

# Positioning for Success



Second Quarter Report 2024



## Flexible Financing Solutions from Accord



### Asset-based Lending

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



### Factoring

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



### Small Business Finance

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



### Equipment Financing

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

# ACCORD FINANCIAL CORP.

## MESSAGE FROM THE PRESIDENT AND CEO

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Enclosed are the financial statements, as well as Management's Discussion and Analysis, for the quarter ended June 30, 2024, together with comparative figures for the second quarter of 2023, and December 31, 2023. These financial statements have not been reviewed by the Company's auditors but have been reviewed and approved by its Audit Committee and Board of Directors.

Accord continues to face challenges on two fronts. First, the difficult business environment is weighing on many companies in our core market segments. While the interest rate cycle has turned down in Canada, borrowing rates on both sides of the border remain high compared to the past several decades, with many SMEs struggling to navigate terrain they haven't dealt with before. Inflation is cooling, but the labor market remains tight and the upcoming U.S. election brings the threat of new trade barriers to deal with in 2025. Perhaps a recession will be avoided in both countries, but visibility into business conditions going forward is cloudy at best. Against this backdrop, the Company's loan losses remain within a normal range for this part of the cycle, however, the Company boosted its provision for expected losses again this quarter to reflect continuing uncertainties.

Second, since late 2023 the Company is working with a less favorable bank facility, which is the primary source of funds for new loans. Less flexibility, higher cost, and a mandate to keep bank borrowings under \$260 million on January 1, 2025, combine to make growth and profitability difficult to achieve. In response, during the second quarter Accord established two new financing arrangements outside of the bank syndicate. In Canada we closed a private securitization facility with a respected life insurance company, providing \$40 million of financing for a pool of small business loans. In the U.S., BondIt Media Capital announced the closing of a new, US\$60 million credit facility from Keystone National Group, a private credit fund headquartered in Salt Lake City. Both facilities provide a more competitive cost of funds compared to the funding they replace, which will provide some net interest margin relief in future quarters.

As written in previous reports, challenging business conditions continue to support steady deal flow across all our operating companies. The major banks continue to restrict their lending activities, which provides opportunities for Accord to finance

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## MESSAGE FROM THE PRESIDENT AND CEO

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companies that no longer meet the banks' criteria. While we are enjoying a steady flow of new applications, we remain attuned to the challenging credit environment, and highly selective in onboarding new clients.

Accord's finance receivables and loans ("portfolio") closed at \$431 million on June 30, 2024, down from \$479 million on June 30, 2023, and \$477 million at the start of the year, as we endeavored to reduce leverage following the Company's equity decrease at the end of 2023. Average funds employed over the first half of the year are down slightly to \$444 million compared to \$453 million in the same period last year. Despite the year-over-year decline in average funds employed, higher average yields drove first half revenue up to \$40.6 million compared to \$36.4 million in the same period last year.

While second quarter and first half revenue compare favorably to last year, increasing expenses outpaced top line gains. Interest expense increased with higher rates combined with amendment fees incurred in the first quarter, which are amortized over the remaining term of the bank facility (through July 2025). The provision for credit losses also rose significantly to \$3.4 million in the quarter, pushing the Company to an operating loss. Within the provision, \$1.1 million represents a non-cash increase in the allowance for losses, which now stands at \$10.6 million.

The unfavorable expense scenario led to a second quarter net loss attributable to shareholders of \$1.1 million. Year-to-date net loss attributable to shareholders was \$517,000, down from net earnings of \$1.8 million in the same period last year. Adjusted earnings year-to-date remain positive, coming in at \$768,000, or 9 cents per common share. Book value per common share has edged down slightly to \$9.78, compared to \$9.80 at the start of the year.

The Company continues to evaluate a range of strategic initiatives, including the potential to divest one or more non-core subsidiaries, to generate capital to support portfolio growth and unlock shareholder value. With several important milestones completed, we have our sights set on the opportunities ahead of us.



Simon Hitzig  
President and Chief Executive Officer  
August 7, 2024

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## FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars, except values per share, or as otherwise noted)	Three months ended June, 30		Six months ended June, 30	
	2024	2023	2024	2023
Average funds employed (millions)	\$ 428.1	\$ 455.2	\$ 444.3	\$ 453.3
Revenue	19,957	17,933	40,623	36,377
Earnings (loss) before income tax	(1,105)	(322)	(500)	1,042
Net earnings (loss) attributable to shareholders	(1,149)	(263)	(517)	1,756
Costs associated with single account write-off	463	-	1,555	-
Restructuring and other expenses	61	132	193	320
Tax impact from adjustments	(139)	(35)	(463)	(85)
Adjusted net earnings (loss)	(764)	(166)	768	1,991
Earnings (loss) per common share (basic and diluted)	(0.13)	(0.03)	(0.06)	0.21
Adjusted earnings (loss) per common share (basic and diluted)	(0.09)	(0.02)	0.09	0.23
Book value per share			\$ 9.78	\$ 11.79

## OVERVIEW

The following discussion and analysis explain trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter and six months ended June 30, 2024 compared with the quarter and six months ended June 30, 2023 and, where presented, the year ended December 31, 2023. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This Management's discussion & analysis ("MD&A"), which has been prepared as at August 7, 2024, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarter and six months ended June 30, 2024 and 2023, which are included as part of this 2024 Second Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2023 audited consolidated financial statements and notes thereto included in the Company's 2023 Annual Report. Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

All amounts discussed in this MD&A are expressed in thousands of Canadian dollars, except per share amounts and as otherwise noted and have been prepared in accordance with IFRS Accounting Standards ("IFRS"). Please refer to the Critical Accounting Policies and Estimates section below and note 2 and 3 to the Statements regarding the Company's use of accounting estimates in the preparation of its financial statements in accordance with IFRS. Additional information pertaining to the Company, including its Annual Information Form, is filed under the Company's profile with SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

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

### NON-IFRS FINANCIAL MEASURES

In addition to the IFRS prepared results and balances presented in the Statements and notes thereto, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be non-IFRS measures. The Company primarily derives these measures from amounts presented in its Statements, which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its operating performance and financial position. The non-IFRS measures presented in this MD&A and elsewhere in the Company's 2024 Second Quarter Report are defined as follows:

- i) **Return on average equity ("ROE")** – this is a profitability measure that presents net earnings attributable to shareholders ("shareholders' net earnings") as an annualized percentage of the average shareholders' equity employed in the period to earn the income. The Company includes all components of shareholders' equity, as shown on the Company's balance sheet, calculated on a month-by-month basis to calculate the average thereof;
- ii) **Adjusted net earnings, adjusted earnings per common share and adjusted ROE** – adjusted net earnings presents shareholders net earnings before goodwill impairment, net single account write off and associated costs, stock-based compensation, business acquisition expenses (namely, business transaction and amortization of intangibles) and restructuring expenses (which includes non-recurring expenses associated with recent debenture amendments). The Company considers these terms to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of ongoing operating performance than shareholders' net earnings as it excludes items which do not directly relate to ongoing operating activities. Adjusted (basic and diluted) earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period (see note 10 to the Statements), while adjusted ROE is adjusted net earnings for the period expressed as an annualized percentage of the average shareholders' equity employed in the period;
- 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

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- liabilities) less non-controlling interests in subsidiaries. Book value per share is the book value, or shareholders' equity, divided by the number of common shares outstanding as of a particular date;
- iv) **Average funds employed** – Funds employed is another name that the Company uses for its finance receivables and loans (also referred to as “Loans” in this MD&A), an IFRS measure. Average funds employed are the average finance receivables and loans calculated over a particular period; and
- v) **Financial condition and leverage ratios** – The table on page 15 presents the following percentages: (i) total equity expressed as a percentage of total assets; (ii) tangible equity (total equity less goodwill, intangible assets) expressed as a percentage of total assets; and (iii) debt (bank indebtedness, loans payable, notes payable and debentures) expressed as a percentage of total equity. These percentages provide information on trends in the Company's financial condition and leverage.

### ACCORD'S BUSINESS

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

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

The Company's business principally involves: (i) asset-based lending by AFIC and AFIU, which entails financing or purchasing receivables on a recourse basis, as well as financing other tangible assets, such as inventory and equipment; (ii) equipment financing (leasing and equipment loans) by AEF and AFCC. AFCC also provides working capital financing to small businesses through its Accord Small Business Finance (“ASBF”) subsidiary; and (iii) film and media production financing by BondIt.

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## QUARTERLY FINANCIAL INFORMATION

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

\* basic and diluted

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

## RESULTS OF OPERATIONS

### Quarter ended June 30, 2024 compared with the quarter ended June 30, 2023

Shareholders' net loss for the quarter ended June 30, 2024 was \$1,149 compared to shareholders' net loss of \$263 in the second quarter last year. Shareholders' net earnings declined as a result of increased interest expense, and a higher provision for credit losses. Basic and diluted losses per common share ("LPS") were \$0.13 compared to \$0.03 in the second quarter of 2023.

Revenue rose by 11.3% or \$2,024 to \$19,957 in the second quarter of 2024 compared to \$17,933 in the second quarter of 2023. Interest income rose by 9.7% or \$1,584 to \$17,832 compared to \$16,248 last year primarily due to higher yields. Other income rose by 26.1% to \$2,125 compared to \$1,685 last year. Average funds employed in the second quarter of 2024 decreased to \$428.1 million compared to \$455.2 million in the same quarter last year.

Total expenses increased by 15.4% or \$2,807 to \$21,062 in the second quarter of 2024 from \$18,255 in the second quarter of 2023. Interest expense increased by 13.2% or \$1,093 to \$9,368 due to higher interest rates and amortizing costs related to amending the primary bank facility in March. General and administrative expenses ("G&A") decreased by 4.6% or \$395 from the same quarter last year primarily due lower personnel costs, offset by additional professional fees of \$463. G&A expenses are comprised of personnel costs, professional fees, portfolio servicing costs and information technology expenses among others. The Company has trimmed overhead in an effort to offset higher interest and professional fees arising from the March 15 bank facility amendments.



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The provision for credit losses increased by \$2,081 to \$3,350 compared to \$1,269 in the same quarter last year.

Three months ended June 30	2024	2023
Net write-offs	\$ 2,270	\$ 1,766
Increase (decrease) in allowance for expected credit losses	1,080	(497)
Total provision for credit losses	\$ 3,350	\$ 1,269

Net write-offs increased by \$504 to \$2,270 in the second quarter of 2024 compared to \$1,766 last year. The majority of the write-offs in the second quarter are related to the small business loan portfolio at AFCC and are in line with management expectations. The non-cash allowance for expected credit losses increased by \$1,577 primarily due to an increase in the allowance related to specific accounts with an increased probability of default. The Company's allowance for expected credit losses and its portfolio of Loans are discussed in detail below and in the Statements. While the Company manages its portfolio of Loans closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by individually significant insolvencies or losses.

There were no impairment charges taken in the second quarter of 2024 (2023 – \$nil) related to assets held for sale. Depreciation expense increased by \$28 to \$147 (2023 - \$119) in the second quarter of 2024. Depreciation of \$110 (2023 – \$86) was charged on the Company's right-of-use assets in the second quarter of 2024, while the balance of the expense related to capital assets. Business acquisition expenses in the second quarter of 2024 were \$35 (2023 – \$35).

Income tax expense increased in the second quarter by \$144 to an expense of \$216 compared to an expense of \$72 last year.

Canadian operations reported shareholders' net loss of \$931 in the second quarter of 2024 compared to a net loss of \$631 in the second quarter of 2023 (see note 13 to the Statements). Revenue increased by 23.0% or \$2,729 to \$14,582. Expenses increased by 24.9% or \$3,061 to \$15,341. The provision for credit loss and interest expense rose by \$2,362 and \$1,150 respectively. G&A expenses decreased by \$453. Income tax expense decreased by \$32 to an expense of \$172.

U.S. operations reported shareholders' net loss of \$218 in the second quarter of 2024 compared to net earnings of \$368 in the second quarter of 2023 (see note 13 to the Statements). Revenue rose by 42.5% or \$2,676 to \$8,976. Expenses increased by \$3,127 or 50.5% to \$9,322. Interest expense increased by \$3,324 and was the primary driver of the increase compared to the second quarter of last year. G&A and depreciation expenses increased by \$58 and \$26, respectively. The provision for expected credit losses decreased by \$281. Income tax expense increased by \$176 to an expense of \$44. Net loss attributable to non-controlling interests increased to \$172 compared to a net loss attributable to non-controlling interests of \$131 in the second quarter of 2023.

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### ***Six months ended June 30, 2024 compared with six months ended June 30, 2023***

Shareholders' net loss for the first half of 2024 was \$517 compared to shareholders' net earnings of \$1,756 in the first half of 2023. Shareholders' net earnings decreased compared to 2023 primarily due to increased interest expense and a higher provision for credit losses. Basic and diluted LPS were \$0.06 compared to earnings per share ("EPS") of \$0.21 in the first half of 2023.

Revenue for the first half of 2024 rose by 11.7% or \$4,246 to \$40,623 compared to \$36,377 last year. Interest income rose by 10.3% or \$3,327 to \$35,717 compared to \$32,390 in the first half of 2023 on higher average loan yields. Other income increased by 23.0% to \$4,906 compared to \$3,987 in the first half of 2023. Average funds employed in the first half of 2024 decreased to \$444.3 million compared to \$453.3 million in 2023.

Total expenses for the first half of 2024 increased by 16.4% or \$5,788 to \$41,123 compared to \$35,335 last year. Interest expense, the provision for credit losses, G&A expenses and depreciation increased by \$3,135, \$2,026, \$606 and \$21 respectively.

Interest expense rose by 19.4% to \$19,323 compared to \$16,188 in the first half of 2023 due to significantly higher average interest rates. G&A increased by 3.5% to \$606 in the first half of 2024 compared to \$17,071 last year. The increase in G&A compared to last year is primarily due to professional fees. The Company has trimmed overhead in an effort to offset higher interest and professional fees arising from the March 15 bank facility amendments.

The provision for credit losses increased by \$2,026 to an expense of \$3,761 in the first half of 2024 compared to an expense of \$1,735 last year. The provision comprised:

Six months ended June 30	2024	2023
Net write-offs	\$ 3,849	\$ 3,010
Decrease in allowance for expected credit losses	(88)	(1,275)
Total provision for credit losses	\$ 3,761	\$ 1,735

The provision for credit losses for the six months ended June 30, 2024 increased by \$2,206 when compared to the same period in 2023. This increase is comprised of higher net write-offs of \$839 and an increase in the change of the non-cash allowance of \$1,187. The increase in the non-cash allowance is primarily related to an increase in Stage 3 accounts compared to 2023.

There were no impairment charges taken in the first half of 2024 (2023 – \$nil) related to assets held for sale. Depreciation expense increased by \$21 to \$293 in the first half of 2024. Depreciation of \$219 (2023 – \$199) was charged on the Company's right-of-use assets in the first half of 2024, while the balance of the expense related to capital assets.

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Income tax expense increased by \$877 to an expense of \$402 in the first half of 2024 compared to a recovery of \$475 in 2023.

Canadian operations reported a shareholders' net loss of \$456 in the first half of 2024 compared to net loss of \$836 in 2023. Revenue increased by 27.6% or \$6,467 to \$29,924. Expenses increased by \$5,962 to \$30,175. Interest expense, the provision for credit losses, G&A and depreciation increased by \$2,813, \$2,296, \$850 and \$3 respectively. Income tax increased by \$125 to an expense of \$205.

U.S. operations reported a shareholders' net loss of \$61 in the first half of 2024 compared to shareholders' net earnings of \$2,592 last year. Revenue rose by \$4,423 to \$17,740. Expenses increased by \$6,470 to \$17,989. Interest expense and depreciation expense increased by \$6,966 and \$18. The provision for credit losses and G&A expenses were lower by \$270 and \$244. Income tax increased by \$752 to an expense of \$197. Net loss attributable to non-controlling interests in subsidiaries rose to \$385 compared to \$239 in the first half of 2023.

### REVIEW OF FINANCIAL POSITION

Shareholders' equity at June 30, 2024 was \$83.7 million, compared to \$83.9 million at December 31, 2023. Book value per common share was \$9.78 at June 30, 2024 compared to \$9.80 at December 31, 2023.

Total assets were \$476.5 million at June 30, 2024, 7.2% lower than the \$513.5 million at December 31, 2023. Total assets largely comprised Loans. Excluding inter-company loans, identifiable assets located in the United States were 46.5% of total assets at June 30, 2024 (see note 13 to the Statements).

Gross finance receivables and loans, before the allowance for expected credit losses ("ECL"), decreased to \$431.0 million at June 30, 2024 compared to \$476.7 million at December 31, 2023. The decline is due to lower originations in most products, notwithstanding an increase in inventory & equipment loans. As detailed in the Statements, the Company's Loans comprised:

	June 30, 2024	December 31, 2023
Working capital loans	\$ 84,782	\$ 116,128
Receivable loans	77,899	90,128
Inventory & equipment loans	130,341	113,287
Media loans	71,867	85,246
Lease receivables	66,105	71,885
Finance receivables and loans, gross	430,994	476,674
Less allowance for expected credit losses	10,565	10,551
Finance receivables and loans, net	\$ 420,429	\$ 466,123

The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 36 clients in a wide variety of

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industries, lease receivables, equipment and working capital loans made by AFCC and AEF to approximately 989 clients and media finance loans made by Bondit to approximately 52 media productions. The largest client in the diversified loan portfolio comprised 4.5% of gross Loans at June 30, 2024. The Company's credit exposure by industrial sector is presented below.

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

For its factoring products, the Company's primary focus continues to be on the creditworthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date.

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

The Company uses a credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. The credit rating of the borrower is used (in addition to other criteria) to assess the predicted credit risk for each initial credit approval or significant account management action. Credit ratings improve credit decision quality, adjudication time frames and consistency in the credit decision process and facilitate risk-based pricing. Please see note 4 to the Statements which presents tables summarizing the Company's finance receivables and loans, by the three stage credit criteria of IFRS 9, Financial Instruments ("IFRS 9"), as well as an aged analysis thereof. Credit risk is managed by ensuring that, as far as

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possible, the receivables financed are of good quality and any inventory, equipment or other assets securing loans are appropriately appraised. Collateral is monitored and managed on an on-going basis to mitigate credit risk. In its asset-based lending and equipment finance operations, the Company assesses the financial strength of its clients and its clients' customers and the industries in which they operate on a regular and ongoing basis. Cash flows from a client's ongoing business operations represent the primary source of repayment.

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

As detailed in note 4 to the Statements, the Company had past due finance receivables and loans of \$44,616 at June 30, 2024, of which \$18,911 relates to BondIt, AFIU's 60% controlled media finance subsidiary and \$22,263 relates to AFCC. As of June 30, 2024, 18.2% or \$78,534 of total finance receivables and loans were considered to have had a significant increase in credit risk ("SICR").

The Company had impaired finance receivables and loans of \$13,635 at June 30, 2024 representing 3.2% of total funds employed. The impaired loans, most of which have been written down to net realizable value ("NRV") (being fair value less costs of realization), are mainly secured by receivables, inventory and equipment, the estimated NRV of which was \$10,636 at June 30, 2024. As the vast majority of the Company's finance receivables and loans are secured, past due or impaired loans do not necessarily lead to a significant ECL. Often a low or no loss given default ("LGD") is attributed to an impaired loan, based on the NRV of the security. Net write-offs for the three and six months ended June 30, 2024 and 2023 are provided above.

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

Industry sector	June 30, 2024		December 31, 2023	
	Gross finance receivables and loans	% of total	Gross finance receivables and loans	% of total
Media	\$ 84,663	19.6	\$ 92,693	19.4
Manufacturing	70,503	16.4	68,481	14.4
Wholesale trade	56,437	13.1	53,408	11.2
Finance and Insurance	42,233	9.8	40,839	8.6
Construction	40,034	9.3	57,920	12.2
Retail Trade	25,137	5.8	29,826	6.3
Mining	18,531	4.3	15,861	3.3
Transportation and Warehousing	18,090	4.2	23,938	5.0
Waste Management and Remediation Services	15,275	3.5	20,894	4.4
Professional, Scientific, and Technical Services	15,096	3.5	13,922	2.9
Health Care and Social Assistance	13,933	3.2	14,930	3.1
Other	31,062	7.3	43,962	9.2
	<b>\$ 430,994</b>	<b>100.0</b>	<b>\$ 476,674</b>	<b>100.0</b>

The Company maintains an allowance for expected credit losses on Loans at amounts which, in management's judgment, are sufficient to cover the ECL thereon. The Company's allowance for expected credit losses on Loans, calculated under the ECL criteria of IFRS 9, totalled \$10,565 at June 30, 2024 compared to \$10,551 at December 31, 2023. This represents management's best estimate of expected credit losses based on information available at those dates. The challenging economic environment continues to affect the Company's loan portfolio to varying degrees and the measurement of the allowance could fluctuate substantially in future periods.

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

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

Cash increased to \$8,700 at June 30, 2024 compared to \$5,914 at December 31, 2023. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. Fluctuations in cash balances are normal.

Restricted cash comprises cash held as security for non-recourse borrowings. Restricted cash totalling 5% of the loan balance is required to be held in a cash reserve account which is partially released as the loan balance is repaid. Further, cash receipts from the loan collateral securing the non-recourse borrowings are deposited into a cash collection account and can only be used to repay the non-recourse debt. At June 30, 2024, restricted cash totalled \$7,277 compared to \$3,782 at December 31, 2023.

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Intangible assets, net of accumulated amortization, totalled \$3,022 at June 30, 2024 compared to \$2,966 at December 31, 2023. Intangible assets totalling US\$2,885 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.

Other assets increased by \$984 to \$13,276 at June 30, 2024 compared to \$12,292 at December 31, 2023. The largest component of other assets represents \$9,100 (December 31, 2023 - \$7,372) due from Export Development Canada ("EDC") related to claims made on defaulted loans which benefit from an EDC guaranty of up to 80%. Other assets also include prepaid expenses of \$3,759 at June 30, 2024 (December 31, 2023 - \$4,587).

Net deferred tax assets increased by \$624 to \$19,246 at June 30, 2024 compared to \$18,622 at December 31, 2023.

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

Total liabilities decreased by \$36.5 million to \$388.3 million at June 30, 2024 compared to \$424.8 million at December 31, 2023. The decrease since December 31, 2023 mainly resulted from a decrease in bank indebtedness, partially offset by increase in loans payable.

Bank indebtedness decreased by \$59,040 to \$222,084 at June 30, 2024 compared to \$281,124 at December 31, 2023 due to a decrease in funds employed and a re-financing of \$39,866 of bank indebtedness related to certain receivables in the first six months of 2024. The Company's revolving credit facility was amended in March 2024 reducing the maximum commitment from \$375.0 million to \$300.0 million to be more appropriately sized to the Company's current tangible equity) and current level of borrowings. Pricing for drawn amounts under the revolving credit facility are primarily based on the Canadian Overnight Repo Rate Average ("CORRA") plus a margin for Canadian dollar borrowings or the secured overnight financing rate ("SOFR") plus a margin for U.S. dollar borrowings. The margin is based on a measure of leverage at each month end. The margin decreased by 50 bp in June as the decrease in bank indebtedness improved the ratio of total debt to tangible net worth as defined in the revolving credit agreement. The Company was not in compliance with one covenant in its revolving credit facility at December 31, 2023. In addition to receiving a waiver from its banking syndicate for 2023, certain terms and covenants of the credit agreement were amended as of March 15, 2024. The Company was in compliance with all covenants at June 30, 2024. Subject to other debt borrowings, bank indebtedness principally fluctuates with the amount of funds employed. Please refer

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below to "Liquidity and Capital Resources" for details regarding the amendments to the revolving credit facility.

Loans payable increased to \$104,570 at June 30, 2024 compared to \$82,412 at December 31, 2023. The increase is primarily attributable to an additional tranche of non-recourse debt of \$42,002 provided by a life insurance company in May to ASBF. At June 30, 2024, the outstanding balance of the non-recourse loan was \$53,045 compared to \$22,465 at December 31, 2023. ASBF experienced a trigger event stemming from the breached covenant under the Company's revolving credit facility at December 31, 2023, which was waived subsequent to December 31, 2023. ASBF was in compliance with all loan covenants at June 30, 2024.

Accounts payable and other liabilities decreased by \$646 to \$7,411 at June 30, 2024 compared to \$8,057 at December 31, 2023.

Convertible debentures with a face value of \$25,650 (25,650 convertible debentures of \$1,000 each) were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading ("Listed Debentures") on the Toronto Stock Exchange ("TSX"), while 5,000 ("Unlisted Debentures") are unlisted. All debentures are unsecured and pay interest semi-annually on June 30 and December 31 each year. On August 10, 2023, debentureholders approved amendments to extend the maturity date of the Listed Debentures to January 31, 2026, increase the interest rate to 10.0%, remove the conversion feature and remove the right of the Company to repay the debentures in common shares. As of December 31, 2023, the Company agreed with the holders of Unlisted Debentures to extend the maturity date of the Unlisted Debentures to July 15, 2024, increase the interest rate to 10.0%, remove the conversion feature and remove the right of the Company to repay the debentures in common shares. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Listed Debentures and Unlisted Debentures, and recognition of new liabilities. On July 8, 2024, the Company agreed with the holders of the Unlisted Debentures to extend the maturity date to January 31, 2026. At June 30, 2024, the debt component of all debentures totalled \$25,699 compared to \$25,717 at December 31, 2023.

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

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

Contributed surplus totalled \$1,787 at June 30, 2024 compared to \$1,774 at December 31, 2023.



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Retained earnings decreased by \$517 to \$65,091 at June 30, 2024 compared to \$65,608 at December 31, 2023. The decrease in 2024 is comprised of shareholders' net loss of \$517.

The Company's accumulated other comprehensive income ("AOCI") represents the cumulative unrealized foreign exchange income arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance increased to \$7,342 at June 30, 2024 compared to \$7,074 at December 31, 2023.

Non-controlling interests in subsidiaries totalled \$4,523 at June 30, 2024 compared with \$4,759 at December 31, 2023.

### LIQUIDITY AND CAPITAL RESOURCES

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

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

	<b>June 30, 2024</b>	December 31, 2023
Tangible equity / assets	<b>17.9%</b>	16.7%
Total equity / assets	<b>18.5%</b>	17.3%
Debt* / total equity	<b>4.26x</b>	4.65x

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

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

On March 15, 2024, the Company finalized an amendment to its primary revolving credit facility which matures in July 2025 (the "facility agreement"). Following the single account loss in 2023, the Company was operating under a series of facility agreement waivers, which provided temporary relief from a technical default caused

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by a reduction in permitted borrowings as a result of the loss. The March 15 amendment modifies certain key elements of the facility agreement, providing a longer-term, more stable operating scenario.

The March amendment resets the total facility limit to be more appropriate to the Company's current tangible equity and current level of borrowings, and at the same time allows the Company to reduce its standby fees for the unused portion of the facility. The facility limit has been reduced from \$375.0 million to \$300.0 million and will be reduced further to \$260.0 million by January 2025. In addition, a minimum availability requirement was amended and will be measured as the difference between eligible collateral and the outstanding bank loan balance. While the Company has historically carried excess collateral as a matter of course, the amendment provides for specific levels starting at \$15.0 million and increasing to \$25.0 million by January 2025. This provides for more conservative leverage overall, which we consider prudent in the current economic climate.

Further, the amendment resets the interest coverage ratio covenant ("ICR covenant") and adds a new leading EBITDA performance metric, both of which are more consistent with the Company's 2024 and 2025 operating plans. It also increases in the margin added to the applicable index rate for drawn amounts under the revolving facility by 100bps.

While the amendment provides adequate time and flexibility for Accord to manage its level of borrowings, for the immediate future, the Company has limited growth capital to invest in new business opportunities. In response, the Company is evaluating a number of strategic initiatives to generate additional cash and capital to maximize shareholder value. Initiatives under consideration include alternative financing arrangements to support, replace or add to current debt facilities in the private market. Additionally, a review of the fundamental core businesses may result in decisions to change product mix, and/or divest one or more non-core subsidiaries. The March 15 amendment also contains milestones related to initiating discovery for certain strategic initiatives in the coming months. As noted above, the Company closed a new tranche of non-recourse financing in May. The Company completed the required milestones for the period ending as of the date of this report and continues to work towards accomplishing future milestones.

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

Management believes that current cash balances and existing credit lines, together with cash flow from operations, will be sufficient to meet the cash requirements of working capital, capital expenditures, operating expenditures, and interest payments over the next twelve months. The Company suspended its quarterly dividend, which

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conserves cash as it explores options to increase liquidity and capital for portfolio growth over the next twelve months.

### **Cash flow for the six months ended June 30, 2024 compared with the six months ended June 30, 2023**

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments increased to \$3,662 in the first six months of 2024 compared to \$3,599 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 \$45,416 in the first six months of 2024 compared to an outflow of \$39,301 last year. The net cash inflow in the first six months of 2024 largely resulted from collections from or proceeds from the refinancing of Loans of \$48,049. In the first six months of 2023, the net cash outflow largely resulted from funding of new Loans of \$34,773. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows.

Cash outflows from investing activities totalled \$55 (2023 – \$85) in the first six months of 2024 and comprised property and equipment additions.

Net cash outflow from financing activities totalled \$39,041 in the first six months of 2024 compared to an inflow of \$34,450 last year. The net cash outflow this year primarily resulted from a decrease in bank indebtedness of \$59,059 and an increase of loans payable of \$20,315. In the first six months of 2023, the net cash inflow primarily resulted from an increase in bank indebtedness of \$40,759, partially offset by repayment of loans payable of \$6,495.

The effect of exchange rate changes on cash comprised a decrease of \$39 in the first six months of 2024 compared to a decrease of \$655 in the first six months of 2023.

Overall, there was a net cash inflow of \$6,281 in the first six months of 2024 compared to a net cash outflow of \$5,591 in the first six months of 2023.

### **CONTRACTUAL OBLIGATIONS AND COMMITMENTS AT JUNE 30, 2024**

	Payments due in				<b>Total</b>
	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter	
Debt obligations	\$ 96,857	\$ 274,994	\$ 4,222	\$ -	<b>\$ 376,073</b>
Operating lease obligations	495	883	382	281	<b>2,041</b>
	<b>\$ 97,352</b>	<b>\$ 275,877</b>	<b>\$ 4,604</b>	<b>\$ 281</b>	<b>\$ 378,114</b>

### **RELATED PARTY TRANSACTIONS**

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

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Notes payable totalled \$23,609 at June 30, 2024 compared to \$22,915 at December 31, 2023. Notes payable comprise: (i) unsecured demand notes due on, or within a week of, demand of \$4,530 (December 31, 2023 – \$4,565); and (ii) term notes inclusive of accrued interest totalling \$19,079 (December 31, 2023 – \$18,350), which are repayable on various dates the latest of which is November 30, 2027. Notes due on, or within a week of demand, bear interest at rates that vary with the bank prime rate, while the term notes bear interest at rates between 8.75% and 11.00%.

Of the notes payable, \$21,185 (December 31, 2023 – \$20,494) was owing to related parties and \$2,424 (December 31, 2023 – \$2,421) to third parties. Interest expense on these notes in the current quarter and first half of 2024 totalled \$551 (2023 – \$374) and \$1101 (2023 – \$733). Please refer to note 8 to the Statements.

The following related parties had notes payable with the Company at June 30, 2024:

<b>Demand notes payable</b>	<b>Relationship</b>	
Hitzig Bros., Hargreaves & Co. Inc.*	Director	\$ 4,000,000
Ken Hitzig		\$ 500,000
<b>Term notes payable</b>		
Hitzig Bros., Hargreaves & Co. Inc.*	Director	\$ 4,000,000
Hitzig Bros., Hargreaves & Co. LLC.*	Director	US \$ 4,000,000
Oakwest Corporation Inc.*	Director	\$ 3,000,000
Ken Hitzig		\$ 2,500,000
Keewatin House Inc.		\$ 1,000,000

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

Accord pays a rate of interest related to Canadian prime (As of June 30, 2024, the rate was 6.95%) on its Canadian dollar unsecured demand notes payable. This interest rate is typically below the interest rate the Company pays on its primary revolving credit facility, agented by The Bank of Nova Scotia ("BNS"), resulting in interest expense savings to the Company.

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

Upon renewal of the BNS facility in July 2022 the Company renewed \$10.5 million unsecured three-year term notes which had matured on July 31, 2022 for a further three-year term. These related party term notes currently accrue interest at a rate of 10.00%. The renewed revolving credit facility allows these notes to be treated as "quasi equity" and be included in the Company's tangible net worth ("TNW") for the purposes of leveraging its bank line (up to 4.0 x TNW). This created additional borrowing capacity for the Company.

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## FINANCIAL INSTRUMENTS

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

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

The Company's allowance for expected losses on its Loans is provided for under the three stage criteria set out in IFRS 9, where a Stage 1 allowance is established to reserve against accounts which have not experienced a SICR and which cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. Stage 1 ECL results from default events on the financial instrument that are possible within the twelve-month period after the reporting date. Stage 1 accounts are considered to be in good standing. The Company's Stage 2 allowances are based on a review of the loan and comprises an allowance for those financial instruments which have experienced a SICR since initial recognition. Lifetime ECL are recognized for all Stage 2 financial instruments. Stage 3 financial instruments are those that the Company has classified as impaired. The Company classifies a financial

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instrument as impaired when the future cash flows of the financial instrument could be adversely impacted by events after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Lifetime ECL are recognized for all Stage 3 financial instruments. In Stage 3, financial instruments are written-off, either partially or in full, against the related allowance for expected credit losses when the Company judges that there is no realistic prospect of future recovery in respect of those amounts after the collateral has been realized or transferred at net recoverable value. Any subsequent recoveries of amounts previously written-off are credited to the respective allowance for expected credit losses.

Management believes that its allowances for expected credit losses, which require a high degree of reasonable and supportable credit judgment, are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed in notes 4 and 14 to the Statements.

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

### CONTROL ENVIRONMENT

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Controls over Financial Reporting ("ICFR") are designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO, CFO and other members of management have assessed the design effectiveness of the Company's DC&P and ICFR at June 30, 2024, and have concluded that the design of the Company's DC&P and ICFR were effective as of that date. During the six months ended June 30, 2024, there have been no significant changes to the Company's ICFR that would have or would be reasonably likely to materially affect the Company's ICFR.

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Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate and, as such, there can be no assurance that any design will succeed in achieving its stated goal under all potential conditions.

### **RISKS AND UNCERTAINTIES THAT COULD AFFECT FUTURE RESULTS**

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 14 to the Statements, which discuss the Company's principal financial risk management practices.

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

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

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

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

Unfavorable economic conditions may make it more difficult for the Company to maintain new origination volumes and the credit quality of new loans at levels

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previously attained. Unfavorable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities and other capital markets funding sources or result in a decision by the Company's lenders not to extend further credit. Any of these events could have a material adverse impact on the Company's business, financial conditions and results of operations.

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

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

### **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



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increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements.

### **Interest rate risk**

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

### **Foreign currency risk**

The Company has international operations, primarily in the United States. Accordingly, a significant portion of its financial resources are held in currencies other than the Canadian dollar. In recent years, the Company has seen the fluctuations in the U.S. dollar against the Canadian dollar affect its operating results when its foreign subsidiaries results are translated into Canadian dollars. It has also affected the value of the Company's net Canadian dollar investment in its foreign subsidiaries, which had, in the past, reduced the AOCI component of equity to a loss position, although it is now in a significant gain position. No assurances can be made that changes in foreign currency rates will not have a significant adverse effect on the Company's business, financial condition or results of operations.

### **External financing**

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

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The Company's primary credit facility matures in July 2025 and it has unsecured subordinated debentures outstanding that mature in January 2026. If any or all of the Company's funding sources become unavailable on terms acceptable to the Company or at all, or if any of the Company's credit facilities are not renewed or re-negotiated upon expiration of their terms, the Company may not have access to the financing necessary to conduct its businesses, which would limit the Company's ability to finance its operations and could have a material adverse impact on its business, financial condition and results of operations. Please also see comments regarding business conditions on page 21 and Liquidity and Capital Resources on page 15.

### **Dependence on key personnel**

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

### **Income Tax Matters**

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

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

In prior years, the Company has acquired or invested in businesses and may seek to acquire or invest in additional businesses in the future that expand or complement its current business. Prior acquisitions by the Company have increased the size of the Company's operations and the amount of indebtedness that will have to be serviced by the Company and any future acquisitions by the Company, if they occur, may result in further increases in the Company's operations or indebtedness. The successful integration and management of any recently acquired businesses or businesses acquired in the future involves numerous risks that could adversely affect the Company's business, financial condition, or results of operations, including: (i) the risk that management may not be able to successfully manage the acquired businesses and that the integration of such businesses may place significant demands on management, diverting their attention from the Company's existing operations; (ii) the risk that the Company's existing operational, financial, management, due diligence or underwriting systems and procedures may be incompatible with the markets in which the acquired business operates or inadequate to effectively integrate and

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manage the acquired business; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used to develop other aspects of the Company's business; (iv) the risk that as a result of acquiring a business, the Company may become subject to additional liabilities or contingencies (known and unknown); (v) the risk that the personnel of any acquired business may not work effectively with the Company's existing personnel; (vi) the risk that the Company fails to effectively deal with competitive pressures or barriers to entry applicable to the acquired business or the markets in which it operates or introduce new products into such markets; and (vii) the risk that the acquisition may not be accretive to the Company. The Company may fail to successfully integrate such acquired businesses or realize the anticipated benefits of such acquisitions, and such failure could have a material adverse impact on the Company's business, financial condition and results of operations.

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

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

### **Technology and cyber security**

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

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

## **ACCORD FINANCIAL CORP.**

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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.

### **Dividends**

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

### **OUTLOOK**

The economic environment continues to create headwinds in the business sector, which provides the ingredients for increasing new business opportunities for non-bank lenders including Accord Financial. While inflation is moderating, relatively high interest rates have created challenges for small and medium-sized businesses, which elevates overall credit risk in the market, and generally leads to a more conservative

## ACCORD FINANCIAL CORP.

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approach by many of our clients (and prospective clients) to incur incremental debt to buy equipment, expand operations, or make acquisitions. In keeping with this backdrop Accord continues to maintain a conservative approach to adding new business. The Company's funds employed declined to \$431.0 million at June 30, 2024, from \$476.7 million at December 31, 2023.

The Company's outlook is also affected by the reduced tangible equity in the wake of the 2023 write-offs, and the March amendment to the Company's primary credit facility. The amendment reduces the overall facility limit and flexibility to be more appropriate for the Company's reduced tangible equity, which has led to a decline in Accord's funds employed. Future portfolio growth is expected to be constrained if the Company is unable to secure alternative funding sources and/or effectively execute other potential strategic initiatives over the course of 2024 and into 2025. The \$40 million second quarter securitization transaction with a life insurance company provides some relief in this regard, however, new loans continue to be funded by the primary bank facility. In addition, at the direction of our banking syndicate, Accord incurred significant professional fees and amendment fees as we negotiated the March 15 amendment to our credit facility. The weight of these extraordinary professional fees will continue to affect operating results through the coming quarters and the amendment fees will be amortized in interest expense for the remainder of the term of our facility (July 2025), effectively increasing reported interest expense.

The Company is exploring a number of strategic initiatives, which could have an impact on growth and earnings. Initiatives under consideration include a review of the fundamental core businesses, which might result in changes to product mix, and/or a sale of one or more non-core subsidiaries. Strategic initiatives will be undertaken for the purpose of strengthening the Company's capital position, renewing growth in the core operating businesses, and increasing value for shareholders, however, there is no assurance that the Company will be successful in completing any strategic initiative in the near term or at all. The Company will continue to report on the progress of these initiatives if and when they come to fruition. Our lending teams continue to manage the operating businesses, maximizing opportunities within the Company's current funding capacity.

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

The current economic conditions, including an increasingly risk averse banking sector, are conducive to growth of the Company's two ABL/factoring units, AFIC and AFIU. We are seeing increasing new business opportunities in both divisions, however, given

## ACCORD FINANCIAL CORP.

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the general increase in credit risk across numerous sectors, we intend to remain highly selective in closing new transactions, and as a result, expect modest growth.

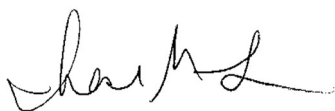
AEF, the Company's U.S. equipment finance division, has grown steadily over the past year, and we anticipate continued growth in the second half of 2024. As the interest rate cycle is topping out, the middle market companies AEF typically finances appear to be more comfortable taking on term debt to finance investment in new equipment. AEF operates in a very price-competitive market segment, however, which is likely to moderate its growth and profit trajectory.

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

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

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 the allowance for expected loan losses fully reflects our expert credit judgment and third-party economic forecasts, it is possible that the economy underperforms expectations. And finally, in the current environment, the Company is favoring financially stronger clients, which has the effect of lowering average yields.

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



Irene Eddy  
Senior Vice President, Chief Financial Officer  
August 7, 2024

## ACCORD FINANCIAL CORP.

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

	Three months ended June 30,	
	2024	2023
<b>Adjusted net loss</b>		
Net loss attributable to shareholders	\$ (1,149)	\$ (263)
Adjustments, net of tax:		
Net single account write-off and associated costs	340	-
Restructuring and other expenses	45	97
Stock-based compensation expense	(6)	17
Restructuring expenses	25	55
Business acquisition expenses	26	25
<b>Adjusted net loss attributable to shareholders</b>	<b>\$ (764)</b>	<b>\$ (166)</b>

	Three months ended June 30,	
	2024	2023
<b>Adjusted loss per share</b>		
Adjusted net loss	\$ (764)	\$ (166)
Weighted average number of common shares outstanding in the period	8,559	8,559
<b>Adjusted loss per share</b>	<b>\$ (0.09)</b>	<b>\$ (0.02)</b>

	Three months ended June 30,	
	2024	2023
<b>Average funds employed (note)</b>		
Average fund employed	\$ 428,146	\$ 455,204

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

	Six months ended June 30,	
	2024	2023
<b>Return on equity</b>		
Net earnings (loss) attributable to shareholders	\$ (517)	\$ 1,756
Weighted average shareholders' equity (note)	84,734	101,575
<b>Return on equity (annualized)</b>	<b>(1.2%)</b>	<b>3.5%</b>

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

	Six months ended June 30,	
	2024	2023
<b>Adjusted net earnings (loss)</b>		
Net earnings (loss) attributable to shareholders	\$ (517)	\$ 1,756
Adjustments, net of tax:		
Net single account write-off and associated costs	1,143	-
Restructuring and other expenses	142	235
<b>Adjusted net earnings attributable to shareholders</b>	<b>\$ 768</b>	<b>\$ 1,991</b>

## ACCORD FINANCIAL CORP.

	Six months ended June 30,	
	2024	2023
<b>Adjusted earnings per share</b>		
Adjusted net earnings	\$ 768	\$ 1,991
Weighted average number of common shares outstanding in the period	8,559	8,559
<b>Adjusted earnings per share</b>	\$ 0.09	\$ 0.23

	Six months ended June 30,	
	2024	2023
<b>Adjusted return on equity</b>		
Adjusted net earnings	\$ 768	\$ 1,991
Weighted average shareholders' equity (note)	84,734	101,575
<b>Adjusted return on equity (annualized)</b>	1.8%	3.9%

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

	Six months ended June 30,	
	2024	2023
<b>Average funds employed (note)</b>		
Average funds employed	\$ 444,298	\$ 453,312

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

	June 30,	December 31,
	2024	2023
<b>Book value per share</b>		
Shareholders' equity	\$ 83,668	\$ 83,904
Common shares outstanding	8,559	8,559
<b>Book value per share</b>	\$ 9.78	\$ 9.80

	June 30,	December 31,
	2024	2023
<b>Tangible equity (note)</b>		
Total equity	\$ 88,191	\$ 88,663
Less: Intangible assets	3,022	2,996
<b>Tangible equity</b>	\$ 85,169	\$ 85,667



## ACCORD FINANCIAL CORP.

	June 30, 2024	December 31, 2023
<b>Tangible equity / assets</b>		
Assets	\$ 476,523	\$ 513,480
Tangible equity	85,169	85,667
<b>Tangible equity / assets</b>	<b>17.9%</b>	<b>16.7%</b>

	June 30, 2024	December 31, 2023
<b>Equity / assets</b>		
Total equity	\$ 88,191	\$ 88,663
Assets	476,523	513,480
<b>Equity / assets</b>	<b>18.5%</b>	<b>17.3%</b>

	June 30, 2024	December 31, 2023
<b>Debt / equity</b>		
Debt (note)	\$ 375,962	\$ 412,168
Total equity	88,191	88,663
<b>Debt / equity</b>	<b>4.26x</b>	<b>4.65x</b>

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

	June 30, 2024	December 31, 2023
<b>Portfolio</b>		
Finance receivables and loans	\$ 430,994	\$ 476,674
<b>Portfolio</b>	<b>\$ 430,994</b>	<b>\$ 476,674</b>

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Financial Position (unaudited)

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

	Note	June 30, 2024	December 31, 2023
<b>Assets</b>			
Cash		\$ 8,700	\$ 5,914
Restricted cash		7,277	3,782
Finance receivables and loans, net	4	420,429	466,123
Income taxes receivable		2,144	1,196
Other assets		13,276	12,292
Assets held for sale	5	507	440
Deferred tax assets, net		19,246	18,622
Property and equipment		1,922	2,115
Intangible assets		3,022	2,996
		<b>\$ 476,523</b>	<b>\$ 513,480</b>
<b>Liabilities</b>			
Due to clients		\$ 111	\$ 144
Bank indebtedness	6	222,084	281,124
Loans payable	7	104,570	82,412
Accounts payable and other liabilities		7,411	8,057
Income taxes payable		892	234
Notes payable	8	23,609	22,915
Debentures	9	25,699	25,717
Lease liabilities		1,743	1,877
Deferred income		2,213	2,337
		<b>\$ 388,332</b>	<b>\$ 424,817</b>
<b>Equity</b>			
Capital stock	10	9,448	9,448
Contributed surplus		1,787	1,774
Retained earnings		65,091	65,608
Accumulated other comprehensive income		7,342	7,074
Shareholders' equity		<b>83,668</b>	<b>83,904</b>
Non-controlling interests in subsidiaries		4,523	4,759
<b>Total equity</b>		<b>88,191</b>	<b>88,663</b>
		<b>\$ 476,523</b>	<b>\$ 513,480</b>

see accompanying notes

**Notice to Reader** - Management has prepared these condensed interim unaudited consolidated financial statements and notes and is responsible for the integrity and fairness of the financial information presented therein. They have been reviewed and approved by the Company's Audit Committee and Board of Directors. Pursuant to National Instrument 51-102, Part 4, Subsection 4.3(3)(a), the Company advises that its independent auditor has not performed a review or audit of these condensed interim unaudited consolidated financial statements.

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Earnings (unaudited)

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

Three and six months ended June 30	Note	Three months		Six months	
		2024	2023	2024	2023
<b>Revenue</b>					
Interest		\$ 17,832	\$ 16,248	\$ 35,717	\$ 32,390
Other income		2,125	1,685	4,906	3,987
		<b>19,957</b>	<b>17,933</b>	<b>40,623</b>	<b>36,377</b>
<b>Operating expenses</b>					
Interest expense		9,368	8,275	19,323	16,188
General and administrative		8,162	8,557	17,677	17,071
Provision for credit losses	4	3,350	1,269	3,761	1,735
Depreciation		147	119	293	272
Amortization of intangible assets		35	35	69	69
		<b>21,062</b>	<b>18,255</b>	<b>41,123</b>	<b>35,335</b>
Earnings (loss) before income tax		(1,105)	(322)	(500)	1,042
Income tax expense (recovery)		216	72	402	(475)
<b>Net earnings (loss)</b>		<b>(1,321)</b>	<b>(394)</b>	<b>(902)</b>	<b>1,517</b>
Net loss attributable to non-controlling interests in subsidiaries		(172)	(131)	(385)	(239)
<b>Net earnings (loss) attributable to shareholders</b>		<b>\$ (1,149)</b>	<b>\$ (263)</b>	<b>\$ (517)</b>	<b>\$ 1,756</b>
Basic and diluted earnings (loss) per common share	11	\$ (0.13)	\$ (0.03)	\$ (0.06)	\$ 0.21

see accompanying notes

## Consolidated Statements of Comprehensive Income (unaudited)

Three and six months ended June 30	Three months		Six months	
	2024	2023	2024	2023
<b>Net earnings (loss)</b>	\$ (1,149)	\$ (263)	\$ (517)	\$ 1,756
Other comprehensive income:				
Items that are or may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations	84	(513)	268	(526)
<b>Comprehensive income (loss)</b>	<b>\$ (1,065)</b>	<b>\$ (776)</b>	<b>\$ (249)</b>	<b>\$ 1,230</b>

see accompanying notes

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Changes in Equity (unaudited)

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

	Capital stock		Contributed surplus	Retained earnings	Accumulated comprehensive income	Non-other controlling interests in subsidiaries	Total equity	
	Note	Number of common shares outstanding						Amount
Balance at January 1, 2023		8,558,913	\$ 9,448	\$ 1,705	\$ 82,159	\$ 7,659	\$ 5,640	\$ 106,611
Comprehensive income (loss)		-	-	-	1,756	(526)	-	1,230
Dividends paid	10	-	-	-	(1,283)	-	-	(1,283)
Stock-based compensation expense related to stock option grants	10	-	-	(15)	-	-	-	(15)
Net loss attributable to non-controlling interests in subsidiaries		-	-	-	-	-	(239)	(239)
Translation adjustments on non-controlling interests		-	-	-	-	-	(119)	(119)
Balance at June 30, 2023		8,558,913	\$ 9,448	\$ 1,690	\$ 82,632	\$ 7,133	\$ 5,282	\$ 106,185
Balance at January 1, 2024		<b>8,558,913</b>	<b>\$ 9,448</b>	<b>\$ 1,774</b>	<b>\$ 65,608</b>	<b>\$ 7,074</b>	<b>\$ 4,759</b>	<b>\$ 88,663</b>
Comprehensive income (loss)		-	-	-	(517)	268	-	(249)
Stock-based compensation expense related to stock option grants	10	-	-	13	-	-	-	13
Net loss attributable to non-controlling interests in subsidiaries		-	-	-	-	-	(385)	(385)
Translation adjustments on non-controlling interests		-	-	-	-	-	149	149
Balance at June 30, 2024		<b>8,558,913</b>	<b>\$ 9,448</b>	<b>\$ 1,787</b>	<b>\$ 65,091</b>	<b>\$ 7,342</b>	<b>\$ 4,523</b>	<b>\$ 88,191</b>

# ACCORD FINANCIAL CORP.

## Consolidated Statements of Cash Flows (unaudited)

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

Six months ended June 30	Note	2024	2023
<b>Cash provided by:</b>			
<b>Operating activities</b>			
Net earnings (loss)		\$ (902)	\$ 1,517
Items not affecting cash:			
Provision for credit losses	4	3,761	1,735
Amortization of intangible assets		69	69
Depreciation of property and equipment		293	272
Loss on disposal of property and equipment		25	26
Accretion of debentures	9	(18)	385
Stock-based compensation expense	10	32	70
Deferred tax recovery		(310)	(457)
Current income tax expense (recovery)		712	(18)
		<b>3,662</b>	<b>3,599</b>
<b>Change in operating assets and liabilities</b>			
Finance receivables and loans, gross	4	48,049	(34,773)
Due to clients		(33)	(1,578)
Other assets		(951)	(4,287)
Accounts payable and other liabilities		(4,715)	425
Disposal of assets held for sale		377	130
Income tax paid, net		(973)	(2,817)
		<b>45,416</b>	<b>(39,301)</b>
<b>Investing activities</b>			
Additions to property and equipment		(55)	(85)
<b>Financing activities</b>			
Bank indebtedness	6	(59,059)	40,759
Loan payable	7	20,315	(6,495)
Notes payable issued, net	8	(73)	1,678
Dividends paid	10	-	(1,283)
Lease liabilities principal paid		(224)	(209)
		<b>(39,041)</b>	<b>34,450</b>
Effect of exchange rate changes on cash		(39)	(655)
Increase (decrease) in cash and restricted cash		<b>6,281</b>	<b>(5,591)</b>
Cash and restricted cash at January 1		<b>9,696</b>	<b>18,255</b>
Cash and restricted cash at June 30		<b>\$ 15,977</b>	<b>\$ 12,664</b>
<b>Supplemental cash flow information</b>			
Net cash used in operating activities includes:			
Interest paid		\$ 17,845	\$ 15,251
<i>See accompanying notes</i>			

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023

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

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### 1. Description of the business

Accord Financial Corp. (the "Company") is incorporated by way of Articles of Continuance under the Ontario Business Corporations Act and, through its subsidiaries, is engaged in providing asset-based financing, including factoring and receivables financing, equipment and inventory financing, leasing, and working capital financing, to industrial and commercial enterprises, principally in Canada and the United States. The Company's registered office is at 40 Eglinton Avenue East, Suite 602, Toronto, Ontario, Canada.

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

These condensed interim unaudited consolidated financial statements ("Statements") are expressed in thousands of Canadian dollars, except per share amounts and as otherwise noted, the Company's functional and presentation currency, and are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed consolidated interim financial statements contain selected explanatory notes to the financial statements and do not include all the disclosures required by IFRS Accounting Standards ("IFRS"). These Statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2023. Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

The preparation of the condensed interim unaudited consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates that are particularly judgmental relate to the determination of the allowance for expected credit losses relating to finance receivables and loans (note 4), the carrying value of assets held for sale (note 5), the determination of the valuation of goodwill and intangible assets on acquisition, as well as in the impairment testing thereof, and the net realizable value ("NRV") of deferred tax assets and liabilities.

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

- Stock option grants (a component of contributed surplus)

These condensed interim unaudited consolidated financial statements for the three and six months ended June 30, 2024 were approved for issuance by the Company's Board of Directors ("Board") on August 7, 2024.

# ACCORD FINANCIAL CORP.

## Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023

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

### 3. Significant accounting policies

#### Basis of consolidation

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

### 4. Finance receivables and loans

	<b>June 30, 2024</b>	December 31, 2023
Working capital loans	\$ <b>84,782</b>	\$ 116,128
Receivable loans	<b>77,899</b>	90,128
Inventory & equipment loans	<b>130,341</b>	113,287
Media loans	<b>71,867</b>	85,246
Lease receivables	<b>66,105</b>	71,885
Finance Receivables and loans	<b>430,994</b>	476,674
Less allowance for expected credit losses	<b>10,565</b>	10,551
Finance Receivables and loans, net	<b>\$ 420,429</b>	\$ 466,123

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

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

## ACCORD FINANCIAL CORP.

### Notes to Condensed Interim Unaudited Consolidated Financial Statements

Three and six months ended June 30, 2024 and 2023

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

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

	<b>June 30, 2024</b>	December 31, 2023
Less than 1 year	\$ <b>275,483</b>	\$ 241,114
1 to 2 years	<b>75,655</b>	114,593
2 to 3 years	<b>45,261</b>	69,913
3 to 4 years	<b>24,629</b>	35,776
4 to 5 years	<b>9,966</b>	15,278
	<b>\$ 430,994</b>	\$ 476,674

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

	<b>June 30, 2024</b>	December 31, 2023
Current	\$ <b>386,378</b>	\$ 427,631
Past due but not impaired:		
Past due less than 90 days	<b>14,324</b>	17,541
Past due 90 to 180 days	<b>4,051</b>	6,253
Past due 180 days or more	<b>12,606</b>	13,687
Impaired loans	<b>13,635</b>	11,562
	<b>\$ 430,994</b>	\$ 476,674

Past due finance receivables and loans, including those past due over 90 days, do not necessarily represent a significant increase in credit risk ("SICR"), or an impairment, due to circumstances where payments are delayed for non-credit related reasons. These may include specific industry related behaviors or practices as we often see across certain of the Company's lines of business. Of the past due and impaired finance receivables at June 30, 2024, \$18,911 (December 31, 2023 – \$26,975) relates to BondIt Media Capital ("BondIt"), AFIU's 60% controlled media finance subsidiary and \$22,293 (December 31, 2023 – \$19,427) relates to AFCC, all of which benefits from a guarantee from Export Development Canada ("EDC") of up to 80% of the loan balance.

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

At June 30, 2024, the estimated NRV of the collateral securing the impaired loans totalled \$10,636 (December 31, 2023 – \$9,839). During the six months ended June 2024, loans totalling \$469 (December 31, 2023 – \$684) were transferred to assets held for sale upon default by the obligor and repossession of the collateral.

The Company uses a credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to



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assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. The credit rating of the borrower is used to assess the predicted credit risk for each initial credit approval or significant account management action. Credit ratings improve credit decision quality, adjudication time frames and consistency in the credit decision process and facilitates risk-based pricing.

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

The Staging segmentation influences estimated allowances as described below:

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

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

	<b>June 30, 2024</b>	December 31, 2023
Stage 1	\$ 338,825	\$ 382,533
Stage 2 (SICR)	78,534	82,579
Stage 3 (Impaired)	13,635	11,562
	<b>\$ 430,994</b>	<b>\$ 476,674</b>

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

Three months ended at June 30, 2024	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Allowance for Expected losses at April 1	\$ 3,172	\$ 4,153	\$ 2,132	\$ 9,457
Transfer between stages	(256)	(68)	324	-
Provision related to change in allowance for expected losses	(16)	48	3,326	3,358
Write-offs	-	-	(2,308)	(2,308)
Recoveries	-	-	30	30
Foreign exchange adjustment	12	14	2	28
Allowance for Expected losses at June 30	<b>\$ 2,912</b>	<b>\$ 4,147</b>	<b>\$ 3,506</b>	<b>\$ 10,565</b>

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

Three months ended at June 30, 2023	Stage 1	Stage 2	Stage 3	Total
Allowance for Expected losses at April 1	\$ 2,803	\$ 2,356	\$ 2,268	\$ 7,427
Transfer between stages	(828)	428	400	-
Provision related to change in allowance for expected losses	734	380	155	1,269
Write-offs	(20)	(199)	(1,658)	(1,877)
Recoveries	-	-	108	108
Foreign exchange adjustment	(11)	(4)	(26)	(41)
Allowance for Expected losses at June 30	\$ 2,678	\$ 2,961	\$ 1,247	\$ 6,886

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

Six months ended at June 30, 2024	Stage 1	Stage 2	Stage 3	Total
Allowance for Expected losses at January 1	\$ 3,293	\$ 5,097	\$ 2,161	\$ 10,551
Transfer between stages	110	(682)	572	-
Provision related to change in allowance for expected losses	(523)	(341)	4,633	3,769
Write-offs	-	-	(4,036)	(4,036)
Recoveries	-	5	174	179
Foreign exchange adjustment	32	68	2	102
Allowance for Expected losses at June 30	\$ 2,912	\$ 4,147	\$ 3,506	\$ 10,565

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

Six months ended at June 30, 2023	Stage 1	Stage 2	Stage 3	Total
Allowance for Expected losses at January 1	\$ 2,903	\$ 2,803	\$ 2,483	\$ 8,189
Transfer between stages	(728)	714	14	-
Provision related to change in allowance for expected losses	552	(207)	1,390	1,735
Write-offs	(36)	(352)	(2,783)	(3,171)
Recoveries	-	19	136	155
Foreign exchange adjustment	(13)	(16)	7	(22)
Allowance for Expected losses at June 30	\$ 2,678	\$ 2,961	\$ 1,247	\$ 6,886

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

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

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

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

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

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

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

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

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to the most pessimistic downside scenario forecast considered, the allowance for expected losses would have been \$2.0 million higher than the reported estimate for the allowance for expected losses as at June 30, 2024. Alternatively, the assignment of a 100% probability to the most optimistic upside scenario forecast considered would have resulted in the allowance for expected losses being \$2.6 million lower than that reported.

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

At June 30, 2024, the Company held cash collateral of \$2,111 (December 31, 2023 –\$2,675) to help reduce the risk of loss on certain of the Company's finance receivables and loans.

### 5. Assets held for sale

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

### 6. Bank indebtedness

The Company has a revolving credit facility with a maximum commitment of \$300.0 million and a contractual maturity date of July 26, 2025, provided by a syndicate of six banks. Floating rate indices for drawn amounts under the revolving credit facility are primarily based on the Canadian overnight repo rate average ("CORRA"), the secured overnight financing rate ("SOFR") or Prime rate. The credit facility is secured by the Company's finance receivables and loans, except for finance receivables and loans that secure the BondIt loan and the Accord Small Business Finance ("ASBF") loan. The Company and its lenders amended the revolving credit facility as of March 15, 2024, with the primary changes being: i) a reduction of the maximum commitment to \$300.0 million from \$375.0 million with a further reduction to \$260.0 million required by January 2025, ii) a 100 basis point increase in the borrowing rate and iii) the inclusion of milestones related to the initiation of discovery for certain strategic initiatives. The Company was not in compliance with one covenant at December 31, 2023. All lenders waived the breach in 2024. The Company was in compliance with all loan covenants and milestones under its revolving credit facility during the first six months of 2024.

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### 7. Loans payable

Loans payable comprise:

	June 30, 2024	December 31, 2023
BondIt loan <sup>(a)</sup>	\$ 51,525	\$ 59,947
ASBF loan <sup>(b)</sup>	53,045	22,465
	\$ 104,570	\$ 82,412

#### a) BondIt loan

On May 31, 2024, BondIt entered into a revolving line of credit with a non-bank lender, which bears a fixed rate of interest. This revolving line, which is secured by all of BondIt's assets, has a total commitment of US\$60.0 million (\$82.1 million) and a maturity date of May 31, 2027. At June 30, 2024, the amount outstanding under this line of credit totalled \$51.5 million (December 31, 2023 – \$59.9 million), inclusive of accrued interest and fees. BondIt was not in compliance with multiple loan covenants under this new facility, and its prior revolving line of credit as at June 30, 2024, and December 31, 2023, respectively but received waivers from the lenders subsequent to June 30, 2024 and December 31, 2023, respectively.

#### b) ASBF loan

ASBF, a subsidiary of AFCC, has a non-recourse loan with a life insurance company. This loan is secured by the majority of ASBF's assets and bears a fixed rate of interest. The amount outstanding under this loan facility was increased in May 2024 by \$42.0 million and at June 30, 2024 was \$53.0 million (December 31, 2023 – \$22.5 million). ASBF experienced a trigger event at December 31, 2023 as a result of the breached covenant under the Company's revolving credit line, which was subsequently waived. The Company was in compliance with all covenants at June 30, 2024.

### 8. Related parties

#### a) Notes payable

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

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Notes payable were as follows:

	<b>June 30, 2024</b>		December 31, 2023	
Demand and term notes due within one year:				
Related parties	\$	<b>5,868</b>	\$	5,826
Third parties		<b>2,424</b>		2,421
		<b>8,292</b>		8,247
Term notes due after one year:				
Related parties		<b>15,317</b>		14,668
	\$	<b>23,609</b>	\$	22,915

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

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

	Three months		Six Months	
	<b>2024</b>	2023	<b>2024</b>	2023
Related parties	\$ <b>488</b>	\$ 303	\$ <b>976</b>	\$ 602
Third parties	<b>63</b>	71	<b>125</b>	131
	\$ <b>551</b>	\$ 374	\$ <b>1,101</b>	\$ 733

### b) BondIt participations

BondIt utilizes loan participations to provide capital for and reduce the risk of loss on certain client loans, as well as reduce its overall cost of capital. A number of related parties have participated in the BondIt client loans. At June 30, 2024, participations in BondIt client loans totalled US\$10.9 million (December 31, 2023 – US\$22.6 million), of which US\$2.8 million (December 31, 2023 – US\$8.6 million) was provided by related parties. These participations are not included in the Company's statements of financial position.

### 9. Debentures

Convertible debentures with a face value of \$25.7 million (25,650 convertible debentures) carrying a 7.0% coupon rate were issued by the Company in 2018 and 2019. Of these, 20,650 debentures are listed for trading ("Listed Debentures") on the Toronto Stock Exchange ("TSX"), while 5,000 ("Unlisted Debentures") are unlisted. Interest on all the convertible debentures is payable semi-annually on June 30 and December 31 each year.

The Company used the residual method to calculate the allocation between the debt and equity components of the debentures. Gross proceeds were allocated to the debt component of the debentures by discounting the future principal and interest payments at the rate of interest prevailing on the issue date for similar non-convertible debentures. The equity component was initially determined to be the difference between the gross proceeds and the debt component. Transaction costs were then allocated to the debt and equity

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components on a pro-rata basis. The equity component is carried net of deferred taxes and is included in contributed surplus.

At a meeting held on August 10, 2023, the Company announced that holders of \$20.7 million of 7.0% Listed Debentures, due on December 31, 2023, passed an extraordinary resolution approving certain amendments to the debentures. The amendments include i) an extension of the maturity date to January 31, 2026, ii) an increased interest rate of 10.0% effective January 2, 2024, iii) removal of the conversion feature and iv) removal of the Company's right to repay the debentures with common shares. The Company performed an assessment in accordance the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Listed Debentures and recognition of a new liability.

On December 31, 2023, the holders of \$5.0 million of 7.0% Unlisted Debentures, due on December 31, 2023 agreed to amend those debentures. The amendments include i) an extension of the maturity date to July 15, 2024, ii) an increased interest rate of 10.0% effective January 1, 2024, iii) removal of the conversion feature and iv) removal of the Company's right to repay the debentures with common shares. The Company performed an assessment in accordance with the requirements of IFRS 9 and determined that removing the conversion feature represents a substantial modification, triggering a derecognition of the original Series B Debentures and recognition of a new liability.

As a result of the amendments, the amortized cost of the original Debentures of \$25,553 was extinguished and the amended Listed Debentures and Unlisted Debentures with a nominal value of \$25,650 were recognized on the balance sheet at the date of modification. A loss of \$604 was recognized in the period ending December 31, 2023, arising from the substantial modification, and was comprised of \$508 of transaction costs, including \$330 of consent fees paid to Listed holders that voted in favor of the amendment, \$25 of extension fees paid to Unlisted holders and \$95 as the difference between the carrying value of the extinguished original Listed Debentures and Unlisted Debentures and the fair value of the amended Listed Debentures and Unlisted Debentures.

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

	<b>June 30, 2024</b>	December 31, 2023
Debentures Issued	\$ 25,650	\$ 25,650
Accretion in carrying value of debenture liability	49	67
	<b>\$ 25,699</b>	\$ 25,717

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### 10. Capital stock and stock-based compensation

#### a) Capital stock

The authorized capital stock of the Company consists of an unlimited number of first preferred shares, issuable in series, and an unlimited number of common shares with no par value. The first preferred shares may be issued in one or more series and rank in preference to the common shares. Designations, preferences, rights, conditions or prohibitions relating to each class of shares may be fixed by the Board. At June 30, 2024 and 2023, there were no first preferred shares outstanding.

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

Dividends in respect of the Company's common shares are declared in Canadian dollars. During the three and six months ended June 30, 2024, no dividends were declared and paid. During the three and six months ended June 30, 2023, dividends totalling \$642 and \$1,283 or \$0.075 and \$0.15, respectively, per common share were declared and paid.

#### b) Stock option plans

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

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

Grant Date	Number of Options Granted	Exercise Price (\$)	Expiry Date	June 30, 2024	December 31, 2023
August 4, 2021	80,100	8.83	Aug. 3,2028	45,000	45,000
October 12, 2021	12,000	8.83	Aug. 3,2028	12,000	12,000
September 19, 2022	72,000	8.34	Sep. 18,2029	69,000	72,000
September 25, 2023	127,500	5.69	Sep. 24,2030	115,500	127,500
	291,600			241,500	256,500

Of the outstanding options, 147,500 were vested as of June 30, 2024. The decrease in the outstanding options for the grant date of September 19, 2022 and September 25, 2023, are due to the cancellation of options granted to an employee that left the Company.



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

	September 25, 2023	September 19, 2022	October 12, 2021	August 04, 2021
Risk Free Interest Rate	4.02%	3.17%	1.35%	0.92%
Expected Dividend Yield	5.29%	3.29%	2.48%	2.24%
Expected Share Price Volatility	27.48%	27.51%	29.53%	29.36%
Expected life of option (years)	7.0	7.0	6.8	7.0
Fair Value per option	\$ 0.98	\$ 1.87	\$ 1.67	\$ 1.97

### c) Deferred share unit (“DSU”) plan

During the three and six months ended June 30, 2024, the Company granted 4,569 DSUs (2023 – 3,037) and 8,405 DSUs (2023 – 5,728), respectively. DSUs are issued quarterly at fair market value at the date of grant and vest immediately.

### d) Stock-based compensation

During the three months ended June 30, 2024, the Company recorded a stock-based compensation recovery of \$9 (2023, expense of \$34), of which \$8 (2023, expense of \$23) related to stock option grants under the 2021 SOP and \$1 (2023, expense of \$11) related to DSU grants. For the six months ended June 30, 2024, the Company recorded a stock-based compensation expense of \$32 (2023 – \$70), of which \$13 (2023 – \$46) related to stock option grants under the 2021 SOP and \$19 (2023 - \$24) related to DSU grants.

## 11. Earnings per common share

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

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

## 12. Contingent liabilities

At June 30, 2024 the Company was contingently liable with respect to letters of guarantee issued on behalf of a client in the amount of \$766 (December 31, 2023 – \$742). There were no letters of credit issued on behalf of clients for which the Company was contingently liable at

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those dates. These amounts were considered in determining the allowance for expected losses on finance receivables and loans.

### 13. Segmented information

The Company operates and manages its businesses in one dominant industry segment – providing asset-based financial services to industrial and commercial enterprises, principally in Canada and the United States. An operating segment is a component in the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Company's other subsidiaries, whose operating results are regularly reviewed by the Company's Chief Operating Decision Makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Segment results that are reported to the CODM include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Three months ended June 30

	2024				2023			
	Canada	United States	Inter-company	Total	Canada	United States	Inter-company	Total
Identifiable assets	\$ 254,729	\$ 224,530	\$ (2,736)	\$ 476,523	\$ 295,749	\$ 227,593	\$ (2,667)	520,675
Revenue								
Interest income	\$ 13,502	\$ 7,931	\$ (3,601)	\$ 17,832	\$ 11,194	\$ 5,274	\$ (220)	16,248
Other income	1,080	1,045	-	2,125	659	1,026	-	1,685
	<b>14,582</b>	<b>8,976</b>	<b>(3,601)</b>	<b>19,957</b>	<b>11,853</b>	<b>6,300</b>	<b>(220)</b>	<b>17,933</b>
Expenses								
Interest	7,046	5,923	(3,601)	9,368	5,896	2,599	(220)	8,275
General and administrative	5,031	3,131	-	8,162	5,484	3,073	-	8,557
Provision for credit losses	3,192	158	-	3,350	830	439	-	1,269
Impairment of goodwill	-	-	-	-	-	-	-	-
Impairment of assets held for sale	-	-	-	-	-	-	-	-
Depreciation	72	75	-	147	70	49	-	119
Business acquisition expenses	-	35	-	35	-	35	-	35
	<b>15,341</b>	<b>9,322</b>	<b>(3,601)</b>	<b>21,062</b>	<b>12,280</b>	<b>6,195</b>	<b>(220)</b>	<b>18,255</b>
Earnings (loss) before income tax expense	(759)	(346)	-	(1,105)	(427)	105	-	(322)
Income tax expense (recovery)	172	44	-	216	204	(132)	-	72
Net earnings (loss)	(931)	(390)	-	(1,321)	(631)	237	-	(394)
Net loss attributable to non-controlling interest in subsidiaries	-	(172)	-	(172)	-	(131)	-	(131)
Net earnings (loss) attributable to shareholders	\$ (931)	\$ (218)	\$ -	\$ (1,149)	\$ (631)	\$ 368	\$ -	(263)

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Six months ended June 30	2024				2023			
	Canada	United States	Inter-company	Total	Canada	United States	Inter-company	Total
Identifiable assets	\$ 254,729	\$ 224,530	\$ (2,736)	\$ 476,523	\$ 295,749	\$ 227,593	\$ (2,667)	520,675
Revenue								
Interest income	\$ 27,260	\$ 15,498	\$ (7,041)	\$ 35,717	\$ 21,746	\$ 11,041	\$ (397)	32,390
Other income	2,664	2,242	-	4,906	1,711	2,276	-	3,987
	<b>29,924</b>	<b>17,740</b>	<b>(7,041)</b>	<b>40,623</b>	<b>23,457</b>	<b>13,317</b>	<b>(397)</b>	<b>36,377</b>
Expenses								
Interest	14,344	12,020	(7,041)	19,323	11,531	5,054	(397)	16,188
General and administrative	11,423	6,254	-	17,677	10,573	6,498	-	17,071
Provision for (recovery of) credit losses	4,264	(503)	-	3,761	1,968	(233)	-	1,735
Impairment of goodwill	-	-	-	-	-	-	-	-
Impairment of assets held for sale	-	-	-	-	-	-	-	-
Depreciation	144	149	-	293	141	131	-	272
Business acquisition expenses	-	69	-	69	-	69	-	69
	<b>30,175</b>	<b>17,989</b>	<b>(7,041)</b>	<b>41,123</b>	<b>24,213</b>	<b>11,519</b>	<b>(397)</b>	<b>35,335</b>
Earnings (loss) before income tax expense	(251)	(249)	-	(500)	(756)	1,798	-	1,042
Income tax expense (recovery)	205	197	-	402	80	(555)	-	(475)
Net earnings (loss)	(456)	(446)	-	(902)	(836)	2,353	-	1,517
Net loss attributable to non-controlling interest in subsidiaries	-	(385)	-	(385)	-	(239)	-	(239)
Net earnings (loss) attributable to shareholders	\$ (456)	\$ (61)	\$ -	\$ (517)	\$ (836)	\$ 2,592	\$ -	1,756

## 14. Financial risk management

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

### a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises with respect to loans to and other financial transactions with clients, and any other financial transaction with a counterparty that the Company deals with. The gross amount of loans (\$431.0 million) represents the Company's maximum credit exposure as of the reporting dates and is the most significant measurable risk that it faces. The nature of the Company's asset-based lending business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets, such as inventory and equipment. The Company often owns the factored receivables that it finances.

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

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

At June 30, 2024, the Company had impaired loans of \$13,635 (December 31, 2023 – \$11,562), while, at that date, it held collateral for these loans with an estimated NRV of \$10,636 (December 31, 2023 – \$9,839). These impaired loans were mainly secured by receivables, inventory and/or equipment.

Credit approval for transactions supported by management in the Company's six operating businesses is delegated to a staff of senior credit officers within each business. Transactions in excess of \$1.0 million (US\$1.0 million U.S. Group companies), are approved by the Company's President and CEO in consultation with the Corporate Credit Committee. Transactions in excess of \$2.5 million (US\$2.5 million in the case of U.S. group companies) are approved by the Credit Committee of the Board of Directors which comprises three members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit risk is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers. For its factoring products, the Company's primary focus continues to be on the creditworthiness and collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from the invoice date. Receivables become ineligible for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on older receivables. Asset-based lending products additionally require focus on the performance of other collateral types (inventory, equipment and in certain cases real estate) as well as the underlying cash flows of the borrower. AFCC's and AEF's lease receivables and equipment and working capital loans are usually structured as term loans with payments spread out evenly over the term of the lease or loan, with terms up to 60 months. AFCC also has a revolving equipment loan product which has no fixed repayment terms and can be repaid at any time.

The Company uses an internal credit risk rating system for assessing obligor and transaction risk for finance receivables and loan exposures. Risk rating models use internal and external data to assess and assign credit ratings to borrowers, predict future performance and manage limits for existing loans and collection activities. Please see note 4 which presents the Company's finance receivables and by the three stage credit criteria of IFRS 9, as well as an

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

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

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

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### b) Liquidity risk

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

	0 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Thereafter	Total
<b>Financial Assets</b>							
Cash and restricted cash	\$ 14,584	\$ 837	\$ 550	\$ 6	\$ -	\$ -	\$ 15,977
Finance receivables and loans	275,484	75,654	45,261	24,629	9,924	42	430,994
All other Assets	22,313	-	-	-	-	-	22,313
<b>Total</b>	<b>\$ 312,381</b>	<b>\$ 76,491</b>	<b>\$ 45,811</b>	<b>\$ 24,635</b>	<b>\$ 9,924</b>	<b>\$ 42</b>	<b>\$ 469,284</b>
<b>Financial Liabilities</b>							
Due to clients	\$ 111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111
Bank indebtedness	6,749	215,335	-	-	-	-	222,084
Loan payable <sup>(1)</sup>	76,704	16,745	11,002	119	-	-	104,570
Notes payable	8,292	11,214	-	4,103	-	-	23,609
Debentures	5,001	20,698	-	-	-	-	25,699
All other liabilities	10,046	-	-	-	-	-	10,046
<b>Total</b>	<b>\$ 106,903</b>	<b>\$ 263,992</b>	<b>\$ 11,002</b>	<b>\$ 4,222</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 386,119</b>

(1) Loans payable of \$25,179 maturing within 12 months and of \$16,745 maturing in 1 to 2 years, \$11,002 maturing 2 to 3 years, \$119 maturing 3 to 4 years are estimated amounts, as the loans do not have a contractual maturity date.

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

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

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

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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and support business growth. The Company's approach to managing liquidity risk is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when they come due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's principal obligations are its

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bank indebtedness, loans payable, notes payable, debentures, due to clients, accounts payable and other liabilities.

### **c) Market risk**

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

### **d) Currency risk**

The Company's Canadian operations have some assets and liabilities denominated in foreign currencies, principally finance receivables and loans, cash, bank indebtedness, due to clients and notes payable. These assets and liabilities are usually economically hedged, although the Company enters into foreign exchange contracts from time to time to hedge its currency risk when there is no economic hedge. At June 30, 2024, the Company's unhedged foreign currency positions in its Canadian operations totalled \$3,025 (December 31, 2023 – \$2,703). The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies on a spot or forward basis to address short-term imbalances. The impact of a 1% change in the value of the Company's foreign currency holdings against the Canadian dollar would not have a material impact on the Company's net earnings.

### **e) Interest rate risk**

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

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

	Floating rate	Fixed Rate	Non-rate sensitive	Total
<b>Assets</b>				
Cash and restricted cash	\$ 14,805	\$ -	\$ 1,172	\$ 15,977
Finance receivables and loans, net	167,848	263,146	(10,565)	420,429
All other assets	-	-	40,117	40,117
	\$ 182,653	\$ 263,146	\$ 30,724	\$ 476,523
<b>Liabilities</b>				
Due to clients	\$ -	\$ -	\$ 111	\$ 111
Bank indebtedness	222,084	-	-	222,084
Loan payable	-	104,570	-	104,570
Notes payable	4,530	19,079	-	23,609
Debentures	-	25,699	-	25,699
All other liabilities	-	-	12,259	12,259
<b>Equity</b>	-	-	88,191	88,191
	\$ 226,614	\$ 149,348	\$ 100,561	\$ 476,523
Interest rate sensitivity gap	\$ (43,961)	\$ 113,798	\$ (69,837)	\$ -

The Company's floating rate asset exceeds the Company's floating rate debt, net of unrestricted cash by \$42.4 million. Incorporated into that calculation is the assumption that fixed rate assets maturing in less than twelve months, if not redeployed in new Loans, would be used to pay down bank indebtedness. Based on the Company's interest rate positions at June 30, a 100 basis point rise in interest rates would increase pre-tax earnings by approximately \$711 over a twelve-month period. A 100 basis point decrease in interest rates would decrease pre-tax earnings by a similar amount. The analysis is a static measurement of interest rates at a specific point in time, and there is the potential for these gaps to change significantly over a short time period.

### 15. Capital disclosure

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



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The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. To manage its capital structure, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of a normal course issuer bid, issue new shares or debt, or reduce liquid assets to repay other debt. The Company monitors the ratio of its debt to total equity and its total equity to total assets. At June 30, 2024, these ratios were 4.26x (December 31, 2023 – 4.65x) and 0.19 (December 31, 2023 – 0.17), respectively. The Company's debt and leverage will usually rise with an increase in finance receivables and loans and vice-versa. The Company's share capital is not subject to external restrictions. However, the Company's credit facilities include debt to tangible net worth ("TNW") covenants. At June 30, 2024, the Company is required to maintain a senior debt to TNW ratio less than or equal to 4.0 to 1.0 on its syndicated bank facility. BondIt, which has entered into a loan facility with a non-bank lender, is required to maintain a TNW of at least US \$5,000. There were no changes in the Company's approach to capital management from previous periods.

### 16. Subsequent events

- a) On July 8, 2024, holders of \$5.0 million of Unlisted Debentures agreed to extend the maturity date from July 15, 2024 to January 31, 2026. Due to the proximity of the amendment to the date of these financial statements, the Company has not finalized the accounting impact, if any, related to the amendment.

## Board of Directors

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

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

**Simon Hitzig**, Toronto, Ontario

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

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

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

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

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Credit Committee

(4) Chairman of the Board

## Officers

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

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

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

## Subsidiaries

### **Accord Financial Ltd.**

Simon Hitzig, President

### **Accord Financial Inc.**

Jason Rosenfeld, President

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

Jim Hogan, President

### **Accord Small Business Finance**

James Jang, President

### **Accord Equipment Finance**

Jim Hogan, President

### **BondIt Media Capital**

Matthew Helderman, President

## Auditors

KPMG LLP

## Legal Counsel

Stikeman Elliott

## Stock Exchange Listings

Toronto Stock Exchange Symbols:

Common Shares: ACD

Debentures: ACD.DB

## Bankers

Bank of Montreal

The Bank of Nova Scotia

Canadian Imperial Bank of Commerce

HSBC Bank Canada

Regions Bank

M&T Bank

The Toronto-Dominion Bank

## Registrar & Transfer Agent

Computershare Trust Company of  
Canada

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**[www.accordfinancial.com](http://www.accordfinancial.com)**



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