Third Quarter Report • September 30, 2016

Distinctive Dependable Driven

Accord Financial

Keeping Business Liquid

DISTINCTIVE DEPENDABLE DRIVEN

Accord Financial Corp. is one of North America's leading independent finance companies providing distinctive working capital solutions to companies from coast to coast. Whether our clients are shifting into growth mode, or restructuring and rebuilding, Accord is there keeping business liquid.

Our versatile finance programs cover the full spectrum of asset-based lending, from factoring and inventory finance, to equipment leasing and trade finance, as well as providing small businesses with unsecured working capital loans. While our programs are fashioned to the needs of each client, our goal remains the same: to allow our clients to transform their accounts receivable, inventory and equipment into valuable working capital, which fuels their next phase of growth.

Accord's nearly forty years of experience allows us to serve a broad base of the continent's most dynamic industries with confidence. And our exceptional financial strength makes us the lender of choice for private equity partners, finance professionals and their client companies looking to seize opportunity and drive success.

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Accord in Action
Keeping Business Liquid

"Groupe JS International has been in business for more than 40 years. Over the last year and a half we have been financed by Accord Financial, and through the toughest times, Accord has shown the understanding, patience and support that separates them from their competitors. We are forever grateful to the team of professionals at Accord for their support and their understanding of the fashion business. And beyond their attention to financial detail, is their ability to take a personal stake in the day-to-day intricacies of our business. I would describe Accord Financial as being in the Relationship Business more than just the Banking Business."

~ **Mitchell Hops**, President
Groupe JS International Apparel Manufacturer

"My experience working with Accord Financial has been nothing short of exceptional, and I am pleased to recommend the firm and its many talented professionals with my highest regard. Business owners should take great comfort knowing that Accord Financial operates with integrity, transparency, and efficiency not typically found in the middle market. The uncertain and constantly evolving banking landscape has resulted in many entrepreneurs uncertain about where to turn for liquidity to operate their company, or growth financing to pursue attractive expansion opportunities. Accord is not only a solution to these issues, but a valued added financial partner with the experience and perspective to help companies reach their potential."

~ **Tom Mills**, Managing Director
FocalPoint Partners, LLC

"Javo Beverage is a long-term client of Accord Financial and in the last 18 months we have experienced significant new business growth. In a true partnership fashion, they have been at our side throughout, responding quickly and creatively to assist us in funding the needs of our growing business. Everyone at Accord is professional, true to their word, and very importantly you can tell they care about our business and its success. They are great people to work with."

~ **Gerry Anderson**, Chief Financial Officer
Javo Beverage Company

"For nearly ten years B-Town Group has sourced and delivered quality natural stone to customers on both sides of the Great Lakes. Accord began financing select pieces of equipment in 2010, but it's the broad range of financing options that have made Accord my go-to company for all our financing needs. We added an AccordOctet supply-chain facility last year to pay royalties as we expanded our sourcing to a fourth quarry. And we recently took advantage of AccordAccess for short-term working capital, which helped us finance a large, profitable order from a provincial government entity. With Accord Financial as our partner, our sales have tripled in the last three years."

~ **Bill Sisson**, Owner
B-Town Group

Message from the President and CEO

Tom Henderson

Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter and nine months ended September 30, 2016 together with comparative figures for the same period of 2015. These financial statements have not been reviewed by the Company's auditors, but have been reviewed and approved by its Audit Committee and Board of Directors.

As well as reduced revenue, results for the third quarter were also impacted by two events: the cost of right-sizing some of our Canadian operations due to declining volumes and client "graduations" to bank facilities; and expenses incurred to launch our new factoring division in Chicago. Combined, these costs amounted to approximately $874,000.

Our U.S. lending business inaugurated a new division to serve borrowers nationwide who need working capital in the $50,000 to $1,000,000 range, supported by their accounts receivable. This new unit is based in Oak Brook, a Chicago suburb, and is headed by Sue Duckett who joined us after a successful 15-year career with Bibby Financial Services, mostly in the U.K., and recently in Chicago.

Our Canadian small business finance unit, headquartered in Vancouver and ably run by James Jang, is experiencing exciting growth as a result of new product introductions in the last twelve months.

Net earnings for the third quarter of 2016 fell to $1,265,000 compared with $2,524,000 in the third quarter of 2015. Earnings per share ("EPS") were 15 cents this year, down from last year when earnings were 30 cents per share. Reduced revenue and increased expenses for right-sizing and costs related to the newly opened Chicago office mainly accounted for the decline in earnings.

Adjusted net earnings, which comprise net earnings before non-operating and restructuring expenses, totalled $1,923,000 in the third quarter of 2016, compared with the $2,551,000 recorded in the same quarter last year. Adjusted EPS were 23 cents this quarter, versus the 31 cents earned in last year's third quarter.

Third quarter revenue declined to $7,032,000 compared to $8,521,000 last year.

Net earnings for the nine months ended September 30, 2016 declined to $4,357,000 from $5,965,000 last year. EPS were 52 cents this year compared with 72 cents in 2015.

Adjusted net earnings totalled $5,313,000 in the first nine months of 2016 compared with $6,300,000 for the same period last year. Adjusted EPS were 64 cents this year versus 76 cents last year.

Revenue declined to $20,800,000 for the first nine months of 2016 from $23,737,000 in the same period of 2015 mainly as a result of lower receivables management fees and reduced average funds employed and yields thereon.

We continue to meet headwinds in 2016 with a slow growing economy in Canada and a moderately growing economy in the U.S. With cheap money available in both countries, competition is fierce, putting pressure on pricing. Notwithstanding the disappointing operating results for the year to date, we have been putting new business on the books. Although our average funds employed in the third quarter was $151 million down from $156 million last year, we were on an uptick at the end of the quarter and total funds employed reached a record high $162 million at September 30, 2016 compared with $154 million a year earlier. We're obviously pointed in the right direction. Book value per share at September 30, 2016 was $8.83 versus $8.38 one year ago.

Jim Bates has been elevated from EVP to President of our Canadian non-recourse factoring business replacing Simon Hitzig, who has been promoted to Senior Vice President, Corporate Development at the parent company. In that role he is responsible for developing and executing strategies that will further enhance the growth of our top line and profits.

We are in the midst of a significant exercise to properly evaluate and enhance the image of the Accord brand in Canada and the U.S. With the help of a widely recognized expert in the field we are committed to continuing to invest in our name as we believe it is key to growing our company which is now positioned to explore wider opportunities in the financial services world.

This is shaping up to be an important pivotal year as we plan for and invest in growth opportunities that will benefit your company in the years ahead.

At the Board of Directors meeting held today, a quarterly dividend of 9 cents per common share was declared payable December 1, 2016 to shareholders of record November 15, 2016.

Tom Henderson
President and Chief Executive Officer
November 1, 2016

Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A")

Quarter and nine months ended September 30, 2016 compared with quarter and nine months ended September 30, 2015

Overview

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter and nine months ended September 30, 2016 compared with the quarter and nine months ended September 30, 2015 and, where presented, the quarter and nine months ended September 30, 2014. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at November 1, 2016, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarters and nine months ended September 30, 2016 and 2015, which are included as part of this 2016 Third Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2015 audited consolidated financial statements and notes thereto included in the Company's 2015 Annual Report.

All amounts discussed in this MD&A are expressed in Canadian dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Please refer to the Critical Accounting Policies and Estimates section below and note 2 and 3 to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with IFRS. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at www.sedar.com.

The following discussion contains certain forward-looking statements that are subject to significant risks and uncertainties that could cause actual results to differ materially from historical results and percentages. Factors that may impact future results are discussed in the Risks and Uncertainties section below.

Non-IFRS Financial Measures

In addition to the IFRS prepared results and balances presented in the Statements and notes thereto, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be non-IFRS measures. The Company primarily derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its ongoing operating performance and financial position. The non-IFRS measures presented in this MD&A are defined as follows:

i) Return on average equity ("ROE") – this is a profitability measure that presents the net earnings available to common shareholders as a percentage of the average equity employed to earn the income. The Company includes all components of equity to calculate the average thereof;

ii) Adjusted net earnings, adjusted earnings per common share and adjusted ROE – adjusted net earnings presents net earnings before stock-based compensation, business acquisition expenses (namely, business transaction and integration costs and amortization of intangibles) and restructuring expenses. Management believes adjusted net earnings is a more appropriate measure of ongoing operating performance than net earnings as it excludes items which do not directly relate to ongoing operating activities. Adjusted (basic and diluted) earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period, while adjusted ROE is adjusted net earnings for the period expressed as a percentage of average equity employed in the period (expressed as an annualized percentage);

Stuart Adair

iii) Book value per share – book value is the net asset value of the Company calculated as total assets minus total liabilities and, by definition, is the same as total equity. Book value per share is the net asset value divided by the number of common shares outstanding as of a particular date;

iv) Financial condition and leverage ratios – (a) equity expressed as a percentage of total assets; and (b) debt (bank indebtedness and notes payable) expressed as a percentage of equity. These percentages provide information on trends in the Company's financial position and leverage.

v) Average funds employed – funds employed is another name that the Company uses for its finance receivables and loans (also referred to as "Loans" in this MD&A), an IFRS measure. Average funds employed are the average finance receivables and loans calculated over a particular period.

Accord's Business

Accord is a leading North American provider of asset-based financial services to businesses, namely, asset-based lending ("ABL"), including factoring, lease and equipment financing, working capital financing, credit protection and receivables management, and supply chain financing for importers. The Company's financial services are discussed in more detail in its 2015 Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 18(a) to the Statements.

The Company founded in 1978 operates four finance companies in North America, namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Varion Capital Corp. ("Varion") (now doing business as Accord Small Business Finance ("ASBF")) in Canada, and Accord Financial, Inc. ("AFIU") in the United States.

The Company's business principally involves: (i) asset-based lending by AFIC and AFIU, which entails financing or purchasing receivables on a recourse basis, as well as financing other tangible assets, such as inventory and equipment; (ii) lease financing and equipment and working capital lending by ASBF; and (iii) credit protection and receivables management services by AFL, which principally involves providing credit protection and collection services, generally without financing.

Results of Operations

Quarter ended September 30, 2016 compared with quarter ended September 30, 2015

Net earnings for the quarter ended September 30, 2016 decreased by $1,259,000 or 50% to $1,265,000 compared to the record $2,524,000 earned in the third quarter of 2015. They were 42% below 2014's third quarter net earnings of $2,176,000. Net earnings decreased compared to 2015 and 2014 mainly as a result of lower revenue and a restructuring expense.

Earnings per common share declined by 50% to 15 cents from the 30 cents earned in the third quarter of 2015. They were 42% lower than the 26 cents earned in the third quarter of 2014.

Adjusted net earnings for the third quarter were $1,923,000, 25% below the $2,551,000 earned in the third quarter of 2015 and 15% lower than the $2,263,000 earned in the third quarter of 2014. Adjusted EPS were 23 cents compared to the 31 cents earned in the third quarter of 2015 and 27 cents earned in 2014.

The following table provides a reconciliation of net earnings to adjusted net earnings:

Three months ended September 30 (in thousands)	2016	2015
Net earnings	**$ 1,265**	$ 2,524
Adjustments, net of tax:		
Stock-based compensation	**34**	(79)
Business acquisition expenses	**94**	106
Restructuring expense	**530**	—
Adjusted net earnings	**$ 1,923**	$ 2,551

Quarterly Financial Information

(unaudited, in thousands except earnings per share)

Quarter ended		Revenue	Net Earnings	Basic and Diluted Earnings Per Common Share
2016	**September 30**	**$ 7,032**	**$ 1,265**	**$ 0.15**
	June 30	**6,897**	**1,627**	**0.20**
	March 31	**6,871**	**1,465**	**0.18**
2015	December 31	$ 7,840	$ 2,794	$ 0.34
	September 30	8,521	2,524	0.30
	June 30	7,657	1,736	0.21
	March 31	7,559	1,705	0.21
Fiscal 2015		$ 31,577	$ 8,759	$ 1.05*
2014	December 31	$ 7,925	$ 2,370	$ 0.29
	September 30	8,165	2,176	0.26
	June 30	7,529	1,537	0.18
	March 31	6,616	797	0.10
Fiscal 2014		$ 30,235	$ 6,879*	$ 0.83

* *Due to rounding the total of the four quarters does not agree with the total for the fiscal year.*

Revenue decreased by 17% or $1,489,000 to $7,032,000 compared with the record $8,521,000 last year and was 14% lower than the $8,165,000 in the third quarter of 2014. Revenue decreased compared to 2015 mainly as a result of lower average funds employed and yields thereon, as well as decreased receivables management fees. Average funds employed were $151 million in the third quarter of 2016 compared to $156 million in the third quarter of 2015.

Total expenses for the third quarter of 2016 increased by $460,000 to $5,821,000 compared to $5,361,000 last year. General and administrative expenses ("G&A") increased by $263,000, the provision for credit and loan losses rose by $210,000, while depreciation was $8,000 higher. An impairment charge of $44,000 was taken against the assets held for sale in the current quarter. Interest expense was $49,000 lower, while business acquisition expenses decreased by $16,000.

Interest expense declined by 8% to $550,000 in the third quarter of 2016 compared to $599,000 last year as a result of lower average borrowings.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A also includes restructuring expense in the current quarter. G&A increased by 6% to $4,718,000 in the current quarter compared to $4,455,000 last year as a result of a restructuring expense of $738,000 related to employee and office space reductions in the Company's Canadian operations. G&A also included expenses of $136,000 incurred by AFIU to launch its new Chicago-based factoring division. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses rose by $210,000 to $338,000 in the third quarter of 2016 compared to $128,000 last year as a result of a higher reserves expense and net charge-offs. The provision for the third quarter of 2016 and 2015 comprised:

Three months ended September 30 (in thousands)	2016	2015
Net charge-offs	**$ 232**	$ 182
Reserves expense (recovery) related to change in total allowances for losses	**106**	(54)
	$ 338	$ 128

The non-cash reserves expense rose by $160,000 to $106,000 in the current quarter compared to last year as additional allowances for losses were required in the quarter to support a higher level of Loans, which were a record high $162 million at September 30, 2016. Net charge-offs increased by $50,000 to $232,000 in the current quarter compared to 2015. The Company's allowances for losses are discussed in detail below. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant charge-offs.

An impairment charge of $44,000 (2015 – nil) was taken in the current quarter against the Company's assets held for sale.

Business acquisition expenses solely comprised the amortization of intangibles acquired as part of the Varion acquisition on January 31, 2014. These totalled $127,000 in the current quarter compared to $144,000 in the third quarter of 2015.

Income tax decreased by $690,000 to a recovery of $54,000 in the current quarter compared to an expense of $636,000 in the third quarter of 2015 as a result of a 62% decrease in pre-tax earnings and the reversal of certain prior year tax accruals no longer required.

Canadian operations reported 89% lower net earnings in the third quarter of 2016 compared to 2015 (see note 17 to the Statements). Net earnings declined by $1,055,000 to $135,000 on lower revenue and higher expenses. Revenue declined by 20% or $1,139,000 to

$4,530,000. Expenses increased by $289,000 to $4,323,000. G&A rose by $206,000 to $3,371,000 on the restructuring expense, the provision for credit and loan losses rose by $109,000 to $228,000, while depreciation was $6,000 higher. An impairment charge of $44,000 was also taken against the assets held for sale. Interest expense and business acquisition expenses were $59,000 and $17,000 lower, respectively. Income tax expense decreased by 84% to $72,000 on an 87% decline in pre-tax earnings.

U.S. operations reported a 15% decrease in net earnings in the third quarter of 2016 compared to 2015. Net earnings declined by $204,000 to $1,130,000 on lower revenue and higher expenses. Revenue decreased by $362,000 or 13% to $2,491,000. Expenses increased by $159,000 to $1,487,000. The provision for loan losses was $102,000 higher at $111,000, while G&A rose by $57,000 to $1,348,000. Depreciation increased by $2,000. Interest expense decreased by $2,000 to $16,000. Income tax declined by $317,000 to a recovery of $126,000.

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Net earnings in the first nine months of 2016 declined by $1,608,000 or 27% to $4,357,000 compared to $5,965,000 last year. Net earnings decreased compared to 2015 as a result of lower revenue and, to a lesser extent, the above noted restructuring expense. EPS for the current nine months were 52 cents, 28% below the 72 cents earned last year. ROE in the first nine months of 2016 was 8.0% compared to 12.2% last year.

Adjusted net earnings totalled $5,313,000 in the first nine months of 2016, 16% below last year's $6,300,000. Adjusted EPS declined by 16% to 64 cents compared to 76 cents in the first nine months of 2015. Adjusted ROE for the first nine months of 2016 was 9.8% compared to 12.8% in 2015.

The following table provides a reconciliation of net earnings to adjusted net earnings:

Nine months ended September 30 (in thousands)	2016	2015
Net earnings	**$ 4,357**	$ 5,965
Adjustments, net of tax:		
Stock-based compensation	**145**	18
Business acquisition expenses	**281**	317
Restructuring expense	**530**	—
Adjusted net earnings	**$ 5,313**	$ 6,300

Revenue for the first nine months of 2016 decreased by $2,937,000 or 12% to $20,800,000 compared with $23,737,000 last year. Revenue decreased compared to 2015 mainly as a result of reduced receivables management fees, as well as lower average funds employed and yields thereon. Average funds employed in the first nine months of 2016 were $148 million compared to $151 million last year.

Total expenses for the current nine months decreased by $312,000 or 2% to $16,162,000 compared to $16,474,000 last year. G&A, interest expense and business acquisition expenses declined by $243,000, $118,000 and $50,000, respectively. The provision for credit and loan losses and depreciation increased by $48,000 and $7,000, respectively. As noted above, an impairment charge of $44,000 was taken against the assets held for sale in the current nine months.

Interest expense declined by 7% to $1,626,000 compared to $1,744,000 last year on lower average borrowings.

G&A decreased by 2% to $12,814,000 compared to $13,058,000 last year. G&A declined on lower personnel costs and management fees, despite incurring the restructuring expense of $738,000. G&A in the current period also included expenses related to AFIU's new Chicago division of approximately $175,000.

The provision for credit and loan losses rose by 4% to $1,185,000 in the first nine months of 2016 compared to $1,137,000 last year. The provision for the first nine months of 2016 and 2015 comprised:

Nine months ended September 30 (in thousands)	2016	2015
Net charge-offs	**$ 1,048**	$ 1,024
Reserves expense related to change in total allowances for losses	**137**	113
	$ 1,185	$ 1,137

Net charge-offs increased by $24,000 in the first nine months of 2016 compared to last year, while the reserves expense also rose by $24,000 to $137,000.

An impairment charge of $44,000 (2015 – nil) was taken in the current nine months against certain assets held for sale.

Business acquisition expenses comprised the amortization of intangibles acquired as part of the Varion acquisition. For the nine months ended September 30, 2016, these expenses totalled $382,000 compared with $432,000 in the first nine months of 2015.

Income tax expense decreased by $1,017,000 or 78% to $282,000 compared to $1,299,000 in the first nine months of 2015 as a result of a 36% decline in pre-tax earnings and the reversal of certain prior year tax accruals no longer required. The Company's effective income tax rate decreased to 6.1% this year compared to 17.9% in the first nine months of 2015.

Canadian operations reported a 44% decline in net earnings in the first nine months of 2016 compared to 2015 (see note 17 to the Statements). Net earnings declined by $1,061,000 to $1,371,000 compared to $2,432,000 last year on lower revenue and, to a lesser extent, the above noted restructuring expense. Revenue decreased by $2,191,000 or 14% to $13,537,000. Expenses declined by $770,000 to $11,615,000. G&A was $552,000 lower at $8,800,000, while interest expense, the provision for credit and loan losses and business acquisition expenses declined by $115,000, $103,000 and $50,000, respectively. An impairment charge of $44,000 was taken against the assets held for sale this year. Depreciation increased by $6,000. Income tax expense declined by $360,000 to $551,000.

U.S. operations reported a 15% decline in net earnings compared to the first nine months of 2015. Net earnings decreased by $547,000 to $2,986,000 compared to $3,533,000 last year. Revenue declined by $749,000 or 9% to $7,281,000. Expenses increased by $455,000 or 11% to $4,654,000. G&A increased by $308,000 to $4,014,000, while the provision for loan losses rose by $151,000 to $469,000. Depreciation expense was $2,000 higher. Interest expense declined by $6,000 to $47,000. Income tax decreased by $657,000 to a tax recovery of $269,000.

Review of Financial Position

Equity at September 30, 2016 totalled $73,319,000, an increase of $253,000 compared to $73,066,000 at December 31, 2015 and $3,693,000 above the $69,626,000 at September 30, 2015. Book value per common share was $8.83 at September 30, 2016 compared to $8.79 at December 31, 2015 and $8.38 a year earlier. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 15 of this Third Quarter Report.

Total assets were a record $177,921,000 at September 30, 2016 compared to $154,560,000 at December 31, 2015 and $174,057,000 at September 30, 2015. Total assets largely comprised Loans. Excluding intercompany loans, identifiable assets located in the United States were 45% of total assets at September 30, 2016 compared to 50% and 42%, respectively, at December 31, 2015 and September 30, 2015.

Loans, before the allowance for losses thereon, were a record high $162,153,000 at September 30, 2016, 19% higher than the $135,907,000 at December 31, 2015 and 5% higher than the $154,469,000 at September 30, 2015. As detailed in note 4 to the Statements, the Company's Loans comprised:

(in thousands)	**Sept. 30, 2016**	Dec. 31, 2015	Sept. 30, 2015
Factored receivables	**$ 86,334**	$ 77,249	$ 92,070
Loans to clients	**67,880**	52,524	56,414
Lease receivables	**7,939**	6,134	5,985
Finance receivables and loans	**162,153**	135,907	154,469
Less allowance for losses	**1,744**	1,648	1,896
Finance receivables and loans, net	**$ 160,409**	$ 134,259	$ 152,573

The Company's factored receivables increased by 12% to $86,334,000 at September 30, 2016 compared to $77,249,000 at December 31, 2015 but were 6% lower than the $92,070,000 at September 30, 2015. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment, as well as unsecured working capital loans, rose to $67,880,000 at September 30, 2016, 29% higher than the $52,524,000 at December 31, 2015 and 20% higher than the $56,414,000 at September 30, 2015. Lease receivables, representing ASBF's net investment in equipment leases, increased to $7,939,000 at September 30, 2016, 29% higher than the $6,134,000 at December 31, 2015 and 32% higher than the $5,985,000 at September 30, 2015. Net of the allowance for losses thereon, Loans increased by 19% to $160,409,000 at September 30, 2016 compared to $134,259,000 at December 31, 2015 and were 5% higher than the $152,573,000 at September 30, 2015. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 80 clients in a wide variety of industries at September 30, 2016, as well as ASBF's lease receivables, equipment and related loans, and working capital loans, to approximately 510 small business clients. One client comprised over 5% of gross Loans at September 30, 2016.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables usually without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled $80 million at September 30, 2016 compared to $70 million at December 31, 2015 and $98 million at September 30, 2015. Managed receivables comprise the receivables of approximately 100 clients at September 30, 2016. The 25 largest clients comprised 79% of non-recourse volume in the first nine months of 2016. Most of the clients' customers upon which the Company assumes the credit risk are "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At September 30, 2016, the 25 largest customers accounted for 57% of the total managed receivables, of which the largest five comprised 31%. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. Managed receivables are regularly reviewed and continue to be well rated.

The Company's total portfolio, which comprises both gross Loans and managed receivables as set out above, increased to $242 million at September 30, 2016 compared to $206 million at December 31, 2015 but was below the $253 million at September 30, 2015.

As described in note 18(a) to the Statements, the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's asset-based lending, including leasing, and credit protection business is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1.0 million, the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. ASBF's lease receivables and equipment and working capital loans are term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 1.2% were past due more than 60 days at September 30, 2016. In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its asset-based lending and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, while in its credit protection business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. In its asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. The financial strength of its clients' customers is often more important than the financial strength of the clients themselves.

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables and applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its asset-based lending business, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are obtained in respect of each equipment lease or loan. In its credit protection business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. Note 18(a) to the Statements provides details of the Company's credit exposure by industrial sector.

After the customary detailed quarter-end review of the Company's portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company maintains separate allowances for losses on both its Loans and its guarantee of managed receivable at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowance for losses on Loans increased to $1,744,000 at September 30, 2016 compared to $1,648,000 at December 31, 2015. The allowance was 8% lower than the $1,896,000 at September 30, 2015. The allowance for losses on the guarantee of managed receivables increased by 11% to $185,000 at September 30, 2016 compared to $166,000 at December 31, 2015 but was lower than the $226,000 at September 30, 2015. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. The allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for losses accounts during the first nine months of 2016 and 2015 is set out in note 4 to the Statements. The estimates of both allowance for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash declined to $9,437,000 at September 30, 2016 compared with $12,440,000 at December 31, 2015 and $12,748,000 at September 30, 2015. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Assets held for sale, which comprise certain assets securing defaulted loans that the Company obtained title to or repossessed, are stated at their net realizable value and totalled $1,353,000 at September 30, 2016 compared to $1,544,000 at December 31, 2015 and $1,674,000 last September 30. The assets will be sold as market conditions permit. Please refer to note 5 to the Statements for details of changes in the assets held for sale during the first nine months of 2016 and 2015. During the first nine months of 2016, the Company sold certain assets held for sale with a book value of $172,000 for $113,000 resulting in a loss on sale of $59,000. The Company also obtained title to or repossessed certain equipment with an estimated net realizable value of $26,000. There was an impairment charge of $44,000 taken against the assets in the current nine months as their net realizable value declined below book value. During the first nine months of 2015, the Company sold certain assets held for sale with a book value of $1,379,000 for $1,368,000 resulting in a loss on sale of $11,000. The Company also repossessed certain equipment with an estimated net realizable value of $820,000. The estimated net realizable value of the assets at September 30, 2016 and 2015 and December 31, 2015 was estimated based upon appraisals thereof.

Intangible assets were acquired as part of the Varion acquisition on January 31, 2014 and comprise existing customer contracts and broker relationships. Intangible assets, net of accumulated amortization, totalled $1,114,000 at September 30, 2016 compared to $1,496,000 at December 31, 2015 and $1,640,000 at September 30, 2015. Please refer to note 6 to the Statements.

Goodwill totalled $3,144,000 at September 30, 2016 compared to $3,213,000 at December 31, 2015 and $3,166,000 at September 30, 2015. Goodwill of $1,883,000 was acquired as part of the Varion acquisition on January 31, 2014. Goodwill of US$962,000 is also carried in the Company's U.S. operations and is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 7 to the Statements.

Income taxes receivable, other assets, deferred tax assets and capital assets at September 30, 2016 and 2015 and December 31, 2015 were not material.

Total liabilities increased by $23,107,000 to $104,601,000 at September 30, 2016 compared to $81,494,000 at December 31, 2015 and were slightly higher than the $104,431,000 at September 30, 2015. The increase since December 31, 2015 mainly resulted from higher bank indebtedness.

Amounts due to clients decreased by $2,853,000 to $6,549,000 at September 30, 2016 compared to $9,402,000 at December 31, 2015 but were $2,067,000 higher than the $4,482,000 at September 30, 2015. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a few days of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by $27,171,000 to $81,265,000 at September 30, 2016 compared with $54,094,000 at December 31, 2015 and was $3,096,000 higher than the $78,169,000 at September 30, 2015. Bank indebtedness increased compared to last December 31 largely to fund the rise in Loans. The Company had approved credit lines with a number of banks totalling approximately $155 million at September 30, 2016 and was in compliance with all loan covenants thereunder in the nine months ended September 30, 2016. The Company's credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company has no term debt outstanding.

Notes payable decreased to $11,850,000 at September 30, 2016 compared to $13,201,000 at December 31, 2015 and $16,670,000 at September 30, 2015. The decrease in notes payable resulted from redemptions, net of new notes issued and accrued interest. Please see Related Party Transactions section below and note 9 to the Statements.

Accounts payable and other liabilities, income taxes payable, deferred income and deferred tax liabilities at September 30, 2016 and 2015 and December 31, 2015 were not material.

Capital stock totalled $6,896,000 at September 30, 2016 and 2015 and December 31, 2015. There were 8,307,713 common shares outstanding at those dates. Please see note 10 to the Statements and the consolidated statements of changes in equity on page 15 of this report for details of changes in capital stock in the first nine months of 2016 and 2015. At the date of this MD&A, November 1, 2016, 8,307,713 common shares were outstanding.

Retained earnings totalled $59,180,000 at September 30, 2016 compared to $57,066,000 at December 31, 2015 and $55,020,000 at September 30, 2015. In the first nine months of 2016, retained earnings increased by $2,114,000, which comprised net earnings of $4,357,000 less dividends paid of $2,243,000 (27 cents per common share). Please see the consolidated statements of changes in equity on page 15 of this report for details of changes in retained earnings during the first nine months of 2016 and 2015.

The Company's AOCI account solely comprises the cumulative unrealized foreign exchange income arising on the translation of the assets and liabilities of the Company's foreign subsidiaries that report in U.S. dollars. The AOCI balance totalled $7,087,000 at September 30, 2016 compared to $9,043,000 at December 31, 2015 and $7,667,000 at September 30, 2015. Please refer to note 15 to the Statements and the consolidated statements of changes in equity on page 15 of this report, which details movements in the AOCI account during the first nine months of 2016 and 2015. The $1,956,000 decline in the first nine months of 2016 resulted from a fall in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar weakened from $1.3840 at December 31, 2015 to $1.3117 at September 30, 2016. This reduced the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$27 million by $1,956,000 in the first nine months of 2016.

Liquidity and Capital Resources

The Company considers its capital resources to include equity and debt, namely, its bank indebtedness and notes payable. The Company has no term debt outstanding. The Company's objectives when managing its capital are to: (i) maintain financial flexibility in order to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its debt to equity and its equity to total assets, principally Loans.

These ratios are set out in the table below.

(as a percentage)	**Sept. 30, 2016**	Dec. 31, 2015	Sept. 30, 2015
Debt* / Equity	**127%**	92%	136%
Equity / Assets	**41%**	47%	40%

**bank indebtedness and notes payable*

The Company's financing and capital requirements generally increase with the level of Loans outstanding. The collection period and resulting turnover of outstanding receivables also impact financing needs. In addition to cash flow generated from operations, the Company maintains bank lines of credit in Canada and the United States. The Company can also raise funds through its notes payable program.

The Company had bank credit lines totalling approximately $155 million at September 30, 2016 and had borrowed $81 million against these facilities. Funds generated through operating activities and issuance of notes payable decrease the usage of, and dependence on, these lines.

As noted in the Review of Financial Position section above, the Company had cash balances of $9,437,000 at September 30, 2016 compared to $12,440,000 at December 31, 2015. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

Management believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet the cash requirements of working capital, capital expenditures, operating expenditures, dividend payments and share repurchases and will provide sufficient liquidity and capital resources for future growth over the next twelve months.

Cash flow for the nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $5,838,000 in the first nine months of 2016 compared to $7,885,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash outflow from operating activities of $27,645,000 in the first nine months of 2016 compared to $2,607,000 last year. The net cash outflow in the current quarter largely resulted from financing Loans of $29,379,000. In the first nine months of 2015, the net cash outflow principally resulted from financing Loans of $9,138,000. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 16 of this report.

Cash outflows from investing activities totalled $125,000 (2015 – $95,000) in the first nine months of 2016 and comprised capital assets additions.

Net cash inflow from financing activities totalled $25,414,000 in the first nine months of 2016 compared to $7,226,000 last year. The net cash inflow in the current nine months resulted from an increase in bank indebtedness of $29,006,000. Partially offsetting this inflow were dividend payments of $2,243,000 and notes payable redeemed, net, of $1,349,000. The net cash inflow in the first nine months of 2015 resulted from an increase in bank indebtedness of $9,526,000. Partially offsetting this inflow were dividend payments of $2,160,000 and notes payable, net, redeemed of 140,000.

The effect of exchange rate changes on cash comprised a reduction of $648,000 and an increase of $1,121,000 in cash balances in the first nine months of 2016 and 2015, respectively.

Overall, there was a net cash outflow of $3,004,000 in the first nine months of 2016 compared to an inflow of $5,645,000 in the first nine months of 2015.

Contractual Obligations and Commitments at September 30, 2016

	Payments due in			
(in thousands of dollars)	Less than 1 year	1 to 3 years	4 to 5 years	**Total**
Operating lease obligations	$ 372	$ 83	$ 4	**$ 459**
Purchase obligations	91	86	—	**177**
	$ 463	$ 169	$ 4	**$ 636**

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand or, in the case of one note, a week after demand and bear interest at rates that vary with bank Prime or Libor. The rates are below those charged by the Company's banks. Notes payable at September 30, 2016 were $11,850,000 compared with $13,201,000 at December 31, 2015 and $16,670,000 at September 30, 2015. Of these notes payable, $10,798,000 (December 31, 2015 – $11,788,000; September 30, 2015 – $15,245,000) was owing to related parties and $1,052,000 (December 31, 2015 – $1,413,000; September 30, 2015 – $1,425,000) to third parties. Interest expense on these notes in the current quarter and first nine months of 2016 totalled $73,000 (2015 – $105,000) and $224,000 (2015 – $324,000), respectively.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the guarantee of managed receivables and the Company's SARs liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets or liabilities, other than the lease receivables and loans to clients in our leasing business, are short term in nature and, therefore, their carrying values approximate fair values.

At September 30, 2016, the Company had entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between October 3, 2016 and February 28, 2017 and which oblige the Company to sell Canadian dollars and buy US$1,181,291 at exchange rates ranging from 1.2843 to 1.4050. These contracts were entered into by the Company on behalf of clients and similar forward foreign exchange contracts were entered into between the Company and the clients, whereby the Company will buy Canadian dollars from and sell US$1,181,291 to the clients. These contracts are discussed further in note 14 to the Statements.

Critical Accounting Policies and Estimates

Critical accounting estimates represent those estimates that are highly uncertain and for which changes in those estimates could materially impact the Company's financial results. The following are accounting estimates that the Company considers critical to the financial results of its business segments:

i) the allowance for losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios and typical industry loss experience. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency.

   The Company's allowances on its Loans and its guarantee of managed receivables may comprise specific and general components. A specific allowance may be established against Loans that are identified as impaired, or non-performing, when the Company determines, based on its review, identification and evaluation of problem Loans, that the timely collection of interest and principal payments is no longer assured and that the estimated net realizable value of the Company's loan collateral is below its book value. Similarly, a specific allowance may be established against managed receivables where a clients' customer becomes insolvent and the Company's guarantee is called upon. In such cases, the Company will estimate the fair value of the required payments to clients under their guarantees, net of any estimated recoveries expected from the insolvent customer's estate.

   A general or collective allowance on both its Loans and its guarantee of managed receivables is established to reserve against losses that are estimated to have occurred but cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. In establishing its collective allowances, the Company applies percentage formulae to its Loans and managed receivables. The formulae are based upon historic credit and loan loss experience and are reviewed for adequacy on an ongoing basis. Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(d) and 4 to the Statements.

ii) the extent of any provisions required for outstanding claims. In the normal course of business there is outstanding litigation, the results of which are not normally expected to have a material effect upon the Company. However, the adverse resolution of a particular claim could have a material impact on the Company’s financial results. Management is not aware of any claims currently outstanding upon which significant damages could be payable.

Control Environment

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at September 30, 2016, management evaluated and concluded on the effective design of the Company's DC&P and ICFR, and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

Risks and Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company’s long-term prospects. Factors that may impact the Company’s results include, but are not limited to, the factors discussed below. Please refer to note 18 to the Statements, which discuss the Company’s principal financial risk management practices.

Competition

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects competition to persist in the future as the markets for its services continue to develop and as additional companies enter its markets. There can be no assurance that the Company will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to competing services, the Company would likely lose some clients or be forced to lower its rates, both of which could have a material adverse effect on the Company’s business, operating results and financial condition. The Company will not, however, compromise its credit standards.

Economic slowdown

The Company operates mainly in Canada and the United States. Economic weakness in either of the Company’s markets can affect its ability to do new business as quality prospects become limited, although in a weak economy competition may lessen, which could result in the Company seeing more prospects. Further, the Company’s clients and their customers are often adversely affected by economic slowdowns and this can lead to increases in its provision for credit and loan losses.

Credit risk

The Company is in the business of financing its clients’ receivables and making asset-based, including lease financing, and working capital loans. The Company’s portfolio totalled $242 million at September 30, 2016. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 18(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company’s floating rate Loans substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations. This is partially mitigated in its leasing business, where lease receivables and term loans to clients tend to be at fixed effective interest rates, while related bank borrowings tend to be floating rate. Please refer to note 18(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources is held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. In recent years, the Company has seen the fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its foreign subsidiaries results are translated into Canadian dollars. It has also impacted the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had in the past reduced the AOCI component of equity to a loss position, although this has now recovered to a sizable gain position at September 30, 2016. Please see notes 15 and 18(c)(i) to the Statements.

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. Business combinations also require management to exercise judgment in measuring the fair value of assets acquired, liabilities and contingent liabilities assumed and equity instruments issued.

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 package, which includes profit sharing, long-term incentives, and medical benefits, as it continuously seeks to align the interests of employees and shareholders.

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high underwriting standards.

In the first nine months of 2016, the Company fell short of the record levels of business activity seen in 2015. A large receivables management client left towards the end of 2015 and a number of clients have "graduated" to traditional financing in the past several months impacting the Company's funds employed and revenue. In response to this, the Company downsized its Canadian operations and took a restructuring charge. However, the Company's pipeline of prospects has remained strong and it closed the third quarter with record funds employed of $162 million. It is anticipated that the Company's asset-based financing units will be able to continue to build their funds employed despite operating in very competitive markets. We opened a new office in Chicago for our U.S. business at the end of September. Named "Accord Business Finance" this new division will provide factoring facilities for smaller businesses than those served by our South Carolina office. We expect this unit to grow and become an ever-increasing contributor to our earnings. The Company's equipment financing and leasing business, ASBF, is experiencing growth, continues to expand its product offerings and is profitable. ASBF has recently launched an internet-based working capital loan product that it hopes will accelerate its growth over the next few years and it is now doing larger equipment deals, which is expected to grow its funds employed. Our credit protection and receivables management business, however, continues to face intense competition from multinational credit insurers and it is expected this will continue. We will remain vigilant in maintaining portfolio quality in the face of an increasingly uncertain global economy. The Company continues to actively seek opportunities to acquire companies or portfolios to grow its business. Overall, the Company is cautiously optimistic about its prospects for the remainder of 2016 and looks forward to higher activity for the balance of the year.

With its substantial capital and borrowing capacity, Accord is well positioned to capitalize on market conditions. That, coupled with experienced management and staff, will enable the Company to meet increased competition and develop new opportunities. Accord continues to introduce new financial and credit services to fuel growth in a very competitive and challenging environment.

Stuart Adair

Stuart Adair
Senior Vice President, Chief Financial Officer
November 1, 2016

Consolidated Statements of Financial Position (unaudited)

	September 30, 2016	December 31, 2015	September 30, 2015
Assets			
Cash	$ 9,436,622	$ 12,440,143	$ 12,748,403
Finance receivables and loans, net (note 4)	160,409,278	134,259,000	152,572,507
Income taxes receivable	1,003,139	376,727	302,700
Other assets	983,199	658,061	981,417
Assets held for sale (note 5)	1,352,888	1,544,182	1,674,013
Deferred tax assets, net	111,000	217,103	589,560
Capital assets	366,604	354,910	381,939
Intangible assets (note 6)	1,114,099	1,496,242	1,640,130
Goodwill (note 7)	3,143,965	3,213,495	3,165,892
	$ 177,920,794	$ 154,559,863	$ 174,056,561
Liabilities			
Due to clients	$ 6,548,855	$ 9,401,637	$ 4,481,762
Bank indebtedness (note 8)	81,265,316	54,094,479	78,169,318
Accounts payable and other liabilities	3,010,456	2,886,546	3,042,012
Income taxes payable	533,595	932,351	927,050
Notes payable (note 9)	11,850,399	13,200,628	16,669,731
Deferred income	782,972	378,504	526,088
Deferred tax liabilities, net	609,850	600,034	614,636
	104,601,443	81,494,179	104,430,597
Equity			
Capital stock (note 10)	6,896,153	6,896,153	6,896,153
Contributed surplus	155,874	60,329	42,840
Retained earnings	59,179,827	57,066,132	55,020,060
Accumulated other comprehensive income (note 15)	7,087,497	9,043,070	7,666,911
	73,319,351	73,065,684	69,625,964
	$ 177,920,794	$ 154,559,863	$ 174,056,561

Notice to Reader

Management has prepared these condensed interim unaudited consolidated financial statements and notes and is responsible for the integrity and fairness of the financial information presented therein. They have been reviewed and approved by the Company's Audit Committee and Board of Directors. Pursuant to National Instrument 51-102, Part 4, Subsection 4.3(3)(a), the Company advises that its independent auditor has not performed a review or audit of these condensed interim unaudited consolidated financial statements.

Consolidated Statements of Earnings (unaudited)

Three and nine months ended September 30	Three months 2016	Three months 2015	Nine months 2016	Nine months 2015
Revenue				
Interest and other income (note 4 and 5)	**$ 7,032,252**	$ 8,521,384	**$ 20,800,292**	$ 23,737,418
Expenses				
Interest	**550,229**	599,346	**1,625,537**	1,744,016
General and administrative (note 12)	**4,718,160**	4,455,490	**12,814,493**	13,057,870
Provision for credit and loan losses	**338,510**	128,351	**1,185,115**	1,137,198
Impairment of assets held for sale (note 5)	**44,491**	—	**44,491**	—
Depreciation	**42,148**	34,368	**109,736**	102,820
Business acquisition expenses: amortization of intangible assets	**127,381**	143,888	**382,143**	431,664
	5,820,919	5,361,443	**16,161,515**	16,473,568
Earnings before income tax	**1,211,333**	3,159,941	**4,638,777**	7,263,850
Income tax (recovery) expense	**(54,000)**	636,000	**282,000**	1,299,000
Net earnings	**$ 1,265,333**	$ 2,523,941	**$ 4,356,777**	$ 5,964,850
Basic and diluted earnings per common share (note 11)	**$ 0.15**	$ 0.30	**$ 0.52**	$ 0.72

Consolidated Statements of Comprehensive Income (unaudited)

Three and nine months ended September 30	Three months 2016	Three months 2015	Nine months 2016	Nine months 2015
Net earnings	**$ 1,265,333**	$ 2,523,941	**$ 4,356,777**	$ 5,964,850
Other comprehensive income (loss):				
Items that are or may be reclassified to profit or loss: Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations (note 15)	**536,220**	2,220,994	**(1,955,573)**	4,489,162
Comprehensive income	**$ 1,801,553**	$ 4,744,935	**$ 2,401,204**	$ 10,454,012

Consolidated Statements of Changes in Equity (unaudited)

	Capital Stock: Number of common shares outstanding	Capital Stock: Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2015	8,307,713	$ 6,896,153	$ 42,840	$ 51,215,217	$ 3,177,749	$ 61,331,959
Comprehensive income	—	—	—	5,964,850	4,489,162	10,454,012
Dividends paid	—	—	—	(2,160,007)	—	(2,160,007)
Balance at September 30, 2015	8,307,713	$ 6,896,153	$ 42,840	$ 55,020,060	$ 7,666,911	$ 69,625,964
Balance at January 1, 2016	**8,307,713**	**$ 6,896,153**	**$ 60,329**	**$ 57,066,132**	**$ 9,043,070**	**$ 73,065,684**
Comprehensive income	**—**	**—**	**—**	**4,356,777**	**(1,955,573)**	**2,401,204**
Stock-based compensation expense related to stock option grants	**—**	**—**	**95,545**	**—**	**—**	**95,545**
Dividends paid	**—**	**—**	**—**	**(2,243,082)**	**—**	**(2,243,082)**
Balance at September 30, 2016	**8,307,713**	**$ 6,896,153**	**$ $155,874**	**$ 59,179,827**	**$ 7,087,497**	**$ 73,319,351**

Consolidated Statements of Cash Flows (unaudited)

Nine months ended September 30	2016	2015
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 4,356,777**	$ 5,964,850
Items not affecting cash:		
Allowance for losses, net of charge-offs and recoveries	**136,952**	113,217
Deferred income	**371,130**	(37,241)
Amortization of intangible assets	**382,143**	431,664
Depreciation	**109,736**	102,820
Loss on disposal of capital assets	**262**	—
Loss on disposal of assets held for sale	**59,324**	10,981
Impairment of assets held for sale	**44,491**	—
Stock-based compensation expense related to stock option grants	**95,545**	—
Deferred tax expense (recovery)	**115,480**	(345,854)
Current income tax expense	**166,520**	1,647,854
	5,838,360	7,885,291
Changes in operating assets and liabilities		
Finance receivables and loans, gross	**(29,379,293)**	(9,137,974)
Due to clients	**(2,843,022)**	(2,317,477)
Other assets	**(332,650)**	1,092,929
Accounts payable and other liabilities	**129,629**	(409,283)
Addition to assets held for sale	**(2,540)**	—
Disposal of assets held for sale	**113,019**	1,348,094
Income tax paid, net	**(1,168,323)**	(1,068,704)
	(27,644,820)	(2,607,124)
Investing activities		
Additions to capital assets, net	**(124,791)**	(94,743)
	(124,791)	(94,743)
Financing activities		
Bank indebtedness	**29,005,862**	9,526,124
Notes payable (redeemed), net	**(1,349,022)**	(140,268)
Dividends paid	**(2,243,082)**	(2,160,007)
	25,413,758	7,225,849
Effect of exchange rate changes on cash	**(647,668)**	1,121,148
(Decrease) increase in cash	**(3,003,521)**	5,645,130
Cash at January 1	**12,440,143**	7,103,273
Cash at September 30	**$ 9,436,622**	$ 12,748,403
Supplemental cash flow information		
Net cash used in operating activities includes:		
Interest paid	**$ 1,472,704**	$ 1,558,489

Notes to Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2016 and 2015

1. Description of the business

Accord Financial Corp. (the "Company") is incorporated by way of Articles of Continuance under the Ontario Business Corporations Act and, through its subsidiaries, is engaged in providing asset-based financial services, including factoring, financing, leasing, credit investigation, credit protection and receivables management, to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 77 Bloor Street West, Toronto, Ontario, Canada.

2. Basis of presentation and statement of compliance

These condensed interim unaudited consolidated financial statements ("Statements") are expressed in Canadian dollars, the Company's functional and presentation currency, and have been prepared in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

These Statements do not include all of the information and footnotes required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared using the accounting policies that the Company expects to utilize in its consolidated financial statements for the year ending December 31, 2016, the more significant of which are detailed in note 3. These accounting policies are based on IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. These Statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2015.

The preparation of the condensed interim unaudited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental relate to the determination of the allowance for losses relating to finance receivables and loans and to the guarantee of managed receivables (notes 3(d) and 4), the determination of the value of goodwill and intangible assets on acquisition (notes 6 and 7), as well as the net realizable value of assets held for sale (notes 3(g) and 5) and deferred tax assets and liabilities. Management believes that these estimates are reasonable and appropriate.

The condensed interim unaudited consolidated financial statements of the Company have been prepared on an historical cost basis except for the following items which are recorded at fair value:

- Cash
- Assets held for sale
- Derivative financial instruments (a component of other assets and/or accounts payable and other liabilities)
- Share appreciation rights ("SARs") liability*
- Guarantee of managed receivables*

  **a component of accounts payable and other liabilities*

The condensed interim unaudited consolidated financial statements for the three and nine months ended September 30, 2016 were approved for issue by the Company's Board of Directors ("Board") on November 1, 2016.

3. Significant accounting policies

a) Basis of consolidation

These financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries; namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Varion Capital Corp. ("Varion") in Canada and Accord Financial, Inc. ("AFIU") in the United States. The Company exercises 100% control over each of its subsidiaries. The accounting policies of the Company's subsidiaries are aligned with IFRS. Intercompany balances and transactions are eliminated upon consolidation.

b) Revenue recognition

Revenue principally comprises interest, including discount fees, and factoring commissions from the Company's asset-based financial services, including factoring and leasing, and is measured at the fair value of the consideration received. For receivables purchased in its recourse factoring business, discount fees are calculated as a discount percentage of the gross amount of the factored invoice and are recognized as revenue over the initial discount period. Additional discount fees are charged on a per diem basis if the invoice is not paid by the end of the initial discount period. For managed receivables, factoring commissions are charged upfront and a certain portion is deferred and recognized over the period that costs are incurred collecting the receivables. Interest charged on finance receivables and loans to clients is recognized as revenue using the effective interest rate method. In the Company's leasing business, interest is recognized over the term of the lease agreement or installment payment agreement using the effective interest rate; the effective interest rate is that rate which exactly discounts estimated future cash receipts through the expected life of the lease, installment payment or loan agreement. Fees related to direct finance leases, installment payment agreements and loan receivables of Varion are considered an integral part of the yield earned on the debtor balance and are accounted for using the effective interest rate method.

Other revenue, such as due diligence fees, documentation fees and commitment fees, is recognized as revenue when earned.

c) Finance receivables and loans

The Company finances its clients principally by factoring their receivables, providing asset-based loans and financing equipment leases. Finance receivables (namely, factored receivables and lease receivables) and loans to clients are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Finance receivables and loans to clients are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest rate method.

The Company's leasing operations have standard lease contracts that are non-cancellable direct financing leases and provide for monthly lease payments, usually for periods of one to five years. The present value of the minimum lease payments and residual values expected to be received under the lease terms is recorded at the commencement of the lease. The difference between this total value, net of execution costs, and the cost of the leased asset is unearned revenue, which is recorded as a reduction in the asset value, with the net amount being shown as the net investment in leases (specifically, the Company's lease receivables). The unearned revenue is then recognized over the life of the lease using the effective interest rate method, which provides a constant rate of return on the net investment throughout the lease term.

d) Allowances for losses

The Company maintains allowances for losses on its finance receivables and loans and its guarantee of managed receivables. At each reporting date, the Company assesses whether there is objective evidence that the finance receivables and loans or managed receivables are impaired. A finance receivable and loan or a group of finance receivables or loans is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of these asset(s), and that the loss event has an effect on the future cash flows resulting from the finance receivable(s) and loan(s) that can be estimated reliably. In respect of the Company's guarantee of managed receivables, a loss event has occurred if there exists objective evidence that a debtor is bankrupt or insolvent and payments, which can be estimated reliably, are required to be made to clients under the Company's guarantees to them.

The Company maintains these allowances for losses at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations, including current economic trends, condition of the loan and customer receivable portfolios and typical industry loss experience.

The Company considers evidence of impairment for finance receivables and loans and managed receivables at both a specific asset and collective level. All finance receivables and loans and managed receivables are first assessed for specific impairment and, if found not to be specifically impaired, they are then collectively assessed for any impairment that has been incurred but not yet identified.

Losses on finance receivables and loans are charged to the allowance for losses account when collectability becomes questionable and the underlying collateral is considered insufficient to secure the loan balance. Credit losses on managed receivables are charged to the respective allowance for losses account when debtors are known to be bankrupt or insolvent. Recoveries from previously written-off accounts are credited to the respective allowance for losses account once collected. The allowance for losses on finance receivables and loans is recorded at amortized cost, while the allowance for losses on the guarantee of managed receivables is recorded at fair value.

e) Foreign subsidiaries

The Company's foreign subsidiaries report in U.S. dollars and their assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date. Revenue and expenses are translated into Canadian dollars at the average monthly exchange rate then prevailing. Resulting translation gains and losses are credited or charged to other comprehensive income or loss and presented in the accumulated other comprehensive income or loss component of equity.

f) Stock-based compensation

The Company accounts for SARs and stock options issued to directors and/or employees using fair value-based methods. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the SARs and stock options on the grant date. Changes in the fair value of outstanding SARs are calculated at each reporting date, as well as at settlement date. The fair value of the awards is recorded in general and administrative expenses over the awards vesting period, or immediately if fully vested.

The Company’s senior executive long-term incentive plan (“LTIP”) (note 10(g)) contemplates grants thereunder may be settled in common shares and/or cash. Grants are determined as a percentage of the participants’ short-term annual bonus, up to an annual LTIP pool maximum, which may be adjusted up or down based on the Company’s adjusted return on average equity over the three-year vesting period of an award. The fair value of the LTIP awards calculated at each reporting date, is recorded in general and administrative expenses over the awards vesting period, with a corresponding liability established.

g) Assets held for sale

Assets acquired or repossessed on realizing security on defaulted finance receivables and loans are held for sale and are stated at the lower of cost or recoverable amount (also referred to as “net realizable value”).

h) Future accounting policies

IFRS 9, Financial Instruments ("IFRS 9"), will replace the guidance provided in IAS 39, Financial Instruments Recognition and Measurements. The Standard includes new guidance on: (i) classification and measurement of financial assets and liabilities; (ii) impairment of financial assets; and (iii) hedge accounting. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. The impact of adoption of IFRS 9 has not yet been determined.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), will replace the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenue generated from contracts with customers, with the exception of revenue earned from contracts in the scope of other standards, such as financial instruments, insurance contracts and leases. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers. IFRS 15 is effective for the fiscal year beginning January 1, 2018. The impact of adoption of IFRS 15 has not yet been determined.

IFRS 16, Leases (“IFRS 16”), will replace existing guidance on accounting for leases. The accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for fiscal years beginning January 1, 2019. The impact of adoption of IFRS 16 has not yet been determined.

4. Finance receivables and loans

	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2015
Factored receivables	**$ 86,334,437**	$ 77,249,252	$ 92,070,312
Loans to clients	**67,880,084**	52,523,477	56,413,728
Lease receivables	**7,938,757**	6,134,271	5,984,467
Finance receivables and loans, gross	**162,153,278**	135,907,000	154,468,507
Less allowance for losses	**1,744,000**	1,648,000	1,896,000
Finance receivables and loans, net	**$ 160,409,278**	$134,259,000	$ 152,572,507

Lease receivables comprise Varion's net investment in leases as described in note 3(c). Varion's lease receivables at September 30, 2016 are expected to be collected over a period of up to five years.

Interest income earned on finance receivables and loans during the three and nine months ended September 30, 2016 totalled $5,649,698 (2015 – $6,705,547) and $17,102,688 (2015 – $18,612,621), respectively. Fees from receivables management and credit protection services during the three and nine months ended September 30, 2016 totalled $1,100,919 (2015 – $1,559,898) and $2,717,804 (2015 – $4,194,150), respectively.

The Company's allowance for losses on finance receivables and loans to clients at September 30, 2016 and 2015 and December 31, 2015 comprised only a collective allowance. The activity in the allowance for losses on finance receivables and loans account during the first nine months of 2016 and 2015 was as follows:

	2016	2015
Allowance for losses at January 1	**$ 1,648,000**	$ 1,763,000
Provision for loan losses	**1,010,151**	976,816
Charge-offs	**(893,712)**	(909,190)
Recoveries	**1,513**	9,590
Foreign exchange adjustment	**(21,952)**	55,784
Allowance for losses at September 30	**$ 1,744,000**	$ 1,896,000

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the majority of the clients' receivables. At September 30, 2016, the gross amount of these managed receivables was $79,982,391 (December 31, 2015 – $70,148,210; September 30, 2015 – $98,064,410). At September 30, 2016, management provided an amount of $185,000 (December 31, 2015 – $166,000; September 30, 2015 – $226,000) as a collective allowance for losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at those dates. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included in the consolidated statement of financial position.

The activity in the allowance for losses on the guarantee of managed receivables account during the nine months ended September 30, 2016 and 2015 was as follows:

	2016	2015
Allowance for losses at January 1	**$ 166,000**	$ 190,000
Provision for credit losses	**174,964**	160,382
Charge-offs	**(187,906)**	(147,526)
Recoveries	**31,942**	23,144
Allowance for losses at September 30	**$ 185,000**	$ 226,000

The nature of the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. These transactions are conducted on terms that are usual and customary to the Company's asset-based lending and factoring activities. The Company controls the credit risk associated with its finance receivables and loans and managed receivables in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 18(a).

At September 30, 2016, the Company held cash collateral of $2,864,223 (December 31, 2015 – $1,486,710; September 30, 2015 – $1,749,015) to help reduce the risk of loss on certain of the Company's finance receivables and loans and managed receivables.

The Company considers the allowances for losses on both its finance receivables and loans to clients and its guarantee of managed receivables critical to its financial results (see note 3(d)). As noted above, the Company maintains a separate allowance for losses on each of the above items at amounts, which, in management's judgment, are sufficient to cover estimated losses thereon. The allowances are based upon several considerations, including current economic environment, condition of the loan and receivable portfolios and typical industry loss experience. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency.

In establishing its collective allowances, the Company applies percentage formulae to its finance receivables and loans and managed receivables. The Company reviewed and adjusted its allowance for losses formulae at the beginning of 2016. The changes in estimate did not have a material impact on the Company's consolidated financial statements.

5. Assets held for sale

The estimated net realizable value of the assets held for sale at September 30, 2016 and 2015 and movements therein during the first nine months of 2016 and 2015 were as follows:

	2016	2015
Assets held for sale at January 1	**$ 1,544,182**	$ 2,172,491
Additions	**25,540**	819,923
Disposals	**(172,343)**	(1,379,481)
Impairment charge	**(44,491)**	—
Foreign exchange adjustment	**—**	61,080
Assets held for sale at September 30	**$ 1,352,888**	$ 1,674,013

During 2016 and prior years, the Company obtained title to or repossessed certain long-lived assets securing defaulted loans. These assets will be disposed as market conditions permit. The estimated net realizable value of the assets at the above dates was based upon appraisals of the assets.

The assets disposed in 2016 were sold for $113,019 resulting in a loss of $59,324 compared to the estimated net realizable value thereof. The assets disposed in 2015 were sold for $1,368,500 resulting in a loss of $10,981 compared to the estimated net realizable value thereof. These losses were included in other income. During the three and nine months ended September 30, 2016, an impairment charge of $44,491 was taken against certain assets held for sale.

6. Intangible assets

The Company's intangible assets were as follows:

	Existing customer contracts	Broker relationships	Total
Cost			
January 1, 2016 and September 30, 2016	**$ 1,179,097**	**$ 1,343,938**	**$ 2,523,035**
Accumulated amortization			
January 1, 2016	**(635,533)**	**(391,260)**	**(1,026,793)**
Amortization expense	**(229,041)**	**(153,102)**	**(382,143)**
September 30, 2016	**(864,574)**	**(544,362)**	**(1,408,936)**
Book value			
January 1, 2016	**$ 543,564**	**$ 952,678**	**$ 1,496,242**
September 30, 2016	**$ 314,523**	**$ 799,576**	**$ 1,114,099**

	Existing customer contracts	Broker relationships	Total
Cost			
January 1, 2015 and September 30, 2015	$ 1,179,097	$ 1,343,938	$ 2,523,035
Accumulated amortization			
January 1, 2015	(264,117)	(187,124)	(451,241)
Amortization expense	(278,562)	(153,102)	(431,664)
September 30, 2015	(542,679)	(340,226)	(882,905)
Book value			
January 1, 2015	$ 914,980	$ 1,156,814	$ 2,071,794
September 30, 2015	$ 636,418	$ 1,003,712	$ 1,640,130

7. Goodwill

	2016	2015
Balance at January 1	**$ 3,213,495**	$ 2,998,172
Foreign exchange adjustment	**(69,530)**	167,720
Balance at September 30	**$ 3,143,965**	$ 3,165,892

Goodwill is tested for impairment annually. During 2015, the Company conducted an annual impairment review and determined there was no impairment to the carrying value of goodwill. 2016's impairment review will be conducted in the Company's fourth quarter unless impairment indicators arise earlier. Goodwill of US$961,697 is carried in the Company's U.S. subsidiary and a foreign exchange adjustment is recognized each period-end when this balance is translated into Canadian dollars at the prevailing period-end exchange rate.

8. Bank indebtedness

Revolving lines of credit totalling approximately $155,000,000 have been established with a number of banks, bearing interest varying with the bank prime rate or Libor. These lines of credit are collateralized primarily by finance receivables and loans to clients. At September 30, 2016, the amounts outstanding under the Company's lines of credit totalled $81,265,316 (December 31, 2015 – $54,094,479; September 30, 2015 – $78,169,318). The Company was in compliance with all loan covenants under these lines of credit during the nine months September 30, 2016 and 2015.

9. Related party transactions (notes payable)

Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. The notes are unsecured, due on demand, or in the case of one note, a week after requesting repayment, and bear interest at rates at/or below those of the Company's bank lines of credit.

Notes payable were as follows:

	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2015
Related parties	$ 10,798,393	$ 11,787,564	$ 15,244,649
Third parties	1,052,006	1,413,064	1,425,082
	$ 11,850,399	$ 13,200,628	$ 16,669,731

Interest expense on the notes payable for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months		Nine Months	
	2016	2015	2016	2015
Related parties	$ 67,568	$ 97,191	$ 203,390	$ 295,762
Third parties	5,739	8,144	20,228	28,702
	$ 73,307	$105,335	$ 223,618	$ 324,464

10. Capital stock, contributed surplus, dividends, share appreciation rights, stock option plans, senior executive long-term incentive plan, and stock-based compensation

a) Authorized capital stock

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At September 30, 2016 and 2015 and December 31, 2015, there were no first preferred shares outstanding.

b) Issued and outstanding

The Company's issued and outstanding common shares during the first nine months of 2016 and 2015 are set out in the consolidated statements of changes in equity.

c) Contributed surplus

	2016	2015
Balance at January 1	$ 60,329	$ 42,840
Stock-based compensation expense related to stock option grants (note 10(f))	95,545	—
Balance at September 30	$ 155,874	$ 42,840

d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three and nine months ended September 30, 2016, dividends totalling $747,694 (2015 – $747,695) and $2,243,082 (2015 – $2,160,007), respectively, or $0.09 (2015 – $0.09) and $0.27 (2015 – $0.26), respectively, per common share were declared and paid.

On November 1, 2016, the Company declared a quarterly dividend of $0.09 per common share, payable December 1, 2016 to shareholders of record at the close of business on November 15, 2016.

e) Share appreciation rights

The Company has established a SARs plan, whereby SARs are granted to directors and key managerial employees of the Company. The maximum number of SARs which may be granted in any fiscal year under the plan is 2.5% of the total number of issued and outstanding common shares of the Company at the time of grant. The SARs will have a strike price at the time of grant equal to the volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the ten days that the shares were traded immediately preceding the date of grant, or other ten-day trading period that the Company's Board may determine. Employees can sell part or all of their SARs after holding them for a minimum of 24 months. Each employee's SARs not sold to the Company will automatically be sold on the last business day on or preceding the fifth anniversary following such grant.

No SARs have been granted by the Company to directors or employees since 2011. 5,000 SARs were exercised in the three months ended September 30, 2016, while 15,000 SARs were exercised in the nine months ended September 30, 2016. No SARs were exercised in the three and nine months ended September 30, 2015. Directors have to sell their SARs to the Company on or before October 27, 2017 at which time they will automatically be sold. At September 30, 2016, only SARs held by directors remained outstanding.

The Company's vested and outstanding SARs were as follows:

Exercise price	Grant date	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2015
$ 6.03	July 28, 2009	**7,500**	7,500	7,500
$ 5.50	May 7, 2010	**5,000**	15,000	15,000
$ 7.95	May 4, 2011	**55,000**	55,000	55,000
$ 7.56	July 26, 2011	**—**	5,000	5,000
		67,500	82,500	82,500

At September 30, 2016, the Company had accrued a liability of $124,725 (December 31, 2015 – $190,050; September 30, 2015 – $188,400) in respect of the fair value of outstanding SARs.

f) Stock option plans

The Company has established an employee stock option plan. Under the terms of the plan, an aggregate of 1,000,000 common shares have been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries. According to the terms of the plan, these options vest over a period of three years provided certain minimum earnings criteria are met. Although the Company may still grant stock options to employees, it has not done so since May 2004.

The Company has also established a non-executive directors' stock option plan ("NEDSOP"). Under the terms of the plan, an aggregate of 500,000 common shares have been reserved for issue upon the exercise of options granted to non-executive directors of the Company. Fifty percent of options granted under the NEDSOP vest after one year and fifty percent after two years. The options have to be exercised within five years of the grant date at which time they expire.

Options are granted to purchase common shares at prices not less than the market price of such shares on the grant date.

Outstanding options granted under the NEDSOP were as follows:

Exercise price	Grant Date	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2015
$9.56	October 28, 2015	**100,000**	100,000	—
$9.28	July 27, 2016	**100,000**	—	—
Outstanding		**200,000**	100,000	—
Earned and exercisable		**—**	—	—

The fair value of the options granted in 2016 and 2015 was determined using the Black-Scholes option pricing model with the following assumptions on the grant dates:

	July 27, 2016 grant	October 28, 2015 grant
Risk free interest rate	0.65%	0.82%
Expected dividend yield	3.88%	3.77%
Expected share price volatility	23.78%	23.50%
Expected life of option	5.0 years	5.0 years
Estimated fair value of each option	$1.35	$1.40

g) Senior executive long-term incentive plan

Under the LTIP, which was introduced in 2015, grants may be made annually to the Company's senior executive management group and are measured and assessed over a three-year performance period. Grants are determined as a percentage of the participants' short-term annual bonus subject to an annual LTIP pool maximum of 5% of adjusted consolidated net earnings. Vesting of the LTIP is subject to achievement over a three-year period of a cumulative annual adjusted return on average consolidated shareholders' equity and may be adjusted up or down subject to achievement of certain minimum and maximum return thresholds. The Compensation Committee of the Board has the discretion to determine whether payments are settled through the issuance of shares and/or paid in cash.

h) Stock-based compensation

During the three months ended September 30, 2016, the Company recorded a stock-based compensation expense of $28,875 (2015 – recovery $110,550), of which $43,075 (2015 – nil) was in respect of NEDSOP grants and $14,000 (2015 – nil) was in respect of the Company's LTIP awards, while there was a recovery of $28,200 (2015 – recovery $110,550) in respect of the Company's outstanding SARs. During the nine months ended September 30, 2016, the Company recorded a stock-based compensation expense of $164,420 (2015 – $25,050), of which $111,000 (2015 – nil) was in respect of the Company's LTIP awards and $95,545 (2015 – nil) was in respect of NEDSOP grants, while there was a recovery of $42,125 (2015 – expense $25,050) in respect of the Company's outstanding SARs.

11. Earnings per common share and weighted average number of common shares

Basic earnings per share have been calculated based on the weighted average number of common shares outstanding in the period without the inclusion of dilutive effects. Diluted earnings per share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding in the period, which in the Company's case consists entirely of stock options.

The following is a reconciliation of common shares used in the calculation of earnings per share:

Three and nine months ended September 30	2016	2015
Basic weighted average number of common shares outstanding	**8,307,713**	8,307,713
Effect of dilutive stock options	**—**	—
Diluted weighted average number of common shares outstanding	**8,307,713**	8,307,713

For the three and nine months ended September 30, 2016, all outstanding stock options were excluded from the calculation of the diluted weighted average number of common shares outstanding because they were considered to be anti-dilutive for earnings per common share purposes. There were no options outstanding in the three and nine months ended September 30, 2015.

12. Restructuring expense

During the three and nine months ended September 30, 2016, the Company incurred a restructuring expense to downsize its Canadian operations. This restructuring involves employee and office space reductions. General and administrative expenses include $737,613 expensed by the Company in the three and nine months ended September 30, 2016 in respect of this restructuring.

13. Contingent liabilities

a) In the normal course of business there is outstanding litigation, the results of which are not expected to have a material effect upon the Company. Pending litigation, or other contingent matters represent potential financial loss to the Company. The Company accrues a potential loss if the Company believes the loss is probable and it can be reasonably estimated. The decision is based on information that is available at the time. The Company estimates the amount of the loss by consulting with the outside legal counsel that is handling the defense. This involves analyzing potential outcomes and assuming various litigation and settlement strategies. At September 30, 2016, the Company's management was not aware of any litigation the aggregate liability from which would materially affect the financial position of the Company.

b) At September 30, 2016, the Company was contingently liable with respect to letters of credit issued on behalf of clients in the amount of $17,872 (December 31, 2015 – $481,201; September 30, 2015 – $160,470). In addition, at September 30, 2016 the Company was contingently liable with respect to letters of guarantee issued on behalf of its clients in the amount of $393,510 while at December 31, 2015 and September 30, 2015 the Company was contingently liable with respect to letters of guarantee issued on behalf of its clients in the amount of $150,000. These amounts were considered in determining the allowance for losses on finance receivables and loans.

14. Derivative financial instruments

At September 30, 2016, the Company had entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between October 3, 2016 and February 28, 2017 and which oblige the Company to sell Canadian dollars and buy US$1,181,291 at exchange rates ranging from 1.2843 to 1.4050. These contracts were entered into by the Company on behalf of clients and similar forward foreign exchange contracts were entered into between the Company and the clients, whereby the Company will buy Canadian dollars from and sell US$1,181,291 to the clients.

At December 31, 2015, the Company had entered into forward foreign exchange contracts with a financial institution that matured between January 29, 2016 and March 31, 2016 and obliged the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.3075 to 1.3100, while at September 30, 2015, the Company had entered into forward foreign exchange contracts with a financial institution that matured between October 30, 2015 and March 31, 2016 and obliged the Company to sell Canadian dollars and buy US$650,000 at exchange rates ranging from 1.2590 to 1.3075. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company bought Canadian dollars from and sold US$700,000 and US$650,000, respectively, to the client.

The favorable and unfavorable fair values of these contracts were recorded on the Company's consolidated statements of financial position in other assets and accounts payable and other liabilities, respectively. The fair value of the contracts were classified as Level 2 under IFRS 7. During the nine months ended September 30, 2016 and 2015, there was no movement between the three-level fair value hierarchy described in note 3(p) to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2015.

15. Accumulated other comprehensive income

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries that report in U.S. dollars. Changes in the AOCI balance during the nine months ended September 30, 2016 and 2015 are set out in the consolidated statements of changes in equity.

16. Fair values of financial assets and liabilities

Any financial assets or liabilities recorded at cost are short term in nature and, therefore, their carrying values approximate fair values. Under the fair value hierarchy, finance receivables and loans would be classified as Level 3.

17. Segmented information

The Company operates and manages its businesses in one dominant industry segment – providing asset-based financial services to industrial and commercial enterprises, principally in Canada and the United States. There were no significant changes to capital assets and goodwill during the periods under review.

Three months ended September 30, 2016:

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 98,089	$ 79,832	$ —	$ 177,921
Revenue	$ 4,530	$ 2,491	$ 11	$ 7,032
Expenses				
Interest	523	16	11	550
General and administrative	3,371	1,348	—	4,719
Provision for credit and loan losses	228	111	—	339
Impairment of assets held for sale	44	—	—	44
Depreciation	30	12	—	42
Business acquisition expenses	127	—	—	127
	4,323	1,487	11	5,821
Earnings before income tax	207	1,004	—	1,211
Income tax expense (recovery)	72	(126)	—	(54)
Net earnings	$ 135	$ 1,130	$ —	$ 1,265

Three months ended September 30, 2015:

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 100,563	$ 73,494	$ —	$ 174,057
Revenue	$ 5,669	$ 2,853	$ (1)	$ 8,521
Expenses				
Interest	582	18	(1)	599
General and administrative	3,165	1,291	—	4,456
Provision for credit and loan losses	119	9	—	128
Depreciation	24	10	—	34
Business acquisition expenses	144	—	—	144
	4,034	1,328	(1)	5,361
Earnings before income tax	1,635	1,525	—	3,160
Income tax expense	445	191	—	636
Net earnings	$ 1,190	$ 1,334	$ —	$ 2,524

Nine months ended September 30, 2016:

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 98,089	$ 79,832	$ —	$ 177,921
Revenue	$ 13,537	$ 7,281	$ (18)	$ 20,800
Expenses				
Interest	1,597	47	(18)	1,626
General and administrative	8,800	4,014	—	12,814
Provision for credit and loan losses	716	469	—	1,185
Impairment of assets held for sale	44	—	—	44
Depreciation	76	34	—	110
Business acquisition expenses	382	—	—	382
	11,615	4,564	(18)	16,161
Earnings before income tax	1,922	2,717	—	4,639
Income tax expense (recovery)	551	(269)	—	282
Net earnings	$ 1,371	$ 2,986	$ —	$ 4,357

Nine months ended September 30, 2015:

(in thousands)	Canada	United States	Inter-company	Total
Identifiable assets	$ 100,563	$ 73,494	$ —	$ 174,057
Revenue	$ 15,728	$ 8,030	$ (21)	$ 23,737
Expenses				
Interest	1,712	53	(21)	1,744
General and administrative	9,352	3,706	—	13,058
Provision for credit and loan losses	819	318	—	1,137
Depreciation	70	32	—	102
Business acquisition expenses	432	—	—	432
	12,385	4,109	(21)	16,473
Earnings before income tax	3,343	3,921	—	7,264
Income tax expense	911	388	—	1,299
Net earnings	$ 2,432	$ 3,533	$ —	$ 5,965

18. Financial risk management

The Company is exposed to credit, liquidity and market risks related to the use of financial instruments in its operations. The Board has overall responsibility for the establishment and oversight of the Company's risk management framework through its Audit Committee. In this respect, the Audit Committee meets with management and the Company's Risk Management Committee at least quarterly. The Company's risk management policies are established to identify, analyze, limit, control and monitor the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in the risk environment faced by the Company.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its loans to and other financial transactions with clients, its guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with. The carrying amount of these loans and managed receivables represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending, including factoring and leasing, business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. Typically, the Company takes title to the factored receivables and collateral security over the other assets that it lends against and does not lend on an unsecured basis. It does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

In its asset-based lending, including leasing, and credit protection and receivables management operations, credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1.0 million, the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. In its asset-based lending operations, the Company's primary focus continues to be on the credit-worthiness and collectability of its clients' receivables.

The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. ASBF's lease receivables and equipment and working capital loans are term loans with payments usually spread out over the term of the lease of loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 1.2% were past due more than 60 days at September 30, 2016 (December 31, 2015 – 2.9%; September 30, 2015 – 1.0%). In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its asset-based lending and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, while in its credit protection and receivables management business, it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets-securing loans are appropriately appraised. In its asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. The financial strength of its clients' customers is often more important than the financial strength of the clients themselves.

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are obtained in respect of each equipment lease or loan. In its credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. All customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. At September 30, 2016, the Company had guaranteed accounts receivable in excess of $10 million in respect of one customer.

The Company's credit exposure relating to its finance receivables and loans by industrial sector was as follows:

	September 30, 2016	
Industrial sector (in thousands)	**Gross finance receivables and loans**	**% of total**
Wholesale and distribution	**44,007**	**27**
Manufacturing	**42,331**	**26**
Financial and professional services	**41,637**	**26**
Other	**34,178**	**21**
	$ 162,153	**100**

	September 30, 2015	
Industrial sector (in thousands)	Gross finance receivables and loans	% of total
Financial and professional services	$ 54,481	35
Wholesale and distribution	46,216	30
Manufacturing	33,659	22
Retail	9,278	6
Other	10,835	7
	$ 154,469	100

The Company's credit exposure relating to its managed receivables by industrial sector was as follows:

	September 30, 2016	
Industrial Sector (in thousands)	**Managed receivables**	**% of total**
Retail	**$ 73,063**	**91**
Other	**6,919**	**9**
	$ 79,982	**100**

	September 30, 2015	
Industrial Sector (in thousands)	Managed receivables	% of total
Retail	$ 85,749	88
Other	12,315	12
	$ 98,064	100

As set out in notes 3(d) and 4 the Company maintains an allowance for credit and loan losses on its finance receivables and loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts, which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, notes payable, due to clients, and accounts payable and other liabilities. Revolving credit lines totalling approximately $155,000,000 have been established at a number of banking institutions, bearing interest varying with the bank prime rate or Libor. At September 30, 2016, the Company had borrowed $81,265,316 (December 31, 2015 – $54,094,479; September 30, 2015 – $78,169,318) against these facilities. These lines of credit are collateralized primarily by finance receivables and loans to clients. The Company was in compliance with all loan covenants under these lines of credit during the nine months ended September 30, 2016. Notes payable are due on demand, or in the case of one note, a week after demand, and are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties. As at September 30, 2016, 91% of these notes were due to related parties and 9% to third parties. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations, the majority of which are payable within six months.

At September 30, 2016, the Company had gross finance receivables and loans totalling $162,153,000 (December 31, 2015 – $135,907,000; September 30, 2015 – $154,469,000) which substantially exceeded its total liabilities of $104,601,000 at that date (December 31, 2015 – $81,494,000; September 30, 2015 – $104,431,000). The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

All assets and liabilities, other than Varion's lease receivables and equipment loans, capital assets, deferred tax, intangible assets, goodwill, SARs and the LTIP liabilities,are expected to be settled within 12 months at the carrying values stated in the consolidated statements of financial position.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its financial instruments. The objective of managing market risk is to control market risk exposures within acceptable parameters, while optimizing the return on risk.

i) Currency risk

The Company is exposed to currency risk primarily in its foreign operations, which operate in U.S. dollars, to the full extent of the foreign operations net assets of US$27,423,000 at September 30, 2016. The Company's investment in its foreign operations is not hedged as they are long-term in nature. Unrealized foreign exchange gains or losses arise on translation of the assets and liabilities of the Company's foreign operations into Canadian dollars each period-end. Resulting foreign exchange gains or losses are credited or charged to other comprehensive income or loss with a corresponding entry to the AOCI component of equity (note 15). The Company is also subject to foreign currency risk on the earnings of its foreign operations, which are unhedged. Based on the foreign operations results for the nine months ended September 30, 2016, a one-cent change in the U.S. dollar against the Canadian dollar would change the Company's annual net earnings by approximately $30,000. It would also change other comprehensive income and the AOCI component of equity by $274,000.

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, due to clients and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At September 30, 2016, the Company's unhedged foreign currency positions in its Canadian operations totalled $190,000 (December 31, 2015 – $276,000; September 30, 2015 – $3,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of its unhedged foreign currency positions against the Canadian dollar would not have a material impact on the Company's net earnings.

ii) Interest rate risk

Interest rate risk pertains to the risk of loss due to the volatility of interest rates. The Company's lending and borrowing rates are usually based on bank prime rates of interest or Libor and are typically variable. The Company actively manages its interest rate exposure where possible.

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. However, as the Company's finance receivables and loans substantially exceed its floating and short-term fixed rate (usually 30 days) borrowings, the Company is exposed to interest rate risk as a result of the difference, or gap, that exists between interest sensitive assets and liabilities. This gap largely exists because of, and fluctuates with, the quantum of the Company's equity. This is partially mitigated in the Company's leasing business, where Varion's lease receivables and term loans to clients are usually at fixed effective interest rates, while related bank borrowings are currently at floating rates.

The following table shows the interest rate sensitivity gap at September 30, 2016:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	4 to 5 years	Non-rate sensitive	Total
Assets						
Cash	$ 7,034	$ —	$ —	$ —	$ 2,403	$ 9,437
Finance receivables and loans, net	130,651	13,244	9,950	1,327	5,237	160,409
Assets held for sale	—	—	—	—	1,353	1,353
All other assets	—	1,003	—	—	5,719	6,722
	137,685	14,247	9,950	1,327	14,712	177,921
Liabilities						
Due to clients	—	—	—	—	6,549	6,549
Bank indebtedness	16,206	65,059	—	—	—	81,265
Notes payable	11,850	—	—	—	—	11,850
All other liabilities	—	610	—	—	4,328	4,938
Equity	—	—	—	—	73,319	73,319
	28,056	65,669	—	—	84,196	177,921
	$109,629	$ (51,422)	$ 9,950	$ 1,327	$(69,484)	$ —

Based on the Company's interest rate positions as at September 30, 2016, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $580,000 over a one-year period. A decrease of 100 basis points in interest rates would reduce net earnings to a somewhat lesser extent.

19. Capital management

The Company considers its capital structure to include equity and debt, namely, its bank indebtedness and notes payable. The Company's objectives when managing capital are to: (a) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (b) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (c) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to equity and its equity to total assets. As a percentage, these ratios were 127% (December 31, 2015 – 92%; September 30, 2015 – 136%) and 41% (December 31, 2015 – 47%; September 30, 2015 – 40%), respectively, at September 30, 2016 indicating the Company's continued financial strength and relatively low degree of leverage. The Company's debt, and leverage, will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. Specifically, at September 30, 2016, AFIC and AFIU are required to maintain a debt to TNW ratio of less than 3.0 on a combined basis. Under its bank line, Varion is also required to maintain a debt to TNW ratio of less than 3.0. The Company was fully compliant with its banking covenants during the nine months ended September 30, 2016 and 2015. There were no changes in the Company's approach to capital management from previous periods.

20. Subsequent events

At November 1, 2016 there were no subsequent events occurring after September 30, 2016 that required disclosure.

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