Management's Discussion and Analysis of Results of Operations and Financial Position

Second Quarter Ended June 30, 2016

Distinctive Dependable Driven

ACCORD FINANCIAL

Keeping Business Liquid

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

Quarter and six months ended June 30, 2016 compared with quarter and six months ended June 30, 2015

Overview

The following discussion and analysis explains trends in Accord Financial Corp.'s ("Accord" or the "Company") results of operations and financial condition for the quarter and six months ended June 30, 2016 compared with the quarter and six months ended June 30, 2015 and, where presented, the quarter and six months ended June 30, 2014. 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 July 27, 2016, should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements (the "Statements") and notes thereto for the quarters and six months ended June 30, 2016 and 2015, which are included as part of the Company's 2016 Second Quarter Report, and as an update in conjunction with the discussion and analysis and fiscal 2015 audited consolidated financial statements and notes thereto included in the Company's 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 the net earnings available to common shareholders as a percentage of the average equity employed 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 and business acquisition expenses (namely, business transaction and integration costs and amortization of intangibles). 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 directly relate to ongoing operating activities. Adjusted (basic and diluted)

Stuart Adair

earnings per common share is adjusted net earnings divided by the (basic and diluted) weighted average number of common shares outstanding in the period, while adjusted ROE is adjusted net earnings for the period expressed as a percentage of average equity employed in the period (expressed as an annualized percentage);

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) Financial condition and leverage ratios – (a) equity expressed as a percentage of total assets; and (b) debt (bank indebtedness and notes payable) expressed as a percentage of equity. These percentages provide information on trends in the Company's financial position and leverage.

v) 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.

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 and equipment financing, working capital financing, credit protection and receivables management, and supply chain financing for importers. The Company's financial services are discussed in more detail in its 2015 Annual Report. Its clients operate in a wide variety of industries, examples of which are set out in note 17(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 Financial, Small Business Finance ("ASBF")) 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 ASBF; and (iii) credit protection and receivables management services by AFL, which principally involves providing credit protection and collection services, generally without financing.

Results of Operations

Quarter ended June 30, 2016 compared with quarter ended June 30, 2015

Net earnings for the quarter ended June 30, 2016 decreased by \$109,000 or 6% to \$1,627,000 compared to the \$1,736,000 earned in 2015. They were 6% above 2014's first quarter net earnings of \$1,537,000. Net earnings decreased compared to 2015 as a result of lower revenue, while it increased compared to 2014 mainly due to lower income tax expense, provision for losses and interest expense.

Earnings per common share decreased by 5% to 20 cents from the 21 cents earned in the second quarter of 2015. They were 11% higher than the 18 cents earned in the second quarter of 2014.

Adjusted net earnings for the second quarter were \$1,800,000, 5% below the \$1,885,000 earned in the second quarter of 2015 but 13% higher than the \$1,593,000 earned in the second quarter of 2014. Adjusted EPS were 22 cents compared to the 23 cents earned in the second quarter of 2015 and 19 cents earned in 2014.

Quarterly Financial Information

(unaudited, in thousands except earnings per share)

Quarter ended		Revenue	Net Earnings	Basic and Diluted Earnings Per Common Share
2016	**June 30**	**$ 6,897**	**$ 1,627**	**$ 0.20**
	March 31	**6,871**	**1,465**	**0.18**
2015	December 31	$ 7,840	$ 2,794	$ 0.34
	September 30	8,521	2,524	0.30
	June 30	7,657	1,736	0.21
	March 31	7,559	1,705	0.21
Fiscal 2015		$ 31,577	$ 8,759	$ 1.05*
2014	December 31	$ 7,925	$ 2,370	$ 0.29
	September 30	8,165	2,176	0.26
	June 30	7,529	1,537	0.18
	March 31	6,616	797	0.10
Fiscal 2014		$ 30,235	$ 6,879*	$ 0.83

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

The following table provides a reconciliation of net earnings to adjusted net earnings:

Three months ended June 30 (in thousands)	2016	2015
Net earnings	**$ 1,627**	$ 1,736
Adjustments, net of tax:		
Stock-based compensation	**79**	43
Business acquisition expenses	**94**	106
Adjusted net earnings	**$ 1,800**	$ 1,885

Revenue decreased by 10% or $760,000 to $6,897,000 compared with $7,657,000 last year and was 8% lower than the $7,529,000 in the second quarter of 2014. Revenue decreased compared to 2015 and 2014 mainly as a result of lower receivables management fees. Average funds employed were $152 million in the second quarter of 2016 compared to $155 million and $146 million in the second quarter of 2015 and 2014, respectively. Funds employed at June 30, 2016 were $147 million compared to $158 million and $149 million at June 30, 2015 and 2014, respectively.

Total expenses for the second quarter of 2016 decreased by $541,000 to $5,040,000 compared to $5,581,000 last year. General and administrative expenses ("G&A") decreased by $247,000, the provision for credit and loan losses declined by $218,000, interest expense was $59,000 lower, while business acquisition expenses and depreciation decreased by $16,000 and $1,000, respectively.

Interest expense declined by 9% to $574,000 in the second quarter of 2016 compared to $633,000 last year as a result of lower average borrowings.

G&A comprise personnel costs, which represent the majority of the Company's costs, occupancy costs, commissions to third parties, marketing expenses, professional fees, data processing, travel, telephone and general overheads. G&A decreased by 6% or $247,000 to $3,992,000 in the current quarter compared to $4,239,000 last year mainly as a result of lower personnel costs and management fees. The Company continues to manage its controllable expenses closely.

The provision for credit and loan losses declined by 41% to $312,000 in the second quarter of 2016 compared to $529,000 last year as a result of a lower reserves expense. The provision for the second quarter of 2016 and 2015 comprised:

Three months ended June 30 (in thousands)	2016	2015
Net charge-offs	**$ 366**	$ 475
Reserves (recovery) expense related to change in total allowances for losses	**(54)**	54
	$ 312	$ 529

Net charge-offs decreased by $109,000 to $366,000 in the current quarter, while the non-cash reserves expense declined by $108,000 to recovery of $54,000. The Company's allowances for losses are discussed in detail below. 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 charge-offs.

Business acquisition expenses solely comprised the amortization of intangibles acquired as part of the Varion acquisition on January 31, 2014. These totalled $127,000 in the current quarter compared to $144,000 in the second quarter of 2015.

Income tax expense decreased by 32% to $231,000 in the current quarter compared to $340,000 in the second quarter of 2015 as a result of a decline in the Company's effective income tax rate and a 10% decrease in pre-tax earnings. The Company's effective income tax rate declined to 12.4% in the second quarter of 2016 compared to 16.4% last year.

Canadian operations reported 24% higher net earnings in the second quarter of 2016 compared to 2015 (see note 16 to the Statements). Net earnings rose by $146,000 to $760,000 on lower expenses. Revenue declined by 11% or $536,000 to $4,562,000. Expenses decreased by $744,000 to $3,512,000. G&A declined by $368,000 to $2,692,000, while the provision for credit and loan losses declined by $304,000 to $107,000. Interest expense, business acquisition expenses and depreciation were $54,000, $17,000 and $1,000 lower, respectively. Income tax expense increased by 27% to $290,000 on a 25% rise in pre-tax earnings.

U.S. operations reported a 23% decrease in net earnings in the second quarter of 2016 compared to 2015. Net earnings declined by $255,000 to $867,000 on lower revenue and higher expenses. Revenue decreased by $225,000 or 9% to $2,335,000. Expenses increased by $201,000 to $1,527,000. G&A rose by $120,000 to $1,300,000, while the provision for losses was $87,000 higher at $205,000. Depreciation remained unchanged. Interest expense decreased by $6,000 to $11,000. Income tax expense declined by $171,000 to a recovery of $59,000.

Six months ended June 30, 2016 compared with six months ended June 30, 2015

Net earnings in the first half of 2016 decreased by $350,000 or 10% to $3,091,000 compared to $3,441,000 last year. Net earnings decreased compared to 2015 as a result of lower revenue. EPS for the current six months were 37 cents, 10% below the 41 cents earned last year. ROE in the first half of 2016 was 8.5% compared to 10.8% last year.

Adjusted net earnings totalled $3,390,000 in the first half of 2016, 10% below last year's $3,749,000. Adjusted EPS declined 9% to 41 cents compared to 45 cents in the first half of 2015. Adjusted ROE for the first half of 2016 was 9.5% compared to 11.7% in 2015.

The following table provides a reconciliation of net earnings to adjusted net earnings:

Six months ended June 30 (in thousands)	2016	2015
Net earnings	$ 3,091	$ 3,441
Adjustments, net of tax:		
Stock-based compensation	112	97
Business acquisition expenses	187	211
Adjusted net earnings	$ 3,390	$ 3,749

Revenue for the first half of 2016 decreased by $1,448,000 or 10% to $13,768,000 compared with $15,216,000 last year. Revenue decreased compared to 2015 mainly as a result of lower receivables management fees. Average funds employed in the first half of 2016 were $147 million compared to $148 million last year.

Total expenses for the current six months decreased by $771,000 or 7% to $10,341,000 compared to $11,112,000 last year. G&A, the provision for losses, interest expense, business acquisition expenses and depreciation declined by $506,000, $162,000, $69,000, $33,000 and $1,000, respectively.

Interest expense declined by 6% to $1,075,000 compared to $1,144,000 last year on lower average borrowings this year.

G&A decreased by 6% to $8,096,000 compared to $8,602,000 last year mainly as a result of lower personnel costs and management fees.

The provision for credit and loan losses declined by 16% to $847,000 in the first half of 2016 compared to $1,009,000 last year. The provision for the first half of 2016 and 2015 comprised:

Six months ended June 30 (in thousands)	2016	2015
Net charge-offs	$ 816	$ 841
Reserves expense related to change in total allowances for losses	31	168
	$ 847	$ 1,009

Net charge-offs declined by $25,000 in the first half of 2016 compared to last year, while the reserves expense decreased by $137,000 to $31,000.

Business acquisition expenses comprised the amortization of intangibles acquired as part of the Varion acquisition. For the six months ended June 30, 2016, these expenses totalled $255,000 compared with $288,000 in the first six months of 2015.

Income tax expense decreased by $327,000 or 49% to $336,000 compared to $663,000 in the first half of 2015 as a result of a decline in the Company's effective income tax rate and a 16% decline in pre-tax earnings. The Company's effective income tax rate decreased to 9.8% this year compared to 16.2%.

Canadian operations reported a small decrease in net earnings in the first six months of 2016 compared to 2015 (see note 16 to the Statements). Net earnings declined by $6,000 to $1,235,000 compared to $1,241,000 last year on lower revenue, which was largely offset by lower expenses. Revenue decreased by $1,052,000 or 10% to $9,007,000. Expenses declined by $1,059,000 to $7,293,000. G&A was lower by $758,000 at $5,430,000, while the provision for credit and loan losses declined by $211,000 to $489,000. Interest expense and business acquisition expenses decreased by $57,000 and $33,000, respectively. Depreciation remained unchanged. Income tax expense rose by $13,000 to $479,000.

U.S. operations reported a 16% decline in net earnings compared to the first half of 2015. Net earnings decreased by $344,000 to $1,856,000 compared to $2,200,000 last year. Revenue decreased by $387,000 or 8% to $4,790,000. Expenses increased by $297,000 or 11% to $3,077,000. G&A increased by $252,000 to $2,666,000, while the provision for loan losses rose by $49,000 to $358,000. Depreciation expense remained unchanged. Interest expense declined by $4,000 to $31,000. Income tax expense decreased by $340,000 to a recovery of $143,000.

Review of Financial Position

Equity at June 30, 2016 was a $72,222,000, a decrease of $844,000 compared to $73,066,000 at December 31, 2015 but $6,593,000 above the $65,629,000 at June 30, 2015. Book value per common share was $8.69 at June 30, 2016 compared to $8.79 at December 31, 2015 and $7.90 a year earlier. The decrease in equity since December 31, 2015 mainly resulted from the $2,492,000 reduction in the accumulated other comprehensive income ("AOCI") balance. The components of equity are discussed below. Please also see the consolidated statements of changes in equity on page 15 of the Company's 2016 Second Quarter Report.

Total assets were $158,160,000 at June 30, 2016 compared to $154,560,000 at December 31, 2015 and $173,785,000 at June 30, 2015. Total assets largely comprised Loans. Excluding inter-company loans, identifiable assets located in the United States were 49% of total assets at June 30, 2016 compared to 50% and 39%, respectively, at December 31, 2015 and June 30, 2015.

Loans, before the allowance for losses thereon, totalled $146,745,000 at June 30, 2016, 8% higher than the $135,907,000 at December 31, 2015 but 7% lower than the $157,662,000 at June 30, 2015. As detailed in note 4 to the Statements, the Company's Loans comprised:

(in thousands)	**June 30, 2016**	Dec. 31, 2015	June 30, 2015
Factored receivables	**$ 80,357**	$ 77,249	$ 97,165
Loans to clients	**60,529**	52,524	54,269
Lease receivables	**5,859**	6,134	6,228
Finance receivables and loans	**146,745**	135,907	157,662
Less allowance for losses	**1,630**	1,648	1,944
Finance receivables and loans, net	**$ 145,115**	$ 134,259	$ 155,718

The Company's factored receivables increased by 4% to $80,357,000 at June 30, 2016 compared to $77,249,000 at December 31, 2015 but were 17% lower than the $97,165,000 at June 30, 2015. Loans to clients, which comprise advances against non-receivable assets such as inventory and equipment as well as unsecured working capital loans, rose to $60,529,000 at June 30, 2016, 15% higher than the $52,524,000 at December 31, 2015 and 12% higher than the $54,269,000 at June 30, 2015. Lease receivables, representing ASBF's net investment in equipment leases, declined to $5,859,000 at June 30, 2016. Net of the allowance for losses thereon, Loans increased by 8% to $145,115,000 at June 30, 2016 compared to $134,259,000 at December 31, 2015 but were 7% lower than the $155,718,000 at June 30, 2015. The Company's Loans represent advances made by its asset-based lending subsidiaries, AFIC and AFIU, to approximately 95 clients in a wide variety of industries at June 30, 2016, as well as ASBF's lease receivables, equipment and related loans, and working capital loans, to approximately 530 small business clients. Three clients each comprised over 5% of gross Loans at June 30, 2016, 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 $43 million at June 30, 2016 compared to $70 million at December 31, 2015 and $53 million at June 30, 2015. Managed receivables comprise the receivables of approximately 90 clients at June 30, 2016. The 25 largest clients comprised 78% of non-recourse volume in the first half of 2016. 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 June 30, 2016, the 25 largest customers accounted for 62% of the total managed receivables, of which the largest five comprised 27%. 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 set out above, decreased to $190 million at June 30, 2016 compared to $206 million at December 31, 2015 and $211 million at June 30, 2015.

As described in note 17(a) to the Statements, the Company's business involves funding or assuming the credit risk on the receivables offered to it by its clients, as well as financing other assets such as inventory and equipment. Credit in the Company's asset-based lending, including leasing, and credit protection 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 $1.0 million, the Company's President and the Chairman of its Board. Credit in excess of $2.5 million is approved by the Company's Credit Committee, which comprises three independent members of its Board. The Company monitors and controls its risks and exposures through financial, credit and legal systems and, accordingly, believes that it has procedures in place for evaluating and limiting the credit risks to which it is subject. Credit 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 collectability of its clients' receivables. The clients' customers have varying payment terms depending on the industries in which they operate, although most customers have payment terms of 30 to 60 days from invoice date. ASBF'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, 3.6% were past due more than 60 days at June 30, 2016. 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 that it will lend to any one client, enforcing strict advance rates, disallowing certain types of receivables and applying concentration limits, charging back or making receivables ineligible for lending purposes as they become older, and taking cash collateral in certain cases. The Company will also confirm the validity of the receivables that it purchases. In its asset-based lending, 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 17(a) to the

Statements provides details of the Company's credit exposure by industrial sector.

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 decreased to $1,630,000 at June 30, 2016 compared to $1,648,000 at December 31, 2015. The allowance was 16% lower than the $1,944,000 at June 30, 2015. The allowance for losses on the guarantee of managed receivables increased 11% to $185,000 at June 30, 2016 compared to $166,000 at December 31, 2015 but was lower than the $203,000 at June 30, 2015. This allowance represents the fair value of estimated payments to clients under the Company's guarantees to them. The allowance is included in the total of accounts payable and other liabilities as the Company does not take title to the managed receivables and they are not included on its consolidated statements of financial position. The activity in the allowance for losses accounts for the first six months of 2016 and 2015 is set out in note 4 to the Statements. The estimates of both allowance for losses are judgmental. Management considers them to be reasonable and appropriate.

Cash declined to $5,348,000 at June 30, 2016 compared with $12,440,000 at December 31, 2015 and $8,510,000 at June 30, 2015. The Company endeavors to minimize cash balances as far as possible when it has bank indebtedness outstanding. 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 net realizable value and totalled $1,399,000 at June 30, 2016 compared to $1,544,000 at December 31, 2015 and $1,811,000 last June 30. The assets will be sold as market conditions permit. Please refer to note 5 to the Statements for details of changes in the assets held for sale during the first half of 2016 and 2015. During the first half of 2016, the Company sold certain assets held for sale with a book value of $168,000 resulting in a loss on sale of $59,000. The Company also obtained title to or repossessed certain equipment with an estimated net realizable value of $23,000. During the first half of 2015, the Company sold certain assets held for sale with a book value of $1,157,000 for $1,165,000 resulting in a gain on sale of $8,000. The Company also repossessed certain equipment with an estimated net realizable value of $734,000. The estimated net realizable value of the assets at June 30, 2016 and 2015 and December 31, 2015 was estimated 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. Intangible assets, net of accumulated amortization, totalled $1,241,000 at June 30, 2016 compared to $1,496,000 at December 31, 2015 and $1,784,000 at June 30, 2015. Please refer to note 6 to the Statements.

Goodwill totalled $3,125,000 at June 30, 2016 compared to $3,213,000 at December 31, 2015 and $3,084,000 at June 30, 2015. 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 period-end exchange rate; foreign exchange adjustments usually arise on retranslation. Please refer to note 7 to the Statements.

Income taxes receivable, other assets, deferred tax assets and capital assets at June 30, 2016 and 2015 and December 31, 2015 were not material.

Total liabilities increased by $4,444,000 to $85,938,000 at June 30, 2016 compared to $81,494,000 at December 31, 2015 but were $22,218,000 lower than the $108,156,000 at June 30, 2015. The increase since December 31, 2015 mainly resulted from higher bank indebtedness.

Amounts due to clients decreased by $4,820,000 to $4,582,000 at June 30, 2016 compared to $9,402,000 at December 31, 2015 and were $1,744,000 lower than the $6,326,000 at June 30, 2015. 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 not unusual.

Bank indebtedness increased by $11,974,000 to $66,068,000 at

June 30, 2016 compared with $54,094,000 at December 31, 2015 but was $14,568,000 lower than the $80,636,000 at June 30, 2015. Bank indebtedness increased compared to last December 31 largely to fund the rise in Loans. The Company had approved credit lines with a number of banks totalling $136 million at June 30, 2016 and was in compliance with all loan covenants thereunder in the six months ended June 30, 2016. 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 decreased to $11,629,000 at June 30, 2016 compared to $13,201,000 at December 31, 2015 and $16,623,000 at June 30, 2015. The decrease in notes payable resulted from redemptions, net of new notes issued and accrued interest. Please see Related Party Transactions section below and note 9 to the Statements.

Accounts payable and other liabilities, income taxes payable, deferred income and deferred tax liabilities at June 30, 2016 and 2015 and December 31, 2015 were not material.

Capital stock totalled $6,896,000 at June 30, 2016 and 2015 and December 31, 2015. There were 8,307,713 common shares outstanding at those dates. Please see note 10 to the Statements and the consolidated statements of changes in equity on page 15 of the Company's 2016 Second Quarter Report for details of changes in capital stock in the first half of 2016 and 2015. At the date of this MD&A, July 27, 2016, 8,307,713 common shares were outstanding.

Retained earnings totalled $58,662,000 at June 30, 2016 compared to $57,066,000 at December 31, 2015 and $53,244,000 at June 30, 2015. In the first half of 2016, retained earnings increased by $1,596,000, which comprised net earnings of $3,091,000 less dividends paid of $1,495,000 (18 cents per common share). Please see the consolidated statements of changes in equity on page 15 of the Company's 2016 Second Quarter Report for details of changes in retained earnings during the first half of 2016 and 2015.

The Company's AOCI account solely comprises the cumulative unrealized foreign exchange income arising on the translation of the assets and liabilities of the Company's foreign subsidiaries that report in U.S. dollars. The AOCI balance totalled $6,551,000 at June 30, 2016 compared to $9,043,000 at December 31, 2015 and $5,446,000 at June 30, 2015. Please refer to note 14 to the Statements and the consolidated statements of changes in equity on page 15 of the Company's 2016 Second Quarter Report, which details movements in the AOCI account during the first half of 2016 and 2015. The $2,492,000 decline in the first six months of 2016 resulted from a fall in the value of the U.S. dollar against the Canadian dollar. The U.S. dollar weakened from $1.3840 at December 31, 2015 to $1.2917 at June 30, 2016. This decreased the Canadian dollar equivalent book value of the Company's net investment in its foreign subsidiaries of approximately US$27 million by $2,492,000 in the first half of 2016.

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, principally Loans. These ratios are set out in the table below.

(as a percentage)	**June 30, 2016**	Dec. 31, 2015	June 30, 2015
Debt* / Equity	**108%**	92%	148%
Equity / Assets	**46%**	47%	38%

**bank indebtedness and notes payable*

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 $136 million at June 30, 2016 and had borrowed $66 million against these facilities. Funds generated through operating activities and 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 $5,348,000 at June 30, 2016 compared to $12,440,000 at December 31, 2015. 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.

Cash flow for the six months ended June 30, 2016 compared with six months ended June 30, 2015

Cash inflow from net earnings before changes in operating assets and liabilities and income tax payments totalled $3,842,000 in the first half of 2016 compared to $4,550,000 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 $17,739,000 in the first half of 2016 compared to $11,911,000 last year. The net cash outflow in the current quarter largely resulted from financing Loans of $15,087,000. In the first half of 2015, the net cash outflow principally resulted from financing Loans of $16,330,000. Changes in other operating assets and liabilities are discussed above and are set out in the Company's consolidated statements of cash flows on page 16 of the Company's 2016 Second Quarter Report.

Cash outflows from investing activities totalled $25,000 (2015 – $45,000) in the first half of 2016 and comprised capital assets additions.

Net cash inflow from financing activities totalled $11,377,000 in the first six months of 2016 compared to an inflow of $12,682,000 last year. The net cash inflow in the current six months resulted from an increase in bank indebtedness of $14,442,000. Partially offsetting this inflow were dividend payments of $1,495,000 and notes payables issued, net of $1,570,000. The net cash inflow in the first half of 2015 resulted from an increase in bank indebtedness of $14,280,000. Partially offsetting these inflows were dividend payments of $1,412,000 and notes payable, net, redeemed of 186,000.

The effect of exchange rate changes on cash totalled $704,000 and $681,000 in the first half of 2016 and 2015, respectively.

Overall, there was a net cash outflow of $7,092,000 in the first six months of 2016 compared to an inflow of $1,407,000 in the first half of 2015.

Contractual Obligations and Commitments at June 30, 2016

(in thousands of dollars)	Payments due in: Less than 1 year	1 to 3 years	4 to 5 years	**Total**
Operating lease obligations	$ 372	$ 28	$ —	**$ 400**
Purchase obligations	139	85	—	**224**
	$ 511	$ 113	$ —	**$ 624**

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 those charged by the Company's bank. Notes payable at June 30, 2016 were $11,629,000 compared with $13,201,000 at December 31, 2015 and $16,623,000 at June 30, 2015. Of these notes payable, $10,585,000 (December 31, 2015 – $11,788,000; June 30, 2015 – $15,115,000) was owing to related parties and $1,044,000 (December 31, 2015 – $1,413,000; June 30, 2015 – $1,508,000) to third parties. Interest expense on these notes in the current quarter and first half of 2016 totalled $73,000 (2015 – $109,000) and $150,000 (2015 – $219,000), respectively.

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 or 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 June 30, 2016, the Company had entered into forward foreign exchange contracts with a financial institution which must be exercised by the Company between July 29, 2016 and February 28, 2017 and which oblige the Company to sell Canadian dollars and buy US$3,526,100 at exchange rates ranging from 1.2843 to 1.4050. These contracts were entered into by the Company on behalf of clients and similar forward foreign exchange contracts were entered into between the Company and the clients, whereby the Company will buy Canadian dollars from and sell US$3,526,100 to the clients. These contracts are discussed further in note 13 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 4 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

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal Control over Financial Reporting ("ICFR") is a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at June 30, 2016, management evaluated and concluded on the effective design of the Company's DC&P and ICFR, and determined that there were no material changes to the Company's ICFR during the three months then ended that materially affected, or were reasonably likely to materially affect, the Company's ICFR.

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

Risks and Uncertainties That Could Affect Future Results

Past performance is not a guarantee of future performance, which is subject to substantial risks and uncertainties. Management remains optimistic about the Company's long-term prospects. Factors that may impact the Company's results include, but are not limited to, the factors discussed below. Please refer to note 17 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 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 $190 million at June 30, 2016. Operating results can be adversely affected by large bankruptcies and/or insolvencies. Please refer to note 17(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. This is partially mitigated in its leasing business, where lease receivable 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 17(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 has now recovered to a sizable gain position at June 30, 2016. Please see notes 14 and 17(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.

In the first half of 2016, the Company couldn't quite achieve the record levels of business activity seen in 2015 as net earnings and revenue fell short of 2015's first half for reasons noted above. A large receivables management client left towards the end of 2015 and a number of clients "graduated" to traditional financing in the past several months impacting the Company's funds employed and revenue. However, the Company's pipeline of prospects remains strong and it is anticipated that the Company's asset-based financing units will be able to build their funds employed despite operating in very competitive markets. We opened a new office in Chicago for our U.S. business at the end of June. Named "Accord Business Finance" this new unit will provide factoring facilities for smaller businesses than those served by our South Carolina office. We expect this unit to grow and become an ever-increasing contributor to our earnings. Our credit protection and receivables management business continues to face intense competition from multinational credit insurers and it is expected this will continue. The Company's equipment financing and leasing business continues to expand and is profitable. ASBF has recently launched an internet-based working capital loan product that it hopes will accelerate its growth over the next few years and it is now doing larger equipment deals, which is expected to grow its funds employed. We will remain vigilant in maintaining portfolio quality in the face of an increasingly uncertain global economy. The Company continues to actively seek opportunities to acquire companies or portfolios to grow its business. Overall, the Company is optimistic about its prospects for the remainder of 2016 and looks forward to higher activity for the balance of the year.

With its substantial capital and borrowing capacity, Accord 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
July 27, 2016

ACCORD FINANCIAL
Keeping Business Liquid

www.accordfinancial.com

In Canada

Toronto
(800) 967-0015

Montreal
(800) 231-2977

Vancouver
(844) 982-3010

In the U.S.

(800) 231-2757