ECN CAPITAL

Management Discussion & Analysis

DECEMBER 31, 2021

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the financial condition and results of operations of ECN Capital Corp. (the "Company" or "ECN Capital") as at and for the year ended December 31, 2021 and should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended December 31, 2021 (the "2021 Annual Consolidated Financial Statements") and December 31, 2020 (the "2020 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 March 1, 2022. Certain statements contained in this report constitute "forward looking statements". When used in this report, the words "may", "would", "could," "will," "intend," "plan," "anticipate," "believe," "estimate," "expect," and similar expressions, as they relate to the company, or its management, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic and industry conditions, reliance on debt financing, dependence on borrowers, dependence on financing its business through funding commitments and the sale of loan portfolios to banks and other financial institutions, inability to recover receivables, competition, interest rates, regulation, demand for financing in the specialty finance sector, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described from time to time in reports of ECN Capital.

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

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Overview

ABOUT ECN

ECN Capital Corp. (“ECN Capital” or the “Company”) is a leading provider of business services to North American based banks, credit unions, life insurance companies, pension funds and institutional investors (collectively our "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically consumer (manufactured housing and marine and recreational vehicle) loans and credit card receivables. Our Partners are seeking high quality assets to match with their deposits or other liabilities. Headquartered in South Florida and Toronto, the registered office is located at 161 Bay Street, Suite 2800, Toronto, Ontario, Canada. ECN Capital has approximately 460 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 operating businesses that operate under a fee-based, asset-light model through which it leverages highly specialized expertise, industry knowledge, regulatory compliance and strategic relationships. This specialized business model provides significant barriers to entry. Our core investor companies are: Triad Financial Services, Inc. ("Triad Financial Services"), Source One Financial Services, LLC ("Source One") and Kessler Financial Services LLC ("KG"). ECN Capital has managed and advisory assets[1] of continuing operations of approximately $31.3 billion and our customers include more than 100 bank, credit union, insurance company, pension plan and institutional investor partners. ECN Capital partners with these financial institutions rather than competing with them. Specifically, our Partners are the decision makers inside each institution who are looking for appropriate portfolio solutions to match customer deposits and other liabilities. We meet our customer needs by offering the following consumer portfolio solutions:

- Secured consumer loans - Manufactured home, marine and recreational vehicle loans
- Consumer credit card receivables and related unsecured consumer loans - Focused on co-branded credit cards and related financial products

The Company's focus is to drive origination and asset management growth as well as broadening our Partner relationships through the marketing of our solutions across our network of 100+ Partners. In pursuit of these objectives: (i) The Company provides its portfolio companies with modest capital, extensive knowledge and scale to help grow their businesses within their large addressable markets; and (ii) The Company continuously brings new funding relationships and structures to our investor companies.

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

The Company's operating businesses have demonstrated each of the following value propositions:

- Significant barriers to entry including long-term relationships with banks, credit unions, insurance companies and institutional investors that are its customers
- Business longevity resulting in favorable regulatory outcomes; No objection or negative comments from financial services regulators
- Exclusive/preferred manufacturer and dealer arrangements that drive origination services
- Established originator/manager/adviser of consumer credit assets with a history of strong performance across business cycles
- Superior credit quality across portfolios with a long-term track record of servicing/ management excellence
- Capital-light businesses with solid growth profiles
- Scalable platforms with established operations and proprietary intellectual capital

Our intention is to partner with banks, credit unions, insurance companies and other institutional investors, and not to compete with them. If and when our Partners or their competitors look to directly compete with ECN's investor companies, ECN will consider existing the business on terms acceptable to shareholders.

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

Core Business Segments:

Secured Consumer Loans

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+ active 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 floorplan financing for select dealers and manufacturers. Triad Financial Services is headquartered in Jacksonville, Florida and is licensed in 47 States.

Source One - Marine and Recreational Vehicle Loans

Founded in 1999, Source One is a premier provider of consumer lending programs and outsourced finance and insurance solutions to the marine and recreational vehicle industries. Through an established network of dealers covering 38 states, Source One originates prime and super-prime loans to consumers to facilitate the purchase of marine and recreational vehicles. Source One is headquartered in Lakeville, Minnesota.

Consumer Credit Card and Related Unsecured Consumer Loans

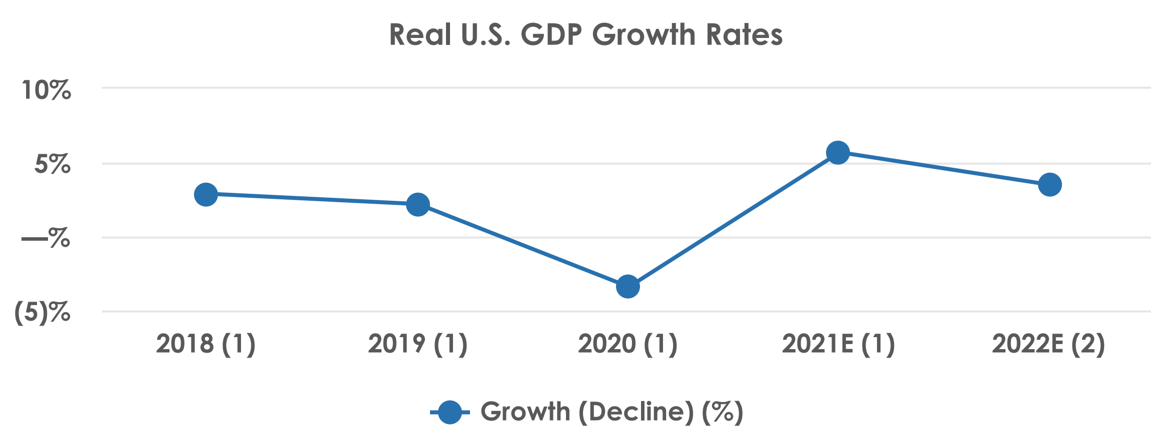
KG - Co-brand Credit Card Portfolios and Related Financial Products

Founded in 1978, KG is a premier manager, adviser and structuring partner to credit card issuers, banks, credit unions and payment networks. KG helps clients grow and optimize partnership credit card portfolios and other financial products and has created over 6,000 partnerships between banks/credit card issuers and partner organizations. Through its credit card investment management platform, KG enables institutional investors to participate in credit card and consumer loan portfolios that historically moved among banks. KG also offers performance marketing solutions to drive improved customer acquisition outcomes. KG currently has approximately $28.2 billion in managed credit card portfolios and related assets and is headquartered in Boston, Massachusetts.

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 and credit performance of U.S. consumers. In 2021, U.S. consumers experienced solid credit quality with very low delinquencies and very high payment rates. We expect the sound credit environment in the U.S. to continue in 2022, driven by solid credit fundamentals that are supported by the strong U.S. labor market and healthy consumer balance sheets. 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.

During 2021, the economic recovery from the COVID-19 pandemic continued, despite challenges presented by COVID-19 variants, price inflation, and labor and supply chain constraints. Economic growth accelerated in the fourth quarter of 2021 to 6.9% and is expected to continue at a moderated rate of 3.5% in 2022, based on current consensus estimates. Labor force participation is expected to increase, driving recovery in supply chains and inventory levels and leading to overall growth in consumer spending. While there still remains uncertainty, each of our business segments are well-positioned to benefit from the continued economic recovery, supporting a strong outlook for each of our business segments.

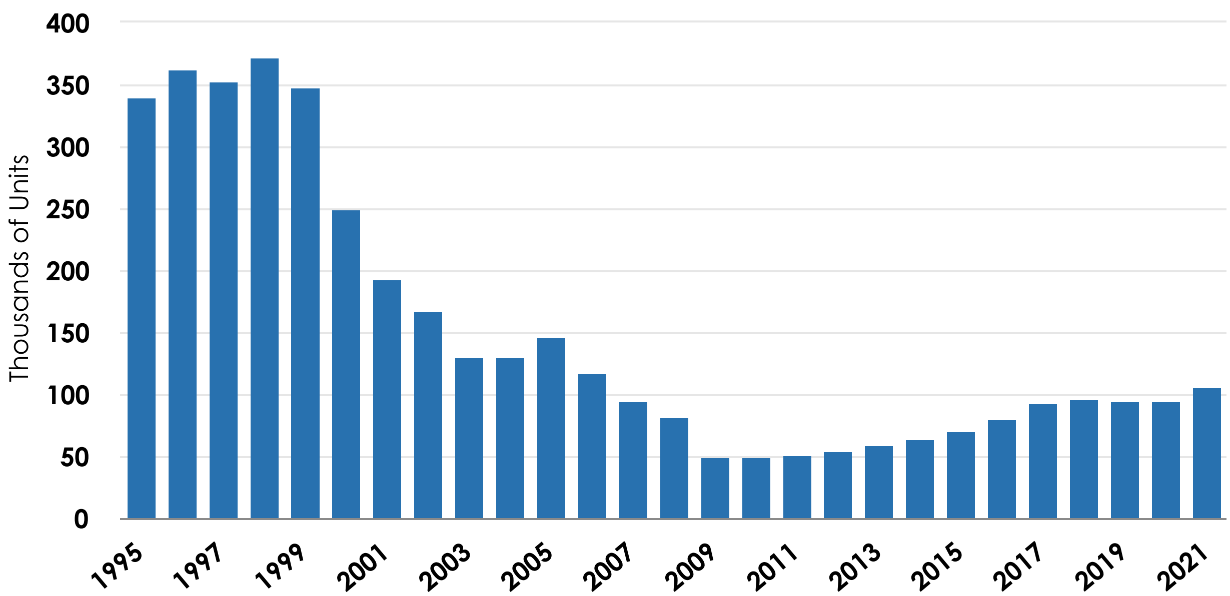


(1) Source: U.S. Bureau of Economic Analysis
(2) Source: The Conference Board

Manufactured Housing Market

Shipments of manufactured homes were up 13% to 106,800 in 2021, surpassing 100,000 shipments for the first time since 2006. Manufacturers continue to strive for increased production to meet growing demand. Demand has been driven by affordability with manufactured homes average price per square foot being half that of site-built homes. Manufactured homes are also built in a controlled environment to the latest U.S. Department of Housing and Urban Development ("HUD") standards, and as a result manufactured homes shipped today have a useful life of over 55 years. Manufactured homes offer an affordable and durable solution to home ownership. Manufactured homes represent approximately 80% of new home sales priced below $150,000. Both application volumes and approval volumes indicate a continued demand and increasing volumes in 2022. Triad Financial Services is positioned to benefit from the industry growth as its diverse lending solutions and long-established industry partnerships combine to provide financing to manufactured home buyers across the U.S.

Shipments of New Manufactured Homes: 1995 - 2021 [1]

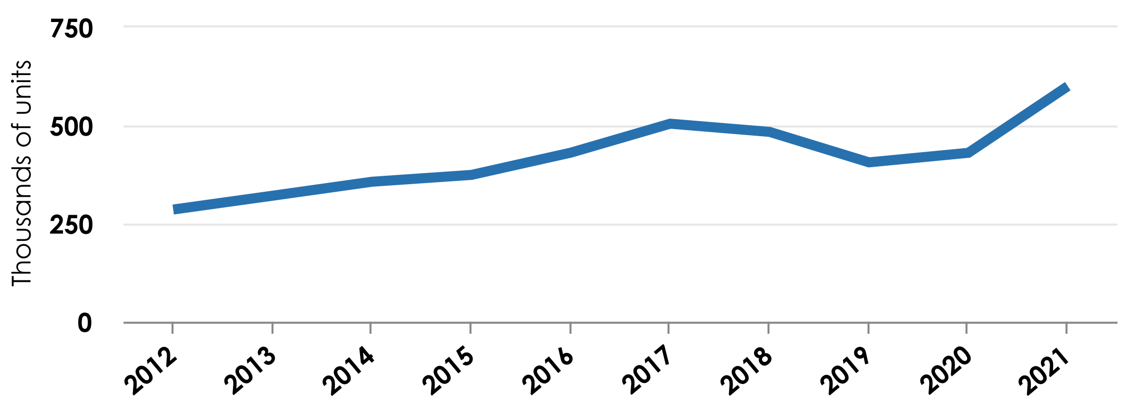


(1) Source: United States Census Bureau

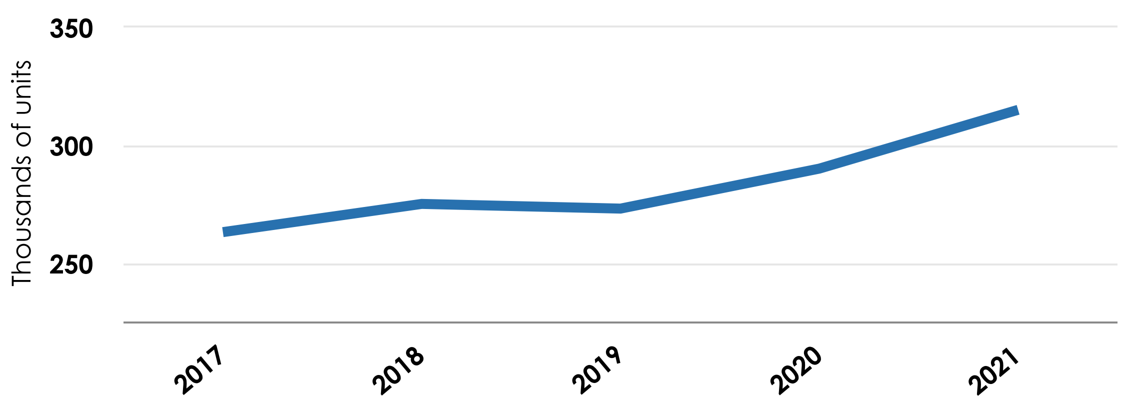
Marine and Recreational Vehicle Market

Consumer demand for marine and recreational vehicles remains at unprecedented high levels, with many manufacturers reporting record backlogs. Increased demand for marine and recreational vehicles has been driven by shifting consumer behavior, which accelerated with the onset of the COVID-19 pandemic. 2021 shipments of recreational vehicles reached an all-time high of 600,240 units, surpassing the previous record by 19%. 2021 sales of new powerboats exceeded 300,000 units for just the second time since the global financial crisis. Due to continued high demand, both marine and recreational vehicle shipments are expected to remain at or exceed record levels again in 2022. Source One is well positioned to benefit from the continued industry strength as it expands its consumer lending programs and outsourced finance and insurance services nationwide.

Shipments of Recreational Vehicles: 2012 - 2021 (1)



U.S. Powerboat Registrations: 2017 - 2021 (2)



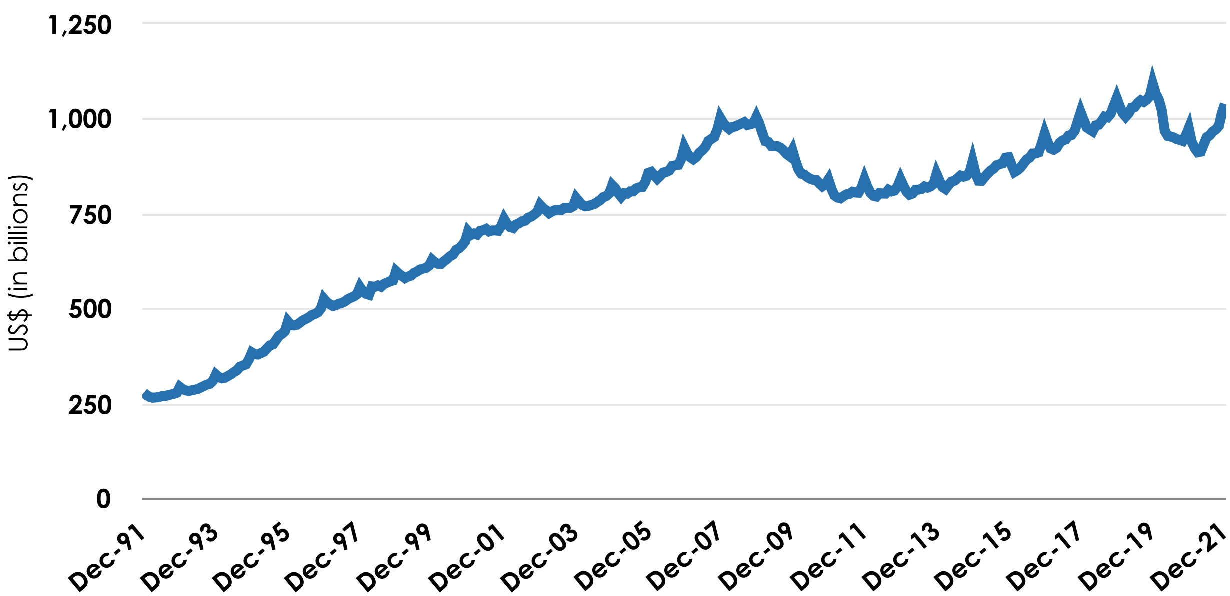
(1) Source: RV Industry Association

(2) Source: National Marine Manufacturers Association

Consumer Credit Market

Total U.S. revolving credit balances declined in 2021 as a result of the continued impact of COVID-19 on consumer spending and the extra liquidity provided by COVID-19 related stimulus programs but increased during the second half of the year to the highest level since April 2020. KG is well-positioned to support Partners' growth objectives within the credit card and personal loan markets through Partnership programs, third-party asset management and performance marketing. Clients are increasingly leveraging KG's expertise to acquire new customers across a range of financial products and expand the credit spectrum that can be profitably served. Financial technology platforms and investment partners are leveraging KG for new origination volume while managing the assets to maximize return on invested capital. Overall, revolving credit balances have been resilient through economic cycles and are expected to continue growing in 2022, supporting the long-term outlook for our KG business segment.

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



(1) Source: Federal Reserve Bank

Key Business Developments

Information related to the key developments in support of the Company's business strategy for the year ended December 31, 2021 are outlined below.

ACQUISITION OF SOURCE ONE

On December 21, 2021, the Company completed the acquisition of Source One Financial Services, LLC and subsidiary ("Source One"), a marine and recreational vehicle finance company, for cash consideration of approximately $89.1 million, net of cash acquired. Founded in 1999, Source One originates prime and super-prime loans on behalf of 30+ bank and credit union Partners through its network of over 2,000 dealers in 38 states. Source One will form part of our Secured Consumer Loan reporting segment, together with Triad Financial Services, and will leverage Triad Financial Services' existing processes and proven business model.

SALE OF SERVICE FINANCE BUSINESS

On December 6, 2021, the Company completed the sale of all of the issued and outstanding equity interests in each of Service Finance Company, LLC and Service Finance Holdings, LLC (together "Service Finance"), each a wholly-owned indirect subsidiary of the Company, to Truist Bank, the wholly owned bank subsidiary of Truist Financial Corporation, for cash proceeds of approximately $2.05 billion (the "Transaction"). The Company has recorded a net gain of approximately $1.0 billion in the year ended December 31, 2021, after applicable taxes and transaction expenses of approximately $0.5 billion.

Following the closing of the Transaction, the Company paid a distribution of C$7.50 per common share, or approximately $1.4 billion (C$1.8 billion), from the net proceeds to its common shareholders. The distribution was comprised of a return of capital in the aggregate amount of C$1.01 billion, which represents C$4.13 per common share, with the remainder in the form of a special dividend in the amount of C$3.37 per common share.

Operating results attributable to Service Finance are presented as discontinued operations in the Company's consolidated statements of operations for all periods presented.

SALE OF KG CREDIT CARD PORTFOLIOS

On October 13, 2021, the controlling shareholder of certain credit card portfolios, in which the Company had a minority equity position, entered into an agreement to sell these portfolios to a third party institutional investor. As a result, the Company disposed of its equity interests and structured loans in these portfolios for proceeds of approximately $59 million, resulting in a gain of approximately $5.0 million (approximately $2.5 million net of costs and applicable taxes). KG will continue to earn management and incentive fees as portfolio manager subsequent to the sale, demonstrating the success of the credit card investment management platform.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") UPDATE

During the fourth quarter of 2021, Sustainalytics, a leading ESG research, ratings and data firm, evaluated Triad's loan origination program and certified that the vast majority of originations funded the purchase of affordable housing solutions with positive social impacts. Furthermore, Sustainalytics also affirmed that Triad's loan origination program contributed to achieving the United Nations' ("UN") Sustainable Development Goals, which were established in 2015 and adopted by all UN member nations as a blueprint to achieve a better and more sustainable future for all by 2030.

CORPORATE FINANCE DEVELOPMENTS

Series A Preferred Share Redemption

On December 31, 2021, the Company completed the redemption of all 3,843,100 of its issued and outstanding Series A Preferred Shares at a cash redemption price of C$25.00 per Series A share, for a total aggregate redemption price of approximately $75.4 million (C$96.1 million). As a result of the redemption, the Company recognized a charge to retained earnings of approximately $5.2 million (C$5.6 million) related to excess redemption costs over the original net proceeds.

Issuance of Senior Unsecured Debentures

On October 28, 2021, the Company issued C$75 million (US$61.1 million) aggregate principal amount of listed senior unsecured debentures due December 31, 2026 (the "2026 Debentures") at a price of C$1,000 per debenture. The 2026 Debentures will bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2021. The Company also granted the syndicate of underwriters an option to purchase up to an additional C$11.25 million aggregate principal amount of 2026 Debentures, on the same terms and conditions for a period of 30 days following the closing of the debenture offering, which was exercised in full on November 5, 2021, resulting in total proceeds of C$86.25 million (US$69.9 million).

On December 23, 2021, the Company issued C$60 million (US$46.9 million) aggregate principal amount of listed senior unsecured debentures due December 31, 2027 (the "2027 Debentures") at a price of C$1,000 per debenture. The 2027 Debentures will bear interest at a rate of 6.25% per annum, payable semi-annually in arrears on June 30 and December 31, commencing June 30, 2022.

Although it is not the Company's intention, the Company has the option to satisfy its obligations to repay the principal and interest of its senior unsecured debentures by issuing common shares in the capital of the Company. As a result, the debentures are included in equity for covenant purposes pursuant to the terms of the Company's senior credit facility.

Senior Credit Facility Update

Following the closing of the Transaction, the Company successfully executed an amendment to its senior credit facility which provides for an aggregate of US$700 million in revolving funding through December 6, 2025.

Normal Course Issuer Bids

On September 14, 2021, the TSX approved the renewal of the Company's Normal Course Issuer Bid (the "Common Share Bid") for common shares of the Company and the Company's notice of intention to commence a Normal Course Issuer Bid (the "Preferred Share Bid" and, together with the Common Share Bid, the "NCIBs") for the Company's Series A 6.50% Rate Reset Preferred Shares (the "Series A Preferred Shares") and Series C 6.25% Rate Reset Preferred Shares (the "Series C Preferred Shares") for commencement on September 17, 2021. Pursuant to the NCIBs, the Company may repurchase up to an additional 22,455,925 common shares, 384,210 Series A Preferred Shares and 371,040 Series C Preferred Shares, representing approximately 10% of the public float of each of the common shares, the Series A Preferred Shares and the Series C Preferred Shares. The NCIBs will end on the earlier of September 16, 2022 or the completion of purchases under the applicable NCIB. All of the Company's outstanding Series A Preferred Shares were redeemed in 2021.

During the year ended December 31, 2021, the Company purchased 49,100 Series A Preferred Shares for a total of $1.0 million (C$1.2 million) or C$24.56 per share and 48,400 Series C Preferred Shares for a total of $0.9 million (C$1.2 million) or C$24.21 per share pursuant to the Preferred Share Bid. Additionally, during the year ended December 31, 2021, the Company purchased 3,485,652 common shares for a total of $25.1 million (C$31.8 million) or C$9.14 per common share pursuant to the Common Share Bid.

Capital Reinvestment

Under its NCIBs and substantial issuer bids ("SIBs"), ECN has repurchased for cancellation approximately 37% of the total common shares outstanding and approximately 54% of the total preferred shares outstanding through March 1, 2022.

The following table sets forth a summary of the Company's capital reinvestment under its common share transactions.

Capital Reinvestment - Common Shares	Shares Retired (millions)	Average Price (C$)	Total Consideration (C$ millions)
NCIB since inception 2017	58.1	$4.11	$239
SIB April 2018	31.9	$3.60	$115
SIB January 2019	70.7	$3.75	$265
Total common shares repurchased for cancellation	**160.7**	**$3.85**	**$619**

Common shares outstanding pre-buyback	390
Common shares outstanding as at March 1, 2022	246
% common shares repurchased to date	**~37%**

The following table sets forth a summary of the Company's capital reinvestment under its preferred share transactions.

Capital Reinvestment - Preferred Shares	Shares Retired (millions)	Average Price (C$)	Total Consideration (C$ millions)
Preferred shares repurchased under NCIB	0.5	$22.47	$10
Series A preferred share redemption	3.8	$25.00	$96
Total preferred shares repurchased for cancellation	**4.3**	**$24.74**	**$106**

Preferred shares outstanding pre-buyback	8.0
Preferred shares outstanding as at December 31, 2021	3.7
% preferred shares repurchased to date	**~54%**

Results of Operations

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

	For the three-month period ended			For the year ended	
(in 000's for stated values, except per share amounts)	**December 31, 2021** $	September 30, 2021 $	December 31, 2020 $	**December 31, 2021** $	December 31, 2020 $
Select metrics					
Originations	**299,611**	298,992	197,398	**1,042,878**	695,743
Average earning assets - Owned (1)	**239,431**	243,175	230,077	**234,666**	218,132
Average earning assets - Managed and advisory (1)	**30,687,313**	29,997,871	29,708,177	**30,135,856**	30,369,777
Period end earning assets - Owned (1)	**226,715**	252,147	226,946	**226,715**	226,946
Period end earning assets - Managed and advisory (1)	**31,277,667**	30,096,958	29,746,317	**31,277,667**	29,746,317
Operating highlights:					
Loan origination revenues	**22,664**	21,794	15,148	**76,862**	49,440
Asset management and servicing revenues	**32,690**	19,065	18,717	**93,183**	72,489
Marketing and other services revenues	**6,472**	3,478	1,118	**15,536**	7,203
Interest income	**6,607**	5,760	4,876	**22,696**	17,488
Other revenue	**1,039**	2,621	(4,101)	**13,099**	(2,973)
Total revenue	**69,472**	52,718	35,758	**221,376**	143,647
Operating expenses	**40,693**	25,948	24,326	**123,612**	86,574
Adjusted EBITDA (1)	**28,779**	26,770	11,432	**97,764**	57,073
Interest expense	**6,410**	4,986	5,311	**21,901**	18,826
Depreciation & amortization	**2,908**	2,397	1,501	**9,169**	5,617
Adjusted operating income before tax	**19,461**	19,387	4,620	**66,694**	32,630
Adjustments:					
Share-based compensation	**14,333**	5,642	6,096	**29,863**	18,547
Amortization of intangibles	**4,595**	4,594	4,744	**18,378**	18,378
Separation and corporate restructure costs	**6,054**	—	—	**6,054**	1,486
Business acquisition costs	**3,074**	—	—	**3,074**	—
Accretion of deferred purchase consideration	**867**	962	4,573	**3,811**	8,726
Unrealized gain on foreign currency forward contract	**—**	(2,856)	—	**—**	—
Impairment of legacy corporate investment	**—**	—	13,000	**—**	13,000
	28,923	8,342	28,413	**61,180**	60,137
Net (loss) income before income taxes from continuing operations	**(9,462)**	11,045	(23,793)	**5,514**	(27,507)
Income tax (benefit) expense	**(1,970)**	1,431	(4,616)	**545**	(5,685)
Net (loss) income from continuing operations	**(7,492)**	9,614	(19,177)	**4,969**	(21,822)
Cumulative dividends on preferred shares	**2,390**	2,380	2,337	**9,623**	9,389
Series A preferred share redemption charge	**5,213**	—	—	**5,213**	—
Net (loss) income from continuing operations attributable to common shareholders	**(15,095)**	7,234	(21,514)	**(9,867)**	(31,211)
Net income (loss) from discontinued operations	**928,416**	13,556	(7,937)	**964,827**	8,281
Net income for the period attributable to common shareholders	**913,321**	20,790	(29,451)	**954,960**	(22,930)
Weighted Average number of shares outstanding (basic)	**243,625**	243,334	244,087	**243,732**	242,312
(Loss) earnings per share (basic) - continuing operations attributable to common shareholders	**$(0.06)**	$0.03	(0.09)	**$(0.04)**	$ (0.13)
Earnings per share (basic) - discontinued operations attributable to common shareholders	**$3.81**	$0.06	(0.03)	**$3.96**	$ 0.03
Non-IFRS Measures					
Adjusted operating results:					
Adjusted EBITDA (1)	**28,779**	26,770	11,432	**97,764**	57,073
Adjusted operating income before tax (1)	**19,461**	19,387	4,620	**66,694**	32,630
Adjusted net income (1)	**16,153**	16,091	3,816	**55,356**	26,594
Adjusted net income applicable to common shareholders (1)	**13,763**	13,711	1,479	**45,733**	17,205
Adjusted net income per share (basic) (1)	**$0.07**	$0.07	$0.02	**$0.23**	$0.11
Adjusted net income applicable to common shareholders per share (basic) (1)	**$0.06**	$0.06	$0.01	**$0.19**	$0.07

(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 year ended December 31, 2021 presented on a continuing operations basis.

Q4 2021 vs Q4 2020

The Company reported total revenue of $69.5 million for the quarter ended December 31, 2021, up 94.3% compared to total revenue of $35.8 million for the prior year quarter. The quarter-to-date increase in revenue reflects the growth in loan originations revenues and servicing revenues at Triad Financial Services, higher asset management services revenue and marketing and other services revenue at KG, and higher interest income at Triad Financial Services. Triad Financial Services originations and managed assets increased to $299.6 million and $3.1 billion, respectively, for the quarter ended December 31, 2021, compared to $197.4 million and $2.6 billion, respectively, in the prior year quarter, which drove the increase in loan originations revenues and servicing revenues. Higher interest income was primarily driven by higher average floorplan loan balances in 2021.

The table below illustrates the Company's operating expenses for the fourth quarter and year ended December 31, 2021 and December 31, 2020:

	For the three-month period ended		For the year ended	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
(in 000's for stated values)	**$**	$	**$**	$
Triad Financial Services	**17,102**	11,290	**55,440**	36,332
KG	**17,375**	7,685	**39,198**	28,119
Business segment operating expenses	**34,477**	18,975	**94,638**	64,451
Corporate operating expenses	**4,612**	5,351	**21,988**	22,123
Legacy Businesses operating expenses (1)	**1,604**	—	**6,986**	—
Total operating expenses	**40,693**	24,326	**123,612**	86,574

(1) For the three and twelve-month periods ended December 31, 2021, the results of operations of our Legacy Businesses were not material to the Company's consolidated results and are included in the results of continuing operations as shown in the table above. For the three and twelve-month periods ended December 31, 2020, the results of operations of our Legacy Businesses were separately presented as discontinued operations and are excluded from the table above.

Operating expenses were $40.7 million in the current quarter, compared to $24.3 million for the prior year quarter. The increase in operating expenses compared to the prior year quarter is primarily attributable to growth in originations and managed assets at Triad Financial Services and higher incentive compensation expense at KG due to the increase in revenue and operating income. Corporate operating expenses were $4.6 million in the current quarter compared to $5.4 million in the prior year quarter.

Interest expense was $6.4 million for the for the quarter ended December 31, 2021, compared to $5.3 million in the prior year quarter, primarily reflecting a higher average borrowing rate in the current quarter-to-date period, including the impact of the issuance of C$86.25 million (US$69.9 million) aggregate principal amount of listed senior unsecured debentures on October 28, 2021 and C$60 million (US$46.9 million) aggregate principal amount of listed senior unsecured debentures on December 23, 2021. Depreciation and amortization expense was $2.9 million for the quarter ended December 31, 2021, compared to $1.5 million in the prior year quarter.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were $28.9 million for the fourth quarter ended December 31, 2021 compared to $28.4 million in the prior year quarter. Other expenses for the current year quarter include $6.1 million of separation and corporate restructure costs and $3.1 million of business acquisition costs related to the acquisition of Source One. Other expenses for the prior year quarter include a $13.0 million impairment loss on a legacy corporate investment. Share-based compensation expense increased to $14.3 million in the current quarter from $6.1 million in the prior year quarter, primarily as a result of the achievement of maximum performance targets as a result of the superior performance of the Company's operating businesses and the superior performance of the Company's share price.

Adjusted EBITDA[1] increased to $28.8 million for the quarter ended December 31, 2021, compared to $11.4 million for the prior year quarter. The increase in adjusted EBITDA[1] in the current quarter reflects the growth at Triad Financial Services and KG. Adjusted net income applicable to common shareholders[1] was $13.8 million or $0.06 per share for the quarter ended December 31, 2021, compared to $1.5 million or $0.01 per share for the prior year quarter. The increase in adjusted net income applicable to common shareholders[1] in the current quarter reflects higher operating income from Triad Financial Services and KG, partially offset by higher interest expense and depreciation and amortization expense.

The Company reported a net loss from continuing operations of $7.5 million for the fourth quarter ended December 31, 2021, compared to a net loss of $19.2 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.

2021 vs 2020

The Company reported total revenue of $221.4 million for the year ended December 31, 2021, up 54.1% compared to the $143.6 million revenue for the prior year period. The year over year increase in revenue reflects the growth in loan originations revenue and servicing revenues at Triad Financial Services, higher asset management services revenue and marketing and other services revenue at KG, and higher interest income at Triad Financial Services. Triad Financial Services originations and managed assets increased to $1.0 billion and $3.1 billion, respectively, for the year ended December 31, 2021, compared to $695.7 million and $2.6 billion, respectively, in the prior year, which drove the increase in loan originations revenues and servicing revenues. Higher interest income was primarily driven by higher average floorplan loan balances in 2021.

Operating expenses were $123.6 million in the current year, compared to $86.6 million for the prior year. The increase in operating expenses compared to the prior year is primarily attributable to growth in originations and managed assets at Triad Financial Services and higher incentive compensation at KG due to higher revenues and operating income. Corporate operating expenses of $22.0 million were in line with corporate operating expenses of $22.1 million in the prior year.

Interest expense was $21.9 million for the year ended December 31, 2021, compared to $18.8 million in the prior year, primarily reflecting a higher average borrowing rate in the current year-to-date periods, including the impact of the issuance of C$75 million (US$57.1 million) aggregate principal amount of listed senior unsecured debentures on September 4, 2020, C$86.25 million (US$69.9 million) aggregate principal amount of listed senior unsecured debentures on October 28, 2021 and C$60 million (US$46.9 million) aggregate principal amount of listed senior unsecured debentures on December 23, 2021. Depreciation and amortization expense was $9.2 million for the year ended December 31, 2021, compared to $5.6 million in the prior year.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were $61.2 million for the year ended December 31, 2021 compared to $60.1 million in the prior year. Other expenses for the current year include $6.1 million of separation and corporate restructure costs and $3.1 million of business acquisition costs related to the acquisition of Source One. Other expenses for the prior year includes a $13.0 million impairment loss on a legacy corporate investment and $1.5 million of corporate restructure costs. Share-based compensation expense increased to $29.9 million in the current quarter from $18.5 million in the prior year quarter, primarily as a result of the achievement of maximum performance targets as a result of the superior performance of the Company's operating businesses and the superior performance of the Company's share price.

Adjusted EBITDA[1] increased to $97.8 million for the year ended December 31, 2021, compared to $57.1 million for the prior year. The increase in adjusted EBITDA[1] in the current year reflects the growth at Triad Financial Services and KG. Adjusted net income applicable to common shareholders[1] was $45.7 million or $0.19 per share for the for the year ended December 31, 2021, compared to $17.2 million or $0.07 per share for the prior year. The increase in adjusted net income applicable to common shareholders[1] in the current year reflects higher operating income from Triad Financial Services and KG, partially offset by higher interest expense and depreciation and amortization expense.

The Company reported net income from continuing operations of $5.0 million for the year ended December 31, 2021, compared to a net loss of $21.8 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 SECURED CONSUMER LOANS SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Secured Consumer Loans segment, which for 2021 consists of Triad Financial Services, for the three-month periods ended December 31, 2021, September 30, 2021, and December 31, 2020 and the years ended December 31, 2021 and December 31, 2020.

	For the three-month period ended			For the year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	**December 31, 2021**	**December 31, 2020**
(in 000's for stated values)	**$**	$	$	**$**	$
Select metrics					
Originations	**299,611**	298,992	197,398	**1,042,878**	695,743
Managed assets, period end (1)	**3,117,704**	2,958,485	2,638,615	**3,117,704**	2,638,615
Managed assets, period average (1)	**3,038,095**	2,897,324	2,636,975	**2,856,522**	2,548,672
Manufactured housing loans	**182,344**	159,199	113,649	**182,344**	113,649
Held-for-trading financial assets	**44,371**	55,121	57,054	**44,371**	57,054
Operating results					
Loan originations revenue	**22,664**	21,794	15,148	**76,862**	49,440
Servicing revenue	**4,668**	3,833	2,157	**14,458**	7,957
Interest income & other revenue	**6,059**	5,396	4,083	**20,580**	14,242
Total revenue	**33,391**	31,023	21,388	**111,900**	71,639
Operating expenses	**17,102**	13,537	11,290	**55,440**	36,332
Adjusted EBITDA (1)	**16,289**	17,486	10,098	**56,460**	35,307
Interest and depreciation expense	**2,427**	1,317	1,204	**6,205**	4,715
Adjusted operating income before tax (1)	**13,862**	16,169	8,894	**50,255**	30,592

(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.

Secured Consumer Loans Segment

Originations at Triad Financial Services for the fourth quarter and year ended December 31, 2021 were $299.6 million and $1,042.9 million, respectively, up 51.8% and 49.9% from the prior year periods. Managed assets were $3.1 billion as at December 31, 2021, an increase of 18.2% compared to managed assets of $2.6 billion as at December 31, 2020.

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

Originations (US$ millions)								
Q4, 2019	Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021	Q3, 2021	Q4,2021
144	133	163	202	197	182	262	299	300

Loan originations revenue for the fourth quarter and year ended December 31, 2021 was $22.7 million and $76.9 million, respectively, up 49.6% and 55.5% from the prior year periods, respectively, in line with total originations growth.

Servicing revenues of $4.7 million and $14.5 million for the fourth quarter and year ended December 31, 2021 were up 116.4% and 81.7% from the prior year periods, respectively, reflecting growth in managed assets, an increase in full serviced accounts and retained servicing rights recognized in relation to new loan programs introduced in 2021.

Interest income and other revenue for the fourth quarter and year ended December 31, 2021 was $6.1 million and $20.6 million, respectively, up 48.4% and 44.5% from the prior year periods, respectively, primarily driven by higher average floorplan loan balances in 2021.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $16.3 million and $13.9 million, respectively, for the current quarter compared to $10.1 million and $8.9 million, respectively, for the prior year quarter. For the year ended December 31, 2021, adjusted EBITDA[1] and adjusted operating income before tax[1] of $56.5 million and $50.3 million, respectively, represent increases of 59.9% and 64.3% from the prior year periods.

Manufactured housing loans were $182.3 million as at December 31, 2021, compared to $159.2 million as at September 30, 2021 and $113.6 million as at December 31, 2020. Manufactured housing loans consist primarily of floorplan loans as well as a modest amount of loans committed to funding partners. The floorplan loans enable key dealers to finance their inventory and support the growth of their businesses. These loans strengthen the relationship with our key dealers and manufacturers.

Held-for-trading financial assets were $44.4 million as at December 31, 2021, compared to $55.1 million as at September 30, 2021 and $57.1 million as at December 31, 2020. Held-for-trading financial assets consist of loans that are originated on behalf of our partners with the intention of selling through under bulk loan portfolio sales agreements.

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.

Set out below is a comparison of the actual results of the Triad Financial Services segment for the year ended December 31, 2021 against the Company's updated 2021 forecast range.

	Updated 2021 Forecast Range		Actual 2021 Results
Select Metrics (US$ millions)			
Total Originations	**1,000**	**1,200**	1,043
Floorplan line utilized	**130**	**150**	182
Managed & advised portfolio (period end)	**3,100**	**3,200**	3,118
Income Statement (US$ millions)			
Loan Origination Revenues	**63**	**65**	77
Servicing Revenues[(1)]	**34**	**37**	35
Total Revenues	**97**	**102**	112
Adjusted EBITDA	**49**	**54**	56
Adjusted Operating Income Before Tax	**43**	**46**	50
Adjusted EBITDA margin	**~51%**	**~53%**	50%

(1) Servicing Revenues includes income from floorplan loans.

Triad's actual results for 2021 exceeded the updated forecast ranges for its 2021 Outlook as a result of strong growth in new loan programs introduced in 2021.

Secured Consumer Loans Segment 2022 Outlook

Please see the tables below for the Company's 2022 outlook for our Secured Consumer Loans segment, which for 2022 will include the results of both Triad Financial Services and Source One.

	Triad Financial Services 2022 Forecast Range		Source One 2022 Forecast Range		Secured Consumer Loan Segment 2022 Forecast Range	
Select Metrics (US$ millions)						
Total Originations	1,400	1,600	525	595	1,925	2,195
Floorplan line utilized	200	300	—	—	200	300
Managed & advised portfolio (period end)	3,900	4,300	—	—	3,900	4,300
Income Statement (US$ millions)						
Loan Origination Revenues	100	112	18.5	21.6	118.5	133.6
Servicing Revenues	19	22	—	—	19	22
Interest & Other	23	26	—	—	23	26
Total Revenues	142	160	18.5	21.6	160.5	181.6
Adjusted EBITDA	71	80	12.1	14.1	83.1	94.1
Adjusted Operating Income Before Tax	62	70	12	14	74	84
Adjusted EBITDA margin	~50%	~50%	~65%	~65%	~52%	~52%

The material factors and assumptions used to develop the forward-looking information related to the 2022 outlook for Triad Financial Services and Source One include current and anticipated demand, as well as the availability of inventory, in the manufactured housing, marine, and recreational vehicle industries, including trends relating to such demand, volume of loan applications and approvals, available commitments from funding partners, the growth in dealer networks and the impact of new product offerings and market penetration. Management believes the information is reasonable based on historical growth and positive trends in loan application and approval volumes experienced by Triad and Source One and the manufactured housing and marine and recreational vehicle industries generally, which indicate demand and future originations. Additionally, growth in originations is one of the primary drivers of managed and advised assets growth and future servicing revenues for Triad Financial Services.

RESULTS OF UNSECURED CONSUMER LOANS SEGMENT

The following table sets forth a summary of the Company's select metrics and results from the Unsecured Consumer Loans segment, which reflects the operating results of KG, for the three-month periods ended December 31, 2021, September 30, 2021, and December 31, 2020 and the years ended December 31, 2021 and December 31, 2020.

	For the three-month period ended			For the year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
(in 000's for stated values)	**$**	$	$	**$**	**$**
Operating results					
Partnership services revenue	**8,950**	10,229	11,455	**40,541**	46,602
Credit card investment management revenue	**19,072**	5,003	5,105	**38,184**	17,930
Marketing and other services revenue	**6,472**	3,478	1,118	**15,536**	7,203
Interest income & other revenue	**85**	548	14	**865**	502
Revenue	**34,579**	19,258	17,692	**95,126**	72,237
Operating expenses	**17,375**	6,458	7,685	**39,198**	28,119
Adjusted EBITDA (1)	**17,204**	12,800	10,007	**55,928**	44,118
Interest and depreciation expense	**17**	553	805	**1,865**	3,544
Adjusted operating income before tax (1)	**17,187**	12,247	9,202	**54,063**	40,574

(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.

Unsecured Consumer Loans 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 the purchase, sale and renewal of co-brand credit card programs through long-term relationships with banks, issuers and co-brand partners.
2. **Credit Card Investment Management ("CCIM"):** source, structure, acquire and manage credit cards and loan portfolios on behalf of third party investors.
3. **Marketing and Other Services:** full suite of marketing services (including performance marketing capabilities), Card as a Service ("CaaS") solutions for credit unions, banks and other non-financial partners.

Total KG revenues for the fourth quarter and year ended December 31, 2021 were $34.6 million and $95.1 million, respectively, compared to $17.7 million and $72.2 million in the prior year periods, reflecting higher partnership services revenue, higher CCIM revenue, including the $5.0 million (approximately $2.5 million net of costs and applicable taxes) gain on sale of certain credit card portfolios, and higher marketing and other services revenue.

Adjusted EBITDA[1] and adjusted operating income before tax[1] were $17.2 million and $17.2 million, respectively, for the current quarter compared to $10.0 million and $9.2 million, respectively, for the prior year quarter. For the year ended December 31, 2021, adjusted EBITDA[1] and adjusted operating income before tax[1] were $55.9 million and $54.1 million, respectively, compared to $44.1 million and $40.6 million, respectively, in the prior year periods.

Set out below is a comparison of the actual results of the KG segment for the year ended December 31, 2021 against the Company's updated 2021 forecast range.

	Updated 2021 Forecast Range		Actual 2021 Results
Income Statement (US$ millions)			
Revenue	**82**	**87**	95
Adjusted EBITDA	**49**	**52**	56
Adjusted Operating Income Before Tax	**46**	**49**	54
Adjusted EBITDA margin	**~60%**	**~60%**	59%

KG's actual results for 2021 were above the updated 2021 outlook primarily as a result of the impact of the $5.0 million ($2.5 million net of costs and applicable taxes) gain on sale of certain credit card portfolios in the fourth quarter of 2021.

KG - Consumer Credit Card Portfolios 2022 Outlook

Please see the table below for the Company's 2022 outlook for the KG segment.

	2022 Forecast Range	
Income Statement (US$ millions)		
Revenue	**114**	**123**
Adjusted EBITDA	**57**	**62**
Adjusted Operating Income Before Tax	**55**	**60**
Adjusted EBITDA margin	**~50%**	**~50%**

The material factors and assumptions used to develop the forward-looking information related to the 2022 outlook for the KG segment include trends in the consumer credit card industry, existing contracts with customers, the ability to acquire new portfolios, and the impact of new programs by KG. Management believes that the forward-looking information is reasonable based on the continued recovery of the credit card industry and timing of revenues under new and existing programs.

RESULTS OF CORPORATE AND OTHER SEGMENT

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

	For the three-month period ended			For the year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
(in 000's for stated values)	**$**	**$**	**$**	**$**	**$**
Operating results					
Corporate					
Revenues	**(217)**	1,149	(3,322)	**7,971**	(229)
Operating expenses	**4,612**	4,604	5,351	**21,988**	22,123
Adjusted EBITDA - Corporate (1)	**(4,829)**	(3,455)	(8,673)	**(14,017)**	(22,352)
Legacy Businesses (2)					
Revenues (2)	**1,719**	1,288	—	**6,379**	—
Operating expenses (2)	**1,604**	1,349	—	**6,986**	—
Adjusted EBITDA - Legacy Businesses (1)(2)	**115**	(61)	—	**(607)**	—
Adjusted EBITDA - Corporate and Other (1)	**(4,714)**	(3,516)	(8,673)	**(14,624)**	(22,352)
Interest expense	**4,840**	3,807	4,128	**16,670**	13,616
Depreciation & amortization	**2,034**	1,706	675	**6,330**	2,568
Adjusted operating income before tax (1)	**(11,588)**	(9,029)	(13,476)	**(37,624)**	(38,536)

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

(2) For the three and twelve-month periods ended December 31, 2021 and the three-month period ended September 30, 2021, the revenues and operating expenses of our Legacy Businesses were not material to the Company's consolidated results and are included in the results of the Corporate and Other segment table above. For the three and twelve-month periods ended December 31, 2020, the results of operations of our Legacy Businesses were separately presented as discontinued operations and are excluded from the table above.

Corporate and Other

Corporate revenue (expense) was $(0.2) million and $8.0 million for the fourth quarter and year ended December 31, 2021, respectively, compared to $(3.3) million and $(0.2) million for the prior year periods. Revenue primarily consists of gains/losses from legacy corporate investments and gains/losses from foreign currency transactions and related hedge contracts.

Corporate operating expenses were $4.6 million in the fourth quarter of 2021 compared to $5.4 million in the prior year quarter.

Legacy businesses revenue and operating expenses for the current quarter were $1.7 million and $1.6 million, respectively, reflecting the impact of the continuing reduction of the legacy asset portfolio. For the year-to-date period, legacy businesses revenue and operating expenses were $6.4 million and $7.0 million, respectively.

Corporate interest expense was $4.8 million for the current quarter, compared to $3.8 million for the third quarter of 2021 and $4.1 million for the prior year quarter, reflecting a higher average borrowing rate in the current quarter, including the impact of the issuance of C$86.25 million (US$69.9 million) aggregate principal amount of listed senior unsecured debentures on October 28, 2021 and C$60 million (US$46.9 million) aggregate principal amount of listed senior unsecured debentures on December 23, 2021. Total average borrowings on the term senior credit facility during the fourth quarter of 2021, including amounts allocated to the business segments, were $316.8 million compared to $493.3 million in the preceding quarter.

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, 2021, September 30, 2021, and December 31, 2020 and the years ended December 31, 2021 and December 31, 2020.

	For the three-month period ended			For the year ended	
(in 000's for stated values)	**December 31, 2021 $**	September 30, 2021 $	December 31, 2020 $	**December 31, 2021 $**	December 31, 2020 $
Operating results					
Service Finance					
Revenues	**23,433**	43,247	36,266	**136,509**	119,962
Operating expenses	**10,369**	18,105	13,051	**53,969**	44,511
Adjusted EBITDA - Service Finance (1)	**13,064**	25,142	23,215	**82,540**	75,451
Legacy Businesses					
Revenues	**—**	—	476	**—**	1,436
Operating expenses	**—**	—	4,054	**—**	14,822
Adjusted EBITDA - Legacy Businesses (1) (2)	**—**	—	(3,578)	**—**	(13,386)
Adjusted EBITDA - Service Finance and Legacy Businesses (1)	**13,064**	25,142	19,637	**82,540**	62,065
Depreciation & amortization	**—**	725	332	**2,952**	1,182
Interest expense	**3,124**	1,322	6,215	**6,454**	10,405
Adjusted operating income before tax (1)	**9,940**	23,095	13,090	**73,134**	50,478
Adjustments:					
Share-based compensation	**(12,369)**	1,615	1,569	**(7,846)**	3,011
Amortization of intangibles	**—**	1,690	4,155	**9,359**	11,485
Provision for credit losses	**—**	—	—	**—**	5,700
Accretion of deferred purchase consideration	**(12,061)**	—	—	**(12,061)**	81
Impairment of assets	**28,390**	—	37,107	**28,390**	37,107
Loss on sale of rail assets	**11,050**	—	—	**11,050**	—
Gain on sale of Service Finance	**(1,251,903)**	—	—	**(1,251,903)**	—
Net income before income taxes from discontinued operations	**1,246,833**	19,790	(29,741)	**1,296,145**	(6,906)
Provision for income taxes	**318,417**	6,234	(21,804)	**331,318**	(15,187)
Net income from discontinued operations	**928,416**	13,556	(7,937)	**964,827**	8,281

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

(2) For the three and twelve-month periods ended December 31, 2021 and the three-month period ended September 30, 2021, the results of operations of our Legacy Businesses were not material to the Company's consolidated results and are included in the results of the Corporate and Other segment. For the three and twelve-month periods ended December 31, 2020, the results of operations of our Legacy Businesses were separately presented as discontinued operations and are included in the table above.

Discontinued Operations

Revenue from Service Finance was $23.4 million and $136.5 million for the fourth quarter and year ended December 31, 2021, respectively, compared to $36.3 million and $120.0 million, respectively, in the prior year periods. Operating expenses were $10.4 million and $54.0 million, respectively, for the fourth quarter and year ended December 31, 2021, compared to $13.1 million and $44.5 million in the prior year periods, respectively. The decrease in quarter-to-date revenues and operating expenses reflect a partial current year period as a result of the closing of the Transaction on December 6, 2021. The increase in year-to-date revenues and operating expenses primarily reflect the growth in the Service Finance business. As a result of the sale, the

Company has recorded a net gain of approximately $1.0 billion in the year ended December 31, 2021, after applicable taxes and transaction expenses of approximately $0.5 billion.

On December 30, 2021, the Company closed a transaction to sell its remaining railcar assets for cash proceeds of approximately $19.5 million, completing ECN's exit from its legacy Rail Finance business. As a result of the sale of the remaining railcar assets, the Company recorded a loss of $11.1 million in the year ended December 31, 2021. Additionally, during 2021, the Company recognized incremental provisions of approximately $11.4 million and $2.4 million, respectively, related to the Company's Aviation and C&V Finance assets, and a provision of approximately $14.6 million related to a legacy corporate investment.

Net income related to discontinued operations was $928.4 million and $964.8 million for the current quarter and year-to-date periods, respectively.

The following table sets forth a summary of assets held-for-sale as at December 31, 2020. As of December 31, 2021, remaining legacy Aviation Finance and C&V Finance assets have been reclassified in the Company's consolidated balance sheet to inventories in leasehold improvements and other equipment and other assets, respectively.

	As at
	December 31, 2020
(in 000's for stated values)	**$**
Legacy Businesses assets held-for-sale	
Aviation finance	64,844
Rail finance	32,837
C&V Canada	9,087
Total assets held-for-sale	106,768

ECN CAPITAL

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, 2021, September 30, 2021 and December 31, 2020.

	December 31, 2021			
(in 000's for stated values, except percentage amounts)	Secured Consumer Loans $	Unsecured Consumer Loans $	Corporate $	**Total $**
Assets				
Cash	27,384	13,960	3,697	**45,041**
Restricted funds	2,198	—	—	**2,198**
Accounts receivable	90,420	45,767	12,715	**148,902**
Finance assets				
Loans receivable	182,029	—	—	**182,344**
Held-for-trading financial assets	44,686	—	—	**44,371**
Total finance assets	226,715	—	—	**226,715**
Retained reserve interest	32,767	—	—	**32,767**
Continuing involvement asset	103,592	—	—	**103,592**
Goodwill and intangible assets	155,246	212,468	876	**368,590**
Deferred tax assets	—	—	38,898	**38,898**
Other assets and investments	15,352	9,295	154,765	**179,412**
Total Assets	**653,674**	**281,490**	**210,951**	**1,146,115**
Liabilities				
Debt	212,022	—	62,575	**274,597**
Continuing involvement liability	103,592	—	—	**103,592**
Other liabilities	27,958	102,516	125,202	**255,676**
Taxes Payable	1,092	—	292,531	**293,623**
Total Liabilities	**344,664**	**102,516**	**480,308**	**927,488**
Earning Assets - Owned and Managed				
Earning assets - owned	226,715	—	—	**226,715**
Earning assets - managed and advisory	3,117,704	28,159,963	—	**31,277,667**
Total Earning Assets - Owned and Managed and Advisory	**3,344,419**	**28,159,963**	**—**	**31,504,382**

Total finance assets from continuing operations were $226.7 million at December 31, 2021 compared to $252.1 million at September 30, 2021, and $374.0 million at December 31, 2020. The decrease compared to the preceding quarter primarily reflects a decrease in KG finance assets as a result of credit card portfolio sales and a decrease in held-for-trading financial assets at Triad Financial Services, partially offset by an increase in floorplan loans at Triad Financial Services.

Debt from continuing operations of $274.6 million decreased by $239.9 million compared to September 30, 2021, primarily reflecting net repayment activity during the quarter primarily driven by proceeds from the Transaction.

Earning assets - managed and advisory of $31.3 billion as at December 31, 2021 reflects $3.1 billion in managed loans at Triad Financial Services and $28.2 billion in advisory assets at KG.

	September 30, 2021					
(in 000's for stated values, except percentage amounts)	Secured Consumer Loans $	Unsecured Consumer Loans $	Corporate $	Continuing Operations $	Discontinued Operations $	Total $
Assets						
Cash	13,444	20,835	4,203	**38,482**	**—**	**38,482**
Accounts Receivable	60,436	47,024	1,873	**109,333**	**3,820**	**113,153**
Finance assets						
Finance receivables	159,199	37,827	—	**197,026**	**—**	**197,026**
Held-for-trading financial assets	55,121	—	—	**55,121**	**—**	**55,121**
Total finance assets	214,320	37,827	—	**252,147**	**—**	**252,147**
Retained reserve interest asset	31,857	—	—	**31,857**	**—**	**31,857**
Continuing involvement asset	114,768	—	—	**114,768**	**—**	**114,768**
Goodwill and intangible assets	65,781	216,778	1,095	**283,654**	**—**	**283,654**
Deferred tax assets	—	—	46,819	**46,819**	**—**	**46,819**
Other assets and investments	8,060	25,145	136,697	**169,902**	**1,523**	**171,425**
Assets held-for-sale	—	—	—	**—**	**660,627**	**660,627**
Total Assets	**508,666**	**347,609**	**190,687**	**1,046,962**	**665,970**	**1,712,932**
Liabilities						
Debt	164,471	37,827	312,189	**514,487**	**—**	**514,487**
Continuing involvement liability	114,768	—	—	**114,768**	**—**	**114,768**
Other liabilities	27,097	114,092	60,251	**201,440**	**11,579**	**213,019**
Liabilities held for sale	—	—	—	**—**	**47,123**	**47,123**
Total Liabilities	**306,336**	**151,919**	**372,440**	**830,695**	**58,702**	**889,397**
Earning Assets - Owned and Managed						
Earning assets - owned	214,320	37,827	—	**252,147**	**123,692**	**375,839**
Earning assets - managed and advisory	2,958,485	27,138,473	—	**30,096,958**	**3,807,583**	**33,904,541**
Total Earning Assets - Owned and Managed and Advisory	**3,172,805**	**27,176,300**	**—**	**30,349,105**	**3,931,275**	**34,280,380**

	December 31, 2020						
	Service Finance	Unsecured Consumer Loans	Secured Consumer Loans	Corporate	Continuing Operations	Discontinued Operations	Total
(in 000's for stated values)	$	$	$	$	**$**	$	**$**
Assets							
Cash	19,972	10,929	9,226	7,076	**47,203**	—	**47,203**
Accounts receivable	4,750	18,635	44,097	1,231	**68,713**	10,066	**78,779**
Finance assets:							
Loans receivable	53,883	56,243	113,649	—	**223,775**	—	**223,775**
Held-for-trading financial assets	93,196	—	57,054	—	**150,250**	—	**150,250**
Total finance assets	147,079	56,243	170,703	—	**374,025**	—	**374,025**
Retained reserve interest	—	—	29,390	—	**29,390**	—	**29,390**
Continuing involvement asset	—	—	164,188	—	**164,188**	—	**164,188**
Goodwill and intangible assets	385,488	229,458	63,905	1,433	**680,284**	—	**680,284**
Deferred tax assets	—	—	—	60,445	**60,445**	—	**60,445**
Other assets and investments	12,826	27,063	7,479	115,817	**163,185**	1,938	**165,123**
Assets held-for-sale	—	—	—	—	**—**	106,768	**106,768**
Total Assets	**570,115**	**342,328**	**488,988**	**186,002**	**1,587,433**	**118,772**	**1,706,205**
Liabilities							
Debt	41,184	56,243	137,066	282,699	**517,192**	—	**517,192**
Continuing involvement liability	—	—	164,188	—	**164,188**	—	**164,188**
Other liabilities	27,335	84,870	17,213	55,564	**184,982**	17,282	**202,264**
Total Liabilities	**68,519**	**141,113**	**318,467**	**338,263**	**866,362**	**17,282**	**883,644**

Delinquencies

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

	December 31, 2021		September 30, 2021		December 31, 2020	
	$	**%**	$	%	$	%
Current	**182,556**	**100 %**	197,292	100 %	224,640	100 %
31-60 days past due	**—**	**— %**	—	— %	3	— %
61-90 days past due	**—**	**— %**	—	— %	—	— %
Greater than 90 days past due	**—**	**— %**	—	— %	—	— %
Total continuing operations	**182,556**	**100 %**	197,292	100 %	224,643	100 %

Allowance for Credit Losses

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

(in 000's except percentage amounts)	**Year ended December 31, 2021** **$**	Year ended December 31, 2020 **$**
Allowance for credit losses, beginning of period	**868**	508
Provision for credit losses	**429**	8,593
Charge-offs, net of recoveries, and other	**(70)**	(8,233)
Disposals	**(700)**	—
Allowance for credit losses, end of period	527	868

The Company's allowance for credit losses was $0.5 million as at December 31, 2021, compared to $0.9 million at December 31, 2020. The allowance for credit losses of $0.5 million as at December 31, 2021 is in line with management's expectation of losses from the business segments and the current mix of assets.

During the prior year, the Company recorded a provision of approximately $8.6 million, primarily related to dealer advances at Service Finance due to the economic impacts associated with the COVID-19 pandemic. During the fourth quarter of 2020, approximately $8.2 million of the provision was charged off.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are: (i) cash flows from operating activities; (ii) borrowings on our term senior credit facility and proceeds from the issuance of our senior unsecured debentures; (iii) funding commitments from our Partners; and (iv) equity. The Company's primary use of cash is the funding of its capital allocation priorities, including funding organic growth initiatives for our new businesses, acquisition opportunities and returning capital to shareholders. The Company manages its capital resources by utilizing the financial leverage available under its senior credit facilities, selling loans that we originate to our Partners and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares.

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

			As at	
(in 000's for stated values, except for percentage amounts)		**December 31, 2021** **$**	September 30, 2021 $	December 31, 2020 $
Total debt, including borrowings on term senior credit facility and senior unsecured debentures	**(a)**	**274,597**	514,487	517,192
Shareholders' equity	**(b)**	**218,627**	823,535	822,561
Debt to equity ratio	**(a)/(b)**	**1.26**	0.62	0.63

As at December 31, 2021, the Company's debt to equity ratio was 1.26:1. The decrease in total debt compared to the third quarter of 2021 primarily reflects net repayment activity during the quarter primarily driven by proceeds from the Transaction. The decrease in total equity compared to the third quarter of 2021 primarily reflects the distribution to common shareholders of C$7.50 per common share, or approximately $1.4 billion (C$1.8 billion) from the net proceeds of the Transaction.

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, 2021	September 30, 2021	December 31, 2020
(in 000's)	**$**	$	$
Cash and cash equivalents	**45,041**	38,482	47,203
Senior Facilities			
Facilities	**700,000**	1,100,000	1,000,000
Utilized against Facility	**122,000**	470,000	473,000
Unutilized Borrowing Facilities (i.e., excl. Cash & Equiv.)	**578,000**	630,000	527,000
Total available sources of capital, end of period	**623,041**	668,482	574,203

As at December 31, 2021, the unutilized balance of the borrowing facility was approximately $0.58 billion compared to $0.63 billion at September 30, 2021 and $0.53 billion at December 31, 2020. This $0.58 billion in unutilized borrowings is in addition to the commitments in place to fund loan originations from our Triad Financial Services business segment for 2022. Management believes the available liquidity from its cash and equivalents, unutilized borrowing capacity and the funding commitments in place at 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, 2021. The information should be read in conjunction with ECN Capital's audited and interim unaudited consolidated financial statements, the notes thereto and the related management discussion and analysis for the relevant periods.

Key factors that account for the fluctuation in the Company's quarterly results include the year-over-year growth in originations at Triad Financial Services, the seasonality of Triad's business, and fluctuation in KG's other revenues from period to period. ECN acquired Triad Financial Services on December 29, 2017, 76% of KG on May 31, 2018, an additional 20% of KG on March 21, 2019, the remaining 4% interest of KG on December 31, 2019, and Source One on December 21, 2021.

(in $ 000's for stated values, except ratio and per share amounts)	**Q4, 2021**	Q3, 2021	Q2, 2021	Q1, 2021	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020
Adjusted operating income before tax and NCI(1)	**19,461**	19,387	16,390	8,600	4,620	12,511	9,527	5,972
Amortization of intangibles	**4,595**	4,594	4,594	4,595	4,744	4,545	4,544	4,545
Accretion of deferred purchase consideration	**867**	962	1,020	962	4,573	1,126	2,416	611
Unrealized gain on foreign currency forward contract	**—**	(2,856)	—	—	—	—	—	—
Impairment of legacy corporate investment	**—**	—	—	—	13,000	—	—	—
Share based compensation	**14,333**	5,642	4,683	5,205	6,096	5,956	3,621	2,874
Corporate restructuring and transition costs	**6,054**	—	—	—	—	—	1,486	—
Business acquisition costs	**3,074**	—	—	—	—	—	—	—
Net income (loss) before income taxes	**(9,462)**	11,045	6,093	(2,162)	(23,793)	884	(2,540)	(2,058)
Net income (loss) from continuing operations	**(15,095)**	9,614	4,585	(1,738)	(19,177)	657	(1,824)	(1,478)
Net income (loss) from discontinuing operations	**928,416**	13,556	12,811	10,044	(7,937)	7,382	2,335	6,501
Net income (loss) - total	**913,321**	23,170	17,396	8,306	(27,114)	8,039	511	5,023
Earnings per share (basic) - continuing operations attributable to common shareholders	**($0.06)**	$0.03	$0.01	($0.02)	($0.09)	($0.01)	($0.02)	($0.02)
Adjusted net income (1)	**16,153**	16,091	13,604	7,138	3,816	10,334	7,622	4,778
Adjusted net income per share (basic) (1)	**$0.07**	$0.07	$0.06	$0.03	$0.02	$0.04	$0.03	$0.02
Adjusted net income applicable to common shareholders per share (basic)(1)	**$0.06**	$0.06	$0.05	$0.02	$0.01	$0.03	$0.02	$0.01
Period end earning assets - owned	**226,715**	252,147	234,203	233,319	226,946	233,207	219,575	211,266
Period end earning assets - managed and advisory	**31,277,667**	30,096,958	29,898,783	29,659,555	29,746,317	29,006,900	30,409,453	30,969,672
Period end earning assets - total	**31,504,382**	30,349,105	30,132,986	29,892,874	29,973,263	29,240,107	30,629,028	31,180,938
Originations	**299,611**	298,992	262.052	182.223	197.398	201.754	163.183	133.408
Allowance for credit losses	**527**	266	1,032	894	868	6,864	5,331	627
Allowance for credit losses as a % of finance receivables	**0.23 %**	0.11 %	0.23 %	0.20 %	0.23 %	1.62 %	1.04 %	0.17 %
Term senior credit facility	**107,664**	458,639	547,757	505,684	462,083	506,480	672,876	494,660
Senior unsecured debentures	**166,933**	55,848	56,960	56,036	55,109	53,264	—	—
Total debt	**274,597**	514,487	604,717	561,720	517,192	559,744	672,876	494,660
Shareholders' equity	**218,627**	823,535	823,713	817,607	822,561	851,753	841,194	843,148

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

Non-IFRS and Other Performance Measures

DESCRIPTION OF NON-IFRS MEASURES

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

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

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

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

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

Adjusted operating income before tax is net income excluding the impact of share-based compensation, corporate restructuring and transition costs, business acquisition costs, loss (gain) on business disposals, impairment charges and asset valuation reserves, amortization of intangible assets acquired in business combinations, accretion of deferred purchase consideration, cumulative dividends on preferred shares, loss (income) from discontinued operations, provision for credit losses, unrealized loss (gain) on foreign currency forward contract, and income tax. Adjusted operating income before tax and NCI is adjusted operating income before tax as defined above, excluding the impact of expense attributable to the non-controlling interest in KG. Management believes it is appropriate to adjust for these items when evaluating the underlying performance of our business because amortization of intangible assets and share-based compensation are primarily non-cash in nature; corporate restructuring and transition costs, business acquisition costs and loss (gain) on business disposals do not relate to continuing operating activities; accretion of deferred purchase consideration is considered part of the purchase price consideration for business acquisitions notwithstanding the accounting treatment which views all or a portion of the related payments, depending on how it is structured, to be an operating expense; dividends on preferred shares are a financing cost not related to operating activities; provision for credit losses is considered to be a consequence of the impact of the COVID-19 pandemic related to Service Finance's solar business and is not indicative of the underlying performance of our business segments, unrealized loss (gain) on foreign currency forward contract does not represent the underlying performance of our business segments; income tax expense is managed at a corporate level and is a function of the jurisdictions in which the Company operates and not the underlying performance of our business segments; and non-controlling interest expense attributable to KG does not represent the underlying performance of our KG business segment's core business.

Adjusted net income is adjusted operating income before tax less the provision for income taxes applicable to adjusted operating income before tax. Adjusted net income per share applicable to common shareholders is computed as adjusted net income less cumulative preferred share dividends.

Adjusted operating income before tax is a key operating measure used by management to assess the underlying operating performance of the Company's business segments, including the determination of amounts to be paid out pursuant to deferred purchase consideration plans and Performance Share Unit (PSU) plans. Management also uses this measure to prepare the internal budgets and forecasts that support the Company's public guidance. Adjusted net income provides a consolidated view of the Company's underlying financial performance attributable to the common shareholders. The presentation of these measures enables investors and analysts to better understand the underlying performance of our business segments.

Adjusted net income per share and Adjusted net income per share applicable to common shareholders

Adjusted net income per share is computed as adjusted net income divided by the basic weighted average number of common shares outstanding during the period. Adjusted net income per share applicable to common shareholders is computed as adjusted net income applicable to common shareholders divided by the basic weighted average number of common shares outstanding during the period.

Earning assets - owned

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

Managed and advisory assets

Managed and advisory assets are the asset portfolios from continuing operations that the Company manages, services or advises on behalf of its Partners. The Company earns either servicing, portfolio advisory or reserve income from these portfolios.

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

Allowance for credit losses as a percentage of finance receivables

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

Average debt

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

Finance assets or total finance assets

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

Debt to equity ratio

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

RECONCILIATION OF NON-IFRS TO IFRS MEASURES

The following table provides a reconciliation of non-IFRS to IFRS measures related to the Company's consolidated continuing results of operations for the three-month periods ended December 31, 2021, September 30, 2021, and December 31, 2020 and the years ended December 31, 2021 and December 31, 2020.

	For the three-month period ended			For the year ended	
(in 000's for stated values, except percent amounts)	**December 31, 2021** **$**	September 30, 2021 $	December 31, 2020 $	**December 31, 2021** **$**	December 31, 2020 $
Reported and adjusted measures					
Net income (loss) from continuing operations	**(7,492)**	9,614	(19,177)	**4,969**	(21,822)
Adjustments:					
Share-based compensation	**14,333**	5,642	6,096	**29,863**	18,547
Amortization of intangibles	**4,595**	4,594	4,744	**18,378**	18,378
Accretion of deferred purchase consideration	**867**	962	4,573	**3,811**	8,726
Impairment of legacy corporate investment	**—**	—	13,000	**—**	13,000
Unrealized gain on foreign currency hedge	**—**	(2,856)	—	**—**	—
Corporate restructuring and transition costs	**6,054**	—	—	**6,054**	1,486
Business acquisition costs	**3,074**	—	—	**3,074**	—
Provision for (recovery of) income taxes	**(1,970)**	1,431	(4,616)	**545**	(5,685)
Adjusted operating income before tax	**19,461**	19,387	4,620	**66,694**	32,630
Provision for taxes applicable to adjusted operating income (1)	**3,308**	3,296	804	**11,338**	6,036
Adjusted net income	**16,153**	16,091	3,816	**55,356**	26,594
Cumulative preferred share dividends during the period	**2,390**	2,380	2,337	**9,623**	9,389
Adjusted net income attributable to common shareholders	**13,763**	13,711	1,479	**45,733**	17,205
Per share information					
Weighted average number of shares outstanding (basic)	**243,625**	243,334	244,087	**243,732**	242,312
Adjusted net income per share (basic)	**$0.07**	$0.07	$0.02	**$0.23**	$0.11
Adjusted net income applicable to common shareholders per share (basic)	**$0.06**	$0.06	$0.01	**$0.19**	$0.07
Adjusted operating income before tax comprised of:					
Triad Financial Services	**13,862**	16,169	8,894	**50,255**	30,592
KG	**17,187**	12,247	9,202	**54,063**	40,574
Corporate and Other	**(11,588)**	(9,029)	(13,476)	**(37,624)**	(38,536)
	19,461	19,387	4,620	**66,694**	32,630

(1) Provision for taxes applicable to adjusted operating income reflects an effective tax rate of 17.0% for the three and twelve-month periods ended December 31, 2021 and the three-month period ended September 30, 2021, 17.4% for the three-month period ended December 31, 2020, and 18.5% for the twelve-month period ended December 31, 2020.

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, 2021 and December 31, 2020 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 Triad Financial Services by our Partners. The Company mitigates this risk by maintaining a diversified group of Partners, including banks, credit unions, insurance companies, pension funds 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, 2021, 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 its finance receivables/loans during the period between fixing the contractual rate under the finance contracts with its customers and locking 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, whereby there is a risk that the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes or matures. 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, 2021, the Company did not have a significant unhedged 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.

Environmental, Social and Governance Risk

Environmental, Social and Governance ("ESG") risk is the risk to the Company as stakeholders demand greater accountability and transparency on how the Company approaches environmental issues, attends to the well-being of employees, customers and Partners, and governs in an ethical manner. A company that ignores these risks or commits a misstep could incur significant economic costs that jeopardize its ability to earn long-term, sustainable profits.

To mitigate ESG risk, the Company established an ESG Management Committee which reports directly to the Board of Directors. The ESG Management Committee is working with all stakeholders to evolve and enhance our ESG disclosure, and address material ESG risks across the Company and its subsidiaries.

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 2021 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 2021 Annual Consolidated Financial Statements for a description of each of our significant accounting judgments, estimates and assumptions.

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

As at December 31, 2021, due to the emergence of the novel coronavirus identified as COVID-19, we are subject to a greater degree of uncertainty in making the estimates and judgments required to apply our significant accounting policies. The ultimate impacts of COVID-19 on our business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic, which are highly uncertain and cannot be predicted. The uncertainty of future results and cash flows may impact our estimates and judgments underlying the carrying values of our finance receivables, held-for-trading financial assets, goodwill, intangible assets and retained reserve interest asset, the adequacy of our credit loss provisions, the fair value of our assets held-for-sale and the realization of our deferred tax assets. We continue to update the Company's forecasts, assumptions, valuation models and other analyses that support the current carrying value of these assets. Accordingly, actual results may be materially different from those recorded amounts.

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

Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures to ensure that material information is being recorded, processed, summarized, and reported to senior management, including the certifying officers and other members of the Board of Directors, on a timely basis, so that appropriate decisions can be made regarding public disclosure. In addition, the CEO and CFO are responsible to design, or cause to be designed under their supervision, internal controls over financial reporting to a standard that provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

It should be noted that while the Company's CEO and CFO believe that the Company's internal control system and disclosure controls and procedures provide a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Company's control systems will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any designs will succeed in achieving its stated goals under all potential conditions.

The Company has an established process in place to ensure the effectiveness of the disclosure controls and internal controls over financial reporting.

Updated Share Information

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

As at March 1, 2022, the Company had 246,884,282 common shares, 475,451 options and 3,712,400 Series C preferred shares issued and outstanding.

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