Management's Discussion and Analysis of Results of Operations and Financial Condition 2014

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ACCORD FINANCIAL

Keeping Business Liquid

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

Overview

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the year ended December 31, 2014 compared with the year ended December 31, 2013 and, where presented, the year ended December 31, 2012. It is intended to help shareholders and other readers understand the dynamics of the Company's business and the factors underlying its financial results. Where possible, issues have been identified that may impact future results.

This MD&A, which has been prepared as at February 27, 2015, should be read in conjunction with the Company's 2014 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary and the Chairman's Letter and President's Message to the Shareholders, all of which form part of its 2014 Annual Report.

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

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

Non-IFRS Financial Measures

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

i) Return on average equity ("ROE") – this is a profitability measure that presents annual net earnings available to common shareholders as a percentage of the average equity employed in the year to earn the income. The Company includes all components of equity to calculate the average thereof;

ii) Adjusted net earnings, adjusted earnings per common share and adjusted ROE – adjusted net earnings presents net earnings before stock-based compensation, business acquisition expenses (namely, business transaction and integration costs and amortization of intangibles) and withholding tax paid on cross-border dividends from the Company's U.S. subsidiary to it. The Company considers these items to be non-operating expenses. Management believes adjusted net earnings is a more appropriate measure of operating performance than net earnings as it excludes items which do not relate to ongoing operating activities. Adjusted earnings per common share is adjusted net earnings divided by the weighted average number of common shares outstanding in the year, while adjusted ROE is adjusted net earnings for the year expressed as a percentage of average equity employed in the year;

iii) Book value per share – book value is the net asset value of the Company calculated as total assets minus total liabilities and, by definition, is the same as total equity. Book value per share is the net asset value divided by the number of common shares outstanding as of a particular date;

iv) Profitability, yield and efficiency ratios – Table 1 on page 5 presents certain profitability measures. In addition to ROE, and Adjusted ROE, the return on average assets is also presented. This is the Company's net earnings expressed as a percentage of average assets. Also presented is net revenue (revenue minus interest expense) expressed as a percentage of average assets, and general and administrative expenses ("G&A") expressed as a percentage of average assets. These ratios are presented over a three-year period, which enables readers to see at a glance trends in the Company's profitability, yield and operating efficiency;

v) Financial condition and leverage – Table 2 on page 7 presents the following percentages: (i) tangible equity (equity less goodwill, intangible assets and deferred taxes) expressed as a percentage of total assets; (ii) equity expressed as a percentage of total assets; and (iii) debt (bank indebtedness and notes payable) expressed as a percentage of equity. These percentages, presented over the last three years, provide information on trends in the Company's financial condition and leverage; and

vi) Credit quality – Table 3 on page 10 presents information on the quality of the Company's total portfolio, namely, its finance receivables and loans (collectively, "Loans" or "funds employed") and managed receivables. It presents the Company's year-end allowances for losses as a percentage of its total portfolio and its annual net charge-offs. It also presents net charge-offs as a percentage of total factoring volume. Receivables turnover (in days) and the percentage of managed receivables past due are also presented in Table 3.

Accord's Business

Accord is a leading North American provider of asset-based financial services to businesses, including asset-based lending (including factoring), credit protection and receivables management, supply chain financing for importers and, with the acquisition of Varion Capital Corp. ("Varion"), lease financing and equipment lending. The Varion acquisition is discussed below. The Company's financial services are discussed in its 2014 Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 19(a) to the Statements.

The Company founded in 1978 operates four finance companies in North America, namely, Accord Financial Ltd. ("AFL"), Accord Financial Inc. ("AFIC") and Varion in Canada, and Accord Financial, Inc. ("AFIU") in the United States.

Results of Operations

Years ended December 31 (in thousands unless otherwise stated)		2014	% of Revenue		2013	% of Revenue	% change from 2013 to 2014
Factoring volume (millions)	$	2,160		$	1,860		16%
Revenue							
Interest and other income	$	30,235	100.0%	$	26,074	100.0%	16%
Expenses							
Interest		2,523	8.3%		1,913	7.3%	32%
General and administrative		16,154	53.5%		13,845	53.1%	17%
Provision for credit and loan losses		639	2.1%		438	1.7%	46%
Depreciation		125	0.4%		112	0.4%	12%
Business acquisition expenses							
Transaction and integration costs		119	0.4%		—	—	n/m
Amortization of intangibles		451	1.5%		—	—	n/m
		20,011	66.2%		16,308	62.5%	23%
Earnings before income tax expense		10,224	33.8%		9,766	37.5%	5%
Income tax expense		3,345	11.1%		3,228	12.4%	4%
Net earnings	$	6,879	22.7%	$	6,538	25.1%	5%
Basic and diluted earnings per common share	$	0.83		$	0.80		4%

n/m – not meaningful

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) lease financing and equipment lending by Varion; and (iii) non-recourse factoring by AFL, which principally involves providing credit protection and collection services, generally without financing.

Acquisition of Varion Capital Corp.

On January 31, 2014, the Company completed the strategic acquisition of Varion, a Canadian lease finance company, for a total purchase consideration of $5,029,000, which comprised cash of $4,170,000 and equity consideration of $859,000 paid through the issuance of 86,215 common shares of Accord at a price of $9.97 per share (being the closing price of Accord's shares on the above date). The assets acquired and liabilities assumed in the acquisition are set out in note 4 to the Statements. Notes 8 and 9 also provide details of the intangible assets and goodwill acquired.

The acquisition expands the range of asset-based financial services offered by Accord to include equipment leasing and loans. Varion finances equipment for small- and medium-sized businesses, serving a broad base of Canada's most dynamic industries, from forestry and energy to hospitality and manufacturing. The acquisition enables Accord to provide a broader range of finance solutions for growing companies across Canada. Further, clients of Accord and Varion will benefit by having access to more financing options.

Selected Annual Information

(audited, in thousands of dollars, except per share data)

	2014	2013	2012
Revenue	$ 30,235	$ 26,074	$ 25,891
Net earnings	6,879	6,538	6,377
Basic and diluted earnings per share	0.83	0.80	0.76
Dividends per share	0.33	0.32	0.31
Total assets	$154,624	$120,809	$124,592

Results of Operations

Fiscal 2014: *Year ended December 31, 2014 compared with year ended December 31, 2013*

Net earnings in 2014 increased by $341,000 or 5% to $6,879,000 compared to the $6,538,000 earned in 2013 and were $502,000 or 8% above the $6,377,000 earned in 2012. Net earnings compared to 2013 and 2012 rose on higher revenue. The stronger U.S. dollar in 2014 increased the Canadian dollar equivalent of net earnings from our U.S. operations by approximately $250,000 compared to 2013.

Earnings per common share ("EPS") increased by 4% to 83 cents compared to 80 cents last year and were 9% higher than the 76 cents earned in 2012. The Company's ROE decreased to 12.1% in 2014 compared to 13.1% last year and 13.6% in 2012. ROE declined despite a rise in net earnings as average equity rose at a faster rate.

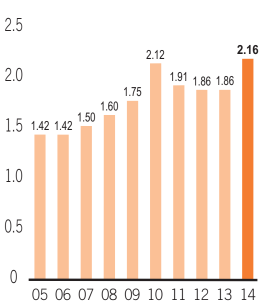
Adjusted net earnings in 2014 totalled $8,113,000, 20% higher than last year's $6,783,000 and 26% above the $6,434,000 in 2012. Adjusted EPS were a record 98 cents in 2014, 18% above the 83 cents in 2013 and 27% above the 77 cents in 2012. Adjusted ROE improved to 14.3% in 2014 compared to 13.6% in 2013 and 13.7% in 2012. The following table provides a reconciliation of net earnings to adjusted net earnings:

Years ended Dec. 31 (in thousands)	**2014**	2013	2012
Net earnings	**$ 6,879**	$ 6,538	$ 6,377
Adjustments, net of tax			
Stock-based compensation expense	**256**	245	57
Business acquisition expenses	**419**	—	—
Withholding tax expense	**559**	—	—
Adjusted net earnings	**$ 8,113**	$ 6,783	$ 6,434

Factoring volume in 2014 rose 16% to a record $2.16 billion compared to $1.86 billion last year.

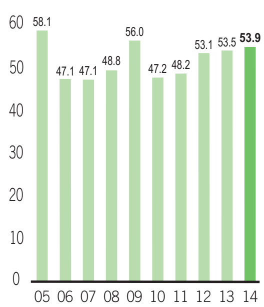
Revenue rose by $4,161,000 or 16% to $30,235,000 in 2014 compared to $26,074,000 in 2013 and was $4,344,000 or 17% higher than the $25,891,000 in 2012. Revenue increased compared to 2013 and 2012 on higher funds employed and factoring volume, as well as revenue from Varion. Varion revenue totalled $1,448,000 in the eleven months since its acquisition. The stronger U.S. dollar in 2014 increased the Canadian dollar equivalent of revenue from our U.S. operations by approximately $650,000 compared to 2013.

Interest expense rose by 32% to $2,523,000 in 2014 from $1,913,000 last year as average borrowings increased



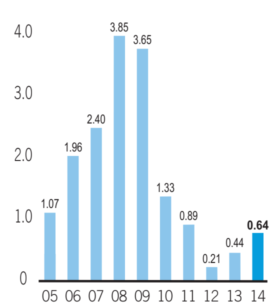
Factoring Volume
(in billions of dollars)

Factoring volume increased 16% to a record $2.16 billion in 2014.



Operating Expenses
(G&A and depreciation as a percentage of revenue)

Operating expenses rose slightly to 53.9% of revenue in 2014 from 53.5% last year.



Provision for Credit and Loan Losses
(in millions)

The provision was a very acceptable $0.64 million in 2014. It was the third lowest in the last ten years.

mainly to finance higher funds employed and, to a lesser extent, fund the purchase of Varion.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, management fees, professional fees, data processing, travel, telephone and general overheads. G&A increased by 17% or $2,309,000 to $16,154,000 compared to $13,845,000 last year mainly as a result of Varion overheads now being incurred. These totalled $1,547,000 in the eleven months since acquisition. In addition, personnel costs rose as a number of staff were added as business activity increased. A stock-based compensation expense of $365,000 (2013 – $370,000) related to the Company's SARs was incurred in 2014.

The provision for credit and loan losses increased by 46% to $639,000 in 2014 compared to $438,000 last year. The provision comprised:

Years ended Dec. 31 (in thousands)	2014	2013
Net charge-offs	$ 471	$ 422
Reserves expense related to increase in total allowances for losses	168	16
	$ 639	$ 438

The provision for credit and loan losses as a percentage of revenue increased to 2.1% in 2014 from 1.7% in 2013. Net charge-offs rose by $49,000 or 12% to $471,000 in 2014 compared to the prior year, while the non-cash reserves expense increased by $152,000 to $168,000 mainly on the requirement for higher allowances for losses resulting from a $27 million rise in funds employed in 2014, as well as a $43,000 increase in the allowance for losses relating to the guarantee of managed receivables. The Company's allowances for losses are discussed in detail below. The Company was pleased with the low level of net charge-offs in 2014 given the rise in funds employed and factoring volume in the year; on record business activity, net charge-offs were the fourth lowest in the last twenty years. While the Company manages its portfolio of Loans and managed receivables closely, as noted in the Risks and Uncertainties section below, financial results can be impacted by significant insolvencies.

Business acquisition expenses consist of transaction and integration costs and amortization of intangibles relating to the Varion acquisition. These totalled $570,000 (2013 – nil) in 2014 and comprised amortization of intangibles of $451,000 and transaction and integration costs (mainly professional fees) of $119,000.

Income tax expense increased by $117,000 or 4% to $3,345,000 compared to $3,228,000 in 2013 as a result of a $559,000 withholding tax expense and a 5% increase in pre-tax earnings. The Company's effective income tax rate decreased slightly to 32.7% compared to 33.1% last year. The withholding tax expense was incurred by the Company on a dividend of $11,170,000 received from its U.S. subsidiary, AFIU. Excluding the withholding tax expense, the Company's effective income tax rate would have declined to 27.3%.

Table 1 – Profitability, Yield and Efficiency Ratios

(as a percentage)	2014	2013	2012
Return on Average Assets	4.3	5.5	5.6
Return on Average Equity	12.1	13.1	13.6
Adjusted Return on Average Equity	14.3	13.6	13.7
Net Revenue/Average Assets	17.5	20.3	20.9
Operating Expenses/ Average Assets	10.6	11.7	12.0

Table 1 highlights the Company's profitability in terms of returns on its average assets and equity. In 2014, on higher average assets and equity, return on average assets, ROE and adjusted ROE, expressed in percentages, were 4.3%, 12.1% and 14.3%, respectively.

Net revenue as a percentage of average assets declined to 17.5% compared to 20.3% in 2013 as average assets increased 33%, while revenue was 16% higher. The ratio of G&A to average assets decreased to 10.6% in 2014 compared with 11.7% last year.

Canadian operations reported a 3% decline in net earnings in 2014 compared to 2013 (see note 22 to the Statements) mainly as a result of a higher income tax expense resulting from the withholding tax incurred.

Summary of Quarterly Financial Results*

(in thousands of dollars unless otherwise stated)	**2014**				2013			
Quarters ended	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31
Factoring volume (millions)	**$ 540**	**$ 579**	**$ 525**	**$ 516**	$ 483	$ 499	$ 431	$ 448
Revenue								
Interest and other income	**$ 7,925**	**$ 8,165**	**$ 7,529**	**$ 6,616**	$ 7,275	$ 6,464	$ 6,388	$ 5,947
Expenses								
Interest	**623**	**653**	**729**	**518**	501	470	489	453
General and administrative	**4,212**	**4,009**	**3,780**	**4,152**	3,509	3,456	3,579	3,301
Provision for credit and loan losses	**(883)**	**354**	**641**	**527**	(619)	439	339	280
Depreciation	**38**	**32**	**29**	**27**	29	28	27	27
Business acquisition expenses								
Transaction and integration costs	**—**	**3**	**3**	**112**	—	—	—	—
Amortization of intangibles	**123**	**123**	**123**	**82**	—	—	—	—
	4,113	**5,174**	**5,305**	**5,418**	3,420	4,393	4,434	4,061
Earnings before income tax expense	**3,812**	**2,991**	**2,224**	**1,198**	3,855	2,071	1,954	1,886
Income tax expense	**1,442**	**815**	**687**	**401**	1,208	693	687	640
Net earnings	**$ 2,370**	**$ 2,176**	**$ 1,537**	**$ 797**	$ 2,647	$ 1,378	$ 1,267	$ 1,246
Basic and diluted earnings per common share (cents)	**29**	**26**	**18**	**10**	32	17	15	15

* Due to rounding the total of the four quarters may not agree with the reported total for a fiscal year.

Net earnings decreased by $85,000 to $3,167,000 compared to $3,252,000 last year. Revenue increased by $3,914,000 or 23% to $20,700,000. Expenses rose by $3,224,000 or 26% to $15,544,000. G&A increased by $1,803,000 to $11,905,000, while interest expense rose by $894,000 to $2,309,000. The provision for credit and loan losses was $46,000 lower at $672,000. Business acquisition expenses of $570,000 (2013 – nil) were also incurred, while depreciation was $3,000 higher. Income tax expense rose by $775,000 to $1,989,000 in 2014 as a result of the above noted $559,000 withholding tax expense and a 15% rise in pre-tax earnings.

U.S. operations reported a 13% increase in net earnings compared to 2013 (see note 22 to the Statements). Net earnings increased by $426,000 to $3,712,000 compared to $3,286,000 last year. Revenue increased by $269,000 or 3% to $9,556,000. Expenses rose by $501,000 or 13% to $4,488,000. G&A increased by $505,000 to $4,248,000. The provision for credit and loan losses rose by $247,000 to a recovery of $33,000; AFIU had no charge-offs again in 2014 and has not had a charge-off since 2010. Depreciation was $11,000 higher. Interest expense declined by $262,000 to $235,000. Income tax expense decreased by $658,000 to $1,356,000. In U.S. dollars, net earnings were 5% higher at US$3,337,000 compared to 2013.

Fourth Quarter 2014: *Quarter ended December 31, 2014 compared with quarter ended December 31, 2013*

Net earnings for the quarter ended December 31, 2014 declined by $277,000 or 10% to $2,370,000 compared with $2,647,000 last year. Net earnings declined mainly as a result of the above noted withholding tax expense of $559,000. EPS declined by 9% to 29 cents compared to the 32 cents earned last year.

Adjusted net earnings for the fourth quarter of 2014 totalled $3,022,000, 17% higher than last year's $2,586,000. Adjusted EPS were 36 cents compared to 32 cents in 2013. The following table provides a reconciliation of net earnings to adjusted net earnings:

Quarters ended Dec. 31 (in thousands)	2014	2013
Net earnings	$ 2,370	$ 2,647
Adjustments, net of tax		
Stock-based compensation expense (recovery)	25	(61)
Business acquisition expenses	68	—
Withholding tax expense	559	—
Adjusted net earnings	$ 3,022	$ 2,586

Factoring volume increased by 12% to $540 million in the fourth quarter compared to $483 million last year.

Revenue rose by $650,000 or 9% to $7,925,000 in the current quarter compared with $7,275,000 last year. Revenue increased compared to 2013 mainly as a result of $429,000 of revenue from Varion and a $416,000 gain on the sale of certain assets held for sale (see note 6 to the Statements).

Interest expense increased by $122,000 or 24% to $623,000 in the fourth quarter of 2014 compared to $501,000 last year as a result of higher borrowings, which increased mainly to finance higher funds employed.

G&A increased by $702,000 or 20% to $4,212,000 in the current quarter compared to $3,510,000 last year largely as a result of Varion overheads now being incurred; these totalled $467,000 in the current quarter. Personnel costs also rose as the Company added a number of new staff in 2014 as a result of increased business activity.

There was an $883,000 recovery of credit and loan losses in the fourth quarter compared to a recovery of $619,000 last year. The Company's portfolio tends to see seasonal declines in its fourth quarter due to the nature of certain of our clients' businesses and there is often a recovery of credit and loan losses in the quarter. The recovery comprised:

Quarters ended Dec. 31 (in thousands)	2014	2013
Net charge-off recovery	$ (499)	$ (357)
Reserves recovery related to decrease in total allowances for losses	(384)	(262)
	$ (883)	$ (619)

Business acquisition expenses for the current quarter, comprising amortization of intangible assets, totalled $123,000 (2013 – nil).

Income tax expense increased by $234,000 or 19% to $1,442,000 in the current quarter compared to $1,208,000 in the fourth quarter of 2013. Income tax expense increased on the above noted withholding tax expense of $559,000. The Company's effective corporate income tax rate rose to 37.8% in the current quarter compared to 31.3% last year as a result of the withholding tax. Excluding the withholding tax expense, the Company's effective income tax rate would have declined to 23.2%.

Review of Financial Position

Equity at December 31, 2014 rose by $7,902,000 to a record high $61,332,000 compared to $53,430,000 at December 31, 2013. Book value per common share was also a record high $7.38 at December 31, 2014 compared to $6.50 a year earlier. The increase in equity resulted from a rise in retained earnings, a higher accumulated other comprehensive income ("AOCI") balance and the issuance of capital stock related to the Varion acquisition. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 34 of the Company's 2014 Annual Report.

Total assets were $154,624,000 at December 31, 2014, 28% higher than the $120,809,000 at December 31, 2013. Total assets largely comprised Loans (funds employed). Excluding inter-company loans, identifiable assets located in the United States were 38% of total assets at December 31, 2014 compared to 41% the prior year end (see note 22 to the Statements).

Table 2 – Financial Condition and Leverage

(as a percentage)	2014	2013	2012
Tangible Equity/Assets	36	42	36
Equity/Assets	40	44	38
Debt (bank indebtedness & notes payable)/Equity	132	109	146
(in thousands)			
Receivables and Loans			
Loans	$ 138,109	$ 111,287	$ 109,833
Managed Receivables	80,016	62,170	87,257
Total Portfolio	$ 218,125	$ 173,457	$ 197,090

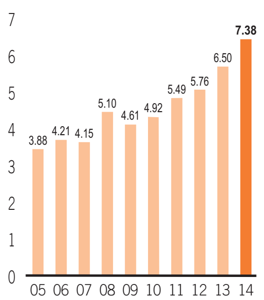
Table 2 highlights the Company's financial condition. The first two ratios in the table (36% and 40%), detailing equity as a percentage of assets, declined in 2014 as assets rose at a faster rate than equity. Meanwhile, the debt to equity ratio increased to 132% in 2014 from 109% in 2013 on higher borrowings used mainly to finance increased funds employed. These ratios indicate the Company's continued financial strength and relatively low degree of leverage.

Gross finance receivables and loans (also referred to as Loans or funds employed), before the allowance for losses thereon, increased by $26,822,000 or 24% to $138,109,000 compared to $111,287,000 at December 31, 2013. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	**Dec. 31, 2014**	Dec. 31, 2013
Factored receivables	**$ 89,367**	$ 91,984
Loans to clients	**42,988**	19,303
Lease receivables	**5,754**	—
Finance receivables and loans, gross	**138,109**	111,287
Less allowance for losses	**1,763**	1,512
Finance receivables and loans, net	**$136,346**	$109,775

The Company's factored receivables declined slightly to $89,367,000 at December 31, 2014 compared to $91,984,000 at December 31, 2013. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment, rose 123% to $42,988,000 at December 31, 2014 compared to a year earlier. Lease receivables, representing Varion's net investment in equipment leases, totalled $5,754,000 at December 31, 2014. Net of the allowance for losses thereon, Loans increased by 24% to $136,346,000 at December 31, 2014 compared to $109,775,000 at December 31, 2013. The Company's Loans principally represent advances made by its recourse factoring and asset-based lending subsidiaries, AFIC and AFIU, to approximately 140 clients in a wide variety of industries, as well as Varion's lease receivables and equipment and related loans to over 400 clients. One client comprised over 10% of gross Loans at December 31, 2014 and 2013.

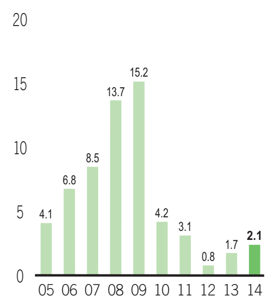
In its non-recourse factoring business, the Company contracts with clients to assume the credit risk associated with respect to their receivables without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These non-recourse or managed receivables totalled $80 million at December 31, 2014 compared to $62 million at December 31, 2013.



Book Value per Share

(in dollars)

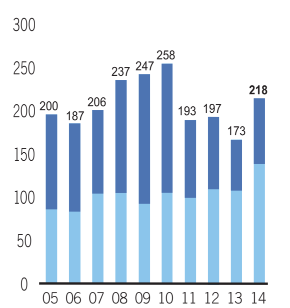
Book value per share rose to a record high $7.38 at December 31, 2014. It was 14% higher than the $6.50 last year-end.



Provision for Credit and Loan Losses

(as a percentage of revenue)

The provision rose to 2.1% of revenue in 2014 from 1.7% last year. It was the third lowest in the last ten years.



Total Portfolio

Loans and managed receivables

(in millions of dollars)

The Company's total portfolio increased by 26% to $218 million at December 31, 2014 from $173 million a year earlier on higher funds employed and managed receivables.

Loans Managed

Managed receivables comprise the receivables of approximately 120 clients at December 31, 2014. The 25 largest clients comprised 74% of non-recourse volume in 2014. Most of the clients' customers upon which the Company assumes the credit risk are "big box", apparel, home furnishings and footwear retailers in Canada and the United States. At December 31, 2014, the 25 largest customers accounted for 65% of total managed receivables, of which the largest five comprised 36%. One customer's balance was over $10 million. The Company monitors the retail industry and the credit risk related to its managed receivables very closely. The managed receivables are regularly reviewed and continue to be well rated.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed above, increased by 26% to $218 million at December 31, 2014 compared to $173 million at December 31, 2013.

As described in note 19(a) to the Statements, the Company's business involves funding or assuming credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's factoring and asset-based lending business is approved by a staff of credit officers, with larger amounts being authorized by supervisory personnel, management and, in the case of credit in excess of $1,000,000, the Company's President and the Chairman of its Board. Credit in excess of $2,500,000 is approved by the Company's Credit Committee, which comprises three independent members of its Board. In Varion's leasing operations, transactions up to $75,000 are approved by credit managers or more senior staff, while amounts between $75,001 and $250,000 are approved by Varion's general manager or an officer of Varion. Amounts over $250,000 are approved by both Varion's general manager and its President. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit is subject to ongoing management review. Nevertheless, for a variety of reasons, there will inevitably be defaults by clients or their customers.

In its factoring operations, the Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. Varion's lease receivables and equipment loans are term loans with payments usually spread out evenly over the term of the lease or loan, which can typically be up to 60 months. Of the total managed receivables that the Company guarantees payment, 2.9% were past due more than 60 days at December 31, 2014. In the Company's recourse factoring business, receivables become "ineligible" for lending purposes when they reach a certain pre-determined age, typically 75 to 90 days from invoice date, and are usually charged back to clients, thereby limiting the Company's credit risk on such older receivables.

The Company employs a client rating system to assess credit risk in its recourse factoring and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, while in its non-recourse factoring business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. Credit risk is primarily managed by ensuring that, as far as possible, the receivables financed are of the highest quality and that any inventory, equipment or other assets securing loans are appropriately appraised. In its factoring operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. The financial strength of its clients' customers is often more important than the financial strength of the clients themselves.

The Company also minimizes credit risk by limiting the maximum amount it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables and applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases.

In its factoring operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are obtained in respect of each equipment lease or loan. In its non-recourse factoring business, each customer is provided with a credit limit up to which the Company will guarantee that customer's total receivables. As noted above, all customer credit in excess of $2.5 million is approved by the Company's Credit Committee on a case-by-case basis. Note 19(a) to the Statements provides details of the Company's credit exposure by industrial sector.

Table 3 – Credit Quality

(as a percentage unless otherwise stated)	2014	2013	2012
Receivables Turnover (days)	**36**	37	39
Managed Receivables past due more than 60 days	**2.9**	4.9	4.6
Reserves*/Portfolio	**0.9**	1.0	0.8
Reserves*/Net Charge-offs	**415**	393	193
Net Charge-offs/Volume	**0.02**	0.02	0.04

*Reserves comprise the total of the allowance for losses on Loans and on the guarantee of managed receivables.

Table 3 highlights the credit quality of the Company's total portfolio, both Loans and managed receivables. Net charge-offs of our managed receivables increased to $378,000 in 2014 compared to $135,000 last year. Net charge-offs of managed receivables were 8 basis points of volume in 2014 compared to 3 basis points in 2013. Net charge-offs in the Company's financing business were a record low $93,000 in 2014 compared to $287,000 last year. Overall, the Company's total net charge-offs in 2014, as set out in the Results of Operations section above, rose by 12% to $471,000 compared with $422,000 in 2013. Total net charge-offs were 2 basis points of volume in 2014 and 2013. After the customary detailed quarter-end review of the Company's portfolio by its Risk Management Committee, it was determined that all problem loans and accounts were identified and provided for where necessary. The Company maintains separate allowances for losses on both its Loans and its guarantee of managed receivables, at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowance for losses on Loans increased by $251,000 or 17% to $1,763,000 at December 31, 2014 compared to $1,512,000 at December 31, 2013 on a $27 million or 24% increase in gross Loans during the year. The allowance for losses on the guarantee of managed receivables increased 29% to $190,000 at December 31, 2014 compared to $147,000 at December 31, 2013. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. It is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in both allowance for losses accounts during 2014 and 2013 is set out in note 5 to the Statements. The estimates of both allowances for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash increased to $7,103,000 at December 31, 2014 compared with $3,442,000 at December 31, 2013. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. The rise in cash this year-end coincides with the sale of certain assets held for sale in late December 2014 for $3,450,000 (see note 6 and below). Fluctuations in cash balances are normal.

Assets held for sale are stated at their net realizable value and totalled $2,172,000 at December 31, 2014 compared to $4,540,000 at December 31, 2013. Please refer to note 6 to the Statements for details of changes in the assets held for sale balance during 2014 and 2013. During December 2014, certain assets held for sale with a book value of $3,034,000 were sold by our U.S. subsidiary for $3,450,000 resulting in a gain on sale of $416,000. Also in the fourth quarter of 2014, the Company obtained title to certain equipment securing defaulted loans. This equipment has a net realizable value of $374,000. During 2013, the Company obtained title to certain real estate securing a defaulted loan with a net realizable value of $1,120,000; this will be sold as market conditions permit. The net realizable value of the assets at December 31, 2014 and 2013 was estimated based upon professional appraisals of the assets. Assets held for sale by our U.S. subsidiary are translated into Canadian dollars at the prevailing period-end exchange rate and foreign exchange adjustments usually arise on retranslation.

Intangible assets were acquired as part of the Varion acquisition on January 31, 2014 and comprise existing customer contracts and broker relationships. These are being amortized over a period of 5 to 7 years. Intangible assets, net of accumulated amortization, totalled $2,072,000 at December 31, 2014. Please refer to note 8 to the Statements.

Goodwill totalled $2,998,000 at December 31, 2014 compared to $1,023,000 at December 31, 2013. Goodwill of $1,882,000 was acquired as part of the Varion acquisition on January 31, 2014. Goodwill of US$962,000 is also carried in the Company's U.S. operations and is translated into Canadian dollars at the prevailing period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 9 to the Statements.

Other assets, income taxes receivable, deferred tax assets and capital assets at December 31, 2014 and 2013 were not material.

Total liabilities increased by $25,914,000 to $93,292,000 at December 31, 2014 compared to $67,378,000 at December 31, 2013. The increase mainly resulted from higher bank indebtedness.

Amounts due to clients increased by $1,523,000 to $6,638,000 at December 31, 2014 compared to $5,115,000 at December 31, 2013. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a few days of receipt. Fluctuations in amounts due to clients are normal.

Bank indebtedness increased by $20,627,000 to $63,995,000 at December 31, 2014 compared with $43,368,000 at December 31, 2013. Bank indebtedness mainly increased to fund the rise in Loans, while $4,170,000 of the increase related to cash consideration paid as part of the Varion acquisition. The Company had approved credit lines with a number of banks totalling approximately $136 million at December 31, 2014 and was in compliance with all loan covenants thereunder at the above dates. The Company's credit lines are typically renewed for a period of one or two years at a time as circumstances dictate. Bank indebtedness usually fluctuates with the quantum of Loans outstanding. The Company has no term debt outstanding.

Notes payable increased by $1,999,000 to $16,808,000 at December 31, 2014 compared to $14,809,000 at December 31, 2013. The increase in notes payable resulted from new notes issued, net of redemptions, and accrued interest. Please see Related Party Transactions section below and note 11(a) to the Statements.

Accounts payable and other liabilities, income taxes payable, deferred income and deferred tax liabilities at December 31, 2014 and 2013 were not material.

Capital stock increased by $859,000 to $6,896,000 at December 31, 2014 compared to $6,037,000 at December 31, 2013. There were 8,307,713 common shares outstanding at December 31, 2014 compared to 8,221,498 at December 31, 2013. The $859,000 increase in capital stock since December 31, 2013 relates to the issuance of 86,215 common shares on January 31, 2014 as part of the Varion purchase consideration. These shares were issued at a price of $9.97 being the closing price of the Company's shares on the TSX on the date of acquisition. The consolidated statements of changes in equity on page 34 of the Company's 2014 Annual Report provides details of changes in the Company's issued and outstanding common shares and capital stock during 2014 and 2013. At the date of this MD&A, February 27, 2015, 8,307,713 common shares were outstanding.

Retained earnings totalled $51,215,000 at December 31, 2014 compared to $47,078,000 at December 31, 2013. During 2014, retained earnings increased by $4,137,000, which comprised net earnings of $6,879,000 less dividends paid of $2,742,000 (33 cents per common share). Please see the consolidated statements of changes in equity on page 34 of the Company's 2014 Annual Report for details of changes in retained earnings during 2014 and 2013.

The Company's AOCI account solely comprises the cumulative unrealized foreign exchange income (or loss) arising on the translation of the assets and liabilities of the Company's foreign operations. The AOCI balance totalled $3,178,000 at December 31, 2014 compared to $274,000 at December 31, 2013. Please refer to note 18 to the Statements and the consolidated statements of changes in equity on page 34 of the Company's 2014 Annual Report, which details movements in the AOCI account during 2014 and 2013. The $2,904,000 increase in AOCI balance during 2014 resulted from a rise in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar strengthened from $1.0636 at December 31, 2013 to $1.1601 at December 31, 2014. This increased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$25 million by $2,904,000.

Liquidity and Capital Resources

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

The Company manages its capital resources and makes adjustments to them in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital resources, the Company may, from time to time, change the amount of dividends paid to shareholders, return capital to shareholders by way of normal course issuer bid, issue new shares, or reduce liquid assets to repay debt. Amongst other things, the Company monitors the ratio of its debt to equity and its equity to total assets. These ratios are presented for the last three years as percentages in Table 2. As noted above, the ratios at December 31, 2014 indicate the Company's continued financial strength and overall relatively low degree of leverage.

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

The Company had bank credit lines totalling approximately $136 million at December 31, 2014 and had borrowed $64 million against these facilities. Funds generated through operating activities and the issuance of notes payable decrease the usage of, and dependence on, these lines.

As noted in the Review of Financial Position section above, the Company had cash balances of $7,103,000 at December 31, 2014 compared to $3,442,000 at December 31, 2013. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness.

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

Contractual Obligations and Commitments at December 31, 2014

	Payments due in			
(in thousands of dollars)	Less than one year	One to three years	Four to five years	**Total**
Operating lease obligations	$ 397	$ 562	$ —	**$ 959**
Purchase obligations	120	—	—	**120**
	$ 517	$ 562	$ —	**$ 1,079**

Fiscal 2014 cash flows: *Year ended December 31, 2014 compared with year ended December 31, 2013*

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $10,606,000 in 2014 compared to $9,941,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash outflow from operating activities of $6,538,000 in 2014 compared to an inflow of $8,398,000 last year. The net cash outflow in 2014 largely resulted from financing gross Loans of $17,347,000. In 2013, the net cash inflow principally resulted from net earnings. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 35 of the Company's 2014 Annual Report.

Cash outflows from investing activities totalled $4,362,000 (2013 – $46,000) in 2014. Cash consideration of $4,170,000 was paid as part of the Varion acquisition, while net capital asset additions totalled $193,000 (2013 – $46,000).

Net cash inflow from financing activities totalled $14,149,000 in 2014 compared to a net cash outflow of $14,880,000 last year. The net cash inflow this year resulted from an increase in bank indebtedness of $16,335,000 and the issue of notes payables, net, of $1,986,000. Partially offsetting these inflows were dividend payments of $2,742,000 and funds of $1,430,000 used to redeem Varion's preferred shares immediately upon acquisition. The 2013 net cash outflow resulted from a $12,517,000 decrease in bank indebtedness and dividend payments totalling $2,631,000. Partly offsetting these cash outflows was the issuance of notes payable, net, totalling $268,000.

The effect of exchange rate changes on cash was not material in 2014 and 2013.

Overall, there was a net cash inflow of $3,661,000 in 2014 compared to an outflow of $6,547,000 in 2013.

Related Party Transactions

The Company has borrowed funds (notes payable) on an unsecured basis from shareholders, management, employees, other related individuals and third parties. These notes are repayable on demand or, in the case of one note, a week after demand and bear interest at rates that vary with bank Prime or Libor. The rates are at or below the rates charged by the Company's banks. Notes payable at December 31, 2014 totalled $16,808,000 compared with $14,809,000 at December 31, 2013. Of these notes payable, $14,907,000 (December 31, 2013 – $12,957,000) was owing to related parties and $1,901,000 (December 31, 2013 – $1,852,000) to third parties. Interest expense on these notes in 2014 totalled $461,000 (2013 – $413,000). Note 11(b) to the Statements discloses the remuneration of directors and key management personnel during 2014 and 2013.

Financial Instruments

All financial assets and liabilities, with the exception of cash, derivative financial instruments, the guarantee of managed receivables and the Company's SARs liability, are recorded at cost. The exceptions noted are recorded at fair value. Financial assets and liabilities, other than the lease receivables and loans to clients in our leasing business, are short term in nature and, therefore, their carrying values approximate fair values.

At December 31, 2014, the Company had entered into forward foreign exchange contracts with a financial institution that must be exercised between January 30, 2015 and March 31, 2015 and which oblige the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.1235 to 1.1250. These contracts were entered into by the Company on behalf of a client and similar forward foreign exchange contracts were entered into between the Company and the client, whereby the Company will buy Canadian dollars from and sell US$700,000 to the client. These contracts are discussed further in note 17 to the Statements.

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 losses on both its Loans and its guarantee of managed receivables. The Company maintains a separate allowance for losses on each of the above items at amounts which, in management's judgment, are sufficient to cover losses thereon. The allowances are based upon several considerations including current economic environment, condition of the loan and receivable portfolios and typical industry loss experience. 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.

   The Company's allowances on its Loans and its guarantee of managed receivables may comprise specific and general components. A specific allowance may be established against Loans that are identified as impaired, or non-performing, when the Company determines, based on its review, identification and evaluation of problem Loans, that the timely collection of interest and principal payments is no longer assured and that the estimated net realizable value of the Company's loan collateral is below its book value. Similarly, a specific allowance may be established against managed receivables where a clients' customer becomes insolvent and the Company's guarantee is called upon. In such cases, the Company will estimate the fair value of the required payments to clients under their guarantees, net of any estimated recoveries expected from the insolvent customer's estate.

   A general or collective allowance on both its Loans and its guarantee of managed receivables is established to reserve against losses that are estimated to have occurred but cannot be specifically identified as impaired on an item-by-item or group basis at a particular point in time. In establishing its collective allowances, the Company applies percentage formulae to its Loans and managed receivables. The formulae are based upon historic credit and loan loss experience and are reviewed for adequacy on an ongoing basis. Management believes that its allowances for losses are sufficient and appropriate and does not consider it reasonably likely that the Company's material assumptions will change. The Company's allowances are discussed above and in notes 3(d) and 5 to the Statements.

ii) the extent of any provisions required for outstanding claims. In the normal course of business there is outstanding litigation, the results of which are not normally expected to have a material effect upon the Company. However, the adverse resolution of a particular claim could have a material impact on the Company's financial results. Management is not aware of any claims currently outstanding upon which significant damages could be payable.

Control Environment

There have been no changes to the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") during 2014 that have materially affected, or are reasonably likely to materially affect, DC&P or ICFR. However, due to the timing of the acquisition of Varion on January 31, 2014, the Company has limited its design of DC&P and ICFR to exclude the controls, policies and procedures relating to Varion for 2014. At December 31, 2014, Varion had assets of $8,944,000 and liabilities of $7,956,000, including $4,145,000 due to the Company. During the eleven months since acquisition, Varion's revenue totalled $1,448,000 and it incurred a net loss of $305,000.

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.

Disclosure controls and procedures

The Company's management, including its President and Chief Financial Officer, are responsible for establishing and maintaining the Company's disclosure controls and procedures and has designed same to provide reasonable assurance that material information relating to the Company is made known to it by others within the Company on a timely basis. Subject to the limitation noted above respecting Varion, the Company's management has evaluated the effectiveness of its disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA")) as at December 31, 2014 and has concluded that such disclosure controls and procedures are effective.

Management's annual report on internal control over financial reporting

The following report is provided by the Company's management, including its President and Chief Financial Officer, in respect of the Company's internal control over financial reporting (as defined in the rules of the CSA):

i) the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting within the Company. All 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;

ii) the Company's management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO), 1992 framework to evaluate the design of the Company's internal control over financial reporting and test its effectiveness; and

iii) subject to the limitation noted above respecting Varion, the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS and advises that there are no material weaknesses in the design of internal control over financial reporting that have been identified by management.

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 19 to the Statements, which discuss the Company's principal financial risk management practices.

Competition

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 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 and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to competing services, 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, operating results and financial condition. The Company will not, however, compromise its credit standards.

Economic slowdown

The Company mainly operates in Canada and the United States. Economic weakness in either of the Company's markets can affect its ability to do new business as quality prospects become limited, although in a weak economy competition may lessen, which could result in the Company seeing more prospects. Further, the Company's clients and their customers are often adversely affected by economic slowdowns and this can lead to increases in its provision for credit and loan losses.

Credit risk

The Company is in the business of financing its clients' receivables and making asset-based loans, including lease financing. The Company's portfolio totalled $218 million at December 31, 2014. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 19(a) to the Statements.

Interest rate risk

The Company's agreements with its clients (affecting interest revenue) and lenders (affecting interest expense) usually provide for rate adjustments in the event of interest rate changes so that the Company's spreads are protected to some degree. However, as the Company's floating rate Loans substantially exceed its borrowings, the Company is exposed to some degree to interest rate fluctuations. Further, in its leasing business, lease receivables and term loans to clients tend to be at fixed effective interest rates, while related bank borrowings tend to be floating rate. Please refer to note 19(c)(ii) to the Statements.

Foreign currency risk

The Company operates internationally. Accordingly, a portion of its financial resources is held in currencies other than the Canadian dollar. The Company's policy is to manage financial exposure to foreign exchange fluctuations and attempt to neutralize the impact of foreign exchange movements on its operating results where possible. 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 impacted 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 this is now in a gain position at December 31, 2014. Please see notes 18 and 19(c)(i) to the Statements.

Potential acquisitions and investments

The Company seeks to acquire or invest in businesses that expand or complement its current business. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisitions or investments will generate additional earnings or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth. Business combinations also require management to exercise judgment in measuring the fair value of assets acquired, liabilities and contingent liabilities assumed, and equity instruments issued.

Personnel significance

Employees are a significant asset of the Company. Market forces and competitive pressures may adversely affect the ability of the Company to recruit and retain key qualified personnel. The Company mitigates this risk by providing a competitive compensation package, which includes profit sharing, long-term incentives, and medical benefits, as it continuously seeks to align the interests of employees and shareholders.

Outlook

The Company's principal objective is managed growth – putting quality new business on the books while maintaining high underwriting standards.

The Company's 2014 average funds employed, factoring volume and adjusted earnings per common share were annual records, while revenue was a near-record. Business activity was at record levels and our pipeline of prospects continues to be strong. It is anticipated that our asset-based financing units can build upon the momentum of 2014 despite operating in a very competitive market, which could affect client turnover. Our credit protection and receivables management business has faced intense competition from multinational credit insurers for the last three years but is now stabilized and hopes to grow its factoring volume in 2015. We are seeing Varion, our leasing company acquired in January 2014, grow and expect that growth to accelerate over the next few years with Accord's financial backing. The Company continues to seek opportunities to acquire companies or portfolios to increase its business and is optimistic about its prospects for future growth.

Accord, with its substantial capital and borrowing capacity, is well positioned to capitalize on market conditions. That, coupled with experienced management and staff, will enable the Company to meet increased competition and develop new opportunities. Accord continues to introduce new financial and credit services to fuel growth in a very competitive and challenging environment.

Stuart Adair

Stuart Adair
Senior Vice President, Chief Financial Officer

Toronto, Ontario
February 27, 2015

Accord's Five Key Benchmarks

One of our primary functions at Accord is to manage risk and to assess credit quality. As detailed in Table 3, there are five key benchmarks which tell us how well we are doing.

Receivables turnover

We try to minimize risk by turning our receivables in as few days as possible. During 2014 the receivables turnover declined to 36 days compared to 37 days in 2013.

Past due receivables

We also try to keep our past due receivables as low as possible. Over the past three years, the percentage of managed receivables past due more than 60 days has ranged from 2.9% to 4.9%. At December 31, 2014, the percentage was 2.9%.

Reserves to portfolio

In an effort to minimize financial risk, we try to maximize this measure. Over the past three years, it has been between 0.8% and 1.0%, and was 0.9% at December 31, 2014.

Reserves to net charge-offs

Ideally, this percentage should be greater than 50%, which is to say that the year-end reserves would absorb about six months of charge-offs. As a result of the very low level of charge-offs in 2014, this percentage rose to 415% at December 31, 2014.

Net charge-offs to volume

This is an important benchmark in our business. The long-term industry average ranges from 15 to 20 basis points of volume. The figure in 2014 was only 2 basis points of volume.

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