

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, 2022

Unlocking Potential



ACCORD
FINANCIAL

ACCORD FINANCIAL CORP.

MESSAGE FROM THE PRESIDENT AND CEO

Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter and nine months ended September 30, 2022 together with comparative figures for the same period of 2021. These financial statements have not been reviewed by the Company's auditors, but have been reviewed and approved by its Audit Committee and Board of Directors.

Accord's finance receivables and loans remained steady over the third quarter, closing the quarter at \$457 million. Caution remains the watchword in our key markets, as both Accord and the small and middle market business sector we serve have taken a more conservative view of leverage, given the challenging economic backdrop.

Key metrics, however, continued to reflect growth on a year-over-year basis, led by average funds employed, which reached \$452 million for the first nine months, up 18% over the same period last year. Revenue followed suit, rising 9% to reach a first nine-month record of \$49.1 million compared to \$45.0 million last year. Pre-provision operating income remained healthy, with the loan portfolio generating strong cash flow, boosting book value per common share to \$12.34 at quarter end, up from \$11.31 at September 30, 2021 and \$11.68 at the start of the year.

Despite continuing strong performance according to most metrics, the Company's third quarter net earnings were hampered by a \$1.1 million provision for credit and loan losses, compared to \$336,000 during the same quarter last year, reflecting the economic headwinds and their impact on certain businesses within the portfolio. The Company also anticipates that persistent inflation and rising interest rates may weaken the payment performance of some of its existing clients. To measure credit quality against this backdrop, the Company employs a comprehensive process, incorporating third-party economic forecasts, quantitative credit evaluation of each company in the portfolio, and expert judgment refined over multiple economic cycles. In this context the Company continues to carry a healthy allowance for expected losses on the balance sheet: \$7.2 million at September 30, 2022 compared to \$5.7 million a year earlier.

Affected by the provision for losses, net earnings attributable to shareholders were \$1.8 million in the third quarter of 2022 compared to \$2.6 million in the same quarter last year, resulting in earnings per common share ("EPS") of 21 cents compared to 31 cents last year. Net earnings in the first nine months of 2022 were \$5.1 million compared to \$8.3 million in 2021, for nine months EPS of 59 cents compared to 97 cents last year.

Economic uncertainty presents a headwind for some of our financing solutions, including financing for growth, operational expansion, and acquisitions. At the same time, uncertainty often leads the major banks to restrict their lending appetite, which opens the door for Accord to step in. Accord is well positioned to perform in this environment. Over the past two years we've strengthened the management team, built a world class sales & marketing platform, rejuvenated the product lineup, and diversified our funding sources

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to support the next stage of growth. Turning our attention to client-facing activities, we're now advancing our strategy to maximize sales and marketing performance by leveraging our combined sales network and delivering multiple product solutions through our integrated sales channels.

Accord's founders, investors, and lenders have shown strong support throughout this period. The Company maintains a solid investor base, combining more than \$100 million of equity with \$39 million of fixed-rate term notes and convertible debentures. A life insurance company adds \$52 million supporting a small business loan portfolio with term-matched funding. The Company also expanded its credit facility to a commitment size of \$437 million with a new maturity date of July 2025, while introducing a new U.S. lender into the syndicate of six major banks. Accord continues to maintain a conservative debt to equity profile, with ample dry powder to finance the next phase of growth.

The theme of this quarterly report is "unlocking potential." Accord's mission is to simplify access to capital, unlocking potential for our clients and their investors. With equal ambition, driven by innovative product development, deep market presence and financial strength, Accord is poised to unlock potential for our investors.

Reflecting continued strong cash flow, the Board of Directors today declared a quarterly dividend of \$0.075 per share, payable December 1, 2022, to shareholders of record at the close of business November 15, 2022.



Simon Hitzig
President and Chief Executive Officer
November 2, 2022

ACCORD FINANCIAL CORP.

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

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FINANCIAL HIGHLIGHTS

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2022	2021	2022	2021
Average funds employed (millions)	\$ 445	\$ 414	\$ 452	\$ 383
Revenue	16,452	16,119	49,120	45,015
Earnings before income tax	1,856	3,132	4,952	10,083
Net earnings attributable to shareholders	1,831	2,643	5,091	8,313
Adjusted net earnings	1,926	2,801	5,291	8,645
Earnings per common share (basic and diluted)	0.21	0.31	0.59	0.97
Adjusted earnings per common share (basic and diluted)	0.22	0.33	0.62	1.01
Book value per share (September 30)			\$ 12.34	\$ 11.31

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, 2022 compared with the quarter and nine months ended September 30, 2021 and, where presented, the quarter and nine months ended September 30, 2020. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at November 2, 2022, 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, 2022 and 2021, which are included as part of its 2022 Third Quarter Report ("Q3 Report"), and as an update in conjunction with the discussion and analysis and fiscal 2021 audited consolidated financial statements and notes thereto included in the Company's 2021 Annual Report.

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

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

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NON-IFRS FINANCIAL MEASURES

In addition to the IFRS prepared results and balances presented in the Statements and notes thereto, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be non-IFRS measures. The Company primarily derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its operating performance and financial position. The non-IFRS measures presented in this MD&A and elsewhere in the Company's 2022 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, as shown on the Company's balance sheet, calculated on a month-by-month basis to calculate the average thereof;
- ii) **Adjusted net earnings, adjusted earnings per common share and adjusted ROE** – adjusted net earnings represents shareholders net earnings before stock-based compensation, business acquisition expenses (namely, business transaction and amortization of intangibles) and restructuring expenses. The Company considers these items to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of ongoing operating performance than shareholders' net earnings as it excludes items which do not directly relate to ongoing operating activities. Adjusted (basic and diluted) earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period (see note 16 to the Statements), while adjusted ROE is adjusted net earnings for the period expressed as an annualized percentage of the average shareholders' equity employed in the period;
- iii) **Book value per share** – book value is defined as shareholders' equity and is the same as the net asset value of the Company (calculated as total assets minus total liabilities) less non-controlling interests in subsidiaries. Book value per share is the book value, or shareholders' equity, divided by the number of common shares outstanding as of a particular date;

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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 19 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets and deferred taxes) expressed as a percentage of total assets; and (iii) debt (bank indebtedness, loans payable, notes payable and convertible debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage.

ACCORD'S BUSINESS

Accord is one of North America's leading independent finance companies serving clients throughout the United States and Canada. Accord's flexible finance programs cover the full spectrum of asset-based lending ("ABL"), from receivables and inventory finance, equipment and trade finance, working capital finance, and film and media finance. 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 Inc. ("AFIC"), Accord Financial Canada Corp. ("AFCC") and Accord Financial Ltd. ("AFL") in Canada, and Accord Financial, Inc. ("AFIU"), BondIt Media Capital ("BondIt") and Accord CapX LLC (doing business as Accord Equipment Finance ("AEF")), in the United States.

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

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QUARTERLY FINANCIAL INFORMATION

(unaudited, in thousands except earnings per share)

	Quarter ended	Revenue	Shareholders' net earnings (loss)	Earnings (loss) per common share*
2022	September 30	\$ 16,452	\$ 1,831	\$ 0.21
	June 30	16,490	122	0.01
	March 31	16,178	3,138	0.37
2021	December 31	\$ 18,465	\$ 3,573	\$ 0.42
	September 30	16,119	2,643	0.31
	June 30	15,416	3,085	0.36
	March 31	13,480	2,585	0.30
Fiscal 2021		\$ 63,480	\$ 11,887**	\$ 1.39
2020	December 31	\$ 12,903	\$ 1,384	\$ 0.16
	September 30	12,312	566	0.07
	June 30	11,270	4,343	0.51
	March 31	12,015	(5,876)	(0.69)
Fiscal 2020		\$ 48,501**	\$ 417	\$ 0.05

* basic and diluted

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

RESULTS OF OPERATIONS

Quarter ended September 30, 2022 compared with the quarter ended September 30, 2021

Shareholders' net earnings for the quarter ended September 30, 2022 totalled \$1,831,000 compared to shareholders' net earnings of \$2,643,000 earned last year and \$566,000 earned in the third quarter of 2020. The decrease in shareholders' net earnings compared to the third quarter of 2021 resulted from higher interest expense and a higher provision for losses. Shareholders' net earnings were higher than 2020 as a result of higher revenue and a lower provision for losses. Basic and diluted earnings per common share ("EPS") were 21 cents compared to 31 cents earned in the third quarter of 2021 and 7 cents in the third quarter of 2020.

Adjusted net earnings were \$1,926,000 in the third quarter of 2022 compared to adjusted net earnings of \$2,801,000 last year and \$621,000 in the third quarter of 2020. Adjusted EPS were 22 cents compared to adjusted EPS of 33 cents in the third quarter of 2021 and 7 cents in the third quarter of 2020. The following table provides a reconciliation of shareholders' net earnings or loss to adjusted net earnings or loss:

Quarter ended September 30 (in thousands)	2022	2021	2020
Shareholders' net earnings	\$ 1,831	\$ 2,643	\$ 566
Adjustments, net of tax:			
Stock-based compensation expense	73	13	—
Business acquisition expenses	22	6	55
Restructuring expenses	—	139	—
Adjusted net earnings	\$ 1,926	\$ 2,801	\$ 621

Revenue rose by 2% or \$333,000 to \$16,452,000 in the third quarter of 2022 compared to \$16,119,000 last year and was \$4,140,000 or 34% higher than the \$12,312,000 in the third quarter of 2020. Interest income rose by \$1,420,000 or 10% to \$15,082,000 compared to

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\$13,662,000 last year on higher average funds employed. Other income declined by \$1,087,000 to \$1,370,000 compared to \$2,457,000 in last year's third quarter due to reduced termination and origination fees. Interest income in the current quarter rose by \$4,444,000 or 42% compared to the third quarter of 2020. Other income in the current quarter declined by \$304,000 compared to 2020. Average funds employed in the third quarter of 2022 increased by 7% to \$445 million compared to \$414 million last year and were 36% higher than the \$327 million in 2020.

Total expenses increased by 12% or \$1,609,000 to \$14,596,000 in the third quarter of 2022 from \$12,987,000 last year. Interest expense, the provision for credit and loan losses, depreciation and business acquisition expenses rose by \$2,139,000, \$733,000, \$16,000 and \$1,000, respectively. G&A and impairment of assets held for sale declined by \$1,260,000 and \$20,000, respectively.

Interest expense rose by 51% to \$6,356,000 in the third quarter of 2022 from \$4,216,000 last year on higher average interest rates and a 13% increase in average borrowings.

G&A is comprised of 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 overhead expenses. G&A declined by \$1,260,000 in the current quarter compared to last year mainly due to a reduction in personnel costs including employee incentives, restructuring expenses and legal fees. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses increased by \$733,000 to \$1,069,000 compared to \$336,000 last year. The provision for losses comprised:

Quarter ended September 30 (in thousands)	2022	2021
Net write-offs	\$ 1,218	\$ 421
Reserves recovery related to decrease in total allowances for expected losses	(149)	(85)
	\$ 1,069	\$ 336

Net write-offs increased by \$797,000 to \$1,218,000 in the third quarter of 2022 compared to \$421,000 last year. The non-cash reserves decreased by \$64,000 to a recovery of \$149,000 compared to a recovery of \$85,000 last year. Net write-offs increased due to a more challenging economic environment caused by supply chain issues, inflation and the ensuing sharp increase in interest rates which resulted in higher delinquencies and a decrease in the credit metrics of AFCC's portfolio. The Company's allowance for expected losses and its portfolio of Loans and managed receivables are discussed in detail below and in the Statements. The Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below.

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There was no impairment charge taken in the third quarter of 2022 (2021 – \$20,000) related to assets held for sale to write them down to their estimated net realizable value ("NRV").

Depreciation expense increased by \$16,000 to \$201,000 (2021 - \$185,000) in the third quarter of 2022. Depreciation of \$154,000 (2021 – \$124,000) was charged on the Company's right-of-use assets in third quarter of 2022, while the balance of the expense related to capital assets.

Business acquisition expenses in the third quarter of 2022 totalled \$33,000 (2021 – \$32,000), all of which pertained to the amortization of intangible assets relating to AEF.

Income tax declined in the third quarter by \$290,000 to a recovery of \$17,000 compared to an expense of \$273,000 last year as pre-tax earnings fell by \$1,276,000.

Canadian operations reported a shareholders' net earnings of \$208,000 in the third quarter of 2022 compared to net earnings of \$382,000 in 2021 (see note 21 to the Statements). Shareholders' net earnings declined mainly due to higher interest expense and provision for losses. Revenue increased by \$712,000 or 8% to \$9,440,000. Expenses increased by \$1,014,000 or 22% to \$9,197,000. Interest expense and provision for losses increased by \$1,485,000 and \$378,000, respectively. Depreciation declined by \$828,000 and \$21,000, respectively. Income tax decreased by \$128,000 to \$35,000 on \$302,000 decline in pre-tax earnings.

U.S. operations reported a decline in shareholders' net earnings in the third quarter of 2022 compared to 2021 (see note 21 to the Statements). Shareholders' net earnings declined by \$638,000 to \$1,623,000 compared to \$2,261,000 last year. Revenue declined by \$325,000 or 4% to \$7,193,000. Expenses increased by \$649,000 or 13% to \$5,580,000. Interest, the provision for losses, depreciation and business acquisition expenses increased by \$709,000, \$355,000 \$37,000 and \$1,000, respectively. G&A and impairment of assets held for sale decreased by \$432,000 and \$21,000, respectively. Income tax declined by \$162,000 to a recovery of \$52,000. Net earnings attributable to non-controlling interests in subsidiaries declined to \$42,000 compared to \$216,000 in the third quarter of 2021.

Nine months ended September 30, 2022 compared with nine months ended September 30, 2021

Shareholders' net earnings for the first nine months of 2022 decreased by \$3,222,000 or 39% to \$5,091,000 compared to \$8,313,000 in the first nine months of 2021 but were higher by \$6,059,000 compared to a loss of \$968,000 in the first nine months of 2020. Shareholders' net earnings decreased compared to 2021 mainly as a result of higher interest expense and provision for loan losses, while shareholders' net earnings were higher compared to 2020 mainly as a result of higher revenue, lower interest expense, provision for losses and impairment of assets held for sale. Basic and diluted EPS were 59 cents compared to 97

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cents in the first nine months of 2021 and a loss per share ("LPS") of 11 cents in the first nine months of 2020. ROE in the first nine months of 2022 was 6.7% (2021: 12.0%).

Adjusted net earnings for the first nine months were \$5,291,000 compared to \$8,645,000 in the first nine months of 2021 and an adjusted net loss of \$63,000 in the first nine months of 2020. Adjusted EPS were 62 cents compared to \$1.01 in the first nine months of 2021 and adjusted LPS of 1 cent in the first nine months of 2020. Adjusted ROE for the first nine months of 2022 was 7.0% (2021: 12.4%). The following table provides a reconciliation of shareholders' net earnings (loss) to adjusted net earnings (loss):

Nine months ended September 30 (in thousands)	2022	2021	2020
Shareholders' net earnings (loss)	\$ 5,091	\$ 8,313	\$ (967)
Adjustments, net of tax:			
Stock-based compensation expense	126	13	—
Business acquisition expenses	64	133	166
Restructuring expenses	10	186	738
Adjusted net earnings (loss)	\$ 5,291	\$ 8,645	\$ (63)

Revenue for the first nine months of 2022 rose by \$4,104,000 or 9% to a record \$49,120,000 compared to \$45,015,000 last year. Interest income rose by \$6,056,000 or 16% to \$43,733,000 compared to \$37,677,000 in the first nine months of 2021 on a 18% increase in average funds employed and a 2% decline in average loan yields. Other income declined by \$1,952,000 or 27% to \$5,387,000 compared to \$7,339,000 in the first nine months of 2021 mainly due to decreased termination, origination and set up fees earned. Average funds employed in the first nine months of 2022 increased to \$452 million compared to \$383 million in 2021.

Total expenses for the first nine months of 2022 increased by \$9,235,000 or 26% to \$44,168,000 compared to \$34,933,000 last year. Interest expense, the provision for credit and loan losses and depreciation increased by \$5,682,000, \$5,510,000 and \$2,000, respectively. G&A, impairment of assets held for sale and business acquisition expenses decreased by \$1,019,000, \$835,000 and \$105,000, respectively.

Interest expense rose by 51% to \$16,789,000 compared to \$11,107,000 in the first nine months of 2021 on increased higher average interest rates and average borrowings.

G&A decreased by \$1,019,000 or 5% to \$21,541,000 in the first nine months of 2022 compared to \$22,560,000 last year. G&A declined mainly due reasons stated above. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses rose by \$5,510,000 to an expense of \$5,170,000 in the first nine months of 2022 compared to a recovery of \$340,000 last year. The provision comprised:

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Nine months ended September 30 (in thousands)	2022	2021
Net write-offs	\$ 3,512	\$ 602
Reserves expense (recovery) related to change in total allowances for losses	1,658	(942)
	\$ 5,170	\$ (340)

Net write-offs increased by \$2,910,000 to \$3,512,000 in the first nine months of 2022 compared to \$602,000 last year. Non-cash reserves increased by \$2,600,000 to \$1,658,000 from a recovery of \$942,000 last year. The provision for losses increased due to reasons stated above.

An impairment charge of \$38,000 (2021 – \$873,000) was taken against certain assets held for sale in the first nine months of 2022 to write them down to their estimated net realizable value ("NRV"). See note 6 to the Statements.

Depreciation expense increased by \$2,000 to \$532,000 in the first nine months of 2022. Depreciation of \$399,000 (2021 – \$341,000) was charged on the Company's right-of use assets in the first nine months of 2022, while the balance of the expense related to capital assets.

Business acquisition expenses totalled \$98,000 in the first nine months of 2022 (2021 – \$203,000), all of which pertained to the amortization of intangible assets relating to AEF. In the first nine months of 2021, transaction costs of \$94,000 were incurred, while the amortization of intangible assets related to ASBF and AEF totalled \$109,000.

Income tax declined by \$1,118,000 to a recovery of \$337,000 in the first nine months of 2022 compared to an expense of \$781,000 last year as pre-tax earnings fell by \$5,131,000.

Canadian operations reported a shareholders' net earnings of \$194,000 in the first nine months of 2022 compared to net earnings of \$1,941,000 in 2021. Revenue increased by \$5,885,000 or 26% to \$28,498,000. Expenses increased by \$8,422,000 to \$28,494,000. The provision for credit and loan losses rose by \$3,787,000, while interest expense, and G&A increased by \$3,736,000 and \$1,049,000, respectively. Impairment of assets held for sale, depreciation and business acquisition expenses declined by \$104,000, \$32,000 and \$14,000, respectively. Income tax declined by \$790,000 to a recovery of \$190,000.

U.S. operations reported a decline in shareholders' net earnings in the first nine months of 2022 compared to 2021. Shareholders' net earnings declined by \$1,475,000 to \$4,897,000 compared to \$6,372,000 last year. Revenue declined by \$1,577,000 to \$21,152,000. Expenses increased by \$1,016,000 to \$16,204,000. Interest expense, the provision for credit and loan losses and depreciation increased by \$2,150,000, \$1,723,000 and \$34,000, respectively. G&A declined by \$2,068,000 to \$8,976,000, while the impairment of assets held for sale and business acquisition expenses were lower by \$732,000 and \$91,000, respectively. Income tax declined by \$328,000 to a recovery of \$147,000. Net earnings

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attributable to non-controlling interests in subsidiaries declined to \$198,000 compared to \$988,000 in the first nine months of 2021.

REVIEW OF FINANCIAL POSITION

Shareholders' equity at September 30, 2022 was \$105,637,000, 6% higher than the \$99,967,000 at December 31, 2021 and 9% above the \$96,819,000 at September 30, 2021. Book value per common share was \$12.34 at September 30, 2022 compared to \$11.68 at December 31, 2021 and \$11.31 at September 30, 2021. Please also see the consolidated statements of changes in equity on page 36 of the Company's Q3 Report.

Total assets were \$502,130,000 at September 30, 2022, 3% lower than the \$520,109,000 at December 31, 2021 but 9% higher than the \$462,056,000 at September 30, 2021. Total assets largely comprised Loans. Excluding inter-company loans, identifiable assets located in the United States were 49% of total assets at September 30, 2022 compared to 49% at December 31, 2021 and 50% at September 30, 2021 (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, declined to 456,605,000 at September 30, 2022 compared to \$478,150,000 at December 31, 2021 but were 4% above the \$437,059,000 at September 30, 2021. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
Working Capital loans	\$ 106,473	\$ 109,518	\$ 79,379
Receivable loans	96,225	105,550	102,478
Media loans	92,080	81,497	70,695
Other loans*	91,009	101,811	97,387
Lease receivables	70,818	79,774	87,120
Finance receivables and loans	456,605	478,150	437,059
Less allowance for expected losses	7,181	5,251	5,717
Finance receivables and loans, net	\$ 449,424	\$ 472,899	\$ 431,342

* Other loans primarily comprise inventory and equipment loans.

Working capital loans, primarily AccordExpress loans, decreased by 3% to 106,473,000 at September 30, 2022 compared to \$109,518,000 at December 31, 2021 but were 34% above the \$79,379,000 at September 30, 2021. The Company's receivable loans decreased by 9% to \$96,225,000 at September 30, 2022 compared to \$105,550,000 at December 31, 2021 and were 6% below the \$102,478,000 at September 30, 2021. Media finance loans by BondIt increased by 13% to \$92,080,000 compared to \$81,497,000 at December 31, 2021 and were 30% above the \$70,695,000 at September 30, 2021. Other loans, which primarily comprise advances against assets such as inventory and equipment, declined to \$91,009,000 at September 30, 2022 compared to \$101,811,000 at December 31, 2021 and the \$97,387,000 at September 30, 2021. Lease receivables, representing AFCC's and AEF's net investment in equipment leases, declined by 11% to \$70,818,000 at September 30, 2022

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compared to \$79,774,000 at December 31, 2021 and were 19% below the \$87,120,000 at September 30, 2021.

Net of the allowance for expected losses thereon, Loans declined by 5% to \$449,424,000 at September 30, 2022 compared to \$472,899,000 at December 31, 2021 but were 4% higher than the \$431,342,000 at September 30, 2021. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 55 clients in a wide variety of industries, as well as AFCC's and AEF's lease receivables and equipment and working capital loans to approximately 840 clients and BondIt's media finance loans to approximately 75 media productions. The largest client in the diversified loan portfolio comprised 4% of gross Loans at September 30, 2022.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled \$10 million at September 30, 2022 compared to \$11 million at December 31, 2021 and September 30, 2021. Most of the clients' customers for which the Company assumes the credit risk are from the wholesale and distribution, and retail industries in North America. The Company monitors the credit risk related to its managed receivables very closely.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed above, declined by 5% to \$467 million at September 30, 2022 compared to \$490 million at December 31, 2021 but was 4% above the \$448 million at September 30, 2021.

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 approval for transactions supported by management in the Company's six operating businesses is delegated to a staff of senior credit officers within each business. Transactions in excess of \$1.0 million (US\$1.0 million U.S. Group companies), are approved by the Company's SVP, Underwriting and Portfolio Risk in consultation with the Corporate Credit Committee. Transactions in excess of \$2.5 million (US\$2.5 million in the case of U.S. group companies) are approved by the Credit Committee of the Board of Directors, which comprises three members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit risk is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

For its factoring products, the Company's primary focus continues to be on the creditworthiness and collectability of its clients' receivables. The clients' customers have

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varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. Receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on older receivables. Asset-based lending products additionally require focus on the performance of other collateral types (inventory, equipment and in certain cases real estate) as well as the underlying cash flows of the borrower. AFCC's and AEF's lease receivables and equipment and working capital loans are usually structured as term loans with payments spread out evenly over the term of the lease or loan, with terms up to 60 months. AFCC also has a revolving equipment loan product which has no fixed repayment terms and can be repaid at any time.

The Company uses a credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. The credit rating of the borrower is used (in addition to other criteria) to assess the predicted credit risk for each initial credit approval or significant account management action. In the Company's credit protection business, it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Please see note 5 to the Statements which presents tables summarizing the Company's finance receivables and loans, and managed receivables, by the three stage credit criteria of IFRS 9, Financial Instruments ("IFRS 9"), as well as an aged analysis thereof. Credit risk is managed by ensuring that, as far as possible, the receivables financed are of good quality and any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an on-going basis to mitigate credit risk. In its asset-based lending and equipment finance operations, the Company assesses the financial strength of its clients and its clients' customers and the industries in which they operate on a regular and ongoing basis. Cash flows from a client's ongoing business operations represent the primary source of repayment.

The Company also manages credit risk by limiting the maximum amount that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables, applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases or lends against. In its factoring operations, the Company administers and collects the majority of its clients' receivables allowing it to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's Canadian small business finance operations, AFCC, security deposits are usually obtained in respect of equipment leases or loans, while a majority of ASBF's working capital loans have the benefit of a strong financial guarantor guaranteeing up to 80% of the loan balance in the event of a loss.

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As detailed in note 5, the Company had past due finance receivables and loans of \$34,248,000 at September 30, 2022, of which \$23,363,000 related to BondIt, the Company's media finance subsidiary, while \$10,855,000 related to AFCC and \$30,000 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. Of the AFCC loans past due, \$5,579,000 are considered to have had a significant increase in credit risk (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 \$4,309,000 at September 30, 2022, or 0.9% 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 secured by receivables, inventory and equipment, the estimated NRV of which was \$3,641,000 at September 30, 2022. As the vast majority of the Company's finance receivables and loans are secured, past due or impaired accounts do not necessarily lead to a significant expected credit loss ("ECL") based on the NRV of the 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, 2022 and 2021 are 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. While these guarantees do not involve loans, as with the Company's lending businesses, all client and customer credit in excess of \$2.5 million is approved by the Credit Committee of the Board on a case-by-case basis. Note 22(a) to the Statements provides details of the Company's credit exposure by industrial sector.

The Company maintains separate allowances for expected losses on both its Loans and its guarantee of managed receivables. After the quarter-end review of the Company's portfolio by its Expected Credit Loss ("ECL") Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company's allowance for expected losses on Loans, calculated under the ECL criteria of IFRS 9, totalled \$7,181,000 at September 30, 2022 compared to \$5,251,000 at December 31, 2021 and \$5,717,000 at September 30, 2021. This represents management's best estimate of expected loan losses based on information available at those dates. The allowance for expected losses on the guarantee of managed receivables totalled \$31,000 at September 30, 2022 and December 31, 2021 compared to \$182,000 at September 30, 2021. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. This allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for expected losses accounts in the first nine months of 2022 and 2021 is set out in note 5 to the Statements. The estimates of the allowances for

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expected losses involve judgement which management considers to be reasonable and supportable.

Assets held for sale totalled \$1,430,000 at September 30, 2022, \$160,000 at December 31, 2021 and September 30, 2021 and comprised certain assets securing defaulted finance receivables and loans from a number of clients and repossessed long-lived assets. The increase compared to December 31, 2021 resulted from additions to assets repossessed of \$1,430,000 during the nine months of 2022. During the first nine months of 2022, assets held for sale totalling \$122,000 were disposed off which resulted in a gain of \$8,000. An impairment charge of \$38,000 was also taken in 2022. These assets are currently being marketed for sale and will be disposed of as market conditions permit. See note 6 to the Statements.

Cash decreased to \$9,701,000 at September 30, 2022 compared to \$13,839,000 at December 31, 2021 but was higher than \$7,569,000 at September 30, 2021. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Restricted cash comprises cash held as security for non-recourse borrowings provided by a lender. Restricted cash totalling 5% of the outstanding loan balance from the lender is required to be held by it in a cash reserve account and is partly released as the loan balance is repaid. Further, cash receipts from the loan collateral securing the non-recourse borrowings are deposited into a cash collection account and can only be used to repay that debt. At September 30, 2022, restricted cash totalled \$6,965,000 compared to \$10,309,000 at December 31 and \$nil at September 30, 2021. Please refer to note 4 to the Statements.

Intangible assets, net of accumulated amortization, totalled \$3,301,000 at September 30, 2022 compared to \$3,113,000 at December 31, 2021 and \$3,156,000 at September 30, 2021. Intangible assets totalling US\$2,885,000 were acquired upon the acquisition of AEF on October 27, 2017 and comprised customer and referral relationships and brand name. These assets are carried in the Company's U.S. subsidiary and are translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Customer and referral relationships are being amortized over a period of 15 years, while the acquired brand name is considered to have an indefinite life and is not amortized. Intangible assets comprising existing customer contracts and broker relationships were also acquired as part of the AFCC acquisition on January 31, 2014. These were amortized over a period of 5 to 7 years and, at September 30, 2022, are now fully amortized. Please refer to note 9 to the Statements.

Goodwill totalled \$14,202,000 at September 30, 2022 compared to \$13,140,000 at December 31, 2021 and \$13,179,000 at September 30, 2021. Goodwill of US\$2,409,000 and US\$5,538,000 was acquired on the acquisition of BondIt and AEF on July 1, 2017 and

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

Other assets, income taxes receivable, net deferred tax assets, and property and equipment at September 30, 2022 and 2021, and December 31, 2021 were not significant.

Total liabilities decreased by \$25,391,000 to \$390,758,000 at September 30, 2022 compared to \$416,149,000 at December 31, 2021 but were \$29,174,000 higher than the \$361,585,000 at September 30, 2021. The decrease since December 31, 2021 mainly resulted from lower loans payable.

Amounts due to clients decreased by \$2,942,000 to \$345,000 at September 30, 2022 compared to \$3,287,000 at December 30, 2021 and were \$1,320,000 lower than the \$1,665,000 at September 30, 2021. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness increased by \$8,077,000 to \$215,459,000 at September 30, 2022 compared to \$207,382,000 at December 31, 2021 but was \$41,283,000 lower than the \$256,743,000 at September 30, 2021. The Company's bank facility was amended in July to increase the commitment from \$367 million to \$436.5 million and extend the maturity for three years to July 2025. The Company was in compliance with all loan covenants at September 30, 2022 and 2021, and December 31, 2021. Subject to other debt borrowings, bank indebtedness principally fluctuates with the quantum of funds employed.

Loans payable decreased to \$117,849,000 at September 30, 2022 compared to \$149,437,000 at December 31, 2021 but were significantly higher than the \$48,640,000 at September 30, 2021. In December 2021, ASBF entered into a non-recourse loan and security agreement with a life insurance company to finance a portion of its working capital loans. This non-recourse loan is collateralized by the majority of ASBF's assets and bears a fixed rate of interest. At September 30, 2022, the amount outstanding under this loan facility totalled \$51,987,000 compared to \$89,388,000 at December 31, 2021 and \$nil at September 30, 2021. ASBF has been in compliance with all loan covenants under this facility since inception (see note 11 (b) to the Statements). During 2021, the revolving loan facility used to finance BondIt's media loans was increased to US\$47,000,000 (\$64,996,000). Borrowings under the facility, which expires on May 6, 2023, rose to \$65,862,000 including accrued interest and fees at September 30, 2022 compared to \$60,049,000 at December 31, 2021 and \$48,640,000 at September 30, 2021. BondIt was in compliance with all loan

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covenants thereunder during the nine months ended September 30, 2022 and 2021. See note 11(a) to the Statements.

Accounts payable and other liabilities, which comprise of a number of different liabilities, decreased by \$2,995,000 to \$8,868,000 at September 30, 2022 compared to \$11,863,000 at December 31, 2021 and were \$1,857,000 lower than the \$10,725,000 at September 30, 2021.

Notes payable increased by \$3,177,000 to \$19,169,000 at September 30, 2022 compared to \$15,992,000 at December 31, 2021 and were \$3,534,000 higher than the \$15,635,000 at September 30, 2021. The increase in notes payable since December 31, 2021 mainly resulted from new notes issued. Please see Related Party Transactions section below and note 12(a) to the Statements.

Convertible debentures with a face value of \$25,650,000 (25,650 convertible debentures of \$1,000 each) were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading on the Toronto Stock Exchange ("TSX"), while 5,000 are unlisted. All convertible debentures are unsecured and carry a coupon rate of 7.0% with interest payable semi-annually on September 30 and December 31 each year. These debentures mature on December 31, 2023 and are convertible at the option of the holder into common shares at a conversion price of \$13.50 per common share. Net of transaction costs and a \$23,200 discount on the issue of certain debentures, a total of \$23,781,000 was raised. Please see note 13 to the Statements, which details how the debt and equity components of the convertible debentures were allocated. At September 30, 2022, the debt component totalled \$25,130,000 (December 31, 2021 – \$24,153,000, September 30, 2021 – \$24,437,000), while the equity component totalled \$1,005,000 at September 30, 2022 and 2021 and December 31, 2021, net of deferred tax.

Income taxes payable, lease liabilities, deferred income and net deferred tax liabilities at September 30, 2022 and 2021, and December 31, 2021 were not material.

Capital stock totalled \$9,448,000 at September 30, 2022 and 2021 and December 31, 2021. There were 8,558,913 common shares outstanding at those dates. Please see note 15(b) to the Statements and the consolidated statements of changes in equity on page 36 of the Company's Q3 Report for details of changes in capital stock during the first nine months of 2022 and 2021. At the date of this MD&A, November 2, 2022, 8,558,913 common shares remained outstanding.

Contributed surplus totalled \$3,238,000 at September 30, 2022 compared to \$1,088,000 at December 31, 2021 and \$1,015,000 at September 30, 2021. The increase since December 31, 2021 relates to additional capital raised by BondIt which increased the contributed surplus by \$2,039,000 and the Company's stock options expense of \$111,000 (2021 – \$15,000). As noted above, included in contributed surplus is the equity component of the

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convertible debentures issued which totalled \$1,005,000, net of deferred tax. Please see the consolidated statements of changes in equity on page 36 of the Company's Q3 Report for details of changes in contributed surplus during the first nine months of 2022 and 2021.

Retained earnings increased by \$1,553,000 to \$84,853,000 at September 30, 2022 compared to \$83,300,000 at December 31, 2021 and were \$4,699,000 above the \$80,154,000 at September 30, 2021. The increase in 2022 comprised shareholders' net earnings of \$5,091,000 less the \$1,612,000 (US\$1,276,000) reduction related to the acquisition of an 8% interest in Accord CapX LLC from the remaining non-controlling interests and the dividends of \$1,926,000 (22.5 cents per common share). Please see the consolidated statements of changes in equity on page 36 of the Company's Q3 Report for changes in retained earnings during the first nine months of 2022 and 2021.

The Company's accumulated other comprehensive income ("AOCI") account solely comprises the cumulative unrealized foreign exchange gain arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance increased to \$8,098,000 at September 30, 2022 compared to \$6,131,000 at December 31, 2021 and was above the \$6,201,000 at September 30, 2021. Please refer to note 18 to the Statements and the consolidated statements of changes in equity on page 36 of the Company's Q3 Report, which details movements in the AOCI account during the first nine months of 2022 and 2021.

Non-controlling interests in subsidiaries totalled \$5,734,000 at September 30, 2022 compared with \$3,992,000 at December 31, 2021 and \$3,653,000 at September 30, 2021. On September 16, 2022, additional capital raised by BondIt resulted in non-controlling interest in BondIt being increased by 1% to a total of 40%. Please see note 19 to the Statements for details thereof and the consolidated statement of changes in equity on page 36 of the Company's Q3 Report, which details movements in non-controlling interests during the first nine months of 2022 and 2021.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To

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

(as a percentage)	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
Tangible equity / assets	17	16	18
Total equity / assets	22	20	22
Debt* / total equity	339	382	344

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

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

The Company had credit facilities totalling approximately \$502 million at September 30, 2022 and had borrowed \$281 million against these facilities. In addition, the Company had borrowed \$52 million at September 30, 2022 under a non-recourse secured loan facility from a life insurance company (see note 11(b)). Funds generated through operating activities and the issuance of term debt, notes payable, convertible debentures or other forms of debt or equity decrease the usage of, and dependence on, these lines. Note 22(b) details the Company's financial assets and liabilities at September 30, 2022 by their maturity date.

As noted in the Review of Financial Position section above, the Company had cash balances of \$9,701,000 at September 30, 2022 compared to \$13,839,000 at December 31, 2021. At September 30, 2022, the Company also had restricted cash of \$6,965,000 (December 31, 2021 – \$10,309,000). As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Cash flow for the nine months ended September 30, 2022 compared with the nine months ended September 30, 2021

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments decreased to \$7,927,000 in the first nine months of 2022 compared

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to \$11,106,000 last year. After changes in operating assets and liabilities and income tax payments or refunds are taken into account, there was a net cash inflow from operating activities of \$18,845,000 in the first nine months of 2022 compared to an outflow of \$66,340,000 last year. The net cash inflow in the first nine months of 2022 largely resulted from repayment of Loans of \$39,279,000. In the first nine months of 2021, the net cash outflow largely resulted from funding gross Loans of \$77,059,000. 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 37 of the Company's Q3 Report.

Cash outflows from investing activities totalled \$131,000 (2021 – \$143,000) in the first nine months of 2022 and comprised property and equipment additions.

Net cash outflow from financing activities totalled \$27,435,000 in the first nine months of 2022 compared to an inflow of \$68,388,000 last year. The net cash outflow this year resulted from repayment of loans payable of \$37,256,000, a dividend paid of \$1,926,000, the purchase of the remaining 8% of CapX LLC from non-controlling interests for \$537,000, payment of lease liabilities of \$411,000 and a distribution paid to non-controlling interests of \$149,000. Partially offsetting these outflows was a \$7,859,000 rise in bank indebtedness, \$2,816,000, net, received from the issue of notes payable in the current quarter, \$2,039,000 received from issuance of additional shares in BondIt and \$130,000 due to an increase in the non-controlling interest. In the first nine months of 2021, the net cash inflow resulted from a, a \$46,378,000 rise in bank indebtedness, \$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 distribution paid to non-controlling interests of \$59,000.

The effect of exchange rate changes on cash comprised an increase of \$1,239,000 in the first nine months of 2022 compared to a gain of \$119,000 in the first nine months of 2021.

Overall, there was a net cash outflow of \$7,482,000 in the first nine months of 2022 compared to an inflow of \$2,023,000 in the first nine months of 2021.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT SEPTEMBER 30, 2022

(in thousands)	Payments due in				Total
	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter	
Debt obligations	\$ 94,268	\$ 280,931	\$ 2,408	\$ —	\$ 377,607
Operating lease obligations	487	767	602	16	1,872
Purchase obligations	40	69	—	—	109
	\$ 94,795	\$ 281,767	\$ 3,010	\$ 16	\$ 379,588

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RELATED PARTY TRANSACTIONS

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. Notes payable totalled \$19,169,000 at September 30, 2022 compared to \$15,992,000 at December 31, 2021 and \$15,635,000 at September 30, 2021. Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand of \$4,702,000 (December 31, 2021 – \$2,333,000, September 30, 2021 – \$1,965,000); and (ii) term notes totalling \$14,467,000 (December 31, 2021 – \$13,659,000, September 30, 2021 – \$13,670,000), which are repayable on various dates the latest of which is July 31, 2025. Included in the term notes were notes totalling \$10,500,000 which matured on July 31, 2022 and were renewed for a period of three years. Notes due on, or within a week of demand, bear interest at rates that vary with the bank prime rate or Secured Overnight Financing Rate ("SOFR"), while the term notes bear interest at rates that are fixed over their respective terms.

Of the notes payable, \$16,353,000 (December 31, 2021 – \$13,843,000, September 30, 2021 – \$12,501,000) was owing to related parties and \$2,816,000 (December 31, 2021 – \$2,149,000, September 30, 2021 – \$3,134,000) to third parties. Interest expense on these notes in the current quarter and first nine months of 2022 totalled \$341,000 (2021 – \$293,000) and \$949,000 (2021 – \$890,000), respectively. Please refer to note 12(a) to the Statements.

The following related parties had notes payable with the Company at September 30, 2022:

Demand notes payable	Relationship	
Hitzig Bros., Hargreaves & Co. Inc.*	Director	3,900,000
Ken Hitzig	Insider	500,000
Term notes payable		
Hitzig Bros., Hargreaves & Co. Inc.*	Director	4,000,000
Hitzig Bros., Hargreaves & Co. LLC.*	Director	US\$1,000,000
Oakwest Corporation Inc.	Director	3,000,000
Ken Hitzig	Insider	2,500,000

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

Accord pays a rate of interest related to Canadian prime (at September 30, 2022 it was paying 4.95% or 5.45%) on its Canadian dollar unsecured demand notes payable, while its U.S. dollar unsecured demand notes pay a rate of interest related to SOFR (at September 30, 2022 it was paying 3.0%). These rates of interest are below the rates that Accord pays on its banking facility with The Bank of Nova Scotia ("BNS") resulting in interest savings to the Company. At September 30, 2022, Accord was paying interest at rates between 7% and 11% on its term notes payable.

Upon renewal of the BNS facility in July 2022, the Company renewed certain unsecured notes payable which had matured on July 31, 2022 for a further three-year term, expiring on July 31, 2025. These term notes are solely with related parties. The renewed credit facility

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allows these notes to be treated as "quasi equity" included in the Company's tangible net worth (TNW) for the purposes of leveraging its bank line (up to 3.5 x TNW). This creates additional borrowing capacity that Accord can utilize at lower credit facility rates of interest, which was the main business purpose thereof.

CRITICAL ACCOUNTINGS POLICIES AND ESTIMATES

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

- (i) the allowance for expected losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for expected losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios, typical industry loss experience, macroeconomic factors and forward-looking information ("FLI"). The key inputs in the measurement of ECL allowances for each loan are as follows: (i) the probability of default (PD) which is an estimate of the likelihood of default over a given time horizon; (ii) the loss given default (LGD) which is an estimate of the loss arising in the case where a default occurs at a given time; and (iii) the exposure at default (EAD) which is an estimate of the exposure at a future default date. These key inputs associated with each loan are sensitized to future market and macroeconomic conditions through the incorporation of FLI. These estimates are particularly judgmental and operating results may be adversely affected by significant unanticipated credit or loan losses, such as occur in a bankruptcy or insolvency, or may result from severe adverse economic conditions. The Company's allowance for expected losses on its Loans and its guarantee of managed receivables are provided for under the three stage criteria set out in IFRS 9, where a Stage 1 allowance is established to reserve against accounts which have not experienced a significant increase in credit risk ("SICR") and which cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. Stage 1 ECL results from default events on the financial instrument that are possible within the twelve-month period after the reporting date. Stage 1 accounts are considered to be in good standing. The Company's Stage 2 allowances are based on a review of the loan or managed receivable and comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. Lifetime ECL are recognized for all Stage 2 financial instruments. Stage 3 financial instruments are those that the Company has classified as impaired. The Company classifies a financial instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is

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experiencing significant financial difficulties, or a default or delinquency has occurred. Lifetime ECL are recognized for all Stage 3 financial instruments. In Stage 3, financial instruments are written-off, either partially or in full, against the related allowance for expected losses when the Company judges that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net recoverable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for expected losses. Management believes that its allowances for expected losses, which require a high degree of reasonable and supportable credit judgment, are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(d), 5 and 22(a) to the Statements.

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

CONTROL ENVIRONMENT

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at September 30, 2022, management evaluated and concluded on the effective design of the Company's DC&P and ICFR and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may

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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 or business conditions; impact of significant events and circumstances; Covid-19

The Company's operating results may be negatively affected by various economic factors and business conditions, including the level of economic activity in Canada and the United States, in the markets in which it operates. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. Negative conditions and/or significant events can include the effects of Covid-19 or other pandemics, geo-political or military conflicts, sanctions and other trade disruptions, and unexpected changes in inflation and borrowing costs. As the Company extends credit primarily to small- and medium-sized businesses, many of its customers are particularly susceptible to economic slowdowns or recessions and may be unable to make scheduled lease or loan payments during these periods. Unfavorable economic conditions may 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.

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

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to increase their market share. Further, because there are fewer barriers to entry to the markets in which the Company operates, new competitors could enter these markets at any time. Because of all these competitive factors, the Company may be unable to sustain its operations at its current levels or generate growth in revenues or operating income, either of which could have a material adverse impact on the Company's business, financial condition and results of operations.

Credit risk, inability to underwrite finance receivables and loan applications

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

Interest rate risk

The Company has floating rate borrowings, as well as fixed rate borrowings. The Company also has finance receivables and loans at fixed rates and others at floating rates. When the fixed rate loans and finance receivables exceed the fixed rate borrowings, the Company is exposed to fluctuations in interest rates, such that an increase in floating interest rates could reduce the margin between the interest earned on Loans and the interest rate paid on floating rate borrowings. 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

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Canadian dollar investment in its foreign subsidiaries, which had, in the past, reduced the accumulated other comprehensive income component of equity to a loss position, although it is now in a large gain position. No assurances can be made that changes in foreign currency rates will not have a significant adverse effect on the Company's business, financial condition or results of operations.

External financing

The Company depends and will continue to depend on the availability of credit from external financing sources, to continue to, among other things, finance new and refinance existing loans and satisfy the Company's other working capital needs. The Company believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet its cash requirements with respect to investments in working capital, operating expenditures and dividend payments, and also provide sufficient liquidity and capital resources for future growth over the next twelve months. However, there is no guarantee that the Company will continue to have financing available to it or if the Company were to require additional financing that it would be able to obtain it on acceptable terms or at all. If any or all of the Company's funding sources become unavailable on terms acceptable to the Company or at all, or if any of the Company's credit facilities are not renewed or re-negotiated upon expiration of their terms, the Company may not have access to the financing necessary to conduct its businesses, which would limit the Company's ability to finance its operations and could have a material adverse impact on its business, financial condition and results of operations. Please also see comments regarding business conditions due to Covid-19 on page 24.

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

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

Fraud by lessees, borrowers, vendors or brokers

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

Technology and cyber security

The Company remains focused on the confidentiality, integrity and availability of the information and cyber security controls that protect its network, data and infrastructure. The cyber security risk landscape includes numerous cyber threats such as hacking threats, identity theft, denial of service, and advanced persistent threats. These and other cyber threats continue to become more sophisticated, complex, and potentially damaging. Third party service providers that the Company uses may also be subject to these risks which can increase our risk of potential attack. The Company establishes the requirements and sets out the overall framework for managing cyber and information security related risks. These include developing and implementing the appropriate activities to detect,

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respond to and contain the impact of cyber security threats, along with implementing the appropriate safeguards to ensure the delivery of critical infrastructure services.

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

Data management and privacy risk

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

Risk of future legal proceedings

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

Despite the continued effects of the Covid-19 pandemic on the global economy the Company has experienced strong growth in funds employed and revenue. From the pandemic induced low point of \$317 million (June 30, 2020), funds employed have since

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grown 44% to reach \$457 million at September 30, 2022. While growth resumed over this period, all of the operating companies have experienced headwinds in 2022 and are navigating new uncertainty as inflation and interest rates spike upwards. There are several challenges emerging, including a generally conservative approach by many of our clients (and prospective clients) to incurring more debt to buy equipment, expand operations, or make acquisitions, owing to the uncertain economic backdrop and forecast. As reported in our financial statements, the challenging economic environment is likely to weaken the payment performance of some of the Company's existing clients, in particular in the small business portfolio. While this quarter's allowance for expected loan losses fully reflects our expert credit judgement and third-party economic forecasts, it is possible that the economy underperforms expectations. And finally, in the current environment, the Company is favoring financially stronger clients, which has the effect of lowering average yields.

The Company's strongest growth in recent years has come from its Canadian small business finance division, AFCC, as well as at BondIt Media Capital. In 2021 AFCC, saw strong interest in its AccordExpress small business loan program, developed in partnership with Export Development Canada ("EDC"). While that program ended on December 31, 2021, AFCC is developing several new products, some in partnership with EDC, and expects steady growth to resume in the fourth quarter of 2022 and early 2023. Throughout 2021 BondIt capitalized on increased demand for streaming content coupled with decreased competition, as traditional media financing channels took a cautious stance as production insurance became difficult to secure. This trend enhanced BondIt's reputation in the market and allowed it to win deals among the upper tier of producers in terms of experience, quality of cast and crew, and track record of results. As the pandemic-related constraints on on-set media production have lifted, BondIt is seeing renewed competition; while we expect growth to continue, it may not continue at the pace it has over the last two years.

The economic conditions for the Company's two ABL/factoring units, AFIC and AFIU, are becoming more conducive to growth. Notably, rapid inflation, supply chain problems, and rising interest rates tend to make banks more conservative in their lending, which provides opportunities for Accord as our lending expertise, and reliance on strong collateral, allows us to finance companies that may no longer meet the banks' criteria. As the new business pipelines in these two divisions builds, we anticipate growth in funds employed, revenue and earnings to follow.

More moderate growth is expected to come from AEF, the Company's U.S. equipment finance division. For the middle market companies AEF typically finances, ramping up investment in equipment is most comfortable when the economic forecast is most certain. For now, the economic environment continues to shift, with little visibility over the next six to twelve months. Supporting modest growth, AEF continues to see deal flow from its capital markets desk and is developing several promising new channel partnerships.

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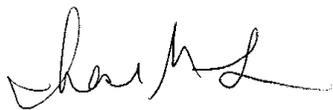
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As of December 31, 2021, the Company's receivables management division, AFL, has exited the domestic credit guarantee business. Facing long-term credit weakness in the retail sector, and intense competition from multinational credit insurers, AFL made the decision to focus only on its network of reliable foreign banks seeking credit guarantees for shipments to North American buyers. In recent years, AFL's contribution has not been financially significant to the Accord group overall.

To support the anticipated growth in funds employed, in July the Company increased its primary bank facility to \$437 million and extended the maturity date to July 2025, which should provide adequate growth capital for the Company. The Company also maintains non-bank loan facilities for BondIt (US\$47 million) and AFCC (\$52 million) as noted above.

With its substantial capital and borrowing capacity, Accord is well positioned to capitalize on market conditions as they evolve. For more than four decades the Company has successfully navigated through multiple economic cycles, giving us valuable perspective as the current environment unfolds. The Company also knows from experience that economic uncertainty creates growth opportunities, as capital providers become more selective, some competitors weaken, and the major banks become even more risk averse.



Irene Eddy
Chief Financial Officer
November 2, 2022

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

	Three months ended Sept. 30		
	2022	2021	2020
Adjusted net earnings			
Net earnings attributable to shareholders	1,831	2,643	566
Adjustments, net of tax:			
Stock-based compensation expense	73	13	—
Business acquisition expenses	22	6	55
Restructuring expenses	—	139	—
Adjusted net earnings	1,926	2,801	621

	Three months ended Sept. 30		
	2022	2021	2020
Adjusted earnings per share			
Adjusted net earnings	1,926	2,801	621
Weighted average number of common shares outstanding in the period	8,559	8,559	8,559
Adjusted earnings per share	0.22	0.33	0.07

	Three months ended Sept. 30		
	2022	2021	2020
Average funds employed (note)			
Average funds employed	444,603	414,199	326,854

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

	Nine months ended Sept. 30		
	2022	2021	2020
Return on average equity			
Net earnings attributable to shareholders	5,091	8,313	(967)
Weighted average shareholders' equity (note)	101,193	92,890	90,232
Return on average equity (annualized)	6.7%	12.0%	-1.4%

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

	Nine months ended Sept. 30		
	2022	2021	2020
Adjusted net earnings (loss)			
Net earnings attributable to shareholders	5,091	8,313	(967)
Adjustments, net of tax:			
Stock-based compensation expense	126	13	—
Business acquisition expenses	64	133	166
Restructuring expenses	10	186	738
Adjusted net earnings (loss)	5,291	8,645	(63)

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	Nine months ended Sept. 30		
	2022	2021	2020
Adjusted earnings (loss) per share			
Adjusted net earnings	5,291	8,645	(63)
Weighted average number of common shares outstanding in the period	8,559	8,559	8,565
Adjusted earnings (loss) per share	0.62	1.01	- 0.01

	Nine months ended Sept. 30		
	2022	2021	2020
Adjusted return on equity			
Adjusted net earnings	5,291	8,645	(63)
Weighted average shareholders' equity	101,193	92,890	90,232
Adjusted return on equity (annualized)	7.0%	12.4%	-0.1%

	Nine months ended Sept. 30		
	2022	2021	2020
Average funds employed (note)			
Average funds employed	452,003	382,627	343,298

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

	30 Sept.,	31 Dec.,	30 Sept.,
	2022	2021	2021
Book value per share			
Shareholders' equity	105,637	99,967	96,819
Common shares outstanding	8,559	8,559	8,559
Book value per share	12.34	11.68	11.31

	30 Sept.,	31 Dec.,	30 Sept.,
	2022	2021	2021
Tangible equity			
Total equity	111,371	103,960	100,472
Less: intangible assets	3,301	3,113	3,156
Less: goodwill	14,202	13,140	13,179
Less: deferred tax assets	6,287	3,416	3,205
Add: deferred tax liabilities	(214)	(277)	(432)
Tangible equity	87,795	84,568	81,364

	30 Sept.,	31 Dec.,	30 Sept.,
	2022	2021	2021
Tangible equity / equity			
Tangible equity	87,795	84,58	81,364
Assets	502,130	520,109	462,056
Tangible equity / assets (as a percentage)	17%	16%	18%

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	30 Sept., 2022	31 Dec., 2021	30 Sept., 2021
Total Equity / assets			
Total equity	111,371	103,960	100,472
Assets	502,130	520,109	462,056
Equity / assets (as a percentage)	22%	20%	22%

	30 Sept., 2022	31 Dec., 2021	30 Sept., 2021
Debt / equity			
Debt (note)	377,608	396,964	345,454
Total equity	111,371	103,960	100,472
Debt / equity (as a percentage)	339%	382%	344%

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

	30 Sept., 2022	31 Dec., 2021	30 Sept., 2021
Portfolio			
Finance receivables and loans	456,605	478,150	437,059
Managed receivables (note)	10,339	11,441	11,072
Portfolio	466,944	489,591	448,131

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



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