IOU FINANCIAL INC.

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

INTRODUCTION

The following management's discussion and analysis ("MD&A") of IOU Financial Inc. ("IOU Financial" or the "Company"), prepared as of May 18, 2022, should be read in conjunction with, and is qualified in its entirety by reference to the condensed consolidated financial statements as at and for the three-month period ended March 31, 2022 and 2021 and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise indicated.

OVERVIEW

IOU Financial Inc. is a wholesale lender that provides quick and easy access to growth capital to small businesses through a network of preferred brokers across the US and Canada. Built on a proprietary technology platform that connects underwriters, merchants and brokers in real time, IOU Financial has become a trusted alternative to banks by underwriting US$1.09 billion in loans to fund small business growth since 2009. To learn more about IOU Financial's corporate history, financial products, or to join our broker network please visit: IOUFinancial.com.

As at March 31, 2022, IOU Financial's customers had been in business an average 11.5 years (based on their incorporation date) at the time of application. These businesses borrowed on average US$87,121 for a weighted average term of 11.9 months and generally used the funds for working capital purposes, to purchase new equipment, invest in an increased workforce, attend to repairs, expand their business, purchase more inventory or increase marketing efforts**.**

IOU Financial finances its lending activities in part by selling primarily all of its commercial loans receivable to institutional purchasers on a non-recourse basis and retaining the servicing rights for these loans in exchange for a service fee.

As a lender, IOU Financial earns revenue from fees it charges to its borrowers, interest payments it receives on loans it has funded, gains on the sale of loans it has sold as well as servicing fees it charges institutional purchasers for servicing the loans. A referral fee is earned on loans that are referred to and funded by other third-party lenders.

IOU Financial's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "IOU". IOU Financial had 66 full-time employees as at March 31, 2022.

CORPORATE HISTORY

IOU Financial is the continuation of Matco Ravary Inc. ("Matco Ravary"), a Company founded in 1977, which specialized for over 40 years in the retailing of home improvement and building materials. On November 1, 2002, Matco Ravary sold its operating assets to a company involved in the same sector, thereby ceasing all operations in the home improvement and building materials retailing sector. On May 14, 2004, substantially all of its issued and paid-up capital was distributed to its shareholders.

On April 29, 2005, Matco Ravary changed its corporate name to MCO Capital Inc. ("MCO"). During the following fiscal years, the main business and objective of MCO was to identify and evaluate businesses and assets with a view to a potential acquisition.

On February 28, 2011, MCO completed a reverse acquisition and acquired all of the issued and outstanding shares of IOU Central Inc. ("IOU Central"), a Canadian corporation incorporated in August 2006. On the same day, MCO also acquired all of the issued and outstanding shares of IOU USA, other than the shares of IOU USA already held by IOU Central. IOU USA was incorporated in Delaware in August 2006. In connection with the completion of the reverse acquisition, MCO effected a share consolidation and changed its name from "MCO Capital Inc." to "IOU Financial Inc."

FORWARD-LOOKING STATEMENTS

Statements made in this MD&A that describe IOU Financial's or management's budgets, estimates, expectations, forecasts, objectives, predictions or projections of the future may be "forward-looking statements". Forward-looking statements are statements, other than statements of historical fact, that address or discuss activities, events or developments that IOU Financial expects or anticipates may occur in the future. The forward-looking statements can be identified by the use of the conditional or forward-looking terminology such as "anticipates", "believes", "estimates", "expects", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon.

IOU Financial cautions that, by their nature, forward-looking statements involve risks and uncertainties. A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements, including but not limited to, risks inherent in growing a business, dependence on third-party service providers, competition, regulatory risk, dependence on key personnel, risks related to rapid growth of the Company, security and confidentiality risk, risk related to inability to attract borrowers and lenders, technological development risk, IT disruptions, cyber risk, maintenance of client relationships, litigation risk, volatility of stock price, geopolitical risk and other factors that are beyond its control. IOU Financial cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties and assumptions that would cause the company's actual results to differ from current expectations, please refer to the section "Risks and Uncertainties" of this MD&A.

The forward-looking statements in this MD&A reflect IOU Financial's views as at the date of this MD&A and are based on certain assumptions including assumptions as to future economic conditions and courses of action, as well as other factors management believes are appropriate in the circumstances. IOU Financial does not undertake any obligation to update publicly or to revise any such forward-looking statements, unless required by applicable legislation or regulation.

NON-IFRS FINANCIAL MEASURES

The Company uses certain non-IFRS financial measures as an alternative method to evaluate performance. These measures include adjusted gross revenue, adjusted net revenue, servicing portfolio yield, adjusted operating expenses, adjusted operating expense ratio, non- recurring gains and losses, adjusted net earnings (loss), adjusted net earnings (loss) per share. These financial measures may not be comparable to similar measures used by other issuers. The definitions for each of the non-IFRS financial measures used as well as reconciliations to an IFRS basis, where applicable, are provided below.

OUTLOOK

In its 2021 Annual Financial Results, IOU Financial demonstrated an ability to execute and deliver in 3 strategic areas: growing loan origination volumes back to pre-pandemic levels, achieving profitability on an annual basis and laying the groundwork for scalable growth in the months and years to come. In the first quarter of 2022, the Company continues building on this momentum on all fronts:

1. **Loan originations increased 135.5% quarter over quarter and reached a record US$59.6 million for Q1 2022, representing an increase of 20.2% over Q4 2021**
   IOU Financial has surpassed its 2021 goal and is now growing loan originations well beyond "pre-pandemic levels". While the growth in loan origination volumes was driven by an increased market demand for funding, it should be noted that a significant portion of loan originations was enabled by the Company's successful transition from a balance sheet strategy (under which the Company traditionally funded loans to its balance sheet) to a marketplace strategy under which new loan originations are primarily being sold to institutional purchasers. Combined with an increased emphasis on growing brand awareness in the industry, this has allowed the Company to continue to grow originations in the quarter untethered to the equity requirements that a balance sheet strategy places on capacity to originate loans.

2. **The Company posted net earnings, on an IFRS basis, of $1.1 million in Q1 2022 compared to a net loss of $0.1 million in Q1 2021 and vs net earnings of $0.7 million in Q4 2021.**
   The success of the Company's transition to a marketplace strategy is reflected in an increase in servicing and fee revenue of 133.0% to $3.9 million quarter over quarter as well as an increase of 22.6% ($0.7 million) over Q4 2021. This was driven by an increase in loans under management, on a sequential basis, of 17.7% over Q4 2021 to $140.6 million as a result of an increase of 18.8% in the servicing portfolio Servicing and fee revenue can be broken down as follows:
   - Servicing fees earned on the servicing portfolio increased $1.3 million or 125.6% over Q1 2021 (and increased 31.4% over Q4 2021). The average servicing portfolio increased by 113.7% quarter over quarter (and increased 18.1% over Q4 2021).
   - Referral fee revenue earned by IOU's retail distribution operation (ZING Funding) increased to $0.5 million in Q1 2022 from $0.1 million in Q1 2021 as it facilitated approximately US$6.0 million in loan origination volume in Q1 2022, representing an increase of 220.4% over Q1 2021 (US$2.8 million). On a sequential basis, referral fee revenue increased 25.8% over Q4 2021.
   - Administrative and other fees earned on the servicing portfolio increased $0.1 million to $0.2 million in Q1 2022 over Q1 2021.
   - Accelerated recognition of transaction costs on loans sold. This represents income earned on loans after taking into consideration loan origination sales costs. This income category increased by $0.5 million or 140.7% quarter over quarter as loan origination volume increased 135.5% in the same period. On a sequential basis, this income category increased 29.8% over Q4 2021 as loan origination volume increased 20.2% in Q1 2022 vs Q4 2021.

   The Company expects servicing and fee revenue to continue to increase along with an increase in loans under management as loan origination volumes grow.

3. **Laying the groundwork for scalable growth:**
   The Company's successful transition to a marketplace strategy enabled the Company to capture more growth opportunities in the first quarter of 2022 as well as to liberate resources to invest in the further reduction of corporate debt through the repurchase of an additional $1.2 million in convertible debentures in Q1 2022 and an additional repurchase of $0.2 million through to May 18, 2022 as well as to continue to invest in its Post-Pandemic Growth Plan (PPGP) first announced as part of its Q1 2021 Financial Results. Under the PPGP, the Company continues to advance 3 areas of strategic focus:

   - **Technology innovation:** The Company continues to invest in developing its proprietary IOU360 platform to better support brokers, merchants, investors and internal stakeholders, all designed to support greater efficiencies and the long-term scalability of the business.
   - **Product expansion:** The Company is committed to continue introducing innovative loan products to meet the needs of more small business owners as well as to achieve further differentiation in the market. The Company launched its first new lending product, the IOU Financial Cash-Back Loan, in August 2021 and the IOU Financial 24-Month Loan in November 2021. Additional product innovations are planned and will be enabled by further development of the IOU360 platform in 2022.

- **Product distribution:** The Company continues to expand its wholesale (IOU Financial) and retail (ZING Funding) distribution strategies to maximize its exposure to the economic recovery through both channels.

IOU Financial's strong Q1 2022 growth in loan originations and progress towards its strategic goals demonstrate the Company's continuing ability to leverage its marketplace strategy and make strategic investments to support scalable growth and create value for all stakeholders.

For all of 2022, the Company is targeting loan originations in the range of US$220M to US$260M while continuing to invest in growth and scalability.

OVERALL PERFORMANCE AND SELECTED FINANCIAL INFORMATION

The following table summarizes key financial data for each of the respective periods. The financial information presented below has been presented in Canadian dollars (except where otherwise noted) and has been prepared in accordance with International Financial Reporting Standards (IFRS).

Summarized Financial Data

For the period ended March 31	**2022**	2021
	$	$
Loan originations ($US)	**59,564,614**	25,296,651
Principal balance of loan portfolio	**1,775,556**	8,638,875
Principal balance of servicing portfolio	**138,846,235**	63,825,000
Total loans under management	**140,621,791**	72,463,875
Adjusted gross revenue [(1)]	**3,936,558**	2,265,992
Interest expense	**238,834**	324,432
Net recovery of loan losses	**(261,404)**	(42,200)
Adjusted operating expenses [(2)]	**3,466,133**	2,421,476
Adjusted net earnings (loss) [(3)]	**492,995**	(437,716)
Adjusted net earnings (loss) per share	**0.00**	(0.00)
Net earnings (loss)	**1,117,404**	(79,464)
Net earnings (loss) per share	**0.01**	(0.00)
Total assets	**27,667,803**	24,770,319
Total liabilities	**11,342,269**	12,900,098

(1) Adjusted gross revenue is a non-IFRS measure and is defined as gross revenue prepared in accordance with IFRS for the period, plus amortization of servicing assets less gain on sale of loans. The Company uses adjusted gross revenue as another measure of financial performance. Specifically, it eliminates the non-cash gain on sale of loans and the non-cash amortization of servicing assets which influence operating results depending on the timing and amount of the loan sales.

(2) Adjusted operating expenses is a non-IFRS measure and is defined as total operating expenses prepared in accordance with IFRS for the period less: non-cash stock-based compensation which is given at different times and prices, and non-recurring costs, plus non-recurring gains which affects operating results only periodically. The Company uses adjusted operating expenses as another measure of financial performance.

(3) Adjusted net earnings (loss) is a non-IFRS measure and is defined as net earnings (loss) for the period prepared in accordance with IFRS less: gain on sale of loans and non-recurring gains, plus: amortization of servicing assets, stock-based compensation and non-recurring costs.

Financial Highlights

The Company continues to focus on its marketplace strategy allowing it to accelerate loan origination growth. This strategy has the impact of placing more emphasis on servicing and fee revenue over interest revenue and cost of revenue associated with holding loans as part of a loan portfolio. Interest revenue decreased as the principal loan portfolio balance continues to wind down while servicing and fee revenue increased consistent with the increase in loan origination volume as well as the increase in the servicing portfolio.

Due to the wind down of the loan portfolio, there is no interest expense associated with the financing credit facilities in 2022 as IOU's two financing credit facilities were terminated in December 2020 and October 2021, respectively. Interest expense has decreased in 2022 as the Company was able to use its financial resources to repurchase approximately $4.9 million its convertible debentures in 2021 and 2022.

In addition, the marketplace strategy will render the provision for loan losses less significant as it relates to loans held on the balance sheet. IOU will continue to focus on cash collections on the remaining loan portfolio which may give rise to reversals in the net provision for loan losses and recoveries of loans previously written off.

For the three-month period ended March 31, 2022, the Company funded US$59.6 million in loans (2021: US $25.3 million), representing an increase of 135.5% over the same period last year. The increase in loan origination volumes in 2022 was driven by market demand for funding and was enabled by the Company's successful transition from a loan portfolio strategy to a marketplace strategy.

Commencing Q2 2020, IOU USA spun out its former retail channel into a wholly owned subsidiary, ZING Funding I, LLC ("ZING Funding"). ZING Funding is engaged in the commercial lending brokerage business where borrowers are sourced directly and referred either to a third-party lending platform or to its parent, IOU USA. A commission is earned on loans that are referred to and funded by IOU USA or third-party lenders. ZING Funding intends to grow through investments in direct marketing and sales.

In Q1 2022, ZING Funding facilitated loan originations of approximately US$6.0 million (of which approximately US$4.9 million was originated by its parent, IOU USA). This compares to approximately US$2.8 million in 2020 (of which approximately US$1.4 million was originated by IOU USA).

Total loans under management increased 94.1% in the period ended March 31, 2022 ($140.6 million) over the same period in 2021 ($72.5 million) due to record loan origination volume in 2021 and in Q1 2022. The principal balance of the loan portfolio amounted to $1.8 million at the end of March 2022 (2021: $8.6 million), representing a decrease of 79.4% year over year. The principal balance of IOU Financial's servicing portfolio (loans being serviced on behalf of institutional purchasers) amounted to $138.8 million at the end of March 2022 (2021: $63.8 million), representing an increase of 117.5% year over year due to the Company having sold the vast majority of its loan originations in 2021 and 2022 to its base of institutional buyers.

Overall, the Company's originate to sell model had the following financial impacts in Q1 2022 as compared to Q1 2021:

- Adjusted gross revenue increased to $3.9 million (2021: $2.3 million), representing an increase of 73.7% for the three-month period ended March 31, 2022 compared to the same period in 2021.
- Interest revenue decreased 94.0% in Q1 2022 from $0.6 million in Q1 2021. The principal balance of the loan portfolio decreased 79.4% to $1.8 million in Q1 2022 from $8.6 million in Q1 2021.
- Servicing and fee revenue increased 133.0% to $3.9 million quarter over quarter.
- Interest expense during the three-month ended March 31, 2022 decreased 26.4% to $0.2 million (2021: $0.3 million). The decrease is primarily attributable to the repurchase of $3.7 million of convertible debentures in 2021 and additional repurchase of $1.2 million in Q1 2022.
- The net recovery of loan losses during the three-month ended March 31, 2022 amounted to $(0.3) million (2021: $(0.0) million). Due to better than anticipated collection on loans for which IOU recorded a net provision for loan losses in prior periods, the Company continues to benefit from reversals in the net recovery of loan losses.

Adjusted operating expenses increased 43.1% to $3.5 million for the first quarter of 2022 compared to $2.4 million for the same period in 2021 mainly due to an increase in wages and salaries and data and IT costs as the Company continues to support the future growth in loan originations by investing in innovation and resources as part of its 2021 Post-Pandemic Growth Plan (PPGP).

IOU closed on its first quarter ended March 31, 2022 with an adjusted net earnings of $0.5 million compared to adjusted net loss of $(0.4) million for the same period last year.

IOU closed on its first quarter ended March 31, 2022 with IFRS net earnings of $1.1 million, or $0.01 per share, compared to IFRS net loss of $(0.1) million or $(0.00) per share for the same period in 2021.

ADJUSTED AND IFRS NET EARNINGS (LOSS) FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

The following table presents IOU Financial's adjusted and IFRS net earnings (loss) for the three-month ended March 31, 2022 and 2021. The financial information is presented in Canadian dollars (except where otherwise noted) and was prepared in accordance with IFRS.

Adjusted and IFRS net earnings (loss)

For the three-month period ended March 31	**2022** **$**	2021 $
Interest revenue	**35,777**	591,612
Servicing & fee revenue	**3,900,781**	1,674,380
Adjusted Gross Revenue	**3,936,558**	2,265,992
Interest expense	**238,834**	324,432
Net recovery of loan losses	**(261,404)**	(42,200)
Cost of Revenue	**(22,570)**	282,232
Adjusted Net Revenue	**3,959,128**	1,983,760
Adjusted operating expense	**3,466,133**	2,421,476
Adjusted Net Earnings (Loss)	**492,995**	(437,716)
Adjusted Net Earnings (Loss) per Share	**0.00**	(0.00)
Adjusted Net Earnings (Loss)	**492,995**	(437,716)
Non-cash gain on sales of loans	**2,403,838**	1,102,681
Non-cash amortization of servicing asset	**(1,695,792)**	(723,998)
Non-cash stock-based compensation	**(24,597)**	(20,431)
Non-recurring cost-net	**(59,040)**	-
Net Earnings (Loss) per IFRS	**1,117,404**	(79,464)
Net Earnings (Loss) per Share	**0.01**	(0.00)

Adjusted Gross Revenue.

Adjusted gross revenue is a non-IFRS measure and is defined as gross revenue prepared in accordance with IFRS, plus amortization of servicing assets less gain on sale of loans. The Company uses adjusted gross revenue as another measure of financial performance. Specifically, it eliminates the non-cash gain on sale of loans and the non-cash amortization of servicing assets which influence operating results depending on the timing and amount of the loan sales.

The following table summarizes revenues by category.

Adjusted Gross Revenue

For the period ended March 31	**2022** **$**	2021 $
Gross Revenue		
Interest revenue	**35,777**	591,612
Servicing fees	**2,419,477**	1,072,420
Referral fee revenue	**460,531**	143,716
Administrative and other fees	**237,965**	133,059
Accelerated recognition of transaction costs on loans sold	**782,808**	325,185
Non-cash amortization of servicing assets	**(1,695,792)**	(723,998)
Non-cash gain on sale of loans	**2,403,838**	1,102,681
Gross Revenue	**4,644,604**	2,644,675
Non-cash amortization of servicing assets	**1,695,792**	723,998
Non-cash gain on sale of loans	**(2,403,838)**	(1,102,681)
Adjusted Gross Revenue	**3,936,558**	2,265,992
Ratios		
Servicing Portfolio Yield [(1)]	**7.6%**	7.2%

[(1)] Servicing Portfolio Yield is a non-IFRS measure and is calculated as follows: servicing fees divided by the average servicing portfolio for the period presented on an annualized basis. The ratios are calculated on a two-point basis, using December, and period end balances, presented on an annualized basis.

Overall, the impacts to revenue as a result of IOU's transition to an originate to sell model are as follows:

Adjusted gross revenue increased to $3.9 million (2021: $2.3 million), representing an increase of 73.7% for the three-month period ended March 31, 2022 compared to the same period in 2021.

Interest revenue decreased 94.0% in Q1 2022 from $0.6 million in Q1 2021. The principal balance of the loan portfolio decreased 79.4% to $1.8 million in Q1 2022 from $8.6 million in Q1 2021.

Servicing and fee revenue increased 133.0% to $3.9 million quarter over quarter as well as an increase of 22.6% ($0.7 million) over Q4 2021. More specifically, servicing and fee revenue growth quarter over quarter is attributable to the following:

- Servicing fees earned on the servicing portfolio increased $1.3 million or 125.6% over Q1 2021 (and increased 31.4% over Q4 2021). The average servicing portfolio increased by 113.7% quarter over quarter (and increased 18.1% over Q4 2021).

- Referral fee revenue earned by IOU's retail distribution operation (ZING Funding) increased to $0.5 million in Q1 2022 from $0.1 million in Q1 2021 as it facilitated approximately US$6.0 million in loan origination volume in Q1 2022, representing an increase of 220.4% over Q1 2021 (US$2.8 million). On a sequential basis, referral fee revenue increased 25.8% over Q4 2021.
- Administrative and other fees earned on the servicing portfolio increased $0.1 million to $0.2 million in Q1 2022 over Q1 2021.
- Accelerated recognition of transaction costs on loans sold. This represents income earned on loans after taking into consideration loan origination sales costs. This income category increased by $0.5 million or 140.7% quarter over quarter as loan origination volume increased 135.5% in the same period. On a sequential basis, this income category increased 29.8% over Q4 2021 as loan origination volume increased 20.2% in Q1 2022 vs Q4 2021.

Gross revenue increased to $4.6 million for the three-month period ended March 31, 2022 (2021: $2.6 million), representing an increase of 75.6% over 2021.

As per the debt assignment agreements, the Company retains the servicing rights (payment collections) to the loans it has sold, and the institutional purchasers agree to be charged a servicing fee over the term of the loans. Under IFRS, the Company recognizes a non-cash gain on sale along with servicing assets that are amortized to the consolidated statements of comprehensive income over the term of the assignment agreements. The Company recognizes a non-cash gain on sale of loans and related servicing asset since the actual expected cash flows to be received are higher than the fair value of providing such services.

Cost of revenue

Cost of revenue consists primarily of interest costs incurred in connection with the financing of its lending activities and net recovery of loan losses. The following table summarizes cost of revenue by category.

	Cost of Revenue	
For the period ended March 31	**2022**	2021
	$	$
Cost of revenue		
Interest expense	**238,834**	324,432
Net recovery of loan losses	**(261,404)**	(42,200)
Cost of Revenue	**(22,570)**	282,232

The cost of revenue for the three-month ended March 31, 2022 decreased from $0.3 million in 2021 to $(0.0) million in 2022. The decrease is primarily due a decrease in interest expense and an increase in net recovery of loan losses highlighted below.

Interest expense during the three-month ended March 31, 2022 decreased 26.4% to $0.2 million (2021: $0.3 million). The decrease is primarily attributable to the repurchase of $3.7 million of convertible debentures in 2021 and additional repurchase of $1.2 million in Q1 2022.

The net recovery of loan losses during the three-month ended March 31, 2022 amounted to $(0.3) million (2021: $(0.0) million). Due to better than anticipated collection on loans for which IOU recorded a net provision for loan losses in prior periods, the Company continues to benefit from reversals in the net recovery of loan losses.

Adjusted Operating Expenses

Adjusted operating expenses is a non-IFRS measure and is defined as total operating expenses prepared in accordance with IFRS for the year, less: non-cash stock-based compensation, which is given at different times and prices, non-recurring costs, plus non-recurring gains which affects operating results only periodically. The Company uses adjusted operating expenses as another measure of financial performance as it eliminates items that do not occur in the normal course of operations. Operating expenses consist of day- to- day operating expenses such as wages and salaries, professional fees, including consulting services, legal, audit and accounting fees, data services and IT costs.

Adjusted Operating Expenses

For the period ended March 31	2022 $	2021 $
Operating Expenses	**3,549,770**	2,441,907
Stock Based Compensation	**(24,597)**	(20,431)
Non-Recurring Cost-net [(2)]	**(59,040)**	-
Adjusted Operating Expenses	**3,466,133**	2,421,476
Ratio		
Adjusted Operating Expense Ratio [(1)]	**10.7%**	13.7%

[(1)] The Adjusted Operating Expense Ratio is a non-IFRS measure and is calculated as follows: adjusted operating expenses divided by the average loans under management for the period, presented on an annualized basis. The ratios are calculated on a two-point basis, using December and period end balances, presented on an annualized basis.
[(2)] Non-Recurring Cost-net is a non-IFRS measure and refers to adjustments to remove the impacts on operating expenses which are not incurred in the normal course of business and can fluctuate at different times and at various amounts.

Adjusted operating expenses increased 43.1% to $3.5 million for the first quarter of 2022 compared to $2.4 million for the same period in 2021 mainly due to an increase in wages and salaries and data and IT costs as the Company continues to support the future growth in loan originations by investing in innovation and resources as part of its 2021 Post-Pandemic Growth Plan (PPGP).

The Adjusted Operating Expense Ratio, which is a measure of the Company's operating efficiency, decreased from 13.7% in Q1 2021 to 10.7% in Q1 2022 as average loans under management increased 83.5% (Q1 2022 vs. Q1 2021), outpacing a 43.1% growth in operating expenses (on an adjusted basis).

Adjusted operating expenses increased by $1.1 million to $3.5 million for the three-month period ending in March 31, 2022 compared to $2.4 million in the same period in 2021. This increase can be primarily attributed to the following:

- an increase of $0.7 million in wages and salaries as a result of an increase in the number of full-time employees to support loan origination growth.
- an increase of $0.2 million in data services and IT costs as a result of an increase in data costs due to an increase in loan application volume compared to 2021 and costs incurred to support the IOU360 technology platform.
- an increase of $0.1 million in advertising and promotion.
- an increase of $0.1 million in professional fees.

Operating expenses increased by $1.1 million to $3.5 million for the first quarter of 2022 compared to $2.4 million for the same period in 2021 mainly attributable to the $1.1 million increase in adjusted operating expenses noted above in Q1 2022 compared to Q1 2021.

Adjusted Net Earnings (loss)

Adjusted earnings (loss) is a non-IFRS measure and is defined as net earnings for the period prepared in accordance with IFRS less: non-cash gain on sale of loans and non-recurring gains, plus: non-cash amortization of servicing assets, stock-based compensation and non-recurring costs. The Company uses adjusted net earnings (loss) as another measure of financial performance.

Adjusted Net Earnings (loss)

For the period ended March 31	**2022**	2021
	$	$
Net Earnings (Loss)	**1,117,404**	(79,464)
Non-Cash Gain on Sale of Loans	**(2,403,838)**	(1,102,681)
Non-Cash Amortization of Servicing Assets	**1,695,792**	723,998
Stock-Based Compensation	**24,597**	20,431
Non-Recurring Cost-net	**59,040**	-
Adjusted Net Earnings (Loss)[(1)]	**492,995**	(437,716)

[(1)] Adjusted net earnings (loss) is a non-IFRS measure and is defined as net earnings (loss) for the period prepared in accordance with IFRS less: non-cash gain on sale of loans and non-recurring gains, plus: non-cash amortization of servicing assets, stock-based compensation and non-recurring costs.

IOU closed on its first quarter ended March 31, 2022 with an adjusted net earnings of $0.5 million compared to adjusted net loss of $(0.4) million for the same period last year.

IOU closed on its first quarter ended March 31, 2022 with IFRS net earnings of $1.1 million, or $0.01 per share, compared to IFRS net loss of $(0.1) million or $(0.00) per share for the same period in 2021.

CONSOLIDATED FINANCIAL POSITION

The following table presents IOU Financial's consolidated statement of financial position as at March 31, 2022 and December 31, 2021. The financial information is presented in Canadian dollars (except where noted) and was prepared in accordance with IFRS.

Condensed Consolidated Statement of Financial Position

	As at March 31, 2022	As at December 31, 2021
	$	$
Assets		
Commercial loans receivable	**3,254,444**	7,577,341
Allowance for expected credit losses	**(431,831)**	(788,060)
Commercial loans receivable – net	**2,822,613**	6,789,281
Non-portfolio assets	**24,845,190**	19,774,455
Total assets	**27,667,803**	26,563,736
Liabilities		
Convertible debentures – liability component	**6,504,460**	7,619,634
Other liabilities	**4,837,809**	3,438,544
Total liabilities	**11,342,269**	11,058,178
Shareholders' equity	**16,325,534**	15,505,558

Total Assets

Total assets increased by $1.1 million (4.2%) from $26.6 million at December 31, 2021 to $27.7 million at March 31, 2022. This increase is mainly attributable to an increase of $5.1 million in non-portfolio assets due mainly to an increase in cash of $5.0 million offset by a decrease of $4.0 million in commercial loans receivable-net.

Total Liabilities

Total liabilities increased by $0.2 million (2.1%) from $11.1 million at December 31, 2021 to $11.3 million at March 31, 2022. The increase is mainly due to an increase of $1.4 million in other liabilities and offset by a decrease in convertible debentures of $1.2 million.

Shareholders' Equity

Shareholders' Equity increased by $0.8 million (5.3%) from $15.5 million at December 31, 2021 to $16.3 million at March 31, 2022. This increase is mainly attributable to current period comprehensive income ($0.8 million).

LIQUIDITY AND CAPITAL RESOURCES

IOU Financial's primary sources of liquidity and capital resources are cash-on-hand, cash provided by operations and cash provided by financing through the issuance of equity and/or debt securities as well as the sale of loans.

IOU's corporate cash position increased from $7.3 million at December 31, 2021 to $12.3 million at March 31, 2022.

Flow of funds

The following table presents a summary of cash flows for the years ended March 31, 2022 and 2021.

Consolidated Statement of Cash Flows

For the three-month period ended March 31	**2022 $**	2021 $
Cash generated in operating activities	**5,620,978**	1,001,926
Cash generated in investing activities	**851,264**	150,446
Cash (used) generated in financing activities	**(1,282,961)**	520,185
Increase in cash	**5,189,281**	1,672,557
Exchange rate loss on cash	**(165,448)**	(115,219)
Net increase in cash	**5,023,833**	1,557,338

Cash generated in operating activities

The $4.6 million increase in cash generated in operating activities for the three-month period ended March 31, 2022, compared to the same period in 2021, was primarily related to an increase of $48.3 million in the cash inflow from the sale of commercial loans (2022: $78.8 million compared to 2021: $30.5 million) and offset by an increase of $44.0 million in the cash outflow from the net change in non-cash working capital items (2022: $73.1 million compared to 2021: $29.1 million).

Cash used in investing activities

The $0.8 million increase in cash generated by investing activities for the three-month period ended March 31, 2022, compared to the same period in 2021, is primarily due to an increase of cash inflow of $0.9 million as a result of reductions in restricted cash ($1.0 million in 2022 compared to $0.2 million in 2021) and offset by an increase in additions to intangible assets of $0.1 million.

Cash generated from financing activities

The $1.8 million increase in cash used in financing activities for three-month period ended March 31, 2022, compared to the same period in 2021, is primarily due to the redemption of convertible debentures ($1.2 million in 2022 vs $0 in 2021) and offset by proceeds of $0.6 million from the financing credit facilities in 2021 vs $0 in 2022

SUMMARY OF QUARTERLY RESULTS

Quarterly Results

For the quarters ended	Mar 31/22 $	Dec 31/21 $	Sept 30/21 $	Jun 30/21 $
Gross revenue	4,644,604	3,098,178	4,421,079	2,754,135
Net revenue	4,667,174	2,826,606	4,586,301	2,789,588
Net earnings	1,117,404	690,507	3,100,271	10,754
Net earnings per share	0.01	0.01	0.03	0.00

For the quarters ended	Mar 31/21 $	Dec 31/20 $	Sept 30/20 $	Jun 30/20 $
Gross revenue	2,644,675	2,427,139	3,821,597	4,392,762
Net revenue (loss)	2,362,443	2,925,855	4,069,970	(1,222,449)
Net (loss) earnings	(79,464)	703,292	1,698,588	(3,079,747)
Net (loss) earnings per share	(0.00)	0.01	0.02	(0.04)

OFF-BALANCE SHEET ARRANGEMENTS

IOU Financial does not engage in any off-balance sheet financing activities. IOU Financial does not have any interest in non-consolidated entities referred to as variable interest entities, which include special purpose entities and other structured finance entities.

PROPOSED TRANSACTIONS

There were no proposed transactions as at the date of the Company's financial statements.

TRANSACTIONS BETWEEN RELATED PARTIES

i) The Company rents its Canadian office space from Palos Management Inc ("PMI"). PMI which is indirectly owned by The Marleau Capital Corporation ("MCC"). Philippe Marleau, a director of the Company, holds a significant number of shares of MCC which has significant influence over the Company. The terms of this lease are similar to those that would have been present for an arm's-length transaction. The amount of $42,538 is expensed as rental expense for the period (2021: rent expense of $41,733). That amount does not include the amortization of right-of-use assets and the interest on the lease liabilities. Future non-cancellable lease liabilities under this agreement amount to $1,608,681.

ii) The Company sells loans to funds managed by NB Specialty Finance Fund LP who has significant influence over the Company. For the three-month period ended March 31, 2022, the Company sold loans in the amount of US$35.8 million (2021: US$7.8 million) and earned service fees of $1.2 million (2021: $188,060) and recorded service fees and purchase price receivables in the amount of $4.8 million as at March 31, 2022 (2021: $938,087).

iii) Key Management Compensation

Key management includes directors (executive and non-executive), the Chief Operating Officer and the Chief Financial Officer who is also the Company Secretary. The compensation paid or payable to key management for employee services for periods ended March 31, 2022 and 2021 is shown below:

Key Management Compensation

For the period ended March 31	**Three-Month 2022**	2021
Salaries and other short-term employee benefits	**190,373**	188,004
Share-based payments	**16,383**	13,757
	206,756	201,761

LOANS UNDER MANAGEMENT

IOU Financial maintains a geographically and industry diversified loans under management which reduces the risk of loss arising from adverse regional or industrial economic conditions to IOU Financial and its base of institutional loan buyers.

The following tables present the portfolio by geography and industry as at March 31, 2022.

Industry Category	Portfolio %
Specialty trade contractors and home building renovation	20%
Other store or online retailers and wholesalers	8%
Other professional services	8%
Manufacturing	5%
Medical services	5%
Automotive garage	3%
Other	51%
Total	100%

State	Portfolio %
Texas	14%
California	12%
Florida	10%
Georgia	6%
New York	5%
Ohio	5%
New Jersey	4%
Pennsylvania	4%
Virginia	3%
Arizona	3%
Other US states	34%
Total	100%

OUTSTANDING SHARE DATA

The following table presents IOU Financial's outstanding share data as at May 18, 2022

Outstanding Share data

Ordinary shares issued and outstanding:	**Number of shares issued**
December 31, 2021	104,990,596
Shares issued between January 1, 2022 and March 31, 2022	-
Shares cancelled between January 1, 2022 and March 31, 2022	-
Shares outstanding on May 18, 2022	**104,990,596**
Options issued and outstanding:	**Number of Options issued**
December 31, 2021	9,375,000
Options granted between January 1, 2022 and March 31, 2022	55,000
Options forfeited between January 1, 2022 and March 31, 2022	(61,667)
Options granted after March 31, 2022	-
Options forfeited after March 31, 2022	(15,000)
Options outstanding on May 18, 2022	**9,353,333**

The Company granted, on February 1, 2022, options entitling a director to acquire up to an aggregate of 55,000 Common Shares of the Corporation ("Shares") at an exercise price of $0.2005. These options have a term of five years from the date of grant with one-third (1/3) vesting immediately and one-third (1/3) which will vest on each of the first and second anniversaries of the date of grant.

EVENT AFTER THE REPORTING DATE

The Company repurchased approximately $0.2 million of its convertible debentures in the capital of the Company (the "Debentures") at par. Such transactions were carried out pursuant to repurchase agreements entered into with individual holders of Debentures. As of May 18, 2022, the outstanding principal value of Debentures approximates $6.6 million and mature December 31, 2023.

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

1. Valuation of commercial loans
   Management exercises judgment to determine the expected credit losses (ECL) based on all available reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions. At the end of each reporting period, the Company applies a three-stage forward looking impairment approach to measure the expected credit losses (ECL) on its Originated to hold (OTH) loans. The stages are based on the change in the credit quality of the OTH loan since initial recognition. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. Further details on the estimates used to determine any allowance for impaired commercial loans are provided in the accounting policy of the consolidated Financial Statement "Impairment of OTH loans".

2. Servicing assets

The initial recognition of servicing assets requires the Company to make estimates of the fair value of the service to be provided which is based on market expectations at the time of the loan sale and may vary from the actual cash flows serviced.

3. Deferred Tax

Deferred tax assets and liabilities recognition involves making a series of assumptions. For instance, the Company must estimate the timing of the reversal of temporary differences or if it is probable that temporary differences will not reverse in the foreseeable future or the tax rates expected to apply to the period when the asset is realized or the liability is settled.

With respect to deferred tax assets, their realization ultimately depends on taxable profits being available in the future. Deferred tax assets should be recognized when it is probable that taxable profits will be available against which the deferred tax asset can be utilized, and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

CURRENT CHANGES IN ACCOUNTING POLICIES

The Company has not adopted any other new or amended standards and interpretations that became effective on January 1, 2022.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of cash, commercial loans receivable, servicing fees receivable, other receivables, financing credit facilities, accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of these items.

The majority of commercial loan receivables are due from customers in the United States. The maximum credit risk associated with the company's financial assets is the carrying value of those assets.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposure with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The Company does not use derivative financial instruments to reduce its foreign exchange exposure. Fluctuations in foreign exchange rates could cause unanticipated fluctuations in the Company's operating results.

Based on the Company's foreign currency exposure noted above, varying the above foreign exchange rates to reflect a 10% strengthening of the Canadian dollar would have reduced the net earnings by approximately $2 million (2021: increased the net loss by $1.8 million), assuming that all other variables remained constant. An assumed 10% weakening of the Canadian dollar would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Liquidity risk

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

The Company manages liquidity risk through the management of its capital structure. The Company has been financed mainly through equity and debt offerings, commercial loan sales and the use of its financing credit facilities.

With respect to commercial loan sales, the Company, commencing October 2020, has an agreement with an investor to sell interests in certain of its commercial loans receivable of up to US$150 million per year. For Q1 2022, US$35.8 million (Q1 2021- US$7.8 million) of certain commercial loans receivable were sold to the investor pursuant to the agreement.

With respect to the financing credit facilities, it is noted that save for the amortization period during the last year of the committed term, they were in the form of revolving credit facilities for which the availability was determined by the collateral value of the loans pledged thereunder.

Credit risk

Credit risk is managed on a Company basis and results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures from resulting in actual loss.

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit risk history of each customer. These policies cover the approval of credit applications, attribution of risk ratings,

management of impaired loans, establishment of provisions and risk-based pricing. The Company's maximum credit risk is the carrying value of the cash, restricted cash, commercial loans receivable and other receivables. The allowance for loan losses is maintained at a level considered sufficient to cover all potential losses.

In addition, financial instruments that potentially subject the Company to significant concentrations of credit risk consist of deposits in the form of cash and restricted cash. The Company invests with major North American financial institutions. The Company has investment policies that are designed to provide for the safety and preservation of principal, the Company's liquidity needs and appropriate yields. The Company has no exposure to any asset-backed securities.

Interest rate risk

The Company is subject to interest rate risk on its cash, restricted cash and financing credit facilities. Since the financing credit facilities were repaid in full in 2020 and in 2021, the Company is not significantly affected by interest rate risk.

None of the Company's current commercial lending is based on variable interest rates. The Company is also exposed to changes in the value of a loan when that loan's interest rate is at a rate other than current market rate. The Company mitigates this risk by lending for short terms, with terms at the inception of the loan generally varying from six to eighteen months for OTH loans.

Interest revenue presented in the consolidated statement of comprehensive income (loss) represents interest revenue on financial assets that are classified as loans and receivables.

RISKS AND UNCERTAINTIES

In addition to the risks mentioned above, IOU Financial is subject to a number of risks and uncertainties in carrying out its activities.

COVID-19

There continues to be general economic risk associated with COVID-19 since the onset of the pandemic in 2020 and the full impact of the crisis remains unknown. COVID-19 has resulted in a material adverse effect on IOU Financial's business, operating results, financial condition and liquidity. In 2020, governmental requirements or recommendations for "non-essential" businesses to temporarily close or severely limit their operations have impacted many small businesses that are or could have been IOU Financial's clients. Reduced customer demand has also hurt many of those small businesses. It is possible that these conditions that had existed in 2020, 2021 and 2022 could return and may adversely impact such businesses who may or may not be able to continue to operate after an extended period. The ultimate depth, duration and impact of this crisis are unknown, which creates material uncertainty for IOU Financial Inc.

IOU Financial is Subject to the Risks Inherent in Growing a Business.

IOU Financial's operations are subject to the general risks inherent in growing a business, including, among others, hiring and retaining experienced and qualified employees. If IOU Financial cannot hire or retain qualified employees, or cannot effectively implement its business planned strategy, it will be hampered in its ability to grow its current market and to develop new markets, which would in turn have an adverse effect on its financial performance. Even if IOU Financial successfully implements its planned strategy, it may not achieve the favorable impact on its operations that it anticipates.

Compliance with debt covenants

Since the 2016 and 2019 financing credit facilities have been terminated, no financial covenants are applicable at March 31, 2022.

Dependence on Third Party Service Providers

IOU Financial's service to its clients depends, in part, on its ability to attract and retain the services that are provided to it, by third party service providers. If some or all of IOU Financial's current third-party service providers were to interrupt or cancel their current services to IOU Financial, the company might be forced to curtail or cease its operations.

Competition

IOU Financial operates in an increasingly competitive environment. Both large and small competitors compete with IOU Financial. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than IOU Financial. IOU Financial believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can be no assurance that IOU Financial will be able to compete effectively and retain its existing clients or attract and retain new clients. IOU Financial's current and potential competitors may develop and market new products or services that render IOU Financial's existing and future products and services less marketable or competitive.

Regulatory Risk

IOU Financial is subject to strict regulatory and licensing compliance standards, non-conformity with which may expose IOU Financial to adverse consequences. IOU Financial's business is dependent to a large extent on its ability to remain in good standing with all regulators. Some of these regulators impose minimum working capital or net equity requirements, amongst other, which in certain cases and under certain circumstances, IOU Financial may not be able to satisfy. Under such cases, the Company may not be able to operate its regular business until all such financial or regulatory requirements have been satisfied.

Dependence on Key Personnel

IOU Financial's future depends, in part, on its ability to attract and retain key personnel. IOU Financial's future also depends on the continued contributions of its executive officers and other key technical personnel, each of whom would be difficult to replace. The loss of the services of executive officers or key personnel, and the process to replace any of its key personnel could involve significant time and expense and may significantly delay or prevent the achievement of its business objectives.

IOU Financial's growth could strain its personnel, resources and infrastructure

IOU Financial's growth in headcount and operations may place a significant strain on its management and its administrative, operational and financial reporting infrastructure. Accordingly, IOU Financial's success will depend, in part, on the ability of its senior management to manage the growth it achieves effectively. To do so, it must continue to hire, train and manage new employees as needed. The addition of new employees and the system development that it anticipates will be necessary to manage its growth will increase its cost base, which will make it more difficult for it to offset any future revenue shortfalls by reducing expenses in the short term. If IOU Financial fails to successfully manage its growth, it will be unable to execute its business plan. If its new hires perform poorly, or if it is unsuccessful in hiring, training, managing and integrating these new employees, or if it is not successful in retaining its existing employees, IOU Financial's business may be harmed. To manage the growth of IOU Financial's operations and personnel, it will need to continue to improve its operational and financial controls and update its reporting procedures and systems. Given the complex nature of the accounting of the Company's operations and the limited number of staff resources, IOU Financial may not be able to address all accounting and reporting impacts of new transactions or agreements on a timely basis.

Security and Confidentiality Risk

IOU Financial stores users' bank information and other personally-identifiable sensitive data. Any accidental or willful security breaches or other unauthorized access could cause users' secure information to be stolen and used for criminal purposes. Security breaches or unauthorized access to secure information could also expose IOU Financial to liability related to the loss of the information, time-consuming and expensive litigation, and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in its software is exposed and exploited, and, as a result, a third party or disaffected employee obtains unauthorized access to any of its users' data, IOU Financial's relationships with its users will be severely damaged and it could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, IOU Financial and its third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, many states have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause IOU Financial's users to lose confidence in the effectiveness of its data security measures. Any security breach, whether actual or perceived, could harm IOU Financial's reputation and could result in the loss of users and future business.

If IOU Financial is unable to increase transaction volumes, its business and results of operations will be affected adversely.

To succeed, IOU Financial must increase transaction volumes on its lending platform by raising additional capital and attracting a large number of qualified borrowers in a cost-effective manner. The general tightening and other developments in the broader credit markets may impact IOU Financial's ability to attract capital to lend which, in turn, could limit its ability to increase transaction volumes. If IOU Financial is not able to attract qualified borrowers, IOU Financial will not be able to increase its transaction volumes. In addition, IOU Financial will rely on a variety of methods to drive traffic to its website and lending platform. If IOU Financial is unable to use any of its planned marketing initiatives or the cost of these initiatives was to significantly increase, IOU Financial may not be able to attract new qualified borrowers in a cost-effective manner. As a result, its revenue and results of operations could be affected adversely and could impair its ability to maintain its lending platform.

As an online company constantly involved in the development of its online lending platform, IOU Financial faces increased risks, uncertainties, expenses and difficulties.

If IOU Financial is successful, the volume of loans originated through its lending platform may increase beyond its current capacity, which will require IOU Financial to increase its facilities, personnel and infrastructure in order to accommodate the greater servicing requirements and demands of its lending platform. IOU Financial's lending platform is dependent upon its website.

IOU Financial will likely be required to constantly add new hardware and update its software and website, expand its customer support services and add new employees to maintain the operation of its lending platform, as well as satisfy its servicing requirements. If IOU Financial is unable to increase the capacity of its lending platform and maintain the necessary infrastructure, it might then suffer from a negatively impact on its revenue stream.

Any significant disruption in service on IOU Financial's website or in its computer systems could reduce the attractiveness of its lending platform and result in a loss of users.

If a catastrophic event resulted in a lending platform outage and physical data loss, IOU Financial's ability to service its loans would be materially and adversely affected. The satisfactory performance, reliability and availability of its technology and its underlying network infrastructure are critical to its operations, level of customer service, reputation and ability to attract and retain users. IOU Financial's system hardware is hosted in multiple hosting facilities. All of the data is stored in multiple geographic locations to ensure data availability in the event a particular data center fails. IOU Financial's service provider does not guarantee that access to IOU Financial's website will be uninterrupted, error-free or secure. IOU Financial's operations depend on its supplier's ability to protect their and its systems in their facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or other attempts to harm its systems, criminal acts and similar events. If its arrangement with this supplier is terminated, or there is a lapse of service or damage to the supplier's facilities, IOU Financial could experience interruptions in its service, as well as delays and additional expense in arranging new facilities. Any interruptions or delays in its service, whether as a result of its supplier or other third-party error, its own error, natural disasters or security breaches, whether accidental or willful, could harm its relationships with its users and its reputation. In addition, in the event of damage or interruption, IOU Financial's insurance policies may not adequately compensate it for any losses that it may incur. IOU Financial's disaster recovery plan has not been tested under actual disaster conditions, and it may not have sufficient capacity to recover all data and services in the event of an outage at a supplier facility. These factors could prevent it from processing or posting payments on the loans, damage its brand and reputation, divert its employees' attention, reduce its revenue, subject it to liability and cause users to abandon its lending platform, any of which could adversely affect its business, financial condition and results of operations.

IOU Financial's ability to service loans or maintain accurate accounts may be adversely affected by computer viruses, physical or electronic break-ins and similar disruptions.

The highly-automated nature of IOU Financial's lending platform may make it an attractive target and potentially vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. If a computer "hacker" were able to infiltrate IOU Financial's lending platform, users would be subject to an increased risk of fraud or identity theft, and IOU Financial may not receive the principal or interest payments that it expects to receive on any loans that it was fraudulently induced to make. Hackers might also disrupt the accurate processing and posting of payments to IOU Financial's accounts on its lending platform, or cause the destruction of data and thereby undermine IOU Financial's rights to repayment of the loans it has made. While IOU Financial has taken steps to prevent hackers from accessing its lending platform, if it is unable to prevent hacker access, its ability to receive the principal and interest payments that it expects to receive on loans it made and its ability to service its loans and to maintain its lending platform could be adversely affected.

Maintenance of Client Relationships

The ability of IOU Financial to attract and maintain clients requires that it provide a competitive offering of products and services that meet the needs and expectations of its clients. IOU Financial's ability to satisfy the needs or demands of its clients may be adversely affected by factors such as the inability or failure to identify changing client needs or expectations or the inability to adapt in a timely and cost-effective manner to innovative products and services offered by competitors.

Litigation Risk

IOU Financial's business may become susceptible from time to time to various legal claims, including class action claims, in the course of its operations or with respect to the interpretation of existing agreements. Any future claims or litigation could have a material adverse effect on IOU Financial's business and its profitability.

Possible Volatility of Stock Price

The market price of the common Shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in IOU Financial's results of operations, changes in financial estimates by securities analysts or by management, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the common shares.

GENERAL

The Company also discloses information related to its activities on SEDAR at www.sedar.com and on its website www.ioufinancial.com