First Quarter Report **2022**

Unlocking Potential

ACCORD
FINANCIAL

ACCORD FINANCIAL CORP.

MESSAGE FROM THE PRESIDENT AND CEO

Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter ended March 31, 2022 together with comparative figures for the same period of 2021. 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.

Accord continues to generate strong year-over-year growth in funds employed, revenue and earnings. Average funds employed in the first quarter were $457 million, up 28% over the first quarter of 2021. Revenue followed suit, rising 20% to $16,178,000 in the first quarter of 2022 compared to $13,480,000 last year.

Net earnings attributable to the Company's shareholders ("shareholders' net earnings") were 21% higher at $3,138,000 in the first quarter of 2022 compared to $2,585,000 in last year's first quarter. Earnings Per Share ("EPS") this quarter were 37 cents compared to 30 cents in the first quarter of 2021. Steady year-over-year growth brings trailing twelve months EPS up to $1.46.

Seven strong quarters in a row have driven shareholders' equity above the $100 million mark for the first time, closing the quarter at an all-time high book value per share of $11.75. The growing scale of the Company has boosted return on equity to 12.5% this quarter, headed toward the mid-teens, as our strategy gains traction.

As our investors know, Accord successfully navigated the global pandemic, staying the course for our clients and shareholders, providing capital and support where needed, and working hard to contain credit losses. Evidence of this success is clear to see in the financial results for 2022 and 2021. Less obvious in the financial statements is the work we did to position the Company for performance coming out of the pandemic. Over the last two years we took the opportunity to reorganize and strengthen the management team, build a world class sales and marketing platform, rejuvenate the product lineup, and diversify our funding sources to support the next stage of growth.

Table of Contents

1 Message From the President and CEO
3 Management's Discussion and Analysis
30 Consolidated Statements of Financial Position (Unaudited)
31 Consolidated Statement of Earnings (Unaudited)
31 Consolidated Statement of Comprehensive Income (Unaudited)
32 Consolidated Statements of Changes in Equity (Unaudited)
33 Consolidated Statements of Cash Flows (Unaudited)
34 Notes to the Consolidated Financial Statements
Inside back cover Corporate Information

MESSAGE FROM THE PRESIDENT AND CEO

As 2022 gets underway, Accord is clearly at an inflection point. Two themes are set to propel Accord to the next phase of financial performance.

First, from a collection of siloed finance companies, over the past two years we've pulled together as a unified team. In the years leading up to the pandemic, the Company broadened its market coverage and product line, both organically and through acquisitions – we've now integrated our centers of expertise and built an effective shared services infrastructure supporting the Company as a whole. This unified operational platform is rounding into shape, ready to scale Accord to the next level. Turning our attention to client-facing activities, we're now advancing our strategy to maximize sales and marketing performance by leveraging our combined sales network and delivering multiple product solutions through our integrated sales channels.

Second, over the past several years we've strengthened the Company's balance sheet and diversified our range of funding sources. Accord continues to maintain a solid equity base, now exceeding $100 million. This is augmented by fixed-rate term notes and convertible debentures, totalling $38 million. Most recently, in the fourth quarter of 2021 we added a securitization facility with a life insurance company that is funding small business term loans. And the Company continues to enjoy support from a syndicate of six major banks, providing up to $366 million of debt financing for general portfolio growth. While Accord continues to maintain a conservative debt to equity profile, we have ample dry powder to finance the next phase of growth.

The theme of this quarterly report is "unlocking potential." Accord's mission, and our team's passion, is to simplify access to capital, unlocking potential for our clients and their investors. With equal ambition, Accord is poised to unlock potential for our investors.

Since the pandemic trough in mid-2020, the portfolio continues to build, revenue and earnings continue to grow. And with the platform and balance sheet in place, the next phase of top line growth will be more profitable than the last.

On April 21, 2022, the Board of Directors declared the second successive quarterly dividend of $0.075 per share, payable June 1, 2022, to shareholders of record at the close of business May 13, 2022. This represents a 50% increase from $0.05 per share paid quarterly throughout 2021. With performance tracking well above pre-pandemic growth levels, we're pleased to share this success with our shareholders through a sustainable dividend, aiming to grow it as earnings grow.

Simon Hitzig
President and Chief Executive Officer
May 4, 2022

FINANCIAL HIGHLIGHTS

(unaudited, in thousands except average funds employed, earnings per common share and book value per common share)

	Quarter ended March 31, 2022	2021
Average funds employed (millions)	**$ 457**	$ 358
Revenue	**16,178**	13,480
Earnings before income tax	**3,614**	2,933
Net earnings attributable to shareholders	**3,138**	2,585
Adjusted net earnings	**3,195**	2,683
Earnings per common share (basic and diluted)	**0.37**	0.30
Adjusted earnings per common share (basic and diluted)	**0.37**	0.31
Book value per common share (March 31)	**11.75**	10.70

OVERVIEW

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter ended March 31, 2022 compared with the quarter ended March 31, 2021 and, where presented, the quarter ended March 30, 2020. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at May 4, 2022, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarter ended March 31, 2022 and 2021, which are included as part of this 2022 First Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2021 audited consolidated financial statements and notes thereto included in the Company's 2021 Annual Report.

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

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

NON-IFRS FINANCIAL MEASURES

In addition to the IFRS prepared results and balances presented in the Statements and notes thereto, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be non-IFRS measures. The Company primarily derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its operating performance and financial position. The non-IFRS measures presented in this MD&A and elsewhere in the Company's 2022 First 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 stock-based compensation, business acquisition expenses (namely, business transaction and amortization of intangibles) and restructuring expenses. The Company considers these items 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 16 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;

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 16 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets and deferred taxes) expressed as a percentage of total assets; and (iii) debt (bank indebtedness, loans payable, notes payable and convertible 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, as well as film and media finance. Accord's business also includes credit protection and receivables management, as well as supply chain financing for importers. Its clients operate in a wide variety of industries, examples of which are set out in note 23(a) to the Statements.

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.

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 through its Accord Small Business Finance ("ASBF") subsidiary; (iii) film and media production financing by BondIt; and (iv) credit protection and receivables management services by AFL, which principally involves providing credit guarantees and collection services, generally without financing.

QUARTERLY FINANCIAL INFORMATION

(unaudited, in thousands except earnings per share)

	Quarter ended	Revenue	Shareholders' net earnings (loss)	Earnings (loss) per common share*
2022	**March 31**	**$ 16,178**	**$ 3,138**	**$ 0.37**
2021	December 31	$ 18,465	$ 3,573	$ 0.42
	September 30	16,119	2,643	0.31
	June 30	15,416	3,085	0.36
	March 31	13,480	2,585	0.30
Fiscal 2021		$ 63,480	$ 11,887**	$ 1.39
2020	December 31	$ 12,903	$ 1,384	$ 0.16
	September 30	12,312	566	0.07
	June 30	11,270	4,343	0.51
	March 31	12,015	(5,876)	(0.69)
Fiscal 2020		$ 48,501**	$ 417	$ 0.05

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

RESULTS OF OPERATIONS

Quarter ended March 31, 2022 compared with the quarter ended March 31, 2021

Shareholders' net earnings for the quarter ended March 31, 2022 increased by 21% or $553,000 to $3,138,000 compared to the $2,585,000 earned last year and were substantially higher than the shareholders' net loss of $5,876,000 in the first quarter of 2020. Shareholders' net earnings rose compared to the first quarter of 2021 mainly on higher revenue. Shareholders' net earnings increased compared to 2020 on higher revenue and a lower provision for losses. Basic and diluted earnings per common share ("EPS") increased to 37 cents compared to the 30 cents earned in the first quarter of 2021 and were substantially higher than the 69 cents loss per common share ("LPS") in the first quarter of 2020.

Adjusted net earnings rose to $3,195,000 in the first quarter of 2022 compared to $2,683,000 last year and the adjusted net loss of $5,414,000 in the first quarter of 2020. Adjusted EPS were 37 cents compared to 31 cents in the first quarter of 2021 and an adjusted LPS of 63 cents in the first quarter of 2020. The following table provides a reconciliation of shareholders' net earnings or loss to adjusted net earnings or loss:

Quarter ended March 31 (in thousands)	**2022**	2021	2020
Shareholders' net earnings (loss)	**$ 3,138**	$ 2,585	$ (5,876)
Adjustments, net of tax:			
Stock-based compensation expense	**26**	—	—
Business acquisition expenses	**21**	51	55
Restructuring expenses	**10**	47	407
Adjusted net earnings (loss)	**$ 3,195**	$ 2,683	$ (5,414)

Revenue rose by 20% or $2,698,000 to $16,178,000 in the first quarter of 2022 compared to $13,480,000 last year and was $4,163,000 or 35% higher than the $12,015,000 in the first quarter of 2020. Interest income rose by $2,722,000 or 24% to $14,154,000 compared to $11,432,000 last year on higher average funds employed. Other income declined by $25,000 to $2,023,000 compared to $2,048,000 in last year's first quarter. Interest income in

the current quarter rose by $3,518,000 or 33% compared to the first quarter of 2020. Other income in the current quarter was $644,000 higher compared to 2020. Average funds employed in the first quarter of 2022 increased by 28% to $457 million compared to $358 million last year and were 26% higher than the $362 million in 2020.

Total expenses increased by 19% or $2,017,000 to $12,564,000 in the first quarter of 2022 from $10,547,000 last year. Interest expense, the provision for credit and loan losses and G&A rose by $1,701,000, $990,000, and $225,000, respectively. Impairment of assets held for sale, business acquisition expenses and depreciation declined by $853,000, $37,000 and $9,000, respectively.

Interest expense rose by 52% to $4,987,000 in the first quarter of 2022 from $3,286,000 last year on 35% higher average borrowings and increased average interest rates.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, information technology expenses and general overheads. G&A increased by $225,000 in the current quarter compared to last year mainly due to higher costs related to the substantial growth of the AccordExpress product and the absence of the Canadian Emergency Wage Subsidy ("CEWS") (2021 – $103,000) and Canadian Emergency Rent Subsidy ("CERS") (2021 – $25,000) this year. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses increased by $990,000 to $93,000 compared to a recovery of $897,000 last year. The provision for (recovery of) losses comprised:

Quarter ended March 31 (in thousands)	**2022**	2021
Net write-offs	**$ 209**	$ 63
Reserves recovery related to decrease in total allowances for expected losses	**(116)**	(960)
	$ 93	$ (897)

Net write-offs increased by $146,000 to $209,000 in the first quarter of 2022 compared to $63,000 last year. The non-cash reserves increased by $844,000 to a recovery of $116,000 compared to a recovery of $960,000 last year. The substantial recovery in the first quarter of 2021 largely related to the release of certain Stage 2 allowances for expected losses set up in 2020 that were no longer required in the first quarter of 2021. The Company's allowances for expected losses and its portfolio of Loans and managed receivables are discussed in detail below and in the Statements. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies or one-off losses.

There were no impairment charges taken in the first quarter of 2022 (2021 – $852,000) against assets held for sale to write them down to their estimated net asset value ("NRV").

Depreciation expense decreased by $9,000 to $157,000 (2021 - $166,000) in the first quarter of 2022. Depreciation of $117,000 (2021 – $106,000) was charged on the Company's right-of-use assets in first quarter of 2022, while the balance of the expense related to capital assets.

Business acquisition expenses in the first quarter of 2022 totalled $32,000 (2021 – $69,000), all of which pertained to the amortization of intangible assets relating to AEF. In the first quarter of 2021, transaction costs of $23,000 were incurred, while the amortization of intangible assets relating to AFCC and AEF totalled $46,000.

Income tax expense increased by $366,000 to $448,000 in the current quarter compared to $82,000 last year as pre-tax earnings increased by $681,000. In the current quarter, the effective tax rate was 12.5% (2021 – 3.1%).

Canadian operations reported a rise in shareholders' net earnings in the first quarter of 2022 compared to 2021 (see note 22 to the Statements). Shareholders' net earnings rose by $456,000 to $1,148,000 compared to $692,000 last year. Revenue increased by $2,966,000 or 46% to $9,406,000. Expenses increased by $2,254,000 or 41% to $7,815,000. G&A increased by $1,348,000, while interest expense and the provision for credit and loan losses rose by $997,000 and $63,000, respectively. Impairment of assets held for sale, business acquisition expenses and depreciation declined by $140,000, $13,000 and $1,000, respectively. Income tax expense increased by $256,000 to $443,000 on higher pre-tax earnings.

U.S. operations reported a rise in shareholders' net earnings in the first quarter of 2022 compared to 2021 (see note 22 to the Statements). Shareholders' net earnings rose by $97,000 to $1,990,000 compared to $1,893,000 last year. Revenue declined by $187,000 or 3% to $6,943,000. Expenses decreased by $155,000 or 3% to $4,920,000. G&A, impairment of assets held for sale, business acquisition expenses and depreciation decreased by $1,123,000, $712,000, $24,000 and $7,000, respectively. The provision for loan losses and interest expense increased by $926,000 and $785,000, respectively. Income tax rose by $110,000 to an expense of $5,000. Net earnings attributable to non-controlling interests in subsidiaries declined to $28,000 compared to $267,000 in the first quarter of 2021.

REVIEW OF FINANCIAL POSITION

Shareholders' equity at March 31, 2022 was a record $100,581,000, slightly higher than the $99,967,000 at December 31, 2021 and 10% above the $91,573,000 at March 31, 2021. The increase in shareholders' equity since December 31, 2021 mainly resulted from a rise in retained earnings. Book value per common share was a record high $11.75 at March 31, 2022 compared to $11.68 at December 31, 2021 and $10.70 at March 31, 2021. Please also see the consolidated statements of changes in equity on page 32 of this First Quarter Report.

Total assets were $486,504,000 at March 31, 2022, 6% lower than the $520,109,000 at December 31, 2021 but 23% higher than the $394,680,000 at March 31, 2021. Total assets largely comprised Loans (funds employed). Excluding inter-company loans, identifiable assets located in the United States were 47% of total assets at March 31, 2022 compared to 49% at December 31, 2021 and 54% at March 31, 2021 (see note 22 to the Statements).

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for losses thereon, declined to $453,824,000 at March 31, 2022 compared to $478,150,000 at December 31, 2021 but were 25% above the $363,399,000 at March 31, 2021. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Working Capital loans	**$ 109,922**	$ 109,518	$ 33,198
Other loans*	**95,782**	101,811	102,784
Receivable loans	**94,600**	105,550	85,319
Media loans	**83,524**	81,497	42,522
Lease receivables	**69,996**	79,774	99,576
Finance receivables and loans	**453,824**	478,150	363,399
Less allowance for expected losses	**5,103**	5,251	5,673
Finance receivables and loans, net	**$ 448,721**	$ 472,899	$ 357,726

** Other loans primarily comprise inventory and equipment loans.*

Working capital loans, primarily AccordExpress loans, totalled 109,922,000 at March 31, 2022 compared to $109,518,000 at December 31, 2021 and were 231% above the $33,198,000 at March 31, 2021 as AccordExpress successfully rolled out in 2021. Other loans, which primarily comprise advances against assets such as inventory and equipment, declined to $95,782,000 at March 31, 2022 compared to $101,811,000 at December 31, 2021 and the $102,784,000 at March 31, 2021. The Company's receivable loans decreased by 10% to $94,600,000 at March 31, 2022 compared to $105,550,000 at December 31, 2021 but were 11% above the $85,319,000 at March 31, 2021. Media finance loans by BondIt increased to $83,524,000 compared to $81,497,000 at December 31, 2021 and were 96% above the $42,522,000 at March 31, 2021. Lease receivables, representing AFCC's and AEF's net investment in equipment leases, declined by 12% to $69,996,000 at March 31, 2022 compared to $79,774,000 at December 31, 2021 and were 30% below the $99,576,000 at March 31, 2021.

Net of the allowance for expected losses thereon, Loans declined by 5% to $448,721,000 at March 31, 2022 compared to $472,899,000 at December 31, 2021 but were 25% higher than the $357,726,000 at March 31, 2021. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 70 clients in a wide variety of industries, as well as AFCC's and AEF's lease receivables and equipment and working capital loans to approximately 840 clients and BondIt's media finance loans to approximately 65 media productions. The largest client in a well diversified loan portfolio comprised 4% of gross Loans at March 31, 2022.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled $12 million at March 31, 2022 and 2021 compared to $11 million at December 31, 2021. Most of the clients' customers for which the Company assumes the credit risk are from the wholesale and distribution, and retail industries in North America. The Company monitors the credit risk related to its managed receivables very closely.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed above, declined by 5% to $466 million at March 31, 2022 compared to $490 million at December 31, 2021 but was 24% above the $375 million at March 31, 2021.

As described in note 23(a) to the Statements, the Company's business principally involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's six operating businesses is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel and management. In the case of credit in excess of $1.0 million (US$1.0 million in the case of AFIU and AEF, and US$500,000 for BondIt), credit is approved by the Company's Executive Credit Committee. Credit in excess of $2.5 million (US$2.5 million in the case of U.S. group companies) is 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 is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectibility 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. AFCC's and AEF's lease receivables and equipment and working capital loans are usually term loans with payments spread out evenly over the term of the lease or loan, which can be up to 60 months, although AFCC has a "revolving" equipment loan product which has no fixed repayment terms and can be repaid at any time. None of the managed receivables that the Company guarantees payment were past due at March 31, 2022. In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

The Company 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 rate 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. In the Company's credit protection business, it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 5 to the Statements which presents tables summarizing the Company's finance receivables and loans, and managed receivables, by their internal credit risk rating (low risk, medium risk, high risk) and also by the three stage credit criteria of IFRS 9, Financial Instruments ("IFRS 9"), as well as an aged analysis thereof. Credit risk is primarily 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 operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis.

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, 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 asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's Canadian small business finance operations, AFCC, security deposits are usually obtained in respect of equipment leases or loans, while ASBF's working capital loans have a very strong financial guarantor backing them.

As detailed in note 5, the Company had past due finance receivables and loans of $36,218,000 at March 31, 2022, of which $23,580,000 related to BondIt, the Company's media finance subsidiary, while $12,578,000 related to AFCC and $60,000 to AEF. Repayment of BondIt's loans are often delayed for non-credit related reasons such as delays in film production and the sale thereof which is a normal part of its business. BondIt's operations have not been particularly impacted by Covid-19. Of the AFCC loans past due, $2,340,000 are considered to have had a SICR, while the balance is less than 30 days past due and not considered to have had a SICR.

The Company had impaired finance receivables and loans of $1,536,000 at March 31, 2022, or 0.3% of total funds employed. The impaired loans, most of which have been written down to NRV (being fair value less costs of realization) where necessary, are mainly collateralized by receivables, inventory and equipment, the estimated NRV of

which was $1,536,000 at March 31, 2022. As the vast majority of the Company's finance receivables and loans are collateralized, past due or impaired accounts do not necessarily lead to a significant expected credit loss ("ECL") depending on the NRV of the collateral security, which often results in a low or no loss given default ("LGD") in respect of these accounts. Details of net write-offs in the three months ended March 31, 2022 and 2021 is provided above.

In the Company's credit protection business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all client and customer credit in excess of $2.5 million is approved by the Credit Committee of the Board on a case-by-case basis. Note 23(a) to the Statements provides details of the Company's credit exposure by industrial sector.

The Company maintains separate allowances for expected losses on both its Loans and its guarantee of managed receivables. After the customary quarter-end review of the Company's portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company's allowance for expected losses on Loans, calculated under the ECL criteria of IFRS 9, totalled $5,103,000 at March 31, 2022 compared to $5,251,000 at December 31, 2021 and $5,673,000 at March 31, 2021. This represents management's best estimate of its allowance for expected loan losses based on information available at those dates. The allowance for expected losses on the guarantee of managed receivables totalled $31,000 at March 31, 2022 and December 31, 2021 compared to $186,000 at March 31, 2021. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for expected losses accounts in the first three months of 2022 and 2021 is set out in note 5 to the Statements. The estimates of both allowances for expected losses are judgmental. Management considers them to be reasonable and supportable.

Assets held for sale totalled $160,000 at March 31, 2022 and December 31, 2021 and $151,000 at March 31, 2021 and comprised certain assets securing defaulted finance receivables and loans from a number of clients and repossessed long-lived assets. These assets are currently being marketed for sale and will be disposed of as market conditions permit. See note 6 to the Statements.

Cash decreased to $6,811,000 at March 31, 2022 compared to $13,839,000 at December 31, 2021 and the $13,570,000 at March 31, 2021. 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 provided by a lender. Restricted cash totalling 5% of the outstanding loan balance from the lender is required to be held by it in a cash reserve account and is partly 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 that debt. At March 31, 2022, restricted cash totalled $7,486,000 compared to $10,309,000 at December 31 and $nil at March 31,2021. Please refer to note 4 to the Statements.

Intangible assets, net of accumulated amortization, totalled $3,049,000 at March 31, 2022 compared to $3,113,000 at December 31, 2021 and $3,191,000 at March 31, 2021. Intangible assets totalling US$2,885,000 were acquired upon the acquisition of AEF on October 27, 2017 and comprised customer and referral relationships and brand name. These assets are carried in the Company's U.S. subsidiary and are translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Customer and referral relationships are being amortized over a period of 15 years, while the acquired brand name is considered to have an indefinite life and is not amortized. Intangible assets comprising existing customer contracts and broker relationships were also acquired as part of the AFCC acquisition on January 31, 2014. These were amortized over a period of 5 to 7 years and, at March 31, 2022, are now fully amortized. Please refer to note 9 to the Statements.

Goodwill totalled $13,023,000 at March 31, 2022 compared to $13,140,000 at December 31, 2021 and $13,074,000 at March 31, 2021. Goodwill of US$2,409,000 and US$5,538,000 was acquired on the acquisition of BondIt and AEF on July 1, 2017 and October 27, 2017, respectively. BondIt and AEF goodwill is carried in the Company's U.S. operations, together with US$962,000 from a much earlier acquisition. Goodwill of $1,883,000 was also acquired as part of the AFCC acquisition and is carried in the Company's Canadian operations. The goodwill in the Company's U.S. operations is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 8 to the Statements for information regarding the Company's annual goodwill impairment reviews.

Other assets, income taxes receivable, net deferred tax assets, and property and equipment at March 31, 2022 and 2021, and December 31, 2021 were not significant.

Total liabilities decreased by $35,269,000 to $380,880,000 at March 31, 2022 compared to $416,149,000 at December 31, 2021 but were $81,896,000 higher than the $298,984,000 at March 31, 2021. The decrease since December 31, 2021 mainly resulted from reduced bank indebtedness and loans payable.

Amounts due to clients decreased by $1,576,000 to $1,712,000 at March 31, 2022 compared to $3,288,000 at December 30, 2021 and were $372,000 lower than the $2,084,000 at March 31, 2021. Amounts due to clients principally consist of collections of

receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness decreased by $21,583,000 to $185,799,000 at March 31, 2022 compared to $207,382,000 at December 31, 2021 and was $32,303,000 lower than the $218,102,000 at March 31, 2021. Bank indebtedness decreased from December 31, 2021 mainly as a result of lower funds employed. The Company's current bank facility totals $366 million with a syndicate of six banks. The Company was in compliance with all loan covenants quarters ended March 31, 2022 and 2021, and December 31, 2021. Subject to other debt borrowings, bank indebtedness principally fluctuates with the quantum of funds employed.

Loans payable decreased to $137,992,000 at March 31, 2022 compared to $149,437,000 at December 31, 2021 but were significantly higher than the $25,630,000 at March 31, 2021. In December 2021, ASBF entered into a non-recourse loan and security agreement with a life insurance company to finance its working capital loans receivable. This non-recourse loan is collateralized by all of ASBF's assets and bears a fixed rate of interest. At March 31, 2022, the amount outstanding under this loan facility totalled $78,529,000 compared to $89,388,000 at December 31, 2021 and $nil at March 31, 2021. ASBF has been in compliance with all loan covenants under this facility since inception (see note 11(b) to the Statements). During 2021, the revolving loan facility used to finance BondIt's media loans was increased to US$47,000,000 ($58,774,000). Borrowings under the facility, which expires on May 6, 2023, rose to $59,464,000 at March 31, 2022 compared to $60,049,000 at December 31, 2021 and $25,630,000 at March 31, 2021. BondIt was in compliance with all loan covenants thereunder during the quarters ended March 31, 2022 and 2021. See note 11(a) to the Statements.

Accounts payable and other liabilities, which comprise of a number of different liabilities, decreased by $3,682,000 to $8,181,000 at March 31, 2022 compared to $11,863,000 at December 31, 2021 but were $238,000 higher than the $7,943,000 at March 31, 2021.

Notes payable increased by $2,175,000 to $18,167,000 at March 31, 2022 compared to $15,992,000 at December 31, 2021 and were $1,183,000 higher than the $16,984,000 at March 31, 2021. The increase in notes payable since December 31, 2021 mainly resulted from new notes issued. Please see Related Party Transactions section below and note 12(a) to the Statements.

Convertible debentures with a face value of $25,650,000 (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 on the Toronto Stock Exchange ("TSX"), while 5,000 are unlisted. All convertible debentures are unsecured and carry a coupon rate of 7.0% with interest payable semi-annually on June 30 and December 31 each year. These debentures mature on December 31, 2023 and are convertible at the option of the holder into common shares at a conversion price of $13.50 per common share. Net of transaction

costs and a $23,200 discount on the issue of certain debentures, a total of $23,781,000 was raised. Please see note 13 to the Statements, which details how the debt and equity components of the convertible debentures were allocated. At March 31, 2022, the debt component totalled $24,775,000 (December 31, 2021 – $24,153,000, March 31, 2021 – $24,115,000), while the equity component totalled $1,005,000 at March 31, 2022 and 2021 and December 31, 2021, net of deferred tax.

Income taxes payable, lease liabilities, deferred income and net deferred tax liabilities at March 31, 2022 and 2021, and December 31, 2021 were not material.

Capital stock totalled $9,448,000 at March 31, 2022 and 2021, and December 31, 2021. There were 8,558,913 common shares outstanding at those dates. Please see note 15(b) to the Statements and the consolidated statements of changes in equity on page 32 of this report for details of changes in capital stock during the first three months of 2022 and 2021. At the date of this MD&A, May 4, 2022, 8,558,913 common shares remained outstanding.

Contributed surplus totalled $1,109,000 at March 31, 2022 compared to $1,088,000 at December 31, 2021 and $1,202,000 at March 31, 2021. The increase since December 31, 2021 relates to the Company's stock options expense of $21,000 (2021 – $nil). As noted above, included in contributed surplus is the equity component of the convertible debentures issued which totalled $1,005,000, net of deferred tax. Please see the consolidated statements of changes in equity on page 32 of this report for details of changes in contributed surplus during the first three months of 2022 and 2021.

Retained earnings increased by $883,000 to $84,183,000 at March 31, 2022 compared to $83,299,000 at December 31, 2021 and were $8,902,000 above the $75,281,000 at March 31, 2021. The increase in 2022 comprised shareholders' net earnings of $3,138,000 less the $1,612,000 (US$1,276,000) reduction related to the acquisition of an 8% interest in Accord CapX LLC from the remaining non-controlling interests and the dividend of $642,000 (7.5 cents per common share) paid on March 1, 2022. Please see the consolidated statements of changes in equity on page 32 of this report for changes in retained earnings during the first three months of 2022 and 2021.

The Company's accumulated other comprehensive income ("AOCI") account solely comprises the cumulative unrealized foreign exchange gain arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance decreased to $5,841,000 at March 31, 2022 compared to $6,131,000 at December 31, 2021 but was above the $5,641,000 at March 31, 2021. Please refer to note 19 to the Statements and the consolidated statements of changes in equity on page 32 of this report, which details movements in the AOCI account during the first three months of 2022 and 2021.

Non-controlling interests in subsidiaries totalled $5,043,000 at March 31, 2022 compared with $3,992,000 at December 31, 2021 and $4,123,000 at March 31, 2021. Please see note

20 to the Statements for details thereof and the consolidated statement of changes in equity on page 32 of this report, which details movements in non-controlling interests during the first three months of 2022 and 2021.

LIQUIDITY AND CAPITAL RESOURCES

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

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

(as a percentage)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Tangible equity / assets	**18**	16	20
Total equity / assets	**22**	20	24
Debt* / total equity	**347**	382	298

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

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

The Company had credit lines totalling approximately $425 million at March 31, 2022 and had borrowed $245 million against these facilities. In addition, the Company had borrowed $79 million at March 31, 2022 on a term loan facility from a life insurance company (see note 11(b)). Funds generated through operating activities and the issuance of term debt, notes payable, convertible debentures or other forms of debt or equity decrease the usage of, and dependence on, these lines. Note 23(b) details the Company's financial assets and liabilities at March 31, 2022 by their maturity date.

As noted in the Review of Financial Position section above, the Company had cash balances of $6,811,000 at March 31, 2022 compared to $13,839,000 at December 31, 2021.

At March 31, 2022, the Company also had restricted cash of $7,486,000 (December 31, 2021 – $10,309,000). As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Cash flow for the three months ended March 31, 2022 compared with the three months ended March 31, 2021

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments increased to $3,894,000 in the first three months of 2022 compared to $3,164,000 last year. After changes in operating assets and liabilities and income tax payments or refunds are taken into account, there was a net cash inflow from operating activities of $20,420,000 in the first three months of 2022 compared to an outflow of $4,588,000 last year. The net cash inflow in the first three months of 2022 largely resulted from repayment of Loans of $22,154,000. In the first three months of 2021, the net cash outflow largely resulted from funding gross Loans of $5,689,000. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 33 of this report.

Cash outflows from investing activities totalled $27,000 (2021 – $21,000) in the first three months of 2022 and comprised property and equipment additions.

Net cash outflow from financing activities totalled $29,790,000 in the first three months of 2022 compared to an inflow of $12,840,000 last year. The net cash outflow this year resulted from repayment of bank indebtedness of $19,882,000 and loans payable of $10,817,000, a dividend paid of $642,000, the purchase of the remaining 8% of CapX LLC from non-controlling interests for $537,000 and payment of lease liabilities of $122,000. Partially offsetting this outflow was $2,2100,000, net, received from the issue of notes payable in the current quarter. In the first three months of 2021, the net cash inflow resulted from a $9,260,000 increase in bank indebtedness and a $4,527,000 rise in loan payable. Partially offsetting this inflow was a dividend paid of $428,000, notes payable redeemed, net, of $415,000 and payment of lease liabilities of $104,000.

The effect of exchange rate changes on cash comprised a decrease of $455,000 in the first three months of 2022 compared to $206,000 in the first three months of 2021.

Overall, there was a net cash outflow of $9,582,000 in the first three months of 2022 compared to inflow of $8,024,000 in the first three months of 2021.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT MARCH 31, 2022

	Payments due in				
(in thousands)	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	**Total**
Debt obligations	$ 284,375	$ 61,400	$ 20,959	$ —	**$ 366,734**
Operating lease obligations	467	463	323	—	**1,253**
Purchase obligations	30	—	—	—	**30**
	$ 284,872	$ 61,863	$ 21,282	$ —	**$ 368,017**

RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. Notes payable totalled $18,167,000 at March 31, 2022 compared to $15,992,000 at December 31, 2021 and $16,984,000 at March 31, 2021. Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand of $4,541,000 (December 31, 2021 – $2,333,000, March 31, 2021 – $1,641,000); and (ii) term notes totalling $13,626,000 (December 31, 2021 – $13,659,000, March 31, 2021 – $15,343,000), which are repayable on various dates the latest of which is January 31, 2023. Notes due on, or within a week of demand, bear interest at rates that vary with the bank prime rate or Libor, while the term notes bear interest at rates between 7% and 11%.

Of the notes payable, $16,010,000 (December 31, 2021 – $13,843,000, March 31, 2021 – $15,305,000) was owing to related parties and $2,157,000 (December 31, 2021 – $2,149,000, March 31, 2021 – $1,679,000) to third parties. Interest expense on these notes in the first three months of 2022 totalled $291,000 (2021 – $295,000). Please refer to note 12(a) to the Statements.

The following related parties had notes payable with the Company at March 31, 2022:

Demand notes payable	**Relationship**	
Hitzig Bros., Hargreaves & Co. Inc.*	Director	3,650,000
Ken Hitzig	Executive & insider	500,000
Term notes payable		
Hitzig Bros., Hargreaves & Co. Inc.*	Director	4,000,000
Hitzig Bros., Hargreaves & Co. LLC.*	Director	US$1,000,000
Oakwest Corporation Inc.	Director	3,000,000
Ken Hitzig	Insider	2,500,000

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

Accord pays a rate of interest related to Canadian prime (at March 31, 2022 it was paying 2.20% or 2.70%) on its Canadian dollar unsecured demand notes payable, while its U.S. dollar unsecured demand notes pay a rate of interest related to Libor (at March 31, 2022 it was paying 2.25%). These rates of interest are below the rates that Accord pays on its main banking facility with The Bank of Nova Scotia ("BNS") resulting in interest savings to

the Company. At March 31, 2022, Accord was paying interest at rates between 7% and 11% on its term notes payable.

Upon renewal of the BNS facility in July 2021, the Company renewed certain unsecured notes payable which had matured on July 31, 2021 for a further one-year term, expiring on July 31, 2022. These term notes are solely with related parties. The renewed 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 3.5 x TNW). This created additional borrowing capacity that Accord can utilize at lower credit facility rates of interest, which was the main business purpose thereof.

FINANCIAL INSTRUMENTS

All financial assets and liabilities, with the exception of derivative financial instruments, the guarantee of managed receivables and the Company's LTIP liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets and liabilities, other than the lease receivables and term loans to clients in our equipment and small business finance businesses, term loan payable, convertible debentures, and lease liabilities, are short-term in nature and, therefore, their carrying values approximate fair values. At March 31, 2022 and December 31, 2021, there were no outstanding foreign exchange contracts entered into by the Company. At March 31, 2021, the Company had entered into forward foreign exchange contracts with a financial institution which had to be exercised by the Company between July 30, 2021 and August 31, 2021 and obliged the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.2765 to 1.3180. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company bought Canadian dollars from and sold US$700,000 to the client. These contracts are discussed further in note 18 to the Statements.

CRITICAL ACCOUNTINGS 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 losses on both its Loans and its guarantee of managed receivables. 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 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 loss given default (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, such as occur in a bankruptcy or insolvency, or may result from severe adverse economic conditions as we have and are seeing as a result of Covid-19. The Company's allowance for expected losses on its Loans and its guarantee of managed receivables are 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 significant increase in credit risk ("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 or managed receivable 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 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 losses. Management believes that its allowances for expected 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 above and in notes 3(d), 5 and 22(a) 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.

CONTROL ENVIRONMENT

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at March 31, 2022, management evaluated and concluded on the effective design of the Company's DC&P and ICFR and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

RISKS AND UNCERTAINTIES THAT COULD AFFECT FUTURE RESULTS

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 23 to the Statements, which discuss the Company's principal financial risk management practices.

Deterioration in Economic and Business Conditions due to Covid-19

The results of the Company may be negatively impacted by various economic factors and business conditions including the level of economic activity in Canada and U.S.A. To the extent that economic activity or business conditions deteriorate, new business may decrease, and loan and credit losses may increase. As the Company's operating subsidiaries extend credit primarily to small businesses, many of our clients or their customers may be particularly susceptible to economic slowdowns and may be unable to make scheduled lease or loan payments during these periods. Deterioration in the economic environment may limit access to credit facilities, and other capital markets or result in a decision by lenders not to extend further credit.

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 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.

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 funds employed currently exceed its floating

rate borrowings, 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 accumulated other comprehensive income component of equity to a loss position, although it is now in a large 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.

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. The Company believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements with respect to investments in working capital, operating expenditures and dividend payments, and also provide sufficient liquidity and capital resources for future growth over the next twelve months. 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. 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 it's business, financial condition and results of operations. Please also see comments regarding business conditions due to Covid-19 on page 21.

Deterioration in economic or business conditions; impact of significant events and circumstances

The Company operates mainly in Canada and the United States. The Company's operating results may be negatively affected by various economic factors and business conditions, including the level of economic activity in the markets in which it operates. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. 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 also 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 condition and results of operations. Please also see comments regarding business conditions due to Covid-19 on page 21.

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, 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 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, 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.

Recent and future acquisitions and investments
In recent 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. Recent 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 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's 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. 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.

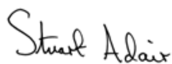
OUTLOOK

The Company had significant growth in funds employed in the three years through 2019 and entered 2020 firing on all cylinders, focused on its strategic plan aimed at bringing our distinct operating units onto a unified, streamlined platform. From there we looked forward to accelerating Accord's growth trajectory. Then, as the world knows, economic activity was severely impacted in the battle to tame Covid-19. The adverse economic conditions resulting from Covid-19 prevention measures in North America served to reduce the Company's funds employed and revenue in 2020, as well as led to a significantly increased provision for losses. At the time the pandemic arose, all of our operating companies were on an upward trajectory in terms of growth in funds employed, although our receivables management business, after facing intense competition from multinational credit insurers, was downsizing.

From the pandemic induced low-point of $317 million of funds employed (June 30, 2020), funds employed have since grown 43% to reach $454 million at March 31, 2022. The Company has seen strong growth from its Canadian equipment and small business finance division, AFCC, as well as at BondIt. AFCC's subsidiary, ASBF, in particular, saw strong take up of its AccordExpress working capital loan product. Medium to strong growth is expected to continue at these divisions. More moderate growth is expected to come from the Company's asset-based financing units, AFIC and AFIU, as well as AEF, the Company's U.S. equipment finance division. As noted above, the Company's receivables management business, AFL, has been downsized. That business provides credit risk management services primarily related to the wholesale and retail industries in Canada.

Given the long-term headwinds in those sectors, the Company made the decision to reduce the size of AFL's operations. In recent years, AFL's contribution was not financially significant to the Accord group overall.
To support the anticipated increase in funds employed, the Company is supported by a $366 million bank facility, which should provide it with the majority of funding needed to support further growth over the next twelve months, as well as the non-bank loan facilities to BondIt (US$47 million) and ASBF ($100 million) noted above noted above. Today, in the wake of Covid-19, our banking partners continue to be very supportive.

With its substantial capital and borrowing capacity, Accord is well positioned to capitalize on market conditions as the economy continues to improve. The Company knows from experience that economic uncertainty creates tremendous growth opportunities in commercial finance, as certain competitors weaken and the major banks become even more risk averse. Accord has the deepest and most experienced management team that it has ever had, which will enable it to meet increased competition and develop new opportunities in a very competitive and challenging environment.



Stuart Adair
Senior Vice President, Chief Financial Officer
May 4, 2022

Appendix to MD&A: Non-IFRS Measures and Ratios

($000s, except percentages)

	Three months ended March 31		
	2022	**2021**	**2020**
Return on average equity			
Net earnings attributible to shareholders	3,138	2,585	(5,876)
Weighted average shareholders' equity (note)	100,043	90,941	92,413
Return on average equity (annualized)	12.7%	11.5%	-25.8%

Note: weighted average shareholders' equity is the average shareholder's equity calculated for each month of the period, then totalled up and divided by 12

	Three months ended March 31		
	2022	**2021**	**2020**
Adjusted net earnings			
Net earnings attributible to shareholders	3,138	2,585	(5,876)
Adjustments, net of tax:			
Stock-based compensation expense	26	—	—
Restructuring expenses	10	47	407
Business acquisition expenses	21	51	55
Adjusted net earnings	3,195	2,683	(5,414)

	Three months ended March 31		
	2022	**2021**	**2020**
Adjusted earnings per share			
Adjusted net earnings	3,195	2,683	(5,414)
Weighted average number of common shares outstanding in the period	8,559	8,559	8,571
Adjusted earnings per share	0.37	0.31	- 0.63

	Three months ended March 31		
	2022	**2021**	**2020**
Adjusted return on equity			
Adjusted net earnings	3,195	2,683	(5,414)
Weighted average shareholders' equity	100,043	90,941	92,413
Adjusted return on equity (annualized)	12.9%	12.0%	-23.8%

	Three months ended March 31		
	2022	**2021**	**2020**
Average funds employed (note)			
Average funds employed	457,395	358,091	362,300

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

	31 March, 2022	31 Dec, 2021	31 March, 2021
Book value per share			
Shareholders' equity	100,581	99,967	91,573
Common shares outstanding	8,559	8,559	8,559
Book value per share	11.75	11.68	10.70

	31 March, 2022	31 Dec., 2021	31 March, 2021
Tangible equity			
Total equity	105,624	103,960	95,696
Less: intangible assets	3,049	3,113	3,191
Less: goodwill	13,023	13,140	13,074
Less: deferred tax assets	3,896	3,416	2,289
Add: deferred tax liabilities	(405)	(277)	(537)
Tangible equity	86,061	84,568	77,679

	31 March, 2022	31 Dec., 2021	31 March, 2021
Tangible equity / equity			
Tangible equity	86,061	84,568	77,679
Assets	486,504	520,109	394,680
Tangible equity / assets (as a percentage)	18%	16%	20%

	31 March, 2022	31 Dec., 2021	31 March, 2021
Total Equity / assets			
Total equity	105,624	103,960	95,696
Assets	486,504	520,109	394,680
Equity / assets (as a percentage)	22%	20%	24%

	31 March, 2022	31 Dec., 2021	31 March, 2021
Debt / equity			
Debt (note)	366,734	396,964	284,832
Total equity	105,624	103,960	95,696
Debt / equity (as a percentage)	347%	382%	298%

Note: debt comprises the total of bank indebtedness, loans payable, convertible debentures and notes payable as taken from the Company's Balance Sheet.

	31 March, 2022	31 Dec., 2021	31 March, 2021
Portfolio			
Finance receivables and loans	453,824	478,150	363,399
Managed receivables (note)	12,303	11,441	11,714
Portfolio	466,127	489,591	375,113

Note: managed receivables represent those off-balance sheet receivables on which the Company has assumed the credit risk and/or collection responsibilities (see note 5(b) to the Statements).

ACCORD FINANCIAL CORP.

Consolidated Statements of Financial Position (unaudited)

	March 31, 2022	December 31, 2021	March 31, 2021
Assets			
Cash	**$ 6,810,932**	$ 13,839,291	$ 13,570,210
Restricted cash (note 4)	**7,485,690**	10,309,097	—
Finance receivables and loans, net (note 5)	**448,720,816**	472,898,716	357,726,412
Income tax receivable	**307,746**	104,860	1,541,412
Other assets	**1,659,492**	1,853,864	1,637,376
Assets held for sale (note 6)	**160,274**	160,274	150,608
Deferred tax assets, net	**3,896,456**	3,415,590	2,288,710
Property and equipment (note 7)	**1,390,708**	1,273,381	1,501,405
Intangible assets (note 9)	**3,048,883**	3,113,196	3,190,536
Goodwill (note 8)	**13,022,852**	13,140,447	13,073,633
	$ 486,503,849	$ 520,108,716	$ 394,680,302
Liabilities			
Due to clients	**$ 1,712,067**	$ 3,287,532	$ 2,084,297
Bank indebtedness (note 10)	**185,799,442**	207,382,279	218,102,349
Loans payable (note 11)	**137,992,447**	149,436,971	25,630,262
Accounts payable and other liabilities	**8,181,018**	11,863,049	7,943,330
Income tax payable	**2,309,129**	2,285,055	1,850,085
Notes payable (note 12(a))	**18,166,924**	15,992,357	16,894,237
Convertible debentures (note 13)	**24,774,860**	24,152,681	24,115,188
Lease liabilities (note 14)	**1,106,403**	979,416	1,096,895
Deferred income	**433,198**	493,007	640,409
Deferred tax liabilities, net	**404,701**	276,720	537,435
	380,880,189	416,149,067	298,984,487
Equity			
Capital stock (note 15)	**9,448,264**	9,448,264	9,448,264
Contributed surplus (note 15(c))	**1,108,864**	1,088,263	1,201,785
Retained earnings	**84,183,341**	83,299,791	75,281,474
Accumulated other comprehensive income (note 19)	**5,840,595**	6,131,180	5,641,253
Shareholders' equity	**100,581,064**	99,967,498	91,572,776
Non-controlling interest in subsidiaries (note 20)	**5,042,596**	3,992,151	4,123,039
Total equity	**105,623,660**	103,959,649	95,695,815
	$ 486,503,849	$ 520,108,716	$ 394,680,302

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)

Three months ended March 31	**2022**	2021
Revenue		
Interest (note 5)	**$ 14,154,398**	$ 11,432,219
Other income (note 5)	**2,023,388**	2,048,152
	16,177,786	13,480,371
Expenses		
Interest	**4,987,301**	3,286,309
General and administrative	**7,294,289**	7,069,119
Provision for (recovery of) credit and loan losses (note 5)	**92,540**	(896,462)
Impairment of assets held for sale	—	852,464
Depreciation	**157,438**	166,371
Business acquisition expenses:		
Transaction costs	—	23,412
Amortization of intangible assets	**32,197**	45,658
	12,563,765	10,546,871
Earnings before income tax	**3,614,021**	2,933,500
Income tax expense	**448,000**	82,000
Net earnings	**3,166,021**	2,851,500
Net earnings attributable to non-controlling interests in subsidiaries	**28,279**	266,739
Net earnings attributable to shareholders	**$ 3,137,742**	$ 2,584,761
Basic and diluted earnings per common share (note 16)	**$ 0.37**	$ 0.30

Consolidated Statements of Comprehensive Income (unaudited)

Three months ended March 31	**2022**	2021
Net earnings	**$ 3,137,742**	$ 2,584,761
Other comprehensive loss:		
Items that are or may be reclassified to profit or loss:		
Unrealized foreign exchange loss on translation of self-sustaining foreign operations (note 19)	**(290,585)**	(434,412)
Comprehensive income	**$ 2,847,157**	$ 2,150,349

Consolidated Statements of Changes in Equity (unaudited)

	Capital stock						
	Number of common shares outstanding	Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Non-controlling interests in subsidiaries	Total equity
Balance at January 1, 2021	8,558,913	$ 9,448,264	$ 1,201,785	$ 73,124,659	$ 6,075,665	$ 3,908,751	$ 93,759,124
Comprehensive income	—	—	—	2,584,761	(434,412)	—	2,150,349
Dividend paid	—	—	—	(427,946)	—	—	(427,946)
Net earnings attributable to non-controlling interests in subsidiaries	—	—	—	—	—	266,739	266.739
Translation adjustment on non-controlling interests	—	—	—	—	—	(52,451)	(52,451)
Balance at March 31, 2021	8,558,913	$ 9,448,264	$ 1,201,785	$ 75,281,474	$ 5,641,253	$ 4,123,039	$ 95,695,815
Balance at January 1, 2022	**8,558,913**	**$ 9,448,264**	**$ 1,088,263**	**$ 83,299,791**	**$ 6,131,180**	**$ 3,992,151**	**$ 103,959,649**
Comprehensive income	**—**	**—**	**—**	**3,137,742**	**(290,585)**	**—**	**2,847,157**
Dividend paid	**—**	**—**	**—**	**(641,919)**	**—**	**—**	**(641,919)**
Stock-based compensation expense related to stock option grants	**—**	**—**	**20,601**	**—**	**—**	**—**	**20,601**
Purchase of additional 8% of Accord CapX LLC from non-controlling interests	**—**	**—**	**—**	**(1,612,273)**	**—**	**1,075,200**	**(537,073)**
Net earnings attributable to non-controlling interests in subsidiary	**—**	**—**	**—**	**—**	**—**	**28,279**	**28,279**
Translation adjustment on non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(53,034)**	**(53,034)**
Balance at March 31, 2022	**8,558,913**	**$ 9,448,264**	**$ 1,108,864**	**$ 84,183,341**	**$ 5,840,595**	**$ 5,042,596**	**$ 105,623,660**

ACCORD FINANCIAL CORP.

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31	**2022**	2021
Cash provided by (used in):		
Operating activities:		
Net earnings	**$ 3,166,021**	$ 2,851,500
Items not affecting cash:		
Allowances for expected losses, net of write-offs and recoveries	**(116,594)**	(959,835)
Deferred income	**13,000**	(30,435)
Amortization of intangible assets	**32,197**	45,658
Depreciation of property and equipment	**157,438**	166,371
Impairment of assets held for sale	—	852,464
Accretion of convertible debentures	**173,304**	156,740
Stock-based compensation expense related to stock option grants	**20,601**	—
Deferred tax recovery	**(373,200)**	(361,199)
Current income tax expense	**821,200**	443,199
	3,893,967	3,164,463
Change in operating assets and liabilities:		
Finance receivables and loans, gross	**22,153,561**	(5,688,894)
Due to clients	**(1,576,175)**	(822,679)
Other assets	**188,188**	80,236
Accounts payable and other liabilities	**(3,241,756)**	(2,003,787)
Proceeds on disposal of assets held for sale	—	533,439
Income tax (paid) refund, net	**(997,426)**	148,748
	20,420,359	(4,588,474)
Investing activities:		
Property and equipment additions, net	**(27,194)**	(21,402)
Financing activities:		
Bank indebtedness	**(19,882,255)**	9,259,925
Loan payable	**(10,817,278)**	4,527,604
Notes payable issued (redeemed), net	**2,210,263**	(415,478)
Dividend paid	**(641,919)**	(427,946)
Purchase of 8% of Accord CapX LLC from non-controlling interests	**(537,073)**	—
Lease liabilities principal paid	**(121,900)**	(103,803)
	(29,790,162)	12,840,302
Effect of exchange rate changes on cash	**(454,769)**	(206,367)
(Decrease) increase in cash and restricted cash	**(9,851,766)**	8,024,059
Cash and restricted cash at January 1	**24,148,388**	5,545,951
Cash and restricted cash at March 31	**$ 14,296,622**	$ 13,570,010
Supplemental cash flow information:		
Net cash used in operating activities includes:		
Interest paid	**$ 2,608,456**	$ 2,317,006

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, working capital financing, credit investigation, credit protection and receivables management, to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 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 Canadian dollars, 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"). These Statements do not include all of the information and footnotes required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared using the accounting policies that the Company expects to utilize in its consolidated financial statements for the year ending December 31, 2022, the more significant of which are detailed in note 3. These accounting policies are based on IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. These Statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2021.

The preparation of the condensed interim unaudited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental relate to the determination of the allowance for expected losses relating to finance receivables and loans and to the guarantee of managed receivables (notes 3(d) and 5), the carrying value of assets held for sale (note 6), the determination of the valuation of goodwill and intangible assets on acquisition, as well as in the impairment testing thereof (notes 7 and 8), and the net realizable value of deferred tax assets and liabilities.

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus known as Covid-19. The rapid evolution of this pandemic combined with the restrictions on the movement of people and goods led to a significant contraction in economic activity. With the resurgence of a mutated variant of Covid-19, some of the restrictions that were lifted during 2021 were subsequently put back in place. Significant economic uncertainty still persists, the expected impact of which requires

increased judgment for many of the Company's estimates and assumptions and carry a higher degree of measurement uncertainty, variability and volatility. As events continue to evolve and additional information becomes available, the Company's estimates may change materially in the future. Examples of significant estimates include the allowances for expected losses, the determination of triggering events for the impairment of non-financial assets, such as goodwill and intangible assets, and fair value measurements, including those related to financial instruments. Management believes that its estimates are reasonable, supportable and appropriate.

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

- Derivative financial instruments (a component of other assets and/or accounts payable and other liabilities);
- Stock option grants (a component of contributed surplus); and
- Guarantee of managed receivables

These condensed interim unaudited consolidated financial statements for the three months ended March 31, 2022 were approved for issue by the Company's Board of Directors ("Board") on May 4, 2022.

3. Significant accounting policies:

a) Basis of consolidation

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

b) Revenue recognition

Revenue principally comprises interest, including discount fees, factoring commissions and other fees from the Company's asset-based financial services, including factoring and leasing, and is measured at the fair value of the consideration received. Interest charged on finance receivables and loans is recognized as revenue using the effective interest rate method. For receivables purchased in its recourse factoring business, discount fees are calculated as a discount percentage of the gross amount of the factored invoice and are recognized as revenue over the initial discount period. Additional discount fees are charged on a per diem basis if the invoice is not paid by the end of the initial discount period. For managed receivables, factoring commissions are charged up front and a certain portion is deferred and recognized over the period that costs are incurred collecting the receivables. In the Company's leasing business, interest

is recognized over the term of the lease agreement or installment payment agreement using the effective interest rate; the effective interest rate is that rate which exactly discounts estimated future cash receipts through the expected life of the lease, installment payment or loan agreement to the initial cost or loan amount of the asset. Fees related to direct finance leases, installment payment agreements and loan receivables of AFCC and Accord CapX LLC (doing business as Accord Equipment Finance ("AEF")), a wholly owned subsidiary of AFIU, are considered an integral part of the yield earned on the debtor balance and are accounted for using the effective interest rate method. Other revenue, such as management fees, due diligence fees, documentation fees, setup fees, commitment fees and service fees, is recognized as revenue when earned.

c) Finance receivables and loans

The Company finances its clients principally by providing asset-based loans, including factoring receivables and financing equipment leases, as well as providing guarantee backed working capital loans. Finance receivables and loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Finance receivables and loans are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest rate method. The Company's finance receivables and loans are financial assets that are measured at amortized cost as the following conditions are met:

i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

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

d) Allowances for expected credit losses

The Company maintains allowances for expected credit losses ("ECL") on its finance receivables and loans and its guarantee of managed receivables pursuant to the provisions of IFRS 9, Financial Instruments, under which allowances for ECL are recognized on all financial assets that are classified either at amortized cost or fair value through other

comprehensive income ("FVOCI") and for all loan commitments and financial guarantees that are not measured at fair value through profit and loss ("FVTPL"). ECL allowances represent credit losses that reflect an unbiased and probability weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information ("FLI") is explicitly incorporated into the estimation of ECL allowances, which involves significant judgment.

The Company's allowances for ECL are measured at amounts equal to either: (i) 12-month ECL (also referred to as Stage 1 ECL) which comprises an allowance for all non-impaired financial instruments which have not experienced a significant increase in credit risk ("SICR") since initial recognition. Stage 1 ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the twelve-month period after the reporting date; or (ii) lifetime ECL (also referred to as Stage 2 ECL) which comprises allowances for those financial instruments which have experienced a SICR since initial recognition. Significant judgment is required in the application of SICR. The Company has established quantitative as well as qualitative criteria to determine SICR. The Company recognizes lifetime ECL for Stage 2 financial instruments compared to twelve months of ECL for Stage 1 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then the Company will revert back to recognizing twelve months of ECL as the financial instrument has migrated back to Stage 1.

The calculation of ECL is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Company expects to receive. The key inputs in the measurement of ECL allowances 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 loss given default (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. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Stage 3 financial instruments are those that the Company has classified as impaired. Lifetime ECL are recognized for all Stage 3 financial instruments. For Stage 3 finance receivables and loans, either an allowance for ECL is provided thereon or, where the Company intends to or has actively taken possession of its collateral with a view to realizing on same as a means of recovering some or all of the outstanding account balance, the financial instrument is written down to its estimated net recoverable value, or in respect of the Company's managed receivables, an amount is accrued for the expected payment to client(s) under its guarantee. 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. The Company also refers to these accounts as “workout” accounts. Accounts are in “workout” as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated and could include significant financial difficulty of the borrower, default or delinquency in interest or principal payments, a high probability of the borrower entering a phase of bankruptcy or a financial reorganization, or a measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan. A financial instrument is no longer considered impaired when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms or revised market terms of the financial instrument with all criteria for the impaired classification having been remedied. Financial instruments are written-off, either partially or in full, against the related allowance for expected credit losses when we judge that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net realizable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for expected credit losses.

e) Goodwill

Goodwill arises upon the acquisition of subsidiaries or loan portfolios. Goodwill is not amortized, but an annual impairment test is performed by comparing the carrying amount to the recoverable amount for the cash generating unit (“CGU”). Goodwill is also tested for impairment between annual assessments when facts and other circumstances indicate that impairment may have occurred. If the carrying value of the goodwill exceeds its recoverable amount, the excess is charged against earnings in the year in which the impairment is determined.

f) Intangible assets

Purchased intangible assets are recognized as assets in accordance with IAS 38, Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be reliably determined. Intangible assets acquired are initially recognized at cost of purchase, which is also the fair value at the date acquired, and are subsequently carried at cost less accumulated amortization and, if applicable, accumulated impairment losses. The Company's intangible assets, with the exception of the acquired brand name which is considered to have an indefinite life and is not amortized, have a finite life and are amortized over their useful economic life. Intangible assets are also assessed for impairment each reporting period. The amortization period and method of amortization are reassessed annually. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimates. The amortization

expense is recorded as a charge against earnings. The Company's intangible assets comprise existing customer contracts, customer relationships, broker relationships and brand name in its leasing and small business finance operations. With the exception of the brand name, these are amortized over a period of five to fifteen years.

g) Foreign subsidiaries

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

h) Stock-based compensation

The Company accounts for stock options issued to directors and/or employees using fair value-based methods. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of the stock options on the grant date. The fair value of the stock options is recorded in general and administrative expenses over the awards vesting period.

The Company's LTIP (note 15(f)) originally contemplated that grants thereunder may be settled in common shares and/or cash. However, this was subsequently amended so that settlement will be in the form of cash only. Grants are determined as a percentage of the participants' short-term annual bonus, up to an annual LTIP pool maximum, and are then adjusted up or down based on the Company's adjusted return on average equity over the three-year vesting period of an award. The fair value of the LTIP awards, calculated at each reporting date, is recorded in general and administrative expenses over the awards' vesting period, with a corresponding liability established.

i) Financial assets and liabilities

Financial assets and liabilities are recorded at amortized cost, with the exception of cash, derivative financial instruments, and the guarantee of managed receivables which are all recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly manner between participants in an active (or in its absence, the most advantageous) market to which the Company has access at the transaction date. The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the transaction date on which the Company becomes a party to the contractual provisions. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the consolidated

statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be reliably estimated.

j) Convertible debentures

Convertible debentures include both a debt and equity component due to the embedded financial derivative associated with the conversion option. The debt component of the debenture is initially recognized at fair value determined by discounting the future principal and interest payments at the rate of interest prevailing on the issue date for similar non-convertible debt instruments. The equity component of the convertible debenture is initially determined as the difference between the gross proceeds of the debenture issue and the debt component, net of any deferred tax liability that arises from the temporary difference between the carrying value of the debt and its tax basis. The equity component is included in contributed surplus within total equity. Directly attributable transaction costs related to the issuance of convertible debentures are allocated to the debt and equity components on a pro-rata basis, reducing their fair value at the time of initial recognition.

k) Assets held for sale

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

l) Government grants

Government grants are recognized in the consolidated statement of operations as a reduction in the related expense, namely a reduction in general and administrative expenses ("G&A").

4. Restricted cash:

Restricted cash represents cash held as security for non-recourse borrowings provided by a lender. A cash reserve account held by the lender is required to be maintained at an amount equal to 5% of the loan principal outstanding. Additionally, cash collections related to certain financial assets securing the non-recourse borrowing can only be used to repay that debt on certain specified dates. At March 31, 2022, restricted cash totalled $7,485,690 (December 31, 2021 – $10,309,097, March 31, 2021 – $nil) as partial security for an amount due to the lender of $78,528,643 at March 31, 2022 (December 31, 2021 – $89,387,586, March 31, 2021 – $nil).

5. Finance receivables and loans:

As detailed in note 2, there is a high degree of uncertainty relating to the adverse economic impact of Covid-19 on the Company's portfolio of finance receivables and

loans, and managed receivables, and the requirement to build FLI into our expected credit loss models under IFRS 9. Since the first quarter of 2020, this resulted in significant increases in the Company's provision for credit and loan losses and allowances for expected losses, as well as downgrades in internal client credit risk ratings. We have recently seen certain revisions to the allowance for expected losses estimates that resulted in partial recovery of the increased allowances that were set up initially at the onset of Covid-19. Certain payment modifications were also granted at the onset of Covid-19 as a means of avoiding credit and loan losses although the impact of these modifications was not significant at March 31, 2022.

a) Finance receivables and loans

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Working capital loans	**$ 109,922**	$ 109,518	$ 33,198
Other loans*	**95,782**	101,811	102,784
Receivable loans	**94,600**	105,550	85,319
Media loans	**83,524**	81,497	42,522
Lease receivables	**69,996**	79,774	99,576
Finance receivables and loans	**453,824**	478,150	363,399
Less allowance for expected losses	**5,103**	5,251	5,673
Finance receivables and loans, net	**$ 448,721**	$ 472,899	$ 357,726

** Other loans primarily comprise inventory and equipment loans.*

The Company's finance receivables and loans are generally either: (i) collateralized by a charge on substantially all of 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 primarily comprises 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 AEF as described in note 3(c). Lease receivables at March 31, 2022 are expected to be collected over a period of up to five years.

Interest income earned on finance receivables and loans during the quarter ended March 31, 2022 totalled $14,154,398 (2021 – $11,432,219).

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

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Less than 1 year	**$ 257,312**	$ 259,737	$ 206,386
1 to 2 years	**87,270**	99,209	68,878
2 to 3 years	**81,431**	81,500	64,865
3 to 4 years	**24,738**	33,234	22,069
4 to 5 years	**3,073**	4,470	1,201
	$ 453,824	$ 478,150	$ 363,399

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

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Current	**$ 416,070**	$ 452,575	$ 349,954
Past due but not impaired:			
Past due less than 90 days	**18,936**	15,214	6,584
Past due 90 to 180 days	**10,571**	1,942	2,916
Past due 180 days or more	**6,711**	6,723	1,942
Impaired loans	**1,536**	1,696	2,003
	$ 453,824	$ 478,150	$ 363,399

The past due finance receivables and loans, especially those past due over 90 days, do not necessarily represent a SICR, which is based on the lifetime risk of default of an account, or an impairment, which may be rebutted where payments are delayed for non-credit related reasons, such as specific industry related reasons or practices as we often see across certain of the Company's lines of business. Of the past due finance receivables at March 31, 2022, $23,580,000 related to BondIt Media Capital ("BondIt"), AFIU's 61% controlled media finance subsidiary, where media productions and the sale thereof are often delayed resulting in payment delays, while $12,578,000 related to AFCC and $60,000 to AEF.

As the Company's finance receivables and loans are generally collateralized, past due or impaired accounts do not necessarily lead to a significant ECL allowance or write-off depending on the net realizable value of the collateral security which may result in a low or no LGD.

At March 31, 2022, the estimated net realizable value of the collateral securing the impaired loans totalled $1,536,000 (December 31, 2021 – $1,639,000, March 31, 2021 – $2,046,000).

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 rate 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's internal credit risk ratings are defined as follows:

Low risk: finance receivables and loans that exceed the credit risk profile standard of the Company with a below average expected credit loss.

Medium risk: finance receivables and loans that are typical for the Company's risk appetite and credit standards and retain an average expected credit loss.

High risk: finance receivables and loans within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average expected credit loss. Typically, these finance receivables and loans are expected to represent a small percentage of the Company's total finance receivables and loans.

Impaired: finance receivables and loans on which the Company has commenced enforcement and/or realization proceedings available to it under its contractual agreements and/or where there is objective evidence that there has been a deterioration in credit quality to the extent that the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest.

As detailed in note 3(d), the Company primarily uses the Moody's risk rating classification system to rate its finance receivables and loans and determines internal low, medium and high risks based on the classifications as follows:

Moody's equivalent risk rating	**Risk Category**
Aaa – Ba2	Low Risk
Ba3 – B3	Medium Risk
Caa1 – Caa3	High Risk
D	Impaired

The following table summarizes the Company's finance receivables and loans by their internal credit risk rating:

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Low risk	**$ 139,337**	$ 199,726	$ 86,483
Medium risk	**271,578**	202,852	240,844
High risk	**41,373**	73,876	34,069
Impaired	**1,536**	1,696	2,003
	$ 453,824	$ 478,150	$ 363,399

Finance receivables and loans classified under the three stage credit criteria of IFRS 9 were as follows:

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Stage 1	**$ 414,904**	$ 436,592	$ 322,015
Stage 2 (SICR)	**37,384**	39,862	39,381
Stage 3 (Impaired)	**1,536**	1,696	2,003
	$ 453,824	$ 478,150	$ 363,399

Stage 1 finance receivables and loans comprise those accounts in good standing where there has been no SICR since initial recognition. Stage 2 finance receivables and loans comprise those accounts that have experienced a SICR since initial recognition, while Stage 3 finance receivables and loans comprise those accounts which are impaired.

The activity in the allowance for expected losses on finance receivables and loans account during the first three months of 2022 and 2021 was as follows:

	2022	2021
Allowance for expected losses at January 1	**$ 5,251,000**	$ 6,314,000
Provision for loan losses	**99,921**	(510,742)
Write-offs	**(230,836)**	(143,455)
Recoveries	**14,323**	63,362
Foreign exchange adjustment	**(31,408)**	(50,165)
Allowance for expected losses at March 31	**$ 5,103,000**	$ 5,673,000

The activity in the allowance for expected losses on finance receivables and loans during the first three months of 2022 by stage of allowance was as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for expected losses at Jan. 1, 2022	**$ 3,319,910**	**$ 1,871,696**	**$ 59,394**	**$ 5,251,000**
Transfer between stages	**—**	**—**	**—**	**—**
Reserves expense (recovery)* related to change in allowance for expected losses	**(241,110)**	**167,790**	**(43,272)**	**(116,592)**
Foreign exchange adjustment	**(16,239)**	**(15,304)**	**135**	**(31,408)**
Allowance for expected losses at March 31, 2022	**$ 3,062,561**	**$ 2,024,182**	**$ 16,257**	**$ 5,103,000**

** a component of the provision for loan losses*

The activity in the allowance for expected losses on finance receivables and loans during the first three months of 2021 by stage of allowance was as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected losses at Jan. 1, 2021	$ 3,527,040	$ 2,786,960	$ —	$ 6,314,000
Transfer between stages	(61,469)	61,469	—	—
Reserves expense (recovery)* related to change in allowance for expected losses	115,450	(706,285)	—	(590,835)
Foreign exchange adjustment	(30,880)	(19,285)	—	(50,165)
Allowance for expected losses at March 31, 2021	$ 3,550,141	$ 2,122,859	$ —	$ 5,673,000

** a component of the provision for loan losses*

The Stage 3 allowance for expected losses is typically not significant, or even zero, as the impaired finance receivables and loans are generally in respect of accounts where the Company intended to or had actively taken possession of its collateral and was currently or will be liquidating 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 net recoverable amounts 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 Company's allowance for expected losses include the following:

- Changes in PD and LGD due to significant changes in credit risk, including transfers between stages;

- Changes in forward-looking macroeconomic variables, specifically the macroeconomic variables to which the allowance for expected losses models are calibrated; and
- Changes to the probability weights assigned to each macroeconomic scenario.

The Company incorporates the impact of FLI into the estimation of its allowance for expected losses. The Company utilizes credit risk modeling systems and forecast macroeconomic scenario data from Moody's, 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, as well as 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 term structure data to forward-looking economic conditions include, but are not limited to: monetary policy, fiscal policy, energy prices, Covid-19 trends, business investment, housing, employment, and supply chain amongst others.

Currently, the Company considers several macroeconomic forecast scenarios, and assigns discrete weights to each for use in the estimation of its reported allowance for expected losses. The Company has also applied expert credit judgment, where appropriate, to reflect, amongst other items, uncertainty in the U.S. and Canadian macroeconomic environment attributable to rising interest rates, supply chain disruption, energy prices and labor/supply costs. As these factors have a pronounced impact on the Company's portfolio, 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 US and Canadian Prime Rates.

The assignment of probability weightings for the various forecast scenarios involves expert credit judgment through an internal review and analysis to arrive at the likelihood and appropriateness of each forecast scenario for the portfolio. If management were to assign 100% probability to the most pessimistic downside scenario forecast considered, the allowance for expected losses would have been $1.29 million higher than the reported estimate for the allowance for expected losses on finance receivables and loans as at March 31, 2022. 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 $1.77 million lower than that reported.

The nature of the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory

and equipment. These transactions are conducted on terms that are usual and customary to the Company's asset-based lending activities. The Company controls the credit risk associated with its finance receivables and loans, and managed receivables as discussed below, in a variety of ways. For details of the Company's policies and procedures in this regard, please refer to note 23(a).

At March 31, 2022, the Company held cash collateral of $3,401,622 (December 31, 2021 – $3,590,923, March 31, 2021 – $4,958,964) to help reduce the risk of loss on certain of the Company's finance receivables and loans.

b) Managed receivables

The Company has entered into agreements with clients, whereby it has assumed the credit risk with respect to the clients' receivables. At March 31, 2022, the gross amount of these managed receivables was $12,303,456 (December 31, 2021 – $11,440,848, March 31, 2021 – $11,713,503). Fees from the Company's receivables management and credit protection business during the three months ended March 31, 2022 totalled $129,090 (2021 – $127,656). These fees are included in other income.

The aged analysis of the Company's managed receivables was as follows:

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Current	**$ 12,303**	$ 11,066	$ 9,579
Past due but not impaired:			
Past due less than 90 days	—	375	2,110
Past due more than 90 days	—	—	25
Impaired	—	—	—
	$ 12,303	$ 11,441	$ 11,714

The following table summarizes the Company's managed receivables by their internal credit risk rating:

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Low risk	**$ 12,303**	$ 9,768	$ 162
Medium risk	—	1,673	10,502
High risk	—	—	1,050
Impaired	—	—	—
	$ 12,303	$ 11,441	$ 11,714

The high risk rated managed receivables at March 31, 2021 directly resulted from the adverse economic impact of Covid-19 and the Company's exposure at the time to the retail industry which was, and still is, significantly impacted by Covid-19. The Company's exposure to the retail industry has since been substantially eliminated.

Managed receivables classified under the three stage credit criteria of IFRS 9 were as follows:

(in thousands)	**March 31, 2022**	Dec. 31, 2021	March 31, 2021
Stage 1	**$ 12,303**	$ 11,441	$ 10,664
Stage 2 (SICR)	**—**	—	1,050
Stage 3 (Impaired)	**—**	—	—
	$ 12,303	$ 11,441	$ 11,714

Stage 1 managed receivables comprise those accounts in good standing where there has been no SICR since initial recognition. Stage 2 managed receivables comprise those accounts that have experienced a SICR since initial recognition. Outstanding client claims in respect of impaired managed receivables are an actual liability that is accrued for and included in accounts payable and other liabilities. At March 31, 2022 and 2021 and December 31, 2021, there were no Stage 3 (impaired) managed receivables.

Management provides an allowance for expected losses on the guarantee of these managed receivables, which represents the estimated fair value of the guarantees at that date. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included in the consolidated statements of financial position.

The activity in the allowance for expected losses on the guarantee of managed receivables account during the first three months of 2022 and 2021 was as follows:

	2022	2021
Allowance for expected losses at January 1	**$ 31,000**	$ 555,000
Recovery of credit losses	**(7,381)**	(385,720)
Write-offs	**—**	(853)
Recoveries	**7,381**	17,573
Allowance for expected losses at March 31	**$ 31,000**	$ 186,000

The activity in the allowance for expected losses on the guarantee of managed receivables during the first three months of 2022 by stage of allowance was as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for expected losses at Jan. 1, 2022	**$ 31,000**	**$ —**	**$ —**	**$ 31,000**
Reserves expense (recovery)* related to change in allowance for expected losses	**—**	**—**	**—**	**—**
Allowance for expected losses at March 31, 2022	**$ 31,000**	**$ —**	**$ —**	**$ 31,000**

** a component of the provision for loan losses*

There were no transfers between the three stages of the allowance for losses on the guarantee of managed receivables during the first three months of 2022.

The activity in the allowance for losses on the guarantee of managed receivables during the first three months of 2021 by stage of allowance was as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected losses at Jan. 1, 2021	$ 267,400	$ 287,600	$ —	$ 555,000
Reserves recovery* related to decrease in allowance for expected losses	(162,400)	(206,600)	—	(369,000)
Allowance for expected losses at March 31, 2021	$ 105,000	$ 81,000	$ —	$ 186,000

** a component of the provision for loan losses*

6. Assets held for sale:

Assets held for sale and movements therein during the first three months of 2022 and 2021 were as follows:

	2022	2021
Assets held for sale at January 1	**$ 160,274**	$1,513,567
Additions	**—**	37,550
Disposals	**—**	(533,439)
Impairment charge	**—**	(852,464)
Foreign exchange adjustment	**—**	(14,606)
Assets held for sale at March 31	**$ 160,274**	$ 150,608

There was no change to the assets held for sale during the first quarter of 2022. During the first quarter of 2021, 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 net realizable value ("NRV") of the assets at the above dates was based upon appraisals thereof.

During the first three months of 2021, assets totalling $37,750 were added, while assets were disposed of for net proceeds of $533,439. An impairment charge of $852,464 was booked against the assets in the first three months of 2021 to write them down to NRV.

7. Property and equipment

Property and equipment includes the Company's right-of-use assets, comprising five office leases. The Company's right-of-use assets and movements therein during the first three months of 2022 and 2021 were as follows:

(in thousands)		2022		2021
Right-of-use assets at January 1	**$**	**875**	$	1,103
Addition		**251**		—
Depreciation expense		**(117)**		(106)
Foreign exchange adjustment		**(2)**		(6)
Right-of-use assets at March 31	**$**	**1,007**	$	991

Property and equipment at March 31, 2022 also includes capital assets, net, with a net book value of $383,243 (December 31, 2021 – $398,356, March 31, 2021 – $510,331).

8. Goodwill:

	2022	2021
Goodwill at January 1	**$ 13,140,447**	$ 13,218,843
Foreign exchange adjustment	**(117,595)**	(145,210)
Goodwill at March 31	**$ 13,022,852**	$ 13,073,633

At March 31, 2022 and 2021 goodwill of US$8,908,713 was carried in AFIU, the Company's U.S. subsidiary. A foreign exchange adjustment is recognized each period-end when this balance is translated into Canadian dollars at a different prevailing period-end exchange rate.

Goodwill was allocated to the following cash generating units ("CGUs") at the following dates:

	March 31, 2022	Dec. 31, 2021	March 31, 2021
U.S. operations	**11,140,345**	11,257,940	11,191,126
Canadian operations	**1,882,507**	1,882,507	1,882,507
	13,022,852	13,140,447	13,073,633

Goodwill is tested for impairment annually or more frequently if impairment indicators arise. During 2021, the Company conducted annual impairment reviews on each CGU and determined that there was no impairment to the carrying value of goodwill.

9. Intangible assets:

Intangible assets and movements therein during the first three months of 2022 were as follows:

2022	**Customer and referral relationships**	**Brand name**	**Total**
Cost			
January 1, 2022	**$ 1,924,616**	**$ 1,721,159**	**$ 3,645,775**
Foreign exchange adjustment	**(20,104)**	**(17,978)**	**(38,082)**
March 31, 2022	**$ 1,904,512**	**$ 1,703,181**	**$ 3,607,693**
Accumulated amortization			
January 1, 2022	**$ (532,579)**	**$ —**	**$ (532,579)**
Amortization expense	**(32,197)**	**—**	**(32,197)**
Foreign exchange adjustment	**5,966**	**—**	**5,966**
March 31, 2022	**$ (558,810)**	**$ —**	**$ (558,810)**
Book value			
January 1, 2022	**$ 1,392,037**	**$ 1,721,159**	**$ 3,113,196**
March 31, 2022	**$ 1,345,702**	**$ 1,703,181**	**$ 3,048,883**

Intangible asset movements during the first three months of 2021 were as follows:

2021	Broker relationships	Customer and referral relationships	Brand name	Total
Cost				
January 1, 2021	$ 1,343,938	$ 1,938,018	$ 1,733,145	$ 5,015,101
Foreign exchange adjustment	—	(24,825)	(22,201)	(47,026)
March 31, 2021	$ 1,343,938	$ 1,913,193	$ 1,710,944	$ 4,968,075
Accumulated amortization				
January 1, 2021	$ (1,330,482)	$ (406,875)	$ —	$ (1,737,357)
Amortization expense	(13,456)	(32,202)	—	(45,658)
Foreign exchange adjustment	—	5,476	—	5,476
March 31, 2021	$ (1,343,938)	$ (433,601)	$ —	$ (1,777,539)
Book value				
January 1, 2021	$ 13,456	$ 1,531,143	$ 1,733,145	$ 3,277,744
March 31, 2021	$ —	$ 1,479,592	$ 1,710,944	$ 3,190,536

10. Bank indebtedness:

A revolving line of credit totalling approximately $366 million has been established with a syndicate of six banks, bearing interest varying with the bank prime rate or Libor. The line is collateralized primarily by the Company's finance receivables and loans. At March 31, 2022, the amount outstanding under the line of credit totalled $185,799,442 (December

31, 2021 – $207,382,279, March 31, 2021 – $218,102,349). The Company was in compliance with all loan covenants under its bank line of credit during the first three months of 2022 and 2021. On July 26, 2021, the line was renewed for a further one year period.

11. Loans payable:

a) BondIt loan

A revolving line of credit has been established by BondIt with a non-bank lender, which bears interest varying with the U.S. base rate. This line, which is collateralized by all of BondIt's assets, was increased to US$47,000,000 ($58,774,000) in October 2021 and extended to May 6, 2023. At March 31, 2022, the amount outstanding under this line of credit totalled $59,463,804 (December 31, 2021 – $60,049,385, March 31, 2021 – $25,630,262); the amount borrowed exceeded the credit limit as a result of fees and interest due to the non-bank lender. BondIt was in compliance with all loan covenants under this facility during the first three months of 2022 and 2021.

b) ASBF loan

During the fourth quarter of 2021, ASBF, a subsidiary of AFCC, entered into a non-recourse loan and security agreement with a life insurance company. This loan is collateralized by all of ASBF's assets and bears a fixed rate of interest. At March 31, 2022, the amount outstanding under this loan facility totalled $78,528,643 (December 31, 2021 – $89,387,586, March 31, 2021 – $nil), of which $20,944,386 is expected to be paid within one year and $57,584,257 thereafter.

12. Related parties:

a) Notes payable:

Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand of $4,540,674 (December 31, 2021 – $2,333,107, March 31, 2021 – $1,641,257); (ii) term notes totalling $13,626,250 (December 31, 2021 – $13,659,250, March 31, 2021 – $15,342,980), which are repayable on various dates the latest of which is January 31, 2023. Notes payable are to individuals or entities and consist of advances from shareholders, management, employees, other related individuals and third parties.

Notes payable were as follows:

	March 31, 2022	Dec. 31, 2021	March 31, 2021
Demand and term notes due within one year			
Related parties	**$ 16,009,989**	$ 13,843,707	$ 15,305,250
Third parties	**2,156,935**	1,516,800	1,678,987
	18,166,924	15,360,507	16,984,237
Term note due after one year			
Third parties	–	631,850	–
	$ 18,166,924	$ 15,992,357	$ 16,984,237

Notes due on, or within a week of, demand bear interest at rates that vary with bank prime rate or Libor, while the term notes bear interest at rates between 7% and 11%.

Interest expense on the notes payable for the three months ended March 31 was as follows:

	2022	2021
Related parties	**$ 241,233**	$ 266,276
Third parties	**49,726**	28,554
	$ 290,959	$ 294,830

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 March 31, 2022, participations in BondIt client loans totalled US$31,231,000 (December 31, 2021 – US$40,704,000, March 31, 2021 – US$18,599,000), of which US$2,039,000 (December 31, 2021 – US$1.562,000, March 31, 2021 – US$1,696,000) was provided by related parties. These participations are not included in the Company's statements of financial position.

13. Convertible debentures:

Convertible debentures with a face value of $25,650,000 (25,650 convertible debentures) carrying a 7% coupon rate were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading on the Toronto Stock Exchange ("TSX"), while 5,000 are unlisted. Interest on all the convertible debentures is payable semi-annually on June 30 and December 31 each year. The debentures mature on December 31, 2023 and are convertible at the option of the holder into common shares of the Company at a conversion price of $13.50 per common share.

The debentures were not redeemable by the Company prior to December 31, 2021 except in limited circumstances following a change of control. On or after December 31, 2021 and at any time prior to December 31, 2022, the debentures may be redeemed at the option of the Company at a redemption price equal to 100% of their principal amount plus any accrued and unpaid interest thereon provided that the market price of the Company's common shares is at least 125% of the conversion price. On or after December 31, 2022 and prior to the maturity date, these debentures may be redeemed in whole or in part at the option of the Company at a redemption price equal to 100% of their principal amount plus any accrued and unpaid interest thereon.

The Company used the residual method to calculate the allocation between the debt and equity components of the debentures. The gross proceeds of $25,626,800 were allocated towards the debt component of these 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.

The allocation of the gross proceeds from the convertible debentures issuance and the balances outstanding on the debt and equity components at March 31, 2022 were as follows:

	Liability component of debentures	**Equity component of debentures**	**Total**
Debentures issued	**$ 24,152,897**	**$ 1,473,903**	**$ 25,626,800**
Transaction costs	**(1,739,323)**	**(106,414)**	**(1,845,737)**
Net proceeds	**22,413,574**	**1,367,489**	**23,781,063**
Deferred taxes	**—**	**(362,384)**	**(362,384)**
Accretion in carrying value of debenture liability	**1,912,411**	**—**	**1,912,411**
Accrued interest	**448,875**	**—**	**448,875**
	$ 24,774,860	**$ 1,005,105**	**$ 25,779,965**

The allocation of the gross proceeds from the convertible debentures issuance and the balances outstanding on the debt and equity components at March 31, 2021 were as follows:

	Liability component of debentures	Equity component of debentures	Total
Debentures issued	$ 24,152,897	$ 1,473,903	$ 25,626,800
Transaction costs	(1,739,323)	(106,414)	(1,845,737)
Net proceeds	22,413,574	1,367,489	23,781,063
Deferred taxes	—	(362,384)	(362,384)
Accretion in carrying value of debenture liability	1,252,739	—	1,252,739
Accrued interest	448,875	—	448,875
	$ 24,115,188	$ 1,005,105	$ 25,120,293

At March 31, 2022 all debentures remained outstanding.

14. Lease liabilities:

The following table presents the contractual cash flows for lease obligations at March 31:

(in thousands)	**2022**	2021
Less than one year	**$ 467**	$ 499
One to five years	**786**	653
Thereafter	**—**	92
Total undiscounted lease obligations	**1,253**	1,244
Less: short-term lease commitments elected for exemption under IFRS 16	**(6)**	(12)
Less: future interest	**(140)**	(135)
	$ 1,107	$ 1,097

For the three months ended March 31, 2022, principal and interest payments for the five office leases recognized as right-of-use assets under IFRS 16 totalled $121,900 (2021 - $103,803) and $16,667 (2021 - $18,099), respectively, for total lease payments of $138,567 (2021 - $121,902). No variable lease payments are included in the measurement of the Company’s lease liabilities.

15. Capital stock, contributed surplus, dividends, stock option plans, senior executive long-term incentive plan, deferred share unit plan and stock-based compensation:

a) Authorized capital stock

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At March 31, 2022 and 2021, there were no first preferred shares outstanding.

b) Issued and outstanding

The Company's issued and outstanding common shares during the first three months of 2022 and 2021 are set out in the consolidated statements of changes in equity.

c) Contributed surplus

The Company's contributed surplus and movements therein during the first three months of 2022 and 2021 are set out in the consolidated statements of changes in equity.

d) Dividends

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three months ended March 31, 2022, dividends totalling $641,919 (2021 – $427,946) or $0.075 (2020 – $0.05) per common share were declared and paid.

On April 21, 2022, the Company declared a quarterly dividend of $0.075 per common share, payable June 1, 2022 to shareholders of record at the close of business on May 13, 2022.

e) Stock option plans

The Company has established a new 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 issue upon the exercise of stock options granted. The number of common shares issued within a one-year period shall not exceed 10% of the Company's issued and outstanding common shares. The options granted will vest one-third on the date of the grant, and one-third on each of the first two anniversaries of the date of grant or over such other period as the Board may decide. The options shall be exercisable for a period established by the Board which shall in any event be no later than seven years after the date of grant. The exercise price of all options granted under the 2021 SOP shall not be lower than the volume-adjusted average trading price of the Company's common share on the Toronto Stock Exchange during the ten days immediately preceding the date of grant.

The Company's former key employee stock option plan ("KESOP") and non-executive directors' stock option plan ("NEDSOP") under which an aggregate of 1,000,000 and

500,000 common shares, respectively, had been reserved for issue upon the exercise of options granted to key managerial employees of the Company and its subsidiaries and non-executive directors of the Company were terminated on March 10, 2021. At March 31, 2021, no options were outstanding under the KESOP, while 60,000 vested options, granted on July 27, 2016, were outstanding under the NEDSOP. These had an exercise price of $9.28 and expired unexercised on July 26, 2021.

On August 4, 2021, the Company granted 80,100 stock options to senior employees at an exercise price $8.83. On October 12, 2021, the Company also granted 12,000 stock options to its President at an exercise price of $8.83.

As of March 31, 2022, outstanding options granted under the 2021 SOP were as follows:

Exercise price	Grant date	Expiry date	March 31, 2022	Dec. 31, 2021	March 31, 2021
$8.83	Aug. 4, 2021	Aug. 3, 2028	80,100	80,1000	–
$8.83	Oct. 12, 2021	Aug. 3, 2028	12,000	12,000	–
			92,100	92,100	–

Of the outstanding options, 30,700 were vested at March 31, 2022.

The fair value of the 80,100 options granted was determined using the Black-Scholes option pricing model with the following assumptions on the grant date:

	August 4, 2021 grant	October 12, 2021 grant
Risk free interest rate	0.92%	1.35%
Expected dividend yield	2.24%	2.48%
Expected share price volatility	24.30%	24.60%
Expected life of option	7.0 years	6.8 years
Fair value per option	$1.85	$1.40

f) Senior executive long-term incentive plan:

Under the LTIP, which was introduced in 2015, grants may be made annually to the Company's senior executive management group and are measured and assessed over a three-year performance period. Grants are determined as a percentage of the participants' short-term annual bonus subject to an annual LTIP pool maximum of 5% of adjusted consolidated net earnings. Vesting of the LTIP is subject to achievement over a three-year period of a cumulative adjusted return on average equity and may be adjusted up or down subject to achievement of certain minimum and maximum return thresholds. The Company's Board terminated the LTIP on March 10, 2021. Any payouts in respect of the outstanding LTIP awards after that date will be settled in cash. The payout value of outstanding vested and unvested LTIP awards at March 31, 2022, December 31, 2021 and March 31, 2021 was $nil.

g) Deferred share unit ("DSU") plan:

During the three months ended March 31, 2022, the Company granted 1,387 DSU's (March 31, 2021 – nil) to directors under its DSU Plan, which was introduced effective January 1, 2022. DSUs are granted at fair market value at the date of grant and vest

immediately upon grant. For the three months ended March 31, 2022, $12,000 (2021 – $nil) was recorded as stock-based compensation expense in respect of DSU grants under the DSU Plan.

h) Stock-based compensation:
During the three months ended March 31, 2022, the Company recorded a stock-based compensation expense of $32,601 (2021 – $nil), of which $20,601 related to stock option grants under the 2021 SOP and $12,000 related to DSU grants.

16. Earnings per common share and weighted average number of common shares outstanding:
Basic earnings per share have been calculated based on the weighted average number of common shares outstanding in the year without the inclusion of dilutive effects. Diluted earnings per share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding in the period, which in the Company's case consist of stock options and convertible debentures.

All outstanding stock options and convertible debentures were excluded from the calculation of the diluted weighted average number of shares outstanding for the three months ended March 31, 2022 and 2021 because they were considered to be anti-dilutive for earnings per common share purposes. Details of stock options outstanding are set out in note 15(e).

17. Contingent liabilities:

a) In the normal course of business there is outstanding litigation, the results of which are not expected to have a material effect upon the Company. Pending litigation, or other contingent matters, represent potential financial loss to the Company. The Company accrues a potential loss if the Company believes the loss is probable and it can be reasonably estimated. The decision is based on information that is available at the time. The Company estimates the amount of the loss by consulting with the outside legal counsel that is handling the defense. This involves analyzing potential outcomes and assuming various litigation and settlement strategies. At March 31, 2022 and 2021, and December 31, 2021, the Company was not aware of any litigation the aggregate liability from which would materially affect the financial position of the Company, and thus had not accrued a loss.

b) At March 31, 2022 the Company was contingently liable with respect to letters of guarantee issued on behalf of its clients in the amount of $637,755 (December 31, 2021 – $644,487, March 31, 2021 – $640,662). These amounts were considered in determining the allowance for expected losses on finance receivables and loans. At the above dates, there were no letters of credit issued on behalf of clients for which the Company was contingently liable.

18. Derivative financial instruments:

At March 31, 2022 and December 31, 2021, the Company had no forward foreign exchange contracts outstanding. At March 31, 2021, the Company had entered into forward foreign exchange contracts with a financial instution that matured between July 30, 2021 and August 31, 2021 and obliged the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.2675 to 1.3180. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company bought Canadian dollars from and sold US$700,000 to the client.

The favorable and unfavorable fair values of these contracts were recorded on the Company's consolidated statements of financial position in other assets and accounts payable and other liabilities, respectively. The fair value of the contracts were classified as Level 2 under IFRS 7. During the first three months of 2022 and 2021 there was no movement between the three-level fair value hierarchy.

19. Accumulated other comprehensive income:

Accumulated other comprehensive income ("AOCI") solely comprises the unrealized foreign exchange gain (commonly referred to as cumulative translation adjustment) arising on translation of the assets and liabilities of the Company's foreign subsidiaries which report in U.S. dollars. Changes in the AOCI balance during the three months ended March 31, 2022 and 2021 are set out in the consolidated statements of changes in equity.

20. Non-controlling interests in subsidiaries:

Non-controlling interests in subsidiaries at March 31, 2022 and December 31, 2021 comprised a 39% interest in BondIt's common member units (March 31, 2021 – 49%). On August 1, 2021, the Company acquired an additional 10% of the common member units in BondIt from non-controlling interests at a cost of $1,369,231 (US$1,098,725). On January 1, 2022, AFIU acquired an additional 8% of AEF common units from non-controlling interests at a cost of $537,073 (US$425,000) bringing its ownership in AEF up to 100%. The non-controlling interests in AEF at December 31, 2021 and March 31, 2021 totalled 8%. Please see the consolidated statements of changes in equity for movements in non-controlling interests during the three months ended March 31, 2022 and 2021.

21. Fair value of financial assets and liabilities:

Financial assets or liabilities, other than lease receivables and term loans to clients in our equipment and small business finance businesses, term loan payable, lease liabilities and convertible debentures, are short term in nature and, therefore, their carrying values approximate fair values. Changes in interest rates, credit spreads and liquidity costs are the main cause of changes in the fair value of the Company's financial instruments resulting in a favourable or unfavourable variance compared to carrying value. For the Company's financial instruments carried at cost or amortized cost, the carrying value is not adjusted to reflect increases or decreases in fair value due to market fluctuations,

including those due to interest rate changes. Under the fair value hierarchy, finance receivables and loans would be classified as Level 3.

22. 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 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. There were no significant changes to property and equipment and goodwill during the periods under review.

Three months ended March 31	**2022**				2021			
(in thousands)	**Canada**	**United States**	**Inter-Company**	**Total**	Canada	United States	Inter-Company	Total
Identifiable assets	**$260,182**	**$228,863**	**$ (2,541)**	**$486,504**	$182,590	$212,123	$ (33)	$394,680
Revenue								
Interest income	**$ 8,924**	**$ 5,402**	**$ (171)**	**$ 14,155**	$ 5,268	$ 6,254	$ (90)	$ 11,432
Other income	**482**	**1,541**	**—**	**2,023**	1,172	876	—	2,048
	9,406	**6,943**	**(171)**	**16,178**	6,440	7,130	(90)	13,480
Expenses								
Interest	**3,216**	**1,942**	**(171)**	**4,987**	2,219	1,157	(90)	3,286
General and administrative	**4,502**	**2,792**	**—**	**7,294**	3,154	3,915	—	7,069
Provision for credit and loan losses	**29**	**64**	**—**	**93**	(34)	(862)	—	(896)
Impairment of assets held for sale	**—**	**—**	**—**	**—**	140	712	—	852
Depreciation	**68**	**90**	**—**	**158**	69	97	—	166
Business acquisition expenses	**—**	**32**	**—**	**32**	13	56	—	69
	7,815	**4,920**	**(171)**	**12,564**	5,561	5,075	(90)	10,546
Earnings before income tax	**1,591**	**2,023**	**—**	**3,614**	879	2,055	—	2,934
Income tax expense (recovery)	**443**	**5**	**—**	**448**	187	(105)	—	82
Net earnings	**1,148**	**2,018**	**—**	**3,166**	692	2,160	—	2,852
Net earnings attributable to non-controlling interests in subsidiaries	**—**	**28**	**—**	**28**	—	267	—	267
Net earnings attributable to shareholders	**$ 1,148**	**$ 1,990**	**$ —**	**$ 3,138**	$ 692	$ 1,893	$ —	$ 2,585

23. Financial risk management:

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

Risk management policies and systems are reviewed regularly to reflect changes in the risk environment faced by the Company.

a) Credit risk:

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. In the Company's case, credit risk arises with respect to its loans to and other financial transactions with clients, its guarantee of managed receivables, and any other financial transaction with a counterparty that the Company deals with. The carrying amount of these loans ($454 million) and managed receivables ($12 million) represents the Company's maximum credit exposure and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending 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 usually owns the factored receivables or leased assets that it finances. The Company does not take title to the managed receivables as it does not lend against them, but it assumes the credit risk from the client in respect of these receivables.

In its asset-based lending business, the Company makes loans that are, in most cases, 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 strong guarantee from a counter-party. The Company provides an expected loss allowance on all of its finance receivables and loans based on the assessed credit risk. There were no significant changes in the quality of collateral or changes to the Company's collateral policy during the three months ended March 31, 2022 and 2021.

At March 31, 2022, the Company had impaired loans of $1,536,000 (December 31, 2021 – $1,696,000, March 31, 2021 – $2,003,000), while, at that date, it held collateral for these loans with an estimated net realizable value of $1,536,000 (December 31, 2021 – $1,639,000, March 31, 2021 – $2,046,000). These impaired loans were mainly secured by receivables, inventory and/or equipment. The Company accrued a liability for any impaired managed receivables at March 31, 2022 and 2021, and December 31, 2021, in respect of any unpaid claims under the Company's credit guarantees (see note 5(b)).

In its asset-based lending and equipment finance businesses, and credit protection and receivables management operations (AFL), credit is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel and management. In the case of credit in excess of $1.0 million (US$1.0 million in the case of AFIU and AEF, and US$500,000 for BondIt) credit is approved by the Company's Executive Credit Committee. Credit in excess of $2.5 million (US$2.5 million in the case of U.S. group companies) is approved by the Credit Committee of the Board, which comprises three independent directors. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing

management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. In its asset-based lending operations, a primary focus continues to be on the credit-worthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from the invoice date. The Company's lease receivables and equipment and working capital loans are mainly term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, none were past due more than 30 days at March 31, 2022 (December 31, 2021 – 0.2%, March 31, 2021 – 0.5%). In the Company's asset-based lending business, trade receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, usually 75 to 90 days from the invoice date, and are usually charged back to clients, thereby eliminating the Company's credit risk on such older receivables.

The Company employs an internal client credit risk rating system to assess the credit risk in its asset-based lending and equipment finance businesses, which is based on a solution provided by Moody's and reviews, among other things, the financial strength of each client and the Company's underlying security, while in its credit protection and receivables management business, it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 5 which presents the Company's finance receivables and loans and managed receivables by their internal credit risk rating (low risk, medium risk, high risk) and by the three stage credit criteria of IFRS 9, as well as an aged analysis thereof. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an ongoing basis to mitigate credit risk. In its asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis.

The Company also minimizes credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it finances. In its asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. Regular field examinations are conducted to verify collateral such as inventory and equipment. In the Company's Canadian leasing operations, security deposits are also obtained as additional collateral for its equipment leases or loans.

In the Company's credit protection and receivables management business, each customer is provided with a credit limit up to which the Company will guarantee that

customer's total receivables. All customer credit in excess of $2.5 million is approved by the Credit Committee of the Board on a case-by-case basis. At March 31, 2022, the Company had guaranteed two customer’s accounts receivable in excess of $5 million.

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

	March 31, 2022		March 31, 2021	
(in $000's)	**Gross finance receivables and loans**	**% of total**	Gross finance receivables and loans	% of total
Manufacturing	**$ 96,605**	**21**	$ 100,078	27
Media	**83,525**	**18**	42,522	12
Professional services	**67,514**	**15**	67,505	19
Financial services	**57,511**	**13**	51,247	14
Transportation	**51,591**	**11**	17,829	5
Wholesale and distribution	**30,003**	**7**	29,027	8
Construction	**28,343**	**6**	21,007	6
Retail	**20,406**	**5**	8,655	2
Other	**18,326**	**4**	25,529	7
	$ 453,824	**100**	$ 363,399	100

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

	March 31, 2022		March 31, 2021	
(in $000's)	**Managed receivables**	**% of total**	Managed receivables	% of total
Wholesale and distribution	**$ 12,303**	**100**	$ 7,265	62
Retail	**–**	**–**	4,449	38
	$ 12,303	**100**	$ 11,714	100

As set out in notes 3(d) and 5, the Company maintains an allowance for expected losses on its finance receivables and loans and its guarantee of managed receivables in accordance with IFRS 9. The Company maintains a separate allowance for losses on each of the above items at amounts, which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations, including current economic trends, condition of the loan and receivable portfolios and typical industry loss experience.

b) Liquidity risk:

The Company's financial assets and liabilities at March 31, 2022 by maturity date were as follows:

(in thousands)	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 11,417	$ 950	$ 882	$ 690	$ 358	$ —	$ 14,297
Finance receivables and loans	236,631	86,508	91,444	35,903	3,338	—	453,824
All other assets	1,323	—	—	—	—	—	1,323
	$ 249,371	$ 87,458	$ 92,326	$ 36,593	$ 3,696	$ —	$ 469,444
Financial liabilities							
Due to clients	$ 1,448	$ —	$ —	$ —	$ —	$ —	$ 1,448
Bank indebtedness	185,800	—	—	—	—	—	185,800
Loans payable	20,944	78,453	17,636	13,809	7,150	—	137,992
Notes payable	18,167	—	—	—	—	—	18,167
Convertible debentures	—	24,775	—	—	—	—	24,775
All other liabilities	10,524	151	119	83	89	—	10,966
	$ 236,883	$ 103,379	$ 17,755	$ 13,892	$ 7,239	$ —	$ 379,148

The Company's financial assets and liabilities at March 31, 2021 by maturity date were as follows:

(in thousands)	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
Financial assets							
Cash	$ 13,570	$ —	$ —	$ —	$ —	$ —	$ 13,570
Finance receivables and loans	174,494	55,221	85,655	42,193	5,836	—	363,399
All other assets	3,256	—	—	—	—	—	3,256
	$ 191,320	$ 55,221	$ 85,655	$ 42,193	$ 5,836	$ —	$ 380,225
Financial liabilities							
Due to clients	$ 2,084	$ —	$ —	$ —	$ —	$ —	$ 2,084
Bank indebtedness	218,102	—	—	—	—	—	218,102
Loan payable	25,630	—	—	—	—	—	25,630
Notes payable	16,984	—	—	—	—	—	16,984
Convertible debentures	—	—	24,115	—	—	—	24,115
All other liabilities	9,352	483	72	77	83	89	10,156
	$ 272,152	$ 483	$ 24,187	$ 77	$ 83	$ 89	$ 297,071

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its bank indebtedness, loan payable, notes payable, convertible debentures, due to clients, and accounts payable and other liabilities. At March 31, 2022, revolving credit lines and a term loan facility totalling approximately $526,000,000 had been established with a syndicate of banks, as well as non-bank lenders. The revolving facilities bear interest varying with the bank prime rate or Libor, while the term loan carries a fixed rate of interest. At March 31, 2022, the Company had borrowed $323,791,889 (December 31, 2021 –

$356,819,250, March 31, 2021 – $243,732,611) against these facilities. These facilities are collateralized primarily by finance receivables and loans to clients. As detailed in note 9, the Company was in compliance with all loan covenants under its bank line of credit during the first three months of 2022 and 2021, while BondIt was compliant with all covenants under its line of credit with its non-bank lender. See note 11(a). ASBF was compliant with its term loan facility (see note 11(b)) with a life insurance company at March 31, 2022.

Notes payable of $4,540,674 are due on, or within a week of demand, while term notes totalling $13,626,250 are repayable at various dates the latest of which is January 31, 2023 (see note 12(a)). Notes payable are to individuals or entities and consist of advances from shareholders, directors, management, employees, other related individuals and third parties. At March 31, 2022, 88% (2021 – 90%) of these notes were due to related parties and 12% (2021 – 10%) to third parties. The Company's convertible debenture liability was $24,774,860 at March 31, 2022. These debentures mature on December 31, 2023. Due to clients principally consist of collections of receivables not yet remitted to the Company's clients. Contractually, the Company remits collections within a week of receipt. Accounts payable and other liabilities comprise a number of different obligations, the majority of which are payable within six months. At March 31, 2022, the Company had gross finance receivables and loans totalling $453,823,816 (December 31, 2021 – $478,149,717, March 31, 2021 – $363,399,412) which substantially exceeded its total liabilities of $380,880,189 at that date (December 31, 2021 – $416,149,067, March 31, 2021 – $298,984,487). The Company's receivables normally have payment terms of 30 to 60 days from invoice date. Together with its unused credit lines, management believes that current cash balances and liquid short-term assets are more than sufficient to meet its financial obligations as they fall due.

c) Market risk:

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

i) Currency risk:

The Company'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 March 31, 2022, the Company's unhedged foreign currency positions in its Canadian operations totalled $170,000 (2021 – $126,000). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of the

Company's foreign currency holdings against the Canadian dollar would not have a material impact on the Company's net earnings.

ii) Interest rate risk:

Interest rate risk pertains to the risk of loss due to the volatility of interest rates. The Company's lending and borrowing rates are usually based on bank prime rates of interest or Libor and are typically variable. The Company actively manages its interest rate exposure where possible. The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to a large degree. As the Company's floating rate finance receivables and loans are currently somewhat below its floating and short-term fixed rate (usually 30 days) borrowings, the Company may deploy interest rate hedges or term out certain of its borrowings in future periods to match up with fixed rate term loan maturities in our equipment and small business finance businesses.

The following table shows the interest rate sensitivity gap at March 31, 2022:

(in thousands)	Floating rate	0 to 12 months	1 to 3 years	4 to 5 years	Thereafter	Non-rate sensitive	Total
Assets							
Cash and restricted cash	$ 10,339	$ —	$ —	$ —	$ —	$ 3,958	**$ 14,297**
Finance receivables and loans, net	158,768	124,159	145,959	24,938		(5,103)	**448,721**
All other assets	—	336	—	—	—	23,150	**23,486**
	$ 169,107	$ 124,495	$145,959	$ 24,938	$ —	$ 22,005	**$486,504**
Liabilities							
Due to clients	$ —	$ —	$ —	$ —	$ —	$ 1,712	**$ 1,712**
Bank indebtedness	12,496	173,303	—	—	—	—	**185,799**
Loans payable	59,464	20,944	36,625	20,959	—	—	**137,992**
Notes payable	4,541	13,626	—	—	—	—	**18,167**
Convertible debentures	—	—	24,775	—	—	—	**24,775**
All other liabilities	—	2,649	228	214	—	9,344	**12,435**
Equity	—	—	—	—	—	105,624	**105,624**
	76,501	210,522	61,628	21,173	—	116,680	**486,504**
	$ 92,606	$ (86,027)	$ 84,331	$ 3,765	$ —	$ (94,675)	**$ —**

Based on the Company's interest rate positions at March 31, 2022, a sustained 100 basis point rise in interest rates across all currencies and maturities would increase net earnings by approximately $66,000 over a one-year period. A decrease of 100 basis points in interest rates would increase net earnings by a similar extent.

24. Capital disclosure:

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares or 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 March 31, 2022, as a percentage, these ratios were 347% (December 31, 2021 – 382%, March 31, 2021 – 298%) and 22% (December 31, 2021 – 20%, March 31, 2021 – 24%), 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. Specifically, at March 31, 2022, the Company is required to maintain a senior debt to TNW ratio of less than 3.5 on its syndicated bank facility. BondIt, which has a loan facility with a non-bank lender, is required to maintain a TNW of at least US$5,000,000. There were no changes in the Company's approach to capital management from previous periods.

25. Government grants:

During the three months ended March 31, 2022, the Company did not receive any government grants. In the first quarter of 2021, the Company received $103,207 under the Canadian Emergency Wage Subsidy program and $25,217 under the Canadian Emergency Rent Subsidy program. These grants were offset against their respective payroll and rent expenses in G&A.

26. Subsequent events:

At May 4, 2022, there were no subsequent events occurring after March 31, 2022 that required disclosure or adjustments to the financial statements.

Corporate Information

Board of Directors

David Beutel, Toronto, Ontario [1, 3, 4]
Burt Feinberg, New York, New York [3]
Simon Hitzig, Toronto, Ontario
Jean Holley, Alpharetta, Georgia [2]
Gary Prager, Wake Forest, North Carolina [2, 3]
David Spivak, Vancouver, British Columbia [1]
Stephen Warden, Oakville, Ontario [1, 2]
(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Credit Committee
(4) Chairman of the Board

Stock Exchange Listings

Toronto Stock Exchange Symbols:
Common Shares: ACD
Convertible Debentures: ACD.DB

Officers

Ken Hitzig, Chairman Emeritus
Simon Hitzig, President, CEO and Corporate Secretary
Stuart Adair, Senior Vice President, Chief Financial Officer
Barrett Carlson, Senior Vice President, Corporate Development
Irene Eddy, Senior Vice President, Capital Markets
Todd Eubanks, Senior Vice President, Underwriting & Portfolio Risk
Cathy Osborne, Senior Vice President, Human Resources
Eric Starr, Senior Vice President, Program Operations and Risk

Bankers

Bank of Montreal
The Bank of Nova Scotia
Truist Bank
Canadian Imperial Bank of Commerce
HSBC Bank Canada
M&T Bank
The Toronto-Dominion Bank

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
Barrett Carlson, President
BondIt Media Capital
Matthew Helderman, President

Registrar & Transfer Agent

Computershare Trust Company of Canada

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KPMG LLP

Legal Counsel

Stikeman Elliott

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