30, 2020		March 31, 2020		June 30, 2019	
	$	**%**	$	%	$	%
Current	**247,692**	**97.00 %**	243,499	99.80 %	198,714	99.50 %
31-60 days past due	**7,616**	**2.98 %**	188	0.08 %	415	0.21 %
61-90 days past due	**—**	**— %**	161	0.07 %	171	0.09 %
Greater than 90 days past due	**60**	**0.02 %**	125	0.05 %	391	0.20 %
Total continuing operations	**255,368**	**100.00 %**	243,973	100.00 %	199,691	100.00 %

Allowance for Credit Losses

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

	Three-month period ended June 30, 2020	Year ended December 31, 2019	Three-month period ended June 30, 2019
(in 000's except percentage amounts)	**$**	**$**	**$**
Allowance for credit losses, beginning of period	**627**	644	768
Provision for credit losses	**4,699**	337	65
Charge-offs, net of recoveries, and other	**5**	(95)	—
Transfer to held-for-trading financial assets	**—**	(378)	—
Allowance for credit losses, end of period	**5,331**	508	833

The Company's allowance for credit losses was $5.3 million as at June 30, 2020, compared to $0.5 million at December 31, 2019 and $0.8 million at June 30, 2019. During the second quarter of 2020, the Company recorded a provision of approximately $4.4 million for credit losses related to dealer advances at our Service Finance segment due to the economic impacts associated with the COVID-19 pandemic.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are: (i) cash flows from operating activities; (ii) the secured borrowing facilities; (iii) funding commitments from 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.

As at June 30, 2020, the Company's debt to equity ratio was 0.80:1. The Company is focused on managing and preserving its liquidity through the economic crisis created by the COVID-19 pandemic. This includes utilizing the Company's senior credit facility, managing and monitoring origination levels at Service Finance and Triad Financial Services and their available Partner funding. The Service Finance and Triad Financial Services segments have commitments in place to fund their loan originations for the remainder of 2020. All of these actions are in context of the current COVID-19 pandemic as described in the risk factors on (or incorporated by reference) page 2 of this MD&A.

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

		As at		
(in 000's for stated values, except for percentage amounts)		**June 30, 2020** **$**	March 31, 2020 $	June 30, 2019 $
Total debt	**(a)**	**672,876**	494,660	437,726
Shareholders' equity	**(b)**	**841,194**	843,148	887,989
Debt to equity ratio	**(a)/(b)**	**0.80**	0.59	0.49
Goodwill and intangibles	**(c)**	**664,489**	671,949	668,016
Tangible leverage	**(a)/[(b)-(c)]**	**3.81**	2.89	1.99

The increase in total debt compared to the first quarter of 2020 primarily reflects the increased investments in finance assets at Service Finance and Triad Financial Services during the quarter.

DEBT AND CONTRACTUAL REPAYMENT OBLIGATIONS

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	
	June 30, 2020	March 31, 2020	June 30, 2019
(in 000's)	**$**	$	$
Cash and cash equivalents	**62,526**	37,388	29,518
Senior Facilities			
Facilities	**1,000,000**	1,000,000	1,000,000
Utilized against Facility	**685,000**	507,067	450,500
Unutilized Borrowing Facilities (i.e. excl. Cash & Equiv.)	**315,000**	492,933	549,500
Total available sources of capital, end of period	**377,526**	530,321	579,018

As at June 30, 2020, the unutilized balance of the borrowing facility was approximately $0.3 billion compared to $0.5 billion at March 31, 2020. This $0.3 billion in unutilized borrowings is in addition to the commitments in place to fund loan originations from our Service Finance and Triad Financial Services business segments for the remainder of 2020. Management believes the available liquidity from its cash and equivalents, unutilized borrowing capacity and the funding commitments in place at Service Finance and Triad Financial Services is sufficient to fund operations and internal growth initiatives for the remainder of 2020.

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 June 30, 2020. 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 the Service Finance and Triad Financial Services business segments and the seasonality of these businesses, as well as fluctuation in KG's advisory revenues from period to period. ECN acquired Service Finance on September 7, 2017, Triad Financial Services on December 29, 2017, 76% of KG on May 31, 2018, an additional 20% of KG on March 21, 2019, and the remaining 4% interest of KG on December 31, 2019.

(in $ 000's for stated values, except ratio and per share amounts)	**Q2, 2020**	Q1, 2020	Q4, 2019	Q3, 2019	Q2, 2019	Q1, 2019	Q4, 2018	Q3, 2018
Adjusted operating income before tax and NCI(1)	**24,102**	21,018	26,246	26,732	24,699	19,828	24,585	27,548
Amortization of intangibles	**6,453**	6,453	6,453	6,452	6,453	6,453	5,685	3,468
Accretion of deferred purchase consideration	**2,416**	611	1,134	2,035	1,223	1,358	819	819
Share based compensation	**3,922**	3,214	3,762	4,555	2,970	6,160	3,588	4,882
Corporate restructuring and transition costs	**1,486**	—	3,141	—	—	12,549	15,485	54
Provision for credit losses	**4,400**	—	—	—	—	—	—	—
Purchase price premium on non-controlling interest	**—**	—	—	—	—	28,138	—	—
Business acquisition costs	**—**	—	2,168	—	—	—	—	—
Unrealized (gain) loss on economic currency hedge	**—**	—	—	—	—	(4,789)	4,289	—
Non-controlling interest	**—**	—	413	315	326	546	4,045	5,349
Net income (loss) before income taxes	**5,425**	10,740	9,175	13,375	13,727	(30,587)	(9,326)	12,976
Net income (loss) from continuing operations	**3,895**	7,715	12,104	8,203	10,856	(20,781)	(2,406)	3,347
Net (loss) income from discontinuing operations	**(3,384)**	(2,692)	(18,608)	(3,431)	(932)	(2,160)	(102,727)	(60,830)
Net income (loss) - total	**511**	5,023	(6,504)	4,772	9,924	(22,941)	(105,133)	(57,483)
Earnings per share (basic) - continuing operations attributable to common shareholders	**$0.01**	$0.02	$0.04	$0.02	$0.04	$(0.09)	$(0.02)	$—
Adjusted net income (1)	**19,282**	16,814	20,917	20,605	19,011	15,040	17,764	19,471
Adjusted net income per share (basic) (1)	**$0.08**	$0.07	$0.09	$0.09	$0.08	$0.06	$0.06	$0.06
Adjusted net income applicable to common shareholders per share (basic)(1)	**$0.07**	$0.06	$0.08	$0.08	$0.07	$0.05	$0.05	$0.05
Period end earning assets - owned	**512,726**	362,895	313,227	314,507	311,455	345,374	402,418	309,831
Period end earning assets - managed and advisory	**33,290,926**	33,629,592	33,598,354	32,617,957	32,178,949	31,861,273	31,118,671	28,774,422
Period end earning assets - total	**33,803,652**	33,992,487	33,911,581	32,932,464	32,490,404	32,206,647	31,521,089	29,084,253
Originations	**676,372**	509,026	541,723	639,124	598,010	419,201	463,120	508,950
Allowance for credit losses	**5,331**	627	508	461	833	768	644	4,688
Allowance for credit losses as a % of finance receivables	**1.04 %**	0.17 %	0.16 %	0.14 %	0.27 %	0.22 %	0.16 %	1.04 %
Term senior credit facility, total	**685,000**	507,067	443,590	462,667	450,500	599,535	350,000	668,232
Deferred financing costs	**(12,124)**	(12,407)	(13,112)	(11,341)	(12,774)	(13,659)	(14,564)	271,937
Total Debt	**672,876**	494,660	430,478	451,326	437,726	585,876	335,436	940,169
Shareholders' equity	**841,194**	843,148	879,026	884,516	887,989	880,035	1,106,977	1,252,681

(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 adjusted operating income before interest expense, income tax expense, depreciation and amortization. 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.

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

Adjusted operating income before tax is net income excluding the impact of share-based compensation, corporate restructuring and transition costs, business acquisition costs, loss (gain) on business disposals, impairment charges and asset valuation reserves, amortization of intangible assets acquired in business combinations, accretion of deferred purchase consideration, cumulative dividends on preferred shares, loss (income) from discontinued operations, provision for credit losses, loss (gain) on economic currency hedge and income tax. Adjusted operating income before tax and NCI is adjusted operating income before tax as defined above, excluding the impact of expense attributable to the non-controlling interest in KG. Management believes it is appropriate to adjust for these items when evaluating the underlying performance of our business because amortization of intangible assets and share-based compensation are primarily non-cash in nature; corporate restructuring and transition costs, business acquisition costs and loss (gain) on business disposals do not relate to continuing operating activities; 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, depending on how it is structured, to be an operating expense; dividends on preferred shares are a financing cost not related to operating activities; provision for credit losses is considered to be a consequence of the impact of the COVID-19 pandemic related to Service Finance's solar business and is not indicative of the underlying performance of our business segments, unrealized loss (gain) on economic currency hedge does not represent the underlying performance of our business segments; income tax expense is managed at a corporate level and is a function of the jurisdictions in which the Company operates and not the underlying performance of our business segments; and non-controlling interest expense attributable to KG does not represent the underlying performance of our KG business segment's core business.

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

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

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

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

Earning assets - owned

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

Managed and advisory assets

Managed and advisory assets are the asset portfolios in the Company's Service Finance, Triad Financial Services and the KG segments 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 and the total carrying value of the equipment under operating leases.

Debt to equity ratio

Debt to equity ratio is calculated as total debt (secured borrowings) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. 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.

Tangible leverage ratio

The tangible leverage ratio is calculated as secured borrowings divided by the net of shareholders' equity less goodwill and intangible assets, at the period end. The tangible leverage ratio refers to the use of debt to acquire or finance additional finance receivables. Similar to the financial leverage ratios, the tangible leverage ratio provides an indication of the potential ability to increase the level of debt but based on tangible equity (excluding goodwill and intangible assets) within the Company.

RECONCILIATION OF NON-IFRS TO IFRS MEASURES

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for three-month periods ended June 30, 2020, March 31, 2020 and June 30, 2019 and the six-month periods ended June 30, 2020 and June 30, 2019.

	For the three-month period ended			For the six-month period ended	
	June 30, 2020	March 31, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
(in 000's for stated values, except percent amounts)	**$**	**$**	**$**	**$**	**$**
Reported and adjusted measures					
Net income (loss) from continuing operations	**3,895**	7,715	10,856	**11,610**	(9,925)
Adjustments:					
Share-based compensation	**3,922**	3,214	2,970	**7,136**	9,130
Amortization of intangibles	**6,453**	6,453	6,453	**12,906**	12,906
Accretion of deferred purchase consideration	**2,416**	611	1,223	**3,027**	2,581
Corporate restructuring and transition costs	**1,486**	—	—	**1,486**	12,549
Provision for credit losses	**4,400**	—	—	**4,400**	—
Purchase price premium on non-controlling interest	**—**	—	—	**—**	28,138
Unrealized loss on economic currency hedge	**—**	—	—	**—**	(4,789)
Non-controlling interest in KG	**—**	—	326	**—**	872
Provision (recovery) of income taxes	**1,530**	3,025	2,871	**4,555**	(6,935)
Adjusted operating income before tax and NCI	**24,102**	21,018	24,699	**45,120**	44,527
Non-controlling interest in KG	**—**	—	326	**—**	872
Adjusted operating income before tax	**24,102**	21,018	24,373	**45,120**	43,655
Provision for taxes applicable to adjusted operating income (1)	**4,820**	4,204	5,362	**9,024**	9,604
Adjusted net income	**19,282**	16,814	19,011	**36,096**	34,051
Cumulative preferred share dividends during the period	**2,309**	2,350	2,389	**4,659**	4,794
Adjusted net income attributable to common shareholders	**16,973**	14,464	16,622	**31,437**	29,257
Per share information					
Weighted average number of shares outstanding (basic)	**242,045**	240,628	239,647	**241,336**	244,937
Adjusted net income per share (basic)	**$0.08**	$0.07	$0.08	**$0.15**	$0.14
Adjusted net income applicable to common shareholders per share (basic)	**$0.07**	$0.06	$0.07	**$0.13**	$0.12
Adjusted operating income before tax comprised of:					
Service Finance	**14,575**	15,046	15,869	**29,621**	26,378
KG	**9,377**	10,423	10,228	**19,800**	23,620
Triad Financial Services	**7,194**	5,568	7,482	**12,762**	11,569
Corporate	**(7,044)**	(10,019)	(9,206)	**(17,063)**	(17,912)
	24,102	21,018	24,373	**45,120**	43,655

(1) Provision for taxes applicable to adjusted operating income reflects an effective tax rate of 20.0% for the three and six-month periods ended June 30, 2020, 22.0% for the three and six-month periods ended June 30, 2019 and 20.0% for the three-month period ended March 31, 2020.

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 2019 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 2019 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 interim condensed 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 interim condensed consolidated financial statements are issued.

As at June 30, 2020, due to the emergence of the novel coronavirus identified as COVID-19, we are subject to a greater degree of uncertainty in making the estimates and judgments required to apply our significant accounting policies. The ultimate impacts of COVID-19 on our business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic, which are highly uncertain and cannot be predicted. The uncertainty of future results and cash flows may impact our estimates and judgments underlying the carrying values of our finance receivables, held-for-trading financial assets, goodwill, intangible assets and retained reserve interest asset, the adequacy of our credit loss provisions, the fair value of our assets held-for-sale and the realization of our deferred tax assets. We continue to update the Company's forecasts, assumptions, valuation models and other analyses that support the current carrying value of these assets. Accordingly, actual results may be materially different from those recorded amounts.

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. During the three-month period ended June 30, 2020 there have been no significant changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control 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 August 12, 2020, the Company had 242,543,325 common shares, 14,610,205 options; 4,000,000 Series A preferred shares, and 4,000,000 Series C preferred shares issued and outstanding.

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