ECN CAPITAL

Management Discussion & Analysis

DECEMBER 31, 2018

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of ECN Capital Corp. (the "Company" or "ECN Capital") as at and for the year ended December 31, 2018, and should be read in conjunction with the Company's annual audited consolidated financial statements for the two years ended December 31, 2018 (the "2018 Annual Consolidated Financial Statements") and 2017 (the "2017 Annual Consolidated Financial Statements"). 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 February 28, 2019. 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.

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Overview

ABOUT ECN

ECN Capital Corp. [“ECN Capital” or the “Company”] is an asset manager that provides business services to United States ("U.S.") based banks and credit unions (our "Partners") through its portfolio companies. ECN Capital's portfolio companies originate, manage and advise 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 570 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 2018 Annual Consolidated Financial Statements for further details.

Change in Financial Statement presentation and business segments

The Company has reorganized the presentation of its 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 2018 Annual Consolidated Financial Statements for further details.

ECN Capital’s business is conducted through its portfolio 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 reduced operations in three legacy business segments: Rail Finance; Aviation Finance; and Canada C&V ("Legacy Businesses"). Beginning in the fourth quarter 2018, the results of these Legacy Businesses are reported as discontinued operations (including all comparative periods).

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, has transitioned 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 ECN Capital's completed transition away from its legacy on-balance sheet asset management businesses to an asset-light model that provides business services to its Partners through its portfolio companies. 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 ("adjusted 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 adjusted EBITDA is a key measure of the Company's operating performance over the long term and is a useful measure of the Company's ability to generate cash from operations to maintain and grow its core business. Investors and analysts also use adjusted EBITDA as a measure to compare the operating performance and to assess the enterprise value of these businesses as adjusted EBITDA eliminates the impact of financing decisions. We define adjusted 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 adjusted 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

ECN Capital's transition to an asset manager that is balance sheet light is now complete

Over the last year, the Company has transitioned from an on balance sheet asset manager to an asset manager that owns a portfolio of business services providers that operate under a fee-based, asset-light model through which it originates, manages and advises on prime credit portfolios 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 core portfolio companies are: Service Finance, Triad and Kessler. ECN Capital has Managed and Advisory assets of approximately $31 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 - Home improvement loans
- Secured consumer loan portfolios - Manufactured home loans
- Consumer credit card portfolios - Affinity and co-branded credit cards

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

The Company’s portfolio investments are made within these strategic parameters and have demonstrated each of the following value propositions:

- Significant barriers to entry through established long-term regulatory relationships with financial services regulators; strong long-term relationships with the banks, credit unions 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 has successfully reduced its legacy assets from approximately $5 billion at the end of 2016 to approximately $334 million at December 31, 2018. On November 30, 2018, ECN Capital announced that its Board of Directors approved its plan to accelerate the wind down of the remaining Aviation Finance business in 2019. The release of capital from the wind down of these Legacy Businesses will be redeployed into our portfolio companies 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 from 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.

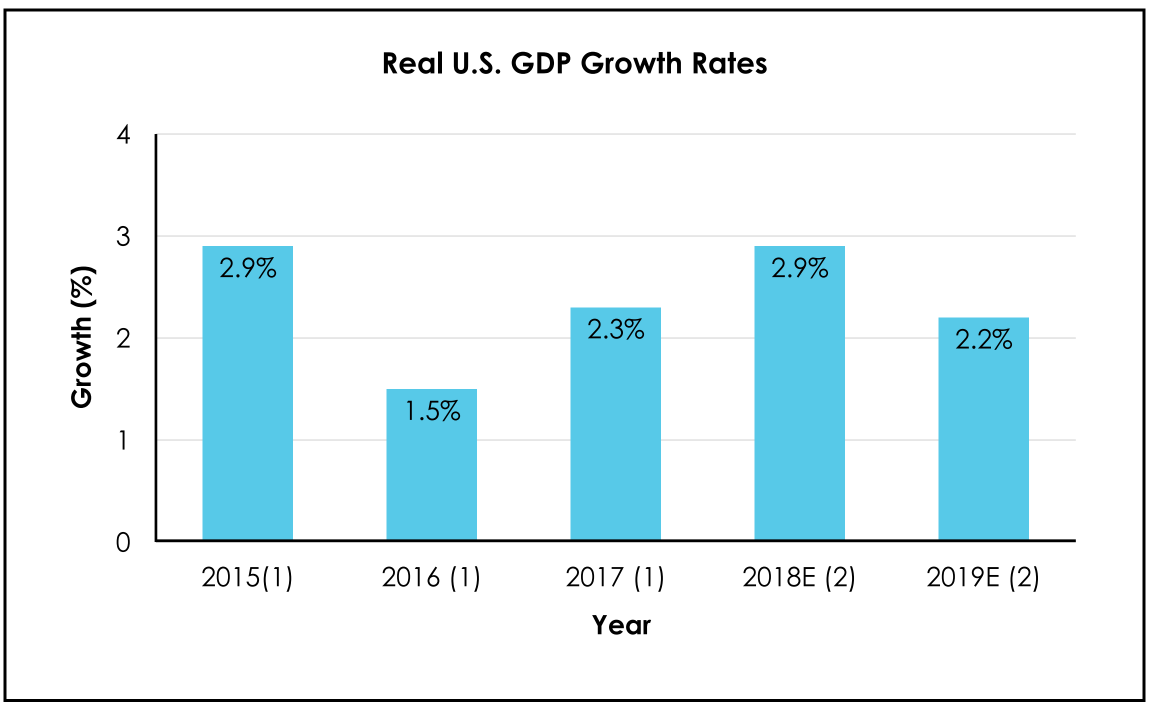
Kessler - Consumer Credit Card Portfolios

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.

MARKET OUTLOOK

With the successful completion of its strategic transition, the Company's future prospects are tied to the general economic outlook of the U.S. The predictions and forecasts in this section are based on information and assumptions from sources we consider reliable. If this information or these assumptions are not accurate, actual economic outcomes may differ materially from the outlook presented in this section.

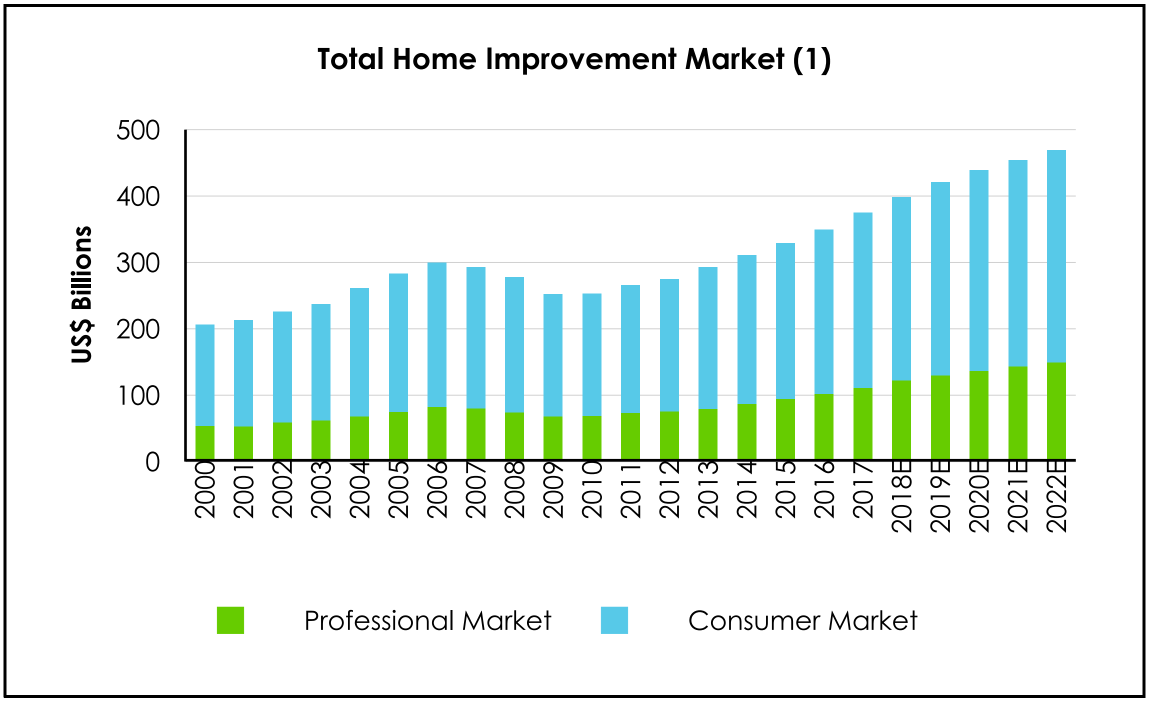
Based on current estimates, the U.S economy is expected to grow by approximately 2.2% in calender 2019. Growth in 2018 was supported by strong consumer spending, reflecting strong income growth supported by solid job gains and wage increases that are broadly based, implying sustainability. We expect these trends to continue into 2019 albeit at a slightly slower pace.



(1) Source: U.S. Bureau of Economic Analysis
(2) Source: The Conference Board

Home Improvement Market

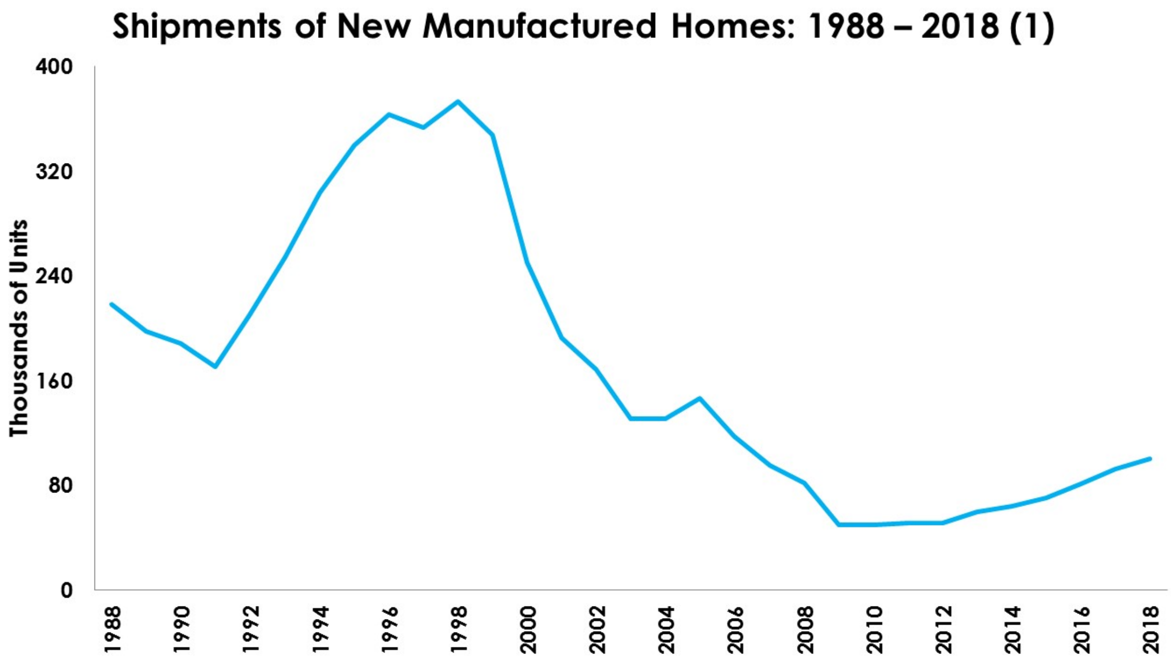
The Home Improvement Research Institute estimates the home improvement market will surpass $420 billion in 2019 and continue to grow thereafter.



(1) Source: Home Improvement Research Institute Forecast Update September 2018

Manufactured Housing Market

Manufactured housing is likely to continue to see increased shipments as rising home costs and interest rates encourage consumers to seek cost effective options. The graph below illustrates the consistent growth in the shipments of new manufactured homes since the great recession. We expect total shipments to increase by approximately 10% in 2019.



(1) Source: Federal Reserve Economic Data – St. Louis Fed as of Q2 2018

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 Corporation for proceeds of approximately $229 million. The Company has recorded a total loss of $52.1 million (after-tax loss of $38.5 million) in the year-ended December 31, 2018, including transaction costs of approximately $3.0 million and the write-off of related prepaid expenses of $6.5 million. The transaction was substantially closed as at December 31, 2018.

On October 17, 2018, the Company closed the previously announced sale of railcar assets to affiliates of Trinity Industries Leasing Company. The Company recorded a total loss of $38.8 million ($28.7 million after-tax) in the year 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.

As at December 31, 2018, only $64.1 million in rail finance assets remained on the Company's balance sheet, $28 million of which were classified as assets held-for-sale.

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.

Sale of Canada C&V Finance Assets

On January 31, 2018, the Company closed the previously announced sale of the Company's Canada C&V Finance assets to CWB Financial Group for cash proceeds of approximately C$843.5 million. The Company recorded a loss of C$10.7 million after-tax in the fourth quarter of 2017 as a result of the transaction, primarily due to the write-off of associated goodwill, break fees on financing arrangements and employee severance costs. In the first quarter of 2018, the Company recognized income from discontinued operations of approximately $1.6 million from these assets prior to the closing of the transaction.

CORPORATE FINANCE DEVELOPMENTS

Senior Credit Facility Update

On December 31, 2018, the Company successfully executed an amendment of its term senior credit facility that extended the maturity date from December 31, 2021 to December 31, 2022. In addition, the size of the facility was further right-sized from $US1.4 billion to US$1.0 billion to reflect liquidity requirements commensurate with our completed transition to capital light businesses.

Substantial Issuer Bid

On January 15, 2019, the Company completed a second modified "Dutch auction" substantial issuer bid ("SIB") to purchase for cancellation up to C$265 million of its outstanding common shares ("Shares") from shareholders for cash. The Company has taken up and paid for 70,666,666 Shares at a price of C$3.75 per share for an aggregate purchase price of approximately C$265 million ($US198.5 million) excluding fees and expenses.

On April 16, 2018, the Company completed its initial modified "Dutch auction" 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.

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 fourth quarter of 2018, the Company purchased 12.6 million common shares for a total of C$43.0 million or C$3.41 per common share pursuant to the NCIB. During the year ended December 31, 2018, the Company purchased 40.0 million common shares for a total of C$146.3 million or C$3.65 per common share under the NCIB.

In aggregate since 2017, under the current and previous NCIB, the Company purchased 51.2 million common shares for a total of C$189.4 million or C$3.70 per common share.

Consolidated Results of Operations

OPERATING HIGHLIGHTS FOR THE FOURTH QUARTER AND FULL YEAR 2018

1. Successfully transitioned its asset management business from a slow growth, balance sheet heavy legacy model to a high growth, balance sheet light business model.

2. Adjusted net income[1] from continuing operations for the quarter ended December 31, 2018 was $17.8 million or $0.05 per common share, exceeding our forecast for the fourth quarter. For the year-ended December 31, 2018, adjusted net income[1] from continuing operations was $46.4 million or $0.11 per common share.

3. Adjusted EBITDA[2] in the fourth quarter of 2018 was $34.1 million, compared to $38.0 million in the third quarter of 2018, primarily due to lower portfolio advisory revenue in our Kessler segment compared to the third quarter, partially offset by higher income in our Service Finance segment. Adjusted EBITDA[2] for the year-ended December 31, 2018 was $97.5 million.

4. Total originations for the quarter ended December 31, 2018 were $463.1 million compared to $509.0 million in the third quarter of 2018. This decrease is in line with historical seasonal patterns. Total originations for the year-ended December 31, 2018 were $1,813.0 million.

5. Managed and advisory portfolios totaled $31.1 billion as at December 31, 2018, compared to $28.8 billion for the immediately preceding quarter.

6. The Company continued to accelerate the disposition of legacy assets with the closing of the sale of its unencumbered railcar assets for proceeds of $229 million.

7. The Company's Aviation portfolio has been designated as held for sale following the Board of Directors' approval of management's plan to accelerate the wind-down of this portfolio within the next 12 months. A one-time valuation charge of $80 million was recorded as a result of this accelerated time line.

8. Completed a second SIB for purchase and cancellation of C$265 million of the Company's Shares from shareholders for cash. The Company has taken up and paid for 70,666,666 Shares at a price of C$3.75 per share for an aggregate purchase price of approximately C$265 million ($US198.5 million) excluding fees and expenses. In conjunction with the first SIB and shares repurchased under our NCIB, the Company has reduced its shares outstanding by approximately 37.5% from the start of year.

9. The term senior credit facility was right-sized from $US1.4 billion to US$1.0 billion and extended to December 31, 2022 from December 31, 2021.

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 December 31, 2018, September 30, 2018 and December 31, 2017 and the years ended December 31, 2018 and December 31, 2017, and is to be read in conjunction with the Company's consolidated financial statements for the same periods.

	For the three-month period ended			For the year period ended	
(in 000's for stated values, except percent, ratio and per share amounts)	**December 31, 2018** $	September 30, 2018 $	December 31, 2017 $	**December 31, 2018** $	December 31, 2017 $
Select metrics					
Originations	**463,120**	508,950	213,360	**1,812,999**	262,381
Average earning assets - Owned (1)	**369,341**	281,200	—	**213,203**	—
Average earning assets - Managed and advisory (1)	**29,925,922**	28,628,539	1,077,666	**28,404,871**	1,060,094
Period end earning assets - Owned	**402,418**	309,831	121,666	**402,418**	121,666
Period end earning assets - Managed and advisory	**31,118,671**	28,774,422	3,080,639	**31,118,671**	3,080,639
Operating highlights:					
Portfolio origination services	**22,261**	22,580	6,874	**79,242**	8,497
Portfolio management services	**27,610**	22,170	6,844	**70,474**	8,364
Portfolio advisory services	**4,255**	18,130	—	**26,774**	—
Total portfolio revenue	**54,126**	62,880	13,718	**176,490**	16,861
Interest income	**7,023**	6,093	—	**17,433**	—
Other revenue	**6,226**	692	2,997	**10,042**	8,004
	67,375	69,665	16,715	**203,965**	24,865
Operating expenses	**33,313**	31,626	10,396	**106,417**	22,832
Adjusted EBITDA (1)	**34,062**	38,039	6,319	**97,548**	2,033
Depreciation & amortization	**729**	740	159	**2,563**	806
Interest expense	**8,748**	9,751	4,849	**31,252**	20,303
Adjusted operating income before tax (1)	**24,585**	27,548	1,311	**63,733**	(19,076)
Non-operating items:					
Share-based compensation	**3,588**	4,882	4,251	**14,338**	8,241
Amortization of intangibles	**6,504**	4,287	2,615	**16,983**	2,615
Business acquisition costs	**—**	—	2,350	**13,404**	17,290
Restructuring costs	**15,485**	54	5,113	**15,539**	7,060
Unrealized loss on economic currency hedge	**4,289**	—	—	**4,289**	—
Non-controlling interest	**4,045**	5,349	—	**9,394**	—
	33,911	14,572	14,329	**73,947**	35,206
Net (loss) income before income taxes from continuing operations	**(9,326)**	12,976	(13,018)	**(10,214)**	(54,282)
Income tax expense (recovery)	**(6,920)**	9,629	(11,445)	**(7,579)**	(47,723)
Net (loss) income from continuing operations	**(2,406)**	3,347	(1,573)	**(2,635)**	(6,559)
Net (loss) income from discontinued operations	**(102,727)**	(60,830)	(6,681)	**(154,042)**	66,723
Net (loss) income for the period	**(105,133)**	(57,483)	(8,254)	**(156,677)**	60,164
Weighted Average number of shares outstanding	**310,990**	326,888	381,670	**334,838**	385,795
Earnings per share [basic] - continuing operations	**$ (0.02)**	$ —	$ (0.01)	**$ (0.04)**	$ (0.04)
Non-IFRS Measures					
Adjusted operating results:					
Adjusted EBITDA (1)	**34,062**	38,039	6,319	**97,548**	2,033
Adjusted operating income before tax (1)	**24,585**	27,548	1,311	**63,733**	(19,076)
Non-controlling interest in Kessler	**2,566**	4,700	—	**7,915**	—
Adjusted operating income before tax (1) - ECN share	**22,019**	22,848	1,311	**55,818**	(19,076)
Adjusted net income (1)	**17,764**	19,471	2,184	**46,436**	(13,693)
Adjusted net income applicable to common shareholders (1)	**15,377**	17,024	(323)	**36,613**	(22,023)
Adjusted net income per share [basic] (1)	**$0.06**	$0.06	$0.01	**$0.14**	-$0.04
Adjusted net income applicable to common shareholders per share [basic] (1)	**$0.05**	$0.05	$0.00	**$0.11**	-$0.06

(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-month period and year ended December 31, 2018 presented on a continuing operations basis.

Q4 2018 vs Q3 2018 AND Q4 2017

The Company reported a consolidated net loss of $105.1 million for the quarter ended December 31, 2018, compared to net income of $57.5 million for the three-month period ended September 30, 2018. Net loss in the current quarter reflects the $80 million valuation reserve on aviation assets held-for sale, a valuation reserve of $14.1 million taken on C&V, $15.5 million restructuring charge related to the relocation of the Company's head office to the U.S., $6.5 million in amortization of intangible assets related to the acquisitions of Service Finance, Triad, and Kessler and $3.6 million in share-based compensation expense.

Adjusted net income[1] and adjusted net income per share[1] was $17.8 million or $0.05 per share for the quarter ended December 31, 2018, compared to $19.5 million or $0.05 per share for the immediately preceding quarter. Adjusted operating income before tax[1] was $24.6 million for the quarter ended December 31, 2018, compared to $27.5 million in the immediately preceding quarter. The decrease in adjusted operating income before tax in the fourth quarter 2018 primarily reflects the strong M&A activity from Kessler in the third quarter.

The Company reported total originations of $463.1 million in the fourth quarter of 2018, compared to $509.0 million in the immediately preceding quarter. Current quarter originations include $ 328.5 million from Service Finance and $134.6 million from Triad.

Adjusted EBITDA[1] of $34.1 million in the current quarter was down 10.5% compared to the immediately preceding quarter. The decrease compared to the prior quarter primarily reflects the strong M&A activity from Kessler in the third quarter.

Operating expenses were $33.3 million in the current quarter, compared to $31.6 million for the prior quarter. Higher operating expenses compared to the third quarter 2018 are primarily due to the higher compensation expense at Service Finance as a result of higher operating income, and elevated corporate expenses.

The effective tax rate on adjusted operating income before tax for continuing operations in the fourth quarter of 2018 was 19.3%, compared to 14.8% in the prior quarter.

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 fourth quarter of 2018 and comparative periods:

(in 000's for stated values)	**December 31, 2018**	**September 30, 2018**	**December 31, 2017**
Service Finance	**7,388**	5,616	5,193
Triad	**7,485**	7,281	—
Kessler	**11,396**	12,030	—
Business operating expenses	**26,269**	24,927	5,193
Corporate operating expenses	**7,044**	6,699	5,203
Total operating expenses	**33,313**	31,626	10,396

2018 vs 2017

Net loss for the year ended December 31, 2018 was $156.7 million compared to net income of $60.2 million for the prior year. The net loss for the year ended December 31, 2018 reflects a loss on sale of railcar assets of $98.9 million, a valuation reserve of $80 million taken on aviation assets, a valuation reserve of $14.1 million taken on C&V, a restructuring charge of $15.5 million, transaction costs of $13.4 million, and amortization of intangible assets of $17.0 million. These losses were partially offset by a full year of operating results from our Service Finance and Triad segments and seven months of results from our Kessler segment.

Adjusted net income[1] was $46.4 million for the year ended December 31, 2018, compared to an adjusted net loss of $13.7 million in the comparable 2017 year end. The increases compared to the prior year reflect the impact of the Service Finance, Triad and Kessler segments.

Total originations from continuing operations for the year ended December 31, 2018 was $1,813.0 million compared to $262.4 million for the comparable prior year end. The increase in originations is from a full year of results from the Service Finance and Triad segments.

Adjusted EBITDA[1] for the year ended December 31, 2018 was $97.5 million compared to $2.0 million for the same prior year end. The increase in adjusted EBITDA[1] compared to the prior year reflects the addition of the Service Finance, Triad and Kessler segments.

Operating expenses of $106.4 million for the year ended December 31, 2018, was up compared to the $22.8 million reported for the comparable prior year end due to the addition of the Service Finance, Triad and Kessler segments.

The effective tax rate on adjusted operating income from continuing operations for the year ended December 31, 2018 was 16.8% compared to a tax recovery rate of 28.2% for the comparable prior year end. The lower rate compared to the prior year 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.

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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 December 31, 2018, September 30, 2018, and December 31, 2017, and the year ended December 31, 2018 and for the period September 7, 2017 to December 31, 2017.

	For the three-month period ended			For the year ended	
(in 000's for stated values, except percent amounts)	**December 31, 2018** **$**	September 30, 2018 $	December 31, 2017 $	**December 31, 2018** **$**	December 31, 2017 $
Select metrics					
Originations	**328,472**	362,166	213,360	**1,287,708**	262,381
Managed Assets, Period End	**1,768,375**	1,621,067	1,122,088	**1,768,375**	1,122,088
Managed Assets, Period Average	**1,686,360**	1,527,972	1,077,666	**1,424,714**	1,060,094
Operating results					
Revenue	**25,254**	20,992	13,903	**81,563**	17,092
Operating expenses	**7,388**	5,616	5,193	**25,492**	6,231
Adjusted EBITDA (1)	**17,866**	15,376	8,710	**56,072**	10,861
Interest & depreciation expense	**1,983**	1,481	120	**4,737**	134
Adjusted operating income before tax (1)	**15,883**	13,895	8,590	**51,334**	10,727

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

Service Finance - Unsecured Consumer Loan Portfolios Segment

Adjusted EBITDA and adjusted operating income before tax for the fourth quarter were $17.9 million and $15.9 million respectively, compared to $15.4 million and $13.9 million recorded in the prior quarter and $8.7 million and $8.6 million, respectively, for the fourth quarter of 2017. Adjusted EBITDA margins decreased slightly to 70.7% in the fourth quarter of 2018, compared to 73.2% in the third quarter of 2018, primarily due to the higher mix of solar loan originations in the fourth quarter. The adjusted operating income before tax for the full year was $51.3 million which is in line with the updated forecast the Company provided in the third quarter of $51 million.

In the fourth quarter, Service Finance generated approximately $328 million in originations, which represents an increase of over 54% versus the comparable quarter in 2017, and a decrease of approximately 9% compared to the seasonally stronger third quarter of 2018.

For the full year, originations for Service Finance were approximately $1,288 million, which is in line with the updated forecast provided in the third quarter of $1,250 million and up 59% compared to total full year originations of $818 million in 2017. Average managed assets in the fourth quarter were $1,686 million and managed assets as at December 31, 2018 were $1,768 million.

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]								
Q4, 2016	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017	Q1, 2018	Q2, 2018	Q3, 2018	Q4, 2018
138	135	221	249	213	242	355	362	328

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

Despite the strong year-over-year originations growth, our 2018 results were impacted by two vendor matters which we previously reported on in the third quarter 2018. Service Finance is well positioned to continue growing in 2019 and we expect total originations in 2019 to exceed our 2018 origination results by approximately 32% in 2019. Please see the table below for the Company's 2019 outlook for the Service Finance segment.

Service Finance - Unsecured Consumer Loan Portfolios 2019 Outlook

	2019 Forecast Range	
Select Metrics (US$ millions)		
Originations	**1,600**	**1,800**
Managed and advised portfolio (period end)	**2,500**	**2,700**
Income Statement (US$ millions)		
Revenue	**96**	**101**
Adjusted EBITDA	**66**	**70**
Adjusted Operating Income Before Tax	**62**	**66**
Adjusted EBITDA margin	**~69%**	**~69%**

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 December 31, 2018 and September 30, 2018 and the year ended December 31, 2018.

	For the three-month period ended		For the year ended
	December 31, 2018	September 30, 2018	**December 31, 2018**
(in 000's for stated values, except percent amounts)	**$**	$	**$**
Select metrics			
Originations	**134,648**	146,784	**525,291**
Managed Assets, Period End	**2,165,520**	2,157,244	**2,165,520**
Managed Assets, Period Average	**2,163,765**	2,132,242	**2,081,412**
Operating results			
Revenue	**13,402**	14,012	**49,564**
Operating expenses	**7,485**	7,281	**27,663**
Adjusted EBITDA (1)	**5,917**	6,731	**21,901**
Interest and depreciation expense	**746**	736	**2,045**
Adjusted operating income before tax (1)	**5,171**	5,995	**19,856**

(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 fourth quarter of 2018 of $134.6 million represent a decrease of 8.3% compared to the immediately preceding quarter reflecting the seasonality of the business. Compared to the fourth quarter 2017, originations increased by 13.1%.Total originations for 2018 were $525.3 million, which is in line with the Company's original guidance expectation of $530 million. The origination results for 2018 reflect the strong underlying fundamentals of the manufactured housing industry.

The seasonality of the manufactured housing industry is illustrated in the table below which shows originations for each of the most recent quarters:

Originations (US$ millions)[2]								
Q4, 2016	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017	Q1, 2018	Q2, 2018	Q3, 2018	Q4, 2018
104	92	126	129	119	94	150	147	135

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

Adjusted EBITDA and adjusted operating income before tax were $5.9 million and $5.2 million, in the fourth quarter of 2018 compared to $6.7 million and $6.0 million, respectively in the third quarter of the year. The decrease in adjusted EBITDA is primarily due to a decrease in originations, resulting in lower revenues. The adjusted operating income before tax for the full year was $19.9 million, which is in line with the Company's original guidance of $20 million for 2018.

The Company expects Triad to provide consistent earnings contributions with the Floorplan initiatives leading to increased core market share, and new originations through increasing shipment rates in the Manufactured Housing Industry. Please see the table below for the Company's 2019 outlook for the Triad segment.

Triad - Secured Consumer Loan Portfolios 2019 Outlook

	2019 Forecast Range	
Select Metrics (US$ millions)		
Total Originations	**600**	**620**
Floorplan line utilized	**100**	**110**
Managed & advised portfolio (period end)	**2,500**	**2,600**
Income Statement (US$ millions)		
Revenue	**55**	**60**
Adjusted EBITDA	**26**	**30**
Adjusted Operating Income Before Tax	**22**	**25**
Adjusted EBITDA margin	**~47%**	**~50%**

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 December 31, 2018 and September 30, 2018, and for the period May 31, 2018 to December 31, 2018.

	For the three-month period ended		For the year ended
	December 31, 2018	September 30, 2018	**December 31, 2018**
(in 000's for stated values, except percent amounts)	**$**	$	**$**
Operating results			
Revenue	**23,066**	33,447	**62,179**
Operating expenses	**11,396**	12,030	**26,499**
Adjusted EBITDA (1)	**11,670**	21,417	**35,680**
Interest and depreciation expense	**591**	674	**1,338**
Adjusted operating income before tax (1) - 100% basis	**11,079**	20,743	**34,342**
Non-controlling interest in Kessler	**2,566**	4,700	**7,915**
Adjusted operating income before tax (1) - ECN Share	**8,513**	16,043	**26,427**

(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 year ended December 31, 2018 reflect just seven months of operating results. For the fourth quarter of 2018, Adjusted EBITDA was approximately $11.7 million and adjusted operating income before tax was $8.5 million compared to $20.7 million and $16.0 million, respectively for the immediately preceding quarter. The decrease in adjusted EBITDA from the prior quarter reflects the approximately $16.6 million in portfolio advisory fees Kessler earned on four different transactions in the third quarter. The Company's share of the adjusted operating income before tax for the quarter ended December 31, 2018 was $8.5 million. For year to date December 31, 2018, the adjusted operating income before tax was $26.4 million, which exceeded our previously announced guidance.

In the fourth quarter of 2018, Kessler completed a restructuring of its Partnership agreement with a significant strategic partner. As a result, Kessler received an up front payment of approximately $83 million, which will be recognized as revenue over the 5 year contractual term. In addition, key termination provisions were removed from the contract and Kessler gained the ability to earn incremental revenues on divestitures and renewals.

Kessler - Consumer Credit Card Portfolios 2019 Outlook

The Company expects strong performance from Kessler in 2019 as the segment entered into an expanded strategic partnership agreement with a significant long-term client and continued growth from the risk-based marketing business. Please see the table below for the Company's 2019 outlook for the Kessler segment.

	2019 Forecast Range	
<u>Income Statement (US$ millions)</u>		
Revenue	**86**	**90**
Adjusted EBITDA	**45**	**48**
Adjusted Operating Income Before Tax (100%)	**42**	**45**
Adjusted Operating Income Before Tax (ECN share)	**32**	**34**
Adjusted EBITDA margin	**~52%**	**~53%**

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 December 31, 2018, September 30, 2018 and December 31, 2017 and the year ended December 31, 2018 and December 31, 2017.

	For the three-month period ended			For the year ended	
	December 31, 2018	September 30, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
(in 000's for stated values, except percent amounts)	**$**	**$**	**$**	**$**	**$**
Operating results					
Interest income	**1,380**	1,251	—	**5,488**	—
Other revenue	**4,273**	(37)	2,812	**5,171**	7,773
	5,653	1,214	2,812	**10,659**	7,773
Operating expenses	**7,044**	6,699	5,203	**26,763**	16,601
Adjusted EBITDA (1)	**(1,391)**	(5,485)	(2,391)	**(16,104)**	(8,828)
Depreciation & amortization	**359**	337	102	**1,358**	735
Interest expense	**5,798**	7,263	4,786	**24,337**	20,240
Adjusted operating income before tax (1)	**(7,548)**	(13,085)	(7,279)	**(41,799)**	(29,803)

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

Corporate

Revenue was $5.7 million for the quarter compared to $1.2 million for third quarter of 2018. Revenue primarily consists of interest on legacy corporate loans and the net realized gains on the disposition of legacy corporate investments.

Operating costs continue to be elevated due to corporate cost reduction initiatives we expect to execute in early 2019. Interest expense decreased compared to the third quarter of 2018 as a result of the repayment of the senior line debt with proceeds from the dispositions of railcar assets in the fourth quarter.

RESULTS OF DISCONTINUED OPERATIONS

On November 30, 2018, the Company's Board of Directors approved management's formal proposal to accelerate the wind-down of the remaining Aviation and Rail Finance businesses in 2019. Accordingly, the Company has classified its Legacy Businesses as discontinued operations for the years ended December 31, 2018 and 2017. The following table sets forth a summary of the Company's select metrics and results from the discontinued operations, for the three-month periods ended December 31, 2018, September 30, 2018 and December 31, 2017 and the year ended December 31, 2018 and December 31, 2017.

	For the three-month period ended			For the year ended	
(in 000's for stated values, except percent amounts)	**December 31, 2018 $**	September 30, 2018 $	December 31, 2017 $	**December 31, 2018 $**	December 31, 2017 $
Select metrics					
Reported and adjusted measures					
Net (loss) income from discontinuing operations	**(102,727)**	(60,830)	(6,681)	**(154,042)**	66,723
Adjustments:					
Share-based compensation	**159**	15	1,167	**268**	5,054
Business acquisition costs	**—**	—	18	**—**	18
Separation and reorganization costs	**—**	—	—	**—**	1,585
Asset valuation reserve - Aviation	**80,000**	—	19,694	**80,000**	19,694
Asset valuation reserve - C&V	**14,085**	—	—	**14,085**	—
Business disposal (gain)/loss	**—**	98,856	11,539	**98,845**	(68,729)
CTA release on C&V disposal	**9,937**	—	—	**9,937**	—
(Recovery) provision of income taxes	**(5)**	(32,954)	(14,886)	**(23,792)**	53,870
Adjusted operating income before tax	**1,449**	5,087	10,851	**25,301**	78,215
Provision/(Recovery) for taxes applicable to adjusted operating income	**134**	813	1,017	**4,276**	(891)
Adjusted net income	**1,315**	4,274	9,834	**21,025**	79,106
Per share information					
Weighted Average number of shares outstanding [basic]	**310,989,803**	326,887,815	381,669,570	**334,837,525**	385,794,538
Adjusted net income per share [basic]	**$0.00**	$0.01	$0.03	**$0.06**	$0.21
Adjusted operating income before tax comprised of:					
Rail Finance	**811**	2,857	5,891	**13,096**	38,282
Aviation Finance	**638**	2,230	3,770	**10,656**	23,106
C&V Finance	**—**	—	1,190	**1,549**	16,827
	1,449	5,087	10,851	**25,301**	78,215

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by vertical, as at December 31, 2018, September 30, 2018 and December 31, 2017.

	December 31, 2018						
(in 000's for stated values, except percentage amounts)	Service Finance $	Triad $	Kessler $	Corporate $	**Continuing Operations $**	Discontinued Operations $	**Total $**
Assets							
Finance assets							
Finance receivables	17,946	77,897	32,903	—	**128,746**	—	**128,746**
Held-for-trading financial assets	273,672	—	—	—	**273,672**	—	**273,672**
Equipment under operating leases	—	—	—	—	**—**	—	**—**
Total finance assets	291,618	77,897	32,903	—	**402,418**	—	**402,418**
Retained reserve interest	—	22,020	—	—	**22,020**	—	**22,020**
Goodwill and intangible assets	357,796	65,835	253,193	970	**677,794**	—	**677,794**
Deferred tax assets	—	—	—	35,467	**35,467**	—	**35,467**
Other assets and investments	34,582	44,472	64,692	74,926	**218,672**	59,099	**277,771**
Asset held-for-sale	—	—	—	—	**—**	333,963	**333,963**
Total Assets	**683,996**	**210,224**	**350,788**	**111,363**	**1,356,371**	**393,062**	**1,749,433**
Liabilities							
Debt	288,165	65,277	32,903	(50,909)	**335,436**	—	**335,436**
Other liabilities	2,016	22,127	185,076	80,573	**289,792**	17,228	**307,020**
Total Liabilities	**290,181**	**87,404**	**217,979**	**29,664**	**625,228**	**17,228**	**642,456**
Earning Assets - Owned and Managed							
Earning assets - owned	291,618	77,897	32,903	—	**402,418**	—	**402,418**
Earning assets - managed and advisory	1,768,375	2,165,520	27,184,776	—	**31,118,671**	—	**31,118,671**
Total Earning Assets - Owned and Managed and Advisory	**2,059,993**	**2,243,417**	**27,217,679**	**—**	**31,521,089**	**—**	**31,521,089**

Total finance assets for continuing operations were $402 million on December 31, 2018 compared to $310 million at September 30, 2018, and $122 million at December 31, 2017. The increase compared to the prior year reflects primarily the origination of receivables at Service Finance that are held for sale. The total finance assets balance at December 31, 2018 includes $273.7 million in home improvement loans, which are classified as held for trading. Subsequent to year-end, Service Finance sold approximately $140.0 million of those receivables in two separate transactions, and expects to sell the remaining held for trading portfolio in the first half of 2019. Starting in March 2019, solar loans are part of the regular flow purchased by our Partners, and accordingly our on balance sheet loan portfolio is expected to decrease significantly in 2019. Total finance assets also includes finance receivables of $77.9 million attributable to secured floorplan loans issued by Triad in order to drive growth in manufactured housing loan originations and a $32.9 million short duration (weighted average life is approximately 15 months) term senior loan at Kessler to fund a credit card portfolio purchase for an important Partner. This loan is secured by the underlying portfolio of credit card receivables, earns an appropriate risk-adjusted return.

Earning assets - managed and advisory of $31.1 billion as at December 31, 2018 reflects servicing assets of $1.8 billion in Service Finance, $2.2 billion in managed loans in Triad and $27.2 billion in managed and advisory assets in Kessler.

Debt from continuing operations of $335 million decreased by $515 million compared to December 31, 2017, largely reflecting proceeds from the sale of the Canada C&V Finance business and the Railcar dispositions, partially offset by the draw down on the senior facility to fund the Kessler and Triad acquisitions, and the NCIB and SIB.

	September 30, 2018						
(in 000's for stated values, except percentage amounts)	Service Finance $	Triad $	Kessler $	Corporate $	Continuing Operations $	Discontinued Operations $	Total $
Assets							
Finance assets							
Finance receivables	—	67,534	39,420	21,677	**128,631**	147,475	**276,106**
Held-for-trading financial assets	181,199	—	—	—	**181,199**	—	**181,199**
Equipment under operating leases	—	—	—	—	**—**	210,276	**210,276**
Total finance assets	181,199	67,534	39,420	21,677	**309,830**	357,751	**667,581**
Retained reserve interest	—	21,152	—	—	**21,152**	—	**21,152**
Goodwill and intangible assets	355,743	66,145	252,571	578	**675,037**	—	**675,037**
Deferred tax assets	—	—	—	37,122	**37,122**	—	**37,122**
Other assets and investments	55,450	51,610	92,907	144,124	**344,091**	79,197	**423,288**
Asset held-for-sale	—	—	—	4,650	**4,650**	592,644	**597,294**
Total Assets	**592,392**	**206,441**	**384,898**	**208,151**	**1,391,882**	**1,029,592**	**2,421,474**
Liabilities							
Debt	205,121	62,140	39,420	349,555	**656,236**	—	**656,236**
Liabilities held-for-sale	—	—	—	—	**—**	283,933	**283,933**
Other liabilities	2,054	26,344	101,337	89,075	**218,810**	9,814	**228,624**
Total Liabilities	**207,175**	**88,484**	**140,757**	**438,630**	**875,046**	**293,747**	**1,168,793**
Earning Assets - Owned and Managed and Advisory							
Earning assets - owned	181,199	67,534	39,420	21,677	**309,830**	357,751	**667,581**
Earning assets - managed and advisory	1,621,067	2,157,244	24,996,111	—	**28,774,422**	—	**28,774,422**
Total Earning Assets - Owned and Managed and Advisory	**1,802,266**	**2,224,778**	**25,035,531**	**21,677**	**29,084,252**	**357,751**	**29,442,003**

(in 000's for stated values, except percentage amounts)	Service Finance $	Triad $	Corporate $	Continuing Operations $	Discontinued Operations $	Total $
	December 31, 2017					
Assets						
Finance assets						
Finance receivables	—	—	121,666	**121,666**	268,224	**389,890**
Asset held-for-sale	—	—	—		681,919	**681,919**
Equipment under operating leases	—	—	—	**—**	903,716	**903,716**
Total finance assets	—	—	121,666	**121,666**	1,853,859	**1,975,525**
Retained reserve interest	—	17,999	—	**17,999**	—	**17,999**
Goodwill and intangible assets	352,540	62,775	28	**415,343**	—	**415,343**
Deferred tax assets	—	—	29,835	**29,835**	—	**29,835**
Other assets and investments	59,334	33,336	133,284	**225,954**	128,460	**354,414**
Total Assets	**411,874**	**114,110**	**284,813**	**810,797**	**1,982,319**	**2,793,116**
Liabilities						
Debt	24,518	—	825,669	**850,187**	292,187	**1,142,374**
Other liabilities	1,408	13,789	125,458	**140,655**	11,695	**152,350**
Total Liabilities	**25,926**	**13,789**	**951,127**	**990,842**	**303,882**	**1,294,724**

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
December 31, 2018	**$4.28**	**$3.14**

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, September 30, 2018 and December 31, 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.

ECN CAPITAL

Delinquencies

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

	December 31, 2018		September 30, 2018		December 31, 2017	
	$	%	$	%	$	%
Current	128,366	99.52%	441,896	98.11%	390,337	99.74%
31-60 days past due	369	0.29%	1,675	0.37%	710	0.18%
61-90 days past due (1)	147	0.11%	6,829	1.52%	305	0.08%
Greater than 90 days past due	108	0.08%	—	—%	—	—%
Total continuing operations	128,990	100.00%	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.

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)	Year ended December 31, 2018 $	Year ended December 31, 2017 $
Allowance for credit losses, beginning of period	2,160	3,482
IFRS 9 transition adjustment	6,951	—
Provision for credit losses	844	1,639
Charge-offs, net of recoveries	(4,550)	(2,933)
Impact of foreign exchange	(108)	(28)
Transfer to available for sale	(4,653)	—
Allowance for credit losses, end of period	644	2,160

The Company's allowance for credit losses was $0.6 million as at December 31, 2018, compared to the $2.2 million reported at December 31, 2018. The allowance for credit losses was reduced by approximately $4.7 million as a result of the designation of our Legacy Businesses as held for sale. 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 December 31, 2018, the Company's financial leverage ratio was 0.30:1 and its tangible leverage ratio was 0.78:1; well within the covenant of 4:1.

The Company's capitalization is calculated as follows:

		As at		
(in 000's for stated values, except for percentage amounts)		**December 31, 2018** **$**	September 30, 2018 $	December 31, 2017 $
Total debt	**(a)**	**335,436**	940,169	1,142,374
Shareholders' equity	**(b)**	**1,106,977**	1,252,681	1,498,392
Financial leverage	**(a)/(b)**	**0.30**	0.75	0.76
Goodwill and Intangibles	**(c)**	**677,794**	675,037	415,343
Tangible leverage	**(a)/[(b)-(c)]**	**0.78**	1.63	1.05

The decrease in total debt compared to the third quarter of 2018 is primarily due to the repayment of the senior line debt with proceeds from the sale of its railcar assets in the fourth quarter.

DEBT AND CONTRACTUAL REPAYMENT OBLIGATIONS

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

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

	As at		
	December 31, 2018	September 30, 2018	December 31, 2017
(in 000's)	**$**	$	$
Cash and cash equivalents	**51,992**	67,105	17,295
Senior Facilities			
Facilities	**1,000,000**	2,200,000	2,200,000
Utilized against Facility; Continuing operations	**350,000**	668,232	444,681
	650,000	1,531,768	1,755,319
Life Insurance Company Term Funding Facilities			
Facilities	**—**	—	155,580
Utilized against Facility	**—**	—	115,806
	—	—	39,774
Securitization Programs			
Facilities	**—**	—	318,693
Utilized against Facility	**—**	—	304,349
	—	—	14,344
Public Asset-Backed Securities			
Facilities	**—**	283,933	293,481
Utilized against Facility	**—**	283,933	293,481
	—	—	—
Total available sources of capital, end of period	**701,992**	1,598,873	1,826,732
Unutilized Borrowing Facilities (i.e. excl. Cash & Equiv.)	**650,000**	1,531,768	1,809,437

The Company had available liquidity of approximately $702.0 million at December 31, 2018. The decrease in liquidity compared to September 30, 2018 is due to the term senior credit facility being right-sized to $1.0 billion to reflect liquidity requirements commensurate with our transition to capital light businesses. Management believes that the available liquidity of $702.0 million is sufficient to fund operations and growth. This $702.0 million 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 December 31, 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, the investment in Kessler on May 31, 2018, and the classification of the Legacy Businesses as discontinued operations.

(in $ 000's for stated values, except ratio and per share amounts)	**Q4, 2018**	Q3, 2018	Q2, 2018	Q1, 2018	Q4, 2017	Q3, 2017	Q2, 2017	Q1, 2017
Adjusted operating income before tax (1)	**24,585**	27,548	10,989	611	1,311	(5,205)	(7,531)	(7,651)
Amortization of intangibles	**6,504**	4,287	3,037	3,155	2,615	—	—	—
Share based compensation	**3,588**	4,882	2,534	3,334	4,251	1,039	1,817	1,134
Separation and reorganization costs	**15,485**	54	—	—	5,113	—	—	1,947
Business acquisition costs	**—**	—	13,143	261	2,350	14,940	—	—
Unrealized loss on economic currency hedge	**4,289**	—	—	—	—	—	—	—
Non-controlling interest	**4,045**	5,349	—	—	—	—	—	—
Net income / (loss) before income taxes	**(9,326)**	12,976	(7,726)	(6,138)	(13,018)	(21,184)	(9,348)	(10,732)
Net income, continuing operations	**(2,406)**	3,347	(1,993)	(1,583)	(1,573)	(2,561)	(1,129)	(1,296)
Net income, discontinuing operations	**(102,727)**	(60,830)	4,642	4,873	(6,681)	(38,088)	12,964	98,528
Net income / (loss) - total	**(105,133)**	(57,483)	2,649	3,290	(8,254)	(40,649)	11,835	97,232
Net earnings per share, basic, continuing operations	**$(0.02)**	$0.00	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Adjusted net income	**17,764**	19,471	8,702	499	2,184	(3,981)	(6,125)	(5,771)
Adjusted net income, per share (basic)	**$0.06**	$0.06	$0.02	$0.00	$0.01	-$0.01	-$0.02	-$0.01
Adjusted net income applicable to common shareholders per share (basic)	**$0.05**	$0.05	$0.02	-$0.01	$0.00	-$0.02	-$0.02	-$0.02
Earning Assets - owned	**402,418**	309,831	258,365	140,231	121,666	—	—	—
Earning Assets - managed and advisory	**31,118,671**	28,774,422	28,183,311	3,221,523	3,080,639	1,022,854	—	—
Earning assets - total	**31,521,089**	29,084,253	28,441,676	3,361,754	3,202,305	1,022,854	—	—
Loan and lease originations, continuing operations	**463,120**	508,950	505,210	335,718	213,360	49,021	—	—
Allowance for credit losses	**644**	4,688	4,620	9,163	2,160	5,207	6,445	4,321
As a % of finance receivables	**0.16%**	1.04%	1.35%	2.86%	0.55%	0.44%	0.53%	0.36%
Term senior credit facility, total	**350,000**	668,232	640,578	267,888	444,681	284,012	357,000	1,260,707
Secured borrowings, total	**(14,564)**	271,937	272,903	275,833	697,693	735,344	1,468,582	1,903,360
Total Debt	**335,436**	940,169	913,481	543,721	1,142,374	1,019,356	1,825,582	3,164,066
Shareholders' Equity / Owners' Net Investment, total	**1,106,977**	1,252,681	1,343,746	1,441,614	1,498,392	1,537,232	1,557,588	1,458,292
Book value per share (excluding pref. shares), total (2)	**$ 3.14**	$ 3.47	$ 3.63	$ 3.58	$ 3.56	$ 3.62	$ 3.63	$ 3.57

(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.

Adjusted Earnings before interest expense, taxes, depreciation and amortization ("adjusted EBITDA")
We define adjusted EBITDA as adjusted operating income before interest expense, income tax expense, depreciation and amortization. We believe adjusted EBITDA is a key measure of the Company’s operating performance over the long term and is a useful measure of the Company’s ability to generate cash from operations to maintain and grow its core business. Investors and analysts also use adjusted EBITDA as a measure to compare the operating performance of different businesses in the business services sector and to assess the enterprise value of a business as adjusted EBITDA eliminates the impact of financing decisions.

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 December 31, 2018, September 30, 2018 and December 31, 2017 and the year ended December 31, 2018 and December 31, 2017.

	For the three-month period ended			For the year ended	
(in 000's for stated values, except percent amounts)	**December 31, 2018 $**	September 30, 2018 $	December 31, 2017 $	**December 31, 2018 $**	December 31, 2017 $
Reported and adjusted measures					
Net income (loss) from continuing operations	**(2,406)**	3,347	(1,573)	**(2,635)**	(6,559)
Adjustments:					
Share-based compensation	**3,588**	4,882	4,251	**14,338**	8,241
Amortization of intangibles	**6,504**	4,287	2,615	**16,983**	2,615
Business acquisition costs	**—**	—	2,350	**13,404**	17,290
Separation and reorganization costs	**15,485**	54	5,113	**15,539**	7,060
Unrealized loss on economic currency hedge	**4,289**	—	—	**4,289**	—
Non-controlling interest in Kessler	**4,045**	5,349	—	**9,394**	—
Provision (recovery)of income taxes	**(6,920)**	9,629	(11,445)	**(7,579)**	(47,723)
Adjusted operating income before tax	**24,585**	27,548	1,311	**63,733**	(19,076)
Non-controlling interest in Kessler	**2,566**	4,700	—	**7,915**	—
Adjusted operating income before tax - ECN share	**22,019**	22,848	1,311	**55,818**	(19,076)
Provision/(Recovery) for taxes applicable to adjusted operating income	**4,255**	3,377	(873)	**9,382**	(5,383)
Adjusted net income	**17,764**	19,471	2,184	**46,436**	(13,693)
Cumulative preferred share dividends during the period	**2,387**	2,447	2,507	**9,823**	8,330
Adjusted net income attributable to common shareholders	**15,377**	17,024	(323)	**36,613**	(22,023)
Per share information					
Weighted Average number of shares outstanding [basic]	**310,989,803**	326,887,815	381,669,570	**334,837,525**	385,794,538
Adjusted net income per share [basic]	**$0.06**	$0.06	$0.01	**$0.14**	-$0.04
Adjusted net income applicable to common shareholders per share [basic]	**$0.05**	$0.05	$0.00	**$0.11**	-$0.06
Adjusted operating income before tax comprised of:					
Service Finance	**15,883**	13,895	8,590	**51,334**	10,727
Triad	**5,171**	5,995	—	**19,856**	—
Kessler	**8,513**	16,043	—	**26,427**	—
Corporate	**(7,548)**	(13,085)	(7,279)	**(41,799)**	(29,803)
	22,019	22,848	1,311	**55,818**	(19,076)

Risk Management

RISK MANAGEMENT APPROACH

ECN Capital's various business segments are subject to numerous and substantial risks. Management believes that effective risk management is of primary importance to the achievement of the Company's strategic objectives, including the delivery of superior risk-adjusted returns to shareholders. We have risk management policies in place to monitor, evaluate and manage the principal risks we assume in conducting our activities. We seek to monitor and control our risk exposure through a variety of separate, but complementary financial, credit, and operational processes under the oversight of the Board of Directors, and in particular, the Audit, Credit and Risk, and Compensation and Governance Committees of the Board. Management oversight is a fundamental element of our risk management processes. The principal risks are discussed in further detail below.

PRINCIPAL RISKS

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on direct financing leases and loans. Counterparty limits are established by the use of both external and internal credit risk classification systems, which assign each counterparty a risk rating. The Company also manages credit risk through the existence of asset collateral held against both direct financing leases and loans. The Company maintains insurance coverage over these assets to further mitigate risk of loss. In situations where the Company takes possession of collateral under the terms of the direct finance lease or loan agreement, the asset is sold and a gain or loss on disposal is recognized.

The Company also monitors the diversification of its lending across asset class, geography and transaction size. As a result of transaction sizes and collateral arrangements, no individual customer represents a significant credit risk to the Company.

The Company has credit risk relating to cash and cash equivalents and derivative financial instruments. The Company manages this risk by dealing with large chartered Canadian and global banks.

The Company's maximum exposure to credit risk for consolidated statements of financial position as at December 31, 2018 and 2017 is the carrying amounts as disclosed on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company manages its liquidity risk by monitoring its operating and growth requirements. The Company prepares forecasts to ensure it has sufficient liquidity to fulfill its obligations and operating plans, and actively pursues new funding sources to meet future liquidity requirements.

The most significant exposure to liquidity risk relates to the repayment of secured borrowings [Note 12]. This exposure is managed as the cash flows generated by the Company's net investment in leases and loans, and future minimum payments on equipment under operating leases are term matched to meet the repayment requirements.

The Company also ensures it has enough liquidity to fund its operating businesses in the event of a disruption in credit markets that results in the withdrawal of funding by our Partners for ongoing originations.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving loan facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances the Company enters into interest rate swaps in order to align the interest rate variability. The Company does experience short-term interest rate risk on finance receivables/loans during the period between fixing the contractual rate under the finance contracts with its customers and the locking of the interest rate under its funding facilities or when the Company can sell the finance contracts through to third party financial institutions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing/ selling through such finance assets.

After considering the fixed interest rate spread on the secured borrowing programs and high exposure to fixed rate finance receivables described above, the Company's interest rate risk is limited to cash and restricted cash, floating-rate finance receivables which are neither hedged nor part of a match-funded secured borrowing arrangement, senior revolving credit facility. Based on its unhedged exposure as at December 31, 2018, the Company estimates that a 50 basis point increase or decrease in interest rates would not have a significant impact on the Company's earnings.

Foreign currency risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk that the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company mitigates and manages this risk by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. As at December 31, 2018, the Company did not have a significant un-hedged exposure to this type of foreign currency risk that would have an impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average Canadian and foreign currency exchange rate used to translate the Company's foreign currency denominated net income into Canadian dollar equivalent during each period. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts to reduce or hedge this exposure to foreign currency risk.

As a result of the sale of the Canada Finance business and the acquisitions of Service Finance and Triad in 2017, approximately 95% of the Company's operating results are denominated in US dollars. Consequently, effective the first quarter of 2018 the Company changed its functional and presentation currency to US dollars. This significantly reduced the Company's foreign currency risk. Due to this change, a one percent change in the Canadian/ foreign exchange rate, in the absence of hedging transactions would not have a material impact on the Company's reported net income.

Taxes

ECN Capital is a Canadian corporation which operates in multiple jurisdictions. As a result, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments and of the governments of foreign jurisdictions in which ECN Capital operates, as well as to any income tax treaties between Canada and any such jurisdictions, and to the risk that those tax laws, regulations and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, and the effective tax rate in the jurisdictions in which ECN Capital operates.

The determination of ECN Capital's provision for income taxes in Canada and elsewhere, including current and deferred tax assets and liabilities on ECN Capital's financial statements, require estimates, interpretation and significant judgment. Various internal and external factors may have favorable or unfavorable effects on future provisions for income taxes and ECN Capital's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/ or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements can have a material impact on ECN Capital's effective income tax rate.

ECN Capital could be impacted by certain tax treatment for various revenue streams in different tax jurisdictions. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines. This would potentially reduce the amounts of revenue, ultimately received by ECN Capital.

ECN Capital, from time to time, has executed or may execute reorganization transactions impacting its tax structure, including the tax-deferred spin-off from Element Financial Corporation on October 3, 2016. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines.

Business Environment

The Company's business segments operate in a competitive business environment. This creates a risk from the potential impact of current and former competitors. There can be no assurance that the Company will be able to compete successfully against its competitors or that such competition will not have a material adverse effect on the Company's financial condition and operations. In addition, the Company's performance is strongly correlated to the overall economic environment in the U.S. Any adverse changes in the general economic environment in the U.S. could have a material impact on the Company's operating performance.

Potential Acquisitions and Investments

As the Company seeks to acquire or invest in businesses that complement or expand its business, there is a risk if the Company commits significant financial or other resources that results in a material adverse effect on the Company's financial condition and operations.

Accounting and Internal Control Matters

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in note 2 of our 2018 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 2018 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 2018 Annual 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 February 28, 2019, the Company had 237,064,771 common shares, 27,914,220 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 February 28, 2019.

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