Propel Holdings Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

As at September 30, 2023 and for the three and nine month period ended September 30, 2023

Propel Holdings Inc.
Condensed interim consolidated statements of financial position (unaudited)
(expressed in US dollars)

	Note	As at September 30, 2023	As at December 31, 2022
Assets			
Cash		9,064,783	7,658,837
Restricted cash	4	26,428,352	22,615,319
Loans and advances receivable	5	236,006,898	195,628,431
Other receivables		6,758,081	6,752,364
Prepaids	7	1,038,117	1,701,189
Property and equipment	9	455,094	524,633
Deferred tax assets		12,145,904	8,210,248
Right-of-use assets	11	1,915,488	2,116,549
Intangible assets	10	12,982,863	11,472,976
Total Assets		**306,795,580**	256,680,546
Liabilities			
Accounts payable	12	4,481,214	2,296,453
Accrued liabilities	12	22,088,494	16,161,225
Derivative financial instruments	8	238,506	21,693
Credit facilities	13	171,948,458	148,900,000
Income taxes payable		8,957,333	3,944,569
Lease liabilities	11	2,438,573	2,672,030
Deferred tax liabilities		1,639,516	1,043,901
Total Liabilities		**211,792,094**	175,039,871
Shareholders' Equity			
Share capital	14	78,952,871	78,952,871
Retained earnings		12,853,411	1,030,977
Contributed surplus		3,197,204	1,656,827
Total Shareholders' Equity		**95,003,486**	81,640,675
Total Liabilities and Shareholders' Equity		**306,795,580**	256,680,546

Approved on behalf of the Board

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The accompanying notes are an integral part of these condensed interim consolidated financial statements

Propel Holdings Inc.
Condensed interim consolidated statements of operations and comprehensive income (unaudited)
(expressed in US dollars)

	Note	Three-month periods ended September 30, 2023	Three-month periods ended September 30, 2022	Nine-month periods ended September 30, 2023	Nine-month periods ended September 30, 2022
Revenue	6	83,171,747	59,738,072	220,477,535	164,335,709
Provision for loan losses and other liabilities	5	43,187,285	32,553,505	110,530,501	87,265,435
Operating expenses					
Acquisition and data	10	10,638,072	6,186,628	26,921,920	21,900,406
Salaries, wages and benefits	15, 18	7,994,000	6,870,706	22,647,417	19,337,967
General and administrative		2,135,332	2,045,216	6,248,909	6,055,527
Processing and technology		3,101,982	2,561,008	7,898,598	7,452,001
Total operating expenses		**23,869,386**	17,663,558	**63,716,844**	54,745,901
Operating income		**16,115,076**	9,521,009	**46,230,189**	22,324,373
Other income (expenses)					
Interest and fees on credit facilities	13	(5,943,899)	(2,714,756)	(16,010,677)	(5,737,791)
Interest expense on lease liabilities	11	(86,260)	(92,240)	(252,485)	(292,845)
Amortization of internally developed software	10	(835,343)	(607,419)	(2,436,003)	(1,804,475)
Depreciation of property and equipment	9	(50,186)	(44,844)	(145,700)	(111,657)
Depreciation of right-of-use assets	11	(191,001)	(149,187)	(515,164)	(463,649)
Foreign exchange gain (loss)		(274,579)	39,669	(285,496)	156,653
Unrealized gain (loss) on derivative financial instruments	8	(280,156)	(299,984)	(216,814)	(407,812)
Total other expenses		**(7,661,424)**	(3,868,761)	**(19,862,339)**	(8,661,576)
Income before income tax		**8,453,652**	5,652,248	**26,367,850**	13,662,797
Income tax expense (recovery)					
Current		4,672,134	2,781,087	10,418,885	5,702,002
Deferred		(2,390,443)	(1,322,470)	(3,343,272)	(2,122,467)
Net income for the period		**6,171,961**	4,193,631	**19,292,237**	10,083,262
Weighted average number of shares outstanding:					
Basic	14	34,325,320	34,325,120	34,325,320	34,325,120
Diluted	14	36,835,242	35,642,370	36,739,656	35,554,759
Earnings per share:					
Basic	14	$0.18	$0.12	$0.56	$0.29
Diluted	14	$0.17	$0.12	$0.53	$0.28

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Propel Holdings Inc.
Condensed interim consolidated statements of cash flows (unaudited)
(expressed in US dollars)

	Note	Three-month periods ended September 30, 2023	Three-month periods ended September 30, 2022	Nine-month periods ended September 30, 2023	Nine-month periods ended September 30, 2022
Cash flows from (used in) operating activities					
Net income		6,171,961	4,193,631	19,292,237	10,083,262
Items not affecting cash:					
Provision for loan losses	5	42,496,205	33,981,085	106,874,299	86,893,114
Unrealized loss (gain) on derivative financial instruments	8	280,156	299,984	216,814	407,812
Deferred income tax (recovery) expense		(2,381,381)	(1,322,470)	(3,340,041)	(2,122,467)
Amortization of acquisition transaction costs and customer acquisition data	5,10	2,521,030	2,365,591	6,955,157	6,913,395
Amortization of transaction costs on credit facilities		169,502	-	408,337	-
Depreciation of property and equipment	9	50,186	44,844	145,700	111,657
Amortization of internally developed software	10	835,343	607,419	2,436,003	1,804,475
Depreciation of right-of-use assets	11	191,001	149,187	515,164	463,649
Stock-based compensation	15	523,146	206,940	1,540,377	741,598
		50,857,149	40,526,211	**135,044,047**	105,296,495
Changes in:					
Restricted cash	4	(1,038,434)	(3,674,960)	(3,813,033)	(3,571,020)
Prepaids	7	408,865	(40,477)	663,072	473,369
Acquisition transaction costs and customer acquisition data	5,10	(3,791,685)	(2,380,400)	(8,959,311)	(8,443,164)
Other receivables		(1,337,102)	(751,990)	(5,717)	(982,404)
Income taxes recoverable/payable		2,856,105	2,135,815	5,012,764	690,068
Accounts payable and accrued liabilities	12	3,803,666	(1,229,726)	8,366,494	(2,297,514)
Net additions of loans and advances receivable	5	(65,640,243)	(64,358,115)	(158,653,969)	(159,984,229)
Principal loans and advances receivable recoveries	5	4,046,495	4,762,551	13,300,687	10,916,704
Net cash from (used in) operating activities		**(9,835,184)**	(25,011,091)	**(9,044,966)**	(57,901,695)
Cash flows from (used in) financing activities					
Advances from credit facilities	13	16,000,000	31,405,000	28,150,000	75,805,000
Payments on credit facilities	13	-	(2,100,000)	(3,500,000)	(6,600,000)
Transaction costs on credit facilities		-	-	(2,009,879)	-
Payments on lease liabilities	11	(291,890)	(236,100)	(802,024)	(726,487)
Dividends paid		(2,514,003)	(2,484,108)	(7,469,803)	(7,626,807)
Net cash from financing activities		**13,194,107**	26,584,792	**14,368,294**	60,851,706
Cash flows from (used in) investing activities					
Purchases of property and equipment	9	(53,292)	(53,349)	(76,161)	(160,993)
Cost of internally developed software	10	(1,329,230)	(1,329,551)	(3,841,221)	(3,701,737)
Net cash used in investing activities		**(1,382,522)**	(1,382,900)	**(3,917,382)**	(3,862,730)
Net change in cash		1,976,401	190,801	1,405,946	(912,719)
Cash, beginning of period		7,088,382	6,135,241	7,658,837	7,238,761
Cash, end of period		**9,064,783**	6,326,042	**9,064,783**	6,326,042
Supplemental cash flow information					
Interest received		3,982,724	3,572,912	10,363,747	13,486,807
Interest paid		5,550,471	2,318,964	15,026,962	5,042,122
Income taxes paid		1,862,881	715,862	5,478,761	5,062,731

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Propel Holdings Inc.
Condensed interim consolidated statements of changes in equity (unaudited)
(expressed in US dollars)

	Share Capital	**Contributed surplus**	**Retained earnings/(deficit)**	**Total equity**
Balance as at December 31, 2022	**78,952,871**	**1,656,827**	**1,030,977**	**81,640,675**
Net income for the period	-	-	19,292,237	**19,292,237**
Transactions recorded directly in equity				
Dividends declared and paid	-	-	(7,469,803)	**(7,469,803)**
Stock-based compensation	-	1,540,377	-	**1,540,377**
Balance as at September 30, 2023	**78,952,871**	**3,197,204**	**12,853,411**	**95,003,486**

	Share Capital	Contributed surplus	Retained earnings/(deficit)	Total equity
Balance as at December 31, 2021	78,951,062	419,647	(4,041,467)	75,329,242
Net income for the period	-	-	10,803,262	10,803,262
Transactions recorded directly in equity				
Dividends declared and paid	-	-	(7,626,807)	(7,626,807)
Stock-based compensation	-	741,598	-	741,598
Balance as at September 30, 2022	78,951,062	1,161,245	(1,585,012)	78,527,295

The accompanying notes are an integral part of these condensed interim consolidated financial statements

1. Incorporation and operations

Propel Holdings Inc. was incorporated under the Business Corporations Act (Ontario) on June 16, 2011 and its head office is located in 69 Yonge Street, Toronto, Ontario, Canada. The Company issued shares publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "PRL" on October 20, 2021.

Propel Holdings Inc. and all of the companies that it controls (collectively referred to as the "Company") is a leading financial technology company, committed to credit inclusion and helping underserved consumers by providing fair, fast, and transparent access to credit with exceptional service. The Company operates through its three brands: *MoneyKey, CreditFresh,* and *Fora Credit*.

The Company, through its MoneyKey brand, is a state-licensed direct lender and currently offers either installment loans or lines of credit to new customers in several United States ("US") states. The type of product offered in each state is dependent on the specific regulatory requirements within each operational state. As of September 30, 2023, the Company, through its MoneyKey brand, offered products as a state-licensed direct lender in 9 states across the US.

The Company, through its MoneyKey brand, is also a state-licensed Credit Access Business ("CAB") and Credit Services Organization ("CSO") in the state of Texas. Through its CSO programs, the Company provides services related to unaffiliated third-party lenders' consumer loan products in accordance with applicable state laws. These services include arranging loans, assisting in the preparation of loan applications and documents, and providing guarantees of consumer loan payment obligations to the unaffiliated third-party lender in the event that the customer defaults on their loan payments ("CSO Guarantee Liabilities").

The Company, through its MoneyKey brand, also operates as a bank servicer which provides marketing, analytics, and loan servicing services to an unaffiliated non-bank financial institution ("NBFI"). The NBFI has a program agreement with a Federal Deposit Insurance Corporation ("FDIC") insured Utah state-chartered bank ("NBFI Bank Partner" and together with NBFI, "Bank Service Partners") to whom it provides certain services, some of which have been outsourced by the NBFI to the Company. The NBFI Bank Partner offers unsecured open-ended lines of credit ("the "Bank Service Program"). The Company provides, among other things, technology and underwriting services required for the Bank Service Program. The NBFI Bank Partner approves all key decisions regarding the marketing, underwriting, product features and pricing of the Bank Service Program. Under the program, the Company also entered an agreement to purchase loans originated through the Bank Service Program should the loans default or become non-performing ("Bank Service Program Liability"). As of September 30, 2023, the Bank Service Program was offered in 14 states across the US and is regulated by the FDIC and other bank regulators.

The Company, through its CreditFresh brand, operates as a bank servicer which provides marketing, technology, and loan servicing services to unaffiliated, FDIC insured, state-chartered banks in the US ("Bank Program"). As of September 30, 2023, the Company maintained two Bank Programs with a Kansas state-chartered, FDIC insured, bank and a Utah state-chartered, FDIC insured, bank ("Bank Partner(s)"). Through the Bank Program, the Bank Partner offers unsecured open-ended lines of credit and is the sole originator of such lines of credit. The Bank Partner licenses technology, proprietary credit decisioning and underwriting capabilities from the Company and approves all key decisions regarding the marketing, underwriting, product features and pricing of the lines of credit offered through the Bank Program. Delaware Statutory Trust (the "DST I" and "DST II", collectively the "DSTs") have the obligation to purchase an economic interest in the principal balances of the lines of credit originated by the Bank Partner (such purchased economic interest referred to as "Bank Program Advances") once offered by such Bank Partner. The Company, through its wholly owned subsidiaries, has the sole beneficial interest in the DSTs. As of September 30, 2023, the CreditFresh Bank Program was offered in 24 states across the US and is regulated by the FDIC and other bank regulators.

Pursuant to the Bank Program agreements, the Bank Partners earn all program fees during the mutually agreed upon period of time prior to any offer being made to the Company. Following the purchase by the DSTs of the loan and advance receivable, the Bank Partners continue to hold legal title to the loan and advance receivable and maintain the relationship with the customer, which includes the funding of any future advances under the line of credit. The DSTs acquire an economic interest in the line of credit advances and the Company records the same as a loan and advance receivable on its balance sheet. Additionally, the Bank Partners continue to earn a trailing fee calculated based on the amounts collected by the DSTs.

The Company, through its Fora Credit brand, launched a line of credit product to new customers in Canada. The type of product offered in each province is dependent on the specific regulatory requirements within each province. As of September 30, 2023, the Company, through its Fora Credit brand, offered products as a provincial-licensed direct lender in 6 provinces across Canada. The functional currency of this entity is the Canadian dollar ("CAD").

1. Incorporation and operations (continued)

On June 20, 2023, Propel announced that it had officially launched its five-year agreement to operate as the primary Lending-as-a-Service (LaaS) partner for Pathward, N.A. ("Pathward"). Powered by Propel's industry-leading, proprietary fintech platform, Pathward provides a sub-36% APR line of credit through its partner network. In line with Propel and Pathward's shared mission of financial inclusion, these credit products are offered through a seamless online integration into the Propel platform. In this capacity, Propel provides white labelled technology and service solutions for Pathward's consumer lending capabilities, with Propel earning fee income for customer acquisition services, loan management software, licensing of proprietary AI-powered risk and response scores and credit servicing capabilities. The credit product is offered by Pathward and is distinct from the products offered under the MoneyKey, CreditFresh, and Fora Credit programs. This partnership accelerates Propel's strategic plan to expand and diversify its current product and service offerings and geographic reach as an adjacent business to its established business lines leveraging its proven core competencies and technology assets.

2. Basis of presentation

Statement of compliance

These unaudited condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, using the same accounting policies as disclosed in our most recent annual consolidated financial statements. These Interim Financial Statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read together with the most recent audited annual consolidated financial statements.

These Interim Financial Statements were authorized for issue by the Company's Board of Directors on November 7, 2023.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in US dollars, which is the Company's presentation currency. Each subsidiary of the Company determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency and translated, where appropriate, to the Company's presentation currency.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates, judgements and assumptions used in the most recent audited annual consolidated financial statements do not differ materially from those used for these condensed interim consolidated financial statements.

3. Future Changes in Accounting Policies

The future changes in accounting policies described in the most recent audited annual consolidated financial statements do not differ materially from those still applicable to these condensed interim consolidated financial statements.

There are no new standards issued but not yet effective as at January 1, 2023 that have a material impact to the Company's consolidated financial statements.

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

4. Restricted cash

Restricted cash is comprised of (a) reserves held as a form of collateral by unaffiliated third-party lenders (for CSO programs), Bank Partners, Bank Service Partners, banks, trustees, and payment processors for processing payments, and (b) funds held in restricted accounts for the benefit of credit facility lenders. Such restricted cash is redeemable when the stipulations for release within the related agreements have been met. As of September 30, 2023, the restricted cash balance was $26,428,352 (December 31, 2022 - $22,615,319).

5. Loans and advances receivable and allowance for credit losses

Loans and advances receivable are comprised of gross consumer loans receivable (including installment loans, line of credit (“LOC”) advances, Bank Program Advances, and non-performing loans originated through the Bank Service Program), fees and interest receivable on such loans and advances, allowance for credit losses, and acquisition transaction costs. Allowance for credit losses consists of the expected credit losses (“ECLs”) of the associated loans and advances receivable based on their portfolio and stages. The term of the loans and advances varies based on compliance with individual state regulations applicable to each type of product. Acquisition transaction costs consist of costs that are directly attributable and incremental to originated loans and advances receivable and are deferred and expensed over the estimated lifetime of the loans and advances receivable. Amortization of acquisition transaction costs was $1,264,436 for the three months ended September 30, 2023 (September 30, 2022 - $1,320,767) and $3,274,346 for the nine months ended September 30, 2023 (September 30, 2022 - $3,939,787) and is included in acquisition and data expense on the condensed interim consolidated statement of operations and comprehensive income.

A breakdown of the Company's loans and advances receivable balance is as follows:

	As at	
	September 30, 2023	December 31, 2022
Gross loans and advances receivable	264,954,147	223,411,186
Fees receivable	24,217,981	17,409,292
Interest receivable	952,316	1,856,601
Allowance for credit losses	(58,812,754)	(49,844,370)
Acquisition transaction costs	4,695,208	2,795,722
	236,006,898	195,628,431

The allocation of the Company’s gross loans and advances receivable by product type is as follows:

	As at	
	September 30, 2023	December 31, 2022
Bank Program Advances (CreditFresh)	239,891,985	207,301,258
Installment loans and LOC advances (MoneyKey)	12,302,411	11,843,315
LOC advances (Fora Credit)	7,267,245	351,674
Bank Service Program advances (MoneyKey)	5,492,506	3,914,939
	264,954,147	223,411,186

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

5. Loans and advances receivable (continued)

Bank Program Advances and Bank Service Program advances all consist of open-ended lines of credit with no specific maturity date. LOC advances of $10,672,182 (December 31, 2022 - $5,557,346) are also open-ended lines of credit with no specific maturity date. Management expects to realize materially all of these assets within a 12-month period from the reporting date. Installment loans of $7,122,735 (December 31, 2022 - $6,637,643) will mature within a 12-month period.

Classification of the gross loans and advances receivable by ECL stage is as follows:

	As at September 30, 2023			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Bank Program advances (CreditFresh)	193,672,475	28,789,510	17,430,000	239,891,985
Installment loans and LOC advances (MoneyKey)	7,203,948	2,436,369	2,662,093	12,302,411
LOC advances (Fora Credit)	6,360,204	576,631	330,411	7,267,245
Bank Service Program advances (MoneyKey)	-	-	5,492,506	5,492,506
	207,236,627	**31,802,510**	**25,915,010**	**264,954,147**

	As at December 31, 2022			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Bank Program advances (CreditFresh)	167,027,418	20,907,161	19,366,679	207,301,258
Installment loans and LOC advances (MoneyKey)	7,203,307	2,199,278	2,440,730	11,843,315
LOC advances (Fora Credit)	342,721	8,953	-	351,674
Bank Service Program advances (MoneyKey)	-	-	3,914,939	3,914,939
	174,573,446	23,115,392	25,722,348	223,411,186

Aging of Stage 2 and Stage 3 gross loans and advances receivable from date of delinquency:

	As at September 30, 2023		
	Stage 2 (Under-Performing)	**Stage 3 (Non-Performing)**	**Total**
0-30	21,329,869	1,602,371	22,932,241
31-60	9,427,723	5,728,183	15,155,906
61-90	759,267	13,213,663	13,972,930
91-120	211,707	4,642,976	4,854,683
120+	73,943	727,816	801,759
	31,802,510	**25,915,010**	**57,717,519**

	As at December 31, 2022		
	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
0-30	17,843,350	2,088,730	19,932,080
31-60	4,364,117	14,162,529	18,526,646
61-90	302,739	8,013,671	8,316,410
91-120	161,141	988,456	1,149,597
120+	444,045	468,962	913,007
	23,115,392	25,722,348	48,837,740

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

5. Loans and advances receivable (continued)

An analysis of the changes in the classification of gross loans and advances receivable is as follows:

	For the nine-month period ended September 30, 2023			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at December 31, 2022	174,573,446	23,115,392	25,722,348	223,411,186
Additions to gross loans and advances receivable	235,353,626	5,655,367	17,866,339	258,875,332
Principal payments and other adjustments	(97,441,794)	(5,500,725)	(3,183,251)	(106,125,770)
Transfers to (from)				
Stage 1 (Performing)	(138,440,651)	138,440,651	-	-
Stage 2 (Under-Performing)	33,192,000	(33,192,000)	-	-
Stage 3 (Non-Performing)	-	(96,716,175)	96,716,175	-
Gross charge offs	-	-	(111,206,601)	(111,206,601)
Balance as at September 30, 2023	**207,236,627**	**31,802,510**	**25,915,010**	**264,954,147**

	For the nine-month period ended September 30, 2022			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at December 31, 2021	92,841,249	12,695,267	7,263,754	112,800,270
Additions to gross loans and advances receivable	231,549,182	8,042,613	19,062,475	258,654,270
Principal payments and other adjustments	(97,239,270)	(6,505,075)	(1,195,370)	(104,939,715)
Transfers to (from)				
Stage 1 (Performing)	(101,303,307)	101,303,307	-	-
Stage 2 (Under-Performing)	20,640,297	(20,640,297)	-	-
Stage 3 (Non-Performing)	-	(68,076,760)	68,076,760	-
Gross charge offs	-	-	(81,878,195)	(81,878,195)
Balance as at September 30, 2022	146,488,151	26,819,055	11,329,424	184,636,630

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

5. Loans and advances receivable (continued)

An analysis of the changes in the classification of the allowance for credit losses is as follows:

	For the nine-month period ended September 30, 2023			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at December 31, 2022	17,506,732	11,980,089	20,357,549	49,844,370
Additions to gross loans and advances receivable	24,537,501	2,597,463	14,467,446	41,602,410
Principal payments and other adjustments	(8,100,960)	(2,242,917)	(2,731,482)	(13,075,359)
Remeasurement of allowance before transfers	241,068	121,518	698,845	1,061,431
Transfers to (from) including remeasurement				
Stage 1 (Performing)	(15,561,442)	61,344,294	-	45,782,852
Stage 2 (Under-Performing)	4,181,944	(13,570,763)	-	(9,388,819)
Stage 3 (Non-Performing)	-	(44,490,366)	75,104,784	30,614,418
Net amounts written off against allowance	-	-	(87,628,549)	(87,628,549)
Balance as at September 30, 2023	**22,804,843**	**15,739,318**	**20,268,593**	**58,812,754**

	For the nine-month period ended September 30, 2022			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at December 31, 2021	10,117,649	7,682,876	5,900,249	23,700,774
Additions to gross loans and advances receivable	26,020,067	4,483,989	15,750,098	46,254,154
Principal payments and other adjustments	(8,559,032)	(2,241,813)	(1,674,819)	(12,475,664)
Remeasurement of allowance before transfers	(2,189,806)	(145,765)	5,650	(2,329,921)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	(12,676,627)	49,546,895	-	36,870,268
Stage 2 (Under-Performing)	2,608,981	(9,076,629)	-	(6,467,648)
Stage 3 (Non-Performing)	-	(34,642,211)	53,809,732	19,167,521
Net amounts written off against allowance	-	-	(65,087,087)	(65,087,087)
Balance as at September 30, 2022	15,321,232	15,607,342	8,703,823	39,632,397

Changes in allowance for credit losses were as follows:

	For the nine-month periods ended	
	September 30, 2023	September 30, 2022
Balance at beginning of period	49,844,370	23,700,774
Charge-offs	(111,206,601)	(81,878,195)
Recoveries	13,300,687	10,916,704
Provision for loan losses	106,874,298	86,893,114
Balance at end of period	**58,812,754**	39,632,397

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

5. Loans and advances receivable (continued)

Provisions for loan losses and other liabilities is as follows:

	For the nine-month periods ended	
	September 30, 2023	September 30, 2022
Provision for loan losses	106,874,298	86,893,114
Other lending program costs	936,606	651,173
Provision for CSO Guarantee Liabilities (MoneyKey)	41,620	(482,740)
Provision for Bank Service Program liabilities (MoneyKey)	2,677,977	203,888
Total Provision for loan losses and other liabilities	**110,530,501**	87,265,435

Breakdown of provision for loan losses:

	For the nine-month periods ended	
	September 30, 2023	September 30, 2022
Provision for loan losses on Bank Program advances (CreditFresh)	81,947,335	59,217,929
Provision for loan losses on installment loans and LOC advances and Bank Service Program advances (MoneyKey)	23,137,053	27,675,185
Provision for loan losses on LOC advances (Fora)	1,789,910	-
Total Provision for loan losses	**106,874,298**	86,893,114

As of September 30, 2023, the outstanding amount of active installment loans originated by an unaffiliated third party lender under the CSO programs was $3,288,230 (December 31, 2022 - $2,988,636), for which the risk of customer default is guaranteed by the Company. As of September 30, 2023, the outstanding amount of active line of credit advances originated by NBFI Bank Partner under the Bank Service Program (“Bank Service Program advances”) was $31,132,413 (December 31, 2022 - $21,088,522). These CSO loans and Bank Service Program advances are not included in the tables above and are not included on the Company’s condensed interim statement of financial position.

A breakdown of the Company’s gross loans and advances receivables and off-balance sheet arrangements is as follows:

	For the nine-month periods ended	
	September 30, 2023	September 30, 2022
CSO Program Products (MoneyKey)		
Fees from CSO program and Other revenue (Note 6)	6,810,028	8,697,973
Loans and advances receivables (On Balance Sheet)	2,020,603	1,521,412
CSO Guarantee Liability (Note 12)	488,581	430,907
CSO obligation (Note 12)	1,811,858	1,692,827
Installment loan borrower balances (Off Balance Sheet)	3,288,230	3,171,971
Reserve balances (Reflected in Company's Restricted cash)	1,962,496	1,863,839
Bank Service Program advances (MoneyKey)		
Fees from Bank Service Program and Other revenue (Note 6)	29,901,810	24,392,594
Loans and advances receivables (On Balance Sheet)	5,492,506	2,567,275
Bank Service Program guarantee liability (Note 12)	7,463,695	4,842,938
Bank Service Program obligation (Note 12)	282,629	654,604
Line of credit borrower balances (Off Balance Sheet)	31,132,413	20,571,559
Reserve balances (Reflected in Company's Restricted cash)	6,234,596	4,164,365

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

5. Loans and advances receivable (continued)

As part of calculating the allowance for credit losses, the Company utilizes internally developed credit risk models considering the probability of default, loss given default, and exposure at default based on historical performance, as well as quantitative and qualitative adjustments for other relevant risk factors. The Company's measurement of ECLs is influenced by forward looking indicators ("FLIs") which include the impact of macroeconomic forces on the business. With respect to macroeconomic forces, consideration is given to variables such as unemployment rate, inflation rate, and wage growth that have an influence on the business and its customer segment. As part of the process, 3 forward looking scenarios are developed 1) Optimistic; 2) Neutral; and 3) Pessimistic. The table below shows the impact of the FLIs under each scenario which is developed using internally developed models in consideration of each macroeconomic factor. Management judgement is then applied to determine probability weightings to each of these scenarios to determine a probability weighted allowance for credit losses as of the reporting date.

	Optimistic	Neutral	Pessimistic
Impact of macroeconomic factors	-3.5%	+.0%	+10.0%

This assignment of probability weighting for the multiple scenarios using these FLIs involves, in addition to judgement, a robust internal modelling process, review, and analysis to arrive at a collective view on the likelihood of each scenario. If management were to assign a 100% probability to the Pessimistic scenario, the increase in the allowance for credit losses would be approximately $7,099,016. Conversely, if 100% probability were to be assigned to the Optimistic scenario, the decrease in the allowance would be approximately $2,484,656. Note, such sensitivity does not consider the proactive and reactive steps management would take to alter exposure and/or modify credit risk to mitigate any potential impact to credit losses.

6. Revenue

Disaggregation of revenue:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30	
	2023	2022	**2023**	2022
Fees from borrowers on purchased receivables (CreditFresh)	62,866,301	43,344,760	167,522,842	110,718,766
Interest from borrowers in direct lending (MoneyKey)	3,252,134	3,539,545	9,110,591	13,378,573
Fees from borrowers in direct lending (MoneyKey)	1,779,957	2,087,671	5,246,734	6,533,361
Fees from CSO program (MoneyKey)	2,543,431	2,581,753	6,810,028	8,697,973
Fees from Bank Service Program (MoneyKey)	11,698,745	7,940,448	29,840,914	24,353,479
Interest from borrowers in direct lending (Fora Credit)	686,771	-	1,172,311	-
Other revenue	344,408	243,894	774,115	653,556
Total revenue	**83,171,747**	59,738,072	**220,477,535**	164,335,709

7. Prepaids

Prepaid expenses consist of operating costs that are expensed over the periods they benefit. Prepaid costs are as follows:

	As at	
	September 30, 2023	December 31, 2022
Prepaids	1,038,117	1,701,189

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

8. Derivative financial instruments

The nature of the Company's business activities expose it to foreign currency risk. The Company has forward contracts available to reduce its exposure to foreign exchange rate fluctuations.

As at September 30, 2023, the Company had entered into forward exchange contracts with a financial institution that matures between October 31, 2023 and September 8, 2024 and obligates the Company to sell US$26,000,000 at prevailing forward market exchange rates. The contracts were entered into by the Company for the purpose of managing its foreign exchange exposure on Canadian expenditures. As at September 30, 2023, the Company has open foreign exchange forward contracts with a fair market value of ($238,506) (December 31, 2022 – ($21,693)). For the three months ended September 30, 2023, the Company recorded an unrealized loss on derivative financial instruments of $280,156 (September 30, 2022 – unrealized loss of $ $299,984). For the nine months ended September 30, 2023, the Company recorded an unrealized loss on derivative financial instruments of $216,814 (September 30, 2022 – unrealized loss of $407,812).

9. Property and equipment

	Furniture and fixtures	**Computer equipment**	**Leasehold improvements**	**Total**
Cost				
Balance, December 31, 2022	631,488	934,075	403,070	**1,968,633**
Additions	53,283	22,878	-	**76,161**
Balance, September 30, 2023	**684,771**	**956,953**	**403,070**	**2,044,794**
Accumulated depreciation				
Balance, December 31, 2022	468,011	768,774	207,215	**1,444,000**
Depreciation	42,123	62,210	41,367	**145,700**
Balance, September 30, 2023	**510,134**	**830,984**	**248,582**	**1,589,700**
Net Book Value				
Balance, December 31, 2022	163,477	165,301	195,855	524,633
Balance, September 30, 2023	**174,637**	**125,969**	**154,488**	**455,094**

	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost				
Balance, December 31, 2021	614,536	780,337	390,770	1,785,643
Additions	11,498	128,598	20,897	160,993
Balance, September 30, 2022	626,034	908,935	411,667	1,946,636
Accumulated depreciation				
Balance, December 31, 2021	416,085	703,813	165,887	1,285,785
Depreciation	38,561	45,652	27,444	111,657
Balance, September 30, 2022	454,646	749,465	193,331	1,397,442
Net Book Value				
Balance, December 31, 2021	198,451	76,524	224,883	499,858
Balance, September 30, 2022	171,388	159,470	218,336	549,194

As of September 30, 2023, property and equipment with a cost of $1,241 (December 31, 2022 - $12,340) was not amortized as it is work-in-progress.

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

10. Intangible assets

	Customer acquisition data	**Internally developed software**	**Total**
Cost			
Balance, December 31, 2022	6,895,781	16,065,323	**22,961,104**
Additions	3,785,479	3,841,221	**7,626,700**
Removal of fully amortised costs*	(3,138,005)	-	**(3,138,005)**
Balance, September 30, 2023	**7,543,255**	**19,906,544**	**27,449,799**
Accumulated amortization			
Balance, December 31, 2022	3,511,615	7,976,513	**11,488,128**
Amortization	3,680,810	2,436,003	**6,116,813**
Removal of fully amortised costs*	(3,138,005)	-	**(3,138,005)**
Balance, September 30, 2023	**4,054,420**	**10,412,516**	**14,466,936**
Net Book Value			
Balance, December 31, 2022	3,384,166	8,088,810	11,472,976
Balance, September 30, 2023	**3,488,835**	**9,494,028**	**12,982,863**

	Customer acquisition data	Internally developed software	Total
Cost			
Balance, December 31, 2021	5,305,544	10,974,665	16,280,209
Additions	4,258,626	3,701,737	7,960,363
Removal of fully amortised costs*	(2,845,941)	-	(2,845,941)
Balance, September 30, 2022	6,718,229	14,676,402	21,394,631
Accumulated amortization			
Balance, December 31, 2021	2,987,940	5,379,734	8,367,674
Amortization	2,973,608	1,804,475	4,778,083
Removal of fully amortised costs*	(2,845,941)	-	(2,845,941)
Balance, September 30, 2022	3,115,607	7,184,209	10,299,816
Net Book Value			
Balance, December 31, 2021	2,317,604	5,594,931	7,912,535
Balance, September 30, 2022	3,602,622	7,492,193	11,094,815

* There are no gains or losses on derecognition

Amortization of Customer acquisition data is recorded in the Acquisition and data line on the condensed interim consolidated statements of operations and comprehensive income. When the future economic benefits of the Customer acquisition data costs have been fully realized the costs are recorded into the Removal of fully amortized costs line in the table above.

There have been no indicators of impairment identified during the three months ended September 30, 2023. As a result, there were no impairment charges of intangible assets recorded in the period ended September 30, 2023 and 2022.

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

11. Right-of-use assets and lease obligations

Right-of-use asset

Under IFRS 16, the recognition of assets and present value of all lease obligations with a lease term greater than one year are presented on the condensed interim consolidated statements of financial position as right-of-use assets and lease liabilities. The Company's incremental borrowing rate was determined to be 13% and was used as the discount rate for measuring the lease liabilities. The carrying amount of the right-of use asset is listed below:

	ROU Asset
Cost	
Balance, December 31, 2022	4,484,249
Additions	314,104
Balance, September 30, 2023	**4,798,353**
Accumulated depreciation	
Balance, December 31, 2022	2,367,700
Charge for the period	515,164
Balance, September 30, 2023	**2,882,864**
Net Book Value	
Balance, December 31, 2022	2,116,549
Balance, September 30, 2023	**1,915,488**

	ROU Asset
Cost	
Balance, December 31, 2021	4,959,577
Additions	102,681
Disposals	(27,149)
Balance, September 30, 2022	5,035,109
Accumulated depreciation	
Balance, December 31, 2021	2,480,598
Charge for the period	463,650
Eliminated on disposals	(27,149)
Balance, September 30, 2022	2,917,099
Net Book Value	
Balance, December 31, 2021	2,478,979
Balance, September 30, 2022	2,118,010

The Company's right-of-use assets include office spaces and office equipment, with the majority made up of office space. The weighted average lease term is 6 years (December 31, 2022 – 6 years).

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

11. Right-of-use assets and lease obligations (continued)

Lease liabilities

Carrying amount of lease liabilities are as follows:

	Lease Liability
Cost	
Balance, December 31, 2022	2,672,030
Additions	314,104
Interest	252,485
Payments	(802,024)
Foreign currency translation	1,978
Balance, September 30, 2023	**2,438,573**
Reported as:	
Current:	
Balance, December 31, 2022	700,138
Balance, September 30, 2023	**824,552**
Non-current:	
Balance, December 31, 2022	1,971,892
Balance, September 30, 2023	**1,614,021**
Carrying amount:	
Balance, December 31, 2022	2,672,030
Balance, September 30, 2023	**2,438,573**

	Lease Liability
Cost	
Balance, December 31, 2021	3,183,737
Additions	102,681
Interest	292,845
Payments	(726,487)
Foreign currency translation	(220,217)
Balance, September 30, 2022	2,632,559
Reported as:	
Current:	
Balance, December 31, 2021	592,759
Balance, September 30, 2022	622,024
Non-current:	
Balance, December 31, 2021	2,590,978
Balance, September 30, 2022	2,010,535
Carrying amount:	
Balance, December 31, 2021	3,183,737
Balance, September 30, 2022	2,632,559

The maturity analysis of lease liabilities is presented below:

	As at September 30, 2023
Year 1	824,552
Year 2	786,315
Year 3	766,097
Year 4	61,609
Total	**2,438,573**

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

12. Accounts payable and accrued liabilities

	As at	
	September 30, 2023	December 31, 2022
Accounts Payable	4,481,214	2,296,453
Accrued Liabilities		
Bank Service Program liabilities	7,463,695	4,785,718
Bank Service Program obligation	282,629	614,945
Accrued Bank Partner fees and interest	4,213,321	3,057,615
CSO Obligations	1,811,858	1,609,346
CSO Guarantee liabilities	488,581	446,926
Other accrued liabilities	5,343,177	1,701,268
Accrued salaries and bonuses	2,485,233	3,945,407
Total Accrued Liabilities	**22,088,494**	**16,161,225**

Bank Service Program liabilities are comprised of expected net losses on all outstanding Bank Service Program advances which the Company shall purchase upon default (non-performing), which represents the estimated fair value of the liabilities at that date. The fair value of the Bank Service Program liabilities are classified as Level 3 under IFRS 7. The expected net losses is included in accrued liabilities as the Company does not take title to the Bank Service Program advances and they are not included in the condensed interim consolidated statements of financial position.

CSO obligations are comprised of: a) principal and interest to which unaffiliated third-party lenders are entitled but which was collected by the Company on such third-party lender's behalf, b) unearned CSO fees advanced to the Company by unaffiliated third-party lenders on the consumer's behalf.

CSO Guarantee liabilities are expected net losses on all originated CSO loans on which the Company is obligated to guarantee principal and interest (net of expected collections and recoveries on guaranteed loans transferred to the Company), which represents the estimated fair value of the guarantees at that date. The fair value of the CSO Guarantee liabilities are classified as Level 3 under IFRS 7. The expected net losses are included in accrued liabilities as the Company does not take title to the CSO loans and they are not included in the condensed interim consolidated statements of financial position.

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

13. Credit facilities

	As at	
	September 30, 2023	December 31, 2022
MoneyKey Facility		
Opening Balance	4,650,000	4,650,000
Advances from credit facility	-	300,000
Payments on credit facility	-	(300,000)
Ending Facility Balance	**4,650,000**	4,650,000
CreditFresh Facility		
Opening Balance	144,250,000	42,220,000
Advances from credit facility	28,150,000	112,855,000
Payments on credit facility	(3,500,000)	(10,825,000)
Ending Facility Balance	**168,900,000**	144,250,000
Facility transaction costs	(1,601,542)	-
Total Ending Credit Facilities	**171,948,458**	148,900,000

MoneyKey Facility

The MoneyKey facility bears interest at 10.2% plus the three-month term SOFR. The amount drawn on the MoneyKey facility as of September 30, 2023 was $4,650,000 (December 31, 2022 - $4,650,000). The MoneyKey facility is secured by a general security agreement over all of the assets of the Company, and has a requirement for the Company to maintain an errors and omissions insurance policy of $2,000,000 (December 31, 2022 - $2,000,000). On May 12, 2022, the MoneyKey facility was amended to extend the maturity date from May 15, 2022 to May 12, 2025. The entire balance drawn on the facility is classified as non-current.

As at September 30, 2023, the maximum borrowing base under the MoneyKey facility was approximately $6,643,602 (December 31, 2022 - $6,772,131).

Under the terms of the credit facility agreement, the Company is subject to certain financial and non-financial covenants. As of September 30, 2023, the Company was in compliance with these covenants.

CreditFresh Facility

On February 24, 2023, the Company entered into a new $250,000,000 credit facility for the Company's CreditFresh line of business. This new credit facility replaces and upsizes the previous CreditFresh facility by $90,000,000 and matures on February 24, 2026. As of September 30, 2023, the total drawn amount on this credit facility was $168,900,000 (December 31, 2022 - $144,250,000). The CreditFresh facility is secured by a pledge of the beneficial interest certificate in the DSTs to the agent for the unaffiliated third-party lenders. The entire balance drawn on the facility is classified as non-current.

As of September 30, 2023, the maximum borrowing base under the CreditFresh Facility was approximately $200,133,382 (December 31, 2022 - $160,000,000).

The CreditFresh facility has a blended effective interest rate of 13.1% (based on the three-month SOFR rates; excluding other lenders fees). Under the terms of the CreditFresh Facility, the DSTs are subject to certain financial and non-financial covenants. As of September 30, 2023, the DST's were in compliance with these covenants.

Under both of these credit facilities, for the three months ended September 30, 2023 the Company incurred interest of $5,550,471 (September 30, 2022 - $2,630,518) and other fees related to the credit facilities of $393,428 (September 30, 2022 - $84,238) and for the nine months ended September 30, 2023 the Company incurred interest of $15,029,466 (September 30, 2022 - $5,411,057) and other fees related to the credit facilities of $981,211 (September 30, 2022 - $326,734). These amounts are recorded as "interest and fees on credit facilities" on the condensed interim consolidated statements of operations and comprehensive income.

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

14. Share capital

Ordinary shares Authorized

Unlimited number of common shares as at September 30, 2023.

Unlimited blank cheque preferred shares as at September 30, 2023.

Issued

As at September 30, 2023, the Company had 34,325,320 Common Shares issued and outstanding (December 31, 2022 – 34,325,320).

	As at			
	September 30, 2023		December 31, 2022	
	# of shares	**$**	# of shares	$
Common shares				
Balance, opening	34,325,320	78,952,871	34,325,120	78,951,062
Share options exercised	-	-	200	1,809
Balance, closing	**34,325,320**	78,952,871	34,325,320	78,952,871

In accordance with IAS 33 – Earnings per share, basic and diluted earnings per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares issued during the period after giving effect, on a retrospective basis, to share capital changes due to a share split that occurred as part of the initial public offering.

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2023	2022	**2023**	2022
Net income for the period	6,171,961	4,193,631	19,292,237	10,083,262
Weighted average number of shares outstanding	34,325,320	34,325,120	34,325,320	34,325,120
Basic earnings per common share	$0.18	$0.12	$0.56	$0.29
Dilutive effect of stock-based compensation	2,509,922	1,317,250	2,414,336	1,229,639
Dilutive weighted average number of share outstanding	36,835,242	35,642,370	36,739,656	35,554,759
Diluted earnings per share	$0.17	$0.12	$0.53	$0.28

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

15. Stock-based compensation

The Company has an employee stock option plan. The purpose of the plan is to advance the interests of the Company by encouraging key employees to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company. The general terms of award under the plan provide that options in the common shares of the Company are granted to employees, officers, directors and consultants for their services. Options are generally granted at exercise prices equal to the fair market value of common shares at the grant date, vest over a 4-year period and expire after a maximum of 10 years. Under the terms of the stock option plan, the number of shares reserved for issuance pursuant to the exercise of all options may not exceed 10% of the issued and outstanding common shares on a diluted basis at any time.

During the three and nine months ending September 30, 2023, zero and 470,100 options were granted by the Company respectively (three and nine months ending September 30, 2022 – zero and 394,250) and for the three and nine months ending September 30, 2023, 2,555 and 45,897 options were forfeited, respectively (three and nine months ending September 30, 2022 – zero for both periods). For the three and nine months ending September 30, 2023, the Company recorded stock-based compensation expense of $523,146 and $1,540,377, respectively (three and nine months ending September 30, 2022 - $206,940 and $741,599, respectively) and is recorded in "Salaries, wages and benefits" on the condensed interim consolidated statements of operations and comprehensive income with a corresponding adjustment to contributed surplus. Inputs used in the valuation of option grants in the period were as follows:

	For the nine-month period ended September 30, 2023
Weighted average share price	$5.12
Weighted average exercise price	$5.12
Expected volatility	88.66-89.05%
Expected life (years)	6.98
Risk-free rate	2.67-2.86%
Expected dividend yields	5.40%

Expected volatility was determined by calculating the historical volatility of comparable companies' share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

16. Segment information

The Company operates and manages its business in one industry segment – providing lending related services to borrowers, banks, and other institutions in the US and Canada. The Company does not present segmented information as it has determined that its operations fall under this one segment and operates primarily in one geographic region. The chief operating decision maker ("CODM") is the Chief Executive Officer and Chief Financial Officer. The CODM makes decisions and assesses performance of the Company at the consolidated level.

Materially all revenue for the period ended September 30, 2023 was earned fully in the US. All property and equipment, and leased assets are domiciled in Canada.

17. Financial instruments and risk management

As part of normal operations, the Company is exposed to a variety of financial risks: credit risk, interest rate risk, liquidity risk, foreign currency risk and industry risk. The Company manages these through an integrated risk management framework, including ongoing identification, measurement and monitoring of risks potentially arising in financial and economic markets.

17. Financial instruments and risk management (continued)

Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, restricted cash, loans and advances receivable, other receivables and CSO and Bank Service Program liabilities. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances. Cash is maintained with Canadian and US financial institutions. Deposits held with banks may exceed the amount of federal insurance provided on such deposits. Unless otherwise disclosed, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

In relation to loans and advances receivable and CSO and Bank Service Program liabilities, the Company closely monitors default rates and overall recovery per dollar funded for all credit products originated through the Company's proprietary technology platform. The Company, its non-bank, and/or Bank Partners adjust lending terms and policies as deemed necessary. The Company establishes an allowance for credit losses on all loans or advances originated through its proprietary technology platform in accordance with IFRS 9. The gross exposure to the Company for CSO and Bank Service Program amounts are disclosed in note 5 above. Under the CSO programs, as at September 30, 2023 the amount was $3,288,230 (December 31, 2022 - $2,988,636) and under the Bank Service Program the amount $31,132,413 (December 31, 2022 - $21,088,522). The associated maximum amount of credit risk exposure on such amounts are reflected in the CSO and Bank service program liabilities as outlined above.

The Company has a concentration of credit risk because substantially all of its loans and advances receivable balance is comprised of unsecured small dollar, high interest/financing fee advances and loans to US customers with similar credit characteristics.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate cash flow risk on its credit facilities as it bears interest at a rate plus a base rate of three-month term SOFR (with a floor of 1.75%) on the CreditFresh facility and at a rate plus a base rate of three-month term SOFR on the MoneyKey facility. If interest rates had been 50 basis points higher and all other variables were held constant, the Company's interest expense for the period ended September 30, 2023 would increase by approximately $214,819 (December 31, 2022: $232,379). If interest rates had been 50 basis points lower and all other variables were held constant, the Company's interest expense for the period ended September 30, 2023 would decrease by approximately $214,819 (December 31, 2022 – $211,339). The Company will not always incur the full impact of an interest rate increase or decrease due to the floor in the three-month term SOFR base rate.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities or will not have sufficient funds to issue loans and/or advances to its customers. The Company is exposed to liquidity risk depending on the timing of customer payments, customer default rates and the availability of third-party financing. The Company manages its liquidity risk by closely monitoring its available cash on hand, available financing and expected collection rates and timing to ensure it has sufficient cash to meet its financial obligations as they come due and provide loans and advances to customers when requested.

17. Financial instruments and risk management (continued)

The Company is obligated to the following contractual maturities of undiscounted cash flows:

As at September 30, 2023	**Carrying amount**	**Year 1**	**Year 2**	**Year 3**	Onwards
Accounts Payable	**4,481,214**	(4,481,214)	-	-	-
Accrued Liabilities	**22,088,494**	(22,088,494)	-	-	-
Amount drawn on Credit facilities	**173,550,000**	-	-	(173,550,000)	-
Derivative financial instruments	**238,506**	(238,506)	-	-	
Total	**200,358,214**	(26,808,214)	-	(173,550,000)	-

As at December 31, 2022	Carrying amount	Year 1	Year 2	Year 3	Onwards
Accounts Payable	2,296,453	(2,296,453)	-	-	-
Accrued Liabilities	16,161,225	(16,161,225)	-	-	-
Credit facilities	148,900,000	-	(144,250,000)	(4,650,000)	-
Derivative financial instruments	21,693	(21,693)	-	-	-
Total	167,379,371	(18,479,371)	(144,250,000)	(4,650,000)	-

The Company is obligated to purchase Bank Program advances that are offered for sale to the Company by both Bank Partners. The amount of Bank Program advances that were funded by the Bank Partners but not yet offered for sale to the Company as of September 30, 2023 was $3,626,254 (December 31, 2022 – $3,990,109). Management has determined no provisions are required on these amounts as of the statement of financial position date, but regularly assesses these amounts and considers whether provisions may be required in advance of an offer to sell.

The Company is obligated to guarantee the principal and interest (net of expected collections and recoveries on guaranteed loans transferred to the Company) of CSO programs in the event that the customer defaults on their loan payments. Management has provided for this allowance and is included in accrued liabilities as the Company. Refer to note 12 for further details.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into transactions denominated in CAD for which the related expenses, accounts payable, accrued liabilities and lease liabilities are subject to exchange rate fluctuations. As at September 30, 2023, management had entered into foreign currency forward contracts with a notional value of $26,000,000 to manage the risk from fluctuations in foreign currency risk over time (December 31, 2022: $3,850,000). As at September 30, 2023 and December 31, 2022 the following items are denominated in CAD:

	As at	
	September 30, 2023	**December 31, 2022**
Cash	551,037	157,115
Restricted Cash	779,286	-
Accounts Payable	2,196,671	747,114
Accrued Liabilities	939,871	1,451,089
Lease Liabilities	2,438,573	2,672,030

As at September 30, 2023, if a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $627,767 (December 31, 2022 - $457,032) due to the fluctuation, and this would be recorded in the condensed interim consolidated statements of operations and comprehensive income.

17. Financial instruments and risk management (continued)

Fair value measurement

All assets and liabilities for which fair value was measured or disclosed in the condensed interim consolidated financial statements were categorized within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

- Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Level 1	Level 2	Level 3
Cash	Derivative financial instruments	Loans and advances receivables
Restricted cash		Other receivables
		Accounts payable
		Accrued liabilities
		Credit facilities

The fair value of financial instruments classified at amortized cost approximates their fair values due to the short term to maturity or due to them bearing market interest rates. The fair value of derivative financial instruments is determined using level 2 inputs and is carried at fair value. The fair value of the CSO Guarantee liabilities, CSO obligations and Bank Service Program liabilities are determined using level 3 inputs.

Financial instruments measured at fair value using level 3 inputs:

	Valuation technique	**Significant unobservable inputs**	**Inter-relationships between significant unobservable inputs and FV**
CSO Guarantee liabilities and CSO obligations	Allowance for losses on the guarantee of managed receivables.	-Borrower default rates	- Increases can increase the expected credit loss estimates and these liabilities
Bank Service Program liabilities	Allowance for losses on the obligation of managed receivables.	- Recovery rates - Macroeconomic Variables - Operational factors	- Decreases can increase expected credit loss estimates and these liabilities - See note 5 above

As at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 (in US dollars)

18. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly which includes all directors of the board and corporate officers.

Compensation expense for the Company's key management personnel is as follows:

	For the nine-month periods ended	
	September 30, 2023	September 30, 2022
Salaries	3,820,784	3,970,788
Stock-based compensation	1,033,220	520,357
Total	**4,854,004**	4,491,145

19. Subsequent events

There have been no subsequent events between the end of the period and the date of filing of these condensed interim financial statements.