element

Management Discussion and Analysis

December 31, 2016

The following management discussion and analysis ("MD&A") provides information management believes is relevant to an assessment and understanding of the consolidated financial condition and consolidated results of operations of Element Fleet Management Corp. (the "Company" or "Element") (formerly, Element Financial Corporation) as at and for the year ended December 31, 2016 and should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2016 . Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.elementfleet.com

CAUTIONARY STATEMENT

THIS ANALYSIS HAS BEEN PREPARED TAKING INTO CONSIDERATION INFORMATION AVAILABLE TO MARCH 9, 2017. CERTAIN STATEMENTS CONTAINED IN THIS REPORT CONSTITUTE "FORWARD LOOKING STATEMENTS". IN SOME CASES THE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY WORDS OR PHRASES SUCH AS "MAY", "WILL", "EXPECT", "PLAN", "ANTICIPATE", "INTEND", "POTENTIAL", "ESTIMATE", "BELIEVE" OR THE NEGATIVE OF THESE TERMS, OR OTHER SIMILAR EXPRESSIONS INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, INCLUDING, AMONG OTHERS, STATEMENTS REGARDING ELEMENT'S BUSINESS GROWTH, DEVELOPING STRATEGY, ELEMENT'S ABILITY TO CREATE VALUE FOR SHAREHOLDERS, THE TRANSITION OF THE NATURE OF ELEMENT'S BUSINESS, THE AVAILABILITY OF FUNDS FROM OPERATIONS AND CAPITAL ALLOCATION, BUSINESS INTEGRATION AND THE XCELERATE PLATFORM, THE EVOLUTION OF OPERATIONS AND THE DEVELOPMENT OF PERFORMANCE INDICATORS, AND OTHER FINANCIAL PERFORMANCE AND METRICS. SUCH STATEMENTS REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO INHERENT RISKS, UNCERTAINTIES AND NUMEROUS ASSUMPTIONS, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC CONDITIONS, TECHNOLOGICAL DEVELOPMENT, RELIANCE ON DEBT FINANCING, DEPENDENCE ON BORROWERS, INABILITY TO SUSTAIN RECEIVABLES, COMPETITION, INTEREST RATES, REGULATION, INSURANCE, FAILURE OF KEY SYSTEMS, DEBT SERVICE, FUTURE CAPITAL NEEDS AND SUCH OTHER RISKS OR FACTORS DESCRIBED FROM TIME TO TIME IN REPORTS OF ELEMENT.

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

Element Fleet Management Corp. ("Element" or the "Company") is a leading global fleet management company, providing world class services and financing for commercial vehicle and equipment fleets. Element is the largest fleet management company in North America and the largest publicly traded fleet company in the world. With more than $18 billion in assets, unprecedented scale, scope, focus and experience, Element is transforming from a fleet financing and management business to a leading fleet-focused business services provider, driven by technology and advanced analytics, and benefiting from a large-scale stable leasing and integrated services platform. Element is investing in people, processes and technology to drive dynamic long-term growth and lead the transformation of the fleet management industry.

Element's mission is to make our customers' fleets and their drivers, safer, smarter and more productive. The Company's suite of services span the total fleet lifecycle, from acquisition and financing to program management and remarketing - helping customers optimize performance and improve productivity.

Element has taken a number of concrete steps in 2016 toward its vision, including:

- Integrating GE Fleet into Element, creating a single North American business with more than 2,600 employees, 2,800 customers and 1+million vehicles under management.
- Completing the transformation of Element Financial Corporation into Element Fleet Management through the separation of the Company's commercial asset management business into ECN Capital, an independent, publicly traded company.
- Adding more than 130 new clients signed to new lease service contracts in 2016, representing more than 280,000 units during a year of transition.
- Investing more than US$70 million in developing Xcelerate, an industry leading fleet management platform that we believe is a competitive advantage for years to come.
- Migrating all GE Fleet's customers onto Element's new and enhanced fleet management system.

History

Element was founded in 2007 as Element Financial Corporation ("Element Financial"), an independent financial services company that originated, co-invested in and managed asset-based financings and related service programs. Element entered the fleet management business with the acquisition of TLS Holdings Inc., the holding company of Transportation Lease Systems Inc. ("TLS"), a Canadian fleet leasing company, on June 29, 2012. TLS provided Element with a portfolio of more than $430 million in earning assets. The acquisition accelerated Element's growth in fleet management through the addition of its established origination platform and creation of cross-selling opportunities for Element's existing clients.

On June 28, 2013, the Company acquired the assets of GE Capital's Canadian fleet portfolio ("GE Fleet Portfolio") and its related operational resources. The GE Fleet Portfolio added more than $480 million of earning assets to Element.

On July 7, 2014, the Company acquired PHH Corporation's North American fleet management business ("PHH Arval"). The acquisition added more than $4.3 billion of earning assets to the Company's balance sheet in July 2014. The PHH Arval acquisition allowed Element to become a premier fleet management provider in North America, with more than $5.3 billion in Fleet Management earning assets.

On August 31, 2015, the Company acquired GE Capital's fleet management operations in the United States, and on September 30, 2015, GE Capital's fleet management operations in Mexico, Australia and New Zealand ("GE Fleet"). With GE Fleet, Element added $7.8 billion of earning assets to the Company's balance sheet.

On February 16, 2016, the Board of Directors of Element Financial approved a plan to separate Element Financial into two publicly-traded companies (the "Separation"): ECN Capital Corp. ("ECN Capital"), which comprised the commercial and vendor finance, rail finance and aviation finance businesses ("Distributed Operations"), and the Company, which included the fleet management business. As a result of the Separation, the Company was renamed Element Fleet Management Corp., and was established as the world's largest publicly-traded fleet management company.

On October 3, 2016, the Separation became effective and the Company distributed the shares of ECN Capital to the shareholders of the Company.

On December 30, 2016, Element closed a transaction to acquire Trevose, Pennsylvania-based Collision Experts International ("CEI"), a leader in accident management and driver safety. CEI is now a wholly owned subsidiary of Element and operates independently under the CEI name. Once Element's accident management, risk and safety business is incorporated into CEI, the subsidiary will become the largest accident management and driver safety company in the world, serving approximately 900,000 vehicles, providing safety services for more than 150,000 drivers through DriverCare, and handling more than 150,000 claims per year.

On December 30, 2016, Element's subsidiary Element Transportation LLC entered into a joint venture agreement with Celadon. The joint venture will hold leasing assets managed by Celadon's Quality Companies, LLC business unit, combining more than 10,000 leasing assets under common management and ownership, creating a leading fleet lessor to the North American trucking industry.

As of December 31, 2016, Element had more than $18.0 billion in assets, located in Canada, the United States, Mexico, New Zealand and Australia. The Company also served customers in over 50 countries through the Element-Arval Global Alliance, a 20+ year relationship with Arval, the fleet management business of BNP Paribas Group.

Strategy and Growth Initiatives

Element's strategy is to continue to become a business services provider for fleet management, delivering technology-enabled services to our customers and leveraging our scale to invest in innovation and drive greater value for our customers. The Company will support its customers throughout the lifecycle of their fleet by providing an industry leading customer experience. Element utilizes its strong balance sheet to reduce the cost of capital to the Company, as well as to its customers. Finally, the Company manages its capital prudently, balancing between investment in growth, both organic and inorganic, as well as return to its shareholders.

Element's growth opportunities are in four key areas:

1. **Gain market share in the commercial fleet segment.** Leveraging the Company's comprehensive service and advanced technology to differentiate its offerings compared to its competitors.
2. **Service penetration with existing customers.** Enhancing the service and fee income revenue stream through added value.
3. **Targeting firms that "in-source" their fleets.** Targeting companies that own their own fleet assets, as well as those who reimburse employees for the cost of using their own vehicles.
4. **Inorganic growth.** Seeking opportunistic targeted acquisitions focused on strengthening the Company's products and services.

Our services

Element provides an end-to-end suite of fleet management services that span the total vehicle lifecycle, from acquisition and financing to program management and vehicle remarketing. These services include fuel cards, managed maintenance, accident management, title and registration, telematics and more. These service are supported by strategic consultants that provide expertise in vehicles and advanced analytics to help customers optimize performance, reduce costs, and improve productivity and safety.

Services and fee revenue from products accounted for 54.8% of Fleet net financial income in 2016. Technology is a key differentiator for Element in the fleet industry. Element has invested more than US$70 million in upgraded technology infrastructure, new fleet management software and advanced capabilities for drivers. Called Xcelerate, the system integrates Element's services and partner-delivered offerings on a single platform, allowing customers greater visibility and control over fleet spend and performance. The new platform offers:

- **An intuitive and modern user interface**
- **Responsive multi-device design**
- **Robust and highly available system**
- **Native mobile apps**
- **Advanced analytics platform that sets the new standard in fleet management**
    - Scalable to handle "infinite" data growth and real-time processing
    - Streamlined 3rd party data integration - including those key partners delivering information about weather, industry benchmarks, OEM and vehicle parts data, etc.
    - Real-time analytics

Industry and Market Trends

Industry

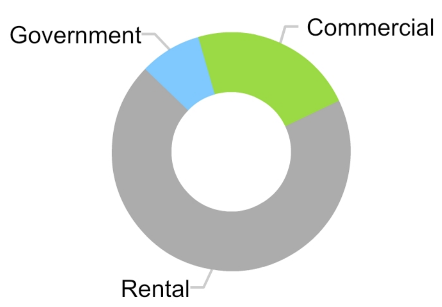
Fleet management is a mature market that grows steadily as more vehicles are used for business purposes and more companies utilize the services of a fleet management company. Both North America and Australia-New Zealand (ANZ) are established markets where customers see the benefits of leasing and associated services.

The size of the fleet market can be measured in two ways:
- New vehicle registrations for business purposes each year
- Total number of fleet and commercial vehicles that are currently in operation for business purposes.

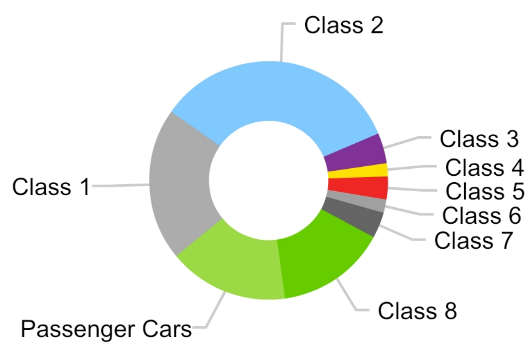
The latter describes the current opportunity for a fleet management company, since it represents fleets of vehicles available for management services and is not limited to new vehicles only.

The fleet market can be divided into three major segments: Rental, Government and Commercial Fleet. Element currently manages fleets mainly in the commercial space. Within each of these segments, the vehicles can be divided according to the type of vehicle ranging from passenger cars, through to light trucks, medium trucks, and heavy trucks. The charts below illustrate market segments and class of vehicles in the US.

Fleet Registrations by Segment in the US (Polk/IHS 2016 CY)



Commercial Registrations by Vehicle Class in the US (Polk/IHS 2016 CY)



Element leases and manages all types of vehicles as well as equipment such as forklifts, trucks, material handling equipment and generators. The majority of Element's portfolio is currently comprised of passenger cars and light trucks since that is where the majority of the market volume lies.

Market Trends

Advances in technology are changing the dynamics of the fleet market and are significantly expanding the opportunity available to Element.

Connected vehicles are already here and will continue to develop. As the amount of data available from vehicles increases exponentially, Element's products and service platforms will increase the value proposition to customers by integrating this data and turning it into meaningful benchmarks, recommendations and actionable insights that lower the cost of operating its customers' fleets.

The advent of autonomous vehicles is poised to move the industry away from ownership and towards "user-ship". This provides an opportunity for Element to expand its role further as more vehicles operate under a fleet model in an "asset-lite" economy with greater focus on management services.

Competition

Element is unique in that it is the only publicly traded global fleet management company. Element is the market leader in the United States, Canada, New Zealand and Mexico, and a market leader in Australia.

Element's key competitors in North America are privately held companies such as ARI Global Fleet Management Services, Wheels Inc., Enterprise, Donlen Corporation, and LeasePlan.

Element seeks to differentiate itself from competitors by using technology to leverage the largest portfolio in North America to provide greater depth in benchmarking data, and to create innovative data-drive services for its customers. This data can be used to provide actionable insights that ultimately reduce costs for our customers' businesses.

In Australia and New Zealand, Element goes to market as Custom Fleet and competes with LeasePlan Corporation, SGfleet, ORIX, Fleet Partners, and Toyota Fleet Management.

Element has a 20+ year alliance with Arval, part of BNP Paribas Group, to provide services to our customers in Europe, Latin America and beyond. In total, Element and Arval serve more than 3.0 million vehicles across 50 countries.

The Separation

The Separation (as discussed previously) was implemented through a court approved plan of arrangement and was approved at a special meeting of the Element Financial shareholders on September 20, 2016, and received final court approval on September 21, 2016. The Separation was effective on October 3, 2016.

As a result of the Separation, the Company adopted IFRS 5, Non-current Assets Held for Sale and Discontinued Operations and IFRIC 17, Distribution of Non-Cash Assets to Owners. In accordance with IFRS 5, the Company has presented assets and liabilities of distributed operations separately from other assets and liabilities in the statement of financial position at December 31, 2016 and September 30, 2016, and the Company has not reclassified or re-presented amounts for the year ended December 31, 2015. For the statement of operations, the Company, has separated distributed operations as a single amount from continuing operations and has reclassified and re-presented each period and related note disclosures. As continuing operations has only one business operating segment, Fleet Management, the Company has presented the MD&A as continuing operations and distributed operations.

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

Impact of Foreign Currency Exchange Rate Changes

As we have indicated in previous quarters, the Company is exposed to fluctuations in certain foreign currencies as a result of the operations it conducts in Australia, New Zealand, Mexico and, predominantly, the United States where, as at December 31, 2016, 6.8%, 4.0%, 2.0% and 77.3% of the net finance receivables and equipment under operating leases were located, respectively. While the Company was hedged for currencies, assets and liabilities do fluctuate against each other as a result of fluctuation in these currencies against the reporting currency being the Canadian dollar. Fluctuations in these currencies also affect the reported income when foreign operating results are then converted back to Canadian dollar.

The weighted average changes in average exchange rates of the Company's operating currencies during 2016 as a result of the depreciation of the Canadian dollar affected adjusted operating income positively by approximately 2.7% versus the prior year's average exchange rates.

The weighted average changes in average exchange rates of the Company's operating currencies during the fourth quarter of 2016 as a result of the depreciation of the Canadian dollar affected adjusted operating income positively by approximately 1.7% over the immediately preceding quarter and relatively constant compared to the fourth quarter in 2015.

Selected Annual Information - December 31, 2016, 2015 and 2014

The table below sets out key financial metrics that show operating results for full years 2016 and 2015, together with related per share figures, for continuing operations as well as those that include the contribution of Distributed Operations:

	As at and for the year ended		
(in $000's for stated values, except ratios and per share amounts)	**December 31, 2016**	December 31, 2015	December 31, 2014
	$	$	$
Net financial income from continuing operations	**936,558**	540,331	191,927
Net income from continuing operations	**190,264**	64,660	(11,347)
Net income	**413,339**	174,431	54,069
Total assets (2) (3)	**18,420,664**	25,152,517	11,290,502
Total debt (3)	**13,839,223**	18,698,510	8,054,542
Before tax adjusted operating income from continuing operations	**525,900**	283,267	92,780
After tax adjusted operating income from continuing operations	**421,437**	242,115	73,934
Earnings per share from continuing operations			
Basic	**0.40**	0.11	(0.13)
Diluted	**0.39**	0.11	(0.13)
Earnings per share			
Basic	**0.98**	0.47	0.16
Diluted	**0.96**	0.46	0.16
After tax adjusted operating income per share from continuing operations(1)			
Basic	**1.00**	0.69	0.24
Proforma diluted	**0.95**	0.69	0.24
After tax adjusted operating income per share (1)			
Basic	**1.21**	1.08	0.57
Proforma Diluted	**1.13**	1.04	0.56
Dividends declared, per share			
Common share	**0.10000**	0.02500	—
Preferred Shares, Series A	**1.65000**	1.65000	1.65000
Preferred Shares, Series C	**1.62500**	1.62500	1.32449
Preferred Shares, Series E	**1.60000**	1.60000	0.85589
Preferred Shares, Series G	**1.62500**	0.95825	—

(1) For additional information, see "Description of Non-IFRS Measures" section.

(2) December 31, 2015 has been retrospectively adjusted to reflect finalization of the assessment of the fair value of assets acquired and liabilities assumed at the acquisition date of the GE Fleet Operations.

(3) Total assets and debt includes assets and debt included in Distributed Operations for December 31, 2015 and December 31, 2014, excluding Distributed Operations, total assets were $19.0 billion and $7.2 billion and total debt was $14.2 billion and $5.0 billion for December 31, 2015 and 2014, respectively.

Selected Financial Information - December 31, 2016, 2015 and 2014

Continuing Operations

The table below sets out selected financial information, as of December 31, 2016, 2015 and 2014:

	As at and for the year ended		
(in $000's for stated values, except ratios and per share amounts)	**December 31, 2016**	December 31, 2015	December 31, 2014
	$	$	$
Earning assets (1)			
Net investment in finance receivables	**12,372,533**	13,041,451	5,154,407
Equipment under operating leases	**1,421,637**	1,433,822	—
Other earning assets	**179,305**	143,936	—
Total earning assets (1)	**13,973,475**	14,619,209	5,154,407
Total average earning assets (1)	**14,106,370**	8,332,014	2,906,278
Total finance assets	**14,875,648**	15,859,324	5,888,144
New originations	**6,563,899**	4,668,025	1,461,723
Finance receivables and equipment under operating lease from acquisitions	**—**	7,785,499	4,298,224
Debt			
Secured borrowings	**12,983,535**	13,390,646	4,704,095
Convertible debentures	**855,688**	836,472	303,147
Total debt	**13,839,223**	14,227,118	5,007,242
Average debt outstanding (1)	**13,967,118**	8,312,068	2,489,476
Tangible leverage	**7.61**	4.06	2.51
Number of shares outstanding (including special warrants)	**387,117**	386,135	264,059
Weighted average number of shares outstanding (including special warrants) [basic]	**386,525**	305,230	225,289
Weighted average number of shares outstanding [diluted]	**392,731**	311,381	230,145
Total shareholders' equity (2)	**3,981,354**	5,717,083	2,830,951
Average common shareholders' equity (1) (2)	**4,596,579**	3,382,086	1,840,665

(1) For additional information, see "Description of Non-IFRS Measures" section.

(2) December 31, 2015 has been retrospectively adjusted to reflect finalization of the assessment of the fair value of assets acquired and liabilities assumed at the acquisition date of the GE Fleet Operations.

Consolidated Results of Continuing Operations – For the years ended December 31, 2016 and 2015

The following table sets forth a summary of the Company's consolidated results of continuing operations for the years ended December 31, 2016 and 2015, in accordance with IFRS:

	For the year ended		
	December 31, 2016	December 31, 2015	Change
(in 000's for stated values, except per unit amounts)	**$**	$	%
Net Financial Income			
Interest income	**663,760**	422,372	57.2
Rental revenue, net (1)	**103,776**	32,319	221.1
Total interest income and rental revenue, net	**767,536**	454,691	68.8
Interest expense	**348,468**	175,978	98.0
Net interest income and rental revenue, net before provision for credit losses	**419,068**	278,713	50.4
Provision for (recovery of) credit losses	**(3,834)**	911	(520.9)
	422,902	277,802	52.2
Service and other revenues	**513,656**	262,529	95.7
Net financial income	**936,558**	540,331	73.3
Operating Expenses			
Salaries, wages and benefits	**238,855**	147,085	62.4
General and administration expenses	**171,803**	109,979	56.2
Amortization of debenture synthetic discount	**12,314**	9,289	32.6
Share-based compensation	**22,485**	23,831	(5.6)
Total operating expenses	**445,457**	290,184	53.5
Business Acquisition and Separation Costs			
Amortization of intangibles from acquisition	**62,472**	29,643	110.7
Transaction and integration costs	**161,997**	203,283	(20.3)
Separation costs	**76,686**	—	n/a
Total business acquisition and separation costs	**301,155**	232,926	29.3
Net income before taxes	**189,946**	17,221	(98.9)
Tax expense (recovery)	**(318)**	(47,439)	(99.3)
Net income from continuing operations	**190,264**	64,660	194.3
Earnings per share [basic] - continuing operations	**0.40**	0.11	263.6
Earnings per share [diluted] - continuing operations	**0.39**	0.11	254.5

(1) Rental revenue, net represents rental income earned on equipment under operating leases, less depreciation.

The following table provides a reconciliation of Non-IFRS Measures for adjusted operating expense, adjusted operating income and after-tax adjusted operating income from continuing operations for the twelve months ended December 31, 2016 and 2015:

	For the year ended		
	December 31, 2016	December 31, 2015	Change
(in 000's for stated values, except per unit amounts)	**$**	$	%
Net financial income			
Interest income	**663,760**	422,372	57.2
Rental revenue, net (3)	**103,776**	32,319	221.1
Interest income and rental revenue, net	**767,536**	454,691	68.8
Interest expense	**348,468**	175,978	98.0
Net interest income and rental revenue, net before provision for credit losses	**419,068**	278,713	50.4
Service and other revenues	**513,656**	262,529	95.7
	932,724	541,242	72.3
Provision for (recovery of) credit losses	**(3,834)**	911	(520.9)
Net financial income	**936,558**	540,331	73.3
Adjusted operating expenses			
Salaries, wages and benefits	**238,855**	147,085	62.4
General and administration expenses	**171,803**	109,979	56.2
Adjusted operating expenses (1)	**410,658**	257,064	59.7
Adjusted operating income - continuing operations (1)	**525,900**	283,267	85.7
Provision for taxes applicable to adjusted operating income - continuing operations	**104,463**	41,152	153.8
After-tax adjusted operating income - continuing operations (1, 2)	**421,437**	242,115	74.1
Less: Cumulative preferred share dividends	**35,648**	31,047	14.8
After-tax adjusted operating income attributable to common shareholders (1)	**385,789**	211,068	82.8
Weighted average number of shares outstanding [basic]	**386,525**	305,230	26.6
After-tax adjusted operating income per share [basic] - continuing operations (1)	**1.00**	0.69	44.9
Before-tax adjusted operating income per share [basic] - continuing operations(1)	**1.27**	0.83	53.0

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) For reconciliation from IFRS Net Income to After-tax adjusted operating income, see page 43.
(3) Rental revenue, net is equal to rental income earned on equipment under operating leases, less depreciation on equipment under operating leases.

As mentioned earlier, the Company closed the acquisition of GE Fleet on August 31, 2015 for the US and September 30, 2015 for Australia, New Zealand and Mexico (together, the "GE Acquisition"), which was a material acquisition that resulted in nearly doubling our size in North America and provided us with market leading businesses in Australia and New Zealand. Given the magnitude of the acquisition, the key changes in operating and financial metrics in 2016 compared to 2015 were related to this acquisition. All other items that contributed to the changes were immaterial in comparison to the impact of the acquisition.

Interest income and rental revenue, net of depreciation for the year ended December 31, 2016 was $767.5 million, an increase of $312.8 million or 68.8% from the $454.7 million reported in the prior year ended

December 31, 2015 (the "Prior Year"). The increase over the comparative year was primarily due to the GE Acquisition.

Interest expense increased to $348.5 million during the year, compared to $176.0 million reported in the Prior Year due to the GE Acquisition.

Service and other revenues were $513.7 million for the year ended December 31, 2016 and $262.5 million for the comparative year ended December 31, 2015, the increase was due to the GE Acquisition.

Salaries, Wages and Benefits and General and Administrative expenses were $410.7 million for year ended December 31, 2016 compared to $257.1 million for the Prior Year, mainly due to the GE Acquisition.

Share-based compensation, included in total operating expenses, decreased to $22.5 million for the year ended December 31, 2016 compared to $23.8 million for the Prior Year. The decrease was primarily due to the cessation of the amortization of the grant value of options and PSUs for participants who became employees of ECN Capital as part of the Separation and the timing of new grants in 2016.

Amortization of convertible debenture synthetic discount, also included in total operating expenses, represented the accretion of the convertible debenture discount created from the bifurcation of the convertible debenture between debt and share capital.

Business acquisition and separation costs, consisted of integration costs, transaction costs and the amortization of intangibles acquired as part of business acquisitions, and costs to effect the Separation, were $301.2 million for the year ended December 31, 2016 compared to $232.9 million for the Prior Year. The expenses incurred during the year ended December 31, 2016 were primarily related to integration costs incurred due to the GE Acquisition and costs incurred to effect the Separation, including $24.9 million (which was the Company's portion under the separation agreement) accrued for employment arrangements for former Element Financial Corporation executives, who became ECN Capital Corp. executives as a result of the separation. The amortization of intangibles acquired as part of business acquisitions increased over the prior year, due to the fair value attributed to the customer list intangible asset from the GE Acquisition. Expenses incurred in the comparative period in 2015 were primarily related to transaction costs from the GE Acquisition and integration costs related to the acquisition of PHH Arval. Certain integration costs, including deferred compensation costs, were recognized in the period when the service was received by the Company.

Net income before income taxes from continuing operations for the year ended December 31, 2016 was $189.9 million, compared to $17.2 million reported during the Prior Year. The increase over the amounts reported during the 2015 was the result of the GE Acquisition.

Net income from continuing operations was $190.3 million for the year ended December 31, 2016, compared to net income of $64.7 million in the Prior Year. The increase in net income reported in the current period was primarily due to higher net financial income, offset by an increase in operating expenses, both as a result of the acquisition of the GE Acquisition.

Basic and diluted earnings per share from continuing operations were $0.40 and 0.39, respectively, for the year ended December 31, 2016, compared to basic and diluted earnings per share of $0.11 and $0.11, respectively, for the year ended December 31, 2015. The increases in each of the basic and fully diluted earnings per share were due to the GE Acquisition, net of expenses related to integration, as well as those incurred as part of the Separation.

As indicated previously, management believes that adjusted operating income, a Non-IFRS Measure, is the most appropriate operating measure of the Company’s operating performance as it excludes non-cash items related to share-based compensation, and business acquisition costs which do not relate to maintaining operating activities. Adjusted operating income from continuing operations for the year ended December 31, 2016 was $525.9 million, an increase of $242.6 million or 85.7% compared to the Prior Year. The increase over the comparative year ended December 31, 2015, was primarily the result of the GE Acquisition.

Return on tangible total equity, as measured by the after-tax adjusted operating income divided by the average tangible total equity of Element Fleet, was 24.15% during the year ended ended December 31, 2016, up from 21.49% in the Prior Year.

Key Operating Yields

The following table summarizes key annualized operating ratios and yields to average earning assets from continuing operations derived from the Company's consolidated financial statements and adjusted using Non-IFRS Measures as at and for the twelve months ended December 31, 2016 and 2015, which management believes are key performance indicators in managing the business and in evaluating the operating performance of the Company.

	For the year ended	
	December 31, 2016	December 31, 2015
	%	%
Interest income and rental revenue, net	**5.44**	5.46
Interest expense	**2.47**	2.11
	2.97	3.35
Service and other revenues	**3.64**	3.15
	6.61	6.50
Provision for (recovery of) credit losses	**(0.03)**	0.02
Net financial income	**6.64**	6.48
Adjusted operating expenses	**2.91**	3.08
Adjusted operating income	**3.73**	3.40
Average cost of debt (Interest expense / average debt)	**2.49**	2.12

Interest income and rental revenue, net of amortization as a percentage of average earning assets was 5.44% during the year ended December 31, 2016, a marginal decrease from the 5.46% reported for the comparative period ended December 31, 2015.

Interest expense as a percentage of average earning assets increased to 2.47% during the year ended December 31, 2016, from the 2.11% for the comparative year ended December 31, 2015. The increase was the result of higher cost of debt, due to standby fees from increased financing capacity, and higher cost of funds related to Chesapeake II structure (the permanent financing structure for the GE Acquisition earning assets in the US) and related hedging strategies.

Service and other revenues increased to 3.64% from 3.15% in the comparative year ended December 31, 2015, the increase a result of the GE Acquisition.

The adjusted operating expense ratio decreased to 2.91% during the year ended December 31, 2016, compared to the 3.08% for the comparative year ended December 31, 2015, due to the benefits of integration activities.

Adjusted operating income on average earning assets was 3.73% during the twelve months ended December 31, 2016 compared to 3.40% for the Prior Year, the increase primarily due to the higher fee revenue generated and attributable to the GE Acquisition.

Selected Quarterly Information - December 31, 2016, September 30, 2016 and December 31, 2015

The table below sets out key financial metrics that show operating results for the quarters ended December 31, 2016, September 30, 2016 and December 31, 2015, together with related per share figures, for continuing operations as well as those that include the contribution of Distributed Operations:

	As at and for the three months ended		
(in $000's for stated values, except ratios and per share amounts)	**December 31, 2016**	September 30, 2016	December 31, 2015
	$	$	$
Net financial income from continuing operations	**218,507**	230,292	228,759
Net income from continuing operations	**4,014**	35,644	72,835
Net income	**175,368**	36,869	104,433
Total assets (2) (3)	**18,420,664**	24,314,162	25,152,517
Total debt (3)	**13,839,223**	18,047,640	18,698,510
Before tax adjusted operating income from continuing operations	**119,942**	126,581	117,971
After tax adjusted operating income from continuing operations	**99,914**	104,978	109,931
Earnings (loss) per share from continuing operations			
Basic	**(0.01)**	0.07	0.17
Diluted	**(0.01)**	0.07	0.16
Earnings per share			
Basic	**0.43**	0.07	0.25
Diluted	**0.43**	0.07	0.24
After tax adjusted operating income per share from continuing operations(1)			
Basic	**0.24**	0.25	0.26
Proforma diluted	**0.22**	0.24	0.25
After tax adjusted operating income per share (1)			
Basic	**0.24**	0.31	0.35
Proforma Diluted	**0.22**	0.30	0.33
Dividends declared, per share			
Common share	**0.02500**	0.02500	0.02500
Preferred Shares, Series A	**0.41250**	0.41250	0.41250
Preferred Shares, Series C	**0.40625**	0.40625	0.40625
Preferred Shares, Series E	**0.40000**	0.40000	0.40000
Preferred Shares, Series G	**0.40625**	0.40625	0.40625

(1) For additional information, see "Description of Non-IFRS Measures" section.

(2) December 31, 2015 has been retrospectively adjusted to reflect finalization of the assessment of the fair value of assets acquired and liabilities assumed at the acquisition date of the GE Fleet Operations.

(3) Total assets and debt includes assets and debt included in Distributed Operations for September 30, 2016 and December 31, 2015, excluding Distributed Operations, total assets were $18.2 billion and $19.0 billion and total debt was $13.8 billion and $14.2 billion for September 30, 2016 and December 31, 2015, respectively.

Selected Financial Information - December 31, 2016, September 30, 2016 and December 31, 2015

Continuing Operations

The table below sets out selected financial information for the three months ended December 31, 2016, September 30, 2016 and December 31, 2015, which we believe are important to measure and track the performance of the business:

	As at and for the three months ended		
(in $000's for stated values, except ratios and per share amounts)	**December 31, 2016**	September 30, 2016	December 31, 2015
	$	$	$
Earning assets (1)			
Net investment in finance receivables	**12,372,533**	12,412,384	13,041,451
Equipment under operating leases	**1,421,637**	1,395,696	1,433,822
Other earning assets	**179,305**	177,286	143,936
Total earning assets (1)	**13,973,475**	13,985,366	14,619,209
Total average earning assets (1)	**14,056,388**	14,130,647	14,250,361
Total finance assets	**14,875,648**	14,936,947	15,859,324
New originations	**1,652,023**	1,572,615	1,689,441
Debt			
Secured borrowings	**12,983,535**	12,928,287	13,390,646
Convertible debentures	**855,688**	850,822	836,472
Total debt	**13,839,223**	13,779,109	14,227,118
Average debt outstanding (1)	**13,894,628**	13,742,793	13,757,777
Tangible leverage	**7.61**	7.74	4.06
Number of shares outstanding (including special warrants)	**387,117**	386,756	386,135
Weighted average number of shares outstanding (including special warrants) [basic]	**386,930**	386,742	385,930
Weighted average number of shares outstanding [diluted]	**386,930**	390,575	391,815
Total shareholders' equity (2)	**3,981,354**	3,857,711	5,717,083
Average common shareholders' equity (1) (2)	**3,412,902**	4,983,181	4,926,813

(1) For additional information, see "Description of Non-IFRS Measures" section.

(2) December 31, 2015 has been retrospectively adjusted to reflect finalization of the assessment of the fair value of assets acquired and liabilities assumed at the acquisition date of the GE Fleet Operations.

Consolidated Results of Continuing Operations – For the three months ended December 31, 2016, September 30, 2016 and December 31, 2015

The following table sets forth a summary of the Company's consolidated results of continuing operations for the three months ended December 31, 2016, September 30, 2016 and December 31, 2015:

	For the three-month periods ended				
	December 31, 2016	September 30, 2016	December 31, 2015	Change over Sep 30, 2016	Change over Dec 31, 2015
(in 000's for stated values, except per unit amounts)	**$**	$	$	%	%
Net Financial Income					
Interest income	**160,589**	165,173	166,042	(2.8)	(3.3)
Rental revenue, net (1)	**24,317**	25,912	32,319	(6.2)	(24.8)
Total interest income and rental revenue, net	**184,906**	191,085	198,361	(3.2)	(6.8)
Interest expense	**90,689**	88,306	82,789	2.7	9.5
Net interest income and rental revenue, net before provision for credit losses	**94,217**	102,779	115,572	(8.3)	(18.5)
Provision for credit losses	**900**	237	1,718	279.7	(47.6)
	93,317	102,542	113,854	(9.0)	(18.0)
Service and other revenues	**125,190**	127,750	114,905	(2.0)	9.0
Net financial income	**218,507**	230,292	228,759	(5.1)	(4.5)
Operating Expenses					
Salaries, wages and benefits	**58,064**	62,226	61,907	(6.7)	(6.2)
General and administration expenses	**40,501**	41,485	48,881	(2.4)	(17.1)
Amortization of convertible debenture synthetic discount	**3,155**	3,103	2,955	1.7	6.8
Share-based compensation	**2,850**	7,109	7,059	(59.9)	(59.6)
Total operating expenses	**104,570**	113,923	120,802	(8.2)	(13.4)
Business Acquisition and Separation Costs					
Amortization of intangibles from acquisition	**15,730**	15,443	16,146	1.9	(2.6)
Transaction and integration costs	**68,592**	40,858	34,747	67.9	97.4
Separation costs	**45,936**	30,750	—	49.4	n/a
Total business acquisition and separation costs	**130,258**	87,051	50,893	49.6	155.9
Net income (loss) before taxes	**(16,321)**	29,318	57,064	(155.7)	(128.6)
Income tax expense (recovery)	**(20,335)**	(6,326)	(15,771)	221.5	28.9
Net income for the period from continuing operations	**4,014**	35,644	72,835	(88.7)	(94.5)
Earnings (loss) per share [basic] - continuing operations	**(0.01)**	0.07	0.17	(114.3)	(105.9)
Earnings (loss) per share [diluted] - continuing operations	**(0.01)**	0.07	0.16	(114.3)	(106.3)

(1) Rental revenue, net is equal to rental income earned on equipment under operating leases, less depreciation on equipment under operating leases.

The following table provides a reconciliation of Non-IFRS Measures for consolidated adjusted operating expense, consolidated adjusted operating income and consolidated after-tax adjusted operating income from continuing operations for the three months ended December 31, 2016, September 30, 2016 and December 31, 2015:

	For the three-month periods ended				
	December 31, 2016	September 30, 2016	December 31, 2015	Change over Sep 30, 2016	Change over Dec 31, 2015
(in 000's for stated values, except per unit amounts)	**$**	$	$	%	%
Net financial income					
Interest income	**160,589**	165,173	166,042	(2.8)	(3.3)
Rental revenue, net (3)	**24,317**	25,912	32,319	(6.2)	(24.8)
Interest income and rental revenue, net	**184,906**	191,085	198,361	(3.2)	(6.8)
Interest expense	**90,689**	88,306	82,789	2.7	9.5
	94,217	102,779	115,572	(8.3)	(18.5)
Service and other revenues	**125,190**	127,750	114,905	(2.0)	9.0
	219,407	230,529	230,477	(4.8)	(4.8)
Provision for credit losses	**900**	237	1,718	279.7	(47.6)
Net financial income	**218,507**	230,292	228,759	(5.1)	(4.5)
Adjusted operating expenses					
Salaries, wages and benefits	**58,064**	62,226	61,907	(6.7)	(6.2)
General and administration expenses	**40,501**	41,485	48,881	(2.4)	(17.1)
Adjusted operating expenses (1)	**98,565**	103,711	110,788	(5.0)	(11.0)
Adjusted operating income - continuing operations (1)	**119,942**	126,581	117,971	(5.2)	1.7
Provision for taxes applicable to adjusted operating income - continuing operations	**20,028**	21,603	8,040	(7.3)	149.1
After-tax adjusted operating income - continuing operations (1, 2)	**99,914**	104,978	109,931	(4.8)	(9.1)
Less: Cumulative preferred share dividends	**8,912**	8,912	8,912	—	—
After-tax adjusted operating income from continuing operations attributable to common shareholders (1)	**91,002**	96,066	101,019	(5.3)	(9.9)
Weighted average number of shares outstanding [basic]	**386,930**	386,742	385,930	—	0.3
After-tax adjusted operating income per share [basic] - continuing operations (1)	**0.24**	0.25	0.26	(4.0)	(7.7)
Before-tax adjusted operating income per share [basic] - continuing operations (1)	**0.29**	0.30	0.28	(3.3)	3.6

(1) For additional information, see "Description of Non-IFRS Measures" section.
(2) For reconciliation from IFRS Net Income to After-tax adjusted operating income, see page 43.
(3) Rental revenue, net is equal to rental income earned on equipment under operating leases, less depreciation on equipment under operating leases.

Interest income and net rental revenue for the three month period ended December 31, 2016 ("Q4 2016") was $184.9 million, an decrease of $13.5 million or 6.8% from the $198.4 million reported in the comparative quarter ended December 31, 2015 ("Q4 2015"), and a decrease of $6.2 million or 3.2% from the $191.1 million reported in the quarter ended September 30, 2016 ("Q3 2016"). The decrease compared to Q4 2015 and Q3 2016 was due to reductions in yield on the portfolio as older higher yielding assets matured and were replaced with new finance assets originated at lower yields, mainly due to the current low interest rate environment. The yield was also negatively impacted by the increase in amortization of deferred costs related to the origination of finance assets, compared to Q4 2015 where the unamortized deferred balance was reset to zero for the GE Acquisition, at the time of the acquisition. In addition, the average earning assets declined during Q4 2016, compared to those balances in Q4 2015 and Q3 2016.

Interest expense was $90.7 million during the current quarter, an increase of $7.9 million and $2.4 million compared to Q4 2015 and Q3 2016, respectively. The increases in each case were the result of the increase in average debt advance rate to 98.8% from 96.5% in Q4 2015 and 97.3% in Q3 2016, and an increase in the average cost of borrowing to 2.61% from 2.41% in the comparative quarter of 2015, and 2.57% in the immediately preceding quarter, due to the impact of the widening spreads on recent financings, higher standby charges from increased financing capacity, and partially offset by improved pricing on the Company's senior debt facility.

Service and other revenues were $125.2 million in Q4 2016, an increase of $10.3 million and a decrease of $2.6 million from those reported in Q4 2015 and Q3 2016, respectively. The decrease from the immediately preceding quarter was largely due to timing of service fee revenue earned on the portfolio. Service and other revenues, are typically transaction based fees and are dependent on the volume of transactions and are not directly correlated to average earning assets.

Adjusted operating expenses were $98.6 million for Q4 2016 compared to $110.8 million for the comparable quarter of 2015 and $103.7 million for the immediate preceding quarter. The decreases were primarily related to lower incentive compensation and transition services agreement costs ("TSA") related to the GE Acquisition.

Share-based compensation, included in total operating expenses, decreased to $2.9 million for the quarter ended December 31, 2016 compared to $7.1 million for the comparable quarter of 2015 and $7.1 million for the immediate preceding quarter ended September 30, 2016. The decrease over the comparative quarter in 2015, was due to the cessation of the amortization of stock compensation expenses related to employees who became employees of ECN Capital on the Separation, and the timing of new grants. The decrease over the immediately preceding quarter was primarily due to the acceleration of the amortization of PSU expenses in September 2016 for participants who became employees of ECN Capital on the Separation as required under IFRS.

Amortization of convertible debenture synthetic discount, also included in total operating expenses, represented the accretion of the convertible debenture discount created from the bifurcation of the convertible debenture between debt and share capital.

Transaction and integration cost was $68.6 million in Q4 2016, compared to $37.7 million in Q4 2015 and $40.9 million in Q3 2016. The increase during the quarter compared to the previous quarters was due to higher integration activities towards the end of the year.

The amortization of intangibles acquired as part of business acquisitions was $15.7 million in Q4 2016, down from the $16.1 million in Q4 2016 and slightly up from the $15.4 million in Q3 2016.

Separation cost was $45.9 million during the quarter, which included final expenses to effect the separation, including an accrual of $24.9 million (which was the Company's portion under the separation agreement) related to employment arrangements for certain former Element Financial Corporation executives who are now executives at ECN Capital.

Net loss before income taxes from continuing operations for during Q4 2016 was $16.3 million compared to net income before income taxes from continuing operations of $57.1 million reported for Q4 2015 and net income before income taxes from continuing operations of $29.3 million reported for Q3 2016. The decrease in income over the comparative period in 2015 and the immediately preceding quarter, was primarily a result of higher integration and separation costs.

Net income from continuing operations was $4.0 million for Q4 2016, compared to net income from continuing operations of $72.8 million for Q4 2015 and net income from continuing operations of $35.6 million for Q3 2016. The decrease in income over the comparative quarter in 2015 and immediately preceding quarter, was primarily due to integration costs related to the GE Acquisition and separation costs incurred on distributing ECN Capital.

Basic and diluted losses per share from continuing operations were $0.01 and $0.01, respectively, for the three months ended December 31, 2016, compared to basic and diluted income per share of $0.17 and $0.16, respectively, for the quarter ended December 31, 2015, and basic and diluted income per share of $0.07 and $0.07, respectively, for the immediately preceding quarter ended September 30, 2016. Variances in earnings per share figures were related to the same factors that impacted net income (loss) from continuing operations as described above.

As indicated previously, management believes that adjusted operating income, a Non-IFRS Measure, is the most appropriate operating measure of the Company's operating performance as it excludes non-cash items related to share-based compensation, and business acquisition costs which do not relate to maintaining operating activities. Adjusted operating income from continuing operations for Q4 2016 was $119.9 million, an increase of $1.9 million or 1.7% over the amount reported for Q4 2015 and a decrease of $6.7 million or 5.2% over the amount reported during the immediately preceding quarter. The increase over the 2015 comparative quarter was primarily the result of lower adjusted operating expenses due to lower incentive compensation and TSA costs related to the GE Acquisition, offset by a reduction in net financial income as discussed above. The decrease from the previous quarter was primarily due to lower net interest margin as discussed above.

Annualized return on tangible total equity, as measured by the after-tax adjusted operating income on average tangible total equity of Element Fleet (excluding the net investment in ECN Capital), was 21.82% in the quarter, a decrease from the 24.32% reported in the comparable quarter a year ago and from 23.02% in the immediately preceding quarter. The decrease over Q3 2016 was primarily related to the aforementioned changes in adjusted operating income, while the decrease over the Q4 2015 was primarily due to the lower taxes applied to adjusted operating income, and the management allocation of those taxes between Element Fleet and ECN Capital in the prior year, coupled with an increase in average tangible total equity over both comparative periods.

The following table summarizes key annualized consolidated operating ratios and yields to average earning assets from continuing operations derived from the Company's consolidated financial statements and adjusted using Non-IFRS Measures as at and for the three months ended December 31, 2016, September 30, 2016 and December 31, 2015, which management believes are key performance indicators in managing the business and in evaluating the operating performance of the Company.

	For the three month periods ended		
	December 31, 2016	September 30, 2016	December 31, 2015
	%	%	%
Interest income and rental revenue, net	**5.26**	5.41	5.57
Interest expense	**2.58**	2.50	2.33
	2.68	2.91	3.24
Service and other revenues	**3.56**	3.62	3.23
	6.24	6.53	6.47
Provision for (recovery of) credit losses	**0.02**	0.01	0.05
Net financial income	**6.22**	6.52	6.42
Adjusted operating expenses	**2.81**	2.94	3.11
Adjusted operating income	**3.41**	3.58	3.31
Average cost of debt (Interest expense / average debt)	**2.61**	2.57	2.41

Consolidated Financial Position

The following table presents a summary of the comparative consolidated financial position highlighting separately the impact of distributed operations on comparative periods presented:

(in 000's for stated values, except per unit amounts)	**December 31, 2016** **$**	September 30, 2016 $	December 31, 2015 $	Change over Sep 30, 2016 %	Change over Dec 31, 2015 %
Assets					
Finance assets					
Finance receivables	**13,454,011**	13,541,251	14,425,502	(0.6)	(6.7)
Equipment under operating leases	**1,421,637**	1,395,696	1,433,822	1.9	(0.8)
Total finance assets	**14,875,648**	14,936,947	15,859,324	(0.4)	(6.2)
Other assets	**1,381,953**	1,208,908	910,803	14.3	51.7
Goodwill and intangible assets	**2,163,063**	2,076,818	2,210,048	4.2	(2.1)
Assets of continuing operations	**18,420,664**	18,222,673	18,980,175	1.1	(2.9)
Assets of distributed operations	**—**	6,091,489	6,172,342	(100.0)	(100.0)
Total Assets	**18,420,664**	24,314,162	25,152,517	(24.2)	(26.8)
Liabilities					
Debt					
Secured borrowings	**12,983,535**	12,928,287	13,390,646	0.4	(3.0)
Convertible debentures	**855,688**	850,822	836,472	0.6	2.3
Total debt	**13,839,223**	13,779,109	14,227,118	0.4	(2.7)
Other liabilities	**600,087**	585,853	627,476	2.4	(4.4)
Liabilities of continuing operations	**14,439,310**	14,364,962	14,854,594	0.5	(2.8)
Distribution dividend payable	**—**	1,710,473	—	(100.0)	n/a
Liabilities of distributed operations	**—**	4,381,016	4,580,840	(100.0)	(100.0)
Total liabilities	**14,439,310**	20,456,451	19,435,434	(29.4)	(25.7)
Shareholders' equity	**3,981,354**	3,857,711	5,717,083	3.2	(30.4)
Total liabilities and shareholders' equity	**18,420,664**	24,314,162	25,152,517	(24.2)	(26.8)

(1) Comparative periods have been retrospectively adjusted to reflect finalization of the assessment of the fair value of assets acquired and liabilities assumed at the acquisition date of the GE Fleet Operations.

Total assets and liabilities of continuing operations decreased by 2.9% and 2.8%, respectively, mainly as a result of the depreciation of the US dollar compared to the Canadian dollar by approximately 3.0% between the periods. The Company was also exposed to other currencies that depreciated against the Canadian dollar during the period. The net impact of these variations flows as Other Comprehensive Income through Shareholders Equity.

The distribution payable of $1,710.5 million as at September 30, 2016, which consisted of the total assets of Distributed Operations for $6,091.5 million, net of total liabilities of distributed operations of $4,381.0 million, represented the fair value of the assets of ECN Capital, as determined using independent valuators, and that were distributed on October 3, 2016 through the issuance of ECN shares to the shareholders of the Company.

Portfolio Finance Asset Details

Finance receivables

The following table sets forth a breakdown of the Company's consolidated finance receivables from continuing operations as at December 31, 2016, September 30, 2016 and December 31, 2015:

(in 000's for stated values, except percentage amounts)	**December 31, 2016** **$**	September 30, 2016 $	December 31, 2015 $	Change over Sep 30, 2016 %	Change over Dec 31, 2015 %
Net investment in finance receivables	**12,372,533**	12,412,384	13,041,451	(0.3)	(5.1)
Impaired receivables - at net realizable value	**3,163**	2,609	823	21.2	284.3
	12,375,696	12,414,993	13,042,274	(0.3)	(5.1)
Unamortized origination costs and subsidies	**(129,829)**	(129,110)	(158,238)	0.6	(18.0)
Net finance receivables	**12,245,867**	12,285,883	12,884,036	(0.3)	(5.0)
Prepaid lease payments and Security deposits	**(27,568)**	(95)	(8,034)	28,918.9	243.1
Interim funding	**483,079**	520,296	711,600	(7.2)	(32.1)
Fleet management service receivables	**623,848**	616,159	707,852	1.2	(11.9)
Other	**134,866**	127,396	143,444	5.9	(6.0)
	13,460,092	13,549,639	14,438,898	(0.7)	(6.8)
Allowance for credit losses	**6,081**	8,388	13,397	(27.5)	(54.6)
Total finance receivables of continuing operations	**13,454,011**	13,541,251	14,425,501	(0.6)	(6.7)
Ratios					
Allowance for credit losses as a percentage of finance receivables	**0.05%**	0.06%	0.09%		

Total finance receivables from continuing operations have decreased by 6.7% compared to December 31, 2015, mainly as a result of the US dollar retraction compared to the Canadian dollar as mentioned previously. The decrease of 0.6% over September 30, 2016 was primarily due to seasonality, as peak origination periods are typically in late spring/early summer and September with new model year introductions.

All finance receivables were secured under the applicable provincial personal property registries and the applicable United States Uniform Commercial Code.

Allowance for credit losses

Management maintains an allowance for credit losses, which it establishes to provide for impairment of individual, or groups of assets. Individual impairment is assessed by examining contractual delinquency, and the individual borrower's financial condition, such as the identification of a borrower entering bankruptcy, or the company being in the process of legal or collateral repossession proceedings with a debtor. Accounts over 120 days past due are automatically considered to be impaired and are fully provisioned net of any anticipated recoveries and are presented at their net realizable value. Accounts that are contractually delinquent less than 120 days are provisioned by applying probability-weighted assumptions consistent with industry standards and the Company's own experience with respect to the probability of an identified account resulting in a borrower default. The amount of allowance for credit losses is measured as the difference between the carrying amounts of the assets on the consolidated statements of financial position and the present value of the estimated future cash flows on the financial receivables, discounted at the finance receivable's original effective interest rate.

According to the Company's underwriting policies and procedures, the Company assesses credit risk related to specific customer defaults, by performing detailed assessments on the value of the underlying security, the customer's financial condition and ability to service the debt, both at loan inception and throughout the term of the loan.

The Company's allowance for credit losses was $6.1 million as at December 31, 2016, a decrease of $7.3 million or 54.6% over the $13.4 million reported at December 31, 2015 and a decrease of $2.3 million or 27.5% over the immediately preceding quarter ended. The allowance for credit losses as a percentage of finance receivables as at December 31, 2016 was 0.05%, a decrease from 0.09% as at December 31, 2015 and 0.06% as at September 30, 2016. The declines reflect the adoption of a new provisioning policy as we have acquired a better understanding of the portfolios acquired.

Please refer to sections titled “Geographic Portfolio Segmentation”, "Asset Class Portfolio Distribution" and “Delinquencies and Losses” of this MD&A for additional information.

Delinquencies and losses

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

(in $'000s, except percentage amounts)						**As at**
	December 31, 2016		**September 30, 2016**		**December 31, 2015**	
	$	**%**	**$**	**%**	**$**	**%**
Current	**12,240,037**	**99.95**	**12,272,237**	**99.89**	**12,872,340**	**99.90**
31 to 60 days	**2,057**	**0.02**	**1,483**	**0.01**	**4,003**	**0.03**
61 to 90 days	**250**	**—**	**9,371**	**0.08**	**4,908**	**0.04**
91 to 120 days	**360**	**—**	**183**	**—**	**1,962**	**0.02**
Impaired receivables	**3,163**	**0.03**	**2,609**	**0.02**	**823**	**0.01**
Total	**12,245,867**	**100.00**	**12,285,883**	**100.00**	**12,884,036**	**100.00**

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

	Year ended December 31, 2016	**Year ended December 31, 2015**
(in 000's)	**$**	$
Allowance for credit losses, beginning of period	**13,397**	2,795
Provision for credit losses	**(3,834)**	911
Charge-offs, net of recoveries (1)	**(2,654)**	(199)
Business acquisition	**—**	8,974
Impact of foreign exchange rates	**(828)**	916
Allowance for credit losses, end of period	**6,081**	13,397
Allowance for credit losses as a percentage of finance receivables	**0.05%**	0.09%

The allowance for credit losses of $6.1 million as at December 31, 2016 represented 0.05% of the finance receivables outstanding, a reduction from the 0.09% reported at December 31, 2015. The charge offs, net of recoveries in the current year, reflects the realization of amounts that were specifically provided for as part of the GE Acquisition, excluding these amounts there would have been a net recovery of $0.3 million. Overall, the allowance was in-line with management's expectation of losses from the business and the mix of assets, including the addition of finance receivables acquired from the GE Acquisition.

Equipment under operating leases

The following table sets forth a breakdown by asset category of the Company's equipment under operating leases for continuing operations as at December 31, 2016, September 30, 2016 and December 31, 2015:

	December 31, 2016	September 30, 2016	December 31, 2015	Change over Sep 30, 2016	Change over Dec 31, 2015
(in 000's for stated values, except for percentage amounts)	**$**	$	$	%	%
Equipment under operating leases, net					
Fleet Vehicles	**1,421,637**	1,395,696	1,433,822	1.9	(0.8)

Fleet vehicle assets are amortized up to 10 years, with average amortization period approximately 45 months.

Portfolio Distribution

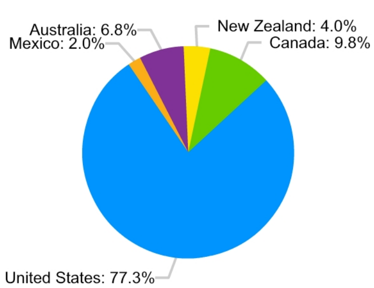
Geographic Portfolio Segmentation

The Company's portfolio of net finance receivables and equipment under operating leases continued to be weighted to the U.S. which accounted for 77.3% of the portfolio, while Canada represented 9.8%. The Canadian distribution of the Company's finance receivables was concentrated in the provinces with the largest populations and the greatest economic activity, while the U.S. portfolio was more broadly distributed throughout the U.S.

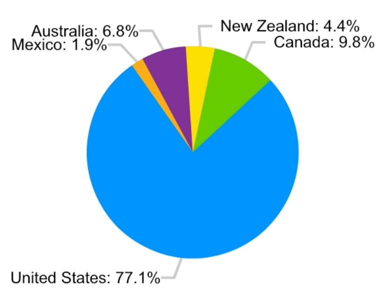
The geographic distribution of the Company's net finance receivables and equipment under operating leases by the ultimate obligor was as follows:

	December 31, 2016	**September 30, 2016**	**December 31, 2015**
United States	**10,567,964**	10,552,738	10,763,449
Canada	**1,344,546**	1,338,215	1,449,063
Australia	**931,481**	933,396	938,268
New Zealand	**552,260**	601,259	881,143
Mexico	**271,253**	255,971	285,935
Total	**13,667,504**	13,681,579	14,317,858
Allocated as:			
Net finance receivables	**12,245,867**	12,285,883	12,884,036
Equipment under operating leases	**1,421,637**	1,395,696	1,433,822
Total	**13,667,504**	13,681,579	14,317,858

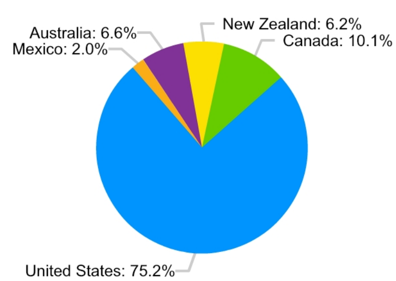
December 31, 2016



September 30, 2016



December 31, 2015



Asset Class Portfolio Distribution

The distribution of the net finance receivables and equipment under operating leases by asset classes, for continuing operations was as follows:

						As at
	December 31, 2016		September 30, 2016		December 31, 2015	
(in 000's, except percentage amounts)	**$**	**%**	$	%	**$**	**%**
Vehicles	**12,262,129**	**89.7**	12,144,462	88.8	12,636,749	88.3
Highway Tractors	**831,693**	**6.1**	768,362	5.6	829,730	5.8
Highway Trailers	**278,831**	**2.0**	287,667	2.1	387,655	2.7
Others	**294,851**	**2.2**	481,088	3.5	463,724	3.2
	13,667,504	**100.0**	13,681,579	100.0	14,317,858	100.0

Distributed Operations - ECN Capital Corp.

On October 3, 2016, Element completed the separation of its C&V Finance, Aviation Finance and Rail Finance verticals ("Distributed Operations"), into ECN Capital Corp. ("ECN Capital") and 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 assets and liabilities of ECN Capital were set-up on October 3, 2016, and the resulting gain on the distribution to the Company's shareholders is as follows, as of December 31, 2016:

Fair value of the distribution of assets to common shareholders	**1,710,473**
Less: carrying amount of the net assets distributed	**(1,710,473)**
Other comprehensive income reclassified to the statement of operations	**149,261**
Deferred income taxes on retained assets	**22,093**
Gain on distribution of assets before separation transaction costs	**171,354**
Separation transaction costs (net of taxes of $20,375)	**(56,311)**
Net gain on distribution of assets	**115,043**

The net gain on distribution has been included in the net income of the Company for the year ended and quarter ended December 31, 2016.

The following table presents the results of Element's Distributed Operations for the reported periods and on or before the date of separation and has been derived from the historical consolidated financial statements of Element and is presented on a carved-out basis as if ECN Capital had operated on a stand-alone basis throughout the periods.

	Three months ended				Year ended
	For the period from October 1, 2016 to October 3, 2016	September 30, 2016	December 31, 2015	**For the period from January 1, 2016 to October 3, 2016**	December 31, 2015
(in 000's for stated values, except percent and per share amounts)	**$**	$	$	**$**	$
Net financial income	**—**	48,544	60,960	**152,279**	217,668
Net income (loss) before taxes	**—**	(8,857)	40,878	**56,948**	140,461
Net income for the period	**—**	1,225	9,280	**51,721**	109,771
Adjusted operating income (1)	**—**	31,087	43,567	**101,426**	152,546
After-tax adjusted operating income (1)	**—**	27,444	33,547	**81,605**	117,460

(1) For additional information, see "Description of Non-IFRS Measures" section.

Summary of Consolidated Quarterly Information

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended December 31, 2016. This information has been prepared on the same basis as the Company's audited consolidated financial statements as adjusted to reflect the distinction between continuing and distributed operations, and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements of the Company and the related notes to those statements.

(in $ 000's for stated values, except per share amounts)	Q4, 2016	Q3, 2016	Q2, 2016	Q1, 2016	Q4, 2015	Q3, 2015	Q2, 2015	Q1, 2015
Net financial income from continuing operations	**218,507**	230,292	233,923	253,836	228,759	131,543	96,938	83,091
Adjusted operating income from continuing operations (1)	**119,942**	126,581	133,920	145,457	117,971	72,143	51,797	41,356
Adjusted operating income from distributed operations (1)	**—**	31,087	32,896	37,443	43,567	34,978	36,967	37,034
Total adjusted operating income (1)	**119,942**	157,668	166,816	182,900	161,538	107,121	88,764	78,390
After-tax adjusted operating income continuing ops (1)	**99,914**	104,978	105,382	111,163	109,931	60,240	39,466	31,926
After-tax adjusted operating income from distributed operations (1)	**—**	27,444	25,330	28,831	33,547	26,933	28,465	28,516
Total after-tax adjusted operating income (1)	**99,914**	132,422	130,712	139,994	143,478	87,173	67,931	60,442
Net income / (loss) from continuing operations	**4,014**	35,644	75,900	74,706	72,835	(29,505)	(860)	22,190
Net income / (loss) from distributed operations (1)	**171,354**	1,225	23,933	26,563	31,598	24,849	26,017	27,307
Total net income / (loss)	**175,368**	36,869	99,833	101,269	104,433	(4,656)	25,157	49,497
Earnings per share from continuing operations, basic	**(0.01)**	0.07	0.17	0.17	0.17	(0.13)	(0.03)	0.06
Earnings per share from distributed operations, basic	**0.44**	—	0.06	0.07	0.08	0.08	0.10	0.10
Total earnings (loss) per share, basic	**0.43**	0.07	0.24	0.24	0.25	(0.04)	0.07	0.16
Earnings per share from continuing operations, diluted	**(0.01)**	0.07	0.17	0.17	0.16	(0.13)	(0.03)	0.06
Earnings per share from distributed operations, diluted	**0.44**	—	0.06	0.07	0.08	0.08	0.10	0.10
Total earnings (loss) per share, diluted	**0.43**	0.07	0.23	0.24	0.24	(0.04)	0.07	0.16
Adjusted operating income per share (basic) - from continuing operations	**0.29**	0.30	0.32	0.35	0.28	0.21	0.17	0.13
After-tax adjusted operating income per share (basic) - from continuing operations	**0.24**	0.25	0.25	0.26	0.26	0.17	0.12	0.10
Total earning assets - continuing operations	**13,973,475**	13,985,366	13,817,529	13,879,718	14,619,209	14,038,269	5,884,769	5,583,919
Loan and lease originations - continuing operations	**1,652,023**	1,572,615	1,702,789	1,636,472	1,688,749	1,122,725	1,047,535	809,597
Allowance for credit losses - continuing operations	**6,081**	8,388	7,199	11,875	13,397	6,593	2,452	1,132
As a % of finance receivables	**0.05**	0.06	0.05	0.09	0.09	0.05	0.04	0.02
Senior revolving credit facility - continuing operations	**2,978,122**	3,002,178	2,834,324	3,109,079	3,214,024	6,997,553	(218,822)	607,882
Secured borrowings - continuing operations	**10,005,413**	9,926,109	9,961,891	9,532,109	10,176,622	5,512,244	5,248,972	4,824,586
Convertible debentures - continuing operations	**855,688**	850,822	846,031	841,312	836,472	831,916	829,470	305,140

(1) For additional information, see "Description of Non-IFRS Measures" section.

Key factors that account for the fluctuation in the Company's quarterly results from continuing operations included the volume of leases and loans that the Company has originated as well as the timing of GE Acquisition. Variations in the quarterly results from distributed operations, included the timing of the acquisition of (i) the railcar portfolios acquired in March 2015, June 2015, September 2015, December 2015 and March 2016, (ii) the various new vendor and commercial finance programs and relations entered into during the intervening periods, (iii) the run-off of the aviation finance portfolio, (iv) the gain recognized on the distribution of ECN Capital to shareholders of the Company on October 3, 2016.

Liquidity & Capital Resources

An important liquidity measure for the Company is its ability to maintain diversified funding sources to support its operations. The Company's primary sources of liquidity are (i) cash flows from operating activities, (ii) the secured borrowing facilities, and (iii) equity. The Company's primary use of cash is the funding of finance receivables and the funding of working capital. The Company manages its capital resources by utilizing the financial leverage available under its term funding and revolving facilities and, when additional capital is required, the Company has access to capital through the issuance of convertible debt, preferred or common shares.

Management believes that the immediate liquidity available to the Company of $5,890.8 million at December 31, 2016 plus the cash flow internally generated from the repayment of leases and loans is sufficient to fund the Company's operations throughout 2017, as well as pay the dividend to all preferred and common shareholders.

On March 9, 2017, the board of directors approved a capital allocation policy that focuses on capital efficiency, and balances between prudent investment in the growth of the business, both organically and through acquisitions, disciplined balance sheet management and attractive returns to the shareholders. Under such plan, the Board of Directors approved an increase in annual dividend to $0.30 per common share, effective Q1 2017, up from $0.10 per common share (or $0.075 per common share per quarter, up from $0.025 per common share per quarter).

The Company views both financial and tangible leverage as key indicators of the strength of the Company's Consolidated Statements of Financial Position. As at December 31, 2016, the Company's financial leverage ratio was 3.48:1 and the Company's tangible leverage was 7.61:1.

The Company's capitalization is calculated as follows:

(in 000's, except ratio amounts)		As at December 31, 2016 $
Secured borrowings		**12,983,535**
Convertible debentures		**855,688**
Total debt	**(a)**	**13,839,223**
Total shareholders' equity	**(b)**	**3,981,354**
		17,820,577
Goodwill and intangible assets	**(c)**	**2,163,063**
Financial leverage	**(a)/(b)**	**3.48**
Tangible leverage	**(a)/[(b)-(c)]**	**7.61**

Cash flow and liquidity

Overall, corporate cash decreased from $56.8 million at December 31, 2015 to $12.6 million at December 31, 2016.

During the year ended December 31, 2016, cash provided by operating activities from continuing operations was $494.3 million, an increase of $1,376.2 million over the $881.9 million utilized during the comparative year ended December 31, 2015. The increase over the prior year was due to an increase in net income for the current period and increases in non-cash amounts charged to income, combined with a reduction in cash utilized in net operating asset and liability balances.

During the year ended December 31, 2016, cash utilized in investing activities from continuing operations was $351.4 million compared to a utilization of $9,072.7 million for the prior year ended December 31, 2015, a decrease of $8,721.3 million. The higher utilization during the prior year was primarily due to the GE Acquisition.

Cash provided by financing activities from continuing operations for the year ended December 31, 2016 was $84.3 million, compared to $10,286.5 million generated in the prior year ended December 31, 2015, a decrease of $10,370.8 million. The decrease is attributable to the issuance of common shares, preferred shares, convertible debentures and secured borrowings in the prior year in connection with the GE Acquisition.

The table below is a summary adjusted cash flow statement the Company, that more closely reflects the key cashflows from the operations presented in a model more applicable to a lease financing company.

	For the year ended December 31, 2016
(in 000's)	$
CASH FROM ADJUSTED OPERATING ACTIVITIES	
After-tax adjusted operating income	421,437
Items not affecting cash	
Income taxes on adjusted operating income	104,463
Amortization, depreciation and provisions	76,306
	602,206
Other cash flows from leases	
Principal repayments of finance receivables and depreciation of equipment under operating leases	6,414,735
Syndications of finance receivables	518,166
Cash provided in adjusted operating activities	7,535,107
CASH USED IN ADJUSTED INVESTING ACTIVITIES	
GE Fleet Operations acquisition	(28,079)
Purchase of finance assets and equipment under operating leases	(6,563,899)
Others	(801,178)
Cash used in adjusted investing activities	(7,393,156)
CASH PROVIDED BY FINANCING ACTIVITIES	
Issuance of share capital from exercise of stock options	3,432
Issuance of secured borrowings, net	(13,398)
Dividends paid	(74,292)
Cash provided by financing activities	(84,258)
Cash utilized in distributed operations	(101,819)
Net increase (decrease) in adjusted cash during the period	(44,126)
Cash, beginning of period	56,764
Cash, end of period	12,638

Debt and contractual repayment obligations

With $5.9 billion in available sources of financing, we have significant resources available to continue funding projected growth. Finance receivables are securitized on a regular basis to ensure cash is always available to fund new transactions. 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 for continuing operations were as follows at the quarters ended December 31, 2016, September 30, 2016 and December 31, 2015:

			As at
	December 31, 2016	September 30, 2016	December 31, 2015
(in 000's)		$	$
Cash	**12,638**	2,744	56,764
Term Senior Facility			
Facility amount	**4,699,450**	4,590,950	5,349,406
Utilized against facility	**2,978,122**	3,002,178	3,214,024
	1,721,328	1,588,772	2,135,382
Vehicle Management Asset-Backed Debt			
Facilities	**14,207,887**	15,013,813	13,619,893
Utilized against available facilities	**10,051,059**	9,982,709	10,144,437
	4,156,828	5,031,104	3,475,456
Bank Securitization Programs			
Facility commitments	**—**	—	77,735
Utilized against facility	**—**	—	77,735
	—	—	—
Total available sources of capital for continuing operations	**5,890,794**	6,622,620	5,667,602

The term senior credit facility as at December 31, 2015, represented the senior facility utilized and available to continuing operations. As part of the structuring connected with the Separation, the Company amended its senior credit facility to reduce available funding from $7,379,222 as at December 31, 2015 to $4,699,450 as at December 31, 2016, to reflect the Company's lower borrowing requirements after distributed operations.

The Company was in compliance with all of the terms of its credit facilities and loan agreements throughout the period and as at December 31, 2016.

Other Disclosures

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) associates, or entities which are controlled or significantly influenced by the Company; (b) key management personnel, which are comprised of directors and/or officers of the Corporation and those persons having authority and responsibility for planning, directing and controlling the activities of the Company; (c) entities controlled by key management personnel.

The Company has issued notes receivables that are loans to certain employees and directors of the Company granted in order to help finance the purchase of the Company's common shares. Such loans have been issued at market conditions, bear interest at 3% and are evidenced by individual promissory notes secured by the shares purchased under the loan arrangements. On March 3, 2017 the Board of Directors approved a plan to discontinue this program on a prospective basis. This change will not impact amounts receivable as at December 31, 2016.

Derivatives and Hedging

From time to time, the Company enters into derivative transactions primarily in order to hedge interest rate exposure resulting from its floating rate debt obligations. The Company will enter into interest rate swap transactions whereby the Company will pay a fixed rate of interest and receive a floating rate of interest. Similarly, the Company will enter into interest rate cap contracts whereby the Company will receive payments if the floating rate exceeds the cap strike price. The notional amounts of the derivatives are matched to the expected amortization of the related debt. The Company has designated these instruments as cash flow hedges when the criteria for hedge accounting has been met and the changes in fair value of the effective portions of the hedging instruments are recognized through other comprehensive income, interest settlements on these interest rate swaps are applied to the related interest expense on the debt through the statement of operations.

The Company will also enter into foreign exchange forward agreements to hedge its exposures to foreign currency risk on foreign denominated finance receivables and its net investment in foreign subsidiaries. Fair value changes on the foreign exchange forward agreements and settlements on the foreign exchange forward contracts are recognized through other comprehensive income, and are transferred to income as foreign exchange gains and losses are recognized on the related hedged finance receivable or on the disposition of the related foreign subsidiary.

The Company also enters into total return swap agreements to hedge its exposure to changes to Company's share price on the Company's stock compensation plans that are accounted for as liabilities. The Company has designated both fair value and cash flow hedging relationships depending on the stock compensation plan.

As at December 31, 2016, the Company had net derivative assets of $39.7 million on notional balances of $8,215.9 million.

For the year ended December 31, 2016, the fair value changes recorded in net income was a loss of $32.4 million and in other comprehensive income was a gain of $69.4 million for derivatives designated as cashflow hedges.

Risk Management

In the normal course of business, the Company engages in operating and financing activities that generate risks in the following primary areas:

Credit risk

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

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

The Company has credit risk relating to cash and cash equivalents and short-term investments. The Company manages this risk by by dealing with large chartered Canadian banks and global banks, and local banks in countries in which its foreign subsidiaries operate, as we as investing in highly liquid investment securities.

Liquidity risk

Liquidity risk is the risk that the Company will not generate sufficient cash or cash equivalents in a timely and cost effective manner to satisfy its financial obligations as they come due. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that the Company will have sufficient liquidity to meet its liabilities when due as well as sustain and grow the Company's assets and operations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Growth in our lease portfolio will require ongoing availability of secured financing and funding lines sufficient to accommodate projected growth objectives. The Company has taken steps to ensure appropriate funding will be in place as required.

The Company believes that its capacity to expand its existing secured borrowing facilities, its access to bank term funding combined with access to the issuance of equity will be sufficient to fund its normal operating and capital expenditures as the Company grows.

As at December 31, 2016, the Company had available liquidity of $5,890.8 million compared to $5,667.6 million at December 31, 2015.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances the Company enters into interest rate swaps in order to align the interest rate variability.

The Company does experience short-term interest rate risk on finance receivables during the period between fixing the contractual rate under the finance contracts with its customers and the locking of the interest rate under its funding facilities. During this time, an upward movement in benchmark rates can negatively impact the spread on the transaction. In order to mitigate this risk, the Company carefully monitors its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. In order to further mitigate risk, the Company undertakes regular securitizations under its secured borrowing arrangements to ensure its finance contracts are appropriately match-funded by its secured borrowing, which reduces the warehouse period and the likelihood that a significant movement in bond and/or note rates will negatively impact the spreads on such transactions. The Company also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing such finance assets.

To the extent that finance receivables are not part of a secured borrowing program, the Company manages its interest rate risk exposure by entering into interest rate hedges to limit such exposure. As at December 31, 2016, the percentage of the total lease portfolio and the loan portfolio that had fixed interest rates was 48.8% and 23.6%, respectively.

After considering the fixed interest rate spread on the secured borrowing programs and the exposure to fixed rate finance receivables described above, the Company's interest rate risk is limited to cash and restricted cash, floating-rate finance receivables which are neither hedged nor part of a match-funded secured borrowing arrangement, and drawings under the senior revolving credit facility. Based on its exposure as at December 31, 2016, the Company estimates that a 50 basis point increase would decrease net income before taxes by approximately $5.2 million and a 50 basis point decrease in interest rates would increase net income before taxes by approximately $5.1 million.

Foreign Currency Risk

Foreign currency risk is the risk of exposure to foreign currency movements on the Company's lending and/or net investment in foreign subsidiaries, whereby there is a risk the exchange rates will be materially different when a loan or finance receivable is remeasured for accounting purposes, matures or when a foreign subsidiary is divested. The Company mitigates and manages this risk on the Company's lending portfolio by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. The Company currently partially hedges its net investment in foreign subsidiaries. As at December 31, 2016, the Company did not have a significant un-hedged exposure to this type of foreign currency risk that would have an impact to net income.

The Company is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average Canadian and respective foreign currency exchange rate used to translate the Company's foreign currency denominated net income into Canadian dollar equivalent during each period. The Company may mitigate and manage this type of foreign currency risk by entering into foreign currency forward contracts to reduce or hedge this exposure to foreign currency risk. If future net income before business acquisition costs and income taxes is consistent with the results generated in 2016, each one cent increase (decrease) in the average Canadian/foreign currency exchange rate would be expected to increase/decrease net income before business acquisition costs and income taxes for the year by approximately $6,785 in the absence of hedging transactions.

Competitive environment

There can be no assurance that the Company will be able to compete successfully against its current or future competitors, or that such competition will not have a material adverse effect on the financial condition and results of operations of the Company. Overall, the market for the financial services offered by the Company is highly competitive and some of the companies operating in this sector have greater financial resources than the Company.

Potential acquisitions and investments

The Company seeks to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth.

Personnel significance

Employees are a significant asset of the Company. Market forces and competitive pressures may adversely affect the ability of the Company to recruit and retain key qualified personnel. The Company mitigates this risk by providing a competitive compensation and benefits package, as it continuously seeks to align the interest of employees and shareholders.

Outlook and Economic Conditions

The Company's principal objective is a continuation of managed growth by developing quality new business opportunities in fleet management while maintaining high underwriting standards. The Company is well positioned to capitalize on market opportunities and to address increased competition through its experienced management and staff, and investment in technology, coupled with its substantial capital and borrowing capacity. The Company continues to look for opportunities to introduce new products and services to benefit its customers and generate increased net revenues.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial conditions and results of operations are made with reference to the consolidated financial statements for the year ended December 31, 2016. A summary of the Company's significant accounting policies are presented in Note 2 to audited consolidated financial statements for the year ended December 31, 2016. Some of the Company's accounting policies, as required by International Financial Reporting Standards, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. The Company believes the policies below are the most critical accounting estimates that affect its operating results, and that would have the most material effect on the financial statements should these policies change or be applied in a different manner.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, the expected residual value of leased assets, and past experience.

The Company reviews its individually significant leases and loans at each consolidated balance sheet date to assess the adequacy of the allowance for credit losses and to determine whether an impairment loss should be recorded in the consolidated statement of operations. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the allowance. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance. Leases and loans that have been assessed individually and found not to be impaired and all individually insignificant leases are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether an allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio such as levels of arrears and credit utilization and judgments to the effect of concentrations of risks.

As at December 31, 2016, the allowance for credit losses as a percentage of outstanding finance receivables was 0.05%.

Deferred income tax assets

Deferred income tax assets are recognized for unused income tax loss carry forwards and deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses and temporary differences can be utilized. Judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-based compensation

Compensation expense relating to stock options granted by the Company to employees and directors in exchange for service is based on the grant-date fair value of the option. The stock option fair value is determined using the Black-Scholes option valuation model which requires the use of assumptions and is, by its nature, subject to measurement uncertainty.

Useful lives and residual values of equipment under operating leases

The Company's equipment under operating leases are recorded at cost and depreciated over their estimated useful lives to an estimated residual value using the straight-line method. The Company determines the economic useful life based on management's estimate of the period which the asset will generate revenue. The residual values are based on historical experience and economic factors. Management will periodically review the appropriateness of the estimated useful lives and residual values based on changes in economic circumstances and other factors. Changes in these estimates would result in a change in future depreciation expense.

Business combination

Business combination requires management to exercise judgment in measuring the fair value of the assets acquired, equity instrument issued, and liabilities and contingent liabilities incurred or assumed.

The majority of assets acquired in the Company`s business combinations are finance receivables. The Company fair values these based on the characteristics of the portfolio acquired, and are similar to the judgment used in the assessment of the allowance for credit losses.

Investment in joint venture

The cost of the investment in joint venture requires management to exercise judgment in measuring the fair value of the assets contributed by the Company to the joint venture.

Intangible assets valuation - Customer Relationships

The Company's customer relationships requires management to use judgment in estimating the fair value of this intangible asset acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating customer attrition rates to determine the appropriate amortization period for the customer relationship intangible asset.

Goodwill valuation

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable value of the Company's cash generating unit ["CGU"] and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Distribution dividend valuation

The fair value of the distribution dividend requires management to exercise judgment in measuring the fair value of the assets and liabilities distributed. The Company used independent valuators to model and assess the fair value.

Future Accounting Changes

All accounting standards effective for periods beginning on or after January 1, 2016 have been adopted by the Company. The following new IFRS pronouncements have been issued but are not yet effective and may have a future impact on the Company's financial statements.

IFRS 9, Financial Instruments ["IFRS 9"], was issued in November 2009 and amended in October 2010, November 2013, and July 2014, and is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. It is intended to replace IAS 39. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9's classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entities business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged. The new standard replaces the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. The standard introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Company's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ["IFRS 15"] was issued in May 2014 and is effective for years beginning on or after January 1, 2018, to be applied retrospectively or on a modified retrospective basis. IFRS 15 clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts. Management is currently evaluating the potential impact that the adoption of IFRS 15 will have on the Company's consolidated financial statements.

IFRS 16, Leases ["IFRS 16"], will replace IAS 17, Leases ["IAS 17"]. IFRS 16 substantially carry forward IAS 17 accounting requirements for lessor accounting, with additional disclosure requirements. For lessee accounting, the new standard will result in almost all leases being accounted for similar to finance leases under IAS 17, including leases previously accounted for as operating leases. IFRS 16 is to be effective for fiscal years beginning on or after January 1, 2019. Management is currently evaluating the potential impact that the adoption of IFRS16 will have on the Company's consolidated financial statements.

Internal Control over Disclosure and 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.

Limitations on the effectiveness of disclosure controls and internal controls over financial reporting

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 which includes the continuous testing and reporting of the results to senior management and the Board of Directors on the effectiveness of the disclosure controls and internal controls over financial reporting.

IFRS to Non-IFRS Reconciliations

The following table provides a reconciliation of non-IFRS to IFRS measures related to the consolidated continuing operations of the Company:

		As at and for the three months ended			As at and for the year ended	
$ thousands (except % and per share amounts)		**December 31, 2016**	September 30, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Reported and adjusted income measures						
Continuing operations						
Net income (loss)	A	**4,014**	35,644	72,835	**190,264**	64,660
Adjustments:						
Amortization of debenture synthetic discount		**3,155**	3,103	2,955	**12,314**	9,289
Share-based compensation		**2,850**	7,109	7,059	**22,485**	23,831
Amortization of intangible assets from acquisitions		**15,730**	15,443	16,146	**62,472**	29,643
Transaction, integration and separation costs		**114,528**	71,608	34,747	**238,683**	203,283
Provision (recovery) of income taxes		**(20,335)**	(6,326)	(15,771)	**(318)**	(47,439)
Before-tax adjusted operating income	B	**119,942**	126,581	117,971	**525,900**	283,267
Provision for taxes applicable to adjusted operating income	C	**20,028**	21,603	8,040	**104,463**	41,152
After-tax adjusted operating income	D=B-C	**99,914**	104,978	109,931	**421,437**	242,115
Cumulative preferred share dividends during the period	Y	**8,912**	8,912	8,912	**35,648**	31,047
After-tax adjusted operating income attributable to common shareholders	D1= D-Y	**91,002**	96,066	101,019	**385,789**	211,068
Selected statement of financial position amounts, continuing operations						
Finance receivables, before allowance for credit losses	E	**13,460,092**	13,549,639	14,438,898	**13,460,092**	14,438,898
Allowance for credit losses	F	**6,081**	8,388	13,397	**6,081**	13,397
Earning assets						
Net investment in finance receivable	G	**12,372,533**	12,412,384	13,041,451	**12,372,533**	13,041,451
Equipment under operating leases	H	**1,421,637**	1,395,696	1,433,822	**1,421,637**	1,433,822
Other earning assets	H1	**179,305**	177,286	143,936	**179,305**	143,936
Total earning assets	I=G+H +H1	**13,973,475**	13,985,366	14,619,209	**13,973,475**	14,619,209
Average earning assets, net	J	**14,056,388**	14,130,647	14,250,361	**14,106,370**	8,332,014
Goodwill and intangible assets	K	**2,163,063**	2,076,818	2,210,048	**2,163,063**	2,210,048
Average goodwill and intangible assets	L	**2,114,895**	2,056,023	2,166,373	**2,111,637**	1,389,908
Secured borrowings	M	**12,983,535**	12,928,287	13,390,646	**12,983,535**	13,390,646
Unsecured convertible debentures	N	**855,688**	850,822	836,472	**855,688**	836,472
Total debt	O=M +N	**13,839,223**	13,779,109	14,227,118	**13,839,223**	14,227,118
Average debt	P	**13,894,628**	13,742,793	13,757,777	**13,967,118**	8,312,068
Total shareholders' equity	Q	**3,981,354**	3,857,711	5,717,083	**3,981,354**	5,717,083
Preferred shares	R	**533,656**	533,656	533,656	**533,656**	533,656
Common shareholders' equity	S=Q-R	**3,447,698**	3,324,055	5,183,427	**3,447,698**	5,183,427
Average common shareholders' equity	T	**3,412,902**	4,983,181	4,926,813	**4,596,579**	3,382,086
Average total shareholders' equity	U	**3,946,558**	5,516,837	5,460,454	**5,130,235**	3,838,004
Average net investment in ECN Capital	U1	**—**	1,636,606	1,485,860	**1,273,325**	1,321,463

Non-IFRS and IFRS Key Annualized Consolidated Operating Ratios and per Share Information of the continuing operations of the Company:

		As at and for the three months ended			As at and for the year ended	
$ thousands (except % and per share amounts)		**December 31, 2016**	September 30, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Before tax adjusted operating income per share [basic]	**(B-Y)/W**	**$ 0.29**	$ 0.30	$ 0.28	**$ 1.27**	$ 0.83
After-tax adjusted operating income per share [basic] (1)	**(D1)/W**	**$ 0.24**	$ 0.25	$ 0.26	**$ 1.00**	$ 0.69
After-tax proforma diluted adjusted operating income per share	**(D1+Z)/X**	**$ 0.22**	$ 0.24	$ 0.25	**$ 0.95**	$ 0.69
Key annualized operating ratios						
Leverage ratios						
Financial leverage ratio	O/Q	**3.48**	3.57	2.49	**3.48**	2.49
Tangible leverage ratio	O/(Q-K)	**7.61**	7.74	4.06	**7.61**	4.06
Average financial leverage ratio	P/U	**3.52**	2.49	2.52	**2.72**	2.17
Average tangible leverage ratio	P/(U-L)	**7.59**	3.97	4.18	**4.63**	3.40
Other key operating ratios						
Allowance for credit losses as a percentage of finance receivables	F/E	**0.05%**	0.06%	0.09%	**0.05%**	0.09%
Adjusted operating income on average earning assets	B/J	**3.41%**	3.58%	3.31%	**3.73%**	3.40%
After-tax adjusted operating income on average tangible total equity of Element Fleet	D/(U-L-U1)	**21.82%**	23.02%	24.32%	**24.15%**	21.49%
Per share information						
Number of shares outstanding (including special warrants)	V	**387,117**	386,756	386,135	**387,117**	386,135
Weighted average number of shares outstanding [basic]	W	**386,930**	386,742	385,930	**386,525**	305,230
Proforma diluted average number of shares outstanding	X	**446,233**	435,689	435,469	**445,828**	344,906
Cumulative preferred share dividends during the period	Y	**$ 8,912**	$ 8,912	$ 8,912	**$ 35,648**	$ 31,047
Other effects of dilution adjusted operating income basis	Z	**$ 8,989**	$ 8,972	$ 9,600	**$ 35,996**	$ 28,520
Net income (loss) per share [basic]	(A-Y)/W	**$ (0.01)**	$ 0.07	$ 0.17	**$ 0.40**	$ 0.11
Net income (loss) per share [diluted]		**$ (0.01)**	$ 0.07	$ 0.16	**$ 0.39**	$ 0.11
Book value per share	S/V	**$ 8.91**	$ 8.59	$ 13.42	**$ 8.91**	$ 13.42

The following table provides a reconciliation of the consolidated after-tax adjusted operating income per share and the after-tax diluted adjusted operating income per share of the continuing operations of the Company for the three months ended December 31, 2016:

in thousands (except per share amounts)	Amount $	Weighted average number of shares outstanding applicable	Amount per share $
Adjusted operating income before taxes	119,942		0.31
Less:			
Income taxes related to adjusted operating income	(20,028)		(0.05)
Preferred share dividends	(8,912)		(0.02)
After-tax adjusted operating income attributable to common shareholders	91,002	386,930	0.24
Dilution items:			
Employee stock option plan	—	4,562	—
Convertible debentures (after-tax net interest expense)	8,989	54,741	(0.02)
After-tax proforma diluted adjusted operating income	99,991	446,233	0.22

Description of Non-IFRS Measures

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the accounting policies we adopted in accordance with IFRS. These consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at December 31, 2016 and December 31, 2015, the results of operations, comprehensive income and cash flows for the year ended December 31, 2016 and December 31, 2015.

Management uses both IFRS and Non-IFRS Measures to monitor and assess the operating performance of the Company's operations. Throughout this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other organizations:

Adjusted operating expenses

Adjusted operating expenses are equal to Salaries, wages and benefits and, General and administration expenses. Management believes Adjusted operating expenses provide the most appropriate measure of operating costs during the period as they exclude synthetic discount amortization and share-based compensation.

Adjusted operating income or Before-tax adjusted operating income

Adjusted operating income reflects Income before income taxes, Business acquisition costs, amortization of convertible debenture synthetic discount and Share-based compensation. Management believes that this measure is the most appropriate operating measure of the Company's performance as it excludes business acquisition costs, synthetic discount amortization and share-based compensation which do not relate to maintaining operating activities.

Adjusted operating expense ratio

Adjusted operating expense ratio is calculated as the adjusted operating expenses divided by average earning assets outstanding throughout the period. The adjusted operating expense ratio, presented on an annualized basis, is used by the Company to assess the efficiency of the management of the Company's earning assets.

Adjusted operating income on average earning assets

Adjusted operating income on average earning assets is the adjusted operating income for the period divided by the average earning assets outstanding throughout the period, presented on an annualized basis.

After-tax adjusted operating income

After-tax adjusted operating income reflects the adjusted operating income after the application of the Company's effective tax rates.

After-tax adjusted operating income attributable to common shareholders

After-tax adjusted operating income attributable to common shareholders is computed as after-tax adjusted operating income less the cumulative preferred share dividends for the period.

After-tax adjusted operating income per share

After-tax adjusted operating income per share is computed as the after-tax adjusted operating income attributable to common shareholders for the period, divided by the basic weighted average number of common shares outstanding during the period.

After-tax adjusted operating income on average earning assets

After-tax adjusted operating income on average earning assets is the after-tax adjusted operating income for the period divided by average earning assets outstanding throughout the period, presented on an annualized basis.

After-tax adjusted operating income on average tangible total equity of Element Fleet

After-tax adjusted operating income on average tangible equity of Element Fleet is the after-tax adjusted operating income for the period, divided by the net of the average total shareholders' equity outstanding throughout the period, less average goodwill and intangible assets and less the Company's average net investment in ECN Capital, presented on an annualized basis.

After-tax proforma diluted adjusted operating income per share

After-tax proforma diluted adjusted operating income per share computes the diluted after-tax adjusted operating income per share for the period on the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises. Convertible debentures are assumed to be converted at the beginning of the period (or at issuance if issued during the period on a time weighted basis) with the other effects of dilution adjusted operating income basis added to the adjusted operating income, if they are dilutive.

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.

Annualized loss rate or Annual loss rate

The annualized loss rate or annual loss rate is equal to the Charge-offs, net of recoveries recorded through the allowance for credit losses during the period divided by the average finance receivables outstanding throughout the period, presented on an annualized basis. The annualized loss rate is used by the Company to assess the percentage of the finance receivables portfolio that incurred losses during the period. In addition, the Company utilizes the annualized loss rate as an alternative measure to the provision for credit losses as it excludes the effect of provisions for (reductions in) the allowance for credit losses during the period which may not coincide with the actual timing of write-offs and recoveries.

Average cost of borrowing

Average cost of borrowing is equal to interest expense divided by the average debt outstanding during the period and is presented on an annualized basis. The average cost of borrowing provides an indication of the average interest rate that the Company pays on debt financing.

Average debt outstanding

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

Average common shareholders' equity

Average common shareholders' equity is calculated as the monthly average common shareholders' equity during the period.

Average financial leverage or average financial leverage ratio

Average financial leverage or average financial leverage ratio is calculated as average debt outstanding during the period, divided by average total shareholders' equity outstanding during the period. Financial leverage refers to the use of debt to acquire/finance additional finance receivables and provides an indication of future potential ability to increase the level of debt when compared to specific industry-standard and or existing debt covenants.

Average net financial income margin yield

Average net financial income margin yield is the net financial income divided by average earning assets outstanding during the period provided on an annualized basis. Average net financial income margin yield provides an indication of the effective net yield generated on the earning assets before deductions for all other operating expenses and of the net margin generated on the portfolio of earning assets.

Average net investment in ECN Capital

Average net investment in ECN Capital is the average of the quarter end balances of the net assets of ECN Capital during the period.

Average portfolio yield

Average portfolio yield is financial revenue divided by average earning assets in the period. Average portfolio yield provides an indication of the effective yield generated on the earning assets before deductions for financial, operating, transaction costs and income tax expenses.

Average outstanding earning assets or average earning assets

Average outstanding earning assets or average earning assets is the sum of the average outstanding finance receivable, average equipment under operating leases and average other earning assets.

Average outstanding finance receivables or average finance receivables

Average outstanding finance receivables or average finance receivables is the sum of [i] the average finance receivables net investment balance [gross investment less unearned income] outstanding during the period [ii] the average investment in managed fund during the period.

Average equipment under operating leases

Average equipment under operating leases is the daily weighted average equipment under operating leases outstanding during the period and is calculated net of accumulated depreciation.

Average goodwill and intangible assets

Average goodwill and intangible assets is the average of the quarter end balancesof goodwill and intangible assets during the period.

Average other earning assets

Average other earning assets is the daily weighted average other earning assets outstanding during the period.

Average shareholders' equity

Average shareholders' equity is calculated as the monthly average shareholders' equity during the period.

Average tangible leverage ratio

The average tangible leverage ratio has been computed as the sum of the average secured borrowings and average convertible debentures, divided by the net of total average shareholders' equity less average goodwill and intangible assets during the period.

Common shareholders' equity

Common shareholders' equity is total shareholders' equity less principal face value of the preferred shares outstanding.

Earning assets or total earning assets or finance earning assets

Earning assets are the sum of the total net investment in finance receivables, total carrying value of the equipment under operating leases and carrying value other earning assets.

Finance assets or total finance assets

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

Financial leverage or financial leverage ratio

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

Net interest income and rental revenue, net before provisions for credit losses

Net interest income and rental revenue, net before provisions for credit losses is equal to total interest income and total rental revenue, net less total interest expense and excludes provisions for credit losses as reported for the period. Net interest income and rental revenue before provisions for credit losses provides an indication of the gross interest and rental revenues from earning assets, before consideration of credit losses.

Operating expense ratio

The operating expense ratio is calculated as total operating expenses divided by average earning assets outstanding throughout the period on an annualized basis. The operating expense ratio is used by the Company to assess the efficiency of the management of the Company's finance receivables portfolio and equipment under operating leases.

Other earning assets

Other earning assets are other yield generating assets that are not finance receivables or equipment under operating leases.

Other effects of dilution adjusted operating income basis

Other effects of dilution adjusted operating income basis represents, if dilutive, the add back of the after-tax convertible debt interest and the amortization of deferred financing costs related to the convertible debt, and excludes the add back of the after-tax amortization of the synthetic discount of the convertible debt (which is included on an IFRS basis).

Proforma diluted average number of shares outstanding

Proforma diluted average number of shares outstanding is the basic weighted average number of shares outstanding, plus the assumption that all outstanding options at the end of the period that have an exercise price less than the closing market value on that day, are fully vested on that day and are fully exercised at their exercise price, and a corresponding number of shares are repurchased at the closing market value on that day using the cash proceeds from these option exercises.

Provision for credit loss as a percentage of average finance receivables

The provision for credit loss as a percentage of average finance receivables is the provision for credit losses during the period as recorded on the statements of operations divided by the average finance receivables outstanding throughout the period, presented on an annualized basis.

Rental revenue, net

Rental revenue, net is equal to rental income earned on equipment under operating leases, less depreciation.

Tangible leverage ratio

The tangible leverage ratio has been computed as the sum of secured borrowings and convertible debentures divided by the net of total shareholders' equity less goodwill and intangible assets at the period end.

Updated Share Information

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

As at March 9, 2017, the Company had 387,923,802 common shares issued and outstanding. In addition, 23,825,393 options were issued and outstanding under the Company's stock option plan as at March 9, 2017. These convertible securities are convertible into, or exercisable for common shares of the Company of which 14,783,273 are exercisable at December 31, 2016 for proceeds to the Company upon exercise of $131.9 million. In addition, the Company had extendible convertible debentures outstanding that are convertible into an aggregate of 54,740,555 common shares.

As at March 9, 2017, the Company had 4,600,000 Preferred Shares, Series A, 5,126,400 Preferred Shares, Series C, 5,321,900 Preferred Shares, Series E and 6,900,000 Preferred Shares, Series G issued and outstanding.

This Management's Discussion and Analysis is dated as of the close of business on March 9, 2017.