

# Positioning for Success





## Flexible Financing Solutions from Accord



### Asset-based Lending

Accord's asset-based lending serves companies of all sizes across North America. Our flexible ABL solutions allow clients to unlock working capital from their accounts receivable, inventory and equipment. Accord also provides financing solutions to other lending companies, enabling them to grow more quickly than they would with traditional funding. Forty-five years of superior service combined with exceptional financial strength makes us the most reliable finance partner for companies positioning for their next phase of growth.



### Factoring

Accord has been factoring small- and medium-sized companies for more than forty years. Factoring – buying clients' accounts receivable – accelerates cash flow by unlocking the value of receivables for cash. In addition to improving liquidity, factoring also saves management time often tied up with cash flow planning, credit analysis and collections. Our experienced team has worked with companies in virtually every industry, which allows us to provide quick credit approvals for companies in transition or shifting into growth mode.



### Small Business Finance

Accord provides a variety of financing solutions for Canadian small businesses, including equipment leasing and flexible working capital facilities. Under the AccordExpress banner, we offer a range of innovative programs designed with a streamlined approval process and fast funding. These programs deliver up to \$250,000 of working capital, and up to \$3 million when backed by receivables or equipment collateral, all with flexible terms designed to spur growth in 2024.



### Equipment Financing

Accord finances equipment for small- and middle-market businesses, serving a broad base of North America's most dynamic industries, from forestry and energy, to construction and manufacturing. We're equally comfortable financing incremental capex or business expansion, or refinancing existing assets to optimize balance sheet strength. Our success has been built on our commitment to supporting private equity sponsors, finance professionals and SMEs directly.

# ACCORD FINANCIAL CORP.

## MESSAGE FROM THE PRESIDENT AND CEO

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Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter ended September 30, 2024, together with comparative figures for the third quarter of 2023, and December 31, 2023. 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 described in the 2023 Annual Report and subsequent reporting, throughout 2024 Accord has focused on a series of strategic initiatives to generate additional cash and capital to strengthen the balance sheet, position for future portfolio growth, and unlock shareholder value. These initiatives include developing alternative funding sources to reduce reliance on our bank syndicate, as well as the opportunity to divest one or more non-core subsidiaries, aiming to streamline the business and reposition for success going forward.

In the second quarter the Company established two new financing arrangements, one for BondIt Media Capital, and another for our core Canadian business – a \$40 million private securitization facility with a respected life insurance company. Both facilities provide a more competitive cost of funds compared to the funding they replaced.

The third quarter brought continued successful execution, closing the sale of the AEF leasing portfolio on September 30th, an important step in refocusing on the Company's core businesses. Gross proceeds of the transaction were \$61.1 million (US\$45.2 million), representing a healthy premium over the portfolio carrying value of \$55.8 million (US\$41.2 million). This transaction reinforces the market value of Accord's assets, and its platform, despite the challenging conditions since the fourth quarter of 2023.

After deducting transaction expenses and related intangible assets (\$3.0 million), the deal delivered a pretax gain of \$1.1 million. Even with the year-to-date operating loss, the successful sale boosted tangible book value per share to \$9.69 at September 30th, up from \$9.45 at the start of the year.

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## MESSAGE FROM THE PRESIDENT AND CEO

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As we've written before, the current business environment supports steady deal flow for Accord as the banks continue to restrict their lending activities. While we are enjoying a consistent flow of applications, we remain attuned to the challenging credit environment, and selective in onboarding new clients. Two additional challenges persist. First, the difficult business environment is weighing on many companies in our core markets. While the interest rate cycle has turned down, rates remain high compared to the past few decades, with many SMEs struggling to navigate terrain they haven't dealt with before. Adding political tensions to the mix, visibility into near term business conditions is cloudy at best. The Company boosted its provision for expected losses again this quarter to reflect these conditions.

Second, the Company continues to work with a suboptimal bank facility, which is the primary source of funds for new loans. Less flexibility and higher cost combine to make growth and profitability difficult to achieve. The second quarter securitization, and the Company's decreased leverage in recent quarters, are helpful, but aren't the long-term solution. With the main bank facility maturing in July 2025, the Company is working towards a more favorable arrangement.

Following the sale of leasing assets, Accord's finance receivables and loans ("portfolio") closed at \$380 million on September 30, 2024, down from \$477 million at the start of the year. Average funds employed over the first nine months of 2024 slipped to \$439 million compared to \$461 million in the same period last year. Despite the year-over-year decline in average funds employed, higher average yields and the gain on sale of leasing assets drove first nine months revenue up to \$61.8 million compared to \$55.8 million in the same period last year.

The Company has also made progress reducing operating expenses, holding overhead steady year-over-year despite \$1.8 million of year-to-date professional fees related to bank negotiations. Interest expense, however, still presents a headwind. Higher rates, combined with amendment fees incurred in the first quarter (amortizing through July 2025), continue to weigh on results. And the provision for credit losses, at \$4.7 million in the quarter, is clearly improved from the unusual \$14.4 million in the third quarter of 2023. Within the provision, \$1.9 million represents a non-cash increase in the allowance for losses, which now stands at \$11.1 million.

While the sale of AEF assets contributed a gain, and the Company's cost-control measures took hold, the provision for credit losses tipped the Company to a third quarter net loss attributable to shareholders of \$772,000. Year-to-date net loss attributable to shareholders was \$1.3 million, a significant improvement from the net loss of \$7.1 million in the same period last year. Adjusted loss year-to-date is negative, coming in at \$562,000, or 7 cents per common share. And as noted, tangible book value per share has increased 24 cents since the start of the year, closing at \$9.69 on September 30th.

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## **MESSAGE FROM THE PRESIDENT AND CEO**

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The Company continues to evaluate further strategic initiatives, including additional non-core asset sales, to unlock shareholder value. Energized by the successful strategic transactions in recent quarters, the Accord team has its sights set on the opportunities ahead.



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Simon Hitzig  
President and Chief Executive Officer  
November 6, 2024

# ACCORD FINANCIAL CORP.

## FINANCIAL HIGHLIGHTS

| (in thousands of Canadian dollars, except values per share, or as otherwise noted) | Three months ended |          | Nine months ended |          |
|--|--------------------|----------|-------------------|----------|
|  | September, 30      |          | September, 30     |          |
|  | 2024               | 2023     | 2024              | 2023     |
| Average funds employed (millions)  | \$ 427.4           | \$ 477.5 | \$ 438.7          | \$ 461.4 |
| Revenue  | 21,213             | 19,430   | 61,836            | 55,807   |
| Loss before income tax   | (510)              | (12,359) | (1,011)           | (11,317) |
| Net loss attributable to shareholders  | (772)              | (8,806)  | (1,290)           | (7,050)  |
| Gain on AEF Sale   | (1,068)            | -        | (1,068)           | -        |
| Costs associated with single account write-off                                     | 218                | 11,426   | 1,773             | 11,426   |
| Restructuring and other expenses   | 93                 | 728      | 286               | 1,049    |
| Tax impact from adjustments  | 201                | (3,221)  | (262)             | (3,306)  |
| Adjusted net earnings (loss)   | (1,329)            | 127      | (562)             | 2,119    |
| Loss per common share (basic and diluted)  | (0.09)             | (1.03)   | (0.15)            | (0.82)   |
| Adjusted earnings (loss) per common share (basic and diluted)                      | (0.16)             | 0.01     | (0.07)            | 0.25     |
| Book value per share   |                    |          | \$ 9.69           | \$ 10.76 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW

The following discussion and analysis explain 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, 2024 compared with the quarter and nine months ended September 30, 2023 and, where presented, the year ended December 31, 2023. 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 Management's discussion & analysis ("MD&A"), which has been prepared as at November 6, 2024, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarter and nine months ended September 30, 2024 and 2023, which are included as part of this 2024 Third Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2023 audited consolidated financial statements and notes thereto included in the Company's 2023 Annual Report. Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

All amounts discussed in this MD&A are expressed in thousands of Canadian dollars, except per share amounts and as otherwise noted and have been prepared in accordance with IFRS Accounting 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

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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.sedarplus.ca](http://www.sedarplus.ca).

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 operating performance and financial position. The non-IFRS measures presented in this MD&A and elsewhere in the Company's 2024 Third Quarter Report are defined as follows:

- i) **Return on average equity ("ROE")** – this is a profitability measure that presents net earnings attributable to shareholders ("shareholders' net earnings") as an annualized percentage of the average shareholders' equity employed in the period to earn the income. The Company includes all components of shareholders' equity, as shown on the Company's balance sheet, calculated on a month-by-month basis to calculate the average thereof;
- ii) **Adjusted net earnings, adjusted earnings per common share and adjusted ROE** – adjusted net earnings presents shareholders net earnings before goodwill impairment, gain on AEF sale, net single account write off and associated costs, stock-based compensation, business acquisition expenses (namely, business transaction and amortization of intangibles) and restructuring expenses (which includes non-recurring expenses associated with recent debenture amendments). The Company considers these terms to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of ongoing operating performance than shareholders' 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 (see note 10 to the Statements), while adjusted ROE is adjusted net earnings for the period expressed as an annualized percentage of the average shareholders' equity employed in the period;

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- iii) **Book value per share** – book value is defined as shareholders' equity and is the same as the net asset value of the Company (calculated as total assets minus total liabilities) less non-controlling interests in subsidiaries. Book value per share is the book value, or shareholders' equity, divided by the number of common shares outstanding as of a particular date;
- iv) **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; and
- v) **Financial condition and leverage ratios** – The table on page 17 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets) expressed as a percentage of total assets; and (iii) debt (bank indebtedness, loans payable, notes payable and debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage.

### ACCORD'S BUSINESS

Accord is one of North America's leading independent finance companies serving clients throughout the United States and Canada. Accord's flexible finance programs cover the full spectrum of asset-based lending ("ABL"), from receivables and inventory finance, equipment and trade finance, working capital finance, and film and media finance. Its clients operate in a wide variety of industries.

The Company, founded in 1978, operates six finance companies in North America, namely, Accord Financial Inc. ("AFIC"), Accord Financial Canada Corp. ("AFCC") and Accord Financial Ltd. ("AFL") in Canada, and Accord Financial, Inc. ("AFIU"), BondIt Media Capital ("BondIt") and Accord CapX LLC (doing business as Accord Equipment Finance ("AEF")), in the United States. Some sections of this report present Accord's businesses as cash-generating units ("CGUs"), which is simply an aggregation of subsidiaries according to their country of operation.

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) equipment financing (leasing and equipment loans) by AEF and AFCC. AFCC also provides working capital financing to small businesses; and (iii) film and media production financing by BondIt. As part of the transaction described below, AEF is no longer originating new equipment leases.



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## QUARTERLY FINANCIAL INFORMATION

|                | Quarter ended       | Revenue         | Shareholders' net earnings (loss) | Earnings (loss) per share* |
|----------------|---------------------|-----------------|-----------------------------------|----------------------------|
| <b>2024</b>    | <b>September 30</b> | <b>\$21,213</b> | <b>\$ (772)</b>                   | <b>\$ (0.09)</b>           |
|                | June 30             | 19,957          | (1,149)                           | (0.13)                     |
|                | March 31            | 20,666          | 632                               | 0.07                       |
| 2023           | December 31         | \$23,898        | \$ (7,575)                        | \$ (0.89)                  |
|                | September 30        | 19,430          | (8,806)                           | (1.03)                     |
|                | June 30             | 17,933          | (263)                             | (0.03)                     |
|                | March 31            | 18,444          | 2,019                             | 0.24                       |
| Fiscal 2023    |                     | \$79,705        | \$ (14,625)                       | \$ (1.71)                  |
| 2022           | December 31         | \$18,371        | \$ (3,664)                        | \$ (0.43)                  |
|                | September 30        | 16,452          | 1,831                             | 0.21                       |
|                | June 30             | 16,490          | 121                               | 0.01                       |
|                | March 31            | 16,178          | 3,138                             | 0.37                       |
| Fiscal 2022 ** |                     | \$67,491        | \$ 1,427                          | \$ 0.17                    |

\* basic and diluted

\*\* due to rounding the total of the four quarters does not agree with the total for the fiscal year

## SALE OF AEF EQUIPMENT LEASE PORTFOLIO

As described in the Company's second quarter report, management has been evaluating a range of strategic initiatives including divesting one or more non-core subsidiaries to generate capital to support portfolio growth and unlock shareholder value. The evaluation of strategic initiatives was deemed necessary based on the challenges facing the Company due to less favorable terms under its bank facility, which is the primary source of funds for new loans. Less flexibility, higher costs, and a mandate to keep bank borrowings under \$260 million by January 2, 2025, were the key changes included in an amendment to the Company's primary credit facility agreement on March 15, 2024 ("March Amendment").

In the course of evaluating strategic initiatives, the Company's U.S. portfolio of leases was identified as a non-core product that had the potential to produce a net positive return if sold to a strategic investor. On September 30, 2024, the Company closed the sale of leases with a net asset value of US\$41.2 million (\$55.8 million), in exchange for an amount equal to US\$45.2 million (\$61.1 million) which is net of client security deposits of US\$1.6 million (\$2.2 million), (the "AEF Sale"). The proceeds are comprised of US\$44.2 million (\$59.8 million) in cash and US\$1.0 million (\$1.3 million) of contingent consideration.

The gain on sale was US\$0.8 million (\$1.1 million) net of transaction expenses of approximately US\$1.0 million (\$1.3 million) and the elimination of AEF-related intangible assets of US\$2.2 million (\$3.0 million). The gain is included in Other Income in the statements of comprehensive earnings. The proceeds of the sale, net of

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transaction expenses and client security deposits, have been used to reduce the Company's outstanding bank indebtedness, by US\$43.2 million (\$58.5 million). Pursuant to the March Amendment, the revolving commitment was reduced from \$300 million to \$260 million coincident with the closing of this transaction.

The completion of the AEF Sale is one in a series of steps the Company has undertaken to refocus on the core business and create shareholder value.

### RESULTS OF OPERATIONS

#### **Quarter ended September 30, 2024 compared with the quarter ended September 30, 2023**

Shareholders' net loss for the quarter ended September 30, 2024 was \$772 compared to shareholders' net loss of \$8,806 in the third quarter last year. The primary driver of the lower net loss was a decrease in the provision for credit losses. The provision for credit losses in the third quarter of last year included an amount related to a provision for a large single account credit loss. Basic and diluted losses per common share ("LPS") were \$0.09 compared to \$1.03 in the third quarter of 2023.

Revenue rose by 9.2% or \$1,783 to \$21,213 in the third quarter of 2024 compared to \$19,430 in the third quarter of 2023. Interest income rose by 1.1% to \$16,949 compared to \$16,772 last year due to higher interest earned from early buyouts of lease receivables which was offset by lower average funds employed. Other income rose by 60.4% to \$4,264 compared to \$2,658 last year, primarily due to a gain resulting from the AEF Sale of \$1,068. Average funds employed in the third quarter of 2024 decreased to \$427.4 million compared to \$477.5 million in the same quarter last year.

Total expenses decreased by 31.7% or \$10,066 to \$21,723 in the third quarter of 2024 from \$31,789 in the third quarter of 2023 due to a significant decrease in the provision for credit losses. Interest expense decreased by 1.6% or \$143 to \$8,988 due to lower outstanding bank indebtedness which was mostly offset by higher interest rates and costs associated with the March Amendment. General and administrative expenses ("G&A") decreased by 2.3% or \$186 from the same quarter last year. G&A expenses are comprised of personnel costs, professional fees, portfolio servicing costs and information technology expenses among others. The Company has trimmed overhead in an effort to offset higher interest and professional fees arising from the March 15 bank facility amendments.

The provision for credit losses decreased by \$9,753 to \$4,682 compared to \$14,435 in the same quarter last year.

| Three months ended September 30                  | 2024     | 2023      |
|--|----------|-----------|
| Net write-offs                                   | \$ 2,782 | \$ 1,313  |
| Increase in allowance for expected credit losses | 1,900    | 13,122    |
| Total provision for credit losses                | \$ 4,682 | \$ 14,435 |

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Net write-offs increased by \$1,469 to \$2,782 in the third quarter of 2024 compared to \$1,313 last year. The majority of the write-offs in the third quarter are related to the small business loan portfolio at AFCC and are in line with management expectations. The non-cash allowance for expected credit losses decreased by \$11,222 compared to the same quarter last year. In the third quarter of 2023 the Company provisioned \$11,426 for what ultimately became a large single account loss in 2023. The Company's allowance for expected credit losses and its portfolio of Loans are discussed in detail below and in the Statements. While the Company manages its portfolio of Loans closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by individually significant insolvencies or losses.

There were no impairment charges taken in the third quarter of 2024 (2023 – \$nil) related to assets held for sale. Depreciation expense increased by \$15 to \$153 (2023 - \$138) in the third quarter of 2024. Depreciation of \$113 (2023 – \$100) was charged on the Company's right-of-use assets in the third quarter of 2024, while the balance of the expense was related to capital assets. Business acquisition expenses in the third quarter of 2024 were \$35 (2023 – \$34).

Income tax expense increased in the third quarter by \$3,441 to an expense of \$99 compared to a recovery of \$3,342 last year.

Canadian operations reported shareholders' net loss of \$1,463 in the third quarter of 2024 compared to a net loss of \$9,384 in the third quarter of 2023 (see note 13 to the Statements). Revenue increased by 13.9% or \$1,731 to \$14,182. Expenses decreased by 36.7% or \$9,036 to \$15,612. The primary component of the decrease is related to the provision for credit losses which declined by \$9,113. G&A, decreased by \$175. Interest expense and depreciation increased by \$246 and \$6 respectively. Income tax expense increased by \$2,846 to an expense of \$33.

U.S. operations net of intercompany amounts reported shareholders' net earnings of \$691 in the third quarter of 2024 compared to net earnings of \$580 in the third quarter of 2023 (see note 13 to the Statements). Revenue rose by 0.7% or \$52 to \$7,031. Expenses decreased by \$1,028 or 13.8% to \$6,111. Interest expense decreased by \$387. Depreciation expenses increased by \$9. The provision for expected credit losses and G&A decreased by \$640 and 11, respectively. Income tax expense increased by \$595 to an expense of \$66. Net earnings attributable to non-controlling interests increased to \$163 compared to a net loss attributable to non-controlling interests of \$211 in the third quarter of 2023.

### ***Nine months ended September 30, 2024 compared with nine months ended September 30, 2023***

Shareholders' net loss for the first nine months of 2024 was \$1,290 compared to shareholders' net loss of \$7,050 in the first nine months of 2023. The primary driver of the lower net loss was a decrease in the provision for credit losses. The provision for credit losses in the third quarter of last year included an amount related to a large single

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account credit loss. Basic and diluted LPS were \$0.15 compared to LPS of \$0.82 in the first nine months of 2023.

Revenue for the first nine months of 2024 rose by 10.8% or \$6,029 to \$61,836 compared to \$55,807 last year. Interest income rose by 7.1% or \$3,504 to \$52,666 compared to \$49,162 in the first nine months of 2023 on higher average loan yields. Other income increased by 38.0% to \$9,170 compared to \$6,645 in the first nine months of 2023 and includes a gain on sale of \$1,068 from the AEF Sale in September 2024. Average funds employed in the first nine months of 2024 decreased to \$438.7 million compared to \$461.4 million in 2023.

Total expenses for the first nine months of 2024 decreased by 6.4% or \$4,277 to \$62,847 compared to \$67,124 last year. The provision for credit losses decreased by \$7,727. Interest expense, G&A expenses and depreciation increased by \$2,992, \$421, and \$36 respectively.

Interest expense rose by 11.8% to \$28,311 compared to \$25,319 in the first nine months of 2023 due to higher average interest rates and costs associated with the March Amendment. G&A increased by 1.7% to \$25,543 in the first nine months of 2024 compared to \$25,122 last year. The increase in G&A compared to last year is primarily due to professional fees. The Company has trimmed overhead in an effort to offset higher interest and professional fees arising from the March 15 bank facility amendments.

The provision for credit losses decreased by \$7,727 to an expense of \$8,443 in the first nine months of 2024 compared to an expense of \$16,170 last year. The provision comprised:

| Nine months ended September 30                   | 2024     | 2023      |
|--|----------|-----------|
| Net write-offs                                   | \$ 6,630 | \$ 4,323  |
| Increase in allowance for expected credit losses | 1,813    | 11,847    |
| Total provision for credit losses                | \$ 8,443 | \$ 16,170 |

The decrease in the provision for credit losses for the nine months ended September 30, 2024 is comprised of a decrease in the non-cash allowance of \$10,034 offset by higher net write-offs of \$2,307. In 2023 the non-cash allowance was significantly higher than 2024, due to a large provision associated with a single account, the majority of which was ultimately written off in the fourth quarter of 2023. Higher net write-offs in the first nine months 2024 are associated with the small business loan portfolio at AFCC and are in line with management expectations.

There were no impairment charges taken in the first nine months of 2024 (2023 – \$nil) related to assets held for sale. Depreciation expense increased by \$36 to \$446 in the first nine months of 2024. Depreciation of \$333 (2023 – \$299) was charged on the Company's right-of-use assets in the first nine months of 2024, while the balance of the expense was related to capital assets.

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Income tax expense increased by \$4,318 to an expense of \$501 in the first nine months of 2024 compared to a recovery of \$3,817 in 2023.

Canadian operations reported a shareholders' net loss of \$1,920 in the first nine months of 2024 compared to net loss of \$10,220 in 2023. Revenue increased by 22.8% or \$8,198 to \$44,106. Expenses decreased by \$3,073 to \$45,788. The provision for credit losses decreased by \$6,817. Interest expense, G&A and depreciation increased by \$3,059, \$676 and \$9 respectively. Income tax increased by \$2,971 to an expense of \$238.

U.S. operations net of intercompany amounts reported a shareholders' net earnings of \$630 in the first nine months of 2024 compared to shareholders' net earnings of \$3,172 last year. Revenue decreased by \$2,169 to \$17,730. Expenses decreased by \$1,202 to \$17,059. Depreciation expense increased by \$27. The provision for credit losses, G&A expenses, and Interest expense were lower by \$910, \$255, and \$65, respectively. Income tax increased by \$1,347 to an expense of \$263. Net loss attributable to non-controlling interests in subsidiaries decreased to \$222 compared to \$450 in the first nine months of 2023.

### REVIEW OF FINANCIAL POSITION

Shareholders' equity at September 30, 2024 was \$82.9 million, compared to \$83.9 million at December 31, 2023. Book value per common share was \$9.69 at September 30, 2024 compared to \$9.80 at December 31, 2023. Tangible equity has grown to \$87.6 million at September 30, 2024, compared to \$85.7 million at December 31, 2023.

Total assets were \$420.1 million at September 30, 2024, 18.2% lower than the \$513.5 million at December 31, 2023. Total assets largely comprised Loans. Excluding inter-company loans, identifiable assets located in the United States were 41.8% of total assets at September 30, 2024 (see note 13 to the Statements).

Gross finance receivables and loans, before the allowance for expected credit losses ("ECL"), decreased to \$380.0 million at September 30, 2024 compared to \$476.7 million at December 31, 2023. \$58.0 million of the decrease is due to the AEF Sale on September 30, 2024. AEF retained \$2.2 million of lease receivables. Additionally, originations of most products were lower in 2024, notwithstanding increases in inventory & equipment loans and media loans. As detailed in the Statements, the Company's Loans comprised:

|   | <b>September 30, 2024</b> | December 31, 2023 |
|---|---------------------------|-------------------|
| Working capital loans                     | <b>\$ 70,345</b>          | \$ 116,128        |
| Receivable loans                          | <b>83,533</b>             | 90,128            |
| Inventory & equipment loans               | <b>132,193</b>            | 113,287           |
| Media loans                               | <b>90,296</b>             | 85,246            |
| Lease receivables                         | <b>3,654</b>              | 71,885            |
| Finance receivables and loans, gross      | <b>380,021</b>            | 476,674           |
| Less allowance for expected credit losses | <b>11,078</b>             | 10,551            |
| Finance receivables and loans, net        | <b>\$ 368,943</b>         | \$ 466,123        |

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The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 33 clients in a wide variety of industries, lease receivables, equipment and working capital loans made by AFCC and AEF to approximately 918 clients and media finance loans made by Bondit to approximately 55 media productions. The largest client in the diversified loan portfolio comprised 5.1% of gross Loans at September 30, 2024. The Company's credit exposure by industrial sector is presented below.

Credit approval for transactions supported by management in the Company's six operating businesses is delegated to senior credit officers within each business. Transactions in excess of \$1.0 million (US\$1.0 million for U.S. Group companies), are approved by the Company's President and CEO in consultation with the Corporate Credit Committee. Transactions in excess of \$2.5 million (US\$2.5 million in the case of U.S. group companies) are approved by the Credit Committee of the Board of Directors, which comprises three 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 risk is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

For its factoring products, 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.

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 older receivables. Asset-based lending products additionally require focus on the performance of other collateral types (inventory, equipment and in certain cases real estate) as well as the underlying cash flows of the borrower. AFCC's and AEF's lease receivables and equipment and working capital loans are usually structured as term loans with payments spread out evenly over the term of the lease or loan, with terms up to 60 months. AFCC also has a revolving equipment loan product which has no fixed repayment terms and can be repaid at any time.

The Company uses a credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. The credit rating of the borrower is used (in addition to other criteria) to assess the predicted credit risk for each initial credit approval or significant account management action. Credit ratings improve credit decision quality, adjudication time frames and consistency in the credit decision process and facilitate risk-based pricing. Please see note 4 to the Statements which presents tables summarizing the Company's finance receivables

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and loans, by the three stage credit criteria of IFRS 9, Financial Instruments ("IFRS 9"), as well as an aged analysis thereof. Credit risk is managed by ensuring that, as far as possible, the receivables financed are of good quality and any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an on-going basis to mitigate credit risk. In its asset-based lending and equipment finance operations, the Company assesses the financial strength of its clients and its clients' customers and the industries in which they operate on a regular and ongoing basis. Cash flows from a client's ongoing business operations represent the primary source of repayment.

The Company also manages credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, 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 or lends against. In its factoring operations, the Company administers and collects the majority of its clients' receivables allowing it to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's Canadian small business finance operations, AFCC, security deposits are usually obtained in respect of equipment leases or loans, while a majority of AFCC's working capital loans have the benefit of a strong financial guarantor guaranteeing between 75% to 80% of the loan balance in the event of a loss.

As detailed in note 4 to the Statements, the Company had past due finance receivables and loans of \$64,031 at September 30, 2024, of which \$21,672 relates to BondIt, AFIU's 60% controlled media finance subsidiary and \$39,242 relates to AFCC. As of September 30, 2024, 23.1% or \$87,688 of total finance receivables and loans were considered to have had a significant increase in credit risk ("SICR").

The Company had impaired finance receivables and loans of \$13,985 at September 30, 2024 representing 3.7% of total funds employed. The impaired loans, most of which have been written down to net realizable value ("NRV") (being fair value less costs of realization), are mainly secured by receivables, inventory and equipment, the estimated NRV of which was \$10,901 at September 30, 2024. As the vast majority of the Company's finance receivables and loans are secured, past due or impaired loans do not necessarily lead to a significant ECL. Often a low or no loss given default ("LGD") is attributed to an impaired loan, based on the NRV of the security. Net write-offs for the three and nine months ended September 30, 2024 and 2023 are provided above.

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

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| Industry sector                                  | September 30, 2024                  |              | December 31, 2023                   |              |
|--|-------------------------------------|--------------|-------------------------------------|--------------|
|  | Gross finance receivables and loans | % of total   | Gross finance receivables and loans | % of total   |
| Media  | \$ 97,702                           | 25.7         | \$ 92,693                           | 19.4         |
| Wholesale trade                                  | 62,453                              | 16.4         | 53,408                              | 11.2         |
| Finance and Insurance                            | 42,431                              | 11.2         | 40,839                              | 8.6          |
| Construction                                     | 39,974                              | 10.5         | 57,920                              | 12.2         |
| Manufacturing                                    | 39,729                              | 10.5         | 68,481                              | 14.4         |
| Mining   | 18,296                              | 4.8          | 15,861                              | 3.3          |
| Retail Trade                                     | 15,596                              | 4.1          | 29,826                              | 6.3          |
| Waste Management and Remediation Services        | 14,322                              | 3.8          | 20,894                              | 4.4          |
| Transportation and Warehousing                   | 12,978                              | 3.4          | 23,938                              | 5.0          |
| Real Estate Rental and Leasing                   | 9,333                               | 2.5          | 20,652                              | 4.3          |
| Professional, Scientific, and Technical Services | 6,954                               | 1.8          | 13,922                              | 2.9          |
|  | <b>\$ 380,021</b>                   | <b>100.0</b> | <b>\$ 476,674</b>                   | <b>100.0</b> |

The Company maintains an allowance for expected credit losses on Loans at amounts which, in management's judgment, are sufficient to cover the ECL thereon. The Company's allowance for expected credit losses on Loans, calculated under the ECL criteria of IFRS 9, totalled \$11,078 at September 30, 2024 compared to \$10,551 at December 31, 2023. This represents management's best estimate of expected credit losses based on information available at those dates. The challenging economic environment continues to affect the Company's loan portfolio to varying degrees and the measurement of the allowance could fluctuate substantially in future periods.

The activity in the allowance for expected credit losses in the first nine months of 2024 and 2023 is set out in note 4 to the Statements. The estimates of the allowances for ECL involve judgment which management considers to be reasonable and supportable.

Assets held for sale totalled \$507 at September 30, 2024 compared to \$440 at December 31, 2023 and comprised certain assets securing defaulted finance receivables and loans from a number of clients and repossessed long-lived assets.

Cash increased to \$8,875 at September 30, 2024 compared to \$5,914 at December 31, 2023. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Restricted cash comprises cash held as security for non-recourse borrowings. Restricted cash totalling 5% of the loan balance is required to be held in a cash reserve account which is partially released as the loan balance is repaid. Further, cash receipts from the loan collateral securing the non-recourse borrowings are deposited into a cash collection account and can only be used to repay the non-recourse debt. At September 30, 2024, restricted cash totalled \$6,152 compared to \$3,782 at December 31, 2023.

Intangible assets, net of accumulated amortization, totalled \$nil at September 30, 2024 compared to \$2,996 at December 31, 2023. Intangible assets were related to AEF and comprised a portion of the net assets disposed of in connection with the AEF Sale.



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Other assets decreased by \$744 to \$11,548 at September 30, 2024 compared to \$12,292 at December 31, 2023. The largest component of other assets represents \$6,772 (December 31, 2023 - \$7,372) due from Export Development Canada ("EDC") related to claims made on defaulted loans which benefit from an EDC guaranty of up to 80%. Other assets also include prepaid expenses of \$3,077 at September 30, 2024 (December 31, 2023 - \$4,587).

Net deferred tax assets increased by \$1,487 to \$20,109 at September 30, 2024 compared to \$18,622 at December 31, 2023.

Income taxes receivable and property and equipment at September 30, 2024 and December 31, 2023 were not significant.

Total liabilities decreased by \$92.3 million to \$332.5 million at September 30, 2024 compared to \$424.8 million at December 31, 2023. The decrease since December 31, 2023 is primarily due to the decrease in bank indebtedness, partially offset by an increase in loans payable.

Bank indebtedness decreased by \$125,360 to \$155,764 at September 30, 2024 compared to \$281,124 at December 31, 2023 due in part to the application of \$58.5 million of proceeds from the AEF Sale to repay bank indebtedness. In addition, bank indebtedness of \$39,866 related to certain receivables was re-financed in May. The remainder of the reduction is due to lower funds employed. The Company's revolving credit facility was amended in March 2024 reducing the maximum commitment from \$375.0 million to \$300.0 million. The maximum commitment was further reduced to \$260.0 million coincident with the AEF Sale, on September 30, 2024. These reductions are consistent with the size of the Company's current tangible equity and portfolio of Loans. Pricing for drawn amounts under the revolving credit facility are primarily based on the Canadian Overnight Repo Rate Average ("CORRA") plus a margin for Canadian dollar borrowings or the secured overnight financing rate ("SOFR") plus a margin for U.S. dollar borrowings. The margin is based on a measure of leverage at each month end. The margin decreased by 50 basis points in June as the decrease in bank indebtedness improved the ratio of total debt to tangible net worth as defined in the revolving credit agreement ("Leverage Ratio). The margin will decrease an additional 50 basis points beginning October 1, 2024 as a result of the AEF Sale (25 basis points) and a further reduction in the Leverage Ratio (25 basis points). The Company was not in compliance with one covenant in its revolving credit facility at December 31, 2023. In addition to receiving a waiver from its banking syndicate for 2023, certain terms and covenants of the credit agreement were amended as of March 15, 2024. The Company was in compliance with all covenants at September 30, 2024. Subject to other debt borrowings, bank indebtedness principally fluctuates with the amount of funds employed. Please refer below to "Liquidity and Capital Resources" for details regarding the amendments to the revolving credit facility.

Loans payable increased to \$108,924 at September 30, 2024 compared to \$82,412 at December 31, 2023. The increase is primarily attributable to an additional tranche of

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non-recourse debt of \$42,002 provided by a life insurance company in May to ASBF. At September 30, 2024, the outstanding balance of the non-recourse loan was \$44,569 compared to \$22,465 at December 31, 2023. ASBF experienced a trigger event stemming from the breached covenant under the Company's revolving credit facility at December 31, 2023, which was waived subsequent to December 31, 2023. ASBF was in compliance with all loan covenants at September 30, 2024.

Accounts payable and other liabilities increased by \$3,423 to \$11,480 at September 30, 2024 compared to \$8,057 at December 31, 2023.

Convertible debentures with a face value of \$25,650 (25,650 convertible debentures of \$1,000 each) were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading ("Listed Debentures") on the Toronto Stock Exchange ("TSX"), while 5,000 ("Unlisted Debentures") are unlisted. All debentures are unsecured and pay interest semi-annually on June 30 and December 31 each year. On August 10, 2023, debentureholders approved amendments to extend the maturity date of the Listed Debentures to January 31, 2026, increase the interest rate to 10.0%, remove the conversion feature and remove the right of the Company to repay the debentures in common shares. As of December 31, 2023, the Company agreed with the holders of Unlisted Debentures to extend the maturity date of the Unlisted Debentures to July 15, 2024, increase the interest rate to 10.0%, remove the conversion feature and remove the right of the Company to repay the debentures in common shares. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Listed Debentures and Unlisted Debentures, and recognition of new liabilities. On July 8, 2024, the Company agreed with the holders of the Unlisted Debentures to extend the maturity date to January 31, 2026. On July 8, 2024, \$3,250 of the Unlisted Debentures were acquired by a related party. At September 30, 2024, the debt component of all debentures totalled \$26,313 compared to \$25,717 at December 31, 2023.

Income taxes payable, lease liabilities, and deferred income at September 30, 2024 and December 31, 2023 were not material.

Capital stock totalled \$9,448 at September 30, 2024 and December 31, 2023. There were 8,558,913 common shares outstanding at those dates.

Contributed surplus totalled \$1,830 at September 30, 2024 compared to \$1,774 at December 31, 2023.

Retained earnings decreased by \$1,290 to \$64,318 at September 30, 2024 compared to \$65,608 at December 31, 2023. The decrease in 2024 is comprised of shareholders' net loss of \$1,290.

The Company's accumulated other comprehensive income ("AOCI") represents the cumulative unrealized foreign exchange income arising on the translation of the

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assets and liabilities of the Company's foreign operations. The AOCI balance increased to \$7,332 at September 30, 2024 compared to \$7,074 at December 31, 2023.

Non-controlling interests in subsidiaries totalled \$4,634 at September 30, 2024 compared with \$4,759 at December 31, 2023.

### LIQUIDITY AND CAPITAL RESOURCES

The Company considers its capital resources to include equity and debt, namely, its bank indebtedness, loans and notes payable, and debentures. 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. Among other things, the Company monitors the ratio of its debt to total equity and its total equity and tangible equity to total assets. These ratios are set out in the table below. The ratios indicate the Company's continued financial strength as the Company continues to de-lever its balance sheet.

|                          | September 30, 2024 | December 31, 2023 |
|--------------------------|--------------------|-------------------|
| Tangible equity / assets | 20.8%              | 16.7%             |
| Total equity / assets    | 20.8%              | 17.3%             |
| Debt* / total equity     | 3.59x              | 4.65x             |

\* bank indebtedness, loans payable, notes payable and debentures

As disclosed in the 2023 third quarter report, Accord's net earnings were impacted by a significant provision for losses related to a single account. Since the fourth quarter of 2023, the Company has been exploring various options to address the reduction in equity created by the loss.

On March 15, 2024, the Company finalized an amendment to its primary revolving credit facility which matures in July 2025 (the "facility agreement"). Following the single account loss in 2023, the Company was operating under a series of facility agreement waivers, which provided temporary relief from a technical default caused by a reduction in permitted borrowings as a result of the loss. The March Amendment modifies certain key elements of the facility agreement, providing a longer-term, more stable operating scenario.

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The March Amendment resets the total facility limit to be more appropriate to the Company's current tangible equity and level of borrowings, and at the same time allows the Company to reduce its standby fees for the unused portion of the facility. The facility limit has been reduced from \$375.0 million to \$300.0 million. With the completion of the AEF Sale, the facility limit was further reduced to \$260.0 million on October 1, 2024. In addition, a minimum availability requirement was amended and is measured as the difference between eligible collateral and the outstanding bank indebtedness. While the Company has historically carried excess collateral as a matter of course, the amendment provides for specific levels that started at \$15.0 million and increased to \$25.0 million on October 1, 2024 after the completion of the AEF Sale. This provides for more conservative leverage overall.

Further, the amendment resets the interest coverage ratio covenant ("ICR covenant") and adds a new leading EBITDA performance metric, both of which are more consistent with the Company's 2024 and 2025 operating plans. It also increased the margin added to the applicable index rate for drawn amounts under the revolving facility by 100 basis points. Since the March Amendment the margin has been reduced by 100 basis points, comprised of a 50 basis points reduction as a result of achieving a lower Leverage Ratio in June and another 50 basis points reduction, effective October 1, 2024, upon a further improvement in the Leverage Ratio (25 basis points) and closing the AEF Sale on September 30, 2024 (25 basis points).

While the March Amendment provides adequate time and flexibility for Accord to manage its level of borrowings, for the immediate future, the Company has limited growth capital to invest in new business opportunities. In response, the Company is evaluating a number of strategic initiatives to generate additional cash and capital to maximize shareholder value. Initiatives under consideration include alternative financing arrangements to support, replace or add to current debt facilities in the private market. Additionally, a review of the fundamental core businesses may result in decisions to change product mix, and/or divest one or more non-core subsidiaries. The March Amendment also contains milestones related to initiating discovery for certain strategic initiatives. As noted above, the Company closed a new tranche of non-recourse financing in May and completed the AEF Sale on September 30, demonstrating the Company's ability to achieve certain of its strategic initiatives. The Company has met all required milestones for the period ending as of the date of this report and continues to work towards establishing a re-financing plan for its primary credit facility which matures in July 2025.

On May 31, 2024, BondIt refinanced its US\$50.0 million revolving line of credit with a new revolving line of credit provided by a non-bank lender, which bears a fixed rate of interest. This revolving line, which is secured by all of BondIt's assets, has a total commitment of US\$60.0 million and a maturity date of May 31, 2027.

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, and interest payments

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over the next twelve months. The Company suspended its quarterly dividend, which conserves cash as it explores options to increase liquidity and capital for portfolio growth over the next twelve months.

### ***Cash flow for the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023***

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments increased to \$7,028 in the first nine months of 2024 compared to \$6,156 last year. After taking into account changes in operating assets and liabilities and income tax payments/refunds, net cash inflow from operating activities was \$45,301 in the first nine months of 2024 compared to an outflow of \$51,359 last year. The net cash inflow in the first nine months of 2024 largely resulted from collections on or proceeds from the refinancing of Loans of \$34,540. In the first nine months of 2023, the net cash outflow largely resulted from funding of net new Loans of \$45,629. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows.

Cash inflows from investing activities totalled \$59,899 (2023 – cash outflow of \$225) in the first nine months of 2024 comprised mainly of proceeds from the AEF Sale.

Net cash outflows from financing activities totalled \$100,431 in the first nine months of 2024 compared to an inflow of \$42,843 last year. The net cash outflow this year primarily resulted from a decrease in bank indebtedness of \$125,361 and an increase of loans payable of \$25,314. In the first nine months of 2023, the net cash inflow primarily resulted from an increase in bank indebtedness of \$61,717, partially offset by repayment of loans payable of \$16,813.

The effect of exchange rate changes on cash was an increase of \$562 in the first nine months of 2024 compared to a decrease of \$155 in the first nine months of 2023.

Overall, there was a net cash inflow of \$5,331 in the first nine months of 2024 compared to a net cash outflow of \$8,896 in the first nine months of 2023.

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## CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT SEPTEMBER 30, 2024

|                             | Payments due in     |                  |                 |                 | Total             |
|-----------------------------|---------------------|------------------|-----------------|-----------------|-------------------|
|                             | Less than<br>1 year | 1 to 3<br>years  | 3 to 5<br>years | Thereafter      |                   |
| Debt obligations            | \$ 249,787          | \$ 61,028        | \$ 4,081        | \$ -            | <b>\$ 314,896</b> |
| Operating lease obligations | 439                 | 805              | 622             | 1,042           | <b>2,908</b>      |
|                             | <b>\$ 250,226</b>   | <b>\$ 61,833</b> | <b>\$ 4,703</b> | <b>\$ 1,042</b> | <b>\$ 317,804</b> |

## RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable and debentures) on an unsecured basis from shareholders, other related individuals and third parties.

Notes payable totalled \$23,784 at September 30, 2024 compared to \$22,915 at December 31, 2023. Notes payable comprise: (i) unsecured demand notes due on, or within a week of demand of \$4,530 (December 31, 2023 – \$4,565); and (ii) term notes inclusive of accrued interest totalling \$19,254 (December 31, 2023 – \$18,350), which are repayable on various dates the latest of which is November 30, 2027. Notes due on, or within a week of demand, bear interest at rates that vary with the bank prime rate, while the term notes bear interest at rates between 8.75% and 11.00%.

Of the notes payable, \$20,294 (December 31, 2023 – \$20,494) was owing to related parties and \$3,490 (December 31, 2023 – \$2,421) to third parties. Interest expense on these notes in the current quarter and first nine months of 2024 totalled \$550 (2023 – \$394) and \$1,651 (2023 – \$1,127). Please refer to note 8 to the Statements.

\$3,250 of Unlisted Debentures with a maturity date of January 31, 2026 were acquired by a related party in July of 2024.

The following table provides the principal amounts owed to related parties from Company at September 30, 2024:

| <b>Demand notes payable</b>          | <b>Relationship</b> |                 |
|--------------------------------------|---------------------|-----------------|
| Hitzig Bros., Hargreaves & Co. Inc.* | Director            | \$ 4,000,000    |
| Ken Hitzig                           | Founder             | \$ 500,000      |
| <b>Term notes payable</b>            |                     |                 |
| Hitzig Bros., Hargreaves & Co. Inc.* | Director            | \$ 4,000,000    |
| Hitzig Bros., Hargreaves & Co. LLC.* | Director            | US \$ 4,000,000 |
| Oakwest Corporation Inc.*            | Director            | \$ 3,000,000    |
| Ken Hitzig                           | Founder             | \$ 2,500,000    |
| <b>Unlisted Debentures</b>           |                     |                 |
| Hitzig Bros., Hargreaves & Co. Inc.* | Director            | \$ 3,250,000    |

\* a director of the Company has an ownership interest in the company

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Accord pays a rate of interest based on Canadian prime on its Canadian dollar unsecured demand notes payable (As of September 30, 2024, the rate was 6.45%). This interest rate is typically below the interest rate the Company pays on its primary revolving credit facility, agented by The Bank of Nova Scotia ("BNS"), resulting in interest expense savings to the Company.

The US\$ 4.0 million related-party term notes are extended to BondIt and pay interest rates between 10.50% and 11.00%.

Unsecured subordinated notes of \$10.5 million mature on July 31, 2025 and accrue interest at a rate of 10.00%. The Company's primary revolving credit facility allows these notes to be treated as "quasi equity" and be included in the Company's tangible net worth ("TNW") for the purposes of leveraging its bank line (up to 4.0 x TNW). This created additional borrowing capacity for the Company.

### FINANCIAL INSTRUMENTS

Financial assets and liabilities are recorded at amortized cost, with the exception of derivative financial instruments which are recorded at fair value. Financial assets and liabilities, other than lease receivables and loans in our equipment and small business finance operations, term loans payable and lease liabilities, are short term in nature and, therefore, their carrying values approximate fair values.

At September 30, 2024 and December 31, 2023, there were no outstanding foreign exchange contracts entered into by the Company.

### 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 expected credit losses on Loans. The Company maintains a separate allowance for expected 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 the current economic environment, condition of the loan and receivable portfolios, typical industry loss experience, macroeconomic factors and forward-looking information ("FLI"). The key inputs in the measurement of ECL allowances for each loan are as follows: (i) the probability of default ("PD") which is an estimate of the likelihood of default over a given time horizon; (ii) the LGD which is an estimate of the loss arising in the case where a default occurs at a given time; and (iii) the exposure at default ("EAD") which is an estimate of the exposure at a future default date. These key inputs associated with each loan are sensitized to future market and macroeconomic conditions through the incorporation of FLI. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses,

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such as occur in a bankruptcy or insolvency, or may result from severe adverse economic conditions.

The Company's allowance for expected losses on its Loans is provided for under the three stage criteria set out in IFRS 9, where a Stage 1 allowance is established to reserve against accounts which have not experienced a SICR and which cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. Stage 1 ECL results from default events on the financial instrument that are possible within the twelve-month period after the reporting date. Stage 1 accounts are considered to be in good standing. The Company's Stage 2 allowances are based on a review of the loan and comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. Lifetime ECL are recognized for all Stage 2 financial instruments. Stage 3 financial instruments are those that the Company has classified as impaired. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Lifetime ECL are recognized for all Stage 3 financial instruments. In Stage 3, financial instruments are written-off, either partially or in full, against the related allowance for expected credit losses when the Company judges that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net recoverable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for expected credit losses.

Management believes that its allowances for expected credit losses, which require a high degree of reasonable and supportable credit judgment, 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 in notes 4 and 14 to the Statements.

- (ii) Goodwill is tested for impairment annually or more frequently if impairment indicators arise. To determine if goodwill is impaired, the Company estimates the fair value (being the recoverable amount) of each of its CGUs and compares this to the carrying value of the CGU. In the Company's case the estimated fair value of each CGU is determined to be a multiple of the expected earnings of the CGU, where expected earnings are an estimate of future years' earnings. This provides a similar result to extrapolating and discounting budgeted earnings for the CGUs. The estimated fair value of each CGU is then compared to the carrying value of the CGU, including goodwill, to determine if the goodwill is impaired. The most sensitive assumptions used in the impairment testing is the multiple applied to the expected earnings of each CGU in determining the fair value thereof, as well as the expected earnings estimates themselves.



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## 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 Controls over Financial Reporting ("ICFR") are 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. The CEO, CFO and other members of management have assessed the design effectiveness of the Company's DC&P and ICFR at September 30, 2024, and have concluded that the design of the Company's DC&P and ICFR were effective as of that date. During the nine months ended September 30, 2024, there have been no significant changes to the Company's ICFR that would have or would be 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 14 to the Statements, which discuss the Company's principal financial risk management practices.

### **The Company's business is dependent on its capital resources**

The Company's ability to operate is dependent on future profitable operations and the future availability of equity and/or debt financing. The Company will require additional financing from debt, equity, and/or other alternatives in order to grow the portfolio and to refinance its existing debt obligations. The Company is evaluating a number of strategic initiatives to generate additional capital, including alternative financing arrangements to support, replace or add to current debt facilities in the private market. Additionally, a review of the fundamental core businesses may result in decisions to change product mix or undertake divestitures of business lines or assets. There is no assurance that any of these initiatives will be successful, timely or sufficient.

## **ACCORD FINANCIAL CORP.**

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### **Deterioration in economic or business uncertainty**

The Company's operating results may be negatively impacted by various economic factors and business conditions, including the level of economic activity in Canada and the United States, in the markets in which it operates. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. Negative conditions and/or significant events can include the effects of public health emergencies including pandemics, geo-political or military conflicts, sanctions and other trade disruptions, and unexpected changes in inflation and borrowing costs. As the Company extends credit primarily to small- and medium-sized businesses, many of its customers are particularly susceptible to economic slowdowns or recessions and may be unable to make scheduled lease or loan payments during these periods.

Unfavorable economic conditions may make it more difficult for the Company to maintain new origination volumes and the credit quality of new loans at levels previously attained. Unfavorable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities and other capital markets funding sources or result in a decision by the Company's lenders not to extend further credit. Any of these events could have a material adverse impact on the Company's business, financial conditions and results of operations.

### **Competition from alternative sources of financing**

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 this level of 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 or future competitors. If the Company's competitors engage in aggressive pricing policies with respect to services that compete with those of the Company's, 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, financial condition and results of operations. In addition, some of the Company's competitors may have greater access to capital or have higher risk tolerances or different risk assessments, which could allow them to establish more origination sources and customer relationships to increase their market share. Further, because there are fewer barriers to entry to the markets in which the Company operates, new competitors could enter these markets at any time. Because of all these competitive factors, the Company may be unable to sustain its operations at its current levels or generate growth in revenues or operating income, either of which could have a material adverse impact on the Company's business, financial condition and results of operations.

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### **Credit risk, inability to underwrite finance receivables and loan applications**

The Company is in the business of financing its clients' receivables and making asset-based loans, including inventory and equipment financings, designed to serve small- and medium-sized businesses, which are often owner-operated and have limited access to traditional financing. There is a high degree of risk associated with providing financing to such parties as a result of their lower creditworthiness. Even with an appropriately diversified lending business, operating results can be adversely affected by large bankruptcies and/or insolvencies. Losses from client loans in excess of the Company's expectations could have a material adverse impact on the Company's business, financial condition and results of operations. In addition, since defaulted loans as well as certain delinquent loans cannot be used as collateral under the Company's credit facilities, higher than anticipated defaults and delinquencies could adversely affect the Company's liquidity by reducing the amount of funding available to the Company under these financing arrangements. Furthermore, increased rates of delinquencies or loss levels could cause the Company to be in breach of its financial covenants under its credit facilities, and could also result in adverse changes to the terms of future financing arrangements available to the Company, including increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements.

### **Interest rate risk**

The Company has fixed rate borrowings, as well as floating rate borrowings. 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. However, as the Company's floating rate borrowings currently exceed its floating rate assets, the Company is exposed to some degree to interest rate fluctuations. Fluctuations in interest rates may have a material adverse impact on the Company's business, financial condition and results of operations.

### **Foreign currency risk**

The Company has international operations, primarily in the United States. Accordingly, a significant portion of its financial resources are held in currencies other than the Canadian dollar. 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 affected 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 it is now in a significant gain position. No assurances can be made that changes in foreign currency rates will not have a significant adverse effect on the Company's business, financial condition or results of operations.

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### **External financing**

The Company depends and will continue to depend on the availability of credit from external financing sources, to continue to, among other things, finance new and refinance existing loans and satisfy the Company's other working capital needs. Following significant loan loss provisions in the third quarter of 2023, which reduced permitted bank borrowings, the Company was operating under a series of waivers, which provided temporary relief from a technical default under its primary credit facility. In March 2024, the Company entered into an amendment to its credit facility which, among other things, reduced the total facility limit and modified operating and financial covenants. The Company believes that with this amendment, current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements for working capital and operating expenditures but expects that for the immediate future the Company will have limited growth capital to invest in new business opportunities. However, there is no guarantee that the Company will continue to have financing available to it or if the Company were to require additional financing that it would be able to obtain it on acceptable terms or at all.

The Company's primary revolving credit facility matures in July 2025 and it has unsecured subordinated debentures that mature in January 2026. If any or all of the Company's funding sources become unavailable on terms acceptable to the Company or at all, or if any of the Company's credit facilities are not renewed or re-negotiated upon expiration of their terms, the Company may not have access to the financing necessary to conduct its businesses, which would limit the Company's ability to finance its operations and could have a material adverse impact on its business, financial condition and results of operations. Please also see comments regarding business conditions on page 23 and Liquidity and Capital Resources on page 17.

### **Dependence on key personnel**

Employees are a significant asset of the Company, and the Company depends to a large extent upon the abilities and continued efforts of its key operating personnel and senior management team. If any of these persons becomes unavailable to continue in such capacity, or if the Company is unable to attract and retain other qualified employees, it could have a material adverse impact on the Company's businesses (including its ability to originate new business opportunities), financial condition and results of operations. Market forces and competitive pressures may also adversely affect the ability of the Company to recruit and retain key qualified personnel.

### **Income Tax Matters**

The income tax of the Company must be computed in accordance with Canadian, U.S. and foreign tax laws, as applicable, and the Company is subject to Canadian,

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U.S. and foreign tax laws, all of which may be changed in a manner that could adversely affect the Company's business, financial condition or results of operation.

### **Prior and future acquisitions and investments**

In prior years, the Company has acquired or invested in businesses and may seek to acquire or invest in additional businesses in the future that expand or complement its current business. Prior acquisitions by the Company have increased the size of the Company's operations and the amount of indebtedness that will have to be serviced by the Company and any future acquisitions by the Company, if they occur, may result in further increases in the Company's operations or indebtedness. The successful integration and management of any recently acquired businesses or businesses acquired in the future involves numerous risks that could adversely affect the Company's business, financial condition, or results of operations, including: (i) the risk that management may not be able to successfully manage the acquired businesses and that the integration of such businesses may place significant demands on management, diverting their attention from the Company's existing operations; (ii) the risk that the Company's existing operational, financial, management, due diligence or underwriting systems and procedures may be incompatible with the markets in which the acquired business operates or inadequate to effectively integrate and manage the acquired business; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used to develop other aspects of the Company's business; (iv) the risk that as a result of acquiring a business, the Company may become subject to additional liabilities or contingencies (known and unknown); (v) the risk that the personnel of any acquired business may not work effectively with the Company's existing personnel; (vi) the risk that the Company fails to effectively deal with competitive pressures or barriers to entry applicable to the acquired business or the markets in which it operates or introduce new products into such markets; and (vii) the risk that the acquisition may not be accretive to the Company. The Company may fail to successfully integrate such acquired businesses or realize the anticipated benefits of such acquisitions, and such failure could have a material adverse impact on the Company's business, financial condition and results of operations.

### **Fraud by lessees, borrowers, vendors or brokers**

The Company may be a victim of fraud by lessees, borrowers, vendors or brokers. In cases of fraud, it is difficult and often unlikely that the Company will be able to collect amounts owing under a lease/loan or repossess any related collateral. Increased rates of fraud could have a material adverse impact on the Company's business, financial condition and results of operations.

### **Technology and cyber security**

The Company remains focused on the confidentiality, integrity and availability of the information and cyber security controls that protect its network, data and infrastructure. The cyber security risk landscape includes numerous cyber threats such

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as hacking threats, identity theft, denial of service, and advanced persistent threats. These and other cyber threats continue to become more sophisticated, complex, and potentially damaging. Third party service providers that the Company uses may also be subject to these risks which can increase our risk of potential attack. The Company establishes the requirements and sets out the overall framework for managing cyber and information security related risks. These include developing and implementing the appropriate activities to detect, respond to and contain the impact of cyber security threats, along with implementing the appropriate safeguards to ensure the delivery of critical infrastructure services.

The Company is continuously improving the strength of its practices and capabilities. It works closely with our critical cyber security and software suppliers to ensure that its technology capabilities remain cyber resilient and effective in the event of any unforeseen cyber-attack. The Company has not experienced any material cyber security breaches and has not incurred any material expenses with respect to the remediation of such cyber events. Security risks continue to be actively monitored and reviewed, leveraging the expertise of the Company's service providers and vendors, reviewing industry best practices and regularly re-assessing controls in place to acknowledge, address and mitigate the risks identified. The Company maintains a cyber security insurance policy to provide coverage in the event of cyber security incidents.

### **Data management and privacy risk**

Data management and its governance are becoming increasingly important as the Company continues to invest in digital solutions and innovation and the ongoing expansion of business activities. Furthermore, there are regulatory compliance risks associated with data management and privacy. The Company establishes the requirements and sets out the overall framework for data management and managing privacy related risks.

### **Risk of future legal proceedings**

The Company is threatened from time to time with, or is named as a defendant in, or may become subject to, various legal proceedings, fines or penalties in the ordinary course of conducting its businesses. A significant judgment or the imposition of a significant fine or penalty on the Company could have a material adverse impact on the Company's business, financial condition and results of operation. Significant obligations may also be imposed on the Company by reason of a settlement or judgment involving the Company, as well as risks pertinent to financing facilities, including acceleration and/or loss of funding availability. Publicity regarding involvement in matters of this type, especially if there is an adverse settlement or finding in the litigation, could result in adverse consequences to the Company's reputation that could, among other things, impair its ability to retain existing or attract further business. The continuing expansion of class action litigation in U.S. and Canadian court actions has the effect of increasing the scale of potential judgments.

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Defending such a class action or other major litigation could be costly, divert management's attention and resources and have a material adverse impact on the Company's business, financial condition and results of operations.

### **Dividends**

The Company pays dividends if, as and when declared by the board of directors. The Company suspended dividend payments in the fourth quarter of 2023 as a prudent measure to conserve cash and strengthen the Company's capital base. While the board will reassess the Company's dividend policy in the normal course, there is no assurance that the dividend will be reinstated at the same rate or at all.

### **OUTLOOK**

The path to future financial performance of the Company hinges on several factors, including access to capital, the overall business environment, which affects growth potential and the strength of the Company's team and operating platforms. The Company continues to take positive steps to improve access to capital, and the second two factors noted above remain strong. In the near term, however, the ripple effects from the unusual reduction in tangible equity at the end of 2023 remain.

The Company has made steady progress in setting the foundation for improved access to capital in 2025. The reduced tangible equity in the wake of the 2023 write-offs, and the March Amendment to the Company's primary credit facility, have contributed to elevated interest expense, and a decline in Accord's funds employed. In response, throughout 2024 Accord has successfully executed a series of strategic initiatives to generate additional cash and capital to strengthen the balance sheet, position for future portfolio growth, and unlock shareholder value.

In the second quarter the Company established two new financing arrangements, one for BondIt Media Capital, and a securitization facility for the Canadian small business portfolio. Both facilities provide a more competitive cost of funds compared to the funding they replaced. The successful sale of the AEF leasing portfolio on September 30th is another significant step forward. While these initiatives strengthen the Company's balance sheet, and reduce bank debt, new loans continue to be funded by the primary bank facility. The AEF transaction increased the Company's tangible equity and reduced its leverage, putting the Company in a stronger position to refinance its main bank facility on more favorable terms in 2025, which is a key ingredient for future growth and profitability.

The Company continues to explore further strategic initiatives, including a review of the fundamental core businesses, which might result in changes to product mix, and/or an additional non-core asset sales. Strategic initiatives, if successful, are intended to strengthen the Company's capital position, renew growth in the core operating businesses, and increase value for shareholders. Our lending teams

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continue to manage the operating businesses, maximizing opportunities within the Company's current funding capacity.

The current business environment supports steady deal flow for non-bank lenders, including Accord, as the banks continue to restrict their lending activities. At the same time, while inflation is moderating, recent interest rate cuts have yet to be felt by small and medium-sized businesses, and overall credit risk in the market remains elevated. Adding political tensions to the mix, visibility into near term business conditions remains uncertain. While we are enjoying a consistent flow of applications, our teams remain attuned to the challenging credit environment and continue to maintain a conservative approach to adding new business.

AFCC, the Company's Canadian small business finance division, recently launched a new program in partnership with EDC; the Accord | EDC Trade Expansion Lending Program ("TELP") builds on Accord's success in tailoring EDC programs specifically for the small business sector. Accord | EDC TELP supports companies engaged in the export supply chain (including companies supporting exporters with goods and services), offering working capital from \$250 to \$3.0 million through revolving or term loan structures. The program is expected to grow in the fourth quarter of 2024 with growth continuing through 2025.

The current economic conditions, including an increasingly risk-averse banking sector, are conducive to growth of the Company's two ABL/factoring units, AFIC and AFIU. We are seeing steady new business opportunities in both divisions, however, given the general increase in credit risk across numerous sectors, we intend to remain highly selective in closing new transactions, and as a result, expect modest growth.

BondIt Media Capital refinanced its dedicated senior credit facility in the second quarter with a more flexible and lower priced facility, which paves the way for renewed growth and improved net interest margins. While its financing arrangement is stronger, BondIt is facing an increasingly competitive landscape, creating additional pressure on growth and pricing. Against this backdrop, modest growth is anticipated over the balance of 2024.

AFL, having wound down its international credit guarantee and collections business in 2023, is marketing a new program aimed at providing guarantee-related services to Canadian exporters. AFL's contribution has not been financially significant to the Accord group in recent years, which is not expected to change in the near term.

Throughout 2024 the Company has taken steps to streamline its operations. This includes reductions in staff at the Accord Financial Corp. level, as well as the U.S. operating business. Certain other expenses, including technology-related and professional fees, have also been reduced. While these overhead improvements have been overshadowed by year-to-date professional fees related to bank negotiations, and the Company's provision for credit losses, the more streamlined operating platform is expected to contribute to future financial performance as other less



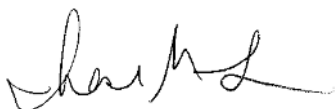
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permanent expenses recede. As validation, third quarter earnings were positive before accounting for the non-cash component of the provision for losses.

While the Company's platforms remain strong, the challenging economic environment is weakening the payment performance of some of the Company's existing clients, in particular in the small business portfolio. While the allowance for expected loan losses fully reflects our expert credit judgment and third-party economic forecasts, it is possible that the economy underperforms expectations. And finally, in the current environment, the Company is favoring financially stronger clients, which has the effect of lowering average yields.

While there are economic and business challenges to navigate, the Company is focused on positioning for success through both balance sheet-related and strategic initiatives for the remainder of 2024, into 2025. For more than four decades the Company has successfully navigated through multiple economic cycles, giving us valuable perspective as the current environment unfolds.



Irene Eddy  
Senior Vice President, Chief Financial Officer  
November 6, 2024

# ACCORD FINANCIAL CORP.

## Appendix to MD&A: Non-IFRS Measures and Ratios (\$000s, except percentages)

|  | Three months ended September 30, |               |
|--|----------------------------------|---------------|
|  | 2024                             | 2023          |
| <b>Adjusted net loss</b>   |                                  |               |
| Net loss attributable to shareholders                            | \$ (772)                         | \$ (8,806)    |
| Adjustments, net of tax:   |                                  |               |
| Gain on AEF sale   | (785)                            | -             |
| Net single account write-off and associated costs                | 160                              | 8,398         |
| Restructuring and other expenses                                 | 68                               | 535           |
| <b>Adjusted net earnings (loss) attributable to shareholders</b> | <b>\$ (1,329)</b>                | <b>\$ 127</b> |

|  | Three months ended September 30, |                |
|--|----------------------------------|----------------|
|  | 2024                             | 2023           |
| <b>Adjusted earnings (loss) per share</b>                          |                                  |                |
| Adjusted net earnings (loss)                                       | \$ (1,329)                       | \$ 127         |
| Weighted average number of common shares outstanding in the period | 8,559                            | 8,559          |
| <b>Adjusted earnings (loss) per share</b>                          | <b>\$ (0.16)</b>                 | <b>\$ 0.01</b> |

|                                      | Three months ended September 30, |            |
|--------------------------------------|----------------------------------|------------|
|                                      | 2024                             | 2023       |
| <b>Average funds employed (note)</b> |                                  |            |
| Average fund employed                | \$ 427,429                       | \$ 477,524 |

Note: average funds employed is average finance receivable and loans calculated for each month of the year or quarter and divided by the number of months in the period.

|  | Nine months ended September 30, |               |
|--|---------------------------------|---------------|
|  | 2024                            | 2023          |
| <b>Return on equity</b>                      |                                 |               |
| Net loss attributable to shareholders        | \$ (1,290)                      | \$ (7,050)    |
| Weighted average shareholders' equity (note) | 84,734                          | 100,937       |
| <b>Return on equity (annualized)</b>         | <b>(2.0%)</b>                   | <b>(9.3%)</b> |

Note: weighted average shareholders' equity is the average shareholder's equity calculated for each month of the fiscal year and divided by the number of months in the period.

|  | Nine months ended September 30, |                 |
|--|---------------------------------|-----------------|
|  | 2024                            | 2023            |
| <b>Adjusted net earnings (loss)</b>                              |                                 |                 |
| Net loss attributable to shareholders                            | \$ (1,290)                      | \$ (7,050)      |
| Adjustments, net of tax:   |                                 |                 |
| Gain on AEF sale   | (785)                           | -               |
| Net single account write-off and associated costs                | 1,303                           | 8,398           |
| Restructuring and other expenses                                 | 210                             | 771             |
| <b>Adjusted net earnings (loss) attributable to shareholders</b> | <b>\$ (562)</b>                 | <b>\$ 2,119</b> |

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|  | Nine months ended September 30, |                |
|--|---------------------------------|----------------|
|  | 2024                            | 2023           |
| <b>Adjusted earnings (loss) per share</b>                          |                                 |                |
| Adjusted net earnings (loss)                                       | \$ (562)                        | \$ 2,119       |
| Weighted average number of common shares outstanding in the period | 8,559                           | 8,559          |
| <b>Adjusted earnings (loss) per share</b>                          | <b>\$ (0.07)</b>                | <b>\$ 0.25</b> |

|   | Nine months ended September 30, |             |
|---|---------------------------------|-------------|
|   | 2024                            | 2023        |
| <b>Adjusted return on equity</b>              |                                 |             |
| Adjusted net earnings (loss)                  | \$ (562)                        | \$ 2,119    |
| Weighted average shareholders' equity (note)  | 84,734                          | 100,937     |
| <b>Adjusted return on equity (annualized)</b> | <b>(0.9%)</b>                   | <b>2.8%</b> |

*Note: weighted average shareholders' equity is the average shareholder's equity calculated for each month of the fiscal year, then totalled up and divided by the number of months in the period.*

|                                      | Nine months ended September 30, |            |
|--------------------------------------|---------------------------------|------------|
|                                      | 2024                            | 2023       |
| <b>Average funds employed (note)</b> |                                 |            |
| Average funds employed               | \$ 438,675                      | \$ 461,383 |

*Note: average funds employed is average finance receivable and loans calculated for each month of the year or quarter and divided by the number of months in the period.*

|                             | September 30,  | December 31,   |
|-----------------------------|----------------|----------------|
|                             | 2024           | 2023           |
| <b>Book value per share</b> |                |                |
| Shareholders' equity        | \$ 82,928      | \$ 83,904      |
| Common shares outstanding   | 8,559          | 8,559          |
| <b>Book value per share</b> | <b>\$ 9.69</b> | <b>\$ 9.80</b> |

|                         | September 30,    | December 31,     |
|-------------------------|------------------|------------------|
|                         | 2024             | 2023             |
| <b>Tangible equity</b>  |                  |                  |
| Total equity            | \$ 87,562        | \$ 88,663        |
| Less: Intangible assets | -                | 2,996            |
| <b>Tangible equity</b>  | <b>\$ 87,562</b> | <b>\$ 85,815</b> |

## ACCORD FINANCIAL CORP.

|                                 | September 30,<br>2024 | December 31,<br>2023 |
|---------------------------------|-----------------------|----------------------|
| <b>Tangible equity / assets</b> |                       |                      |
| Assets                          | \$ 420,122            | \$ 513,480           |
| Tangible equity                 | 87,562                | 85,667               |
| <b>Tangible equity / assets</b> | <b>20.8%</b>          | 16.7%                |

|                        | September 30,<br>2024 | December 31,<br>2023 |
|------------------------|-----------------------|----------------------|
| <b>Equity / assets</b> |                       |                      |
| Total equity           | \$ 87,562             | \$ 88,663            |
| Assets                 | 420,122               | 513,480              |
| <b>Equity / assets</b> | <b>20.8%</b>          | 17.3%                |

|                      | September 30,<br>2024 | December 31,<br>2023 |
|----------------------|-----------------------|----------------------|
| <b>Debt / equity</b> |                       |                      |
| Debt (note)          | \$ 314,785            | \$ 412,168           |
| Total equity         | 87,562                | 88,663               |
| <b>Debt / equity</b> | <b>3.59x</b>          | 4.65x                |

*Note: debt comprises the bank indebtedness, loans payable, debentures and notes payable as taken from the Consolidated Statements of Financial Position.*

|                               | September 30,<br>2024 | December 31,<br>2023 |
|-------------------------------|-----------------------|----------------------|
| <b>Portfolio</b>              |                       |                      |
| Finance receivables and loans | \$ 380,021            | \$ 476,674           |
| <b>Portfolio</b>              | <b>\$ 380,021</b>     | <b>\$ 476,674</b>    |

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Financial Position (unaudited)

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

|   | September 30,<br>Note | 2024              | December 31,<br>2023 |
|---|-----------------------|-------------------|----------------------|
| <b>Assets</b>                             |                       |                   |                      |
| Cash                                      |                       | \$ 8,875          | \$ 5,914             |
| Restricted cash                           |                       | 6,152             | 3,782                |
| Finance receivables and loans, net        | 4                     | 368,943           | 466,123              |
| Income taxes receivable                   |                       | 1,378             | 1,196                |
| Other assets                              |                       | 11,548            | 12,292               |
| Assets held for sale                      | 5                     | 507               | 440                  |
| Deferred tax assets, net                  |                       | 20,109            | 18,622               |
| Property and equipment                    |                       | 2,610             | 2,115                |
| Intangible assets                         |                       | -                 | 2,996                |
|   |                       | <b>\$ 420,122</b> | <b>\$ 513,480</b>    |
| <b>Liabilities</b>                        |                       |                   |                      |
| Due to clients                            |                       | \$ 111            | \$ 144               |
| Bank indebtedness                         | 6                     | 155,764           | 281,124              |
| Loans payable                             | 7                     | 108,924           | 82,412               |
| Accounts payable and other liabilities    |                       | 11,480            | 8,057                |
| Income taxes payable                      |                       | 2,161             | 234                  |
| Notes payable                             | 8                     | 23,784            | 22,915               |
| Debentures                                | 9                     | 26,313            | 25,717               |
| Lease liabilities                         |                       | 2,252             | 1,877                |
| Deferred income                           |                       | 1,771             | 2,337                |
|   |                       | <b>\$ 332,560</b> | <b>\$ 424,817</b>    |
| <b>Equity</b>                             |                       |                   |                      |
| Capital stock                             | 10                    | 9,448             | 9,448                |
| Contributed surplus                       |                       | 1,830             | 1,774                |
| Retained earnings                         |                       | 64,318            | 65,608               |
| Accumulated other comprehensive income    |                       | 7,332             | 7,074                |
| Shareholders' equity                      |                       | <b>82,928</b>     | <b>83,904</b>        |
| Non-controlling interests in subsidiaries |                       | 4,634             | 4,759                |
| <b>Total equity</b>                       |                       | <b>87,562</b>     | <b>88,663</b>        |
|   |                       | <b>\$ 420,122</b> | <b>\$ 513,480</b>    |

**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.

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Earnings (unaudited)

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

| Three and nine months ended September 30                                      | Note | Three months    |            | Nine months       |            |
|---|------|-----------------|------------|-------------------|------------|
|   |      | 2024            | 2023       | 2024              | 2023       |
| <b>Revenue</b>  |      |                 |            |                   |            |
| Interest  |      | \$ 16,949       | \$ 16,772  | \$ 52,666         | \$ 49,162  |
| Other income  | 5    | 4,264           | 2,658      | 9,170             | 6,645      |
|   |      | <b>21,213</b>   | 19,430     | <b>61,836</b>     | 55,807     |
| <b>Operating expenses</b>   |      |                 |            |                   |            |
| Interest expense  |      | 8,988           | 9,131      | 28,311            | 25,319     |
| General and administrative  |      | 7,865           | 8,051      | 25,543            | 25,122     |
| Provision for credit losses   | 4    | 4,682           | 14,435     | 8,443             | 16,170     |
| Depreciation  |      | 153             | 138        | 446               | 410        |
| Amortization of intangible assets   |      | 35              | 34         | 104               | 103        |
|   |      | <b>21,723</b>   | 31,789     | <b>62,847</b>     | 67,124     |
| Loss before income tax  |      | (510)           | (12,359)   | (1,011)           | (11,317)   |
| Income tax expense (recovery)   |      | 99              | (3,342)    | 501               | (3,817)    |
| <b>Net loss</b>   |      | <b>(609)</b>    | (9,017)    | <b>(1,512)</b>    | (7,500)    |
| Net earnings (loss) attributable to non-controlling interests in subsidiaries |      | 163             | (211)      | (222)             | (450)      |
| <b>Net loss attributable to shareholders</b>                                  |      | <b>\$ (772)</b> | \$ (8,806) | <b>\$ (1,290)</b> | \$ (7,050) |
| Basic and diluted loss per common share                                       | 11   | \$ (0.09)       | \$ (1.03)  | \$ (0.15)         | \$ (0.82)  |

see accompanying notes

## Consolidated Statements of Comprehensive Income (unaudited)

| Three and nine months ended September 30                  | Three months    |            | Nine months       |            |
|---|-----------------|------------|-------------------|------------|
|   | 2024            | 2023       | 2024              | 2023       |
| <b>Net loss</b>   | \$ (772)        | \$ (8,806) | \$ (1,290)        | \$ (7,050) |
| Other comprehensive income:                               |                 |            |                   |            |
| Items that are or may be reclassified to profit or loss:  |                 |            |                   |            |
| Exchange differences on translation of foreign operations | (11)            | 579        | 258               | 53         |
| <b>Comprehensive loss</b>                                 | <b>\$ (783)</b> | \$ (8,227) | <b>\$ (1,032)</b> | \$ (6,997) |

see accompanying notes

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Changes in Equity (unaudited)

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

|  | Capital stock |                                     | Contributed surplus | Retained earnings | Accumulated comprehensive income | Non-other controlling interests in subsidiaries | Total equity    |                  |
|--|---------------|-------------------------------------|---------------------|-------------------|----------------------------------|---|-----------------|------------------|
|  | Note          | Number of common shares outstanding |                     |                   |                                  |   |                 | Amount           |
| Balance at January 1, 2023   |               | 8,558,913                           | \$ 9,448            | \$ 1,705          | \$ 82,159                        | \$ 7,659  | \$ 5,640        | \$ 106,611       |
| Comprehensive income (loss)  |               | -                                   | -                   | -                 | (7,070)                          | 53  | -               | (7,017)          |
| Dividends paid   | 10            | -                                   | -                   | -                 | (1,926)                          | -   | -               | (1,926)          |
| Stock-based compensation expense related to stock option grants    | 10            | -                                   | -                   | 47                | -                                | -   | -               | 47               |
| Net loss attributable to non-controlling interests in subsidiaries |               | -                                   | -                   | -                 | -                                | -   | (450)           | (450)            |
| Translation adjustments on non-controlling interests               |               | -                                   | -                   | -                 | -                                | -   | 7               | 7                |
| Balance at September 30, 2023                                      |               | 8,558,913                           | \$ 9,448            | \$ 1,752          | \$ 73,163                        | \$ 7,712  | \$ 5,197        | \$ 97,272        |
| Balance at January 1, 2024   |               | <b>8,558,913</b>                    | <b>\$ 9,448</b>     | <b>\$ 1,774</b>   | <b>\$ 65,608</b>                 | <b>\$ 7,074</b>                                 | <b>\$ 4,759</b> | <b>\$ 88,663</b> |
| Comprehensive income (loss)  |               | -                                   | -                   | -                 | (1,290)                          | 258   | -               | (1,032)          |
| Stock-based compensation expense related to stock option grants    | 10            | -                                   | -                   | 56                | -                                | -   | -               | 56               |
| Net loss attributable to non-controlling interests in subsidiaries |               | -                                   | -                   | -                 | -                                | -   | (222)           | (222)            |
| Translation adjustments on non-controlling interests               |               | -                                   | -                   | -                 | -                                | -   | 97              | 97               |
| Balance at September 30, 2024                                      |               | <b>8,558,913</b>                    | <b>\$ 9,448</b>     | <b>\$ 1,830</b>   | <b>\$ 64,318</b>                 | <b>\$ 7,332</b>                                 | <b>\$ 4,634</b> | <b>\$ 87,562</b> |

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Cash Flows (unaudited)

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

| Nine months ended September 30                    | Note | 2024       | 2023       |
|---|------|------------|------------|
| <b>Cash provided by:</b>                          |      |            |            |
| <b>Operating activities</b>                       |      |            |            |
| Net loss  |      | \$ (1,512) | \$ (7,500) |
| Items not affecting cash:                         |      |            |            |
| Provision for credit losses                       | 4    | 8,443      | 16,170     |
| Amortization of intangible assets                 |      | 104        | 103        |
| Depreciation of property and equipment            |      | 446        | 410        |
| Loss on disposal of property and equipment        |      | 46         | -          |
| Gain on sale of portfolio assets                  | 5    | (1,090)    | 26         |
| Accretion of debentures                           | 9    | (12)       | 522        |
| Stock-based compensation expense                  | 10   | 95         | 143        |
| Deferred tax recovery                             |      | (1,412)    | (5,371)    |
| Current income tax expense (recovery)             |      | 1,913      | 1,554      |
|   |      | 7,028      | 6,156      |
| <b>Change in operating assets and liabilities</b> |      |            |            |
| Finance receivables and loans, gross              | 4    | 34,540     | (45,629)   |
| Due to clients                                    |      | (33)       | (1,792)    |
| Other assets                                      |      | 2,001      | (5,247)    |
| Accounts payable and other liabilities            |      | 1,411      | (1,700)    |
| Disposal of assets held for sale                  |      | 377        | 220        |
| Income tax paid, net                              |      | (23)       | (3,367)    |
|   |      | 45,301     | (51,359)   |
| <b>Investing activities</b>                       |      |            |            |
| Proceeds from sale of assets                      | 5    | 60,139     | -          |
| Additions to property and equipment               |      | (240)      | (225)      |
|   |      | 59,899     | (225)      |
| <b>Financing activities</b>                       |      |            |            |
| Bank indebtedness                                 | 6    | (125,361)  | 61,717     |
| Loan payable                                      | 7    | 25,314     | (16,813)   |
| Notes payable issued, net                         | 8    | (73)       | 194        |
| Dividends paid                                    | 10   | -          | (1,926)    |
| Lease liabilities principal paid                  |      | (311)      | (329)      |
|   |      | (100,431)  | 42,843     |
| Effect of exchange rate changes on cash           |      | 562        | (155)      |
| Increase (decrease) in cash and restricted cash   |      | 5,331      | (8,896)    |
| Cash and restricted cash at January 1             |      | 9,696      | 18,255     |
| Cash and restricted cash at September 30          |      | \$ 15,027  | \$ 9,359   |
| <b>Supplemental cash flow information</b>         |      |            |            |
| Net cash used in operating activities includes:   |      |            |            |
| Interest paid                                     |      | \$ 25,557  | \$ 23,474  |
| <i>See accompanying notes</i>                     |      |            |            |



# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

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### 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 financing, including factoring and receivables financing, equipment and inventory financing, leasing, and working capital financing, to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 40 Eglinton Avenue East, Suite 602, Toronto, Ontario, Canada.

### 2. Basis of presentation and statement of compliance

These condensed interim unaudited consolidated financial statements ("Statements") are expressed in thousands of Canadian dollars, except per share amounts and as otherwise noted, the Company's functional and presentation currency, and are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed consolidated interim financial statements contain selected explanatory notes to the financial statements and do not include all the disclosures required by IFRS Accounting Standards ("IFRS"). 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, 2023. Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

The preparation of the condensed interim unaudited consolidated financial statements 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 expected credit losses relating to finance receivables and loans (note 4), the carrying value of assets held for sale (note 5), the determination of the valuation of goodwill and intangible assets on acquisition, as well as in the impairment testing thereof, and the net realizable value ("NRV") of deferred tax assets and liabilities.

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

- Stock option grants (a component of contributed surplus)

These condensed interim unaudited consolidated financial statements for the three and nine months ended September 30, 2024 were approved for issuance by the Company's Board of Directors ("Board") on November 6, 2024.

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

### 3. Significant accounting policies

#### Basis of consolidation

These condensed interim financial statements consolidate the accounts of the Company and its wholly owned subsidiaries; namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Accord Financial Canada Corp. ("AFCC") 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.

### 4. Finance receivables and loans

|   | <b>September 30, 2024</b> | December 31, 2023 |
|---|---------------------------|-------------------|
| Working capital loans                     | \$ 70,345                 | \$ 116,128        |
| Receivable loans                          | 83,533                    | 90,128            |
| Inventory & equipment loans               | 132,193                   | 113,287           |
| Media loans                               | 90,296                    | 85,246            |
| Lease receivables                         | 3,654                     | 71,885            |
| Finance Receivables and loans             | <b>380,021</b>            | 476,674           |
| Less allowance for expected credit losses | 11,078                    | 10,551            |
| Finance Receivables and loans, net        | <b>\$ 368,943</b>         | \$ 466,123        |

The Company's finance receivables and loans are generally either: (i) collateralized by a charge on substantially all the borrowers' assets; or (ii) leased assets or factored receivables which the Company owns; or (iii) guaranteed by a credit worthy party. Collateral securing the Company's finance receivables and loans is primarily comprised of receivables, inventory, and equipment, as well as other assets such as real estate and guarantees.

Lease receivables comprise the net investment in leases by AFCC and Accord Equipment Finance ("AEF"). Lease receivables at September 30, 2024 are expected to be collected over a period of up to five years. AEF ceased originations of new lease receivables as of September 30, 2024.

Finance receivables and loans based on the contractual repayment dates thereof can be summarized as follows:

|                  | <b>September 30, 2024</b> | December 31, 2023 |
|------------------|---------------------------|-------------------|
| Less than 1 year | \$ 288,109                | \$ 241,114        |
| 1 to 2 years     | 59,616                    | 114,593           |
| 2 to 3 years     | 18,624                    | 69,913            |
| 3 to 4 years     | 10,868                    | 35,776            |
| 4 to 5 years     | 2,804                     | 15,278            |
|                  | <b>\$ 380,021</b>         | \$ 476,674        |

## ACCORD FINANCIAL CORP.

### Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

The aged analysis of the Company's finance receivables and loans was as follows:

|                            | <b>September 30, 2024</b> | December 31, 2023 |
|----------------------------|---------------------------|-------------------|
| Current                    | \$ 315,990                | \$ 427,631        |
| Past due but not impaired: |                           |                   |
| Past due less than 90 days | 34,001                    | 17,541            |
| Past due 90 to 180 days    | 5,160                     | 6,253             |
| Past due 180 days or more  | 10,885                    | 13,687            |
| Impaired loans             | 13,985                    | 11,562            |
|                            | <b>\$ 380,021</b>         | <b>\$ 476,674</b> |

Past due finance receivables and loans, including those past due over 90 days, do not necessarily represent a significant increase in credit risk ("SICR"), or an impairment, due to circumstances where payments are delayed for non-credit related reasons. These may include specific industry related behaviors or practices as we often see across certain of the Company's lines of business. Of the past due and impaired finance receivables at September 30, 2024, \$21,672 (December 31, 2023 – \$26,975) relates to BondIt Media Capital ("BondIt"), AFIU's 60% controlled media finance subsidiary and \$39,242 (December 31, 2023 – \$19,427) relates to AFCC, all of which benefits from a guarantee from Export Development Canada ("EDC") of up to 80% of the loan balance.

As the Company's finance receivables and loans are generally secured by collateral, past due or impaired accounts do not necessarily lead to a significant expected credit loss ("ECL") allowance or write-off, as the NRV of the collateral is evaluated and may result in a low or no loss given default ("LGD").

At September 30, 2024, the estimated NRV of the collateral securing the impaired loans totalled \$10,901 (December 31, 2023 – \$9,839). During the nine months ended September 2024, loans totalling \$469 (December 31, 2023 – \$684) were transferred to assets held for sale upon default by the obligor and repossession of the collateral.

The Company uses a credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. The credit rating of the borrower is used to assess the predicted credit risk for each initial credit approval or significant account management action. Credit ratings improve credit decision quality, adjudication time frames and consistency in the credit decision process and facilitates risk-based pricing.

The Company assigns credit ratings to its finance receivables and loans. The credit ratings, along with other factors, are used in the determination of Staging based on a SICR analysis.

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

The Staging segmentation influences estimated allowances as described below:

- Stage 1 – for leases and loans that have not experienced a SICR since initial recognition, a loss allowance is recognized equal to the net credit losses expected to result from defaults occurring in the next 12 months;
- Stage 2 – for those leases or loans that have experienced a SICR since initial recognition, a loss allowance is recognized equal to the expected lifetime net credit losses over the remaining life of the lease or loan; and
- Stage 3 – for leases or loans that are considered credit-impaired, a loss allowance is recognized equal to full lifetime expected net credit losses.

Finance receivables and loans classified under the three stage credit criteria of IFRS 9, Financial Instruments (“IFRS 9”) were as follows:

|                    | <b>September 30, 2024</b> | December 31, 2023 |
|--------------------|---------------------------|-------------------|
| Stage 1            | \$ 278,348                | \$ 382,533        |
| Stage 2 (SICR)     | 87,688                    | 82,579            |
| Stage 3 (Impaired) | 13,985                    | 11,562            |
|                    | <b>\$ 380,021</b>         | <b>\$ 476,674</b> |

The activity in the allowance for expected credit losses on finance receivables and loans during the three months ended September 30, 2024 by stage of allowance was as follows:

| Three months ended at September 30, 2024                     | <b>Stage 1</b>  | <b>Stage 2</b>  | <b>Stage 3</b>  | <b>Total</b>     |
|--|-----------------|-----------------|-----------------|------------------|
| Allowance for Expected losses at July 1                      | \$ 2,911        | \$ 4,148        | \$ 3,507        | \$ 10,566        |
| Transfer between stages                                      | (48)            | 86              | (38)            | -                |
| Provision related to change in allowance for expected losses | 9               | 2,520           | 2,156           | 4,685            |
| Write-offs   | -               | (747)           | (2,101)         | (2,848)          |
| Recoveries   | -               | 14              | 49              | 63               |
| Disposals  | (811)           | (548)           | -               | (1,359)          |
| Foreign exchange adjustment                                  | (13)            | (34)            | 18              | (29)             |
| Allowance for Expected losses at September 30                | <b>\$ 2,048</b> | <b>\$ 5,439</b> | <b>\$ 3,591</b> | <b>\$ 11,078</b> |

## ACCORD FINANCIAL CORP.

### Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

The activity in the allowance for expected losses on finance receivables and loans during the three months ended September 30, 2023 by stage of allowance was as follows:

| Three months ended at September 30, 2023                     | Stage 1         | Stage 2         | Stage 3          | Total            |
|--|-----------------|-----------------|------------------|------------------|
| Allowance for Expected losses at July 1                      | \$ 2,678        | \$ 2,962        | \$ 1,246         | \$ 6,886         |
| Transfer between stages                                      | (12)            | (105)           | 117              | -                |
| Provision related to change in allowance for expected losses | 212             | 417             | 13,813           | 14,442           |
| Write-offs   | -               | (119)           | (1,259)          | (1,378)          |
| Recoveries   | -               | 31              | 35               | 66               |
| Foreign exchange adjustment                                  | 26              | 14              | 24               | 64               |
| <b>Allowance for Expected losses at September 30</b>         | <b>\$ 2,904</b> | <b>\$ 3,200</b> | <b>\$ 13,976</b> | <b>\$ 20,080</b> |

The activity in the allowance for expected credit losses on finance receivables and loans during the nine months ended September 30, 2024 by stage of allowance was as follows:

| Nine months ended at September 30, 2024                      | Stage 1         | Stage 2         | Stage 3         | Total            |
|--|-----------------|-----------------|-----------------|------------------|
| Allowance for Expected losses at January 1                   | \$ 3,293        | \$ 5,097        | \$ 2,161        | \$ 10,551        |
| Transfer between stages                                      | 62              | (596)           | 534             | -                |
| Provision related to change in allowance for expected losses | (513)           | 2,179           | 6,788           | 8,454            |
| Write-offs   | -               | (747)           | (6,137)         | (6,884)          |
| Recoveries   | -               | 19              | 223             | 242              |
| Disposals  | (811)           | (548)           | -               | (1,359)          |
| Foreign exchange adjustment                                  | 17              | 35              | 22              | 74               |
| <b>Allowance for Expected losses at September 30</b>         | <b>\$ 2,048</b> | <b>\$ 5,439</b> | <b>\$ 3,591</b> | <b>\$ 11,078</b> |

The activity in the allowance for expected losses on finance receivables and loans during the nine months ended September 30, 2023 by stage of allowance was as follows:

| Nine months ended at September 30, 2023                      | Stage 1         | Stage 2         | Stage 3          | Total            |
|--|-----------------|-----------------|------------------|------------------|
| Allowance for Expected losses at January 1                   | \$ 2,903        | \$ 2,803        | \$ 2,483         | \$ 8,189         |
| Transfer between stages                                      | (740)           | 609             | 131              | -                |
| Provision related to change in allowance for expected losses | 778             | 205             | 15,221           | 16,204           |
| Write-offs   | (37)            | (471)           | (4,042)          | (4,550)          |
| Recoveries   | -               | 50              | 171              | 221              |
| Foreign exchange adjustment                                  | -               | 4               | 12               | 16               |
| <b>Allowance for Expected losses at September 30</b>         | <b>\$ 2,904</b> | <b>\$ 3,200</b> | <b>\$ 13,976</b> | <b>\$ 20,080</b> |

The allowance for expected credit losses for some Stage 3 accounts can be minimal, as the impaired finance receivables and loans are in respect of accounts where the Company intends to or has actively taken possession of its collateral and is currently or will be liquidating

## ACCORD FINANCIAL CORP.

### Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

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the same as a means of recovering some or all of the outstanding account balance. In such cases, the finance receivables and loans have been written down to the present value of their estimated NRV and any allowance for expected losses thereon reversed.

The Company's allowance for expected losses on finance receivables and loans is estimated using statistical models that involve a number of inputs and assumptions. The key drivers of changes in the allowance for expected losses include the following:

- Increase or decrease in the amount of finance receivables and loans;
- Transfers between stages due to SICRs, as reflected by changes in probably of default ("PD") and LGD; and;
- Changes in forward-looking macroeconomic variables used in the expected credit losses models.

The Company incorporates the impact of forward-looking information ("FLI") into its allowance for expected losses. The Company sources data from Moody's Analytics, a third-party service provider for the purpose of computing forward-looking credit risk parameters under multiple macroeconomic scenarios that consider both market-wide and idiosyncratic factors and influences.

The Company employs macroeconomic indicator data derived from multiple macroeconomic scenarios in order to mitigate volatility in the estimation of its allowance for expected losses, and to satisfy the IFRS 9 requirement that future economic conditions are to be based on an unbiased, probability-weighted assessment of possible future outcomes. The macroeconomic indicator data utilized by the Company for the purpose of sensitizing PD and LGD to forward-looking economic conditions includes, but are not limited to: monetary policy, fiscal policy, energy prices, public health emergencies, including an epidemic or pandemic, business investment, housing, employment, and supply chain amongst others.

Currently, the Company assigns discrete weights to several macroeconomic forecast scenarios for use in the estimation of its allowance for expected credit losses. The Company also applies experienced credit judgment in circumstances where the assumptions or models may not capture all the relevant risk factors. The Company has applied experienced credit judgment to consider uncertainty in the U.S. and Canadian macroeconomic environment attributable to rising interest rates, supply chain disruption, energy prices and labor/supply costs. The Company tracks forward estimates of the following indices in order to sensitize allowances for expected losses: Producer Price Index ("PPI"); WTI Crude; Global Supply Chain Stress Index ("GSCP"); and U.S. and Canadian Prime rates, as these factors have a pronounced impact on the Company's portfolio.

The Company uses experienced credit judgment to review and analyze the various forecast scenarios and assign probability weightings. If management were to assign a 100% probability

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

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to the most pessimistic downside scenario forecast considered, the allowance for expected losses would have been \$1.4 million higher than the reported estimate for the allowance for expected losses as at September 30, 2024. Alternatively, the assignment of a 100% probability to the most optimistic upside scenario forecast considered would have resulted in the allowance for expected losses being \$2.1 million lower than that reported.

The nature of the Company's business involves funding or assuming the credit risk on the receivables of its clients, and the financing of other assets, such as inventory and equipment. The Company controls the credit risk associated with its finance receivables and loans in a variety of ways, as discussed below. For details of the Company's policies and procedures in this regard, please refer to note 14.

At September 30, 2024, the Company held cash collateral of \$1,282 (December 31, 2023 – \$2,675) to help reduce the risk of loss on certain of the Company's finance receivables and loans.

### 5. Assets held for sale and other transactions

#### a) Assets held for sale

During the first nine months of 2024, the Company obtained title to or repossessed certain long-lived assets securing defaulted finance receivables and loans from one or more clients. These assets have been sold or are being actively marketed for sale and will be disposed of as market conditions permit. The estimated NRV of the assets held for sale at the above dates was based upon external appraisals.

#### b) Sale of AEF assets

On September 30, 2024, the Company sold US\$43.4 million (\$58.7 million) of net assets comprised primarily of lease receivables to a third-party purchaser, Rosenthal & Rosenthal Inc., for total proceeds of US\$45.2 million (\$61.1 million). The sale price is comprised of US\$44.2 million (\$59.8 million) in cash and US\$1.0 million (\$1.3 million) as contingent consideration. The gain on sale was US\$0.8 million (\$1.1 million) after the elimination of intangible assets of US \$2.2 million (\$3.0 million) and transaction expenses of US\$1.0 million (\$1.3 million). The gain on the sale is reported in Other Income in the Consolidated Statements of Earnings.

### 6. Bank indebtedness

The Company has a revolving credit facility provided by a syndicate of six banks. The facility has a maximum commitment of \$300.0 million that was reduced to \$260 million on October 1, and a contractual maturity date of July 26, 2025. Floating rate indices for drawn amounts under the revolving credit facility are primarily based on the Canadian overnight repo rate average ("CORRA"), the secured overnight financing rate ("SOFR") or Prime rate. A margin is added to the applicable indices based on a ratio of debt to the tangible net worth of subsidiaries that borrow from the revolving credit facility. The credit facility is secured by the

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

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Company's finance receivables and loans, except for finance receivables and loans that secure the BondIt loan and the Accord Small Business Finance ("ASBF") loan. The Company and its lenders amended the revolving credit facility as of March 15, 2024, with the primary changes being: i) a reduction of the maximum commitment to \$300.0 million from \$375.0 million with a further reduction to \$260.0 million upon consummation of the AEF Sale or January 2025, ii) an increase in the borrowing rate and iii) the inclusion of milestones related to the initiation of discovery for certain strategic initiatives. The Company was not in compliance with one covenant at December 31, 2023. All lenders waived the breach in 2024. The Company was in compliance with all loan covenants and milestones under its revolving credit facility during the first nine months of 2024.

### 7. Loans payable

Loans payable comprise:

|                            | September 30, 2024 | December 31, 2023 |
|----------------------------|--------------------|-------------------|
| BondIt loan <sup>(a)</sup> | \$ 64,355          | \$ 59,947         |
| ASBF loan <sup>(b)</sup>   | 44,569             | 22,465            |
|                            | \$ 108,924         | \$ 82,412         |

#### a) BondIt loan

On May 31, 2024, BondIt entered into a revolving line of credit with a non-bank lender, which bears a fixed rate of interest. This revolving line, which is secured by all of BondIt's assets, has a total commitment of US\$60.0 million (\$81.1 million) and a maturity date of May 31, 2027. At September 30, 2024, the amount outstanding under this line of credit totalled \$64.4 million (December 31, 2023 – \$59.9 million), inclusive of accrued interest and fees. BondIt was not in compliance with multiple loan covenants under this new facility, and its prior revolving line of credit as at September 30, 2024, and December 31, 2023, respectively but received waivers from the lenders subsequent to September 30, 2024 and December 31, 2023, respectively.

#### b) ASBF loan

ASBF, a subsidiary of AFCC, has a non-recourse loan with a life insurance company. This loan is secured by the majority of ASBF's assets and bears a fixed rate of interest. The amount outstanding under this loan facility was increased in May 2024 by \$42.0 million and at September 30, 2024 has a balance of \$44.6 million (December 31, 2023 – \$22.5 million). ASBF experienced a trigger event at December 31, 2023 as a result of the breached covenant under the Company's revolving credit facility, which was subsequently waived. The Company was in compliance with all covenants at September 30, 2024.



# ACCORD FINANCIAL CORP.

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### 8. Related parties

#### a) Notes payable

Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand and; (ii) term notes which are repayable on various dates the latest of which is November 30, 2027. Notes payable are to individuals or entities and consist of advances from shareholders, management, other related individuals and third parties.

Notes payable, inclusive of accrued interest:

|  | September 30, 2024 |               | December 31, 2023 |        |
|--|--------------------|---------------|-------------------|--------|
| Demand and term notes due within one year: |                    |               |                   |        |
| Related parties                            | \$                 | 16,237        | \$                | 5,826  |
| Third parties                              |                    | 3,490         |                   | 2,421  |
|  |                    | <b>19,727</b> |                   | 8,247  |
| Term notes due after one year:             |                    |               |                   |        |
| Related parties                            |                    | 4,057         |                   | 14,668 |
|  | \$                 | <b>23,784</b> | \$                | 22,915 |

Notes due on, or within a week of, demand bear interest at rates that vary with bank prime rate, while the term notes bear interest at rates between 8.75% and 11.00%.

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

|                 | Three months  |               | Nine Months     |                 |
|-----------------|---------------|---------------|-----------------|-----------------|
|                 | 2024          | 2023          | 2024            | 2023            |
| Related parties | \$ 412        | \$ 310        | \$ 1,388        | \$ 912          |
| Third parties   | 138           | 84            | 263             | 215             |
|                 | <b>\$ 550</b> | <b>\$ 394</b> | <b>\$ 1,651</b> | <b>\$ 1,127</b> |

#### b) BondIt participations

BondIt utilizes loan participations to provide capital for and reduce the risk of loss on certain client loans, as well as reduce its overall cost of capital. A number of related parties have participated in the BondIt client loans. At September 30, 2024, participations in BondIt client loans totalled US\$9.4 million (December 31, 2023 – US\$22.6 million), of which US\$1.6 million (December 31, 2023 – US\$8.6 million) was provided by related parties. These participations are not included in the Company's statements of financial position.

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

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(Expressed in thousands of Canadian dollars, except where otherwise indicated)

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### c) Debentures

On July 8, 2024, \$3,250 of the debentures were acquired by a related party. Details of debentures are set out in note 9.

### 9. Debentures

Convertible debentures with a face value of \$25,650 (25,650 convertible debentures) carrying a 7.0% coupon rate were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading ("Listed Debentures") on the Toronto Stock Exchange ("TSX"), while 5,000 ("Unlisted Debentures") are unlisted. Interest on all the convertible debentures is payable semi-annually on June 30 and December 31 each year.

The Company used the residual method to calculate the allocation between the debt and equity components of the debentures. Gross proceeds were allocated to the debt component of the debentures by discounting the future principal and interest payments at the rate of interest prevailing on the issue date for similar non-convertible debentures. The equity component was initially determined to be the difference between the gross proceeds and the debt component. Transaction costs were then allocated to the debt and equity components on a pro-rata basis. The equity component is carried net of deferred taxes and is included in contributed surplus.

At a meeting held on August 10, 2023, the Company announced that holders of \$20,650 of 7.0% Listed Debentures, due on December 31, 2023, passed an extraordinary resolution approving certain amendments to the debentures. The amendments include i) an extension of the maturity date to January 31, 2026, ii) an increased interest rate of 10.0% effective January 2, 2024, iii) removal of the conversion feature and iv) removal of the Company's right to repay the debentures with common shares. The Company performed an assessment in accordance the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Listed Debentures and recognition of a new liability.

On December 31, 2023, the holders of \$5,000 of 7.0% Unlisted Debentures, due on December 31, 2023 agreed to amend those debentures. The amendments include i) an extension of the maturity date to July 15, 2024, ii) an increased interest rate of 10.0% effective January 1, 2024, iii) removal of the conversion feature and iv) removal of the Company's right to repay the debentures with common shares. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Series B Debentures and recognition of a new liability.

As a result of the amendments, the amortized cost of the original Debentures of \$25,553 was extinguished and the amended Listed Debentures and Unlisted Debentures with a nominal value of \$25,650 were recognized on the balance sheet at the date of modification. A loss of

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\$604 was recognized in the period ending December 31, 2023, arising from the substantial modification, and was comprised of \$508 of transaction costs, including \$330 of consent fees paid to Listed holders that voted in favor of the amendment, \$25 of extension fees paid to Unlisted holders and \$95 as the difference between the carrying value of the extinguished original Listed Debentures and Unlisted Debentures and the fair value of the amended Listed Debentures and Unlisted Debentures.

On July 8, 2024, holders of \$5,000 of Unlisted Debentures agreed to extend the maturity date from July 15, 2024 to January 31, 2026. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that the maturity extension is not a substantial modification and did not result in a derecognition of the Unlisted Debentures. The Company recognized a loss of \$7 from the modification.

On July 8, 2024, \$3,250 of the Unlisted Debentures were acquired by a related party.

The balance outstanding as at September 30, 2024 and December 31, 2023 is presented below:

|  | <b>September 30, 2024</b> |           | December 31, 2023 |
|--|---------------------------|-----------|-------------------|
| Debentures Issued                                  | \$ 25,650                 | \$        | 25,650            |
| Accretion in carrying value of debenture liability | 663                       |           | 67                |
|  | <b>\$ 26,313</b>          | <b>\$</b> | <b>25,717</b>     |

## 10. Capital stock and stock-based compensation

### a) 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, 2024 and 2023, there were no first preferred shares outstanding.

The Company's issued and outstanding common shares during the first nine months of 2024 and 2023 are set out in the consolidated statements of changes in equity.

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three and nine months ended September 30, 2024, no dividends were declared and paid. During the three and nine months ended September 30, 2023, dividends totalling \$642 and \$1,926 or \$0.075 and \$0.225, respectively, per common share were declared and paid.

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### b) Stock option plans

The Company has a stock option plan (the "2021 SOP") for employees and directors. Under the terms of the plan, an aggregate of 850,000 common shares, representing 9.9% of the Company's issued and outstanding common shares, have been reserved for issuance upon the exercise of stock options granted. The options granted vest one-third on the date of the grant, and one-third on each of the first two anniversaries of the date of grant. The options are exercisable for a period of seven years after the date of grant. The exercise price of all options granted under the 2021 SOP is not lower than the volume-adjusted average trading price of the Company's common shares on the TSX during the ten trading days immediately preceding the date of grant. The Board reserves the right to change the terms of the options.

As of September 30, 2024, outstanding options granted under the 2021 SOP were as follows:

| Grant Date         | Number of<br>Options Granted | Exercise<br>Price (\$) | Expiry Date  | September 30,<br>2024 | December 31,<br>2023 |
|--------------------|------------------------------|------------------------|--------------|-----------------------|----------------------|
| August 4, 2021     | 80,100                       | 8.83                   | Aug. 3,2028  | <b>45,000</b>         | 45,000               |
| October 12, 2021   | 12,000                       | 8.83                   | Aug. 3,2028  | <b>12,000</b>         | 12,000               |
| September 19, 2022 | 72,000                       | 8.34                   | Sep. 18,2029 | <b>63,000</b>         | 72,000               |
| September 25, 2023 | 127,500                      | 5.69                   | Sep. 24,2030 | <b>109,500</b>        | 127,500              |
| September 23, 2024 | 114,000                      | 4.20                   | Sep. 23,2031 | <b>114,000</b>        | -                    |
|                    | 405,600                      |                        |              | <b>343,500</b>        | 256,500              |

On September 23, 2024, the Company granted 114,000 stock options at an exercise price of \$4.20 to its President and certain members of executive management.

Of the outstanding options, 231,000 were vested as of September 30, 2024. The decrease in the outstanding options for the grant date of September 19, 2022 and September 25, 2023, are due to the cancellation of options granted to employees that left the Company.

The fair value of the options granted in 2024 and 2023 was determined using the Black-Scholes option pricing model with the following assumptions on the grant date:

|                                 | September 23,<br>2024 | September 25,<br>2023 |
|---------------------------------|-----------------------|-----------------------|
| Risk Free Interest Rate         | 2.81%                 | 4.02%                 |
| Expected Dividend Yield         | 5.01%                 | 5.29%                 |
| Expected Share Price Volatility | 30.13%                | 27.48%                |
| Expected life of option (years) | 7.0                   | 7.0                   |
| Fair Value per option           | \$ 0.68               | \$ 0.98               |

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## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

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### c) Deferred share unit ("DSU") plan

During the three and nine months ended September 30, 2024, the Company granted 4,484 DSUs (2023 – 3,370) and 12,889 DSUs (2023 – 9,098), respectively. DSUs are issued quarterly at fair market value at the date of grant and vest immediately.

### d) Stock-based compensation

During the three months ended September 30, 2024, the Company recorded a stock-based compensation expense of \$63 (2023 – \$73), of which \$43 (2023 – \$62) related to stock option grants under the 2021 SOP and \$20 (2023, expense of \$11) related to DSU grants. For the nine months ended September 30, 2024, the Company recorded a stock-based compensation expense of \$95 (2023 – \$143), of which \$56 (2023 – \$108) related to stock option grants under the 2021 SOP and \$39 (2023 - \$35) related to DSU grants.

## 11. Earnings per common share

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 year, which in the Company's case consist of stock options.

All outstanding options were excluded from the calculation of diluted shares outstanding in the three and nine months ended September 30, 2024 and twelve months ended December 31, 2023 because they were considered to be anti-dilutive for earnings per common share purposes. Details of outstanding options are set out in note 10.

## 12. Contingent liabilities

At September 30, 2024 the Company was contingently liable with respect to letters of guarantee issued on behalf of a client in the amount of \$757 (December 31, 2023 – \$742). There were no letters of credit issued on behalf of clients for which the Company was contingently liable at those dates. These amounts were considered in determining the allowance for expected losses on finance receivables and loans.

## 13. 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. An operating segment is a component in the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Company's other subsidiaries, whose operating results are regularly reviewed by the Company's Chief Operating Decision Makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is

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available. Segment results that are reported to the CODM include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

|  | 2024       |               |               |            | 2023       |               |               |          |
|--|------------|---------------|---------------|------------|------------|---------------|---------------|----------|
|  | Canada     | United States | Inter-company | Total      | Canada     | United States | Inter-company | Total    |
| Identifiable assets  | \$ 244,481 | \$ 178,346    | \$ (2,705)    | \$ 420,122 | \$ 288,553 | \$ 238,285    | \$ (2,730)    | 524,108  |
| Revenue  |            |               |               |            |            |               |               |          |
| Interest income  | \$ 12,959  | \$ 7,559      | \$ (3,569)    | \$ 16,949  | \$ 11,668  | \$ 5,260      | \$ (156)      | 16,772   |
| Other income   | 1,223      | 3,041         | -             | 4,264      | 783        | 1,875         | -             | 2,658    |
|  | 14,182     | 10,600        | (3,569)       | 21,213     | 12,451     | 7,135         | (156)         | 19,430   |
| Expenses   |            |               |               |            |            |               |               |          |
| Interest   | 6,752      | 5,805         | (3,569)       | 8,988      | 6,506      | 2,779         | (156)         | 9,131    |
| General and administrative   | 4,797      | 3,068         | -             | 7,865      | 4,972      | 3,079         | -             | 8,051    |
| Provision for credit losses  | 3,985      | 697           | -             | 4,682      | 13,098     | 1,337         | -             | 14,435   |
| Impairment of goodwill   | -          | -             | -             | -          | -          | -             | -             | -        |
| Impairment of assets held for sale   | -          | -             | -             | -          | -          | -             | -             | -        |
| Depreciation   | 78         | 75            | -             | 153        | 72         | 66            | -             | 138      |
| Business acquisition expenses  | -          | 35            | -             | 35         | -          | 34            | -             | 34       |
|  | 15,612     | 9,680         | (3,569)       | 21,723     | 24,648     | 7,295         | (156)         | 31,789   |
| Earnings (loss) before income tax expense                                    | (1,430)    | 920           | -             | (510)      | (12,197)   | (160)         | -             | (12,359) |
| Income tax expense (recovery)  | 33         | 66            | -             | 99         | (2,813)    | (529)         | -             | (3,342)  |
| Net earnings (loss)  | (1,463)    | 854           | -             | (609)      | (9,384)    | 369           | -             | (9,017)  |
| Net earnings (loss) attributable to non-controlling interest in subsidiaries | -          | 163           | -             | 163        | -          | (211)         | -             | (211)    |
| Net earnings (loss) attributable to shareholders                             | \$ (1,463) | \$ 691        | \$ -          | \$ (772)   | \$ (9,384) | \$ 580        | \$ -          | (8,806)  |

|   | 2024       |               |               |            | 2023        |               |               |          |
|---|------------|---------------|---------------|------------|-------------|---------------|---------------|----------|
|   | Canada     | United States | Inter-company | Total      | Canada      | United States | Inter-company | Total    |
| Identifiable assets   | \$ 244,481 | \$ 178,346    | \$ (2,705)    | \$ 420,122 | \$ 288,553  | \$ 238,285    | \$ (2,730)    | 524,108  |
| Revenue   |            |               |               |            |             |               |               |          |
| Interest income   | \$ 40,219  | \$ 23,057     | \$ (10,610)   | \$ 52,666  | \$ 33,414   | \$ 16,301     | \$ (553)      | 49,162   |
| Other income  | 3,887      | 5,283         | -             | 9,170      | 2,494       | 4,151         | -             | 6,645    |
|   | 44,106     | 28,340        | (10,610)      | 61,836     | 35,908      | 20,452        | (553)         | 55,807   |
| Expenses  |            |               |               |            |             |               |               |          |
| Interest  | 21,096     | 17,825        | (10,610)      | 28,311     | 18,037      | 7,833         | (553)         | 25,319   |
| General and administrative  | 16,221     | 9,322         | -             | 25,543     | 15,545      | 9,577         | -             | 25,122   |
| Provision for credit losses                                       | 8,249      | 194           | -             | 8,443      | 15,066      | 1,104         | -             | 16,170   |
| Impairment of goodwill  | -          | -             | -             | -          | -           | -             | -             | -        |
| Impairment of assets held for sale                                | -          | -             | -             | -          | -           | -             | -             | -        |
| Depreciation  | 222        | 224           | -             | 446        | 213         | 197           | -             | 410      |
| Business acquisition expenses                                     | -          | 104           | -             | 104        | -           | 103           | -             | 103      |
|   | 45,788     | 27,669        | (10,610)      | 62,847     | 48,861      | 18,814        | (553)         | 67,124   |
| Earnings (loss) before income tax expense                         | (1,682)    | 671           | -             | (1,011)    | (12,953)    | 1,638         | -             | (11,317) |
| Income tax expense (recovery)                                     | 238        | 263           | -             | 501        | (2,733)     | (1,084)       | -             | (3,817)  |
| Net earnings (loss)   | (1,920)    | 408           | -             | (1,512)    | (10,220)    | 2,722         | -             | (7,500)  |
| Net loss attributable to non-controlling interest in subsidiaries | -          | (222)         | -             | (222)      | -           | (450)         | -             | (450)    |
| Net earnings (loss) attributable to shareholders                  | \$ (1,920) | \$ 630        | \$ -          | \$ (1,290) | \$ (10,220) | \$ 3,172      | \$ -          | (7,050)  |

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### 14. 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. Credit risk arises with respect to loans to and other financial transactions with clients, and any other financial transaction with a counterparty that the Company deals with. The gross amount of loans (\$431.0 million) represents the Company's maximum credit exposure as of the reporting dates and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending 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. The Company often owns the factored receivables that it finances.

In its asset-based lending business, the Company makes loans that are secured against various forms of collateral. The collateral is generally first ranking security on the client's assets which typically comprise receivables, inventory, equipment and real estate, or a guarantee from a counterparty. The Company provides an expected loss allowance on its finance receivables and loans based on the estimated credit risk. There were no significant changes in the quality of collateral or changes to the Company's collateral policy during the nine months ended September 30, 2024 and 2023.

At September 30, 2024, the Company had impaired loans of \$13,985 (December 31, 2023 – \$11,562), while, at that date, it held collateral for these loans with an estimated NRV of \$10,901 (December 31, 2023 – \$9,839). These impaired loans were mainly secured by receivables, inventory and/or equipment.

Credit approval for transactions supported by management in the Company's six operating businesses is delegated to a staff of senior credit officers within each business. Transactions in excess of \$1.0 million (US\$1.0 million U.S. Group companies), are approved by the Company's President and CEO in consultation with the Corporate Credit Committee. Transactions in excess of \$2.5 million (US\$2.5 million in the case of U.S. group companies) are approved by the Credit Committee of the Board of Directors which comprises three 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

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the credit risks to which it is subject. Credit risk is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. For its factoring products, 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 the invoice date. 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 older receivables. Asset-based lending products additionally require focus on the performance of other collateral types (inventory, equipment and in certain cases real estate) as well as the underlying cash flows of the borrower. AFCC's and AEF's lease receivables and equipment and working capital loans are usually structured as term loans with payments spread out evenly over the term of the lease or loan, with terms up to 60 months. AFCC also has a revolving equipment loan product which has no fixed repayment terms and can be repaid at any time.

The Company uses an internal credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. Please see note 4 which presents the Company's finance receivables and by the three stage credit criteria of IFRS 9, as well as an aged analysis thereof. Credit risk is 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. Collateral is monitored and managed on an ongoing basis to mitigate credit risk. In its asset-based lending and equipment finance operations, the Company assesses the financial strength of its clients and its clients' customers and the industries in which they operate on an ongoing basis. Cash flows from a client's ongoing business operations represent the primary source of repayment.

The Company also manages 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 finances. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables allowing it to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. Regular field examinations are conducted to verify collateral such as inventory and equipment. In the Company's Canadian small business finance operations, AFCC, security deposits are usually obtained in respect of equipment leases or loans, while a majority of ASBF's working capital loans have the benefit of a strong financial guarantor guaranteeing up to 80% of the loan balance in the event of a loss.



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As set out in note 4, the Company maintains an allowance for expected losses on its finance receivables and loans in accordance with IFRS 9. The allowance for expected losses is estimated using statistical models, including the impact of FLI based on several macroeconomic forecast scenarios. The allowance for expected losses is deemed sufficient based on the results of the expected loss modeling and experienced credit judgment.

### b) Liquidity risk

The Company's financial assets and liabilities at September 30, 2024 by maturity date were as follows:

|                               | 0 to 12<br>months | 1 to 2<br>years  | 2 to 3<br>years  | 3 to 4<br>years  | 4 to 5<br>years | Thereafter   | Total             |
|-------------------------------|-------------------|------------------|------------------|------------------|-----------------|--------------|-------------------|
| <b>Financial Assets</b>       |                   |                  |                  |                  |                 |              |                   |
| Cash and restricted cash      | \$ 13,864         | \$ 805           | \$ 357           | \$ 1             | \$ -            | \$ -         | \$ 15,027         |
| Finance receivables and loans | 288,109           | 59,616           | 18,624           | 10,868           | 2,764           | 40           | 380,021           |
| All other Assets              | 23,694            | -                | -                | -                | -               | -            | 23,694            |
| <b>Total</b>                  | <b>\$ 325,667</b> | <b>\$ 60,421</b> | <b>\$ 18,981</b> | <b>\$ 10,869</b> | <b>\$ 2,764</b> | <b>\$ 40</b> | <b>\$ 418,742</b> |
| <b>Financial Liabilities</b>  |                   |                  |                  |                  |                 |              |                   |
| Due to clients                | \$ 111            | \$ -             | \$ -             | \$ -             | \$ -            | \$ -         | \$ 111            |
| Bank indebtedness             | 155,764           | -                | -                | -                | -               | -            | 155,764           |
| Loan payable <sup>(1)</sup>   | 85,663            | 16,096           | 7,141            | 24               | -               | -            | 108,924           |
| Notes payable                 | 19,727            | -                | -                | 4,057            | -               | -            | 23,784            |
| Debentures                    | -                 | 26,313           | -                | -                | -               | -            | 26,313            |
| All other liabilities         | 15,893            | -                | -                | -                | -               | -            | 15,893            |
| <b>Total</b>                  | <b>\$ 277,158</b> | <b>\$ 42,409</b> | <b>\$ 7,141</b>  | <b>\$ 4,081</b>  | <b>\$ -</b>     | <b>\$ -</b>  | <b>\$ 330,789</b> |

(1) Loans payable of \$21,308 maturing within 12 months and of \$16,096 maturing in 1 to 2 years, \$7,141 maturing 2 to 3 years, \$24 maturing 3 to 4 years are estimated amounts, as the loans do not have a contractual maturity date.

The Company's financial assets and liabilities at December 31, 2023 by maturity date were as follows:

|                                  | 0 to 12<br>months | 1 to 2<br>years   | 2 to 3<br>years  | 3 to 4<br>years  | 4 to 5<br>years  | Thereafter      | Total             |
|----------------------------------|-------------------|-------------------|------------------|------------------|------------------|-----------------|-------------------|
| <b>Financial Assets</b>          |                   |                   |                  |                  |                  |                 |                   |
| Cash and restricted cash         | \$ 9,301          | \$ 380            | \$ 15            | \$ -             | \$ -             | \$ -            | \$ 9,696          |
| Finance receivables and loans    | 241,114           | 114,593           | 69,913           | 35,776           | 14,227           | 1,051           | 476,674           |
| All other Assets                 | 20,636            | -                 | -                | -                | -                | -               | 20,636            |
| <b>Total</b>                     | <b>\$ 271,051</b> | <b>\$ 114,973</b> | <b>\$ 69,928</b> | <b>\$ 35,776</b> | <b>\$ 14,227</b> | <b>\$ 1,051</b> | <b>\$ 507,006</b> |
| <b>Financial Liabilities</b>     |                   |                   |                  |                  |                  |                 |                   |
| Due to clients                   | \$ 144            | \$ -              | \$ -             | \$ -             | \$ -             | \$ -            | \$ 144            |
| Bank indebtedness <sup>(1)</sup> | 281,124           | -                 | -                | -                | -                | -               | 281,124           |
| Loan payable <sup>(2)</sup>      | 74,522            | 7,595             | 295              | -                | -                | -               | 82,412            |
| Notes payable                    | 12,223            | 10,692            | -                | -                | -                | -               | 22,915            |
| Debentures                       | 5,000             | -                 | 20,717           | -                | -                | -               | 25,717            |
| All other liabilities            | 10,168            | -                 | -                | -                | -                | -               | 10,168            |
| <b>Total</b>                     | <b>\$ 383,181</b> | <b>\$ 18,287</b>  | <b>\$ 21,012</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>     | <b>\$ 422,480</b> |

(1) Bank indebtedness maturing within 12 months is debt which has been classified as current as the Company was in breach of one of its debt covenants at December 31, 2023. In addition to receiving a waiver from its lenders for December 31, 2023, certain terms and covenants of the credit facility agreement were amended after December 31, 2023. The amendment also contains milestones that the Company must achieve related to initiating discovery for certain strategic initiatives to improve liquidity.

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

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*(2) Loans payable of \$14,575 maturing within 12 months; of \$7,595 maturing in 1 to 2 years; and of \$295 maturing in 2 to 3 years are estimated amounts, as the loan payables do not have a contractual maturity date.*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and support business growth. The Company's approach to managing liquidity risk is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when they come 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, loans payable, notes payable, debentures, due to clients, accounts payable and other liabilities.

### **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.

### **d) Currency risk**

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, 2024, the Company's unhedged foreign currency positions in its Canadian operations totalled \$2,595 (December 31, 2023 – \$2,703). 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 the Company's foreign currency holdings against the Canadian dollar would not have a material impact on the Company's net earnings.

### **e) 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 include both fixed rates and floating rates. The Company manages its interest rate exposure where possible, through the use of securitization or other match funding strategies. If the Company's floating rate borrowings exceed its floating rate finance receivables and loans, the Company could be exposed to fluctuations in interest rates, such that an increase in floating interest rates could increase the Company's interest expense beyond its ability to pass the increase on to its clients.

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

The following table shows the gap between floating rate debt and floating rate assets at September 30, 2024:

|                                    | Floating<br>rate  | Fixed Rate        | Non-rate<br>sensitive | Total             |
|------------------------------------|-------------------|-------------------|-----------------------|-------------------|
| <b>Assets</b>                      |                   |                   |                       |                   |
| Cash and restricted cash           | \$ 13,133         | \$ -              | \$ 1,894              | \$ 15,027         |
| Finance receivables and loans, net | 174,529           | 205,492           | (11,078)              | 368,943           |
| All other assets                   | -                 | -                 | 36,152                | 36,152            |
|                                    | <b>\$ 187,662</b> | <b>\$ 205,492</b> | <b>\$ 26,968</b>      | <b>\$ 420,122</b> |
| <b>Liabilities</b>                 |                   |                   |                       |                   |
| Due to clients                     | \$ -              | \$ -              | \$ 111                | \$ 111            |
| Bank indebtedness                  | 155,764           | -                 | -                     | 155,764           |
| Loan payable                       | -                 | 108,924           | -                     | 108,924           |
| Notes payable                      | 4,530             | 19,254            | -                     | 23,784            |
| Debentures                         | -                 | 26,313            | -                     | 26,313            |
| All other liabilities              | -                 | -                 | 17,664                | 17,664            |
| <b>Equity</b>                      | -                 | -                 | 87,562                | <b>87,562</b>     |
|                                    | <b>\$ 160,294</b> | <b>\$ 154,491</b> | <b>\$ 105,337</b>     | <b>\$ 420,122</b> |
| Interest rate sensitivity gap      | \$ 27,368         | \$ 51,001         | \$ (78,369)           | \$ -              |

The Company's floating rate assets exceed the Company's floating rate debt, net of unrestricted cash by \$118.9 million. Incorporated into that calculation is the assumption that fixed rate assets maturing in less than twelve months, if not redeployed in new Loans, would be used to pay down bank indebtedness. Based on the Company's interest rate positions at September 30, a 100 basis point rise in interest rates would increase pre-tax earnings by approximately \$1,550 over a twelve-month period. A 100 basis point decrease in interest rates would decrease pre-tax earnings by a similar amount. The analysis is a static measurement of interest rates at a specific point in time, and there is the potential for these gaps to change significantly over a short time period.

### 15. Capital disclosure

The Company considers its capital structure to include equity and debt; namely, its bank indebtedness, loans payable, notes payable and debentures. 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.

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and nine months ended September 30, 2024 and 2023

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

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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. To manage 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 a normal course issuer bid, issue new shares or debt, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to total equity and its total equity to total assets. At September 30, 2024, these ratios were 3.59x (December 31, 2023 – 4.65x) and 0.21 (December 31, 2023 – 0.17), respectively. 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. At September 30, 2024, the Company is required to maintain a senior debt to TNW ratio less than or equal to 4.0 to 1.0 on its syndicated bank facility. BondIt, which has entered into a loan facility with a non-bank lender, is required to maintain a TNW of at least US \$5,000. There were no changes in the Company's approach to capital management from previous periods.

### 16. Subsequent events

Upon the completion of the AEF Sale, the revolving credit facility commitment of \$300.0 million was reduced to \$260.0 million and the margin charged on bank indebtedness decreased by 25 basis points, effective October 1, 2024.

## Board of Directors

**David Beutel**, Toronto, Ontario <sup>1,3,4</sup>

**Burt Feinberg**, New York, New York <sup>3</sup>

**Simon Hitzig**, Toronto, Ontario

**Jean Holley**, Alpharetta, Georgia <sup>2</sup>

**Gary Prager**, Wake Forest, North Carolina <sup>2,3</sup>

**David Spivak**, Vancouver, British Columbia <sup>1</sup>

**Stephen Warden**, Oakville, Ontario <sup>1,2</sup>

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Credit Committee

(4) Chairman of the Board

## Officers

**Simon Hitzig**, President, CEO and  
Corporate Secretary

**Irene Eddy**, Senior Vice President,  
Chief Financial officer

**Cathy Osborne**, Senior Vice President,  
Human Resources

## Subsidiaries

### **Accord Financial Ltd.**

Simon Hitzig, President

### **Accord Financial Inc.**

Jason Rosenfeld, President

### **Accord Financial, Inc.**

Jim Hogan, President

### **Accord Small Business Finance**

James Jang, President

### **Accord Equipment Finance**

Jim Hogan, President

### **BondIt Media Capital**

Matthew Helderman, President

## Auditors

KPMG LLP

## Legal Counsel

Stikeman Elliott

## Stock Exchange Listings

Toronto Stock Exchange Symbols:

Common Shares: ACD

Debentures: ACD.DB

## Bankers

Bank of Montreal

The Bank of Nova Scotia

Canadian Imperial Bank of Commerce

HSBC Bank Canada

Regions Bank

M&T Bank

The Toronto-Dominion Bank

## Registrar & Transfer Agent

Computershare Trust Company of  
Canada

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