ECN CAPITAL

Management Discussion & Analysis

DECEMBER 31, 2019

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, 2019 and should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended December 31, 2019 (the "2019 Annual Consolidated Financial Statements") and December 31, 2018 (the "2018 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 26, 2020. Certain statements contained in this report constitute "forward looking statements". When used in this report, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the company, or its management, are intended to identify forward looking statements. Such statements reflect our current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic and industry conditions, reliance on debt financing, dependence on borrowers, dependence on financing its business through funding commitments and the sale of loan portfolios to banks and other financial institutions, inability to recover receivables, competition, interest rates, regulation, demand for financing in the specialty finance sector, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described from time to time in reports of ECN Capital.

By their nature, forward looking statements involve numerous assumptions, known and unknown, risks and uncertainties, both general and specific, which contribute to the possibility that predictions, forecasts, projections and other forms of forward looking information may not be achieved. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements and readers are cautioned that the list of factors in the foregoing paragraph is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Accordingly, readers are cautioned not to place undue reliance on forward looking statements or interpret or regard forward-looking statements as guarantees of future outcomes. Except as may be required by applicable Canadian securities laws, we do not intend, and disclaim any obligation to update or rewrite any forward-looking statements whether oral or written as a result of new information, future events or otherwise.

Table of Contents

Overview

ABOUT ECN

ECN Capital Corp. ("ECN Capital" or the "Company") is a leading provider of business services to United States ("U.S.") based banks, credit unions, life insurance companies and investment funds (collectively our "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically unsecured loan portfolios, secured loan portfolios and credit card portfolios. Our Partners are seeking high quality assets to match with their deposits or liabilities. Headquartered in South Florida and Toronto, the registered office is located at 200 Bay Street, Suite 1625, Toronto, Ontario, Canada. ECN Capital has approximately 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".

BUSINESS STRATEGY

ECN Business Model

The Company owns a portfolio of business services providers that operate under a fee-based, asset-light model through which it leverages highly specialized expertise, industry knowledge, regulatory compliance and strategic relationships. This specialized business model provides significant barriers to entry. ECN Capital partners with these financial institutions rather than competing with them. Our core investor companies are: Service Finance LLC ("Service Finance"), Kessler Financial Services LLC ("KG") and Triad Financial Services, Inc. ("Triad Financial Services"). ECN Capital has managed and advisory assets[1] of approximately $33.6 billion and our customers include more than 90 bank, credit union, insurance company and investment fund partners. Specifically, our Partners are the decision makers inside each institution who are looking for appropriate portfolio solutions to match customer deposits and liabilities. We meet our customer needs by offering the following consumer portfolio solutions:

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

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

(1) This is a non-IFRS measure. Please refer to the "Non-IFRS and Other Performance Measures" section of this MD&A for a definition and reconciliation of this measure.

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

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

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

Core Business Segments:

Service Finance - Home Improvement Loans

Founded in 2004, Service Finance utilizes a technology-driven platform to originate and manage short duration unsecured consumer loans for 24+ Partners. These loans are primarily prime and super-prime retail installment contracts to finance home improvement projects in the U.S. Originations are sourced through national dealer networks through exclusive and preferred programs with top manufacturers in the home improvement industry. Originations are sold to third party financial institutions without recourse with respect to credit losses, prepayments or yield, and Service Finance retains the exclusive right to service all retail installment contracts that it originates. Service Finance has sold loans to over 20 Federal Deposit Insurance Corporation ("FDIC") insured institutions with zero objections and negative comments during formal examinations by and through all bank counterparties. Service Finance is headquartered in Boca Raton, Florida and is a fully licensed sales finance company and third-party servicer in all 50 States.

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

Founded in 1978, KG has grown to become the premier manager, adviser and structuring partner to credit card issuers, banks, credit unions and payment networks. KG has created over 6,000 partnerships between banks/credit card issuers and partner organizations and currently has approximately $29 billion in managed credit card portfolios and related assets. KG is headquartered in Boston, Massachusetts.

Triad Financial Services - Manufactured Home Loans

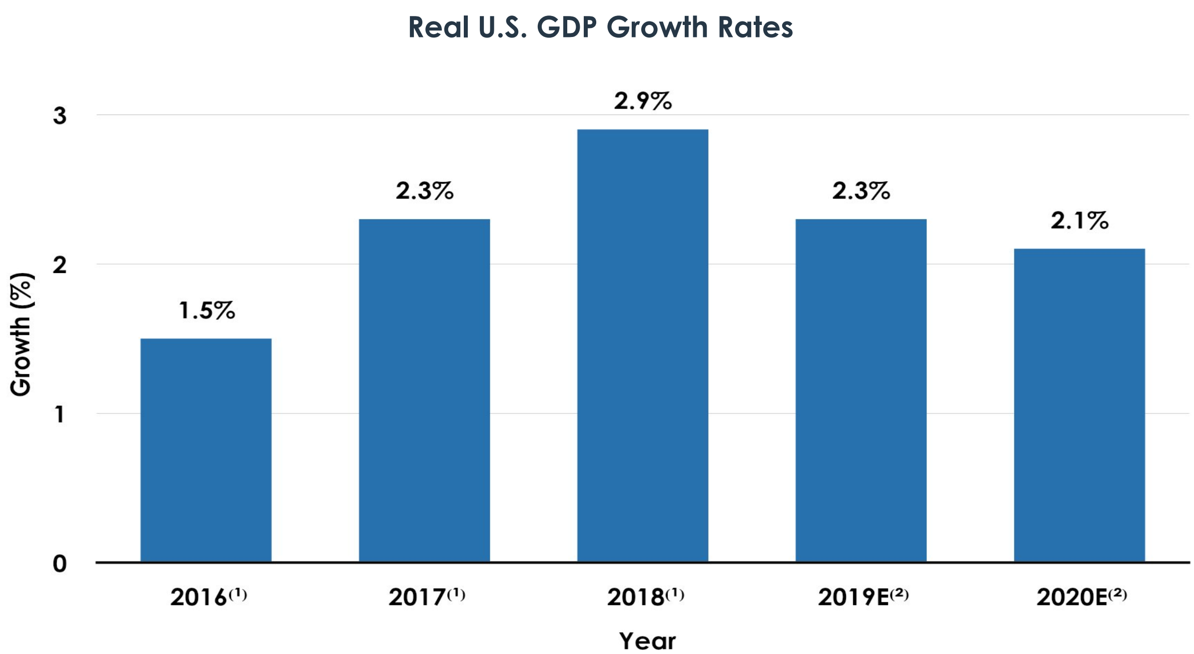
Founded in 1959, Triad Financial Services is the oldest manufactured housing finance company in the U.S. Triad Financial Services is a premier portfolio solutions platform focused on originating and managing longer duration secured consumer loan portfolios for 50+ Partners. These assets are primarily prime and super-prime loans to consumers for the purchase of manufactured homes throughout the U.S. Originations are sourced through a long established national network of dealers and manufacturers. In addition to originating prime consumer loans, Triad Financial

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

MARKET OUTLOOK

The Company's ability to generate earnings and operating cash flow is dependent on the general economic performance of the U.S. economy, and in particular, the financial condition of U.S. consumers. The predictions and forecasts in this section are based on information and assumptions from sources we consider reliable. Actual economic outcomes may differ materially from the outlook presented in this section.

Based on current consensus estimates, the U.S. economy is expected to grow by approximately 2.1% in calendar 2020. Growth in 2019 was supported by strong consumer spending, reflecting strong income growth maintained by solid job gains and wage increases that are broadly based. Additionally, U.S. consumer confidence remains strong and rose significantly in the fourth quarter of 2019, driven by low unemployment, gains in income and low inflation and interest rates. These trends support the sustainability of the current economic recovery and the continued growth in consumer disposable income and spending. In response to these trends, the average U.S. FICO score has increased for nine consecutive years, reaching an all-time high of 706 during 2019. We expect these trends in U.S. economic growth and consumer financial health to continue into 2020, supporting a strong economic outlook for each of our business segments. While the risk of a severe financial downturn in 2020 is not significant based on the current outlook, each of our businesses are also well-positioned for resilience and growth in a recessionary period.

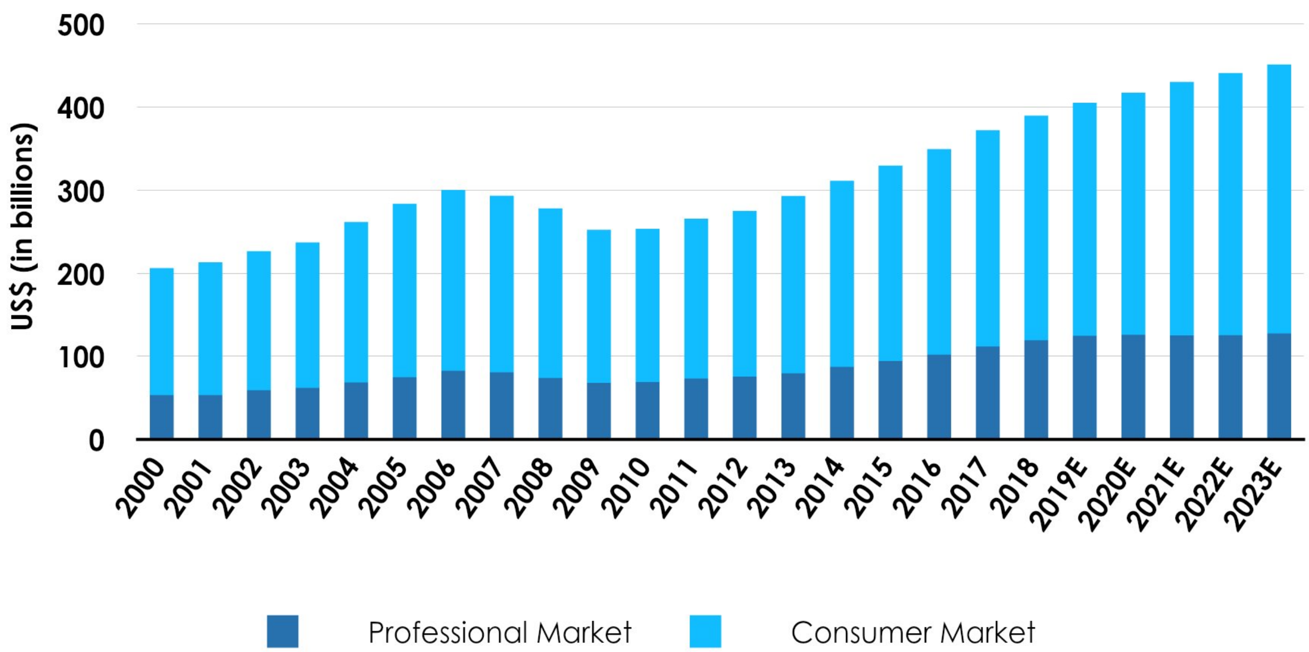


(1) Source: U.S. Bureau of Economic Analysis
(2) Source: The Conference Board

Home Improvement Market

The home improvement market has continued to expand, with 2019 estimated to increase to $405 billion. The Home Improvement Research Institute estimates the home improvement market will surpass $415 billion in 2020 and continue to grow thereafter. These trends support the continued growth in the addressable market for our Service Finance business segment.

Total Home Improvement Market[1]

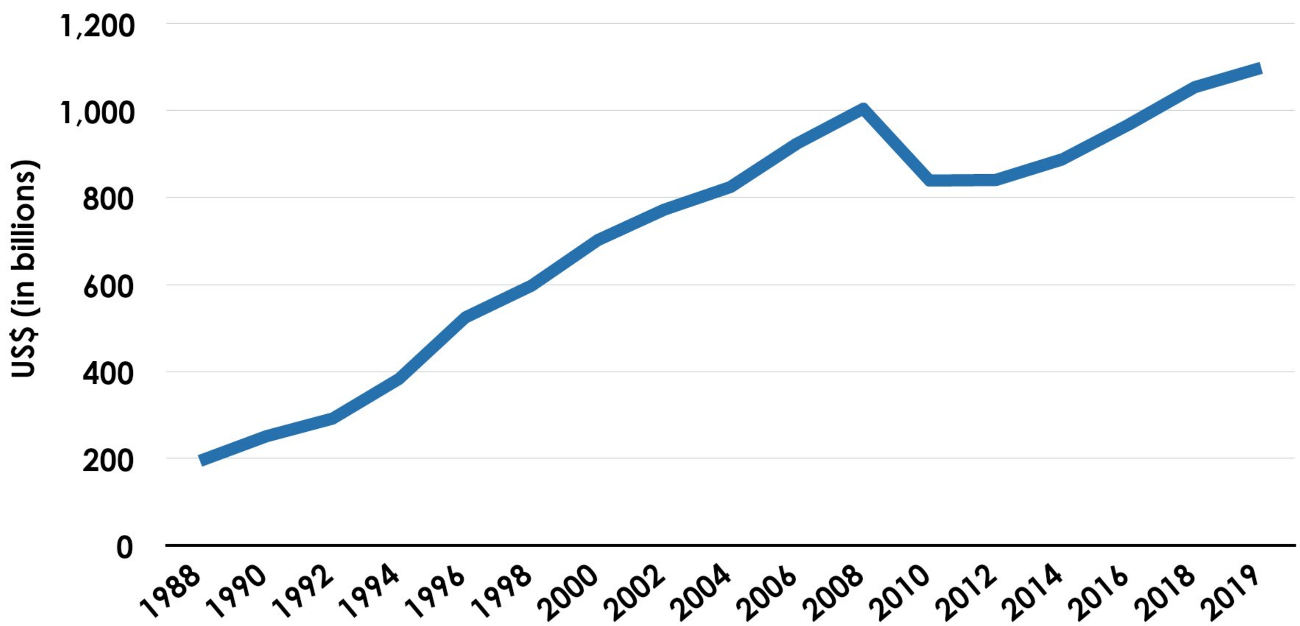


(1) Source: Home Improvement Research Institute

Consumer Credit Market

Total U.S. revolving credit balances grew 4.2% in 2019 to $1.1 trillion, the highest recorded level in history. Overall, revolving credit balances have been resilient through economic cycles, with the exception of the global financial crisis during 2008 - 2011. The continued growth in revolving credit balances is supportive of the long-term growth of our KG business segment.

Total U.S. Revolving Consumer Credit Outstanding(1)

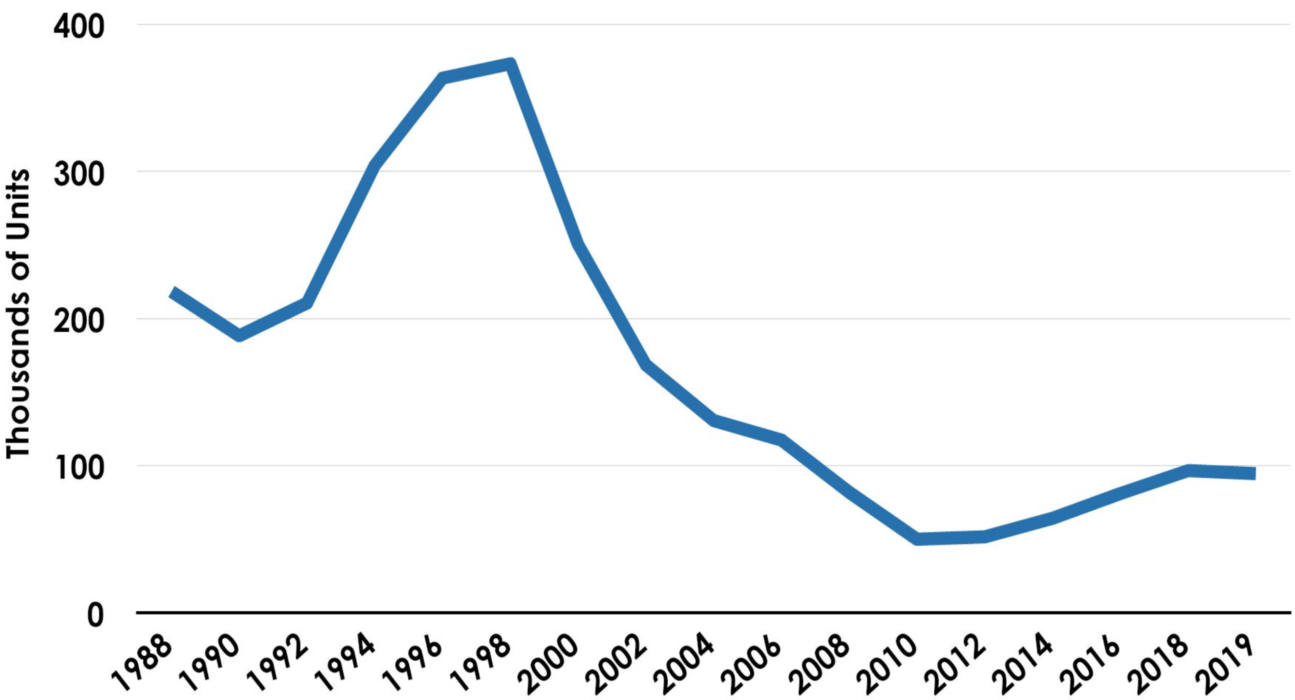


(1) Source: Federal Reserve Bank

Manufactured Housing Market

Shipments of manufactured homes were down approximately 2% from 2018 primarily due to industry efforts to lower outstanding inventory in the beginning of 2019. This impacted shipments in the first half of the year, with growth recovering in the second half and finishing up approximately 9% in the fourth quarter on a year-over-year basis. We remain confident in manufactured housing as an affordable home solution and its continued recovery from the great recession. Triad Financial Services is well-positioned to benefit from the continued growth in the manufactured housing market.

Shipments of New Manufactured Homes: 1988 - 2019 (1)



(1) Source: United States Census Bureau

Key Business Developments

The Company is in the final stages of divesting its legacy assets and will continue to redeploy capital into its three scalable business services platforms. Our key developments in support of this strategy for the year ended December 31, 2019 are outlined below.

CORPORATE DEVELOPMENTS

Transition of Head Office

In April 2019, the Company completed the relocation of its senior management team to South Florida. As part of the transition, the Board of Directors of ECN has agreed to an extension of Steven Hudson's employment arrangement through 2023, and Mr. Hudson will continue to serve as CEO through the term of the contract.

KG Transition

In the first quarter, Scott Shaw transitioned to the role of Chief Executive Officer ("CEO") at KG. In conjunction with this transition, two related events occurred:

- ECN acquired the 20% non-controlling interest held by Howard Kessler and restructured his employment contract. Mr. Kessler became Chairman Emeritus and founder, without any ongoing compensation, and will continue to support the M&A business and provide coaching and mentoring support, as required, to Mr. Shaw and others on KG's management team.

- Mr. Shaw as the new CEO, with 27 years of tenure, undertook a detailed operations review, which resulted in the elimination of eight positions which, together with the elimination of compensation payments to Mr. Kessler, will reduce compensation costs by about $5 million on an ongoing basis.

Purchase of Non-Controlling Interest in KG

Effective December 31, 2019, ECN acquired the remaining 4% non-controlling interest of KG for share consideration of approximately $11.1 million (2,990,737 shares), representing the fair value of the non-controlling interest liability previously recorded in conjunction with the initial investment in KG. Upon the acquisition of this non-controlling interest, KG became 100% owned by ECN.

New Credit Card Team

In the fourth quarter of 2019, the Company, through KG, acquired an established team of credit card executives (the "Credit Card Team"). Prior to this date, the Company and the Credit Card Team had been working in partnership to originate and manage, as principal, credit card receivable portfolios; a natural expansion to KG's core business. To date, the Company and the Credit Card Team have originated, syndicated and advised on credit card portfolio transactions totaling $0.9 billion, on which the Company expects to earn recurring management fees. As part of the transaction, the key executives also entered into long-term employment contracts. The

Credit Card Team is also expected to drive growth across KG's core business lines; Partnership Services, Marketing Services and Transaction Services.

Triad Financial Services Transition

In the first quarter of 2020, Don Glisson Jr. transitioned to the role of Chairman at Triad Financial Services and Michael Tolbert was elevated to the role of President from COO, with overall responsibility for the day-to-day operations. Mr. Glisson will continue to provide support to both ECN Capital and Triad Financial Services to assist with the continued growth of the business. Triad will further benefit from its experienced leadership team; proven managers Ross Eckhardt, a 44-year veteran who was responsible for the successful launching of the Managed Only program and Matthew Heidelberg who joins the team as SVP Business Development and will be responsbile for capital, funding relationships and strategic growth.

As a result of this transition and related staff reductions, we expect to reduce ongoing annual compensation costs by approximately $1 million. In addition, we expect to eliminate approximately $6 million in incentive compensation costs through 2022 as a result of the removal of Mr. Glisson from the deferred purchase consideration plan that was entered into at the time of the acquisition. As a result of these expense reductions, we are increasing our 2020 guidance range for adjusted operating income before tax to $31 million to $35 million, compared to our previous guidance range of $30 million to $34 million. There is no change to ECN's overall guidance range for adjusted net income applicable to common shareholders.

CORPORATE FINANCE DEVELOPMENTS

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 from shareholders for cash. The Company has repurchased for cancellation and paid for 70,666,666 common shares at a price of C$3.75 per share for an aggregate purchase price of approximately C$265 million (US$ 198.5 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 August 16, 2019, the TSX approved the renewal of the Company's Normal Course Issuer Bid ("NCIB") for commencement on August 20, 2019. Pursuant to the renewal, the Company may repurchase up to an additional 22,228,161 of its outstanding common shares, representing approximately 10% of the public float. The NCIB will end on the earlier of August 19, 2020 and the completion of purchases under the NCIB.

During the fourth quarter of 2019, the Company purchased 0.6 million common shares for a total of C$2.9 million or C$4.41 per common share pursuant to the NCIB.

In aggregate since 2017, under the current and previous NCIBs, the Company has purchased 51.8 million common shares for a total of C$192.2 million, excluding fees and expenses, or C$3.71 per common share.

Common Share Repurchases

Under its SIBs and NCIBs, ECN has repurchased for cancellation approximately 40% of the total shares outstanding through December 31, 2019. The following table sets forth a summary of the Company's capital reinvestment under these transactions.

Capital Reinvestment	Shares Retired (millions)	Average Price (C$)	Total Consideration (C$ millions)
NCIB since inception 2017	51.8	$3.71	$192
SIB April 2018	31.9	$3.60	$115
SIB January 2019	70.7	$3.75	$265
Total shares repurchased for cancellation	**154.4**	**$3.71**	**$572**

Total shares outstanding pre-buyback	390
Total shares outstanding as at December 31, 2019	240
% shares repurchased to date	**~40%**

Senior Credit Facility Extension

On October 16, 2019, the Company successfully executed an amendment of its senior credit facility that extends the maturity date from December 31, 2022 to December 31, 2023, enhances the covenant package and maintains the size of the facility at $1 billion, which is commensurate with the current liquidity requirements of our businesses.

Results of Operations

OPERATING HIGHLIGHTS FOR THE FOURTH QUARTER AND FULL YEAR 2019

1. Adjusted net income applicable to common shareholders[1] was $18.5 million or $0.08 per share for the quarter ended December 31, 2019 and $66.0 million or $0.27 per share for the full year.

2. Adjusted EBITDA[1] for the quarter ended December 31, 2019 was $33.1 million, compared to $34.1 million in the fourth quarter of 2018. The decrease reflects lower earnings at KG due to higher one-time transaction fee revenue in the prior year quarter, partially offset by strong performance in our Service Finance and Triad Financial Services segments. For the year ended December 31, 2019, adjusted EBITDA[1] was $128.0 million compared to $97.5 million for the prior year. The increase is primarily due to strong growth in Service Finance and Triad Financial Services, as well as the inclusion of KG results for the full year.

3. Total originations increased to $541.7 million and $2.2 billion for the quarter and year ended December 31, 2019, respectively, from $463.1 million and $1.8 billion, respectively, for the prior year periods.

4. Managed and advisory assets[1] totaled $33.6 billion as at December 31, 2019, compared to $31.1 billion as at December 31, 2018, reflecting the growth across each of our business segments.

5. The Company remains focused on the efficient disposition of its legacy aviation, commercial and vendor finance and railcar assets. In the fourth quarter of 2019, the Company recorded an incremental after-tax provision of $14.3 million. Total legacy assets classified as held-for-sale are down to $143.0 million from $334.0 million at December 31, 2018 and $185.1 million at September 30, 2019.

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

The following table sets forth a summary of the Company's consolidated results from continuing operations and is to be read in conjunction with the Company's consolidated financial statements for the same periods.

(in 000's for stated values, except per share amounts)	For the three-month period ended December 31, 2019 $	September 30, 2019 $	December 31, 2018 $	For the year ended December 31, 2019 $	December 31, 2018 $
Select metrics					
Originations	**541,723**	639,124	463,120	**2,198,058**	1,812,999
Average earning assets - Owned (1)	**313,867**	312,981	369,341	**337,396**	246,502
Average earning assets - Managed and advisory (1)	**33,108,155**	32,398,453	29,925,922	**32,275,041**	28,404,871
Period end earning assets - Owned (1)	**313,227**	314,506	402,418	**313,227**	402,418
Period end earning assets - Managed and advisory (1)	**33,598,354**	32,617,957	31,118,671	**33,598,354**	31,118,671
Operating highlights:					
Portfolio origination services	**21,754**	24,750	20,236	**87,227**	74,113
Portfolio management services	**32,400**	27,597	26,741	**102,612**	68,615
Portfolio advisory services	**1,549**	2,452	4,255	**21,875**	26,774
Marketing services	**4,024**	3,451	2,894	**13,336**	6,988
Total portfolio revenue	**59,727**	58,250	54,126	**225,050**	176,490
Interest income	**5,336**	5,276	7,023	**21,772**	17,433
Other revenue	**935**	(189)	6,226	**1,134**	10,042
	65,998	63,337	67,375	**247,956**	203,965
Operating expenses	**32,871**	29,332	33,313	**119,998**	106,417
Adjusted EBITDA (1)	**33,127**	34,005	34,062	**127,958**	97,548
Interest expense	**5,183**	5,857	8,748	**24,645**	31,252
Depreciation & amortization	**1,698**	1,416	729	**5,808**	2,563
Adjusted operating income before tax and NCI (1)	**26,246**	26,732	24,585	**97,505**	63,733
Non-operating items:					
Share-based compensation	**3,762**	4,555	3,588	**17,447**	14,338
Amortization of intangibles	**6,453**	6,452	6,151	**25,811**	12,923
Accretion of deferred purchase consideration	**1,134**	2,035	353	**5,750**	4,060
Corporate restructuring and transition costs	**3,141**	—	15,485	**15,690**	15,539
Purchase price premium on non-controlling interest	**—**	—	—	**28,138**	—
Unrealized (gain) loss on economic currency hedge	**—**	—	4,289	**(4,789)**	4,289
Business acquisition costs	**2,168**	—	—	**2,168**	13,404
Non-controlling interest	**413**	315	4,045	**1,600**	9,394
	17,071	13,357	33,911	**91,815**	73,947
Net income (loss) before income taxes from continuing operations	**9,175**	13,375	(9,326)	**5,690**	(10,214)
Income tax expense (recovery)	**(2,929)**	5,172	(6,920)	**(4,692)**	(7,579)
Net income (loss) from continuing operations	**12,104**	8,203	(2,406)	**10,382**	(2,635)
Cumulative dividends on preferred shares	**2,417**	2,407	2,387	**9,618**	9,823
Net income (loss) from continuing operations attributable to common shareholders	**9,687**	5,796	(4,793)	**764**	(12,458)
Net (loss) income from discontinued operations	**(18,608)**	(3,431)	(102,727)	**(25,131)**	(154,042)
Net (loss) income for the period attributable to common shareholders	**(8,921)**	2,365	(107,520)	**(24,367)**	(166,500)
Weighted Average number of shares outstanding (basic)	**240,302**	240,171	310,990	**242,567**	334,838
Earnings (loss) per share (basic) - continuing operations attributable to common shareholders	**$0.04**	$0.02	(0.02)	**$—**	$ (0.04)
Non-IFRS Measures					
Adjusted operating results:					
Adjusted EBITDA (1)	**33,127**	34,005	34,062	**127,958**	97,548
Adjusted operating income before tax and NCI(1)	**26,246**	26,732	24,585	**97,505**	63,733
Non-controlling interest in KG	**413**	315	2,566	**1,600**	7,915
Adjusted operating income before tax (1)	**25,833**	26,417	22,019	**95,905**	55,818
Adjusted net income (1)	**20,917**	20,605	17,764	**75,573**	46,436
Adjusted net income applicable to common shareholders (1)	**18,500**	18,198	15,377	**65,955**	36,613
Adjusted net income per share (basic) (1)	**$0.09**	$0.09	$0.06	**$0.31**	$0.14
Adjusted net income applicable to common shareholders per share (basic) (1)	**$0.08**	$0.08	$0.05	**$0.27**	$0.11

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

The following discussion relates to the results of operations for the three-month period and year ended December 31, 2019 presented on a continuing operations basis.

Q4 2019 vs Q4 2018

The Company reported total originations of $541.7 million for the quarter ended December 31, 2019 compared to $463.1 million for the prior year quarter. Current quarter originations include $397.2 million from Service Finance and $144.5 million from Triad Financial Services. Total portfolio revenue for the quarter ended December 31, 2019 increased to $59.7 million compared to $54.1 million in the prior year quarter, reflecting the growth in originations at Service Finance and Triad Financial Services. Total revenue for the current quarter was $66.0 million compared to $67.4 million, primarily due to lower revenue from the Corporate segment as a result of the decrease in legacy corporate investments.

Operating expenses were $32.9 million in the current quarter, compared to $33.3 million for the prior year quarter. The decrease in operating expenses compared to the prior year quarter reflects lower compensation expense at KG as a result of the expense reductions initiated in the first quarter of 2019 and lower incentive compensation due to lower revenues, as well as lower corporate operating expenses; partially offset by higher compensation expense at Service Finance as a result of higher operating income.

Interest expense and depreciation were $5.2 million and $1.7 million, respectively, for the quarter ended December 31, 2019 compared to $8.7 million and $0.7 million, respectively, in the prior year quarter. The decrease in interest expense reflects a lower average debt balance and a lower average borrowing rate during the current quarter.

Other expenses, which include share-based compensation, amortization of intangible assets and other non-operating items, decreased to $17.1 million for the quarter ended December 31, 2019 compared to $33.9 million in the prior year. Other expenses for the prior year quarter include $15.5 million of corporate restructuring and transition costs and a $4.3 million loss on foreign currency hedge. Current quarter other expenses include $2.2 million of M&A expenses, including bringing the new Credit Card Team in house, and $3.1 million of transition costs, primarily attributable to the leadership transition at Triad Financial Services. Additionally, the current quarter reflects lower expenses attributable to the non-controlling interest in KG.

Adjusted EBITDA[1] was $33.1 million for the quarter ended December 31, 2019 compared to $34.1 million for the prior year quarter. The decrease in adjusted EBITDA[1] in the current quarter was primarily due to lower Corporate and KG revenues, partially offset by growth in Service Finance and Triad Financial Services. Adjusted net income applicable to common shareholders[1] was $18.5 million or $0.08 per share for the quarter ended December 31, 2019, compared to $15.4 million or $0.05 per share for the prior year quarter, reflecting lower expenses attributable to the non-controlling interest in the KG segment.

The Company reported net income of $12.1 million for the quarter ended December 31, 2019 compared to a net loss of $2.4 million for the prior year quarter.

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

2019 vs 2018

Total originations for the year ended December 31, 2019 increased to $2.2 billion compared to $1.8 billion for the prior year. Current year originations include $1.6 billion from Service Finance and $0.6 billion from Triad Financial Services. Total portfolio revenues for the year ended December 31, 2019 increased to $225.1 million compared to $176.5 million in the prior year, reflecting the strong growth in originations at Service Finance and Triad Financial Services as well as the inclusion of KG results for the full year. Total revenue for the current year was $248.0 million compared to $204.0 million in the prior year.

The table below illustrates the Company's operating expenses for the three-month periods and years ended December 31, 2019 and December 31, 2018:

	For the three-month period ended		For the year ended	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
(in 000's for stated values)	**$**	$	**$**	$
Service Finance	**9,611**	7,388	**32,858**	25,492
KG (1)	**10,189**	11,396	**36,077**	26,499
Triad Financial Services	**7,145**	7,485	**29,165**	27,663
Business segment operating expenses	**26,945**	26,269	**98,100**	79,654
Corporate operating expenses	**5,926**	7,044	**21,898**	26,763
Total operating expenses	**32,871**	33,313	**119,998**	106,417

(1) KG operating expenses for the year ended December 31, 2018 represent operating expenses for a seven-month period from the date of acquisition.

Operating expenses were $120.0 million in the current year, compared to $106.4 million for the prior year. The increase in operating expenses compared to the prior year is primarily attributable to growth in Service Finance and Triad Financial Services and the inclusion of KG results for a full year, partially offset by lower corporate operating expenses as a result of the Company's restructuring and transition to the new head office in South Florida.

Interest expense and depreciation were $24.6 million and $5.8 million, respectively, for the year ended December 31, 2019 compared to $31.3 million and $2.6 million, respectively, in the prior year. The decrease in interest expense reflects a lower average debt balance and a lower average borrowing rate during the current year.

Other expenses, which include share-based compensation, amortization of intangible assets and other non-operating items, were $91.8 million for the year ended December 31, 2019 compared to $73.9 million in the prior year. Other expenses for the prior year include $15.5 million of corporate restructuring and transition costs, $13.4 million of business acquisition costs and a $4.3 million loss on foreign currency hedge. Current year other expenses include $2.2 million of M&A expenses, including bringing the new Credit Card Team in house, $15.7 million of transition costs primarily attributable to the transition of the head office to South Florida and leadership transitions at KG and Triad Financial Services and $28.1 million attributable to the purchase price premium plus transaction costs to acquire the non-controlling interest in KG in the first quarter of 2019. Additionally, the current year reflects lower expenses attributable to the non-controlling interest in KG.

Adjusted EBITDA[1] increased to $128.0 million for the year ended December 31, 2019 compared to $97.5 million for the prior year. The increase in adjusted EBITDA[1] in the current year was primarily due to strong growth in Service Finance and Triad Financial Services, as well as the inclusion of KG results for the full year. Adjusted net income applicable to common shareholders[1] increased to $66.0 million or $0.27 per share for the year ended December 31, 2019, compared to $36.6 million or $0.11 per share in the prior year, reflecting lower expenses attributable to the non-controlling interest in the KG segment.

The Company reported net income of $10.4 million for the year ended December 31, 2019 compared to a net loss of $2.6 million for the prior year.

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

Business Segment Results

RESULTS OF SERVICE FINANCE - HOME IMPROVEMENT LOANS

The following table sets forth a summary of the Company's select metrics and results from the Service Finance segment, for the three-month periods ended December 31, 2019, September 30, 2019, and December 31, 2018 and the years ended December 31, 2019 and December 31, 2018.

	For the three-month period ended			For the year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations	**397,238**	468,076	328,472	**1,595,145**	1,287,708
Managed assets, period end (1)	**2,505,270**	2,331,909	1,768,375	**2,505,270**	1,768,375
Managed assets, period average (1)	**2,418,590**	2,190,745	1,686,360	**2,103,427**	1,424,714
Dealer advances	**52,036**	46,660	17,946	**52,036**	17,946
Held-for-trading financial assets	**61,524**	75,407	274,072	**61,524**	274,072
Operating results					
Originations revenue	**11,626**	12,346	10,594	**44,512**	36,751
Servicing revenue	**14,518**	14,027	10,181	**47,572**	36,194
Interest income & other revenue	**1,562**	2,054	4,479	**9,011**	8,619
Revenue	**27,706**	28,427	25,254	**101,095**	81,564
Operating expenses	**9,611**	8,031	7,388	**32,858**	25,492
Adjusted EBITDA (1)	**18,095**	20,396	17,866	**68,237**	56,072
Interest & depreciation expense	**825**	1,040	1,983	**5,233**	4,738
Adjusted operating income before tax (1)	**17,270**	19,356	15,883	**63,004**	51,334

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

Service Finance - Home Improvement Loans

Originations at Service Finance for the fourth quarter and year ended December 31, 2019 were approximately $397.2 million and $1.6 billion, respectively, up 29.5% and 30.6% from the prior year, excluding PACE loans.

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

Originations (US$ millions)[2]								
Q4, 2017	Q1, 2018	Q2, 2018	Q3, 2018	Q4, 2018	Q1, 2019	Q2, 2019	Q3 2019	Q4 2019
208	222	336	346	307	290	426	468	397

(2) Amounts presented exclude originations of PACE loans.

Originations revenue for the fourth quarter and year ended December 31, 2019 was approximately $11.6 million and $44.5 million, respectively, up 9.7% and 21.1% from the prior year, which is in line with total originations growth.

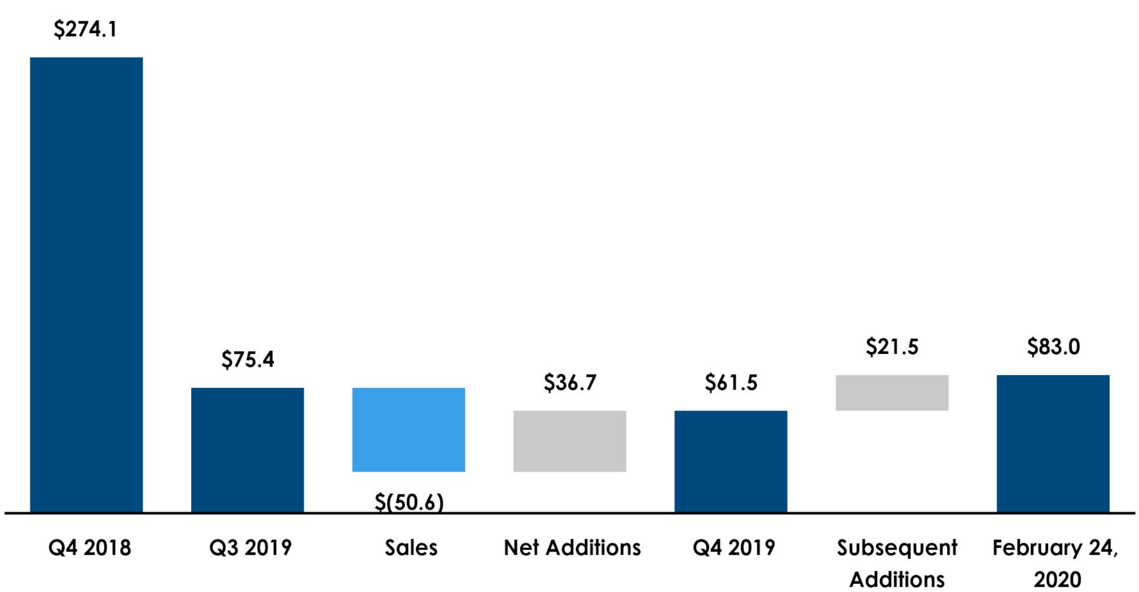
Servicing revenues of $14.5 million and $47.6 million for the fourth quarter and year ended December 31, 2019, respectively, were up 42.6% and 31.4% from the prior year, reflecting the growth in managed assets.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $18.1 million and $17.3 million respectively, for the fourth quarter of 2019 compared to $17.9 million and $15.9 million, respectively, for the fourth quarter of 2018. For the full year, adjusted EBITDA[1] of $68.2 million and adjusted operating income before tax[1] of $63.0 million ($63.4 million excluding the one-time costs associated with eliminating the PACE program) are in line with the Company's guidance for 2019 and represent increases of 21.7% and 22.7% from 2018, respectively.

Dealer advances as at December 31, 2019 were $52.0 million compared to $17.9 million as at December 31, 2018. Dealer advances consist primarily of staged fundings to key dealers with respect to committed home improvement loans. These loans are similar to Triad Financial's successful floorplan initiative and strengthen the relationship with Service Finance's key dealers. The increase in dealer advances outstanding compared to the prior year reflects the continued growth in exclusive arrangements with top home improvement dealers.

Held-for-trading assets as at December 31, 2019 were $61.5 million compared to $75.4 million at the end of the preceding quarter. Held-for-trading assets consist of loans that are originated on behalf of our bank partners with the intention of selling through under a portfolio sales agreement. In the fourth quarter of 2019, Service Finance successfully reduced held-for-trading assets by $50.6 million via sales and principal repayments. Net additions of $36.7 million in the quarter primarily reflect our complementary flow program that we launched in early 2019 at the request of a bank partner. Complementary flow program loans have the same credit quality and performance as our existing core loans (average FICO is >760), but have other criteria that differs from Service Finance's existing core loans (e.g. loan size). We will continue to originate and sell these loans through to our bank partners under ongoing bulk portfolio sales agreements.

Held-for-Trading Financial Assets
(US$ millions)



Service Finance is well positioned to continue growing in 2020 and we expect total originations in 2020 to exceed our 2019 origination results by approximately 25%, at the mid-point of our forecasted guidance range. Please see the table below for the Company's 2020 outlook for the Service Finance segment.

Service Finance - Home Improvement Loans 2020 Outlook

	2020 Forecast Range	
Select Metrics (US$ millions)		
Originations	**1,900**	**2,100**
Managed and advised portfolio (period end)	**3,200**	**3,400**
Income Statement (US$ millions)		
Origination Revenue	**62**	**65**
Servicing Revenue	**58**	**62**
Total Revenues	**120**	**127**
Adjusted EBITDA	**82**	**88**
Adjusted Operating Income Before Tax	**78**	**83**
Adjusted EBITDA margin	**~68%**	**~69%**

RESULTS OF KG - CONSUMER CREDIT CARD PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the KG segment for the three-month periods ended December 31, 2019, September 30, 2019 and December 31, 2018, and the year ended December 31, 2019.

	For the three-month period ended			For the year ended
	December 31, 2019	September 30, 2019	December 31, 2018	**December 31, 2019**
(in 000's for stated values)	**$**	$	$	**$**
Operating results				
Partnership services revenue	**16,071**	11,745	15,809	**48,486**
Marketing services revenue	**4,024**	3,451	2,894	**13,336**
Transaction services revenue	**1,549**	2,453	3,386	**21,875**
Interest income & other revenue	**394**	316	977	**825**
Revenue	**22,038**	17,965	23,066	**84,522**
Operating expenses	**10,189**	7,666	11,396	**36,077**
Adjusted EBITDA (1)	**11,849**	10,299	11,670	**48,445**
Interest and depreciation expense	**1,181**	709	591	**3,695**
Adjusted operating income before tax and non-controlling interest (1)	**10,668**	9,590	11,079	**44,750**
Non-controlling interest in KG	**413**	315	2,566	**1,600**
Adjusted operating income before tax (1)	**10,255**	9,275	8,513	**43,150**

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

KG - Consumer Credit Card Portfolios Segment

KG helps clients grow and optimize co-brand credit card portfolios and other financial products through three primary product lines:

1. **Partnership Services:** managing and advising on co-brand credit card programs
2. **Marketing Services:** marketing services and data analytics
3. **Transaction Services:** purchase, sale and renewal of co-brand credit card portfolios/ programs

In 2019, under the leadership of CEO Scott Shaw, KG has shifted its business model to focus on producing longer term revenue streams from its Partnership Services and Marketing Services products in order to reduce KG's reliance on one-time, less predictable, transactional revenues. As a result of this deliberate shift in strategy, Partnership Services and Marketing Services accounted for approximately 74% of 2019 total portfolio revenues and are expected to account for 85% of forecast 2020 total portfolio revenues. This compares to approximately 66% at the time of the acquisition.

KG Revenue Mix

(as % of total portfolio revenues)	**At Transaction**	**2019**	**2020 Forecast**
Partnership Services[(1)]	54 %	58 %	65 %
Marketing Services	12 %	16 %	20 %
Total Recurring Revenue	**66 %**	**74 %**	**85 %**
Transaction Services	34 %	26 %	15 %
Total Portfolio Revenue	**100 %**	**100 %**	**100 %**

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

Total KG revenues in the fourth quarter of 2019 were $22.0 million compared to $23.1 million in the prior year quarter, reflecting lower transaction services revenue. In the current quarter, revenue from Partnership Services and Marketing Services continued to perform in line with our expectations. Operating expenses were down to $10.2 million from $11.4 million in the prior year as a result of the expense reductions initiated in the first quarter of 2019 and lower incentive compensation.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $11.8 million and $10.3 million, respectively, for the fourth quarter of 2019 compared to $11.7 million and $8.5 million, respectively, for the fourth quarter of 2018.

For the full year, adjusted EBITDA[1] of $48.4 million and adjusted operating income before tax[1] of $43.2 million are in line with the Company's updated guidance provided in the first quarter of 2019.

The Company expects KG to provide more predictable earnings contributions in 2020 as revenue mix has is shifting to longer-term, recurring revenue streams. Please see the table below for the Company's 2020 outlook for the KG segment.

KG - Consumer Credit Card Portfolios 2020 Outlook

	2020 Forecast Range	
Income Statement (US$ millions)		
Revenue	**85**	**93**
Adjusted EBITDA	**46**	**53**
Adjusted Operating Income Before Tax	**43**	**50**
Adjusted EBITDA margin	**~54%**	**~57%**

RESULTS OF TRIAD FINANCIAL SERVICES - SECURED CONSUMER LOAN PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Triad Financial Services segment for the three-month periods ended December 31, 2019, September 30, 2019 and December 31, 2018 and the years ended December 31, 2019 and December 31, 2018.

	For the three-month period ended			For the year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	**December 31, 2019**	**December 31, 2018**
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations	**144,485**	171,048	134,648	**602,913**	525,291
Managed assets, period end (1)	**2,428,110**	2,379,869	2,165,520	**2,428,110**	2,165,520
Managed assets, period average (1)	**2,403,990**	2,334,042	2,163,765	**2,298,975**	2,081,412
Manufactured housing loans	**101,440**	99,296	77,897	**101,440**	77,897
Held-for-trading financial assets	**23,897**	16,550	—	**23,897**	—
Operating results					
Originations revenue	**10,128**	12,474	9,643	**42,715**	36,722
Servicing revenue	**1,811**	1,684	1,620	**6,554**	5,675
Interest income & other revenue	**2,915**	2,567	2,139	**10,252**	7,167
Total revenue	**14,854**	16,725	13,402	**59,521**	49,564
Operating expenses	**7,145**	7,823	7,485	**29,165**	27,663
Adjusted EBITDA (1)	**7,709**	8,902	5,917	**30,356**	21,901
Interest and depreciation expense	**1,165**	1,156	746	**4,497**	2,045
Adjusted operating income before tax (1)	**6,544**	7,746	5,171	**25,859**	19,856

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

Triad Financial Services - Secured Consumer Loan Portfolios Segment

Originations at Triad Financial Services for the fourth quarter and year ended December 31, 2019 were approximately $144.5 million and $602.9 million, respectively, up 7.3% and 14.8% from the prior year. Managed assets were $2.4 billion as at December 31, 2019, an increase of 12.1% compared to managed assets of $2.2 billion as at December 31, 2018.

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

Originations (US$ millions)[2]								
Q4, 2017	Q1, 2018	Q2, 2018	Q3, 2018	Q4, 2018	Q1, 2019	Q2, 2019	Q3 2019	Q4 2019
119	94	150	147	135	118	170	171	144

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

Originations revenue for the fourth quarter and year ended December 31, 2019 was approximately $10.1 million and $42.7 million, respectively, up 5.0% and 16.3% from the prior year, which is in line with total originations growth.

Servicing revenues of $1.8 million and $6.6 million for the fourth quarter and year ended December 31, 2019, respectively, were up 11.8% and 15.5% from the prior year, reflecting the growth in managed assets.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $7.7 million and $6.5 million, respectively, for the fourth quarter of 2019 compared to $5.9 million and $5.2 million, respectively, for the fourth quarter of 2018. For the full year, adjusted EBITDA[1] of $30.4 million and adjusted operating income before tax[1] of $25.9 million were each on the high end of the Company's forecast range, demonstrating the continued strong performance of the Triad segment. Compared to 2018, adjusted EBITDA[1] and adjusted operating income before tax[1] increased 38.6% and 30.2%, respectively, compared to the increase in total revenues of 20.1%, which reflects the operating leverage of the Triad Financial Services business model. As a result, adjusted EBITDA margins increased to 51.0% from 44.2% in 2018.

Manufactured housing loans consist primarily of floorplan loans as well as a modest amount of loans originated on behalf of bank partners with the intention of selling through under a portfolio sales agreement. The floorplan loans enable key dealers to finance their inventory and support the growth of their businesses. These loans strengthen the relationship with our key dealers and manufacturers.

Triad Financial Services is well positioned for growth and scalability in 2020 as product expansion and business investments continue to drive originations growth and increase efficiencies. The Company expects origination growth of approximately 15% at the mid-point of our forecasted guidance range as compared to 2019 and adjusted operating income growth of approximately 30% as compared to 2019. Please see the table below for the Company's 2020 outlook for the Triad Financial Services segment.

Triad Financial Services - Secured Consumer Loan Portfolios 2020 Outlook

	2020 Forecast Range	
Select Metrics (US$ millions)		
Total Originations	**680**	**720**
Floorplan line utilized	**115**	**125**
Managed & advised portfolio (period end)	**2,800**	**2,900**
Income Statement (US$ millions)		
Origination Revenues	**37**	**43**
Servicing Revenues[(1)]	**28**	**32**
Total Revenues	**65**	**75**
Adjusted EBITDA	**35**	**40**
Adjusted Operating Income Before Tax	**31**	**35**
Adjusted EBITDA margin	**~53%**	**~53%**

(1) Servicing Revenues includes income from floorplan loans.

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, 2019, September 30, 2019 and December 31, 2018 and the years ended December 31, 2019 and December 31, 2018.

	For the three-month period ended			For the year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
(in 000's for stated values)	**$**	$	$	**$**	$
Operating results					
Revenues	**1,400**	220	5,653	**2,818**	10,658
Operating expenses	**5,926**	5,812	7,044	**21,898**	26,763
Adjusted EBITDA (1)	**(4,526)**	(5,592)	(1,391)	**(19,080)**	(16,105)
Depreciation & amortization	**671**	522	359	**2,046**	1,358
Interest expense	**3,039**	3,846	5,798	**14,982**	24,336
Adjusted operating income before tax (1)	**(8,236)**	(9,960)	(7,548)	**(36,108)**	(41,799)

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

Corporate

Revenue was $1.4 million for the fourth quarter of 2019 compared to $0.2 million for the third quarter of 2019. Revenue primarily consists of income or loss from legacy corporate investments.

Corporate operating expenses of approximately $5.9 million were in line with our normalized run rate of approximately $5.5 million per quarter. Interest expense decreased compared to the third quarter of 2019 as a result of a lower average debt balance during the fourth quarter of $448.2 million compared to $477.3 million in the preceding quarter and a lower average borrowing rate.

RESULTS OF DISCONTINUED OPERATIONS

The following table sets forth a summary of the Company's select metrics and results from discontinued operations for the three-month periods ended December 31, 2019, September 30, 2019 and December 31, 2018 and the years ended December 31, 2019 and December 31, 2018.

	For the three-month period ended			For the year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
(in 000's for stated values)	**$**	**$**	**$**	**$**	**$**
Operating results					
Revenues	**459**	967	4,428	**4,145**	47,149
Operating expenses	**4,949**	4,740	2,593	**16,369**	12,041
Adjusted EBITDA (1)	**(4,490)**	(3,773)	1,835	**(12,224)**	35,108
Interest expense	**496**	623	386	**1,119**	9,807
Adjusted operating (loss) income before tax (1)	**(4,986)**	(4,396)	1,449	**(13,343)**	25,301
Non-Operating items:					
Share-based compensation	**1**	2	159	**7**	268
Asset valuation reserve - Aviation	**19,500**	—	80,000	**19,500**	80,000
Asset valuation reserve - C&V	**—**	—	14,085	**—**	14,085
Business disposal (gain)/loss	**—**	—	—	**—**	98,845
CTA release on C&V disposal	**—**	—	9,937	**—**	9,937
Recovery of income taxes	**(5,879)**	(967)	(5)	**(7,719)**	(23,792)
	13,622	(965)	104,176	**11,788**	179,343
Net loss from discontinued operations	**(18,608)**	(3,431)	(102,727)	**(25,131)**	(154,042)

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

Discontinued Operations

Revenue from discontinued operations was $0.5 million and $4.1 million for the fourth quarter and year ended December 31, 2019, respectively, compared to $4.4 million and $47.1 million in the prior year. These decreases reflect the continued wind-down of the legacy businesses. Operating expenses were $4.9 million and $16.4 million for the fourth quarter and year ended December 31, 2019, respectively, up from $2.6 million and $12.0 million in the prior year periods, primarily due to increased compensation, legal, maintenance and storage and other costs associated with the wind-down of legacy assets.

During the fourth quarter of 2019, the Company recorded an incremental provision of $19.5 million (after-tax $14.3 million) related to the legacy aviation business. Net loss related to discontinued operations was $18.6 million for the fourth quarter and $25.1 million for the full year 2019.

The following table sets forth a summary of assets held-for-sale as at December 31, 2019 and December 31, 2018:

	Year Ended	
	December 31, 2019	December 31, 2018
(in 000's for stated values)	**$**	**$**
Rail Finance	**35,581**	64,062
Aviation Finance	**97,480**	248,995
C&V Finance	**9,911**	20,906
Total assets held-for-sale	**142,972**	333,963

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by core business segment, as at December 31, 2019, September 30, 2019 and December 31, 2018.

	December 31, 2019						
	Service Finance	KG	Triad Financial Services	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	9,826	30,559	7,896	3,439	**51,720**	—	**51,720**
Restricted funds	1,386	—	31,995	—	**33,381**	—	**33,381**
Accounts receivable	5,067	52,264	21,277	307	**78,915**	9,245	**88,160**
Finance assets:							
Loans receivable	52,036	74,330	101,440	—	**227,806**	—	**227,806**
Held-for-trading financial assets	61,524	—	23,897	—	**85,421**	—	**85,421**
Total finance assets	113,560	74,330	125,337	—	**313,227**	—	**313,227**
Retained reserve interest	—	—	25,558	—	**25,558**	—	**25,558**
Continuing involvement asset	—	—	126,689	—	**126,689**	—	**126,689**
Goodwill and intangible assets	361,890	245,646	64,729	1,833	**674,098**	—	**674,098**
Deferred tax assets	—	—	—	44,461	**44,461**	—	**44,461**
Other assets and investments	38,817	38,432	6,817	137,249	**221,315**	2,557	**223,872**
Assets held-for-sale	—	—	—	—	**—**	142,972	**142,972**
Total Assets	**530,546**	**441,231**	**410,298**	**187,289**	**1,569,364**	**154,774**	**1,724,138**
Liabilities							
Debt	57,663	74,330	97,443	201,042	**430,478**	—	**430,478**
Continuing involvement liability	—	—	126,689	—	**126,689**	—	**126,689**
Other liabilities	25,605	125,651	42,555	80,063	**273,874**	14,071	**287,945**
Total Liabilities	**83,268**	**199,981**	**266,687**	**281,105**	**831,041**	**14,071**	**845,112**
Earning Assets - Owned and Managed							
Earning assets - owned	113,560	74,330	125,337	—	**313,227**	—	**313,227**
Earning assets - managed and advisory	2,505,270	28,664,974	2,428,110	—	**33,598,354**	—	**33,598,354**
Total Earning Assets - Owned and Managed and Advisory	**2,618,830**	**28,739,304**	**2,553,447**	**—**	**33,911,581**	**—**	**33,911,581**

Total finance assets for continuing operations were $313.2 million at December 31, 2019 compared to $314.5 million at September 30, 2019, and $402.4 million at December 31, 2018. The decrease compared to the preceding quarter primarily reflects a decrease in held-for-trading financial assets at Service Finance, partially offset by an increase in held-for-trading financial assets at Triad Financial Services.

Debt from continuing operations of $430.5 million decreased by $20.8 million compared to September 30, 2019, reflecting net repayment activity during the quarter funded by cash from operations.

Earning assets - managed and advisory of $33.6 billion as at December 31, 2019 reflects managed loans of $2.5 billion at Service Finance, $28.7 billion in advisory assets at KG and $2.4 billion in managed loans at Triad Financial Services.

	September 30, 2019						
	Service Finance	KG	Triad Financial Services	Corporate	**Continuing Operations**	Discontinued Operations	**Total**
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	6,973	18,389	5,988	2,140	**33,490**	—	**33,490**
Restricted funds	1,283	—	30,920	—	**32,203**	—	**32,203**
Accounts receivable	6,133	64,956	17,588	913	**89,590**	22,668	**112,258**
Finance assets							
Loans receivable	46,660	76,593	99,296	—	**222,549**	—	**222,549**
Held-for-trading financial assets	75,407	—	16,550	—	**91,957**	—	**91,957**
Total finance assets	122,067	76,593	115,846	—	**314,506**	—	**314,506**
Retained reserve interest	—	—	24,287	—	**24,287**	—	**24,287**
Continuing involvement asset	—	—	119,491	—	**119,491**	—	**119,491**
Goodwill and intangible assets	359,346	247,139	65,063	1,570	**673,118**	—	**673,118**
Deferred tax assets	—	—	—	40,606	**40,606**	—	**40,606**
Other assets and investments	37,839	38,046	7,027	124,304	**207,216**	3,155	**210,371**
Assets held-for-sale	—	—	—	—	**—**	185,089	**185,089**
Total Assets	**533,641**	**445,123**	**386,210**	**169,533**	**1,534,507**	**210,912**	**1,745,419**
Liabilities							
Debt	74,227	76,594	92,605	207,900	**451,326**	—	**451,326**
Continuing involvement liability	—	—	119,491	—	**119,491**	—	**119,491**
Other liabilities	25,843	157,782	37,096	75,196	**295,917**	11,990	**307,907**
Total Liabilities	**100,070**	**234,376**	**249,192**	**283,096**	**866,734**	**11,990**	**878,724**
Earning Assets - Owned and Managed							
Earning assets - owned	122,067	76,593	115,846	—	**314,506**	—	**314,506**
Earning assets - managed and advisory	2,331,909	27,906,179	2,379,869	—	**32,617,957**	—	**32,617,957**
Total Earning Assets - Owned and Managed and Advisory	**2,453,976**	**27,982,772**	**2,495,715**	**—**	**32,932,463**	**—**	**32,932,463**

	December 31, 2018						
(in 000's for stated values)	Service Finance $	KG $	Triad Financial Services $	Corporate $	**Continuing Operations** **$**	Discontinued Operations $	**Total** **$**
Assets							
Cash	9,684	18,853	7,347	3,022	**38,906**	13,086	**51,992**
Restricted funds	452	—	18,477	—	**18,929**	—	**18,929**
Accounts Receivable	11,950	29,431	18,098	701	**60,180**	9,368	**69,548**
Finance assets							
Loans receivable	17,546	32,903	77,897	—	**128,346**	—	**128,346**
Held-for-trading financial assets	274,072	—	—	—	**274,072**	—	**274,072**
Total finance assets	291,618	32,903	77,897	—	**402,418**	—	**402,418**
Retained reserve interest	—	—	22,020	—	**22,020**	—	**22,020**
Continuing involvement asset	—	—	71,685	—	**71,685**	—	**71,685**
Goodwill and intangible assets	357,796	253,193	65,835	970	**677,794**	—	**677,794**
Deferred tax assets	—	—	—	35,467	**35,467**	—	**35,467**
Other assets and investments	12,496	16,408	550	71,203	**100,657**	36,645	**137,302**
Asset held-for-sale	—	—	—	—	**—**	333,963	**333,963**
Total Assets	**683,996**	**350,788**	**281,909**	**111,363**	**1,428,056**	**393,062**	**1,821,118**
Liabilities							
Debt	288,165	32,903	65,277	(50,909)	**335,436**	—	**335,436**
Continuing involvement liability	—	—	71,685	—	**71,685**	—	**71,685**
Other liabilities	2,016	185,076	22,127	80,573	**289,792**	17,228	**307,020**
Total Liabilities	**290,181**	**217,979**	**159,089**	**29,664**	**696,913**	**17,228**	**714,141**
Earning Assets - Owned and Managed and Advisory							
Earning assets - owned	291,618	32,903	77,897	—	**402,418**	—	**402,418**
Earning assets - managed and advisory	1,768,375	27,184,776	2,165,520	—	**31,118,671**	—	**31,118,671**
Total Earning Assets - Owned and Managed and Advisory	**2,059,993**	**27,217,679**	**2,243,417**	**—**	**31,521,089**	**—**	**31,521,089**

Delinquencies

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

	December 31, 2019		September 30, 2019		December 31, 2018	
	$	**%**	$	%	$	%
Current	**228,199**	**99.95 %**	222,626	99.83 %	128,366	99.52 %
31-60 days past due	**—**	**— %**	7	— %	369	0.29 %
61-90 days past due	**—**	**— %**	120	0.05 %	147	0.11 %
Greater than 90 days past due	**115**	**0.05 %**	257	0.12 %	108	0.08 %
Total continuing operations	**228,314**	**100.00 %**	223,010	100.00 %	128,990	100.00 %

Allowance for Credit Losses

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

	Year ended December 31, 2019	Year ended December 31, 2018
(in 000's except percentage amounts)	**$**	**$**
Allowance for credit losses, beginning of period	**644**	2,160
IFRS 9 transition adjustment	**—**	6,951
Provision for credit losses	**337**	844
Impact of foreign exchange	**—**	(108)
Charge-offs, net of recoveries, and other	**(95)**	(4,550)
Transfer to held-for-trading financial assets	**(378)**	—
Transfer to available-for-sale	**—**	(4,653)
Allowance for credit losses, end of period	**508**	644

The Company's allowance for credit losses was $0.5 million as at December 31, 2019, compared to the $0.6 million reported at December 31, 2018. Overall, the allowance is in-line with management's expectation of losses from the businesses 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 senior credit facilities, selling loans that we originate to our Partners and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares. The Service Finance and Triad Financial Services segments have commitments in place to fund their total anticipated loan originations for the next 12 months.

As at December 31, 2019, the Company's debt to equity ratio was 0.49:1. The Company views its low financial leverage as a key indicator of the strength of the Company's financial position and the Company's ability to fund future growth opportunities.

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

		As at		
(in 000's for stated values, except for percentage amounts)		**December 31, 2019** **$**	September 30, 2019 $	December 31, 2018 $
Total debt	**(a)**	**430,478**	451,326	335,436
Shareholders' equity	**(b)**	**879,026**	884,516	1,106,977
Debt to equity ratio	**(a)/(b)**	**0.49**	0.51	0.30
Goodwill and intangibles	**(c)**	**674,098**	673,118	677,794
Tangible leverage	**(a)/[(b)-(c)]**	**2.10**	2.13	0.78

The decrease in total debt compared to the third quarter of 2019 reflects net repayment activity during the quarter funded by cash from operations.

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, 2019	September 30, 2019	December 31, 2018
(in 000's)	**$**	$	$
Cash and cash equivalents	**51,720**	33,490	51,992
Senior Facilities			
Facilities	**1,000,000**	1,000,000	1,000,000
Utilized against Facility	**443,590**	462,667	350,000
Unutilized Borrowing Facilities (i.e. excl. Cash & Equiv.)	**556,410**	537,333	650,000
Total available sources of capital, end of period	**608,130**	570,823	701,992

The Company had unutilized borrowing facilities of approximately $0.6 billion at December 31, 2019, compared to $0.5 billion at September 30, 2019. This $0.6 billion in unutilized borrowing capacity is in addition to the commitments in place to fund loan originations from our Service Finance and Triad Financial Services business segments. Management believes the available liquidity from its cash and equivalents, unutilized borrowing capacity and the funding commitments in place at Service Finance and Triad Financial Services is sufficient to fund operations and internal growth initiatives.

Summary of Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended as at December 31, 2019. The information should be read in conjunction with ECN Capital's audited and interim unaudited consolidated financial statements, the notes thereto and the related management discussion and analysis for the relevant periods.

Key factors that account for the fluctuation in the Company's quarterly results include the year-over-year growth in originations at the Service Finance and Triad Financial Services business segments and the seasonality of these businesses, as well as fluctuation in KG's advisory revenues from period to period. ECN acquired Service Finance on September 7, 2017, Triad Financial Services on December 29, 2017, 76% of KG on May 31, 2018 and an additional 20% of KG on March 21, 2019.

(in $ 000's for stated values, except ratio and per share amounts)	**Q4, 2019**	Q3, 2019	Q2, 2019	Q1, 2019	Q4, 2018	Q3, 2018	Q2, 2018	Q1, 2018
Adjusted operating income before tax (1)	**26,246**	26,732	24,699	19,828	24,585	27,548	10,989	611
Amortization of intangibles	**6,453**	6,452	6,453	6,453	5,685	3,468	968	2,801
Accretion of deferred purchase consideration	**1,134**	2,035	1,223	1,358	819	819	2,069	353
Share based compensation	**3,762**	4,555	2,970	6,160	3,588	4,882	2,534	3,334
Corporate restructuring and transition costs	**3,141**	—	—	12,549	15,485	54	—	—
Purchase price premium on non-controlling interest	**—**	—	—	28,138	—	—	—	—
Business acquisition costs	**2,168**	—	—	—	—	—	13,143	261
Unrealized (gain) loss on economic currency hedge	**—**	—	—	(4,789)	4,289	—	—	—
Non-controlling interest	**413**	315	326	546	4,045	5,349	—	—
Net income (loss) before income taxes	**9,175**	13,375	13,727	(30,587)	(9,326)	12,976	(7,726)	(6,138)
Net income (loss) from continuing operations	**12,104**	8,203	10,856	(20,781)	(2,406)	3,347	(1,993)	(1,583)
Net (loss) income from discontinuing operations	**(18,608)**	(3,431)	(932)	(2,160)	(102,727)	(60,830)	4,642	4,874
Net (loss) income - total	**(6,504)**	4,772	9,924	(22,941)	(105,133)	(57,483)	2,649	3,291
Earnings per share (basic) - continuing operations attributable to common shareholders	**$0.04**	$0.02	$0.04	$(0.09)	$(0.02)	$0.00	$(0.01)	$(0.01)
Adjusted net income (1)	**20,917**	20,605	19,011	15,040	17,764	19,471	8,702	499
Adjusted net income per share (basic) (1)	**$0.09**	$0.09	$0.08	$0.06	$0.06	$0.06	$0.02	$0.00
Adjusted net income applicable to common shareholders per share (basic)(1)	**$0.08**	$0.08	$0.07	$0.05	$0.05	$0.05	$0.02	$(0.01)
Period end earning assets - owned	**313,227**	314,507	311,455	345,374	402,418	309,831	258,365	140,231
Period end earning assets - managed and advisory	**33,598,354**	32,617,957	32,178,949	31,861,273	31,118,671	28,774,422	28,183,311	3,221,523
Period end earning assets - total	**33,911,581**	32,932,464	32,490,404	32,206,647	31,521,089	29,084,253	28,441,676	3,361,754
Originations	**541,723**	639,124	598,010	419,201	463,120	508,950	505,210	335,718
Allowance for credit losses	**508**	461	833	768	644	4,688	4,620	9,163
Allowance for credit losses as a % of finance receivables	**0.16 %**	0.14 %	0.27 %	0.22 %	0.16 %	1.04 %	1.35 %	2.86 %
Term senior credit facility, total	**443,590**	462,667	450,500	599,535	350,000	668,232	640,578	267,888
Deferred financing costs	**(13,112)**	(11,341)	(12,774)	(13,659)	(14,564)	271,937	272,903	275,833
Total Debt	**430,478**	451,326	437,726	585,876	335,436	940,169	913,481	543,721
Shareholders' equity	**879,026**	884,516	887,989	880,035	1,106,977	1,252,681	1,343,746	1,441,614

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

Non-IFRS and Other Performance Measures

DESCRIPTION OF NON-IFRS MEASURES

The Company uses certain measures to assess our financial performance that are not generally accepted accounting principles measures under IFRS ("Non-IFRS measures"). The Company believes the non-IFRS measures described below are more reflective of our ongoing operating results and provide readers with a better understanding of the Company's operating performance through the eyes of management. Non-IFRS measures are intended to provide additional information only and do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should not be considered in isolation or as a substitute for measures of performance determined under IFRS.

The following discussion describes the non-IFRS measures we use in evaluating our operating results.

Adjusted Earnings before interest expense, taxes, depreciation and amortization ("adjusted EBITDA")

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

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

Adjusted operating income before tax is net income excluding the impact of share-based compensation, separation and transition costs, business acquisition costs, loss (gain) on business disposals, impairment charges and asset valuation reserves, amortization of intangible assets acquired in business combinations, accretion of deferred purchase consideration, cumulative dividends on preferred shares, loss (income) from discontinued operations 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 transition costs, business acquisition costs and loss (gain) on business disposals do not relate to continuing operating activities; accretion of deferred purchase consideration is considered part of the purchase price consideration for business acquisitions notwithstanding the accounting treatment which views all or a portion of the related payments, depending on how it is structured, to be an operating expense; dividends on preferred shares are a financing cost not related to operating activities; 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.

Earning assets - owned

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

Managed and advisory assets

Managed and advisory assets are the asset portfolios in the Company's Service Finance, Triad Financial Services and the KG segments that the Company manages, services or advises on behalf of its Partners. The Company earns either servicing, portfolio advisory or reserve income from these portfolios.

In addition, the Company utilizes the following performance measures, which are derived from amounts calculated in accordance with IFRS to assess performance:

Allowance for credit losses as a percentage of finance receivables

Allowance for credit losses as a percentage of finance receivables is the allowance for credit losses at the end of the period divided by the finance receivables (gross of the allowance for credit losses) at the end of the period.

Average debt

Average debt is calculated as the daily weighted average borrowings outstanding under all of the Company's secured borrowings facilities throughout the period.

Finance assets or total finance assets

Finance assets are the sum of the total finance receivables and the total carrying value of the equipment under operating leases.

Debt to equity ratio

Debt to equity ratio is calculated as total debt (secured borrowings) outstanding at the end of the period, divided by total shareholders' equity outstanding at the end of the period. Debt to equity refers to the use of debt to acquire/finance additional finance receivables and other assets and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and/or existing debt covenants.

Tangible leverage ratio

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

RECONCILIATION OF NON-IFRS TO IFRS MEASURES

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for three-month periods ended December 31, 2019, September 30, 2019 and December 31, 2018 and the years ended December 31, 2019 and December 31, 2018.

	For the three-month period ended			For the year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
(in 000's for stated values, except percent amounts)	**$**	$	$	**$**	$
Reported and adjusted measures					
Net income (loss) from continuing operations	**12,104**	8,203	(2,406)	**10,382**	(2,635)
Adjustments:					
Share-based compensation	**3,762**	4,555	3,588	**17,447**	14,338
Amortization of intangibles	**6,453**	6,452	6,151	**25,811**	12,923
Accretion of deferred purchase consideration	**1,134**	2,035	353	**5,750**	4,060
Business acquisition costs	**2,168**	—	—	**2,168**	13,404
Corporate restructuring and transition costs	**3,141**	—	15,485	**15,690**	15,539
Purchase price premium on non-controlling interest	**—**	—	—	**28,138**	—
Unrealized loss on economic currency hedge	**—**	—	4,289	**(4,789)**	4,289
Non-controlling interest in KG	**413**	315	4,045	**1,600**	9,394
Provision (recovery) of income taxes	**(2,929)**	5,172	(6,920)	**(4,692)**	(7,579)
Adjusted operating income before tax and NCI	**26,246**	26,732	24,585	**97,505**	63,733
Non-controlling interest in KG	**413**	315	2,566	**1,600**	7,915
Adjusted operating income before tax	**25,833**	26,417	22,019	**95,905**	55,818
Provision for taxes applicable to adjusted operating income (1)	**4,916**	5,812	4,255	**20,332**	9,382
Adjusted net income	**20,917**	20,605	17,764	**75,573**	46,436
Cumulative preferred share dividends during the period	**2,417**	2,407	2,387	**9,618**	9,823
Adjusted net income attributable to common shareholders	**18,500**	18,198	15,377	**65,955**	36,613
Per share information					
Weighted average number of shares outstanding (basic)	**240,302**	240,171	310,990	**242,567**	334,838
Adjusted net income per share (basic)	**$0.09**	$0.09	$0.06	**$0.31**	$0.14
Adjusted net income applicable to common shareholders per share (basic)	**$0.08**	$0.08	$0.05	**$0.27**	$0.11
Adjusted operating income before tax comprised of:					
Service Finance	**17,270**	19,356	15,883	**63,004**	51,334
KG	**10,255**	9,275	8,513	**43,150**	26,427
Triad Financial Services	**6,544**	7,746	5,171	**25,859**	19,856
Corporate	**(8,236)**	(9,960)	(7,548)	**(36,108)**	(41,799)
	25,833	26,417	22,019	**95,905**	55,818

(1) Provision for taxes applicable to adjusted operating income reflects an effective tax rate of 19.0% for the three-month period ended December 31, 2019, 22.0% for the three-month period ended September 30, 2019, 19.3% for the three-month period ended December 31, 2018, 21.2% for the year ended December 31, 2019 and 16.8% for the year ended December 31, 2018.

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 loans and financial derivatives. 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 manages its counterparty credit risk in respect to cash and cash equivalents by financing its operations through a syndicate of Canadian and U.S. banks.

The Company limits its exposure to counterparty credit risk in respect to the use of financial derivatives by transacting only with highly rated financial institutions. The Company's financial derivatives portfolio is spread across financial institutions that are at least dual-rated and have a credit rating in the "A" category or better.

The Company's maximum exposure to credit risk with respect to its consolidated statements of financial position as at December 31, 2019 and 2018 is the carrying amounts as disclosed on the statements 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 funding of loan originations at Service Finance and Triad Financial Services by our Partners. The Company mitigates this risk by maintaining a diversified group of Partners, including banks, credit unions, insurance companies and investment funds, as well as maintaining excess funding capacity for the following twelve months. The Company also maintains access to liquidity through its term senior credit facility. The Company ensures it has excess borrowing capacity under the facility by closely monitoring its covenants and managing the cash flows generated by its operating subsidiaries.

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 enters into interest rate swaps to fix a portion of its floating rate debt.

After considering the interest rate swaps, the Company's interest rate risk is limited to cash and restricted cash, the unhedged portion of debt under the senior credit facility and floating rates on finance receivables and assets held for sale. Based on its unhedged exposure as at December 31, 2019, 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.

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.

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 typically 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, 2019, 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.

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 and Use of Judgments

The Company's significant accounting policies are described in note 2 of our 2019 Annual Consolidated Financial Statements. Certain of these policies, and related estimates and judgments have been identified as "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. Our significant accounting judgments, estimates and assumptions relate to inventory, allowances for credit losses, income taxes, useful lives and residual values of equipment under operating leases, goodwill and intangible assets, derecognition of financial assets, and the outcome of contingencies such as lawsuits, claims or proceedings incident to the operation of our businesses. Our critical accounting policies and estimates have been reviewed and approved by our Audit Committee, in consultation with management, as part of their review and approval of our significant accounting policies, judgments, estimates and assumptions. Please refer to note 2 of our 2019 Annual Consolidated Financial Statements for a description of each of our significant accounting judgments, estimates and assumptions.

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued. Accordingly, actual results may differ from those recorded amounts.

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

Effective January 1, 2019, the Company made the following key changes to its significant accounting policies:

Adoption of International Financial Reporting Standards 16 - Leases ("IFRS 16")

On January 1, 2019, the Company adopted IFRS 16 which has replaced IAS 17, Leases ("IAS 17"). The Company uses the modified retrospective approach and has implemented the following accounting policies in respect of right-of-use assets and lease liabilities as a result of the IFRS 16 adoption.

Right-of-Use Assets

The Company measures right-of-use assets at amortized cost less any accumulated depreciation and impairment charges. Right-of-use assets are recognized at the time that the underlying asset is available for use ("lease commencement date").

Lease Liabilities

Lease liabilities are measured at the discounted present value of lease payments over the term of the lease. Following initial recognition at the time of the lease commencement date, the Company increases the lease liability for accretion and reduces the lease liability for any payments made.

As a result of the adoption of IFRS 16, the Company recorded an asset of $18,416 and and a corresponding lease liability of $18,937. Additionally, the opening balance of retained earnings was reduced by $521.

Please refer to note 2 of our December 31, 2019 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 26, 2020, the Company had 240,212,229 common shares, 15,574,164 options; 4,000,000 Series A preferred shares, and 4,000,000 Series C preferred shares issued and outstanding.

An additional 2,990,737 shares will be issued in March 2020 as a result of the purchase of the non-controlling interest in KG.

This Management's Discussion and Analysis is dated as of the close of business on February 26, 2020.

ecncapitalcorp.com