



News Release

For Immediate Release

Element Fleet Management reports continued strong performance in Q2-2016 and confirms after-tax adjusted EPS guidance of between \$1.05 and \$1.15 for 2016 with growth of between 10% - 12% in 2017

*Fleet contributes \$0.26 per share (pro forma) to consolidated after tax adjusted EPS versus \$0.25 per share (pro forma currency neutral) in Q1-2016
ECN Capital slows rail and aviation on-balance sheet originations in preparation for transition to asset management model*

- Fleet total earning assets grew 7.9% on a currency neutral basis from Q2-2015 (pro-forma including the GE Fleet acquisition)
- Fleet originations increased to \$1.7 billion in Q2-2016 versus \$820.7 million in Q2-2015
- Fleet pre-tax adjusted return on average earning assets increased to 3.92% in Q2-2016 versus 3.19% in Q2-2015
- Fleet generates 22% (pro forma) in after-tax tangible return on equity in Q2-2016
- Consolidated after-tax adjusted EPS of \$0.34 on a currency neutral basis reported in Q2-2016 (\$0.32 inclusive of F/X impact)

TORONTO, Ontario, August 11, 2016 - Element Financial Corporation (TSX:EFN) (“Element” or the “Company”), one of North America’s leading fleet management and commercial finance companies, today reported financial results for the three-month and six-month periods ending June 30, 2016. Pending approval by the Company’s shareholders on September 20, 2016, Element will separate into two publicly traded companies effective October 3, 2016.

“In the second quarter, we continued to have very strong results from our core fleet management business, now operating as Element Fleet Management,” said Bradley Nullmeyer, Element Fleet Management’s Chief Executive Officer. “In addition to these strong results, I’m particularly excited about our positioning in the market as we begin to take advantage of the compelling growth opportunities in the connected vehicle space,” added Mr. Nullmeyer.

“Element Financial Corporation’s consolidated results reflect the impact of currency fluctuations during the period and the deliberate steps we are taking to transition our commercial finance business, to be operated as ECN Capital, to an asset management business model,” added Steven Hudson, Element Financial Corporation’s Chief Executive Officer.

Element Fleet Management

Service and fee revenue was \$126.7 million versus \$126.7 million on a currency neutral basis for the previous three-month period ending March 31, 2016 and \$44.6 million for the same period last year. Services and fee revenue accounted for 57 percent of total fleet revenue versus 56 percent for the previous three-month period ending March 31, 2016 and 52 percent for the same period last year.

Net interest income and rental revenue, net of interest expense and provision for credit losses, for the three-month period ending June 30, 2016 was \$97.1 million versus \$98.6 million on a currency neutral basis for the previous three-month period ending March 31, 2016 and \$40.6 million for the same period last year. **Operating expenses** for the three-month period ending June 30, 2016 were \$99.6 million versus \$102.1 million on a currency neutral basis for the previous three-month period ending March 31, 2016 and \$44.3 million for the same period last year.

Total earning assets as at June 30, 2016 were \$12.73 billion versus \$12.76 billion as at the end of the previous three-month period and \$5.2 billion as at June 30, 2015. **Originations** for the three-month period ending June 30, 2016 were \$1.70 billion versus \$1.59 billion for the previous three-month period ending March 31, 2016 and \$820.7 million for the same period last year.

Return on Average Assets in Element Fleet Management is expected to reach four percent exiting 2016 and to exceed four percent in 2017. **Return on Tangible Equity** is expected to be 22 percent exiting 2016 and to be in the range of 22 percent to 24 percent in 2017. **EPS** is expected to be in the range of \$1.05 to \$1.15 for 2016 dependent on further industry consolidation, tuck-in acquisitions and currency fluctuations, and to grow by between 10 percent and 12 percent in 2017.

“Element Fleet Management had a very strong second quarter with record origination volumes and a further uptick to 57 percent in the contribution that service and fee revenue makes to our revenue mix,” said Bradley Nullmeyer, Element Fleet Management’s Chief Executive Officer. “I’m also pleased to report that we are now in the closing innings of our integration of the fleet management business that we acquired from GE Capital last June and have confirmed that our integration savings will achieve an annualized run rate of US\$100 million by the end of 2016 putting us on a clear path to exit the year with a four percent ROAA,” added Mr. Nullmeyer.

ECN Capital

Total earning assets as at June 30, 2016 were \$6.6 billion versus \$6.6 billion on a currency neutral basis as at the end of the previous three-month period and \$5.4 billion as at June 30, 2015. **Originations** for the three-month period ending June 30, 2016 were \$474.1 million versus \$523.5 million for the previous three-month period ending March 31, 2016 and \$980.4 million for the same period last year.

Net interest income and rental revenue, net of interest expense and provision for credit losses, for the three-month period ending June 30, 2016 was \$51.2 million versus \$60.7 million on a currency neutral basis for the previous three-month period ending March 31, 2016 and \$44.6 million for the same period last year. **Syndication and other income** increased to \$6.7 million for the three-month period ending June 30, 2016 from \$6.1 million on a currency neutral basis for the previous three-month period ending March 31, 2016 and decreased from \$19.9 million for the same period last year when the Company closed ECAF I, its inaugural asset management fund. **Operating expenses** for the three-month period ending June 30, 2016 decreased to \$15.3 million from \$17.9 million on a currency neutral basis for the previous three-month period ending March 31, 2016 and \$16.6 million for the same period last year.

Before-tax adjusted operating income for the three-month period ending June 30, 2016 was \$42.6 million (\$0.11 per share) versus \$48.9 million (\$0.13 per share) on a currency neutral basis for the previous three-month period ending March 31, 2016 and \$47.9 million (\$0.15 per share) for the same period last year.

“ECN Capital’s Vendor Finance business had solid growth in originations in the U.S. (+4% over Q1-2016) and Canada (+52% over Q1-2016) as economic conditions improved in selected North American market segments which we continue to see reflected in our third quarter pipeline,” said Steven Hudson, ECN Capital’s Chief Executive Officer. “This growth was moderated by the deliberate slowdown in the pace of new originations from our rail and aviation verticals together with the accelerated run-off in our civil aviation portfolio as we pivot ECN Capital to an asset management business model,” added Mr. Hudson.

Consolidated

Before-tax adjusted operating income was \$166.8 million, or \$0.41 per share, compared to \$88.8 million, or \$0.31 per share for the same period last year. **After-tax adjusted operating income** for the three-month period ending June 30, 2016 was \$130.7 million or \$0.32 per share (basic) versus \$67.9 million or \$0.23 per share for the same period last year.

Dividends Declared

The Company’s Board of Directors has authorized and declared a quarterly dividend of \$0.025 per outstanding common share of Element for the third quarter of 2016. The dividend will be paid on October 17, 2016 to shareholders of record at the close of business on September 30, 2016. These dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada).

The Company’s Board of Directors also declared the following dividends on Element’s preferred shares:

A quarterly dividend of \$0.4125 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series A (TSX: EFN.PR.A) payable on September 30, 2016 to shareholders of record on the close of business on September 16, 2016. The dividend payment is for the quarterly period up to but excluding September 30, 2016.

A quarterly dividend of \$0.40625 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series C (TSX: EFN.PR.C) payable on September 30, 2016 to shareholders of record on the close of business on September 16, 2016. The dividend payment is for the quarterly period up to but excluding September 30, 2016.

A quarterly dividend of \$0.40 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series E (TSX: EFN.PR.E) payable on September 30, 2016 to shareholders of record on the close of business on September 16, 2016. The dividend payment is for the quarterly period up to but excluding September 30, 2016.

A quarterly dividend of \$0.40625 per outstanding Cumulative 5-Year Rate Reset Preferred Share, Series G (TSX: EFN.PR.G) payable on September 30, 2016 to shareholders of record on the close of business on September 16, 2016. The dividend payment is for the quarterly period up to but excluding September 30, 2016.

These dividends are designated to be eligible dividends for purposes of section 89(1) of the Income Tax Act (Canada).

Conference Call

A conference call to discuss the results with analysts will be held on Thursday, August 11, 2016 at 5:00 p.m. Eastern Time. The conference call can be accessed by dialing the following numbers:

North America Toll-Free:	1-866-696-5910 passcode 4477550
Local:	416-340-2217 passcode 4477550
International:	https://www.confsoolutions.ca/ILT?oss=7P1R8666965910

A series of presentation slides will be referenced by management during the conference call. These slides will be available on the Company's website in advance of the conference call and may be accessed at <http://www.elementcorp.com/investors/presentations-1>.

The conference call will be recorded and can be accessed until September 9, 2016 by dialing 1-800-408-3053 or 905-694-9451 and entering the pass code 9560413.

Non-IFRS Measures

The Company's unaudited interim condensed 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.

The Company believes that certain Non-IFRS Measures can be useful to investors because they provide a means by which investors can evaluate the Company's underlying key drivers and operating performance of the business, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business of a given period. Throughout this Press Release, management used a number of 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. A full description of these measures can be found in the Management Discussion & Analysis that accompanies the financial statements for the quarter ended June 30, 2016.

Element's unaudited interim condensed financial statements and related management discussion and analysis as at and for the three-month and six-month periods ended June 30, 2016 have been filed on SEDAR (www.sedar.com).

About Element Financial Corporation

With total assets of \$24.0 billion, Element Financial Corporation is one of North America's leading fleet management and equipment finance companies. A shareholder vote has been scheduled for September 20, 2016 to consider approval of an arrangement to separate the Company to two publicly traded entities – Element Fleet Management Corp. (Element Fleet) and ECN Capital Corp. (ECN Capital). As the world's largest publicly-traded fleet management services company, Element Fleet will operate the Company's fleet management business. As a leading North American equipment finance company, ECN Capital will operate the Company's commercial finance, vendor finance, rail finance and aviation finance businesses and transition to an origination and asset management business model.

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This release includes forward-looking statements regarding Element and its business. Such statements are based on the current expectations and views of future events of Element's management. 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 the integration and financial impact of the acquisition of various fleet management businesses from GE Capital, the proposed separation transaction, including the expected timetable for completing the separation, new originations in the current quarter, the anticipated pipeline of prospective transactions, and purchases of portfolios of finance assets. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Element, including risks regarding the equipment finance industry, economic factors, risks related to completion of the proposed purchases of portfolios of finance assets, the possibility that the proposed separation transaction will not be consummated within the anticipated time period or at all, including as a result of regulatory, market or other factors, and the potential for disruption to our business in connection with the proposed separation, and many other factors beyond the control of Element. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks and assumptions associated with this outlook can be found in Element's 2015 MD&A, and 2015 Annual Information Form, all of which have been filed on SEDAR and can be accessed at www.sedar.com. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.