Interim Condensed Consolidated Financial Statements

Element Fleet Management Corp.

March 31, 2017

Element Fleet Management Corp.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[unaudited, in thousands of Canadian dollars]

	As at March 31, 2017	As at December 31, 2016
	$	$
ASSETS		
Cash	**16,019**	12,638
Restricted funds *[notes 6 and 13]*	**640,195**	606,461
Finance receivables *[note 3]*	**13,690,479**	13,454,011
Equipment under operating leases *[note 4]*	**1,491,415**	1,421,637
Accounts receivable and other assets *[note 5]*	**472,956**	435,901
Notes receivable *[note 11]*	**19,427**	22,078
Derivative financial instruments *[note 13]*	**45,513**	67,238
Property, equipment and leasehold improvements	**81,716**	80,742
Deferred tax assets	**181,689**	156,895
Intangible assets	**873,886**	880,420
Goodwill	**1,272,940**	1,282,643
	18,786,235	18,420,664
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**625,188**	552,794
Derivative financial instruments *[note 13]*	**28,532**	27,532
Secured borrowings *[note 6]*	**13,271,766**	12,983,535
Convertible debentures *[note 7]*	**860,629**	855,688
Deferred tax liabilities	**21,405**	19,761
	14,807,520	14,439,310
Shareholders' equity *[note 8]*	**3,978,715**	3,981,354
	18,786,235	18,420,664

See accompanying notes

On behalf of the Board:

Director Director

Element Fleet Management Corp.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

[unaudited, in thousands of Canadian dollars, except for per share amounts]

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	$	$
NET REVENUE		
Service and other revenue *[note 10]*	**143,256**	150,120
Interest income and rental revenue, net *[note 10]*	**179,984**	203,872
	323,240	353,992
Interest expense	**89,088**	84,193
Net revenue	**234,152**	269,799
OPERATING EXPENSES		
Salaries, wages and benefits	**70,806**	75,359
General and administrative expenses	**40,281**	48,983
Amortization of convertible debenture synthetic discount *[note 7]*	**3,206**	3,003
Share-based compensation *[note 9]*	**6,036**	7,813
	120,329	135,158
BUSINESS ACQUISITION AND SEPARATION COSTS		
Amortization of intangible assets from acquisitions	**14,821**	16,126
Transaction and integration costs	**36,046**	31,369
	50,867	47,495
Share of loss from joint venture *[note 5]*	**10,244**	—
Income before income taxes from continuing operations	**52,712**	87,146
Provision for income taxes	**867**	12,440
Net income for the period from continuing operations	**51,845**	74,706
Net income for the period from distributed operations *[note 18]*	**—**	26,563
Net income for the period	**51,845**	101,269
Basic *[note 12]*		
Continuing operations	**$ 0.11**	$ 0.17
Distributed operations	**$ —**	$ 0.07
Total basic earnings per share	**$ 0.11**	$ 0.24
Diluted *[note 12]*		
Continuing operations	**$ 0.11**	$ 0.17
Distributed operations	**$ —**	$ 0.07
Total diluted earnings per share	**$ 0.11**	$ 0.24

See accompanying notes

Element Fleet Management Corp.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

[unaudited, in thousands of Canadian dollars]

	Three-month period ended March 31, 2017	Three-month period ended March 31, 2016
	$	$
Net income for the period	**51,845**	101,269
OTHER COMPREHENSIVE INCOME (LOSS)		
Cash flow and foreign exchange hedges *[note 13]*	**(23,072)**	(30,726)
Net unrealized foreign exchange loss	**(31,624)**	(364,012)
	(54,696)	(394,738)
Deferred income tax expense (recovery)	**8,287**	(13,848)
Total other comprehensive loss from continuing operations	**(46,409)**	(380,890)
Total other comprehensive loss from distributed operations, net of tax		(24,382)
Total other comprehensive loss	**(46,409)**	(405,272)
Comprehensive income (loss) for the period	**5,436**	(304,003)

See accompanying notes

Element Fleet Management Corp.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[unaudited, in thousands of Canadian dollars]

	Common share capital	Preferred share capital	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
	$	$	$	$	$	$	$
Balance, December 31, 2016	**2,803,336**	**533,656**	**46,200**	**78,974**	**232,836**	**286,352**	**3,981,354**
Comprehensive income (loss) for the period	**—**	**—**	**—**	**—**	**51,845**	**(46,409)**	**5,436**
Dividends - Preferred shares *[note 8]*	**—**	**—**	**—**	**—**	**(8,912)**	**—**	**(8,912)**
Dividends - Common shares	**—**	**—**	**—**	**—**	**(9,678)**	**—**	**(9,678)**
Net taxes on dividends paid	**—**	**—**	**—**	**—**	**(242)**	**—**	**(242)**
Options exercised *[notes 8 and 9]*	**15,141**	**—**	**—**	**(7,717)**	**—**	**—**	**7,424**
Employee stock option expense *[note 9]*	**—**	**—**	**—**	**3,333**	**—**	**—**	**3,333**
Balance, March 31, 2017	**2,818,477**	**533,656**	**46,200**	**74,590**	**265,849**	**239,943**	**3,978,715**
Balance, December 31, 2015	4,229,848	533,656	46,200	61,867	160,777	684,735	5,717,083
Comprehensive income (loss) for the period	—	—	—	—	101,269	(405,272)	(304,003)
Dividends - Preferred shares *[note 8]*	—	—	—	—	(8,912)	—	(8,912)
Dividends - Common shares	—	—	—	—	(9,653)	—	(9,653)
Net taxes on dividends paid	—	—	—	—	(250)	—	(250)
Options exercised *[notes 8 and 9]*	168	—	—	(158)	—	—	10
Employee stock option expense *[note 9]*	—	—	—	6,767	—	—	6,767
Balance, March 31, 2016	4,230,016	533,656	46,200	68,476	243,231	279,463	5,401,042

See accompanying notes

Element Fleet Management Corp.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited, in thousands of Canadian dollars]

	Three-month period ended March 31, 2017 $	Three-month period ended March 31, 2016 $
OPERATING ACTIVITIES *[note 17]*		
Net income for the period from continuing operations	**51,845**	74,706
Items not affecting cash		
Share-based compensation *[note 9]*	**3,333**	5,123
Depreciation of property, equipment and leasehold improvements	**2,652**	1,877
Amortization of intangible assets, including from acquisitions	**15,893**	17,078
Amortization of deferred lease costs	**4,726**	1,545
Amortization of deferred financing costs	**7,886**	7,149
Amortization of equipment under operating leases	**89,030**	82,466
Amortization of convertible debenture synthetic discount and deferred costs	**4,941**	4,840
Share of loss from joint venture investment	**10,244**	—
Share of loss (earnings) from other equity accounted investments	**(4,814)**	3,088
Recovery of credit losses	**—**	(640)
	185,736	197,232
Changes in non-cash operating assets and liabilities		
Investment in finance receivables	**(1,517,107)**	(1,505,506)
Repayments of finance receivables	**1,080,692**	1,585,170
Investment in equipment under operating leases	**(158,734)**	(130,966)
Proceeds on disposal of equipment under operating leases	**51,288**	73,656
Syndications of finance receivables	**51,283**	110,046
Other non-cash operating assets and liabilities *[note 17]*	**40,295**	(63,068)
Cash provided by (used in) operating activities - continuing operations	**(266,547)**	266,564
INVESTING ACTIVITIES *[note 17]*		
Investment in managed fund	**9,420**	(3,390)
Investment in non-consolidated companies	**(993)**	—
Increase in restricted funds	**(36,922)**	(246,807)
Purchase of property, equipment and leasehold improvements	**(4,989)**	(9,603)
Proceeds on disposals of property, equipment and leasehold improvements, and intangible assets	**215**	231
Purchase of intangible assets	**(14,149)**	(10,243)
Decrease in notes receivable	**2,651**	1,036
Increase in deferred financing costs	**(7,297)**	(6,252)
Cash used in investing activities - continuing operations	**(52,064)**	(275,028)
FINANCING ACTIVITIES *[note 17]*		
Issuance of share capital, net *[note 8]*	**7,424**	10
Issuance of secured borrowings, net	**332,423**	(75,270)
Dividends paid	**(18,591)**	(18,815)
Cash provided by (used in) financing activities - continuing operations	**321,256**	(94,075)
Effects of foreign exchange rates on cash	**736**	(1,274)
Net changes in cash provided by distributed operations *[note 17]*	**—**	93,235
Net increase (decrease) in cash during the period	**3,381**	(10,578)
Cash, beginning of period	**12,638**	56,764
Cash, end of period from continuing operations	**16,019**	46,186
Supplemental cash flow information:		
Cash taxes paid	**8,054**	3,669
Cash interest paid	**91,460**	63,865

See accompanying notes

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

March 31, 2017

1. CORPORATE INFORMATION

Element Fleet Management Corp. ["Element Fleet", "EFN" or the "Company"], formerly Element Financial Corporation ["Element"] was incorporated under the *Business Corporations Act* of Ontario (Canada) on May 11, 2007 and commenced operations on that date. The registered office of the Company is 161 Bay Street, Suite 3600, Toronto, Ontario. The Company is a public corporation traded on the Toronto Stock Exchange under the symbol "EFN".

On February 16, 2016, the Board of Directors of Element Financial Corporation approved a plan to separate Element into two publicly-traded companies [the "Separation"]. The plan involved the separation of the portion of Element and its subsidiaries comprising the Commercial and Vendor [“C&V”] Finance, Rail Finance and Aviation Finance verticals from the existing corporate structure into ECN Capital Corp. [“ECN Capital”], a newly created publicly traded company. The Fleet Management vertical continues to operate within the existing corporate structure and has been renamed Element Fleet Management Corp.

The Separation of Element into ECN Capital and Element Fleet has been implemented through a court approved plan of arrangement and was approved at a special meeting of the Element shareholders on September 20, 2016 and received final approval from the Ontario Supreme Court of Justice on September 21, 2016.

The Separation was effective on October 3, 2016. On the Separation, common shareholders were granted one common share of Element Fleet and one common share of ECN Capital in exchange for each Element share. The information herein reflects the completion of the Separation, with Element Fleet presented as continuing operations and ECN Capital, prior to October 3, 2016, presented as distributed operations, both derived from the accounting records of Element as if the businesses had operated on a stand-alone basis for the current and prior periods. Element Fleet includes the Fleet Management vertical business and ECN Capital includes Rail Finance, C&V Finance, and the Aviation Finance vertical businesses. The majority of the assets and liabilities in the Element Fleet consolidated statements of financial position have been derived from this vertical organization. The Element Fleet consolidated statements of operations reflect intercompany expense allocations made by Element for certain corporate functions, shared services, and employee related costs, for all pre-separation periods. Where possible, these allocations were made on a specific identification basis.

Management believes both the assumptions and the allocations underlying the Element Fleet consolidated financial statements are reasonable for the pre-separation periods. However, as a result of the basis of presentation described above, the consolidated financial statements may not be indicative of Element Fleet’s results of operations, financial position and cash flows in the future or of what Element Fleet’s operations, financial position and cash flows would have been if the business had operated as a stand-alone company for the entire period reported.

Element Fleet is a publicly traded fleet management company with more than $18.0 billion in assets and operations in the U.S., Canada, Mexico, Australia and New Zealand. Element Fleet is a leading global fleet management company, providing world-class services and financings for commercial vehicle and equipment fleets, serving 50 countries worldwide through the Element-Arval Global Alliance. EFN provides a comprehensive range of fleet services that span the total lifecycle, from vehicle acquisition and financing to program management and remarketing - helping more than 2,800 customers optimize their fleet performance and productivity.

Prior to October 3, 2016, the Company organized its activities and operations around four verticals: [i] Fleet Management; [ii] Rail Finance; [iii] C&V Finance; and [iv] Aviation Finance. Fleet Management provides vehicle fleet leasing, management solutions, and related service programs including service cards, remarketing, maintenance management and accident services. Rail Finance provides leases and other secured financing for railcars for the North American rail industry. C&V Finance, in conjunction with manufacturers and distributors, delivers financing and leasing solutions to end‑user customers in the transportation, construction, commercial, industrial, healthcare, golf, technology and office products sectors. Aviation Finance provides leases and other secured financing for corporate airplanes and helicopters.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board. These interim condensed consolidated financial statements have been prepared in conformity with accounting policies disclosed in the consolidated financial statements for the year ended December 31, 2016.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2016, which includes information necessary or useful to understanding the Company's business and financial statement presentation. The results reported in these interim condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 9, 2017.

3. FINANCE RECEIVABLES

The following tables present finance receivables based on the ultimate obligor's location:

	March 31, 2017			
	Canada	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Minimum lease payments	**1,464,851**	**11,126,272**	**278,673**	**12,869,796**
Unguaranteed residual values	**—**	**19,663**	**74,009**	**93,672**
Gross investment	**1,464,851**	**11,145,935**	**352,682**	**12,963,468**
Unearned income	**(143,846)**	**(738,563)**	**(32,716)**	**(915,125)**
Net investment	**1,321,005**	**10,407,372**	**319,966**	**12,048,343**
Net realizable value of impaired receivables	**560**	**1,066**	**4,326**	**5,952**
Unamortized deferred costs and subsidies	**(6,006)**	**(121,902)**	**(263)**	**(128,171)**
Prepaid lease payments and security deposits	**(6,187)**	**(44,967)**	**(14,818)**	**(65,972)**
Interim fundings	**41,939**	**991,337**	**206**	**1,033,482**
Fleet management service receivables	**83,084**	**535,277**	**45,500**	**663,861**
Other receivables	**790**	**75,107**	**63,065**	**138,962**
Allowance for credit losses	**(1,321)**	**(2,794)**	**(1,863)**	**(5,978)**
Total finance receivables	**1,433,864**	**11,840,496**	**416,119**	**13,690,479**

	December 31, 2016			
	Canada	US	Other	Total
	$	$	$	$
Minimum lease payments	1,465,962	11,410,387	292,910	13,169,259
Unguaranteed residual values	—	12,789	72,901	85,690
Gross investment	1,465,962	11,423,176	365,811	13,254,949
Unearned income	(115,729)	(733,527)	(33,160)	(882,416)
Net investment	1,350,233	10,689,649	332,651	12,372,533
Net realizable value of impaired receivables	635	1,499	1,029	3,163
Unamortized deferred costs and subsidies	(6,322)	(123,184)	(323)	(129,829)
Security deposits	(7,385)	(6,201)	(13,982)	(27,568)
Interim fundings	58,450	422,960	1,669	483,079
Fleet management service receivables	79,457	496,526	47,865	623,848
Other receivables	693	72,564	61,609	134,866
Allowance for credit losses	(1,350)	(2,985)	(1,746)	(6,081)
Total finance receivables	1,474,411	11,550,828	428,772	13,454,011

The following table presents the delinquency status of the net investment in finance receivables, by contract balance:

	March 31, 2017		December 31, 2016	
	$	%	$	%
31–60 days past due	**11,257**	**0.09**	2,057	0.02
61–90 days past due	**7,031**	**0.06**	250	0.00
Greater than 90 days past due	**2,516**	**0.02**	360	0.00
Total past due	**20,804**	**0.17**	2,667	0.02
Current	**12,027,539**	**99.83**	12,369,866	99.98
Total net investment	**12,048,343**	**100.00**	12,372,533	100.00

Selected characteristics of the finance receivables

	March 31, 2017		December 31, 2016 (1)	
	Leases	**Loans**	Leases	Loans
Net investment	**$ 10,916,815**	**$ 1,131,528**	$ 11,484,494	$ 888,039
Weighted average fixed interest rate	**3.89%**	**5.47%**	4.01%	5.29%
Weighted average floating interest rate	**3.57%**	**8.92%**	3.26%	8.83%
Percentage of portfolio with fixed interest rate	**45.41%**	**96.53%**	45.09%	94.23%

(1) December 31, 2016 leases and loans have been reclassified, and the weighted average interest rates adjusted, to reflect the characterization of the loans provided to the joint venture, instead of the assets contributed.

Allowance for credit losses

An analysis of the Company's allowance for credit losses is as follows:

	Three-month period ended March 31, 2017	Year ended December 31, 2016 (1)
	$	$
Allowance for credit losses, beginning of period	**6,081**	13,397
Recovery of credit losses	**—**	(3,834)
Charge-offs, net of recoveries	**(93)**	(2,654)
Impact of foreign exchange rates	**(10)**	(828)
Allowance for credit losses, end of period	**5,978**	6,081
Allowance as a percentage of finance receivables	**0.04%**	0.05%
Finance receivables in arrears [90 days and over]	**2,516**	360
Arrears [90 days and over] as a percentage of net investment in finance receivables	**0.02%**	0.00%
Impaired receivables, at estimated net realizable value	**5,952**	3,163

(1) Reflects amounts from continuing operation.

4. EQUIPMENT UNDER OPERATING LEASES

The Company acts as a lessor in connection with equipment under operating leases and continues to recognize the leased assets in its interim condensed consolidated statements of financial position. The lease payments received, net of depreciation, are recognized in income as rental revenue, net.

	March 31, 2017	December 31, 2016
	$	$
Cost	**1,859,760**	1,725,800
Accumulated amortization	**368,345**	304,163
Net carrying amount of equipment under operating leases	**1,491,415**	1,421,637

5. EQUITY ACCOUNTED INVESTMENTS

ECAF I Holdings Ltd.

The Company has a 32.5% interest in ECAF I Holdings Ltd., which is the parent holding company of ECAF I LuxCo S.à r.l., an entity that has invested in Class E-1 notes of ECAF I Ltd., a rated pooled-aircraft asset-backed securities issuer. ECAF I Holdings Ltd. was accounted for using the equity method in the interim condensed consolidated financial statements of the Company. The carrying amount of the Company's investment is $141,962 as at March 31, 2017 [December 31, 2016 - $148,056] and is reported in accounts receivable and other assets on the interim condensed consolidated statements of financial position. The Company has recorded $4,816 of income from its investment in associates for the three-month period ended March 31, 2017 [March 31, 2016 - 5,004], which has been included in interest income on the interim condensed consolidated statements of operations.

19th Capital Group LLC

The Company has a 49.99% interest in 19th Capital Group LLC ["19th Capital"], a joint venture involved in the leasing of highway tractors and trucks in the U.S. The Company's interest in 19th Capital is accounted for using the equity method in the interim condensed consolidated financial statements. The carrying amount of the Company's investment is $124,243 as at March 31, 2017 [December 31, 2016 - $135,846] and is reported in accounts receivable and other assets on the interim condensed consolidated statements of financial position. In addition, the Company has provided $823,022 in loans to the joint venture [December 31, 2016 - $828,976].

The Company has recorded a $10,244 non-cash loss from its share of 19th Capital's net loss for the three-month period ended March 31, 2017 [March 31, 2016 - nil].

6. SECURED BORROWINGS

Secured borrowings outstanding were as follows:

	March 31, 2017			
	Balance outstanding	**Weighted average interest rate (1)**	**Pledged finance receivables and equipment under operating leases**	**Cash reserves**
	$	**%**	**$**	**$**
Term notes, in amortization period	**3,429,885**	**1.84**	**3,715,804**	**74,962**
Term notes, in revolving period	**1,329,900**	**2.00**	**1,430,645**	**17,156**
Variable-funding notes	**5,059,909**	**1.82**	**5,464,503**	**61,314**
Other	**2,696**	**4.83**	**2,696**	**—**
Vehicle management asset-backed debt	**9,822,390**	**1.85**	**10,613,648**	**153,432**
Term senior credit facility (2)	**3,494,105**	**2.48**	**—**	**—**
	13,316,495	**2.01**	**10,613,648**	**153,432**
Deferred financing costs	**(44,729)**			
Total secured borrowings	**13,271,766**			

	December 31, 2016			
	Balance outstanding	Weighted average interest rate (1)	Pledged finance receivables and equipment under operating leases	Cash reserves
	$	%	$	$
Term notes, in amortization period	3,001,980	1.52	3,207,420	63,987
Term notes, in revolving period	2,260,838	2.03	2,377,640	29,446
Variable-funding notes	4,786,118	1.70	5,113,658	58,037
Other	2,123	4.62	2,123	—
Vehicle management asset-backed debt	10,051,059	1.72	10,700,841	151,470
Term senior credit facility (2)	2,978,122	2.56	—	—
	13,029,181	1.91	10,700,841	151,470
Deferred financing costs	(45,646)			
Total secured borrowings	12,983,535			

(1) Represents the weighted average stated interest rate of outstanding debt at period end, and excludes amortization of deferred financing costs, premiums or discounts, stand-by fees and the effects of hedging.
(2) The revolving senior credit facility is secured by a general security agreement in favour of the lenders consisting of a first priority interest on all property.

The Company was in compliance with all financial and reporting covenants with all of its lenders as at March 31, 2017.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[unaudited, in thousands of Canadian dollars, except where otherwise noted and per share amounts]

March 31, 2017

Vehicle management asset-backed debt

Term notes, in amortization period
During the first quarter of 2017, US $700 million of revolving notes were converted into amortizing notes.

Term notes, in revolving period
During the first quarter of 2017, US $700 million of revolving notes were converted into amortizing notes.

Variable-funding notes
During the first quarter of 2017, the Company renegotiated an existing variable-funding note program, and an additional series of variable funding notes was issued with commitments thereunder to become effective on April 7, 2017. The new series was established to facilitate the combination of Chesapeake Funding LLC and Chesapeake Funding II LLC.

As at March 31, 2017, the Company has available capacity in variable-funding notes and other of $3,812,656 [December 31, 2016 - $4,156,828] under its vehicle management asset-backed debt facilities.

Term senior credit facility

As at March 31, 2017, the Company had available capacity of $1,160,545 [December 31, 2016 - $1,721,328] from the term senior credit facility.

Restricted funds

Restricted funds include [i] cash reserves of $153,432 as at March 31, 2017 [December 31, 2016 - $151,470], which represent restricted collateral for secured borrowing arrangements; and [ii] cash accumulated in the collection account of $482,203 as at March 31, 2017 [December 31, 2016 - $452,421], which represents repayments received on assets financed pursuant to the secured borrowing facilities, which are subsequently remitted back to the facilities on specific dates.

7. CONVERTIBLE DEBENTURES

Convertible debentures consist of:

	March 31, 2017						
	Final maturity date	**Conversion price per share**	**Interest rate (1)**	**Face value**	**Deferred costs**	**Synthetic discount**	**Net carrying value**
		$	%	$	$	$	$
Issued on June 18, 2014	**June 30, 2019**	**14.18**	**5.125**	**345,000**	**(5,668)**	**(16,916)**	**322,416**
Issued on May 29, 2015	**June 30, 2020**	**18.91**	**4.250**	**575,000**	**(15,942)**	**(20,845)**	**538,213**
				920,000	**(21,610)**	**(37,761)**	**860,629**

	December 31, 2016						
	Final maturity date	Conversion price per share	Interest rate (1)	Face value	Deferred costs	Synthetic discount	Net carrying value
		$	%	$	$	$	$
Issued on June 18, 2014	June 30, 2019	14.18	5.125	345,000	(6,253)	(18,626)	320,121
Issued on May 29, 2015	June 30, 2020	18.91	4.250	575,000	(17,092)	(22,341)	535,567
				920,000	(23,345)	(40,967)	855,688

(1) Stated interest rate on face principal value.

8. SHARE CAPITAL

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.

	Common shares	
	Shares	**Amount**
	#	$
Balance, December 31, 2016	**387,116,660**	**2,803,336**
Exercise of options	**1,717,534**	**15,141**
Balance, March 31, 2017	**388,834,194**	**2,818,477**
Balance, December 31, 2015	386,134,550	4,229,848
Exercise of options	982,110	6,436
Share issue costs, adjustment	—	11,500
Distribution dividend (allocated share capital)	—	(1,444,448)
Balance, December 31, 2016	387,116,660	2,803,336

Common share dividends

During the three-month period ended March 31, 2017, the Company paid $9,678 in common share dividends, or $0.025 per common share [three-month period ended March 31, 2016 - $9,653, or $0.025 per common share].

As at March 31, 2017, un-accrued common share dividends were $29,163, or $0.075 per common share [December 31, 2016 - $9,678, or $0.025 per common share].

	Preferred Shares, Series A		Preferred Shares, Series C		Preferred Shares, Series E		Preferred Shares, Series G	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**
	#	$	#	$	#	$	#	$
Balance, at March 31, 2017 and December 31, 2016	**4,600,000**	**110,375**	**5,126,400**	**124,744**	**5,321,900**	**129,994**	**6,900,000**	**168,543**

Preferred share dividends

During the three-month period ended March 31, 2017, the Company paid $8,912 in preference share dividends [three-month period ended March 31, 2016 - $8,912].

As at March 31, 2017, the un-accrued cumulative preference share dividends were $98 [December 31, 2016 - $98].

9. SHARE-BASED COMPENSATION

Share-based compensation expense consists of the following for the three-month period ended March 31:

	2017	2016
	$	$
[a] Stock options	**3,333**	5,123
[b] Deferred share units	**1,889**	1,579
[c] Performance share units	**2,432**	12,470
[d] Restricted share units	**1,266**	—
	8,920	19,172
Allocated as:		
Share-based compensation (1)	**6,036**	7,813
Transaction and integration costs	**2,884**	11,359
	8,920	19,172

(1) Excluded in the three-months ended March 31, 2016 is $1,644 of stock option expenses and $426 of PSU expenses, for share-based compensation recognized in the net income from distributed operations.

[a] Stock options

The changes in the number of stock options during the periods were as follows:

	Number of options	Weighted average exercise price (2)
	#	$
Outstanding, December 31, 2015	22,353,854	12.31
Granted	4,083,574	12.18
Forfeited	(404,797)	14.52
Expired	(64,190)	11.75
Exercised (1)	(1,230,879)	5.22
Outstanding, December 31, 2016	24,737,562	10.37
Granted	**891,514**	**13.04**
Forfeited	**(65,083)**	**7.52**
Expired	**(26,084)**	**10.97**
Exercised (1)	**(2,709,620)**	**12.61**
Outstanding, March 31, 2017	**22,828,289**	**10.80**

(1) Weighted average share price of options exercised during the three-month period ended March 31, 2017 was $13.17 [year ended December 31, 2016 - $14.25].

(2) On October 3, 2016, upon the Separation, the exercise price of an Element Fleet option was adjusted to approximately 79.4% of the original exercise price. At the time of separation there were 22,556,684 options outstanding with a weighted average strike price of $12.61, and the weighted average share price on these options was adjusted to $10.02.

The fair value of the options granted during the periods was determined using the Black‑Scholes option valuation model with inputs to the model as follows:

	Unit	Three-month period ended March 31, 2017	Year ended December 31, 2016
Weighted average share price	$	**13.04**	13.17
Average term to exercise	Years	**7.0**	7.0
Share price volatility	%	**28.8**	33.1
Weighted average expected annual dividend	$	**0.30**	0.10
Risk-free interest rate	%	**1.42**	1.21
Forfeiture rate	%	**1.02**	1.02

[b] Deferred share units, performance share units and restricted share units

	Deferred share units	Performance share units	Performance share units referenced to ECN Capital Corp.	Restricted share units
	#	#	#	#
Outstanding, December 31, 2015	1,450,521	2,222,952	—	—
Granted	210,115	141,922	—	636,352
Issued on Separation	379,641	—	1,386,576	—
Forfeited	—	(48,187)	(2,206)	—
Redeemed	(335,266)	(984,916)	(57,418)	—
Outstanding, December 31, 2016	1,705,011	1,331,771	1,326,952	636,352
Granted	**73,893**	**264,856**	**2,866**	**198,691**
Forfeited	**—**	**(6,294)**	**(6,288)**	**—**
Redeemed	**(280,890)**	**(694,643)**	**(691,361)**	**—**
Outstanding, March 31, 2017	**1,498,014**	**895,690**	**632,169**	**835,043**

[i] Deferred share units ["DSU"]

As at March 31, 2017, the fair value of DSUs recorded on the interim condensed consolidated statements of financial position as accounts payable and accrued liabilities was $18,441 [December 31, 2016 – $21,244].

[ii] Performance share units ["PSU"]

As at March 31, 2017, 895,690 EFN PSUs and 632,169 ECN Capital PSUs remain unvested and outstanding, and the amortized fair value of PSUs recorded on the interim condensed consolidated statements of financial position as accounts payable and accrued liabilities was $10,855 [December 31, 2016 - 1,331,771 EFN PSUs and 1,326,952 ECN Capital PSUs and $18,770 of liabilities]. Certain PSUs issued during 2017 contain a multiplier factor, the final number of PSUs that will vest will range from 50% to 200% of the initial number awarded based on certain performance targets. The PSUs outstanding will vest on achievement of specific performance conditions over 2017, 2018 and 2019.

[iii] Restricted share units ["RSU"]

As at March 31, 2017, 835,043 RSUs remain unvested and outstanding, and the amortized fair value of RSUs recorded on the interim condensed consolidated statements of financial position as accounts payable and accrued liabilities was $1,642 [December 31, 2016 - 636,352 RSUs and $376 of liabilities]. The RSUs outstanding will vest over one, two and three years.

[iv] Hedging of DSUs, PSUs and RSUs

As at March 31, 2017, the Company has hedged 1,402,487 Element Fleet referenced share units and 632,169 ECN Capital referenced share units, with net derivative liabilities of $1,833, which will be applied to the settlement of PSU, RSU and DSU awards [December 31, 2016 - 1,399,652 EFN and 1,326,953 ECN Capital referenced share units hedged and net derivative liabilities of $2,078 for PSU and RSU awards].

10. REVENUES

Service and other revenue, includes fuel cards, accident management services and maintenance services revenues. Also included in service and other revenue are syndication fees, which represent commissions received when the Company facilitates a lease arrangement between a lessee and a third party lessor. The comparative periods have been adjusted to reflect removing internal expenses related to service delivery from service and other revenue to salaries, wages and benefits, and general and administrative expenses to be consistent with the current period presentation. The internal expenses were $16.1 million and $16.0 million, for the three-month periods ended March 31, 2017 and 2016, respectively.

Interest income and rental revenue, net consists of the following:

	For the three-month period ended	
	March 31, 2017	March 31, 2016
	$	$
Interest income	**152,609**	173,999
Recovery of credit losses *[note 3]*	**—**	(640)
Interest income, net	**152,609**	174,639
Rental revenue	**116,405**	113,818
Amortization of equipment under operating leases	**(89,030)**	(84,585)
Rental revenue, net	**27,375**	29,233
Interest income and rental revenue, net	**179,984**	203,872

11. NOTES RECEIVABLE

The notes receivable of $19,427 as at March 31, 2017 [December 31, 2016 - $22,078] represent loans to certain employees and officers of the Company. These loans bear interest at a rate of 3% per annum. Interest is payable monthly or annually, and the principal is payable on demand in the event of non-payment of interest. The loans were granted in order to help finance the purchase of the Company's shares and are secured by the shares purchased with full recourse to the employee.

The changes in the notes receivable during the periods were as follows:

	Three-month period ended March 31, 2017	Year ended December 31, 2016
	$	$
Notes receivable, beginning of period	**22,078**	50,819
Additions	**—**	6,060
Interest income	**146**	1,236
Repayments [interest and principal]	**(2,797)**	(5,176)
Transferred to ECN Capital Corp. on separation	**—**	(30,861)
Notes receivable, end of period	**19,427**	22,078

12. EARNINGS PER SHARE

Basic earnings per share are as follows for the three-month periods ended March 31:

	2017	2016
Net income from continuing operations attributable to shareholders	**$ 51,845**	$ 74,706
Cumulative dividends on preferred shares	**$ (8,912)**	$ (8,912)
Net income from continuing operations available to common shareholders	**$ 42,933**	$ 65,794
Net income from distributed operations attributable to common shareholders	**$ —**	$ 26,563
Total net income attributable to common shareholders	**$ 42,933**	$ 92,357
Weighted average number of common shares outstanding - basic [number]	**387,710,837**	386,134,550
Basic earnings per share from continuing operations	**$ 0.11**	$ 0.17
Basic earnings per share from distributed operations	**$ —**	$ 0.07
Total basic earnings per share	**$ 0.11**	$ 0.24

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Diluted earnings per share is as follows for the three-month periods ended March 31:

		2017		2016
Net income from continuing operations available to common shareholders adjusted for the effects of dilution	**$**	**42,933**	$	65,794
Net income from distributed operations available to common shareholders adjusted for the effects of dilution	**$**	**—**	$	26,563
Total net income available to common shareholders adjusted for the effects of dilution	**$**	**42,933**	$	92,357
Weighted average number of common shares outstanding - basic [number]		**387,710,837**		386,134,550
Dilutive stock options and warrants [number]		**4,647,899**		4,418,390
Weighted average number of common shares outstanding - diluted [number]		**392,358,736**		390,552,940
Diluted earnings per share from continuing operations	**$**	**0.11**	$	0.17
Diluted earnings per share from distributed operations	**$**	**—**	$	0.07
Total diluted earnings per share	**$**	**0.11**	$	0.24

Instruments outstanding as at March 31, 2017 that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive, include 6,478,134 stock options for the three-month period ended March 31, 2017 [March 31, 2016 - 10,601,541 stock options].

In addition, the convertible debentures *[note 7]* were excluded from the diluted earnings per share calculation as these were anti-dilutive for the periods ended March 31, 2017 and 2016.

13. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, and consistent with its risk management program, the Company enters into interest rate derivatives to manage interest rate risk, foreign exchange forward agreements to manage foreign currency exposure, and total return swaps to manage exposure to share-based compensation.

Cash flow hedging relationships

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the three-month periods ended March 31:

	2017	2016
	$	$
Foreign exchange agreements recorded in other revenues	**(4,667)**	(24,015)
Fair value changes recorded in other comprehensive income (loss)	**(23,072)**	(30,726)

Notional amounts and fair values of derivative instruments

The following table summarizes the notional principal and fair values of the derivative financial instruments outstanding:

	March 31, 2017	December 31, 2016
	$	$
Notional principal		
Derivative assets		
Interest rate contracts	**4,014,315**	3,981,063
Foreign exchange agreements	**225,595**	553,394
Total return swaps	**—**	—
Derivative assets	**4,239,910**	4,534,457
Derivative liabilities		
Interest rate contracts	**4,142,420**	3,271,452
Foreign exchange agreements	**916,317**	385,843
Total return swaps	**24,128**	24,128
Derivative liabilities	**5,082,865**	3,681,423
Fair values		
Restricted funds - collateral	**4,560**	2,570
Derivative assets		
Interest rate contracts	**25,941**	27,298
Foreign exchange agreements	**19,572**	39,940
Total return swaps	**—**	—
Derivative assets	**45,513**	67,238
Derivative liabilities		
Interest rate contracts	**23,414**	24,173
Foreign exchange agreements	**3,285**	1,281
Total return swaps	**1,833**	2,078
Derivative liabilities	**28,532**	27,532

Fair values of derivatives designated in hedging relationships

The following table summarizes the fair values of the derivative financial instruments designated in an accounting hedging relationship, as at:

	March 31, 2017 $	December 31, 2016 $
Interest rate contracts	**2,527**	(3,768)
Foreign exchange agreements	**16,287**	553
Total return swaps	**(1,833)**	1,703
	16,981	(1,512)

Offsetting of derivative assets and liabilities

The following table presents a summary of the Company's derivative portfolio, which includes the gross amounts of recognized financial assets and liabilities; the amounts offset in the interim condensed consolidated statements of financial position; the net amounts presented in the interim condensed consolidated statements of financial position; the amounts subject to an enforceable master netting arrangement or similar agreement that were not included in the offset amount above; and the amount of cash collateral received or pledged.

	Gross amounts of recognized financial instruments before netting on the Consolidated Statements of Financial Position	Gross amounts of recognized financial instruments set-off in the Consolidated Statements of Financial Position	Net amount of financial instruments presented in the Consolidated Statements of Financial Position	Amounts subject to an enforceable master netting arrangement or similar agreement that are not set-off in the Consolidated Statements of Financial Position		
				Amounts subject to an enforceable master netting agreement	Collateral	Net amount
As at March 31, 2017						
Derivative financial instrument assets	**45,513**	**—**	**45,513**	**23,370**	**—**	**22,143**
Derivative financial instrument liabilities	**28,532**	**—**	**28,532**	**23,370**	**4,560**	**602**
As at December 31, 2016						
Derivative financial instrument assets	67,238	—	67,238	21,770	—	45,468
Derivative financial instrument liabilities	27,532	—	27,532	21,770	2,570	3,192

14. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value.

The Company's capitalization is as follows, as at:

	March 31, 2017	December 31, 2016
	$	$
Secured borrowings	**13,271,766**	12,983,535
Convertible debentures	**860,629**	855,688
Total debt	**14,132,395**	13,839,223
Shareholders' equity	**3,978,715**	3,981,354
	18,111,110	17,820,577

15. SEGMENTED INFORMATION

Geographic segments

The Company primarily operates in Canada, the US and Other.

Geographic information as at and for the three-month periods ended March 31 is as follows:

	March 31, 2017				March 31, 2016			
	Canada	**US**	**Other**	**Total**	Canada	US	Other	Total
	$	$	$	$	$	$	$	$
Net revenue								
Net revenue excluding interest expense from continuing operations	**67,376**	**195,327**	**60,537**	**323,240**	34,501	242,771	76,720	353,992
Interest expense from continuing operations				**(89,088)**				(84,193)
Net financial income from continuing operations				**234,152**				269,799

	March 31, 2017				December 31, 2016			
	Canada	**US**	**Other**	**Total**	Canada	US	Other	Total
As at	$	$	$	$	$	$	$	$
Select assets								
Finance receivables	**1,433,864**	**11,840,496**	**416,119**	**13,690,479**	1,474,411	11,550,828	428,772	13,454,011
Equipment under operating leases	**—**	**—**	**1,491,415**	**1,491,415**	—	—	1,421,637	1,421,637
Goodwill and intangible assets (1)	**202,438**	**1,915,173**	**29,215**	**2,146,826**	203,362	1,932,035	27,666	2,163,063
Property, equipment and leasehold improvements	**6,185**	**59,292**	**16,239**	**81,716**	8,559	55,373	16,810	80,742
	1,642,487	**13,814,961**	**1,952,988**	**17,410,436**	1,686,332	13,538,236	1,894,885	17,119,453

(1) December 31, 2016 has been retrospectively adjusted to reflect finalization of purchase price allocation, including segment allocation for the acquisition of CEI Capital Group, Inc.

Geographic net revenue, excluding interest expense is based on the location of customers, and select assets are based on the location of the assets.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates the fair value of the following financial instruments using the methodology described below.

Valuation methods and assumptions

Finance receivables and secured borrowings on finance receivables

The carrying value of finance receivables and secured borrowings approximates fair value. The assertion that the carrying value of the finance receivables approximates fair value requires the use of estimates and significant judgment. Finance receivables and secured borrowings on finance receivables are classified as Level 3 financial instruments. The finance receivables were credit-scored based on an internal model that is not used in market transactions. They comprise a large number of transactions with commercial customers in different businesses, are secured by liens on various types of equipment and may be guaranteed by third parties and cross-collateralized. The fair value of any receivable would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, payment history, yield, term, documents and other legal matters, and other subjective considerations. Value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations, and other factors.

Convertible debentures

The debt component of convertible debentures is recorded at fair value on initial recognition and subsequently carried at amortized cost as presented in note 7. The fair market value of the debt component as at March 31, 2017 was estimated at $896,518 by discounting the stream of remaining payments at 5.50%, which represents the rate of interest prevailing for instruments of similar terms and risks without the conversion feature. Convertible debentures are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

Notes receivable

The carrying value of the notes receivable approximates their fair value, as the interest rate on this asset is commensurate with market interest rates for this type of asset with similar duration and credit risk. Notes receivable are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

Derivatives

The fair values of derivatives are presented in note 13 and are determined by the derivative counterparty using the related interest rate swap curves, foreign exchange forward values, intrinsic values and/or the Company's stock price for the total return swaps. Derivatives are classified as Level 2 financial instruments, whereby fair value is determined using valuation techniques and observable inputs.

17. SUPPLEMENT TO INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from other non-cash operating assets and liabilities for the three-month period ended:

	March 31, 2017	March 31, 2016
	$	$
Changes in other non-cash operating assets and liabilities		
Accounts receivable and other assets	**(34,291)**	6,776
Accounts payable and accrued liabilities	**98,545**	(99,409)
Deferred tax assets	**(15,988)**	(20,140)
Deferred tax liabilities	**1,053**	48,928
Derivative financial instruments	**(9,024)**	777
	40,295	(63,068)

The cash flow of ECN Capital prior to the completion of the distribution has been included in the Company's interim condensed consolidated statements of cash flows as "distributed operations" and comprised the following amounts:

	Three-month period ended March 31, 2016
	$
Cash utilized in operating activities of distributed operations	(123,083)
Cash provided by investing activities of distributed operations	18,256
Cash provided by financing activities of distributed operations	198,062
Net cash provided by distributed operations	93,235

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The interim condensed consolidated statements of cash flows reflect only the impact of the Company's activities during the period. To simplify understanding of these transactions, and the related non-cash components, the major statement of financial position changes are more fully detailed below with indications as to the amounts included in the interim condensed consolidated statements of cash flows.

	For the three-month period ended March 31, 2017
	$
Finance receivables *[note 3]*	
Balance as at December 31, 2016	**13,454,011**
Originations [included in cash flows]	**1,517,107**
Repayments [included in cash flows]	**(1,080,692)**
Assets sold to syndications [included in cash flows]	**(51,283)**
Amortization of deferred lease costs [adjustment to income in cash flows]	**(4,726)**
Impact of non-cash transfers	**(46,752)**
Provision for credit losses [adjustment to income in cash flows]	**—**
Impact of foreign exchange translation [excluded from cash flows]	**(97,186)**
Balance as at March 31, 2017	**13,690,479**
Equipment under operating leases *[note 4]*	
Balance as at December 31, 2016	**1,421,637**
Originations [included in cash flows as investment in equipment under operating leases]	**158,734**
Disposals [included in cash flows]	**(51,288)**
Amounts transferred to inventory	**315**
Amortization of equipment under operating leases [adjustment to income in cash flows]	**(89,030)**
Impact of foreign exchange translation [excluded from cash flows]	**51,047**
Balance as at March 31, 2017	**1,491,415**

	For the three-month period ended March 31, 2017
	$
Secured borrowings *[note 5]*	
Balance as at December 31, 2016	**12,983,535**
Net issuance [included in cash flows]	**332,423**
Increase in deferred financing costs [included in cash flows]	**(7,297)**
Amortization of deferred financing costs [adjustment to income in cash flows]	**7,886**
Impact of foreign exchange translation [excluded from cash flows]	**(44,781)**
Balance as at March 31, 2017	**13,271,766**

18. DISTRIBUTED OPERATIONS

On October 3, 2016, Element completed the separation of its C&V Finance, Aviation Finance and Rail Finance verticals into ECN Capital implemented by way of a plan of arrangement.

The distributed operations have been presented and accounted for using IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and IFRIC 17, *Distribution of Non-Cash Assets to Owners*. Under this guidance, a distribution dividend of $1,710,473 was recorded. The dividend was based on the fair value of the distribution as determined using independent valuators and approved by the Company's Board of Directors. The allocation of the components of equity was determined by allocating the fair value by a pro-rata proportion of share capital and retained earnings.

The operating performance of ECN Capital has been included in the Company's comparative interim condensed consolidated statements of operations as "distributed operations" and comprised the following amounts:

	For the three-month period ended March 31, 2016
	$
Net financial income	55,924
Operating expenses	(20,551)
Business acquisition and separation costs	(650)
Provision for income taxes	(8,160)
Net income for the period from distributed operations	26,563

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.