Management's Discussion and Analysis of Results
of Operations and Financial Condition 2015

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

Year ended December 31, 2015 compared with year ended December 31, 2014

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, 2015 compared with the year ended December 31, 2014 and, where presented, the year ended December 31, 2013. 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 17, 2016, should be read in conjunction with the Company's 2015 audited consolidated financial statements (the "Statements") and notes thereto, the Ten Year Financial Summary and the Letter to Our Shareholders, all of which form part of its 2015 Annual Report.

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

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

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

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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 three 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 (basic or diluted) earnings per common share is adjusted net earnings divided by the (basic or diluted) 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 the 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) 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;

v) 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;

vi) Financial condition and leverage ratios – Table 2 on page 8 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

vii) Credit quality – Table 3 on page 10 presents information on the quality of the Company's total portfolio, namely, its finance receivables and loans 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 revenue. The percentage of managed receivables past due more than 60 days is also presented in Table 3.

Results of Operations

Years ended December 31 (in thousands unless otherwise stated)	2015			2014			% change from 2014 to 2015
		Actual	% of Revenue		Actual	% of Revenue	
Average funds employed (millions)	$	149		$	143		4%
Revenue							
Interest and other income	$	31,577	100.0%	$	30,235	100.0%	4%
Expenses							
Interest		2,258	7.1%		2,523	8.3%	-11%
General and administrative		17,484	55.4%		16,154	53.5%	8%
Provision for credit and loan losses		375	1.2%		639	2.1%	-41%
Impairment of assets held for sale		50	0.2%		—	—	n/m
Depreciation		136	0.4%		125	0.4%	9%
Business acquisition expenses							
Amortization of intangibles		575	1.8%		451	1.5%	28%
Transaction and integration costs		—	—		119	0.4%	-100%
		20,878	66.1%		20,011	66.2%	4%
Earnings before income tax expense		10,699	33.9%		10,224	33.8%	5%
Income tax expense		1,940	6.1%		3,345	11.1%	-42%
Net earnings	$	8,759	27.8%	$	6,879	22.7%	27%
Adjusted net earnings	$	9,281	29.4%	$	8,113	26.8%	14%
Earnings per common share*	$	1.05		$	0.83		27%
Adjusted earnings per common share*	$	1.12		$	0.98		14%

** basic and diluted n/m – not meaningful*

Accord's Business

Accord is a leading North American provider of asset-based financial services to businesses, namely, asset-based lending ("ABL"), including factoring, lease financing, working capital financing, credit protection and receivables management, and supply chain financing for importers. The Company's financial services are discussed earlier in its 2015 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 Capital Corp. ("Varion") (now doing business as Accord Equipment Finance ("AEF")) in Canada, and Accord Financial, Inc. ("AFIU") in the United States.

The Company's business principally involves:
(i) asset-based lending by AFIC and AFIU, which entails financing or purchasing receivables on a recourse basis, as well as financing other tangible assets, such as inventory and equipment; (ii) lease financing and equipment and working capital lending by AEF; and (iii) credit protection and receivables management services by AFL, which principally involves providing credit guarantees and collection services, generally without financing.

Selected Annual Information

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

	2015	2014	2013
Revenue	$ 31,577	$ 30,235	$ 26,074
Net earnings	8,759	6,879	6,538
Basic and diluted earnings per share	1.05	0.83	0.80
Dividends per share	0.35	0.33	0.32
Total assets	$154,560	$154,624	$120,809

Results of Operations

Year ended December 31, 2015 compared with year ended December 31, 2014

Net earnings in 2015 increased by $1,880,000 or 27% to a record $8,759,000 compared to the $6,879,000 earned in 2014 and were $2,221,000 or 34% above the $6,538,000 earned in 2013. Net earnings compared to 2014 and 2013 mainly rose on higher revenue and a lower income tax expense. Reduced stock-based compensation, decreased interest expense and a lower provision for losses also contributed to higher net earnings compared to 2014. The stronger U.S. dollar during 2015 helped increase the Canadian dollar equivalent of net earnings from our U.S. operations by $735,000.

Earnings per common share ("EPS"), both basic and diluted, increased by 27% to a record 105 cents compared to 83 cents last year and were 31% higher than the 80 cents earned in 2013. The Company's ROE increased to 13.1% in 2015 compared to 12.1% last year and was the same as 2013.

Adjusted net earnings in 2015 were a record $9,281,000, 14% higher than last year's $8,113,000 and 37% higher than 2013's $6,783,000. Adjusted EPS were a record 112 cents in 2015, 14% above the 98 cents earned in 2014 and 35% above the 83 cents earned in 2013. Adjusted ROE was 13.8% in 2015 compared to 14.3% in 2014 and 13.6% in 2013. The following table provides a reconciliation of net earnings to adjusted net earnings:

Years ended Dec. 31 (in thousands)	**2015**	2014	2013
Net earnings	**$ 8,759**	$ 6,879	$ 6,538
Adjustments, net of tax			
Stock-based compensation expense	**99**	256	245
Business acquisition expenses	**423**	419	—
Withholding tax expense	**—**	559	—
Adjusted net earnings	**$ 9,281**	$ 8,113	$ 6,783

Revenue rose by $1,342,000 or 4% to a record $31,577,000 in 2015 compared to $30,235,000 in 2014 and was $5,503,000 or 21% higher than the $26,074,000 in 2013. Average funds employed in 2015 also increased by 4% to $149 million compared to $143 million last year mainly as a result of the stronger U.S. dollar this year. The stronger U.S. dollar also helped increase the Canadian dollar equivalent of our U.S. operations revenue by $1,478,000. 2014's revenue included a gain of $416,000 on the sale of certain assets held for sale, while there was a loss of $11,000 on the sale of certain assets held for sale in 2015.

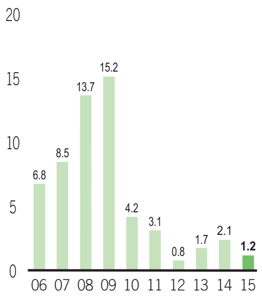
Interest expense declined by 11% to $2,258,000 in 2015 from $2,523,000 last year as average borrowings and Canadian interest rates declined.

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 8% or $1,330,000 to $17,484,000 in 2015 compared to $16,154,000 last year mainly as a result of higher personnel costs and a stronger U.S. dollar, which caused the Canadian dollar equivalent of our U.S. operations G&A to rise by $634,000 compared to 2014. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses declined by 41% to $375,000 compared to $639,000 last year. The provision comprised:

Years ended Dec. 31 (in thousands)	**2015**	2014
Net charge-offs	**$ 586**	$ 471
Reserves (recovery) expense related to change in total allowances for losses	**(211)**	168
	$ 375	$ 639

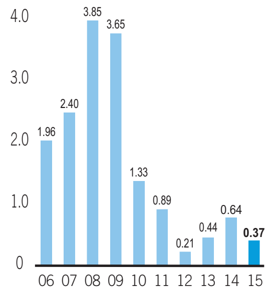
The provision for credit and loan losses as a percentage of revenue declined to 1.2% in 2015 from 2.1% in 2014. Net charge-offs in 2015 increased by $115,000 or 24% to



Provision for Credit and Loan Losses

(as a percentage of revenue)

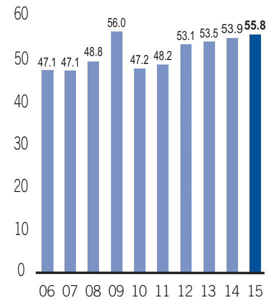
The provision declined to 1.2% of revenue in 2015 from 2.1% last year. It was the second lowest in the last ten years.



Provision for Credit and Loan Losses

(in millions)

The provision was a very acceptable $0.37 million in 2015. It was the second lowest in the last ten years.



Operating Expenses

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

Operating expenses rose to 55.8% of revenue in 2015 from 53.9% last year.

$586,000 compared to the prior year, while the non-cash reserves expense decreased by $379,000 to a recovery of $211,000. The Company's allowances for losses are discussed in detail below. The Company was pleased with the low level of net charge offs in 2015; 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.

An impairment charge of $50,000 (2014 – nil) was taken during 2015 against certain assets held for sale as revised valuations thereof determined that their estimated net realizable value had declined below book value (see note 6 to the Statements).

Business acquisition expenses in 2015 solely comprised the amortization of intangibles acquired as part of the Varion acquisition on January 31, 2014. These totalled $575,000 (2014 – $570,000; amortization of intangibles – $451,000; transaction and integration costs – $119,000).

Income tax expense declined by $1,405,000 or 42% to $1,940,000 compared to $3,345,000 in 2014 despite a 5% rise in pre-tax earnings as the Company's effective income tax rate declined, while there was also no withholding tax expense in 2015. The Company's effective income tax rate decreased to 18.1% compared to 32.7% last year. In 2014, a withholding tax expense of $559,000 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 for 2014 was 27.3%.

Table 1 – Profitability, Yield and Efficiency Ratios

(as a percentage)	2015	2014	2013
Return on average assets	**5.2**	4.3	5.5
Return on average equity	**13.1**	12.1	13.1
Adjusted return on average equity	**13.8**	14.3	13.6
Net revenue/average assets	**17.6**	17.5	20.3
Operating expenses/ average assets	**10.9**	10.6	11.7

Table 1 highlights the Company's profitability in terms of returns on its average assets and equity. In 2015, return on average assets, ROE and adjusted ROE, expressed in percentages, were 5.2%, 13.1% and 13.8%, respectively.

Net revenue as a percentage of average assets was 17.6% compared to 17.5% in 2014. The ratio of G&A to average assets increased to 10.9% in 2015 compared with 10.6% last year.

Canadian operations reported a 15% rise in net earnings in 2015 compared to 2014 (see note 22 to the Statements) mainly as a result of a lower income tax expense due to the absence of the withholding tax expense this year. Net earnings increased by $462,000 to $3,629,000 compared to $3,167,000 last year. Revenue increased by $38,000 to $20,738,000. Expenses rose by $204,000 to $15,748,000. G&A was $483,000 higher at $12,388,000. A $50,000 (2014 – nil) impairment charge against assets held for sale was incurred, while business acquisition expenses and depreciation were $5,000 and $6,000, higher, respectively. Interest expense declined by $92,000 to $2,217,000, while the provision for losses was $249,000 lower at $423,000. Income tax expense declined by $628,000 to $1,361,000 on the absence of the $559,000 withholding tax expense and a 3% decline in pre-tax earnings.

U.S. operations reported a 38% increase in net earnings compared to 2014 (see note 22 to the Statements). Net earnings increased by $1,418,000 to $5,130,000 compared to $3,712,000 last year. Revenue increased by $1,319,000 or 14% to $10,875,000. Expenses rose by $678,000 or 15% to $5,166,000. G&A increased by $848,000 to $5,096,000, while depreciation was $4,000 higher. Interest expense declined by $158,000 to $77,000, while the provision for losses declined by $16,000 to a recovery of $49,000; AFIU had no charge-offs again in 2015 and has not had a charge-off since 2010. Income tax expense decreased by $777,000 to $579,000. The Canadian dollar equivalent of U.S. operating results was favorably impacted by the stronger U.S. dollar in 2015; the average U.S. – Canadian dollar exchange rate rose by 16% in 2015 compared to 2014. In U.S. dollars, net earnings were 19% higher at US$3,984,000 compared to 2014.

Fourth Quarter 2015: *Quarter ended December 31, 2015 compared with quarter ended December 31, 2014*

Net earnings for the quarter ended December 31, 2015 increased by $424,000 or 18% to $2,794,000 compared with $2,370,000 last year. Net earnings rose mainly on a lower income tax expense. The stronger U.S. dollar in the fourth quarter of 2015 compared to last year helped increase the Canadian dollar equivalent of net earnings from our U.S. operations by $240,000. EPS rose by 17% to 34 cents compared to 29 cents last year.

Adjusted net earnings for the fourth quarter of 2015 totalled $2,980,000, just below last year's $3,022,000. Adjusted EPS were unchanged at 36 cents. 2014's net earnings were favorably impacted by a $237,000 gain, net of tax, on the sale of certain assets held for sale. The following table provides a reconciliation of net earnings to adjusted net earnings:

Quarters ended Dec. 31 (in thousands)	**2015**	2014
Net earnings	**$ 2,794**	$ 2,370
Adjustments, net of tax		
Stock-based compensation expense	**81**	25
Business acquisition expenses	**105**	68
Withholding tax expense	**—**	559
Adjusted net earnings	**$ 2,980**	$ 3,022

Revenue declined by $85,000 or 1% to $7,840,000 in the fourth quarter compared with $7,925,000 last year. Revenue in the fourth quarter of 2014 included a gain of $416,000 on the sale of certain assets held for sale, while it included a loss of $11,000 on the sale of certain assets held for sale this year. The stronger U.S. dollar compared to the fourth quarter of 2014 helped increase the Canadian dollar equivalent of our U.S. operations revenue by $419,000.

Interest expense declined by $108,000 or 17% to $515,000 in the fourth quarter of 2015 compared to $623,000 last year as a result of lower average borrowings and interest rates.

Summary of Quarterly Financial Results*

(in thousands of dollars unless otherwise stated)	2015				2014			
Quarters ended	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31
Average funds employed (millions)	**$ 145**	**$ 156**	**$ 155**	**$ 142**	$ 146	$ 149	$ 146	$ 130
Revenue								
Interest and other income	**$ 7,840**	**$ 8,521**	**$ 7,657**	**$ 7,559**	$ 7,925	$ 8,165	$ 7,529	$ 6,616
Expenses								
Interest	**515**	**599**	**633**	**511**	623	653	729	518
General and administrative	**4,426**	**4,456**	**4,240**	**4,363**	4,212	4,009	3,780	4,152
Provision for credit and loan losses	**(763)**	**128**	**529**	**479**	(883)	354	641	527
Impairment of assets held for sale	**50**	**—**	**—**	**—**	—	—	—	—
Depreciation	**33**	**34**	**35**	**34**	38	32	29	27
Business acquisition expenses								
Amortization of intangibles	**144**	**144**	**144**	**144**	123	123	123	82
Transaction and integration costs	**—**	**—**	**—**	**—**	—	3	3	112
	4,405	**5,361**	**5,581**	**5,531**	4,113	5,174	5,305	5,418
Earnings before income tax expense	**3,435**	**3,160**	**2,076**	**2,028**	3,812	2,991	2,224	1,198
Income tax expense	**641**	**636**	**340**	**323**	1,442	815	687	401
Net earnings	**$ 2,794**	**$ 2,524**	**$ 1,736**	**$ 1,705**	$ 2,370	$ 2,176	$ 1,537	$ 797
Adjusted net earnings	**$ 2,980**	**$ 2,551**	**$ 1,885**	**$ 1,865**	$ 3,022	$ 2,263	$ 1,594	$ 1,235
Earnings per common share ** (cents)	**34**	**30**	**21**	**21**	29	26	18	10
Adjusted earnings per common share (cents)**	**36**	**31**	**23**	**22**	36	27	19	15

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

G&A increased by $214,000 or 5% to $4,426,000 in the current quarter compared to $4,212,000 last year mainly as a result of a stronger U.S. dollar, which caused the Canadian dollar equivalent of our U.S. operations G&A to rise by $185,000.

There was a $763,000 recovery of credit and loan losses in the fourth quarter of 2015 compared to a recovery of $883,000 last year. The recovery comprised:

Quarters ended Dec. 31 (in thousands)	**2015**	2014
Net charge-off recovery	**$ (438)**	$ (499)
Reserves recovery related to decrease in total allowances for losses	**(325)**	(384)
	$ (763)	$ (883)

An impairment charge of $50,000 (2014 – nil) was taken in the fourth quarter against certain assets held for sale as revised valuations thereof determined that their estimated net realizable value had declined below book value (see note 6 to the Statements).

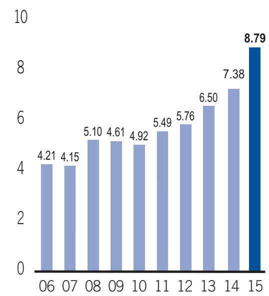
Business acquisition expenses of $144,000 (2014 – $123,000) for the current quarter solely comprised the amortization of intangibles.

Income tax expense declined by $801,000 or 56% to $641,000 in the current quarter compared to $1,442,000 in the fourth quarter of 2014. As noted above, in 2014 a withholding tax expense of $559,000 was incurred by the Company. The Company's effective corporate income tax rate declined to 18.7% in the current quarter compared to 37.8% last year. Excluding the withholding tax expense, the Company's effective income tax rate in the fourth quarter of 2014 would have been 23.2%.

Review of Financial Position

Equity at December 31, 2015 increased by $11,734,000 or 19% to a record $73,066,000 compared to $61,332,000 at December 31, 2014. Book value per common share was also a record $8.79 at December 31, 2015 compared to $7.38 a year earlier. The increase in equity mainly resulted from a rise in retained earnings and a higher accumulated other comprehensive income ("AOCI") balance, which benefitted from the stronger U.S. dollar in 2015. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 29 of the Company's 2015 Annual Report.

Total assets were $154,560,000 at December 31, 2015 similar to the $154,624,000 at December 31, 2014. Total assets largely comprised Loans (funds employed). Identifiable assets located in the United States were 50% of total assets at December 31, 2015 compared to 41% at December 31, 2014 (see note 22 to the Statements).



Book Value per Share
(in dollars)

Book value per share rose to a record high $8.79 at December 31, 2015. It was 19% higher than the $7.38 last year-end.

Table 2 – Financial Condition and Leverage

(as a percentage)	2015	2014	2013
Tangible equity/assets	**44**	36	42
Equity/assets	**47**	40	44
Debt (bank indebtedness & notes payable)/equity	**92**	132	109
(in thousands)			
Receivables and Loans			
Loans	**$ 135,907**	$ 138,109	$ 111,287
Managed receivables	**70,148**	80,016	62,170
Total Portfolio	**$ 206,055**	$ 218,125	$ 173,457

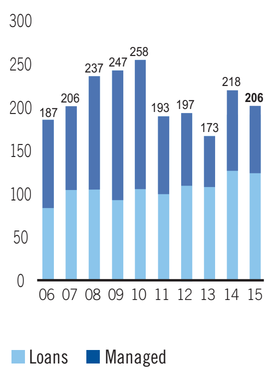
Table 2 highlights the Company's financial condition. The first two ratios in the table (44% and 47%), detailing equity as a percentage of assets, rose in 2015 on the 19% increase in equity. Meanwhile, the debt to equity ratio decreased to 92% in 2015 from 132% in 2014 on lower borrowings and increased equity. 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, decreased by $2,202,000 or 2% to $135,907,000 at December 31, 2015 compared to $138,109,000 last year-end. As detailed in note 5 to the Statements, the Company's Loans comprised:

(in thousands)	Dec. 31, 2015	Dec. 31, 2014
Factored receivables	**$ 77,249**	$ 89,367
Loans to clients	**52,524**	42,988
Lease receivables	**6,134**	5,754
Finance receivables and loans, gross	**135,907**	138,109
Less allowance for losses	**1,648**	1,763
Finance receivables and loans, net	**$134,259**	$136,346

The Company's factored receivables declined by 14% to $77,249,000 at December 31, 2015 compared to $89,367,000 at December 31, 2014. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment, rose by 22% to $52,524,000 at December 31, 2015 compared to $42,988,000 a year earlier. Lease receivables, representing AEF's net investment in equipment leases, rose by 7% to $6,134,000 at December 31, 2015. Net of the allowance for losses thereon, Loans decreased by 2% to $134,259,000 at December 31, 2015 compared to $136,346,000 last year-end. The Company's Loans principally represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 80 clients in a wide variety of industries, as well as AEF's lease receivables and equipment and related loans to over 500 clients. Five clients each comprised over 5% of gross Loans at December 31, 2015, of which the largest client comprised 7%.

In its credit protection and receivables management business, the Company contracts with clients to assume the credit risk associated with respect to their receivables usually without financing them. Since the Company does not take title to these receivables, they do not appear on its consolidated statements of financial position. These managed receivables totalled $70 million at December 31, 2015 compared to $80 million at December 31, 2014. Managed receivables comprise the receivables of approximately 100 clients at December 31, 2015. The 25 largest clients comprised 80% of non-recourse factoring volume in 2015. 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, 2015, the 25 largest customers accounted for 63% of total managed receivables, of which the largest five comprised 30%. All customer balances were below $10 million at that date. 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.



Total Portfolio
Loans and managed receivables
(in millions of dollars)

The Company's total portfolio declined by 6% to $206 million at December 31, 2015 from $218 million a year earlier mainly on lower managed receivables.

The Company's total portfolio, which comprises both gross Loans and managed receivables, as detailed in Table 2 above, decreased by 6% to $206 million at December 31, 2015 compared to $218 million at December 31, 2014.

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 asset-based lending and credit protection businesses 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 AEF's lending 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 AEF's general manager or an officer of AEF. Amounts over $250,000 are approved by both AEF'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 asset-based lending operations, the Company's primary focus continues to be on the creditworthiness and collectibility of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. AEF's lease receivables and equipment and working capital 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, 3.9% were past due more than 60 days at December 31, 2015. In the Company's asset-based lending 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 asset-based lending and leasing businesses, which reviews, amongst other things, the financial strength of each client and the Company's underlying security, while in its credit protection business it employs a customer credit scoring system to assess the credit risk associated with the managed receivables that it guarantees. 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 asset-based lending operations, the Company assesses the financial strength of its clients' customers and the industries in which they operate on a regular and ongoing basis. The 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 asset-based lending operations, the Company administers and collects the majority of its clients' receivables and so is able to quickly identify problems as and when they arise and act promptly to minimize credit and loan losses. In the Company's leasing operations, security deposits are obtained in respect of each equipment lease or loan. In its credit protection 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)	**2015**	2014	2013
Managed receivables past due more than 60 days	**3.9**	2.9	4.9
Reserves*/portfolio	**0.9**	0.9	1.0
Reserves*/net charge-offs	**310**	415	393
Net charge-offs/revenue	**1.9**	1.6	1.6

*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 decreased to $168,000 in 2015 compared to $244,000 last year. Net charge-offs of managed receivables were 3 basis points of volume in 2015 compared to 5 basis points in 2014. Net charge-offs in the Company's asset-based lending business increased to $418,000 in 2015 compared to $227,000 last year. Overall, the Company's total net charge-offs in 2015, as set out in the Results of Operations section above, rose by 24% to $586,000 compared with $471,000 in 2014. After the customary detailed year-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 decreased by $115,000 or 7% to $1,648,000 at December 31, 2015 compared to $1,763,000 at December 31, 2014 on a 2% decline in gross Loans. The allowance for losses on the guarantee of managed receivables decreased by 13% to $166,000 at December 31, 2015 compared to $190,000 at December 31, 2014 on a similar decrease in managed receivables. 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 2015 and 2014 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 $12,440,000 at December 31, 2015 compared with $7,103,000 at December 31, 2014. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. The rise in cash this year-end is considered temporary and surplus cash balances will be used to fund new Loans and/or repay bank indebtedness. Fluctuations in cash balances are normal.

Assets held for sale, which comprise certain assets securing defaulted loans that the Company obtained title to or repossessed, are stated at their estimated net realizable value and totalled $1,544,000 at December 31, 2015 compared to $2,172,000 at December 31, 2014. Please refer to note 6 to the Statements for details of changes in the assets held for sale balance during 2015 and 2014. During 2015 certain assets held for sale with a book value of $1,583,000 were sold for $1,572,000 resulting in a loss on sale of $11,000. During the year, the Company also obtained title to or repossessed certain equipment securing defaulted loans. This equipment had an estimated net realizable value of $945,000. During 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. In 2014, the Company also obtained title to or repossessed certain equipment securing defaulted loans with an estimated net realizable value of $374,000. The estimated net realizable value of the assets held for sale at December 31, 2015 and 2014 was based upon appraisals of the assets.

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 $1,496,000 at December 31, 2015 compared with $2,071,000 last year-end. Amortization of $575,000 was charged in 2015 (2014 – $451,000). Please refer to note 8 to the Statements.

Goodwill totalled $3,213,000 at December 31, 2015 compared to $2,998,000 at December 31, 2014. Goodwill of $1,883,000 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 year-end exchange rate; foreign exchange adjustments usually arise on retranslation. The Company's goodwill was subject to annual impairment tests in 2015 and 2014 which determined that there was no impairment to the carrying value thereof. Please refer to note 9 to the Statements.

Other assets, income taxes receivable, deferred tax assets and capital assets at December 31, 2015 and 2014 were not significant.

Total liabilities decreased by $11,798,000 to $81,494,000 at December 31, 2015 compared to $93,292,000 at December 31, 2014. The decrease mainly resulted from lower bank indebtedness and notes payable.

Amounts due to clients increased by $2,763,000 to $9,402,000 at December 31, 2015 compared to $6,639,000 at December 31, 2014. Amounts due to clients principally consist of collections of receivables not yet remitted to clients. Contractually, the Company remits collections within a week of receipt. Fluctuations in amounts due to clients are not unusual.

Bank indebtedness decreased by $9,900,000 to $54,095,000 at December 31, 2015 compared with $63,995,000 at December 31, 2014. Bank indebtedness decreased as a result of cash generated from operations. The Company had approved credit lines with a number of banks totalling $137 million at December 31, 2015 and was in compliance with all loan covenants thereunder during 2015 and 2014. 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 had no term debt outstanding in 2015 and 2014.

Notes payable decreased by $3,607,000 to $13,201,000 at December 31, 2015 compared to $16,808,000 at December 31, 2014. The decrease in notes payable resulted from note redemptions, net of new notes issued 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, 2015 and 2014 were not material.

Capital stock was unchanged at $6,896,000 at December 31, 2015 and 2014. There were 8,307,713 common shares outstanding at those dates. At the date of this MD&A, February 17, 2016, 8,307,713 common shares remained outstanding. Please see the consolidated statements of changes in equity on page 29 of the Company's 2015 Annual Report for details of changes in capital stock during 2015 and 2014.

Retained earnings totalled $57,066,000 at December 31, 2015 compared to $51,215,000 at December 31, 2014. During 2015, retained earnings increased by $5,851,000 which comprised net earnings of $8,759,000 less dividends paid of $2,908,000 (35 cents per common share). Please see the consolidated statements of changes in equity on page 29 of the Company's 2015 Annual Report for details of changes in retained earnings during 2015 and 2014.

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 $9,043,000 at December 31, 2015 compared to $3,178,000 at December 31, 2014. Please refer to note 18 to the Statements and the consolidated statements of changes in equity on page 29 of the Company's 2015 Annual Report, which details movements in the AOCI account during 2015 and 2014. The $5,865,000 increase in AOCI balance during 2015 resulted from the rise in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar strengthened from $1.1601 at December 31, 2014 to $1.3840 at December 31, 2015. This increased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$27 million by $5,865,000.

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

Contractual Obligations and Commitments at December 31, 2015

(in thousands of dollars)	Payments due in Less than one year	One to three years	Four to five years	Total
Operating lease obligations	$ 445	$ 187	$ —	**$ 632**
Purchase obligations	28	—	—	**28**
	$ 473	$ 187	$ —	**$ 660**

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, 2015 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 $137 million at December 31, 2015 and had borrowed $54 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 $12,440,000 at December 31, 2015 compared to $7,103,000 at December 31, 2014. As far as possible, cash balances are maintained at a minimum and surplus cash is used to repay bank indebtedness. As noted above, the rise in cash balance this year-end is considered temporary.

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.

Fiscal 2015 cash flows: *Year ended December 31, 2015 compared with year ended December 31, 2014*

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $11,090,000 in 2015 compared to $10,606,000 last year. After changes in operating assets and liabilities and income tax payments are taken into account, there was a net cash inflow from operating activities of $25,994,000 in 2015 compared to an outflow of $6,538,000 last year. The net cash inflow in 2015 largely resulted from the repayment of Loans by clients and net earnings.

In 2014, the net cash outflow principally resulted from financing new Loans. 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 30 of the Company's 2015 Annual Report.

Cash outflow from investing activities in 2015 totalled $98,000 for net capital asset additions compared to $4,362,000 last year. In 2014, cash consideration of $4,170,000 was paid as part of the Varion acquisition, while net capital asset additions totalled $192,000.

Net cash outflow from financing activities totalled $22,390,000 in 2015 compared to a net cash inflow of $14,149,000 last year. The net cash outflow this year resulted from repayment of bank indebtedness of $15,872,000, redemption of notes payable, net, of $3,610,000 and dividend payments totalling $2,908,000. The 2014 net cash inflow resulted from bank borrowings 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 effect of exchange rate changes on cash totalled $1,831,000 and $413,000 in 2015 and 2014, respectively.

Overall, there was a net cash inflow of $5,337,000 in 2015 compared to $3,661,000 in 2014.

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. Notes payable at December 31, 2015 totalled $13,201,000 compared with $16,808,000 at December 31, 2014. Of these notes payable, $11,788,000 (2014 – $14,907,000) was owing to related parties and $1,413,000 (2014 – $1,901,000) to third parties. Interest expense on these notes in 2015 totalled $428,000 (2014 – $461,000). Note 11(b) to the Statements details the remuneration of directors and key management personnel during 2015 and 2014.

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 exceptions noted and the lease receivables and equipment loans to clients in our leasing business, are short term in nature and, therefore, their carrying values approximate fair values.

At December 31, 2015, the Company had entered into forward foreign exchange contracts with a financial institution that must be exercised between January 29, 2016 and March 31, 2016 and which oblige the Company to sell Canadian dollars and buy US$700,000 at exchange rates ranging from 1.3075 to 1.3100. 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 2015 that have materially affected, or are reasonably likely to materially affect, DC&P or ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may 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. 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, 2015 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) 2013 framework to evaluate the design of the Company's internal control over financial reporting and test its effectiveness; and

(iii) the Company's management has designed and tested the effectiveness of its internal control over financial reporting as at December 31, 2015 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 operates mainly 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 be lessened, 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 and equipment financing. The Company's portfolio totalled $206 million at December 31, 2015. 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. The impact of this "gap" is partly offset in the Company's leasing business where 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 U.S. dollar reporting foreign subsidiaries results are translated into Canadian dollars. This has also impacted the value of the Company's net Canadian dollar investment in its U.S. dollar reporting foreign subsidiaries, which had, in the past, reduced the AOCI component of equity to a loss position, although this has now recovered to a sizable gain position at December 31, 2015. 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.

Business activity was at record levels in 2015 and the

Company's average funds employed, revenue, net earnings, adjusted net earnings, EPS and adjusted EPS in 2015 were annual records, while equity and book value per share were at record highs at December 31, 2015. Although the Company usually sees some seasonal declines in its funds employed in the fourth quarter and saw a number of clients "graduate" to regular bank lines, its pipeline of prospects remains strong and it is anticipated that the Company's asset-based financing units will be able to build upon current momentum despite operating in very competitive markets. Our credit protection and receivables management business continues to face intense competition from multinational credit insurers but is now stabilized and seeing some growth in its receivables volume. The Company's leasing business continues to expand and to introduce new products, such that we expect growth to accelerate over the next few years. We will remain vigilant in maintaining portfolio quality in the face of an increasingly uncertain global economy. The Company continues to seek opportunities to acquire companies or portfolios to grow its business. Overall, the Company is optimistic about its prospects for 2016.

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
February 17, 2016

Accord's Key Credit Benchmarks

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

Past due receivables

We 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, 2015, the percentage was 3.9%.

Reserves to portfolio

In an effort to minimize financial risk, we try to maximize this measure. Over the past three years, it has ranged between 0.9% and 1.0%. It was 0.9% at December 31, 2015 and 2104.

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 low level of charge-offs in 2015, this percentage was to 310% at December 31, 2015.

Net charge-offs to revenue

This is an important benchmark in our business. The Company considers charge-offs of less than 5% of revenue to be acceptable. It has ranged between 1.6% and 1.9% in the last three years and was 1.9% in 2015 as the Company continued to manage its portfolio very well.

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