



ACCORD
FINANCIAL

Forward Together

**Message from the President and CEO and
Management's Discussion & Analysis of
Results of Operations and Financial Condition**

Three and nine months ended September 30, 2021



ACCORD FINANCIAL CORP.

MESSAGE FROM THE PRESIDENT AND CEO

Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter and nine months ended September 30, 2021 together with comparative figures for the same period of 2020. These financial statements have not been reviewed by the Company's auditors, but have been reviewed and approved by its Audit Committee and Board of Directors.

Revenue increased by 31% to a quarterly record \$16,119,000 in the third quarter of 2021 compared to \$12,312,000 last year mainly as a result of higher funds employed and increased other income.

Net earnings attributable to the Company's shareholders ("shareholders' net earnings") were substantially higher at \$2,643,000 in the third quarter of 2021 compared to \$566,000 in last year's third quarter. Earnings Per Share ("EPS") this quarter were 31 cents compared to 7 cents in the third quarter of 2020.

Adjusted net earnings, which comprises net earnings attributable to shareholders before non-operating stock-based compensation, restructuring expenses and business acquisition expenses (namely business transaction costs and amortization of intangibles), totalled \$2,801,000 in the third quarter of 2021 compared to \$621,000 in the third quarter of 2020. Adjusted EPS, based on adjusted net earnings, were 33 cents in the current quarter compared to 7 cents last year.

Accord's strong performance in the third quarter puts the Company squarely back on its pre-pandemic growth trajectory. Emerging from the economic crisis, Accord has put together four strong quarters in a row, with trailing adjusted twelve-month earnings per share of \$1.26. With the economy rebounding, we continue to capitalize on innovative product development, deep market presence and financial strength, and look forward to accelerating growth through year-end and beyond.

Strong net earnings were driven by continued growth of Accord's overall loan portfolio. Total funds employed (finance receivables and loans) at September 30, 2021 reached an all time high of \$437 million, up 26% from \$348 million at the end of the third quarter 2020. Average funds employed in the first nine months of 2021 were \$383 million compared with \$343 million last year. Shareholders' equity reached \$97 million at September 30, 2021 compared to \$90 million at September 30, 2020. Book value per share continues to climb, reaching \$11.31 at September 30, 2021 versus \$10.56 a year ago.

Portfolio growth this year has been led by the outstanding performance of two of Accord's divisions: Accord Small Business Finance in Canada and BondIt Media Capital in the US. Accord's diversification across five core lending divisions means that we're positioned to steer financing to wherever in the economy it's needed most. In the past year we've boosted support to the small business sector, and successfully financed content serving the tidal wave of demand for streaming video entertainment. While

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these divisions are seeing unprecedented success, the new business pipelines across our asset-based and equipment finance divisions are starting to build. As the economy continues to strengthen in select sectors, we're ready to shift gears as necessary to maintain the momentum.

Driven by loan portfolio growth, improving yields and non-interest income, revenue in the nine months to September 30, 2021 hit \$45.0 million, up 26% over the same period last year – a record first nine months for Accord. Net earnings, which were negative in the first nine months of 2020, came in at \$8.3 million for the same period this year, translating into EPS of 97 cents, while adjusted EPS was \$1.01, both first nine-month records.

Portfolio growth and earnings are benefiting from a shift in Accord's portfolio mix, which over the past year has favored higher yielding segments, including small business and media finance. In Canada, Accord's unique EDC-supported loan program continues to shine, supporting small businesses as they invest in reopening and a return to growth. In the US, BondIt Media Capital continues to see unprecedented opportunity, as we are perfectly positioned to profit from the long-term secular growth of video on demand, supplied to blue chip buyers like Lion's Gate and Netflix.

Accord's "headline" metrics – portfolio growth, revenue, earnings – are easy to track, and clearly headed in the right direction. Just below the surface, several other key metrics are forming an inflection point.

First is operating efficiency. Accord's general and administrative expenses, as a percentage of total revenues, provides a measure of how efficient we are at managing a growing business. Better operating efficiency means we convert a greater percentage of revenue to shareholder earnings as the portfolio grows. Five years ago, in 2016, we spent 62% of revenue on overhead. In the first nine months of 2021 that number declined to 50%. With a robust platform in place, the next phase of growth will become increasingly profitable.

Second is portfolio diversification. At the end of the third quarter, Accord's portfolio represented hundreds of small and medium-sized companies, well diversified by:

- geography: 51% Canada, 49% US
- industry: every sector represented, with manufacturing the highest allocation at 23%
- product: 64% ABL (incl. factoring), 20% equipment finance, 16% media finance

Third is portfolio quality. With the worst of the economic crisis behind us, Accord's allowance for expected losses (an estimate of potential future loan losses), has slowly returned to more normal levels. The allowance at September 30, 2021 was \$5.9 million, compared to \$8.5 million at the same time last year (even with a larger portfolio). In

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percentage terms this stands at 1.3 % of the portfolio compared to 2.3% at this time last year. This reduction in the allowance reflects the improvement in credit standing across the loan portfolio, as well as the more stable business environment in which we're now operating.

Accord's record funds employed, revenue and earnings set us up for a strong finish to the year. And steady improvement of operating efficiency, diversification and credit quality underpin the foundation, adding an element of strength and stability as we look forward to continued success in 2022.

On October 27th, the Board of Directors declared a quarterly dividend of 5 cents per common share, payable December 1, 2021 to shareholders of record November 15, 2021.



Simon Hitzig
President and Chief Executive Officer
November 3, 2021

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FINANCIAL HIGHLIGHTS

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2021	2020	2021	2020
Average funds employed (millions)	\$ 414	\$ 327	\$ 383	\$ 343
Revenue	16,119	12,312	45,015	35,598
Earnings (loss) before income tax	3,132	(120)	10,083	(5,209)
Net earnings (loss) attributable to shareholders	2,643	566	8,313	(968)
Adjusted net earnings (loss)	2,801	621	8,645	(63)
Earnings (loss) per common share (basic and diluted)	0.31	0.07	0.97	(0.11)
Adjusted earnings (loss) per common share (basic and diluted)	0.33	0.07	1.01	(0.11)
Book value per common share (September 30)			11.31	10.56

OVERVIEW

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter and nine months ended September 30, 2021 compared with the quarter and nine months ended September 30, 2020 and, where presented, the quarter and nine months ended September 30, 2019. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at November 3, 2021, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarter and nine months ended September 30, 2021 and 2020, which are included as part of its 2021 Third Quarter Report ("Q3 Report"), and as an update in conjunction with the discussion and analysis and fiscal 2020 audited consolidated financial statements and notes thereto included in the Company's 2020 Annual Report.

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

The following discussion contains certain forward-looking statements that are subject to significant risks and uncertainties that could cause actual results to differ materially from

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historical results and percentages. Factors that may impact future results are discussed in the Risks and Uncertainties section below.

NON-IFRS FINANCIAL MEASURES

In addition to the IFRS prepared results and balances presented in the Statements and notes thereto, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be non-IFRS measures. The Company primarily derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its operating performance and financial position. The non-IFRS measures presented in this MD&A and elsewhere in the Company's Q3 Report are defined as follows:

- i) **Return on average equity ("ROE")** – this is a profitability measure that presents net earnings attributable to shareholders ("shareholders' net earnings") as an annualized percentage of the average shareholders' equity employed in the period to earn the income. The Company includes all components of shareholders' equity to calculate the average thereof;
- ii) **Adjusted net earnings, adjusted earnings per common share and adjusted ROE** – adjusted net earnings presents shareholders net earnings before stock-based compensation, business acquisition expenses (namely, business transaction and integration costs and amortization of intangibles) and restructuring expenses. The Company considers these items to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of ongoing operating performance than shareholders' net earnings as it excludes items which do not directly relate to ongoing operating activities. Adjusted (basic and diluted) earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period, while adjusted ROE is adjusted net earnings for the period expressed as an annualized percentage of average shareholders' equity employed in the period;
- iii) **Book value per share** – book value is defined as shareholders' equity and is the same as the net asset value of the Company (calculated as total assets minus total liabilities) less non-controlling interests in subsidiaries. Book value per share is the book value divided by the number of common shares outstanding as of a particular date;

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- iv) **Average funds employed** – Funds employed is another name that the Company uses for its finance receivables and loans (also referred to as "Loans" in this MD&A), an IFRS measure. Average funds employed are the average finance receivables and loans calculated over a particular period; and
- v) **Financial condition and leverage ratios** – The table on page 20 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets and deferred taxes) expressed as a percentage of total assets; and (iii) debt (bank indebtedness, loan payable, notes payable and convertible debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage.

ACCORD'S BUSINESS

Accord is one of North America's leading independent commercial finance companies serving clients throughout the United States and Canada. Accord's flexible finance programs cover the full spectrum of asset-based lending ("ABL"), from receivables and inventory finance, to equipment and trade finance, to film and media finance, as well as providing working capital loans and supply chain financing. Accord's business also includes credit protection and receivables management. Its clients operate in a wide variety of industries, examples of which are set out in note 22(a) to the Statements.

The Company, founded in 1978, operates six finance companies in North America, namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Accord Small Business Finance ("ASBF") in Canada, and Accord Financial, Inc. ("AFIU"), BondIt Media Capital ("BondIt") and Accord Equipment Finance ("AEF"), formerly doing business as CapX Partners, in the United States.

The Company's business principally involves: (i) asset-based lending by AFIC and AFIU, which entails financing or purchasing receivables on a recourse basis, as well as financing other tangible assets, such as inventory and equipment; (ii) equipment financing (leasing and equipment loans) by AEF and ASBF. ASBF also provides working capital financing to small businesses; (iii) film and media production financing by BondIt; and (iv) credit protection and receivables management services by AFL, which principally involves providing credit guarantees and collection services, generally without financing.

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QUARTERLY FINANCIAL INFORMATION

(unaudited, in thousands except earnings per share)

	Quarter ended	Revenue	Net earnings (loss)	Earnings Per Common Share*
2021	September 30	\$ 16,119	\$ 2,643	\$ 0.31
	June 30	15,416	3,085	0.36
	March 31	13,480	2,585	0.30
2020	December 31	\$ 12,903	\$ 1,384	\$ 0.16
	September 30	12,312	566	0.07
	June 30	11,270	4,343	0.51
	March 31	12,015	(5,876)	(0.69)
Fiscal 2020		\$ 48,501**	\$ 417	\$ 0.05
2019	December 31	\$ 14,297	\$ (658)	\$ (0.08)
	September 30	15,299	3,237	0.38
	June 30	13,991	2,222	0.26
	March 31	12,588	1,643	0.19
Fiscal 2019		\$ 56,175	\$ 6,444	\$ 0.76**

* basic and diluted

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

RESULTS OF OPERATIONS

Quarter ended September 30, 2021 compared with the quarter ended September 30, 2020

Shareholders' net earnings for the quarter ended September 30, 2021 increased by 367% or \$2,077,000 to \$2,643,000 compared to the \$566,000 earned last year but were 18% or \$594,000 below the \$3,237,000 earned in the third quarter of 2019. Shareholders' net earnings rose compared to the third quarter of 2020 mainly on higher revenue and a lower provision for losses. Shareholders net earnings were substantially higher than the third quarter of 2020 as funds employed grew to record levels, paving the way to record quarterly revenue, and as it continues to recover from the adverse economic impacts of Covid-19. Shareholders' net earnings decreased compared to 2019 on higher G&A expenses. Basic and diluted earnings per common share ("EPS") increased to 31 cents compared to 7 cents earned in the third quarter of 2020 but were below the 38 cents earned in the third quarter of 2019.

Adjusted net earnings rose to \$2,801,000 in the third quarter of 2021 compared to \$621,000 last year but were 2% lower than the \$2,862,000 earned in the third quarter of 2019. Adjusted EPS were 33 cents compared to 7 cents in the third quarter of 2020 and 34 cents in the third quarter of 2019. The following table provides a reconciliation of shareholders' net earnings to adjusted net earnings:

Quarter ended September 30 (in thousands)	2021	2020	2019
Shareholders' net earnings	\$ 2,643	\$ 566	\$ 3,237
Adjustments, net of tax:			
Restructuring expenses	139	—	—
Stock-based compensation expense	13	—	48
Business acquisition expenses	6	55	(423)
Adjusted net earnings	\$ 2,801	\$ 621	\$ 2,862

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Revenue rose by 31% or \$3,807,000 to \$16,119,000 in the third quarter compared to \$12,312,000 last year and was \$820,000 or 5% higher than the \$15,299,000 in the third quarter of 2019. Interest income rose by \$3,025,000 or 28% to \$13,663,000 compared to \$10,638,000 last year on a 27% increase in average funds employed and a slight increase in average loan yields. Other income rose by \$782,000 to \$2,456,000 compared to \$1,674,000 last year mainly due to increased origination and set up fees earned. Interest income in the current quarter rose by \$200,000 or 1% compared to the third quarter of 2019. Other income in the current quarter was \$620,000 higher compared to 2019 for reasons noted above. Average funds employed in the third quarter of 2021 increased by 27% to \$414 million compared to \$327 million last year and were 8% higher than the \$383 million in 2019.

Total expenses increased by 4% or \$554,000 to \$12,987,000 in the third quarter of 2021 from \$12,433,000 last year. G&A, interest expense, impairment of assets held for sale and depreciation rose by \$2,436,000, \$838,000, \$21,000 and \$5,000, respectively. The provision for credit and loan losses and business acquisition expenses declined by \$2,704,000 and \$42,000, respectively.

Interest expense rose by 25% to \$4,216,000 in the third quarter of 2021 from \$3,379,000 last year on 33% higher average borrowings partly offset by lower average interest rates.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, information technology expenses and general overheads. G&A increased by \$2,436,000 in the current quarter compared to last year mainly due to higher information technology expenses resulting from our digital transformation and costs associated with the generation of new business related to the Company's recently introduced pandemic loan program, AccordExpress. Personnel costs rose by \$580,000 on a lower Canadian Emergency Wage Subsidy ("CEWS") and higher restructuring costs this year. Restructuring costs of \$221,000 (2020: \$nil) were incurred in the current quarter. During the third quarter of 2021, the Company did not receive any CEWS (2020 – \$415,000). The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses decreased by \$2,704,000 to \$336,000 compared to \$3,040,000 last year. The provision comprised:

Quarter ended September 30 (in thousands)	2021	2020
Net write-offs	\$ 421	\$ 2,785
Reserves (recovery) expense related to change in total allowances for expected losses	(85)	255
	\$ 336	\$ 3,040

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Net write-offs decreased by \$2,364,000 to \$421,000 in the third quarter of 2021 compared to \$2,785,000 last year. Last year's net write-offs mainly resulted from the adverse economic impact of Covid-19. The non-cash reserves decreased by \$340,000 to a recovery of \$85,000 compared to an expense of \$255,000 last year mainly as a result of the improved economic environment in both Canada and U.S. which resulted in the release of certain allowances for expected credit losses in the current quarter despite funds employed growing by \$31,497,000 in the period. The Company's allowances for expected losses and its portfolio of Loans and managed receivables are discussed in detail below and in the Statements. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies or one-off losses.

Depreciation expense increased by \$5,000 to \$185,000 in the third quarter of 2021. Depreciation of \$124,000 (2020 – \$109,000) was charged on the Company's right-of use assets in third quarter of 2021, while the balance of the expense related to capital assets.

Business acquisition expenses in the third quarter of 2021 totalled \$32,000 (2020 – \$74,000) and comprised the amortization of intangible assets related to AEF.

Income tax rose by \$960,000 to an expense of \$273,000 in the current quarter compared to a recovery of \$687,000 last year as pre-tax earnings increased by \$3,252,000. The effective tax rate was 9.4%.

Canadian operations reported a rise in shareholders' net earnings in the third quarter of 2021 compared to 2020 (see note 21 to the Statements). Shareholders' net earnings rose by \$1,256,000 to \$382,000 compared to a loss of \$874,000 last year. Revenue increased by \$3,349,000 or 62% to \$8,728,000. Expenses increased by \$1,626,000 or 25% to \$8,183,000. G&A increased by \$2,439,000, while interest expense and depreciation rose by \$172,000 and \$13,000, respectively. The provision for credit and loan losses declined by \$958,000 to \$546,000, while business acquisition expenses declined by \$40,000. Income tax increased by \$467,000 to an expense of \$163,000 on higher pre-tax earnings.

U.S. operations reported a rise in shareholders' net earnings in the third quarter of 2021 compared to 2020 (see note 21 to the Statements). Shareholders' net earnings rose by \$820,000 to \$2,261,000 compared to \$1,441,000 last year. Revenue increased by \$437,000 or 6% to \$7,518,000. Expenses decreased by \$1,092,000 or 18% to \$4,931,000. The provision for credit and loan losses, depreciation, G&A and business acquisition expenses decreased by \$1,746,000, \$7,000, \$2,000 and \$2,000, respectively. Interest expense and the impairment of assets held for sale increased by \$644,000 and \$21,000, respectively. Income tax rose by \$493,000 to an expense of \$110,000 on higher pre-tax earnings. Net earnings attributable to non-controlling interests in subsidiaries rose to \$216,000 compared to \$nil in the third quarter of 2020.

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Nine months ended September 30, 2021 compared with nine months ended September 30, 2020

Shareholders' net earnings for the first nine months of 2021 were a record \$8,313,000 compared to a loss of \$968,000 in the first nine months of 2020 and the \$7,102,000 earned in the first nine months of 2019. Shareholders' net earnings increased compared to 2020 mainly as a result of higher revenue and a lower provision for credit and loan losses, while shareholders' net earnings were higher compared to 2019 on higher revenue and lower provision for credit and loan losses, interest expense and income taxes. In 2020, the severe deterioration in economic activity due to Covid-19 significantly impacted the Company's revenue and increased its provisions for losses resulting in the above noted loss. Basic and diluted EPS were 97 cents in the current nine months compared to a loss per common share ("LPS") of 11 cents in 2020 and EPS of 84 cents in 2019. ROE in the first nine months of 2021 was 12.0% (2020: negative 1.4%).

Adjusted net earnings were a first nine months record \$8,645,000 compared to an adjusted net loss of \$63,000 in the first nine months of 2020 and adjusted net earnings of \$7,075,000 in 2019. Adjusted EPS were \$1.01 compared to an adjusted LPS of 1 cent in the first nine months of 2020 and adjusted EPS of 84 cents in the first nine months of 2019. Adjusted ROE for the first nine months of 2021 was 12.4% (2020: negative 0.1%). The following table provides a reconciliation of shareholders' net earnings (loss) to adjusted net earnings (loss):

Nine months ended September 30 (in thousands)	2021	2020	2019
Shareholders' net earnings (loss)	\$ 8,313	\$ (967)	\$ 7,102
Adjustments, net of tax:			
Restructuring expenses	186	738	—
Business acquisition expenses	133	166	(159)
Stock-based compensation expense	13	—	132
Adjusted net earnings (loss)	\$ 8,645	\$ (63)	\$ 7,075

Revenue for the first nine months of 2021 rose by \$9,417,000 or 26% to a record \$45,015,000 compared to \$35,598,000 last year. Interest income rose by \$5,996,000 or 19% to \$37,676,000 compared to \$31,680,000 in the first nine months of 2020 on a 12% increase in average funds employed and a 7% rise in average loan yields. Yields rose on an increased proportion of higher yielding funds employed at ASBF and BondIt. Other income rose by \$3,421,000 or 87% to \$7,339,000 compared to \$3,918,000 in the first nine months of 2020 mainly due to increased origination and set up fees. Average funds employed in the first nine months of 2021 increased by 12% to \$383 million compared to \$343 million in 2020.

Total expenses for the first nine months of 2021 decreased by \$5,874,000 or 14% to \$34,933,000 compared to \$40,807,000 last year. The provision for credit and loan losses, impairment of assets held for sale, business acquisition expenses and depreciation

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decreased by \$9,247,000, \$24,000, \$22,000 and \$13,000, respectively. G&A and interest expense increased by \$3,284,000 and \$148,000, respectively.

Interest expense rose by 1% to \$11,107,000 compared to \$10,959,000 in the first nine months of 2020 on 5% higher average borrowings.

G&A increased by \$3,283,000 or 17% to \$22,560,000 in the first nine months of 2021 compared to \$19,277,000 last year. G&A rose mainly for reasons noted above. CEWS totalling \$249,000 (2020 – \$902,000) and Canadian Emergency Rent Subsidy ("CERS") totalling \$75,000 (2020 – nil) was received in the first nine months of 2021. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses declined by \$9,247,000 to a recovery of \$340,000 in the first nine months of 2021 compared to an expense of \$8,907,000 last year. The provision comprised:

Nine months ended September 30 (in thousands)	2021	2020
Net write-offs	\$ 602	\$ 4,907
Reserves (recovery) expense related to change in total allowances for expected losses	(942)	4,000
	\$ (340)	\$ 8,907

Net write-offs decreased by \$4,305,000 to \$602,000 in the first nine months of 2021 compared to \$4,907,000 last year. Non-cash reserves decreased by \$4,942,000 to a recovery of \$942,000 from an expense of \$4,000,000 last year. Last year's significant provision for losses in large part resulted from to the economic impact of Covid-19. As stated earlier, the decrease in the non-cash reserves in 2021, despite a rise in funds employed, mainly resulted from the improving economic environment in both Canada and U.S. and the release of certain stage 2 allowances for expected credit losses provided for at the end of 2020, while the significant reserve expense in 2020 resulted from the requirement to build additional allowances for expected losses due to the significant adverse economic impact of Covid-19 at that time on the Company's portfolio.

An impairment charge of \$873,000 (2020 – \$897,000) was taken against certain assets held for sale in the first nine months of 2021 to write them down to their estimated net recoverable value ("NRV"). See note 5 to the Statements.

Depreciation expense decreased by \$13,000 to \$529,000 in the first nine months of 2021. Depreciation of \$341,000 (2020 – \$331,000) was charged on the Company's right-of-use assets in the first nine months of 2021, while the balance of the expense related to capital assets.

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Business acquisition expenses totalled \$203,000 in the first nine months of 2021 (2020 – \$225,000). Transaction costs of \$94,000 (2020 – nil) were incurred, while the amortization of intangible assets related to ASBF and AEF totalled \$109,000 (2020 – \$225,000).

Income tax rose by \$5,229,000 to an expense of \$781,000 in the first nine months of 2021 compared to a recovery of \$4,448,000 last year. Income tax rose on a \$15 million rise in pre-tax earnings and the absence of a one-time tax recovery; there was a one-time \$881,000 recovery last year. The Company's effective tax rate was 8.6%.

Canadian operations reported shareholders' net earnings of \$1,941,000 in the first nine months of 2021 compared to a shareholders' net loss of \$5,504,000 in 2020. Revenue increased by \$7,104,000 or 46% to \$22,613,000. Expenses decreased by \$2,907,000 to \$20,072,000. The provision for credit and loan losses declined by \$6,139,000 to \$788,000, while interest expense, business acquisition expenses and depreciation declined by \$1,301,000, \$107,000 and \$1,000, respectively. G&A and the impairment of assets held for sale increased by \$4,500,000 and \$141,000, respectively. Income tax increased by \$2,566,000 to an expense of \$600,000 on a \$10,011,000 rise in pre-tax earnings.

U.S. operations reported a \$1,836,000 increase in shareholders' net earnings in the first nine months of 2021 compared to 2020. Shareholders' net earnings increased to \$6,372,000 compared to \$4,536,000 last year. Revenue rose by \$2,282,000 to \$22,729,000. Expenses decreased by \$2,998,000 to \$15,188,000. The provision for credit and loan losses decreased by \$3,108,000 to a recovery of \$1,128,000, G&A declined by \$1,216,000 to \$11,044,000, while the impairment of assets held for sale and depreciation were lower by \$165,000 and \$12,000, respectively. Interest expense was \$1,418,000 higher at \$4,064,000, while business acquisition expenses increased by \$85,000. Income tax increased by \$2,663,000 to an expense of \$181,000. Net earnings attributable to non-controlling interests in subsidiaries rose to \$988,000 compared to \$207,000 in the first nine months of 2020.

REVIEW OF FINANCIAL POSITION

Shareholders' equity at September 30, 2021 was a record \$96,819,000, 8% higher than the \$89,850,000 at December 31, 2020 and 7% above the \$90,360,000 at September 30, 2020. The increase in shareholders' equity since December 31, 2020 mainly resulted from a rise in retained earnings. Book value per common share was a record high \$11.31 at September 30, 2021 compared to \$10.50 at December 31, 2020 and \$10.56 at September 30, 2020. Please also see the consolidated statements of changes in equity on page 34 of the Company's Q3 Report.

Total assets were a record high \$462,056,000 at September 30, 2021, 20% higher than the \$384,913,000 at December 31, 2020 and 21% higher than the \$381,084,000 at September

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30, 2020. Total assets largely comprised Loans (funds employed). Excluding inter-company loans, identifiable assets located in the United States were 51% of total assets at September 30, 2021 compared to 61% at December 31, 2020 and 62% at September 30, 2020 (see note 21 to the Statements).

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for losses thereon, increased by 21% to a record \$437,059,000 at September 30, 2021 compared to \$360,337,000 at December 31, 2020 and were 26% above the \$347,939,000 at September 30, 2020. As detailed in note 4 to the Statements, the Company's Loans comprised:

(in thousands)	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Receivable loans	\$ 102,478	\$ 100,858	\$ 89,224
Other loans*	247,462	149,734	144,658
Lease receivables	87,119	109,745	114,057
Finance receivables and loans	437,059	360,337	347,939
Less allowance for expected losses	5,717	6,314	6,688
Finance receivables and loans, net	\$ 431,342	\$ 354,023	\$ 341,251

* Other loans primarily comprise inventory, equipment and working capital loans.

The Company's receivable loans rose by 2% to \$102,478,000 at September 30, 2021 compared to \$100,858,000 at December 31, 2020 and were 15% above the \$89,224,000 at September 30, 2020. Other loans, which primarily comprise advances against non-receivable assets such as inventory and equipment, as well as working capital loans, rose by 65% to \$247,462,000 at September 30, 2021 compared to \$149,734,000 at December 31, 2020 and were 71% above the \$144,658,000 at September 30, 2020. The increase in other loans largely resulted from substantially higher working capital loans financed by ASBF, principally AccordExpress loans, and higher media finance loans at BondIt. Lease receivables, representing ASBF's and AEF's net investment in equipment leases, declined by 21% to \$87,119,000 at September 30, 2021 compared to \$109,745,000 at December 31, 2020 and were 24% below the \$114,057,000 at September 30, 2020. Net of the allowance for expected losses thereon, Loans increased by 22% to \$431,342,000 at September 30, 2021 compared to \$354,023,000 at December 31, 2020 and were 26% higher than the \$341,251,000 at September 30, 2020. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 60 clients in a wide variety of industries, as well as ASBF's and AEF's lease receivables and equipment and working capital loans to approximately 620 clients and BondIt's loans to approximately 60 media productions. The largest client comprised 4.6% of gross Loans at September 30, 2021.

In its credit protection and receivables management business, which has been downsized in the last year, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company

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does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled \$11 million at September 30, 2021 compared to \$19 million at December 31, 2020 and \$29 million at September 30, 2020. Most of the clients' customers for which the Company assumes the credit risk are from the wholesale and distribution, and retail industries in North America. The Company made the decision to reduce its portfolio and has been downsizing operations in the past year. Managed receivables comprised the receivables of 9 clients at September 30, 2021. The Company monitors the credit risk related to its managed receivables very closely.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed above, increased by 18% to \$448 million at September 30, 2021 compared to \$379 million at December 31, 2020 and was 19% above the \$377 million at September 30, 2020.

As described in note 22(a) to the Statements, the Company's business principally involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's six operating businesses is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel and management. In the case of credit in excess of \$1.0 million (US\$1.0 million in the case of AFIU and AEF, and US\$500,000 for BondIt), credit is approved by the Company's Executive Credit Committee. Credit in excess of \$2.5 million (US\$2.5 million in the case of U.S. group companies) is approved by the Credit Committee of the Board of Directors, which comprises three directors. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. ASBF's and AEF's lease receivables and equipment and working capital loans are usually term loans with payments spread out evenly over the term of the lease or loan, which can be up to 60 months, although ASBF has a "revolving" equipment loan product which has no fixed repayment terms and can be repaid at any time. None of the managed receivables that the Company guarantees payment were past due more than 60 days at September 30, 2021. In the Company's asset-based lending business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined

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age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

The Company employs client rating systems to assess the credit risk in its asset-based lending and leasing businesses, which review, among other things, the financial strength of each client and the Company's underlying collateral security, while in its credit protection business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 4 to the Statements which presents tables summarizing the Company's finance receivables and loans, and managed receivables, by their credit risk rating (low risk, medium risk, high risk) and also by the three stage credit criteria of IFRS 9, as well as an aged analysis thereof. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of good quality and any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an on-going basis to mitigate credit risk. In its asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis.

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

As detailed in note 4, the Company had past due finance receivables and loans of \$19,490,000 at September 30, 2021, of which \$15,354,000 related to BondIt, the Company's media finance subsidiary, while \$4,120,000 related to ASBF and \$16,000 to AEF. Repayment of BondIt's loans are often delayed for non-credit related reasons such as delays in film production and the sale thereof which is a normal part of its business. BondIt's operations have not been particularly impacted by Covid-19. Of the ASBF loans past due, \$2,340,000 are considered to have had a SICR, while the balance is less than 30 days past due and not considered to have had a SICR.

The Company had impaired finance receivables and loans of \$2,601,000 at September 30, 2021, or 0.6% of total funds employed. The impaired loans, most of which have been written down to NRV (being fair value less costs of realization) where necessary, are mainly collateralized by receivables, inventory and equipment, the estimated NRV of

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which was \$4,085,000 at September 30, 2021. As the vast majority of the Company's finance receivables and loans are collateralized, past due or impaired accounts do not necessarily lead to a significant expected credit loss ("ECL") depending on the NRV of the collateral security, which often results in a low or no loss given default ("LGD") in respect of these accounts. Details of net write-offs in the three and nine months ended September 30, 2021 and 2020 is provided above.

In the Company's credit protection business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. Although this business is winding down, as noted above, all client and customer credit in excess of \$2.5 million is approved by the Company's Credit Committee on a case-by-case basis. Note 22(a) to the Statements provides details of the Company's credit exposure by industrial sector.

The Company's allowance for losses on Loans, calculated under the ECL criteria of IFRS 9, totalled \$5,717,000 at September 30, 2021 compared to \$6,314,000 at December 31, 2020 and \$6,688,000 at September 30, 2020. This represents management's best estimate of its allowance for expected loan losses based on information available at those dates. Depending on how long the economic impacts of Covid-19 continue and the timing and nature of any economic recovery, the measurement of the allowance could fluctuate substantially in future periods. See also discussion on loan modifications in note 4. The modifications, which have decreased substantially since March 31, 2020, principally relate to temporary over advances or payment deferrals on accounts totalling \$3.6 million that were otherwise in good standing at September 30, 2021 (December 31, 2020 - \$18.1 million, September 30, 2020 - \$25.6 million). The allowance for expected losses on the guarantee of managed receivables totalled \$182,000 at September 30, 2021 compared to \$555,000 at December 31, 2020 and \$1,850,000 at September 30, 2020. This significant decrease in the allowance for expected losses on the guarantee of managed receivables at September 30, 2021 resulted from the reduction in managed receivables and improvement in their risk profile. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for losses accounts in the first nine months of 2021 and 2020 is set out in note 4 to the Statements. The estimates of both allowances for expected losses are judgmental. Management considers them to be reasonable and supportable.

Assets held for sale totalled \$160,000 at September 30, 2021 compared to \$1,514,000 at December 31, 2020 and \$1,111,000 at September 30, 2020 and comprised certain repossessed assets securing defaulted equipment leases with a number of clients. The decrease compared to December 31, 2020 resulted from asset disposals totalling

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\$623,000 and impairment charges of \$873,000. Assets totalling \$160,000 were repossessed and included in assets held for sale during the first nine months of 2021. The remaining assets, which are stated at their NRV at September 30, 2021, are currently being marketed for sale and will be disposed of as market conditions permit. See note 5 to the Statements.

Cash increased to \$7,569,000 at September 30, 2021 compared to \$5,546,000 at December 31, 2020 but was lower than the \$11,335,000 at September 30, 2020. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Intangible assets, net of accumulated amortization, totalled \$3,156,000 at September 30, 2021 compared to \$3,278,000 at December 31, 2020 and \$3,504,000 at September 30, 2020. Intangible assets totalling US\$2,885,000 were acquired upon the acquisition of AEF on October 27, 2017 and comprised customer and referral relationships and brand name. These assets are carried in the Company's U.S. subsidiary and are translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Customer and referral relationships are being amortized over a period of 15 years, while the acquired brand name is considered to have an indefinite life and is not amortized. Intangible assets comprising existing customer contracts and broker relationships were also acquired as part of the ASBF acquisition on January 31, 2014. These were amortized over a period of 5 to 7 years and, at September 30, 2021, are now fully amortized. Please refer to note 8 to the Statements.

Goodwill totalled \$13,179,000 at September 30, 2021 compared to \$13,219,000 at December 31, 2020 and \$13,748,000 at September 30, 2020. Goodwill of US\$2,409,000 and US\$5,538,000 was acquired on the acquisition of BondIt and AEF on July 1, 2017 and October 27, 2017, respectively. BondIt and AEF goodwill is carried in the Company's U.S. operations, together with US\$962,000 from a much earlier acquisition. Goodwill of \$1,883,000 was also acquired as part of the ASBF acquisition and is carried in the Company's Canadian operations. The goodwill in the Company's U.S. operations is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 7 to the Statements for information regarding the Company's annual goodwill impairment reviews.

Other assets, income taxes receivable, net deferred tax assets, and property and equipment at September 30, 2021 and 2020, and December 31, 2020 were not significant.

Total liabilities increased by \$70,431,000 to \$361,585,000 at September 30, 2021 compared to \$291,154,000 at December 31, 2020 and were \$74,969,000 higher than the

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\$286,616,000 at September 30, 2020. The increase since December 31, 2020 mainly resulted from increased bank indebtedness and a higher loan payable.

Amounts due to clients decreased by \$1,245,000 to \$1,665,000 at September 30, 2021 compared to \$2,910,000 at December 30, 2020 but were \$423,000 higher than the \$1,242,000 at September 30, 2020. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by \$45,803,000 to \$256,743,000 at September 30, 2021 compared to \$210,940,000 at December 31, 2020 and was \$48,397,000 higher than the \$208,346,000 at September 30, 2020. Bank indebtedness increased mainly as a result of higher funds employed. The Company's current bank facility totals \$367 million with a syndicate of six banks. The Company was in compliance with all loan covenants at September 30, 2021 and 2020, and December 31, 2020. Bank indebtedness principally fluctuates with the quantum of funds employed outstanding. The Company renewed its bank facility for a further one-year period on July 26, 2021.

Loan payable, which is used to fund BondIt's business, increased by \$27,263,000 to \$48,640,000 at September 30, 2021 compared to \$21,377,000 at December 31, 2020 and was \$32,087,000 higher than the \$16,553,000 at September 30, 2020. The line, which was renewed and increased to US\$40,000,000 in May 2021, expires on May 6, 2023. BondIt was in compliance with all loan covenants thereunder during the nine months ended September 30, 2021 and 2020. See note 10 to the Statements.

Accounts payable and other liabilities, which comprise of a number of different liabilities, decreased by \$111,000 to \$10,725,000 at September 30, 2020 compared to \$10,836,000 at December 31, 2020 and were \$1,059,000 lower than the \$11,784,000 at September 30, 2020.

Notes payable decreased by \$1,799,000 to \$15,635,000 at September 30, 2021 compared to \$17,434,000 at December 31, 2020 and were \$1,670,000 lower than the \$17,305,000 at September 30, 2020. The decrease in notes payable mainly resulted from the redemption of certain notes. Please see Related Party Transactions section below and note 11(a) to the Statements.

Convertible debentures with a face value of \$25,650,000 (25,650 convertible debentures of \$1,000 each) were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading on the Toronto Stock Exchange ("TSX"), while 5,000 are unlisted. All convertible debentures are unsecured and carry a coupon rate of 7.0% with interest payable semi-annually on June 30 and December 31 each year. These debentures mature on December 31, 2023 and are convertible at the option of the

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holder into common shares at a conversion price of \$13.50 per common share. Net of transaction costs and a \$23,200 discount on the issue of certain debentures, a total of \$23,781,000 was raised. Please see note 12 to the Statements, which details how the debt and equity components of the convertible debentures were allocated. At September 30, 2021, the debt component totalled \$24,437,000 (December 31, 2020 – \$23,510,000, September 30, 2020 – \$23,809,000), while the equity component totalled \$1,005,000 (December 31 and September 30, 2020 – \$1,005,000), net of deferred taxes.

Income taxes payable, lease liabilities, deferred income and net deferred tax liabilities at September 30, 2021 and 2020, and December 31, 2020 were not material.

Capital stock totalled \$9,448,000 at September 30, 2021 and 2020, and December 31, 2020. There were 8,558,913 common shares outstanding at those dates. Please see note 14(c) to the Statements and the consolidated statements of changes in equity on page 34 of the Company's Q3 Report for details of changes in capital stock during the first nine months of 2021 and 2020. At the date of this MD&A, November 3, 2021, 8,558,913 common shares remained outstanding.

Contributed surplus totalled \$1,015,000 at September 30, 2021 compared to \$1,202,000 at December 31, 2020 and September 30, 2020. The decrease since December 31, 2020 relates to the acquisition of an additional 10% interest in BondIt from two non-controlling interests in the current quarter at a cost of \$1,369,000, of which \$201,000 was debited to contributed surplus. As noted above, included in contributed surplus is the equity component of the convertible debentures issued which totalled \$1,005,000, net of deferred tax. Also included in contributed surplus is the 2021 stock-based compensation expense relating to stock options granted of \$15,000 (2020 – \$nil). Please refer to note 14(d) to the Statements. Please see the consolidated statements of changes in equity on page 34 of the Company's Q3 Report for details of changes in contributed surplus during the first nine months of 2021 and 2020.

Retained earnings increased by \$7,029,000 to \$80,154,000 at September 30, 2021 compared to \$73,125,000 at December 31, 2020 and were \$7,986,000 above the \$72,168,000 at September 30, 2020. The increase in 2021 comprised shareholders' net earnings of \$8,313,000 less dividends paid of \$1,284,000 (15 cents per common share). Please see the consolidated statements of changes in equity on page 34 of the Company's Q3 Report for changes in retained earnings during the first nine months of 2021 and 2020.

The Company's accumulated other comprehensive income ("AOCI") account solely comprises the cumulative unrealized foreign exchange gain arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance increased to \$6,201,000 at September 30, 2021 compared to \$6,076,000 at December 31,

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2020 but was below the \$7,542,000 at September 30, 2020. Please refer to note 18 to the Statements and the consolidated statements of changes in equity on page 34 of the Company's Q3 Report, which details movements in the AOCI account during the first nine months of 2021 and 2020.

Non-controlling interests in subsidiaries totalled \$3,653,000 at September 30, 2021 compared with \$3,909,000 at December 31, 2020 and \$4,108,000 at September 30, 2020. The decrease in 2021 relates to the acquisition from two non-controlling interests of an additional 10% of BondIt by the Company as noted above. Please see note 19 to the Statements for details thereof and the consolidated statement of changes in equity on page 34 of the Company's Q3 Report, which details movements in non-controlling interests during the first nine months of 2021 and 2020.

LIQUIDITY AND CAPITAL RESOURCES

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

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

(as a percentage)	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Tangible equity / assets	22%	20%	25%
Total equity / assets	18%	24%	20%
Debt* / total equity	344%	291%	282%

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

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

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The Company had credit lines totalling approximately \$417 million at September 30, 2021 and had borrowed \$305 million against these facilities. Funds generated through operating activities and the issuance of notes payable, convertible debentures or other forms of debt or equity decrease the usage of, and dependence on, these lines. Note 22(b) details the Company's financial assets and liabilities at September 30, 2021 by their maturity date.

As noted in the Review of Financial Position section above, the Company had cash balances of \$7,569,000 at September 30, 2021 compared to \$5,546,000 at December 31, 2020. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Cash flow for the nine months ended September 30, 2021 compared with the nine months ended September 30, 2020

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled \$11,106,000 in the first nine months of 2021 compared to \$933,000 last year. After changes in operating assets and liabilities and income tax payments or refunds are taken into account, there was a net cash outflow from operating activities of \$66,340,000 in the first nine months of 2021 compared to an inflow of \$44,603,000 last year. The net cash outflow in the first nine months of 2021 largely resulted from funding gross loans of \$77,059,000. In the first nine months of 2020, the net cash inflow largely resulted from repayment of gross loans of \$31,058,000 and proceeds from the disposal of assets held for sale of \$6,619,000. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 35 of the Company's Q3 Report.

Cash outflows from investing activities totalled \$143,000 (2020 – \$43,000) in the first nine months of 2021 and comprised property and equipment additions.

Net cash inflow from financing activities totalled \$68,388,000 in the first nine months of 2021 compared to an outflow of \$37,563,000 last year. The net cash inflow this year resulted from a \$46,378,000 rise in bank indebtedness and a \$26,866,000 increase in loan payable. Partially offsetting these inflows were redemptions of notes payable, net, of \$1,807,000, purchase of an additional 10% of BondIt from non-controlling interests for \$1,369,000, dividends paid of \$1,284,000, payment of lease liabilities of \$337,000 and a distribution paid to non-controlling interests of \$59,000. In the first nine months of 2020, the

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net cash outflow resulted from a decrease in bank indebtedness of \$38,695,000, notes payable redeemed, net, of \$1,753,000, dividends paid of \$1,627,000, the repurchase of shares under the Company's normal course issuer bid totalling \$264,000, the purchase of an additional 2% interest in AEF from a non-controlling interest for \$181,000 and payment of lease liabilities of \$283,000. Partially offsetting these outflows was an increase in loan payable totalling \$5,240,000.

The effect of exchange rate changes on cash comprised a gain of \$119,000 in the first nine months of 2021 compared to a reduction of \$2,438,000 in the first nine months of 2020.

Overall, there was a net cash inflow of \$2,023,000 in the first nine months of 2021 compared to \$4,559,000 in the first nine months of 2020.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT SEPTEMBER 30, 2021

(in thousands)	Payments due in				Total
	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	
Debt obligations	\$ 321,017	\$ 24,437	\$ —	\$ —	\$ 345,454
Operating lease obligations	409	593	184	46	1,232
Purchase obligations	54	8	—	—	62
	\$ 321,480	\$ 25,038	\$ 184	\$ 46	\$ 346,748

RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. Notes payable comprise demand notes and short-term notes (all due on or before July 31, 2022) as follows: (i) demand notes due on, or within a week of, demand (\$1,965,000), which bear interest at rates that vary with bank prime rate or Libor; (ii) BondIt short-term notes (\$3,170,000) which are repayable on various dates the latest of which is December 31, 2021 and which bear interest at rates ranging from 8.5% to 11%; and (iii) other short-term notes totalling \$10,500,000 which mature on July 31, 2022 and pay a fixed interest rate of 7%. Notes payable totalled \$15,635,000 at September 30, 2021 compared to \$17,434,000 at December 31, 2020 and \$17,305,000 at September 30, 2020. Of these notes payable, \$12,501,000 (December 31, 2020 – \$15,072,000, September 30, 2020 – \$14,860,000) was owing to related parties and \$3,134,000 (December 31, 2020 – \$2,362,000, September 30, 2020 – \$2,445,000) to third parties. Interest expense on these notes in the current quarter and first nine months of 2021 totalled \$293,000 (2020 – \$300,000) and \$890,000 (2020 – \$921,000), respectively. Please refer to note 11(a) to the Statements.

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The following related parties had notes payable with the Company:

Hitzig Bros., Hargreaves & Co. Inc.*	Directors	C\$	\$ 4,500,000
Hitzig Bros., Hargreaves & Co. LLC.*	Directors	US\$	700,000
Oakwest Corporation Inc.*	Director	C\$	3,000,000
Ken Hitzig	Director	C\$	3,000,000

** a director(s) of the Company has an ownership interest in the Company*

Accord pays a rate of interest related to Canadian prime (currently it pays 1.95% or 2.45%) on its Canadian dollar unsecured demand notes payable, while its U.S. dollar unsecured demand notes pay a Libor based rate of interest (currently 2.25%). These rates of interest are below the rates that Accord pays on its main banking facility with The Bank of Nova Scotia ("BNS") resulting in interest savings to the Company.

Upon renewal of the BNS facility in July 2021, the Company renewed certain unsecured notes payable which had matured on July 31, 2021 for a further one-year term, expiring on July 31, 2022. These term notes are solely with related parties. The renewed credit facility allows these notes to be treated as "quasi equity" and be included in the Company's tangible net worth (TNW) for the purposes of leveraging its bank line (up to 3.5 x TNW). This created additional borrowing capacity that Accord can utilize at lower credit facility rates of interest, which was the main business purpose thereof.

FINANCIAL INSTRUMENTS

All financial assets and liabilities, with the exception of derivative financial instruments, the guarantee of managed receivables and the Company's LTIP liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets and liabilities, other than the lease receivables and term loans to clients in our equipment and small business finance businesses and lease liabilities, are short-term in nature and, therefore, their carrying values approximate fair values. At December 31, 2020, the Company had entered into forward foreign exchange contracts with a financial institution which had to be exercised by the Company between January 29, 2021 and August 31, 2021 and obliged the Company to sell Canadian dollars and buy US\$744,000 at exchange rates ranging from 1.27650 to 1.35930. At September 30, 2020, the Company had entered into forward foreign exchange contracts with a financial institution which had to be exercised by the Company between November 30, 2020 and February 26, 2021 and obliged the Company to sell Canadian dollars and buy US\$535,000 at exchange rates ranging from 1.3260 to 1.35930. At September 30, 2021 there were no outstanding foreign exchange contracts entered into by the Company.

CRITICAL ACCOUNTINGS POLICIES AND ESTIMATES

Critical accounting estimates represent those estimates that are highly uncertain and for which changes in those estimates could materially impact the Company's financial

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results. The following are accounting estimates that the Company considers critical to the financial results of its business segments:

- (i) the allowance for expected losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for expected losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios, typical industry loss experience, macro-economic factors and forward-looking information. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency, or may result from severe adverse economic conditions as we have seen as a result of Covid-19.

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

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that its allowances for losses, which require a high degree of reasonable and supportable expert credit judgment, are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(d), 4 and 22(a) to the Statements.

- (ii) Goodwill is tested for impairment annually or more frequently if impairment indicators arise. To determine if goodwill is impaired, the Company estimates the fair value (being the recoverable amount) of each of its CGUs and compares this to the carrying value of the CGU. In the Company's case the estimated fair value of each CGU is determined to be a multiple of the expected earnings of the CGU, where expected earnings are an estimate of future years' earnings. This provides a similar result to extrapolating and discounting budgeted earnings for the CGUs. The estimated fair value of each CGU is then compared to the carrying value of the CGU, including goodwill, to determine if the goodwill is impaired. The most sensitive assumptions used in the impairment testing is the multiple applied to the expected earnings of each CGU in determining the fair value thereof, as well as the expected earnings estimates themselves.
- (iii) the extent of any provisions required for outstanding claims. In the normal course of business there is outstanding litigation, the results of which are not normally expected to have a material effect upon the Company. However, the adverse resolution of a particular claim could have a material impact on the Company's financial results. Management is not aware of any claims currently outstanding the aggregate liability from which would materially affect the financial position of the Company.

CONTROL ENVIRONMENT

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at September 30, 2021, management evaluated and concluded on the effective design of the Company's DC&P and ICFR and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only

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reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

RISKS AND UNCERTAINTIES THAT COULD AFFECT FUTURE RESULTS

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 22 to the Statements, which discuss the Company's principal financial risk management practices.

Deterioration in Economic and Business Conditions due to Covid-19

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

Competition from alternative sources of financing

The Company operates in an intensely competitive environment and its results could be significantly affected by the activities of other industry participants. The Company expects this level of competition to persist in the future as the markets for its services continue to develop and as additional companies enter its markets. There can be no assurance that the Company will be able to compete effectively with current or future competitors. If the Company's competitors engage in aggressive pricing policies with respect to services that compete with those of the Company's, the Company would likely lose some clients or be forced to lower its rates, both of which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, some of the Company's competitors may have higher risk tolerances or different risk assessments, which could allow them to establish more origination sources and customer relationships to increase their market share. Further, because there are fewer barriers to entry to the markets in which the Company operates, new competitors could enter these markets at any time. Because of all these competitive factors, the Company may be unable to sustain its operations at its current levels or generate growth in revenues or operating income, either of which could have a

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material adverse impact on the Company's business, financial condition and results of operations.

Credit risk, inability to underwrite finance receivables and loan applications

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

Interest rate risk

The Company has fixed rate borrowings, as well as floating rate borrowings. The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes. However, as the Company's floating rate funds employed currently exceed its floating rate borrowings, the Company is exposed to some degree to interest rate fluctuations. Fluctuations in interest rates may have a material adverse impact on the Company's business, financial condition and results of operations.

Foreign currency risk

The Company has international operations, primarily in the United States. Accordingly, a significant portion of its financial resources are held in currencies other than the Canadian dollar. In recent years, the Company has seen the fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its foreign subsidiaries results are translated into Canadian dollars. It has also affected the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had, in the past, reduced the accumulated other comprehensive income component of equity to a loss position, although it is now in a large gain position. No assurances can be made that

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changes in foreign currency rates will not have a significant adverse effect on the Company's business, financial condition or results of operations.

External financing

The Company depends and will continue to depend on the availability of credit from external financing sources, to continue to, among other things, finance new and refinance existing loans and satisfy the Company's other working capital needs. The Company believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements with respect to investments in working capital, operating expenditures and dividend payments, and also provide sufficient liquidity and capital resources for future growth over the next twelve months. However, there is no guarantee that the Company will continue to have financing available to it or if the Company were to require additional financing that it would be able to obtain it on acceptable terms or at all. If any or all of the Company's funding sources become unavailable on terms acceptable to the Company or at all, or if any of the Company's credit facilities are not renewed or re-negotiated upon expiration of their terms, the Company may not have access to the financing necessary to conduct its businesses, which would limit the Company's ability to finance its operations and could have a material adverse impact on its business, financial condition and results of operations. Please also see comments regarding business conditions due to Covid-19 on page 26.

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

The Company operates mainly in Canada and the United States. The Company's operating results may be negatively affected by various economic factors and business conditions, including the level of economic activity in the markets in which it operates. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. As the Company extends credit primarily to small- and medium-sized businesses, many of its customers are particularly susceptible to economic slowdowns or recessions and may be unable to make scheduled lease or loan payments during these periods. Unfavorable economic conditions may also make it more difficult for the Company to maintain new origination volumes and the credit quality of new loans at levels previously attained. Unfavorable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities and other capital markets funding sources or result in a decision by the Company's lenders not to extend further credit. Any of these events could have a material adverse impact on the Company's business, financial condition and results of operations. Please also see comments regarding business conditions due to Covid-19 on page 26.

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Dependence on key personnel

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

Income Tax Matters

The income of the Company must be computed in accordance with Canadian, U.S. and foreign tax laws, as applicable, and the Company is subject to Canadian, U.S. and foreign tax laws, all of which may be changed in a manner that could adversely affect the Company's business, financial condition or results of operation.

Recent and future acquisitions and investments

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

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Fraud by lessees, borrowers, vendors or brokers

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

Risk of future legal proceedings

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

OUTLOOK

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

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From the pandemic induced low-point of \$317 million of funds employed (June 30, 2020) funds employed have grown 38% to reach a record \$437 million at September 30, 2021. The Company has seen strong growth from its ASBF, Canadian equipment and small business finance division as well as at BondIt. ASBF, in particular, has seen strong take up of its Export Development Canada ("EDC") backed AccordExpress product. Medium to strong growth is expected to continue at these divisions. More moderate growth is expected to come from the Company's asset-based financing units, AFIC and AFIU, as well as AEF, the Company's U.S. equipment finance division. As noted above, the Company's receivables management business, AFL, has been downsized in the past year. That business provides credit risk management services primarily related to the wholesale and retail industries in Canada. Given the long-term headwinds in those sectors, the Company made the decision to reduce the size of AFL's operations. In recent years AFL's contribution was not financially significant to the Accord group overall.

To support the anticipated increase in funds employed, the Company is supported by a \$367 million bank facility, which was recently renewed for a further year and should provide it with the majority of funding needed to support further growth over the next twelve months, as well as the US\$40 million non-bank loan facility to BondIt noted above. In addition, the Company is expected to bring in another lender to fund its growing AccordExpress portfolio of EDC-backed small business working capital loans. Today, in the wake of Covid-19, our banking partners continue to be very supportive.

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



Stuart Adair

Senior Vice President, Chief Financial Officer
November 3, 2021



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