ECN CAPITAL

Interim Condensed Consolidated Financial Statements

SEPTEMBER 30, 2018

Interim condensed consolidated statements of financial position
[unaudited, in thousands of United States dollars]

	September 30, 2018	December 31, 2017 Translated *[note 2]*	January 1, 2017 Translated *[note 2]*
	$	$	$
Assets			
Cash	**67,105**	17,295	34,147
Restricted funds *[note 7]*	**29,595**	59,411	101,937
Finance receivables *[note 4]*	**457,305**	389,890	2,523,258
Equipment under operating leases *[note 5]*	**210,276**	903,716	1,950,258
Inventories *[note 6]*	**62,246**	93,806	104,282
Short-term receivables and other assets	**191,708**	118,723	28,459
Retained reserve interest	**21,152**	17,999	—
Notes receivable *[note 11]*	**54,322**	46,411	30,288
Derivative financial instruments *[note 12]*	**1,069**	2,680	8,479
Leasehold improvements and other equipment	**17,243**	16,087	2,839
Intangible assets	**256,522**	135,741	477
Deferred tax assets	**37,122**	29,836	5,770
Goodwill	**418,515**	279,602	3,396
Total assets excluding assets held-for-sale	**1,824,180**	2,111,197	4,793,590
Assets held-for-sale [*note 3*]	**597,294**	681,919	—
Total assets	**2,421,474**	2,793,116	4,793,590
Liabilities and shareholders' equity			
Liabilities			
Accounts payable and accrued liabilities	**107,033**	103,186	62,748
Derivative financial instruments *[note 12]*	**—**	1,766	2,219
Secured borrowings *[note 7]*	**656,236**	1,142,374	3,354,875
Deferred tax liabilities	**13,607**	14,811	12,929
Other liabilities *[note 14]*	**107,984**	32,587	—
Total liabilities excluding liabilities held-for-sale	**884,860**	1,294,724	3,432,771
Liabilities held-for-sale [*note 3*]	**283,933**	—	—
Total liabilities	**1,168,793**	1,294,724	3,432,771
Shareholders' equity	**1,252,681**	1,498,392	1,360,819
	2,421,474	2,793,116	4,793,590

See accompanying notes

Interim condensed consolidated statements of operations

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

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017 Translated *[note 2]*	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017 Translated *[note 2]*
	$	$	$	$
Revenues				
Portfolio origination services	**22,580**	1,623	**56,981**	1,623
Portfolio management services	**22,170**	1,520	**42,864**	1,520
Portfolio advisory services	**18,130**	—	**22,519**	—
Total portfolio revenue	**62,880**	3,143	**122,364**	3,143
Rental revenues	**12,948**	32,415	**46,595**	117,514
Interest income	**8,193**	5,240	**18,946**	18,985
Other revenue *[note 10]*	**1,612**	2,091	**5,376**	7,805
	85,633	42,889	**193,281**	147,447
Operating expenses and other				
Compensation and benefits	**20,838**	3,790	**46,486**	10,958
General and administrative expenses	**13,858**	5,031	**34,490**	15,452
Interest expense	**12,620**	14,577	**31,212**	50,480
Depreciation and amortization	**5,647**	11,057	**19,511**	37,732
Share-based compensation *[note 9]*	**4,898**	1,370	**10,858**	5,286
Other items *[note 10]*	**108,581**	77,832	**128,261**	79,474
	166,442	113,657	**270,818**	199,382
Loss before income taxes from continuing operations	**(80,809)**	(70,768)	**(77,537)**	(51,935)
Recovery of income taxes	**(23,326)**	(27,660)	**(24,857)**	(26,035)
Net loss from continuing operations	**(57,483)**	(43,108)	**(52,680)**	(25,900)
Net income from discontinued operations [note 3]	**—**	2,461	**1,137**	94,321
Net (loss) income for the period	**(57,483)**	(40,647)	**(51,543)**	68,421
(Loss) earnings per common share - Basic				
Continuing operations *[note 13]*	**(0.18)**	(0.12)	**(0.18)**	(0.08)
Discontinued operations *[note 13]*	**—**	0.01	**—**	0.25
Total basic (loss) earnings per share *[note 13]*	**(0.18)**	(0.11)	**(0.18)**	0.17
(Loss) earnings per common share - Diluted				
Continuing operations *[note 13]*	**(0.18)**	(0.12)	**(0.18)**	(0.08)
Discontinued operations *[note 13]*	**—**	0.01	**—**	0.25
Total diluted (loss) earnings per share *[note 13]*	**(0.18)**	(0.11)	**(0.18)**	0.17

See accompanying notes

Interim condensed consolidated statements of comprehensive (loss) income

[unaudited, in thousands of United States dollars]

	Three-month period ended September 30, 2018	**Three-month period ended September 30, 2017**	**Nine-month period ended September 30, 2018**	**Nine-month period ended September 30, 2017**
		Translated *[note 2]*		Translated *[note 2]*
	$	$	$	$
Net income for the period	**(57,483)**	(40,647)	**(51,543)**	68,421
Other comprehensive income (loss)				
Cash flow hedges *[note 12]*	**1,898**	19,136	**1,559**	21,283
Net unrealized foreign exchange gain (loss)	**2,564**	(33,927)	**(4,472)**	(16,400)
	4,462	(14,791)	**(2,913)**	4,883
Deferred tax expense	**807**	1,597	**717**	2,335
Total other comprehensive income (loss)	**3,655**	(16,388)	**(3,630)**	2,548
Comprehensive (loss) income for the period	**(53,828)**	(57,037)	**(55,173)**	70,969

See accompanying notes

Interim condensed consolidated statements of changes in shareholders' equity

[unaudited, in thousands of United States dollars]

	Common share capital	Preferred share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
			Translated *[note 2]*			
	$	$	$	$	$	$
Balance, December 31, 2016	1,056,738	72,477	88,858	212,456	(69,710)	1,360,819
Comprehensive income for the period	—	—	—	68,421	63,594	132,015
Employee stock options exercised	—	—	5,952	—	—	5,952
Employee stock options expense	843	—	—	—	—	843
Common share repurchases	(19,943)	—	—	—	—	(19,943)
Preferred shares issued	—	72,441	—	—	—	72,441
Dividends - Preferred shares	—	—	—	(5,983)	—	(5,983)
Dividends - Common shares	—	—	—	(8,912)	—	(8,912)
Balance, September 30, 2017	1,037,638	144,918	94,810	265,982	(6,116)	1,537,232
Balance, December 31, 2017 - Restated *[note 2]*	**1,023,479**	**144,918**	**96,437**	**248,914**	**(15,356)**	**1,498,392**
Adjustment to opening retained earnings - IFRS 9 *[note 4]*	**—**	**—**	**—**	**(6,951)**	**—**	**(6,951)**
Employee stock options exercised *[note 8]*	**289**	**—**	**—**	**—**	**—**	**289**
Employee stock options expense	**—**	**—**	**4,877**	**—**	**—**	**4,877**
Common share repurchases *[note 8]*	**(172,696)**	**—**	**—**	**—**	**—**	**(172,696)**
Comprehensive loss for the period	**—**	**—**	**—**	**(51,543)**	**(3,630)**	**(55,173)**
Dividends – Preferred shares *[note 8]*	**—**	**—**	**—**	**(7,652)**	**—**	**(7,652)**
Dividends – Common shares *[note 8]*	**—**	**—**	**—**	**(8,405)**	**—**	**(8,405)**
Balance, September 30, 2018	**851,072**	**144,918**	**101,314**	**174,363**	**(18,986)**	**1,252,681**

See accompanying notes

Interim condensed consolidated statements of cash flows

[unaudited, in thousands of United States dollars]

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017 Translated *[note 2]*
	$	$
Operating activities		
Net loss for the period from continuing operations	**(52,680)**	(25,900)
Items not affecting cash:		
Depreciation and amortization	**19,511**	37,732
Share-based compensation	**10,858**	5,286
Amortization of intangible assets	**6,772**	—
Amortization of deferred lease and financing costs	**5,913**	8,473
Deferred purchase price consideration	**3,707**	—
Loss on sale of businesses and assets held-for-sale	**89,710**	27,998
Provision for credit losses	**131**	1,337
	83,922	54,926
Changes in non-cash operating assets and liabilities:		
Change in finance receivables, net	**(75,366)**	98,230
Disposal of equipment under operating leases, net	**9,187**	62,806
Other non-cash operating assets and liabilities	**(75,103)**	94,633
Cash (used in) provided by operating activities – continuing operations	**(57,360)**	310,595
Investing activities		
Decrease in restricted funds	**29,816**	2,879
Acquisition of The Kessler Group	**(221,200)**	—
Proceeds on disposal of U.S. C&V Finance business	**—**	1,505,687
Proceeds from sale of rail assets	**—**	189,725
Acquisition of Service Finance	**—**	(309,000)
Purchase of property, equipment and leasehold improvements	**—**	(2,914)
Decrease (increase) in notes receivable	**3,149**	(3,655)
Cash proceeds from sale of Canadian C&V Finance	**684,937**	—
Cash provided by investing activities – continuing operations	**496,702**	1,382,722
Financing activities		
Option exercises	**289**	—
Issuance of preferred shares	**—**	72,441
Common share repurchases	**(172,696)**	(19,943)
Repayment of secured borrowings, net of deferred financing costs	**(202,205)**	(1,744,938)
Dividends paid or accrued	**(16,057)**	(14,895)
Cash used in financing activities – continuing operations	**(390,669)**	(1,707,335)
Net changes in cash provided (utilized) by discontinued operations	**1,137**	(1,777)
Net increase (decrease) in cash during the period	**49,810**	(15,795)
Cash, beginning of period	**17,295**	34,147
Cash, end of period from continuing operations	**67,105**	18,352
Supplemental cash flow information		
Cash taxes paid	**28,528**	20,225
Cash interest paid	**37,608**	67,759

See accompanying notes

Notes to interim condensed consolidated financial statements

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

September 30, 2018

1. Corporate Information and Basis of Presentation

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

As a result of the completion of the sale of the Company's Canada Commercial and Vendor ["C&V"] Finance business in the first quarter of 2018 and the business acquisitions completed in 2017, the Company's business operations will be conducted primarily in U.S. dollars. Consequently, effective January 1, 2018, the Company changed its functional and presentation currency to U.S. dollars. See note 2 for further details.

Statement of compliance

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

These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements. They should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017, which include information necessary or useful to understanding the Company's business and financial statement presentation.

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

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 12, 2018.

2. Summary of Significant Accounting Policies

a) Change in functional and presentation currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company reconsiders the functional currency of its entities if there is a change in events and conditions that determines the primary economic environment. Prior to January 1, 2018, the Company's consolidated financial statements were presented in Canadian dollars, which was also the Company's functional currency. The functional currency of the Company's material subsidiaries were either Canadian or U.S. dollars, depending upon the primary economic environment in which each subsidiary operated.

Notes to interim condensed consolidated financial statements

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

September 30, 2018

Effective January 1, 2018, the Company changed its presentation and functional currency to U.S. dollars from Canadian dollars. The functional currencies of the Company's material subsidiaries continue to be either Canadian or U.S. dollars. These currency changes relate principally to the business acquisitions and disposals discussed in note 3, including the sale of the Company's Canadian C&V Finance business in January 2018 and the acquisition of two U.S. based businesses in the latter portion of 2017.

The interim condensed consolidated financial statements for all years presented have been translated into U.S. dollars in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates,* which requires prospective treatment of functional currency changes and retrospective application of changes in presentation currency. The interim condensed consolidated statements of operations and comprehensive income have been translated into the presentation currency using the average exchange rates prevailing during each quarterly reporting period. All assets and liabilities have been translated using the period end closing exchange rates. All resulting exchange differences have been recognized in accumulated other comprehensive income. The statement of financial position amounts previously reported in Canadian dollars have been translated into U.S. dollars as at January 1, 2017 and December 31, 2017 using the period-end closing rates of 1.3427 CAD/USD and 1.2571 CAD/USD, respectively. In addition, shareholders' equity balances have been translated using historical rates based on rates in effect on the date of material transactions.

Consolidated statements of financial position

	As at December 31, 2017		As at January 1, 2017	
	As reported	As translated	As reported	As translated
	C$	$	C$	$
Assets				
Cash and restricted funds	96,427	76,706	182,720	136,084
Other current assets	2,557,561	2,034,491	6,253,634	4,657,506
Assets-held-for-sale	857,240	681,919	—	—
Total assets	3,511,228	2,793,116	6,436,354	4,793,590
Liabilities and shareholders' equity				
Liabilities				
Accounts payable and accrued liabilities and other liabilities	170,680	135,773	84,252	62,748
Derivative financial instruments	2,222	1,766	2,980	2,219
Secured borrowings	1,436,078	1,142,374	4,504,591	3,354,875
Deferred tax liabilities	18,619	14,811	17,360	12,929
Total liabilities	1,627,599	1,294,724	4,609,183	3,432,771
Shareholders' equity	1,883,629	1,498,392	1,827,171	1,360,819
	3,511,228	2,793,116	6,436,354	4,793,590

Notes to interim condensed consolidated financial statements

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

September 30, 2018

Interim condensed consolidated statements of operations

	Three-month period ended September 30, 2017		Nine-month period ended September 30, 2017	
		As translated		As translated
	C$	$	C$	$
Revenues	53,752	42,889	193,161	147,446
Operating expenses and other costs	142,443	113,657	256,723	199,382
Loss from continuing operations before income taxes	(88,691)	(70,768)	(63,562)	(51,936)
Recovery of income taxes	(34,665)	(27,660)	(32,505)	(26,034)
Net loss from continuing operations	(54,026)	(43,108)	(31,057)	(25,902)
Net income from discontinued operations	3,084	2,461	124,661	94,321
Net (loss) income for the period	(50,942)	(40,647)	93,604	68,419

b) Presentation of interim condensed consolidated statement of operations

Consistent with the Company's transition from a direct lender to a leading business services provider to Partners, the Company has reorganized the presentation of its interim condensed consolidated statement of operations ["Statement of Operations"]. Previously, the Company's Statement of Operations reflected its net interest margin ["NIM"] operating model. Beginning in the second quarter of 2018, the Statement of Operations was changed to reflect its current operating model and, as a result, the Company has added three new revenue line items: (1) Portfolio Origination Services; (2) Portfolio Management Services; and (3) Portfolio Advisory Services.

Portfolio origination services represents the gain on sale recognized on the disposition of consumer loans originated by the Company's Service Finance Company, LLC ("Service Finance") and Triad Financial Services, Inc. ["Triad"] subsidiaries to a network of Partners and the net revenue earned from risk-based marketing programs originated by Kessler Financial Services LLC ["Kessler"].

Portfolio management services represents the fees earned by Service Finance and Triad from providing loan servicing activities to Partners and annuity and retainer fees earned by Kessler through its long-term advisory contracts with its strategic partners.

Portfolio advisory services represents the fees earned by Kessler from its transactional advisory and debt advisory services provided to its strategic partners.

All prior period comparative amounts have been restated to conform to the current presentation.

c) Adoption of IFRS 9, *Financial Instruments* ["IFRS 9"]

The Company adopted IFRS 9 effective January 1, 2018 in place of IAS 39, *Financial Instruments: Recognition and Measurement* ["IAS 39"], as required by the International Accounting Standards Board. As permitted under IFRS 9, the Company did not restate its prior period comparative consolidated financial statements. Any changes to carrying amounts as a result of adopting IFRS 9 have been recognized in the Company's opening January 1, 2018 retained earnings.

Allowance for credit losses

The new standard replaces the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. Expected Credit Loss ["ECL"] allowances are measured at either: i) 12-month ECL when a loan is performing (Stage 1); or ii) lifetime ECL, when finance receivables have experienced a significant increase in credit risk since inception (Stage 2) or when the asset is not performing (Stage 3). This differs from an incurred loss model where lifetime credit losses were only recognized when there was objective evidence of impairment. Under IFRS 9, lifetime credit losses are generally recognized earlier. Significant judgments are made in order to incorporate forward-looking information into the estimation of ECL allowances which were not required under the previous standard.

The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase in the credit risk of a finance receivable. The key inputs in the Company's measurement of ECL allowances are: i) probability of default which estimates the likelihood of default over a given time horizon; ii) loss given default which estimates the loss arising where a default occurs at a given time; and iii) exposure at default which estimates the exposure at a future default date. Forward-looking information is considered when measuring expected credit losses including macroeconomic factors such as gross domestic product.

Upon origination of finance receivables, the Company recognizes a 12-month ECL allowance which represents the portion of lifetime ECL from default events that are considered possible within the next 12 months (Stage 1). If there has been a significant increase in credit risk, the Company recognizes a lifetime ECL allowance resulting from possible default events over the expected life of the finance receivable (Stage 2). A significant increase in credit risk is determined through changes in the lifetime probability of default since the initial origination of the finance receivable, using a combination of borrower-specific and account-specific attributes, and relevant and supportable forward-looking information. The Company uses the rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. Criteria for assessing significant changes in credit risk are defined at the individual finance receivable (i.e., contract) level.

Finance receivables with objective evidence of impairment are considered to be impaired requiring the recognition of lifetime ECL allowances with interest revenue recognized based on the carrying amount of the asset, net of the allowances, rather than its gross carrying amount (Stage 3). Deterioration in credit quality is considered an objective evidence of impairment, and includes observable data that comes to the attention of the Company, such as significant financial difficulty of the borrower. All finance receivables are considered impaired when they are contractually overdue 120 days or immediately if the account is the subject of a bankruptcy, insolvency, re-organization or repossession (voluntary or involuntary). In order to be classified as a satisfactory account after being delinquent, an account must remain current for a period of 90 days.

Finance receivables are charged off (i.e., written off), either partially or in full, against the related allowance for credit losses when the Company believes there are no reasonable or expected recoveries.

The Company has recorded a $7.0 million increase to its allowance for credit losses with the offset charged to opening retained earnings. See note 4 for further details.

Classification and measurement

Under IFRS 9, all financial assets must be classified at initial recognition at either: i) fair value through profit or loss ("FVTPL"), ii) amortized cost, iii) in the case of debt financial instruments, measured at fair value through other comprehensive income ("FVOCI"), iv) in the case of equity financial instruments, designated at FVOCI, or v) in the case of financial instruments designated at FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed. All financial assets and derivatives are required to be measured at fair value with the exception of financial assets measured at amortized cost. Financial assets are required to be reclassified when and only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" ("SPPI") test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis are classified as FVOCI for debt. Debt instruments that are managed on a "hold to collect" basis are classified as amortized cost.

Consistent with IAS 39, all financial assets held by the Company under IFRS 9 are initially measured at amortized cost and subsequently measured at amortized cost with the exception of derivative financial instruments and debt instrument financial assets that are managed on a "held-for-trading" basis. Derivatives continue to be measured at FVTPL under IFRS 9, except to the extent that they are designated in a hedging relationship, in which case the IAS 39 hedge accounting requirements continue to apply. Held-for-trading financial assets include the home improvement loans originated by our Service Finance subsidiary and are measured at FVTPL.

There were no material changes to the carrying values of financial instruments as a result of the transition to the classification and measurement requirements of IFRS 9. The classification and measurement provisions of IFRS did not have a material impact on the Company's consolidated financial statements.

d) Adoption of IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"]

On January 1, 2018, the Company adopted IFRS 15, which clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers, and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts, and consequently there was no impact on the Company's legacy direct lending businesses. There was also no impact on the portfolio origination services and portfolio management services revenues earned by the Company's Service Finance and Triad subsidiaries.

IFRS 15 did have an impact on the revenue recognition policy for the net revenues earned from the risk-based marketing programs originated by Kessler. Under the risk-based marketing programs, Kessler provides capital to fund marketing initiatives on behalf of its clients. The fees earned by Kessler from these campaigns are variable, tied to the success of the programs, and are typically earned over a short duration (contract terms are generally three to six months per campaign). Under IFRS 15, the Company has determined that the sole performance obligation related to these contracts occurs upon the delivery of the marketing campaign to the client. At that time the Company recognizes the estimated amount of revenues it expects to realize from the campaign, subject to the constraint that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company accounts for the funding it provides to its clients as a reduction of revenue, and therefore the amount of revenue recognized from these risk-based marketing campaigns is a net amount.

e) Segment reporting

Effective January 1, 2018, the Company introduced a Corporate segment to reflect the operating results for the corporate office. The corporate office, which was previously integrated into the legacy businesses, is transitioning to a lean organizational structure with a focus to: (i) drive additional growth of new loans by leveraging our commercial finance heritage; (ii) source new bank and institutional partners with a successful ECN relationship; (iii) cross sell portfolio solutions to existing Partners; and (iv) ensure appropriate controls, risk management, expense management and capital structures for of all our businesses. This structure reflects the transition of the Company away from its legacy on balance sheet lending businesses to providing business services to its Partners. Consequently, corporate office costs are not allocated to any of the business segments. In addition, only interest expense on debt used directly in the business is reflected in the business segment results. Interest expense attributable to outstanding balances on the senior credit facility that has been used to fund acquisitions and other corporate development activity, as well as all standby charges on the facility, are reflected in the Corporate segment.

Notes to interim condensed consolidated financial statements

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

September 30, 2018

3. Business Acquisitions and Disposals

Sale of Rail Portfolios

On November 12, 2018, the Company announced that it had entered into a definitive agreement to sell existing unencumbered railcar assets to GATX for proceeds of approximately $229 million. As a result of this transaction, these railcar assets were classified as assets held-for-sale as at September 30, 2018. The Company has recorded a total loss of $52.1 million (after-tax loss of $38.5 million) in the three-month period ended September 30, 2018, including transaction costs of approximately $3.0 million and the write-off of related prepaid expenses of $6.5 million. The transaction is expected to close in the fourth quarter of 2018.

On September 24, 2018, the Company announced that it had entered into a definitive agreement to sell 55% of existing railcar assets to affiliates of Trinity Industries Leasing Company. These railcar assets are owned by the Company's Railcar asset-backed security vehicle, Element Rail Leasing I LLC. Accordingly, approximately $360 million in rail assets and $283.9 million of asset-backed debt were classified as held-for-sale as at September 30, 2018. The Company recorded a total loss of $38.8 million ($28.7 million after-tax) in the three-month period ended September 30, 2018, including transaction costs of approximately $1.0 million, the write-off of deferred financing costs of $2.3 million and employee severance costs of $1.2 million. The transaction closed on October 17, 2018.

Investment in Kessler

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

Notes to interim condensed consolidated financial statements

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

September 30, 2018

The table below presents the preliminary allocation of fair values to the net assets acquired as at May 31, 2018. The Company will finalize the purchase price allocation, including finalizing the allocation to the identifiable intangible assets and goodwill, the impact on deferred taxes and the impact of final purchase price adjustments, in the first quarter of 2019.

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

Costs related to this transaction were $13.1 million, including banking, legal, accounting, due diligence and other transaction-related expenses.

As part of the transaction, the Company entered into a put/call arrangement with the non-controlling shareholders of Kessler. As a result, the non-controlling interest in Kessler does not qualify for equity treatment under IAS 32, *Financial Instruments Presentation*. Consequently, we have classified the non-controlling interest as a liability on the statements of financial position. Any fair value adjustments to the liability are recorded in the statements of operations. No profit or loss with respect to Kessler operations is allocated to the non-controlling interest. Any dividend distributions made to the non-controlling shareholders are recognized as an expense in the reporting period in which the distributions are declared. During the three-months ended September 30, 2018, distributions of $5,349 were declared.

Assets held-for-sale - Canada C&V Finance business

On October 30, 2017, the Company announced that it had entered into a definitive agreement with CWB Financial Group ["CWB"] to sell the Company's Canada C&V Finance assets, with the closing being subject to customary regulatory approvals. Accordingly, as at December 31, 2017, C$857.2 million of finance receivables were classified as assets held-for-sale and the Company recorded a pre-tax loss of C$14.6 million primarily due to the write-off of associated goodwill, break fees on financing arrangements and employee severance costs. The transaction closed on January 31, 2018 and the Company received cash proceeds of C$843.5 million, resulting in no further impact to net income during the nine-month period ended September 30, 2018.

Discontinued operations

Discontinued operations for the nine-month period ended September 30, 2018 include the results of the Company's Canada C&V Finance business unit for results of operations prior to its January 31, 2018 sale. For the period ended March 31, 2017, discontinued operations included the results

Notes to interim condensed consolidated financial statements

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

September 30, 2018

of operations of the Company's Canada and U.S. C&V business units. The results of discontinued operations for the periods ended September 30 are as follows:

	Three-month period-ended September 30, 2017 $	**Nine-month period-ended September 30, 2018 $**	Nine-month period-ended September 30, 2017 $
Revenues	12,197	**3,707**	58,020
Operating expenses and other costs			
Compensation and benefits	2,534	**930**	11,346
General and administrative expenses	1,551	**515**	5,987
Interest expense	3,738	**713**	19,692
Provision for credit losses	460	**—**	5,357
Share-based compensation	609	**2**	2,592
Separation and reorganization costs	—	**—**	1,585
Gain on business disposals	(312)	**—**	(141,371)
	8,580	**2,160**	(94,812)
Income from discontinued operations before income taxes	3,617	**1,547**	152,832
Provision for income taxes	1,156	**410**	58,511
Net income from discontinued operations	2,461	**1,137**	94,321

Notes to interim condensed consolidated financial statements

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

September 30, 2018

4. Finance Receivables

The following tables present the finance receivables based on the type of contract:

	September 30, 2018		
	Leases	**Loans**	**Total**
	$	$	$
Minimum payments	**70,046**	**90,684**	**160,730**
Non-guaranteed residual values	**37,121**	**—**	**37,121**
Gross investment	**107,167**	**90,684**	**197,851**
Unearned income	**(27,182)**	**(8,422)**	**(35,604)**
Held-for-trading financial assets	**—**	**181,199**	**181,199**
Other loan receivables	**—**	**106,954**	**106,954**
Net investment	**79,985**	**370,415**	**450,400**
Net realizable value of accounts in default	**—**	**8,302**	**8,302**
Unamortized deferred costs and subsidies	**(294)**	**81**	**(213)**
Security deposits	**(22)**	**(655)**	**(677)**
Other receivables	**2,957**	**1,224**	**4,181**
Allowance for credit losses	**(1,831)**	**(2,857)**	**(4,688)**
Total finance receivables	**80,795**	**376,510**	**457,305**

The loans balance as at September 30, 2018 includes $181.2 million in home improvement loans, which are classified as held-for-trading, originated by Service Finance. Finance receivables are classified as held-for-trading if the related loans were originated with the intention of selling the instrument in the near term. Held-for-trading finance receivables are measured on the financial statements at fair value through profit and loss. These loans are considered Level 3 assets and the Company measures the fair value of these loans based on a valuation model using internal inputs. Upon origination, the Company's internal valuation may determine a fair value that is in excess of the origination or transaction value of the loan. In these circumstances, the Company will not recognize such gains until the fair value estimated by the internal model is substantiated by a market observable event such as an executed sales contract. No fair value gains or losses were recorded in the statement of operations during the three and nine month period ended September 30, 2018.

Other loans receivable includes $67.5 million in secured floorplan loans issued by Triad to finance dealer inventory, and a $39.4 million short-term senior loan to facilitate a Partner's purchase of a prime credit card portfolio through an asset-backed financing vehicle. The fair value of other loan receivables is estimated to approximate carrying value. These finance receivables are classified as Level 3 financial instruments, whereby fair value is determined using valuation techniques and inputs not based on observable market data.

The nature of the remaining loan balances is consistent with the portfolio held as at December 31, 2017, and includes finance receivables held at amortized costs and loans secured by underlying assets. The carrying value of these balances approximates fair value. The assertion that the carrying value of the finance receivables and secured borrowing approximates fair value requires the use of estimates and significant judgment. These borrowings are classified as Level 3 financial instruments. The underlying assets securing the borrowings, such as finance receivables, equipment under operating lease, or the general assets of the Company, are credit-scored and/or valued based on internal models that are not necessarily used in market transactions. The fair value of any of these balances would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, payment history, yield, term, documents and other legal matters, and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations, and other factors.

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

	December 31, 2017		
	Leases	**Loans**	**Total**
	$	$	$
Minimum lease payments	98,841	317,563	416,404
Non-guaranteed residual values	42,194	—	42,194
Gross investment	141,035	317,563	458,598
Unearned income	(36,758)	(30,488)	(67,246)
Net investment	104,277	287,075	391,352
Unamortized deferred costs and subsidies	1,096	724	1,820
Security deposits	(2,091)	(655)	(2,746)
Other receivables	702	922	1,624
Allowance for credit losses	(1,989)	(171)	(2,160)
Total finance receivables	101,995	287,895	389,890

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

	September 30, 2018		**December 31, 2017**	
	$	%	$	%
31 - 60 days past due	**1,675**	**0.37**	710	0.18
61 - 90 days past due [1]	**6,829**	**1.52**	305	0.08
Greater than 90 days past due	**—**	**—**	—	—
Total past due	**8,504**	**1.89**	1,015	0.26
Current	**441,896**	**98.11**	390,337	99.74
Total net investment, continuing operations [2]	**450,400**	**100.00**	391,352	100.00

[1] The receivable in the 61-90 days outstanding category is expected to be recovered by the end of the year, through a court-supervised sales process.

[2] There were no finance receivables outstanding as at September 30, 2018 related to discontinued operations. For December 31, 2017, amounts have been adjusted to exclude discontinued operations.

Notes to interim condensed consolidated financial statements

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

September 30, 2018

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

	September 30, 2018		December 31, 2017	
	Leases	Loans	Leases	Loans
	$	$	$	$
Net investment, continuing operations [1]	**$79,985**	**$370,415**	$104,277	$287,075
Weighted average fixed interest rate	**5.92%**	**5.76%**	6.12%	5.42%
Weighted average floating interest rate	**n/a**	**6.36%**	n/a	4.26%
Percentage of portfolio with fixed interest rate	**100.00%**	**69.56%**	100.00%	64.68%

[1] There were no finance receivables outstanding as at September 30, 2018 related to discontinued operations. For December 31, 2017, amounts have been adjusted to exclude discontinued operations.

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

	September 30, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
	$	$	$	$
Low risk	**209,894**	**428**	**—**	**210,322**
Medium risk	**223,955**	**10,074**	**—**	**234,029**
High risk	**6,043**	**6**	**—**	**6,049**
Gross carrying amount	**439,892**	**10,508**	**—**	**450,400**
Default	**—**	**—**	**8,302**	**8,302**
	439,892	**10,508**	**8,302**	**458,702**

	December 31, 2017			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
	$	$	$	$
Low risk	152,859	—	—	152,859
Medium risk	236,682	1,774	—	238,456
High risk	—	37	—	37
Gross carrying amount	389,541	1,811	—	391,352

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

Notes to interim condensed consolidated financial statements

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

September 30, 2018

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

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

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

Allowance for credit losses

The reconciliation of the Company's closing allowance for credit losses in accordance with IAS 39 as at December 31, 2017 and the January 1, 2018 allowance for credit losses in accordance with IFRS 9 is shown in the table below:

	As at September 30, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
	$	$	$	$
Balance as at December 31, 2017				**2,160**
IFRS 9 transition adjustment				**6,951**
Balance as at January 1, 2018	**5,220**	**3,891**	**—**	**9,111**
Provision for credit losses	**52**	**—**	**—**	**52**
Balance as at March 31, 2018	**5,272**	**3,891**	**—**	**9,163**
Provision for credit losses	**43**	**—**	**—**	**43**
Charge-offs, net of recoveries	**(1,457)**	**(3,093)**	**—**	**(4,550)**
Stage transfers	**—**	**(712)**	**712**	**—**
Impact of foreign exchange rates	**(36)**	**—**	**—**	**(36)**
Balance as at June 30, 2018	**3,822**	**86**	**712**	**4,620**
Provision for credit losses	**35**			**35**
Stage transfers	**(1,369)**	**(79)**	**1,448**	**—**
Impact of foreign exchange rates	**33**		**—**	**33**
Balance as at September 30, 2018	**2,521**	**7**	**2,160**	**4,688**

During the nine-month period ended September 30, 2018, the allowance for credit losses was reduced by approximately $4.4 million as a result of the sale of aviation assets in the second quarter of 2018, for which the allowance was directly attributable.

Notes to interim condensed consolidated financial statements

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

September 30, 2018

5. Equipment Under Operating Leases

The Company acts as a lessor in connection with equipment under operating leases and recognizes the leased assets in its interim condensed consolidated statements of financial position. The lease payments received, are recognized in income as rental revenue.

	September 30, 2018	December 31, 2017
	$	$
Cost	**239,435**	979,883
Accumulated depreciation	**(29,159)**	(76,167)
Net carrying amount of equipment under operating leases	**210,276**	903,716

The decrease in equipment under operating leases are primarily due to the classification of $592.6 million of railcar assets as assets held-for-sale (refer to note 3 for further details), and a charge of $8 million on the remaining railcar assets. As at September 30, 2018, total railcar assets presented as equipment under operating lease is $36 million.

6. Inventories

The following table presents the assets currently held in inventory for realization or awaiting new lease arrangements and presented at their net estimated realizable value. The majority of railcar inventory items represent current purchases where the Company is negotiating new lease arrangements.

	Railcar	Aviation	Continuing operations	Discontinued operations [1]	Total
	$	$	$	$	$
At December 31, 2016	42,135	44,431	86,566	17,716	104,282
Net additions during the period	31,113	28,318	59,431	(13,099)	46,332
Valuation reserve	—	1,631	1,631	—	1,631
Foreign exchange rate adjustments	(1,324)	(1,304)	(2,628)	478	(2,150)
At September 30, 2017	71,924	73,076	145,000	5,095	150,095
At December 31, 2017	34,572	52,870	87,442	6,364	93,806
Net additions/removals during the period	**8,770**	**30,938**	**39,708**	**(4,446)**	**35,262**
Valuation reserve	**—**	**1,359**	**1,359**	**—**	**1,359**
Foreign exchange rate adjustments	**—**	**—**	**—**	**(73)**	**(73)**
At March 31, 2018	**43,342**	**85,167**	**128,509**	**1,845**	**130,354**
Net additions/removals during the period	**(2,475)**	**(32,609)**	**(35,084)**	**(641)**	**(35,725)**
Valuation reserve	**—**	**1,986**	**1,986**	**—**	**1,986**
Foreign exchange rate adjustments	**—**	**—**	**—**	**(24)**	**(24)**
At June 30, 2018	**40,867**	**54,544**	**95,411**	**1,180**	**96,591**
Net additions/removals during the period	**(40,867)**	**6,539**	**(34,328)**	**(36)**	**(34,364)**
Foreign exchange rate adjustments	**—**	**—**	**—**	**19**	**19**
At September 30, 2018	**—**	**61,083**	**61,083**	**1,163**	**62,246**

[1] Canada and U.S. C&V Finance inventories represent discontinued operations.

Notes to interim condensed consolidated financial statements

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

September 30, 2018

7. Secured Borrowings

	September 30, 2018			
	Balance outstanding	Weighted average interest rate [1]	Pledged finance receivables and equipment under operating leases	Cash reserves
	$	%	$	$
Asset-backed securities [2]	**283,933**	**3.59**	**360,000**	**7,708**
Term senior credit facility [3]	**668,232**	**3.98**	**—**	**—**
	952,165	**3.86**	**360,000**	**7,708**
Deferred financing costs	**(11,996)**			
Total secured borrowings	**940,169**			

	December 31, 2017			
	Balance outstanding	Weighted average interest rate [1]	Pledged finance receivables and equipment under operating leases	Cash reserves
	$	%	$	$
Life insurance company term funding facilities	115,806	2.89	116,544	16,915
Securitization programs	304,349	2.39	326,434	3,326
Asset-backed securities	293,481	3.56	399,197	7,857
Term senior credit facility [3]	444,681	3.30	—	—
	1,158,317	3.08	842,175	28,098
Deferred financing costs	(15,943)			
Total secured borrowings	1,142,374			

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

[2] As a result of the sale of our asset-backed security vehicle in October 2018, the asset-backed securities outstanding of $283,933 at September 30, 2018 has been classified as liabilities held-for-sale.

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

The Company was in compliance with all financial and reporting covenants with all of its lenders as at September 30, 2018.

Term senior credit facility

The Company's $2,200,000 term senior credit facility is syndicated to a group of Canadian, U.S. and international banks with a maturity date of December 31, 2020 . At September 30, 2018, the Company has available capacity of $1,531,768 [December 31, 2017 - $1,755,319]. On October 10, 2018, the Company amended the term senior credit facility, reducing its size to $1,400,000 and extending the maturity date to December 31, 2021.

Notes to interim condensed consolidated financial statements

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

September 30, 2018

Restricted funds

	September 30, 2018	December 31, 2017
	$	$
Restricted - cash in collection accounts	**21,887**	31,313
Restricted - cash reserves	**7,708**	28,098
	29,595	59,411

Restricted cash in collection accounts represents cash we have collected on behalf of certain counterparties and we have recorded an offsetting liability in accounts payable and accrued liabilities.

8. Share Capital

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

	Common shares	
	Shares	Amount
	#	$
Balance, December 31, 2016	387,112,489	1,056,738
Exercise of options	1,508,532	843
Common share repurchases	(6,522,400)	(19,943)
Balance, September 30, 2017	382,098,621	1,037,638
Balance, December 31, 2017	377,628,587	1,023,479
SIB repurchases	**(31,944,444)**	**(91,392)**
NCIB repurchases	**(27,400,177)**	**(81,304)**
Exercise of options	**956,153**	**289**
Balance, September 30, 2018	**319,240,119**	**851,072**

Substantial Issuer Bid

On April 16, 2018, the Company completed its modified “Dutch auction” substantial issuer bid (“SIB”) to purchase for cancellation up to C$115 million of its outstanding common shares from shareholders for cash. The Company purchased 31,944,444 shares at a purchase price of C$3.60 per share for an aggregate purchase price of approximately $91.4 million (C$115 million) including fees and expenses.

Normal Course Issuer Bid

On June 28, 2018, the TSX approved the renewal of the Company's Normal Course Issuer Bid ("NCIB") for commencement on July 5, 2018. Pursuant to the renewal, the Company may repurchase up to an additional 31,339,030 common shares, representing approximately 10% of the public float. The NCIB will end on the earlier of July 4, 2019 and the completion of purchases under the NCIB.

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

In the third quarter of 2018, the Company purchased 11.1 million common shares for a total of C$42.0 million or C$3.79 per common share pursuant to the NCIB. During the nine-month period ended September 30, 2018, the Company purchased 27.4 million common shares for a total of C $103.3 million or C$3.77 per common share under the NCIB. Subsequent to September 30, 2018, the Company purchased 6.8 million common shares for a total of C$23.8 million or C$3.51 per common share.

In aggregate since 2017, under the current and previous NCIB, the Company purchased 45.3 million common shares for a total of C$170.2 million or C$3.75 per common share.

Preferred share dividends

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

	Preferred shares	
	Shares	**Amount**
	#	$
Series A 6.50% Rate Reset Preferred Shares	4,000,000	72,477
Series C 6.25% Rate Reset Preferred Shares	4,000,000	72,441
Balance, September 30, 2018	**8,000,000**	**144,918**

During the three and nine-month periods ended September 30, 2018, the Company paid $1,247 and $3,791 [after tax cost of $1,284 and $3,900] or C$0.40625 and C$1.21875 per Series A share in dividends. During the three and nine-month periods ended September 30, 2017, the Company paid $1,297 and $4,108 [after tax cost of $1,333 and $4,221] or C$0.40625 and C$0.93604 per Series A share in preferred share dividends.

During the three and nine-month periods ended September 30, 2018 the Company paid $1,200 and $3,645 [after tax cost of $1,234 and $3,752] or C$0.390625 and C$1.17188 per Series C share in dividends. For the three and nine-month periods ended September 30, 2017, the Company paid $1,257 and $1,715 [after tax cost of $1,290 and $1,762] or C$0.390625 and C$0.5480 per Series C share in preferred share dividends.

Common share dividends

During the three and nine-month periods ended September 30, 2018, the Company paid a $2,509 and $8,405 or C$0.01 and C$0.03 per common share [September 30, 2017 - $3,100 and $8,905 or C$0.01 and C$0.03 per common share].

Notes to interim condensed consolidated financial statements

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

September 30, 2018

9. Share-Based Compensation

Share-based compensation expense

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

	Three-month period ended		Nine-month period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$	$	$	$
Stock options	**662**	967	**2,327**	3,512
Deferred share units ("DSUs")	**534**	403	**984**	1,774
Performance share units and restricted share units ("PSUs" and "RSUs")	**3,702**	—	**7,547**	—
Share-based compensation - continuing operations	**4,898**	1,370	**10,858**	5,286

During the nine-month period ended September 30, 2018, the Company granted 2,700,000 stock options to employees with a weighted-average exercise price of $3.52 per share. The stock options have a fair value of $3.1 million calculated using the Black-Scholes method of valuation, assuming a risk-free rate of 2.17%, volatility of 22%, and a dividend yield of 1.14% annually.

In the three and nine-month periods ended September 30, 2018, the Company granted 86,022 and 409,433 DSUs, respectively to members of the Company's Board of Directors.

In the three and nine-month periods ended September 30, 2018, the Company granted 1,182,970 and 4,195,210 PSUs and RSUs to senior executives and employees of the Company.

10. Other Revenue and Other Expenses

Other revenue consists of the following for the periods ended September 30:

	Three-month period ended		Nine-month period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$	$	$	$
Syndication fees	**—**	—	**1,064**	1,824
Foreign exchange and other	**1,612**	2,091	**4,312**	5,981
Total other revenue - continuing operations	**1,612**	2,091	**5,376**	7,805

Notes to interim condensed consolidated financial statements

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

September 30, 2018

Other expenses consist of the following for the periods ended September 30:

	Three-month period ended		Nine-month period ended	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
	$	$	$	$
Amortization of intangible assets related to business combinations	**2,218**	—	**6,771**	—
Separation and reorganization costs	**—**	—	**—**	1,947
Accretion of deferred purchase consideration	**2,069**	—	**3,707**	—
Business acquisition costs	**—**	14,940	**13,393**	14,940
Loss on sale of business and assets held-for-sale	**98,910**	62,827	**98,910**	61,103
Provision for credit losses	**35**	65	**131**	1,484
Non-controlling interest	**5,349**	—	**5,349**	—
Total other expenses - continuing operations	**108,581**	77,832	**128,261**	79,474

11. Related Party Transactions

Notes receivable

Notes receivable of $54,322 as at September 30, 2018 [December 31, 2017 - $46,411] represent loans to certain employees and officers of the Company granted in order to help finance the purchase of of the Company's shares post-separation. The loans bear interest at a rate of Canadian prime less 50 basis points with interest payable monthly or annually. The principal is payable on demand in the event of non-payment of interest, and the notes receivable are secured by the Element Fleet Management Corp. and ECN Capital shares purchased with full recourse to the employee/officer.

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

	Nine-month period ended September 30, 2018	**Year ended December 31, 2017**
	$	$
Notes receivable, beginning of period	**46,411**	30,288
Additions	**11,583**	17,378
Interest income	**1,183**	841
Repayments (interest and principal)	**(3,702)**	(4,569)
Foreign exchange	**(1,153)**	2,473
Notes receivable, end of period	**54,322**	46,411

Notes to interim condensed consolidated financial statements

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

September 30, 2018

12. Derivative Financial Instruments

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

Cash flow hedging relationships

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the periods ended September 30:

	Three-month period ended		Nine-month period ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$	$	$	$
Foreign exchange agreements recorded in other revenue	**45**	3,706	**401**	(4,128)
Fair value gains recorded in other comprehensive income	**1,898**	19,136	**1,559**	21,283

Notional amounts and fair values of derivative instruments

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

	September 30, 2018		December 31, 2017	
	Notional principal	Fair value	Notional principal	Fair value
	$	$	$	$
Derivative assets				
Interest rate contracts	**170,199**	**1,022**	361,368	2,151
Foreign exchange agreements	**17,865**	**47**	337,284	529
	188,064	**1,069**	698,652	2,680
Derivative liabilities				
Interest rate contracts	**—**	**—**	405,844	1,745
Foreign exchange agreements	**1,935**	**—**	13,727	21
	1,935	**—**	419,571	1,766

Notes to interim condensed consolidated financial statements

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

September 30, 2018

13. Earnings Per Share

	Three-month period ended		Nine-month period ended	
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
	$	$	$	$
Net loss from continuing operations attributable to shareholders	**(57,483)**	(43,108)	**(52,680)**	(25,900)
Cumulative dividends on preferred shares	**2,447**	2,553	**7,436**	5,822
Net loss from continuing operations attributable to common shareholders	**(59,930)**	(45,661)	**(60,116)**	(31,722)
Net income from discontinued operations attributable to common shareholders	**—**	2,461	**1,137**	94,321
Total net (loss) income attributable to common shareholders	**(59,930)**	(43,200)	**(58,979)**	62,599
Weighted average number of common shares outstanding - basic	**326,887,815**	385,886,570	**342,879,906**	387,184,637
Basic loss per share from continuing operations	**$ (0.18)**	$ (0.12)	**$ (0.18)**	$ (0.08)
Basic earnings per share from discontinued operations	**$ —**	$ 0.01	**$ —**	$ 0.25
Total earnings per share	**$ (0.18)**	$ (0.11)	**$ (0.18)**	$ 0.17
Weighted average number of common shares outstanding - diluted	**326,887,815**	385,886,570	**342,879,906**	396,459,291
Diluted loss per share from continuing operations	**$ (0.18)**	$ (0.12)	**$ (0.18)**	$ (0.08)
Diluted earnings per share from discontinued operations	**$ —**	$ 0.01	**$ —**	$ 0.25
Total diluted (loss) earnings per share	**$ (0.18)**	$ (0.11)	**$ (0.18)**	$ 0.17

Instruments outstanding as at September 30, 2018 that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive, include 6,749,738 and 6,459,255 stock options for the three and nine-month periods ended September 30, 2018 respectively [three and nine-month periods ended September 30, 2017 - 9,274,654 and nil stock options].

Notes to interim condensed consolidated financial statements

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

September 30, 2018

14. Capital Disclosures

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

The Company's capitalization is as follows:

	September 30, 2018	December 31, 2017
	$	$
Secured borrowings	**656,236**	1,142,374
Accounts payable and accrued liabilities	**107,033**	103,186
Other liabilities[1]	**107,984**	32,587
	871,253	1,278,147
Shareholders' equity	**1,252,681**	1,498,392
	2,123,934	2,776,539

[1] Includes a $66.4 million (December 31, 2017 - nil) redemption liability to the non-controlling interests of Kessler and a $36.3 million (December 31, 2017 - $32.6 million) deferred purchase consideration liability relating to the acquisition of Service Finance in 2017.

15. Segmented Information

Operating segments

ECN Capital's operating results are categorized into five operating and reporting segments and a Corporate segment. The operating segment consists of: [a] Service Finance - Unsecured Consumer Loans; [b] Triad - Secured Consumer Loans; [c] Kessler - Consumer Credit Cards; [d] Rail Finance; and [e] Aviation Finance. The Company's Chief Operating Decision Maker ["CODM"], the CEO, reviews the operating results, assesses performance and makes capital allocation decisions at the business segment level. Therefore, each of the Company's business segments is an operating and reporting segment for financial reporting purposes.

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

The interim condensed consolidated statements of operations by segment for the periods ended September 30 are shown in the tables below:

Notes to interim condensed consolidated financial statements

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

September 30, 2018

	For the three-month period ended September 30, 2018						
	Service Finance - Unsecured Consumer Loans	Triad - Secured Consumer Loans	Kessler - Consumer Credit Cards	Rail Finance	Aviation Finance	Corporate	Total
	$	$	$	$	$	$	$
Revenues	20,992	14,012	33,447	10,794	5,174	1,214	85,633
Operating and other expenses							
Compensation and benefits	3,291	4,400	9,978	151	242	2,776	20,838
General and administrative expenses	2,325	2,881	2,052	1,166	1,511	3,923	13,858
Interest expense	1,404	619	464	2,881	(11)	7,263	12,620
Depreciation and amortization	77	117	210	3,739	1,167	337	5,647
Provision for credit losses	—	—	—	—	35	—	35
Share-based compensation	—	—	—	—	—	4,898	4,898
Other expenses	—	—	—	—	—	108,546	108,546
	7,097	8,017	12,704	7,937	2,944	127,743	166,442
Income (loss) before income taxes from continuing operations	13,895	5,995	20,743	2,857	2,230	(126,529)	(80,809)

Notes to interim condensed consolidated financial statements

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

September 30, 2018

	For the Nine-month period ended September 30, 2018						
	Service Finance - Unsecured Consumer Loans	Triad - Secured Consumer Loans	Kessler - Consumer Credit Cards	Rail Finance	Aviation Finance	Corporate	Total continuing operations
	$	$	$	$	$	$	$
Revenues	**56,310**	**36,162**	**39,113**	**36,489**	**20,203**	**5,004**	**193,281**
Operating expenses							
Compensation and benefits	**11,112**	**12,768**	**12,358**	**538**	**604**	**9,106**	**46,486**
General and administrative expenses	**6,992**	**7,411**	**2,745**	**3,490**	**3,240**	**10,612**	**34,490**
Interest expense	**2,554**	**948**	**464**	**8,719**	**(11)**	**18,538**	**31,212**
Depreciation and amortization	**201**	**351**	**283**	**11,456**	**6,221**	**999**	**19,511**
Provision for credit losses	**—**	**—**	**—**	**—**	**131**	**—**	**131**
Amortization of intangibles	**—**	**—**	**—**	**—**	**—**	**10,858**	**10,858**
Other expenses	**—**	**—**	**—**	**—**	**—**	**128,130**	**128,130**
	20,859	**21,478**	**15,850**	**24,203**	**10,185**	**178,243**	**270,818**
Income (loss) before income taxes from continuing operations	**35,451**	**14,684**	**23,263**	**12,286**	**10,018**	**(173,239)**	**(77,537)**

Notes to interim condensed consolidated financial statements

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

September 30, 2018

	For the three-month period ended September 30, 2017				
	Service Finance	Rail Finance	Aviation Finance	Corporate	Total Continuing Operations
		$	$	$	$
Revenues	3,189	26,390	10,958	2,352	42,889
Operating expenses					
Compensation and benefits	604	765	314	2,107	3,790
General and administrative expenses	448	1,667	635	2,281	5,031
Interest expense	—	9,074	197	5,306	14,577
Depreciation and amortization	—	7,119	3,938	—	11,057
Provision for credit losses	—		65	—	65
Share-based compensation	—	—	—	1,370	1,370
Other expenses	—	—		77,767	77,767
	1,052	18,625	5,149	88,831	113,657
Income (loss) before income taxes from continuing operations	2,137	7,765	5,809	(86,479)	(70,768)

Notes to interim condensed consolidated financial statements

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

September 30, 2018

	For the nine-month period ended September 30, 2017				
	Service Finance	Rail Finance $	Aviation Finance $	Corporate $	Total continuing operations $
Revenues	3,190	101,056	38,240	4,961	147,447
Operating expenses					
Compensation and benefits	604	2,550	2,168	5,636	10,958
General and administrative expenses	448	6,804	2,102	6,098	15,452
Interest expense	—	34,019	1,007	15,454	50,480
Depreciation and amortization	—	25,292	12,143	297	37,732
Provision for credit losses	—	—	1,484	—	1,484
Share-based compensation	—	—	—	5,286	5,286
Other expenses	—	—	—	77,990	77,990
	1,052	68,665	18,904	110,761	199,382
Income (loss) before income taxes before continuing operations	2,138	32,391	19,336	(105,800)	(51,935)

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