CHESSWOOD ANNOUNCES SECOND QUARTER 2022 RESULTS

TORONTO, August 4, 2022 – Chesswood Group Limited ("Chesswood" or the "Company") (TSX: CHW), a publicly traded North American specialty finance company providing commercial equipment leases and loans, automotive loans, home improvement financing, and asset management, today reported its results for the three and six months ended June 30, 2022.

Q2 2022 Highlights

- *Successful acquisition on May 25, 2022 of Waypoint Investment Partners Inc., an integrated platform to structure and distribute private credit solutions to Canadian investors.*
- *Strong origination volumes of $467.7 million in the equipment finance segment and $35.4 million in the automotive finance segment, resulting in record gross finance receivables of $2.5 billion as at June 30, 2022.*
- *Utilized off balance sheet funding with a third party institutional investor for US$97.4 million of net investment in finance receivables under the asset management segment's first forward flow arrangement, which provides Chesswood with origination, management, and servicing fees.*
- *Earnings of $9.7 million ($0.46 per fully diluted share) and record free cash flow generation of $15.7[1] million ($0.75[1] per fully diluted share).*
- *Return on equity for the quarter of 19.3%.*

"Chesswood generated strong earnings and free cash flow in the second quarter of 2022. On a consolidated basis, our businesses achieved record levels of free cash flow, driven by our diversified portfolio of more than $2 billion of commercial and consumer net finance receivables" said Ryan Marr, Chesswood's President & CEO. "Origination levels were strong throughout the quarter, driven in particular by growth in our vendor channel in addition to our unique full credit spectrum underwriting capability" added Mr. Marr.

"The second quarter included results from our first asset management flow agreement with an institutional investor. Our team delivered approximately US$97.4 million of U.S. Equipment Financing Segment net investment in finance receivables under this program, with the expectation to continue delivering at a similar pace into year end," said Mr. Marr. "It was also the first complete reporting quarter of Rifco following the acquisition of the business in January 2022 and we are very excited with how this segment has integrated into our operations," added Mr. Marr.

"We are adjusting our pricing to adapt to the rising interest rate environment. Our teams are working hard to help customers face this new reality, while at the same time ensuring we have a well-diversified portfolio. Our team anticipates volumes will slow as we progress throughout the year, albeit still at levels supporting net growth. Our focus on growing fee-based earnings streams brings us closer to our goals of enhancing earnings predictability and growth and reducing balance sheet risk," said Mr. Marr.

Summary of Q2 Results

The Company reported consolidated net income of $9.7 million in the three months ended June 30, 2022 compared to net income of $7.8 million in the same period in 2021, an increase of $1.9 million compared to the same period in the prior year. The increase was primarily the result of the addition of Rifco National Auto Finance Corporation ("Rifco"), which was acquired in January 2022, which contributed $2.6 million in the three months ended June 30, 2022.

The U.S. Equipment Financing Segment reported interest revenue on leases and loans in the quarter of $32.5 million and ancillary and other income of $5.3 million, a total increase of $14.2 million compared to the same period in the prior year. The increase is the result of the growing finance receivables portfolio.

The Canadian Equipment Financing Segment reported interest revenue on leases and loans in the quarter of $14.0 million and ancillary and other income of $2.9 million, a total increase of $10.1 million compared to the same period in the prior year. The increase reflects the expansion of the Canadian Equipment Financing Segment as a result of the merger with Vault Credit Corporation in Q2 2021 and the tremendous portfolio receivables growth since then. The Canadian Equipment Financing Segment had record breaking originations in Q2 2022 of $203.4 million.

The Canadian Auto Financing Segment reported interest revenue on leases and loans in the quarter of $10.6 million and ancillary and other income of $0.4 million.

Overall operating costs were up $14.3 million compared to the same period in the prior year, to $27.6 million. A majority of the increase relates to costs associated with personnel, collections, marketing, and other operating costs.

Other expenses from the equipment financing segments were up $3.8 million compared to the same period in the prior year, mainly consisting of costs attributable to originations as a result of scaling the businesses. In addition, the growth of the equipment financing segments and their originations required a 57% increase in the number of employees from the same period in the prior year, increasing personnel costs by $4.6 million.

Free cash flow[2] for the period was $15.7 million, up $7.6 million from Q2 2021. The increase in free cash flow is the result of growing revenues and the acquisition of Rifco.

Outlook

Following quarter end, Pawnee announced another ABS transaction for USD$346.6 million. The transaction is expected to close in early August. For the second half of 2022, our team is prioritizing balance sheet liquidity. Economists predict that chances for a recession are building as central banks continue to tighten monetary policy. We therefore believe a defensive approach is warranted in the current environment.

We will continue to build our managed assets through our Chesswood Capital Management division. Our team continues to see strong investor interest for Chesswood originated finance receivables in addition to entertaining interest from other originators looking for diversified funding away from traditional conduits. Following the acquisition of Waypoint, Chesswood's Asset Management division is now positioned to distribute and manage investment funds across all asset classes, and we expect to continue leveraging this capability as we progress throughout the remainder of 2022.

Financial Highlights	**For the Three Months**		**For the Six Months**	
(in CDN $000's, except EPS)	**Ended June 30**		**Ended June 30**	
	2022	**2021**	**2022**	**2021**
Revenue	$68,985	$30,524	$126,235	$56,833
Interest expense	(17,133)	(7,739)	(29,220)	(13,634)
Net recoveries (charge-offs)	(3,904)	(989)	(3,497)	(3,910)
	47,948	23,774	93,518	39,289
<u>Expenses:</u>				
Personnel	(15,761)	(7,240)	(30,350)	(12,939)
Other expenses	(10,775)	(5,454)	(20,941)	(10,259)
Depreciation	(432)	(261)	(865)	(499)
Adjusted Operating Income[(1)]	**$20,980**	$10,819	**$41,362**	$15,592
Decrease/(Increase) in Allowance for Credit Losses	(4,313)	152	(21,386)	4,591
Amortization – intangible assets	(593)	(361)	(1,184)	(694)
Operating income (loss)	**16,074**	10,610	**18,792**	19,489
Mark-to-market adj. on swaps/caps	-	132	-	258
Other non-cash items	(513)	294	(454)	268
Income (loss) before taxes	**$15,561**	$11,036	**$18,338**	$20,015
Net income (loss)	**$9,651**	7,812	**$11,330**	$14,125

Earnings Per Share – Basic	**$0.52**	$0.43	**$0.62**	$0.79
Earnings Per Share – Diluted	**$0.46**	$0.40	**$0.55**	$0.74
Free Cash Flow	**$15,745**	$8,143	**$30,953**	$11,899
Free Cash Flow Per Share – Diluted	$0.75	$0.42	$1.48	$0.63

(1) - See "Non-GAAP Measures" below.

NON-GAAP MEASURES

Adjusted Operating Income, Adjusted Net Income, Adjusted Return on Equity, and Free Cash Flow are not recognized measures under International Financial Reporting Standards and do not have a standard meaning. Accordingly, these measures may not be comparable to similar measures presented by other issuers.

[1] "EBITDA" is Net Income (Loss) as presented in the consolidated statements of income, adjusted to exclude interest expense, income taxes, depreciation and amortization, and goodwill and intangible asset impairment. EBITDA is included in one of the Company's significant bank agreements where it is used for financial covenant purposes.

"Adjusted EBITDA" is EBITDA as further adjusted for inclusion of interest on debt facilities as a deduction from net income (loss), and further removal of other non-cash or non-recurring items such as (i) non-cash gain (loss) on interest rate derivatives and investments, (ii) non-cash unrealized gain (loss) on foreign exchange, (iii) non-cash share-based compensation expense, (iv) non-cash change in finance receivable allowance for credit losses ("ACL"), (v) restructuring and other transaction costs, and (vi) any unusual and material one-time gains or expenses. Adjusted EBITDA is a measure of performance defined in one of the Company's significant bank agreements and is the basis for the Company's Free Cash Flow calculation as defined below. Adjusted EBITDA is therefore included as a non-GAAP measure that is relevant for a wider audience of users of the Company's financial reporting.

"Free Cash Flow" or "FCF" is defined as Adjusted EBITDA less maintenance capital expenditures, tax effect of the non-cash change in the allowance for credit losses and tax expense. Cash receives significant attention from primary users of financial reporting. Free Cash Flow provides an indication of the cash the Company generates which is available for servicing and repaying debt, investing for future growth and providing dividends to our shareholders. The FCF measure provides information relevant to assessing the resilience of the Company to shocks and the ability to act on opportunities. Free Cash Flow is a calculation that reflects the agreement with one of the Company's significant lenders as to a measure of the cash flow produced by the Company's businesses in a period. It is also management's concurrent view that the measure significantly reduces the impact of large non-cash charges and/or recoveries that do not reflect actual cash flows of the businesses and can vary greatly in amounts from period to period.

"Free Cash Flow per diluted share" is defined as FCF divided by the weighted average number of shares outstanding during the period for income attributable to common shares and Exchangeable Securities (as defined below in the "Statement of Financial Position" section) on a fully diluted basis.

ABOUT CHESSWOOD GROUP LIMITED

Through three wholly-owned subsidiaries in the United States and five subsidiaries in Canada, two of which are wholly-owned, Chesswood Group Limited is a North American specialty finance company publicly traded on the Toronto Stock Exchange. Colorado-based Pawnee Leasing Corporation, founded in 1982, finances a highly diversified portfolio of commercial equipment leases and loans through relationships with over 600 brokers in the United States. Tandem Finance Inc. provides financing in the U.S. through the equipment vendor channel. Blue Chip Leasing Corporation has been originating and servicing commercial equipment leases and loans in Canada since 1996. Vault Credit Corporation specializes in equipment leases and commercial loans across Canada, allowing for customizable financing solutions while catering to a wide spectrum of credit tiers, equipment types and sectors by offering industry-leading service levels, experienced underwriters and account administrators. Blue Chip and Vault Credit operate through a nationwide network of more than 60 brokers. Vault Home Credit Corporation was launched in September 2021 and focuses on providing home improvement and other consumer financing solutions in Canada. Rifco, with the mission to help Canadians own automobiles, seeks to create sustainable long-term competitive advantages through personalized partnerships with dealers, innovative products, the use of industry-leading data and analytics, and leading collection practices. Through

Waypoint Investment Partners Inc. (“Waypoint”), a Toronto-based investment manager and exempt market dealer, and Chesswood Capital Management USA Inc., Chesswood Capital Management (“CCM”) provides private credit alternatives to Canadian and U.S. investors seeking exposure to lease and loan receivables, including those originated by Chesswood subsidiaries.

Based in Toronto, Canada, Chesswood Group Limited’s shares trade on the TSX under the symbol CHW.

To learn more about Chesswood Group Limited, visit www.ChesswoodGroup.com.

The websites of Chesswood Group Limited’s operating businesses are:
www.PawneeLeasing.com www.BlueChipLeasing.com
www.TandemFinance.com www.VaultCredit.com
www.VaultPay.com www.Rifco.net
www.WaypointInvestmentPartners.com

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