



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Third Quarter Ended September 30, 2022

November 10, 2022

The following management's discussion and analysis ("MD&A") provides information concerning the consolidated financial condition and results of operations of Propel Holdings Inc. ("Propel", the "Company", "we", "our" or "us"). This MD&A should be read in conjunction with our unaudited interim consolidated financial statements together with the notes thereto dated as at September 30, 2022 for the three month period ended September 30, 2022 ("Q3 2022"), and the nine month period ended September 30, 2022. This MD&A is dated as of **November 10, 2022** and is current to this date unless otherwise stated. The financial information presented in this MD&A is derived from the Company's unaudited interim consolidated financial statements and the related notes thereto described above, all of which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in United States dollars except where otherwise indicated.

Forward-Looking Information

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. These statements may relate to our expected, our future growth financial outlook, the expected launch of the Pathward program and its resulting impact on our revenue and net income in 2023 and 2024, the anticipated launch of our Canadian business, our ability to achieve scale in variable pricing and graduation programs and the resulting growth in loans and advances receivable and Ending Combined Loan and Advance Balances¹, the short term and long term impact of the Company's portfolio growth, the increase in our salaries, wages, benefits and administrative expenses as a result of becoming a reporting issuer as well as supporting continued business development and growth, the expected growth in future revenues over upcoming periods, the expected reduction in Annualized Revenue Yield¹ and future Net Charge-Off¹ rates as a result of the expansion of our facilitation of lower cost products, the anticipated reduction in costs of credit and lower default rates resulting from the growth in new products, the return of provision for loan losses and other liabilities as a percentage of revenue to pre-pandemic ranges, the impact of inflation and the overall macroeconomic environment on Net Charge-Offs¹ and profitability, expected future interest rates, the resiliency of our target consumers, the expansion and enhancement of margins, allowance for credit losses, and future changes in accounting policy. Such statements are based on management's reasonable assumptions and beliefs in light of the information currently available to us and is made as of the date of this MD&A. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors, including those described in "Risks and Uncertainties". Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's annual information form dated March 21, 2022 (the "AIF"). These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Non-IFRS Financial Measures and Industry Metrics

This MD&A makes reference to certain non-IFRS financial measures and industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. The non-IFRS financial measures include “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Income”, “Adjusted Net Income Margin”, “Adjusted Earnings Per Share”, “Average Combined Loan and Advance Balances”, “EBITDA”, “EBITDA Margin”, “Ending Combined Loan and Advance Balances”, “Net Charge-Offs”, “Net Charge-Offs as a Percentage of Revenues”, and “Net Charge-Offs as a Percentage of Total Funded”. This MD&A also makes reference to industry metrics that are considered supplementary measures under applicable securities laws. These industry metrics include “Annualized Revenue Yield”, “Average New Customer Loan Amount”, “Cost Per Funded Origination” and “Total Originations Funded.” See “Key Components of Results of Operations” in this MD&A for definitions of such non-IFRS financial measures and industry metrics.

For a reconciliation of the non-IFRS financial measures referenced herein, please see “Reconciliation of Non-IFRS Financial Measures” in this MD&A.

These non-IFRS financial measures and industry metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures and industry metrics in the evaluation of issuers. The Company’s management also uses non-IFRS financial measures and industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management and executive compensation. The key performance indicators used by the Company may be calculated in a manner different than similar key performance indicators used by other similar companies.

Business Overview

Propel is an innovative online financial technology company committed to credit inclusion and helping underserved consumers by providing fair, fast and transparent access to credit with exceptional service. Our mission consists of 3 pillars: inclusion, evolution and experience – based on the principles that every individual deserves access to credit, that consumers should be able to evolve to better products over time, and that they deserve a best-in-class experience. The Company currently facilitates access to credit products to the over 60 million underserved American consumers who struggle to access credit from mainstream credit providers through its proprietary, leading-edge, end-to-end, artificial intelligence (“AI”)-powered online lending platform that facilitates access to credit products. Propel currently operates two consumer-facing brands which directly offer or facilitate access to credit in the US: *MoneyKey*TM and *CreditFresh*TM. Generally, the MoneyKey brand serves consumers with a higher credit risk profile than the CreditFresh brand. The two types of credit products currently available through the Propel platform are:

- Installment Loans — six- to eighteen-month fixed term, fully amortizing loans with a fixed repayment schedule; and
- Lines of Credit — open-ended lines of credit that provide consumers the flexibility to draw cash advances and repay any amount up to their available credit with a minimum payment due each period.

The terms and conditions of the credit products vary depending on the jurisdiction in which they are offered and the program under which they are offered. Credit products facilitated through the Propel platform are intended to be simple, transparent and easy to understand. The cost of the product and other important terms and product details are presented to the consumer upfront and in plain language. There are no surprise fees, origination fees, late fees or prepayment penalties for any of the products offered through our platform.

The MoneyKey direct lending and CreditFresh Bank Programs are supported by two distinct revolving credit facilities. Such credit facilities collectively provide for up to \$180 million of borrowing capacity at any time. For further detail around working capital, liquidity, and debt financing, see “Liquidity and Capital Resources — Credit Facilities” in this MD&A.

On October 17, 2022, Propel announced that it had entered a five-year agreement to become the primary Lending-as-a-Service (LaaS) partner for Pathward, N.A. (“Pathward”). Powered by Propel’s industry-leading, proprietary fintech platform, Pathward will provide credit solutions, starting with a sub-36% APR line of credit, through this LaaS capability through its partners. In line with Propel and Pathward’s shared mission of financial inclusion, these credit products will be offered through a seamless online integration into the Propel platform. In this capacity, Propel will provide white labelled technology and service solutions for Pathward’s consumer lending capabilities, with the agreement contemplating fee income for Propel for customer acquisition services, loan management software, licensing of proprietary AI-powered risk and response scores and credit servicing capabilities. The credit product will be offered by Pathward and is distinct from the products currently offered or facilitated through the Propel platform. This partnership accelerates Propel’s strategic plan to expand and diversify its current product and service offerings and geographic reach as an adjacent business to its established business lines. Propel expects the program to launch by Q1 2023 and be accretive to revenue and net income in 2023, with financial impact growing into 2024. The company will release more details in a future financial outlook.

Propel has previously discussed our intentions to enter the Canadian market by Q1 2023. On November 10, 2022, Propel announced that we will be moving up our launch date entering the Canadian market under a new brand in Q4 2022. Further details, including brand and product information, will be announced imminently.

Summary of Factors Affecting Our Performance

We believe that our performance and future success depends on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the “Risk Factors” section of the AIF.

Our ability to continue to grow our business and generate improvements in our financial performance depends on our ability to execute on our three-pronged strategy of: (i) continuing to generate strong and stable revenue growth by facilitating additional credit to new, existing, and returning customers; (ii) improving credit performance through continuously enhancing our AI-powered underwriting capabilities; and (iii) driving operating cost efficiencies across our platform by increasing automation and online customer self-service capabilities, and managing our key operating costs such as customer acquisition, personnel, and our cost of credit.

Origination Growth

A key pillar of our company mission is “credit inclusion” – we aim to serve consumers who cannot easily access credit through the traditional financial services sector. As a credit and services provider, our ability to generate strong, stable revenue growth and profitability depends on our ability to grow our loan and advance balances, while maintaining target loan losses.

The loan portfolio, which is comprised of loan and advance balances, grows through a combination of attracting new customers (for us and our Bank Partners) and by retaining and continuing to provide credit to existing customers. A growing, diversified suite of credit products is available through our platform and across our two brands. The diversified suite of products facilitated through our platform, coupled with our robust servicing capabilities allows us to maintain high customer retention rates for us and our Bank Partners. The potential for us and our Bank Partners to develop new credit products or services and/or enter into new jurisdictions, coupled with the consistent transition in our industry from brick and mortar to online services, is expected to allow us to further grow the loan portfolio.

Our ability to access debt capital on attractive terms is critical to our ability to make or facilitate loans, grow our receivables and grow our business. We have long-term relationships with our debt capital partners and have attractive economic terms that underpin our ability to grow loan and advance balances profitably. Furthermore, we continue developing relationships with prospective new debt partners who may ultimately provide additional debt capital to the business in the future, as required.

Certain credit products facilitated through our platform are offered by our state-chartered, FDIC insured Bank Partners. We plan on deepening our relationships with our existing Bank Partners and developing new relationships with other banks as we diversify the suite of products and services available through the Propel platform and enter new markets.

In order to be served effectively, the consumers that we work with require a deeper level of credit adjudication which looks beyond traditional credit scores and sources. Thus, growing originations is also dependent on our diverse and innovative partnerships and our sophisticated technology integrations with numerous data providers to obtain various inputs, including alternative credit bureau data and income and employment data.

Continuing to develop new, and enhancing existing relationships with marketing partners, enables us to fulfill on our multichannel and diversified marketing strategy which helps drive growth and increases access to consumer markets, geographically and across the credit spectrum.

Improving Credit Performance

Coupled with maintaining a growing loan portfolio, our business is dependent on ensuring that loan losses remain low and within a target range to ensure profitability. We have developed and operate a proprietary AI, machine learning underwriting technology focused on improving and optimizing our real-time loan decision-making to ensure that we are effective in evaluating a consumer's creditworthiness when factoring in thousands of applicant specific attributes as well as current macroeconomic and credit market conditions. Maintaining and improving on target loan loss rates is critical to the business' profitability and to the continued growth of our loan and advance balances.

Cost Efficiencies

Our main variable costs are those related to loan and advance originations, which consist primarily of marketing costs, acquisition costs, and data costs related to underwriting. Our ability to achieve target cost efficiencies on each funded origination dollar is based on managing marketing costs through innovative partnerships and marketing strategies, managing our data costs by effectively leveraging products and data from our data providers, as well as increasing customer retention and scaling our business. In addition to acquiring new customers, we also focus on retaining existing customers on the Propel platform, generally at a significantly lower cost than acquiring new customers.

Apart from customer acquisition costs, operating costs are an important factor in our profitability. As we grow our business, we expect to generate further meaningful operating cost efficiencies relating to salaries and overhead costs, as well as processing costs connected with the funding and servicing of loans originated and serviced through our proprietary technology platform.

Seasonality

Typically, a higher proportion of loan and advance balance growth is generated during the second half of the year (with the three-months ending December 31 ("Q4") having strongest demand), which includes back-to-school and holiday seasons where the need for disposable income generally increases. Conversely, we tend to see higher rates of repayment of credit products coupled with lower rates of default in the first quarter of the year (particularly in late February and into March) when consumers receive their tax refunds, which when coupled with the lower post-holiday demand, typically results in more disposable income. As a result, in a normalized economic environment, our Ending Combined Loan and Advance Balances¹ experience their highest rate of growth and hit their high point near the end of the year while experiencing their lowest rate of growth over the course of the three-months ending March 31 ("Q1"). Revenues, which are generated from these outstanding balances, therefore tend to be highest in Q4 and margins tend to be highest in the first half of the year assuming a normal and steady-state business environment with normal seasonal patterns. Macroeconomic forces over the past two years, including the COVID-19 pandemic and the resultant government support as well as the elevated inflationary environment, have disrupted many of the seasonal patterns observed in our business during more normalized periods as outlined above.

Note:

1. See "Non-IFRS Financial Measures and Industry Metrics".

Macroeconomic Environment and Outlook

Our ability to operate the business and our financial performance is influenced by several macroeconomic factors including but not limited to interest rates, inflation and unemployment. From the beginning of 2022 through September 30, 2022, the Federal Reserve increased the upper end of its benchmark interest rate range from 0.25% to 3.25% and we believe there will be additional increases in Q4 2022. The increase in interest rates is driven by the Federal Reserve's effort to reduce inflation which is currently at a 40-year high as measured by the consumer price index on an annual basis. Our operations may be adversely impacted by higher interest rates and inflation, primarily through higher operating costs including more expensive employee compensation and financing costs. Furthermore, rising interest rates may have a negative impact on the overall economy including an increase in the unemployment rate which is currently at a 50-year low as well as our customer's cost of living. An increase in the unemployment rate may reduce our customers' ability to repay outstanding loans. In light of the current macroeconomic environment, we and our Bank Partners have taken certain actions to mitigate the potential negative impact that the deteriorating macroeconomic conditions may have on our business, including the tightening of underwriting standards on loan originations. Together with our Bank Partners, we will actively monitor and assess the economic environment in order to manage the risk of further negative pressures on our business. In light of these conditions, it is possible that we, and our Bank Partners, will undertake further tightening of underwriting standards as may be necessary to further protect the credit quality of the business' portfolio.

In addition to the tighter underwriting standards, we believe there are several countervailing factors that may help to mitigate the negative impact of a potentially worsening economic environment. Firstly, data shows that our target customers historically have demonstrated more resilience than prime borrowers and have performed better through recent periods of economic uncertainty. They are experienced at consistently living within and managing tighter budgets, are able to quickly adjust their finances as needed, and are able to fill lost employment income faster on balance. Secondly, despite the higher rate of inflation, we have observed strong employment numbers in our consumer segment and continued wage growth which have helped to offset the negative impact of rising inflation. Thirdly, our data shows a meaningful increase in customers' monthly incomes and credit scores on approved applications this past quarter and year to date. This is a result of both the tightened underwriting approach taken by us and our Bank Partners as well as tightening across the credit supply chain driving consumers with higher credit scores and incomes to products offered through the Propel platform. Lastly, although our financing costs are increasing with rising interest rates, our borrowing costs tend to have less of an impact to the business' overall profitability relative to other costs such as provisions for loan losses and acquisition and data costs.

Notwithstanding the countervailing factors set out above, as a result of the tighter underwriting approach taken by us and our Bank Partners, we anticipate the growth of the loan portfolio over Q4 2022 to be lower than it would have otherwise been in a more normalized macroeconomic environment. Consequently, we currently do not anticipate achieving our 2022 Ending Combined Loan and Advance Balances¹ year over year growth target provided in our initial 2022 outlook. However, we continue to expect to be in-line with the outlook provided on revenue, net income margin, Adjusted EBITDA Margin¹, and Adjusted Net Income Margin¹ for 2022. Given the current macroeconomic environment, we believe that a more conservative position towards underwriting and consequently Ending Combined Loan and Advance Balances¹ growth is the most appropriate and prudent action for the business at this time in order to maintain and enhance the company's profitability and liquidity position. Furthermore, in light of the new initiatives noted above, including the LaaS program with Pathward N.A. and the upcoming launch of our Canadian market program, as we establish more clarity around launch timing and overall volume roll-out plans, we will be updating the 2023 outlook accordingly.

Note:

1. See "Non-IFRS Financial Measures and Industry Metrics".

Initial Public Offering

On October 20, 2021, the Company successfully closed its initial public offering (the “IPO”) of common shares at a price of C\$9.75 per common share (each a “Share”). On October 26, 2021, the underwriters exercised the over-allotment option granted to them in connection with the IPO. In aggregate, the Company sold 7,187,500 Shares (including the exercise of the over-allotment option) for gross proceeds of C\$70,078,125. The Shares are listed for trading on the Toronto Stock Exchange under the symbol “PRL”. See “Share Capital” in this MD&A for further detail around changes to share capital.

Financial and operational highlights for Q3 2022

Comparable metrics relative to Q3 2021

- **Loans and Advances Receivable:** increased by 121% in Q3 2022 to \$166.3 million, a record ending balance
- **Ending Combined Loan and Advance Balances¹:** increased by 115% in Q3 2022 to \$208.4 million, a record ending balance
- **Total Originations Funded¹:** increased by 75% to \$97.7 million in Q3 2022, and increased by 108% to \$284.9 million for year-to-date through Q3 2022, representing record performance for both periods
- **Revenue:** increased by 82% to \$59.7 million in Q3 2022, and increased by 86% to \$164.3 million for year-to-date through Q3 2022, representing record performance for both periods
- **Adjusted EBITDA¹:** increased by 75% to \$8.8 million in Q3 2022, and increased by 19% to \$27.0 million for year-to-date through Q3 2022, representing record performance for a nine-month period ending Q3
- **Net Income:** increased by 570% to \$4.2 million in Q3 2022, and increased by 15% to \$10.1 million for year-to-date through Q3 2022, representing record performance for a nine-month period ending Q3
- **Adjusted Net Income¹:** increased by 71% to \$3.8 million in Q3 2022, and increased by 15% to \$13.7 million for year-to-date through Q3 2022, representing record performance for a nine-month period ending Q3
- **Cost of Debt Capital:** average effective interest rate increased to 10.5% in Q3 2022 from 9.4% in the comparative period in 2021 and increased to 9.7% year-to-date through Q3 2022 from 9.5% in the comparative period in 2021
- **Dividend:** Paid a Q3 2022 dividend of C\$0.095 per Share on September 8, 2022, representing a 4.7% dividend yield against Propel’s closing share price on November 9, 2022.

Note:

1. See “Non-IFRS Financial Measures and Industry Metrics”.

Key Components of Results of Operations

The measures below are used by management in assessing our business. We refer to certain measures used by management, some of which are not recognized under IFRS. See “Non-IFRS Financial Measures and Industry Metrics” in this MD&A.

Loans and advances receivable

Loans and advances receivable include the following: (i) all MoneyKey direct lending products including Installment Loans and Lines of Credit; (ii) participation interest held in Line of Credit products originated by our Bank Partners pursuant to the CreditFresh Bank Program; (iii) Installment Loans that have become delinquent and have been purchased pursuant to the guarantee obligation under the MoneyKey credit service

organization (“CSO”) program; (iv) Line of Credit advances that have defaulted and are purchased from a non-bank financial institution (“NBFI”) pursuant to the MoneyKey Bank Program; (v) fees and interest that have been earned in accordance with our revenue recognition policy (See December 31, 2021 consolidated financial statements accounting policy “Significant Accounting Judgments, Estimates and Assumptions” in Note 3); (vi) acquisition transaction costs; and (vii) allowances for credit losses that are computed by applying the Expected Credit Loss (“ECL”) methodology (see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A).

Revenue

For the MoneyKey direct lending and CreditFresh Bank Program products, our revenues consist of interest and/or fees that are earned from Installment Loans and Lines of Credit originated by Propel and/or facilitated through Propel’s lending platform. We also earn CSO fee revenue in conjunction with the MoneyKey CSO program in Texas. Under the MoneyKey Bank Service Program, we earn revenues consisting of service fees for marketing, analytics, and loan servicing provided to a NBFI who in turn has a partnership with a Utah based FDIC-insured state-chartered bank. All revenues are recognized as they are earned, to the extent that it is probable that the economic benefits will flow to the Company.

Provision for loan losses and other liabilities

Our provision for loan losses and other liabilities is composed of the following:

Gross Charge-Offs: Loans and advances receivable are charged-off when they are in default status (Stage 3) for greater than 30 days, which is generally 60 to 90 days in arrears. The charged-off balance is recognized as a component of provision for loan losses and other liabilities under the consolidated statement of operations and comprehensive income. (See “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A).

Recoveries on charged-off loans and advances: All amounts collected on charged-off account balances are recorded as recoveries. Also included within recoveries are proceeds from the sale of charged-off debt.

Provision for movements in our allowance for credit losses: The allowance for credit losses is calculated by applying an ECL methodology in accordance with IFRS 9 (see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A) against our receivables. Factors used in the calculation of the allowance include the probability of default, loss given default, and exposure at default. These factors are based on historical performance, quantitative and qualitative adjustments for other relevant risk factors, as well as forward-looking indicators, which include the impact of macroeconomic forces.

Provisions for CSO Guarantee Liability and Bank Service Program Liability: For our MoneyKey CSO product, and as part of being a CSO, we are required to guarantee the loans made and owned by the two unaffiliated third-party lenders with whom we partner. The provision for financial guarantee represents the movement in the CSO guarantee liability that is estimated by management. Such estimate is made by applying expected credit loss estimates on the loans owned by the third-party lender.

Under the MoneyKey Bank Service Program the NBFI that holds participation in the Line of Credit advances, originated by their Bank Partner, has the right to sell accounts that default to MoneyKey. The Bank Service Program Liability represents management’s estimate of expected losses on accounts that we project to purchase. The movement in this liability is included as a component of provision for loan losses and other liabilities.

Other Lending Program Costs: Other costs such as consumer discounts, refunds, and others relating to the credit products are included under other lending program costs.

Acquisition and data expense

Acquisition expenses include costs incurred to attract consumers through our established marketing channels. Such channels include, but are not limited to: lead affiliate partners, online marketplace partners, search engine optimization and direct mail initiatives.

Data expenses include costs incurred for data and tools that are required as key inputs in the Company’s proprietary underwriting machine learning algorithms and process. Our AI and machine learning models incorporate and use third party data, in addition to our own proprietary data, as an input for determining the

creditworthiness of a potential customer and what they may qualify for. These costs include amounts paid to credit bureaus and alternative data providers.

Together, acquisition and data expenses form the basis of our Cost Per Funded Origination¹ metric, which helps management assess the efficiency of our marketing and underwriting strategies. We capitalize acquisition transaction costs that are incremental and directly attributable to the origination of a Loan or Line of Credit advance to loans and advances receivable as per the guidance in IFRS 9, and for customer acquisition data costs we capitalize these expenditures to Intangible assets as per the guidance in IAS 38. We recognize the acquisition transaction costs over the estimated term of the related credit products and recognize the customer acquisition data costs over the estimated useful life of the data. We expense both these costs to acquisition and data expense on the consolidated statement of operations and comprehensive income. See December 31, 2021 consolidated financial statements accounting policy “Significant Accounting Judgments, Estimates and Assumptions” in Note 3.

Salaries, wages and benefits

Salaries, wages and benefits include payroll and other personnel-related expenses. This includes salaries, wages, bonuses, stock-based compensation expense, and benefits; all of which are recognized in the period that they are incurred.

A portion of salaries, wages and benefits relating to the development of our technology and proprietary lending platform is capitalized as intangible assets in accordance with IAS 38 and recognized over the estimated life of those assets. See “Critical Account Policies and Estimates” in this MD&A

General and administrative expense

General and administrative expenses include occupancy (not including rent) and office expenses, legal, accounting and professional fees, telecommunications expenses, travel, and general office expenses. All expenses are recognized in the period incurred. Furthermore, these include costs associated with being a reporting issuer and as such have increased in relation to prior comparable periods where the Company was a private business.

Processing and technology

Processing expenses include all costs associated with payment processing for credit products originated through our technology platform. This includes automated clearing house processing fees, card and other payment form processing fees, general banking expenses, and fees paid to our BankPartners.

Technology expenses include web hosting expenses, as well as any expenses relating to software and computer hardware that are expensed as incurred.

Interest and fees on credit facilities, term loans, and lease liabilities

See “Liquidity and Capital Resources” in this MD&A for a full breakdown and discussion around our credit facilities and term loans.

Amortization of internally developed software, right-of-use assets, and depreciation of property and equipment

Amortization of right-of-use assets relates to our lease obligations in accordance with IFRS 16. In accordance with IAS 38, we capitalize allowable software development costs and amortize those costs using a straight-line method over the estimated useful life of the related intangible assets. Costs associated with software development research and post-deployment are expensed as incurred.

This expense does not include customer acquisition data costs that are capitalized to intangible assets in accordance with IAS 38 (see “Acquisition and data expense” above). We amortize these costs over their estimated useful life to acquisition and data expense on the consolidated statement of operations and comprehensive income.

Note:

1. See “Non-IFRS Financial Measures and Industry Metrics”.

Non-IFRS Financial Measures and Industry Metrics

Non-IFRS Financial Measures

Ending Combined Loan and Advance Balances

Ending Combined Loan and Advance Balances measures the ending balances of all credit products originated by Propel and/or facilitated through the Propel platform as at the end of a relevant period. Such balances include (i) MoneyKey's direct lending products; (ii) participation interest held in Line of Credit receivables originated by CreditFresh Bank Program partners; (iii) Installment Loans originated and owned by third-party lenders pursuant to the MoneyKey CSO product; and (iv) participation interest held in receivables purchased by an unaffiliated NBFi pursuant to the MoneyKey Bank Service Program. As some credit products facilitated over the Propel platform are neither originated nor owned by our brands and thus not recognized as loans and advances receivable under IFRS, we believe that this measure provides investors with important information to evaluate the magnitude of potential revenue performance.

Average Combined Loan and Advance Balances

Average Combined Loan and Advance Balances measures the average outstanding balances of all credit products originated by Propel and/or facilitated through the Propel platform over the relevant period. Such average balances include (i) MoneyKey's direct lending products; (ii) participation interest held in Line of Credit receivables originated by CreditFresh Bank Program partners (iii) Installment Loans originated and owned by third-party lenders pursuant to the MoneyKey CSO product; and (iv) participation interest held in receivables purchased by an unaffiliated NBFi pursuant to the MoneyKey Bank Service Program. As some credit products facilitated over the Propel platform are neither originated nor owned by our brands and thus not recognized as loans and advances receivable under IFRS, we believe that this measure provides investors with important information to evaluate the magnitude of potential revenue performance.

EBITDA

EBITDA is a supplemental measure used by management and other users of our financial statements including shareholders and lenders, to assess the financial performance of our business without regard to financing methods or capital structure. For the applicable period, EBITDA equals net income/loss *plus* (i) interest and financing costs, plus (ii) amortization on intangible assets, right-of-use assets, and depreciation of property and equipment, plus (iii) income taxes, in each case to the extent deducted from net income in such period determined on a consolidated basis in accordance with IFRS.

EBITDA Margin

EBITDA Margin equals EBITDA divided by Revenue for the given period.

Adjusted EBITDA

Adjusted EBITDA is a supplemental measure used by management and other users of our financial statements that removes the effect of the non-cash forward-looking credit loss provisions that are recorded on accounts that are otherwise in good standing with no past-due amounts owed. Under IFRS 9 we are required to apply an ECL model where twelve months of estimated losses are booked on loans and advances as soon as they are originated while their associated income is recognized over their lifetimes as well as on accounts that are in good standing (current or Stage 1 accounts — see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A). These provisions are included in our provision for loan losses and other liabilities and management believes that adjusting for them provides investors a more accurate picture of the portfolio's credit performance and the Company's overall financial results for a given period.

Furthermore, we deduct, as applicable, certain expenses, costs, charges or benefits incurred in a given period which in management's view are not indicative of continuing operations, including financing transaction costs as an example.

Adjusted EBITDA equals EBITDA plus (i) non-recurring costs (i.e. financing transaction costs); plus (ii) provision for loan losses on good standing current principal (Stage 1 — Performing) balances (see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A); plus (iii) Provision for CSO Guarantee liabilities and Bank Service Program liabilities.

Adjusted EBITDA Margin

Adjusted EBITDA Margin equals Adjusted EBITDA divided by Revenue for the given period.

Adjusted Net Income

Adjusted Net Income is a supplemental measure used by management and other users of our financial statements that removes the effect of the non-cash forward-looking credit loss provisions that are recorded on accounts that are otherwise in good standing with no past-due amounts owed on an after-tax basis. Under IFRS 9 we are required to apply an ECL model where twelve months of estimated losses are booked on loans and advances as soon as they are originated while their associated income is recognized over their lifetimes as well as on accounts that are in good standing (current or Stage 1 accounts — see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A). These provisions are included in our provision for loan losses and other liabilities and management believes that adjusting for them provides investors a more accurate picture of the portfolio’s credit performance and the company’s overall financial results for a given period.

Furthermore, we deduct, as applicable, certain expenses, costs, charges or benefits incurred in a given period on an after-tax basis, which in management’s view are not indicative of continuing operations, including financing transaction costs as an example.

Adjusted Net Income equals Net Income plus the after-tax impact of (i) non-recurring costs (i.e. financing transaction costs); plus (ii) provision for loan losses on good standing current principal (Stage 1 — Performing) balances (see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A); plus (iii) Provision for CSO Guarantee liabilities and Bank Service Program liabilities.

Adjusted Net Income Margin

Adjusted Net Income Margin equals Adjusted Net Income divided by Revenue for the given period.

Adjusted Earnings Per Share

Adjusted Earnings Per Share is a supplemental measure used by management and other users of our financial statements that removes the effect of the non-cash forward-looking credit loss provisions that are recorded on accounts that are otherwise in good standing with no past-due amounts owed, and certain expenses or benefits incurred which in management’s view are not indicative of continuing operations on an after-tax basis. Adjusted Earnings Per Share equals Adjusted Net Income divided by the weighted average number of shares outstanding for the given period.

Net Charge-Offs

Net Charge-Offs represent principal balances of credit products originated or facilitated on our platform that are charged off, net of any recoveries. Accounts are charged-off once they exceed 30 days in default status. Furthermore, an account enters default after a period of delinquency (having payments in arrears), the duration of which is dependent on several factors, but is generally between 30 and 60 days. We believe that the Net Charge-Offs methodology provides important information regarding credit quality and performance over a specified period.

Net Charge-Offs as a Percentage of Revenue

Net Charge-Offs as a Percentage of Revenues represents the amount of Net Charge-Offs we expense as a percentage of Revenues that we recognize during the period.

Net Charge-Offs as a Percentage of Total Funded

Net Charge-Offs as a Percentage of Total Funded represents the amount of Net Charge-Offs we expense as a percentage of total principal balances originated over the Propel platform during the period.

Industry Metrics

Annualized Revenue Yield

Annualized Revenue Yield is calculated by dividing the Revenue generated over a specific period by the Average Combined Loan and Advance Balances outstanding over the same period and multiplying such quotient by an amount necessary to annualize the yield. We believe that, in addition to providing a view on the portfolio's revenue generation, this metric also provides investors a meaningful representation of the company's mix of products that make up the loan and advance portfolio.

Average New Customer Loan Amount

Average New Customer Loan Amount represents the average amount borrowed by customers for Installment Loans and the average first draw down on a customer Line of Credit advance over a specified period. Using this metric, investors will be able to view trends on both (i) how much consumers are borrowing; and (ii) how loan sizes originated through the Propel platform, that in many cases reflect the type of product offered and consumer credit quality, are changing over time.

Cost Per Funded Origination

Cost Per Funded Origination represents total acquisition and data expense incurred for each dollar funded through Installment Loans and Lines of Credit to new and repeat customers and to existing Line of Credit customers via redraws. This metric is the amount of direct costs incurred during a period divided by the total dollars funded during that same period. We believe that this metric provides investors a view of (i) how much we spend per dollar funded; and (ii) trends on how much it costs to grow the loan and advance portfolio.

Total Originations Funded

Total Originations Funded represents the dollar amounts of all credit products originated by Propel and/or facilitated through the Propel platform across all of Propel's products and programs, not all of which are originated or owned by Propel and thus not treated as loans and advances receivable under IFRS. The funded amount includes new and return customers for Installment Loans and Lines of Credit as well as redraws on Lines of Credit. Total Originations Funded may be useful to an investor because it helps provide an understanding of total Propel platform volumes and the growth and trajectory of our revenues.

Selected Financial Information

Results of Operations

Consolidated statements of operations and comprehensive income

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2022	2021	2022	2021
Revenue	59,738,072	32,742,895	164,335,709	88,471,249
Provision for loan losses and other liabilities	32,553,505	15,420,843	87,265,435	33,175,000
Operating expenses				
Acquisition and data	6,186,628	6,201,683	21,900,406	14,684,904
Salaries, wages and benefits	6,870,706	5,240,934	19,337,967	14,630,381
General and administrative	2,045,216	1,184,597	6,055,527	2,860,520
Processing and technology	2,561,008	1,571,133	7,452,001	4,148,219
Total operating expenses.	17,663,558	14,198,347	54,745,901	36,324,024
Operating income	9,521,009	3,123,705	22,324,373	18,972,225
Other income (expenses)				
Interest and fees on credit facilities	(2,714,756)	(1,212,845)	(5,737,791)	(3,237,909)
Interest on term loans	-	-	-	(886,852)
Interest expense on lease liabilities	(92,240)	(106,564)	(292,845)	(334,008)
Amortization of internally developed software	(607,419)	(493,375)	(1,804,475)	(1,529,846)
Depreciation of property and equipment .	(44,844)	(25,186)	(111,657)	(87,191)
Amortization of right-of-use assets	(149,187)	(159,629)	(463,649)	(502,129)
Foreign exchange gain (loss)	39,669	197,830	156,653	224,826
Unrealized gain (loss) on derivative financial Instruments	(299,984)	(148,960)	(407,812)	(314,841)
Total other income (expenses)	(3,868,761)	(1,948,729)	(8,661,576)	(6,667,950)
Income before transaction costs and income tax	5,652,248	1,174,976	13,662,797	12,304,275
Transaction costs	-	323,216	-	364,821
Income tax expense (recovery)				
Current	2,781,087	638,246	5,702,002	4,152,089
Deferred	(1,322,470)	(412,530)	(2,122,467)	(988,133)
Net income for the period	4,193,631	626,044	10,083,262	8,775,498
Earnings per share ⁽¹⁾ :				
Basic	0.12	0.02	0.29	0.35
Diluted	0.12	0.02	0.28	0.34
Dividends:				
Dividends	2,484,108	672,913	7,626,807	5,525,692
Dividend per share.	0.072	0.024	0.222	0.228

⁽¹⁾ All per share amounts for the period ending September 30 2021 have been restated to reflect the 2:1 share split that occurred as part of the Pre-Closing Capital Changes. See "Share Capital" for further details.

Quarter over quarter results for Consolidated statements of operations and comprehensive income

	2022			2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	59,738,072	54,080,680	50,516,957	41,177,872	32,742,895	28,431,463	27,296,891	22,439,563
Provision for loan losses and other liabilities	32,553,505	31,160,299	23,551,631	21,846,098	15,420,843	10,860,002	6,894,155	11,138,778
<i>Provision for loan losses and other liabilities as a % of revenue</i>	54%	58%	47%	53%	47%	38%	25%	50%
Operating expenses								
Acquisition and data	6,186,628	7,066,697	8,647,081	9,012,671	6,201,683	4,644,465	3,838,757	5,357,051
Salaries, wages and benefits	6,870,706	6,011,422	6,455,839	6,746,338	5,240,934	4,868,834	4,520,613	3,653,231
General and administrative	2,045,216	1,755,553	2,254,758	1,747,037	1,184,597	878,446	797,477	679,279
Processing and technology	2,561,008	2,369,615	2,521,378	1,648,783	1,571,133	1,410,858	1,166,226	1,101,782
Total operating expenses	17,663,558	17,203,287	19,879,056	19,154,829	14,198,347	11,802,603	10,323,073	10,791,343
Operating income	9,521,009	5,717,094	7,086,270	176,945	3,123,705	5,768,858	10,079,663	509,442
Other income (expenses)								
Interest and fees on credit facilities	(2,714,756)	(1,729,758)	(1,293,277)	(1,193,162)	(1,212,845)	(979,666)	(1,045,398)	(715,441)
Interest on term loan	-	-	-	-	-	(443,136)	(443,716)	(448,389)
Interest expense on lease liabilities	(92,240)	(98,185)	(102,420)	(106,035)	(106,564)	(113,492)	(113,952)	(111,498)
Amortization of internally developed software	(607,419)	(632,603)	(564,453)	(610,520)	(493,375)	(530,532)	(505,939)	(337,294)
Depreciation of property and equipment	(44,844)	(44,006)	(22,807)	(24,513)	(25,186)	(30,329)	(31,676)	(34,377)
Amortization of right-of-use assets	(149,187)	(154,510)	(159,952)	(158,649)	(159,629)	(172,280)	(170,220)	(180,785)
Foreign exchange gain (loss)	39,669	79,994	36,990	(676,292)	197,830	46,063	(19,067)	(50,888)
Unrealized gain (loss) on derivative financial instruments	(299,984)	(329,721)	221,893	2,077	(148,960)	(133,712)	(32,169)	280,453
Total other income (expenses)	(3,868,761)	(2,908,789)	(1,884,026)	(2,767,094)	(1,948,729)	(2,357,084)	(2,362,137)	(1,598,219)
Income before transaction costs and income tax	5,652,248	2,808,305	5,202,244	(2,590,149)	1,174,976	3,411,774	7,717,526	(1,088,777)
Transaction and financing costs	-	-	-	1,285,034	323,216	41,605	-	3,947
Income tax expense (recovery)								
Current	2,781,087	1,542,644	1,378,271	590,691	638,246	1,602,571	1,911,272	1,415,592
Deferred	(1,322,470)	(747,443)	(52,554)	(2,252,817)	(412,530)	(709,476)	133,873	(1,377,544)
Net Income for the period	4,193,631	2,013,104	3,876,527	(2,213,057)	626,044	2,477,074	5,672,381	(1,130,772)
Weighted average shares: ⁽¹⁾								
Basic	34,325,120	34,325,120	34,325,120	34,325,120	26,904,134	24,859,028	23,749,927	23,739,042
Diluted	35,642,370	35,642,370	35,373,537	35,248,120	27,480,752	26,134,672	24,355,023	24,232,468
Earnings per share: ⁽¹⁾								
Basic	0.12	0.06	0.11	-0.06	0.02	0.10	0.24	-0.05
Diluted	0.12	0.06	0.11	-0.06	0.02	0.09	0.23	-0.05
Dividends: ⁽¹⁾								
Dividends	2,484,108	2,579,642	2,563,057	2,547,870	672,913	3,783,310	1,069,469	1,839,284
Dividends per share	0.072	0.075	0.075	0.074	0.024	0.152	0.045	0.078

⁽¹⁾ All quarterly share amounts prior to Q4 2021 reflect the 2:1 share split that occurred as part of the Pre-Closing Capital Changes. See "Share Capital" for further details.

Selected Consolidated Financial Information by Fiscal Year

(US\$ other than percentages)	For the Three Months ended Sept 30,		For the Nine Months ended Sept 30,	
	2022	2021	2022	2021
Revenue	59,738,072	32,742,895	164,335,709	88,471,249
Net Income	4,193,631	626,044	10,083,262	8,775,498
Earnings per Share:				
Basic	\$0.12	\$0.02	\$0.29	\$0.35
Diluted.	\$0.12	\$0.02	\$0.28	\$0.34
Adjusted Net Income.	3,816,870	2,227,793	13,699,292	11,915,074
Adjusted Earnings per Share ⁽¹⁾ :				
Basic	\$0.11	\$0.08	\$0.40	\$0.47
Diluted.	\$0.11	\$0.08	\$0.39	\$0.46

⁽¹⁾ All per share amounts for the period ending September 30, 2021 have been restated to reflect the 2:1 share split that occurred as part of the Pre-Closing Capital Changes. See “Share Capital” for further details.

(US\$ other than percentages)	As at Sept 30,		As at Dec 31,
	2022	2021	2021
Loans and advances receivable	166,268,986	75,373,948	103,849,824
Total Assets	220,812,030	105,655,792	149,498,765
Total Liabilities	142,284,735	78,740,412	74,169,523
Total Non-Current Liabilities	118,935,402	52,490,367	44,887,018

(US\$ other than percentages)

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2022	2021	2022	2021
Non-IFRS financial measures				
Ending Combined Loan and Advance Balances ⁽¹⁾	208,380,159	96,841,777	208,380,159	96,841,777
Average Combined Loan and Advance Balances ⁽¹⁾	199,169,828	91,337,808	174,290,194	77,470,418
Net Charge-Offs ⁽¹⁾	27,153,926	10,471,145	70,961,491	25,222,846
Net Charge-Offs as % of Revenue ⁽¹⁾	45%	32%	43%	29%
Net Charge-Offs as % Total Funded ⁽¹⁾	28%	19%	25%	18%
EBITDA ⁽¹⁾	9,260,694	2,849,359	22,073,214	18,517,389
EBITDA Margin ⁽¹⁾	16%	9%	13%	21%
Adjusted EBITDA ⁽¹⁾	8,752,929	5,008,050	26,997,819	22,748,623
Adjusted EBITDA Margin ⁽¹⁾	15%	15%	16%	26%
Adjusted Net Income ⁽¹⁾	3,816,870	2,227,793	13,699,292	11,915,074
Adjusted Net Income Margin ⁽¹⁾	6%	7%	8%	13%
Adjusted Earnings per Share ⁽¹⁾				
Basic	0.11	0.08	0.40	0.47
Diluted	0.11	0.08	0.39	0.46
Industry Metrics				
Total Originations Funded ⁽¹⁾	97,653,620	55,786,711	284,890,185	136,723,506
Average New Customer Loan Amount ⁽¹⁾	1,394	1,040	1,287	1,052
Annualized Revenue Yield ⁽¹⁾	120%	143%	126%	152%
Cost Per Funded Origination ⁽¹⁾	0.063	0.111	0.077	0.107

Note:

(1) See “Non-IFRS Financial Measures and Industry Metrics”.

Analysis of Results for the three and nine months ended September 30, 2022, compared to September 30, 2021

The following section provides an overview of our financial performance during the three- and nine-month periods ended September 30, 2022 compared to the three- and nine-month periods ended September 30, 2021.

(US\$ other than percentages)	As at Sept 30,		%Change	As at Dec 31,	
	2022	2021		2021	%Change
Loans and advances receivable	166,268,986	75,373,948	121%	103,849,824	60%
Ending Combined Loan and Advance Balances ⁽¹⁾	208,380,159	96,841,777	115%	134,843,170	55%

	Three months ended Sept 30,		%Change
	2022	2021	
Average Combined Loan and Advance Balances ⁽¹⁾ . .	199,169,828	91,337,808	118%
Total Originations Funded ⁽¹⁾	97,653,620	55,786,711	75%

	Nine Months ended Sept 30,		%Change
	2022	2021	
Average Combined Loan and Advance Balances ⁽¹⁾ . .	174,290,194	77,470,418	125%
Total Originations Funded ⁽¹⁾	284,890,185	136,723,506	108%

	Three Months ended							
	2022				2021			
	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	
Total Originations Funded ⁽¹⁾ . .	97,653,620	97,465,460	89,771,105	90,525,914	55,786,711	45,370,533	35,566,261	
Quarter over Quarter % change	0.2%	8.6%	N/A	62.3%	23.0%	27.6%	N/A	

Note:

(1) See “Non-IFRS Financial Measures and Industry Metrics”

Loans and advances receivable

Loans and advances receivable increased by 121% to \$166.3 million as at September 30, 2022, compared to \$75.4 million as at September 30, 2021. The growth in these balances was driven predominantly by: 1) the growth in the Bank Programs under our CreditFresh brand which included the ramp up of our new bank partnership with First Electronic Bank (launched in Q2 2021); 2) facilitating the expansion of the Bank Programs into additional states over fiscal year 2021; 3) the successful Q3 2021 launch and subsequent expansion of variable pricing and graduation capabilities since then; 4) strong consumer demand for credit driven by the general opening up of the economy following the easing of COVID-19 related restrictions as well as other macroeconomic factors; 5) the expansion of originations through newly established marketing partners and channels; and 6) at a macro level, the continuing industrywide transition from brick-and-mortar to online lending, and tightening across the credit supply chain which has increased application volume and quality across our platform.

Ultimately, the growth in loans and advances receivable is driven primarily by Total Originations Funded¹ which increased by 75% to \$97.7 million for the three months and 108% to \$284.9 million for the nine months ended September 30, 2022, compared to \$55.8 million and \$136.7 million for the same periods in 2021. This represents records for both periods respectively. Although a record for the Q3 2022 quarter, Total Originations Funded¹ increased by only \$0.2 million or 0.2% relative to Q2 2022. In contrast, Q3 2021 Total Originations Funded¹ increased by \$10.4 million or 23% relative to Q2 2021. On a seasonally adjusted basis, management would typically expect a larger quarter

over quarter increase in originations (such as the increase experienced in Q3 2021). However, in light of continued macroeconomic uncertainty, conservative underwriting and credit policies on new customer originations were applied during the quarter that resulted in fewer new customer originations and consequently Total Originations Funded¹ that would have otherwise been greater for the quarter. Notwithstanding the tightened underwriting, consumer demand continued to be strong and the record level of quarterly and YTD originations were achieved.

The general growth and expansion of the Bank Programs and deeper penetration in the additional states added over the course of fiscal year 2021, contributed significantly to the growth in originations and balances realized in the three and nine month periods ending September 30, 2022. Furthermore, as outlined in prior quarters, in collaboration with our Bank Partners, variable pricing and graduation capabilities were rolled out across Propel's platform in late Q3 2021 and contributed to record growth in the subsequent quarters through September 30, 2022. Graduation capabilities facilitate the movement of consumers up the credit spectrum by providing existing customers with strong payment histories with lower cost credit and/or higher credit limits. Variable pricing enables lower cost products to be offered to qualifying new consumers with lower credit risk profiles. Both of these capabilities allow us and our Bank Partners to fulfill critical components of our mission, namely "credit inclusion and evolution", by ensuring consumers are receiving the right credit products tailored to their risk profile and expanding the overall market of consumers able to be served by Propel's platform (enabling wider coverage across the credit risk spectrum). Having these new capabilities in place for the three and nine months ended September 30, 2022 further contributed to the significant growth relative to the comparable periods in 2021.

From a macroeconomic standpoint, consumer demand for credit has been very strong over the quarter and year to date, contributing to the record level of Total Originations Funded¹ experienced. Pent-up demand and the easing of COVID-19 restrictions are leading to heightened spending and consequently borrowing, despite some economic uncertainty. Elevated rates of inflation are certainly impacting consumer budgets, however, rising wages and robust employment have partially offset these pricing pressures felt by consumers in our segment of the market. Additionally, our target consumer has historically proven to be resilient and fare well in a turbulent economic environment, as compared to the typical prime consumer. While we have not observed any evidence of a pullback in consumer spending and demand thus far, Propel and our Bank Partners have maintained a disciplined and cautious underwriting stance amidst the uncertainty to ensure the credit risk in the portfolio continues to be at the appropriate level to drive profitable growth. The tightening of acceptance and underwriting criteria is a phenomenon that has occurred across the credit supply chain, resulting in fewer people being able to access credit products that may have been able to in a more normalized economic environment. As a result, we have seen a higher credit quality consumer seeking products through the Propel platform, which we expect to result in continued strong performance over the longer term. Thus, although we could have enabled substantially more volume had we and our Bank Partners not tightened our credit policies, we still achieved record origination levels from a volume perspective and expect the quality of the vintages originated during this period to be high. The tightened underwriting posture that is in place for Propel together with our Bank Partners will continue for the remainder of the year as we head into the fourth quarter, which is typically the highest volume period of the year on a seasonally adjusted basis. Consequently, while we expect continued origination growth it will be less than what we would otherwise experience in a typical Q4 period.

See sections below for commentary on the financial results generated from the growth in loans and advances receivable.

Ending and Average Combined Loan and Advance Balances¹

Ending Combined Loan and Advance Balances¹ increased by 115% to \$208.4 million as at September 30, 2022, compared to \$96.8 million as at September 30, 2021. Our Average Combined Loan and Advances Balances¹ increased by 118% to \$199.2 million for the three months ended September 30, 2022, compared to \$91.3 million over the same period in 2021 and increased by 125% to \$174.3 million for the nine months ended September 30, 2022 compared to \$77.5 million over the same period in 2021. The growth in our Ending Combined Loan and Advance Balances¹ is a result of the same factors that drove loans and advances receivable growth (see above).

In addition, the MoneyKey Bank Service program was launched towards the end of 2020 with credit products currently being facilitated in 15 states. Furthermore, similar to CreditFresh, graduation capabilities were rolled out for this program as well. Growth in the MoneyKey Bank Service program further contributed to the growth in Ending Combined Loan and Advance Balances¹ and Average Combined Loan and Advance Balances¹. As this program is an off-balance sheet arrangement, the associated balances are not included in our loans and advances receivable, however, are included in our Ending Combined Loan and Advance Balances¹ and Average Combined Loan and Advance Balances¹. See “Reconciliation of IFRS measures” in this MD&A for a comparison of these measures and “Off-Balance Sheet Arrangements” for detail around this program.

Revenue

Revenue increased by 82% to a record \$59.7 million for the three months ended September 30, 2022, compared to \$32.7 million in the corresponding quarter of the previous year and 86% to a record \$164.3 million for the nine months ended September 30, 2022, compared to \$88.5 million in the corresponding period of the previous year. This growth was primarily a result of the 118% growth in Average Combined Loan and Advance Balances¹ for the three months ended September 30, 2022 and 125% growth for the nine months ended September 30, 2022. Our revenue growth and growth in Average Combined Loan and Advance Balances¹ and Ending Combined Loan and Advance Balances¹, as outlined above (see “Loans and advances receivable”), is primarily a result of the growth in the Bank Programs across an increasing number of states under our CreditFresh brand and the MoneyKey Bank Service program, the general economic recovery and increased consumer demand as we continue to move beyond the COVID-19 pandemic, the continued shift from brick and mortar to online lending, and the expansion of originations through newly established marketing partners, strategies, and channels. Growth was further driven by the expansion of variable pricing and graduation programs. All of these factors are expected to drive continued growth in future revenue over the upcoming periods.

The growth in the Bank Programs under our CreditFresh brand is reflected in the charts below. CreditFresh revenue grew by 116% to \$43.5 million for the three months ended September 30, 2022, compared to \$20.2 million in the corresponding quarter of the previous year and grew by 108% to \$111.2 million for the nine months ended September 30, 2022, compared to \$53.6 million in the corresponding period of the previous year. These represent record revenues for the program for both periods respectively. As a result of this growth, products originated by Bank Partners through the CreditFresh brand grew to represent 73% of Propel’s revenues in the three months ended September 30, 2022 compared to 62% in the corresponding quarter of the previous year and 68% in the nine months ended September 30, 2022 compared to 61% in the corresponding period of the previous year. CreditFresh Bank Program products are currently offered in 25 states by our Bank Partners.

The MoneyKey Bank Service Program was launched in September 2020 and is currently offered in 15 states as at September 30, 2022 through the originating bank. As reflected in the charts below, this program’s revenue grew by 166% to \$7.9 million for the three months ended September 30, 2022, compared to \$3.0 million in the corresponding quarter of the previous year and grew by 281% to \$24.4 million for the nine months ended September 30, 2022, compared to \$6.4 million in the corresponding period of the previous year. This represents record revenue for the program over a nine-month ending period. As a result of this growth, products originated under this program grew to represent 13% of Propel’s revenues in the three months ended September 30, 2022 compared to 9% in the corresponding quarter of the previous year and 15% in the nine months ended September 30, 2022 compared to 7% in the corresponding period of the previous year. The growth in this program accounts for approximately 18% of the Company’s \$27.0 million year over year growth in revenue in the three months ended September 30, 2022 period.

The growth in the Bank Programs under our CreditFresh brand and our MoneyKey Bank Service Program reflect the Company’s strategy of realizing state expansion and providing credit access to a wider and increasing customer market through direct and indirect Bank Programs. These Bank Programs provide products to consumers that have lower credit risk profiles as compared to MoneyKey’s legacy direct lending and CSO programs. As such, the Bank Programs have enabled the Company and our Bank Partners to broaden our presence and coverage across the sub-prime credit risk spectrum.

Revenue generated from our legacy MoneyKey direct lending and CSO products decreased by 14% to \$8.2 million for the three months ended September 30, 2022 compared to the same quarter in the previous year. These revenues represent 14% of Propel’s total revenues decreasing from 29% in the same quarter in 2021. Revenue for the nine months ended September 30, 2022 increased by 1% to \$28.7 million compared to the same period in 2021. These revenues represent 17% of Propel’s total revenues decreasing from 32% in the same period in 2021. As noted above in the “Loans and advances receivable” section, Propel and our Bank Partners have maintained a tightened and conservative

underwriting stance in Q3 2022 in light of continued macroeconomic uncertainty. Management's approach is focused on prioritizing such tightening on the highest credit risk portions of the overall portfolio. Therefore, although more conservative credit policies were applied across all programs, this impacted the legacy MoneyKey direct lending and CSO products even more significantly as those are offered to consumers with higher credit risk profiles on balance as compared to CreditFresh and the MoneyKey Bank Service program. As a result of increased relative tightening on this more mature legacy program and its impact on the associated balances and origination volumes, we experienced the 14% reduction in revenue outlined above for the three months ended September 30, 2022.

	Three Months Ended Sept 30,					
	2022		2021		Period to period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
(US\$ other than percentages)						
MoneyKey direct lending and CSO	8,246,689	14%	9,563,895	29%	(1,317,206)	(14)%
CreditFresh Bank program	43,543,176	73%	20,186,752	62%	23,356,424	116%
MoneyKey Bank Service program . .	7,948,207	13%	2,992,248	9%	4,955,959	166%
Total Combined Revenue	59,738,072		32,742,895		26,995,177	82%

	Nine Months Ended Sept 30,					
	2022		2021		Period to period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
(US\$ other than percentages)						
MoneyKey direct lending and CSO	28,722,495	17%	28,482,629	32%	239,866	1%
CreditFresh Bank program	111,220,620	68%	53,591,961	61%	57,628,659	108%
MoneyKey Bank Service program . .	24,392,594	15%	6,396,659	7%	17,995,935	281%
Total Combined Revenue	164,335,709		88,471,249		75,864,460	86%

As outlined above, the Company rolled out variable pricing and graduation functionality on its platform for its Bank Partners in late Q3 2021. This is consistent with our strategy of providing access to credit to a larger segment of underserved consumers and facilitating a lower cost of credit to new customers, who would otherwise go elsewhere for their credit needs, as well as existing customers who demonstrate positive payment behavior over a period of time. This enables us to further increase origination volumes across our platform by expanding up the credit spectrum by facilitating access to lower and appropriately priced products to customers with lower credit risk attributes. The fee graduation functionality on our platform enables our Bank Partners to continually offer reduced rates to existing, well performing customers. This leads to improved overall customer retention and with improving their credit profiles over time thereby increasing value for both the Company and customers. These initiatives contributed to reducing the Annualized Revenue Yield¹ (see below) in the three and nine months ended September 30, 2022 periods and are expected to further reduce Annualized Revenue Yield¹ in the future as well as reduce Net Charge-Off¹ rates for the portfolio over time while driving significant growth in Total Originations Funded¹ and Ending Combined Loan and Advance Balances¹, as well as top and bottom line growth.

Our Annualized Revenue Yield¹ for the three-month period ended September 30, 2022 decreased to 120% from 143% for the same period in 2021. The Annualized Revenue Yield¹ for the nine-month period ended September 30, 2022 decreased to 126% from 152% for the same period in 2021. This reflects the growth of CreditFresh and the Bank Programs relative to our legacy MoneyKey direct lending and CSO products and the general reduction of rates, through graduation and variable pricing, across products facilitated over our platform. Products offered by our Bank Partners through the Bank Programs generally serve lower credit risk consumers and carry lower yields as compared to our legacy direct lending and CSO products offered under the MoneyKey brand. As such, products offered to consumers through the Bank Programs have lower costs of credit, higher average loan amounts, as well as lower default rates, therefore maintaining and potentially enhancing margins while expanding the potential customer base that can receive products by and through the Propel platform. This shift in the portfolio along with the variable pricing and graduation capabilities are expected to continue impacting the Annualized Revenue Yield¹ (with a corresponding reduction in loss rates over time) as lower cost products available through our platform continue to expand and be offered to new and existing customers.

(US\$ other than percentages)	Three Months Ended Sept 30,		%	Nine Months Ended Sept 30,		%
	2022	2021	Change	2022	2021	Change
Revenue	59,738,072	32,742,895	82%	164,335,709	88,471,249	86%
Average Combined Loan and Advance Balances ⁽¹⁾	199,169,828	91,337,808	118%	174,290,194	77,470,418	125%
Annualized Revenue Yield ⁽¹⁾	120%	143%	(16)%	126%	152%	(17)%

Note: (1) See “Non-IFRS Financial Measures and Industry Metrics”

Coupled with lower costs of credit and lower default rates, products offered by our Bank Partners through the Bank Programs have higher maximum loan amounts appropriate for lower credit risk consumers that have relatively higher incomes. This is reflected by our consistently increasing Average New Customer Loan Amount¹. This amount increased to \$1,394 for the three months ended September 30, 2022 relative to \$1,040 for the three month period in the prior year and increased to \$1,287 for the nine months ended September 30, 2022 relative to \$1,052 for the same period in the prior year. Variable pricing has also contributed notably to the increases in Average New Customer Loan Amount¹ as new consumers with lower credit risk profiles are able to not only qualify for lower rate products, but also higher loan amounts. We expect this trend to continue as the addressable market of consumers able to be serviced by the Propel platform continues to have better credit risk, higher incomes, and ability to repay higher loan amounts.

As previously noted, we have experienced strong consumer demand as the general economy is moving beyond the COVID-19 pandemic and related restrictions. At the same time, we operate in the context of a turbulent and uncertain macroeconomic environment marked by an elevated rate of inflation, tightening monetary policy, and geopolitical tensions. Despite the increase to the rate of inflation, we have observed strong employment numbers (with historically low unemployment rates) and continued wage growth. Additionally, our data shows a meaningful increase in customers’ monthly incomes and higher credit scores on approved applications this past quarter and year to date. This is a result of both the tightened underwriting approach taken by us and our Bank Partners, as well as tightening across the credit supply chain driving consumers with higher credit scores and incomes to products offered through the Propel platform. Overall, given these factors and the historical resiliency of our target market in times of uncertainty, we expect inflation to continue to only have a modest effect on growth and delinquency rates. Ultimately, we believe that we will continue to be able to originate and/or facilitate profitable loans with attractive unit economics to our target market.

Provision for loan losses and other liabilities

Provision for loan losses and other liabilities increased by 111% to \$32.6 million for the three-months ended September 30, 2022, compared to \$15.4 million in the corresponding quarter of the previous year and by 163% to \$87.3 million for the nine-months ended September 30, 2022, compared to \$33.2 million in the corresponding period of the previous year. This resulted in the provision for loan losses and other liabilities as a percentage of revenue increasing to 54% for the three months ended September 30, 2022 as compared to 47% for the corresponding period of the previous year and 53% for the nine months ended September 30, 2022 as compared to 37% for the corresponding period in 2021.

Despite a year-over-year increase in the provision for loan losses and other liabilities as a percentage of revenue for Q3 2022, it is important to note that the Q3 2022 percentage has decreased quarter-over-quarter from the 58% reported in Q2 2022, reflecting improving credit performance beginning in the back half of Q2 and continuing into Q3 2022, even in consideration of seasonality and the macro environment. Further, notwithstanding the increase over the comparable quarter last year, 54% is in-line with target margins for profitability and indicative of strong unit economics in a more normalized growth environment. Regarding factors driving the increase in provision for loan losses and other liabilities as a percentage of revenue, as discussed in the “Loans and advances receivable” section above, the business experienced record Total Originations Funded¹ in the quarter driving significant growth in the portfolio. Generally, in periods of higher growth, the business experiences a higher provision for loan losses and other liabilities as a percentage of revenue. This is due to several factors. Firstly, new and recently originated customers tend to have higher default rates relative to existing customers in the portfolio that have been consistently making payments. Therefore, in periods of higher new and recent origination growth, the overall receivables portfolio could experience higher average missed payments and delinquency rates, and consequently a higher provision as a percentage of revenue. Secondly, under IFRS we record loan loss provisions based on future expected credit losses for every loan origination without matching

revenue that is earned over the life of a loan (for a further discussion of this accounting treatment see “Critical Accounting Policies and Estimates — Loans and advances receivable” in this MD&A).

In addition to the growth factors influencing the increased provision, the business did experience a higher level of delinquencies last quarter in Q2 2022, particularly in April and May. This was reflected in the elevated provision for loan losses and other liabilities as a percentage of revenue in Q2 2022 of 58%, as noted above. These higher delinquencies last quarter ultimately led to higher Net Charge-Offs¹, a key component of the provision for loan losses and other liabilities expense in Q3 2022, as a portion of those delinquencies exceeded the defined period in arrears in-line with the Company’s charge-off policy (for a further discussion of this accounting treatment see “Critical Accounting Policies and Estimates — Loans and advances receivable” in this MD&A). As detailed in the Company’s Q2 2022 MD&A, delinquency rates were higher in Q2 as customers began adjusting to the new post pandemic economic environment and elevated level of inflation. These increased delinquencies were driven more from the existing customers in the portfolio, rather than new customers who were originated through tighter underwriting that was pre-emptively implemented earlier in the year in anticipation. First payment delinquency rates continued to perform well and is expected to drive lower overall portfolio loss rates and delinquencies going forward. Through the second half of Q2 and throughout Q3 2022, management worked with our partners to continue to prudently refine credit policy and actively roll-out a number of effective operational and system enhancements to help facilitate consumers’ ability to remain in good standing. As a result of continued refinements to underwriting and acquisition strategy, customer credit risk scores and net monthly income levels in the overall portfolio have increased notably over the periods and we anticipate these will in turn drive stronger credit performance in the coming quarters. Operational and technological enhancements resulted in further process automation, increased methods of repayment, tools for customer service agents to increase contact and improve their work with customers in arrears, reduced risk on open but unutilized credit limits, and enhanced repayment flexibility to support consumers who may struggle to make upcoming payments. Finally, it is our belief, through observing consumer behaviour, that consumers are adjusting to the new environment and are recalibrating their spending as well as their budgets accordingly. As a result of the factors above, we have experienced a gradual reduction in first payment delinquency rates towards the latter part of Q2 2022 and payment default rates in general over the course of Q3 2022, leading to the quarter-over-quarter reduction of the provision as a percentage of revenue from 58% in Q2 2022 to 54% in Q3 2022. We expect such reduced delinquency and payment default rates to continue into Q4 2022 and beyond considering the strong credit performance we and our Bank Partners are experiencing at present.

Further to the above, another factor driving an increase in the provision as a percentage of revenue in Q3 2022 in relation to the comparable period last year is the relationship between the overall decrease in Annualized Revenue Yield¹ (see “Revenue” section above), reflecting the strategic shift towards lower credit risk in the portfolio, and the computation of allowances for future credit losses, a key component of the provision for loan losses and other liabilities. More specifically, the Annualized Revenue Yield¹ has decreased at a faster pace than the reduction in such allowances and consequently the provision for loan losses and other liabilities. As noted above, under IFRS we are required to build allowances for future expected credit losses across all accounts including new originations and accounts in good standing that have no evidence of underperformance. We employ an Expected Credit Loss (ECL) methodology and model that incorporates extensive amounts of data, estimates, and other factors such as macroeconomic variables. The overall allowances for future expected credit losses as a percentage of loan and advance balances owned by the Company decreased to 21% as at September 30, 2022 compared to 24% as at September 30, 2021. (See “Critical Accounting Policies and Estimates — Loans and advances receivable” below for the table reflecting these percentages as well as a further discussion of the accounting treatment relating to allowances for future credit losses). The decrease in the allowance percentage at the end of Q3 2022 reflects both: a) the improving anticipated future loss performance in the overall portfolio, primarily driven by the continuous strategic shift towards higher credit quality, lower cost originations (outlined in the sections above), further supported by strong credit performance data; and b) the overall maturation of the portfolio. As the proportion of existing customers, who have lower delinquency and default rates given their strong repayment history, grows over time, the overall credit performance in the portfolio increases as well. The higher credit quality constitution and maturity in the portfolio is driving allowances for credit losses down, however, it is being offset to a degree by macroeconomic headwinds and factors that are also incorporated in the ECL model. As a result of both heightened macroeconomic risk, as well as an elevated level of delinquency rates evident in the post pandemic environment, the allowances have been adjusted upwards. Therefore, allowances for credit losses would have been lowered further if not for the macroeconomic uncertainty we are operating in. As a result of these factors impacting the allowance and consequently the provision for loan losses and other liabilities, the Annualized Revenue Yield¹ has decreased at a faster pace than the reduction in such allowances ultimately driving the provision as a percentage of revenue higher when comparing Q3 2022 to Q3 2021.

The same dynamics driving the increase in the provision as a percentage of revenue when comparing the quarters ending September 30 periods between 2022 and 2021 are also driving the increase when comparing the nine-months ending September 30 periods between 2022 and 2021. However, in addition to the above, the comparable period in 2021 was atypical as a result of the continued impacts from the COVID-19 pandemic and more specifically the government relief payments issued in the early part of 2021. The IRS issued Economic Impact Payments to all eligible individuals in the amount of \$600 in late December 2020/early January 2021 and \$1,400 in March 2021. This stimulus money coupled with continued reductions in consumer spending driven by heightened COVID-19 related restrictions led to more muted demand and spending, higher loan repayments, and exceptional credit performance. As a result, Q1 and Q2 2021 each had an uncharacteristically low provision for loan losses and other liabilities as a percentage of revenue resulting in the nine-months ending September 30, 2021 to be 37% as compared to a more normalized growth level of 54% experienced in the nine-months ended September 30, 2022.

Overall, notwithstanding the elevated provision for loan losses and other liabilities, which in large part is driven by very robust growth, the portfolio is growing profitably with strong unit economics and the loan losses remain within our targeted range as we head into Q4 2022. These dynamics are very positive for the business and the overall health and quality of the portfolio over the longer term. Propel and our Bank Partners continue to maintain a prudent stance towards underwriting as we move forward considering some of the ongoing uncertainty in the macroeconomic environment.

(US\$ other than percentages)	Three Months Ended Sept		% Change	Nine Months Ended Sept 30,		% Change
	2022	2021		2022	2021	
Provision for loan losses and other liabilities.	32,553,505	15,420,843	111%	87,265,435	33,175,000	163%
Provision for loan losses and other liabilities as a % of Revenue ⁽¹⁾	54%	47%	16%	53%	37%	42%
Net Charge-Offs ⁽¹⁾	27,153,926	10,471,145	159%	70,961,491	25,222,846	181%
Net Charge-Offs as a % of Revenue ⁽¹⁾ . . .	45%	32%	42%	43%	29%	51%
Net Charge-Offs as a % of Total Funded ⁽¹⁾	28%	19%	48%	25%	18%	35%

Note:

(1) See “Non-IFRS Financial Measures and Industry Metrics”

Net Charge-Offs

Net Charge-Offs¹ increased by 159% to \$27.2 million for the three months ended September 30, 2022, compared to \$10.5 million over the same quarter in 2021, and increased by 181% to \$71.0 million for the nine months ended September 30, 2022, compared to \$25.2 million over the same period in 2021. Net Charge-Offs¹ represent the actual credit losses on the portfolio over a specified period of time and are a driving component of the provision for loan losses and other liabilities (see “Reconciliation of Non-IFRS Measures” in this MD&A). However, while provision for loan losses and other liabilities contains a forward-looking component accounting for expected credit losses in the future under IFRS, Net Charge-Offs¹ measure actual losses on the portfolio and, as such, in large part relate to and lag origination activity from prior periods.

Given that loans and advances receivable are charged-off upwards of 90 days after entering delinquency, a large portion of the charge-offs experienced in Q3 2022 related to originations from prior quarters (See “Critical Accounting Policies and Estimates — Loans and advances receivable” below for a further discussion of the accounting treatment relating Stage 2 and Stage 3 accounts). As outlined above, the business experienced elevated delinquencies and defaults in Q2 2022, particularly in April and May which ultimately led to higher Net Charge-Offs¹ for Q3 2022 as a portion of those delinquent accounts exceeded the defined period in arrears in-line with the Company’s charge-off policy (see “Provision for loan losses and other liabilities” for further discussion and detail). Furthermore, the comparable period in 2021 was impacted to a degree by the continued effects of the COVID-19 pandemic and more specifically the government relief payments issued in the early part of 2021 (see “Provision for loan losses and other liabilities” above). This dynamic drove lower customer spending and demand as well as exceptional credit performance, particularly low levels of delinquencies, in the first half of 2021 which ultimately translated to lower Net Charge-Offs¹ in Q3 2021 given the lagged nature of this measure. Therefore, this adds complexity when comparing 2022 performance to 2021.

Consequently, Net Charge-Offs as a % of Revenue¹ for the three and six months ended September 30, 2022 were 45% and 43% respectively as compared to 32% and 29% for the three and six months ended September 30, 2021. Although higher over the 2021 periods, the Net Charge-Offs as a % of Revenue¹ in 2022 are at acceptable levels for the business, generating strong unit economics and profitability, and reflecting a more normalized high growth operating environment.

Net Charge-Offs as a percentage of Total Funded¹ increased to 28% from 19% for the three months ended September 30 periods in 2022 and 2021 respectively and to 25% from 18% for the nine months ended September 30 periods in 2022 and 2021 respectively. As outlined above, i) the lagging nature of Net Charge-Offs¹, ii) higher delinquencies and defaults experienced in Q2 2022, and iii) atypically low levels of delinquencies and defaults experienced in Q1 and Q2 2021 as a result of the ongoing COVID-19 pandemic, resulted in increased Net Charge-Offs¹ in 2022 when comparing to 2021 and consequently resulted in an increase in Net Charge-Offs as a percentage of Total Funded¹ for both the three and nine months ended September 30, 2022 periods. Additionally, the computation of Net Charge-Offs as a percentage of Total Funded¹ is also driven by the level of Total Originations Funded¹ in a given period. All else being equal, with the same level of charge-offs (that relate in large part to prior period originations as described above), if origination volumes grow faster quarter over quarter, the Net Charge-Offs as a percentage of Total Funded¹ will be reduced. See “Non-IFRS Financial Measures” above for the computation.

In 2021, Total Originations Funded¹ increased by 23% in Q3 2021 over Q2 2021 and by 28% in Q2 2021 over Q1 2021. Such high levels of quarter over quarter growth were fueled, in addition to normal seasonal trends, in large part by the easing of COVID-19 related restrictions and government relief payments issued in the early part of the year, as well as seasonal trends, which initially suppressed demand and consequently accelerated growth rates as conditions normalized. Associated with this and as described above, this also contributed to exceptional credit performance in the early part of 2021 and led to lower Net Charge-Offs¹ experienced in Q3 2021. Together, these dynamics resulted in atypically low Net Charge-Offs as a percentage of Total Funded¹ in the comparable periods in 2021. In contrast, Total Originations Funded¹ increased by 0.2% in Q3 2022 over Q2 2022 and by 9% in Q2 2022 over Q1 2022. Although record periods of originations, the quarter over quarter increases were atypically lower on a seasonally adjusted basis given the deliberate actions of management and our Bank Partners to tighten underwriting. In light of continued macroeconomic uncertainty, conservative underwriting and credit policies on new customer originations were applied during Q2 and Q3 2022 reducing the quarter over quarter growth in originations which would have otherwise been greater. See sections above for further discussion on the underwriting and credit policy position for Q3 2022 and year to date. As such, given the lagging nature of Net Charge-Offs¹ and the way the Net Charge-Offs as a percentage of Total Funded¹ metric is computed, the slower rate of origination growth in Q3 2022 also contributed to this metric being elevated at 28% for the three months ending September 30, 2022.

Overall, we expect Net Charge-Offs as a percentage of Total Funded¹, when measured over a period of time and adjusted for seasonal and other demand fluctuations, to decrease over time with our enhanced underwriting and as the products facilitated through our platform evolve to serve lower credit risk consumers through variable pricing and graduation. Products offered by our Bank Partners through the Bank Programs generally serve lower risk consumers as compared to our legacy products offered under the MoneyKey brand. Products offered to consumers through the Bank Programs have (i) higher loan amounts; (ii) lower cost of credit to consumers; and (iii) experience lower default rates. This is evidenced by our consistently decreasing Net Charge-Offs as a percentage of Total Funded¹ since 2018. This rate was 37% in 2018, 33% in 2019, 22% in 2020, and 18% in 2021. Due to the impact of COVID-19, we do note that Net Charge-Offs as a percentage of Total Funded¹ were lowered beyond what we would have expected in certain periods in 2021 (i.e. the three and nine months ending September 30, 2021 having abnormally strong credit performance as discussed above) and especially over fiscal year 2020. Net Charge-Offs as a percentage of Total Funded¹ increased to 28% and 25% for the three and nine month periods ending September 30, 2022, (reflecting a return to pre-pandemic levels and an uptick in default and delinquency rates in Q2 2022 driven by the factors outlined in the sections above), as compared to 22% and 18% for fiscal 2020 and 2021, (periods with exceptional credit quality due to the impact of the pandemic). However, the percentages experienced in 2022 remain lower than pre-pandemic levels and as such reflect the shift in the overall portfolio towards consumers with lower credit risk profiles. Notwithstanding this, we do expect our Net Charge-Offs as a percentage of Total Funded¹ to come down over time as compared to the 28% experienced in the three months ending September 30, 2022. Management expects the future decrease to come as a result of the macroeconomic and internal operating dynamics noted above under “Provision for loan losses and other liabilities” including: a) consumers in our segment readjusting to the new post pandemic economic environment including the elevated level of inflation; b) continued refinements to underwriting and acquisition strategy driving increases in credit scores and income levels of originations facilitated through our platform; and c) the operational and technological enhancements rolled out towards the latter part of Q2 2022. We have observed a notable decrease in default and

delinquency rates across the portfolio towards the latter part of Q2 2022, over the course of Q3 2022, and expect this trend to continue into Q4 2022 which we expect will ultimately reduce Net Charge-Offs¹ metrics over time.. Additionally, and as discussed above, even in light of the ongoing fluctuations in the macroeconomic environment, data shows that our target consumers demonstrate more resilience than prime borrowers and perform better through periods of economic uncertainty. They are experienced at consistently living with and managing tighter budgets, are able to quickly adjust their finances as needed, and are able to fill lost employment income faster on balance.

Acquisition and data expense

Acquisition and data expense remained flat for the three months ended September 30 from 2021 to 2022 at \$6.2 million. The company saw acquisition and data expense increase by 49% to \$21.9 million for the nine months ended September 30, 2022, compared to \$14.7 million over the same period in 2021. This increase is primarily due to the significant growth in Total Originations Funded¹ over the period and consequently significant growth in our Ending Combined Loan and Advance Balances¹ and loans and advances receivable.

Total Originations Funded¹ grew by 75% to \$97.7 million from \$55.8 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 and grew by 108% to \$284.9 million from \$136.7 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. This growth is a result of both new customer origination volume as well as repeat customers and redraws on existing Lines of Credit. Please refer to the sections above “Loans and advances receivable” and “Ending and Average Combined Loan and Advance Balances¹” for further detail and drivers of the growth.

While acquisition and data expense stayed flat as noted above, the growth in Total Originations Funded¹ was 75% higher in for the three months ended September 30, 2022 which resulted in a substantial decrease in our Cost Per Funded Origination¹ to \$0.063 for the period as compared to \$0.111 for the three months ended September 30, 2021. For the nine months ended September 30, 2022 the growth in acquisition and data expense was 49%, as noted above, and the growth in Total Originations Funded¹ was 108%. This also resulted in a substantial decrease in our Cost Per Funded Origination¹ to \$0.077 for the period as compared to \$0.107 for the comparable period in 2021. Overall, for both the three and nine month ending September 30, 2022 periods, we were able to reduce our Cost Per Funded Origination¹ while delivering record Total Originations Funded¹. These decreases reflect improved efficiency for the business as we were able to originate and/or facilitate and fund more dollars to consumers at a reduced acquisition and data cost relative to the amounts originated. More specifically, these decreases in acquisition and data expense were driven by a couple of significant factors: a) improved acquisition strategies and enhancements to our proprietary acquisition models and algorithms; and b) tighter underwriting and acceptance criteria, together with our Bank partners, deployed on new customer acquisition volume.

The business has a consistent focus on improving our acquisition capabilities, reach, and spend through innovative partnerships and strategies, expansion of marketing channels, and enhancements to our proprietary acquisition model and technology. This is further helped through leveraging products and data from our partnerships with key data providers. The above ultimately leads to increasing conversion rates from applicants that are approved for credit through our proprietary underwriting engine, and a corresponding reduction to the cost per funded acquisition for new customer originations. As such, we experienced a lower overall acquisition and data expense per new customer dollar funded.

As noted last quarter and in the sections above (see “Provision for loan losses and other liabilities”), together with our Bank partners we proactively tightened underwriting towards the latter part of Q2 2022 and into Q3 2022 in light of heightened economic uncertainty. As a result, new customer originations as a proportion of Total Originations Funded¹ has been decreasing over the past quarters and in relation to the comparable periods in 2021 and, consequently, the proportion funded to repeat and existing customers has been increasing which was further driven by very strong credit demand. We incur the vast majority of acquisition and data costs on new customer originations, therefore, this shift in originations towards existing customers contributed to decreasing Cost Per Funded Origination¹. Extending more credit to existing customers is a net positive for the business for a number of reasons beyond the nominal positive impact to associated acquisition and data costs. Existing customers perform significantly better from a default and delinquency perspective when compared to new customers and it helps considerably with retention rates which extends and grows the long term value to the business of each account.

The combination of the above factors led to notable decreases in the Cost Per Funded Origination¹ in 2022 relative to comparable periods in 2021 and to a decreased acquisition and data expense recognized in Q3 2022 relative to the

prior quarter Q2 2022 while continuing to grow total origination volumes. We anticipate the cost efficiencies with our acquisition and data expense to continue moving forward in an environment where our and our Bank Partners underwriting continues to be tightened.

Salaries, wages and benefits

Salaries, wages, and benefits expense increased by 31% to \$6.9 million for the three months ended September 30, 2022, compared to \$5.2 million over the corresponding quarter in 2021 and by 32% to \$19.3 million for the nine months ended September 30, 2022, compared to \$14.6 million over the corresponding period in 2021. This increase was due to the overall growth in our business as reflected by the 82% and 86% increase in revenue for the three and nine month periods ended September 30, 2022 respectively, the 115% increase in Ending Combined Loan and Advance Balances¹ and general rebuilding of staffing levels as the business environment continues to normalize post COVID-19. Moving forward, although people costs will continue to grow as the business scales, we expect such growth to continue to be outpaced by the growth in loan and advance balances and revenue generating considerable operating leverage for the business. A large part of these expenses, particularly the contact center headcount, is variable to overall loan volume and new customer originations.

Furthermore, the business continues to gain significant efficiencies in people costs across our contact centers as a result of enhancements to operational processes and automation through technology. “Customer experience” is a key pillar of our mission and to that end, we continuously strive to provide customers with a light touch experience (from origination, to service and ultimately through to repayment) by leveraging our technology to enable more self-service capabilities. Some examples include increased methods of repayment through our self-service portal, automated tools to increase contact and effective interaction with customers, and more automation on the originations and loan funding side. This helps reduce dependencies on live agents in the contact center and ultimately reduces costs to the business over time. We have made significant advances in these areas over the past several quarters and expect to continue to leverage and enhance our technology platform to continue driving efficiencies. This has contributed to a decrease in salaries, wages and benefits as a percentage of revenue in both the three and nine month periods ending September 30, 2022 as compared to the same periods in 2021.

We further note that the Company has been building up its operating infrastructure, including additional corporate hires and increasing time allocation from existing corporate employees, to develop and establish the significant new business initiatives that have yet to be launched. These include the Lending-as-a-Service (LaaS) agreement with Pathward, N.A. that was announced on October 17, 2022 and the impending launch in the Canadian market. See the “Business Overview” section for additional detail. The Company incurred approximately \$0.8 million and approximately \$1.7 million in salaries, wages, and benefits during the three- and nine-month periods ending September 30, 2022 respectively that were related to these two major initiatives. We expect significant economic benefit from these two programs as they launch and scale into the future. Stripping out the costs attributable to these new programs, the existing CreditFresh and MoneyKey business, and Propel as a whole, would be more profitable and we would have experienced and demonstrated further operating leverage and cost efficiencies relating to salaries, wages, and benefits as it relates to growth in revenue and balances in our established lines of business.

General and administrative expense

General and administrative expenses (“G&A”) increased by 73% to \$2.0 million for the three months ended September 30, 2022, compared to \$1.2 million over the corresponding quarter in 2021 and by 112% to \$6.1 million for the nine months ended September 30, 2022, compared to \$2.9 million over the corresponding period in 2021. This increase came as a result of two primary factors. Firstly, the overall growth in our business and infrastructure, and secondly direct and indirect costs associated with being a publicly listed company. In order to support and enable the significant volume and balance growth detailed above as well as support the increases in personnel, we increased our G&A expenses in a number of areas. As an example, we put in place additional infrastructure in the contact center that led to notable improvements in customer experience and significant efficiencies to our contact center operations. Further contributing to the increase, as detailed in the “salaries, wages and benefits” section above, we incurred additional G&A expenses relating to developing and establishing the significant new business initiatives that have yet to be launched. We also note that there were generally more company expenses as COVID-19 restrictions were eased when compared to the prior period in 2021 such as increased travel and some gradual back to office activity.

With respect to being a publicly listed company, we incurred higher costs in the 2022 quarter and year-to-date relative to 2021 for audit and tax fees, legal and professional service fees including investor relations, general administration and governance costs, and increased insurance costs including D&O policies.

As noted above, given the overall growth and development of the company over the past year, we increased G&A expenses significantly relative to the prior year, however, we expect substantial operating leverage moving forward as the infrastructure we built over the years positions us well for considerable continued growth in revenue and balances across existing and new business programs moving forward.

Processing and technology

Processing and technology costs increased by 63% to \$2.6 million for the three months ended September 30, 2022, compared to \$1.6 million for the same three-month period in 2021 and by 80% to \$7.5 million for the nine months ended September 30, 2022, compared to \$4.1 million over the corresponding period in 2021. The increase in processing and technology expense was primarily due to the growth in our Total Originations Funded¹ and consequently our Ending Combined Loan and Advance Balances¹ discussed in the associated sections above as these are predominantly variable costs associated with originating and servicing loans facilitated through the Propel platform. The increases in processing and technology costs were lower than the increases in our Total Originations Funded¹ and our Ending Combined Loan and Advance Balances¹ as measured over both three month and nine month periods which demonstrates the scalability and operating leverage inherent in our model. Processing and technology costs include fees paid to our Bank Partners (see ‘Key Components of Results of Operations’ above).

Interest and fees on credit facilities, term loans, and lease liabilities

Total interest expense (per the table below) increased by 113% to \$2.8 million for the three months ended September 30, 2022, compared to \$1.3 million for the same three-month period in 2021 and by 35% to \$6.0 million for the nine months ended September 30, 2022, compared to \$4.5 million over the corresponding period in 2021. The increase in total interest expense came as a result of our increased usage of our credit facilities and from the rising interest rate environment. Our average daily facility outstanding (per the table below) increased by 101% to \$103.0 million for the three months ended September 30, 2022 as compared to \$51.2 million for the three months ended September 30, 2021. This increase in the average daily facility outstanding was used to fund the 121% increase in loans and advances receivable. Our average daily facility outstanding combined with our average term loans outstanding increased by 53% to \$79.1 million in the nine months ended September 30, 2022 as compared to \$51.9 million in the nine months ended September 30, 2021. For the three months ended September 30, 2022, the interest rate on our credit facilities increased primarily as a result of the rising interest rate environment further detailed below. The effective annualized borrowing rate on the Company’s credit facilities increased to 10.5% in the three months ended September 30, 2022 as compared to 9.4% in the three months ended September 30, 2021. However, for the nine months ended September 30, 2022, the rate of increase in total interest expense was lower than the rate of increase in credit facility usage. The lower increase in total interest expense came primarily as a result of paying off our old term loan using a portion of the proceeds from the Raptor financing at the end of June 2021. This resulted in no interest expense on term loans for the nine months ended September 30, 2022 while we incurred \$0.9 million in interest expense on the old term loan for the nine months ended September 30, 2021. At 16%, this old term loan carried a higher interest cost than our current credit facilities. See “Liquidity and Capital Resources” for further detail.

The increase in the effective annualized borrowing rate on the Company’s credit facilities for the three months ended September 30, 2022 rate came as a result of tightening monetary policy reflected by interest rate hikes by the US Federal Reserve. Our credit facility rates have a variable component tied to LIBOR, SOFR, and US Prime (see “Liquidity and Capital Resources – Credit Facilities” for further detail). Such variable component contains a rate floor of 1% for 3-month LIBOR, a rate floor of 1% for 3-month Term SOFR and 3.25% for US Prime. Considering the Fed rate increases have gradually driven 3-month LIBOR to 3.75%, 3-month Term SOFR to 3.59%, and US Prime to 6.25% by September 30, 2022, this has caused our credit facility borrowing rates to increase and we expect will continue to climb in the coming quarters. With the strong commitment from the Fed to curb inflation, there could be further interest rate increases expected ahead which will, in turn, impact our borrowing costs. Nonetheless, although such increase is not desirable, borrowing costs would need to rise significantly above forecasted levels before having a material impact to the profitability of our business. Furthermore, we are committed to prudently managing our cash and credit facility usage in order to offset some of the increasing cost pressure.

As at September 30, 2022, the debt to equity ratio for the Company was 1.48/1. With the sizable credit available under the debt facilities, the facility structure from an advance rate perspective, and the relatively low debt to equity ratio carried by the Company, we believe we are in a strong position to continue to significantly grow our loans and advances receivable. See “Liquidity and Capital Resources” for further detail on the structure and credit availability under our credit facilities.

	Three Months Ended Sept 30,					
	2022		2021		Period over period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
(US\$ other than percentages)						
Interest and fees on credit facilities. . .	2,714,756	5%	1,212,845	4%	1,501,911	124%
Average daily facility outstanding. . .	102,967,717		51,180,978		51,786,739	101%
Other Interest (lease)	92,240	0%	106,564	0%	(14,324)	(13)%
Total Interest Expense.	2,806,996	5%	1,319,409	4%	1,487,587	113%

	Nine Months Ended Sept 30,					
	2022		2021		Period over period change	
	Amount	Percentage of Revenues	Amount	Percentage of Revenues	Amount	Percentage
(US\$ other than percentages)						
Interest and fees on credit facilities. . .	5,737,791	3%	3,237,909	4%	2,499,882	77%
Average daily facility outstanding. . .	79,139,560		45,629,670		33,509,890	73%
Interest on term loans.	-	0%	886,852	1%	(886,852)	(100)%
Average Term loans outstanding. . . .	-		6,258,645		(6,258,645)	(100)%
Other Interest (lease)	292,845	0%	334,008	0%	(41,163)	(12)%
Total Interest Expense.	6,030,636	4%	4,458,769	5%	1,571,867	35%

Net income

Net income increased by 570% to \$4.2 million for the three months ended September 30, 2022 from \$0.6 million for the same period in 2021 and increased by 15% to \$10.1 million for the nine months ended September 30, 2022 from \$8.8 million for the same period in 2021. The increases in net income relative to 2021 came primarily as a result of overall growth and effective cost management.

As outlined in the sections above, Propel experienced significant growth in the three and nine months ended September 30, 2022 where Total Originations Funded¹ increased by 75% and 108% for the three and nine months ended September 30, 2022 and Ending Combined Loan and Advance Balances¹ increased by 115% year over year. As a result, revenue grew by 82% and 86% for the three and nine months ended September 30, 2022. Such growth was driven by the expansion of existing operations including the (i) scaling of the three Bank Programs launched since 2019 (with the latest partnership launched in Q2 2021), (ii) deeper penetration in new states launched prior to 2021 and the expansion into 10 new states under each of the CreditFresh and MoneyKey brands respectively over the course of 2021, (iii) increasing marketing reach through marketing partner relationships and strategies established over the recent years, (iv) continued expansion across and up the consumer credit risk spectrum through the roll-out of lower fee products across the platform enabling us and our partners to provide credit to consumers who were not targeted previously, and (v) graduation and variable pricing capabilities launched in late Q3 2021. Finally, the above growth was also driven by very strong demand for credit as the economy continued to move beyond the COVID-19 pandemic and the continued shift from brick and mortar to online lending. See “Loans and advances receivable” for further detail and drivers.

In order to realize and deliver the initiatives and significant growth outlined above, we are required to invest in and absorb larger costs in the short-term while realizing a large portion of the revenues and economic benefits in the future. As such, in accordance with IFRS, we are required to take larger immediate expenses relating primarily to (i) the provision for loan losses and other liabilities; (ii) acquisition and data; and (iii) other operating expenses including salaries, wages, and benefits and G&A as we build up our infrastructure to support the increasing volumes and loan and

advance balances. Furthermore, as outlined in the above sections, we also incurred additional people related and G&A expenses to build out infrastructure to enable the two new business development initiatives that have yet to be launched: (i) the LaaS program with Pathward N.A., and (ii) the Canadian market business. Notwithstanding the increased cost, the business experienced increased net income for both the three and nine month periods respectively considering the substantial top-line revenue growth and operating leverage. Outside of the increased provision for loan losses and other liabilities as a percentage of revenue, total operating expenses as a percentage of revenue were reduced for both the three and nine month periods when comparing 2022 to 2021. The provision for loan losses and other liabilities as a percentage of revenue increased to 54% and 53% for the three and nine month periods ended September 30, 2022 as compared to 47% and 37% for the same periods in 2021. See “Provision for loan losses and other liabilities” above for a further discussion. Total operating expenses which include acquisition and data expense, salaries, wages, and benefits, G&A, and processing and technology expense, when aggregated together as a percentage of revenue decreased to 30% and 33% for the three and nine month periods ended September 30, 2022 as compared to 43% and 41% for the same periods in 2021. See all associated expense sections above for a detailed discussion of performance. Considering the growth and platform scalability, the rate of increase in total operating expenses was significantly lower than the increases in volumes, balances, and revenue reflecting ongoing disciplined expense management and inherent operating leverage evident in the business model. We expect substantial operating leverage in these areas to continue considering the current infrastructure is in a position to enable considerable growth in revenue and balances leading to the enhancement of our profit margins both in absolute terms and on percentage terms moving forward.

With respect to the nine month period ended September 30, 2022 relative to the prior year in particular, the increase in net income was significantly lower than for the three month period ended September 30, 2022. In order to further understand the reason for the lower net income growth, it is important to outline and contrast the differences between the first quarters in 2022 and 2021. As outlined in the sections above, as a result of heavier restrictions and lower discretionary consumer spending due to COVID-19 in Q1 and Q2 of 2021 in particular, along with the government relief payments received in Q1 2021, these two quarters were abnormal from a credit perspective where the provision for loan losses and other liabilities as a percentage of revenue was near historic lows driven by exceptional credit performance (25% for Q1 2021 and 38% for Q2 2021 respectively). By contrast, Q1 2022 and Q2 2022 were much more normalized growth and operating periods for the Company, and as such, all else being equal, would carry higher provisions as a percentage of revenue. Considering the provision for loan losses and other liabilities is the Company’s single most significant cost, this was a key driver in the reduced net income in Q1 2022 and Q2 2022 when compared to the same periods in 2021. This is outlined in detail in the Company’s Q2 2022 MD&A. The significant increase in net income in Q3 2022 over Q3 2021 (570% as noted above) more than made up this difference and ultimately drove a combined increase of 15% for the nine months ended September 30, 2022 over the comparable period last year.

Management believes that the COVID-19 pandemic has contributed to broader macroeconomic environment changes, including the elevated rate of inflation. Despite the higher rate of inflation, we have observed strong employment numbers in our consumer segment and continued wage growth to somewhat offset the impact of inflation. Although offset by the aforementioned factors, we have observed a modest impact on increased consumer delinquencies from rising inflation in early Q2 2022, however, we have also observed downward trending first payment delinquencies towards the end of Q2 2022, and payment default rates in general throughout Q3 2022 which we expect to remain stable into Q4 2022. This downward trend is likely due to the offsetting economic factors mentioned above as well as an adjustment by consumers, who are behaving and spending rationally, to the new post pandemic macroeconomic environment including the heightened price levels. In addition, the downward trend can also be attributed to the proactive underwriting measures and general approach of our and our Bank Partners’ credit risk teams as well as a number of operational and technology enhancements rolled out in the quarter (see “Provision for loan losses and other liabilities” above). Our consumer segment has demonstrated resiliency through COVID-19 as well as historically during periods of economic stress, and as a result, we do not expect any material adverse impact to provision for loan losses beyond the allowance for credit losses provided for. Moving forward, we expect the expansion of margins both in absolute and percentage terms with the increased quality and maturation of the portfolio, improved underwriting, and as the business realizes the revenues and overall economic benefit of the significant growth achieved over the recent past.

(US\$ other than percentages)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2022	2021	% Change	2022	2021	% Change
Net Income.	4,193,631	626,044	570%	10,083,262	8,775,498	15%
Net Income as % of Revenue	7%	2%		6%	10%	
Earnings per Share:						
Basic.	\$0.12	\$0.02	425%	\$0.29	\$0.35	(16)%
Diluted.	\$0.12	\$0.02	416%	\$0.28	\$0.34	(17)%
Adjusted Net Income ⁽¹⁾	3,816,870	2,227,793	71%	13,699,292	11,915,074	15%
Adjusted Net Income ⁽¹⁾ Margin.	6%	7%		8%	13%	
Adjusted Earnings per Share ⁽¹⁾ :						
Basic.	\$0.11	\$0.08	34%	\$0.40	\$0.47	(16)%
Diluted.	\$0.11	\$0.08	32%	\$0.39	\$0.46	(17)%
EBITDA ⁽¹⁾	9,260,694	2,849,359	225%	22,073,214	18,517,389	19%
EBITDA as % of Revenue ⁽¹⁾	16%	9%		13%	21%	
Adjusted EBITDA ⁽¹⁾	8,752,929	5,008,050	75%	26,997,819	22,748,623	19%
Adjusted EBITDA as % of Revenue ⁽¹⁾	15%	15%		16%	26%	

Note:

(1) See “Non-IFRS Financial Measures and Industry Metrics”

Adjusted Net Income

Adjusted Net Income¹ increased by 71% to \$3.8 million for the three months ended September 30, 2022 from \$2.2 million for the same period in 2021, and increased by 15% to \$13.7 million for the nine months ended September 30, 2022 from \$11.9 million for the same period in 2021.

Adjusted Net Income¹ removes the effects of non-cash estimated credit loss provisions that are required under IFRS to be recorded against balances that are otherwise in good standing (see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A). As a result, in periods of significant growth where we record estimated loan losses on new originations without any corresponding income, our margins can appear artificially decreased and do not reflect the actual credit performance of the portfolio and the overall financial performance of the business. On the other hand, in periods where loan balances contract, the opposite may hold true. Making this adjustment for the nine months ended September 30, 2022 reflects the high growth period for the Company year-to-date and results in a higher Adjusted Net Income¹ relative to net income. (see “Reconciliation of Non-IFRS measures” in this MD&A). Management believes Adjusted Net Income¹ is a truer reflection of business performance for the respective period. Notwithstanding the above, Adjusted Net Income¹ is impacted by similar dynamics and factors as those driving net income and, as such, both measures increased in the nine months ended September 30, 2022 compared to the same nine month period in 2021.

With respect to the three months ended September 30, 2022 in particular, as noted above in the “Loans and advances receivable” section, Propel and our Bank Partners have maintained a tightened and conservative underwriting stance in Q3 2022 in light of continued macroeconomic uncertainty. Management’s and our Bank Partners’ approach was focused on prioritizing such tightening on the highest credit risk portions of the portfolio. Furthermore, the highest credit risk portions of the portfolio naturally carry larger proportionate allowances and expected credit loss provisions. Although more conservative credit policies were applied across the portfolio, Ending Combined Loan and Advance Balances¹ grew to \$208 million through Q3 2022 from \$179 million as at the end of Q2 2022. This growth was exclusively driven from the CreditFresh program which represents the Company’s lowest credit risk portion of the portfolio. Offsetting this growth was a reduction in loan and advance balances under both the MoneyKey Bank Service program as well as the legacy MoneyKey direct lending and CSO program. Given these parts of the overall portfolio serve consumers with higher risk profiles, origination volume under these programs was disproportionately tightened over the course of Q3 2022 resulting in the quarter over quarter reduction in balances. Considering that the MoneyKey Bank Service program as well as the legacy MoneyKey CSO program are both off-balance sheet arrangements (see “Off-Balance sheet arrangements” below for detail), the decreased balances in Q3 2022 caused a reduction in the provision for CSO guarantee and bank service program liabilities which are adjusted for in the computation of Adjusted Net Income¹ and Adjusted EBITDA¹ (see “Non-IFRS Financial Measures”). In this case, the quarter-over-quarter

change in CSO guarantee liabilities and bank service program liabilities was negative for Q3 2022 (given that balances under these programs decreased over the quarter), it was deducted in the computation of Adjusted Net Income¹ resulting in this measure being uncharacteristically lower than net income for the period. See “Reconciliation of Non-IFRS measures” in this MD&A where these adjustments are detailed. Notwithstanding the above, Adjusted Net Income¹ is impacted by similar dynamics and factors as those driving net income and, as such, both measures increased in the three months ended September 30, 2022 compared to the same three month period in 2021.

EBITDA¹

EBITDA¹ increased by 225% to \$9.3 million for the three months ended September 30, 2022, from \$2.8 million for the same period in 2021 and increased by 19% to \$22.1 million for the nine months ended September 30, 2022, from \$18.5 million for the same period in 2021. The movements in EBITDA¹ can be explained by similar dynamics and factors as those driving net income (see above).

Adjusted EBITDA¹

Adjusted EBITDA¹ increased by 75% to \$8.8 million for the three months ended September 30, 2022 from \$5.0 million for the same period in 2021 and increased by 19% to \$27.0 million for the nine months ended September 30, 2022 from \$22.7 million for the same period in 2021. Adjusted EBITDA¹ removes the effects of non-cash estimated credit loss provisions that are required under IFRS to be recorded against balances that are otherwise in good standing (see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A). As a result, in periods of significant growth where we record estimated loan losses on new originations without any corresponding income, our margins can appear artificially decreased and do not reflect the actual credit performance of the portfolio and the overall financial performance of the business. On the other hand, in periods where loan balances contract, the opposite may hold true. Such adjustments relating to the non-cash expected credit loss provisions recorded on good standing balances are consistent with the adjustments made to Adjusted Net Income¹ albeit on a pre-tax basis. Therefore, see “Adjusted Net Income” above for a discussion of how such adjustments impacted both the three- and nine-month periods ending September 30, 2022. Furthermore, see “Reconciliation of Non-IFRS measures” in this MD&A. Management believes Adjusted EBITDA¹ is a truer reflection of business performance over the respective periods. Notwithstanding the above, Adjusted EBITDA¹ is impacted by similar dynamics and factors as those driving net income and Adjusted Net Income¹ and, as such, both measures increased in the three and nine months ending September 30, 2022 as compared to the same periods last year.

Note:

1. See “Non-IFRS Financial Measures and Industry Metrics”.

Reconciliation of Non-IFRS Financial Measures

The following table provides a reconciliation of our net income to EBITDA² and to Adjusted EBITDA² for the three- and nine-month periods ending September 30, 2022 and September 30, 2021:

(US\$ other than percentages)	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2022	2021	2022	2021
Net Income.	4,193,631	626,044	10,083,262	8,775,498
Interest on Debt.	2,714,756	1,212,845	5,737,791	4,124,761
Interest on lease liabilities.	92,240	106,564	292,845	334,008
Amortization of internally developed software.	607,419	493,375	1,804,475	1,529,846
Depreciation of property and equipment	44,844	25,186	111,657	87,191
Amortization of right-of-use assets.	149,187	159,629	463,649	502,129
Income Tax Expense (Recovery)	1,458,617	225,716	3,579,535	3,163,956
EBITDA ⁽²⁾	9,260,694	2,849,359	22,073,214	18,517,389
EBITDA ⁽²⁾ Margin	16%	9%	13%	21%
Transaction Costs and Financing Costs.	-	323,216	-	364,821
Provision for credit losses on current status accounts ⁽¹⁾	1,023,894	1,194,979	5,203,747	2,627,786
Provisions for CSO Guarantee liabilities and Bank Service Program liabilities.	(1,531,659)	640,496	(279,142)	1,238,627
Adjusted EBITDA ⁽²⁾	8,752,929	5,008,050	26,997,819	22,748,623
Adj. EBITDA ⁽²⁾ Margin	15%	15%	16%	26%

Note:

- (1) Provision included for (i) loan losses on good standing current principal (Stage 1 — Performing) balances (see “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A).
- (2) See “Non-IFRS Financial Measures and Industry Metrics”.

The following table provides a reconciliation of our Net Income to Adjusted Net Income¹, and Earnings Per Share to Adjusted Earnings Per Share¹, for the three- and nine-month periods ending September 30, 2022 and September 30, 2021.

(US\$ other than percentages)	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2022	2021	2022	2021
Net Income.	4,193,631	626,044	10,083,262	8,775,498
Transaction Costs and Financing Costs ⁽¹⁾	-	239,826	-	270,697
Provision for credit losses on current status accounts net of taxes ⁽²⁾	759,730	886,675	3,831,921	1,949,817
Provisions for CSO Guarantee liabilities and Bank Service Program liabilities net of taxes ⁽²⁾	(1,136,491)	475,248	(215,890)	919,062
Adjusted Net Income ⁽¹⁾	3,816,870	2,227,793	13,699,292	11,915,074
Adjusted Net Income Margin ⁽¹⁾	6%	7%	8%	13%
Weighted average number of Shares outstanding ⁽³⁾ :				
Basic.	34,325,120	26,904,134	34,325,120	25,171,028
Diluted.	35,642,370	27,480,752	35,554,759	25,728,816
Earnings per Share ⁽³⁾ :				
Basic.	\$0.12	\$0.02	\$0.29	\$0.35
Diluted.	\$0.12	\$0.02	\$0.28	\$0.34
Adjusted Earnings per Share ⁽¹⁾⁽³⁾ :				
Basic.	\$0.11	\$0.08	\$0.40	\$0.47
Diluted.	\$0.11	\$0.08	\$0.39	\$0.46

Note:

- (1) See “Non-IFRS Financial Measures and Industry Metrics”.
- (2) Each item is adjusted for after-tax impact, at an effective tax rate of 25.8% and 26.4% for the three and nine months ended Sept 30, 2022.
- (3) All shares and per share amounts prior to Q4 2021 have been restated to reflect the 2:1 share split that occurred as part of the Pre-Closing Capital Changes. See “Share Capital” for further details.

The following table provides a reconciliation of our Net Charge-Offs¹ to provision for loan losses and other liabilities for the three-month periods ending September 30, 2022 and September 30, 2021:

(US\$ other than percentages)	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2022	2021	2022	2021
Charge-offs.	(31,916,477)	(12,367,844)	(81,878,195)	(29,538,250)
Recoveries.	4,762,551	1,896,699	10,916,704	4,315,404
Net charge-offs ⁽¹⁾	(27,153,926)	(10,471,145)	(70,961,491)	(25,222,846)
Change in Provision for Loan Losses	(6,827,159)	(4,271,167)	(15,931,623)	(6,403,477)
Provision for loan losses.	(33,981,085)	(14,742,312)	(86,893,114)	(31,626,323)
Movement in financial obligation ⁽²⁾	1,531,369	(640,496)	278,852	(1,238,627)
Other lending program costs	(103,789)	(38,035)	(651,173)	(310,050)
Provision for loan losses and other liabilities.	(32,553,505)	(15,420,843)	(87,265,435)	(33,175,000)

Note:

- (1) See “Non-IFRS Financial Measures and Industry Metrics”.
- (2) Movement in financial obligation is equivalent to Provisions for CSO Guarantee liabilities and Bank Service Program liabilities.

The following table provides a reconciliation of our Ending Combined Loan and Advance Balances¹ to loans and advances receivable for periods ending September 30, 2022, September 30, 2021 and December 31, 2021 (See “Critical Account Policies and Estimates — Loans and advances receivable” in this MD&A):

(US\$ other than percentages)	As at Sept 30,		As at Dec 31,
	2022	2021	2021
Ending Combined Loan and Advance balances ¹	208,380,159	96,841,777	134,843,170
Less: Loan and Advance balances owned by third party lenders pursuant to CSO program.	(3,171,971)	(3,204,174)	(4,260,648)
Less: Loan and Advance balances owned by a NBFi pursuant to the MoneyKey Bank Service program.	(20,571,558)	(9,519,178)	(17,782,252)
Loan and Advance owned by the Company	184,636,630	84,118,425	112,800,270
Less: Allowance for Credit Losses.	(39,632,397)	(19,809,595)	(23,700,774)
Add: Fees and interest receivable.	18,304,278	9,076,161	12,034,604
Add: Acquisition transaction costs	2,960,475	1,988,957	2,715,724
Loans and advances receivable.	166,268,986	75,373,948	103,849,824

(1) See “Non-IFRS Financial Measures and Industry Metrics”.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for making loans and advances originated by Propel and/or facilitated through our platform as well as for operating expenses and debt service requirements. The \$15.0 million Raptor equity financing in Q2 2021 and the \$52.7 million IPO proceeds net of fees in Q4 2021 provided a significant change in the Company’s liquidity position over the course of the year and heading into 2022. We believe that the aggregate net proceeds from the equity financings in 2021, the capacity under our existing credit facilities, as well the earnings and cash flow generated by the business are sufficient to support the short to medium term growth of our Ending Combined Loan and Advance Balances¹, our ongoing operating expenses, future dividends, and the new initiatives outlined in the sections above (see “Business Overview”). However, our ability to fund future Combined Loan and Advance Balances¹ and our operating expenses depends upon, among other things, our continued ability to access debt capital at attractive rates, the credit quality of our Combined Loan and Advance Balances¹ as well as the future growth and stability of our operating performance. See “Risk Factors” in the AIF for additional information.

Initial Public Offering Use of Proceeds

As noted above in “Summary of Factors Affecting Our Performance”, on October 20, 2021 the Company successfully closed its IPO of Shares at a price of C\$9.75 per Share. On October 26, 2021, the underwriters exercised the over-allotment option granted to them in connection with the IPO. In aggregate, the Company sold 7,187,500 Shares (including the exercise of the over-allotment option) for gross proceeds of C\$70,078,125. Net of underwriters’ fees payable by the Company in connection with the Offering and transaction costs in the amount of approximately C\$2.5 million, the net proceeds were approximately C\$63,553,618. We continue to not anticipate any material variances to the initial expected use of proceeds as disclosed in the Prospectus under “Use of Proceeds”.

Credit Facilities

	As at Sept 30, 2022		As at December 31, 2021	
	Max Borrowing Base	Amount Drawn	Max Borrowing Base	Amount Drawn
MoneyKey Facility.	7,479,425	4,650,000	11,046,205	4,650,000
CreditFresh Facility.	133,671,559	111,425,000	91,758,685	42,220,000
Total.	141,150,984	116,075,000	102,804,890	46,870,000

MoneyKey Facility

The MoneyKey Facility is secured by a general security agreement over all of the assets of the Company and certain of its operating subsidiaries.

On May 12, 2022, the Company, and certain of its state-licensed, direct lending and CSO operating subsidiaries renewed, amended and restated the revolving credit facility (the “MoneyKey Facility”) with a US based syndicate of lenders party thereto from time to time. The MoneyKey Facility provides for a maximum borrowing of \$20 million at an 85% advance rate, and interest rate of 10.2% plus the bank’s three-month Term SOFR per annum. We pay an unused fee of 0.75% on unborrowed amounts. The MoneyKey Facility matures on May 12, 2025.

Under the terms of the MoneyKey Facility, the Company is subject to certain financial and non-financial covenants, including restrictions on us, and certain of our operating subsidiaries, subject to certain exceptions as to: indebtedness; liens; dividends or distributions on or redemptions of equity interests; material changes to our business; liquidations, mergers, or consolidations into any other entity; and transfers of equity interests of the Company or certain of its operating subsidiaries. The Company is permitted to pay dividends on its Shares provided that an event of default has not occurred and would not occur as a result of the payment of the dividend. In addition, several of the material financial covenants include tangible net worth, liquidity, and leverage tests. Furthermore, several material operating covenants include default and cash recovery tests. The Company continues to be compliant with all such covenants.

CreditFresh Facility

On March 24, 2021, the Company, CreditFresh DST I and CreditFresh DST II entered into a revolving credit facility with a US based syndicate of lenders party thereto from time to time (the “**CreditFresh Facility**”). The CreditFresh Facility provides for a maximum borrowing amount of \$120 million in three tranches: \$45 million from “Tranche A”, \$60 million from “Tranche B”, and \$15 million from “Tranche C”. On August 16, 2022, the CreditFresh Facility was amended to increase the total borrowing limit from \$120 million to \$155 million, and subsequently was further amended on September 29, 2022, to increase the total borrowing limit from \$155 million to \$160 million. Advances for up to 85% of the advance rate of the CreditFresh Facility had a blended effective interest rate of approximately 10.0% for Q3 2022 (based on the current prime rate and 3-month LIBOR rates; and excluding other lenders fees). Pursuant to the CreditFresh Facility, Tranche A has an advance rate of 40% with first priority level for repayment in the event of default, Tranche B has an advance rate of 45% with second priority level for repayment in the event of default, and Tranche C has an advance rate of 10% with last priority level for repayment in the event of default. Draws on Tranche A and Tranche B of the CreditFresh Facility are required to be made in proportion to their advance rate at an effective advance rate of 85% up to where the commitment for a given Tranche is reached, then can be made disproportionately thereafter. Tranche C of the CreditFresh Facility may be drawn on independently. The CreditFresh Facility matures on March 23, 2024. We pay an unused fee of 0.50% on unborrowed amounts.

The CreditFresh Facility is secured (i) by a pledge of the beneficial interest of the Company in CreditFresh DST I and CreditFresh DST II and (ii) by general security over all of the assets of CreditFresh DST I and CreditFresh DST II.

Under the terms of the CreditFresh Facility, the Company, CreditFresh DST I, and CreditFresh DST II are subject to certain financial and non-financial covenants including restrictions on us, and certain of our operating subsidiaries, subject to certain exceptions as to: indebtedness; liens; dividends; distributions on or redemptions of equity interests; material changes to our business; liquidations, mergers, or consolidations into any other entity; transfers of equity interests of the Company or certain of its operating subsidiaries; minimum equity and liquidity; and leverage. The Company is permitted to pay dividends on its Shares provided that an event of default has not occurred and would not occur as a result of the payment of the dividend. In addition, several of the material financial covenants include tangible net worth, liquidity, and leverage tests. Furthermore, several material operating covenants include default and cash recovery tests. The Company continues to be compliant with all such covenants.

Contractual Obligations

Our contractual obligations consist of principal repayments on long-term debt, interest on long-term debt, equipment loans and capital leases for equipment and vehicles, operating leases for vehicles, office equipment

and facilities. During the three months ending September 30, 2022, the Company drew an additional \$29.3 million net of repayments on our credit facilities to bring the total drawn amount on our existing credit facilities to \$116.1 million. As of September 30, 2022, there were no other material changes to the contractual obligations and commitments, as disclosed in the June 30, 2022 MD&A.

Other Commitments

MoneyKey has certain commitments, obligations, and liabilities under both its CSO Program and its Bank Program. See “Off-Balance Sheet Arrangements” in this MD&A for further detail.

Propel has the legal requirement to maintain various cash reserve balances to operate its programs through both brands and for payment processing with banks. Such cash reserves are reported as Restricted cash in the Consolidated Statement of Financial Position.

We also enter into forward exchange contracts to hedge against currency fluctuations between the United States dollar and the Canadian dollar. At September 30, 2022 the Company was obligated to sell \$7.0 million through such forward contracts. At September 30, 2021 the Company was obligated to sell \$8.6 million through such forward contracts.

Cash Flows

Analysis of cash flows for three and nine months ended September 30, 2022 compared to September 30, 2021

Our cash flows in the applicable period are summarized in the following table for the periods indicated, which have been derived from our condensed interim financial statements and related notes.

(US\$ other than percentages)	Three months ended Sept 30,		Nine months ended Sept 30,	
	2022	2021	2022	2021
Net income	4,193,631	626,044	10,083,262	8,775,498
Items not affecting cash	36,332,580	16,441,215	95,213,233	36,541,189
Net additions of loans and advances receivable and principal recoveries	(59,595,564)	(24,530,074)	(149,067,525)	(56,315,704)
Changes in working capital and other	(5,941,738)	(2,823,853)	(14,130,665)	(5,564,451)
Net cash from (used in) operating activities	(25,011,091)	(10,286,668)	(57,901,695)	(16,563,468)
Cash flows from (used in) financing activities				
Advances from credit facilities	31,405,000	9,000,000	75,805,000	18,750,000
Payments on credit facilities	(2,100,000)	-	(6,600,000)	-
Advances (repayments) from term loans	-	-	-	(11,195,703)
Payments on lease liabilities	(236,100)	(237,297)	(726,487)	(740,499)
Dividends paid	(2,484,108)	(672,913)	(7,626,807)	(5,525,692)
Proceeds from shares issued	-	-	-	14,999,849
Proceeds from options exercised	-	58,352	-	236,011
Net cash from (used in) financing activities	26,584,792	8,148,142	60,851,706	16,523,966
Cash flows from (used in) investing activities				
Purchases of property and equipment	(53,349)	(25,786)	(160,993)	(269,102)
Cost of internally generated intangible assets	(1,329,551)	(725,507)	(3,701,737)	(1,523,811)
Net cash from (used in) investing activities	(1,382,900)	(751,293)	(3,862,730)	(1,792,913)
Net change in cash	190,801	(2,889,819)	(912,719)	(1,832,415)
Cash, beginning of period	6,135,241	6,303,321	7,238,761	5,245,917
Cash, end of period	6,326,042	3,413,502	6,326,042	3,413,502

Operating Activities

Net cash generated from (used in) operating activities was \$(25.0 million) for the three-month period ended September 30, 2022, compared to \$(10.3 million) for the corresponding period in 2021 and was \$(57.9 million) for the nine-month period ended September 30, 2022, compared to \$(16.6 million) for the corresponding periods in 2021. The increase in cash used was primarily driven by an increase in net additions of loans and advances receivable and to a much lesser degree by additions to net working capital, period over period, for the three and nine-month periods ended September 30, 2022, respectively. Such increases in cash used were partially offset by increases in items not affecting cash driven predominantly by provision for loan losses and the net income generated for the period. The above is consistent with the growth in the loans and advances receivable, provision for loan losses and other liabilities, and the Total Originations Funded¹ (see “Results of operations” above).

Financing Activities

Net cash generated (used in) from financing activities was \$26.6 million for the three-month period ended September 30, 2022, compared to \$8.1 million for the corresponding period in 2021 and was \$60.9 million for the nine-month period ended September 30, 2022, compared to \$16.5 million for the corresponding period in 2021. The increase was primarily a result of increased advances net of payments from credit facilities used to fund the growth in loans and advances receivable. Such increase was partially offset by dividends paid of \$2.5 million and \$7.6 million for the three and nine-month periods ending September 30, 2022 respectively.

Investing Activities

Net cash from (used in) investing activities was \$(1.4 million) for the three-month periods ended September 30, 2022, compared to \$(0.8 million) for the corresponding period in 2021 and was \$(3.9 million) for the nine-month period ended September 30, 2022, compared to \$(1.8 million) for the corresponding periods in 2021. The increase in cash used was due to continued investment in internally generated intangible assets which are comprised of our proprietary loan management system and AI powered underwriting technology platform. Continued investments in our technology platform enable us to expand product and service offerings, integrate with new partners including banks, marketing and data partners, improve our machine learning underwriting capabilities, optimize the online customer experience, and increase automation and ease-of-use of customer service agent activities in our proprietary loan management system, amongst other things.

Off-Balance Sheet Arrangements

Through our MoneyKey brand, we provide services related to unaffiliated third-party lenders’ consumer loan products as a state-licensed CAB and CSO in the state of Texas. These services include arranging loans, assisting in the preparation of loan applications and documents, and providing guarantees of consumer loan payment obligations to the unaffiliated third-party lenders in the event that the customer defaults on their loan payments. In addition, we provide loan servicing over the duration of the loan. A borrower who obtains a loan through the CSO program pays MoneyKey a fee for the services (the “CSO Fee”), which includes the guarantee to the third-party lender of the repayment of the borrower’s loan. Once the loan is originated and the guarantee is provided, the Company sets up a reserve with the lender (as a percentage of the outstanding loan amount) which is reported as restricted cash in our consolidated statement of financial position. We estimate a liability for losses associated with the guarantee provided to the lender (the “CSO Guarantee Liability”) using a similar ECL methodology to the allowance for credit losses on our loans and advances receivable. The loan products provided under this program are Installment loans.

In addition, through our MoneyKey brand, we provide services to an NBFIs which has a program agreement with a Bank Partner to whom it provides services, some of which have been outsourced to MoneyKey, including marketing, analytics, and loan servicing services. The Bank Partner offers unsecured Lines of Credit to borrowers in which the NBFIs purchases an economic interest in the advances on those Lines of Credit. Under the program, the Company has an agreement to purchase balances originated through this program should the accounts default or become non-performing loans and are presented for sale. Once the economic interest is purchased from the Bank Partner by the NBFIs, the Company sets up a reserve with the NBFIs (as a percentage of the outstanding advance amount) which is reported as restricted cash in our consolidated statement of financial position. We also estimate a liability (the “Bank Service Program Liability”) for losses associated with the purchase of defaulted loans from the NBFIs using a similar ECL methodology to the allowance for credit losses on our loans and advances receivable.

(US\$ other than percentages)	Nine months ended Sept 30,	
	2022	2021
<u>CSO Program Products (MoneyKey)</u>		
Revenue.	8,697,973	8,362,429
Loans and advances receivable (On Balance Sheet)	1,521,412	1,383,742
CSO Guarantee Liability	430,907	788,523
CSO Obligation.	1,692,827	2,172,027
Installment loan borrower balances (Off Balance Sheet)	3,171,971	3,204,174
Reserve balances (Reflected in Company's Restricted cash)	1,863,839	1,949,455
<u>Bank Service Program Advances (MoneyKey)</u>		
Revenue.	24,392,594	6,396,659
Loans and advances receivable (On Balance Sheet)	2,567,275	722,792
Bank Service Program Guarantee Liability.	4,842,938	1,689,814
Line of credit borrower balances (Off Balance Sheet)	20,571,559	9,519,178
Reserve balances (Reflected in Company's Restricted cash)	4,164,365	1,628,038

Risks and Uncertainties

We are exposed to a variety of financial risks and uncertainties in the normal course of operations including credit risk, industry risk, liquidity risk, interest rate risks, and exchange rate risk. See “Risk Factors” in the AIF for a more detailed discussion of risks we may face.

Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance. Risk management is carried out under practices approved by our Board. This includes identifying, evaluating, and hedging financial risks based on our requirements. Our Board provides guidance for overall risk management, covering many areas of risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s cash, restricted cash, and loans and advances receivable. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances. Cash is maintained with Canadian and US financial institutions. Deposits held with banks may exceed the amount of federal insurance provided on such deposits. Unless otherwise disclosed, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk. In relation to loans and advances receivable, the Company closely monitors its customer default rate and overall recovery per dollar loaned, adjusts its lending terms and policies as deemed necessary and establishes an allowance for credit losses.

The Company has a concentration of credit risk because substantially all of its loans and advances receivable balance is comprised of unsecured small dollar, high interest/financing fee advances and loans to US customers with higher credit risk characteristics.

Industry risk

The consumer lending industry within which the Company operates is subject to a number of laws and regulations at both the US state and federal levels. Changes to these laws and regulations as well as differences in interpretation when applying them to the Company’s business pose a risk to the Company as the impact of these changes could have a material adverse impact on the Company’s asset values and overall financial results. The Company manages this risk by, among other things: having a robust and experienced in-house legal department and regulatory compliance department (comprised of lawyers, auditors and other compliance professionals) dedicated to the interpretation, application, monitoring and advisory activities related to applicable laws and regulations; undertaking robust internal analyses and developing in-house processes and systems to manage compliance risk; having business controls in place to manage compliance risk; employing internal and external legal counsel to assist in interpreting and applying new and existing laws and regulations, being an active participant in an industry trade organization and in identifying and monitoring upcoming changes; and by undergoing internal and external audits to ensure ongoing compliance with applicable requirements.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate cash flow risk on its credit facilities as they bear interest at a fixed rate plus floating rates which are either (a) the bank's 3-month LIBOR rate per annum; or (b) the bank's 3-month Term SOFR per annum. As of September 30, 2022, and December 31, 2021, we are exposed to interest rate risk on our credit facility balance of \$116.1 and \$46.9 million respectively.

Changes in the LIBOR and/or Term SOFR rates may impact our cost of borrowing and any subsequent changes to our credit facility may increase our interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities or will not have sufficient funds to issue loans and/or advances to its customers. The Company is exposed to liquidity risk depending on the timing of customer payments, customer default rates and the availability of third-party financing. The Company manages its liquidity risk by closely monitoring its available cash on hand, available financing and expected collection rates and timing to ensure it has sufficient cash to meet its financial obligations as they come due and provide loans and advances to customers when requested. The Company is also obligated to purchase Bank Program advances that are offered for sale to the Company by both Bank Partners. The amount of Bank Program advances that were funded by the Bank Partners but not yet offered for sale to the Company as of September 30, 2022 was \$2,346,931 (December 31, 2021 — \$2,449,154). Management has determined no provisions are required on these amounts as of the balance sheet date, but regularly assesses these amounts and considers whether provisions may be required in advance of an offer to sell.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2022:

	Carrying amount	Year 1	Year 2	Year 3
Accounts Payable.	2,829,670	(2,829,670)	-	-
Accrued Liabilities.	14,496,924	(14,496,924)	-	-
Credit facilities.	116,075,000	-	-	(116,075,000)
Total	133,401,594	(17,326,594)	-	(116,075,000)

Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into transactions denominated in Canadian dollars for which the related expenses, accounts payable and term loan balances are subject to exchange rate fluctuations. As at September 30, 2022 and December 31, 2021 the following items are denominated in Canadian dollars:

	As at Sept 30, 2022	As at Dec 31, 2021
Cash.	133,374	3,586,764
Accounts Payable.	1,484,951	1,272,244
Accrued Liabilities.	601,590	1,256,955
Lease Liabilities.	2,632,559	3,183,737

To minimize foreign currency risk management enters into forward currency hedging instruments to exchange US dollars for Canadian dollars at a rate that is at or close to the Company's budgeted currency rate.

Income tax matters

The income of the Company must be computed in accordance with Canadian and U.S. 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.

Critical Accounting Policies and Estimates

This MD&A uses information from our consolidated financial statements which are prepared in accordance with IFRS. The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Loans and advances receivable

The recognition of loans and advances receivables owned by the Company and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity problems as well as available information indicating a change in the status of each customer in performing this assessment.

The Company applies the general approach for loans and advances receivable. The Company has determined the likely impairment loss on loans and advances receivable which have not maintained their contractual loan and advance repayment schedule. The expected credit losses factors in the Company's portfolio and is calculated considering a variety of factors, including, but not limited to: aging, delinquency levels, composition and quality of the portfolio, historical data regarding collection success rate, and the Company's historical charge-off and loss experience. The methodology and assumptions used in setting the expected credit losses are reviewed regularly in an effort to reduce any differences between loss estimates and actual losses experienced.

In reference to our accounting policy note in the December 31, 2021 consolidated financial statements in note 3, an ECL model applies to our loans and advances receivable. The Company builds an allowance for credit losses irrespective of whether a loss 'trigger' event has occurred or not. Therefore, expected losses are built up against receivables that are otherwise performing as at a specific reporting date. As part of this application, the Company segments its loans and advances into 3 stages:

- (1) Stage 1 (Performing) — These are current and good standing loans and advances that have no payments in arrears.
- (2) Stage 2 (Under-performing) — These are delinquent loans and advances that have one or more payments in arrears. An account in this status has the potential to go back to Stage 1 if the past due payment is brought up to date. The length of time that an account can stay in Stage 2 (before moving into Stage 3) depends on the type of product offering. However, an account can generally remain in Stage 2 anywhere between 30 and 60 days with payments in arrears before moving to Stage 3.
- (3) Stage 3 (Non-performing) — These are defaulted loans and advances where an account has either (a) a certain number of payments missed, or (b) a defined period of time to remedy a missed payment has elapsed (depending on the product offering design) and the full amount of outstanding principal plus accrued fees to the date of default become due. Once an account has moved to Stage 3, it cannot return back to Stage 2 or Stage 1. The criteria for each loan or advance, as applicable, to move to Stage 3 is predefined and objective. There is no further judgment applied in determining the time before Stage 3 classification (beyond the product design strategy which determines when the loan defaults) and is deemed credit impaired. An account remains in Stage 3 for up to 30 days after which point it is charged-off.

There are no further fees charged to accounts in Stage 3 and the account is no longer cycling actively in our loan management system. Furthermore, the Company does not provide any additional credit to borrowers who are in arrears (whether Stage 2 or Stage 3).

The above stages are further segmented at a program, product and aging level. Allowances for credit losses are applied to each stage by computing ECLs for each granular segment using a combination of detailed historical loan performance data, forward-looking indicators, and an element of management judgement. Additionally, the longest period of time a borrower can go between mandatory repayments is monthly, and as such, impairment of loans can be adequately assessed in a timely manner. For accounts in Stage 1, a 12-month expected credit loss is applied and for accounts in Stages 2 and 3, a lifetime expected credit loss is applied.

Years of vintage performance data by granular segment provides a baseline of how much loan principal ends up being charged-off, net of recoveries and any proceeds from debt sales. As part of this analysis, we examine a combination of the number of accounts that default (probability of default), the average amount lost or charged-off when a default occurs (loss given default), and the expected balances at default (exposure at default). The product of these three elements provides us with the baseline ECL for a particular segment. This baseline ECL is then further analyzed through internally developed credit risk models to make quantitative and qualitative adjustments for risk factors that exist in the portfolio as at the reporting date but may not have been present in the vintage performance data.

Our measurement of ECLs is also influenced by forward looking indicators which include the impact of macroeconomic forces on our business. With respect to the macroeconomic forces, consideration is given to variables such as unemployment rate, inflation rate, and wage growth, among others, that have an influence on our business. As part of the process, 3 forward looking scenarios are developed 1) Optimistic, 2) Neutral, 3) Pessimistic in consideration of each macroeconomic factor, and management judgment is applied to determine a probability weighted allowance for credit losses as of the reporting date.

	As at September 30, 2022	2021	As at December 31 2021
Loan and Advance balances owned by Company ⁽¹⁾			
Current Principal (Stage 1 - Performing)	146,488,151	69,233,229	92,841,249
Delinquent Principal (Stage 2 - Under-Performing)	26,819,055	9,299,969	12,695,267
Default Principal (Stage 3 - Non-Performing)	11,329,424	5,585,227	7,263,754
Total	184,636,630	84,118,425	112,800,270
Allowances for Loan Losses/Expected Credit Losses			
Current Principal (Stage 1 - Performing)	(15,321,232)	(10,069,559)	(10,117,649)
Delinquent Principal (Stage 2 - Under-Performing)	(15,607,342)	(4,961,944)	(7,682,876)
Default Principal (Stage 3 - Non-Performing)	(8,703,823)	(4,778,092)	(5,900,249)
Total	(39,632,397)	(19,809,595)	(23,700,774)
Allowances for Loan Losses/Expected Credit Losses %			
Current Principal (Stage 1 - Performing)	(10%)	(15%)	(11%)
Delinquent Principal (Stage 2 - Under-Performing)	(58%)	(53%)	(61%)
Default Principal (Stage 3 - Non-Performing)	(77%)	(86%)	(81%)
Total	(21%)	(24%)	(21%)
Loan and Advance balances owned by Company net of Allowance			
Current Principal (Stage 1 - Performing)	131,166,919	59,163,670	82,723,600
Delinquent Principal (Stage 2 - Under-Performing)	11,211,713	4,338,025	5,012,391
Default Principal (Stage 3 - Non-Performing)	2,625,601	807,135	1,363,505
Total	145,004,233	64,308,830	89,099,496
Fees and interest receivable..	18,304,278	9,076,161	12,034,604
Acquisition transaction costs	2,960,475	1,988,957	2,715,724
Loans and advances receivable.	166,268,986	75,373,948	103,849,824

Note:

(1) See “Reconciliation of Non-IFRS financial measures — reconciliation of our Ending Combined Loan and Advance Balances to loans and advances receivable”

The movement in these allowances for loan losses shown above are a large component that drives the provision for loan losses and other liabilities expense (see “Key Components of Results of Operations — Provision for loan losses and other liabilities” in this MD&A)

IFRS 9 impact on provision for loan losses and other liabilities

As outlined above, in accordance with IFRS 9 requirements, an ECL methodology applies to our loans and advances receivable — 12-month ECLs for Stage 1 and lifetime ECLs for Stages 2 and 3. This requires the Company to set-up an ECL allowance for credit losses upon acquisition of new finance receivables and irrespective of whether a loss ‘trigger’ event has occurred or not. Therefore, expected losses are built up against receivables that are otherwise performing and have no negative payment history as at a specific reporting date. This early recognition of future credit losses is materially different than an ‘incurred’ credit loss methodology and management feels is a very conservative way to account for loan losses.

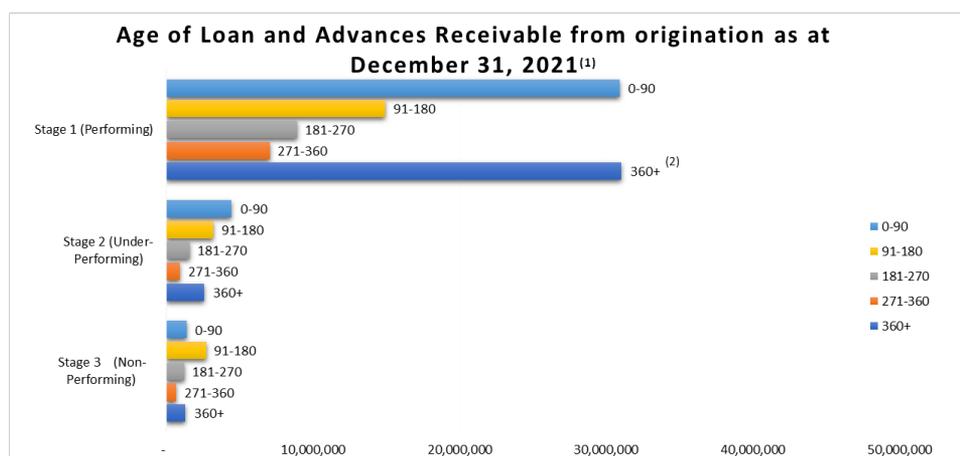
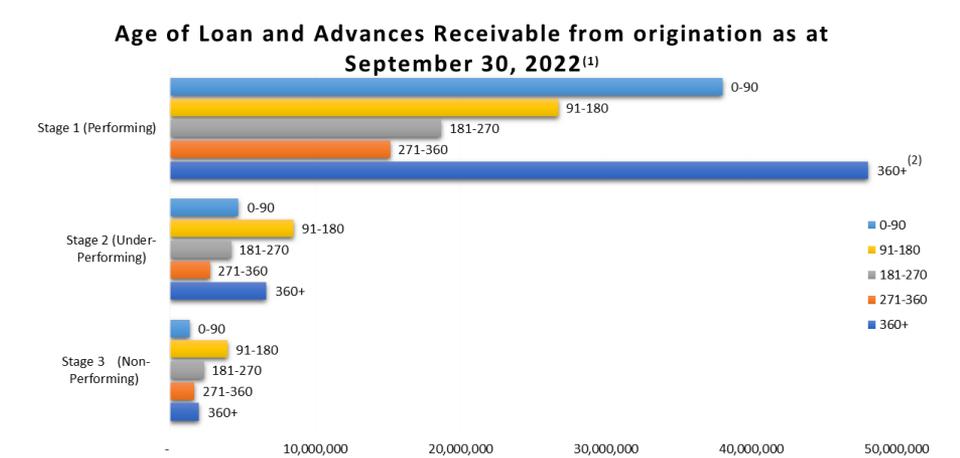
Under IFRS, an allowance for loan losses is required for Stage 1 representing the total expected credit losses over a 12-month period. Therefore, from an accounting perspective, the Company is required to take a material provision for loan losses and other liabilities expense today and only recognize revenue over the term of the product as it is earned. In periods of significant growth in loans and advances receivable a charge to provision for loan losses and other liabilities is required for future expected losses prior to any revenue being generated. Note that we are also required to set up provisions for estimated CSO Guarantee Liabilities and Bank Service Program liabilities that are computed using the ECL model as well (see “Key Components of Operations — Provision for loan losses and other liabilities”). This is included in the impact to provision for loan losses and other liabilities shown below

The approximate impact of applying this methodology can be estimated by the movement of the Stage 1 allowance. Therefore, the impact on the Company’s provision for loan losses and other liabilities and consequently on EBITDA¹ was approximately \$(0.5) million for the three-month period ended September 30, 2022 as compared to \$1.8 million for the three-month period ended September 30, 2021, and was approximately \$4.9 million for the nine month period ended September 30, 2022 as compared to \$3.9 million for the nine month period ended September 30, 2021. As discussed above, the faster the origination volume grows, the larger the non-cash impact will be on provision for loan losses and other liabilities and consequently EBITDA¹ as well as net income on an after-tax basis. Management has introduced an Adjusted EBITDA¹ as well as an Adjusted Net Income¹ metric in order to present supplemental financial metrics that we believe are more indicative of the actual portfolio credit and overall Company performance.

Note:

1. See “Non-IFRS Financial Measures and Industry Metrics”.

Aging of loans and advances receivable from origination



Note:

- (1) All line of credit advances are aged from the date the line of credit is opened, as opposed to the age of each individual draw. In most instances, balances are drawn, repaid, and then drawn again over the life of the line of credit.
- (2) Materially all receivables aged 360+ days are line of credit advances from lines opened for more than 360 days. Management believes these older aged line of credit advances in Stage 1 will continue to perform equal to or better than the younger aged Stage 1 line of credit advances since they have demonstrated strong repayment behavior for longer, while remaining in Stage 1 (performing) status. Given the characteristics of the credit products offered through the Company's platform, including a mandatory principal repayment component on each scheduled payment, delinquent status (Stage 2) and non-performing status (Stage 3) loans have historically been identified shortly after a borrower is unable to repay. In addition, if a borrower has drawn up to its credit limit, they will be unable to draw any further until a principal repayment is collected. If the borrower does not pay any portion of the mandatory scheduled payment, the full principal balance outstanding is moved to delinquent status (Stage 2).

Capitalization of intangible assets

Internally developed intangible assets consist mainly of development costs related to the development of software. These costs are recognized as an intangible asset when the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Management considers all appropriate facts and circumstances in making this assessment including historical experience, costs and anticipated future economic conditions. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of the expected future benefit.

Future Changes in Accounting Policies

The future changes in accounting policies described in the audited annual consolidated financial statements dated December 31, 2021 do not differ materially from those for applicable for the period ending September 30, 2022.

Related Party Transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including all Executives and Directors.

Compensation expense for the Company's key management personnel is as follows:

	Nine Months Ended Sept 30,	
	2022	2021
Salaries	8,681,453	3,801,468
Share-based compensation.	674,233	14,250
	<u>9,355,686</u>	<u>3,815,718</u>

Share Capital

In connection with and immediately prior to the closing of the IPO, the Company implemented the following pre-closing capital changes (the “**Pre-Closing Capital Changes**”):

- our share capital was amended to create class A common shares;
- certain shareholders exchanged their common shares for class A common shares on a 1:1 basis;
- the stated capital of the class A common shares was increased by \$6.0 million resulting in a non-cash dividend to the class A common shareholders;
- our issued and outstanding share capital was split on a 2:1 basis;
- our share capital was amended again to be comprised of an unlimited number of Common Shares and unlimited number of preferred shares;
- all outstanding shares of the Company were exchanged for Common Shares on a 1:1 basis;
- all other classes of shares included in our authorized share capital prior to such amendments were repealed from our articles; and
- 221,110 Common Shares were issued pursuant to the exercise of all outstanding options issued under the Company’s legacy option plan.

As of September 30, 2022, post-IPO and post-Pre-Closing Capital Changes, our share capital consisted of (i) an unlimited number of common shares, of which 34,325,120 common shares were issued and outstanding, and (ii) an unlimited number of preferred shares, of which none were issued and outstanding. In addition, the Company has 1,317,250 options to acquire common shares issued and outstanding.

Subsequent Events

There have been no subsequent events between the end of the period and the date of filing of this MD&A.

Disclosure Controls & Procedures and Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate disclosure controls and procedures (“DCP”) and internal controls over financial reporting (“ICFR”), as defined in National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings (“**NI 52-109**”). There were no changes in the Company’s internal controls over financial reporting that occurred in the three months ended Q2 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

Additional Information

Additional information relating to the Company, including the Company’s AIF is available on SEDAR at www.sedar.com. The Company’s Common Shares are listed for trading on the TSX under the symbol “PRL”