



**MAKING
CAPITAL
WORK**



ANALYST PRESENTATION

FEBRUARY 16, 2016

Certain information in this presentation is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as “will”, “anticipate”, “believe”, “plan”, “intend”, “target” and “expect” or similar words suggest future outcomes. Forward-looking statements relate to, among other things, Element Financial Corporation’s (“Element”) objectives and strategy; future cash flows, financial condition, operating performance, financial ratios, projected asset base and capital expenditures; Element’s anticipated dividend policy; anticipated cash needs, capital requirements and need for and cost of additional financing; future assets; demand for services; Element’s competitive position; and anticipated trends and challenges in Element’s business and the markets in which it operates; and the plans, strategies and objectives of Element for future operations, including with respect to the proposed separation, the expected timetable for completing the separation, the future financial and operating performance of each business, the strategic and competitive advantages of each business and future opportunities for each business.

The forward-looking information and statements contained in this presentation reflect several material factors and expectations and assumptions of Element including, without limitation: that Element will conduct its operations in a manner consistent with its expectations and, where applicable, consistent with past practice; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax and regulatory regimes; certain cost assumptions; the continued availability of adequate debt and/or equity financing and cash flow to fund its capital and operating requirements as needed; and the extent of its liabilities. Element believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

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Overview

- Strategic review of Element's Canadian Commercial and Vendor Business announced October 2015
- Led to comprehensive review of all of Element's business units to ensure optimal operational and corporate structure for driving shareholder value
 - Fleet management business is under-valued inside larger corporate entity. Stand-alone, it is the world's largest publicly trade fleet management business with stable growth, pristine credit quality and recurring high margin fee income
 - Strategic institutions requested that we create more investment grade yielding funds. This, together with unprecedented opportunities to acquire yielding assets at or below book, led us to accelerate the transition of our commercial finance business to an asset management business with a strong investment grade balance sheet
- Comprehensive strategic review has concluded today with the following announcement
 - Element to be split into two industry leading publicly traded businesses – Fleet Management and Commercial Asset Management
 - Fleet Management, led by Brad Nullmeyer, will focus on driving increased services, higher fee revenue and integration savings
 - Commercial Finance (“Commercial Asset Management”), led by Steven Hudson, will continue to transition into an asset manager with the participation of strategic institutional investors while maintaining a strong investment grade balance sheet

Strategic Benefits – Why

1. Focused Independent Businesses driven by Proven Executives

- Each Company will devote 100% of its resources and focus on its core market without distraction
- Fleet Management will relentlessly pursue organic growth opportunities driven by a dominant fee business and integration savings (\$95M+)
- Commercial Asset Management will continue its transition to an asset management model; family of institutional funds within core verticals

2. Improved Cost of Capital and Attractive Funding Profiles

- Fleet Management will pursue increased investment grade credit ratings and benefit from the associated cost-of-capital advantages enjoyed by other fleet companies
- Commercial Asset Management will continue its transition to an asset management business that will result in modest funding requirements with the vast majority of liquidity needs met by its institutional Funds

3. Proven Access to Optimal Funding

- Fleet Management through its proven funding program (“Chesapeake Funding II”) and its balance sheet
- Commercial Asset Management through its Family of Funds and its balance sheet

4. Compelling Investment Thesis

- Fleet Management with stable growth, pristine credit quality, high fee income and robust funding program
- Commercial Asset Management with significant growth profile, management fees and institutional investor support

Strategic Benefits – What

	ELEMENT FINANCIAL (Current Business)	ELEMENT FLEET MANAGEMENT	ELEMENT COMMERCIAL ASSET MANAGEMENT
1. Focused and Independent Businesses	<ul style="list-style-type: none"> Commercial Lending Business 	<ul style="list-style-type: none"> Operating Business <ul style="list-style-type: none"> Service/Fee Revenue Target > 50% fee Revenue IT driven 	<ul style="list-style-type: none"> Fund Management Business <ul style="list-style-type: none"> Investors Requirement for Investment Grade Yield Currently 30+ Investors
2. Improved Cost of Capital and Leverage	<ul style="list-style-type: none"> BBB+/BBB 6:1 	<ul style="list-style-type: none"> A 7.5:1 	<ul style="list-style-type: none"> BBB+/BBB 20:1*
3. Proven Access to Optimal Funds	<ul style="list-style-type: none"> Investment grade funds and funding \$6B+ liquidity 	<ul style="list-style-type: none"> AAA funding Investment grade balance sheet with strong demand from ABS institutional investors Available liquidity of \$4.8 billion 	<ul style="list-style-type: none"> Family of committed funds Investment grade balance sheet with strong demand from ABS institutional investors Available liquidity of \$1.4 billion
4. Compelling Investment Thesis	<ul style="list-style-type: none"> Pre-tax Tangible ROE 22% 2016 P/E 8.7x \$1.61 2016 EPS 	<ul style="list-style-type: none"> Pre-tax Tangible ROE >30% 2016 P/E 15x ~ \$1.20 to \$1.30 2016 EPS 	<ul style="list-style-type: none"> Pre-tax Tangible ROE >30% 2016 P/E 16x ~\$0.35 to \$0.40 2016 EPS

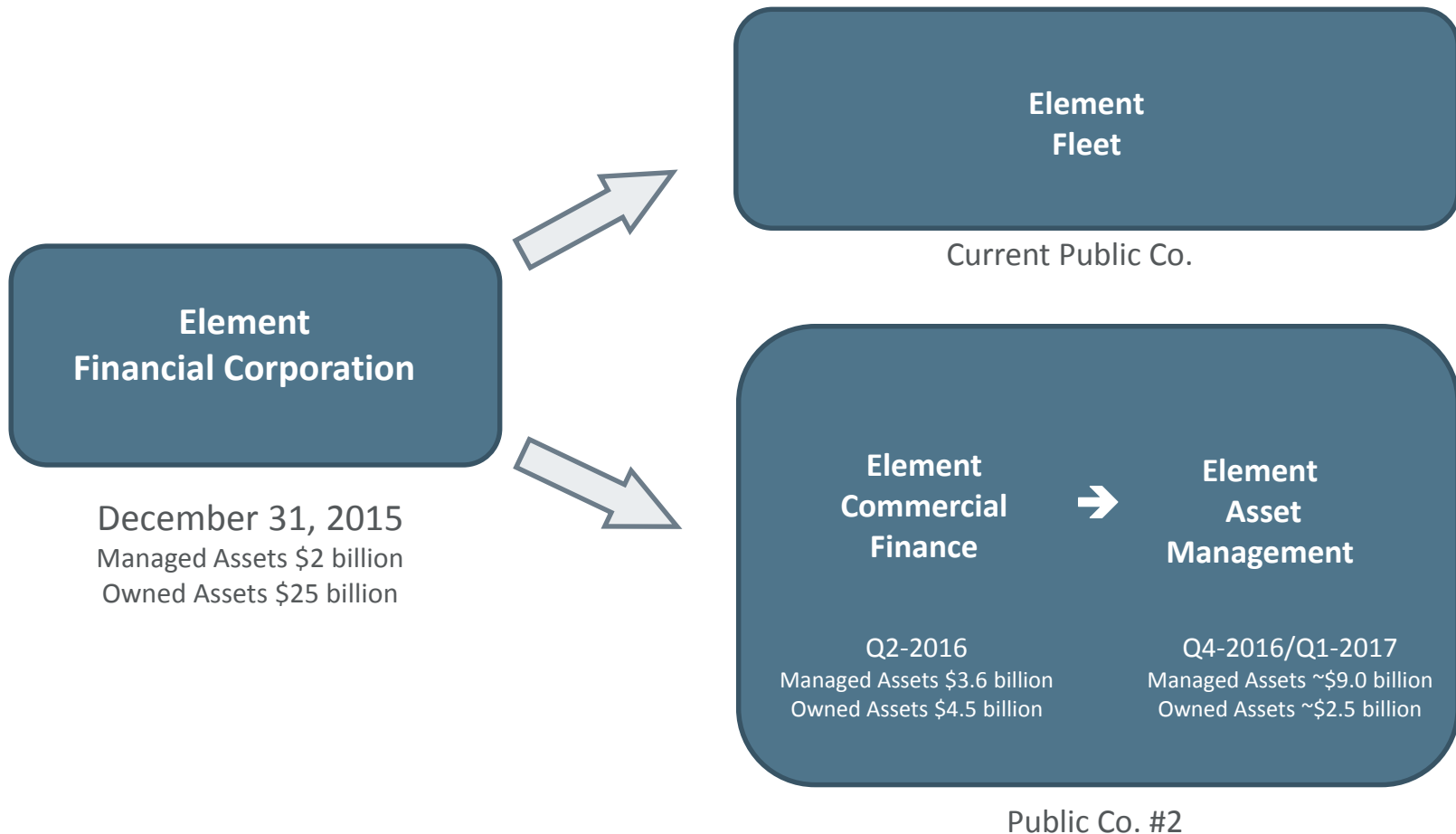
* Effective leverage: investment by the manager in institutional funds

Business Structure

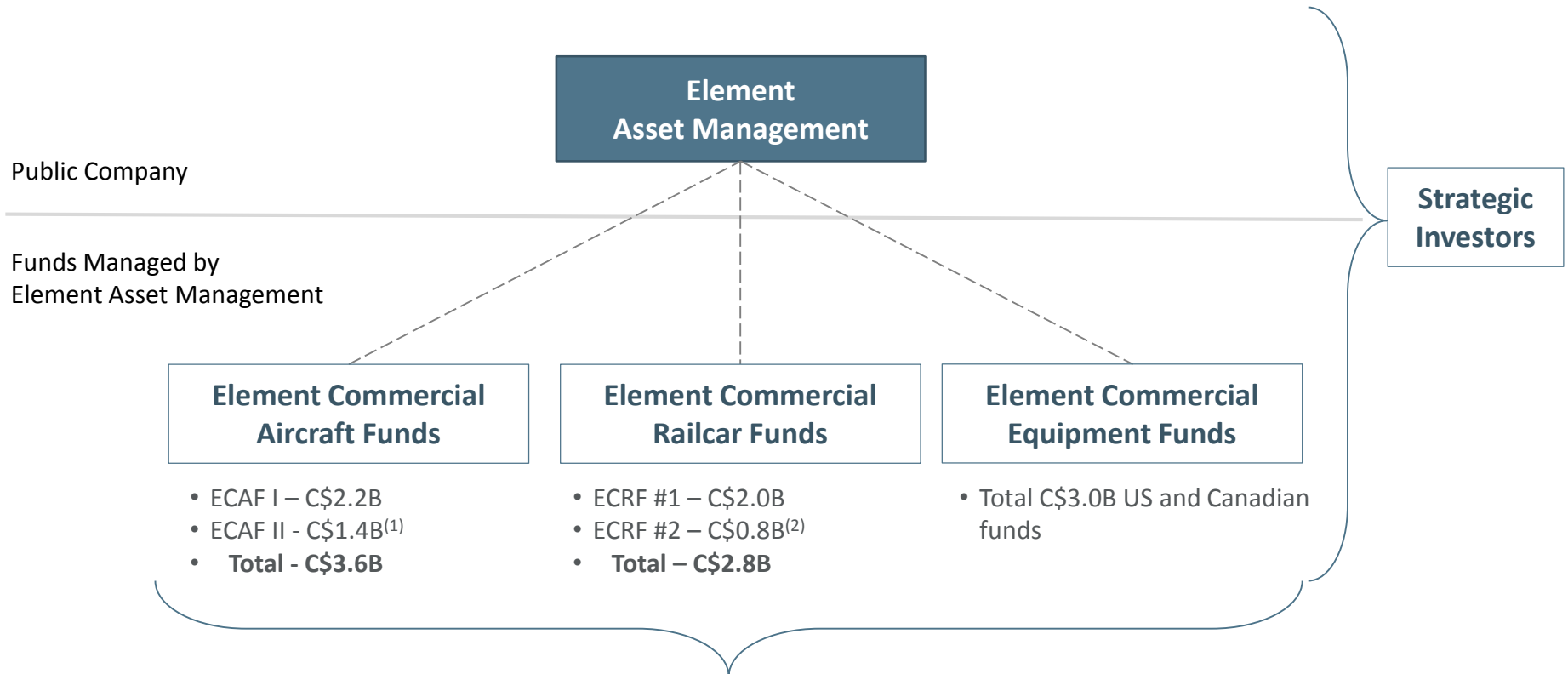
- **Structure**
 - Most efficient and cost effective
 - Intended to be tax neutral to existing shareholders
- **Fleet Management**
 - U.S., CDN., ANZ and Mexican Fleet Businesses
 - Retain existing Rail Business as a static portfolio investment to enhance pre-tax cash flow
 - Rail assets to represent approximately 10% of Fleet assets; managed by Element Commercial Asset Management
- **Commercial Asset Management**
 - U.S. and CDN. C&V Businesses along with Rail and Aviation Asset Management
 - Continued transition from asset owner to asset manager
 - Aviation Finance repositioned with sole focus on Aviation Funds
 - Funds require ~5% equity vs 35% equity for on-balance sheet aviation transactions
 - Pre-tax Fund ROE exceeds 30% vs. on-balance sheet < 10%
 - ECAF Funds to grow; 2 additional funds in 2016/2017

Business Structure

- Two publicly traded companies listed on the TSX: Element Fleet and Element Commercial Finance → Element Asset Management



Element Asset Management



- ECAF I – C\$2.2B
- ECAF II - C\$1.4B⁽¹⁾
- **Total - C\$3.6B**

- ECRF #1 – C\$2.0B
- ECRF #2 – C\$0.8B⁽²⁾
- **Total – C\$2.8B**

- Total C\$3.0B US and Canadian funds

- ~C\$9.0B in Managed Assets by Year-End (See ECAF I Summary in Appendix)
- High Quality Portfolios
 - Arrears at 16 bps of portfolio at December 31, 2015 (30 bps as at December 31, 2014)
 - Net losses for 2015 represents 10 bps of average assets (12 bps for fiscal 2014)
 - Minimal oil and gas (8%, with 75% investment grade)
 - Diversified and seasonal portfolio driven by 20+ years of operating history

(1) Close by Q2 2016

(2) Close by Q4 2016/Q1 2017

Transaction Overview/Timeline

Fleet Management



Key metrics / markets

- ✓ Total Finance Assets: \$19.5 billion (Fleet \$17.5 billion, Rail \$2.0 billion)
- ✓ Employees: ~2,600

Investment highlights

- ✓ To be led by Bradley Nullmeyer
- ✓ World's largest publicly traded fleet management company
- ✓ Leading market position in North America, Australia & New Zealand
- ✓ ~77 percent US portfolio
- ✓ Global partnership with BNP-Paribas
- ✓ Investment grade client base with high retention rate
- ✓ Targeting > 50% service revenue
- ✓ Strong and consistent free cash flow
- ✓ Leading fleet management technology platform
- ✓ Investment grade funding and balance sheet

Commercial Asset Management



Key metrics / markets

- ✓ Total Owned and Managed assets: \$7.0 billion
- ✓ Employees: ~200

Investment highlights

- ✓ To be led by Steven Hudson
- ✓ Well established track record with leading equipment manufacturers and operators
- ✓ Knowledge of and ability to originate quality assets
- ✓ Compelling organic and acquisition growth opportunities
- ✓ State of the art commercial asset management platform
- ✓ Established financing platform and strong funding relationships
- ✓ Build on success of ECAF Fund to grow family of funds
- ✓ Investment grade funding and balance sheet

Transaction Structure

- Separation into two strong, independent, publicly traded companies
- Intended to be tax-free to Element shareholders

Timing

- To be completed before the end of 2016 (expected by end of Q3 2016)

Key Steps to Completion

- Finalize transaction structure, capital structures, standalone financials, operating agreements

Closing Conditions

- Subject to final approval by Element Board of Directors, and customary third party approvals

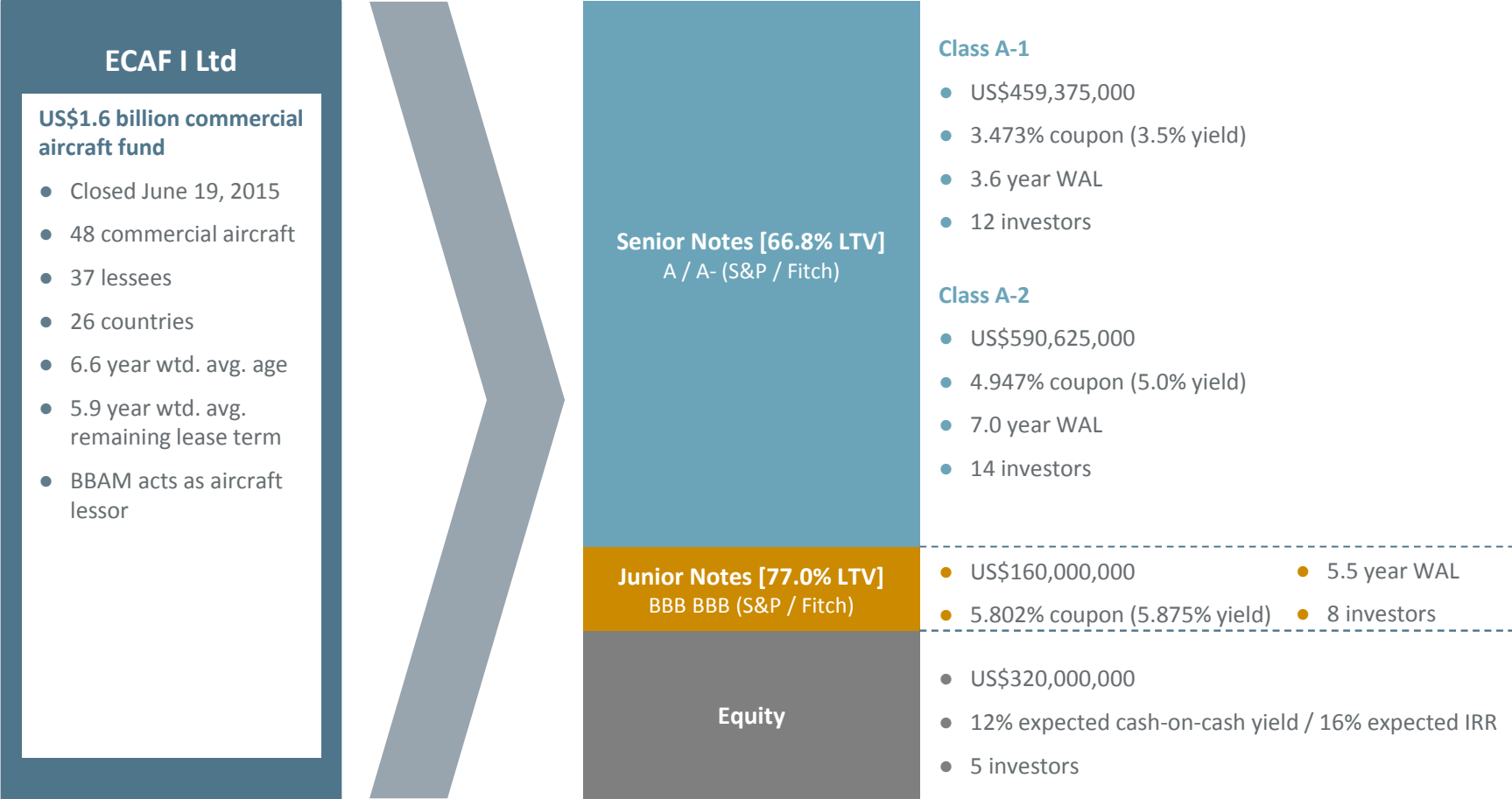
Conclusion

- Separation of Fleet Management and Commercial Finance will drive long term shareholder value
 - Two distinct businesses with unique growth opportunities, operating efficiencies and improved cost of capital
 - Fleet Management with stable growth, high fee income and proven access to AAA funding
 - Commercial Finance with significant growth profile, management fees and institutional investor funds
- Both businesses to benefit from proven access to optimal funding
 - Investment grade balance sheets and funding arrangements
 - Robust funding vehicles
 - Lower cost of capital and improved leverage
- Management is committed to ensuring that the separation is completed successfully, expeditiously and in a tax efficient manner
 - No disruptions to either Fleet Management or Commercial Finance
 - Business as usual with \$6B+ in committed funding

Appendix

ECAF I Fund Structure

- ECAF I Ltd is Element’s first commercial aircraft fund. Element structured the fund and arranged the syndication of both the debt and equity to third-party institutional investors. Element acts as the manager on behalf of institutional investors.



* Weighted average cost of debt of 4.69%



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