ECN CAPITAL

Management Discussion & Analysis

SEPTEMBER 30, 2018

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 nine-month periods ended September 30, 2018, in comparison to the corresponding prior year periods. This MD&A, which has been prepared as of November 12, 2018, is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), as at and for the three-month and nine-month periods ended September 30, 2018 (the "interim consolidated financial statements"), which readers are encouraged to review in conjunction with their review of this MD&A. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the two years ended December 31, 2017 and 2016 and the related MD&A. 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 November 12, 2018. 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 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.

Table of Contents

Overview

ABOUT ECN

ECN Capital Corp. [“ECN Capital” or the “Company”] is a leading provider of business services to United States ("U.S.") based banks and credit unions (our "Partners"). ECN Capital originates, manages and advises on prime consumer credit portfolios on behalf of its Partners, specifically unsecured loan portfolios, secured loan portfolios and 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 United States. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol “ECN”.

CHANGES IN FINANCIAL STATEMENT PRESENTATION AND NEW NON-IFRS MEASURES

Change in functional and presentation currency

As a result of the completion of the sale of the Company's Canada C&V Finance business in the first quarter of 2018 and the business acquisitions completed in 2017, the Company's business operations are conducted primarily in U.S. dollars. Consequently, effective January 1, 2018, the Company has changed its functional and presentation currency to U.S. dollars. See note 2 of the September 30, 2018 interim condensed consolidated financial statements for further details.

Change in Financial Statement presentation and business segments

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 Company revised the Statement of Operations to reflect its current operating model, and as a result, the Company has added three new revenue line items: (i) Portfolio origination services; (ii) Portfolio management services; and (iii) Portfolio advisory services. See note 2 of the September 30, 2018 interim condensed consolidated financial statements for further details.

ECN Capital’s business is conducted through its operating companies: Service Finance Company, LLC ("Service Finance"); Triad Financial Services, Inc ("Triad"); and Kessler Financial Services LLC ("Kessler"). These companies form the basis of the Company's core business segments: Service Finance - Unsecured Consumer Loan Portfolios, Triad - Secured Consumer Loan Portfolios and Kessler - Consumer Credit Card Portfolios. The Company also has two legacy business segments: Rail Finance and Aviation Finance. Beginning in the first quarter of 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 Capital relationship; (iii) cross sell portfolio solutions to existing Partners; and (iv) ensure appropriate controls, risk management, expense management and capital structures for all of our businesses. This structure reflects the completed transition of ECN Capital 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, as well as all standby charges on the facility, are reflected in the Corporate segment. Our internal management reporting framework has been revised to reflect this operating model, and allows the Company to measure the performance of each business segment as a stand-alone business. This approach is intended to ensure that our business segments' results include all applicable revenue and expenses associated with the conduct of their business and depicts how management views those results.

Change in Non-IFRS Measures

Beginning in the first quarter of 2018, the Company began using earnings before interest expense, taxes, depreciation and amortization ("EBITDA") as a primary performance measure to assess the operating performance of its businesses, consistent with the transition from a NIM operating model to a provider of business services to U.S. financial institutions. We believe 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 EBITDA as a measure to compare the operating performance and to assess the enterprise value of these businesses as EBITDA eliminates the impact of financing decisions. We define EBITDA as net income before interest expense, income tax expense, depreciation and amortization. Non-IFRS measures are intended to provide additional information only and do not have any standardized meaning prescribed by IFRS, and therefore our definition of EBITDA may not be comparable to EBITDA presented by other issuers. Please see the Non-IFRS and Other Performance Measures section of this MD&A for further information.

BUSINESS STRATEGY

Over the last year, the Company has transitioned from a direct lender to a leading provider of business services to a growing network of U.S. banks and credit unions. ***ECN Capital now partners with these financial institutions rather than competing with them.*** Our business is conducted through three scalable platforms that were established with our investments in our operating companies: Service Finance, Triad and Kessler. ECN Capital has Managed and Advisory assets of approximately $29 billion and our customers include more than 90 banks and credit union partners. Specifically, our customers are the decision makers inside each institution who are looking for appropriate portfolio solutions to match customer deposit liabilities. We meet our customer needs by offering the following prime consumer portfolio solutions:

- Unsecured consumer loan portfolios
- Secured consumer loan portfolios
- Consumer credit card portfolios

The Company's focus is to drive origination and asset management growth as well as broadening our Partner relationships through the marketing of all three solutions across our network of 90+ Partners. In pursuit of these objectives: (i) The Company provides its core business segments with modest capital, knowledge and scale to help grow their businesses within their large addressable markets; and (ii) Management has also begun the process of deepening our relationships with key Partners with a view to ensuring that they are customers of all three of our product lines instead of just one. Two Partners have now signed agreements to become customers of a second product line and three more Partners are in the process of doing so.

Each of the Company's investments in operating companies have been 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 and payment networks that are its customers and exclusive/preferred manufacturer and dealer arrangements that drive the Company's origination services; and proprietary intellectual capital
- Established originator / manager / adviser of prime consumer credit portfolios 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; and
- Scalable platforms with established operations and information technology.

A description of each of our core business segments is provided below. The Company intends to continue the orderly wind-down of its legacy Rail Finance and Aviation Finance businesses in order to release capital that can be redeployed into our core business segments or returned to our shareholders.

Core Business Segments:

Service Finance - Unsecured Consumer Loan Portfolios

The Service Finance segment was formed on the completion of our investment in Service Finance on September 7, 2017. Founded in 2004, Service Finance is a premier portfolio solutions platform focused on originating and managing short duration unsecured consumer loans for 15+ 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 is headquartered in Boca Raton, Florida and is licensed in all 50 States.

Triad - Secured Consumer Loan Portfolios

The Triad segment was formed on December 29, 2017 in connection with the completion of our investment in Triad. Founded in 1959, Triad is the oldest manufactured housing finance company in the U.S. Triad 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. with limited recourse. Originations are sourced through a decades old national network of dealers and manufacturers. In addition to originating prime consumer loans, Triad manages manufactured housing portfolios for third party owners and provides floor plan financing for select dealers and manufacturers. Triad is headquartered in Jacksonville, Florida and is licensed in 44 States.

Kessler - Consumer Credit Card Portfolios

The Kessler segment was formed on May 31, 2018 on the completion of our investment in Kessler. Founded in 1978, Kessler is a premier portfolio solutions platform focused on managing, advising and structuring consumer credit card portfolios for 25+ Partners. Kessler has created over 6,000 partnerships between banks/credit card issuers and affinity co-brand groups and currently has approximately $25 billion in managed credit card portfolios and related assets. Kessler is headquartered in Boston, Massachusetts.

Key Business Developments

The Company is in the final stages of divesting its legacy businesses and will continue to redeploy capital into its three scalable business services platforms. Our key developments in support of this strategy are outlined below.

M&A DEVELOPMENTS

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, which accordingly have been 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, $360 million of equipment under operating leases were classified as assets 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. Kessler is the market leader in managing, advising and structuring credit card and other consumer portfolios for credit card issuers, banks, credit unions, processors and other payment networks. 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% equity 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.

CORPORATE FINANCE DEVELOPMENTS

Senior Credit Facility Update

On October 10, 2018, the Company successfully executed an amendment of its term senior credit facility that extended the maturity date from December 31, 2020 to December 31, 2021. In addition the size of the facility was right-sized from $US2.2 billion to US$1.4 billion to reflect liquidity requirements commensurate with our transition to capital light businesses.

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.

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.

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 C$115 million excluding fees and expenses.

Results of Operations

OPERATING HIGHLIGHTS FOR THE QUARTER

1. Adjusted net income[1] for the quarter ended September 30, 2018 was $23.7 million or $0.07 per share. Adjusted net income applicable to common shareholders was $0.07 per share for the quarter ended September 30, 2018, exceeding our budget for the third quarter.

2. EBITDA[2] in the third quarter of 2018 was $50.9 million, compared to $36.6 million in the second quarter of 2018, which largely reflects a full quarter of operating results from our Kessler segment and the continued growth of our Service Finance segment.

3. Total originations for the quarter ended September 30, 2018 were $509.0 million compared to $505.2 million in the second quarter of 2018. The increase reflects increased business activity in our Service Finance segment.

4. Managed and advisory portfolios totaled $28.8 billion as at September 30, 2018, compared to $28.2 billion for the immediately preceding quarter.

5. In the third quarter, approximately 73% of the Company's revenue came from its core portfolio origination, management and advisory services compared to 61% in the second quarter.

6. The Company continued to accelerate the disposition of legacy assets with the announcement of the sale of its ERL I portfolio for proceeds of $360 million and the sale of unencumbered railcar assets for proceeds of $229 million, representing 95% of our existing railcar assets. In addition, our Aviation portfolio was reduced as a result of approximately $41 million in sales and early termination payments.

7. The strong operating results from our Kessler segment are expected to more than offset the reduction in guidance for our Service Finance segment, which highlights the diversification benefits of having three distinct business platforms.

8. The term senior credit facility was right-sized from $US2.2 billion to US$1.4 billion and extended to December 31, 2021 from December 31, 2020.

1. Adjusted net income is a non-IFRS measure. Please refer to the "Reconciliation of Non-IFRS to IFRS Measures" section in this MD&A for a reconciliation to net income

2. This is a non-IFRS measures. Please refer to the "Non-IFRS and Other Performance Measures" section of this MD&A for a definition of these measures.

The following table sets forth a summary of the Company's consolidated results from continuing operations for the three-month periods ended September 30, 2018, June 30, 2018 and September 30, 2017 and the nine-month periods ended September 30, 2018 and September 30, 2017, 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 nine-month period ended	
(in 000's for stated values, except percent, ratio and per share amounts)	**September 30, 2018** $	June 30, 2018 $	September 30, 2017 $	**September 30, 2018** $	September 30, 2017 $
Select metrics					
Originations	**508,950**	505,210	90,709	**1,363,326**	154,069
Average earning assets - Owned (1)	**1,307,143**	1,225,134	1,960,591	**1,238,569**	2,276,811
Average earning assets - Managed and advisory (1)	**28,628,539**	11,600,345	1,007,378	**28,292,448**	1,007,378
Period end earning assets - Owned	**667,581**	1,312,128	1,156,556	**667,581**	1,156,556
Period end earning assets - Managed and advisory	**28,774,422**	28,183,311	1,022,854	**28,774,422**	1,022,854
Operating highlights:					
Portfolio origination services	**22,580**	20,969	1,623	**56,981**	1,623
Portfolio management services	**22,170**	12,114	1,520	**42,864**	1,520
Portfolio advisory services	**18,130**	4,389	—	**22,519**	—
Total portfolio revenue	**62,880**	37,472	3,143	**122,364**	3,143
Interest income and rental revenue	**21,141**	22,065	37,655	**65,541**	136,499
Other revenue	**1,612**	2,125	2,091	**5,376**	7,804
	85,633	61,662	42,889	**193,281**	147,446
Operating expenses	**34,696**	25,013	8,467	**80,976**	26,056
Provision for credit losses	**35**	43	65	**131**	1,484
EBITDA (1)	**50,902**	36,606	34,357	**112,174**	119,906
Depreciation & amortization	**5,647**	6,633	11,411	**19,511**	38,086
Interest expense	**12,620**	10,287	14,577	**31,212**	50,480
Adjusted operating income before tax (1)	**32,635**	19,686	8,369	**61,451**	31,340
Non-operating items:					
Share-based compensation	**4,898**	2,550	1,370	**10,858**	5,286
Amortization of intangibles	**4,287**	3,037	—	**10,478**	—
Business acquisition costs	**—**	13,143	14,940	**13,393**	14,940
Separation and reorganization costs	**—**	—	—	**—**	1,947
Loss on business disposals and assets held-for-sale	**98,910**	—	62,827	**98,910**	61,103
Non-controlling interest	**5,349**	—	—	**5,349**	—
	113,444	18,730	79,137	**138,988**	83,276
Net (loss) income before income taxes from continuing operations	**(80,809)**	956	(70,768)	**(77,537)**	(51,936)
Income tax expense (recovery)	**(23,326)**	(1,693)	(27,660)	**(24,857)**	(26,034)
Net (loss) income from continuing operations	**(57,483)**	2,649	(43,108)	**(52,680)**	(25,902)
Net income (loss) from discontinued operations	**—**	—	2,461	**1,137**	94,321
Net (loss) income for the period	**(57,483)**	2,649	(40,647)	**(51,543)**	68,419
Weighted Average number of shares outstanding	**326,888**	336,166	385,887	**342,880**	387,185
Earnings per share [basic] - continuing operations	**$ (0.18)**	$ —	$ (0.12)	**$ (0.18)**	$ (0.08)
Non-IFRS Measures					
Adjusted operating results:					
EBITDA (1)	**50,902**	36,606	34,357	**112,174**	119,906
Adjusted operating income before tax (1)	**32,635**	19,686	8,369	**61,451**	31,340
Non-controlling interest in Kessler	**4,700**	649	—	**5,349**	—
Adjusted operating income before tax (1) - ECN share	**27,935**	19,037	8,369	**56,102**	31,340
Adjusted net income (1)	**23,745**	15,917	15,341	**47,117**	35,820
Adjusted net income applicable to common shareholders (1)	**21,298**	13,448	12,787	**39,681**	29,997
Adjusted net income per share [basic] (1)	**$0.07**	$0.05	$0.04	**$0.14**	$0.09
Adjusted net income applicable to common shareholders per share [basic] (1)	**$0.07**	$0.04	$0.03	**$0.12**	$0.08

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

The following discussion relates to the results of operations for the three and nine-month period ended September 30, 2018 presented on a continuing operations basis.

Q3 2018 vs Q2 2018

The Company reported a consolidated net loss of $57.5 million for the quarter ended September 30, 2018, compared to net income of $2.6 million for the three-month period ended June 30, 2018. Net loss in the current quarter reflects the $73.2 million after-tax loss on railcar assets held-for sale, $4.3 million in amortization of intangible assets related to the acquisitions of Service Finance and Triad and $4.9 million in share-based compensation expense.

Adjusted net income[1] and adjusted net income per share[1] was $23.7 million or $0.07 per share for the quarter ended September 30, 2018, compared to $15.9 million or $0.05 per share for the immediately preceding quarter. Adjusted operating income before tax[1] was $32.6 million for the quarter ended September 30, 2018, compared to $19.7 million in the immediately preceding quarter. The increase in adjusted operating income before tax compared to the second quarter of 2018 primarily reflects the first full quarter of operating results from Kessler.

The Company reported total originations of $509.0 million in the third quarter of 2018, compared to $505.2 million in the immediately preceding quarter. Current quarter originations include $ 362.2 million from Service Finance and $146.8 million from Triad.

EBITDA[1] of $50.9 million in the current quarter was up 39.1% compared to the immediately preceding quarter. The increase compared to the prior quarter primarily reflects a full quarter of operating results from Kessler in the third quarter.

Operating expenses were $34.7 million in the current quarter, compared to $25.0 million for the prior quarter. Higher operating expenses compared to the second quarter 2018 are primarily due to the inclusion of a full quarter of Kessler operating expenses.

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

The table below illustrates the Company's operating expenses for the third quarter of 2018 and comparative periods:

(in 000's for stated values)	**September 30, 2018**	**June 30, 2018**	**September 30, 2017**
Service Finance	**5,616**	6,536	1,038
Triad	**7,281**	6,957	—
Kessler	**12,030**	3,073	—
Rail Finance	**1,317**	1,293	2,428
Aviation Finance	**1,753**	1,139	949
Business operating expenses	**27,997**	18,998	4,415
Corporate operating expenses	**6,699**	6,015	4,052
Total operating expenses	**34,696**	25,013	8,467

The effective tax rate on adjusted operating income before tax decreased from 16.4% in the second quarter of 2018 to 15.0% in the third quarter of 2018 primarily as a result of the first full quarter of Kessler operations.

Q3 AND YTD 2018 vs Q3 AND YTD 2017

Results of continuing operations for the three and nine-month periods ended September 30, 2018 were net loss of $57.5 million and $52.7 million, respectively, compared to a net loss of $43.1 million and $25.9 million, respectively, for the same prior year periods. The increase in net loss compared to the prior year quarter was primarily due to the loss on railcar assets held-for-sale. The increase in net loss compared to the prior year-to-date was primarily due to the loss on railcar assets held-for-sale in the third quarter 2018, partially offset by the addition of the Service Finance, Triad and Kessler segments, and the impact of the sale of approximately 65% of our railcar portfolio ("Railcar Dispositions") in the third quarter of 2017.

Adjusted net income[1] was $23.7 million and $47.1 million for the quarter and year-to-date periods ended September 30, 2018, respectively, compared to $15.3 million and $35.8 million for the comparable prior year periods. The increases compared to the prior year reflect the impact of the Service Finance, Triad and Kessler segments, partially offset by lower contributions from our legacy businesses.

Total originations from continuing operations for the three and nine-month periods ended September 30, 2018 were $509.0 million and $1,363.3 million, respectively, compared to $90.7 million and $154.1 million for the comparable prior year periods. The quarterly and year-to-date increase in originations is primarily from the Service Finance and Triad segments.

EBITDA[1] for the three and nine-month periods ended September 30, 2018 was $50.9 million and $112.2 million, respectively, compared to $34.4 million and $119.9 million for the same prior year periods. The increase in EBITDA[1] compared to the prior year quarter reflects the strong performance of the Service Finance, Triad and Kessler segments in the third quarter of 2018 offset slightly by the impact of the Railcar Dispositions in the third quarter of 2017.

Operating expenses of $34.7 million and $81.0 million for the three and nine-month periods ended September 30, 2018, respectively, were up compared to the $8.5 million and $26.1 million reported for the same prior year periods. The increase in operating expenses compared to the prior year periods is primarily related to the addition of the Service Finance, Triad and Kessler segments, partially offset by lower operating expenses in the Rail segment subsequent to the Railcar Dispositions.

The effective tax rate on adjusted operating income from continuing operations for the three and nine-month periods ended September 30, 2018 were 15.0% and 16.0% respectively, compared to 21.5% and 20.2% for the comparable prior year periods. The lower rates compared to the prior year periods is primarily due to an increase in operating income levels from our U.S. operations.

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

Business Segment Results

RESULTS OF SERVICE FINANCE - UNSECURED CONSUMER LOAN PORTFOLIOS

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 September 30, 2018 and June 30, 2018, the period from September 8 to September 30, 2017 , and the nine-month period ended September 30, 2018.

	For the three-month period ended		For the period ended	For the nine-month period ended
	September 30, 2018	June 30, 2018	September 30, 2017	**September 30, 2018**
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**
Select metrics				
Originations	**362,166**	355,369	49,021	**959,236**
Managed Assets, Period End	**1,621,067**	1,419,064	1,022,854	**1,621,067**
Managed Assets, Period Average	**1,527,972**	1,327,903	1,007,378	**1,339,743**
Operating results				
Revenue	**20,992**	20,559	3,189	**56,310**
Operating expenses	**5,616**	6,536	1,038	**18,104**
EBITDA (1)	**15,376**	14,023	2,151	**38,206**
Interest & depreciation expense	**1,481**	831	14	**2,755**
Adjusted operating income before tax (1)	**13,895**	13,192	2,137	**35,451**

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

Service Finance - Unsecured Consumer Loan Portfolios Segment

In the third quarter, Service Finance generated approximately $362 million in originations, which represents an increase of over 45% versus the comparable quarter in 2017[2], and an increase of approximately 2% compared to the second quarter of 2018.

Historically, originations have followed a seasonal pattern. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)[2]								
Q3, 2016	Q4, 2016	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017	Q1, 2018	Q2, 2018	Q3, 2018
167	138	135	221	249	213	242	355	362

EBITDA and adjusted operating income before tax were $15.4 million and $13.9 million respectively, compared to $14.0 million and $13.2 million recorded in the prior quarter and $8.5 million and $8.4 million, respectively, for Service Finance results for the full third quarter of 2017.[2] EBITDA margins increased slightly to 73.2% in the third quarter of 2018, compared to 68.2% in the second quarter of 2018, primarily due to the increase in originations, resulting in increased revenues.

(2) Includes results from periods prior to the Company's acquisition of Service Finance on September 7, 2017.

Our original guidance for 2018 reflected total originations of $1.365 billion, consisting of $1.135 billion in core originations and $230 million in new channel originations, which represents growth of approximately 67% compared to Service Finance's total originations in 2017. The mix between core and new channel originations will change overtime and are a function of strategic decisions and market conditions. The Company is focused on growing the operating earnings of the segment. Consequently, going forward the Company will only provide guidance on total originations and the overall profitability of the segment as measured by EBITDA and adjusted operating income before tax.

In the third quarter of 2018, we had two vendor matters that will impact originations in both the third and fourth quarters of 2018. As a result, our total 2018 originations for Service Finance are expected to be approximately $1.25 billion, an 8% reduction from our guidance of $1.365 billion, but still an increase of approximately 53% over 2017.

The origination guidance change is attributable to the following matters:

1. The bankruptcy of Sears Inc. ("Sears") has effectively reduced originations from its Sears Home Improvement Services subsidiary to zero starting in the third quarter. Service Finance appropriately began reducing its exposure to Sears starting in early 2018. Consequently, Service Finance's Bank Partners have suffered no losses due to this bankruptcy. We expect to regain this business again in 2019 as the contractors that have been working under the Sears brand relocate to other dealer platforms that have loan origination relationships with Service Finance.

2. Lennox International Inc. had a significant HVAC manufacturing facility temporarily closed due to a tornado on July 19, 2018. The facility is expected to resume production in early 2019.

As a result of the decrease in total originations, we now expect adjusted operating income before tax for our Service Finance segment to be approximately $51 million in 2018, which represents growth of approximately 60% compared to Service Finance's results in 2017.

RESULTS OF TRIAD - SECURED CONSUMER LOAN PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Triad segment, for the three-month periods ended September 30, 2018 and June 30, 2018 and the nine-month periods ended September 30, 2018.

	For the three-month period ended		For the nine-month period ended
	September 30, 2018	June 30, 2018	**September 30, 2018**
(in 000's for stated values, except percent amounts)	**$**	$	**$**
Select metrics			
Originations	**146,784**	149,841	**390,643**
Managed Assets, Period End	**2,157,244**	2,074,247	**2,157,244**
Managed Assets, Period Average	**2,132,242**	2,042,442	**2,053,961**
Operating results			
Revenue	**14,012**	13,695	**36,162**
Operating expenses	**7,281**	6,957	**20,179**
EBITDA (1)	**6,731**	6,738	**15,983**
Interest and depreciation expense	**736**	421	**1,299**
Adjusted operating income before tax (1)	**5,995**	6,317	**14,684**

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

Triad - Secured Consumer Loan Portfolios Segment

Total originations in the third quarter of 2018 of $146.8 million represent an increase of 14.0% compared to the same quarter in 2017 and a decrease of 2% from the immediately preceding quarter, as the second quarter of 2018 was a record setting quarter for originations at Triad. The origination results reflect the strong underlying fundamentals of the manufactured housing industry.

Traditionally, this business is impacted by seasonality. This is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)[2]								
Q3, 2016	Q4, 2016	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017	Q1, 2018	Q2, 2018	Q3, 2018
117	104	92	126	129	119	94	150	147

(2) Includes results from periods prior to the Company's acquisition of Triad on December 29, 2017.

EBITDA and adjusted operating income before tax were $6.7 million and $6.0 million, in the third quarter of 2018 compared to $6.7 million and $6.3 million, respectively in the second quarter of the year. The Company continues to expect total originations of $530 million and adjusted operating income before tax of $20 million in 2018.

RESULTS OF KESSLER - CONSUMER CREDIT CARD PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Kessler segment, for the three-month period ended September 30, 2018, the one-month period ended June 30, 2018 and the four-month period ended September 30, 2018.

	For the three-month period ended	For the one-month period ended	**For the four-month period ended**
	September 30, 2018	June 30, 2018	**September 30, 2018**
(in 000's for stated values, except percent amounts)	**$**	$	**$**
Operating results			
Revenue	**33,447**	5,666	**39,113**
Operating expenses	**12,030**	3,073	**15,103**
EBITDA (1)	**21,417**	2,593	**24,010**
Interest and depreciation expense	**674**	73	**747**
Adjusted operating income before tax (1) - 100% basis	**20,743**	2,520	**23,263**
Non-controlling interest in Kessler	**4,700**	649	**5,349**
Adjusted operating income before tax (1) - ECN Share	**16,043**	1,871	**17,914**

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

Kessler - Consumer Credit Card Portfolios Segment

The Company's investment in Kessler closed on May 31, 2018, and consequently the operating results for the quarter ended June 30, 2018 reflected one month of operating results. EBITDA was approximately $21.4 million and adjusted operating income before tax was about $20.7 million for the quarter ended September 30, 2018, and reflects strong performance from its portfolio advisory and strategic partnership business unit. Kessler earned approximately $16.6 million in portfolio advisory fees on four different transactions, compared to nil in the second quarter. The Company's share of the adjusted operating income before tax for the quarter ended September 30, 2018 was $16.0 million.

As a result of the strong performance from portfolio advisory in the third quarter, we now expect Kessler to exceed original guidance.

RESULTS OF RAIL FINANCE OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from the Rail Finance segment, for the three-month periods ended September 30, 2018, June 30, 2018 and September 30, 2017 and the nine-month periods ended September 30, 2018 and September 30, 2017.

	For the three-month period ended			For the nine-month period ended	
	September 30, 2018	June 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Select metrics					
Originations	**—**	—	41,688	**13,448**	105,048
Average earning assets - Owned (1)	**686,010**	688,304	1,397,374	**687,706**	1,624,612
Operating results					
Rental revenue, net	**10,818**	12,791	26,606	**35,496**	99,534
Syndication and other revenue	**(24)**	990	(216)	**993**	1,522
	10,794	13,781	26,390	**36,489**	101,056
Operating expenses	**1,317**	1,293	2,428	**4,028**	9,350
EBITDA (1)	**9,477**	12,488	23,962	**32,461**	91,706
Depreciation of equipment under operating lease/ other	**3,739**	3,903	7,123	**11,456**	25,296
Interest expense	**2,881**	2,911	9,074	**8,719**	34,019
Adjusted operating income before tax (1)	**2,857**	5,674	7,765	**12,286**	32,391
Select operating ratios (2)					
Rental revenue	**6.31 %**	7.43%	7.62 %	**6.88%**	8.17%
Other revenue	**(0.01)%**	0.58%	(0.06)%	**0.19%**	0.12%
	6.29 %	8.01%	7.55 %	**7.07%**	8.29%
Operating expenses	**0.77 %**	0.75%	0.70 %	**0.78%**	0.77%
EBITDA	**5.53 %**	7.26%	6.86 %	**6.29%**	7.53%
Depreciation of equipment under operating lease/ other	**2.18 %**	2.27%	2.04 %	**2.22%**	2.08%
Interest expense	**1.68 %**	1.69%	2.60 %	**1.69%**	2.79%
Adjusted operating income before tax	**1.67 %**	3.30%	2.22 %	**2.38%**	2.66%

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.
(2) Yield as a percent of average earning assets.

Rail Finance

The Company's Rail Finance business unit reported adjusted operating income before tax of $2.9 million for the quarter ended September 30, 2018 compared to $5.7 million in the immediately preceding quarter and $7.8 million for the comparable prior year period. The decrease compared to the immediately preceding quarter is largely due to lower rental revenues as a result of elevated redeployment and maintenance costs in addition to no syndication income in the third quarter of 2018. The decrease in segment income compared to the same prior year period was primarily due to the impact of the Railcar Dispositions in the third quarter of 2017.

ECN Capital is focused on winding down its legacy Rail Finance business in order to release capital that can be redeployed into our core businesses or returned to shareholders. On October 17, 2018, ECN Capital closed its previously announced transaction to sell 55% of existing railcar assets to affiliates of Trinity Industries Leasing Company for proceeds of $360 million. 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.

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, which accordingly have been classified as assets held-for-sale. 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.

Following these railcar sale transactions, ECN will have disposed of approximately 95% of its Rail assets as reported in the June 30, 2018 balance sheet. As a result, we now expect adjusted operating income before tax to be approximately $13 million to $14 million in 2018.

RESULTS OF AVIATION FINANCE OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from the Aviation Finance segment, for the three-month periods ended September 30, 2018, June 30, 2018 and September 30, 2017 and the nine-month periods ended September 30, 2018 and September 30, 2017.

	For the three-month period ended			For the nine-month period ended	
	September 30, 2018	June 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Select metrics					
Originations	**—**	—	—	**—**	—
Average earning assets - Owned (1)	**339,934**	388,940	563,217	**389,706**	652,199
Operating results					
Interest income and rental revenue	**4,230**	6,437	11,049	**19,634**	36,965
Other revenue	**944**	(90)	(91)	**569**	1,275
	5,174	6,347	10,958	**20,203**	38,240
Operating expenses	**1,753**	1,139	949	**3,844**	4,270
Provision for credit losses	**35**	43	65	**131**	1,484
EBITDA (1)	**3,386**	5,165	9,944	**16,228**	32,486
Depreciation of equipment under operating lease/ other	**1,167**	2,141	3,938	**6,221**	12,143
Interest expense	**(11)**	—	197	**(11)**	1,007
Adjusted operating income before tax (1)	**2,230**	3,024	5,809	**10,018**	19,336
Select operating ratios (2)					
Interest income and rental revenue	**4.98 %**	6.62 %	7.85 %	**6.72 %**	7.56%
Other revenue	**1.11 %**	(0.09)%	(0.06)%	**0.19 %**	0.26%
	6.09 %	6.53 %	7.78 %	**6.91 %**	7.82%
Operating expenses	**2.06 %**	1.17 %	0.67 %	**1.32 %**	0.87%
Provision for credit losses	**0.04 %**	0.04 %	0.05 %	**0.04 %**	0.30%
EBITDA	**3.98 %**	5.31 %	7.06 %	**5.55 %**	6.64%
Depreciation of equipment under operating lease/ other	**1.37 %**	2.20 %	2.80 %	**2.13 %**	2.48%
Interest expense	**(0.01)%**	— %	0.14 %	**— %**	0.21%
Adjusted operating income before tax	**2.62 %**	3.11 %	4.13 %	**3.43 %**	3.95%

(1) For additional information, see descriptions in the "Non-IFRS and Other Performance Measures" section.
(2) Yield as a percent of average earning assets.

Aviation Finance

The Company's Aviation Finance business unit reported adjusted operating income before-tax of $2.2 million for the three-month period ended September 30, 2018 and $10.0 million for the nine-month period ended September 30, 2018 compared to $5.8 million and $19.3 million for the prior year comparable periods. The decrease in the adjusted operating income before tax compared to the second quarter of 2018 reflects lower earning assets as a result of the sale of two aircraft in the immediately preceding quarter for proceeds of approximately $70 million and sale and early termination payments totaling approximately $41 million in the third quarter of 2018. Adjusted net income before tax was also lower compared to the second quarter of 2018 due to the return to services costs associated with a helicopter in inventory in preparation for its eventual sale. The decrease in segment income compared to the third quarter of 2017, primarily reflects the continued runoff and active sell-down of the aviation portfolio after the decision to discontinue new originations in the first quarter of 2016.

The Company remains focused on the orderly wind down of its legacy Aviation Finance business in order to release capital that can be redeployed into our core businesses or returned to shareholders. As a result, the Company continues to explore opportunities to sell these assets where possible in order to accelerate the return of capital from this segment. Consequently, the Company expects earning assets to be in the range of $275 million to $300 million at the end of the year (compared to our original guidance of $460 million average for the year and $420 million at the end of the year), and adjusted operating income before tax to be in the range of $10 million to $12 million.

RESULTS OF CORPORATE SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Corporate segment, for the three-month periods ended September 30, 2018, June 30, 2018 and September 30, 2017 and the nine-month periods ended September 30, 2018 and September 30, 2017.

	For the three-month period ended			For the nine-month period ended	
	September 30, 2018	June 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Operating results					
Interest income	**1,251**	1,883	—	**4,107**	—
Other revenue	**(37)**	(269)	2,352	**897**	4,961
	1,214	1,614	2,352	**5,004**	4,961
Operating expenses	**6,699**	6,015	4,052	**19,718**	11,398
EBITDA (1)	**(5,485)**	(4,401)	(1,700)	**(14,714)**	(6,437)
Depreciation & amortization	**337**	329	336	**999**	633
Interest expense	**7,263**	6,311	5,306	**18,538**	15,454
Adjusted operating income before tax (1)	**(13,085)**	(11,041)	(7,342)	**(34,251)**	(22,524)

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

Corporate

Revenue was $1.2 million for the quarter compared to $1.6 million for second quarter of 2018. Revenue primarily consists of interest on legacy loans and leases and the decrease in the quarter reflects the wind-down of this portfolio.

Operating costs continue to be elevated as we are behind schedule in executing on our corporate cost reduction initiatives. Interest expense increased compared to the second quarter of 2018 as a result of the increase in senior line debt outstanding to fund the investment in Kessler and the NCIB repurchases.

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by vertical, as at September 30, 2018, June 30, 2018 and September 30, 2017.

	September 30, 2018						
(in 000's for stated values, except percentage amounts)	Service Finance $	Triad $	Kessler $	Rail $	Aviation $	Corporate $	Total $
Assets							
Finance assets							
Finance receivables	—	67,534	39,420	1,725	145,750	21,677	**276,106**
Held-for-trading financial assets	181,199	—	—	—	—	—	**181,199**
Equipment under operating leases	—	—	—	36,277	173,999	—	**210,276**
Total finance assets	181,199	67,534	39,420	38,002	319,749	21,677	**667,581**
Retained reserve interest	—	21,152	—	—	—	—	**21,152**
Goodwill and intangible assets	355,743	66,145	252,571	—	—	578	**675,037**
Deferred tax assets	—	—	—	—	—	37,122	**37,122**
Other assets and investments	55,450	51,610	92,907	11,595	67,602	144,124	**423,288**
Asset held-for-sale	—	—	—	592,644	—	4,650	**597,294**
Total Assets	**592,392**	**206,441**	**384,898**	**642,241**	**387,351**	**208,151**	**2,421,474**
Liabilities							
Debt	205,121	62,140	39,420	—	—	349,555	**656,236**
Liabilities held-for-sale	—	—	—	283,933	—	—	**283,933**
Other liabilities	2,054	26,344	101,337	8,240	1,574	89,075	**228,624**
Total Liabilities	**207,175**	**88,484**	**140,757**	**292,173**	**1,574**	**438,630**	**1,168,793**
Earning Assets - Owned and Managed							
Earning assets - owned	181,199	67,534	39,420	38,002	319,749	21,677	**667,581**
Earning assets - managed and advisory	1,621,067	2,157,244	24,996,111	—	—	—	**28,774,422**
Total Earning Assets - Owned and Managed and Advisory	**1,802,266**	**2,224,778**	**25,035,531**	**38,002**	**319,749**	**21,677**	**29,442,003**

Total finance assets for continuing operations were $668 million on September 30, 2018 compared to $1,312 million at June 30, 2018 , and $1,157 million at September 30, 2017 . The decrease compared to the prior year reflects the impact of the Railcar Dispositions and the runoff of the aviation portfolio. The total finance assets balance at September 30, 2018 includes $181.2 million in home improvement loans, which are classified as held for trading. Total finance assets also includes finance receivables of $67.5 million attributable to secured floorplan loans issued by Triad in order to drive growth in manufactured housing loan originations and a $39.4 million short duration (weighted average life is approximately 15 months) term senior loan to fund a credit card portfolio purchase for an important Partner. This loan is secured by the underlying portfolio of credit card receivables, will earn an appropriate risk-adjusted return, and will help deepen our relationship with an important Partner.

Earning assets - managed and advisory of $28.8 billion as at September 30, 2018 reflects servicing assets of $1.6 billion in Service Finance, $2.2 billion in managed loans in Triad and $25.0 billion in managed and advisory assets in Kessler.

Debt from continuing operations of $940 million decreased by $79 million compared to September 30, 2017 , largely reflecting proceeds from the sale of the Canada C&V Finance business, partially offset by the draw down on the senior facility to fund the Kessler and Triad acquisitions, and the NCIB and SIB.

	June 30, 2018						
(in 000's for stated values, except percentage amounts)	Service Finance $	Triad $	Kessler $	Rail $	Aviation $	Corporate $	**Total $**
Assets							
Finance assets							
Finance receivables	—	64,599	47,465	5,128	170,248	17,749	**305,189**
Held-for-trading financial assets	128,552	—	—	—	—	—	**128,552**
Equipment under operating leases	—	—	—	676,698	201,689	—	**878,387**
Total finance assets	128,552	64,599	47,465	681,826	371,937	17,749	**1,312,128**
Retained reserve interest	—	19,837	—	—	—	—	**19,837**
Goodwill and intangible assets	353,893	66,455	245,490	—	—	125	**665,963**
Deferred tax assets	—	—	—	—	—	20,944	**20,944**
Other assets and investments	56,543	51,222	80,077	57,171	66,156	140,233	**451,402**
Asset held-for-sale	—	—	—	—	—	7,446	**7,446**
Total Assets	**538,988**	**202,113**	**373,032**	**738,997**	**438,093**	**186,497**	**2,477,720**
Liabilities							
Debt	152,446	68,221	47,465	286,205	—	359,144	**913,481**
Other liabilities	1,656	21,619	100,046	7,636	229	89,307	**220,493**
Total Liabilities	**154,102**	**89,840**	**147,511**	**293,841**	**229**	**448,451**	**1,133,974**
Earning Assets - Owned and Managed							
Earning assets - owned	128,552	64,599	47,465	681,826	371,937	17,749	**1,312,128**
Earning assets - managed	1,419,064	2,074,247	24,690,000	—	—	—	**28,183,311**
Total Earning Assets - Owned and Managed	**1,547,616**	**2,138,846**	**24,737,465**	**681,826**	**371,937**	**17,749**	**29,495,439**

(in 000's for stated values, except percentage amounts)	Service Finance	Rail	Aviation	Corporate	Continuing Operations	Discontinued Operations	Total
	September 30, 2017						
		$	$	$	$	$	$
Assets							
Finance assets							
Finance receivables	—	3,174	326,812	—	**329,986**	842,368	**1,172,354**
Equipment under operating leases	—	641,944	184,626	—	**826,570**	—	**826,570**
Total finance assets		645,118	511,438	—	**1,156,556**	842,368	**1,998,924**
Goodwill and intangible assets	356,737	—	—	3,693	**360,430**	—	**360,430**
Deferred tax assets	—	—	—	14,653	**14,653**	—	**14,653**
Other assets and investments	29,342	92,343	75,867	164,102	**361,654**	—	**361,654**
Total Assets	**386,079**	**737,461**	**587,305**	**182,448**	**1,893,293**	**842,368**	**2,735,661**
Liabilities							
Debt	—	295,148	(956)	725,164	**1,019,356**	—	**1,019,356**
Other liabilities	19,452	18,150	5,158	136,312	**179,072**	—	**179,072**
Total Liabilities	**19,452**	**313,298**	**4,202**	**861,476**	**1,198,428**	**—**	**1,198,428**

Book Value per Share

	Book value per share (C$)	Book value per share (US$)[1]
September 30, 2016	$4.42	$3.37
December 31, 2016	$4.47	$3.35
March 31, 2017	$4.75	$3.57
June 30, 2017	$4.70	$3.63
September 30, 2017	$4.51	$3.62
December 31, 2017	$4.47	$3.56
March 31, 2018	$4.61	$3.58
June 30, 2018	$4.77	$3.63
September 30, 2018	**$4.48**	**$3.47**

1 - Calculated by dividing the Canadian book value per share by the US$ to C$ exchange rate in effect as at the relevant balance sheet date, except March 31, 2018, June 30, 2018 and September 30, 2018 the Canadian book value per share is calculated by multiplying the US$ book value per share by the US$ to C$ exchange rate in effect.

As a result of the completion of the sale of the Company's Canada C&V Finance business in the first quarter of 2018 and the acquisitions of Service Finance, Triad and Kessler, the Company's business operations are conducted primarily in U.S. dollars. Consequently, the Company presents its operating results and financial position in U.S. dollars. This significantly reduces the impact of foreign exchange rate fluctuations between the Canadian and U.S. dollar on the Company's book value per share.

Delinquencies

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

	September 30, 2018		June 30, 2018		September 30, 2017	
	$	**%**	$	%	$	%
Current	**441,896**	**98.11%**	428,917	99.83%	1,112,258	99.82%
31-60 days past due	**1,675**	**0.37%**	106	0.03%	1,172	0.10%
61-90 days past due (1)	**6,829**	**1.52%**	617	0.14%	56	0.01%
Greater than 90 days past due	**—**	**—%**	—	—%	821	0.07%
Total continuing operations	**450,400**	**100.00%**	429,640	100.00%	1,114,307	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.

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 September 30, 2018** **$**	Three-month period ended June 30, 2018 $
Allowance for credit losses, beginning of period	**4,620**	9,163
Provision for credit losses	**35**	43
Charge-offs, net of recoveries	**—**	(4,550)
Impact of foreign exchange	**33**	(36)
Allowance for credit losses, end of period	**4,688**	4,620

The Company's allowance for credit losses was $4.7 million as at September 30, 2018, which is consistent when compared to the $4.6 million reported at June 30, 2018. Overall, the allowance is in-line with management's expectation of losses from the business 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) the secured borrowing facilities; (iii) funding commitments from our Partners; and (iv) equity. The Company's primary use of cash is the funding of its capital allocation priorities, including funding organic growth initiatives for our new businesses, acquisition opportunities, and returning capital to shareholders. The Company manages its capital resources by utilizing the financial leverage available under its term funding and revolving 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 Service Finance and Triad segments have commitments in place to fund their total anticipated loan originations for the next 12 months.

The Company views its financial leverage as a key indicator of the strength of the Company's Consolidated Statements of Financial Position. As at September 30, 2018, the Company's financial leverage ratio was 0.75:1 and its tangible leverage ratio was 1.63:1; well within the covenant of 4:1.

The Company's capitalization for continuing operations is calculated as follows:

		As at		
(in 000's for stated values, except for percentage amounts)		**Sept 30, 2018** **$**	June 30, 2018 $	Sept 30, 2017 $
Total debt	**(a)**	**940,169**	913,481	1,019,356
Shareholders' equity	**(b)**	**1,252,681**	1,343,746	1,537,233
Financial leverage	**(a)/(b)**	**0.75**	0.68	0.66
Goodwill and Intangibles	**(c)**	**675,037**	665,963	360,430
Tangible leverage	**(a)/[(b)-(c)]**	**1.63**	1.35	0.87

The increase in total debt compared to the second quarter of 2018 is primarily due to the NCIB share repurchases.

DEBT AND CONTRACTUAL REPAYMENT OBLIGATIONS

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

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

		As at	
	Sept 30, 2018	June 30, 2018	Sept 30, 2017
(in 000's)	**$**	$	$
Cash and cash equivalents	**67,105**	51,619	19,076
Senior Facilities			
Facilities	**2,200,000**	2,200,000	2,500,000
Utilized against Facility; Continuing operations	**668,232**	640,578	284,012
Utilized against Facility; Discontinued operations	**—**	—	—
	1,531,768	1,559,422	2,215,988
Life Insurance Company Term Funding Facilities			
Facilities	**—**	—	184,359
Utilized against Facility	**—**	—	144,269
	—	—	40,090
Securitization Programs			
Facilities	**—**	—	321,219
Utilized against Facility	**—**	—	308,826
	—	—	12,393
Public Asset-Backed Securities			
Facilities	**283,933**	287,121	296,657
Utilized against Facility	**283,933**	287,121	296,657
	—	—	—
Total available sources of capital, end of period	**1,598,873**	1,611,041	2,287,547
Unutilized Borrowing Facilities (i.e. excl. Cash & Equiv.)	**1,531,768**	1,559,422	2,268,471

The Company had available liquidity of approximately $1.6 billion at September 30, 2018, which was consistent with $1.6 billion at June 30, 2018. Management believes that the available liquidity of $1.6 billion is sufficient to fund operations and growth. This $1.6 billion in liquidity is in addition to the commitments in place to fund loan originations from our Service Finance and Triad business segments.

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 September 30, 2018. Financial information prior to Q4, 2016 has been derived from the historical carve-out combined financial statements of the Company and is prepared as if ECN Capital had operated as a stand-alone entity throughout the reporting periods. 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 volume of leases and loans that the Company has originated; the timing of the major portfolio acquisitions including the railcar portfolios acquired in June 2015, September 2015, December 2015 and March 2016, and subsequent railcar dispositions in August 2017 and September 2017; syndications; the various new vendor and commercial finance programs and relationships entered into; the decision to discontinue originations of the Aviation Finance assets in February 2016; the sale of the U.S. C&V Finance business in March 2017; the acquisition of Service Finance on September 7, 2017; the acquisition of Triad on December 29, 2017, the sale of the Canada C&V Finance business on January 21, 2018 and the related presentation of this business as a discontinued operation effective December 31, 2017, and the investment in Kessler on May 31, 2018.

ECN CAPITAL

(in $ 000's for stated values, except ratio and per share amounts)	**Q3, 2018**	Q2, 2018	Q1, 2018	Q4, 2017	Q3, 2017	Q2, 2017	Q1, 2017	Q4, 2016
Adjusted operating income before tax (1)	**32,635**	19,686	9,129	10,972	8,369	10,504	12,467	18,644
Amortization of intangibles	**4,287**	3,037	3,154	2,615	—	—	—	2,537
Asset valuation reserve	**—**	—	—	19,694	—	—	—	30,197
Share based compensation	**4,898**	2,550	3,410	4,611	1,370	2,300	1,616	1,276
Separation and reorganization costs	**—**	—	—	5,113	—	—	1,947	5,119
Business acquisition costs	**—**	13,143	250	2,368	14,940	—	—	—
Loss (gain) on business disposals	**98,910**	—	—	—	62,827	(1,724)	—	—
Non-controlling interest	**5,349**	—	—	—	—	—	—	—
Net income / (loss) before income taxes	**(80,809)**	956	2,315	(23,429)	(70,769)	9,928	8,904	(20,485)
Net income, continuing operations	**(57,483)**	2,649	2,154	(1,741)	(43,108)	9,446	7,760	(16,369)
Net income, discontinuing operations	**—**	—	1,137	(6,513)	2,460	2,389	89,471	2,337
Net income / (loss) - total	**(57,483)**	2,649	3,291	(8,254)	(40,648)	11,835	97,231	(14,032)
Net earnings per share, basic, continuing operations	**$(0.18)**	$0.00	$0.00	$(0.01)	$(0.12)	$0.02	$0.02	$(0.04)
Adjusted net income	**23,745**	15,917	7,454	10,842	15,342	9,674	10,805	26,946
Adjusted net income, per share (basic)	**$0.07**	$0.05	$0.02	$0.03	$0.04	$0.02	$0.03	$0.07
Adjusted net income applicable to common shareholders per share (basic)	**$0.07**	$0.04	$0.01	$0.02	$0.03	$0.02	$0.02	$0.07
Earning Assets - owned	**667,581**	1,312,128	1,259,534	1,293,607	1,156,556	2,408,940	2,400,950	2,469,864
Earning Assets - managed and advisory	**28,774,422**	28,183,311	3,221,523	3,080,639	1,022,854	—	—	—
Earning assets - total	**29,442,003**	29,495,439	4,481,057	4,374,246	2,179,410	2,408,940	2,400,950	2,469,864
Loan and lease originations, continuing operations	**508,950**	505,210	349,166	249,369	90,709	32,358	31,002	53,477
Allowance for credit losses	**4,688**	4,620	9,163	2,160	5,207	6,445	4,321	10,493
As a % of finance receivables	**1.04%**	1.35%	2.86%	0.55%	0.44%	0.53%	0.36%	0.41%
Term senior credit facility, total	**668,232**	640,578	267,888	444,681	284,012	357,000	1,260,707	1,299,611
Secured borrowings, total	**271,937**	272,903	275,833	697,693	735,344	1,468,582	1,903,360	2,055,264
Total Debt	**940,169**	913,481	543,721	1,142,374	1,019,356	1,825,582	3,164,066	3,354,875
Shareholders' Equity / Owners' Net Investment, total	**1,252,681**	1,343,746	1,441,614	1,498,392	1,537,232	1,557,588	1,458,292	1,360,819
Book value per share (excluding pref. shares), total (2)	**$ 3.47**	$ 3.63	$ 3.58	$ 3.56	$ 3.62	$ 3.63	$ 3.57	$ 3.35

(1) For additional information, see "Non-IFRS and Other Performance Measures" section.
(2) Book value per share prior to the Separation is based on the Element shares outstanding as the Separation resulted in the issuance of 1 Company share for each Element share

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

Adjusted operating income before tax is net income excluding the impact of share-based compensation, separation and reorganization costs, business acquisition costs, loss (gain) on business disposals, impairment charges and asset valuation reserves, amortization of intangible assets acquired in business combinations, deferred purchase consideration, cumulative dividends on preferred shares, loss (income) from discontinued operations and income tax. 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; separation and reorganization costs, business acquisition costs and loss (gain) on business disposals do not relate to continuing operating activities; 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; and 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.

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.

Average earning assets - owned
Average earning assets - owned is the sum of the average finance receivables and average equipment under operating leases.

Average earning assets - managed and advisory
Average earning assets - managed and advisory is the sum of the asset portfolios in the Company's Service Finance, Triad and Kessler 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.

Average equipment under operating leases
Average equipment under operating leases is the daily weighted average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation.

Average finance receivables
Average finance receivables is the daily weighted average finance receivables net investment balance [gross investment less unearned income] outstanding during the period.

Cost of debt
Average cost of borrowing is equal to interest expense divided by the average debt outstanding during the period and is presented on an annualized basis. The average cost of borrowing provides an indication of the average interest rate that the Company pays on debt financing.

Earnings before interest expense, taxes, depreciation and amortization ("EBITDA")
We define EBITDA as net income before interest expense, income tax expense, depreciation and amortization. We believe 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 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 EBITDA eliminates the impact of financing decisions.

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.

Financial leverage or financial leverage ratio
Financial leverage or financial leverage 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. Financial leverage refers to the use of debt to acquire/finance additional finance receivables 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.

Syndication and other income
Syndication and other income consist of syndication fees, capital advisory fees, and other income including gains/losses on foreign exchange.

Provision for credit loss as a percentage of average finance receivables
The provision for credit loss as a percentage of average finance receivables is the provision for credit losses during the period as recorded on the statements of operations divided by the average finance receivables outstanding throughout the period, presented on an annualized basis.

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

RECONCILIATION OF NON-IFRS TO IFRS MEASURES

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for three month periods ended September 30, 2018, June 30, 2018 and September 30, 2017 and the nine-month periods ended September 30, 2018 and September 30, 2017.

	For the three-month period ended			For the nine-month period ended	
(in 000's for stated values, except percent amounts)	**September 30, 2018** $	June 30, 2018 $	September 30, 2017 $	**September 30, 2018** $	September 30, 2017 $
Reported and adjusted measures					
Net (loss) income from continuing operations	**(57,483)**	2,649	(43,108)	**(52,680)**	(25,902)
Adjustments:					
Share-based compensation	**4,898**	2,550	1,370	**10,858**	5,286
Amortization of intangibles	**4,287**	3,037	—	**10,478**	—
Business acquisition costs	**—**	13,143	14,940	**13,393**	14,940
Separation and reorganization costs	**—**	—	—	**—**	1,947
Business disposal (gain) / loss	**98,910**	—	62,827	**98,910**	61,103
Non-controlling interest in Kessler	**5,349**	—	—	**5,349**	—
Provision (recovery)of income taxes	**(23,326)**	(1,693)	(27,660)	**(24,857)**	(26,034)
Adjusted operating income before tax	**32,635**	19,686	8,369	**61,451**	31,340
Non-controlling interest in Kessler	**4,700**	649	—	**5,349**	—
Adjusted operating income before tax - ECN share	**27,935**	19,037	8,369	**56,102**	31,340
Provision/(Recovery) for taxes applicable to adjusted operating income	**4,190**	3,120	(6,972)	**8,985**	(4,480)
Adjusted net income	**23,745**	15,917	15,341	**47,117**	35,820
Cumulative preferred share dividends during the period	**2,447**	2,447	2,554	**7,436**	5,823
Adjusted net income attributable to common shareholders	**21,298**	13,470	12,787	**39,681**	29,997
Per share information					
Weighted Average number of shares outstanding [basic]	**326,887,815**	336,166,139	385,886,570	**342,879,906**	387,184,637
Adjusted net income per share [basic]	**$0.07**	$0.05	$0.04	**$0.14**	$0.09
Adjusted net income applicable to common shareholders per share [basic]	**$0.07**	$0.04	$0.03	**$0.12**	$0.08
Adjusted operating income before tax comprised of:					
Service Finance	**13,895**	13,192	2,137	**35,451**	2,137
Triad	**5,995**	6,317	—	**14,684**	—
Kessler	**16,043**	1,871	—	**17,914**	—
Rail Finance	**2,857**	5,674	7,765	**12,286**	32,391
Aviation Finance	**2,230**	3,024	5,809	**10,018**	19,336
Corporate	**(13,085)**	(11,041)	(7,342)	**(34,251)**	(22,524)
	27,935	19,037	8,369	**56,102**	31,340

Accounting and Internal Control Matters

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in note 2 of our 2017 Annual Consolidated Financial Statements. Certain of these policies, and related estimates and judgements 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 judgements about matters that are inherently uncertain; or there is a reasonable likelihood that material different amounts could be reported under different conditions or using different assumptions and estimates. Our significant accounting judgements, 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, and derecognition of financial assets. 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, judgements, estimates and assumptions. Please refer to note 3 of our 2017 Annual Consolidated Financial Statements for a description of each of our significant accounting judgements, estimates and assumptions.

Effective January 1, 2018, the Company made the following key changes to its significant accounting policies:

Presentation and Functional Currency Change

The Company changed its presentation and functional currency to U.S. dollars from Canadian dollars in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. These changes were made to better align the Company's reported results with it's current business activities and operating environment and coincided with the wind down and sale of its Canadian C&V Finance business in January 2018.

Adoption of IFRS 9, IFRS 9, Financial Instruments ["IFRS 9"]

The Company adopted IFRS 9 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 our opening January 1, 2018 retained earnings.

IFRS 15, Revenue from Contracts with Customers ["IFRS 15"]

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. There was also no impact on the asset origination and asset management services revenues earned by the Company's Service Finance and Triad subsidiaries. However, IFRS 15 did apply to the net revenues earned from the risk-based marketing programs originated by Kessler.

Please refer to note 2 of our September 30, 2018 interim condensed consolidated financial statements for a detailed description of the accounting policy changes.

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 November 12, 2018, the Company had 312,456,142 common shares, 31,752,573 options; 4,000,000 Series A preferred shares, and 4,000,000 Series C preferred shares issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on November 12, 2018.

ecncapitalcorp.com