CHESSWOOD GROUP LIMITED

FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED

MARCH 31, 2022

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. In Canada, Blue Chip Leasing Corporation has been originating and servicing commercial equipment leases and loans 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 was acquired in September 2021 and focuses on providing home improvement and other consumer financing solutions in Canada. Rifco National Auto Finance Corporation, 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. Chesswood Capital Management provides private credit alternatives to investors seeking exposure to lease and loan receivables, including those originated by Chesswood subsidiaries.

Based in Toronto, Canada, Chesswood's shares trade on the Toronto Stock Exchange under the symbol CHW. Learn more at www.ChesswoodGroup.com, www.PawneeLeasing.com, www.TandemFinance.com, www.BlueChipLeasing.com, www.VaultCredit.com, www.VaultPay.ca, and www.Rifco.net.

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This Interim Report is intended to provide shareholders and other interested persons with selected information concerning Chesswood. For further information, shareholders and other interested persons should consult Chesswood's other disclosure documents, such as its 2021 Annual Report and its 2021 Annual Information Form. Copies of Chesswood's continuous disclosure documents can be obtained at www.chesswoodgroup.com, by email to investorrelations@chesswoodgroup.com, or by calling Chesswood at 416-386-3099, at www.sedar.com, or from Investor Relations at the addresses shown at the end of this Interim Report. Readers should also review the notes further in this Interim Report, in the section titled Management's Discussion and Analysis, concerning the use of Non-GAAP Measures and Forward-Looking Statements, which apply to the entirety of this Interim Report.

All figures mentioned in this Interim Report are in Canadian dollars, unless otherwise noted.

TO OUR SHAREHOLDERS

In Q1 2022, the Chesswood team met many important milestones and achieved several significant accomplishments. Alongside strong financial results, we renewed our corporate revolving credit facility, completed the acquisition of Rifco Inc. (and thereby acquired Rifco National Auto Finance ("Rifco")), successfully negotiated our first off balance sheet investment collaboration with a third party institutional investor and announced the proposed acquisition of Waypoint Investment Partners ("Waypoint"), which will provide Chesswood Capital Management with the tools to create and offer both market focused and alternative investment products to various classes of investors.

Our first quarter included two and a half months of Rifco results. The team at Rifco achieved strong origination volumes throughout the period in conjunction with bolstering its controls, systems, and reporting processes through integrations with Chesswood. Chesswood's first quarter financial results were impacted by an accounting requirement to immediately recognize the full loss provision ($9.3 million) for Rifco's portfolio on our consolidated statements of income. Excluding this one-time item, Rifco contributed $1.1 million to Chesswood’s net income before taxes.

The automotive finance market has been positively impacted by vehicle shortages and supply chain constraints. Motor vehicle prices remain elevated, leading to unusually high recovery values when borrowers are unable to make loan payments. Not unlike our equipment finance segments, these tailwinds are expected to persist throughout the year, until supply chains normalize.

We were particularly pleased to announce our funding arrangement with our first third party investor. This arrangement is managed through Chesswood Capital Management USA and is the first of what we hope will be several investment agreements to support Chesswood’s operating subsidiaries. In exchange for delivering credit products originated by our U.S. Equipment Financing Segment, our companies receive asset management fees, servicing fees and origination fees. This alternative structure provides a recurring revenue stream for Chesswood while simultaneously delivering private credit exposure and strong risk adjusted returns for investors.

As Chesswood continues to scale with both existing and new asset verticals, our objective will be to emphasize this asset management model as an important source of funding. Established private credit funds remain scarce in the Canadian marketplace and Chesswood’s unique capabilities, tenured operating experience and asset diversification make it well suited to deliver private credit solutions for investors seeking strong risk adjusted returns.

In line with the above objective, Chesswood announced the proposed acquisition of Waypoint, expected to close later this month. Waypoint which has seen providing investment advisory and investment fund management since 2017, can work, with our various financing companies (in particular our companies that originate equipment financing receivables) to provide access to private credit investment vehicles not previously available to external investors. These new products will further complement the existing alternative solutions already offered at Waypoint and further the firm’s objective of delivering strong investment returns over a cycle.

Chesswood achieved strong financial results for Q1 2022. Originations reached record levels across all business segments. This success was achieved through a combination of market share gains and growth in vendor originations. Adjusting for the one-time loss provision associated with Rifco, earnings were $8.8 million, or $0.46 per fully diluted share, with an adjusted return on equity of 18.3%. Free cash flow, which adjusts for non-cash items, reached an all time high of $15.2 million or $0.73 per fully diluted share. All of our teams also achieved record levels of recoveries on the assets related to uncollectible receivables.

Chesswood had a strong start to the year. We see this momentum continuing throughout the year and look forward to sharing our Q2 results.

Sincerely,

Ryan Marr
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (this "MD&A") is provided to enable readers to assess the financial condition and results of operations of Chesswood Group Limited ("Chesswood" or the "Company") as at and for the three months ended March 31, 2022. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes of the Company as at and for the three months ended March 31, 2022, and the audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2021. Unless otherwise indicated, all financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and all amounts are expressed in Canadian dollars, unless specifically noted otherwise. This MD&A is dated May 12, 2022.

Additional information relating to the Company, including its Annual Information Form, is available: on SEDAR at www.sedar.com; at the www.chesswoodgroup.com website; by email to investorrelations@chesswoodgroup.com; or by calling Chesswood at 416-386-3099.

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FORWARD-LOOKING STATEMENTS

In this document and in other documents filed with Canadian regulatory authorities or in other communications, the Company may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include, but are not limited to, statements regarding the Company's business plan and financial objectives. The forward-looking statements contained in this MD&A are used to assist readers in obtaining a better understanding of the Company's financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes.

Forward-looking statements typically use the conditional, as well as words such as prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology. By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. The Company operates in a dynamic environment that involves various risks and uncertainties, many of which are beyond its control and which could have an effect on the Company's business, revenues, operating results, cash flow and financial condition. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although the Company believes the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct.

The Company cautions readers against placing undue reliance on forward-looking statements when making decisions, as actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various factors. Among others, these factors include: continuing access to required financing; continuing access to products that allow the Company and its subsidiaries to hedge exposure to changes in interest rates; risks of increasing default rates on leases, loans and advances; the adequacy of the Company's provisions for credit losses; increasing competition (including, without limitation, more aggressive risk pricing by competitors, financing options provided by manufacturers, and investment products offered by competitors of Chesswood Capital Management); increased governmental regulation of the rates and methods we use in financing and collecting on our leases or loans; dependence on key personnel; disruption of business models due to the emergence of new technologies; fluctuations in the Canadian dollar and U.S. dollar exchange rate; the successful launch of Vault Home Credit Corporation; the successful integration of Rifco Inc. and its subsidiary; factors that impact on the decision to acquire a motor vehicle; and general economic and business conditions (including the continuing effect of the COVID-19 pandemic and the military conflict in Ukraine). The Company further cautions that the foregoing list of factors is not exhaustive.

For more information on the risks, uncertainties and assumptions that would cause the Company's actual results to differ from current expectations, please also refer to "Risk Factors" in this MD&A and in the Company's Annual Information Form, as well as to other public filings of the Company available at www.sedar.com.

The Company does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulation.

NON-GAAP MEASURES

This MD&A refers to certain non-Generally Accepted Accounting Principles ("GAAP") measures as supplementary information and to assist in assessing the Company's financial performance. These measures are based primarily on the significant banking and lending agreements of the Company and its subsidiaries for the purposes of determination of compliance with financial covenants as well as calculation of permitted dividends and cash available for purchases of shares under the Company's normal course issuer bid.

Management believes EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), and Adjusted Return on Equity, as defined below, are useful measures in evaluating the performance of the Company. EBITDA is a well understood non-GAAP measure; however, Adjusted EBITDA, Adjusted Net Income (Loss), and Adjusted Return on Equity provide information that is even more relevant given the businesses in which the Company operates. These measures are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, these measures and the other non-GAAP measures listed may not be comparable to similarly labelled measures presented by other companies. Readers are cautioned that EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Return on Equity, and the other non-GAAP measures listed should not be construed as an alternative to net income determined in accordance with GAAP as indicators of performance, or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

"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.

"Adjusted Operating Income" is Operating Income (Loss) as presented in the consolidated statements of income, adjusted to exclude amortization of intangible assets and the change in ACL. Adjusted Operating Income is intended to reflect the recurring income from the Company's businesses. Amortization of intangible assets, which includes the expense related to broker relationships and non-compete clauses, is a function of acquisitions. The cost of maintaining the broker relationships after acquisition, being internally generated intangible assets, cannot be measured and is therefore not recognized as an asset, meaning that once these acquisition-related intangibles have been fully amortized they are not replenished, and the amortization expense will cease. The change in the ACL can be calculated from continuity of the ACL in Note 6(c) - *Finance Receivables* in the unaudited condensed interim consolidated financial statements as the difference between the provision for credit losses and the net charge-offs during a period. The change in ACL is a non-cash item and reflects our creditor approved formulas for Adjusted EBITDA and Free Cash Flow that drives our Maximum Permitted Dividends, both relevant measures for users of the Company's financial reporting.

"Adjusted Net Income (Loss)" is Net Income (Loss) as presented in the consolidated statements of income adjusted for one-time non-recurring items. See the "Results of operations for the three months ended March 31, 2022 and 2021" section of this MD&A for a reconciliation of Adjusted Net Income (Loss).

"Adjusted Return on Equity" is a non-GAAP ratio representing Adjusted Net Income (Loss) divided by average equity as presented in the consolidated statements of financial position. See the "Results of operations for the three months ended March 31, 2022 and 2021" section of this MD&A for a reconciliation of Adjusted Return on Equity.

"Free Cash Flow" or "FCF" is 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. See the "EBITDA, Adjusted EBITDA, Free Cash Flow, Maximum Permitted Dividends" section of this MD&A for a reconciliation of Free Cash Flow to Net Income (Loss).

"Free Cash Flow per diluted share" is 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.

"FCF L4PQ" is calculated monthly as required by the terms of the Company's revolving credit facility using the published results for the four immediately preceding quarters and is the basis for the Maximum Permitted Dividends.

"Maximum Permitted Dividends" for a month is defined (consistent with the definitions included in one of the Company's significant bank agreements) as 1/12 of 90% of the FCF L4PQ and is the maximum total amount of cash that can be distributed as dividends and paid for purchases of shares under the Company's normal course issuer bid. This measure is useful for investors to assess the potential future returns from an investment in the Company and the risk of the dividend component of those returns becoming constrained.

COMPANY OVERVIEW

As at March 31, 2022, Chesswood's operations consisted of three wholly-owned subsidiaries in the United States and five subsidiaries in Canada (two of which are wholly-owned):

- Pawnee Leasing Corporation ("Pawnee"), which finances micro and small-ticket commercial equipment for small and medium-sized businesses in the U.S. through the third-party broker channel;
- Tandem Finance Inc. ("Tandem"), which sources micro and small-ticket commercial equipment originations to small and medium-sized businesses through the equipment vendor channel in the U.S.;
- Blue Chip Leasing Corporation ("Blue Chip"), which provides commercial equipment financing to small and medium-sized businesses across Canada;

- Vault Credit Corporation ("Vault Credit"), which provides commercial equipment financing and loans to small and medium-sized businesses across Canada;

- Vault Home Credit Corporation ("Vault Home"), which provides home improvement and other consumer financing solutions in Canada;

- Chesswood Capital Management Inc. ("CCM") and Chesswood Capital Management USA Inc. ("CCM USA") (both wholly-owned by the Company), which provide private credit alternatives to investors seeking exposure to lease and loan receivables, including those originated by Chesswood subsidiaries; and

- Rifco National Auto Finance Corporation ("Rifco"), which provides consumer financing for motor vehicle purchasers across Canada except for Quebec.

On a consolidated basis, at March 31, 2022, the Company had 401 employees (299 employees at December 31, 2021).

As described below (see "Canadian Auto Financing Segment"), on January 14, 2022, the Company acquired a 100% ownership interest in Rifco.

On March 15, 2022, the Company announced that it had entered into a share purchase agreement to acquire a 100% ownership interest in Waypoint Investment Partners Inc. ("Waypoint"), which provides investment advice and investment fund management in Canada. The acquisition of Waypoint is expected to close in the second half of May. The required regulatory approvals (including the approval of the Ontario Securities Commission for Chesswood to acquire ownership of a registrant and the approval of the Toronto Stock Exchange for the issue and listing of the Chesswood common shares to be issued) have been obtained.

U.S. EQUIPMENT FINANCING SEGMENT

Pawnee and Tandem are together referred to in this MD&A as the "U.S. Equipment Financing Segment".

The Company’s largest operations are conducted by Pawnee, which, along with Tandem, accounted for 60% of consolidated revenue in the three months ended March 31, 2022. As at March 31, 2022, the U.S. Equipment Financing Segment employed 144 full-time equivalent employees (153 employees at December 31, 2021).

Established in 1982, and located in Fort Collins, Colorado, Pawnee specializes in providing equipment financing (generally up to US$350,000) to small and medium-sized businesses in the U.S., with a wide range of credit profiles from start-up entrepreneurs to more established businesses, in prime and non-prime market segments, through a network of approximately 600 equipment finance broker firms (also referred to as the "third-party market" or "third-party channel").

Pawnee defines “start-up” businesses as those with less than two years of operating history. Start-up businesses do not fall into traditional credit categories because of their lack of business credit history. “B” credit businesses are those with two or more years of operating history that have some unique aspect to their overall credit profile such that they are not afforded an "A" rated credit score, and/or that the business owner(s) do not have an "A" rated personal or business/commercial credit history. “C” rated businesses have a credit profile that is weaker than “B” credit businesses. Pawnee limits the transaction size for non-prime businesses as one measure of risk mitigation.

These non-prime market niches are not usually served by most conventional financing sources, as they have a generally higher risk profile. To manage the incremental risk associated with financing businesses in these niches, Pawnee’s management has built a stringent operating model that has historically enabled Pawnee to achieve higher net margins than many typical finance companies.

Pawnee's brokers predominantly originate prime (with "A" credit score) equipment finance transactions versus "B", "C", and "Start-up" rated customers. Pawnee's reliability, ease of service, focus on the broker-channel business and offering of competitive products has made Pawnee a top tier funding partner to its brokers relative to its competitors for prime originations. Given the sheer size of the market opportunity, prime originations represent greater than 78% of new originations, and these volumes are expected to continue to grow as Pawnee's prime credit products further penetrate Pawnee's broad broker network.

Tandem offers equipment financing for small and medium-sized businesses of all credit profiles through equipment manufacturers, distributors and dealers in the U.S. (the "vendor market" or "vendor channel"). Annual originations in the vendor small-ticket market are estimated to be five times larger than the third-party small-ticket market. In addition to the overall size of opportunity afforded in the vendor vs. third party originations channel, the vendor originations channel provides the lessor/lender the opportunity to directly negotiate and partner with the equipment manufacturer or their distribution channel to enhance the financing offerings through the inclusion of lender risk mitigation, customer rate subsidy, and formal equipment remarketing arrangements. This channel also provides preferential access to all of the manufacturers' customer financing requests. Tandem's operations have heightened levels of control, direct access and influence with the equipment sales organization and their customers in the application process, vendor ongoing assistance in collections, and direct vendor originations. This provides Tandem the ability to make meaningful impacts in the underwriting and portfolio management activities, resulting in a higher level of throughput efficiency and, to date, reduced portfolio charge offs.

As at March 31, 2022, Tandem's portfolio represented 35% of Chesswood's overall receivables' portfolio in the U.S.

Tandem leverages the expertise of Pawnee's operating team and takes a diversified portfolio approach with teams organized across commercial transportation, construction, healthcare, light industrial and franchise segments. Tandem's ability to address the equipment supplier's wide range of end user credit profiles through a single process is a unique value proposition that improves the customer financing experience. Tandem focuses its development efforts on equipment manufacturers seeking to improve their equipment financing experience at the point of sale. The vendor channel generally has a longer business development and sales cycle than the third-party channel. As a result, equipment vendors and distributors generally form long-term partnerships with funding partners, documented on long-term program agreements, which are expected to result in programs that generate originations and revenues over many years.

Tandem is supported by Pawnee's credit, documentation, collection and administrative departments, which provide "back-office" support to Tandem. Tandem is managed by a highly experienced senior leadership team to guide its ongoing growth strategy.

U.S. EQUIPMENT FINANCING PORTFOLIO METRICS

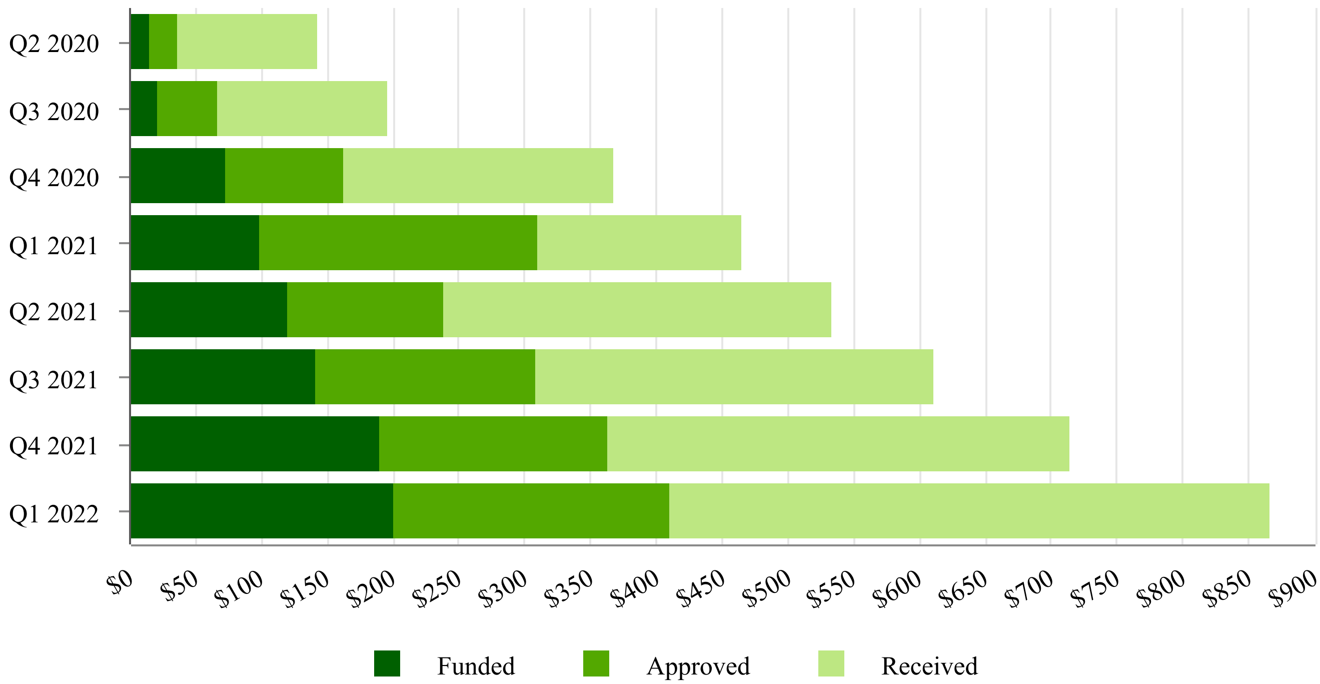
U.S. Equipment Financing Segment Finance Receivable Portfolio Statistics

(in US$ thousands except # of leases/loans and %'s)

	June 30 2020	Sep 30 2020	Dec 31 2020	Mar 31 2021	June 30 2021	Sep 30 2021	Dec 31 2021	Mar 31 2022
Number of leases and loans outstanding (#)	18,184	17,104	17,211	17,870	19,042	20,552	22,396	24,209
Gross lease and loan receivables ("GLR") (1)(5)	$606,309	$556,456	$574,991	$632,262	$709,461	$809,317	$956,936	$1,102,395
Residual receivables	$19,303	$17,883	$17,428	$17,268	$17,595	$17,965	$18,323	$18,751
Net investment in leases and loans receivables ("Net Finance Receivables" or "NFR"), before allowance (6)	$518,544	$479,908	$497,982	$547,204	$611,603	$696,041	$822,671	$947,695
Security deposits ("SD") (nominal value)(4)	$8,009	$6,986	$5,965	$5,323	$4,643	$4,124	$3,577	$3,171
Allowance for Credit Losses ("ACL")	$28,146	$19,259	$16,552	$13,499	$12,125	$12,599	$13,544	$16,383
ACL as % of NFR net of SD	5.51%	4.07%	3.36%	2.49%	2.00%	1.82%	1.65%	1.73%
Over 31 days delinquency (% of GLR) (2)	1.60%	1.91%	1.85%	1.07%	0.87%	0.80%	0.94%	1.01%
Net charge-offs (recoveries) for the three months ended (3)	$6,975	$3,762	$4,150	$3,774	$(726)	$(1,253)	$(704)	$(427)
Provision for credit losses for the three months ended	$2,784	$(5,044)	$1,509	$761	$(2,083)	$(748)	$282	$2,296

Notes:
(1) Excludes residual receivables
(2) Over 31-days delinquency includes non-accrual GLR.
(3) Excludes the "charge-offs" of interest revenue on finance leases and loans on non-accrual leases recognized under IFRS.
(4) Excludes adjustment for discounting security deposits and increasing unearned income for interest savings on security deposits.
(5) At March 31, 2022, approximately 64% of U.S. GLR (excluding residuals) were in the prime market segment.
(6) Excludes unearned income for interest on security deposits

U.S. Equipment Financing Segment Lease and Loan Application, Approval and Origination Volumes *(in US$ millions)*



"Received" reflects all applications for equipment financing received by Pawnee and Tandem, "Approved" are those received applications that receive an approval by Pawnee and Tandem's credit department and "Funded" refers to previously approved applications that become actual lease or loan transactions through Pawnee's financing of the customers' equipment purchase or lease. Management regularly reviews lease and loan application, approval and origination volumes for trends that may indicate changes in the economic or competitive landscape and that may necessitate adjustments in its approach to doing business in its market segments. Management reviews application approval data to analyze and predict shifts in the credit quality of applicants. Pawnee and Tandem refer to total originations Funded, as a percentage of leases and loans Approved, as the "closing ratio".

CANADIAN EQUIPMENT FINANCING SEGMENT

Blue Chip, Vault Credit, and Vault Home are together referred to in this MD&A as the "Canadian Equipment Financing Segment".

Blue Chip, a specialist in micro and small-ticket equipment finance for small and medium-sized businesses, has been conducting operations since 1996. Located in Toronto, Blue Chip provides equipment financing across Canada, primarily through a nationwide network of more than 60 equipment finance broker firms.

On April 30, 2021, Blue Chip was merged with its primary competitor in the Canadian equipment finance sector, Vault Credit. The merger was achieved through the sales of each of Blue Chip and Vault Credit into ta newly formed subsidiary of Chesswood (the "Canadian Holdco") in which Chesswood owns 51%. Chesswood exercises control of Blue Chip and Vault Credit through the board of directors of the Canadian Holdco. The change of ownership interest in Blue Chip as a result of the merger was a common control reorganization accounted for at consolidated book value. The Canadian Holdco is managed by Vault Credit's senior management team and the integration and alignment of its processes and controls with that of Chesswood was complete as of December 31, 2021. Figures for our Canadian operations shown in this MD&A and our Financial Statements for any period prior to the merger only reflect Blue Chip. Vault Credit figures are only accounted for the period following the merger.

On September 14, 2021, Chesswood Holdings Ltd. acquired a number of common shares of Vault Home which constitutes 51% of the currently outstanding common shares, for a subscription price of $1.0 million and a commitment to provide an aggregate of $1.5 million of capital contributions upon the request of the Vault Home board of directors (which was fully advanced in November 2021).Vault Home is incorporated in Ontario and had not yet earned revenue as at the date of acquisition. The Company exercises control over Vault Home through the ability to control the decisions of Vault Home’s board of directors, through a priority vote, related to those activities that are most relevant to determining returns. Subsequent to the acquisition, integration and alignment of Vault Home's processes and controls with that of Chesswood was completed as of December 31, 2021. Vault Home has enabled the Company to expand into the consumer financing industry.

The Canadian Equipment Financing Segment accounted for 25% of consolidated revenue in the three months ended March 31, 2022. This segment's portfolio risk is mitigated by its diversification across geographies, industries, equipment types, equipment cost, vendors, brokers and credit classes. The Canadian Equipment Financing Segment had 149 full-time equivalent employees at March 31, 2022 (137 employees at December 31, 2021).

CANADIAN EQUIPMENT FINANCING PORTFOLIO METRICS

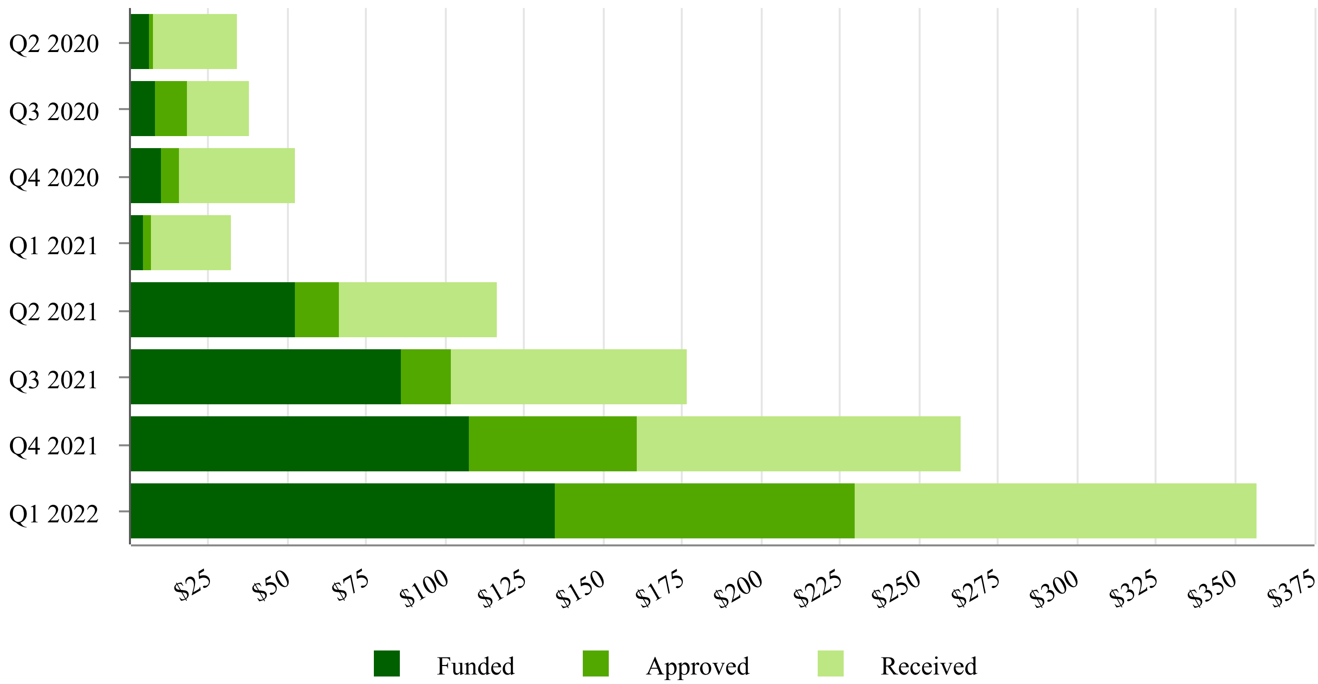
Canadian Equipment Financing Segment Equipment Finance Receivable Portfolio Statistics

(in $ thousands except # of leases/loans and %)

	June 30 2020	Sep 30 2020	Dec 31 2020	Mar 31 2021	June 30 2021	Sep 30 2021	Dec 31 2021	Mar 31 2022
Number of leases and loans outstanding (#)	12,000	11,345	10,561	9,759	20,310	21,441	22,696	24,622
Gross lease and loan receivables (“GLR”) (1)	$154,501	$143,370	$134,878	$120,762	$331,375	$377,054	$434,983	$516,081
Residual Receivables	$139	$131	$121	$105	$5,988	$6,798	$7,537	$8,212
Net Finance Receivables ("NFR"), before allowance	$138,812	$128,846	$121,085	$108,591	$300,726	$343,668	$397,915	$472,573
Allowance for Credit Losses ("ACL")	$3,331	$3,672	$3,289	$2,715	$4,229	$5,472	$5,216	$6,360
ACL as % of NFR	2.40%	2.85%	2.72%	2.50%	1.41%	1.59%	1.31%	1.35%
Over 31 days delinquency (% of NFR)	0.54%	1.22%	0.73%	0.63%	0.27%	0.44%	0.24%	0.49%
Net charge-offs (recoveries) for the three months ended	$863	$822	$485	$71	($29)	$104	$355	$603
Provision for credit losses for the three-months ended	$1,244	$1,162	$102	($433)	$1,400	$1,362	$99	$1,741

Notes:
(1) Excludes residual receivables

Canadian Equipment Financing Segment Lease and Loan Application, Approval and Origination Volume *(in $ millions)*



"Received" reflects all applications for equipment financing received by the Canadian Equipment Financing Segment, "Approved" are those received applications that receive an approval by the segment's credit department and "Funded" refers to previously approved applications that become actual lease or loan transactions through the segment's financing of the customers' equipment purchase or lease. Management regularly reviews lease and loan application, approval and origination volumes for trends that may indicate changes in the economic or competitive landscape and that may necessitate adjustments in its approach to doing business in its market segments. Management reviews application approval data to analyze and predict shifts in the credit quality of applicants. The Canadian Equipment Financing Segment refers to total originations Funded, as a percentage of leases and loans Approved, as the "closing ratio". Only applications for Vault Credit subsequent to April 30, 2021, and for Vault Home subsequent to September 14, 2021, are included.

CANADIAN AUTO FINANCING SEGMENT

Rifco is referred to in this MD&A as the "Canadian Auto Financing Segment".

On January 14, 2022, Chesswood completed its indirect acquisition of Rifco, through the acquisition of 100% of the outstanding shares of Rifco Inc. Total consideration was $28.1 million. Rifco Inc. shareholders elected for approximately 25% of the consideration to be paid out in Chesswood common shares and the remainder in cash. This resulted in a total of 498,605 Chesswood common shares being issued and $21.0 million paid out in cash.

Rifco is based out of Red Deer, Alberta and operates in all provinces in Canada except for Quebec.

The acquisition of Rifco increased the Company's gross receivables portfolio in Canada by approximately $329.3 million (based on gross contractual receivable amounts as at January 14, 2022) and enabled the Company to enter into the automotive financing market.

The Canadian Auto Financing Segment accounted for 15% of consolidated revenue in the three months ended March 31, 2022. The segment's portfolio risk is mitigated by its diversification across geographies, vehicle types, dealers, and credit classes. The segment had 97 full-time equivalent employees at March 31, 2022.

Rifco operates with a purpose to help its clients obtain a vehicle by providing alternative finance solutions. It currently offers its alternative finance products indirectly through select automotive dealer partners. Rifco is focused on being the best alternative auto finance company and 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 collections practices.

The majority of Canadians finance their vehicle purchases. A significant portion of Canadians require near-prime or non-prime financing for these purchases. Rifco's major competitors include three large Canadian financial institutions that control a large portion of the near-prime ("B" & "C" credit) market in Canada. In addition, a number of mid-sized and smaller competitors exist throughout the near-prime and non-prime credit spectrum.

CANADIAN AUTO FINANCING PORTFOLIO METRICS

Canadian Auto Financing Segment Equipment Finance Receivable Portfolio Statistics

(in $ thousands except # of leases/loans and %)

	Mar 31 2022
Number of loans outstanding (#)	11,994
Gross loan receivables ("GLR")	$336,330
Refundable Application Fees	$3,646
Net Finance Receivables ("NFR"), before allowance	$217,110
Allowance for Credit Losses ("ACL")	$12,341
ACL as % of NFR	5.68%
Over 31 days delinquency (% of NFR)	5.28%
Net charge-offs (recoveries) for the three months ended	$(322)
Provision for credit losses for the three-months ended	$12,019

Canadian Auto Financing Segment Loan Application, Approval and Origination Volume *(in # of loans)*

"Received" reflects all applications for auto financing received by the Canadian Auto Financing Segment, "Approved" are those received applications that receive an approval by the Segment's credit department and "Funded" refers to previously approved applications that become actual lease or loan transactions through the Segment's financing of the customers' auto purchase or lease. Management regularly reviews lease and loan application, approval and origination volumes for trends that may indicate changes in the economic or competitive landscape and that may necessitate adjustments in its approach to doing business in its market segments. Management reviews application approval data to analyze and predict shifts in the credit quality of applicants. The Canadian Auto Financing Segment refers to total originations Funded, as a percentage of leases and loans Approved, as the "closing ratio". Only applications subsequent to January 14, 2022 are included.

ASSET MANAGEMENT SEGMENT

CCM and CCM USA are referred to in this MD&A as the "Asset Management Segment".

Chesswood’s Asset Management operations provide private credit alternatives to investors seeking exposure to lease and loan receivables originated by Chesswood subsidiaries.

On March 15, 2022, Chesswood entered into a definitive agreement to acquire Waypoint, a Toronto based investment fund and private client investment manager. The acquisition of Waypoint will provide CCM with an integrated platform to structure and distribute private credit solutions to Canadian investors alongside Waypoint's growing suite of alternative investment funds. The consideration for the acquisition will be the payment of approximately $1.6 million and the issue of 150,983 Chesswood common shares. The acquisition of Waypoint is expected to close in the second half of May. The required regulatory approvals (including the approval of the Ontario Securities Commission for Chesswood to acquire ownership of a registrant and the approval of the Toronto Stock Exchange for the issue and listing of the Chesswood common shares to be issued) have been obtained.

On March 16, 2022, Chesswood announced that CCM USA had entered into a forward flow purchase agreement with a third party institutional investor, whereby investment entities managed by the third party will acquire up to US$400 million of small ticket equipment loan and lease receivables. The loan and lease receivables will be originated by Chesswood's subsidiaries Pawnee and Tandem. In exchange for the delivery and management of these receivables, Chesswood's Asset Management Segment will charge fees to the third party. The funds from this arrangement will enable Chesswood's subsidiaries to continue growing originations alongside market demand by providing off-balance sheet funding and associated fee based revenue to Chesswood, that will augment Chesswood's existing on-balance sheet facilities.

A total of $0.4 million was expensed in the quarter to set up the initial agreements between CCM USA and its clients. The Asset Management Segment recognized a total revenue of $0.1 million for the three months ended March 31, 2022.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

U.S. dollar results for the three months ended March 31, 2022, were converted at an exchange rate of 1.2662, which was the average exchange rate for Q1 2022 (Q1 2021 - 1.2660). Therefore, the impact of foreign exchange quarter over quarter was insignificant.

Financial Highlights

- The successful acquisition of Rifco on January 14, 2022 has allowed the Company to establish its Canadian Auto Financing Segment. Subsequent to the acquisition, Rifco contributed total originations of $28.1 million for the quarter.
- On January 14, 2022, Chesswood renegotiated its revolving credit facility to allow borrowings of up to US$300 million. This credit facility includes a US$100 million accordion feature that can increase the overall borrowing amount to US$400 million, is secured by the Company's (and most of its subsidiaries') assets, contains covenants, including maintaining leverage and interest coverage ratios, and expires on January 14, 2025. The new credit facility has a Secured Overnight Financing Rate ("SOFR") based interest rate.
- Both the U.S. and Canadian Equipment Financing Segments continued to experience strong originations with total originations of $383.4 million, an increase of 187.2% from the same period in the prior year. The increase is mainly due to the growth of both the Canadian and U.S. segments.
- Chesswood's first quarter of 2022 has achieved a return on equity of 3.5%[(1)]. Following the acquisition of Rifco, a provision of $9.3 million was booked on the acquired loans. Without this one-time "day 2" provision, Chesswood's Return on Equity for the first quarter of 2022, would have been 18.3%[(2)] (March 31, 2021 - 17.8%).

(1) Return on equity is the current quarter Net Income (Loss) annualized (multiplied by four) divided by the quarterly average of total Equity, as presented on the consolidated statements of financial position
(2) Refer to calculation below. Adjusted Return on Equity is a non-GAAP measure. See "Non-GAAP Measures" above for the definitions.

Summary of Financial Results and Key Measures

As at and for the quarter-ended			2020				2021	2022
($ thousands, except per share figures)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	$ 30,011	$ 27,337	$ 26.395	$ 26,309	$ 30,524	$ 37,007	$ 44.243	$ 57,250
Finance margin before expenses	17,249	26,139	18,456	19,954	23,926	27,752	34.592	28,497
Operating income	7,784	16,448	7,237	8,879	10,610	11,000	10.572	2,718
Income (loss) before tax	2,160	13,681	(1,432)	8,979	11,036	12,335	9.721	2,777
Provision for tax expense (recovery)	753	3,877	(1,523)	2,666	3,224	3,187	1.825	1,098
Net income	1,407	9,804	91	6,313	7,812	9,148	7.896	1,679
Basic earnings per share (1)	0.08	0.55	0.01	0.36	0.43	0.49	0.46	0.10
Diluted earnings per share (1)	0.06	0.56	0.00	0.35	0.40	0.45	0.40	0.09
Total assets	907,987	844,920	827,436	868,715	1,188,925	1,391,782	1,604,947	2,048,228
Long-term liabilities	749,765	681,167	668,749	707,962	995,837	1,184,647	1,358,201	1,813,968
<u>Other Data</u>								
Adjusted operating income (2)	$ 2,823	$ 5,016	$ 3,585	$ 4,773	$ 10,819	$ 13,376	$ 12,042	$ 20,382
EBITDA (2)	10,190	21,393	14,160	15,445	19,397	22,006	19,794	15,888
Adjusted EBITDA (2)	3,295	5,343	4,437	5,266	11,324	13,992	14,338	19,893
Free Cash Flow (2)	3,833	4,591	6,939	3,756	8,143	10,188	11,486	15,208
Free Cash Flow per diluted share (2)	0.22	0.26	0.39	0.21	0.42	0.51	0.56	0.73
Return on Equity (5)	4.0 %	27.6 %	0.3 %	17.8 %	20.0 %	20.9 %	17.1 %	3.5 %
Dividends declared (3)	620	—	710	1,055	1,566	1,766	1,756	2,009
Dividends declared per share (4)	0.035	—	0.04	0.06	0.08	0.09	0.09	0.10
<u>Segment Financials</u>								
U.S. Equipment Financing Segment interest revenue	$23,712	$21,641	$19,947	$20,597	$21,623	$24,279	$27,721	$30,614
U.S. Equipment Financing Segment operating income	8,235	17,156	7,409	8,509	11,947	12,601	9,876	11,700
Canadian Equipment Financing Segment interest revenue	2,925	2,710	2,614	2,322	5,439	7,887	10,244	11,015
Canadian Equipment Financing Segment operating income (loss)	118	(37)	1,320	1,602	147	418	2,346	1,460
Canadian Auto Financing Segment interest revenue	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,282
Canadian Auto Financing Segment operating income (loss)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(8,231)
Asset Management Segment ancillary finance and other fee income	n/a	n/a	n/a	n/a	n/a	n/a	n/a	66
Asset Management Segment operating income (loss)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(648)
<u>Portfolio Metrics</u>								
U.S. Equipment Financing Segment finance receivables	$667,534	$613,632	$612,487	$670,742	$742,628	$870,449	$1,025,567	$1,163,557
U.S. Equipment Financing Segment originations	19,799	25,493	94,305	128,791	147,670	178,613	239,625	254,732
U.S. Equipment Financing Segment interest revenue yield	12.7 %	13.0 %	12.2 %	12.5 %	12.0 %	11.9 %	11.7 %	10.9 %
U.S. Equipment Financing Segment net charge-offs as a percentage of finance receivables	5.3 %	2.5 %	3.4 %	2.9 %	(0.5)%	— %	(0.3)%	(0.2)%
Canadian Equipment Financing Segment finance receivables	$144,214	$134,468	$128,391	$112,169	$313,076	$357,379	$414,160	$466,213
Canadian Equipment Financing Segment originations	6,117	8,509	10,090	4,707	49,748	83,325	101,555	128,687

Canadian Equipment Financing Segment interest revenue yield	8.1 %	8.1 %	8.4 %	8.1 %	10.6 %	9.8 %	11.1 %	10.1 %
Canadian Equipment Financing Segment net charge-offs as a percentage of finance receivables	2.4 %	2.4 %	1.6 %	0.2 %	(0.1)%	0.1 %	0.4 %	0.6 %
Canadian Auto Financing Segment finance receivables	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$ 204,769
Canadian Auto Financing Segment originations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28,115
Canadian Auto Financing Segment interest revenue yield	n/a	n/a	n/a	n/a	n/a	n/a	n/a	15.5 %
Canadian Auto Financing Segment net charge-offs as a percentage of finance receivables	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(0.6)%

(1) Based on weighted average shares outstanding during the period for income attributable to common shareholders.

(2) Adjusted Operating Income, EBITDA, Adjusted EBITDA, and Free Cash Flow are non-GAAP measures. See "Non-GAAP Measures" above for the definitions.

(3) Includes dividends on Exchangeable Securities (non-controlling interest, as described below under "Statement of Financial Position").

(4) Dividends declared on common shares, Exchangeable Securities, and special warrant holders.

(5) Return on equity is the current quarter Net Income (Loss) annualized (multiplied by four) divided by the quarterly average of total Equity, as presented on the consolidated statements of financial position.

The Company reported consolidated net income of $1.7 million for the three months ended March 31, 2022, compared to $6.3 million in the same period of 2021, a decrease of $4.6 million year-over-year. The main driver of the decrease is the requirement to recognize the full provision for credit loss on the acquired Rifco sub-prime auto loan portfolio. As a result, the full $9.3 million provision on the acquired loans related to originations before January 14, 2022 was recognized in the consolidated 2022 net income. Without the provision, consolidated net income would have been $8.8 million, an increase of $2.5 million. The $2.5 million is a result of higher originations increasing revenue by $30.9 million offset by corresponding increases in interest from increased securitizations and greater operating costs driven by volume. Although the Company experienced a net recovery of $0.4 million, there was an increase in the change in non-cash ACL of $21.5 million ($12.2 million excluding the Rifco "day 2" provision) to account for uncertainties in the economic environment and global events as well as a growing portfolio.

Return on Equity decreased for the three months ended March 31, 2022 by 14.3% compared to the same period in 2021, primarily due to the decrease in net income of $4.6 million offset by an increase in average equity of $48.0 million.

	Three months ended March 31,	
($ thousands)	2022	2021
Net income (loss)	$ 1,679	$ 6,313
Annualized	x 4	x 4
Average equity	189,843	141,861
Return on equity	3.5 %	17.8 %

If the full $9.3 million provision on the acquired loans related to originations before January 14, 2022 was not recognized in the consolidated 2022 net income, the Return on Equity would have increased by 0.5%, to 18.3%, for the three months ended March 31, 2022. Refer to the table below:

	Three months ended March 31,	
($ thousands)	2022	2021
Net income	$ 1,679	$ 6,313
Business combination "day 2" provision(1)	7,166	—
Adjusted net income (2)	8,845	6,313
Annualized	x 4	x 4
Average equity, excluding one-time items	193,426	141,861
Adjusted return on equity(2)	18.3 %	17.8 %

(1) The total provision for credit losses booked on the acquired Rifco portfolio was $9.3 million. This provision was tax adjusted using Alberta's statutory rate of 23% to determine the adjustment to net income.
(2) Adjusted Return on Equity and Adjusted Net Income are non-GAAP measures. See "Non-GAAP Measures" above for the definitions.

The table below is primarily provided in order to illustrate the results of operations for Chesswood before any change to the non-cash allowance for credit losses, and amortization of intangible assets - referred to below as Adjusted Operating Income. In management's opinion, this measure provides readers with a meaningful comparison of our operating results from period to period as it eliminates the often-large swings in results due to IFRS 9 - the non-cash allowance for credit losses.

Average FX rate	1.2662	1.2660	
	Three months ended March 31,		
($ thousands)	2022	2021	Change
Revenue	$ 57,250	$ 26,309	$ 30,941
Interest expense	(12,087)	(5,895)	(6,192)
Net recoveries (charge-offs)	407	(4,899)	5,306
	45,570	15,515	30,055
Expenses:			
Personnel	(14,589)	(5,699)	(8,890)
Other expenses	(10,166)	(4,805)	(5,361)
Depreciation	(433)	(238)	(195)
Adjusted operating income(1)	20,382	4,773	15,609
Decrease (increase) in ACL	(17,073)	4,439	(21,512)
Amortization of intangible assets	(591)	(333)	(258)
Operating income	2,718	8,879	(6,161)
Mark-to-market gain (loss) on interest rate derivative	—	126	(126)
Other non-cash FMV charges and unrealized FX	59	(26)	85
Income before taxes	2,777	8,979	(6,202)
Tax expense	(1,098)	(2,666)	1,568
Net income	$ 1,679	$ 6,313	$ (4,634)

(1) Adjusted Operating Income is a non-GAAP measures. See "Non-GAAP Measures" above for the definitions. See EBITDA, Adjusted EBITDA, Free Cash Flow, Maximum Permitted Dividend section of this MD&A for a reconciliation of Free Cash Flow to net income.

The U.S. Equipment Financing Segment's interest revenue on leases and loans totaled $30.6 million, an increase of $10.0 million year-over-year in the three-month period. This was a result of a 69.4% increase in average net investment in finance receivables (before ACL) to US$885.2 million, an increase of US$362.6 million in the three months ended March 31, 2022 compared to the same period in the prior year, caused by continuously growing originations. As a result, the March 31, 2022 net investment in leases and loans (before ACL) was US$400.5 million higher than at March 31, 2021. The average yield earned during the period decreased by 1.6% (10.9% compared to 12.5% in the same period in the prior year). The decrease in overall yield percentage was due to the continuing growth in the lower yield prime segment of the portfolio that changes the overall product mix toward prime from non-prime. The U.S. non-prime portfolio continues to be a very important component of the business while the expanding suite of products and portfolio mix continues its shift towards a greater concentration in the prime market.

U.S. Equipment Financing Segment	Three months ended March 31,	
(US$ thousands)	2022	2021
Interest revenue on finance leases and loans	$ 24,178	$ 16,269
Annualized	x 4	x 4
Average NFR, before allowance	885,183	522,593
Interest revenue yield	10.9 %	12.5 %

For the U.S. Equipment Financing Segment, the non-prime portfolio continued to generate strong risk-adjusted returns and profitability, while the continued expansion of the prime portfolio influences the overall weighted-average portfolio yield.

Ancillary finance and other fee income increased by $1.0 million period-over-period, mainly related to a 131% increase in documentation fees driven by higher originations.

The U.S. Equipment Financing Segment's interest expense increased by $3.1 million in the three months ended March 31, 2022 compared to the same period in the prior year as a result of increased average debt outstanding throughout the period ($414.9 million higher compared to the same period in 2021).

The U.S. Equipment Financing Segment's provision for credit losses increased by US$1.5 million in the three months ended March 31, 2022 compared to the same period in the prior year due to an increase of US$5.9 million in the change in ACL compared to the same quarter in the prior year, offset by a decrease in net charge-offs of US$4.4 million.

U.S. Equipment Financing Segment	Three months ended March 31,	
(US$ thousands)	2022	2021
Impact of loan book growth	$ 2,059	$ 1,639
Impact of change in provision rate during the period	780	(4,692)
Change in ACL	2,839	(3,053)
Net charge-offs (recoveries)	(543)	3,814
Provision for credit losses	2,296	761
Net charge-offs annualized (x4)	(2,172)	15.256
Average NFR, before allowance	885,183	522,593
Charge-offs as a percentage of finance receivables	(0.2)%	2.9 %

The U.S. Equipment Financing Segment's 31 days past due delinquency at March 31, 2022 marginally decreased year-over-year (compared to a year-over-year decrease of 1% in 2021).

Personnel expenses in the U.S. Equipment Financing Segment increased by $1.2 million compared to the same period in the prior year due to an increase in the number of staff by 15 during the three months ended March 31, 2022. The U.S. Equipment Financing Segment's other expenses also increased by $1.2 million mainly related to expenses driven by higher origination volumes (e.g. credit reports), legal costs related to setting up the servicing agreement for forward flow agreements, and increased collection costs as a result of managing a larger portfolio.

During the three months ended March 31, 2022, the operating income from the U.S. Equipment Financing Segment's operations increased by $3.2 million compared with the same period in the prior year, mainly due to a higher average NFR, before allowance, which increased revenues earned offset partially by a higher provision for credit losses, interest expenses, personnel expenses, and other expenses.

The Canadian Equipment Financing Segment generated revenue of $14.4 million during the three months ended March 31, 2022, an increase of $11.2 million from the same period in the prior year. The Canadian Equipment Financing Segment's average net investment in finance receivables (before ACL) increased approximately $320.4 million in the three months ended March 31, 2022, compared to the same period in the prior year. In addition, the average number of finance receivable contracts outstanding increased by 13,499 in the quarter ended March 31, 2022 compared to the same period in the prior year. The average annualized interest revenue yield earned on the Canadian Equipment Financing Segment 's net finance receivables increased by 2.0%, to 10.1%, during the period compared to the same period in the prior year. The Canadian Equipment Financing Segment's interest expense increased by $2.6 million due to approximately $271.4 million higher average debt outstanding.

Canadian Equipment Financing Segment	Three months ended March 31,	
($ thousands)	2022	2021
Interest revenue	$ 11,015	$ 2,322
Annualized	x 4	x 4
Average NFR, before allowance	435,244	114,838
Interest revenue yield	10.1 %	8.1 %

The Canadian Equipment Financing Segment's provision for credit losses increased by $2.2 million compared to the same period in the prior year. The change in the provision for credit losses is the result of an increase in the change in ACL of $1.6 million and an increase in net charge-offs of $0.5 million.

Canadian Equipment Financing Segment	Three months ended March 31,	
($ thousands)	2022	2021
Impact of loan book growth	$ 980	$ (339)
Impact of change in provision rate during the period	158	(235)
Change in ACL	$ 1,138	$ (574)
Net charge-offs (recoveries)	603	71
Provision for credit losses	$ 1,741	$ (503)
Net charge-offs annualized (x4)	$ 2,412	$ 284
Average NFR, before allowance	$ 435,244	114,838
Charge-offs as a percentage of finance receivables	0.6 %	0.2 %

The Canadian Equipment Financing Segment's personnel expenses also increased by $4.0 million compared to the same period in the prior year to $4.5 million as a result of increased employees. The number of employees in the three months ended March 31, 2022, increased by 127 compared to the same period in 2021. The increase in other expenses of $2.2 million is a function of increased originations, the segment's technology upgrades, and dividend declaration to the non-controlling shareholders of $0.4 million.

Overall, the Canadian Equipment Financing Segment's operating income totaled $1.5 million in the three months ended March 31, 2022, compared to $1.6 million in the same period in the prior year. The decreased operating income is the result of higher revenue levels being partially offset by increased interest, personnel, and other expenses. The main drivers of the expenses were related to the merger of Vault and Blue Chip in 2021, the segment's continued expansion into the Canadian equipment leasing market, and an increase in the average number of staff during the three months ended March 31, 2022.

The Canadian Auto Financing Segment generated revenue of $8.6 million during the three months ended March 31, 2022 (being the period commencing with the acquisition of Rifco on January 14, 2022). The Segment's net investment in finance receivables was $209.3 million on January 14, 2022, the date of acquisition, before the ACL and it increased by $7.8 million to $217.1 million as at March 31, 2022.

The average annualized interest revenue yield earned on the Canadian Auto Financing Segment's net finance receivables was 15.5% during the period. The Canadian Auto Financing Segment's interest expense was $2.0 million due to approximately $203.6 million in average borrowings outstanding from the time of the Rifco acquisition.

Canadian Auto Financing Segment *($ thousands)*	Three months ended March 31, 2022	
Interest revenue	$	8,282
Annualized		x 4
Average NFR, before allowance	$	213,198
Interest revenue yield		15.5 %

The Canadian Auto Financing Segment's provision for credit losses was $12.0 million for the three months ended March 31, 2022. A large portion of the provision stems from the requirement to recognize the full $9.3 million provision on the Rifco acquired loans related to originations before January 14, 2022, in the consolidated 2022 net income on the day following the acquisition. Without this, the total provision would have been $2.7 million.

The change in the provision for credit losses is the result of the provision for credit losses incurred through the acquisition of Rifco during the three months ended March 31, 2022.

Canadian Auto Financing Segment *($ thousands)*	Three months ended March 31, 2022	
Impact of loan book growth	$	348
Impact of change in provision rate during the period		2,687
Business combination		9,306
Change in ACL		12,341
Net charge-offs (recoveries)		(322)
Provision for credit losses		12,019
Net charge-offs annualized (x4)		(1,288)
Average NFR, before allowance		213,198
Charge-offs as a percentage of finance receivables		(0.6)%

The Canadian Auto Financing Segment's personnel expenses were $1.6 million for the three months ended March 31, 2022. Other expenses for the three months ended March 31, 2022 were $1.1 million, which relates to collection, marketing, and other operating costs.

Overall, the Canadian Auto Financing Segment 's operating loss totaled $6.4 million in the three months ended March 31, 2022. The main driver of the operating loss was the $9.3 million provision for credit losses related to the acquisition of Rifco. Without this, the segment would have generated an operating income of $2.9 million.

The provision for taxes for the consolidated entity during the three months ended March 31, 2022 was an expense of $1.1 million compared to an expense of $2.7 million in the same period in the prior year. The decrease of $1.6 million is primarily driven by the deferred tax impact of the Rifco acquisition provision for credit losses of $9.3 million. This is offset by higher income before taxes generated in the quarter. The effective tax rate differs from the Canadian statutory tax rate due to permanent differences between accounting and taxable income.

Because the operations of the Asset Management Segment were only launched recently, the results of this segment were not yet material to the Company's consolidated results for the three months ended March 31, 2022.

EBITDA, ADJUSTED EBITDA, FREE CASH FLOW, MAXIMUM PERMITTED DIVIDENDS (1)

Free Cash Flow is a calculation that reflects the agreement with one of the significant lenders to Chesswood as to a measure of the cash flow produced by the businesses in a period, as well as management's view that the measure eliminates often significant 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.

For the quarter-ended			2020				2021	2022
($ thousands)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net income (loss)	$ 1,407	$ 9,804	$ 91	$ 6,313	$ 7,812	$ 9,148	$ 7,896	$ 1,679
Interest expense	7,374	7,084	6,000	5,895	7,739	8,835	9,202	12,087
Provision for (recovery of) taxes	753	3,877	(1,523)	2,666	3,224	3,187	1,825	1,098
Goodwill and intangible asset impairment	—	—	8,960	—	—	—	—	—
Amortization and depreciation	656	628	632	571	622	836	871	1,024
EBITDA (1)	10,190	21,393	14,160	15,445	19,397	22,006	19,794	15,888
Interest expense	(7,374)	(7,084)	(6,000)	(5,895)	(7,739)	(8,835)	(9,202)	(12,087)
Non-cash revaluation of option liability	—	—	—	—	—	—	(745)	(1,572)
Non-cash change in finance receivables allowance for credit losses(2)	(5,293)	(11,765)	(3,986)	(4,439)	(152)	1,830	921	17,073
Share-based compensation expense	148	32	554	255	244	326	2,719	650
Restructuring and transaction costs	5,776	3,474	—	—	—	—	—	—
Unrealized (gain) loss on investments	—	(544)	(60)	—	—	—	—	—
Unrealized (gain) loss on foreign exchange	(19)	51	(98)	26	(294)	(1,249)	851	(59)
(Gain) loss on interest rate derivative	(133)	(214)	(133)	(126)	(132)	(86)	—	—
Adjusted EBITDA (1)(2)	$ 3,295	$ 5,343	$ 4,437	$ 5,266	$ 11,324	$ 13,992	$ 14,338	$ 19,893
Maintenance capital expenditures	(156)	(56)	(93)	(40)	(79)	(112)	(771)	(196)
Tax impact of non-cash change in allowance for credit losses(2)	1,447	3,181	1,072	1,196	122	(505)	(256)	(3,391)
Provision for taxes	(753)	(3,877)	1,523	(2,666)	(3,224)	(3,187)	(1,825)	(1,098)
Free Cash Flow(1)(2)	$ 3,833	$ 4,591	$ 6,939	$ 3,756	$ 8,143	$ 10,188	$ 11,486	$ 15,208
FCF per diluted share	$ 0.22	$ 0.26	$ 0.39	$ 0.21	$ 0.42	$ 0.51	$ 0.56	$ 0.73
FCF L4PQ divided by 4 (1)(3)	$ 5,326	$ 4,932	$ 4,709	$ 4,743	$ 4,820	$ 5,498	$ 7,256	$ 8,393
Maximum Permitted Dividends (1)(3)	$ 4,793	$ 4,438	$ 4,238	$ 4,268	$ 4,338	$ 4,948	$ 6,530	$ 7,553
Dividends declared (4)	$ 620	$ 0	$ 710	$ 1,055	$ 1,566	$ 1,766	$ 1,756	$ 2,009

(1) EBITDA, Adjusted EBITDA, Free Cash Flow, FCF L4PQ (Free Cash Flow for the last four published quarters) and Maximum Permitted Dividends are non-GAAP measures. See "Non-GAAP Measures" above for the definitions.
(2) The formulas for Adjusted EBITDA and Free Cash Flow adjust for the non-cash change in finance receivables' allowance for credit losses included in the provisions for credit losses in the income statement as well as the related tax effect of this non-cash change. Adjusted EBITDA and Free Cash Flow includes only the actual net credit losses incurred in the quarter. Management believes that this change enhances the usefulness of Adjusted EBITDA and Free Cash Flow as performance measures and is a more appropriate method of calculation as it removes the volatility associated with the effect of estimates and assumptions for a non-cash item and reflects the agreement with Chesswood's main corporate credit facility.
(3) The FCF L4PQ is calculated on a monthly basis as required by the terms of Chesswood's revolving credit facility. This calculation uses Chesswood's most recent four quarters' published results, divided by twelve. The FCF L4PQ, in any one quarter, is the basis for the Maximum Permitted Dividends in that quarter (90% of FCF L4PQ) and will not include the FCF for the currently published quarter as they are released/published after the final month of the respective reporting period.
(4) Includes dividends on Exchangeable Securities (non-controlling interest, as described below under "Statement of Financial Position") and Special Warrants.

On March 9, 2022, the Company announced a 33% monthly dividend increase to $0.04 per share ($0.48 per share annualized), effective March 31, 2022. See 'Liquidity and Capital Resources - Dividends to Shareholders' below.

STATEMENT OF FINANCIAL POSITION

The total consolidated assets of the Company at March 31, 2022 were $2.0 billion, an increase of $445.6 million from December 31, 2021. The U.S. dollar exchange rate on March 31, 2022 was 1.2496, compared to 1.2678 at December 31, 2021. The decrease in the foreign exchange rate represents a decrease of $16.1 million in assets.

Cash totaled $17.0 million at March 31, 2022 compared to $12.4 million at December 31, 2021, an increase of $4.6 million. The Company's objective is to maintain low cash balances, investing any excess cash in finance receivables as needed and using any excess to pay down debt on the primary financing facilities. Please see the Liquidity and Capital Resources overview section of this MD&A for a discussion of cash movements during the three months March 31, 2022 and 2021.

Restricted funds represent cash reserve accounts which are held in trust as security for the U.S. Equipment Financing Segment, Canadian Equipment Financing Segment, and Canadian Auto Financing Segment's secured borrowings and cash collection accounts required by its lenders of certain financial assets that can only be used to repay these debts on specific dates. The 'cash in collections accounts' will be applied to the outstanding borrowings in the following month. See Note 10(e) - *Borrowings* in the unaudited condensed interim consolidated financial statements for further details.

Other assets totaled $17.0 million at March 31, 2022, an increase of $5.7 million from December 31, 2021. The increase is the result of three main factors. Firstly, Rifco contributed $0.6 million of prepaids and other assets, as well as $3.0 million of deferred tax assets (with $0.9 million from the initial acquisition and a majority of the remainder from the "day 2" loss provision). Secondly, Vault Credit had an increase in originations subsequent to December 31, 2021, resulting in a proportionate increase in sales tax receivable at month end of $0.9 million. Finally, Blue Chip's tax installments in the first first quarter outpaced its earnings, resulting in prepaid income taxes of $0.6 million, compare to a tax liability at year end. See Note 5 - *Other Assets* in the unaudited condensed interim consolidated financial statements for further details.

Net Finance receivables consist of the following:

Period end FX rate	1.2496	1.2678
($ thousands)	March 31, 2022	December 31, 2021
U.S. equipment finance receivables	**$ 1,163,557**	$ 1,025,567
Canadian equipment finance receivables	**466,213**	392,693
Canadian automotive finance receivables	**204,769**	—
	$ 1,834,539	$ 1,418,260

($ thousands)	March 31, 2022	December 31, 2021
Opening gross finance receivables	**$ 1,678,952**	$ 890,418
Gross loan originations	**411,534**	934,034
Gross loans acquired from business combination	**329,270**	194,018
Principal payments and adjustments	**(159,134)**	(323,800)
Charge-offs	**(3,816)**	(15,718)
Ending gross finance receivables	**$ 2,256,806**	$ 1,678,952

Finance receivables saw an increase of $416.3 million, or 29.4%, during the three months ended March 31, 2022. In U.S. dollars, the U.S. Equipment Financing Segment's net finance receivables increased by US$125.0 million and the decrease in the foreign exchange rate compared to December 31, 2021 decreased finance receivables by $14.7 million since December 31, 2021, thus reflecting an increase in U.S. based finance receivables of $138.0 million since December 31, 2021. The Canadian Equipment Financing Segment's finance receivables increased by $73.5 million during the three months ended March 31, 2022. The Canadian Auto Financing Segment's finance receivables were $209.3 million on January 14, 2022, the date of the Rifco acquisition, before the ACL. Following the provision for credit losses of $9.3 million recognized the day after the acquisition ("day 2"), finance receivables totalled $200.0 million. Since then, the finance receivables increased by $4.8 million to $204.8 million as at March 31, 2022.

The $1.8 billion in finance receivables is net of $39.2 million (or 2.1%) in ACL compared to $22.4 million (or 1.6%) in ACL at December 31, 2021. The $16.8 million increase in the ACL is related primarily to the acquisition of Rifco, which resulted in a $9.3 million credit loss provision being booked on "day 2", as well as increasing provisions across all subsidiaries as a result of growing originations and uncertainties during global events, offset by net recoveries during the quarter.

The Company's finance receivables are separated into two distinct categories, equipment lease and loan receivables and auto loan receivables. Both categories are composed of a large number of homogenous receivables, with relatively small balances. Thus, the evaluation of the ACL is performed separately on the two categories. Within the subsets, the ACL is assessed collectively for the portfolio.

The measurement of expected credit losses and the assessment of 'significant increase' (per IFRS 9) in credit risk considers information about past events and current conditions, as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information also requires judgment when calculating the ACL. The Company’s ACL was determined as at March 31, 2022 as follows:

($ thousands)	March 31, 2022	December 31, 2021
Opening allowance for credit losses	**$ 22,393**	$ 24,363
Net recoveries (charge-offs)	**407**	(2,028)
Provision for credit losses	**16,666**	188
Foreign exchange	**(293)**	(130)
Ending allowance for credit losses	**$ 39,173**	$ 22,393
Finance receivables	**$ 1,834,539**	$ 1,418,260
ACL as a percentage of finance receivables	**2.1 %**	1.6 %

Pawnee charges off leases and loans when they become 154 days contractually past due, unless information indicates that an earlier charge-off is warranted. A high percentage of charge-offs are recognized before the subject leases/loans reach 154 days contractually past due. Blue Chip and Vault Credit charge off leases and loans on an individual basis when there is no realistic prospect of recovery. Rifco charges off loans when they become 120 days contractually past due. Many finance receivables that are charged-off are subject to collection efforts, with future recoveries possible. Charge-offs are recognized net of recoveries.

Intangible assets totaled $26.6 million at March 31, 2022 compared to $26.9 million at December 31, 2021. The $0.3 million decrease in intangible assets is net of amortization of $0.6 million partially offset by a $0.3 million increase from the acquisition of Rifco, refer to Note 7 - *Intangible assets* in the unaudited condensed interim consolidated financial statements for more detail. The significant intangible assets of broker relationships and trade names do not require any outlay of cash to be maintained, as the creation of lease and loan receivables does not require an outlay of cash, other than commissions, which are separately expensed over the terms of the lease and loan receivables.

Goodwill totaled $43.0 million at March 31, 2022, compared to $43.1 million at December 31, 2021. The decrease was primarily due to foreign exchange translation. See Note 8 - *Goodwill* in the unaudited condensed interim consolidated financial statements for more detail.

Accounts payable and other liabilities totaled $42.6 million at March 31, 2022, compared to $31.8 million at December 31, 2021, an increase of $10.8 million. The main driver of this increase was due to the acquisition of Rifco. Rifco contributed $2.1 million in accounts payable. In addition, Rifco has a statutory requirement to refund application fees to borrowers in the event a loan is prepaid. As at March 31, 2022, this liability totaled $3.7 million. The U.S. Equipment Financing Segment also currently holds $3.6 million in current income taxes payable, an increase of $3.4 million, as a result of a greater tax accrual on increased profit. See Note 9 - *Accounts Payable and Other Liabilities* in the unaudited consolidated financial statements for more detail on the balances that comprise accounts payable and other liabilities.

In Q1 2022, there was a decrease in the option liability established during the merger of Blue Chip and Vault Credit of $1.6 million as a result of a decrease in the underlying net assets used to value the liability. See Note 21 - *Business Combinations* to the unaudited condensed interim consolidated financial statements for further detail on the option liability.

Borrowings totaled $1.8 billion at March 31, 2022 compared to $1.3 billion at December 31, 2021, an increase of $432.0 million net of deferred financing costs. The increase is primarily a function of the increased originations and inclusion of Rifco. Rifco contributed $199.5 million in debt at the time of acquisition, which has since increased by $8.3 million, to $207.8 million, as at March 31, 2022. The U.S. Equipment Financing Segment's US dollar debt is further increased by US$106.2 million and the Canadian Equipment Financing Segment 's debt increased by $10.8 million, and the drawdown under Chesswood Credit Facility increased by $9.1 million since December 31, 2021.

The $3.9 million (December 31, 2021 - $4.4 million) in customer security deposits relates to security deposits predominantly held by the U.S. Equipment Financing Segment. Historically, the U.S. Equipment Financing Segment's non-prime contracts typically required that the lessees/borrowers provide one or two payments as security deposit (not advance payments), which are held for the full term of the lease/loan and then returned or applied to the purchase option of the equipment at the lessee's/ borrower's request, unless the contract is in default (in which case the deposit is applied against the receivable). Beginning in January 2019, the U.S. Equipment Financing Segment discontinued requiring security deposits due to changing market conditions and now require advance payments (first and last months).

Future taxes payable at March 31, 2022 totaled $27.0 million compared to $27.1 million at December 31, 2021, a decrease of $0.1 million. Taxes are provided for using the asset and liability method of accounting. This method recognizes future tax assets and liabilities that arise from differences between the accounting basis of the subsidiaries' assets and liabilities and their corresponding tax basis.

At March 31, 2022, there were 17,226,880 common shares outstanding (excluding the shares issuable in exchange for the Exchangeable Securities, as defined below) with a book value of $119.6 million. A total of 498,605 shares were issued as part of the consideration of the Rifco acquisition on January 14, 2022. In addition, in Q1 2022, 150,000 restricted share units were exercised and the first tranche of Special Warrants were automatically exercised for 133,333 shares.

In December 2021, the Company's Board of Directors approved the repurchase for cancellation of up to 980,230 of the Company's outstanding common shares for the period commencing January 24, 2022 and ending on January 23, 2023. From January 24, 2022 to March 31, 2022, the Company repurchased 134,322 of its shares under the normal course issuer bid at an average cost of $14.16 per share. The excess of the purchase price over the average stated value of common shares purchased for cancellation was charged to retained earnings. Decisions regarding the timing of purchases will be based on market conditions and other factors.

Additionally, the Company has entered into an automatic share purchase plan with a broker for the purpose of permitting the Company to purchase its common shares under the normal course issuer bid at times when the Company would otherwise not be permitted to trade in its own shares during internal blackout periods, including during regularly scheduled quarterly blackout periods. Such purchases will be determined by the broker in its sole discretion based on parameters the Company has established.

Non-controlling interest consists of 1,274,601 Class B common shares and 203,936 Class C common shares (the "Exchangeable Securities") of Chesswood U.S. Acquisitionco Ltd. ("U.S. Acquisitionco") were issued as partial consideration for the acquisition of Pawnee and are fully exchangeable at any time for the Company's common shares, on a one-for-one basis, for no additional consideration, through a series of steps and entitle the holders to receive the same dividends as the common shares. Attached to the Exchangeable Securities are Special Voting Shares of the Company which provide the holders of the Exchangeable Securities voting equivalency to holders of common shares. Under IFRS, the Exchangeable Securities must be shown as non-controlling interest because they are equity in a subsidiary not attributable, directly or indirectly, to the parent. The Exchangeable Securities are fully exchangeable into the Company's common shares. Their portion of income and dividends is allocated to non-controlling interest. Including the common shares issuable in exchange for the Exchangeable Securities, Chesswood had 18,705,417 common shares outstanding.

As a result of the Blue Chip - Vault Credit merger and prior to the exercise of the option liability, the non-controlling interest in the Canadian Holdco has a right to 49% of the income and distributions of the Canadian Holdco. However, because of the option liability, the non-controlling interest in Canadian Holdco is not recognized. See Note 21 - *Business Combinations.* Finally, there is a 49% non-controlling interest in Vault Home which is recognized under the non-controlling interest section of the Shareholder's Equity.

Contributed surplus includes the accumulated share-based compensation expensed over the vesting term for options and restricted share units unexercised at March 31, 2022. There were 2,037,039 options and 467,000 restricted share units outstanding at March 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of cash for the Company and its subsidiaries have been cash flows from operating activities, and borrowings under its and its various subsidiaries' revolvers, warehouses, asset-backed securitizations and bulk lease financing facilities. The primary uses of cash for the Company and its subsidiaries are to fund originations of equipment leases and loans, support working capital, long-term debt principal repayments, share repurchases and dividends.

The Company and its subsidiaries were compliant with all covenants as at and through the three months ended March 31, 2022.

At March 31, 2022, the Company had the following facilities:

(a) The Chesswood revolving credit facility allows borrowings of up to US$300.0 million, subject to, among other things, certain percentages of eligible gross finance receivables. This credit facility includes a US$100 million accordion feature that can increase the overall borrowing amount to US$400 million, is secured by substantially all of the Company's (and most of its subsidiaries') assets, contains covenants, including maintaining leverage, interest coverage and delinquency ratios, and expires on January 14, 2025. At March 31, 2022, the Company was utilizing US$229.5 million (December 31, 2021 - US$153.5 million) of its credit facility and had approximately US$70.5 million in additional borrowings available under the revolving credit facility. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022, was 3.63% (year ended December 31, 2021 - 4.50%).

This revolving credit facility allows Chesswood to internally manage the allocation of capital to its financial services businesses in Canada and the United States. The credit facility supports growth in finance receivables, provides for Chesswood's working capital needs and for general corporate purposes. The facility, available in U.S. or Canadian dollars, also improves the Company's financial flexibility by centralizing treasury management and making the provision of capital to individual businesses more efficient. The financing facilities are not intended to directly fund dividends by the Company. Under the facility, the maximum amount of cash dividends and purchases under its normal course issuer bid in respect of a month is 1/12 of 90% of Free Cash Flow (see Dividend Policy below) for the most recently completed four financial quarters for which Chesswood has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter). Free Cash Flow is defined as the consolidated Adjusted EBITDA less maintenance capital expenditures and tax expense, plus or minus the tax effect of non-cash change in the allowance for credit losses. Please refer to the definitions of Non–GAAP Measures provided above in this MD&A.

(b) U.S. Equipment Financing Segment:

(i) The U.S. Equipment Financing Segment has a credit facility, with a US$200 million annual capacity, with a life insurance company to be renewed annually in October. The funder makes approved advances to the segment on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. The segment maintains certain cash reserves as credit enhancements or provides letters of guarantee in lieu of cash reserves. The segment retains the servicing of these finance receivables. The balance of this facility at March 31, 2022 was US$96.9 million (December 31, 2021 - US$95.1 million). Based on average debt levels, the effective interest rate for the three months ended March 31, 2022, was 3.53% (including amortization of origination costs) (year ended December 31, 2021 – 3.72%).

(ii) In October 2019, the U.S. Equipment Financing Segment completed a US$254 million asset-backed securitization which has a fixed term and fixed interest rate and is collateralized by receivables from the U.S. Equipment Financing Segment's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay down the U.S. Equipment Financing Segment's previously existing warehouse line and Chesswood's senior revolving credit facility. The balance of this facility at March 31, 2022 was US$69.4 million (December 31, 2021 - US$83.1 million). Based on average debt levels, the effective interest rate was 3.38% for the three months ended March 31, 2022 (including amortization of origination costs) (year ended December 31, 2021 – 3.24%).

(iii) On September 30, 2020, the U.S. Equipment Financing Segment completed a US$183.5 million asset-backed securitization which has a fixed term and fixed interest rate and is collateralized by receivables from the U.S. Equipment Financing Segment portfolio of equipment leases and loans. Proceeds from the securitization were used to pay off the U.S. Equipment Financing Segment's previously existing warehouse line, and CapOne facilities, and to pay down Chesswood's senior revolving credit facility. The balance of this facility at March 31, 2022 was US$76.6 million (December 31, 2021 - US$89.8 million). The effective interest rate was approximately 3.12% for the three months ended March 31, 2022 (including amortization of origination costs) (year ended December 31, 2021 – 2.61%).

(iv) On October 22, 2021, the U.S. Equipment Financing Segment completed a US$356.1 million asset-backed securitization which has a fixed term and a fixed interest rate and is collateralized by receivables from the U.S. Equipment Financing Segment's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay off the U.S. Equipment Financing Segment's warehouse line and to pay down Chesswood's senior revolving credit facility. The effective interest rate was approximately 1.69% (including amortization of origination costs) (year ended December 31, 2021 - 2.01%). The balance of this facility at March 31, 2022, was US$310.8 million (December 31, 2021 - US$333.9 million).

(v) The U.S. Equipment Financing Segment has a US$250 million revolving warehouse loan facility that was established in May 2021 specifically to fund its growing prime portfolio. The warehouse facility holds the U.S. Equipment Financing Segment's prime receivables before they are securitized and is secured by the U.S. Equipment Financing Segment's assets, contains covenants, including maintaining leverage, interest coverage, and delinquency ratios. This facility has a revolving period until January 2024 followed by an optional amortizing period for an additional 36 months. At March 31, 2022, the balance of this facility was US$133.2 million (December 31, 2021 - nil). The effective interest rate for the three months ended March 31, 2022 was approximately 2.97% (year ended December 31, 2021 - 2.09%) (including amortization of origination costs).

(vi) The U.S. Equipment Financing Segment entered into arrangements on April 29, 2021 under which an investment fund managed by Waypoint Investment Partners Inc. ("Waypoint") provides loan funding to a special purpose vehicle and thereby receives returns based on the performance of a specific group of finance receivables. The investment fund is structured as a limited partnership, and Chesswood has a small minority ownership interest in the general partner of the fund. The U.S. Equipment Financing Segment receives origination fees and fees for administering the portfolio, and Waypoint receives fees for managing the investment fund. Chesswood will be entitled to its proportionate share of any amounts earned by the fund's general partner. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. The balance of this facility at March 31, 2022 was US$46.3 million (December 31, 2021 - US$19.0 million). Based on average debt levels, the effective return provided to the private credit investors for the three months ended March 31, 2022 was 14.16% (including amortization of origination costs) (year ended December 31, 2021 - 12.48%). See Note 17 - *Related party transactions*.

As at March 31, 2022, the U.S. Equipment Financing Segment had provided US$0.5 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves (December 31, 2021 - US$0.5 million).

(c) Canadian Equipment Financing Segment:

Blue Chip and Vault Credit have master purchase and servicing agreements with various financial institutions and life insurance companies (referred to collectively as the "Funders"). The Funders make advances to Blue Chip and Vault Credit on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facilities have limited recourse to other assets in the event that lessees/borrowers fail to make payments when due. Blue Chip and Vault Credit either maintain certain cash reserves as credit enhancements or provide letters of guarantee in return for release of the cash reserves. Blue Chip and Vault Credit continue to service these finance receivables on behalf of the Funders.

(i) At March 31, 2022, Blue Chip and Vault Credit had access to the following committed lines of funding:

(i) $200 million annual limit from a life insurance company.
(ii) $150 million rolling limit from a financial institution.
(iii) $250 million annual limit from a bank.
(iv) Approved funding from another financial institution with no annual or rolling limit.

As at March 31, 2022, Blue Chip and Vault Credit had $48.7 million and $312.2 million, respectively (December 31, 2021 - $57.6 million and $302.1 million, respectively) in securitization and bulk lease financing facilities debt outstanding. Blue Chip and Vault Credit together had access to at least $435.0 million of additional financing from its securitization partner (December 31, 2021 - $247.5 million).

Interest rates are fixed at the time of each advance and are based on Government of Canada Bond yields with maturities comparable to the term of the underlying leases plus a premium. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022 was 3.07% and 3.07% for Blue Chip and Vault Credit, respectively (year ended December 31, 2021 - 3.37% and 2.61%, respectively).

(ii) The Canadian Equipment Financing Segment entered into arrangements on December 14, 2021 under which Vault Credit Opportunities Fund ("VCOF") provides loan funding to Vault Credit and thereby receives returns based on the performance of a specific group of finance receivables. The Canadian Equipment Financing Segment receives fees for servicing the portfolio. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. The balance of this facility at March 31, 2022 was $1.6 million (December 31, 2021 - $2.2 million). VCOF earns a yield equivalent to the interest on the underlying loans.

As at March 31, 2022, Blue Chip and Vault Credit had provided $2.5 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves (December 31, 2021 - $3.8 million). Blue Chip and Vault Credit must meet certain financial covenants, including leverage ratio, interest coverage ratio, and tangible net worth covenants, to support these securitization and bulk lease financing facilities.

(d) Canadian Auto Financing Segment:

(i) At March 31, 2022, Rifco had access to the following committed lines of funding:

(i) $50 million annual limit from a life insurance company.
(ii) $50 million rolling limit from a financial institution.
(iii) approved funding from another financial institution with no annual or rolling limit.

As at March 31, 2022, Rifco had $197.7 million outstanding on its securitization facilities. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022, was 4.24%.

(ii) Unsecured Debentures

Rifco has previously issued unsecured debentures. Unsecured debentures allow Rifco the right to redeem the debenture in the last year of the agreement without penalty. The unsecured debenture holders do not have early retraction rights and have no right to convert into common shares. The unsecured debentures have an asset coverage covenant. Non-compliance with this covenant could result in the debenture holders declaring an event of default and requiring all amounts outstanding to be immediately due and payable. Rifco was compliant for the reporting period. The unsecured debentures are non-retractable with maturity dates that go out until August 2026.

As at March 31, 2022, Rifco had $10.2 million in unsecured debentures outstanding. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022, was 9.94%.

Cash Sources and Uses

The statement of cash flows, which is compiled using the indirect method, shows cash flows from operating, investing, and financing activities, and the Company's cash at the beginning and end of the period. Cash flows in foreign currencies have been translated at the average exchange rate for the period. Cash flow from operating activities comprises net income adjusted for non-cash items, and changes in operational net assets. IFRS deems changes in finance receivables as operating assets for financial companies. Receipts and payments with respect to tax are included in cash from operating activities. Interest revenue and interest expense are included in operating activities. Cash flow from investing activities comprises payments relating to the acquisition of companies, cash acquired on business combinations, and payments relating to the purchase of property and equipment. Cash flow from financing activities comprises changes in borrowings, payment of dividends, proceeds from stock issues, exercise of stock options, and the purchase and sale of treasury stock.

For the three months ended March 31, 2022

In the three months ended March 31, 2022, there was an increase in cash of $4.6 million compared to a decrease in cash of $2.7 million in the same period in the prior year as a result of the reasons discussed below.

The Company's finance receivables have an average term of approximately 49 months at the time of origination. At origination, the finance receivables will generate earnings over the next 49 months, with only a portion in the current operating period. Chesswood's ability to borrow under its various credit facilities is directly linked to its finance receivable portfolio. The funds borrowed (or repaid) to support the growth (retraction) in the finance receivables is shown under Financing Activities.

The Company's operations utilized $222.2 million of cash during the three months ended March 31, 2022, compared to $44.3 million cash generated in the same period in the prior year, an increase in cash utilization of $177.9 million year-over-year.

The net cash utilized to fund the growth in finance receivables (funds advanced, origination costs, security deposits, restricted cash, and principal payments) totaled $257.5 million in the three months ended March 31, 2022, compared to the utilization of $62.6 million in the same period in the prior year, an increase of $194.9 million in cash utilized year-over-year.

The Company funded growth in finance receivables from cash from operating activities, and net borrowings of $249.6 million in the three months ended March 31, 2022. In the same period in the prior year, the Company funded growth in finance receivables from cash from operating activities, and net borrowings of $45.1 million.

In the three months ended March 31, 2022, the Company had net tax payments of $3.8 million compared to net tax payments of $2.4 million in the same period in the prior year, an increase in cash utilization of $1.4 million year-over-year.

Proceeds from the exercise of options were insignificant in the period and were offset by the repurchase of common shares under the Company's normal course issuer bid of $1.9 million. Similar amounts for the three months ended March 31, 2021, were $0.4 million and $2.7 million, respectively.

The Company paid $1.7 million of dividends to the holders of its common shares and Exchangeable Securities, as well as its non-controlling interests in the Canadian Holdco, during the three months ended March 31, 2022 compared to $1.1 million paid in the same period in the prior year.

Cash used in investing activities mainly consisted of a net $15.9 million (2021 - nil) cash outflow related to the acquisition of Rifco.

Financial Covenants, Restrictions and Events of Default

The Company and its operating subsidiaries are subject to bank and/or funder covenants. The Company was compliant with all of its covenants on all facilities as at March 31, 2022.

The Company's ability to access funding at competitive rates through various economic cycles enables it to maintain the liquidity necessary to manage its businesses. This ability to continue to access funding at competitive rates is an important condition to its future success.

The Company's secured borrowing agreement and its subsidiaries' warehousing, asset-backed securitization, securitizations, and bulk lease financing facility agreements have financial covenants and other restrictions which must be met in order to obtain continued funding.

Advances on the Chesswood revolving credit facility may be drawn at any time, subject to compliance with borrowing base calculations and required representations and warranties. As at March 31, 2022, US$70.5 million was available under the US$300.0 million facility (utilizing US$229.5 million), which included US$2.5 million of letters of credit.

Dividends to Shareholders

On March 9, 2022, the Company announced a 33% monthly dividend increase to $0.04 per share ($0.48 per share annualized), effective for the dividend for March 2022 (paid in April).

Dividend Policy

The Company's policy has been to pay monthly dividends to shareholders of record on the last business day of each month by the 15th of the following month (or the next business day thereafter if the 15th is not a business day).

Under the Chesswood credit facility, the maximum amount of monthly cash dividends and repurchases under its normal course issuer bid is 1/12 of 90% of Free Cash Flow (as defined under Non–GAAP Measures in this MD&A) for the most recently completed four financial quarters for which Chesswood has publicly filed its consolidated financial statements.

The amount of any dividends payable by Chesswood is at the discretion of its Board of Directors, is evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, Chesswood's earnings, financial requirements for its operating entities, growth opportunities, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

Minimum Payments

The following are the contractual payments and maturities of financial liabilities and other commitments as at March 31, 2022 (including interest):

($ thousands)	2022	2023	2024	2025	2026	2027 and beyond	Total
Accounts payable and other liabilities	$ 42,556	$ —	$ —	$ —	$ —	$ —	$ 42,556
Premise leases payable (a)	738	1,028	1,007	692	504	251	4,220
Borrowings (b)	482,729	791,136	335,688	202,604	68,863	24,897	1,905,917
Customer security deposits (c)	1,378	1,698	372	258	226	32	3,964
	527,401	793,862	337,067	203,554	69,593	25,180	1,956,657
Service contracts	1,480	253	76	54	23	—	1,886
Total commitments	$ 528,881	$ 794,115	$ 337,143	$ 203,608	$ 69,616	$ 25,180	$ 1,958,543

a. The Company and its subsidiaries are committed to future minimum rental payments under existing leases for premises, excluding occupancy costs and property tax, with expirations up to 2028. The amounts above exclude adjustment for discounting premise leases payable.

b. Borrowings are described in Note 10 - *Borrowings* and include fixed payments for the U.S. Equipment Financing Segment, Blue Chip, Vault Credit, and Rifco's securitization facilities, as well as Rifco's debentures, and Chesswood's revolving credit facility which is a line-of-credit and, as such, the balance can fluctuate. The amounts above includes fixed interest payments on U.S. Equipment Financing Segment, Blue Chip, Vault Credit, and Rifco's credit facilities and estimated interest payments on the Chesswood corporate credit facility, assuming the interest rate, debt balance and foreign exchange rate at March 31, 2022 remain the same until the expiry date of December 2022. The amount owing under Chesswood's revolving corporate revolving credit facility is shown in year of maturity, all other expected payments for borrowings are based on the underlying finance receivables supporting the borrowings. Since the current credit facility expires within the next 12 months, the Chesswood revolving credit facility is a current liability.

c. The Company's experience has shown the actual contractual payment streams will vary depending on several variables, including prepayment rates, charge-offs, and modifications. Accordingly, the scheduled contractual payments of customer security deposits shown in the table above are not to be regarded as a forecast of future cash payments.

Reference should be made to Note 6(b) - *Finance Receivables* for the expected collections of finance receivables over the same time period. See Note 10(e) - *Borrowings* - for the amount of restricted cash in collections accounts that will be applied to debt in the following month.

The Company has no material liabilities that have not been recognized and presented on the condensed interim statement of financial position, other than US$2.5 million in letters of guarantee.

OUTLOOK

Credit performance remains high, as evidenced by our 2021 ABS tranche rating upgrades received in May from Moody's. Our teams expect gross charge-offs to normalize throughout the year, however supply chain disruption is likely to keep recovery levels high relative to historical performance. As a result, net charge-offs are expected to remain low.

Rising inflation data led to a shift in the U.S. and Canadian central bank interest rate policy beginning in March. The current projection for rate increases places short term rates up 2.5% by the beginning of 2023. Our teams are evaluating relevant product pricing in the context of the current market environment. As the broader market increases loan rates, we expect loan demand to decline moderately.

We expect our off-balance sheet funding strategy will continue to accelerate throughout 2022 as Chesswood Capital Management is in discussions with other private credit investors. These collaborations provide investors with the opportunity to earn strong risk adjusted returns while Chesswood benefits from a reduction in balance sheet risk and the ability to earn recurring fee-based revenue. As we expand this initiative, we expect Chesswood's return on equity to rise as less balance sheet equity is required to fund loan growth.

RISK FACTORS

An investment in the Company's common shares entails certain risk factors that should be considered carefully.

Chesswood operates in a dynamic environment that involves various risks and uncertainties, many of which are beyond our control and which could have an effect on our business, revenues, operating results, cash flow and financial condition. Readers should carefully review the risk factors in the Company's annual information form filed with various Canadian securities regulatory authorities through SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com, a summary of which are set out below.

Deterioration in Economic or Business Conditions; Impact of Significant Events and Circumstances; COVID-19

The results of the Company's subsidiaries may be negatively impacted by various economic factors and business conditions, including the level of economic activity in the markets in which they operate. To the extent that economic activity or business conditions deteriorate, originations may decrease; and delinquencies and credit losses may increase. Delinquencies and credit losses generally increase during economic slowdowns or recessions such as that experienced in the United States from 2008-2013. As our operating companies extend credit primarily to small businesses (and for Rifco and Vault Home, individual consumers), many of their customers may be particularly susceptible to economic slowdowns or recessions, and may be unable to make scheduled lease or loan payments during these periods. Unfavourable economic conditions may also make it more difficult for our operating companies to maintain new origination volumes and the credit quality of new leases and loans at levels previously attained. Unfavourable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities, securitizations and other capital markets or result in a decision by lenders not to extend further credit.

In addition, the equipment or consumer product finance industries generally may be affected by changes in accounting treatment for leases and loans, and negative publicity with respect to, among other things, fraud or deceptive practices by certain participants in the industry. Greater governmental scrutiny is also a risk, especially as to the tax treatment of certain transaction structures or other aspects of these transactions that, if changed, could result in additional tax, fee or other revenue to that governmental authority. Any of these factors may make leasing or loaning less attractive or diminish the profitability of the existing financing alternatives offered by our operating companies.

In addition to being impacted by factors or conditions in the United States or Canada, political, economic or other significant events or circumstances outside of North America (whether war or political unrest which impact upon the prices of oil and other commodities or otherwise) can ultimately significantly impact upon North American economic conditions which, in turn, could result in the adverse implications described in the first paragraph under this heading. Similarly, natural disasters in any part of the world may directly (through impact on supplies of goods or equipment to our businesses) or indirectly impact Chesswood's operations or results. Further, tariffs or duties imposed by a country could adversely impact upon industries in which companies to which our operating companies have provided financing or seek to provide financing, which may impact Chesswood's operations or results.

Of particular note are the significant potential continuing impact of the COVID-19 pandemic, the military conflict in Ukraine, and the related multinational sanctions/

Portfolio Delinquencies; Inability to Underwrite Lease and Loan Applications

Pawnee’s receivables consist primarily of lease and loan receivables originated under programs designed to serve small and medium-sized, often owner-operated, businesses that have limited access to traditional financing. There is a high degree of risk associated with equipment financing for such parties. A portion of Pawnee’s portfolio are start-up businesses that have not established business credit or a more established business that has experienced some business or personal credit difficulty at some time in its history. As a result, such leases or loans entail a relatively higher risk and may be expected to experience higher levels of delinquencies and loss levels. Pawnee cannot guarantee that the delinquency and loss levels of its receivables will correspond to the historical levels Pawnee has experienced on its portfolio and there is a risk that delinquencies and losses could increase significantly.

Analogous risks are faced by Tandem, Blue Chip, Vault Credit, Vault Home, and Rifco in their businesses.

In addition, since defaulted leases and loans and certain delinquent leases and loans cannot be used as collateral under our financing facilities, higher than anticipated lease and loan defaults and delinquencies could adversely affect our liquidity by reducing the amount of funding available to us under our financing arrangements. Furthermore, increased rates of delinquencies or loss levels could result in adverse changes to the terms of future financing arrangements, including increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements.

Dependence on Key Personnel

Our operating companies depend to a large extent upon the abilities and continued efforts of their key operating personnel and senior management teams.

Relationships with Brokers, Dealers, and Other Origination Sources

The U.S. and Canadian operations have formed relationships with hundreds of origination sources, comprised primarily of equipment finance brokerage firms, vendors/distributors (and for Rifco, motor vehicle dealerships). They rely on these relationships to generate applications and originations. The failure to maintain effective relationships with their brokers and other origination sources or decisions by them to refer transactions to, or to sign contracts with, other financing sources could impede their ability to generate transactions, including in Canada where the subsidiaries get a substantial portion of their origination volumes from a few large equipment brokerage firms and from a limited number of automotive dealerships.

Tandem is forming relationships with origination partners, comprised primarily of equipment dealers. It will rely on the relationships it creates to generate lease and loan applications and originations. Many of these relationships may not be formalized in written agreements, and those that are formalized may be terminable at will. The decision by a significant number of Tandem's origination partners to refer their transactions to other companies would impede Tandem's ability to generate transactions. Analogous risks are faced by Vault Home and Rifco.

Risk of Future Legal Proceedings

Our operating companies are threatened from time to time with, or are named as defendants in, or may become subject to, various legal proceedings, fines or penalties in the ordinary course of conducting their respective businesses. A significant judgment or the imposition of a significant fine or penalty on an operating company (or on a company engaged in a similar business, to the extent the operating company operates in a similar manner) could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Interest Rate Fluctuations

The Company and our operating companies are exposed to fluctuations in interest rates under their borrowings. Increases in interest rates (to the extent not mitigated by interest hedging arrangements or fixed rate securitizations) may have a material adverse impact on our businesses, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

The leases and loans are written at fixed interest rates and terms. Generally, the Company finances the activities of its operating companies with both fixed rate and floating rate funds. To the extent the operating companies finance fixed rate leases and loans with floating rate funds, they are exposed to fluctuations in interest rates such that an increase in interest rates could narrow or eliminate the margin between the yield on a lease and loan and the effective interest rate paid by the borrower.

At the customer level, non-prime segments of the micro and small-ticket equipment finance market have historically and typically been, and continue to be, more sensitive to the monthly payment amounts than to the effective rates of interest charged.

Losses from Leases and Loans; The Risk/Yield Trade-off

Losses from leases and loans in excess of our operating companies' expectations would have a material adverse impact on our businesses, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact our operating companies' actual and projected net credit losses and the related allowance for credit losses. Should there be a significant change in the above noted factors, then our operating companies may have to set aside additional reserves which could have a material adverse impact on their respective business, financial condition and results of operations and on the amount of cash available for dividends to our shareholders.

Determining the appropriate level of the allowance is an inherently uncertain process and therefore the determination of this allowance may prove to be inadequate to cover losses in connection with a portfolio of leases and loans. Factors that could lead to the inadequacy of an allowance for credit losses may include the inability to appropriately underwrite credit risk of new originations, effectively manage collections, or anticipate adverse changes in the economy or discrete events adversely affecting specific customers, industries or geographic areas.

Pawnee began offering its prime product in 2015 - financing for higher credit rated lessees and borrowers, and this product represents an increasing part of the composition of Pawnee's portfolio. While it is expected that the losses and allowance for credit losses in respect of this part of Pawnee's portfolio will be lower - commensurate with the prime credit rating of the lessees/borrowers - the spread between the rates that Pawnee can charge over our cost of funds is also considerably smaller.

Adverse Events or Legal Determinations in Areas with High Geographic Concentrations of Leases or Loans

If judicial or other governmental rulings or actions or interpretations of laws adverse to the equipment and consumer finance industries in general or to business practices engaged in by our operating companies, or adverse economic conditions or the occurrence of other significant events such as natural disasters and terrorist attacks, were to occur in a geographic region with a high concentration of leases/loans or equipment/vehicles financed from our operating companies, there could be a material adverse impact on our business, financial condition and results of operations, and the amount of cash available for dividends to our shareholders.

"Characterization" Risks

If an applicable court or regulatory authority were to make an adverse finding, or take an adverse action on the basis that one of Pawnee's form of lease is not a true lease for commercial law, tax law, or other legal purposes, adverse consequences could result with respect to leases entered into in such form including the loss of preferred creditor status (which would impact upon Pawnee's rights to recover on its claim), limitations on finance charges and other fees that can be enforced, and additional federal, state and other (income or sales) taxes payable by Pawnee.

Defenses to Enforcement of a Significant Number of Leases and Loans

Certain defenses and recovery impediments are more common in micro and small-ticket equipment finance transactions (and in particular consumer product finance transactions) than with respect to equipment finance providers in other segments of the equipment finance industry. Management believes that certain of these risks are sufficiently addressed in the existing documentation and related business practices of our operating companies. However, there are other risks that they have not addressed for various reasons, including that certain of these risks are not susceptible to being addressed either at all or without incurring cost inefficiencies or taking other measures deemed unacceptable by management based on a risk-reward assessment. Our operating companies have never experienced any material occurrence of these risks nor have these risks historically had a material adverse impact on them. However, there is no assurance that these risks will not have a material adverse impact on their business, financial condition and results of operations in the future.

Origination, Funding and Administration of Transactions

Our operating companies' origination, funding and transaction administration practices could result in certain vulnerabilities in their enforcement rights. For example, certain leases and loans are assignments of transactions already documented by brokers. Acquiring leases/loans by this "indirect" process subjects our operating companies to various risks, including risks that might arise by reason of the broker's insolvency, administrative inadequacies or fraudulent practices, as well as any third party claims against the broker or its rights with respect to the assigned lease or loan. Our operating companies may be subject to risks related to broker or motor vehicle dealer practices, whether or not our operating companies have actual legal responsibility for broker/dealer conduct. Any of these broker/dealer related risks can impair our operating companies' rights with respect to recovering the rents and/or property under leases and loans.

If the lessee/borrower or broker is the party to whom the vendor of the equipment has agreed to sell the property at the time of its delivery, then under applicable commercial law, the lessee/borrower or broker, as applicable, may be deemed to have acquired title to the property prior to our operating companies having funded the transaction. It has not been their practice to ensure that the title to the leased property has not already passed or to obtain assurances that it is acquiring good title to that property free of liens and other third party claims. The manner in which our operating companies purchase the equipment is typical in this market segment, especially with respect to similarly situated equipment financing providers. They have not yet faced any meaningful challenge or adverse consequence from this practice, but there can be no assurance that such a challenge or consequence will not occur in the future.

In most circumstances where the equipment is less than US$15,000 (or US$10,000 if for a home business) for Pawnee's "C" or "Start-up" product and US$50,000 for the "B" product, and US$100,000 for "A", Pawnee's practice of requiring only a verbal confirmation that the property has been delivered and irrevocably accepted under the subject lease or loan, and/or inspecting the property to confirm the same, could make Pawnee vulnerable to certain defenses. By way of example, Pawnee's deemed failure to deliver conforming property under the lease or loan documents could be a defense to a lessee/borrower's "unconditional" obligation to pay the rents and certain other amounts. Pawnee has not suffered any material losses relating to these practices, however, there can be no assurance that it would not in the future.

Analogous risks are faced by Tandem, Blue Chip, Vault Credit, Vault Home, and Rifco.

Changes in Governmental Regulations, Licensing and Other Laws and Industry Codes of Practice

Finance companies are subject to laws and regulations relating to extending financing generally and are also members of industry associations which have adopted, among other things, codes of business practice. Laws, regulations and codes of business practice may be adopted with respect to existing leases and loans or the leasing, marketing, selling, pricing, financing and collections processes which might increase the costs of compliance, or require them to alter their respective business, strategy or operations, in a fashion that could hamper the ability to conduct business in the future.

Licensing Requirements

If an applicable court or regulatory authority were to make an adverse finding or otherwise take adverse action with respect to our operating companies based on their failure to have a finance lender's or other license or registration required in the applicable jurisdiction, our operating companies would have to change business practices and could be subject to financial or other penalties. Further, certain jurisdictions may enact or change administrative practices in respect of licensing requirements for our operating companies or their referring brokers. For example, California requires that referring brokers have a lenders' license, which may impact loan referrals from certain brokers for funding to California residents.

Fees, Rates and Charges

Some of our operating companies' documents require payment of late payment fees, late charge interest, and other charges either relating to the non-payment under, or enforcement, of their leases and loans. It could be determined that these fees and/or the interest rates charged exceed applicable statutory or other legal limits. If the charges are deemed to be punitive and not compensatory, or to have other attributes that are inconsistent with, or in violation of, applicable laws, they could be difficult to enforce. A number of charges payable with respect to equipment finance transactions in the micro and small-ticket equipment finance market have been the subject of litigation by customers against financing parties in the past. Although our subsidiaries are not currently the subject of any such litigation, there can be no assurance that a lessee/borrower or a group of lessees/ borrowers will not attempt to bring a lawsuit against our subsidiaries in relation to fees and charges, which our subsidiaries may or may not be successful in defending.

Our operating companies believe that their fee programs are designed and administered so as to comply with legal requirements and are within the range of industry practices in their market segments. Nevertheless, certain attributes of these fees or charges, and their practices, including that their leases and loans typically provide for several different fees and charges resulting in a substantial amount of fee income and the possibility that the fees and charges may exceed actual costs involved or may otherwise be deemed excessive, could attract litigation, including class actions, that would be costly even if our subsidiaries were to prevail and as to which no assurance can be given of their successful defense. In addition to the risk of litigation, fee income is important to our subsidiaries and the failure of our subsidiaries to continue to collect most of these fees could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Insurance

To ensure that the lessor or lender of the leased or financed property suffering a loss receives the related insurance proceeds, the lease or loan also requires that the lessor or lender be named as a loss payee under the requisite casualty coverage. However, each lessee/borrower is ultimately relied upon to obtain and maintain the required coverage for financed property but there is no certainty that they will obtain the requisite coverage either conforming to the requirements of the lease or loan, or at all. Additionally, there are often policy provisions including exclusions, deductibles and other conditions that by their terms, or by reason of a breach, could limit, delay or deny coverage. There can be no assurance that any insurance will protect our operating companies interests in the financed property, and the failure by the lessee/borrower to obtain insurance or the failure by the operating companies to receive the proceeds from such insurance policies could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Lessor Liability

There is a risk that a lessor, such as the U.S Equipment Financing Segment, Blue Chip, or Vault Credit, could be deemed liable for harm to persons or property in connection with, among other things, the ownership or leasing of the leased property, or the conduct or responsibilities of the parties to the lease relating to that property. The liability may be contractual (such as warranties regarding the equipment), statutory (such as federal, state or provincial environmental liability) or pursuant to various legal theories (such as negligence). There have been cases in which a lessor has been held responsible for damage caused by leased property without a showing of negligence or wrong-doing on the lessor’s part. Even if a lessor ultimately succeeds in defending itself or settling any related litigation, the related costs and any settlement amount could be significant.

Liability for Misuse of Leased Equipment

There is no practical manner to ensure that leased equipment will be used, maintained or caused to comply with applicable law. The U.S Equipment Financing Segment, Blue Chip, and Vault Credit require their lessees to deliver evidence of compliance with same as a condition to funding but have no assurance that a lessee will take the appropriate actions during the lease term to address any use, maintenance or compliance issues which may arise. A lessee’s conduct (or lack thereof) could subject the U.S Equipment Financing Segment, Blue Chip, or Vault Credit, as applicable, to liability to third parties.

Estimates Relating to Value of Leases and Loans

Based on the particular terms of a lease or loan, equipment/vehicle finance companies estimate the residual value of the financed equipment or vehicle, which is recorded as an asset on its statement of financial position. At the end of the lease or loan term, finance companies seek to realize the recorded residual by selling the the equipment or vehicle to the lessee/borrower or in the secondary market or through renewal of the lease by the lessee. The ultimate realization of the recorded residual values depends on numerous factors, including: accurate initial estimate of the residual value; the general market conditions and interest rate environment at the time of expiration of the lease or loan; the cost of comparable new equipment/vehicle; the obsolescence of the equipment/vehicle; any unusual or excessive wear and tear on or damage to the equipment/vehicle; and the effect of any additional or amended government regulations.

If the U.S Equipment Financing Segment, Blue Chip, Vault Credit, or the Canadian Auto Financing Segment (in connection with those leases or loans where the lessee or borrower is not obligated to either purchase the equipment/vehicle or guarantee the residual value of the equipment/vehicle at the end of the term of the lease or loan) is unable to accurately estimate or realize the residual values of the equipment/vehicle subject to their leases or loans, the amount of recorded assets on its statement of financial position will have been overstated.

Competition from Alternative Sources of Financing

The business of micro and small-ticket equipment finance in the United States is highly fragmented and competitive. The U.S Equipment Financing Segment focuses some of their lending on the segment of the micro and small-ticket equipment finance market involving start-up businesses that have no established business credit or established businesses that have experienced some credit difficulty in their history that do not meet the credit standards of more traditional financing sources. The U.S Equipment Financing Segment's main competition comes from equipment finance companies, banks, commercial lenders, home equity loans, and credit cards.

As the U.S Equipment Financing Segment expands their suite of products and targets potential lessees/borrowers with better credit scores, it will face competition from more traditional financing sources, including: national, regional and local finance companies; captive finance and equipment finance companies affiliated with major equipment manufacturers; and financial services companies, such as commercial banks, thrifts and credit unions.

Analogous risks are faced by Blue Chip, Vault Credit, Vault Home, and Rifco.

Many of the firms and institutions providing financing alternatives are substantially larger than our U.S. and Canadian operations, and have considerably greater financial, technical and marketing resources. Some of them may have a lower cost of funds and access to funding sources that are unavailable to our U.S. and Canadian operations. A lower cost of funds could enable a competitor to offer leases and loans with pricing lower than that of our U.S. and Canadian operations, potentially forcing them to decrease prices or lose origination volume. In addition, some financing sources may have higher risk tolerances or different risk assessments, which could allow them to establish more origination sources and customer relationships to increase their market share.

Further, because there are fewer barriers to entry with respect to the micro, small-ticket, and consumer product finance markets, new competitors could enter these markets at any time, especially if an improvement in the economy leads to a greater ability of small and medium-sized businesses to establish improved levels of creditworthiness.

With the ever advancing improvements in technology, financial-technology ("Fintech") firms have been emerging with new business models, based on new technology that often includes an internet component, for offering financial services to businesses and consumers. It is possible that advancements by Fintech firms could negatively impact the U.S. and Canadian Financing Segments businesses in a significant manner.

Fraud by Lessees, Borrowers, Vendors or Brokers/Dealers

While our operating companies make every effort to verify the accuracy of information provided to them when making a decision whether to underwrite a lease or loan and have implemented systems and controls to protect against fraud, in a small number of cases in the past our operating companies have been a victim of fraud by lessees/borrowers, vendors and brokers or dealers. In cases of fraud, it is difficult and often unlikely that our operating companies will be able to collect amounts owing under a lease or loan or repossess the related property. Our operating companies may be subject to risks related to broker/dealer practices whether or not our operating companies have actual legal responsibility for broker conduct. Increased rates of fraud could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Protection of Intellectual Property

Chesswood's operating subsidiaries continually develop and improve their brand recognition and proprietary systems and processes, which is an important factor in maintaining a competitive market position. No assurance can be given that competitors will not independently develop substantially similar branding, systems or process. Despite the efforts of our operating subsidiaries to protect their proprietary rights, unauthorized parties may attempt to obtain and use information the subsidiaries regard as proprietary. Preventing unauthorized use of such proprietary rights may be difficult, time-consuming and costly, and without any assurance of success.

Failure of Computer and Data Processing Systems

Our operating companies are dependent upon the successful and uninterrupted functioning of their computer and data processing systems. The failure of these systems could interrupt operations or materially impact the ability of our operating companies to originate and service their lease and loan portfolio and broker networks. If sustained or repeated, a system failure could negatively affect these operations. Our operating companies maintain confidential information regarding lessees and borrowers in their computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation and result in liability.

Security Risks

Despite implementation of network security measures, the infrastructure of our subsidiaries' websites and our management network is potentially vulnerable to computer break-ins and similar disruptive problems.

Risks Related to our Structure and Exchange Rate Fluctuations

The dividends expected to be paid to our shareholders will be denominated in Canadian dollars. However, a significant percentage of our revenues are expected to be derived from the revenues of our U.S. operations, which are received in U.S. dollars. Changes in the value of the U.S. dollar could have a negative impact on our Canadian dollar results, and in turn, on the amount in Canadian dollars available for dividends to our shareholders.

Unpredictability and Volatility of Share Price

A publicly-traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which our common shares will trade cannot be predicted. The market price of the common shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. The annual yield on the common shares as compared to the annual yield on other financial instruments may also influence the price of common shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the common shares.

Leverage, Restrictive Covenants

The Company and its subsidiaries have third party debt service obligations under their respective credit, securitization, and bulk lease financing facilities. The degree to which our subsidiaries are leveraged could have important consequences to our shareholders, including: (i) the ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the cash flow from the assets of such subsidiaries may be dedicated to the payment of the principal of and interest on their respective indebtedness, thereby reducing funds available for distribution to the Company; and (iii) certain of the respective borrowings of such subsidiaries will be at variable rates of interest, which will expose them to the risk of increased interest rates. The ability of such subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their indebtedness will depend on their future cash flow, which is subject to their respective assets, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond their control.

Possible Acquisitions

Acquisitions, if they occur, may increase the size of the operations as well as increase the amount of indebtedness that may have to be serviced by Chesswood and its subsidiaries. There is no assurance that such acquisitions can be made on satisfactory terms, or at all. The successful integration and management of acquired businesses involve numerous risks that could adversely affect the growth and profitability of Chesswood and its subsidiaries. There is no assurance that such acquisitions will be successfully integrated.

Restrictions on Potential Growth

The payout by our operating companies of a significant portion of their earnings available for distribution will make additional capital and operating expenditures dependent upon increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of our operating companies and their cash flow.

Canadian Income Tax Matters

The income of the Company's operating companies must be computed in accordance with applicable Canadian, U.S, or foreign tax laws, and the Company is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of distributable cash.

United States Income Tax Matters

There can be no assurance that U.S. federal and state income tax laws and administrative policies will not develop or be changed in a manner that adversely affects our shareholders.

Environmental risk

Chesswood and its operating subsidiaries, and their activities, have no direct significant impact on the environment, although there can be no assurance that they will not be the subject of claims in this regard (see for example, "Lessor Liability" above).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Understanding the Company's accounting policies is essential to understanding the results of operations and financial condition. The preparation of these unaudited condensed interim consolidated financial statements requires us to make estimates and judgments that affect reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our unaudited condensed interim consolidated financial statements. Estimates are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Net Investment in Leases

The leases entered into are considered to be finance leases in nature, based on an evaluation of all the terms and conditions and the determination that substantially all the risks and rewards of legal ownership of the underlying assets have been transferred to the lessee. Interest revenue on finance leases is recognized using the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease.

Allowance for Credit Losses

The carrying value of net investment in leases and loans is net of an allowance for credit losses.

Application of the Expected Credit Loss ("ECL") model depends on the following credit stages of the financial assets:

(i) Stage 1 - for new leases and loans recognized and for existing leases or loans that have not experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the net credit losses expected to result from defaults occurring in the next 12 months;
(ii) Stage 2 - for those leases or loans that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the net credit losses expected over the remaining life of the lease or loan; and
(iii) Stage 3 - for leases or loans that are considered credit-impaired, a loss allowance equal to full life-time expected net credit losses is recognized.

The Company's finance receivables are separated into two distinct categories, equipment lease and loan and auto loan receivables. Each of the two categories are composed of a large number of homogenous receivables, with relatively small balances. Thus, the evaluation of the ACL is performed separately on the two categories. Within the subsets, the ACL is assessed collectively for the portfolios. The equipment lease receivables are further segregated into prime and non-prime.

For Stage 2, the Company considers prime leases and loans to have experienced a significant increase in credit risk since initial recognition if they are delinquent for over 30 days. Non-prime leases and loans that have experienced a significant increase in credit risk include: those instruments that are delinquent for over 30 days. Non-prime auto loans are are also defined as stage 2 if they have had a payment arrangement or extension. In addition, for equipment leases and loans, an estimate of those assets that will subsequently become delinquent calculated as approximately 14% (December 31, 2021 - 14%) of non-prime assets that are in default but have been delinquent for less than 30 days at the reporting date.

For Stage 3, the Company considers equipment leases and loans to be credit impaired if they are delinquent for more than 90 days or if the individual leases and loans have otherwise been classified as non-accrual. Auto loans are considered credit impaired if they are delinquent for greater than 90 days, the underlying collateral is in process of being repossessed, or there is another identifiable factor

The measurement of expected credit losses for Stage 1 and the assessment of significant increase in credit risk considers information about past events and current conditions, as well as reasonable and supportable forecasts of future events and economic conditions. The Company utilizes static pool loss data applied to recent origination levels along with forward-looking macroeconomic assumptions under the ECL methodology. The estimation and application of forward-looking information also requires judgment.

The U.S. Equipment Financing Segment charges off leases and loans when they become 154 days contractually past due, unless information indicates that an earlier charge-off is warranted. A high percentage of charge-offs are recognized before the subject leases/loans reach 154 days contractually past due. The Canadian Equipment Financing Segment charges off leases and loans on an individual basis when there is no realistic prospect of recovery. Rifco charges off loans when they become 120 days contractually past due. Finance receivables that are charged-off could still be subject to collection efforts, with future recoveries possible.

The resulting projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact the actual and projected net credit losses and the related allowance for credit losses.

The U.S. Equipment Financing Segment, Blue Chip, Vault Credit, and Canadian Auto Financing Segment are entitled to repossess financed equipment or vehicles (subject to statutory regulations) if the borrower defaults on their lease or loan contract. When a lease or loan is charged-off, the expected resale value of the related equipment is recorded on the consolidated financial statements so that the total charge-off is net of expected recoveries. Any amounts recovered from the sale of equipment after a charge-off in excess of the expected resale value, are credited to the allowance for credit losses when received.

Impairment of Goodwill

Goodwill is evaluated for impairment on an annual basis, or more frequently if certain events or circumstances exist. The Company's impairment test of goodwill is based on the value-in-use which is estimated using a discounted cash flow model. The cash flows are derived from budgets for the next five years, excluding restructuring activities and future investments. Impairment testing is applied on an individual asset basis unless an asset does not generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. None of the Company's non-financial assets generate independent cash inflows and therefore all non-financial assets are allocated to cash generating units ("CGUs") for purposes of assessing impairment.

CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount, which is the greater of the CGU's fair value less cost to sell and its value in use. Value-in-use is the present value of the estimated future cash flows from the CGU discounted using a pre-tax rate that reflects current market rates and the risks inherent in the business of each CGU. If the recoverable amount of the CGU is less than its carrying amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is allocated to reduce the carrying amount of the assets of the CGU, first to reduce the carrying amount of the CGU's goodwill and then to the other assets of the CGU allocated pro-rata on the basis of the carrying amount of each asset. Other than the cash flow estimates, the value-in-use is most sensitive to the discount rate used and the growth rate applied beyond the five year estimate. Changes in these estimates and assumptions could have a significant impact on the value-in-use and/or goodwill impairment.

Share-based Payments

The Black-Scholes model is used to fair value options issued by the Company. The model requires the use of subjective assumptions, including expected share price volatility. In addition, the options issued have characteristics different from those of traded options so the Black-Scholes option-pricing model may not provide a reliable single measure of the fair value of options issued. Changes in the subjective assumptions can have a material effect on the fair value estimate.

Interest rate derivatives

Financial instruments accounting requires recognition of the fair value of all derivative instruments on the statement of financial position as either assets or liabilities. Changes in a derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. Gains and losses on derivative hedging instruments must be recorded in either other comprehensive income or current earnings, depending on the nature and designation of the instrument.

Interest rate derivatives are not considered trading instruments as the Company intends to hold them until maturity. Nonetheless, interest rate derivatives do not qualify as a hedge for accounting purposes, and are therefore recorded as separate derivative financial instruments. Accordingly, the estimated fair value of interest rate derivatives is recorded as an asset or a liability on the accompanying consolidated statement of financial position. Payments made and received pursuant to the terms of the interest rate derivatives are recorded as an adjustment to interest expense, and adjustments to the fair value of the interest rate derivatives are recorded as gain or loss on interest rate derivatives. The fair value of interest rate derivatives is based upon the estimated net present value of cash flows.

Taxes

Accounting for tax requires the resolution of many complexities and the exercise of significant management judgement, including the following: (a) each of our operating subsidiaries uses the asset and liability method to account for taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In contrast, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. (b) Deferred tax assets are only recognized to the extent that they are more than 50% likely to be realized, and (c) Pawnee, Blue Chip and Vault Credit account for their lease arrangements as operating leases for tax reporting purposes. This results in temporary differences between financial and tax reporting for which deferred taxes have been provided.

RELATED PARTY TRANSACTIONS

Ryan Marr, CEO of Chesswood, is the chief investment officer and a minority shareholder of Waypoint, which established an investment fund through which a subsidiary of Pawnee established a credit facility on April 29, 2021 . The Company has a small minority ownership interest in the general partner of such fund. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. Pawnee retains the servicing of these finance receivables in exchange for a fee. The balance of this facility at March 31, 2022 was US$46.3 million. Based on average debt levels, the effective return provided to the private credit investors is 14.2% (including amortization of origination costs). In addition, as described above, Chesswood and CCM have entered into an agreement with the shareholders of Waypoint (including Mr. Marr) pursuant to which CCM will acquire all of the outstanding shares of Waypoint for an aggregate consideration of $1.6 million cash and 150,983 Chesswood common shares.

See Note 17 - *Related Party Transactions* in the unaudited condensed interim consolidated financial statements for the disclosure of key management compensation and other related party transactions related to the Canadian Equipment Financing Segment.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual or interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers have assessed the design effectiveness of the Company's DC&P as at March 31, 2022 and have concluded that the design of the Company's DC&P was effective as at that date.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to design the Company's ICFR.

The Certifying Officers have assessed the design effectiveness of the Company's ICFR as at March 31, 2022 and have concluded that the design of the Company's ICFR was effective as at that date.

During the quarter ended March 31, 2022, there has been no significant change in the Company's ICFR that would have materially affected, or would be reasonably likely to materially affect, the Company's ICFR.

Limitation of Scope of Design

On January 14, 2022, Chesswood completed its acquisition of Rifco Inc. Total consideration was $28.1 million. Rifco Inc. shareholders elected for approximately 25% of the consideration to be paid out in Chesswood common shares and the remainder in cash. This resulted in a total of 498,605 common shares being issued and $21.0 million paid out in cash. For further information, reference should be made to Note 21 – *Business Combinations* – in the Unaudited Condensed Interim Financial Statements for the three months ended March 31, 2022.

Following the acquisition, management of Chesswood commenced the process of integrating and aligning Rifco's controls, policies, and procedures with those of Chesswood. To allow time for completion of this integration and alignment, for the quarter ended March 31, 2022, Chesswood availed itself of the scope limitation permitted under section 3.3(1)(b) of National Instrument 52-109 which allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies, and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period. It is, however, expected by management that the integration and alignment process will be completed by the end of the current fiscal year.

The table below presents the summary financial information of Rifco for the period commencing January 14, 2022 and ending March 31, 2022.

Financial Information for Rifco	**January 14, 2022, to March 31, 2022**
Revenues	$8.6 million
Net Income (Loss)	$(6.4) million
	As at March 31, 2022
Current Assets	$19.3 million
Non-Current Assets	$209.6 million
Current Liabilities	$6.7 million
Non-Current Liabilities	$199.0 million

Limitations of an Internal Control System

The Certifying Officers believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) breakdowns could occur because of undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. 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.

MARKET FOR SECURITIES

The Company's common shares are traded on the Toronto Stock Exchange under the symbol CHW. The following table summarizes the high and low sales prices of the common shares and the average daily trading volume for each month in the three months ended March 31, 2022.

	Common Shares		
	High	Low	Average Daily Volume
January	$14.50	$12.67	11,296
February	$14.55	$13.30	10,860
March	$15.25	$13.07	13,320
	$15.25	$12.67	11,825

CHESSWOOD GROUP LIMITED
NOTICE TO READERS

Accompanying this notice are the unaudited condensed interim consolidated financial statements of Chesswood Group Limited for the three months ended March 31, 2022. These statements have been prepared by, and are the responsibility of, the Company's management.

Following consultation with management and with the Company's independent auditors, the Company's Board of Directors concluded that the auditors would not be engaged to perform a review of these financial statements. Under applicable securities legislation, there is no requirement that auditors be engaged to review these statements, but the Company must advise you if (as noted above) no review engagement is made.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars, unaudited)

	Note	March 31, 2022	December 31, 2021
ASSETS			
Cash		**$ 16,963**	$ 12,379
Restricted funds	*10(e)*	**104,421**	86,172
Other assets	*5*	**16,967**	11,254
Finance receivables	*3,6*	**1,834,539**	1,418,260
Right-to-use assets		**3,053**	2,089
Property and equipment		**2,678**	2,348
Intangible assets	*7*	**26,641**	26,938
Goodwill	*8*	**42,966**	43,143
TOTAL ASSETS		**$ 2,048,228**	$ 1,602,583
LIABILITIES			
Accounts payable and other liabilities	*9*	**$ 42,556**	$ 31,764
Premise leases payable		**3,736**	2,522
Option liability	*3, 21*	**9,988**	11,560
Borrowings	*3, 10*	**1,769,354**	1,337,310
Customer security deposits	*3*	**3,890**	4,362
Deferred tax liabilities		**27,000**	27,083
		1,856,524	1,414,601
EQUITY			
Common shares	*13*	**119,615**	109,672
Contributed surplus	*14, 21*	**20,767**	23,875
Accumulated other comprehensive income		**9,293**	10,961
Retained earnings		**27,734**	28,815
		177,409	173,323
Non-controlling interest	*21*	**14,295**	14,659
		191,704	187,982
TOTAL LIABILITIES AND EQUITY		**$ 2,048,228**	$ 1,602,583

Approved by the Board of Directors

(signed) Edward Sonshine, O. Ont., Q.C.
Chairman, Board of Directors

(signed) Raghunath Davloor
Chairman, Audit and Risk Committee

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(in thousands of Canadian dollars, except per share amounts, unaudited)

	Note	Three months ended March 31, 2022	2021
Finance revenue			
Interest revenue on finance leases and loans		**$ 49,911**	$ 22,919
Ancillary finance and other fee income		**7,339**	3,390
		57,250	26,309
Finance expenses			
Interest expense		**12,087**	5,895
Provision for credit losses	*3, 6*	**16,666**	460
		28,753	6,355
Finance margin		**28,497**	19,954
Expenses			
Personnel expenses		**14,589**	5,699
Other expenses		**10,166**	4,805
Depreciation		**433**	238
Amortization	*7*	**591**	333
		25,779	11,075
Operating income		**2,718**	8,879
Gain on interest rate derivative	*3*	**—**	126
Unrealized gain (loss) on foreign exchange		**59**	(26)
Income before taxes		**2,777**	8,979
Tax expense		**1,098**	2,666
Net income		**$ 1,679**	$ 6,313
Attributable to:			
Common shareholders		**$ 1,752**	$ 5,784
Non-controlling interest		**$ (73)**	$ 529
Income from operations attributable to common shareholders per share:			
Basic	*16*	**$ 0.10**	$ 0.36
Diluted	*16*	**$ 0.09**	$ 0.35

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(in thousands of Canadian dollars, unaudited)

	Three months ended March 31,	
	2022	2021
Net income	**$ 1,679**	$ 6,313
Other comprehensive income items which may be subsequently reclassified to the consolidated statements of income:		
Unrealized loss on translation of foreign operations	**(1,811)**	(1,238)
Comprehensive income (loss)	**$ (132)**	$ 5,075
Attributable to:		
Common shareholders	**$ 84**	$ 4,647
Non-controlling interest	**$ (216)**	$ 426

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(in thousands of Canadian dollars, unaudited)

(# '000s)	Note	Common shares	Common shares	Contributed Surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interest	2022 Total
Shareholders' equity - December 31, 2021		**16,575**	**$109,672**	**$ 23,875**	**$ 10,961**	**$ 28,815**	**$ 173,323**	**$ 14,659**	**$187,982**
Net income (loss)		**—**	**—**	**—**	**—**	**1,752**	**1,752**	**(73)**	**1,679**
Dividends declared	15	**—**	**—**	**—**	**—**	**(1,861)**	**(1,861)**	**(148)**	**(2,009)**
Share-based compensation	14	**—**	**—**	**650**	**—**	**—**	**650**	**—**	**650**
Exercise of restricted share units	14	**150**	**2,141**	**(2,141)**	**—**	**—**	**—**	**—**	**—**
Exercise of options	14	**4**	**47**	**(4)**	**—**	**—**	**43**	**—**	**43**
Repurchase of common shares under issuer bid	13	**(134)**	**(934)**	**—**	**—**	**(972)**	**(1,906)**	**—**	**(1,906)**
Unrealized loss on translation of foreign operations		**—**	**—**	**—**	**(1,668)**	**—**	**(1,668)**	**(143)**	**(1,811)**
Special warrants issued on business combination	13	**133**	**1613**	**(1,613)**	**—**	**—**	**—**	**—**	**—**
Shares issued on business combination	21	**499**	**7,076**	**—**	**—**	**—**	**7,076**	**—**	**7,076**
Shareholders' equity - March 31, 2022		**17,227**	**$119,615**	**$ 20,767**	**$ 9,293**	**$ 27,734**	**$ 177,409**	**$ 14,295**	**$191,704**

(# '000s)	Note	Common shares	Common shares	Contributed Surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interest	2021 Total
Shareholders' equity - December 31, 2020		16,255	$104,236	$ 5,605	$ 11,733	$ 7,445	$ 129,019	$ 11,797	$140,816
Net income		—	—	—	—	5,784	5,784	529	6,313
Dividends declared	15	—	—	—	—	(966)	(966)	(89)	(1,055)
Share-based compensation	14	—	—	255	—	—	255	—	255
Exercise of options	14	63	688	(206)	—	—	482	—	482
Repurchase of common shares under issuer bid	13	(293)	(1,877)	—	—	(790)	(2,667)	—	(2,667)
Unrealized loss on translation of foreign operations		—	—	—	(1,135)	—	(1,135)	(103)	(1,238)
Shareholders' equity - March 31, 2021		16,025	103,047	5,654	10,598	11,473	130,772	12,134	142,906
Net income		—	—	—	—	23,012	23,012	1,844	24,856
Dividends declared		—	—	—	—	(4,704)	(4,704)	(384)	(5,088)
Share-based compensation		—	—	3,289	—	—	3,289	—	3,289
Exercise of restricted share units		7	71	(71)	—	—	—	—	—
Exercise of options		605	6,167	(1,406)	—	—	4,761	—	4,761
Repurchase of common shares under issuer bid		(195)	(1,280)	—	—	(966)	(2,246)	—	(2,246)
Unrealized gain (loss) on translation of foreign operations		—	—	—	363	—	363	34	397
Acquisition of subsidiary		—	—	—	—	—	—	1,031	1,031
Special warrants issued on business combination		—	—	16,409	—	—	16,409	—	16,409
Shares issued on business combination		133	1,667	—	—	—	1,667	—	1,667
Shareholders' equity - December 31, 2021		16,575	$109,672	$ 23,875	$ 10,961	$ 28,815	$ 173,323	$ 14,659	$187,982

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(in thousands of Canadian dollars, unaudited)	*Note*	Three months ended March 31, 2022	2021
OPERATING ACTIVITIES			
Net income		**$ 1,679**	$ 6,313
Non-cash items included in net income			
Amortization and depreciation		**1,024**	571
Provision for credit losses	*3, 6*	**16,666**	460
Amortization of origination costs		**11,018**	5,487
Tax expense		**1,098**	2,666
Other non-cash items	*19*	**406**	1,172
		30,212	10,356
Cash from operating activities before change in net operating assets		**31,891**	16,669
Funds advanced on origination of finance receivables		**(411,534)**	(133,498)
Origination costs paid on finance receivables		**(23,098)**	(8,138)
Principal collections of finance receivables		**178,979**	88,315
Recoveries of amounts previously charged off	*6*	**4,223**	1,382
Change in other net operating assets	*19*	**1,120**	(6,632)
Cash used in operating activities before tax		**(218,419)**	(41,902)
Income taxes paid		**(3,821)**	(2,418)
Cash used in operating activities		**(222,240)**	(44,320)
INVESTING ACTIVITY			
Purchase of property and equipment		**(196)**	(40)
Business combinations net of, cash acquired	*21*	**(15,893)**	—
Cash used in investing activities		**(16,089)**	(40)
FINANCING ACTIVITIES			
Borrowings, net	*19*	**249,610**	45,111
Payment of financing costs	*10*	**(2,744)**	(31)
Payment of lease obligations		**(221)**	(136)
Proceeds from exercise of options	*14*	**43**	482
Repurchase of common shares under issuer bid	*13*	**(1,906)**	(2,667)
Cash dividends paid	*15*	**(1,704)**	(1,055)
Cash from financing activities		**243,078**	41,704
Unrealized foreign exchange loss on cash		**(165)**	(61)
Net increase (decrease) in cash		**4,584**	(2,717)
Cash, beginning of period		**12,379**	9,668
Cash, end of period		**$ 16,963**	$ 6,951

Please see notes to the condensed interim consolidated financial statements.

TABLE OF NOTES

1. NATURE OF BUSINESS

Chesswood Group Limited (the “Company” or "Chesswood") is incorporated under the laws of the Province of Ontario. The Company’s head office is located at 1133 Yonge Street, Suite 603, Toronto, ON, M4T 2Y7, and its shares trade on the Toronto Stock Exchange under the symbol CHW.

Through its subsidiaries (ownership interests described in Note 18 - *Subsidiaries)*, the Company operates in the following businesses:

- Pawnee Leasing Corporation (“Pawnee”) - micro and small-ticket equipment financing to small and medium-sized businesses in the United States.
- Tandem Finance Inc. ("Tandem") - small-ticket equipment financing originations through equipment vendors and distributors in the United States.
- Blue Chip Leasing Corporation ("Blue Chip") - commercial equipment financing to small and medium-sized businesses in Canada.
- Vault Credit Corporation ("Vault Credit") - commercial equipment financing and loans to small and medium-sized businesses in Canada.
- Vault Home Credit Corporation ("Vault Home") - home improvement and other consumer financing solutions in Canada.
- Rifco National Auto Finance Corporation ("Rifco") - auto financing for motor vehicle purchasers through dealerships across Canada except for Quebec.
- Chesswood Capital Management Inc. ("CCM") and Chesswood Capital Management USA Inc. ("CCM USA") provide private credit alternatives to investors seeking exposure to lease and loan receivables originated by Chesswood subsidiaries.

In order to improve clarity, certain items have been combined in the condensed interim consolidated financial statements with details provided separately in the notes to the condensed interim consolidated financial statements.

The Company's condensed interim consolidated financial statements were authorized for issue on May 12, 2022 by the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The condensed interim consolidated financial statements, including comparatives:

- have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2021. Reference should also be made to Note 21 - *Business Combinations* for further details on the accounting policy for business combinations.
- have been prepared on the going concern and historical cost bases, except for derivative financial instruments and hybrid financial liabilities designated as at fair value through net income or loss, which have been measured at fair value.
- include the financial statements of the Company and its subsidiaries as noted above.
- should be read in conjunction with the Company's most recently issued Annual Report which includes information necessary, or useful, to understanding the Company's businesses and financial reporting
- are unaudited (except otherwise noted).
- should not be regarded as necessarily indicative of results that may be expected for the entire year.

The preparation of condensed interim consolidated financial statements, including the application of accounting policies, requires management to make estimates and assumptions using judgment that affect the reported amounts of assets and liabilities, and income and expenses during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. The significant estimates and judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2021.

Certain prior year amounts have been reclassified on the condensed interim consolidated statements of financial position and the consolidated statements of cash flow to conform with current year presentation. Certain prior year note disclosures including Note 3 - *Financial Instruments*, Note 10 - *Borrowings,* Note 19 - *Cash Flow Supplementary Disclosure,* Note 20 - *Segment Information* and Note 21 - *Business Combinations* have been reclassified to present reserves receivable in restricted cash, and overcollaterization on securitized financial contracts in borrowings.

Basis of consolidation
Subsidiaries are consolidated using the purchase method from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated as long as control is held. The financial statements of all subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies in accordance with IFRS 10, *Consolidated Financial Statements*. All intra-group balances and items of income and expense resulting from intra-group transactions are eliminated in full. Transaction costs in connection with business combinations are expensed as incurred.

Foreign currency transactions
The financial statements of consolidated entities which are prepared in a foreign currency are translated using the functional currency concept of IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The functional currency of a subsidiary is determined on the basis of the primary economic environment in which it operates and typically corresponds to the local currency.

The reporting currency is the Canadian dollar and the financial statements are presented in thousands of Canadian dollars except per share amounts and as otherwise noted. The functional currency of the Company, Chesswood Holdings Ltd., CCM, Blue Chip, Vault Credit, Vault Home, Rifco and Lease-Win Limited is the Canadian dollar. The functional currency of Chesswood U.S. Acquisition Co Ltd., Pawnee, Windset, Tandem, the Special Purpose Entities (SPEs), CCM USA, and Case Funding is the United States dollar. Refer to Note 18 - *Subsidiaries* for additional information on the subsidiaries. Income and expenses of subsidiaries with a different functional currency than the Company's reporting currency are translated in the Company's condensed interim consolidated financial statements at the average U.S. dollar exchange rate for the reporting period (for the three months ended March 31, 2022 - 1.2662; March 31, 2021 - 1.2660), and assets and liabilities are translated at the closing rate (as at March 31, 2022 - 1.2496; December 31, 2021 - 1.2678). Exchange differences arising from the translation are recognized in other comprehensive income. Foreign currency payables and receivables in the statement of financial position are recorded at the transaction date at cost. Exchange gains and losses arising from conversion of monetary assets and liabilities at exchange rates at the end of the reporting period are recognized as income or expense.

Restricted funds
Restricted funds represent cash reserve accounts which are held in trust as security for secured borrowings (facilities described in Note 10 - *Borrowings*) and cash collection accounts required by the lenders of certain financial assets that can only be used to repay these debts on specific dates. The 'cash in collections accounts' will be applied to the outstanding borrowings in the following month.

Financial instruments
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through net income or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire or when the asset and substantially all related risks and rewards are transferred. A financial liability is derecognized when it is extinguished, which occurs when it is either discharged, canceled or expires.

Financial assets are categorized for subsequent measurement as follows:

Amortized cost
Financial assets that are held in a business model with the objective of collecting contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost. The Company's cash, restricted funds, and net investment in leases are measured at amortized cost. Broker commissions related to the origination of finance leases are deferred and recorded as an adjustment to the yield of the net investment in finance leases as part of the effective interest rate. Gains and losses are recognized in the statement of income when the loans are derecognized or impaired.

Financial assets at fair value through net income or loss
Financial assets that are held for trading and derivative assets are required to be measured at fair value through net income or loss ("FVTPL"). Financial assets that meet certain conditions may be designated at fair value through net income or loss upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in net income or loss as incurred.
Assets in this category are subsequently measured at fair value with gains or losses recognized in net income or loss.

Fair value through other comprehensive income
Financial assets that are held to both collect contractual cash flows and for sale are required to be measured at fair value through other comprehensive income ("FVOCI"). Other financial assets, provided they are not held for trading and have not been designated as at fair value through net income or loss, can be designated as at fair value through other comprehensive income on initial recognition.

Gains and losses are recognized in other comprehensive income and presented in the available for sale reserve within equity, except for the accretion in value based on the effective interest method, impairment losses and foreign exchange differences on monetary assets, which are recognized in net income or loss. Financial assets measured at fair value through other comprehensive income for which fair value cannot be estimated reliably, are measured at cost and any impairment losses are recognized in net income or loss. Upon initial recognition, attributable transaction costs are recognized in net income or loss as incurred. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to net income or loss and presented as a reclassification adjustment within other comprehensive income.

Financial liabilities are categorized as follows for subsequent measurement:

Amortized cost
Financial liabilities that are not otherwise measured as at fair value through net income or loss or designated at fair value are measured at amortized cost using the effective interest rate method. Any host contract in a hybrid instrument is also measured at amortized cost. Gains and losses are recognized in net income or loss when the liabilities are derecognized. Transaction costs incurred in connection with the issuance of loans and borrowings are capitalized and recorded as a reduction of the carrying amount of the related financial liabilities and amortized using the effective interest method.

The Company's financial liabilities measured at amortized cost include borrowings, option liability, accounts payable and other liabilities, premise leases payable, and customer security deposits.

Financial liabilities at fair value through net income or loss
Financial liabilities that are held for trading and stand-alone derivative liabilities are required to be measured at fair value through net income or loss ("FVTPL"). When certain conditions are satisfied, embedded derivatives are required to be separately recognized and measured at fair value with subsequent changes in fair value recognized in net income or loss.

A designation can be made at initial recognition for financial liabilities that include one or more embedded derivatives, provided the host contract is not a financial asset, to measure the entire hybrid instrument at fair value. Where certain criteria are met, for example measurement at amortized cost would create measurement inconsistencies, the financial liability can also be designated at fair value. For such designated financial liabilities, the amount of the change in fair value that relates to changes in the entity's own credit risk is recognized in other comprehensive income and the remaining amount of the change in fair value is recognized in net income or loss. All contingent consideration payable is also included in this category. Derivative financial instruments that are designated as effective hedge instruments are excluded from this category.

The Company's interest rate derivative is required to be measured at fair value through net income or loss. The Company has not designated any financial instruments as hedges for accounting purposes.

The fair values of financial liabilities are based on changes in observable prices in active markets or by a valuation technique where no market exists. Transaction costs attributable to the issuance of financial liabilities at fair value through net income or loss are recognized in net income or loss as incurred.

The categories to which the financial instruments are allocated are:

Financial instrument	Classification
ASSETS	
Cash	Amortized cost
Restricted funds	Amortized cost
Finance receivables	Amortized cost
LIABILITIES	
Accounts payable and other liabilities	Amortized cost
Option liability	Amortized cost
Borrowings	Amortized cost
Customer security deposits	Amortized cost
Interest rate derivative	FVTPL
Premise leases payable	Amortized cost

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

(i) Level 1 Inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
(ii) Level 2 Inputs - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
(iii) Level 3 Inputs - techniques which use inputs which have a significant effect on the recorded fair value for the asset or liability that are not based on observable market data (unobservable inputs).

Carrying amounts are expected to be reasonable approximations of fair value for cash, restricted funds and for financial instruments with short maturities, including accounts payable and other liabilities.

Allowance for credit losses

The Company measures loss allowances based on an expected credit loss ("ECL") impairment model for all financial instruments except those measured at fair value through net income and loss. Application of the model depends on the following credit stages of the financial assets:

(i) Stage 1 - for new leases and loans recognized and for existing leases or loans that have not experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring in the next 12 months;
(ii) Stage 2 - for those leases or loans that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected over the remaining life of the lease or loan; and
(iii) Stage 3 - for leases or loans that are considered to be credit-impaired, a loss allowance equal to full life time ECLs is recognized.

The Company's finance receivables are separated into two distinct categories, equipment lease and loan and auto loan receivables. Each of the two categories are composed of a large number of homogenous receivables, with relatively small balances. Thus, the evaluation of the allowance for credit losses ("ACL") is performed separately on the two categories. Within the subsets, the ACL is assessed collectively for the portfolios. The equipment lease and loan receivables are further segregated into prime and non-prime.

Definitions of default have been selected to eliminate the judgement that may otherwise be necessary, given the diversity within the finance receivable portfolio, the lack of individual drivers of changes in credit risk across assets and over time, and the resulting inability to assess which specific assets will be rectified. For the purposes of measuring ECL, a default is defined as:

- For prime equipment finance receivables: leases and loans that have missed one payment and are not subsequently rectified within 30 days.
- For non-prime equipment finance receivables: leases and loans that have missed one payment.
- For auto finance receivables: loans that are 30 days past due.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument based on the following inputs by credit stage:

- For Stage 1, the Company utilized recent static pool data applied to recent origination levels and included forward-looking macroeconomic assumptions. Recent static pool data includes historical loss rates by credit class and by originating quarter and therefore includes all knowable credit and economic conditions up to the reporting date.
- For Stage 2, the Company considers prime leases and loans to have experienced a significant increase in credit risk since initial recognition if they are delinquent for over 30 days. Non-prime leases and loans that have experienced a significant increase in credit risk include: those instruments that are delinquent for over 30 days. Non-prime auto loans are also defined as stage 2 if they have had a recent payment arrangement or extension. In addition, for equipment leases and loans, an estimate of those assets that will subsequently become delinquent calculated as approximately 14% (December 31, 2021 - 14%) of non-prime assets that are in default but have been delinquent for less than 30 days at the reporting date.

- For Stage 3, the Company considers equipment leases and loans to be credit impaired if they are delinquent for more than 90 days or if the individual leases and loans have otherwise been classified as non-accrual. Auto loans are considered credit impaired if they are delinquent for greater than 90 days, the underlying collateral is in process of being repossessed, or there is another identifiable factor.

Customer security deposits are held for the full term of the lease and then returned or applied to the purchase option of the equipment at the lessee's request, unless the lessee has previously defaulted in which case the deposit is applied against the lease receivable at that time. Past experience suggests that a very high percentage of the customer deposits are applied to the purchase option of the leased equipment at the end of the lease term, or as an offset against outstanding lease receivables.

The Company is entitled to repossess financed equipment or vehicles (subject to statutory regulations) if the borrower defaults on their lease or loan contract. When a lease or loan is charged-off, the expected resale value of the related equipment is recorded on the condensed interim consolidated financial statements so that the total charge-off is net of expected recoveries. Any amounts recovered from the sale of equipment after a charge-off in excess of the expected resale value, are credited to the allowance for credit losses when received. Repossessed equipment is generally held at various warehouses for equipment and auction lots for automobiles by the Company's third party contractors to repossess and sell the equipment.

In addition to internal weighted average static pool data, the process of estimating ECLs uses the following inputs and assumptions to reflect information about past events, current conditions and forecasts of future conditions that are not already captured in the inputs:

- Security deposits held;
- Recoveries of amounts previously charged off in the last 12 months, as an estimate of recoveries for the next 12 months;
- An estimate of the effects on credit losses in the next 12 months of natural disasters and economic shocks, including the COVID-19 pandemic;
- The stage of the business cycle for the industry, which considers: the competitive environment, GDP growth, prevailing interest rates and expectations of future rates, fiscal policy and inflation rates; and
- Current delinquency trends of non-accrual and greater than 30 days delinquency rates.

In cases where a borrower experiences financial difficulties, the subsidiaries may grant certain concessionary modifications to the terms and conditions of a lease or loan. Modifications may include payment deferrals, extension of amortization periods, and other modifications intended to minimize the economic loss and to avoid repossession of collateral. The subsidiaries have policies in place to determine the appropriate remediation strategy based on certain conditions. Significant increase in credit risk (Stage 2 categorization) is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For finance receivables that were modified while having a lifetime ECL, the leases and loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

Intangible assets

Purchased intangible assets are recognized as assets in accordance with IAS 38, *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization and, if applicable, accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Management has determined that the Blue Chip and Pawnee trade names have indefinite lives. The broker relationships and Vault Credit trade name are considered to have a finite life and are amortized on a scheduled straight-line basis over their estimated useful life of seven to fifteen years. All computer software is amortized on a scheduled straight-line basis over their estimated useful life of three to fifteen years

The amortization period and method of amortization for intangible assets with finite lives are reassessed annually. Changes in the useful life or in the pattern of economic benefits derived are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually at the cash generating unit ("CGU") level and are reviewed annually to determine whether the indefinite life continues to be applicable. Any change from indefinite life to finite life would be accounted for prospectively. CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has determined its CGUs to be at the segment level, with the exception of Vault Home which is its own CGU and aggregated within the Canadian segment.

A previously recognized impairment loss for non-financial assets is reversed if there has been a change in the assumptions used to determine recoverable amount since the previous impairment loss was recognized. The carrying amount after the reversal cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years.

Goodwill
Goodwill is initially measured at cost which represents the excess of the fair value of consideration paid for a business acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment testing is applied on an individual asset basis unless an asset does not generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. None of the Company's non-financial assets generate independent cash inflows and therefore all non-financial assets are allocated to CGUs for purposes of assessing impairment.

Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount, which is the greater of the CGU's fair value less cost to sell and its value-in-use ("VIU"). If the recoverable amount of the CGU is less than its carrying amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is allocated to reduce the carrying amount of the assets of the CGU, first to reduce the carrying amount of the CGU's goodwill and then to the other assets of the CGU allocated pro-rata on the basis of the carrying amount of each asset. Impairment losses of operations are recognized in the statement of income.

CGUs to which goodwill and intangible assets with indefinite lives have been allocated are tested for impairment annually as at December 31, and all CGUs are tested for impairment more frequently when there is an indication that the CGU may be impaired.

Share-based compensation plans
The Company issues share options and restricted share units ("RSUs"), which are accounted for as equity-settled awards. The equity instruments granted are measured by reference to the fair value of the options and RSUs using the Black-Scholes Option Pricing model and fair value of the Company's share price without incorporating dividends, respectively.

The expense associated with the compensation plans is charged to net income, with a corresponding increase in contributed surplus over the vesting period.

Earnings per share
Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the same method as for basic earnings per share and adjusted for the weighted average number of common shares outstanding during the quarter to reflect the dilutive impact, if any, of any options, RSUs, or other commitments and instruments assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by the Company when options are exercised will be used to purchase common shares at the average market price during the reporting period.

Exercise of judgment and use of accounting estimates and assumptions
The preparation of the Company's unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to apply a significant degree of judgment in applying the Company's financial accounting policies and to make certain assumptions and estimates that have a material effect on the reported amounts of assets, liabilities, revenues and expenses.

The assumptions and estimates are based on premises that reflect the facts that are known at any given time. Future economic factors are inherently difficult to predict and are beyond management's control. If the actual development differs from the assumptions and estimates, the premises used and, if necessary, the carrying amounts for the assets and liabilities in question are adjusted accordingly. The exercise of judgment is based on management's experience and also on past history. As a result, actual amounts could differ from these estimates.

The fair value of interest rate derivatives, certain assets acquired and consideration paid in business acquisitions are estimated using valuation techniques based on assumptions of, for example, estimated future cash flows, and future interest rate movements. The estimated fair values are sensitive to changes in these assumptions.

(a) Allowance for credit losses
ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument based on inputs by credit stage.

Forecasts of future events and conditions are incorporated by adjusting losses from the static pool data, which is consistent with prior periods. Determining the inputs listed and ECLs requires significant estimation uncertainty. In particular, determining the COVID-19 effects to be layered over the static pool data at March 31, 2022 to estimate the effect on ECLs at that date - which requires assessing the direction of macroeconomic variables in the forward-looking scenarios, the duration of lock-down conditions, the effectiveness of relief programs at mitigating the effects on our lessees and borrowers, amongst other factors - are subject to significant measurement uncertainty. Determining which finance receivables have seen a significant increase in credit risk is also subject to significant judgement.

(b) Business combination and goodwill
Information about critical judgments, assumptions, and estimation uncertainties in applying business combination accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are presented in Note 21 - *Business Combinations.*

In the Vault Credit Corporation business combination, the Company obtained a call option on the non-controlling interest ("NCI") and the holders of the NCI have a similar put option on the shares that they hold. Chesswood exercised judgement by applying IAS 32 to recognize a 100% ownership interest in the acquiree. In addition, the Company recognized a financial liability under amortized cost for the present value of the amount payable upon exercise of the NCI option. No NCI was recognized on acquisition, a liability was established for the anticipated purchase price of the NCI, and all dividends paid to the NCI shareholders is recognized as an expense through the consolidated statements of income. In addition, any changes in the anticipated purchase price of the NCI will also be recognized through the consolidated statements of income.

(c) Fair value of share-based compensation
The value of the options granted was determined using the Black-Scholes Option Pricing model. The model utilized the weighted average share price at grant date, expected volatility, expected life, expected dividend yield, and risk-free interest as inputs to the model.

The risk free rate was based on the Government of Canada benchmark bond yield on the date of grant for a term equal to the expected life of the options. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equal to the expected life of the options. The expected life was based on the contractual life of the awards and adjusted, based on management's best estimate and historical redemption rates.

The Black-Scholes Option Pricing Model was developed for use in estimating the fair value of traded options, which have no black-out or vesting restrictions and are fully transferable. In addition, the Black-Scholes Option Pricing Model requires the use of subjective assumptions, including the expected stock price volatility. As a result of the Company's Stock Option Plan having characteristics different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair value estimates, the Black-Scholes Option Pricing model does not necessarily provide a single measure of the fair value of options granted.

3. FINANCIAL INSTRUMENTS

There have been no material changes in the Company's categories and measurement hierarchy. There were no transfers between levels during the current or comparative periods. Refer to Note 4 - *Financial Instruments* of the 2021 audited annual consolidated financial statements for further disclosure.

Gains and losses on financial instruments

The following table shows the net gains and losses arising for each category of financial instruments:

	For the three months ended March 31,	
($ thousands)	**2022**	2021
Amortized cost:		
Provision for credit losses	**$ (16,666)**	$ (460)
Revaluation of option liability	**1,572**	—
Fair value through net income or loss:		
Interest rate derivative	**—**	126
Net loss	**$ (15,094)**	$ (334)

4. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include credit, liquidity and market risk. Market risks can include interest rate risk, foreign currency risk and other price risk.

There have been no material changes in the Company's objectives, policies or processes for measuring and managing any of the risks to which it is exposed since the previous year end, except for the ongoing effects of COVID-19 on credit and liquidity risk. Refer to Note 5 - *Financial Risk Management* of the 2021 audited annual consolidated financial statements for further disclosure.

5. OTHER ASSETS

($ thousands)	Note	**March 31, 2022**	December 31, 2021
Tax receivable		**$ 579**	$ —
Sales tax receivable		**3,812**	2,853
Prepaid expenses and other assets		**3,136**	3,094
Deferred tax asset		**9,440**	5,307
Other assets		**16,967**	11,254
Current		**7,527**	5,947
Long-term		**$ 9,440**	$ 5,307

6. FINANCE RECEIVABLES

All lease and loan receivables have been pledged as security for amounts borrowed from lenders under various facilities, as described in Note 10 - *Borrowings*. The lenders have the right to enforce their security interest in the pledged lease and loan receivables if the Company defaults under these facilities. The Company retains significant risks and rewards of ownership (in some cases through consolidated special purpose entities ("SPEs")) and servicing responsibilities of the pledged lease and loan receivables, and therefore continues to recognize them on the consolidated statement of financial position.

($ thousands)		**March 31, 2022**		December 31, 2021
Net investment in leases	**$**	**652,446**	$	587,825
Loan receivables		**977,324**		830,435
Auto loan receivables		**204,769**		—
	$	**1,834,539**	$	1,418,260

(a) Net investment in finance receivables includes the following:

($ thousands)		**March 31, 2022**		December 31, 2021
Total minimum finance receivables payments *(b)*	**$**	**2,225,164**	$	1,648,185
Residual values of leased equipment		**31,642**		30,767
		2,256,806		1,678,952
Unearned income, net of initial direct costs		**(383,094)**		(238,299)
Net investment in finance receivables before allowance for credit losses		**1,873,712**		1,440,653
Allowance for credit losses *(c)*		**(39,173)**		(22,393)
Net investment in finance receivables		**1,834,539**		1,418,260
Current portion		**507,094**		481,801
Long-term portion	**$**	**1,327,445**	$	936,459

(b) Minimum scheduled collections of finance receivables at March 31, 2022, are presented in the following table. The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including: prepayment rates, charge-offs and modifications. Accordingly, the following minimum scheduled collections are not to be regarded as a forecast of future cash collections.

($ thousands)		Minimum payments		Present value
2022	$	585,812	$	465,663
2023		593,745		484,207
2024		463,144		389,918
2025		328,334		284,419
2026		193,236		170,841
2027 and thereafter		60,893		47,022
Total minimum payments	$	2,225,164	$	1,842,070

(c) Allowance for credit losses

The Company's ECL was determined as at March 31, 2022 based on forecasts and other information available at that date. The impact of COVID-19 on the economy and the timing of recovery will continue to evolve with the subsequent effect reflected in the measurement of ECLs in future quarters as appropriate. This may add significant volatility to ECL.

The following table shows the gross carrying amount of the finance receivables by credit category:

	As at March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
($ thousands)	Performing	Under-Performing	Non-Performing	
Prime	$ 1,223,735	$ 3,059	$ 3,695	$ 1,230,489
Non-prime[(1)]	618,439	13,338	11,446	643,223
Total	$ 1,842,174	$ 16,397	$ 15,141	$ 1,873,712

(1) $2.5 million of the stage 3 non-prime loans relate to credit impaired loans acquired on January 14, 2022 as a part of the Rifco acquisition.

	As at December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
($ thousands)	Performing	Under-Performing	Non-Performing	
Prime	$ 1,069,280	$ 2,674	$ 2,640	$ 1,074,594
Non-prime	359,742	3,459	2,858	366,059
Total	$ 1,429,022	$ 6,133	$ 5,498	$ 1,440,653

The following tables show reconciliations from the opening to the closing balance of the allowance for credit losses:

	Three months ended March 31, 2022			
	Stage 1	Stage 2	Stage 3	
($ thousands)	Performing	Under-Performing	Non-Performing	**Total**
Balance, January 1, 2022	**$ 13,888**	**$ 4,460**	**$ 4,045**	**$ 22,393**
Acquisition of Rifco loans	9,306			**9,306**
Transfer to Performing (Stage 1)	1,257	(1,126)	(131)	**—**
Transfer to Under-Performing (Stage 2)	(845)	640	205	**—**
Transfer to Non-Performing (Stage 3)	(776)	(474)	1,250	**—**
Net remeasurement of loss allowance	(1,990)	1,933	2,544	**2,487**
New receivables originated	4,873	—	—	**4,873**
Provision for credit losses	11,825	973	3,868	16,666
Charge-offs	—	—	(3,816)	**(3,816)**
Recoveries of amounts previously charged off	—	—	4,223	**4,223**
Net charge-offs	—	—	407	**407**
Foreign exchange translation	(153)	(50)	(90)	**(293)**
Balance, end of period	**$ 25,560**	**$ 5,383**	**$ 8,230**	**$ 39,173**

	Three months ended March 31, 2021			
	Stage 1	Stage 2	Stage 3	
($ thousands)	Performing	Under-Performing	Non-Performing	**Total**
Balance, January 1, 2021	$ 10,832	$ 6,831	$ 6,700	**$ 24,363**
Transfer to Performing (Stage 1)	986	(747)	(239)	**—**
Transfer to Under-Performing (Stage 2)	(38)	122	(84)	**—**
Transfer to Non-Performing (Stage 3)	(116)	(2,971)	3,087	**—**
Net remeasurement of loss allowance	(3,245)	632	1,423	**(1,190)**
New receivables originated	1,650	—	—	**1,650**
Provision for credit losses	(763)	(2,964)	4,187	**460**
Charge-offs	—	—	(6,281)	**(6,281)**
Recoveries of amounts previously charged off	—	—	1,382	**1,382**
Net charge-offs	—	—	(4,899)	**(4,899)**
Foreign exchange translation	(101)	(60)	(73)	**(234)**
Balance, end of period	**$ 9,968**	**$ 3,807**	**$ 5,915**	**$ 19,690**

Certain prior year amounts have been re-classed to conform with current year presentation.

(d) Finance receivables past due

The following aging represents the total carrying amount of the lease and loan receivables and not just the payments that are past due. The balances presented exclude the $3.9 million (December 31, 2021 - $4.4 million) of security deposits received from lessees/borrowers and the collateral held (including potential proceeds from repossessed equipment, and potential recoveries from personal guarantees) that would offset any charge-offs. An estimate of fair value for the collateral and personal guarantees cannot reasonably be determined.

The U.S. Equipment Financing Segment charges off leases and loans when they become 154 days contractually past due, unless information indicates that an earlier charge-off is warranted. A high percentage of charge-offs are recognized before the subject lease/loan reaches 154 days contractually past due, due to insolvency or non-responsiveness of the lessee or borrower. Blue Chip and Vault Credit charge off leases and loans on an individual basis when there is no realistic prospect of recovery. Rifco charges off loans when they become 120 days contractually past due. Loan and lease receivables that are charged-off during the period are all subject to continued collection efforts.

						As of March 31, 2022
($ thousands)	**Current**	**1-30 days**	**31 - 60 days**	**61 - 90 days**	**Over 90 days**	**Total**
Finance receivables	**$ 1,847,373**	**$ 6,890**	**$ 10,539**	**$ 5,460**	**$ 3,450**	**$ 1,873,712**
Credit impaired	**$ 361**	**$ 478**	**$ 929**	**$ 1,610**	**$ 2,749**	**$ 6,127**
Past due but not impaired	**$ —**	**$ 6,412**	**$ 9,610**	**$ 3,850**	**$ 701**	**$ 20,573**

						As of December 31, 2021
($ thousands)	Current	1-30 days	31 - 60 days	61 - 90 days	Over 90 days	Total
Finance receivables	$ 1,421,895	$ 12,557	$ 3,304	$ 1,043	$ 1,854	$ 1,440,653
Credit Impaired	$ 219	$ 399	$ 2,163	$ 687	$ 1,823	$ 5,291
Past due but not impaired	$ —	$ 12,158	$ 1,141	$ 356	$ 31	$ 13,686

(e) Collateral

The U.S. Equipment Financing Segment, Blue Chip, Vault Credit, and Canadian Auto Financing Segment are entitled to repossess financed equipment and automobiles (subject to statutory regulations) if the borrower defaults on their lease or loan contract. When a lease or loan is charged-off, the expected resale value of the related equipment or automobile is recorded on the condensed interim consolidated financial statements so that the total charge-off is net of expected recoveries. Any amounts recovered from the sale of equipment or automobile after a charge-off in excess of the expected resale value, are credited to the allowance for credit losses when received. In the period ended March 31, 2022, the proceeds from the disposal of repossessed equipment and automobile that were charged-off totaled $3.6 million (December 31, 2021 - $3.8 million). Repossessed equipment is held at various warehouses by the companies contracted to repossess and sell the equipment. Repossessed automobiles are held at auction lots for the Company's third party contractors to sell.

7. INTANGIBLE ASSETS

The Company assessed its intangibles for indicators of impairment for the period ended March 31, 2022. No indicators were identified during the period. Refer to Note 2 - *Significant Accounting Policies* for the exercise of judgment and use of accounting estimates and assumptions.

($ thousands)	Indefinite useful life Trade names	Finite useful life Broker relationships, trade names, and software	Total
Cost:			
December 31, 2020	$ 7,291	$ 19,517	$ 26,808
Business combinations	—	17,838	17,838
Foreign exchange translation	(30)	—	(30)
December 31, 2021	7,261	37,355	44,616
Business combinations	—	340	340
Purchase of software	—	52	52
Foreign exchange translation	(98)	—	(98)
March 31, 2022	**$ 7,163**	**$ 37,747**	**$ 44,910**

($ thousands)	Trade names	Broker relationships & trade names	Total
Accumulated amortization:			
December 31, 2020	$ 127	$ 15,762	$ 15,889
Amortization	—	1,789	1,789
December 31, 2021	127	17,551	17,678
Amortization	—	591	591
March 31, 2022	**$ 127**	**$ 18,142**	**$ 18,269**

($ thousands)	Trade names	Broker relationships & trade names	Total
Carrying amount:			
December 31, 2020	$ 7,164	$ 3,755	$ 10,919
December 31, 2021	$ 7,134	$ 19,804	$ 26,938
March 31, 2022	**$ 7,036**	**$ 19,605**	**$ 26,641**

8. GOODWILL

The Company last performed its annual impairment tests at December 31, 2021, which identified no impairment.

($ thousands)	U.S.Equipment Financing Segment	Canadian Equipment and Auto Financing Segment	Total
Cost:			
December 31, 2020	$ 46,180	$ 26,365	$ 72,545
Business combinations	—	19,280	19,280
Foreign exchange translation	(196)	—	(196)
December 31, 2021	45,984	45,645	91,629
Business combinations	—	19	19
Foreign exchange translation	(660)	—	(660)
March 31, 2022	**$ 45,324**	**$ 45,664**	**$ 90,988**

($ thousands)	U.S.Equipment Financing Segment	Canadian Equipment and Auto Financing Segment	Total
Accumulated impairment:			
December 31, 2020	$ 32,487	$ 16,138	$ 48,625
Foreign exchange translation	(139)	—	(139)
December 31, 2021	32,348	16,138	48,486
Foreign exchange translation	(464)	—	(464)
March 31, 2022	**$ 31,884**	**$ 16,138**	**$ 48,022**

($ thousands)	U.S.Equipment Financing Segment	Canadian Equipment and Auto Financing Segment	Total
Carrying amount:			
December 31, 2020	$ 13,693	$ 10,227	$ 23,920
December 31, 2021	$ 13,636	$ 29,507	$ 43,143
March 31, 2022	**$ 13,440**	**$ 29,526**	**$ 42,966**

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities comprise:

($ thousands)	**March 31, 2022**	December 31, 2021
Dividend payable	**$ 1,228**	$ 927
Accounts payable	**8,765**	5,218
Sales tax payable	**1,004**	863
Customer deposits and prepayments	**2,636**	2,262
Refundable application fee	**3,667**	—
Unfunded finance receivables	**10,978**	10,284
Taxes payable	**4,069**	2,792
Payroll related payables and accruals	**4,284**	3,310
Accrued expenses and other liabilities	**5,925**	6,108
	$ 42,556	$ 31,764

10. BORROWINGS

The Company and its subsidiaries were compliant with all covenants attached to the following facilities at March 31, 2022 and throughout the period then ended.

($ thousands)	Chesswood credit facility *(a)*	Chesswood deferred financing costs	U.S. Equipment Financing Segment credit facilities *(b)*	U.S. Equipment Financing Segment deferred financing costs	Canadian Equipment Financing Segment financing facilities *(c)*	Canadian Auto Financing Segment financing facilities *(d)*	Total
Net as at December 31, 2020	$ 85,297	$ (1,128)	$ 456,581	$ (5,132)	$ 101,202	—	$ 636,820
Assumed in business combination	—	—	—	—	188,629	—	188,629
Proceeds or draw-downs	990,122	—	755,294	—	192,975	—	1,938,391
Repayments	(885,830)	—	(418,975)	—	(122,922)	—	(1,427,727)
Payment of financing costs	—	(437)	—	(4,485)	—	—	(4,922)
Amortization of deferred financing costs	—	597	—	3,062	—	—	3,659
Foreign exchange translation	554	—	1,900	6	—	—	2,460
Net as at December 31, 2021	190,143	(968)	794,800	(6,549)	359,884	—	1,337,310
Assumed in business combination	—	—	—	—	—	199,451	199,451
Proceeds or draw-downs	436,039	—	227,117	—	71,374	40,053	774,583
Repayments	(340,007)	—	(92,707)	—	(60,542)	(31,717)	(524,973)
Payment of financing costs	—	(2,657)	—	(45)	—	(42)	(2,744)
Amortization of deferred financing costs	—	289	—	972	—	85	1,346
Foreign exchange translation	(2,530)	—	(13,171)	82	—	—	(15,619)
Net as at March 31, 2022	**$ 283,645**	**$ (3,336)**	**$ 916,039**	**$ (5,540)**	**$ 370,716**	**$ 207,830**	**$ 1,769,354**

Certain prior year amounts have been re-classed to conform with current year presentation.

(a) The Chesswood revolving credit facility allows borrowings of up to US$300.0 million, subject to, among other things, certain percentages of eligible gross finance receivables. This credit facility includes a US$100 million accordion feature that can increase the overall borrowing amount to US$400 million, is secured by substantially all of the Company’s (and most of its subsidiaries') assets, contains covenants, including maintaining leverage, interest coverage and delinquency ratios, and expires on January 14, 2025. At March 31, 2022, the Company was utilizing US$229.5 million (December 31, 2021 - US$153.5 million) of its credit facility and had approximately US$70.5 million in additional borrowings available under the revolving credit facility. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022, was 3.63% (year ended December 31, 2021 - 4.50%).

This revolving credit facility allows Chesswood to internally manage the allocation of capital to its financial services businesses in Canada and the United States. The credit facility supports growth in finance receivables, provides for Chesswood’s working capital needs and for general corporate purposes. The facility, available in U.S. or Canadian dollars, also improves the Company's financial flexibility by centralizing treasury management and making the provision of capital to individual businesses more efficient. The financing facilities are not intended to directly fund dividends by the Company. Under the facility, the maximum amount of cash dividends and purchases under its normal course issuer bid in respect of a month is 1/12 of 90% of Free Cash Flow (see Dividend Policy below) for the most recently completed four financial quarters for which Chesswood has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter). Free Cash Flow is defined as the consolidated Adjusted EBITDA less maintenance capital expenditures and tax expense, plus or minus the tax effect of non-cash change in the allowance for credit losses. Please refer to the definitions of Non–GAAP Measures provided in the MD&A.

(b) U.S. Equipment Financing Segment:

(i) The U.S. Equipment Financing Segment has a credit facility, with a US$200 million annual capacity, with a life insurance company to be renewed annually in October. The funder makes approved advances to the segment on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. The segment maintains certain cash reserves as credit enhancements or provides letters of guarantee in lieu of cash reserves. The segment retains the servicing of these finance receivables. The balance of this facility at March 31, 2022 was US$96.9 million (December 31, 2021 - US$95.1 million). Based on average debt levels, the effective interest rate for the three months ended March 31, 2022, was 3.53% (including amortization of origination costs) (year ended December 31, 2021 – 3.72%).

(ii) In October 2019, the U.S. Equipment Financing Segment completed a US$254 million asset-backed securitization which has a fixed term and fixed interest rate and is collateralized by receivables from the U.S. Equipment Financing Segment's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay down the U.S. Equipment Financing Segment's previously existing warehouse line and Chesswood's senior revolving credit facility. The balance of this facility at March 31, 2022 was US$69.4 million (December 31, 2021 - US$83.1 million). Based on average debt levels, the effective interest rate was 3.38% for the three months ended March 31, 2022 (including amortization of origination costs) (year ended December 31, 2021 – 3.24%).

(iii) On September 30, 2020, the U.S. Equipment Financing Segment completed a US$183.5 million asset-backed securitization which has a fixed term and fixed interest rate and is collateralized by receivables from the U.S. Equipment Financing Segment portfolio of equipment leases and loans. Proceeds from the securitization were used to pay off the U.S. Equipment Financing Segment's previously existing warehouse line, and CapOne facilities, and to pay down Chesswood's senior revolving credit facility. The balance of this facility at March 31, 2022 was US$76.6 million (December 31, 2021 - US$89.8 million). The effective interest rate was approximately 3.12% for the three months ended March 31, 2022 (including amortization of origination costs) (year ended December 31, 2021 – 2.61%).

(iv) On October 22, 2021, the U.S. Equipment Financing Segment completed a US$356.1 million asset-backed securitization which has a fixed term and a fixed interest rate and is collateralized by receivables from the U.S. Equipment Financing Segment's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay off the U.S. Equipment Financing Segment's warehouse line and to pay down Chesswood's senior revolving credit facility. The effective interest rate was approximately 1.69% (including amortization of origination costs) (year ended December 31, 2021 - 2.01%). The balance of this facility at March 31, 2022, was US$310.8 million (December 31, 2021 - US$333.9 million).

(v) The U.S. Equipment Financing Segment has a US$250 million revolving warehouse loan facility that was established in May 2021 specifically to fund its growing prime portfolio. The warehouse facility holds the U.S. Equipment Financing Segment's prime receivables before they are securitized and is secured by the U.S. Equipment Financing Segment's assets, contains covenants, including maintaining leverage, interest coverage, and delinquency ratios. This facility has a revolving period until January 2024 followed by an optional amortizing period for an additional 36 months. At March 31, 2022, the balance of this facility was US$133.2 million (December 31, 2021 - nil). The effective interest rate for the three months ended March 31, 2022 was approximately 2.97% (year ended December 31, 2021 - 2.09%) (including amortization of origination costs).

(vi) The U.S. Equipment Financing Segment entered into arrangements on April 29, 2021 under which an investment fund managed by Waypoint Investment Partners Inc. ("Waypoint") provides loan funding to a special purpose vehicle and thereby receives returns based on the performance of a specific group of finance receivables. The investment fund is structured as a limited partnership, and Chesswood has a small minority ownership interest in the general partner of the fund. The U.S. Equipment Financing Segment receives origination fees and fees for administering the portfolio, and Waypoint receives fees for managing the investment fund. Chesswood will be entitled to its proportionate share of any amounts earned by the fund's general partner. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. The balance of this facility at March 31, 2022 was US$46.3 million (December 31, 2021 - US$19.0 million). Based on average debt levels, the effective return provided to the private credit investors for the three months ended March 31, 2022 was 14.16% (including amortization of origination costs) (year ended December 31, 2021 - 12.48%). See Note 17 - *Related party transactions*.

As at March 31, 2022, the U.S. Equipment Financing Segment had provided US$0.5 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves (December 31, 2021 - US$0.5 million).

(c) Canadian Equipment Financing Segment:

Blue Chip and Vault Credit have master purchase and servicing agreements with various financial institutions and life insurance companies (referred to collectively as the "Funders"). The Funders make advances to Blue Chip and Vault Credit on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facilities have limited recourse to other assets in the event that lessees/borrowers fail to make payments when due. Blue Chip and Vault Credit either maintain certain cash reserves as credit enhancements or provide letters of guarantee in return for release of the cash reserves. Blue Chip and Vault Credit continue to service these finance receivables on behalf of the Funders.

(i) At March 31, 2022, Blue Chip and Vault Credit had access to the following committed lines of funding:
- (i) $200 million annual limit from a life insurance company.
- (ii) $150 million rolling limit from a financial institution.
- (iii) $250 million annual limit from a bank.
- (iv) Approved funding from another financial institution with no annual or rolling limit.

As at March 31, 2022, Blue Chip and Vault Credit had $48.7 million and $312.2 million, respectively (December 31, 2021 - $57.6 million and $302.1 million, respectively) in securitization and bulk lease financing facilities debt outstanding. Blue Chip and Vault Credit together had access to at least $435.0 million of additional financing from its securitization partner (December 31, 2021 - $247.5 million).

Interest rates are fixed at the time of each advance and are based on Government of Canada Bond yields with maturities comparable to the term of the underlying leases plus a premium. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022 was 3.07% and 3.07% for Blue Chip and Vault Credit, respectively (year ended December 31, 2021 - 3.37% and 2.61%, respectively).

(ii) The Canadian Equipment Financing Segment entered into arrangements on December 14, 2021 under which Vault Credit Opportunities Fund ("VCOF") provides loan funding to Vault Credit and thereby receives returns based on the performance of a specific group of finance receivables. The Canadian Equipment Financing Segment receives fees for servicing the portfolio. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. The balance of this facility at March 31, 2022 was $1.6 million (December 31, 2021 - $2.2 million). VCOF earns a yield equivalent to the interest on the underlying loans.

As at March 31, 2022, Blue Chip and Vault Credit had provided $2.5 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves (December 31, 2021 - $3.8 million). Blue Chip and Vault Credit must meet certain financial covenants, including leverage ratio, interest coverage ratio, and tangible net worth covenants, to support these securitization and bulk lease financing facilities.

(d) Canadian Auto Financing Segment:

(i) At March 31, 2022, Rifco had access to the following committed lines of funding:
- (i) $50 million annual limit from a life insurance company.
- (ii) $50 million rolling limit from a financial institution.
- (iii) approved funding from another financial institution with no annual or rolling limit.

As at March 31, 2022, Rifco had $197.7 million outstanding on its securitization facilities. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022, was 4.24%.

(ii) Unsecured Debentures

Rifco has previously issued unsecured debentures. Unsecured debentures allow Rifco the right to redeem the debenture in the last year of the agreement without penalty. The unsecured debenture holders do not have early retraction rights and have no right to convert into common shares. The unsecured debentures have an asset coverage covenant. Non-compliance with this covenant could result in the debenture holders declaring an event of default and requiring all amounts outstanding to be immediately due and payable. Rifco was compliant for the reporting period. The unsecured debentures are non-retractable with maturity dates that go out until August 2026.

As at March 31, 2022, Rifco had $10.2 million in unsecured debentures outstanding. Based on average debt levels, the effective interest rate during the three months ended March 31, 2022, was 9.94%.

(e) Restricted funds

($ thousands)	**March 31, 2022**	December 31, 2021
Restricted - cash in collection accounts	**$ 47,070**	$ 47,201
Restricted - cash reserves	**57,351**	38,971
Restricted funds	**$ 104,421**	$ 86,172

11. MINIMUM PAYMENTS

The following are the contractual payments and maturities of financial liabilities and other commitments (including interest):

($ thousands)		2022	2023	2024	2025	2026	2027+	**Total**
Accounts payable and other liabilities		$ 42,556	$ —	$ —	$ —	$ —	$ —	**$ 42,556**
Premise leases payables	*(i)*	738	1,028	1,007	692	504	251	**4,220**
Borrowings	*(ii)*	482,729	791,136	335,688	202,604	68,863	24,897	**1,905,917**
Customer security deposits	*(iii)*	1,378	1,698	372	258	226	32	**3,964**
		527,401	793,862	337,067	203,554	69,593	25,180	**1,956,657**
Service contracts		1,480	253	76	54	23	—	**1,886**
Total commitments		$528,881	$794,115	$337,143	$203,608	$ 69,616	$ 25,180	**$ 1,958,543**

i. The Company and its subsidiaries are committed to future minimum rental payments under existing leases for premises, excluding occupancy costs and property tax, with expirations up to 2028. The amounts above exclude adjustment for discounting premise lease payable.

ii. Borrowings are described in Note 10 - *Borrowings*, and include fixed payments for the U.S. Equipment Financing Segment, Blue Chip, Vault Credit, and Rifco's securitization facilities, as well as Rifco's debentures, and Chesswood's corporate revolving credit facility which is a line-of-credit and, as such, the balance can fluctuate. The amounts above includes fixed interest payments on U.S. Equipment Financing Segment, Blue Chip, Vault Credit, and Rifco's credit facilities and estimated interest payments on the Chesswood corporate credit facility, assuming the interest rate, debt balance and foreign exchange rate at March 31, 2022 remain the same until the expiry date of December 2022. The amount owing under Chesswood's revolving credit facility is shown in year of maturity, all other expected payments for borrowings are based on the underlying finance receivables supporting the borrowings. Since the current credit facility expires within the next 12 months, the Chesswood revolving credit facility is a current liability.

iii. The Company's experience has shown the actual contractual payment streams will vary depending on a number of variables, including prepayment rates, charge-offs and modifications. Accordingly, the scheduled contractual payments of customer security deposits shown in the table above are not to be regarded as a forecast of future cash payments.

Please see Note 6(b) - *Finance Receivables* for the expected collections of finance receivables over the same time period. See Note 10(e) - *Borrowings* - for the amount of restricted cash in collections accounts that will be applied to debt in the following month.

The Company has no material liabilities that have not been recognized and presented on the condensed interim statement of financial position, other than US$2.5 million in letters of guarantee.

12. CAPITAL MANAGEMENT

The Company's capital consists of borrowings and shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's long-term ability to continue as a going concern and to provide adequate returns for shareholders to meet or exceed the targeted return on equity set by the Board of Directors. The Company's share capital is not subject to external restrictions. There have been no changes since the prior year.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk profile of the underlying assets. The Company uses various measures including share repurchases through the normal course issuer bid and the amount of dividends paid to shareholders.

Refer to Note 10 - *Borrowings* for further details on the Company's revolving credit facility.

13. COMMON SHARES

At March 31, 2022, there were 17,226,880 common shares outstanding (excluding the shares issuable in exchange for the Exchangeable Securities) (2021 - 16,574,864) with a book value of $119.6 million (2021 - $109.7 million).

The Company is authorized to issue an unlimited number of common shares, with no par value. Each common share entitles the holder thereof to receive notice of, to attend, and to one vote at all meetings of the shareholders. The holders of common shares will be entitled to receive any dividends, if, as and when declared by the Company's directors. The shareholders will also be entitled to share equally, share-for-share, in any distribution of the assets of the Company upon the liquidation, dissolution or winding-up of the Company or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Additional information relevant to the common shares, the rights of holders thereof and the operation and conduct of the Company can be found in the Company's Articles and By-Laws, which have been filed under the Company's profile on SEDAR at www.sedar.com.

(a) Normal course issuer bids

In November 2020, the Company's Board of Directors approved the repurchase for cancellation of up to 932,296 of the Company's outstanding common shares for the period commencing December 2, 2020 and ending on December 1, 2021. From December 2, 2020 to December 31, 2021, the Company repurchased 488,040 of its shares under the normal course issuer bid at an average cost of $10.06 per share. The excess of the purchase price over the average stated value of common shares purchased for cancellation was charged to retained earnings. Decisions regarding the timing of purchases are based on market conditions and other factors.

In December 2021, the Company's Board of Directors approved the repurchase for cancellation of up to 980,230 of the Company's outstanding common shares for the period commencing January 24, 2022 and ending on January 23, 2023. From January 24, 2022 to March 31, 2022, the Company repurchased 134,322 of its shares under the normal course issuer bid at and average cost of $14.16 per share. The excess of the purchase price over the average stated value of common shares purchased for cancellation was charged to retained earnings. Decisions regarding the timing of purchases will be based on market conditions and other factors.

(in Canadian dollars except where otherwise indicated, unaudited)

Additionally, the Company has entered into an automatic share purchase plan with a broker for the purpose of permitting the Company to purchase its Common Shares under the normal course issuer bid at such times when the Company would not be permitted to trade in its own shares during internal blackout periods, including during regularly scheduled quarterly blackout periods. Such purchases will be determined by the broker in its sole discretion based on parameters the Company has established.

(b) Special Warrants

On January 5, 2022, 133,333 special warrants which vested on December 31, 2021 were automatically exercised. On exercise, the accumulated balance in contributed surplus related to the special warrants of $1.6 million was transferred to common share capital. For the first tranche of special warrants exercised on January 5, 2022, the share price on the date of exercise was $14.25.

14. COMPENSATION PLANS

Contributed surplus includes the accumulated share-based compensation expensed over the vesting term for options and restricted share units unexercised at March 31, 2022. There were 2,037,039 options and 467,000 restricted share units outstanding at March 31, 2022 (March 31, 2021 - 2,645,939 and 57,000 respectively).

(a) Share options

The options vest 30% at the end of the first year, another 35% at the end of the second year, and the remaining 35% at the end of the third year and expire on the 10th anniversary of the grant date. The options settle in Common Shares and have an exercise price equal to the fair value of the Common Shares on the grant date of the options. The cost of options is measured using the Black-Scholes option pricing model and is expensed over the vesting period of each tranche with an increase in contributed surplus.

A summary of changes in the number of options outstanding is as follows:

	For the three months ended **March 31,**	
	2022	2021
Balance, beginning of period	**2,041,439**	2,708,939
Granted	**—**	—
Exercised	**(4,400)**	(63,000)
Forfeited	**—**	—
Balance, end of period	**2,037,039**	2,645,939

During the three months ended March 31, 2022, the personnel expenses and contributed surplus relating to option expense was insignificant (March 31, 2021 - $0.1 million). As at March 31, 2022, unrecognized non-cash compensation expense related to the outstanding options was $0.1 million (March 31, 2021 - $0.4 million), which is expected to be recognized over the remaining vesting period.

During the three months ended March 31, 2022, 4,400 options were exercised (March 31, 2021 - 63,000) for total cash consideration of $0.04 million (March 31, 2021 - $0.5 million). On exercise, the accumulated amount in contributed surplus related to these exercised options was transferred to Common Share capital (Common Share capital was also increased by the cash consideration received upon exercise). For the options exercised during the three months ended March 31, 2022, the weighted average share price at the date of exercise was $14.87 (March 31, 2021 - $9.17). and the weighted average exercise price was $9.61 (March 31, 2021 - 7.79).

At March 31, 2022, the weighted average exercise price is $11.04 (March 31, 2021 - $10.31) and the weighted average remaining contractual life for all options outstanding is 3.7 years (March 31, 2021 - 3.9 years). The 1,839,174 options exercisable at March 31, 2022 have a weighted average exercise price of $11.34 (March 31, 2021 - 2,332,689 options at $10.56).

(in Canadian dollars except where otherwise indicated, unaudited)

An analysis of the options outstanding at March 31, 2022 is as follows:

Range of exercise prices	Weighted average remaining life (in years)	Vested #	Total #
$ 7.45	0.23	118,989	118,989
$ 8.01 - $ 8.95	7.19	173,625	371,490
$10.17 - $10.96	3.94	616,560	616,560
$12.15 - $12.53	2.97	665,000	665,000
$14.12	1.76	265,000	265,000
	3.71	1,839,174	2,037,039

(b) Restricted share units

Restricted share units ("RSUs") are to be settled by the issue of Common Shares and expire in ten years. The vesting period for the remaining unvested RSUs are typically one year from the date of issue or evenly during the three years from the issue date. RSUs granted are in respect of future services and are expensed over the vesting period with an increase in contributed surplus. Compensation cost is measured based on the fair value of the Common Shares on the grant date of the RSUs. Holders of RSUs are not entitled to dividends before the RSUs are exercised.

A summary of changes in the number of RSUs outstanding is as follows:

	For the three months ended **March 31,**	
	2022	2021
Balance, beginning of period	**479,000**	57,000
Granted	**138,000**	—
Exercised	**(150,000)**	—
Balance, end of period	**467,000**	57,000

During the three months ended March 31, 2022, personnel expenses and contributed surplus included $0.6 million (March 31, 2021 - $0.2 million) relating to RSUs.

As at March 31, 2022, unrecognized non-cash compensation expense related to non-vested RSUs was $4.4 million (March 31, 2021 - $0.2 million). The weighted average remaining contractual life for all RSUs outstanding is 9.5 years (December 31, 2021 - 9.6 years).

During the three months ended March 31, 2022, 150,000 RSUs were exercised (March 31, 2021 - nil). On exercise, the accumulated balance in contributed surplus related to the RSUs of $2.1 million (March 31, 2021 - n/a) was transferred to common share capital. For the RSUs exercised during the three months ended March 31, 2022, the weighted average share price at the date of exercise was $14.37 (March 31, 2021 - n/a).

An analysis of the RSUs outstanding at March 31, 2022, is as follows:

Grant date	Number of RSUs outstanding	Vested	Expiry date	Value on grant date
November 30, 2020	50,000	50,000	June 29, 2030	$ 8.01
August 5, 2021	129,000	10,000	August 5, 2031	$ 11.69
November 5, 2021	150,000	—	November 5, 2031	$ 14.27
March 21, 2022	138,000	8,350	March 21, 2032	$ 14.40
	467,000	68,350		

15. DIVIDENDS

Under the Chesswood revolving credit facility (see Note 10(a) - *Borrowings*), the maximum amount of cash dividends (and/or cost of any repurchases under normal course issuer bids) that the Company can pay in respect of a month is 1/12 of 90% of Free Cash Flow for the most recently completed four financial quarters in which Chesswood has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter). Free Cash Flow is defined in the MD&A.

The following dividends were paid to Common Shareholders and Exchangeable Securities holders (included as non-controlling interest) during the three months ended March 31, 2022:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount *($ thousands)*
December 31, 2021	January 17, 2022	**$ 0.03**	**$ 542**
January 31, 2022	February 15, 2022	**0.03**	**564**
February 28, 2022	March 15, 2022	**0.03**	**563**
		$ 0.09	**$ 1,669**

Dividends of $0.4 million (March 31, 2021 - n/a) were also paid to the non-controlling interest of CHW/Vault Holdco Corp. ("Canadian Holdco"). The dividend was recognized through net income on the condensed interim consolidated statements of income. Special warrants issued to the non-controlling interest for the merger of Vault are entitled to a dividend equivalent prior to the special warrants becoming exercisable, paid on the date of exercise. As at March 31, 2022, dividends payable of $0.5 million has been accrued on the special warrants (March 31, 2021 - n/a). During the three months ended March 31, 2022, $0.03 million in dividends were paid out on the special warrants (March 31, 2021 - n/a).

The following dividends were paid to Common Shareholders and Exchangeable Securities holders (included as non-controlling interest) during the period ended March 31, 2021:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount *($ thousands)*
December 31, 2020	January 15, 2021	$ 0.02	$ 355
January 29, 2021	February 16, 2021	0.02	353
February 26, 2021	March 15, 2021	0.02	347
		$ 0.06	$ 1,055

16. EARNINGS PER SHARE

	For the three months ended March 31, 2022	2021
Weighted average number of common shares outstanding	**17,208,584**	16,130,230
Dilutive effect of options	**459,212**	191,202
Dilutive effect of restricted share units	**351,000**	57,000
Dilutive effect of special warrants	**1,340,741**	—
Weighted average common shares outstanding for diluted earnings per share	**19,359,537**	16,378,432
Options and RSUs excluded from calculation of diluted shares for the period due to their anti-dilutive effect	**—**	1,614,950

17. RELATED PARTY TRANSACTIONS

(a) The Company has no parent or other ultimate controlling party.

(b) The Company's key management consists of the President & Chief Executive Officer, Chief Financial Officer and the Board of Directors. Key management compensation is as follows:

($ thousands)	For the three months ended March 31, 2022	2021
Salaries, fees and other employee benefits	**$ 2,335**	$ 352
Share-based compensation	**283**	62
Compensation expense of key management	**$ 2,618**	$ 414

(c) Daniel Wittlin ("Wittlin"), the CEO of Vault Credit and a Company director indirectly owns 64% of the non-controlling interest in Canadian Holdco. Rob Trager ("Trager"), the President of Vault Credit, controls an intermediary entity which owns the remaining 36% of the non-controlling interest. Through the entity, Trager indirectly owns 5% of the non-controlling interest shares.

(d) Vault Credit engaged in the following transactions with related parties in the period subsequent to the Vault Credit business combination:

- Vault Credit signed a sub-lease commencing on April 30, 2021 for an eight year term with a company controlled by Wittlin and Trager. The sub-lease mirrors all the terms of the head lease, which was entered into with an arm's length party, and requires Vault Credit to pay an allocation of the head lease rent based on head count. The sublease is therefore considered to be on fair market value terms. The right of use asset and premise lease liability initially recognized on the date of commencement is $0.8 million. In 2022 there were additional modifications and terminations to the lease resulting in net additions of $0.1 million to the premise lease liability. Lease payments paid during the period ended March 31, 2022 were insignificant (March 31, 2021 - n/a).
- Wittlin has significant influence over certain brokers within Vault Credit's origination network. The leases obtained from related party brokers comprise 37% (December 31, 2021 - 37%) of total finance receivables of the Canadian

Equipment Financing Segment as at March 31, 2022. The total related party broker commissions capitalized during the period ended March 31, 2022 was $2.0 million (March 31, 2021 - n/a). These transactions were conducted at fair market value terms.

- Prior to the merger with Vault Credit, the Canadian Equipment Financing Segment had provided leases to entities over which Wittlin has significant influence. The total capital cost of the leases is $0.6 million (December 31, 2021 - $0.6 million) with a net book value of $0.1 million as at March 31, 2022 (December 31, 2021 - $0.2 million). These transactions were conducted at fair market value terms.
- Vault Credit and Vault Home license proprietary leasing software from an entity controlled by Wittlin. Vault Credit and Vault Home pay for the costs of improving and maintaining the software. The total costs expensed by Vault Credit and Vault Home during the period ended March 31, 2022 is $1.1 million (March 31, 2021 - n/a). These transactions were conducted at fair market value terms.
- Wittlin and Trager are indirectly general partners, through controlled entities, of the VCOF, a limited partnership, which Vault Credit had entered into arrangements with on December 14, 2021. Total servicing fee revenue and interest expense for the period ended March 31, 2022 is insignificant. See Note 10 - *Borrowings*.

(e) Ryan Marr, CEO of Chesswood, is the Chief Investment Officer and a minority shareholder of Waypoint, which has established an investment fund through which a subsidiary of Pawnee established a credit facility on April 29, 2021. The total interest expense for the period ended March 31, 2022 was $1.3 million (March 31, 2021 - n/a). See Note 10 - *Borrowings*.

(f) Wittlin owns 38.3% of the non-controlling interest in Vault Home.

(g) Wittlin has significant influence over Vault Credit Inc., which has begun developing Tandem's vendor system. For the period ended March 31, 2022, Tandem paid Vault Credit Inc. $0.2 million (March 31, 2021 - n/a) for software development services. This transaction was conducted at fair market value terms.

(h) During the period, related parties were holders of unsecured debentures in Rifco. The terms offered to related parties for the unsecured debentures are identical to those offered to non-related party unsecured debenture holders. At period end, the total unsecured debentures held by related parties is $0.7 million. Total interest paid during the period is insignificant.

18. SUBSIDIARIES

(a) The following table contains a list of the Company's consolidated subsidiaries:

Entity's name	Principal place of business	Ownership as at March 31, 2022
Chesswood Holdings Ltd.	Ontario	100%
CHW/Vault Holdco Corp.	Ontario	51%
Blue Chip Leasing Corporation	Ontario	51%
2750036 Ontario Inc.	Ontario	51%
Vault Credit Corporation	Ontario	51%
Vault Home Credit Corporation	Ontario	51%
Chesswood Capital Management Inc.	Ontario	100%
Chesswood Capital Management USA Inc.	Colorado(1)	100%
Lease-Win Limited	Ontario	100%
Case Funding Inc.	Delaware	100%
Chesswood U.S. Acquisition Co Ltd.	Delaware	100%(2)
Pawnee Leasing Corporation(3)	Colorado	100%
Tandem Finance Inc.	Colorado	100%
Rifco Inc.	Alberta	100%
Rifco National Auto Finance Corporation	Alberta	100%
Windset Capital Corporation	Delaware	100%

(1) Chesswood Capital Management USA Inc. was incorporated in the state of Delaware however its principal place of business is Colorado.
(2) 100% ownership of voting shares.
(3) Pawnee holds, through consolidated, wholly-owned SPEs, a portfolio of leases and loans which are financed through arm's length financial institutions. See Note 6 - *Finance Receivables* and Note 10(b) - *Borrowings*.

19. CASH FLOW SUPPLEMENTARY DISCLOSURE

($ thousands)	Note	For the three months ended March 31, **2022**	2021
Non-cash transactions			
Common shares issued for business combination		**$ 7,076**	$ —
Common shares issued on exercise of RSUs		**2,141**	—
		$ 9,217	**$ —**
Interest paid		**$ 11,808**	$ 4,467

		For the three months ended March 31,	
($ thousands)	*Note*	**2022**	2021
Other non-cash items included in net income			
Share-based compensation expense	*14*	**$ 650**	$ 255
Amortization of deferred financing costs and debt restructuring	*10*	**1,346**	992
Non-cash interest expense on premise leases payable and revaluation of option liability		**(1,531)**	25
Net realized and unrealized (gain) loss on interest rate derivative	*4*	**—**	(126)
Unrealized (gain) loss on foreign exchange		**(59)**	26
		$ 406	$ 1,172
Change in other net operating assets			
Restricted funds		**$ (1,405)**	$ (6,377)
Other assets		**629**	1,407
Accounts payable and other liabilities		**2,311**	(1,039)
Customer security deposits		**(415)**	(623)
		$ 1,120	$ (6,632)

		For the three months ended March 31,	
($ thousands)	*Note*	**2022**	2021
Borrowings			
Draw-downs or proceeds from borrowings	*10*	**$ 774,583**	$ 158,304
Payments - borrowings	*10*	**(524,973)**	(113,193)
		$ 249,610	$ 45,111

20. SEGMENT INFORMATION

Segments are identified on the same basis that is used internally to manage and to report on performance, taking into account materiality and the products and services of each segment and the organizational structure of the Company. The Company's operations consist of the following reportable segments: U.S. Equipment Financing, Canadian Equipment Financing, Auto Financing, and Asset Management.

The Company's U.S. Equipment Financing business is located in the United States and is involved in small-ticket equipment leasing and lending to small and medium-sized businesses. Pawnee and Tandem's information is aggregated as Chesswood's U.S. Equipment Financing Segment as Pawnee and Tandem offer lending solutions to small and medium-sized businesses in the United States. Tandem leverages off Pawnee's experience, processes and "back-office" support for credit adjudication, collections and documentation. Chesswood's Canadian Equipment Financing Segment consists of Blue Chip and Vault Credit which both provide commercial equipment financing to small and medium-sized businesses in Canada. Vault Credit and Blue Chip combined their operations and personnel following the merger in 2021. Vault Home is not a reportable segment and has been combined with the Canadian Equipment Financing Segment because each have similar economic characteristics. Chesswood's Canadian Auto Financing Segment consists of Rifco which provides auto financing to customers in Canada. Chesswood's Asset Management segment consists of CCM and CCM USA whom provide private credit alternatives to investors seeking exposure to lease and loan receivables originated by Chesswood subsidiaries.

Segment information is prepared in conformity with the accounting policies adopted for the Company's audited consolidated financial statements for the year ended December 31, 2021. The role of the "chief operating decision maker" with respect to resource allocation and performance assessment is embodied in the position of Chief Executive Officer. The performance of the segments is measured on the basis of net income or loss before tax. Net assets, which are defined as total segment assets less total segment liabilities, are used as the basis of assessing the allocation of resources. When compared with the last annual consolidated financial statements, there are no differences in the basis of segmentation or in the basis of measuring segment results, other than the acquisition of Rifco in Q1 2022. Selected information by segment and geographically is as follows:

	Three months ended March 31, 2022					
($ thousands)	**Equipment Financing - U.S.**	**Equipment Financing - Canada**	**Auto Financing - Canada**	**Asset Management**	**Corporate Overhead - Canada**	**Total**
Interest revenue on finance leases and loans	$ 30,614	$ 11,015	$ 8,282	$ —	$ —	$ 49,911
Ancillary finance and other fee income	3,575	3,384	314	66	—	7,339
Interest expense	(8,285)	(3,354)	(2,002)	(18)	1,572	(12,087)
Provision for credit losses	(2,906)	(1,741)	(12,019)	—	—	(16,666)
Finance margin	**22,998**	**9,304**	**(5,425)**	**48**	**1,572**	**28,497**
Personnel expenses	5,618	4,524	1,593	265	1,939	13,939
Share-based compensation expense	323	13	—	—	314	650
Other expenses	5,135	2,634	1,084	431	882	10,166
Depreciation	222	124	87	—	—	433
Amortization - intangible assets	—	549	42	—	—	591
Operating income (loss)	**11,700**	**1,460**	**(8,231)**	**(648)**	**(1,563)**	**2,718**
Unrealized gain on foreign exchange	—	136	—	—	(77)	59
Income (loss) before taxes	**11,700**	**1,596**	**(8,231)**	**(648)**	**(1,640)**	**2,777**
Tax expense (recovery)	3,285	507	(1,790)	(225)	(679)	1,098
Net income (loss)	**$ 8,415**	**$ 1,089**	**$ (6,441)**	**$ (423)**	**$ (961)**	**$ 1,679**
Total assets	$ 1,258,357	$ 557,944	$ 228,916	$ 259	$ 2,752	$ 2,048,228
Total liabilities	$ 962,394	$ 385,508	$ 205,693	$ 93	$ 302,836	$ 1,856,524
Finance receivables	$ 1,163,557	$ 466,213	$ 204,769	$ —	$ —	$ 1,834,539
Goodwill and intangible assets	$ 20,188	$ 49,051	$ 368	$ —	$ —	$ 69,607
Property and equipment expenditures	$ (13)	$ (94)	$ (89)	$ —	$ —	$ (196)

	Three months ended March 31, 2021			
($ thousands)	**Equipment Financing - U.S.**	**Equipment Financing - Canada**	**Corporate Overhead - Canada**	**Total**
Interest revenue on finance leases and loans	$ 20,597	$ 2,322	$ —	$ 22,919
Ancillary finance and other fee income	2,553	837	—	3,390
Interest expense	(5,143)	(752)	—	(5,895)
Provision for credit losses	(963)	503	—	(460)
Finance margin	**17,044**	**2,910**	**—**	**19,954**
Personnel expenses	4,409	552	483	5,444
Share-based compensation expense	16	2	237	255
Other expenses	3,898	405	502	4,805
Depreciation	212	16	10	238
Amortization - intangible assets	—	333	—	333
Operating income	**8,509**	**1,602**	**(1,232)**	**8,879**
Gain on interest rate derivative	—	—	126	126
Unrealized loss on foreign exchange	—	—	(26)	(26)
Income before taxes	**8,509**	**1,602**	**(1,132)**	**8,979**
Tax expense (recovery)	2,390	425	(149)	2,666
Net income (loss)	**$ 6,119**	**$ 1,177**	**$ (983)**	**$ 6,313**
Total assets	$ 738,259	$ 125,141	$ 3,422	$ 866,822
Total liabilities	$ 463,327	$ 90,161	$ 170,430	$ 723,918
Finance receivables	$ 670,743	$ 105,876	$ —	$ 776,619
Goodwill and intangible assets	$ 20,315	$ 13,937	$ —	$ 34,252
Property and equipment expenditures	$ 40	$ —	$ —	$ 40

21. BUSINESS COMBINATIONS

(a) Rifco Inc.

On January 14, 2022, Chesswood completed its acquisition of Rifco Inc. ("Rifco"),a provider of consumer auto loans to the sub-prime market, where the Company acquired 100% of Rifco's outstanding shares.

The acquisition of Rifco was accounted for using the acquisition method, whereby the cost of acquisition is measured as the aggregate of the acquisition-date fair value of consideration transferred. Goodwill is measured as the excess of the aggregate of the acquisition-date fair value of consideration transferred over the net acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Costs related to the acquisition are expensed as incurred.

The acquisition of Rifco allows the Company to enter into the auto loan industry. Rifco is included in the Canadian Auto Financing Segment and the goodwill recognized is included in the Canadian Auto Financing cash generating unit for purposes of goodwill impairment tests.

The measurement period is left open to enable the asset valuation to be finalized, in particular intangibles and goodwill.

The consideration for the acquisition included:

($ thousands)		**January 14, 2022**
Shares of the Company(1)	**$**	**7,095**
Cash		**21,020**
	$	**28,115**

(1) Based on Chesswood share market price on January 14, 2022 of $14.23. Consideration does not include equity issuance costs.

Rifco shareholders elected for approximately 25% of the consideration to be paid out in Chesswood common shares. This resulted in a total of 498,605 shares being issued.

The fair values of the assets and liabilities, including the goodwill and intangibles arising on acquisition, were as follows:

($ thousands)		**January 14, 2022**
Cash	**$**	**5,127**
Restricted cash		**17,807**
Other assets		**1,289**
Finance receivables		**209,286**
Right-to-use assets		**1,081**
Property and equipment		**452**
Intangible assets		**340**
Goodwill		**19**
Accounts payable and other liabilities		**6,508**
Premises leases payable		**1,327**
Borrowings		**199,451**
Net assets acquired	**$**	**28,115**

The gross contractual amount of finance receivables was approximately $329.3 million as at January 14, 2022. A provision for the finance receivables subsequent to acquisition of $9.3 million was recognized.

None of the goodwill is deductible for tax purposes. No impairment on the goodwill has occurred since the date of acquisition. The transaction costs related to the acquisition expensed during the period ended March 31, 2022 were $0.6 million. Total costs of $0.4 million related to the acquisition were expensed in the year ended December 31, 2021.

For the period January 14, 2022 to March 31, 2022, Rifco contributed $8.6 million to the consolidated revenue and a loss of $6.4 million to the consolidated net income of the Company. Had the business combination occurred at the beginning of the period ended March 31, 2022, the additional contributions of revenue made by Rifco would have been $1.2 million. The additional contribution of net income would have been a loss of $0.2 million.

(b) Vault Credit Corporation

On April 30, 2021 (the Effective Date), the Company merged its Canadian equipment leasing subsidiary, Blue Chip, with Vault Credit, a provider of equipment lease and commercial loan financing to small and medium-size businesses across Canada. Chesswood incorporated a new company, Canadian Holdco, that acquired 100% of the shares of Blue Chip and 2750036 Ontario Inc., Vault Credit's parent company. In return, Chesswood received 51% ownership of Canadian Holdco. Chesswood also received a call option to acquire the remaining 49% of shares. See Note 3 - *Financial Instruments*. The transaction resulted, in substance, in a 100% ownership interest at the date of acquisition and the full consolidation of Blue Chip and Vault Credit with no non-controlling interest recognized at that date. Subsequent to the acquisition and prior to exercise of the option, the non-controlling interest has the right to 49% of Canadian Holdco's earnings.

The Company acquired control over Vault Credit and continues to exercise control over Blue Chip through the ability to control the decisions of Canadian Holdco's board of directors, through a priority vote, related to those activities that are most relevant to determining returns. The acquisition of Vault Credit was accounted for using the acquisition method, whereby the cost of acquisition is measured as the aggregate of the acquisition-date fair value of consideration transferred. Goodwill is measured as the excess of the aggregate of the acquisition-date fair value of consideration transferred over the net acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Costs related to the acquisition are expensed as incurred.

The ownership interest in Blue Chip was rolled into Canadian Holdco, resulting in a common control reorganization that is accounted for at consolidated book value.

The merger with Vault Credit enables the Company's continued expansion of the Canadian Equipment Financing Segment by removing a competitor and obtaining access to Vault Credit's broker relationships which is accessed through its proprietary technology license. Vault Credit is included in the Canadian Equipment Financing Segment and the goodwill recognized is included in the Canadian Equipment Financing cash generating unit for purposes of goodwill impairment tests. The results of the Canadian Equipment Financing Segment consist of Blue Chip and the post-acquisition results of Vault Credit. See Note 20 – *Segment information*.

Recognized goodwill is attributable to synergies from combining both Vault Credit's and the Company's operations and the knowledge and expertise of their leadership teams.

The consideration for the merger included:

($ thousands)			**April 30, 2021**
Shares of the Company	a	**$**	**1,667**
Special warrants	b		**16,409**
Option liability	c		**12,305**
		$	**30,381**

(a) A total of 133,333 common shares of the Company were issued on April 30, 2021;

(b) A total of 1,466,667 special warrants issued, each exchangeable for one common share of the Company for no additional consideration. The special warrants vest in equal quarterly tranches beginning December 31, 2021 with the final tranche vesting on June 30, 2024 and are automatically exercised in two business days of vesting, unless the put or call option on the 49% of common shares has been exercised. The special warrants are classified as equity and were measured at fair value under the Black-Scholes Model; and
(c) On exercise of the Company's option, the derivative is payable in cash. The Company holds a call option valued at 49% of the fair values of the finance receivables less any direct debt, plus a 5% mark up on the date of exercise. The non-controlling interest holders also hold an equivalent put option over the 49% of shares held in Canadian Holdco, where the exercise price is 95% of 49% of the net investment in leases less any direct debt. The option is initially recognized at the value of the put option as the demand liability was the greater of the two option values. Distributions to be made by Canadian Holdco are at the sole discretion of the Canadian Holdco board of directors.

The fair values of the assets and liabilities, including the goodwill and intangibles arising on consolidation, were as follows:

($ thousands)		**April 30, 2021**
Cash	**$**	**2,758**
Restricted cash		**14,129**
Other assets		**2,950**
Finance receivables		**171,781**
Right-to-use assets		**919**
Property and equipment		**76**
Broker relationships		**15,737**
Trade name		**2,100**
Goodwill		**17,853**
Accounts payable and other liabilities		**2,582**
Premises leases payable		**922**
Borrowings		**189,906**
Deferred tax liabilities		**4,512**
Net assets acquired	**$**	**30,381**

The gross contractual amount of finance receivables including cash reserves was approximately $194 million as at April 30, 2021. Contractual cash flows not expected to be collected on receivables are not significant. A provision for the finance receivables subsequent to acquisition of $2.2 million was recognized.

None of the goodwill is deductible for tax purposes. No impairment on the goodwill has occurred since the date of acquisition. The transaction costs related to the acquisition expensed during the year ended December 31, 2021 were $0.6 million.

For the period May 1 to December 31, 2021, Vault Credit contributed $21.7 million to the consolidated revenue and $0.4 million to the consolidated net income of the Company. Had the business combination occurred at the beginning of the year ended December 31, 2021, the additional contributions of revenue made by Vault Credit would have been $6.0 million. The additional contribution of net income would have been insignificant to the results of the Company on a consolidated basis.

Subsequent to March 31, 2022 the second tranche of 133,333 special warrants which vested on March 31, 2022 were automatically exercised on April 6, 2022. On exercise, the accumulated balance in contributed surplus related to the special warrants of $1.6 million was transferred to common share capital. For the second tranche of special warrants exercised on April 6, 2022, the share price on the date of exercise was $15.05.

(c) Vault Home Credit Corporation

On September 14, 2021, Chesswood Holdings Ltd. acquired a number of common shares of Vault Home which comprise 51% of the currently outstanding common shares post acquisition, for a subscription price of $1.0 million, and a commitment to provide an aggregate of $1.5 million of capital contributions upon the request of the Vault Home board of directors. The $1.5 million was advanced in November 2021. Vault Home is incorporated in Ontario and had not yet earned revenue as at the date of acquisition. The Company exercises control over Vault Home through the ability to control the decisions of its board of directors, through a priority vote, related to those activities that are most relevant to determining returns. Vault Home enables the Company to expand into the consumer financing industry. The Company elected to measure the non-controlling interest at the proportionate share of identifiable net assets. No intangible assets were recognized on acquisition and goodwill recognized as at September 14, 2021 was $1.4 million.

Vault Home began originations subsequent to the acquisition and is included in the Canadian Equipment Financing segment. See Note 20 – *Segment information*. Revenues, net losses, and transaction costs were insignificant prior to the acquisition and for the period of September 14, 2021 to December 31, 2021.

Chesswood Group Limited

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors

Edward Sonshine, O.Ont., Q.C.
Director*, Chairman, Chesswood Group Limited and Chairman, Nominating and ESG Committee*

Clare Copeland, O.Ont.
Director
Chairman, Compensation Committee

Robert Day
Director
Former Chairman, Pawnee Leasing Corporation

Jeff Fields
Director
Chesswood Group Limited & C.E.O., Chesswood Capital Management Inc. and Chesswood Capital Management USA Inc.

Raghunath Davloor
Director
Chairman, Audit and Risk Committee

Ryan Marr
Director
President & C.E.O., Chesswood Group Limited

Frederick W. Steiner
Director

Daniel Wittlin
Director
C.E.O., CHW / Vault Holdco

Executive Team

Ryan Marr
President & C.E.O.

Tobias Rajchel
Chief Financial Officer

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