ECN CAPITAL

Management Discussion & Analysis

JUNE 30, 2021

ECN CAPITAL

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, 2021 in comparison to the corresponding prior year periods. This MD&A, which has been prepared as of August 10, 2021, 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, 2021 (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, 2020 and December 31, 2019. 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 10, 2021. 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.

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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 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 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 610 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. Our core investor companies are: Service Finance Company LLC ("Service Finance"), Triad Financial Services, Inc. ("Triad Financial Services") and Kessler Financial Services LLC ("KG"). ECN Capital has managed and advisory assets[1] of approximately $33.5 billion and our customers include more than 100 bank, credit union, insurance company, pension plan and investment fund 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:

- Unsecured consumer loan portfolios - Home improvement loans
- Secured consumer loan portfolios - Manufactured home loans
- Consumer credit card portfolios - 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 all three 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 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.

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.

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 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 currently has approximately $27 billion in managed credit card portfolios and related assets and is headquartered in Boston, Massachusetts.

Key Business Developments

Information related to the current market and business outlook and key developments in support of the Company's business strategy for the three and six-month periods ended June 30, 2021 are outlined below.

ECN ANNOUNCES DEFINITIVE AGREEMENT TO SELL ITS SERVICE FINANCE BUSINESS

On August 10, 2021, the Company announced that it has entered into a definitive agreement (the "Transaction Agreement") with Truist Bank, the wholly owned bank subsidiary of Truist Financial Corporation ("Truist") to sell all of the issued and outstanding equity interests in each of Service Finance Company, LLC and Service Finance Holdings, LLC (together "SFC"), each a wholly-owned indirect subsidiary of the Company, for cash proceeds of approximately US$2 billion, subject to adjustment as set forth in the Transaction Agreement (the "Transaction"). The Transaction is subject to receipt of required regulatory approvals, the expiry of applicable regulatory waiting periods and satisfaction of other customary closing conditions and is expected to close in the fourth quarter of 2021.

Following the closing of the Transaction, ECN Capital intends to pay a special dividend from the net proceeds (after estimated taxes and transaction costs) of C$7.50 per common share or approximately US$1.5 billion (based on ECN's current issued and outstanding common shares as at August 10, 2021), to common shareholders of the Company on a tax efficient basis.

Due to the Transaction Agreement that was entered into with Truist, the company is withdrawing its full year consolidated financial forecast.

COVID-19 UPDATE

During the first half of 2021, the economic recovery from the COVID-19 pandemic in the U.S. has continued and is expected to strengthen over the coming quarters, supported by the continued reopening of the economy as a result of the widespread rollout of vaccines, as well as the deployment of fiscal and monetary support programs from the U.S. government. We continue to closely monitor the impacts of the COVID-19 pandemic on all aspects of our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") UPDATE

Subsequent to quarter-end, Sustainalytics, a leading ESG research, ratings and data firm, reviewed Service Finance's loan origination program and certified the vast majority of originations funded home improvement projects that materially improved energy efficiency. Furthermore, Sustainalytics also affirmed that Service Finance's loan origination program contributed to achieving two of the United Nations' ("UN") Sustainable Development Goals, which were established in 2015 and adopted by all UN member nations as a blueprint to achieve a better and more sustainable future for all by 2030.

CORPORATE FINANCE DEVELOPMENTS

Senior Credit Facility Update

On June 30, 2021, the Company successfully executed an amendment of its senior credit facility that extends the maturity date from December 31, 2023 to June 30, 2025 and increases the size of the facility to $1.1 billion from $1.0 billion.

Subsequent to quarter end, as a result of the Transaction Agreement that was entered into with Truist, ECN Capital received fully underwritten agreements from its senior lenders for further amendment of its existing senior credit facility following the closing of the Transaction. ECN Capital's existing senior credit facility will be amended and restated so as to provide for an aggregate of US$700 million in revolving funding for a period of 4 years from the closing date of the Transaction. Canadian Imperial Bank of Commerce will act as administrative agent and syndication agent, and Bank of Montreal will act as collateral agent.

Legacy Discontinued Operations Eliminated

The results of operations related to our Rail Finance, Aviation Finance, and Canada and U.S. Commercial and Vendor Finance businesses (the "Legacy Businesses") continue to wind down and were not material to our consolidated operating results for the three and six-month periods ended June 30, 2021. Consequently, the results of operations of the Legacy Businesses are not reported as a separate component of our operations in this MD&A and are included in the discussion of the Corporate and Other segment for the three and six-month periods ended June 30, 2021.

Normal Course Issuer Bids

On September 14, 2020, 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, 2020. Pursuant to the NCIBs, the Company may repurchase up to an additional 22,432,925 common shares, 399,900 Series A Preferred Shares and 399,800 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, 2021 and the completion of purchases under the applicable NCIB.

During the second quarter of 2021, the Company purchased 348,400 common shares for a total of $2.2 million (C$2.8 million) or C$8.01 per share pursuant to the Common Share Bid.

During the second quarter of 2021, the Company purchased 11,700 Series A Preferred Shares for a total of $0.2 million (C$0.3 million) or C$24.99 per share and 12,400 Series C Preferred Shares for a total of $0.2 million (C$0.3 million) or C$24.74 per share pursuant to the Preferred Share Bid. In total, 156,900 Series A and 287,600 Series C Preferred Shares have been purchased for cancellation as at August 10, 2021.

Capital Reinvestment

Under its NCIBs and substantial issuer bids ("SIBs"), ECN has repurchased for cancellation approximately 38% of the total common shares outstanding and approximately 6% of the total preferred shares outstanding through August 10, 2021.

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	56.1	$3.90	$219
SIB April 2018	31.9	$3.60	$115
SIB January 2019	70.7	$3.75	$265
Total common shares repurchased for cancellation	**158.7**	**$3.77**	**$599**

Common shares outstanding pre-buyback	390
Common shares outstanding as at August 10, 2021	244
% common shares repurchased to date	**~38%**

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 2020 NCIB	0.4	$22.47	$10
Total preferred shares repurchased for cancellation	**0.4**	**$22.47**	**$10**

Preferred shares outstanding pre-buyback	8.0
Preferred shares outstanding as at May 12, 2021	7.6
% preferred shares repurchased to date	**~6%**

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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, 2021	March 31, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
(in 000's for stated values, except per share amounts)	$	$	$	$	$
Select metrics					
Originations	**913,412**	662,032	676,372	**1,575,444**	1,185,398
Average earning assets - Owned (1)	**447,824**	406,244	437,811	**423,224**	396,283
Average earning assets - Managed and advisory (1)	**33,270,348**	33,071,801	33,460,259	**33,212,553**	33,506,291
Period end earning assets - Owned (1)	**457,186**	438,462	512,726	**457,186**	512,726
Period end earning assets - Managed and advisory (1)	**33,494,057**	33,046,639	33,290,926	**33,494,057**	33,290,926
Operating highlights:					
Portfolio origination services	**39,163**	27,014	25,825	**66,177**	46,018
Portfolio management services	**38,944**	30,867	24,580	**69,811**	54,055
Portfolio advisory services	**—**	2,000	2,285	**2,000**	5,460
Marketing services	**2,682**	2,904	1,299	**5,586**	3,126
Total portfolio revenue	**80,789**	62,785	53,989	**143,574**	108,659
Interest income	**7,744**	7,479	6,321	**15,223**	11,859
Other revenue	**3,609**	3,753	909	**7,362**	1,579
	92,142	74,017	61,219	**166,159**	122,097
Operating expenses	**43,905**	38,561	29,927	**82,466**	63,096
Adjusted EBITDA (1)	**48,237**	35,456	31,292	**83,693**	59,001
Interest expense	**6,422**	6,091	5,501	**12,513**	10,571
Depreciation & amortization	**3,322**	2,769	1,689	**6,091**	3,310
Adjusted operating income before tax	**38,493**	26,596	24,102	**65,089**	45,120
Adjustments:					
Share-based compensation	**5,926**	6,870	3,922	**12,796**	7,136
Amortization of intangibles	**8,429**	8,429	6,453	**16,858**	12,906
Accretion of deferred purchase consideration	**1,020**	962	2,416	**1,982**	3,027
Corporate restructuring and transition costs	**—**	—	1,486	**—**	1,486
Provision for credit losses	**—**	—	4,400	**—**	4,400
	15,375	16,261	18,677	**31,636**	28,955
Net income before income taxes from continuing operations	**23,118**	10,335	5,425	**33,453**	16,165
Income tax expense	**5,722**	2,029	1,530	**7,751**	4,555
Net income from continuing operations	**17,396**	8,306	3,895	**25,702**	11,610
Cumulative dividends on preferred shares	**2,459**	2,395	2,309	**4,854**	4,659
Net income from continuing operations attributable to common shareholders	**14,937**	5,911	1,586	**20,848**	6,951
Net income (loss) from discontinued operations	**—**	—	(3,384)	**—**	(6,076)
Net income (loss) for the period attributable to common shareholders	**14,937**	5,911	(1,798)	**20,848**	875
Weighted Average number of shares outstanding (basic)	**243,478**	244,502	242,045	**243,987**	241,336
Earnings per share (basic) - continuing operations attributable to common shareholders	**$0.06**	$0.02	0.01	**$0.09**	$ 0.03
Non-IFRS Measures					
Adjusted operating results:					
Adjusted EBITDA (1)	**48,237**	35,456	31,292	**83,693**	59,001
Adjusted operating income before tax (1)	**38,493**	26,596	24,102	**65,089**	45,120
Adjusted net income (1)	**31,949**	22,075	19,282	**54,024**	36,096
Adjusted net income applicable to common shareholders (1)	**29,490**	19,680	16,973	**49,170**	31,437
Adjusted net income per share (basic) (1)	**$0.13**	$0.09	$0.08	**$0.22**	$0.15
Adjusted net income applicable to common shareholders per share (basic) (1)	**$0.12**	$0.08	$0.07	**$0.20**	$0.13

(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 periods ended June 30, 2021 presented on a continuing operations basis.

Q2 AND Q2 YTD 2021 vs Q2 AND Q2 YTD 2020

The Company reported total originations of $913.4 million and $1,575.4 million for the second quarter and six-month period ended June 30, 2021, respectively, up from $676.4 million and $1,185.4 million, respectively, for the prior year periods. Current quarter originations include $651.4 million from Service Finance and $262.1 million from Triad Financial Services. Total portfolio revenue for the second quarter and six-month period ended June 30, 2021 increased to $80.8 million and $143.6 million, respectively, compared to $54.0 million and $108.7 million, respectively, in the prior year period, reflecting the growth in originations at Service Finance and Triad Financial Services and higher revenues from KG's credit card investment management platform. Total revenue for the second quarter and six-month period ended June 30, 2021 increased to $92.1 million and $166.2 million, respectively, compared to $61.2 million and $122.1 million, respectively, for the prior year periods, primarily due to higher portfolio originations services, portfolio management services and marketing services revenues, as well as higher revenue from the Corporate and Other segment.

The table below illustrates the Company's operating expenses for the three and six-month periods ended June 30, 2021 and June 30, 2020:

	For the three-month period ended		For the six-month period ended	
(in 000's for stated values)	**June 30, 2021** **$**	June 30, 2020 $	**June 30, 2021** **$**	June 30, 2020 $
Service Finance	**13,522**	10,965	**25,495**	21,165
Triad Financial Services	**14,159**	8,255	**24,801**	16,530
KG	**7,545**	6,263	**15,365**	13,503
Business segment operating expenses	**35,226**	25,483	**65,661**	51,198
Corporate operating expenses	**6,539**	4,444	**12,772**	11,898
Legacy Businesses operating expenses (1)	**2,140**	—	**4,033**	—
Total operating expenses	**43,905**	29,927	**82,466**	63,096

(1) For the three and six-month periods ended June 30, 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. For the three and six-month periods ended June 30, 2020, the results of operations of our Legacy Businesses were separately presented as discontinued operations and are excluded from the table above.

Operating expenses were $43.9 million in the current quarter, compared to $29.9 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. Corporate operating expenses of $6.5 million reflect a return to normal activity levels with respect to business development, professional services and travel.

Interest expense was $6.4 million and $12.5 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to $5.5 million and $10.6 million in the prior year periods, reflecting a higher average debt balance in the current quarter-to-date and year-to-date periods, including the issuance of C$75 million (US$57.1 million) aggregate principal amount of listed senior unsecured debentures on September 4, 2020. Depreciation and amortization expense was $3.3 million and $6.1 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to $1.7 million and $3.3 million in the prior year periods.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were $15.4 million and $31.6 million for the second quarter and six-month period ended June 30, 2021 compared to $18.7 million and $29.0 million in the prior year periods. For the second quarter of 2020, other expenses include $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. Share-based compensation was $5.9 million and $12.8 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to $3.9 million and $7.1 million, respectively, in the prior year periods, primarily as a result of the completion of the 2021 annual grant to corporate employees in the first quarter of 2021, compared to the 2020 grant to corporate employees which was finalized in the third quarter of 2020, and the impact of the five-year retention grants to the business unit heads in 2020. Over 50% of the share-based compensation expense in 2021 is attributable to our business segments, with the balance going to ECN corporate employees.

Adjusted EBITDA[1] increased to $48.2 million and $83.7 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to $31.3 million and $59.0 million for the prior year periods. The increase in adjusted EBITDA[1] in the current quarter reflects the growth across each of our business segments. Adjusted net income applicable to common shareholders[1] was $29.5 million or $0.12 per share and $49.2 million or $0.20 per share for the second quarter and six-month period ended June 30, 2021, respectively, compared to $17.0 million or $0.07 per share and $31.4 million or $0.13 per share for the prior year periods. The increase in adjusted net income applicable to common shareholders[1] in the current quarter reflects higher operating income from the business segments, partially offset by higher interest expense and depreciation and amortization expense.

The Company reported net income from continuing operations of $17.4 million and $25.7 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to net income of $3.9 million and $11.6 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.

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, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations	**651,360**	479,809	513,189	**1,131,169**	888,807
Managed assets, period end (1)	**3,595,274**	3,387,084	2,881,473	**3,595,274**	2,881,473
Managed assets, period average (1)	**3,491,179**	3,368,865	2,770,697	**3,444,334**	2,682,221
Dealer advances	**67,012**	52,700	61,650	**67,012**	61,650
Held-for-trading financial assets	**155,971**	152,443	231,501	**155,971**	231,501
Operating results					
Originations revenue	**19,146**	14,627	14,383	**33,773**	24,340
Servicing revenue	**16,396**	13,987	9,791	**30,383**	24,070
Interest income & other revenue	**2,818**	2,855	2,670	**5,673**	4,546
Revenue	**38,360**	31,469	26,844	**69,829**	52,956
Operating expenses	**13,522**	11,973	10,965	**25,495**	21,165
Adjusted EBITDA (1)	**24,838**	19,496	15,879	**44,334**	31,791
Interest & depreciation expense	**2,735**	1,500	1,304	**4,235**	2,170
Adjusted operating income before tax (1)	**22,103**	17,996	14,575	**40,099**	29,621

(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.

Service Finance - Home Improvement Loans

Originations at Service Finance for the second quarter and six-month period ended June 30, 2021 were $651.4 million and $1,131.2 million, respectively, up 26.9% and 27.3% from the prior year periods. 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, windows and doors, remodeling, and roofing business lines.

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, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021
426	468	397	376	513	640	530	480	651

(1) Amounts presented exclude originations of property assessed clean energy ("PACE") program loans. The PACE loan program was discontinued in the second quarter of 2019.

Originations revenue for the second quarter and six-month period ended June 30, 2021 was $19.1 million and $33.8 million, up 33.1% and 38.8%, respectively, from the prior year periods, reflecting the growth in originations and higher margins due to mix.

Servicing revenues of $16.4 million and $30.4 million for the second quarter and six-month period ended June 30, 2021 were up 67.5% and 26.2%, respectively, from the prior year periods reflecting the growth in managed assets and the elimination of servicing fee concessions that were granted in 2020 to secure future funding partner commitments.

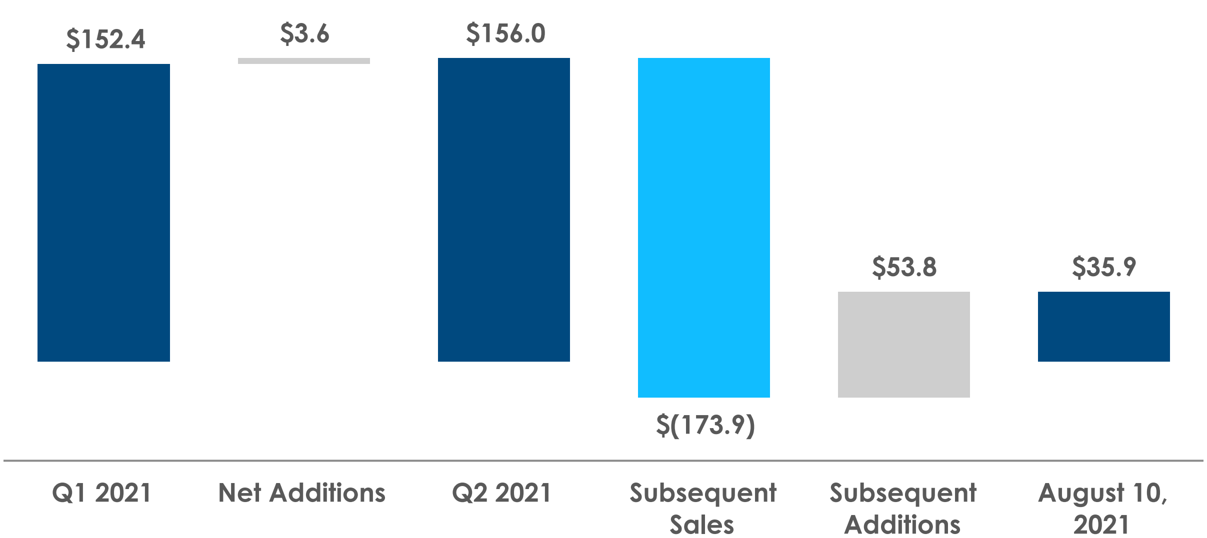
Adjusted EBITDA[1] and adjusted operating income before tax[1] were $24.8 million and $22.1 million respectively, for the second quarter of 2021 compared to $15.9 million and $14.6 million, respectively, for the second quarter of 2020. For the six-month period ended June 30, 2021, adjusted EBITDA[1] and adjusted operating income before tax[1] were $44.3 million and $40.1 million, respectively, compared to $31.8 million and $29.6 million, respectively, in the prior year periods.

Dealer advances were $67.0 million as at June 30, 2021, compared to $52.7 million as at March 31, 2021 and $61.7 million as at June 30, 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.

Held-for-trading financial assets were $156.0 million as at June 30, 2021, compared to $152.4 million as at March 31, 2021 and $231.5 million as at June 30, 2020. Held-for-trading financial assets consist of loans that are originated on behalf of our bank partners with the intention of selling through under a portfolio sale agreement. In July 2021, Service Finance completed a portfolio sale of approximately $173.9 million. In addition, Service Finance entered into an agreement with a large institutional investor to fund the complementary flow program on a go forward basis. Subsequent to that transaction, pro forma held-for-trading financial assets as at August 10, 2021 are approximately $35.9 million, including the impact of pro forma additions of $53.8 million.

Held-for-Trading Financial Assets

(US$ millions)



Due to the Transaction Agreement that was entered into with Truist, the Company is withdrawing its full year guidance with respect to Service Finance.

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, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	**June 30, 2021**	**June 30, 2020**
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations	**262,052**	182,223	163,183	**444,275**	296,591
Managed assets, period end (1)	**2,836,163**	2,731,645	2,562,829	**2,836,163**	2,562,829
Managed assets, period average (1)	**2,783,904**	2,685,130	2,520,650	**2,735,474**	2,489,803
Manufactured housing loans	**149,570**	126,619	121,339	**149,570**	121,339
Held-for-trading financial assets	**37,954**	55,375	31,188	**37,954**	31,188
Operating results					
Originations revenue	**20,017**	12,387	11,442	**32,404**	21,678
Servicing revenue	**3,711**	2,246	1,895	**5,957**	3,614
Interest income & other revenue	**4,857**	4,268	3,229	**9,125**	6,411
Total revenue	**28,585**	18,901	16,566	**47,486**	31,703
Operating expenses	**14,159**	10,642	8,255	**24,801**	16,530
Adjusted EBITDA (1)	**14,426**	8,259	8,311	**22,685**	15,173
Interest and depreciation expense	**1,313**	1,148	1,117	**2,461**	2,411
Adjusted operating income before tax (1)	**13,113**	7,111	7,194	**20,224**	12,762

(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, 2021 were $262.1 million and $444.3 million, respectively, up 60.6% and 49.8% from the prior year periods. Managed assets were $2.8 billion as at June 30, 2021, an increase of 10.7% compared to managed assets of $2.6 billion as at June 30, 2020.

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, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021
170	171	144	133	163	202	197	182	262

Originations revenue for the second quarter and six-month period ended June 30, 2021 was $20.0 million and $32.4 million, respectively, up 74.9% and 49.5% from the prior year periods, respectively, which is in line with total originations results.

Servicing revenues of $3.7 million and $6.0 million for the second quarter and six-month period ended June 30, 2021 were up 95.8% and 64.8% from the prior year periods, respectively, reflecting growth in managed assets, an increase in full serviced accounts and retained servicing rights recognized in relation to product expansion.

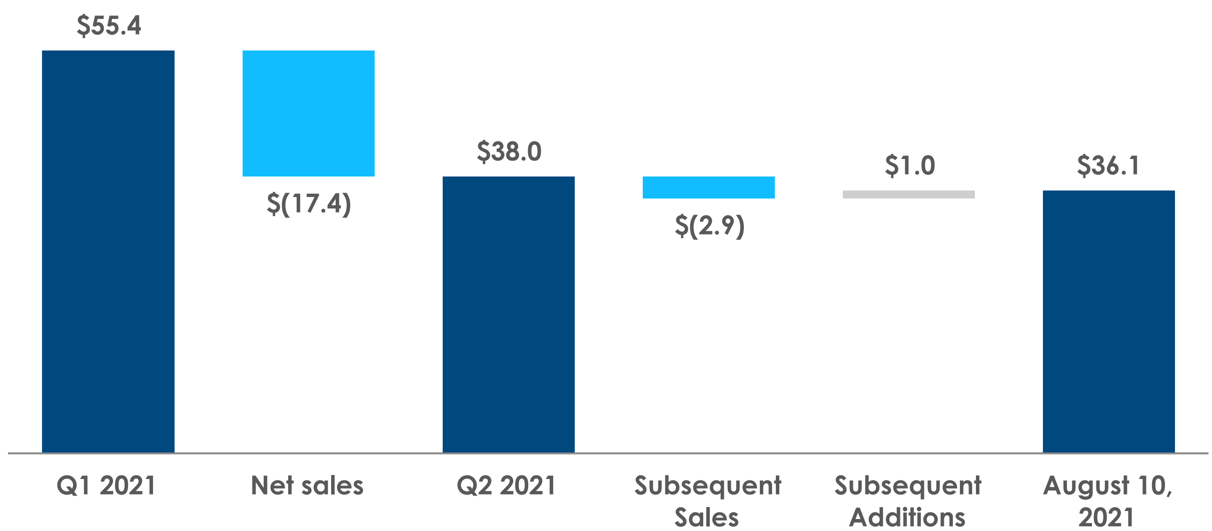
Adjusted EBITDA[1] and adjusted operating income before tax[1] were $14.4 million and $13.1 million, respectively, for the current quarter compared to $8.3 million and $7.2 million, respectively, for the prior year quarter. For the six-month period ended June 30, 2021, adjusted EBITDA[1] and adjusted operating income before tax[1] of $22.7 million and $20.2 million, respectively, represent increases of 49.5% and 58.5% from the prior year periods.

Manufactured housing loans were $149.6 million as at June 30, 2021, compared to $126.6 million as at March 31, 2021 and $121.3 million as at June 30, 2020. 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 $38.0 million as at June 30, 2021, compared to $55.4 million as at March 31, 2021 and $31.2 million as at June 30, 2020. Held-for-trading financial assets consist of loans that are originated on behalf of our partners with the intention of selling through under a portfolio sale agreement.

Held-for-Trading Financial Assets

(US$ millions)



The Company is updating its outlook for Triad Financial Services and expects adjusted operating income before tax to be in the range of $43 million to $46 million for 2021. The increase is primarily a result of loan origination mix, increased penetration to provide full-servicing of the managed portfolio and recognition of retained servicing rights as a result of product expansion. Please see the table below for its updated 2021 outlook for the Triad Financial Services segment.

Triad Financial Services - Secured Consumer Loan Portfolios 2021 Outlook

	2021 Forecast Range	
Select Metrics (US$ millions)		
Total Originations	**1,000**	**1,200**
Floorplan line utilized	**130**	**150**
Managed & advised portfolio (period end)	**3,100**	**3,200**
Income Statement (US$ millions)		
Origination Revenues	**63**	**65**
Servicing Revenues[1]	**34**	**37**
Total Revenues	**97**	**102**
Adjusted EBITDA	**49**	**54**
Adjusted Operating Income Before Tax	**43**	**46**
Adjusted EBITDA margin	**~51%**	**~53%**

(1) Servicing Revenues includes income from floorplan loans.

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, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
(in 000's for stated values)	**$**	$	$	**$**	**$**
Operating results					
Partnership services revenue	**18,837**	14,634	12,894	**33,471**	**26,371**
Marketing services revenue	**2,682**	2,904	1,299	**5,586**	**3,126**
Transaction services revenue	**—**	2,000	2,285	**2,000**	**5,460**
Interest income & other revenue	**29**	203	10	**232**	**291**
Revenue	**21,548**	19,741	16,488	**41,289**	**35,248**
Operating expenses	**7,545**	7,820	6,263	**15,365**	**13,503**
Adjusted EBITDA (1)	**14,003**	11,921	10,225	**25,924**	**21,745**
Interest and depreciation expense	**641**	654	848	**1,295**	**1,945**
Adjusted operating income before tax (1)	**13,362**	11,267	9,377	**24,629**	**19,800**

(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:** acquisitions and divestitures of co-brand credit card portfolios/ programs

Total KG revenues for the second quarter and six-month period ended June 30, 2021 were $21.5 million and $41.3 million, respectively, compared to $16.5 million and $35.2 million in the prior year periods, reflecting the strong performance in partnership services revenue and higher marketing services revenue, partially offset by lower transaction services revenue.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $14.0 million and $13.4 million, respectively, for the current quarter compared to $10.2 million and $9.4 million, respectively, for the prior year quarter. For the six-month period ended June 30, 2021, adjusted EBITDA[1] and adjusted operating income before tax[1] were $25.9 million and $24.6 million, respectively, compared to $21.7 million and $19.8 million, respectively, in the prior year periods.

The Company is updating its 2021 outlook for the KG segment and expects adjusted operating income before tax to be in the range of $46 million to $49 million, compared to its previously provided adjusted operating income before tax range of $46 million to $52 million. Please see the table below.

KG - Consumer Credit Card Portfolios 2021 Outlook

	2021 Forecast Range	
Income Statement (US$ millions)		
Revenue	**82**	**87**
Adjusted EBITDA	**49**	**52**
Adjusted Operating Income Before Tax	**46**	**49**
Adjusted EBITDA margin	**~60%**	**~60%**

RESULTS OF CORPORATE AND OTHER SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Corporate and Other segment for the three-month periods ended June 30, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
(in 000's for stated values)	**$**	**$**	**$**	**$**	**$**
Operating results					
Corporate					
Revenues	**1,850**	2,333	1,321	**4,183**	2,190
Operating expenses	**6,539**	6,233	4,444	**12,772**	11,898
Adjusted EBITDA - Corporate (1)	**(4,689)**	(3,900)	(3,123)	**(8,589)**	(9,708)
Legacy Businesses (2)					
Revenues (2)	**1,799**	1,573	—	**3,372**	—
Operating expenses (2)	**2,140**	1,893	—	**4,033**	—
Adjusted EBITDA - Legacy Businesses (1)(2)	**(341)**	(320)	—	**(661)**	—
Adjusted EBITDA - Corporate and Other (1)	**(5,030)**	(4,220)	(3,123)	**(9,250)**	(9,708)
Interest expense	**3,626**	4,397	3,280	**8,023**	6,068
Depreciation & amortization	**1,429**	1,161	641	**2,590**	1,287
Adjusted operating income before tax (1)	**(10,085)**	(9,778)	(7,044)	**(19,863)**	(17,063)

(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.

(2) For the three and six-month periods ended June 30, 2021 and the three-month period ended 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 the Corporate and Other segment table above. For the three and six-month periods ended June 30, 2020, the results of operations of our Legacy Businesses were separately presented as discontinued operations and are excluded from the table above.

Corporate and Other

Corporate revenue was $1.9 million and $4.2 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to $1.3 million and $2.2 million for the prior year periods. Revenue primarily consists of gains/losses from legacy corporate investments and gains/losses from foreign currency transactions and related hedge contracts.

Corporate operating expenses of $6.5 million and $12.8 million for the second quarter and six-month period ended June 30, 2021, respectively, reflect a return to normal activity levels with respect to business development, professional services and travel.

Legacy businesses revenue and operating expenses for the current quarter were $1.8 million and $2.1 million, respectively, reflecting the impact of the continuing reduction of the legacy asset portfolio. For the year-to-date period, legacy businesses revenue and operating expenses were $3.4 million and $4.0 million, respectively.

Corporate interest expense was $3.6 million for the current quarter, compared to $4.4 million for the first quarter of 2021 and $3.3 million for the prior year quarter. Average borrowings on the term senior credit facility during the second quarter of 2021 were $503.3 million compared to $486.0 million in the preceding 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 June 30, 2021, March 31, 2021 and June 30, 2020.

	June 30, 2021						
	Service Finance	Triad Financial Services	KG	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	26,111	11,286	8,295	2,453	**48,145**	—	**48,145**
Restricted funds	—	5,351	—	—	**5,351**	—	**5,351**
Accounts receivable	5,993	60,301	48,070	2,072	**116,436**	6,291	**122,727**
Finance assets:							
Loans receivable	67,012	149,570	46,679	—	**263,261**	—	**263,261**
Held-for-trading financial assets	155,971	37,954	—	—	**193,925**	—	**193,925**
Total finance assets	222,983	187,524	46,679	—	**457,186**	—	**457,186**
Retained reserve interest	—	30,586	—	—	**30,586**	—	**30,586**
Continuing involvement asset	—	178,364	—	—	**178,364**	—	**178,364**
Goodwill and intangible assets	383,286	64,958	221,089	1,211	**670,544**	—	**670,544**
Deferred tax assets	—	—	—	52,165	**52,165**	—	**52,165**
Other assets and investments	13,057	7,865	29,550	132,017	**182,489**	1,705	**184,194**
Assets held-for-sale	—	—	—	—	**—**	100,797	**100,797**
Total Assets	**651,430**	**546,235**	**353,683**	**189,918**	**1,741,266**	**108,793**	**1,850,059**
Liabilities							
Debt	210,448	154,105	46,679	193,485	**604,717**	—	**604,717**
Continuing involvement liability	—	178,364	—	—	**178,364**	—	**178,364**
Other liabilities	27,779	24,998	103,068	57,311	**213,156**	30,109	**243,265**
Total Liabilities	**238,227**	**357,467**	**149,747**	**250,796**	**996,237**	**30,109**	**1,026,346**
Earning Assets - Owned and Managed							
Earning assets - owned	222,983	187,524	46,679	—	**457,186**	—	**457,186**
Earning assets - managed and advisory	3,595,274	2,836,163	27,062,620	—	**33,494,057**	—	**33,494,057**
Total Earning Assets - Owned and Managed and Advisory	**3,818,257**	**3,023,687**	**27,109,299**	**—**	**33,951,243**	**—**	**33,951,243**

Total finance assets for continuing operations were $457.2 million at June 30, 2021 compared to $438.5 million at March 31, 2021, and $512.7 million at June 30, 2020. The increase compared to the preceding quarter primarily reflects an increase in held-for-trading financial assets at Service Finance, which was reduced subsequent to the quarter-end, and an increase in floorplan loans at Triad Financial Services.

Debt from continuing operations of $604.7 million increased by $43.0 million compared to March 31, 2021, primarily reflecting the increased investments in finance assets at Service Finance and Triad Financial Services during the quarter.

Earning assets - managed and advisory of $33.5 billion as at June 30, 2021 reflects managed loans of $3.6 billion at Service Finance, $2.8 billion in managed loans at Triad Financial Services and $27.1 billion in advisory assets at KG.

	March 31, 2021						
(in 000's for stated values)	Service Finance $	Triad Financial Services $	KG $	Corporate $	Continuing Operations $	Discontinued Operations $	Total $
Assets							
Cash	15,903	9,114	8,449	1,052	**34,518**	—	**34,518**
Restricted funds	—	6,210	—	—	**6,210**	—	**6,210**
Accounts receivable	5,402	41,672	36,205	1,486	**84,765**	6,291	**91,056**
Finance assets							
Loans receivable	52,700	126,619	51,325	—	**230,644**	—	**230,644**
Held-for-trading financial assets	152,443	55,375	—	—	**207,818**	—	**207,818**
Total finance assets	205,143	181,994	51,325	—	**438,462**	—	**438,462**
Retained reserve interest	—	29,519	—	—	**29,519**	—	**29,519**
Continuing involvement asset	—	171,863	—	—	**171,863**	—	**171,863**
Goodwill and intangible assets	382,494	63,823	225,166	1,328	**672,811**	—	**672,811**
Deferred tax assets	—	—	—	59,680	**59,680**	—	**59,680**
Other assets and investments	12,669	7,266	25,682	122,313	**167,930**	1,586	**169,516**
Assets held-for-sale	—	—	—	—	**—**	104,917	**104,917**
Total Assets	**621,611**	**511,461**	**346,827**	**185,859**	**1,665,758**	**112,794**	**1,778,552**
Liabilities							
Debt	75,159	138,657	51,325	296,579	**561,720**	—	**561,720**
Continuing involvement liability	—	171,863	—	—	**171,863**	—	**171,863**
Other liabilities	22,900	23,250	94,089	53,965	**194,204**	33,158	**227,362**
Total Liabilities	**98,059**	**333,770**	**145,414**	**350,544**	**927,787**	**33,158**	**960,945**
Earning Assets - Owned and Managed							
Earning assets - owned	205,143	181,994	51,325	—	**438,462**	—	**438,462**
Earning assets - managed and advisory	3,387,084	2,731,645	26,927,910	—	**33,046,639**	—	**33,046,639**
Total Earning Assets - Owned and Managed and Advisory	**3,592,227**	**2,913,639**	**26,979,235**	**—**	**33,485,101**	**—**	**33,485,101**

	June 30, 2020						
	Service Finance	Triad Financial Services	KG	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	21,814	6,026	10,251	24,435	**62,526**	—	**62,526**
Restricted funds	—	6,812	—	—	**6,812**	—	**6,812**
Accounts Receivable	7,052	35,128	17,316	1,133	**60,629**	10,005	**70,634**
Finance assets							
Loans receivable	61,650	121,339	67,048	—	**250,037**	—	**250,037**
Held-for-trading financial assets	231,501	31,188	—	—	**262,689**	—	**262,689**
Total finance assets	293,151	152,527	67,048	—	**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	64,647	237,434	1,667	**664,489**	—	**664,489**
Deferred tax assets	—	—	—	40,762	**40,762**	—	**40,762**
Other assets and investments	39,931	6,814	34,901	128,668	**210,314**	4,479	**214,793**
Asset held-for-sale	—	—	—	—	**—**	115,974	**115,974**
Total Assets	**722,689**	**451,545**	**366,950**	**196,665**	**1,737,849**	**130,458**	**1,868,307**
Liabilities							
Debt	225,385	129,908	67,048	250,535	**672,876**	—	**672,876**
Continuing involvement liability	—	152,105	—	—	**152,105**	—	**152,105**
Other liabilities	26,865	13,143	88,971	60,619	**189,598**	12,534	**202,132**
Total Liabilities	**252,250**	**295,156**	**156,019**	**311,154**	**1,014,579**	**12,534**	**1,027,113**
Earning Assets - Owned and Managed and Advisory							
Earning assets - owned	293,151	152,527	67,048	—	**512,726**	—	**512,726**
Earning assets - managed and advisory	2,881,473	2,562,829	27,846,624	—	**33,290,926**	—	**33,290,926**
Total Earning Assets - Owned and Managed and Advisory	**3,174,624**	**2,715,356**	**27,913,672**	**—**	**33,803,652**	**—**	**33,803,652**

Delinquencies

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

	June 30, 2021		March 31, 2021		June 30, 2020	
	$	**%**	$	%	$	%
Current	**264,140**	**99.94 %**	231,383	99.93 %	247,692	97.00 %
31-60 days past due	**—**	**— %**	—	— %	7,616	2.98 %
61-90 days past due	**—**	**— %**	—	— %	—	— %
Greater than 90 days past due	**153**	**0.06 %**	155	0.07 %	60	0.02 %
Total continuing operations	**264,293**	**100.00 %**	231,538	100.00 %	255,368	100.00 %

Allowance for Credit Losses

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

(in 000's except percentage amounts)	**Three-month period ended June 30, 2021** **$**	Year ended December 31, 2020 **$**	Three-month period ended June 30, 2020 **$**
Allowance for credit losses, beginning of period	**894**	508	627
Provision for credit losses	**213**	8,593	4,699
Charge-offs, net of recoveries, and other	**(75)**	(8,233)	5
Allowance for credit losses, end of period	**1,032**	868	5,331

The Company's allowance for credit losses was $1.0 million as at June 30, 2021, compared to $0.9 million at December 31, 2020 and $5.3 million at June 30, 2020. During the prior year, the Company recorded a provision of approximately $8.6 million, primarily related to dealer advances at our Service Finance segment due to the economic impacts associated with the COVID-19 pandemic. During the fourth quarter of 2020, approximately $8.2 million of the provision was charged off. The allowance for credit losses of $1.0 million as at June 30, 2021 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)		**June 30, 2021** **$**	March 31, 2021 $	June 30, 2020 $
Total debt, including borrowings on term senior credit facility and senior unsecured debentures	**(a)**	**604,717**	561,720	672,876
Shareholders' equity	**(b)**	**823,713**	817,607	841,194
Debt to equity ratio	**(a)/(b)**	**0.73**	0.69	0.80

As at June 30, 2021, the Company's debt to equity ratio was 0.73:1. The increase in total debt compared to the first quarter of 2021 primarily reflects the increased investments in finance assets at Service Finance and 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		
	June 30, 2021	March 31, 2021	June 30, 2020
(in 000's)	**$**	$	$
Cash and cash equivalents	**48,145**	34,518	62,526
Senior Facilities			
Facilities	**1,100,000**	1,000,000	1,000,000
Utilized against Facility	**558,624**	515,692	685,000
Unutilized Borrowing Facilities (i.e., excl. Cash & Equiv.)	**541,376**	484,308	315,000
Total available sources of capital, end of period	**589,521**	518,826	377,526

As at June 30, 2021, the unutilized balance of the borrowing facility was approximately $0.54 billion compared to $0.48 billion at March 31, 2021 and $0.32 billion at June 30, 2020. This $0.54 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 2021. 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.

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, 2021. 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.

ECN CAPITAL

(in $ 000's for stated values, except ratio and per share amounts)	**Q2, 2021**	Q1, 2021	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020	Q4, 2019	Q3, 2019
Adjusted operating income before tax and NCI(1)	**38,493**	26,596	26,688	31,077	24,102	21,018	26,246	26,732
Amortization of intangibles	**8,429**	8,429	8,899	8,058	6,453	6,453	6,453	6,452
Accretion of deferred purchase consideration	**1,020**	962	4,573	1,207	2,416	611	1,134	2,035
Impairment of legacy corporate investment	**—**	—	13,000	—	—	—	—	—
Share based compensation	**5,926**	6,870	7,665	6,755	3,922	3,214	3,762	4,555
Corporate restructuring and transition costs	**—**	—	—	—	1,486	—	3,141	—
Provision for credit losses	**—**	—	—	1,300	4,400	—	—	—
Business acquisition costs	**—**	—	—	—	—	—	2,168	—
Non-controlling interest	**—**	—	—	—	—	—	413	315
Net income (loss) before income taxes	**23,118**	10,335	(7,449)	13,757	5,425	10,740	9,175	13,375
Net income (loss) from continuing operations	**17,396**	8,306	(6,004)	10,218	3,895	7,715	12,104	8,203
Net income (loss) from discontinuing operations	**—**	—	(21,110)	(2,179)	(3,384)	(2,692)	(18,608)	(3,431)
Net income (loss) - total	**17,396**	8,306	(27,114)	8,039	511	5,023	(6,504)	4,772
Earnings per share (basic) - continuing operations attributable to common shareholders	**$0.06**	$0.02	($0.03)	$0.03	$0.01	$0.02	$0.04	$0.02
Adjusted net income (1)	**31,949**	22,075	22,045	25,670	19,282	16,814	20,917	20,605
Adjusted net income per share (basic) (1)	**$0.13**	$0.09	$0.09	$0.11	$0.08	$0.07	$0.09	$0.09
Adjusted net income applicable to common shareholders per share (basic)(1)	**$0.12**	$0.08	$0.08	$0.10	$0.07	$0.06	$0.08	$0.08
Period end earning assets - owned	**457,186**	438,462	374,025	422,900	512,726	362,895	313,227	314,507
Period end earning assets - managed and advisory	**33,494,057**	33,046,639	33,096,962	32,196,080	33,290,926	33,629,592	33,598,354	32,617,957
Period end earning assets - total	**33,951,243**	33,485,101	33,470,987	32,618,980	33,803,652	33,992,487	33,911,581	32,932,464
Originations	**913,412**	662,032	727,768	841,567	676,372	509,026	541,723	639,124
Allowance for credit losses	**1,032**	894	868	6,864	5,331	627	508	461
Allowance for credit losses as a % of finance receivables	**0.23 %**	0.20 %	0.23 %	1.62 %	1.04 %	0.17 %	0.16 %	0.14 %
Term senior credit facility	**547,757**	505,684	462,083	506,480	672,876	494,660	430,478	451,326
Senior unsecured debentures	**56,960**	56,036	55,109	53,264	—	—	—	—
Total debt	**604,717**	561,720	517,192	559,744	672,876	494,660	430,478	451,326
Shareholders' equity	**823,713**	817,607	822,561	851,753	841,194	843,148	879,026	884,516

(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, 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.

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 June 30, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
(in 000's for stated values, except percent amounts)	**June 30, 2021** $	March 31, 2021 $	June 30, 2020 $	**June 30, 2021** $	June 30, 2020 $
Reported and adjusted measures					
Net income from continuing operations	**17,396**	8,306	3,895	**25,702**	11,610
Adjustments:					
Share-based compensation	**5,926**	6,870	3,922	**12,796**	7,136
Amortization of intangibles	**8,429**	8,429	6,453	**16,858**	12,906
Accretion of deferred purchase consideration	**1,020**	962	2,416	**1,982**	3,027
Corporate restructuring and transition costs	**—**	—	1,486	**—**	1,486
Provision for credit losses	**—**	—	4,400	**—**	4,400
Provision for income taxes	**5,722**	2,029	1,530	**7,751**	4,555
Adjusted operating income before tax	**38,493**	26,596	24,102	**65,089**	45,120
Provision for taxes applicable to adjusted operating income (1)	**6,544**	4,521	4,820	**11,065**	9,024
Adjusted net income	**31,949**	22,075	19,282	**54,024**	36,096
Cumulative preferred share dividends during the period	**2,459**	2,395	2,309	**4,854**	4,659
Adjusted net income attributable to common shareholders	**29,490**	19,680	16,973	**49,170**	31,437
Per share information					
Weighted average number of shares outstanding (basic)	**243,478**	244,502	242,045	**243,987**	241,336
Adjusted net income per share (basic)	**$0.13**	$0.09	$0.08	**$0.22**	$0.15
Adjusted net income applicable to common shareholders per share (basic)	**$0.12**	$0.08	$0.07	**$0.20**	$0.13
Adjusted operating income before tax comprised of:					
Service Finance	**22,103**	17,996	14,575	**40,099**	29,621
Triad Financial Services	**13,113**	7,111	7,194	**20,224**	12,762
KG	**13,362**	11,267	9,377	**24,629**	19,800
Corporate and Other	**(10,085)**	(9,778)	(7,044)	**(19,863)**	(17,063)
	38,493	26,596	24,102	**65,089**	45,120

(1) Provision for taxes applicable to adjusted operating income reflects an effective tax rate of 17.0% for the three and six-month periods ended June 30, 2021 and the three-month period ended March 31, 2021, and 20.0% for the three and six-month periods ended June 30, 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 2020 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 2020 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.

As at June 30, 2021, 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.

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 10, 2021, the Company had 243,873,521 common shares, 14,977,790 options; 3,843,100 Series A preferred shares, and 3,712,400 Series C preferred shares issued and outstanding.

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