



Management Discussion & Analysis

JUNE 30, 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 three and six-month periods ended June 30, 2021 in comparison to the corresponding prior year periods. This MD&A, which has been prepared as of August 10, 2021, is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), as at and for the three and six-month periods ended June 30, 2021 (the "interim consolidated financial statements"), which readers are encouraged to read in conjunction with their review of this MD&A. This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended December 31, 2020 and December 31, 2019. 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 August 10, 2021. 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 investment funds (collectively our "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically unsecured loan portfolios, secured loan portfolios and credit card portfolios. Our Partners are seeking high quality assets to match with their deposits or 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 610 employees and operates principally in the United States. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol "ECN".

BUSINESS STRATEGY

ECN Business Model

The Company owns a portfolio of business services providers that operate under a fee-based, asset-light model through which it leverages highly specialized expertise, industry knowledge, regulatory compliance and strategic relationships. This specialized business model provides significant barriers to entry. Our core investor companies are: Service Finance Company LLC ("Service Finance"), Triad Financial Services, Inc. ("Triad Financial Services") and Kessler Financial Services LLC ("KG"). ECN Capital has managed and advisory assets¹ of approximately \$33.5 billion and our customers include more than 100 bank, credit union, insurance company, pension plan and investment fund 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:

- Unsecured consumer loan portfolios - Home improvement loans
- Secured consumer loan portfolios - Manufactured home loans
- Consumer credit card portfolios - 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 all three 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 investments are made within these strategic parameters and have demonstrated each of the following value propositions:

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

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

Core Business Segments:

Service Finance - Home Improvement Loans

Founded in 2004, Service Finance utilizes a technology-driven platform to originate and manage short duration unsecured consumer loans for 25+ Partners. These loans are primarily prime and super-prime retail installment contracts to finance home improvement projects in the U.S. Originations are sourced through national dealer networks through exclusive and preferred programs with top manufacturers in the home improvement industry. Originations are sold to third-party financial institutions without recourse with respect to credit losses, prepayments or yield, and Service Finance retains the exclusive right to service all retail installment contracts that it originates. Service Finance has sold loans to over 20 Federal Deposit Insurance Corporation ("FDIC") insured institutions with zero objections and negative comments during formal examinations by and through all bank counterparties. Service Finance is headquartered in Boca Raton, Florida and is a fully licensed sales finance company and third-party servicer in all 50 States.

Triad Financial Services - Manufactured Home Loans

Founded in 1959, Triad Financial Services is the oldest manufactured housing finance company in the U.S. Triad Financial Services is a premier portfolio solutions platform focused on originating and managing longer duration secured consumer loan portfolios for 50+ Partners. These assets are primarily prime and super-prime loans to consumers for the purchase of manufactured homes throughout the U.S. Originations are sourced through a long-established national network of dealers and manufacturers. In addition to originating prime consumer loans, Triad Financial Services manages manufactured housing portfolios for third party owners and provides floor plan financing for select dealers and manufacturers. Triad Financial Services is headquartered in Jacksonville, Florida and is licensed in 47 States.

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

Founded in 1978, KG has grown to become the premier manager, adviser and structuring partner to credit card issuers, banks, credit unions and payment networks. KG 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 currently has approximately \$27 billion in managed credit card portfolios and related assets and is headquartered in Boston, Massachusetts.

Key Business Developments

Information related to the current market and business outlook and key developments in support of the Company's business strategy for the three and six-month periods ended June 30, 2021 are outlined below.

ECN ANNOUNCES DEFINITIVE AGREEMENT TO SELL ITS SERVICE FINANCE BUSINESS

On August 10, 2021, the Company announced that it has entered into a definitive agreement (the "Transaction Agreement") with Truist Bank, the wholly owned bank subsidiary of Truist Financial Corporation ("Truist") to sell all of the issued and outstanding equity interests in each of Service Finance Company, LLC and Service Finance Holdings, LLC (together "SFC"), each a wholly-owned indirect subsidiary of the Company, for cash proceeds of approximately US\$2 billion, subject to adjustment as set forth in the Transaction Agreement (the "Transaction"). The Transaction is subject to receipt of required regulatory approvals, the expiry of applicable regulatory waiting periods and satisfaction of other customary closing conditions and is expected to close in the fourth quarter of 2021.

Following the closing of the Transaction, ECN Capital intends to pay a special dividend from the net proceeds (after estimated taxes and transaction costs) of C\$7.50 per common share or approximately US\$1.5 billion (based on ECN's current issued and outstanding common shares as at August 10, 2021), to common shareholders of the Company on a tax efficient basis.

Due to the Transaction Agreement that was entered into with Truist, the company is withdrawing its full year consolidated financial forecast.

COVID-19 UPDATE

During the first half of 2021, the economic recovery from the COVID-19 pandemic in the U.S. has continued and is expected to strengthen over the coming quarters, supported by the continued reopening of the economy as a result of the widespread rollout of vaccines, as well as the deployment of fiscal and monetary support programs from the U.S. government. We continue to closely monitor the impacts of the COVID-19 pandemic on all aspects of our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") UPDATE

Subsequent to quarter-end, Sustainalytics, a leading ESG research, ratings and data firm, reviewed Service Finance's loan origination program and certified the vast majority of originations funded home improvement projects that materially improved energy efficiency. Furthermore, Sustainalytics also affirmed that Service Finance's loan origination program contributed to achieving two of 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

Senior Credit Facility Update

On June 30, 2021, the Company successfully executed an amendment of its senior credit facility that extends the maturity date from December 31, 2023 to June 30, 2025 and increases the size of the facility to \$1.1 billion from \$1.0 billion.

Subsequent to quarter end, as a result of the Transaction Agreement that was entered into with Truist, ECN Capital received fully underwritten agreements from its senior lenders for further amendment of its existing senior credit facility following the closing of the Transaction. ECN Capital's existing senior credit facility will be amended and restated so as to provide for an aggregate of US\$700 million in revolving funding for a period of 4 years from the closing date of the Transaction. Canadian Imperial Bank of Commerce will act as administrative agent and syndication agent, and Bank of Montreal will act as collateral agent.

Legacy Discontinued Operations Eliminated

The results of operations related to our Rail Finance, Aviation Finance, and Canada and U.S. Commercial and Vendor Finance businesses (the "Legacy Businesses") continue to wind down and were not material to our consolidated operating results for the three and six-month periods ended June 30, 2021. Consequently, the results of operations of the Legacy Businesses are not reported as a separate component of our operations in this MD&A and are included in the discussion of the Corporate and Other segment for the three and six-month periods ended June 30, 2021.

Normal Course Issuer Bids

On September 14, 2020, 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, 2020. Pursuant to the NCIBs, the Company may repurchase up to an additional 22,432,925 common shares, 399,900 Series A Preferred Shares and 399,800 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, 2021 and the completion of purchases under the applicable NCIB.

During the second quarter of 2021, the Company purchased 348,400 common shares for a total of \$2.2 million (C\$2.8 million) or C\$8.01 per share pursuant to the Common Share Bid.

During the second quarter of 2021, the Company purchased 11,700 Series A Preferred Shares for a total of \$0.2 million (C\$0.3 million) or C\$24.99 per share and 12,400 Series C Preferred Shares for a total of \$0.2 million (C\$0.3 million) or C\$24.74 per share pursuant to the Preferred Share Bid. In total, 156,900 Series A and 287,600 Series C Preferred Shares have been purchased for cancellation as at August 10, 2021.

Capital Reinvestment

Under its NCIBs and substantial issuer bids ("SIBs"), ECN has repurchased for cancellation approximately 38% of the total common shares outstanding and approximately 6% of the total preferred shares outstanding through August 10, 2021.

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	56.1	\$3.90	\$219
SIB April 2018	31.9	\$3.60	\$115
SIB January 2019	70.7	\$3.75	\$265
Total common shares repurchased for cancellation	158.7	\$3.77	\$599
Common shares outstanding pre-buyback	390		
Common shares outstanding as at August 10, 2021	244		
% common shares repurchased to date	~38%		

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 2020 NCIB	0.4	\$22.47	\$10
Total preferred shares repurchased for cancellation	0.4	\$22.47	\$10
Preferred shares outstanding pre-buyback	8.0		
Preferred shares outstanding as at May 12, 2021	7.6		
% preferred shares repurchased to date	~6%		

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 interim condensed consolidated financial statements for the same periods.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
(in 000's for stated values, except per share amounts)	\$	\$	\$	\$	\$
Select metrics					
Originations	913,412	662,032	676,372	1,575,444	1,185,398
Average earning assets - Owned (1)	447,824	406,244	437,811	423,224	396,283
Average earning assets - Managed and advisory (1)	33,270,348	33,071,801	33,460,259	33,212,553	33,506,291
Period end earning assets - Owned (1)	457,186	438,462	512,726	457,186	512,726
Period end earning assets - Managed and advisory (1)	33,494,057	33,046,639	33,290,926	33,494,057	33,290,926
Operating highlights:					
Portfolio origination services	39,163	27,014	25,825	66,177	46,018
Portfolio management services	38,944	30,867	24,580	69,811	54,055
Portfolio advisory services	—	2,000	2,285	2,000	5,460
Marketing services	2,682	2,904	1,299	5,586	3,126
Total portfolio revenue	80,789	62,785	53,989	143,574	108,659
Interest income	7,744	7,479	6,321	15,223	11,859
Other revenue	3,609	3,753	909	7,362	1,579
	92,142	74,017	61,219	166,159	122,097
Operating expenses	43,905	38,561	29,927	82,466	63,096
Adjusted EBITDA (1)	48,237	35,456	31,292	83,693	59,001
Interest expense	6,422	6,091	5,501	12,513	10,571
Depreciation & amortization	3,322	2,769	1,689	6,091	3,310
Adjusted operating income before tax	38,493	26,596	24,102	65,089	45,120
Adjustments:					
Share-based compensation	5,926	6,870	3,922	12,796	7,136
Amortization of intangibles	8,429	8,429	6,453	16,858	12,906
Accretion of deferred purchase consideration	1,020	962	2,416	1,982	3,027
Corporate restructuring and transition costs	—	—	1,486	—	1,486
Provision for credit losses	—	—	4,400	—	4,400
	15,375	16,261	18,677	31,636	28,955
Net income before income taxes from continuing operations	23,118	10,335	5,425	33,453	16,165
Income tax expense	5,722	2,029	1,530	7,751	4,555
Net income from continuing operations	17,396	8,306	3,895	25,702	11,610
Cumulative dividends on preferred shares	2,459	2,395	2,309	4,854	4,659
Net income from continuing operations attributable to common shareholders	14,937	5,911	1,586	20,848	6,951
Net income (loss) from discontinued operations	—	—	(3,384)	—	(6,076)
Net income (loss) for the period attributable to common shareholders	14,937	5,911	(1,798)	20,848	875
Weighted Average number of shares outstanding (basic)	243,478	244,502	242,045	243,987	241,336
Earnings per share (basic) - continuing operations attributable to common shareholders	\$0.06	\$0.02	0.01	\$0.09	\$ 0.03
Non-IFRS Measures					
Adjusted operating results:					
Adjusted EBITDA (1)	48,237	35,456	31,292	83,693	59,001
Adjusted operating income before tax (1)	38,493	26,596	24,102	65,089	45,120
Adjusted net income (1)	31,949	22,075	19,282	54,024	36,096
Adjusted net income applicable to common shareholders (1)	29,490	19,680	16,973	49,170	31,437
Adjusted net income per share (basic) (1)	\$0.13	\$0.09	\$0.08	\$0.22	\$0.15
Adjusted net income applicable to common shareholders per share (basic) (1)	\$0.12	\$0.08	\$0.07	\$0.20	\$0.13

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

The following discussion relates to the results of operations for the three and six-month periods ended June 30, 2021 presented on a continuing operations basis.

Q2 AND Q2 YTD 2021 vs Q2 AND Q2 YTD 2020

The Company reported total originations of \$913.4 million and \$1,575.4 million for the second quarter and six-month period ended June 30, 2021, respectively, up from \$676.4 million and \$1,185.4 million, respectively, for the prior year periods. Current quarter originations include \$651.4 million from Service Finance and \$262.1 million from Triad Financial Services. Total portfolio revenue for the second quarter and six-month period ended June 30, 2021 increased to \$80.8 million and \$143.6 million, respectively, compared to \$54.0 million and \$108.7 million, respectively, in the prior year period, reflecting the growth in originations at Service Finance and Triad Financial Services and higher revenues from KG's credit card investment management platform. Total revenue for the second quarter and six-month period ended June 30, 2021 increased to \$92.1 million and \$166.2 million, respectively, compared to \$61.2 million and \$122.1 million, respectively, for the prior year periods, primarily due to higher portfolio originations services, portfolio management services and marketing services revenues, as well as higher revenue from the Corporate and Other segment.

The table below illustrates the Company's operating expenses for the three and six-month periods ended June 30, 2021 and June 30, 2020:

	For the three-month period ended		For the six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>(in 000's for stated values)</i>	\$	\$	\$	\$
Service Finance	13,522	10,965	25,495	21,165
Triad Financial Services	14,159	8,255	24,801	16,530
KG	7,545	6,263	15,365	13,503
Business segment operating expenses	35,226	25,483	65,661	51,198
Corporate operating expenses	6,539	4,444	12,772	11,898
Legacy Businesses operating expenses (1)	2,140	—	4,033	—
Total operating expenses	43,905	29,927	82,466	63,096

(1) For the three and six-month periods ended June 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 continuing operations as shown in the table above. For the three and six-month periods ended June 30, 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 \$43.9 million in the current quarter, compared to \$29.9 million for the prior year quarter. The increase in operating expenses compared to the prior year quarter is primarily attributable to growth in Service Finance and Triad Financial Services. Corporate operating expenses of \$6.5 million reflect a return to normal activity levels with respect to business development, professional services and travel.

Interest expense was \$6.4 million and \$12.5 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to \$5.5 million and \$10.6 million in the prior year periods, reflecting a higher average debt balance in the current quarter-to-date and year-to-date periods, including the issuance of C\$75 million (US\$57.1 million) aggregate principal amount of listed senior unsecured debentures on September 4, 2020. Depreciation and amortization expense was \$3.3 million and \$6.1 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to \$1.7 million and \$3.3 million in the prior year periods.

Other expenses, which include share-based compensation, amortization of intangible assets and other items, were \$15.4 million and \$31.6 million for the second quarter and six-month period ended June 30, 2021 compared to \$18.7 million and \$29.0 million in the prior year periods. For the second quarter of 2020, other expenses include \$1.5 million of corporate severance and restructuring costs and a \$4.4 million increase in our provision for credit losses due to the economic impacts associated with the COVID-19 pandemic. Share-based compensation was \$5.9 million and \$12.8 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to \$3.9 million and \$7.1 million, respectively, in the prior year periods, primarily as a result of the completion of the 2021 annual grant to corporate employees in the first quarter of 2021, compared to the 2020 grant to corporate employees which was finalized in the third quarter of 2020, and the impact of the five-year retention grants to the business unit heads in 2020. Over 50% of the share-based compensation expense in 2021 is attributable to our business segments, with the balance going to ECN corporate employees.

Adjusted EBITDA¹ increased to \$48.2 million and \$83.7 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to \$31.3 million and \$59.0 million for the prior year periods. The increase in adjusted EBITDA¹ in the current quarter reflects the growth across each of our business segments. Adjusted net income applicable to common shareholders¹ was \$29.5 million or \$0.12 per share and \$49.2 million or \$0.20 per share for the second quarter and six-month period ended June 30, 2021, respectively, compared to \$17.0 million or \$0.07 per share and \$31.4 million or \$0.13 per share for the prior year periods. The increase in adjusted net income applicable to common shareholders¹ in the current quarter reflects higher operating income from the business segments, partially offset by higher interest expense and depreciation and amortization expense.

The Company reported net income from continuing operations of \$17.4 million and \$25.7 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to net income of \$3.9 million and \$11.6 million, respectively, for the prior year periods.

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

Business Segment Results

RESULTS OF SERVICE FINANCE - HOME IMPROVEMENT LOANS

The following table sets forth a summary of the Company's select metrics and results from the Service Finance segment, for the three-month periods ended June 30, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>(in 000's for stated values)</i>	\$	\$	\$	\$	\$
Select metrics					
Originations	651,360	479,809	513,189	1,131,169	888,807
Managed assets, period end (1)	3,595,274	3,387,084	2,881,473	3,595,274	2,881,473
Managed assets, period average (1)	3,491,179	3,368,865	2,770,697	3,444,334	2,682,221
Dealer advances	67,012	52,700	61,650	67,012	61,650
Held-for-trading financial assets	155,971	152,443	231,501	155,971	231,501
Operating results					
Originations revenue	19,146	14,627	14,383	33,773	24,340
Servicing revenue	16,396	13,987	9,791	30,383	24,070
Interest income & other revenue	2,818	2,855	2,670	5,673	4,546
Revenue	38,360	31,469	26,844	69,829	52,956
Operating expenses	13,522	11,973	10,965	25,495	21,165
Adjusted EBITDA (1)	24,838	19,496	15,879	44,334	31,791
Interest & depreciation expense	2,735	1,500	1,304	4,235	2,170
Adjusted operating income before tax (1)	22,103	17,996	14,575	40,099	29,621

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

Service Finance - Home Improvement Loans

Originations at Service Finance for the second quarter and six-month period ended June 30, 2021 were \$651.4 million and \$1,131.2 million, respectively, up 26.9% and 27.3% from the prior year periods. The growth in originations reflects the strength and stability of Service Finance's business model, driven by continued growth in Service Finance's core HVAC, windows and doors, remodeling, and roofing business lines.

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

Originations (US\$ millions) ¹								
Q2, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021
426	468	397	376	513	640	530	480	651

(1) Amounts presented exclude originations of property assessed clean energy ("PACE") program loans. The PACE loan program was discontinued in the second quarter of 2019.

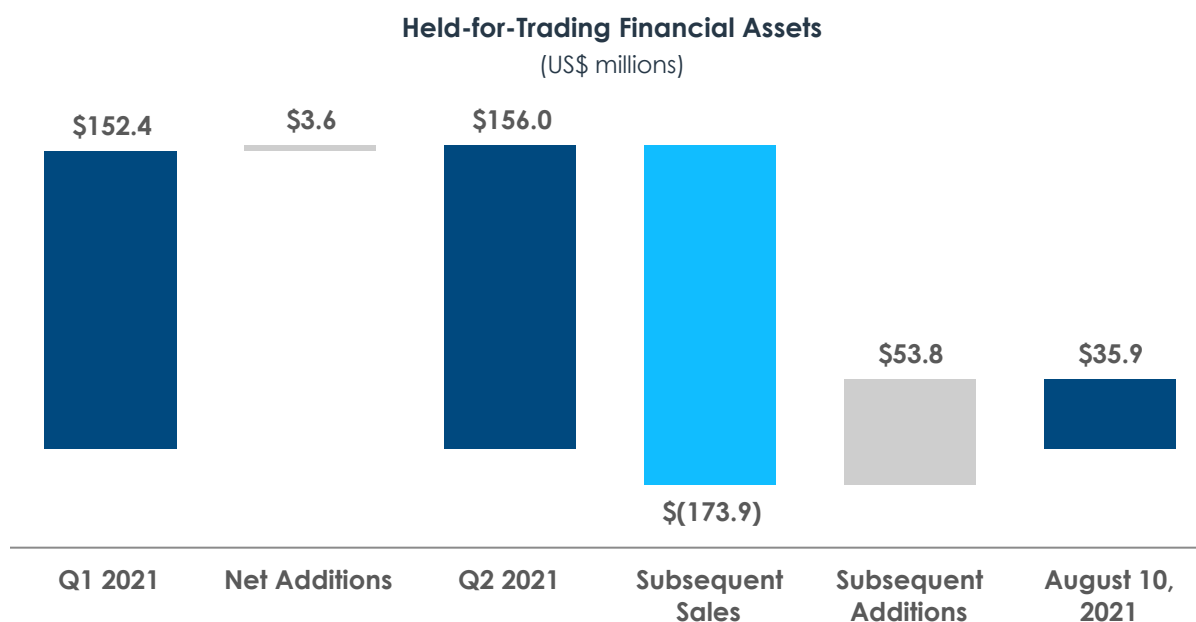
Originations revenue for the second quarter and six-month period ended June 30, 2021 was \$19.1 million and \$33.8 million, up 33.1% and 38.8%, respectively, from the prior year periods, reflecting the growth in originations and higher margins due to mix.

Servicing revenues of \$16.4 million and \$30.4 million for the second quarter and six-month period ended June 30, 2021 were up 67.5% and 26.2%, respectively, from the prior year periods reflecting the growth in managed assets and the elimination of servicing fee concessions that were granted in 2020 to secure future funding partner commitments.

Adjusted EBITDA¹ and adjusted operating income before tax¹ were \$24.8 million and \$22.1 million respectively, for the second quarter of 2021 compared to \$15.9 million and \$14.6 million, respectively, for the second quarter of 2020. For the six-month period ended June 30, 2021, adjusted EBITDA¹ and adjusted operating income before tax¹ were \$44.3 million and \$40.1 million, respectively, compared to \$31.8 million and \$29.6 million, respectively, in the prior year periods.

Dealer advances were \$67.0 million as at June 30, 2021, compared to \$52.7 million as at March 31, 2021 and \$61.7 million as at June 30, 2020. Dealer advances consist primarily of staged fundings to key dealers with respect to committed home improvement loans. These loans are similar to Triad Financial's successful floorplan initiative and strengthen the relationship with Service Finance's key dealers.

Held-for-trading financial assets were \$156.0 million as at June 30, 2021, compared to \$152.4 million as at March 31, 2021 and \$231.5 million as at June 30, 2020. Held-for-trading financial assets consist of loans that are originated on behalf of our bank partners with the intention of selling through under a portfolio sale agreement. In July 2021, Service Finance completed a portfolio sale of approximately \$173.9 million. In addition, Service Finance entered into an agreement with a large institutional investor to fund the complementary flow program on a go forward basis. Subsequent to that transaction, pro forma held-for-trading financial assets as at August 10, 2021 are approximately \$35.9 million, including the impact of pro forma additions of \$53.8 million.



Due to the Transaction Agreement that was entered into with Truist, the Company is withdrawing its full year guidance with respect to Service Finance.

RESULTS OF TRIAD FINANCIAL SERVICES - SECURED CONSUMER LOAN PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the Triad Financial Services segment for the three-month periods ended June 30, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>(in 000's for stated values)</i>	\$	\$	\$	\$	\$
Select metrics					
Originations	262,052	182,223	163,183	444,275	296,591
Managed assets, period end (1)	2,836,163	2,731,645	2,562,829	2,836,163	2,562,829
Managed assets, period average (1)	2,783,904	2,685,130	2,520,650	2,735,474	2,489,803
Manufactured housing loans	149,570	126,619	121,339	149,570	121,339
Held-for-trading financial assets	37,954	55,375	31,188	37,954	31,188
Operating results					
Originations revenue	20,017	12,387	11,442	32,404	21,678
Servicing revenue	3,711	2,246	1,895	5,957	3,614
Interest income & other revenue	4,857	4,268	3,229	9,125	6,411
Total revenue	28,585	18,901	16,566	47,486	31,703
Operating expenses	14,159	10,642	8,255	24,801	16,530
Adjusted EBITDA (1)	14,426	8,259	8,311	22,685	15,173
Interest and depreciation expense	1,313	1,148	1,117	2,461	2,411
Adjusted operating income before tax (1)	13,113	7,111	7,194	20,224	12,762

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

Triad Financial Services - Secured Consumer Loan Portfolios Segment

Originations at Triad Financial Services for the second quarter and six-month period ended June 30, 2021 were \$262.1 million and \$444.3 million, respectively, up 60.6% and 49.8% from the prior year periods. Managed assets were \$2.8 billion as at June 30, 2021, an increase of 10.7% compared to managed assets of \$2.6 billion as at June 30, 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)								
Q2, 2019	Q3, 2019	Q4, 2019	Q1, 2020	Q2, 2020	Q3, 2020	Q4, 2020	Q1, 2021	Q2, 2021
170	171	144	133	163	202	197	182	262

Originations revenue for the second quarter and six-month period ended June 30, 2021 was \$20.0 million and \$32.4 million, respectively, up 74.9% and 49.5% from the prior year periods, respectively, which is in line with total originations results.

Servicing revenues of \$3.7 million and \$6.0 million for the second quarter and six-month period ended June 30, 2021 were up 95.8% and 64.8% 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 product expansion.

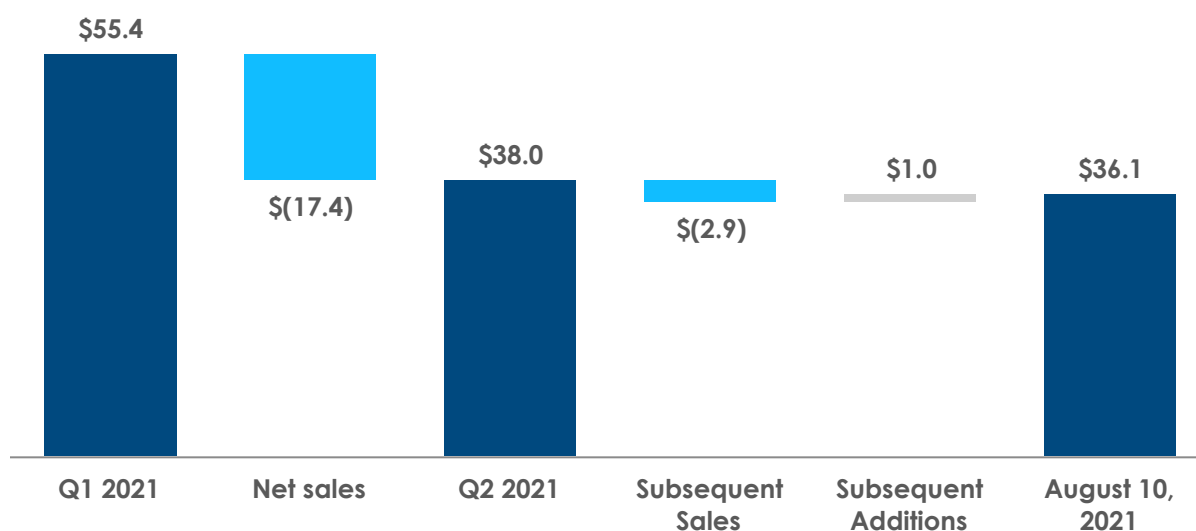
Adjusted EBITDA¹ and adjusted operating income before tax¹ were \$14.4 million and \$13.1 million, respectively, for the current quarter compared to \$8.3 million and \$7.2 million, respectively, for the prior year quarter. For the six-month period ended June 30, 2021, adjusted EBITDA¹ and adjusted operating income before tax¹ of \$22.7 million and \$20.2 million, respectively, represent increases of 49.5% and 58.5% from the prior year periods.

Manufactured housing loans were \$149.6 million as at June 30, 2021, compared to \$126.6 million as at March 31, 2021 and \$121.3 million as at June 30, 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 \$38.0 million as at June 30, 2021, compared to \$55.4 million as at March 31, 2021 and \$31.2 million as at June 30, 2020. Held-for-trading financial assets consist of loans that are originated on behalf of our partners with the intention of selling through under a portfolio sale agreement.

Held-for-Trading Financial Assets

(US\$ millions)



The Company is updating its outlook for Triad Financial Services and expects adjusted operating income before tax to be in the range of \$43 million to \$46 million for 2021. The increase is primarily a result of loan origination mix, increased penetration to provide full-servicing of the managed portfolio and recognition of retained servicing rights as a result of product expansion. Please see the table below for its updated 2021 outlook for the Triad Financial Services segment.

Triad Financial Services - Secured Consumer Loan Portfolios 2021 Outlook

	2021 Forecast Range	
Select Metrics (US\$ millions)		
Total Originations	1,000	1,200
Floorplan line utilized	130	150
Managed & advised portfolio (period end)	3,100	3,200
Income Statement (US\$ millions)		
Origination Revenues	63	65
Servicing Revenues ⁽¹⁾	34	37
Total Revenues	97	102
Adjusted EBITDA	49	54
Adjusted Operating Income Before Tax	43	46
Adjusted EBITDA margin	~51%	~53%

(1) Servicing Revenues includes income from floorplan loans.

RESULTS OF KG - CONSUMER CREDIT CARD PORTFOLIOS

The following table sets forth a summary of the Company's select metrics and results from the KG segment for the three-month periods ended June 30, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>(in 000's for stated values)</i>	\$	\$	\$	\$	\$
Operating results					
Partnership services revenue	18,837	14,634	12,894	33,471	26,371
Marketing services revenue	2,682	2,904	1,299	5,586	3,126
Transaction services revenue	—	2,000	2,285	2,000	5,460
Interest income & other revenue	29	203	10	232	291
Revenue	21,548	19,741	16,488	41,289	35,248
Operating expenses	7,545	7,820	6,263	15,365	13,503
Adjusted EBITDA (1)	14,003	11,921	10,225	25,924	21,745
Interest and depreciation expense	641	654	848	1,295	1,945
Adjusted operating income before tax (1)	13,362	11,267	9,377	24,629	19,800

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

KG - Consumer Credit Card Portfolios Segment

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

- Partnership Services:** managing and advising on co-brand credit card programs and portfolios
- Marketing Services:** marketing services and data analytics
- Transaction Services:** acquisitions and divestitures of co-brand credit card portfolios/programs

Total KG revenues for the second quarter and six-month period ended June 30, 2021 were \$21.5 million and \$41.3 million, respectively, compared to \$16.5 million and \$35.2 million in the prior year periods, reflecting the strong performance in partnership services revenue and higher marketing services revenue, partially offset by lower transaction services revenue.

Adjusted EBITDA¹ and adjusted operating income before tax¹ were \$14.0 million and \$13.4 million, respectively, for the current quarter compared to \$10.2 million and \$9.4 million, respectively, for the prior year quarter. For the six-month period ended June 30, 2021, adjusted EBITDA¹ and adjusted operating income before tax¹ were \$25.9 million and \$24.6 million, respectively, compared to \$21.7 million and \$19.8 million, respectively, in the prior year periods.

The Company is updating its 2021 outlook for the KG segment and expects adjusted operating income before tax to be in the range of \$46 million to \$49 million, compared to its previously provided adjusted operating income before tax range of \$46 million to \$52 million. Please see the table below.

KG - Consumer Credit Card Portfolios 2021 Outlook

	2021 Forecast Range	
<u>Income Statement (US\$ millions)</u>		
Revenue	82	87
Adjusted EBITDA	49	52
Adjusted Operating Income Before Tax	46	49
Adjusted EBITDA margin	~60%	~60%

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 June 30, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<i>(in 000's for stated values)</i>	\$	\$	\$	\$	\$
Operating results					
Corporate					
Revenues	1,850	2,333	1,321	4,183	2,190
Operating expenses	6,539	6,233	4,444	12,772	11,898
Adjusted EBITDA - Corporate (1)	(4,689)	(3,900)	(3,123)	(8,589)	(9,708)
Legacy Businesses (2)					
Revenues (2)	1,799	1,573	—	3,372	—
Operating expenses (2)	2,140	1,893	—	4,033	—
Adjusted EBITDA - Legacy Businesses (1)(2)	(341)	(320)	—	(661)	—
Adjusted EBITDA - Corporate and Other (1)	(5,030)	(4,220)	(3,123)	(9,250)	(9,708)
Interest expense	3,626	4,397	3,280	8,023	6,068
Depreciation & amortization	1,429	1,161	641	2,590	1,287
Adjusted operating income before tax (1)	(10,085)	(9,778)	(7,044)	(19,863)	(17,063)

(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 six-month periods ended June 30, 2021 and the three-month period ended March 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 the Corporate and Other segment table above. For the three and six-month periods ended June 30, 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 was \$1.9 million and \$4.2 million for the second quarter and six-month period ended June 30, 2021, respectively, compared to \$1.3 million and \$2.2 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 of \$6.5 million and \$12.8 million for the second quarter and six-month period ended June 30, 2021, respectively, reflect a return to normal activity levels with respect to business development, professional services and travel.

Legacy businesses revenue and operating expenses for the current quarter were \$1.8 million and \$2.1 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 \$3.4 million and \$4.0 million, respectively.

Corporate interest expense was \$3.6 million for the current quarter, compared to \$4.4 million for the first quarter of 2021 and \$3.3 million for the prior year quarter. Average borrowings on the term senior credit facility during the second quarter of 2021 were \$503.3 million compared to \$486.0 million in the preceding quarter.

Financial Position

The following tables set forth a summary of the Company's balance sheet, including a breakdown by core business segment, as at June 30, 2021, March 31, 2021 and June 30, 2020.

June 30, 2021							
	Service Finance	Triad Financial Services	KG	Corporate	Continuing Operations	Discontinued Operations	Total
<i>(in 000's for stated values)</i>	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash	26,111	11,286	8,295	2,453	48,145	—	48,145
Restricted funds	—	5,351	—	—	5,351	—	5,351
Accounts receivable	5,993	60,301	48,070	2,072	116,436	6,291	122,727
Finance assets:							
Loans receivable	67,012	149,570	46,679	—	263,261	—	263,261
Held-for-trading financial assets	155,971	37,954	—	—	193,925	—	193,925
Total finance assets	222,983	187,524	46,679	—	457,186	—	457,186
Retained reserve interest	—	30,586	—	—	30,586	—	30,586
Continuing involvement asset	—	178,364	—	—	178,364	—	178,364
Goodwill and intangible assets	383,286	64,958	221,089	1,211	670,544	—	670,544
Deferred tax assets	—	—	—	52,165	52,165	—	52,165
Other assets and investments	13,057	7,865	29,550	132,017	182,489	1,705	184,194
Assets held-for-sale	—	—	—	—	—	100,797	100,797
Total Assets	651,430	546,235	353,683	189,918	1,741,266	108,793	1,850,059
Liabilities							
Debt	210,448	154,105	46,679	193,485	604,717	—	604,717
Continuing involvement liability	—	178,364	—	—	178,364	—	178,364
Other liabilities	27,779	24,998	103,068	57,311	213,156	30,109	243,265
Total Liabilities	238,227	357,467	149,747	250,796	996,237	30,109	1,026,346
Earning Assets - Owned and Managed							
Earning assets - owned	222,983	187,524	46,679	—	457,186	—	457,186
Earning assets - managed and advisory	3,595,274	2,836,163	27,062,620	—	33,494,057	—	33,494,057
Total Earning Assets - Owned and Managed and Advisory	3,818,257	3,023,687	27,109,299	—	33,951,243	—	33,951,243

Total finance assets for continuing operations were \$457.2 million at June 30, 2021 compared to \$438.5 million at March 31, 2021, and \$512.7 million at June 30, 2020. The increase compared to the preceding quarter primarily reflects an increase in held-for-trading financial assets at Service Finance, which was reduced subsequent to the quarter-end, and an increase in floorplan loans at Triad Financial Services.

Debt from continuing operations of \$604.7 million increased by \$43.0 million compared to March 31, 2021, primarily reflecting the increased investments in finance assets at Service Finance and Triad Financial Services during the quarter.

Earning assets - managed and advisory of \$33.5 billion as at June 30, 2021 reflects managed loans of \$3.6 billion at Service Finance, \$2.8 billion in managed loans at Triad Financial Services and \$27.1 billion in advisory assets at KG.

March 31, 2021							
	Service Finance	Triad Financial Services	KG	Corporate	Continuing Operations	Discontinued Operations	Total
<i>(in 000's for stated values)</i>	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash	15,903	9,114	8,449	1,052	34,518	—	34,518
Restricted funds	—	6,210	—	—	6,210	—	6,210
Accounts receivable	5,402	41,672	36,205	1,486	84,765	6,291	91,056
Finance assets							
Loans receivable	52,700	126,619	51,325	—	230,644	—	230,644
Held-for-trading financial assets	152,443	55,375	—	—	207,818	—	207,818
Total finance assets	205,143	181,994	51,325	—	438,462	—	438,462
Retained reserve interest	—	29,519	—	—	29,519	—	29,519
Continuing involvement asset	—	171,863	—	—	171,863	—	171,863
Goodwill and intangible assets	382,494	63,823	225,166	1,328	672,811	—	672,811
Deferred tax assets	—	—	—	59,680	59,680	—	59,680
Other assets and investments	12,669	7,266	25,682	122,313	167,930	1,586	169,516
Assets held-for-sale	—	—	—	—	—	104,917	104,917
Total Assets	621,611	511,461	346,827	185,859	1,665,758	112,794	1,778,552
Liabilities							
Debt	75,159	138,657	51,325	296,579	561,720	—	561,720
Continuing involvement liability	—	171,863	—	—	171,863	—	171,863
Other liabilities	22,900	23,250	94,089	53,965	194,204	33,158	227,362
Total Liabilities	98,059	333,770	145,414	350,544	927,787	33,158	960,945
Earning Assets - Owned and Managed							
Earning assets - owned	205,143	181,994	51,325	—	438,462	—	438,462
Earning assets - managed and advisory	3,387,084	2,731,645	26,927,910	—	33,046,639	—	33,046,639
Total Earning Assets - Owned and Managed and Advisory	3,592,227	2,913,639	26,979,235	—	33,485,101	—	33,485,101

June 30, 2020

	Service Finance	Triad Financial Services	KG	Corporate	Continuing Operations	Discontinued Operations	Total
<i>(in '000's for stated values)</i>	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash	21,814	6,026	10,251	24,435	62,526	—	62,526
Restricted funds	—	6,812	—	—	6,812	—	6,812
Accounts Receivable	7,052	35,128	17,316	1,133	60,629	10,005	70,634
Finance assets							
Loans receivable	61,650	121,339	67,048	—	250,037	—	250,037
Held-for-trading financial assets	231,501	31,188	—	—	262,689	—	262,689
Total finance assets	293,151	152,527	67,048	—	512,726	—	512,726
Retained reserve interest	—	27,486	—	—	27,486	—	27,486
Continuing involvement asset	—	152,105	—	—	152,105	—	152,105
Goodwill and intangible assets	360,741	64,647	237,434	1,667	664,489	—	664,489
Deferred tax assets	—	—	—	40,762	40,762	—	40,762
Other assets and investments	39,931	6,814	34,901	128,668	210,314	4,479	214,793
Asset held-for-sale	—	—	—	—	—	115,974	115,974
Total Assets	722,689	451,545	366,950	196,665	1,737,849	130,458	1,868,307
Liabilities							
Debt	225,385	129,908	67,048	250,535	672,876	—	672,876
Continuing involvement liability	—	152,105	—	—	152,105	—	152,105
Other liabilities	26,865	13,143	88,971	60,619	189,598	12,534	202,132
Total Liabilities	252,250	295,156	156,019	311,154	1,014,579	12,534	1,027,113
Earning Assets - Owned and Managed and Advisory							
Earning assets - owned	293,151	152,527	67,048	—	512,726	—	512,726
Earning assets - managed and advisory	2,881,473	2,562,829	27,846,624	—	33,290,926	—	33,290,926
Total Earning Assets - Owned and Managed and Advisory	3,174,624	2,715,356	27,913,672	—	33,803,652	—	33,803,652

Delinquencies

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

	June 30, 2021		March 31, 2021		June 30, 2020	
	\$	%	\$	%	\$	%
Current	264,140	99.94 %	231,383	99.93 %	247,692	97.00 %
31-60 days past due	—	— %	—	— %	7,616	2.98 %
61-90 days past due	—	— %	—	— %	—	— %
Greater than 90 days past due	153	0.06 %	155	0.07 %	60	0.02 %
Total continuing operations	264,293	100.00 %	231,538	100.00 %	255,368	100.00 %

Allowance for Credit Losses

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

	Three-month period ended June 30, 2021	Year ended December 31, 2020	Three-month period ended June 30, 2020
<i>(in 000's except percentage amounts)</i>	\$	\$	\$
Allowance for credit losses, beginning of period	894	508	627
Provision for credit losses	213	8,593	4,699
Charge-offs, net of recoveries, and other	(75)	(8,233)	5
Allowance for credit losses, end of period	1,032	868	5,331

The Company's allowance for credit losses was \$1.0 million as at June 30, 2021, compared to \$0.9 million at December 31, 2020 and \$5.3 million at June 30, 2020. During the prior year, the Company recorded a provision of approximately \$8.6 million, primarily related to dealer advances at our Service Finance segment 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. The allowance for credit losses of \$1.0 million as at June 30, 2021 is in line with management's expectation of losses from the business segments and the current mix of assets.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are: (i) cash flows from operating activities; (ii) 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		
		June 30, 2021	March 31, 2021	June 30, 2020
<i>(in 000's for stated values, except for percentage amounts)</i>		\$	\$	\$
Total debt, including borrowings on term senior credit facility and senior unsecured debentures	(a)	604,717	561,720	672,876
Shareholders' equity	(b)	823,713	817,607	841,194
Debt to equity ratio	(a)/(b)	0.73	0.69	0.80

As at June 30, 2021, the Company's debt to equity ratio was 0.73:1. The increase in total debt compared to the first quarter of 2021 primarily reflects the increased investments in finance assets at Service Finance and Triad Financial Services during the quarter.

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		
	June 30, 2021	March 31, 2021	June 30, 2020
(in 000's)	\$	\$	\$
Cash and cash equivalents	48,145	34,518	62,526
Senior Facilities			
Facilities	1,100,000	1,000,000	1,000,000
Utilized against Facility	558,624	515,692	685,000
Unutilized Borrowing Facilities (i.e., excl. Cash & Equiv.)	541,376	484,308	315,000
Total available sources of capital, end of period	589,521	518,826	377,526

As at June 30, 2021, the unutilized balance of the borrowing facility was approximately \$0.54 billion compared to \$0.48 billion at March 31, 2021 and \$0.32 billion at June 30, 2020. This \$0.54 billion in unutilized borrowings is in addition to the commitments in place to fund loan originations from our Service Finance and Triad Financial Services business segments for 2021. Management believes the available liquidity from its cash and equivalents, unutilized borrowing capacity and the funding commitments in place at Service Finance and Triad Financial Services is sufficient to fund operations and internal growth initiatives.

Summary of Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended as at June 30, 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 the Service Finance and Triad Financial Services business segments and the seasonality of these businesses, as well as fluctuation in KG's advisory revenues from period to period. ECN acquired Service Finance on September 7, 2017, Triad Financial Services on December 29, 2017, 76% of KG on May 31, 2018, an additional 20% of KG on March 21, 2019, and the remaining 4% interest of KG on December 31, 2019.

(in \$ 000's for stated values, except ratio and per share amounts)	Q2, 2021	Q1, 2021	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020	Q4, 2019	Q3, 2019
Adjusted operating income before tax and NCI(1)	38,493	26,596	26,688	31,077	24,102	21,018	26,246	26,732
Amortization of intangibles	8,429	8,429	8,899	8,058	6,453	6,453	6,453	6,452
Accretion of deferred purchase consideration	1,020	962	4,573	1,207	2,416	611	1,134	2,035
Impairment of legacy corporate investment	—	—	13,000	—	—	—	—	—
Share based compensation	5,926	6,870	7,665	6,755	3,922	3,214	3,762	4,555
Corporate restructuring and transition costs	—	—	—	—	1,486	—	3,141	—
Provision for credit losses	—	—	—	1,300	4,400	—	—	—
Business acquisition costs	—	—	—	—	—	—	2,168	—
Non-controlling interest	—	—	—	—	—	—	413	315
Net income (loss) before income taxes	23,118	10,335	(7,449)	13,757	5,425	10,740	9,175	13,375
Net income (loss) from continuing operations	17,396	8,306	(6,004)	10,218	3,895	7,715	12,104	8,203
Net income (loss) from discontinuing operations	—	—	(21,110)	(2,179)	(3,384)	(2,692)	(18,608)	(3,431)
Net income (loss) - total	17,396	8,306	(27,114)	8,039	511	5,023	(6,504)	4,772
Earnings per share (basic) - continuing operations attributable to common shareholders	\$0.06	\$0.02	(\$0.03)	\$0.03	\$0.01	\$0.02	\$0.04	\$0.02
Adjusted net income (1)	31,949	22,075	22,045	25,670	19,282	16,814	20,917	20,605
Adjusted net income per share (basic) (1)	\$0.13	\$0.09	\$0.09	\$0.11	\$0.08	\$0.07	\$0.09	\$0.09
Adjusted net income applicable to common shareholders per share (basic)(1)	\$0.12	\$0.08	\$0.08	\$0.10	\$0.07	\$0.06	\$0.08	\$0.08
Period end earning assets - owned	457,186	438,462	374,025	422,900	512,726	362,895	313,227	314,507
Period end earning assets - managed and advisory	33,494,057	33,046,639	33,096,962	32,196,080	33,290,926	33,629,592	33,598,354	32,617,957
Period end earning assets - total	33,951,243	33,485,101	33,470,987	32,618,980	33,803,652	33,992,487	33,911,581	32,932,464
Originations	913,412	662,032	727,768	841,567	676,372	509,026	541,723	639,124
Allowance for credit losses	1,032	894	868	6,864	5,331	627	508	461
Allowance for credit losses as a % of finance receivables	0.23 %	0.20 %	0.23 %	1.62 %	1.04 %	0.17 %	0.16 %	0.14 %
Term senior credit facility	547,757	505,684	462,083	506,480	672,876	494,660	430,478	451,326
Senior unsecured debentures	56,960	56,036	55,109	53,264	—	—	—	—
Total debt	604,717	561,720	517,192	559,744	672,876	494,660	430,478	451,326
Shareholders' equity	823,713	817,607	822,561	851,753	841,194	843,148	879,026	884,516

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

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

Allowance for credit losses as a percentage of finance receivables

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

Average debt

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

Finance assets or total finance assets

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

Debt to equity ratio

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

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 June 30, 2021, March 31, 2021, and June 30, 2020 and the six-month periods ended June 30, 2021 and June 30, 2020.

(in 000's for stated values, except percent amounts)	For the three-month period ended			For the six-month period ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$	\$
Reported and adjusted measures					
Net income from continuing operations	17,396	8,306	3,895	25,702	11,610
Adjustments:					
Share-based compensation	5,926	6,870	3,922	12,796	7,136
Amortization of intangibles	8,429	8,429	6,453	16,858	12,906
Accretion of deferred purchase consideration	1,020	962	2,416	1,982	3,027
Corporate restructuring and transition costs	—	—	1,486	—	1,486
Provision for credit losses	—	—	4,400	—	4,400
Provision for income taxes	5,722	2,029	1,530	7,751	4,555
Adjusted operating income before tax	38,493	26,596	24,102	65,089	45,120
Provision for taxes applicable to adjusted operating income (1)	6,544	4,521	4,820	11,065	9,024
Adjusted net income	31,949	22,075	19,282	54,024	36,096
Cumulative preferred share dividends during the period	2,459	2,395	2,309	4,854	4,659
Adjusted net income attributable to common shareholders	29,490	19,680	16,973	49,170	31,437
Per share information					
Weighted average number of shares outstanding (basic)	243,478	244,502	242,045	243,987	241,336
Adjusted net income per share (basic)	\$0.13	\$0.09	\$0.08	\$0.22	\$0.15
Adjusted net income applicable to common shareholders per share (basic)	\$0.12	\$0.08	\$0.07	\$0.20	\$0.13
Adjusted operating income before tax comprised of:					
Service Finance	22,103	17,996	14,575	40,099	29,621
Triad Financial Services	13,113	7,111	7,194	20,224	12,762
KG	13,362	11,267	9,377	24,629	19,800
Corporate and Other	(10,085)	(9,778)	(7,044)	(19,863)	(17,063)
	38,493	26,596	24,102	65,089	45,120

(1) Provision for taxes applicable to adjusted operating income reflects an effective tax rate of 17.0% for the three and six-month periods ended June 30, 2021 and the three-month period ended March 31, 2021, and 20.0% for the three and six-month periods ended June 30, 2020.

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 2020 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 2020 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 June 30, 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 August 10, 2021, the Company had 243,873,521 common shares, 14,977,790 options; 3,843,100 Series A preferred shares, and 3,712,400 Series C preferred shares issued and outstanding.



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