2016 ANNUAL REPORT

DO YOU SEE WHAT WE SEE?

goeasy

OPP
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NITY

goeasy is reaching new heights

Providing everyday Canadians with the chance for a better tomorrow today.

Having served almost one million customers, we are proud to help everyday Canadians access the credit they deserve, putting them on the path towards a better financial future.

We have a history of setting ambitious goals and delivering on our promises; an approach that has provided total shareholder returns of over 3,000% during the last 15 years. Throughout this time, we have consistently executed our ambitious growth strategy without compromising the high standards of customer service that have become synonymous with the *goeasy* brands. 2016 was no exception and proved to be a record year for *goeasy* across all of our performance metrics, creating the opportunity for us to continue to expand our product offering and geographic footprint.

Our history of success tells us that we are on the right path with the right plan and the right people to continue to deliver sustainable growth. In 2017 and beyond, we will work together as a team to offer our customers better borrowing alternatives, to help keep their lives moving forward, to improve their credit and to gain control of their finances.

goeasy is helping families across Canada have a chance at a better financial future.

56%

of our customers report having no other option than *easyfinancial*

73%

of our customers save the odd amount or nothing at all

60%

of our customers have been turned down by a bank

80%

of our customers struggle when a financial emergency comes up

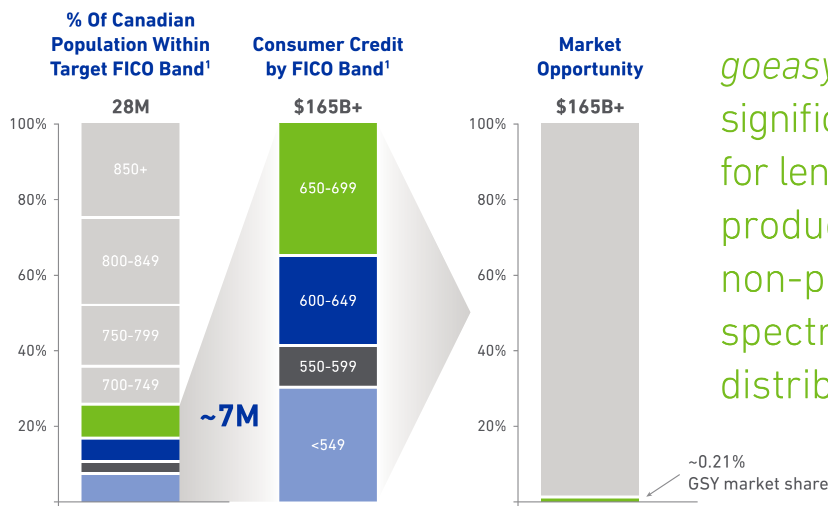
About *goeasy*

goeasy is a leading full-service provider of goods and alternative financial services. Our mission is to provide everyday Canadians with the products and services they need to help them with their financial needs and give them the opportunity to improve their credit for a better tomorrow.

goeasy serves its customers through two key operating divisions: *easyfinancial*, which offers financial services in the non-prime consumer lending segment and *easyhome*, Canada's largest merchandise leasing company.

goeasy's businesses address a large but underserved segment of the population that has often been denied credit from traditional financial institutions and is looking for an alternative to costly payday lenders. This market consists of an estimated seven million Canadians with credit scores that in many cases do not allow them to qualify for prime consumer credit. These are our customers: hard-working individuals, often living pay cheque to pay cheque, with limited access to credit and little financial flexibility to deal with the unexpected challenges that they face.

The Canadian non-prime consumer credit market, excluding mortgages, is estimated to be more than $165 billion of outstanding receivables. With significant consumer demand and a strong opportunity for growth in this segment, *goeasy* is well positioned to be the leader. The competitive landscape to serve this market continues to shift, with traditional providers leaving the market or moving into near-prime credit products and payday lenders migrating their offering to unsecured installment loans as regulations tighten the economics for payday loans. Traditional bank lenders are expected to continue to stay out of non-prime, while lenders such as credit unions are beginning to offer non-prime credit products. New online entrants to the market have yet to achieve sufficient profitability and consolidation is expected. *goeasy* is best positioned to serve this market across Canada through our retail footprint, digital presence, strong brand, reputation for customer service and our expanding suite of credit products designed to meet the evolving needs of our customers.



[1]Estimated based on Transunion as of August 2016

goeasy believes there is a significant growth opportunity for lenders that offer multiple products spanning the non-prime consumer credit spectrum across various distribution channels.

easyfinancial says yes to customers when banks are not an option.

$204.1M
Revenue

$1.4B
Total loan originations since launch

$370.5M
Gross consumer loans receivable

36.6%
Operating margin

About *easyfinancial*

easyfinancial is the Company's financial services arm, operating in the non-prime consumer lending market. *easyfinancial* currently offers unsecured installment loans up to $15,000 with risk-adjusted interest rates that appeal to consumers looking for alternative credit solutions.

easyfinancial fills the gap in the consumer lending market between traditional financial institutions and costly payday lenders. Traditional financial institutions are generally unwilling to offer credit solutions to consumers with a less-than-perfect credit history or an unusual financial situation. Approximately 60% of *easyfinancial's* customers have been denied credit by banks or other traditional lenders. These same customers also want to avoid the high fees and onerous repayment terms set by payday lenders which could have interest rates in excess of 500%.

Customers transact with *easyfinancial* in-store, online and through point-of-sale financing partnerships. Loan products offered by *easyfinancial* carry a higher risk of default than loan products offered by traditional financial institutions, and therefore have a comparatively higher rate of interest. The Company has extensive experience with this customer demographic and has developed proprietary underwriting and credit scoring models that optimize the balance between growth and credit risk. Taking advantage of the underwriting experience gained since 2006, including $1.4 billion in loan originations, *easyfinancial* continually enhances its underwriting models to make better lending decisions, with a goal of maximizing total long-term returns.

208
Locations

93,300
Customers

*Figures as of December 31st, 2016

easyhome provides customers with brand name products for their home under flexible lease agreements.

$143.4M
Revenue

15%
Operating margin

55,500
Customers

About *easyhome*

easyhome is Canada's largest merchandise leasing company, offering brand-name household furniture, appliances and electronics to consumers through flexible weekly or monthly leasing agreements.

easyhome's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers. These customers are attracted to a leasing transaction that does not involve a credit check or an initial down-payment and offers them the flexibility to terminate their lease at any time. Some consumers may not be able to purchase merchandise due to a lack of credit or insufficient cash resources. Others may have a short-term or otherwise temporary need for the merchandise, or simply want to use the merchandise with no long-term obligation before making a purchase decision.

easyhome operates through both corporately owned stores located across Canada and through a network of franchised locations. Additionally, customers can shop online via *easyhome's* transactional e-commerce platform.

*Figures as of December 31st, 2016

2016 Highlights

$347.5M
Record revenues

44%
Increase in annual dividend
to $0.72 per share

36.6%
Operating margin for *easyfinancial*,
up from 30.8% in 2015

$370.5M
Gross consumer loans receivable portfolio
at year end, up 28% from 2015

$62.5M
Record operating income

$31.0M
Record net income reached in 2016;
diluted EPS of $2.23 per share

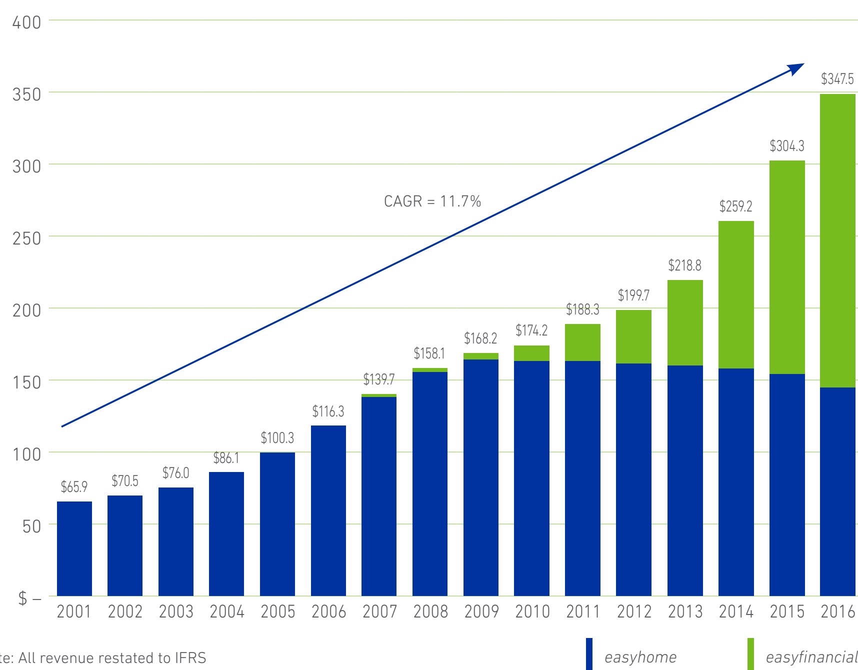
$15K
Increased maximum loan size
for *easyfinancial*, along with
risk-adjusted interest rates

15
2016 was the fifteenth
consecutive year of growing
revenues and delivering profits

208
easyfinancial locations
at year end

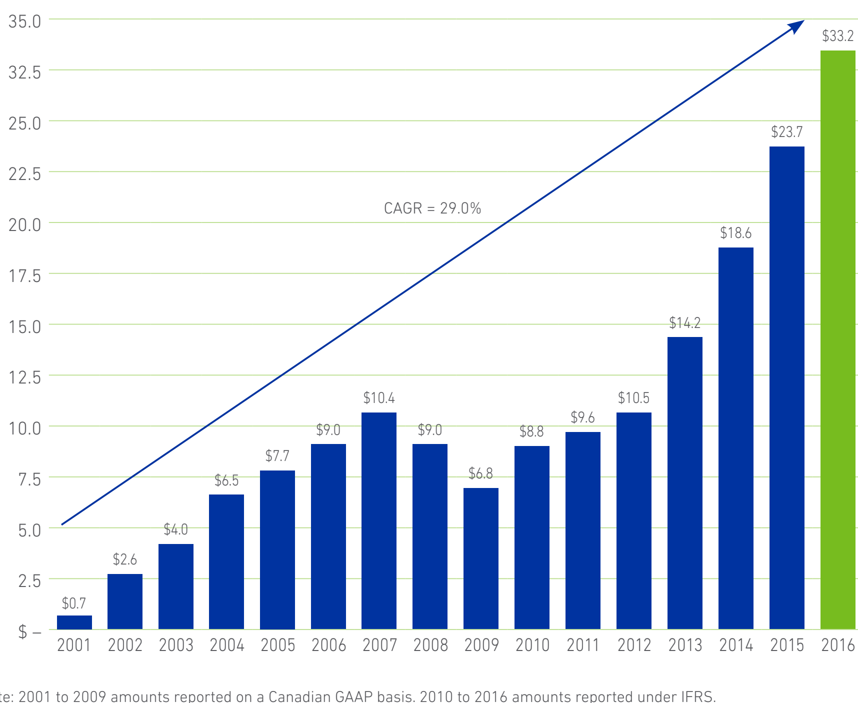
Annual Revenue

(in dollar millions)



Normalized Annual Net Income

(in dollar millions)



Financial Summary

(in $000s except per share amounts, store counts, employee counts, percentages and ratios)	2016	2015	2014	2013	2012
Income statement					
Revenue	347,505	304,273	259,150	218,814	199,673
Operating income	62,516	48,052	34,593	24,965	17,709
Net income	31,049	23,728	19,748	14,182	11,057
Diluted earnings per share	2.23	1.69	1.42	1.15	0.92
Balance sheet					
Gross consumer loans receivable	370,517	289,426	192,225	110,704	70,658
Lease assets	55,288	60,753	64,526	68,453	68,075
Total assets	503,062	418,502	319,472	232,900	189,927
Gross external debt	267,500	217,500	126,756	64,063	42,029
Shareholders' equity	196,031	176,059	153,968	135,633	105,013
Cash flow					
Net issuance of consumer loans receivable	135,686	132,805	101,021	52,152	31,425
Purchase of lease assets	40,649	44,709	49,066	49,423	55,446
Purchase of property and equipment, intangibles and goodwill	8,297	10,880	12,339	11,233	11,630
Dividend payments	6,374	5,164	4,527	4,060	4,038
Key metrics					
Revenue growth	14.2%	17.4%	18.4%	9.6%	6.0%
Same store revenue growth	12.1%	16.3%	19.6%	17.7%	8.9%
Normalized net income	33,155	23,728	18,600	14,182	10,481
Adjusted earnings per share[1]	2.38	1.69	1.34	1.15	0.87
Adjusted operating margin[1]	19.0%	15.8%	12.9%	11.4%	8.7%
Adjusted return on equity[1]	17.9%	14.4%	12.9%	12.4%	10.4%
External debt to shareholders' equity	1.34	1.19	0.79	0.45	0.38
External debt to adjusted EBITDA	3.46	3.71	2.91	2.01	1.82
Operations					
Total store count:					
easyfinancial	208	202	154	119	100
easyhome	176	184	192	237	253
easyfinancial branch openings	17	64	39	36	20
Employees	1,587	1,566	1,496	1,254	1,241

[1]Certain financial statement amounts have been adjusted to exclude unusual and non-recurring items. Further details on such adjustments can be found in the Management's Discussion and Analysis.

Stepping up for what matters

As an organization, we focus on our associates, customers and the communities in which we serve. As part of this commitment, we believe in giving back in meaningful ways.

> **"Thanks to our partnership with *goeasy* Ltd., the easybites kitchen renovation projects have allowed Clubs across Canada to have the updated equipment and food prep resources they need to serve meals to thousands of young people."**
>
> — **Owen Charters**, President & CEO, Boys and Girls Clubs of Canada.

Boys & Girls Clubs of Canada
Repaires jeunesse du Canada

We continue to grow and expand the relationship we have built with Boys and Girls Clubs of Canada. Since 2004, we have raised more than $1.2 million to fund projects like scholarships and back-to-school backpacks filled with school supplies so deserving children have the opportunity to learn and excel in school.

$1,200,000 RAISED

towards Boys and Girls Clubs programs

govolunteer

govolunteer is a popular program to rally *goeasy* associates to donate their time to charities of their choice, within the communities that we work and live in. This includes both a formal week dedicated to associates volunteering at a variety of charitable organizations and two paid days off for every associate to pursue their own personal passion and commitment to their communities.

6 LOCAL CHARITIES

supported by 300 *goeasy* employees

easybites
goeasy

In 2014 we announced our *easybites* partnership to design and build safe, functioning kitchens in all 100 Boys and Girls Clubs of Canada locations over ten years. So far, we have completed a total of 16 kitchens, with 12 more planned for 2017. These kitchens help feed children and teach them about healthy eating.

LEARN MORE

16 KITCHENS

built to feed and teach children

In 2016, *goeasy* heard about the Jane and Finch Boys and Girls Club in Toronto and how it had been closed for almost two years, as the club ran out of money to fund its renovations. *goeasy* stepped up by donating $50,000 and providing the staff and construction support needed to help finish the job.

$50,000 DONATION

towards re-opening the Jane and Finch Boys and Girls Club

While *goeasy* is committed to being invested in our communities, our contributions extend beyond our backyard. Since 2015, we have worked with Habitat for Humanity to build houses for families in need in remote countries. Over the past 2 years, we have raised $65,000 and rewarded top performing employees with the chance to build homes for deserving families.

$65,000 RAISED

to build homes for those in need

In 2016 we launched the *goeasy* Community Project, an initiative that encouraged inspired Canadians to positively impact their communities. The inaugural winner, selected by the Canadian public, was The Humanity Project based in Moncton, New Brunswick. The winning prize of up to $50,000 in funding will go to a new kitchen to help feed thousands of people in need within the Moncton area.

$50,000 DONATION

towards feeding people in need

EVOLVE EXPAND ENHANCE EXECUTE

Another significant year of growth

2016 was a record-setting year as we continued to build on our strong track record of sustainable growth for *goeasy*. Over the past 15 years, we have delivered compound annual growth rates of 11.7% for revenue, 22.0% for operating income and 19.3% for earnings per share. 2016 also continued the Company's trend of 62 consecutive quarters of positive net income. As importantly, we saw improvements to employee engagement, customer satisfaction and brand awareness. Our strong financial performance, and our confidence for the future, allowed our Board of Directors to approve a 44% increase to our annual dividend from $0.50 per share to $0.72 per share in 2017.

Our revenue grew by 14.2% during the year to $347.5 million, compared with $304.3 million in 2015. Operating income for 2016 was $62.5 million, while net income was $31.0 million and diluted earnings per share was $2.23. The 2016 results included a $3.0 million gain on the sale of an investment and $6.4 million in transaction advisory costs that were not routine and non-recurring. Excluding these items, adjusted operating income for the year was $65.9 million compared with $48.1 million in 2015, an increase of $17.8 million or 37.1%; adjusted net income was $33.2 million compared with $23.7 million in 2015, an increase of $9.4 million or 39.7%; and adjusted diluted earnings per share was $2.38 compared with $1.69 for 2015, an increase of $0.69 or 40.8%.

Our commitment to providing everyday people with the chance for a better financial future has never been stronger. In 2016, we completed an in-depth strategic review, gaining a greater understanding of the non-prime market for consumer lending in Canada. Through this process, *goeasy* confirmed that our corporate strategy continues to be right for our customers, our associates and our shareholders. To achieve our long-term goals, we remain focused on four key business imperatives: evolve the delivery channels, expand the *easyfinancial* footprint, enhance the product offering and execute with efficiency and effectiveness.

Message to shareholders

David Ingram,
President &
Chief Executive Officer

EVOLVE

To respond to changing customer needs, we have been developing multiple delivery channels that take advantage of technological advancements and new market opportunities. Beginning in 2013, when we launched transactional websites for *easyfinancial* and *easyhome*, we have continuously evolved the online experience to stay at the forefront of changing technologies and our customers' needs. Through continuous improvement and innovation, we have been able to offer an enhanced customer experience and improved levels of service, including the launch of our mobile point-of-sale financing platform in 2015.

In 2016, we launched the industry's first single-source loan application system spanning the entire credit spectrum. Depending on a customer's credit profile, either the retail partner, a third-party lender or *easyfinancial* will extend credit for purchases. These transactions are enabled by *easyfinancial's* point-of-sale financing platform, which provides the back-end support system and loan servicing. This was the first step in a broader strategy of developing the indirect lending channel where we will offer our lending products at the point-of-sale for merchant partners in markets such as home furnishing, health care and automotive repair.

EXPAND

We believe that direct, personal relationships with our customers are best achieved through a physical location where our customers live and work. Our extensive branch network continues to be a core element of our business and product delivery strategy. In addition to providing more convenient access to customers that wish to transact in a physical retail environment, our physical locations further strengthen our brand and allow our associates to build and maintain strong, direct relationships with our customers – a relationship that online only lenders cannot replicate.

As of December 31, 2016, we had 208 *easyfinancial* branches and 176 *easyhome* stores. Over the next few years, we will continue to add *easyfinancial* locations in select markets. In addition, we will leverage our existing *easyhome* store network to further expand our consumer lending footprint by introducing our lending products to customers through these stores in 2017.

In an effort to continue our expansion of *easyfinancial* across all of Canada, we will introduce *easyfinancial* and its loan products into Quebec in the second quarter of 2017. We have been very successful in Quebec with our *easyhome* operating division for many years and believe that it represents a large opportunity for non-prime lending. Our goal for Quebec is simple – to deliver the same great products and services that we offer to our customers across the rest of Canada.

ENHANCE

We believe that every Canadian deserves a chance at a better financial future. Throughout 2016, we continued to enhance our product offering in line with our focus of helping our customers on their journey to lower borrowing rates. This included the introduction of risk-adjusted interest rates where consumers that are determined to be lower credit risk are offered a lower cost of borrowing. The consumer benefits with a lower-cost loan and we benefit by retaining our best customers as they improve their credit scores. We also increased our maximum loan size to $15,000 for eligible customers to provide them with the financing they need. These new loan products not only reward existing customers as they improve their credit, they attract new customers, giving the company exposure to a broader audience within the non-prime credit demographic.

We will continue to focus on getting our customers back to lower rates in 2017 through additional enhancements to our product offering. We will expand the extent of our risk-adjusted pricing product, providing lower rate loans to more qualifying customers.

In addition, we believe that a substantial opportunity exists to complement our current unsecured installment loans with loans that are secured by hard assets such as real estate. These secured loans will offer a reduced rate of interest in recognition of the expected lower charge-off rates stemming from the real estate collateral pledged by customers. While the yields are lower on such loans, the Company benefits by lower rates of charge off, longer customer tenure and lower acquisition and administration costs which ultimately increase overall customer profitability.

EXECUTE

To meet the demands of our customers and to maximize profitability, we will continue to focus on the fundamentals of lending or leasing, collecting, cost control and treating our customers with the respect they demand and deserve.

Much of this starts with our associates and drives our commitment to offer the right training programs that focus on building strong relationships with our customers and delivering the highest levels of customer satisfaction.

In 2016, we continued to focus on strengthening our infrastructure, including the security of our data and systems, to support our growth and to position ourselves for the future. The branch and store network was upgraded to connect all of our locations via a state-of-the-art high speed network. At the same time, a data centre migration initiative was completed for our core banking platform to achieve high availability and scalability for planned future growth.

As a business, we have and will continue to optimize our capital structure. Over the years, the growth of *easyfinancial* has been funded by the retention of earnings in the business and the acquisition of third-party debt financing at ever improving interest rates and flexibility of terms. At the end of 2016, external debt represented almost 60% of the Company's funding requirements and we are confident that we will continue to have access to additional debt capital to fund the growth of our business into the future.

COMMITMENT TO VALUES

Our priority is to deliver long term sustainable growth. The achievement of this priority is guided by our values as an organization and our focus on our associates, customers and the communities in which we serve. As part of this commitment, we believe that improving financial literacy is a key to helping people get back on the path to good credit. We continue to support and expand *goeasy* Academy, a free online resource that provides tools and educational resources to help people make better financial decisions.

In our communities, we continue to grow and expand the 13-year relationship we have built with Boys and Girls Clubs of Canada. In 2016, we launched the *goeasy* Community Project, an initiative that awarded an inspired community with $50,000 in funding towards a worthy project. While *goeasy* is committed to being invested in our communities in a meaningful way, our charitable contributions extend beyond our backyard. Since 2015, we have committed to giving back on a global scale through Habitat for Humanity, by building houses for families in need in remote countries.

OUTLOOK FOR 2017 AND BEYOND

Looking back on the past 12 months, it is clear that 2016 represented a year of significant growth and success for the Company. These accomplishments have created opportunities for us to continue to grow and meet the changing needs of our customers and the evolving competitive market for non-prime consumer lending. As we look ahead to 2017, it will represent the third and most critical period of transformation in *goeasy's* history. The first occurred in 2003, when the business consolidated multiple lease-to-own brands under the *easyhome* banner, driving a period of rapid expansion for the legacy leasing business. The second took place in 2011 and was marked by the accelerated growth of *easyfinancial*. We believe that the year ahead will serve as our third and most significant transformation. We will further expand our products and services, as well as broaden our geographic reach to ultimately position *goeasy* as the leader within the non-prime lending market in Canada.

We believe that the investments we are making will result in growth for *easyfinancial* with our loan booking reaching $475 to $500 million by the end of 2017, reaching the $500 million milestone a full year earlier than initially planned. While the launch of new products and the expansion of our branch network and online presence will moderate earnings growth somewhat in 2017, we will continue to deliver strong operating margins and record earnings.

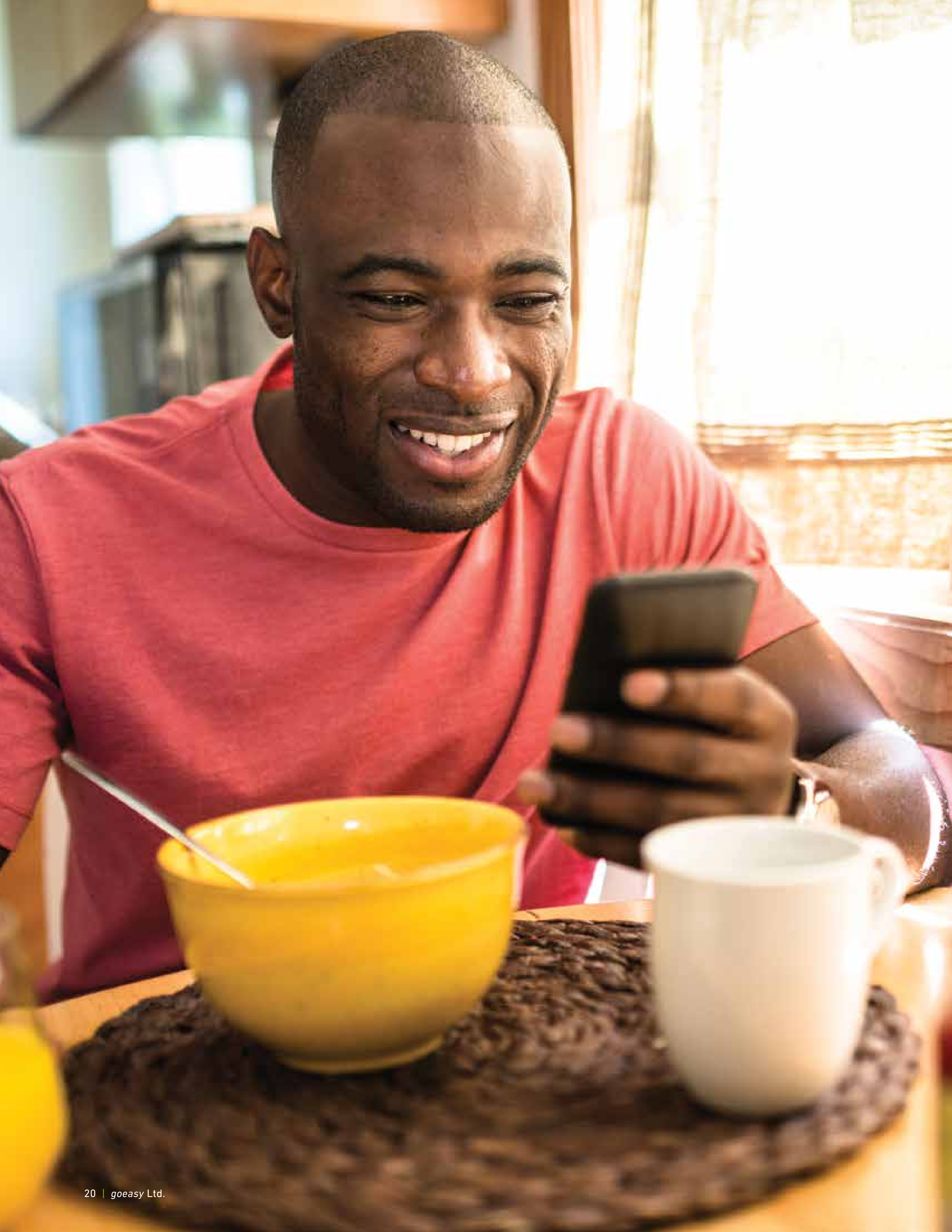
In 2017, we will look to grow *easyfinancial* in three ways: introducing *easyfinancial* lending products in existing *easyhome* stores; launching *easyfinancial* in the province of Quebec; and introducing new loan products secured by assets, such as real estate or vehicles.

With these initiatives driving significant growth for the business, 2017 is poised to be a year of massive transformation for *goeasy*. While our focus is on growth, our end game remains the same: to build a business that meets and exceeds the needs of borrowers across the entire non-prime credit spectrum and rewards these customers with progressive loan pricing, giving them a chance to return to lower-cost prime lending and ultimately gain control of their financial future. Through a comprehensive suite of borrowing products for everyday Canadians looking to improve their financial future, combined with our national retail footprint and trusted brand, we will continue to lead the Canadian non-prime lending market in the years ahead.

On behalf of the management team, I want to thank all of our associates for their dedication to our company. I also want to thank our customers who turn to us to help with their financial needs. Finally, I want to thank our Board of Directors for its continued guidance, wisdom and insight. I look forward to another year of success in 2017.

Sincerely,

David Ingram,
President & Chief Executive Officer



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Management's discussion and analysis of financial condition and results of operations

Date: February 15, 2017

The following Management's Discussion and Analysis ["MD&A"] presents an analysis of the consolidated financial condition of *goeasy* Ltd. and its subsidiaries [collectively referred to as "*goeasy*" or the "Company"] as at December 31, 2016 compared to December 31, 2015, and the consolidated results of operations for the three month period and year ended December 31, 2016 compared with the corresponding periods of 2015. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2016. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ["IFRS"], unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

This MD&A is the responsibility of management. The Board of Directors has approved this MD&A after receiving the recommendations of the Company's Audit Committee, which is comprised exclusively of independent directors, and the Company's Disclosure Committee.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at *www.sedar.com* and on the Company's website at www.*goeasy.com*.

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about *goeasy*, including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, targets for growth of the consumer loans receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'budgeted', 'estimates', 'forecasts', 'targets' or negative versions thereof and similar expressions, and/or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company's operations, economic factors and the industry generally, as well as those factors referred to in the section entitled "Risk Factors". There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by the Company, due to, but not limited to, important factors such as the Company's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls. The Company cautions that the foregoing list is not exhaustive.

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Overview of the Business

General Overview

goeasy Ltd. is a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians. *goeasy* Ltd. serves its customers through its two key operating divisions: *easyfinancial* and *easyhome*.

The activities of both *easyfinancial* and *easyhome* are governed by federal laws which set a maximum rate of interest and by various consumer protection acts that exist in each province. *goeasy* Ltd. is not subject to payday loan legislation and is not regulated by the Office of the Superintendent of Financial Institutions.

Overview of *easyfinancial*

easyfinancial is the Company's financial services arm, operating in the non-prime consumer lending marketplace by bridging the gap between traditional financial institutions and costly payday lenders.

Traditional financial institutions are generally unwilling to effectively offer credit solutions to consumers that are deemed to be a higher credit risk due to the consumer's financial situation or less-than-perfect credit history. Historically, approximately 60% of *easyfinancial's* customers have been denied credit by these same traditional financial institutions. These same consumers prefer to avoid the high fees and onerous repayment terms set by payday lenders (which could have an annualized interest rate in excess of 500% and be repayable within two weeks of borrowing). *easyfinancial's* products appeal to these consumers who are looking for better alternatives.

The Company believes that there is significant demand for non-prime lending in the Canadian marketplace and estimates that the size of the Canadian market for non-prime consumer lending, excluding mortgages, is in excess of $165 billion. This demand is currently being met by a wide variety of industry participants who offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product rather than providing consumers with a broad integrated suite of financial products and services. As a result, the suppliers to the marketplace are quite diverse.

The Company has made significant investments in its processes, systems and infrastructure to position its *easyfinancial* business for long-term sustainable growth, including making the following key enhancements:

- The Company has developed an internal competence in evaluating and managing credit risk. Using leading-edge, data-driven modeling and analytical techniques, underwriting and credit adjudication rules have been continuously enhanced in response to changing market conditions with the goal of optimizing returns while balancing throughput and charge-offs.
- An industry-standard banking platform was implemented in 2012 to ensure that the loans receivable portfolio could be appropriately managed and information could be securely maintained on a scalable infrastructure.
- In 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and on-line channels. This system was supported by a credit decision engine, built in

partnership with a global leader in risk management technology solutions, and is fully integrated with the Company's customer relationship management platform enabling it to meet the changing needs of its growing customer base.

- The *easyfinancial* management team was enhanced through the recruitment of senior managers with broad experience in financial services.
- Through a combination of equity offerings, debt offerings and renegotiation of existing lending relationships, the Company has been able to secure the necessary capital to fund its expected growth over the near-term. The continued successful growth of the *easyfinancial* portfolio and the strengthened balance sheet should provide access to further levels of capital in the future at reduced costs.

To this point, *easyfinancial* has focused on providing consumer installment loans. Historically, the consumer demand for loans such as these was satisfied by the consumer-lending arms of several large, international financial institutions. Since 2009, many of the largest branch-based participants in this market (including Wells Fargo, HSBC Finance and CitiFinancial) have either closed their operations or dramatically reduced their size due to changes in banking regulations related to risk-adjusted capital requirements, leaving *easyfinancial* as one of a small number of coast-to-coast non-prime lenders with stated growth aspirations.

The *easyfinancial* business model has continued to evolve in response to changing consumer expectations and technological developments.

- The offering of consumer installment loans was initially piloted in 2006 using a kiosk that was physically located within an existing *easyhome* location.
- In 2011, to better meet customer demand for its products, the Company determined that the *easyfinancial* business would scale more successfully by operating out of stand-alone locations that were physically separated from the *easyhome* stores. The first *easyfinancial* stand-alone location was opened in July 2011. These larger and higher capacity stand-alone locations also exhibited a more rapid growth trajectory.
- Once the business model was finalized and prior to its large-scale expansion, *easyfinancial* launched a centralized loan decision platform in 2011 and deployed a highly scalable core banking platform in 2012.
- In 2013, a transactional website was launched by *easyfinancial* for securing consumer installment loans. This new delivery channel allowed the Company to reach consumers who may not have had access to a physical location or who preferred to interact through the privacy and convenience of their home or on their mobile device.
- In 2014, the Company launched an internally developed and proprietary loan application management system that was fully integrated with its customer relationship management and collections activities.
- In 2015, *easyfinancial* launched its indirect lending platform, significantly expanding the number of distribution points. Indirect lending involves creating partnerships with merchants, both on-line and offline, to provide financing for their customers who do not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through *easyfinancial* at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.
- The Company is committed to helping Canadians improve their financial literacy. In 2015, the Company developed a free on-line financial education platform through *goeasy* Academy that included articles, videos and other educational content.

- In 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source point-of-sale application system to provide financing for customers across the entire credit spectrum. Depending on the customer credit profile, the retail partner or *easyfinancial* can extend credit for such purchases with *easyfinancial* providing the application platform and back-end support needed.

Through its multiple delivery channels and utilizing an extensive analysis of the historic performance of its consumer lending portfolio, *easyfinancial* has created a business model that is somewhat unique within its industry.

- On-line advertising, coupled with the Company's mobile responsive transactional website, create a cost-effective way to attract new customers and optimize the application process.
- While digital channels are important to the growth of *easyfinancial*, the Company believes that originating loans and servicing its customers through a combination of on-line activities along with its coast-to-coast network of branches provides an optimal balance between growth and credit risk management. Bricks and mortar branches remain an integral part of our customer acquisition and servicing strategy.
- Indirect lending significantly expands the Company's distribution points without significant incremental costs by leveraging an industry leading, proprietary mobile solution.
- The Company's national footprint of retail branch locations further promote the Company's brand and allow customers to apply in-person if that is their preferred means of application. Recent surveys indicated that over 48% of *easyfinancial* customers became aware of *easyfinancial* through the physical retail presence.
- By analyzing all of its loan transactions originated since 2006, the Company has developed underwriting practices and credit scoring models that are able to predict the performance of its customers with a far greater degree of accuracy than the traditional generic scoring models utilized by credit rating agencies and other lenders.
- Subsequent to a successful loan application, the responsibility for loan closing and funding and ongoing customer relationship management, including early stage collections, is assigned to a retail branch that is conveniently located near the customer. In this way, the customer lifetime value is enhanced as the sale of ancillary products is improved, customer retention is extended and lower delinquency rates are experienced due to the local relationship and direct engagement with the customer.
- Since ongoing customer relationship management is performed at the local branch level, the Company is able to establish stronger relationships with its customers that enable it to effectively address and resolve various unplanned financial challenges that may occur. In this way, bad debts are able to be reduced more effectively, particularly when compared to a non-prime consumer loan originated through an on-line-only lender.

The Company recognizes that the loan products it offers to consumers carry a higher risk of default than the loan products offered by traditional banks and, as such, the Company incurs a higher level of delinquencies and charge-offs, but that is offset by the higher yield generated on its installment loans. To assist with the management of this risk, the Company has developed proprietary underwriting practices and credit scoring models using the historical performance of its consumer loan portfolio. Additionally, the Company continuously explores and incorporates, where appropriate, leading edge data sources, incorporating them in controlled tests as they become available. Taking advantage of its underwriting experience gained since 2006 and including almost $1.4 billion in credit originations, the Company regularly optimizes these practices and scoring models to make better lending decisions, with a goal of maximizing total returns.

Overview of *easyhome*

easyhome is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under weekly or monthly leasing agreements through both corporate and franchise stores.

easyhome's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who are attracted to a leasing transaction that does not involve a credit check, does not require an initial down payment, includes delivery and set up and offers them the flexibility to terminate the lease at any time. These consumers may not be able to purchase merchandise due to a lack of credit or insufficient cash resources, may have a short-term or otherwise temporary need for the merchandise, or may simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

Customers who wish to lease merchandise with an option to purchase from *easyhome* are required to enter into *easyhome*'s standard form merchandise leasing agreement. This lease agreement provides that the customer will lease merchandise for a set term and make payments on a weekly or monthly basis. Generally, customers are required to make an initial up-front lease payment and thereafter the periodic payments are collected in advance for each payment period. If the customer makes all of the periodic payments throughout the lease term, he or she will obtain ownership of the merchandise at the end of the term. In addition, at specified times during the term of the lease, customers can exercise an option to purchase the leased merchandise at a predetermined price. *easyhome* maintains ownership of its merchandise until this purchase option is exercised. Ultimately, *easyhome*'s customers have the flexibility to return the merchandise at any time without any further obligations.

easyhome operates through both corporately owned stores located across Canada and through a network of franchised locations. Additionally, since 2013, the Company operates an e-commerce platform that allows customers to enter into merchandise leasing transactions through on-line channels.

Corporate Strategy

The Company is committed to being a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians. To maintain this position, the Company must continuously evolve to meet the needs of its chosen customer segment. Additionally, the Company must focus on maintaining its competitive advantage by capitalizing on the key aspects of each business unit, including brand awareness, superior customer service and its cross-country retail network. Cost efficiencies through economies of scale and shared services will enable the Company to meet future competitive challenges, including new entrants into the marketplace.

Throughout 2016, the Company completed an in-depth strategic review, including gaining a greater understanding of the non-prime market for consumer lending in Canada. Through this process, the Company gained valuable insights into the opportunities available for non-prime lending within the Canadian marketplace. These insights confirmed that the Company's corporate strategy continues to be appropriate and will guide the tactics employed by the Company to achieve its goals in the future.

These key insights include:

- Although the market for non-prime lending in Canada is in excess of $165 billion, the supply is fragmented by both product and credit segments. It is satisfied by a large number of diverse lenders with each focusing on a relatively narrow range of products. Opportunities for growth exist for those lenders who are able to effectively offer multiple products spanning the non-prime consumer credit spectrum across various distribution channels.
- Competition within the non-prime consumer lending market is in a state of transition. While many large participants have exited the market in recent years, new competition from non-traditional sources such as payday lenders, on-line lenders and marketplace lenders has emerged.
- The activities of the Company over the past several years to both build out its retail footprint and develop a scalable platform provide it with a strong base to expand and diversify its product offering to ultimately meet consumer demand and competitive challenges.
- Within the non-prime market, the Company has traditionally focused on a relatively higher risk consumer and offered a product with higher interest rates that was commensurate with that risk. Greater opportunities exist for lower rate products where the reduced yield is offset by lower credit losses and relative costs to administer.
- The opportunity for installment lending secured by real estate or other assets is large, with significant unsatisfied demand. This demand is likely to increase in the future as Canadian mortgage rules continue to change. The reduced yield for this type of product is offset by lower credit losses and relative costs to administer.
- There continues to be an opportunity to provide retail point-of-sale financing alternatives to the customers of traditional retail organizations, many of which do not have financing options for customers in the non-prime credit segment. While the opportunity for non-prime retail financing is large with few suppliers of scale, even more significant prospects exist for companies that can provide retail financing across the entire credit spectrum (from prime to non-prime) that minimizes or eliminates the level of credit friction in the customer application process.
- Securing adequate financing for a non-prime consumer lending business can be difficult. Reasonable capital (both rate and leverage ratios) is available to those companies that can demonstrate strong underwriting, risk management and collection capabilities, sufficient scale, predictable credit loss rates and a history of performance.

To achieve its long-term goals, the Company has four key business imperatives:

- **EVOLVE** the delivery channels
- **EXPAND** the *easyfinancial* footprint
- **ENHANCE** the product offering
- **EXECUTE** with efficiency and effectiveness

Evolve the Delivery Channels

Over the last several years, the Company has developed multiple delivery channels in response to changing customer needs, technological advancements and market opportunities. Up until 2013, all of *goeasy*'s interactions with its customers occurred at a physical retail location.

In 2013, transactional websites were launched by *easyfinancial* and *easyhome*, allowing consumers to initiate their transactions on-line. These new delivery channels allowed the Company to reach consumers who may not have had access to a physical location or who preferred to interact through the privacy and convenience of their home or on their mobile device. These transactional websites require continued evolution to stay abreast of changing technologies and to offer improved levels of service. All of the Company's websites were significantly enhanced in 2015 and these investments in technology will be ongoing. Further optimization of the digital channels will be achieved through ongoing analysis of website utilization and performance data with the goals of further streamlining the application process, increasing traffic and improving the conversion rate of qualifying lease or loan applications to completed transactions Ultimately, the transactional websites will be personalized to the unique needs of each user.

The continued enhancement of the *easyfinancial* transactional website and the shift from traditional advertising channels towards digital media has resulted in a large portion of *easyfinancial* loans originating from on-line applications. This shift has resulted in reduced transaction support costs (labour, real estate, etc.). This cost reduction, however, has been offset by a modest increase in the overall charge-off rate. The Company's experience has shown that on-line-originated consumers have a higher charge-off rate than retail originated consumers. On a net basis, the achieved margins from each of these two origination channels are similar and the Company benefits from an overall increase in volume.

In 2015, the Company launched its mobile indirect lending platform to provide financing solutions to the customers of merchant partners who did not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through *easyfinancial* at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.

In 2016, the Company further enhanced its mobile indirect lending platform by launching the industry's first single source application system for point-of-sale financing across the entire credit spectrum. Depending on a customer's credit profile, either the retail partner or *easyfinancial* will extend credit for such purchases with *easyfinancial*'s point-of-sale financing platform providing the back-end support system and loan servicing needed.

The initial launch of the indirect lending platform was the first step in a broader strategy of developing the indirect lending channel, where the Company will offer its lending products at the point-of-sale in the home furnishing, health care and automotive industries. The internally developed mobile tablet solution allows merchant partners to process credit applications right in their store and receive an instant credit decision. By leveraging automated authentication tools, custom credit models, personal identification scanning technology and digital documents, the Company is able to process loans in a fully paperless manner in minutes. As the indirect lending channel expands, the Company will need to enhance the mobile tablet solution, taking advantage of developments in technology to further streamline and expedite the in-store loan application process.

easyhome will complement the expansion into indirect lending. Consumer loans made by *easyfinancial* to consumers for the purchase of product categories that are similar to those offered by *easyhome* will be secured by the purchased merchandise. In the event that the loan goes into default, the goods can be repossessed and the value of these recovered goods can be realized by leasing or selling the assets through the *easyhome* store network. In this manner, the Company can better manage its risk and has a significant competitive advantage over potential competitors that lack a viable outlet for realizing any significant value against the security.

Expand the *easyfinancial* Footprint

The Company believes that direct, personal relationships with its customers are best achieved through a physical location where its customers live and work. For this reason, the Company's extensive branch network continues to be a core element of its business and product delivery strategy. The establishment of direct personal relationships provides the following significant benefits to both the Company and its customers:

- A greater ability to explain the product offering provides the customer with clarity on their obligations and alternatives and results in greater penetration of ancillary products that provide value to the customers.
- A continuing dialogue with the customer allows both the customer and the Company to more effectively deal with financial challenges that may arise for the customer. This approach leads to greater customer satisfaction and lower charge-off rates.
- Establishing *easyfinancial* as a financial partner to the customer aids in the ongoing retention of the customer relationship and allows *easyfinancial* to assist the customer in managing their financial needs as their circumstances change and ultimately returning to lower rate prime financing options.

The Company previously estimated that its retail footprint for *easyfinancial* outside of Quebec could expand to over 250 locations across Canada. Total *easyfinancial* branch count at the end of 2016 was 208. Over the next few years, the Company will continue to add incremental locations in select markets as it works towards this target. In addition to providing more convenient access to the customers that wish to transact in a physical retail environment, the critical mass of physical locations will strengthen the Company's financial services brand, establishing *easyfinancial* as the leader in providing financing solutions to consumers who are looking for an alternative to traditional banks and payday lenders.

In addition to the *easyfinancial* branch network, the Company also operates 176 *easyhome* stores that offer customers access to furniture, appliances, electronics and computers through lease agreements. These *easyhome* stores are located in areas that overlap with the *easyfinancial* target populations, have existing relationships with customers that are likely consumers of the products offered by *easyfinancial* and are staffed with dedicated employees that have significant experience in managing the relationships, including collections, with non-prime consumers.

The existing *easyhome* stores create an immediate opportunity for the Company to expand its consumer lending footprint. Since i) credit and risk decisions are already made centrally; ii) the *easyfinancial* systems are developed and have capacity; and iii) the *easyfinancial* lending practices are documented and well established, offering *easyfinancial* products across the *easyhome* store network (where not restricted by landlord covenants) can be completed with limited effort and no additional risk. The Company intends to begin offering consumer lending products through its *easyhome* stores in 2017.

Since its launch in 2006 until 2016, the Company has focused on developing its *easyfinancial* business across Canada with the exception of the province of Quebec. Although the *easyhome* business has a long and successful history of operating in Quebec, the Quebec market for non-prime lending created additional complexities for the Company due to a different legal and regulatory environment.

The Company has always believed that Quebec represented a large opportunity for non-prime lending. Now that *easyfinancial* has been firmly established across the rest of the country, the Company intends to expand the *easyfinancial* footprint into Quebec. Although the *easyfinancial* product offering will differ somewhat from the product offering across the rest of Canada, the Company's focus in Quebec will be consistent with its overall goal of being a leading full-service provider of alternative goods and financial services that improve the lives of everyday Canadians.

Over the long-term, the Company expects the operating margin of its *easyfinancial* business unit to exceed 40% (before any allocation of indirect corporate costs and interest). This operating margin, however, will be moderated in periods of rapid expansion. Additional *easyfinancial* store openings will result in an initial drag on margins as the relatively fixed cost base of a new location in the months after opening will be disproportionately large until the consumer loans receivable portfolio for that location has grown to a sufficient size to generate larger revenues.

Enhance the Product Offering

The continued growth of *easyfinancial* will also be aided by the enhancement of its product offering. These enhancements will include the introduction of new lending products as well as additional ancillary products that provide value to customers.

It is the Company's mission to help customers improve their credit risk profile and "graduate" the customer back to lower cost prime lending. In cases where the Company has the expertise and resources to offer these products directly, it will do so. In other cases, it will look to partner with primary providers of these products and offer such products to the Company's customers under a commission or fee-type arrangement. As an example, in 2015 the Company began offering a credit monitoring service to its customers, allowing them to take better control of their financial situation by monitoring their credit score and borrowing activity on an ongoing basis.

The extent of the Company's risk-adjusted pricing offering will continue to be increased as the Company responds to evolving market conditions and analyzes the overall impact of these activities on the behaviour of its customers and its business model. Increasing the ratio of lower rate products within the Company's consumer loans receivable portfolio provides its consumers with many benefits including i) lower borrowing costs; ii) access to larger dollar sized loans; and iii) incentives to improve their overall credit score which should ultimately assist them in returning to lower cost prime financing alternatives. In addition to generating incremental growth, the Company benefits from increasing the relative size of its consumer loans receivable portfolio that has lower interest rates by i) reducing the overall risk of its consumer loans receivable portfolio; ii) offsetting the inherent decline in yields with reduced per loan acquisition and administrative costs and lower charge-offs; iii) attracting a greater number of new customers; and iv) increasing its ability to retain customers that have improved their credit standing.

The Company believes that a substantial opportunity exists to complement its current unsecured installment loan product with loan products that are secured by assets. For these new products, the interest rate charged to customers can be reduced due to the expected lower charge-off rates stemming from the collateral security pledged by the customers, thereby generating an acceptable return on equity. Initially, the Company will explore an installment loan product secured by real estate while future products may include loans secured by other assets such as automobiles.

Execute with Efficiency and Effectiveness

The Company believes that the products and services presented to its customers are clearly differentiated from its competitors. *easyfinancial* provides consumers with a financing alternative that is less costly than payday loans and quicker and more convenient than traditional banks, all in a welcoming and respectful retail or electronic environment. *easyhome* has established itself as the Canadian market leader having created a more inviting retail experience than its competitors, providing consumers with the guaranteed lowest weekly payment rates, and by employing more engaged and better trained retail associates.

To meet the demands of its customers and to maximize the profitability of the overall business, the Company will continue to focus on improving its level of execution across all areas of the business.

Offer High Levels of Customer Service and Satisfaction

Customer retention is of paramount importance. Frequent and positive customer interactions encourage repeat business and provide high levels of service and satisfaction. As part of its effort to provide superior customer service, the Company offers quick delivery of its merchandise and rapid loan decisions and funding. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has developed intensive employee training programs, as well as performance measurement programs, incentive-driven compensation plans and other tools to drive a positive customer experience and ensure customer retention. Also, by offering a lower cost lending product, the Company allows its customers to graduate to lower interest rates thereby enhancing customer satisfaction and retention.

Increase Store Level Efficiency

Although the Company will pursue the previously described methods to encourage customer retention and growth, it must also responsibly manage all discretionary spending. Supplier relationships and economies of scale are leveraged to reduce overall cost ratios. Idle inventory levels are maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, particularly labour, are tightly controlled centrally through established thresholds, allowing spending to occur only when it will result in improved revenues. In addition, the Company does remediate and, if necessary, close underperforming stores, merging their portfolios with other nearby locations.

Utilize Data Analytics as a Competitive Advantage

The Company has a tremendous volume of customer data that it has gained from years of operating its merchandise leasing and consumer lending businesses. The Company has made significant investments in information technology to safeguard the privacy of this data and also to allow the business to analyze this data to make better business decisions. The intelligent use of this data allows *easyfinancial* to continually enhance its underwriting practices and credit scoring models to make better lending decisions. It allows *easyhome* to better understand the retention patterns of its customers and develop marketing and customer relationship programs that are tailored to each customer's needs while maximizing profitability to the Company.

Leverage the Synergies of Both Business Units

The *easyfinancial* and *easyhome* businesses offer different products to a common customer segment and share many operational practices such as customer relationship management, collections and contract administration. Historically, and as is common within both industries, these practices have been performed by each business unit at the local operating store level. While this approach results in more direct contact with customers, it makes it difficult to foster best practices and achieve economies of scale.

In the fourth quarter of 2013, the Company opened a new Shared Service Centre to provide operational support for both business units in areas such as collections, customer retention and customer care and to support the new delivery channels that do not operate with a dedicated local presence. The Company believes that this hybrid structure allows local operators to continue to provide a strong level of service directly to their customers, and enables many administrative and support functions to be performed at a reduced cost, employing best practices. Going forward, additional opportunities for providing coordinated operational support for all business units will be explored.

Continue to Invest in New Technologies

As indicated previously, the Company has made significant investments in technology over the past several years to provide *easyfinancial* with a scalable platform on which to support significant future growth and to allow new delivery channels to be developed. As an example, in 2014 the Company implemented a proprietary loan application management system on the Salesforce platform to process applications originated in its retail and on-line channels. This investment in new technologies will continue in the future as the Company evolves its delivery channels and expands the size and scope of *easyfinancial*. Investments in new technology will also be made to provide operators and support staff with additional tools so that they can better service their customers and obtain greater levels of efficiency as well as enhanced systems, management and processes to ensure the Company's proprietary data is protected against cyber and other security threats.

Optimize the Capital Structure

Over the past several years, the Company has improved its return on equity by delivering increasing net income and improving its capital structure. At the end of 2006, the Company was almost entirely funded by equity. Since then, the growth of *easyfinancial* has been funded by the retention of earnings in the business and the acquisition of third-party debt financing, at ever improving interest rates and flexibility of terms. At the end of 2016, external debt represented almost 60% of the Company's funding requirements.

The Company is confident that it will continue to have access to additional debt capital to fund the growth of its business into the future. The Company has established relationships with many alternative providers of such debt capital and continues to explore funding alternatives that represent an optimal balance between interest rates, term, flexibility and security.

Outlook

The discussion in this section is qualified in its entirety by the cautionary language regarding forward-looking statements found in the "Caution Regarding Forward-Looking Statements" of this MD&A.

Performance Against 2016 Targets

The Company's 2016 targets along with the underlying assumptions and risk factors were most recently revised and communicated in its September 30, 2016 MD&A. The Company's actual performance against its targets for fiscal 2016 is as follows:

	Actual Results for 2016	Revised Targets for 2016	Outcome
New *easyfinancial locations* opened in year	**17**	10 – 20	Target achieved.
Gross consumer loans receivable portfolio at year end	**$370.5 million**	$370 – $380 million	Target achieved.
easyfinancial operating margin	**36.6%**	35% – 38%	Target achieved.
Total revenue growth	**14.2%**	14% – 16%	Target achieved.

2017 and Three-Year (2019) Targets

The following table outlines the Company's targets for 2017 and 2019 and provides the material assumptions used to develop such forward-looking statements. These targets are inherently subject to risks which are identified in the following tables, as well as those risks referred to in the section entitled "Risk Factors".

	Targets for 2017	Targets for 2019	Assumptions	Risk Factors[1]
New *easyfinancial* locations	**20 – 30 locations opened during the year**	260 locations by the end of 2019	• The Company continues to be able to access growth capital for its *easyfinancial* business at a reasonable cost. • The Company successfully completes the growth initiatives outlined in its strategic plan. • Virtually all new locations will operate as stand-alone branches.	• The earnings drag from newly opened locations is within acceptable levels. • The Company's ability to secure new real estate and experienced personnel. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company is successful in obtaining regulatory approval for its new markets and products where required.
Gross consumer loans receivable portfolio at year end	**$475 – $500 million**	$775 – $800 million	• The new store opening plan and the development of new delivery channels occur as expected. • The Company successfully completes the growth initiatives outlined in its strategic plan. • The Company continues to be able to access growth capital for its *easyfinancial* business at a reasonable cost. • Increased expenditures on marketing and advertising within *easyfinancial*.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company's ability to secure new real estate and experienced personnel. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required. • Continued access to reasonably priced capital.
easyfinancial total revenue yield	**60% – 62%**	49% – 51%	• *easyfinancial* total revenue yield includes the impact of the sale of ancillary products. • The Company successfully completes the growth initiatives outlined in its strategic plan. • Penetration rates for the sale of ancillary products continue at current levels.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required.

	Targets for 2017	Targets for 2019	Assumptions	Risk Factors[1]
Total revenue growth	**10% – 12%**	n/a	• Nominal growth for *easyhome*. • Continued accelerated growth of the consumer loans receivable portfolio, driven by new delivery channels, additional store openings and launch of secured loans and lending in Quebec. • Revenue growth moderated by a higher proportion of lower yield loans.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required. • Continued access to reasonably priced capital. • Further reductions in the revenue earned by *easyhome*.
easyfinancial operating margin	**35% – 37%**	40%+	• Yield and loss rates at mature locations are indicative of future performance. • Yield and loss rates of new lower yield lending products are as anticipated. • Continued investment in new branches and increased marketing to drive originations moderates earnings.	• The Company's ability to achieve operating efficiencies as the business grows. • The earnings drag from newly opened locations is within acceptable levels. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company is able to manage charge-off rates within its desired parameters. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required.
Return on equity	**18% – 19%**	21%+	• The Company continues to be able to access growth capital for its *easyfinancial* business at a reasonable cost. • The Company is able to maintain a capitalization ratio that is within industry norms. • Operating results meet the expectations as described above.	• The Company's ability to achieve operating efficiencies as the business grows. • The earnings drag from newly opened locations is within acceptable levels. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company is able to manage charge-off rates within its desired parameters. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required. • Continued access to reasonably priced capital.

[1] Risk factors include those risks referred to in the section entitled "Risk Factors".

Analysis of Results for the Year Ended December 31, 2016

Financial Highlights and Accomplishments

- 2016 was the fifteenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue has seen a compounded annual growth rate of 11.7% while net income has grown from a loss of $1.9 million in 2001 to net income of $31.0 million in 2016. The Company again delivered record levels of revenue, net income and earnings per share in 2016.
- In consideration of the improved earnings achieved in 2016 compared to the prior year and the Company's confidence of its continued growth and access to capital going forward, the Board of Directors approved a 44% increase to the quarterly dividend from $0.125 per share to $0.18 per share in the first quarter of 2017.
- *goeasy* continued to grow revenue during 2016. Revenue for the year increased to a record level of $347.5 million from $304.3 million in 2015, an increase of $43.2 million or 14.2%. The growth was driven primarily by the expansion of *easyfinancial* and its consumer loans receivable portfolio.
- The gross consumer loans receivable portfolio increased from $289.4 million as at December 31, 2015 to $370.5 million as at December 31, 2016, an increase of $81.1 million or 28.0%. Loan originations for the year were $398.7 million, up $68.1 million against 2015. Similarly, *easyfinancial* revenue increased by 34.6% in 2016, reaching $204.1 million. *easyfinancial* now contributes almost 60% of the Company's total revenue.
- The operating margin of *easyfinancial* for the year was 36.6% compared with 30.8% for 2015. The increase in operating margin was driven by the increasing size and scale of this business as well as the impact of the 45 branches acquired in the first quarter of 2015 which negatively impacted earnings in 2015 but which positively contributed to operating income and margins in 2016.
- During the year, $6.4 million in transaction advisory costs were incurred by the Company to analyze, arrange financing and submit a bid for a potential strategic acquisition. The Company did not ultimately complete the acquisition as, during the process, the Company determined that it would create greater shareholder value by continuing the growth and expansion of its current business rather than by continuing with the acquisition process.
- Operating income for 2016 reached a record level of $62.5 million. Excluding both a $3.0 million gain on sale of investment included in other income and the $6.4 million in transaction advisory costs, adjusted operating income was $65.9 million, an increase of $17.8 million or 37.1% when compared to 2015. Overall, adjusted operating margin, expressed on this normalized basis, was 19.0% for the year ended December 31, 2016, up from the 15.8% reported in 2015.
- Net income for the year ended December 31, 2016 was $31.0 million or $2.23 per share on a diluted basis. Excluding the after tax impact of a $3.0 million gain on sale of investment included in other income and the transaction advisory costs, net income was $33.2 million or $2.38 per share on a diluted basis, up from the $23.7 million or $1.69 per share reported in 2015. On this normalized basis, net income and diluted earnings per share increased by 39.7% and 40.8%, respectively.
- To help its customers along the journey back to lower interest rates, *easyfinancial* announced the introduction of risk-adjusted interest rates and an increase in the maximum loan size to $15,000 for eligible customers in the first quarter of 2016 following a successful market test in 2015. The new loan products are designed to reward existing customers with improved credit and attract new ones that are eligible for a lower rate of interest.
- In 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source point-of-sale application system to provide financing for customers across the credit spectrum. Depending on the customer credit profile, the retail partner or *easyfinancial* can extend credit for such purchases with *easyfinancial* providing the application platform and back-end support needed.

Summary Financial Results and Key Performance Indicators

(in $000's except earnings per share and percentages)	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015	Variance $ / %	Variance % Change
Summary Financial Results				
Revenue	**347,505**	304,273	43,232	14.2%
Other income[2]	**3,000**	–	3,000	100.0%
Operating expenses before depreciation and amortization and transaction advisory costs	**227,270**	200,125	27,145	13.6%
Transaction advisory costs[3]	**6,382**	–	6,382	100.0%
EBITDA[1]	**72,623**	56,741	15,882	28.0%
EBITDA margin[1]	**20.9%**	18.6%	2.3%	–
Depreciation and amortization expense	**54,337**	56,096	(1,759)	(3.1%)
Operating income	**62,516**	48,052	14,464	30.1%
Operating margin[1]	**18.0%**	15.8%	2.2%	–
Finance costs	**21,048**	15,334	5,714	37.3%
Effective income tax rate	**25.1%**	27.5%	(2.4%)	–
Net income	**31,049**	23,728	7,321	30.9%
Diluted earnings per share	**2.23**	1.69	0.54	32.0%
Return on Equity[1]	**16.8%**	14.4%	2.4%	–
Adjusted (Normalized) Financial Results[1,2,3]				
Adjusted EBITDA margin	**21.9%**	18.6%	3.3%	–
Adjusted operating income	**65,898**	48,052	17,846	37.1%
Adjusted operating margin	**19.0%**	15.8%	3.2%	–
Adjusted net income	**33,155**	23,728	9,427	39.7%
Adjusted earnings per share	**2.38**	1.69	0.69	40.8%
Adjusted return on equity	**17.9%**	14.4%	3.5%	–
Key Performance Indicators[1]				
Same store revenue growth	**12.1%**	16.3%	(4.2%)	–
Same store revenue growth excluding *easyfinancial*	**(1.1%)**	4.7%	(5.8%)	–
easyfinancial				
Gross consumer loans receivable	**370,517**	289,426	81,091	28.0%
Growth in gross consumer loans receivable	**81,091**	97,201	(16,110)	(16.6%)
Gross loan originations	**398,739**	330,689	68,050	20.6%
easyfinancial revenue	**204,076**	151,668	52,408	34.6%
Bad debt expense as a percentage of *easyfinancial* revenue	**27.3%**	27.6%	(0.3%)	–
Net charge-offs as a percentage of average gross consumer loans receivable	**15.4%**	14.8%	0.6%	–
easyfinancial operating margin	**36.6%**	30.8%	5.8%	–
easyhome				
Potential monthly lease revenue	**9,886**	10,651	(765)	(7.2%)
Change in potential monthly lease revenue due to ongoing operations	**(315)**	(98)	(217)	(221.4%)
easyhome revenue	**143,429**	152,605	(9,176)	(6.0%)
easyhome operating margin	**15.0%**	16.2%	(1.2%)	–

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".
[2] On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.
[3] During the year ended December 31, 2016, the Company incurred $6.4 million in transaction advisory costs related to a potential acquisition.

Store Locations Summary

	Locations as at Dec. 31, 2015	Locations opened during year	Locations closed / sold during year	Conversions	Locations as at Dec. 31, 2016
easyfinancial					
Kiosks (in store)	51	4	(1)	(8)	**46**
Stand-alone locations	150	5	(2)	8	**161**
National loan office	1	–	–	–	**1**
Total *easyfinancial* locations	202	9	(3)	–	**208**
easyhome					
Corporately owned stores	155	–	(6)	(3)	**146**
Consolidated franchise locations	3	–	–	(1)	**2**
Total consolidated stores	158	–	(6)	(4)	**148**
Total franchise stores	26	–	(2)	4	**28**
Total *easyhome* stores	184	–	(8)	–	**176**

Summary of Financial Results by Operating Segment

($ in 000's except earnings per share)	Year Ended December 31, 2016			
	easyfinancial	*easyhome*	Corporate	Total
Revenue	**204,076**	**143,429**	**–**	**347,505**
Other income[1]	**–**	**–**	**3,000**	**3,000**
Total operating expenses before depreciation and amortization and transaction advisory costs	**122,843**	**74,708**	**29,719**	**227,270**
Transaction advisory costs[2]	**–**	**–**	**6,382**	**6,382**
Depreciation and amortization	**6,479**	**47,184**	**674**	**54,337**
Operating income (loss)	**74,754**	**21,537**	**(33,775)**	**62,516**
Finance costs				**21,048**
Income before income taxes				**41,468**
Income taxes				**10,419**
Net income				**31,049**
Diluted earnings per share				**2.23**

[1] On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.
[2] During the year ended December 31, 2016, the Company incurred $6.4 million in transaction advisory costs related to a potential acquisition.

($ in 000's except earnings per share)	Year Ended December 31, 2015			
	easyfinancial	*easyhome*	Corporate	Total
Revenue	151,668	152,605	–	304,273
Total operating expenses before depreciation and amortization	99,607	77,724	22,794	200,125
Depreciation and amortization	5,289	50,214	593	56,096
Operating income (loss)	46,772	24,667	(23,387)	48,052
Finance costs				15,334
Income before income taxes				32,718
Income taxes				8,990
Net income				23,728
Diluted earnings per share				1.69

Revenue

Revenue for the year ended December 31, 2016 was $347.5 million compared to $304.3 million in 2015, an increase of $43.2 million or 14.2%. The increase was driven by the growth of *easyfinancial*.

easyfinancial: Revenue for the year ended December 31, 2016 was $204.1 million, an increase of $52.4 million or 34.6% from 2015. The increase was due to the growth of the gross consumer loans receivable portfolio, which increased from $289.4 million as at December 31, 2015 to $370.5 million as at December 31, 2016, an increase of $81.1 million or 28.0%.

The yield realized by the Company on its average consumer loans receivable portfolio declined by 250 bps in 2016 when compared to 2015 due to the following:

- An increased proportion of higher value loans which have lower effective pricing on certain ancillary products.
- The launch of risk-adjusted interest rates to consumers in the first quarter of 2016 provided more credit worthy customers with a lower rate of interest.
- One-time impacts associated with the transition of the Company's creditor life insurance product to a new provider reduced the commissions earned by the Company on that product by $1.0 million during the fourth quarter of 2016.
- The above noted declines were partially offset by the launch and increased penetration of new ancillary products.

The gross consumer loans receivable portfolio grew by $81.1 million during the year ended December 31, 2016 as compared with growth of $97.2 million for 2015. Loan originations for the year were $398.7 million, up $68.1 million against 2015. While originations were higher in the year, the growth in the loan book was moderated by increased principal repayments due to the larger overall size of the loan book.

easyhome: Revenue for the year ended December 31, 2016 was $143.4 million, a decrease of $9.2 million from 2015. The year-over-year change in revenue can be attributed to:

- The Company completed several transactions over the past 24 months to acquire merchandise lease portfolios and closed or sold merchandise leasing stores that it owned. These transactions in aggregate reduced revenue by $4.3 million in 2016 when compared to the prior year.
- Revenue in 2016 declined by $1.3 million due to the deconsolidation or closure of U.S. franchise locations that were previously consolidated for financial reporting purposes. The Company has been winding down its remaining U.S. operations.
- Other reductions in the lease portfolio over the preceding 24 months have resulted in a decline in revenue across the organic store network of $3.6 million in the quarter when compared to 2016.

Other income: During the second quarter of 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The Company acquired the shares during the start-up phase of this entity and the net book value of the shares was nil.

Total Operating Expenses before Depreciation and Amortization and Transaction Advisory Costs

Total operating expenses before depreciation and amortization and transaction advisory costs were $227.3 million for the year end December 31, 2016, an increase of $27.1 million or 13.6% when compared to 2015. The increase was related to the higher operating expenses of the growing *easyfinancial* business, higher advertising expenditures to drive originations and growth and higher corporate costs somewhat offset by lower operating expenses within the leasing business. Operating expenses before depreciation and amortization and transaction advisory costs represented 65.4% of revenue in 2016 as compared with 65.8% for 2015.

easyfinancial: Total operating expenses before depreciation and amortization were $122.8 million for the year ended December 31, 2016, an increase of $23.2 million or 23.3% from 2015. Operating expenses excluding bad debt expense increased by $9.5 million or 16.5% in the year driven by: i) an additional $2.8 million in advertising and marketing spend to support the growth in originations; ii) higher operating costs of additional branches and the maturing branch network; and iii) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 202 as at December 31, 2015 to 208 as at December 31, 2016.

Bad debt expense increased to $55.7 million for the year ended December 31, 2016 from $41.9 million in 2015, up $13.7 million or 32.8%. Net charge-offs as a percentage of the average gross consumer loans receivable were 15.4% in 2016, up from 14.8% in 2015. The year-over-year increase was largely driven by i) a greater proportion of loans originating on-line as such loans tend to have a higher charge-off rate than retail originated customers; ii) an increase in customer bankruptcy related charge-offs; and iii) the slowing growth rate of the gross consumer loan receivable portfolio. The Company expects that the net charge-off rate will be in the range of 15% to 16% for 2017.

easyhome: Total operating expenses before depreciation and amortization for the year ended December 31, 2016 were $74.7 million, a decrease of $3.0 million or 3.9% from 2015. The decline was related to the reduced store count. Advertising spend in the year was consistent with 2015. Consolidated leasing store count declined by ten from 158 as at December 31, 2015 to 148 as at the current year end.

Corporate: Total operating expenses before depreciation and amortization and transaction advisory costs were $29.7 million in 2016 compared to $22.8 million in 2015, an increase of $6.9 million. The increase was driven primarily by: i) higher accrued but not paid short-term incentive compensation as the results of the business have exceeded budget whereas the 2015 results were more in line with internal targets; ii) higher salary costs; iii) higher professional fees; and iv) reduced gains on the sale of stores to franchisees. Corporate expenses before depreciation and amortization and transaction advisory costs represented 8.6% of revenue in 2016 compared to 7.5% of revenue in 2015.

Transaction Advisory Costs: During 2016, $6.4 million in transaction advisory costs were incurred by the Company to analyze, arrange financing and submit a bid for a potential strategic acquisition. The acquisition was ultimately not completed by the Company as, during the process, the Company determined that it would create greater shareholder value by continuing the growth and expansion of its current business rather than by continuing with the acquisition process.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2016 was $54.3 million, a decrease of $1.8 million from 2015. Increased depreciation of property and equipment and intangible assets within *easyfinancial* was more than offset by the reduced depreciation and amortization within *easyhome*. Overall depreciation and amortization represented 15.6% of revenue in 2016, an improvement from the 18.4% reported in 2015.

The $1.2 million increase in depreciation and amortization within *easyfinancial* was attributable to its growing branch network and the amortization of new systems.

easyhome depreciation and amortization expense declined by $3.0 million in the year compared with 2015 due to reductions in the lease portfolio (as described in the analysis of *easyhome*'s revenue). *easyhome* depreciation and amortization expressed as a percentage of *easyhome* revenue for the year was 32.9% consistent with 2015.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the year ended December 31, 2016 was $62.5 million. Excluding both the $3.0 million gain on sale of investment included in other income and the $6.4 million in transaction advisory costs, adjusted operating income was $65.9 million, an increase of $17.8 million or 37.1% against 2015. The growth in normalized operating income was driven by the expansion and improved operating margins of *easyfinancial*, partially offset by lower operating income from *easyhome* and higher corporate expenses. Overall, adjusted operating margin, expressed on this normalized basis, was 19.0% for the year ended December 31, 2016, up from the 15.8% reported in 2015. Overall operating margin benefitted from higher operating margins at the *easyfinancial* business and an increasing percentage of the Company's operating income being generated by the higher margin *easyfinancial* business.

easyfinancial: Operating income was $74.8 million for 2016 compared with $46.8 million for 2015, an increase of $28.0 million or 59.8%. The increase in operating income was driven primarily by the growth of the consumer loans receivable portfolio and associated revenue and scale as well as the impact of the 45 branches acquired in the first quarter of 2015 which negatively impacted earnings in 2015 but which positively contributed to operating income in 2016. Operating margin for the year was 36.6% compared with 30.8% for 2015.

easyhome: Operating income was $21.5 million for 2016, down $3.1 million against 2015. Declines in revenue of $9.2 million related to store transactions and negative same store sales were partially offset by reduced depreciation and amortization and lower operating expenses due to a smaller store network. Operating margin for 2016 was 15.0%, down from the 16.2% reported in 2015.

Depreciation and Amortization

Finance costs for the year were $21.0 million, up $5.7 million from 2015. The increase in finance costs was driven by higher average borrowing levels.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2016 was 25.1%, down from the 27.5% reported in 2015. The decline in the effective tax rate in the current year was due to the lower tax rate on the capital gains from the sale of investments and assets as well as certain research and development tax credits realized in 2016.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2016 was $31.0 million or $2.23 per share on a diluted basis. Excluding the after tax impact of the $3.0 million gain on sale of investment included in other income and the transaction advisory costs, net income was $33.2 million or $2.38 per share on a diluted basis, up from the $23.7 million or $1.69 per share reported in 2015. On this normalized basis, net income and diluted earnings per share increased by 39.7% and 40.8%, respectively.

Selected Annual Information

Operating Results

($ in 000's except per share amounts)	2016	2015	2014	2013	2012
Revenue	**347,505**	304,273	259,150	218,814	199,673
Net income	**31,049**	23,728	19,748	14,182	11,057
Dividends declared on common shares	**6,699**	5,370	4,530	4,178	4,043
Cash dividends declared per common share	**0.49**	0.40	0.34	0.34	0.34
Earnings Per Share					
Basic	**2.29**	1.75	1.47	1.16	0.93
Diluted	**2.23**	1.69	1.42	1.15	0.92

Assets and Liabilities

($ in 000's)	As At Dec. 31, 2016	As At Dec. 31, 2015	As At Dec. 31, 2014	As At Dec. 31, 2013	As At Dec. 31, 2012
Total Assets	**503,062**	418,502	319,472	232,900	189,927
Liabilities					
Bank debt	**–**	–	1,756	23,496	21,281
Term loan	**263,294**	211,720	120,743	38,206	18,330
Other	**43,737**	30,723	43,005	35,565	45,303
Total Liabilities	**307,031**	242,443	165,504	97,267	84,914

Analysis of Results for the Three Months Ended December 31, 2016

Fourth Quarter Highlights

- *goeasy* continued to grow revenue during the fourth quarter of 2016. Revenue for the quarter increased to $91.3 million from the $82.9 million reported in the fourth quarter of 2015, an increase of $8.4 million or 10.2%.
- During the fourth quarter of 2016, the Company transitioned to a new provider for its creditor life insurance product resulting in a one-time reduction of $1.0 million on the commissions earned by the Company on the sale of that product. The reduction in commissions decreased diluted earnings per share by $0.05.
- The gross consumer loans receivable portfolio as at December 31, 2016 was $370.5 million compared with $289.4 million as at December 31, 2015, an increase of $81.1 million or 28.0%. Loan originations were strong in the quarter at $117.5 million, up 6.0% compared with the fourth quarter of 2015.
- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 15.8% in the quarter compared with 15.5% in the fourth quarter of 2015. Cash collections were strong during the quarter which resulted in a delinquency rate of 5.8% on the final Saturday of the quarter compared to 7.4% on the final Saturday of the fourth quarter of 2015.
- *easyfinancial* generated a strong operating margin of 34.9% in the fourth quarter of 2016, up from the 32.9% reported in the fourth quarter of 2015. The increase in operating margin was driven primarily by the growth of the consumer loans receivable portfolio and associated revenue and the slowing of branch openings.
- Operating income for the three month period ended December 31, 2016 was $17.2 million. This represents an increase of $2.2 million or 14.6% when compared to the fourth quarter of 2015. Overall, operating margin for the fourth quarter of 2016 was 18.8%, an increase of 0.7% from the 18.1% operating margin reported for the fourth quarter of 2015.
- Net income for the fourth quarter of 2016 was $8.3 million or $0.60 per share on a diluted basis compared with $7.5 million or $0.54 per share for the fourth quarter of 2015, increases of 10.8% and 11.1%, respectively. As indicated above, diluted earnings per share in the fourth quarter of 2016 was reduced by $0.05 due to the one-time impacts on commissions associated with the transition of the Company's creditor life insurance product to a new provider.

Summary Financial Results and Key Performance Indicators

(in $000's except earnings per share and percentages)	Three Months Ended Dec. 31, 2016	Dec. 31, 2015	Variance $ / %	Variance % Change
Summary Financial Results				
Revenue	**91,294**	82,875	8,419	10.2%
Operating expenses before depreciation and amortization	**60,702**	53,813	6,889	12.8%
EBITDA[1]	**19,803**	17,161	2,642	15.4%
EBITDA margin[1]	**21.7%**	20.7%	1.0%	–
Depreciation and amortization expense	**13,417**	14,071	(654)	(4.6%)
Operating income	**17,175**	14,991	2,184	14.6%
Operating margin[1]	**18.8%**	18.1%	0.7%	–
Finance costs	**5,702**	4,605	1,097	23.8%
Effective income tax rate	**27.3%**	27.5%	(0.2%)	–
Net income	**8,342**	7,532	810	10.8%
Diluted earnings per share	**0.60**	0.54	0.06	11.1%
Return on Equity[1]	**17.4%**	17.5%	(0.1%)	–
Key Performance Indicators[1]				
Same store revenue growth	**12.6%**	16.5%	(3.9%)	–
Same store revenue growth excluding *easyfinancial*	**(1.9%)**	5.0%	(6.9%)	–
easyfinancial				
Gross consumer loans receivable	**370,517**	289,426	81,091	28.0%
Growth in consumer loans receivable	**26,806**	35,819	(9,013)	(25.2%)
Gross loan originations	**117,525**	110,895	6,630	6.0%
easyfinancial revenue	**55,999**	44,826	11,173	24.9%
Bad debt expense as a percentage of *easyfinancial* revenue	**28.5%**	30.1%	(1.6)%	–
Net charge-offs as a percentage of average gross consumer loans receivable	**15.8%**	15.5%	0.3%	–
easyfinancial operating margin	**34.9%**	32.9%	2.0%	–
easyhome				
Potential monthly lease revenue	**9,886**	10,651	(765)	(7.2%)
Change in potential monthly lease revenue due to ongoing operations	**355**	314	41	13.1%
easyhome revenue	**35,295**	38,049	(2,754)	(7.2%)
easyhome operating margin	**15.6%**	18.5%	(2.9%)	–

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".

Store Locations Summary

	Locations as at Sept. 30, 2016	Locations opened during period	Locations closed / sold during period	Conversions	Locations as at Dec. 31, 2016
easyfinancial					
Kiosks (in store)	48	–	–	(2)	**46**
Stand-alone locations	160	–	(1)	2	**161**
National loan office	1	–	–	–	**1**
Total *easyfinancial* locations	209	–	(1)	–	**208**
easyhome					
Corporately owned stores	148	–	(1)	(1)	**146**
Consolidated franchise locations	3	–	–	(1)	**2**
Total consolidated stores	151	–	(1)	(2)	**148**
Total franchise stores	26	–	–	2	**28**
Total *easyhome* stores	177	–	(1)	–	**176**

Summary Financial Results by Operating Segment

($ in 000's except earnings per share)	Three Months Ended December 31, 2016			
	easyfinancial	*easyhome*	Corporate	Total
Revenue	**55,999**	**35,295**	**–**	**91,294**
Total operating expenses before depreciation and amortization	**34,772**	**18,244**	**7,686**	**60,702**
Depreciation and amortization	**1,675**	**11,558**	**184**	**13,417**
Operating income (loss)	**19,552**	**5,493**	**(7,870)**	**17,175**
Finance costs				**5,702**
Income before income taxes				**11,473**
Income taxes				**3,131**
Net income				**8,342**
Diluted earnings per share				**0.60**

($ in 000's except earnings per share)	Three Months Ended December 31, 2015			
	easyfinancial	*easyhome*	Corporate	Total
Revenue	44,826	38,049	–	82,875
Total operating expenses before depreciation and amortization	28,616	18,520	6,677	53,813
Depreciation and amortization	1,449	12,489	133	14,071
Operating income (loss)	14,761	7,040	(6,810)	14,991
Finance costs				4,605
Income before income taxes				10,386
Income taxes				2,854
Net income				7,532
Diluted earnings per share				0.54

Revenue

Revenue for the three month period ended December 31, 2016 was $91.3 million compared to $82.9 million in the same period in 2015, an increase of $8.4 million or 10.2%. Same-store sales growth for the quarter was 12.6%. Revenue growth was driven primarily by the growth of *easyfinancial*.

easyfinancial: Revenue for the three month period ended December 31, 2016 was $56.0 million, an increase of $11.2 million or 24.9% over the same period of 2015. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio, which increased from $289.4 million as at December 31, 2015 to $370.5 million as at December 31, 2016, an increase of $81.1 million or 28.0%.

The yield realized by the Company on its average consumer loans receivable portfolio declined by 300 bps in the fourth quarter of 2016 when compared to the fourth quarter of 2015 due to the following:

- An increased proportion of higher dollar loans which have reduced pricing on certain ancillary products.
- The launch of risk-adjusted interest rates to consumers in the first quarter of 2016 provided more credit worthy customers with a lower rate of interest.
- One-time impacts associated with the transition of the Company's creditor life insurance product to a new provider reduced the commissions earned by the Company on that product by $1.0 million during the fourth quarter of 2016.

easyhome: Revenue for the three month period ended December 31, 2016 was $35.3 million, a decrease of $2.8 million when compared with the fourth quarter of 2015. The decline in revenue was driven by the following:

- The Company completed several transactions over the past 15 months to acquire merchandise lease portfolios and closed or sold merchandise leasing stores that it owned. These transactions in aggregate reduced revenue by $1.6 million in the fourth quarter of 2016 when compared to the fourth quarter of the prior year.
- Other reductions in the lease portfolio over the preceding 15 months have resulted in a decline in revenue across the organic store network of $1.2 million in the quarter when compared to the fourth quarter of 2015. Similarly, same store sales, excluding the impact of *easyfinancial*, declined by 1.9%.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $60.7 million for the three month period ended December 31, 2016, an increase of $6.9 million or 12.8% from the comparable period in 2015. The increase in operating expenses was driven primarily by the higher costs associated with the expanding *easyfinancial* business and higher corporate costs. Total operating expenses before depreciation and amortization represented 66.5% of revenue for the fourth quarter of 2016, an increase from the 64.9% reported in the fourth quarter of 2015.

easyfinancial: Total operating expenses before depreciation and amortization were $34.8 million for the fourth quarter of 2016, an increase of $6.2 million or 21.5% from the fourth quarter of 2015. Operating expenses, excluding bad debt, increased by $3.7 million or 24.4% in the quarter driven by: i) an additional $1.3 million in advertising and marketing spend to support the growth in originations; ii) higher operating costs of additional branches and the maturing branch network; and iii) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 202 as at December 31, 2015 to 208 as at December 31, 2016.

Bad debt expense increased to $15.9 million for the fourth quarter of 2016 from $13.5 million during the comparable period in 2015, up $2.5 million or 18.3%. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 15.8% in the quarter compared with 15.5% in the fourth quarter of 2015. While rates of delinquency have improved, the year-over-year charge-off rate has increased due to an increase in customer bankruptcy filings and the slowing growth rate of the gross consumer loans receivable portfolio.

easyhome: Total operating expenses before depreciation and amortization were $18.2 million for the fourth quarter of 2016, a decrease of $0.3 million when compared with the fourth quarter of 2015. Cost savings associated with the reduced store count were partially offset by a $0.3 million increase in advertising spend in the current quarter. Consolidated leasing store count declined by ten from 158 as at December 31, 2015 to 148 as at the current year end.

Corporate: Total operating expenses before depreciation and amortization were $7.7 million for the fourth quarter of 2016 compared to $6.7 million in the fourth quarter of 2015, an increase of $1.0 million. The increase was related to higher salary and administrative costs in the fourth quarter of 2016. Corporate expenses before depreciation represented 8.4% of revenue in the fourth quarter of 2016 compared to 8.1% of revenue in the fourth quarter of 2015.

Depreciation and Amortization

Depreciation and amortization for the three month period ended December 31, 2016 was $13.4 million, a decrease of $0.7 million from the comparable period in 2015. Overall, depreciation and amortization represented 14.7% of revenue for the three months ended December 31, 2016, a decrease from 17.0% reported in the comparable period of 2015.

The $0.2 million increase in depreciation and amortization within *easyfinancial* was attributable to its growing branch network and the amortization of new systems.

easyhome depreciation and amortization expense declined by $0.9 million in the fourth quarter of 2016 compared to the fourth quarter of 2015 due to reductions in the lease portfolio (as described in the analysis of *easyhome*'s revenue). *easyhome* depreciation and amortization expressed as a percentage of *easyhome* revenue for the quarter was 32.7%, decreased slightly from the 32.8% reported in the fourth quarter of 2015.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three month period ended December 31, 2016 was $17.2 million, an increase of $2.2 million or 14.6% compared to $15.0 million in 2015. The growth in operating income was driven by the expansion of *easyfinancial* and its improved operating margins but was partially offset by lower operating income from *easyhome* and higher corporate expenses. Overall, operating margin for the quarter was 18.8%, increased from the 18.1% reported in the fourth quarter of 2015.

easyfinancial: Operating income was $19.6 million for the fourth quarter of 2016 compared with $14.8 million for the comparable period in 2015, an increase of $4.8 million or 32.4%. Operating margin was 34.9% in the quarter compared with 32.9% reported in the fourth quarter of 2015. The increase in operating income and margin was driven primarily by the growth of the consumer loans receivable portfolio and the increasing scale of this business.

easyhome: Operating income was $5.5 million for the fourth quarter of 2016, a decrease of $1.5 million when compared with the fourth quarter of 2015. The reduction in operating income was primarily driven by the reduced size of the lease portfolio and associated revenue as previously described, coupled with the additional advertising spend incurred in the current quarter. Operating margin for the fourth quarter of 2016 was 15.6%, a decrease from the 18.5% reported in the fourth quarter of 2015.

Finance Costs

Finance costs for the three month period ended December 31, 2016 were $5.7 million, up $1.1 million from the same period in 2015. This increase in finance costs was driven by higher average borrowing levels.

Income Tax Expense

The effective income tax rate for the fourth quarter of 2016 was 27.3%, consistent with the 27.5% reported in the fourth quarter of 2015.

Net Income and EPS

Net income for the fourth quarter of 2016 was $8.3 million or $0.60 per share on a diluted basis compared with $7.5 million or $0.54 per share for the fourth quarter of 2015, increases of 10.8% and 11.1%, respectively. As indicated above, diluted earnings per share in the fourth quarter of 2016 was reduced by $0.05 due to the one-time impacts on commissions associated with the transition of the Company's creditor life insurance product to a new provider.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	Dec. 2016	Sep. 2016	Jun. 2016	Mar. 2016	Dec. 2015	Sept. 2015	Jun. 2015	Mar. 2015	Dec. 2014
Revenue	**91.3**	87.8	86.1	82.3	82.9	78.0	72.9	70.5	70.0
Net income for the period	**8.3**	4.9	10.5	7.3	7.5	6.3	5.0	4.9	7.1
Net income for the period as a percentage of revenue	**9.1%**	5.6%	12.2%	8.8%	9.1%	8.0%	6.9%	7.0%	10.2%
Earnings per Share[1]									
Basic	**0.62**	0.37	0.77	0.54	0.56	0.46	0.37	0.36	0.53
Diluted	**0.60**	0.36	0.75	0.52	0.54	0.45	0.36	0.35	0.51

[1] Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued or repurchased during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.

Portfolio Analysis

The Company generates its revenue from a portfolio of consumer loans receivable and lease agreements that are originated through the initial transaction with its customers. To a large extent, the business results for a period are determined by the performance of these portfolios, and the make-up of the portfolios at the end of a period are an important indicator of future business results.

The Company measures the performance of its portfolios during a period and their make-up at the end of a period using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Consumer Loans Receivable Portfolio

Loan Originations and Net Principal Written

Gross loan originations is the value of all consumer loans receivable advanced to the Company's customers during the period where new credit underwritings have been performed. Included in gross loan originations are loans to new customers and new loans to existing customers, a portion of which is applied to eliminate their prior borrowings.

When the Company extends additional credit to an existing customer, a full credit underwriting is performed using up-to-date information. Additionally, the loan repayment history of that customer throughout their relationship with the Company is considered in the credit decision. As a result, the quality of the credit decision is improved and is expected to result in better performance.

Net principal written details the Company's gross loan originations during a period, excluding that portion of the originations that has been used to eliminate the prior borrowings.

The gross loans originations and net principal written during the period were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Loan originations to new customers	**47,310**	45,804	**168,347**	144,807
Loan originations to existing customers	**70,215**	65,091	**230,392**	185,882
Less: Proceeds applied to repay existing loans	**(36,796)**	(31,565)	**(119,073)**	(88,830)
Net advance to existing customers	**33,419**	33,526	**111,319**	97,052
Net principal written	**80,729**	79,330	**279,666**	241,859

Gross Consumer Loans Receivable

The measure that the Company uses to describe the size of its *easyfinancial* portfolio is gross consumer loans receivable. Gross consumer loans receivable reflects the period-end balance of the portfolio before provisioning for potential future charge-offs. Growth in gross consumer loans receivable is driven by several factors including an increased number of customers and an increased loan value per customer. The changes in the gross consumer loans receivable portfolio during the periods were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Opening gross consumer loans receivable	**343,711**	253,607	**289,426**	192,225
Gross loan originations	**117,525**	110,895	**398,739**	330,689
Gross principal payments and other adjustments	**(74,796)**	(63,289)	**(260,476)**	(194,527)
Gross charge-offs before recoveries	**(15,923)**	(11,787)	**(57,172)**	(38,961)
Net growth in gross consumer loans receivable during the period	**26,806**	35,819	**81,091**	97,201
Ending gross consumer loans receivable	**370,517**	289,426	**370,517**	289,426

Net Charge-Offs

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge-offs of delinquent customers. The Company charges off delinquent customers when they are 90 days contractually in arrears. Subsequent collections of previously charged-off accounts are netted with gross charge-offs during a period to arrive at net charge-offs.

Average gross consumer loans receivable has been calculated based on the average of the month-end loan balances for the indicated period. This metric is a measure of the collection performance of the *easyfinancial* consumer loans receivable portfolio. For interim periods, the rate is annualized.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Net charge-offs	**14,196**	10,707	**50,677**	35,000
Average gross consumer loans receivable	**360,367**	275,714	**329,019**	236,392
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**15.8%**	15.5%	**15.4%**	14.8%

easyfinancial Bad Debt Expense

The Company's bad debt expense for a period includes the net charge-offs for that particular period plus any increases or decreases to its allowance for loan losses. The details of the Company's bad debt expense for the periods were as follows:

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Net charge-offs	**14,196**	10,707	**50,677**	35,000
Net increase in allowance for loan losses	**1,740**	2,765	**4,991**	6,933
Bad debt expense	**15,936**	13,472	**55,668**	41,933
easyfinancial revenue	**55,999**	44,826	**204,076**	151,668
Bad debt expense as a percentage of *easyfinancial* revenue	**28.5%**	30.1%	**27.3%**	27.6%

easyfinancial Allowance for Loan Losses

The allowance for loan losses is a provision that is reported on the Company's balance sheet that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for loan losses provides for a portion of the future charge-offs that have not yet occurred within the portfolio of consumer loans receivable that exist at the end of a period. It is determined by the Company using a standard calculation that considers i) the relative maturity of the loans within the portfolio; ii) the long-term expected charge-off rates based on actual historical performance; and iii) the long-term expected charge-off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimates the charge-offs that are expected to occur over the subsequent five month period for loans that existed as of the balance sheet date. Customer loan balances which are delinquent greater than 90 days are written off against the allowance for loan losses.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Allowance for loan losses, beginning of period	**21,716**	15,700	**18,465**	11,532
Net charge-offs written off against the allowance	**(14,196)**	(10,707)	**(50,677)**	(35,000)
Increase in allowance due to lending and collection activities	**15,936**	13,472	**55,668**	41,933
Allowance for loan losses, ending of period	**23,456**	18,465	**23,456**	18,465
Allowance for loan losses as a percentage of the ending gross consumer loans receivable	**6.3%**	6.4%	**6.3%**	6.4%

Aging of the Consumer Loans Receivable Portfolio

An aging analysis of the consumer loans receivable portfolio at the end of the periods was as follows:

	December 31, 2016		December 31, 2015	
($ in 000's)	$	% of total	$	% of total
Current	**348,877**	**94.2%**	269,711	93.2%
Days past due				
1 - 30 days	**13,468**	**3.6%**	12,282	4.2%
31 - 44 days	**2,712**	**0.7%**	2,256	0.8%
45 - 60 days	**2,366**	**0.6%**	1,919	0.7%
61 - 90 days	**3,094**	**0.8%**	3,258	1.1%
	21,640	**5.8%**	19,715	6.8%
Gross consumer loans receivable	**370,517**	**100.0%**	289,426	100.0%

A large portion of the Company's consumer loans receivable portfolio operates on a bi-weekly rather than monthly repayment cycle. As such, the aging analysis between different fiscal periods may not be comparable depending upon the day of the week on which the fiscal period ends. An alternate aging analysis prepared as of the last Saturday of the fiscal periods often presents a more relevant comparison.

An aging analysis of the consumer loans receivable portfolio as of the last Saturday of the periods was as follows:

($ in 000's)	Saturday, December 31, 2016 % of total	Saturday, December 26, 2015 % of total
Current	**94.2%**	92.6%
Days past due		
1 – 30 days	**3.6%**	4.8%
31 – 44 days	**0.7%**	0.7%
45 – 60 days	**0.6%**	0.8%
61 – 90 days	**0.8%**	1.1%
	5.8%	7.4%
Gross consumer loans receivable	**100.0%**	100.0%

easyfinancial Consumer Loans Receivable Portfolio by Geography

At the end of the periods, the Company's *easyfinancial* consumer loans receivable portfolio was allocated among the following geographic regions:

	December 31, 2016		December 31, 2015	
($ in 000's except percentages)	$	% of total	$	% of total
Newfoundland & Labrador	**19,032**	**5.1%**	15,753	5.4%
Nova Scotia	**27,434**	**7.4%**	23,501	8.1%
Prince Edward Island	**5,066**	**1.4%**	3,849	1.3%
New Brunswick	**21,060**	**5.7%**	16,227	5.6%
Quebec	**–**	**–**	–	–
Ontario	**164,541**	**44.4%**	126,832	44.0%
Manitoba	**15,290**	**4.1%**	11,412	3.9%
Saskatchewan	**19,832**	**5.4%**	15,560	5.4%
Alberta	**49,811**	**13.4%**	41,097	14.2%
British Columbia	**44,186**	**11.9%**	32,491	11.2%
Territories	**4,265**	**1.2%**	2,704	0.9%
Gross consumer loans receivable	**370,517**	**100.0%**	289,426	100.0%

easyhome Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio through potential monthly lease revenue. Potential monthly lease revenue reflects the revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments due in that period. Growth in potential monthly lease revenue is driven by several factors including an increased number of customers, an increased number of leased assets per customer as well as an increase in the average price of the leased items.

The change in the potential monthly lease revenue during the periods was as follows:

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Opening potential monthly lease revenue	**9,714**	10,555	**10,651**	10,955
Increase due to store openings or acquisitions during the period	**–**	–	**–**	548
Decrease due to store closures or sales during the period	**(183)**	(218)	**(450)**	(754)
Increase/(Decrease) due to ongoing operations	**355**	314	**(315)**	(98)
Net change	**172**	96	**(765)**	(304)
Ending potential monthly lease revenue	**9,886**	10,651	**9,886**	10,651

easyhome Portfolio by Product Category

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated among the following product categories:

($ in 000's)	Dec. 31, 2016	Dec. 31, 2015
Furniture	**4,243**	4,369
Appliances	**1,133**	1,174
Electronics	**3,228**	3,547
Computers	**1,282**	1,561
Potential monthly lease revenue	**9,886**	10,651

easyhome Portfolio by Geography

At the end of the periods, the Company's Leasing portfolio as measured by potential monthly lease revenue was allocated among the following geographic regions:

	December 31, 2016		December 31, 2015	
($ in 000's except percentages)	$	% of total	$	% of total
Newfoundland & Labrador	**814**	**8.2%**	936	8.8%
Nova Scotia	**837**	**8.5%**	842	7.9%
Prince Edward Island	**172**	**1.7%**	199	1.9%
New Brunswick	**746**	**7.6%**	729	6.8%
Quebec	**593**	**6.0%**	575	5.4%
Ontario	**3,454**	**34.9%**	3,900	36.5%
Manitoba	**263**	**2.7%**	263	2.5%
Saskatchewan	**527**	**5.3%**	613	5.8%
Alberta	**1,341**	**13.6%**	1,470	13.8%
British Columbia	**1,002**	**10.1%**	986	9.3%
USA	**137**	**1.4%**	138	1.3%
Potential monthly lease revenue	**9,886**	**100.0%**	10,651	100.0%

easyhome Charge-Offs

When *easyhome* enters into a leasing transaction with a customer, a sale is not recorded as the Company retains ownership of the related asset under the lease. Instead, the Company recognizes its leasing revenue over the term of the lease as payments are received from the customer. Periodically, the lease agreement is terminated by the customer or by the Company prior to the anticipated end date of the lease and the assets are returned by the customer to the Company. In some instances, the Company is unable to regain possession of the assets which are then charged off. Net charge-offs (charge-offs less subsequent recoveries of previously charged-off assets) are included in the depreciation of lease assets expense for financial reporting purposes.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Net charge-offs	**1,191**	1,254	**4,821**	4,292
Leasing revenue	**35,295**	38,049	**143,429**	152,605
Net charge-offs as a percentage of *easyhome* revenue	**3.4%**	3.3%	**3.4%**	2.8%

Key Performance Indicators and Non-IFRS Measures

IIn addition to the reported financial results under IFRS and the metrics described in the Portfolio Analysis section of this MD&A, the Company also measures the success of its strategy using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Several non-IFRS measures that are used throughout this discussion are defined as follows:

Same-Store Revenue Growth

Same-store revenue growth measures the revenue growth for all stores that have been open for a minimum of 15 months. To calculate same-store revenue growth for a period, the revenue for that period is compared to the same period in the prior year. Same-store revenue growth is influenced by both the Company's product offerings as well as the number of stores which have been open for a 12-36 month time frame, as these stores tend to be in the strongest period of growth at this time.

	Three Months Ended		Year Ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Same-store revenue growth	**12.6%**	16.5%	**12.1%**	16.3%
Same-store revenue growth excluding *easyfinancial*	**(1.9%)**	5.0%	**(1.1%)**	4.7%

Adjusted Operating Income, Adjusted Operating Margin, Adjusted Net Income, Adjusted Earnings Per Share

At various times, operating income, operating margin, net income and earnings per share may be affected by unusual items that have occurred in the period and impact the comparability of these measures with other periods. The Company defines operating margin as operating income divided by revenue. Items are considered unusual if they are outside of normal business activities, significant in amount and scope and are not expected to occur on a recurring basis. The Company defines i) adjusted operating income as operating income excluding such unusual and non-recurring items; ii) adjusted net income as net income excluding such items; and iii) adjusted earnings per share as diluted earnings per share excluding such items. The Company believes that adjusted operating income, adjusted net income and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items used to adjust operating income, net income and earnings per share for the three months and years ended December 31, 2016 and 2015 include those indicated in the chart below:

	Three Months Ended		Year Ended	
($ in 000's except earnings per share and percentages)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Operating income as stated	**17,175**	14,991	**62,516**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Operating margin	**18.8%**	18.1%	**18.0%**	15.8%
Operating income as stated	**17,175**	14,991	**62,516**	48,052
Other income[1]	**–**	–	**(3,000)**	–
Transaction advisory costs[2]	**–**	–	**6,382**	–
Adjusted operating income	**17,175**	14,991	**65,898**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Adjusted operating margin	**18.8%**	18.1%	**19.0%**	15.8%
Net income as stated	**8,342**	7,532	**31,049**	23,728
Other income[1]	**–**	–	**(3,000)**	–
Transaction advisory costs[2]	**–**	–	**6,382**	–
Tax impact of above items	**–**	–	**(1,276)**	–
After tax impact of above items	**–**	–	**2,106**	–
Adjusted net income	**8,342**	7,532	**33,155**	23,728
Weighted average number of diluted shares outstanding	**13,991**	14,069	**13,908**	14,037
Diluted earnings per share as stated	**0.60**	0.54	**2.23**	1.69
Per share impact of other income and transaction advisory costs	**–**	–	**0.15**	–
Adjusted earnings per share	**0.60**	0.54	**2.38**	1.69

[1] On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.
[2] During the year ended December 31, 2016, the Company incurred transaction advisory costs related to a potential acquisition of $6.4 million.

Operating Expenses Before Depreciation and Amortization

The Company defines operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses for the period. The Company believes that operating expenses before depreciation and amortization is an important measure of the cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods.

	Three Months Ended	
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2015
Operating expenses before depreciation and amortization	**60,702**	53,813
Divided by revenue	**91,294**	82,875
Operating expenses before depreciation and amortization as % of revenue	**66.5%**	64.9%

	Year Ended		
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2016 (adjusted)	Dec. 31, 2015
Operating expenses before depreciation and amortization as stated	**233,652**	**233,652**	200,125
Transaction advisory costs included in operating expenses	**–**	**(6,382)**	–
Adjusted operating expenses before depreciation and amortization	**233,652**	**227,270**	200,125
Divided by revenue	**347,505**	**347,505**	304,273
Operating expenses before depreciation and amortization as % of revenue	**67.2%**	**65.4%**	65.8%

Operating Margin

The Company defines operating margin as operating income divided by revenue for the Company as a whole and for its operating segments: *easyhome* and *easyfinancial*. The Company believes operating margin is an important measure of the profitability of its operations, which in turn assists it in assessing the Company's ability to generate cash to pay interest on its debt and to pay dividends.

($ in 000's except percentages)	Three Months Ended		Year Ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
easyfinancial				
Operating income	**19,552**	14,761	**74,754**	46,772
Divided by revenue	**55,999**	44,826	**204,076**	151,668
***easyfinancial* operating margin**	**34.9%**	32.9%	**36.6%**	30.8%
easyhome				
Operating income	**5,493**	7,040	**21,537**	24,667
Divided by revenue	**35,295**	38,049	**143,429**	152,605
***easyhome* operating margin**	**15.6%**	18.5%	**15.0%**	16.2%
Total				
Operating income	**17,175**	14,991	**62,516**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Total operating margin	**18.8%**	18.1%	**18.0%**	15.8%
Total (adjusted)				
Operating income as stated	**17,175**	14,991	**62,516**	48,052
Other income	**–**	–	**(3,000)**	–
Transaction advisory costs	**–**	–	**6,382**	–
Adjusted operating income	**17,175**	14,991	**65,898**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Total (adjusted) operating margin	**18.8%**	18.1%	**19.0%**	15.8%

Earnings before Interest, Taxes, Depreciation and Amortization ["EBITDA"] and EBITDA Margin

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, excluding depreciation of leased assets. The Company uses EBITDA, among other measures, to assess the operating performance of its ongoing businesses. EBITDA margin is calculated as EBITDA divided by revenue.

	Three Months Ended	
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2015
Net income	**8,342**	7,532
Finance costs	**5,702**	4,605
Income Tax Expense	**3,131**	2,854
Depreciation and amortization, excluding dep. of lease assets	**2,628**	2,170
EBITDA	**19,803**	17,161
Divided by revenue	**91,294**	82,875
EBITDA margin	**21.7%**	20.7%

	Year Ended		
($ in 000's except percentages)	Dec. 31, 2016	Dec. 31, 2016 (adjusted)	Dec. 31, 2015
Net income as stated	**31,049**	**31,049**	23,728
Finance costs	**21,048**	**21,048**	15,334
Income Tax Expense	**10,419**	**10,419**	8,990
Depreciation and amortization, excluding dep. of lease assets	**10,107**	**10,107**	8,689
EBITDA	**72,623**	**72,623**	56,741
Other income	**–**	**(3,000)**	–
Transaction advisory costs	**–**	**6,382**	–
Adjusted EBITDA	**72,623**	**76,005**	56,741
Divided by revenue	**347,505**	**347,505**	304,273
EBITDA margin	**20.9%**	**21.9%**	18.6%

Return on Equity

The Company defines return on equity as annualized net income in the period divided by average shareholders' equity for the period. The Company believes return on equity is an important measure of how shareholders' invested capital is utilized in the business.

($ in 000's except percentages)	Three Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
Net income	**8,342**	7,532
Multiplied by number of periods in year	**X 4/1**	X 4/1
Divided by average shareholders' equity for the period	**192,049**	172,446
Return on equity	**17.4%**	17.5%

($ in 000's except percentages)	Year Ended		
	Dec. 31, 2016	Dec. 31, 2016 (adjusted)	Dec. 31, 2015
Net income as stated	**31,049**	**31,049**	23,728
Other income	**–**	**(3,000)**	–
Transaction advisory costs	**–**	**6,382**	–
Tax impact of other income & transaction advisory costs	**–**	**(1,276)**	–
After tax impact	**–**	**2,106**	–
Adjusted net income	**31,049**	**33,155**	23,728
Divided by average shareholders' equity for the period	**185,210**	**185,210**	164,480
Return on equity	**16.8%**	**17.9%**	14.4%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at December 31, 2016 and December 31, 2015.

($ in 000's except for ratios)	Dec. 31, 2016	Dec. 31, 2015
Consumer loans receivable, net	**354,499**	274,481
Lease assets	**55,288**	60,753
Cash	**24,928**	11,389
Property and equipment	**16,103**	18,689
Intangible assets	**14,312**	14,041
Amounts receivable	**7,857**	9,480
Other assets	**30,075**	29,669
Total assets	**503,062**	418,502
External debt (includes term loan)	**263,294**	211,720
Other liabilities	**43,737**	30,723
Total liabilities	**307,031**	242,443
Shareholders' equity	**196,031**	176,059
Total capitalization (total debt plus total shareholders' equity)	**459,325**	387,779
External debt to shareholders' equity	**1.34**	1.20
External debt to total capitalization	**0.57**	0.55
External debt to EBITDA[1]	**3.46**	3.73

[1] EBITDA excludes the impact of other income and transaction advisory costs and is expressed on a trailing 12-month basis.

Total assets were $503.1 million as at December 31, 2016, an increase of $84.6 million or 20.2% over December 31, 2015. The growth in total assets was driven primarily by: i) the increased size of the consumer loans receivable portfolio (net of allowance) which increased by $80.0 million over the past 12 months; ii) a $13.5 million increase in cash on hand related to the timing of advances on the Company's credit facilities; and iii) offset by a $5.5 million decrease in lease assets due to the decline in the lease portfolio driven in large part by the sale of stores to franchisees and the closures of under-performing stores.

The $84.6 million growth in total assets was financed by a $51.6 million increase in external debt, a $20.0 million increase in total shareholder's equity and a $13.0 million increase in other liabilities. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of *easyfinancial*.

The Company's credit facilities consisted of a $280 million term loan and a $20 million revolving operating facility. As at December 31, 2016, $267.5 million had been drawn under the Company's term loan. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 699 bps with a 799 bps floor, while borrowings under the revolving operating facility bore interest at the lender's prime rate plus 175 to 275 bps depending on the Company's EBITDA ratio. The Company's credit facilities expire on October 4, 2019 and are secured by a first charge over substantially all assets of the Company. As at December 31, 2016, the Company's interest rates under the term loan and revolving operating facility were 7.99% and 5.45%, respectively.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three Months Ended		Year Ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Cash provided by operating activities before issuance of consumer loans receivable	**39,390**	37,718	**153,305**	114,166
Net issuance of consumer loans receivable	**(43,025)**	(47,131)	**(135,686)**	(132,805)
Cash (used in) provided by operating activities	**(3,635)**	(9,413)	**17,619**	(18,639)
Cash used in investing activities	**(12,792)**	(13,451)	**(41,516)**	(54,916)
Cash provided by financing activities	**11,603**	11,992	**37,436**	83,779
Net (decrease) increase in cash for the period	**(4,824)**	(10,872)	**13,539**	10,224

Cash flows used in operating activities for the three month period ended December 31, 2016 were $3.6 million. Included in this amount was a net investment of $43.0 million to increase the *easyfinancial* consumer loans receivable portfolio. If this net investment in the *easyfinancial* consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $39.4 million in the fourth quarter of 2016, up $1.7 million compared to the same period of 2015 driven primarily by i) higher net income; and ii) an increase in non-cash expenses such as bad debts.

Cash flows provided by operating activities in the fourth quarter of 2016 enabled the Company to: i) meet the growth demands of *easyfinancial* as described above; ii) invest $12.7 million in new lease assets; iii) invest $2.0 million in additional property and equipment and intangible assets (specifically internally developed software); and iv) maintain its dividend payments.

During the fourth quarter of 2016, the Company generated $11.6 million in cash flow from financing activities as the Company increased its borrowings under the credit facility to finance the growth of *easyfinancial*.

Cash flows provided by operating activities for the year ended December 31, 2016 were $17.6 million. Included in this amount was a net investment of $135.7 million to increase the *easyfinancial* consumer loans receivable portfolio. If this net investment in the *easyfinancial* consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $153.3 million in the year, up $39.1 million or 34.3% compared to 2015 driven primarily by: i) higher net income; ii) improvements in working capital; and iii) an increase in non-cash expenses such as bad debts.

Cash flows provided by operating activities for the year ended December 31, 2016 enabled the Company to: i) meet the growth demands of *easyfinancial* as described above; ii) invest $40.6 million in new lease assets; iii) invest $8.3 million in additional property and equipment and intangible assets; and iv) maintain its dividend payments.

During the year ended December 31, 2016, the Company generated $37.4 million in cash flow from financing activities related primarily to increased borrowings under the Company's credit facility.

The Company believes that the cash flows provided by operations will be sufficient in the near-term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. Also, the additional availability under the Company's amended credit facilities will allow the Company to achieve its targets for the growth of its consumer loans receivable portfolio into 2017. However, for *easyfinancial* to achieve its full long-term growth potential, additional sources of financing over and above the currently available credit facility and term loan will be required in 2017. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Outstanding Shares and Dividends

As at February 15, 2017 there were 13,326,111 common shares, 146,708 DSUs, 470,734 options, 600,533 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

On June 23, 2015, the Company announced the acceptance by the Toronto Stock Exchange (the "TSX") of the Company's Notice of Intention to Make a Normal Course Issuer Bid. This initial NCIB terminated on June 24, 2016. As of December 31, 2016, the Company had purchased and cancelled 452,341 of its common shares on the open market under this initial NCIB at an average price of $18.14 per share for a total cost of $8.2 million.

On June 22, 2016, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid to commence June 27, 2016, (the "Notice of Intention"). Pursuant to this second NCIB, the Company proposes to purchase, from time to time, if it is considered advisable, up to an aggregate of 986,105 common shares which represented approximately 7.3% of the 13,488,603 common shares issued and outstanding as at June 10, 2016. The Company had an average daily trading volume for the six months prior to May 31, 2016 of 28,219 shares.

Under the June 27, 2016 NCIB, daily purchases will be limited to 6,494 common shares, other than block purchase exemptions. The purchases may commence on June 27, 2016 and will terminate on June 26, 2017 or on such earlier date as *goeasy* may complete its purchases pursuant to the Notice of Intention. The purchases made by *goeasy* will be effected through the facilities of the TSX, as well as alternative trading systems, and in accordance with the rules of the TSX. The price that the Company will pay for any common shares will be the market price of such shares at the time of acquisition. The Company will not purchase any common shares other than by open-market purchases.

As of December 31, 2016, the Company had repurchased and cancelled 94,500 of its common shares on the open market under this June 27, 2016 NCIB at an average price of $17.94 per share for a total cost of $1.7 million.

Dividends

On February 17, 2016, the Company increased the dividend rate by 25% from $0.10 to $0.125. For the quarter ended December 31, 2016, the Company paid a $0.125 per share quarterly dividend on outstanding common shares. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends can be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

The following table sets forth the quarterly dividends paid by the Company in the fourth quarter of the years indicated:

	2016	2015	2014	2013	2012	2011	2010
Dividend per share	**$ 0.125**	$ 0.100	$ 0.085	$ 0.085	$ 0.085	$ 0.085	$ 0.085
Percentage increase	**25.0%**	17.6%	0.0%	0.0%	0.0%	0.0%	0.0%

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to long-term service contracts and operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs and other commitments required for the next five years and thereafter are as follows:

($ in 000's)	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Premises	23,236	38,188	371
Other operating lease obligations	1,080	2,934	11
Other	8,432	23,358	–
Total contractual obligations	**32,748**	**64,480**	**382**

Contingencies

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance or cash flows.

The Company has agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

Risk Factors

Overview

The Company's activities are exposed to a variety of commercial, operational, financial and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

Commercial Risks

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years, the Company has strengthened its hiring competencies and training programs.

In particular, the Company is dependent upon the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could have a material adverse impact on its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store and branch level, the Company requires a growing number of qualified managers and other store or branch personnel to successfully operate its expanding branch and store network. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining the personnel it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Competition

easyfinancial: The Company estimates that size of the Canadian market for non-prime consumer lending, excluding mortgages, is in excess of $165 billion. This demand is currently being met by a wide variety of industry participants that offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product offering rather than providing consumers with multiple alternatives. As a result, the suppliers to the marketplace are quite diverse.

Competition in the non-prime consumer lending market is based primarily on access, flexibility and cost (interest rates). Consumers are generally able to transition between the different types of lending products that are available in the marketplace to satisfy their need for these different characteristics.

The Company expects the competition for non-prime consumer lending in Canada will continue to shift for the foreseeable future. While traditional financial institutions are likely to decrease their risk tolerance and move farther away from non-prime lending, regional financial institutions such as credit unions, payday lenders, marketplace lenders and on-line lenders are expected to continue their expansion into the non-prime market.

Although there may be other, larger companies that offer non-prime lending products to Canadian consumers, the Company believes that the potential marketplace is sufficiently large enough that such competition will not adversely affect the Company's operational results in the near term. Additionally, the large volume of data relating to its customers and related loan performance which the Company has compiled and uses to create its loan underwriting models forms an effective barrier to entry

easyhome: The Company faces limited direct competition in the Canadian market from other merchandise leasing companies. Other competitive factors exist that may adversely affect the performance of the leasing business including increased sales of used furniture and electronics on-line as well as retail stores that offer a non-prime point-of-sale purchase financing option. Additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

Macroeconomic Conditions

Certain changes in macroeconomic conditions can have a negative impact on the Company's customers and its performance. The Company's primary customer segment is the cash and credit constrained individual. These customers are affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower the Company's collection rates and result in higher loss charge-off rates and adversely affect the Company's performance, financial condition and liquidity. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economic environment will change.

Litigation

From time to time and in the normal course of business the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Operational Risks

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud, non-compliance with mandated policies and procedures or other inappropriate behaviour) or inadequacy, or the failure of processes, procedures or controls. The impact may include financial loss, loss

of reputation, loss of competitive position or regulatory and civil penalties. While operational risk cannot be eliminated, the Company takes reasonable steps to mitigate this risk by putting in place a system of oversight, policies, procedures and internal controls.

Strategic Risk

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for the Company's products or services, improper implementation of decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape.

The Company believes it has the correct strategy to address the current market opportunities. The Company's growth strategy is focused on *easyfinancial*. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional locations for *easyfinancial*, to grow its consumer loans receivable portfolio, to access customers through new delivery channels, to successfully develop and launch new products to meet evolving customer demands, to maintain profitability levels within the mature *easyhome* business and to execute with efficiency and effectiveness.

The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Credit Risk

Credit risk is the risk of loss that arises when a customer or third party fails to pay an amount owing to the Company.

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's Credit Committee comprised of members of senior management. Credit quality of the customer is assessed using proprietary credit scorecards and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. The Company develops underwriting models based on the historical performance of groups of customer loans which guide its lending decisions. To the extent that such historical data used to develop its underwriting models is not representative or predictive of current loan book performance, the Company could suffer increased loan losses.

The Company maintains an allowance for loan losses (i.e. expected losses that will be incurred in relation to the Company's consumer loan's portfolio). The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial condition. It is determined by the Company using a standard calculation that considers: i) the relative maturity of the loans within the portfolio; ii) the long-term expected charge-off rates based on actual historical performance; and iii) the long-term expected charge-off pattern (timing) for a vintage of loans over their life based on actual historical performance. To the extent that such historical data used to develop its allowance for loans losses is not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its financial statements.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly and have a material adverse effect on the financial results of the Company.

For *easyhome*, the credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed upon payments or in their not returning the leased asset. The Company has a standard collection process in place in the event of payment default, which concludes with the recovery of the lease asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the lease assets until payment options are exercised.

For amounts receivable from third parties the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of debtors and creates an allowance on its financial statements for uncollectible amounts where determined to be appropriate.

The Company has established a Credit Committee and created processes and procedures to identify, measure, monitor and mitigate significant credit risks. However to the extent that such risks go unidentified or are not adequately or expeditiously addressed by senior management the Company could be adversely affected.

Technology Risk

The Company is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially impact the Company's ability to enter into new lease or lending transactions and service or collect customer accounts. Although the Company has extensive information technology security and disaster recovery plans, such a failure, if sustained, could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company's operations rely heavily on the secure processing, storage and transmission of confidential customer information. While the Company has taken reasonable steps to protect its data and that of its customers, the risk of the Company's inability to protect customer information, or breaches in the Company's information systems, may adversely affect the Company's reputation and result in significant costs or regulatory penalties and remedial action.

Breach of Information Security

The Company's operations rely heavily on the secure processing, storage and transmission of confidential and sensitive customer and other information through its information technology network. Other risks include the Company's use of third party vendors with access to its network that may increase the risk of a cyber security breach. Third party breaches or inadequate levels of cyber security expertise and safeguards may expose the Company, directly or indirectly, to security breaches.

A breach, unauthorized access, computer virus, or other form of malicious attack on the Company's information security may result in the compromise of confidential and/or sensitive customer or employee information, destruction or corruption of data, reputational harm affecting customer and investor confidence, and a disruption in the management of customer relationships or the inability to originate, process and service its leasing or lending portfolios which could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

To mitigate the risk of an information security breach, the Company regularly assesses such risks, has a disaster recovery plan in place and has implemented reasonable controls over unauthorized access. The store network and corporate administrative offices, including centralized operations, takes reasonable measures to protect the security of its information systems (including against cyber-attacks). The Chief Information Officer of the Company oversees information security. However, such a cyber-attack or data breach could have a material adverse effect on the Company and its financial condition, liquidity and results of operations.

Privacy, Information Security, and Data Protection Regulations

The Company is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security may adversely affect the Company's reputation and also result in fines or penalties from governmental bodies or regulators.

Internal Controls over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company is also obligated to comply with the Form 52-109F2 Certification of interim filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly certificate of compliance. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Risk Management Processes and Procedures

The Company has established a Risk Oversight Committee and created processes and procedures to identify, measure, monitor and mitigate significant risks to the organization. However, to the extent such risks go unidentified or are not adequately or expeditiously addressed by management, the Company could be adversely affected.

Financial Risks

Inadequate Access to Financing

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

The Company has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, it will require additional funds which can be obtained through various sources, including debt or equity financing. There can be no assurance, however, that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all credit facilities bear interest at variable rates. The Company does not hedge its interest rate risks and future changes in interest rates will affect the amount of interest expense payable by the Company.

Foreign Exchange

The Company sources some of its merchandise out of the U.S. and, as such, the Company's Canadian operations have U.S. denominated cash and payable balances. While the Company sold off most of its U.S. franchise rights in 2014, it continues to have some operations in the U.S. As a result, the Company has both foreign exchange transaction and translation risk.

Although *easyhome* has U.S. dollar denominated purchases, the Company has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However, in periods of rapid change in the Canadian to U.S. dollar exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact the Company's financial performance. The Company currently does not actively hedge foreign currency risk and transacts in foreign currencies on a spot basis.

Liquidity Risk

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support its business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, share repurchases, the payment of dividends, increasing or decreasing debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly from the prior period.

The Company's revolving operating facility and term debt facility must be renewed on a periodic basis. These facilities contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. The facilities also contain a number of covenants that require the Company to maintain certain specified financial ratios. Failure to meet any of these covenants could result in an event of default under these facilities which could, in turn, allow the lenders to declare all amounts outstanding to be immediately due and payable. In such a case, the financial condition, liquidity and results of operations of the Company could materially suffer.

The Company has been successful in renewing and expanding its credit facilities in the past to meet the needs of its growing *easyfinancial* business. If the Company were unable to renew these facilities on acceptable terms when they became due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company has significant debt that is subject to certain financial and non-financial covenants. A violation of any or all of the debt covenants may result in the lender requiring the Company to repay the outstanding debt, which would have a material adverse effect on the Company's financial position, liquidity and results of operation.

Possible Volatility of Stock Price

The market price of the Company's Common Shares, similar to that of many other Canadian (and indeed worldwide) companies, has been subject to significant fluctuation in response to numerous factors, including significant shifts in the availability of global credit, swings in macro-economic performance due to volatile shifts in oil prices and unexpected natural disasters, the recent credit crisis and related recession, economic shock such as the recent decline in oil prices and the related impact on the Canadian economy, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. No prediction can

be made as to the effect, if any, that future sales of Common Shares or the availability of shares for future sale (including shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the Common Shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

Regulatory Risks

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses including the salability or pricing of certain ancillary products which could have a material adverse effect on the Company.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. The Company takes reasonable steps to ensure compliance with such laws and regulations.

The Company currently operates in an unregulated environment with regard to capital requirements. The *Criminal Code* of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

The Company's critical accounting estimates are fully described in the Company's December 31, 2016 Notes to the Financial Statements.

Adoption of New Accounting Standards and Standards Issued But Not Yet Effective

No new accounting standards were adopted by the Company during the reporting period.

A description of the applicable accounting standards issued but not yet effective are provided in the Company's December 31, 2016 Notes to the Financial Statements.

Internal Controls

Disclosure Controls and Procedures ["DC&P"]

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to various securities regulators is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Law and include controls and procedures designed to ensure that information required to be disclosed in the Company's filings or other reports is accumulated and communicated to the Company's management, including the Chief Executive Officer ["CEO"] and Chief Financial Officer ["CFO"], so that timely decisions can be made regarding required disclosure.

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company's disclosure controls and procedures were effective as at December 31, 2016.

Internal Controls over Financial Reporting ["ICFR"]

ICFR is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements in accordance with IFRS.

The Company's internal control over financial reporting framework includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable details, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ["COSO"].

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance and may not prevent or detect all misstatements as a result of, among other things, error or fraud. Projections of any evaluations 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 and/or procedures may deteriorate.

Changes to ICFR During 2016

There were no material changes in the Company's ICFR that occurred or were finalized during the year ended December 31, 2016.

Evaluation of ICFR at December 31, 2016

As at December 31, 2016, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2016.

Management's responsibility for financial reporting

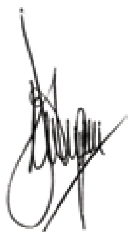
The accompanying consolidated financial statements and the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] and include some amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

goeasy Ltd. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable, and the Company's assets are properly accounted for and adequately safeguarded. These controls include quality standards in the hiring and training of employees, written policies and procedures related to employee conduct, risk management, external communication and disclosure of material information, and review and oversight of the Company's policies, procedures and practices. Management has assessed the effectiveness of this system of internal controls and determined that, as at December 31, 2016, the Company's internal control over financial reporting is effective.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for the financial statements through its Audit Committee. The Audit Committee is composed entirely of independent directors. The Audit Committee is responsible for the quality and integrity of the Company's financial information, the effectiveness of the Company's risk management, internal controls and regulatory compliance practices, reviewing and approving applicable financial information and documents prior to public disclosure and for selecting the Company's external auditors. The Audit Committee meets periodically with management and the external auditors to review the financial statements and the annual report and to discuss audit, financial and internal control matters. The Company's external auditors have full and free access to the Audit Committee.

The financial statements have been subject to an audit by the Company's external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.



David Ingram
President & Chief Executive Officer

Steve Goertz
Executive Vice President & Chief Financial Officer

Independent auditors' report

To the Shareholders of *goeasy* Ltd.

We have audited the accompanying consolidated financial statements of *goeasy* Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of *goeasy* Ltd. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 15, 2017

Consolidated statements of financial position

(expressed in thousands of Canadian dollars)	As At December 31, 2016	As At December 31, 2015
ASSETS		
Cash	**24,928**	11,389
Amounts receivable (note 5)	**7,857**	9,480
Prepaid expenses	**1,909**	2,446
Consumer loans receivable (note 6)	**354,499**	274,481
Lease assets (note 7)	**55,288**	60,753
Property and equipment (note 8)	**16,103**	18,689
Deferred tax assets (note 18)	**6,856**	5,913
Intangible assets (note 9)	**14,312**	14,041
Goodwill (note 9)	**21,310**	21,310
TOTAL ASSETS	**503,062**	418,502
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**31,879**	22,196
Income taxes payable	**2,874**	700
Dividends payable (note 13)	**1,666**	1,341
Deferred lease inducements	**1,506**	1,922
Unearned revenue	**5,204**	3,982
Provisions (note 11)	**608**	582
Term loan (note 12)	**263,294**	211,720
TOTAL LIABILITIES	**307,031**	242,443
Shareholders' equity		
Share capital (note 13)	**82,598**	81,725
Contributed surplus	**9,943**	9,852
Accumulated other comprehensive income	**880**	969
Retained earnings	**102,610**	83,513
TOTAL SHAREHOLDERS' EQUITY	**196,031**	176,059
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**503,062**	418,502

See accompanying notes to the consolidated financial statements

On behalf of the Board:

David Ingram, Director

Donald K. Johnson, Director

Consolidated statements of income

(expressed in thousands of Canadian dollars except earnings per share)	Year Ended December 31, 2016	Year Ended December 31, 2015
REVENUE		
Interest income	**138,782**	100,814
Lease revenue	**137,849**	146,692
Other	**70,874**	56,767
	347,505	304,273
Other income (note 15)	**3,000**	–
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**91,557**	85,658
Stock-based compensation (note 14)	**4,323**	4,753
Advertising and promotion	**13,457**	10,689
Bad debts	**55,668**	41,933
Occupancy	**32,867**	31,545
Other expenses (note 16)	**29,398**	25,547
Transaction advisory costs (note 17)	**6,382**	–
	233,652	200,125
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets (note 7)	**44,230**	47,407
Depreciation of property and equipment (note 8)	**5,606**	5,545
Amortization of intangible assets (note 9)	**4,205**	3,138
Impairment, net (note 8)	**296**	6
	54,337	56,096
Total operating expenses	**287,989**	256,221
Operating income	**62,516**	48,052
Finance costs (note 12)	**21,048**	15,334
Income before income taxes	**41,468**	32,718
Income tax expense (recovery) (note 18)		
Current	**11,362**	8,157
Deferred	**(943)**	833
	10,419	8,990
Net income	**31,049**	23,728
Basic earnings per share (note 19)	**2.29**	1.75
Diluted earnings per share (note 19)	**2.23**	1.69

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive income

(expressed in thousands of Canadian dollars)	Year Ended December 31, 2016	Year Ended December 31, 2015
Net income	**31,049**	23,728
Other comprehensive (loss) income		
Change in foreign currency translation reserve	**(89)**	1,144
Transfer of realized translation gains	**–**	(869)
Comprehensive income	**30,960**	24,003

See accompanying notes to the consolidated financial statements

Consolidated statements of changes in shareholders' equity

(expressed in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2015	**81,725**	**9,852**	**91,577**	**83,513**	**969**	**176,059**
Common shares issued	**3,557**	**(3,384)**	**173**	**–**	**–**	**173**
Stock-based compensation (note 14)	**–**	**3,475**	**3,475**	**–**	**–**	**3,475**
Shares purchased for cancellation (note 13)	**(2,684)**	**–**	**(2,684)**	**(5,253)**	**–**	**(7,937)**
Comprehensive income (loss)	**–**	**–**	**–**	**31,049**	**(89)**	**30,960**
Dividends (note 13)	**–**	**–**	**–**	**(6,699)**	**–**	**(6,699)**
Balance, December 31, 2016	**82,598**	**9,943**	**92,541**	**102,610**	**880**	**196,031**
Balance, December 31, 2014	80,364	6,458	86,822	66,452	694	153,968
Common shares issued	2,037	(342)	1,695	–	–	1,695
Stock-based compensation (note 14)	–	3,736	3,736	–	–	3,736
Shares purchased for cancellation (note 13)	(676)	–	(676)	(1,297)	–	(1,973)
Comprehensive income	–	–	–	23,728	275	24,003
Dividends (note 13)	–	–	–	(5,370)	–	(5,370)
Balance, December 31, 2015	81,725	9,852	91,577	83,513	969	176,059

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(expressed in thousands of Canadian dollars)	Year Ended December 31, 2016	December 31, 2015
OPERATING ACTIVITIES		
Net income	**31,049**	23,728
Add (deduct) items not affecting cash		
Depreciation of lease assets (note 7)	**44,230**	47,407
Depreciation of property and equipment (note 8)	**5,606**	5,545
Amortization of intangible assets (note 9)	**4,205**	3,138
Impairment, net (note 8)	**296**	6
Stock-based compensation (note 14)	**3,475**	3,736
Bad debts expense	**55,668**	41,933
Deferred income tax (recovery) expense (note 18)	**(943)**	833
Other income (note 15)	**(3,000)**	–
Gain on sale of assets	**(2,130)**	(3,307)
	138,456	123,019
Net change in other operating assets and liabilities (note 20)	**14,849**	(8,853)
Net issuance of consumer loans receivable	**(135,686)**	(132,805)
Cash provided by (used in) operating activities	**17,619**	(18,639)
INVESTING ACTIVITIES		
Purchase of lease assets (note 7)	**(40,649)**	(44,709)
Purchase of property and equipment (note 8)	**(3,540)**	(6,587)
Purchase of intangible assets (note 9)	**(4,757)**	(4,293)
Acquisitions (note 10)	**–**	(7,854)
Proceeds on sale of investment (note 15)	**3,000**	–
Proceeds on sale of assets	**4,430**	8,527
Cash used in investing activities	**(41,516)**	(54,916)
FINANCING ACTIVITIES		
Repayments of bank revolving credit facility	**–**	(1,756)
Advances of term loan	**51,574**	90,977
Payment of common share dividends (note 13)	**(6,374)**	(5,164)
Issuance of common shares	**173**	1,695
Purchase of common shares for cancellation (note 13)	**(7,937)**	(1,973)
Cash provided by financing activities	**37,436**	83,779
Net increase in cash during the year	**13,539**	10,224
Cash, beginning of year	**11,389**	1,165
Cash, end of year	**24,928**	11,389

See accompanying notes to the consolidated financial statements

Notes to consolidated financial statements

(Expressed in thousands of Canadian dollars except where otherwise indicated)
December 31, 2016 and December 31, 2015

1. Corporate information

goeasy Ltd. ["Parent Company"] was incorporated under the laws of the province of Alberta, Canada by Certificate and Articles of Incorporation dated December 14, 1990 and was continued as a corporation in the province of Ontario pursuant to Articles of Continuance dated July 22, 1993. The Parent Company has common shares listed on the Toronto Stock Exchange ["TSX"] and its head office is located in Mississauga, Ontario, Canada.

The Parent Company and all of the companies that it controls [collectively referred to as "*goeasy*" or the "Company"] are a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians. The principal operating activities of the Company include i) providing loans and other financial services to consumers; and ii) leasing household products to consumers.

The Company operates in two reportable segments: *easyfinancial* and *easyhome*. As at December 31, 2016, the Company operated 208 *easyfinancial* locations (including 46 kiosks within *easyhome* stores) and 176 *easyhome* stores (including 28 franchises and 2 consolidated locations). As at December 31, 2015, the Company operated 202 *easyfinancial* locations (including 51 kiosks within *easyhome* stores) and 184 *easyhome* stores (including 26 franchises and 3 consolidated franchise locations).

2. Basis of preparation

The consolidated financial statements were authorized for issue by the Board of Directors on February 15, 2017.

Statement of Compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. The policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at December 31, 2016.

3. Significant accounting policies

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and all of the companies that it controls. *goeasy* Ltd. controls an entity: i) when it has the power to direct the activities of the entity that have the most significant impact on the entity's risks and/or returns; ii) where it is exposed to significant risks and/or returns arising from the entity; and iii) where it is able to use its power to affect the risks and/or returns to which it is exposed. This includes all wholly owned subsidiaries and certain special purpose entities ["SPEs"] where *goeasy* Ltd. has control, but does not have ownership of a majority of voting rights.

As at December 31, 2016, the Parent Company's principal subsidiaries were:

- RTO Asset Management Inc.
- *easyfinancial* Services Inc.
- *easyhome* U.S. Ltd.

The Company's SPEs consisted of certain franchises for which the Company exerted effective control by the provision of financing rather than through ownership of a majority of voting rights. An entity is controlled when the Company has power over an entity, exposure, or rights to, variable returns from its involvement with the entity and is able to use its power over the entity to affect its return from the entity. The Company's SPEs are fully consolidated from the date at which the Company obtains control, until the date that such control ceases. Control ceases when the SPE has the ability to operate as a stand-alone entity without financial and operational support from the Company, which is generally considered to be the date at which the SPE repays the amounts loaned to it by the Company.

The financial statements of the subsidiaries and SPEs were prepared for the same reporting period as the consolidated financial statements of the Parent Company using consistent accounting policies as described in these consolidated financial statements.

All intra-group transactions and balances were eliminated on consolidation.

Presentation Currency

The consolidated financial statements are presented in Canadian dollars ["CAD"], which is the Parent Company's functional currency. The functional currency is the currency of the primary economic environment in which a reporting entity operates and is normally the currency in which the entity generates and expends cash. All financial information presented in CAD has been rounded to the nearest thousand, unless noted otherwise.

Foreign Currency Translation

The Parent Company's presentation and functional currency is the Canadian dollar. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company's U.S. subsidiary, *easyhome* U.S. Ltd. and certain of its SPEs, is the U.S. dollar. The functional currency of all other entities that are consolidated is the Canadian dollar.

Foreign currency transactions are initially recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate on the reporting date. All differences are recorded in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign operations are translated into CAD at the rate of exchange prevailing at the reporting date and items in comprehensive income are translated at the average exchange rates prevailing for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal or divestiture of a foreign operation, the component of accumulated other comprehensive income relating to that particular foreign operation is reclassified to net income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding promotional discounts, rebates and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements except for the sale of certain ancillary products where it acts as agent and therefore recognizes such revenue on a net basis.

i) Interest Revenue

Interest revenue from consumer loans receivable is recognized when earned using the effective interest rate method.

ii) Lease Revenue

Merchandise is leased to customers pursuant to agreements that provide for periodic lease payments collected in advance. The lease agreements can be terminated by the customer at the end of the periodic lease period without any further obligation or cost to the customer.

Lease revenue consists of lease payments, product damage liability waivers and processing and other fees. Revenue from lease agreements is recognized when earned. Lease revenue also consists of revenue from the ultimate sale of goods to customers, which represents the culmination of the lease asset life cycle and occurs when title passes to the customer. Such revenue is measured at the fair value of the consideration received or receivable.

iii) Other Revenue

Other revenue consists primarily of the sale of ancillary products, other fees and revenue generated from franchising, all of which are recognized when earned.

Vendor Rebates

The Company participates in various vendor rebate programs, including vendor volume rebates and vendor advertising incentives. The Company records the benefit of vendor volume rebates on purchases made as a reduction of lease assets based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program. Vendor advertising incentives that are related to specific advertising programs are accounted for as a reduction of the related expenses.

Cash

Cash consists of bank balances, cash on hand and demand deposits, adjusted for in-transit items such as outstanding cheques and deposits.

Financial Assets

Financial assets consist of amounts receivable and consumer loans receivable, which are stated net of an allowance for loan losses. Financial assets are initially measured at fair value.

Amounts receivable are subsequently measured at amortized cost and are carried at the amount of cash expected to be received.

The Company's consumer loans receivable include accrued interest earned from consumer loans that is expected to be received in future periods, and acquisition costs paid to third parties.

The Company's consumer loans receivable are subsequently measured at amortized cost. Amortized cost is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the consumer loans receivable to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future loan losses.

The Company does not have any financial assets that are subsequently measured at fair value.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from an asset.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset [an incurred 'loss event'], the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized as a bad debts expense.

The allowance for loan losses is a provision that is reported on the Company's consolidated statements of financial position that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for loan losses provides for a portion of the future charge-offs that have not yet occurred within the portfolio of consumer loans receivable that exist at the end of a period. It is determined by the Company using a standard calculation that considers i) the relative maturity of the loans within the portfolio; ii) the long-term expected charge-off rates based on actual historical performance; and iii) the long-term expected charge-off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimates the charge-offs that are expected to occur over the subsequent five-month period for loans that existed as at the consolidated statements of financial position date. Customer loan balances that are delinquent greater than 90 days are written off against the allowance for loan losses.

Financial assets, together with the associated allowances, are written off when there is no realistic prospect of further recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to bad debts expense.

Lease Assets

Lease assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

The cost of lease assets comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Vendor volume rebates are recorded as a reduction of the cost of lease assets.

As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase options provided to the customer, the customer leases are considered operating in nature. Lease agreements entitle customers to buy out a lease asset earlier in accordance with conditions stipulated in the lease agreements.

The residual value, useful life and depreciation method of the lease assets are reviewed at each financial year end, and if expectations differ from previous estimates, they are adjusted and the changes are accounted for prospectively as a change in accounting estimates. In the event management determines that the Company can no longer lease or sell certain lease assets, they are written off. The residual value of lease assets is nominal.

Depreciation on lease assets is charged to net income as follows:

- Assets on lease, excluding game stations, computers and related equipment, are depreciated in proportion to the lease payments received to the total expected lease amounts provided over the lease agreement term [the "units of activity method"]. Lease assets that are subject to the units of activity method of depreciation that are not on lease for less than 90 consecutive days are not depreciated during such period. After that they are depreciated on a straight-line basis over 36 months. When an asset goes on lease, depreciation will revert to the units of activity method.
- Game stations are depreciated on a straight-line basis over 18 months. Computers and related equipment are depreciated on a straight-line basis over 24 months. The depreciation for game stations, computers and related equipment commences at the earlier of the date of the first lease or 90 days after arrival in the store and continues uninterrupted thereafter on a straight-line basis over the periods indicated.
- Depreciation for all lease assets includes the remaining book values at the time of disposition of the lease assets that have been sold and amounts that have been charged off as stolen, lost or no longer suitable for lease.

The Company's lease assets are subject to theft, loss or other damage from its customers. The Company records a provision against the carrying value of lease assets for estimated losses.

Property and Equipment

The cost of property and equipment comprises their purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to net income as repairs and maintenance expense when incurred.

Depreciation on property and equipment is charged to net income.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset category	Estimated useful lives
Furniture and fixtures	7 years
Computer and office equipment	5 and 7 years
Automotive	5 years
Signage	7 years
Leasehold improvements	the lesser of 5 years or lease term

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gains or losses arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) are included in net income in the period the assets are derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their estimated fair values at the date of acquisition. Following initial recognition, intangible assets are carried at costs less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in net income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period for potential impairment indicators. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in net income.

Customer lists and software are amortized over their estimated useful lives of five years.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's trademarks have been assessed to have an indefinite life.

Gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amounts of the asset and are recognized in net income when the assets are derecognized.

Development Costs

Development costs, including those related to the development of software, are recognized as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of the expected future benefit.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized initially using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortized. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's operating segments that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

Impairment of Non-financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset or a cash-generating unit ["CGU"] may be impaired. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the *easyhome* business unit, a CGU was determined to be at the individual store level as the cash inflows of an individual store are largely independent of the cash inflows of other assets in the Company. For the *easyfinancial* business unit, a CGU was determined to be at the business unit level rather than at the individual store or kiosk level, as the cash inflows are largely dependent on *easyfinancial*'s centralized loan and collections centre.

If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset or CGU's recoverable amount. The recoverable amount is the higher of the asset or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case it is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. In cases where fair value less costs to sell cannot be estimated, value in use is utilized as the basis to determine the recoverable amount. Impairment losses are recognized in net income.

The impairment test calculations are based on detailed budgets and forecasts which are prepared annually for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversals are recognized in net income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which the goodwill relates. Where the recoverable amount of the CGUs is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level and when circumstances indicate that the carrying value may be impaired.

Financial Liabilities

Financial liabilities are initially recognized at fair value and in the case of loans and borrowings, they are recognized at the fair value of proceeds received, net of directly attributable transaction costs. The Company's financial liabilities include a revolving operating facility, term loans and accounts payable and accrued liabilities.

After initial recognition, the Company's interest bearing debt is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any fees or costs related to the interest bearing debt. Interest expense is included in finance costs.

Non-interest bearing financial liabilities, such as accounts payable and accrued liabilities, are carried at the amount owing.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

i) Company as a Lessee

Finance leases that transfer substantially all the risks and rewards incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Subsequent lease payments are apportioned between finance costs and a reduction of the lease liability. Finance costs are recognized in net income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments (net of any amortization of incentives) are expensed as incurred. Incentives received from the lessor to enter into an operating lease are capitalized as deferred lease inducements in the consolidated statements of financial position and depreciated over the term of the lease.

ii) Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. The leasing income is recognized when earned over the lease term net of incentive costs provided to customers.

The Company is in the business of leasing assets. As the leases are effectively cancellable by the customer with a week's notice, and there are no bargain purchase option provided to the customer, the customer leases are considered operating in nature.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. Where there is expected to be a reimbursement of some or all of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted. Where discounting is used, the increase in the provision as a result of the passage of time is recognized as a finance cost.

Taxes

i) Current Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income tax relating to items recognized directly in equity is recognized in equity and not in net income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred Income Taxes

Deferred income taxes are provided for using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deductible income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The following temporary differences do not result in deferred income tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- the initial recognition of goodwill; and
- investment in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

iii) Sales Tax

Revenue, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of amounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

Stock-based Payment Transactions

The Company has stock-based compensation plans as described in note 14.

i) Equity-Settled Transactions

The Company has stock options, Restricted Share Units ["RSU"] and Deferred Share Units ["DSU"] which are currently accounted for as equity-settled awards. The cost of such equity-settled transactions is measured by reference to the fair value determined using the market value on the grant date or the Black-Scholes option pricing model, as appropriate. The inputs into this model are based on management's judgments and estimates.

The cost of equity-settled transactions is charged to net income, with a corresponding increase in contributed surplus over the service and vesting period. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has elapsed and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense for a period is recognized in stock-based compensation expense in the consolidated statements of income. No expense is recognized for awards that do not ultimately vest.

ii) Cash-Settled Transactions

The Company has Performance Share Units ["PSU"] which mirror the value of the Company's publicly-traded common shares and can only be settled in cash ["cash-settled transactions"]. The cost of cash-settled transactions is measured initially at fair value at the grant date. The liability is remeasured to fair value, at each reporting date up to and including the settlement date, based on the value of the Company's publicly-traded common shares and the Company's best estimate of the number of cash-settled instruments that will ultimately vest.

The cost of cash-settled transactions is charged to net income, with a corresponding increase in liabilities, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for cash-settled transactions at each reporting date reflected the extent to which the vesting period had elapsed and the Company's best estimate of the number of cash-settled instruments that will ultimately vest. The expense for a period including changes in fair value are recognized in stock-based compensation expense in the consolidated statements of income. No expense is recognized for awards that do not ultimately vest.

Earnings Per Share

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

Diluted earnings per share is calculated using the treasury stock method, which assumes that the cash that would be received on the exercise of options and warrants is applied to purchase shares at the average price during the period and that the difference between the shares issued upon exercise of the options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods.

These accounting judgments, estimates and assumptions are continuously evaluated and are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which could materially impact these consolidated financial statements. Changes in estimates will be reflected in the consolidated financial statements in future periods.

Key areas of estimation where management has made difficult, complex or subjective judgments often in respect of matters that are inherently uncertain are as follows:

i) Interest Receivable from Consumer Loans

Consumer loans receivable include accrued interest earned from consumer loans that is expected to be received in future periods. Interest receivable from consumer loans is determined based on the amounts the Company believes will be collected in future periods.

ii) Amortization of Deferred Acquisition Costs

Consumer loans receivable include incremental costs incurred by the Company to acquire consumer loans. The deferred acquisition costs are recognized into income over the expected life of the relationship with the customer, as estimated by management.

iii) Allowance for Loan Losses

The allowance for loan losses consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio that have not yet been identified based on an assessment of historical loss rates and patterns.

iv) Cost of Lease Assets

Lease assets are recorded at cost, including freight. Vendor volume rebates are recorded as a reduction of the cost of lease assets and are determined based on the rebate amounts the Company believes are probable and reasonably estimable during the term of each rebate program.

v) Depreciation of Lease Assets

Certain assets on lease, (excluding game stations, computers and related equipment) are depreciated in the proportion of lease payments received to total expected lease amounts provided over the lease agreement term, which are estimated by management for each product category. Lease payments received in period compared with total expected lease payments to be received over the expected term of the lease is believed to be an effective proxy for the usage of the asset on lease. Other assets on lease such as game stations, computers and related equipment are depreciated on a straight-line basis over their estimated useful lives.

vi) Depreciation of Property and Equipment

Property and equipment are recorded at cost, including freight, and are depreciated on a straight-line basis over their estimated useful lives, which are estimated by management for each class of asset.

vii) Impairment on Non-Financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimates the asset's or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year. Key areas of management judgment include the cash flow forecast, the growth rate applied to cash flows subsequent to the third year and the discount rate.

viii) Impairment of Goodwill and Indefinite Life Intangibles

In assessing the recoverable amount, management estimated the group of CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment test calculations are based on detailed budgets and forecasts which are prepared for each CGU to which the assets are allocated. These budgets and forecasts generally cover a period of three years with a long-term growth rate applied after the third year. Key areas of management judgment involve the cash flow forecast, the growth rate applied to cash flows subsequent to the third year and the discount rate.

ix) Fair Value of Stock-Based Compensation

The fair value of stock-based compensation plan grants are measured at the grant date using either the related market value or the Black-Scholes option pricing model, as appropriate. The Black-Scholes option pricing model was developed for estimating the fair value of traded options that are fully transferable and have no vesting restrictions. In addition, option pricing models require the input of highly subjective assumptions, including expected share price volatility. The Company's share options have characteristics significantly different from those of freely traded options and because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of the unit options granted.

The vesting of the Company's stock-based compensation plans is based on the expected achievement of long-term targets and management retention rates, the assessment of which are subject to management's judgment.

x) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, and the costs to settle the obligation are both probable and reliably measurable. The estimation of the costs to settle such obligations are subject to management's judgment.

xi) Taxation Amounts

Income tax provisions, including current and deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations and judgments as to their interpretation and application to the Company's specific situation. Therefore, it is possible that the ultimate value of the tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on the Company's consolidated financial statements.

xii) Unearned Revenue

Unearned revenue includes lease fees that have not yet been earned and processing fees that are received at the inception of a consumer lease. The processing fees are recognized into income over the expected life of the lease agreement, as estimated by management.

4. Standards issued but not yet effective

IFRS 9, Financial Instruments

The Company will be required to adopt IFRS 9, Financial Instruments ("IFRS 9"), which is the IASB's replacement of IAS 39. IFRS 9 will provide new requirements for the classification and measurement of financial assets and liabilities, impairment and hedge accounting. IFRS 9 is required to be applied for years beginning on or after January 1, 2018. The Company is in the process of assessing the impact of this standard.

The transition to IFRS 9 will have a significant impact for financial services companies. The most significant impact on the Corporation's financial reporting will be as a result of the new impairment standard within IFRS 9.

The Company has established a project team for the transition to IFRS 9 which includes senior stakeholders from the Company's Risk and Finance groups. The key responsibilities of the project team include defining IFRS 9 risk methodology and accounting policy, identifying data and system requirements, and developing an appropriate governance framework. The Company will continue to focus on implementation of the standard throughout 2017.

IFRS 15, Revenue from Contracts with Customers

The Company will be required to adopt IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. IFRS 15 is required to be applied for years beginning on or after January 1, 2018, and is to be applied retrospectively.

The Company is in the process of analyzing its inventory of impacted contracts under the new standard. The Company does not believe that the implementation of this standard will have a material impact on its financial statements

IFRS 16, Leases

The Company will be required to adopt IFRS 16, Leases ("IFRS 16"), which is the IASB's replacement of IAS 17. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a "right-of-use-asset" for most lease contracts. IFRS 16 is required to be applied for years beginning on or after January 1, 2019, with early adoption permitted, but only in conjunction with the adoption of IFRS 15. The Company is in the process of assessing the impact of this standard.

5. Amounts receivable

	December 31, 2016	December 31, 2015
Vendor rebate receivable	**571**	703
Due from franchisees	**3,602**	5,102
Other	**3,684**	3,675
	7,857	9,480
Current	**7,631**	8,970
Non-current	**226**	510
	7,857	9,480

Other amounts receivable consisted of amounts due from customers, indirect taxes, insurance commissions and other items.

6. Consumer loans receivable

Consumer loans receivable represented amounts advanced to customers. Loan terms generally ranged from 9 to 60 months.

	December 31, 2016	December 31, 2015
Gross consumer loans receivable	**370,517**	289,426
Interest receivable from consumer loans	**4,753**	3,520
Unamortized deferred acquisition costs	**2,685**	–
Allowance for loan losses	**(23,456)**	(18,465)
	354,499	274,481
Current	**153,600**	122,370
Non-current	**200,899**	152,111
	354,499	274,481

An aging analysis of gross consumer loans receivable past due is as follows:

	December 31, 2016		December 31, 2015	
	$	% of total loans	$	% of total loans
1 – 30 days	**13,468**	**3.6%**	12,282	4.2%
31 – 44 days	**2,712**	**0.7%**	2,256	0.8%
45 – 60 days	**2,366**	**0.6%**	1,919	0.7%
61 – 90 days	**3,094**	**0.8%**	3,258	1.1%
	21,640	**5.7%**	19,715	6.8%

The changes in the allowance for loan losses are summarized below:

	Year Ended	
	December 31, 2016	December 31, 2015
Balance, beginning of the year	**18,465**	11,532
Net amounts written off against allowance	**(50,677)**	(35,000)
Increase due to lending and collection activities	**55,668**	41,933
Balance, end of the year	**23,456**	18,465

7. Lease assets

	Total
Cost	
As at December 31, 2014	91,934
Additions	48,111
Disposals	(57,184)
Foreign exchange differences	390
As at December 31, 2015	83,251
Additions	40,649
Disposals	(49,817)
Foreign exchange differences	(34)
As at December 31, 2016	**74,049**
Accumulated Depreciation	
As at December 31, 2014	(27,408)
Depreciation for the year	(47,407)
Disposals	52,460
Foreign exchange differences	(143)
As at December 31, 2015	(22,498)
Depreciation for the year	(44,230)
Disposals	47,960
Foreign exchange differences	7
As at December 31, 2016	**(18,761)**
Net Book Value	
As at December 31, 2015	60,753
As at December 31, 2016	**55,288**

During the year ended December 31, 2016, the net book value of the lease assets sold by the Company was $1,857 (2015 – $4,146).

8. Property and equipment

	Furniture and Fixtures	Computer and Office Equipment	Automotive	Signage	Leasehold Improvements	Total
Cost						
As at December 31, 2014	13,512	8,582	230	5,476	20,056	47,856
Additions	1,151	1,063	15	557	5,187	7,973
Disposals	(1,001)	(911)	(38)	(527)	(1,660)	(4,137)
Foreign exchange differences	148	80	–	21	135	384
As at December 31, 2015	13,810	8,814	207	5,527	23,718	52,076
Additions	719	989	5	290	1,537	3,540
Disposals	(610)	(503)	–	(272)	(938)	(2,323)
Foreign exchange differences	(7)	(4)	–	(1)	(11)	(23)
As at December 31, 2016	**13,912**	**9,296**	**212**	**5,544**	**24,306**	**53,270**
Accumulated Depreciation and Provision for Impairment						
As at December 31, 2014	(8,349)	(5,075)	(230)	(3,867)	(13,420)	(30,941)
Depreciation	(1,256)	(981)	(12)	(423)	(2,873)	(5,545)
Provision for impairment	(112)	(47)	–	(26)	(58)	(243)
Recovery of impairment	130	53	–	23	31	237
Disposals	778	616	38	404	1,395	3,231
Foreign exchange differences	(29)	(14)	–	(8)	(75)	(126)
As at December 31, 2015	(8,838)	(5,448)	(204)	(3,897)	(15,000)	(33,387)
Depreciation	(1,256)	(915)	(3)	(393)	(3,039)	(5,606)
Provision for impairment	(103)	(38)	–	(48)	(130)	(319)
Recovery of impairment	7	7	–	–	9	23
Disposals	519	411	–	254	920	2,104
Foreign exchange differences	4	3	–	1	10	18
As at December 31, 2016	**(9,667)**	**(5,980)**	**(207)**	**(4,083)**	**(17,230)**	**(37,167)**
Net Book Value						
As at December 31, 2015	4,972	3,366	3	1,630	8,718	18,689
As at December 31, 2016	**4,245**	**3,316**	**5**	**1,461**	**7,076**	**16,103**

As at December 31, 2016, the amount of property and equipment classified as under construction or development and not being amortized was $0.4 million (2015 – $0.3 million).

During the year ended December 31, 2016, the net book value of the property and equipment sold by the Company was $42 (2015 – $521).

For *easyhome*, various impairment indicators were used to determine the need to test a CGU for impairment. Examples of impairment indicators include a significant decline in revenue, performance significantly below budget and expectations and negative CGU operating income during the period. Where these impairment indicators existed, the carrying value of the assets within a CGU was compared with its estimated recoverable value which was generally considered to be the CGU's value in use. When determining the value in use of a CGU, the Company developed a discounted cash flow model for the individual CGU. Sales and cost forecasts were based on actual operating results, three-year operating budgets consistent with strategic plans presented to the Company's Board of Directors and a 1% long-term growth rate. The pre-tax discount rate used on the forecasted cash flows was 15%. Where the carrying value of the CGU's assets exceeded the recoverable amounts, as represented by the CGU's value in use, the store's property and equipment assets were written down. It was concluded that, due to the portability of lease assets held within the CGU and the cash flows generated by individual lease assets, no impairment write-down of the lease assets was required. As such, the CGU impairment charge was limited to the property and equipment held by the impaired CGU.

For *easyfinancial*, it was determined that no indicators of impairment existed that would require an impairment test on property and equipment.

For the year ended December 31, 2016, the Company recorded an impairment charge of $319 (2015 – $243) offset by an impairment recovery of $23 (2015 – $237). The net impairment expense for 2016 was $296 (2015 – $6). All impairment charges and recoveries related solely to the *easyhome* segment.

9. Intangible assets and goodwill

	Intangible Assets			
	Trademarks	Customer Lists	Software	Total
Cost				
As at December 31, 2014	2,073	682	14,704	17,459
Additions	1	463	5,761	6,225
Disposals	–	(51)	(19)	(70)
As at December 31, 2015	2,074	1,094	20,446	23,614
Additions	14	–	4,743	4,757
Disposals	–	–	(299)	(299)
As at December 31, 2016	**2,088**	**1,094**	**24,890**	**28,072**
Accumulated amortization and Provision for Impairment				
As at December 31, 2014	(1,992)	(139)	(4,322)	(6,453)
Amortization for the year	–	(227)	(2,911)	(3,138)
Disposals	–	–	18	18
As at December 31, 2015	(1,992)	(366)	(7,215)	(9,573)
Amortization for the year	–	(219)	(3,986)	(4,205)
Disposals	–	–	18	18
As at December 31, 2016	**(1,992)**	**(585)**	**(11,183)**	**(13,760)**
Net Book Value				
As at December 31, 2015	82	728	13,231	14,041
As at December 31, 2016	**96**	**509**	**13,707**	**14,312**

Trademarks are considered indefinite life intangible assets as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

Included in software additions for the year ended December 31, 2016 were $4.7 million (2015 – $5.6 million) of internally developed software application and website costs.

Goodwill was $21.3 million as at December 31, 2016 (2015 – $21.3 million). There were no disposals or impairments applied to goodwill during the years ended December 31, 2016 and 2015.

Goodwill and indefinite life intangible assets were allocated to the group of CGUs to which they relate. The carrying value of goodwill was fully allocated to the *easyhome* CGUs. Impairment testing is performed annually and was performed as at December 31, 2016 and 2015. The impairment test consisted of comparing the carrying value of assets within the CGU to the recoverable amount of that CGU as measured by discounting the expected future cash flows using a value in use approach. The discounted cash flow model was based on historical operating results, detailed sales and cost forecasts over a three-year period, a 1% long-term growth rate and a pre-tax discount rate used on the forecasted cash flows of 15%, all of which were consistent with the strategic plans presented to the Company's Board of Directors.

Based on the analysis performed by management, no impairment charge was required on goodwill.

10. Acquisitions

During the first quarter of 2015, the Company acquired the lease rights and obligations as well as certain related assets for 45 retail locations across Canada for total cash consideration of $2.8 million. This transaction was accounted for as an asset acquisition. In the same quarter, the Company also acquired the assets and operations of two leasing stores for cash consideration of $0.9 million. The acquisition of the two leasing stores met the definition of a business combination as defined by IFRS 3, Business Combinations ("IFRS 3").

During the third quarter of 2015, the Company acquired 14 Canadian merchandise leasing stores from a U.S. based rent-to-own company for cash consideration of $4.2 million. The Company continued to operate these stores or merged the related business into its store network. As part of the transaction, the Company also sold two of its remaining U.S. franchised locations whose results were consolidated for financial statement purposes for cash consideration of $0.8 million, resulting in a combined net purchase price of $3.4 million and a reported loss on disposal of $0.3 million. The acquisition of the 14 merchandise leasing stores in Canada met the definition of a business combination as defined in IFRS 3.

The fair value of the identifiable assets and liabilities recognized were as follows:

	Acquisitions completed in the first quarter of 2015	Acquisitions completed in the third quarter of 2015	Year ended December 31, 2015
Assets			
Amounts receivable	–	28	28
Property and equipment	2,827	78	2,905
Lease assets, net	433	2,969	3,402
Intangible assets	–	413	413
Liabilities			
Unearned revenue	–	240	240
Total identifiable assets at fair value	3,260	3,248	6,508
Goodwill arising on acquisition	411	935	1,346
Cash consideration	**3,671**	**4,183**	**7,854**

Goodwill arising on the acquisitions of $1.3 million related to the Company's future ability to generate incremental revenue from the acquired customers and expected future growth. The goodwill arising on acquisitions was allocated entirely to the *easyhome* segment.

11. Provisions

	Provisions Due to Onerous Leases
As at December 31, 2014	314
Incurred during the year	495
Utilized during the year	(227)
As at December 31, 2015	582
Incurred during the year	592
Utilized during the year	(566)
As at December 31, 2016	**608**

	December 31, 2016	December 31, 2015
Current	**480**	420
Non-current	**128**	162
	608	582

12. Credit facilities

The Company's credit facilities consisted of a $280.0 million term loan and a $20.0 million revolving operating facility. $267.5 million of the term loan was drawn as at December 31, 2016, with the balance available in periodic advances until March 31, 2017. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 699 bps with a 799 bps floor, while borrowings under the revolving operating facility bore interest at the lender's prime rate plus 175 to 275 bps depending on the Company's debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio. The Company's credit facilities expire on October 4, 2019 and are secured by a first charge over substantially all assets of the Company.

The drawings under the Company's credit facilities were as follows:

	December 31, 2016	December 31, 2015
Revolving operating facility	**–**	–
Amounts borrowed under term loan	**267,500**	217,500
Accrued interest on term loan	**1,733**	1,421
Unamortized deferred financing costs	**(5,939)**	(7,201)
Term loan	**263,294**	211,720

As at December 31, 2016, the Company's interest rates under the term loan and revolving operating facility were 7.99% and 5.45%, respectively.

The financial covenants of the credit facility were as follows:

Financial Covenant	Requirements	December 31, 2016
Total debt to EBITDA ratio	< 4.00	**3.54**
Total debt to tangible net worth ratio	< 1.80	**1.66**
Adjusted EBITDA for preceding 12 months (consolidated)	> 65,700	**76,005**

The financial covenant requirements described above adjust each quarter as per the lending agreement and were based on accommodating the Company's financial forecast over these periods. As at December 31, 2016, the Company was in compliance with all of its financial covenants under its lending agreements.

Finance Costs

Included in finance costs in the consolidated statements of income was interest expense on the credit facilities and amortization of deferred financing costs as follows:

	Year Ended	
	December 31, 2016	December 31, 2015
Interest expense	**18,988**	13,837
Amortization of deferred financing costs	**2,060**	1,497
	21,048	15,334

13. Share capital

Authorized Capital

The authorized capital of the Company consisted of an unlimited number of common shares with no par value and an unlimited number of preference shares.

Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and rateably in any dividends of the Company. The common shares are listed for trading on the TSX.

Common Shares Issued and Outstanding

The changes in common shares are summarized as follows:

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	# of shares (in 000's)	$	# of shares (in 000's)	$
Balance, beginning of the period	**13,411**	**81,725**	13,330	80,364
Exercise of stock options	**9**	**106**	189	1,975
Exercise of RSUs	**337**	**3,365**	-	-
Shares purchased for cancellation	**(436)**	**(2,684)**	(111)	(676)
Dividend reinvestment plan	**4**	**86**	3	62
Balance, end of the period	**13,325**	**82,598**	13,411	81,725

Dividends on Common Shares

For the year ended December 31, 2016, the Company paid dividends of $6.4 million (2015 – $5.2 million) or $0.475 per share (2015 – $0.385 per share). On February 17, 2016, the Company increased the dividend rate from $0.10 per share to $0.125 per share on a quarterly basis. The Company declared a dividend of $0.125 per share on November 3, 2016 to shareholders of record on December 30, 2016, payable on January 13, 2017. The dividend paid on January 13, 2017 was $1.7 million.

Shares Purchased for Cancellation

During the year ended December 31, 2016, the Company purchased and cancelled 435,800 (2015 – 111,041) of its common shares on the open market at an average price of $18.21 (2015 – $17.75) per share pursuant to a normal course issuer bid for a total cost of $7.9 million (2015 – $2.0 million). The normal course issuer bid in effect as at December 31, 2016 allows for a total purchase of up to 986,105 common shares and expires on June 26, 2017.

14. Stock-based compensation

Share Option Plan

Under the Company's stock option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. Options are generally granted at exercise prices equal to the fair market value at the grant date, vest at the end of a three-year period based on earnings per share targets and have exercise lives of five years. The aggregate number of common shares reserved for issuance and which may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 2.0 million common shares.

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Options # (in 000's)	Weighted Average Exercise Price $	Options # (in 000's)	Weighted Average Exercise Price $
Outstanding balance, beginning of year	**480**	**14.22**	601	11.81
Options granted	**–**	**–**	80	18.81
Options exercised	**(9)**	**9.47**	(188)	8.67
Options forfeited or expired	**–**	**–**	(13)	11.50
Outstanding balance, end of year	**471**	**14.31**	480	14.22
Exercisable balance, end of year	**204**	**9.60**	10	9.42

Outstanding options to directors, officers and employees as at December 31, 2016 were as follows:

	Outstanding			Exercisable	
Range of Exercise Prices $	Options # (in 000's)	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Options # (in 000's)	Weighted Average Exercise Price $
8.00 – 10.99	204	1.19	9.60	204	9.60
15.00 – 19.99	257	2.47	17.65	–	–
20.00 – 24.99	10	2.67	24.45	–	–
8.00 – 24.99	471	1.92	14.31	204	9.60

The Company used the fair value method of accounting for stock options granted to employees and directors. During the year ended December 31, 2016, the Company granted nil options (2015 – 79,806 options), and recorded an expense of $439 (2015 – $532) in stock-based compensation expense in the consolidated statements of income, with a corresponding adjustment to contributed surplus.

Options granted in 2015 were determined using the Black-Scholes option pricing model with the following assumptions:

	2016	2015
Risk-free interest rate (% per annum)	–	0.57
Expected hold period to exercise (years)	–	5.00
Volatility in the price of the Company's shares (%)	–	38.16
Dividend yield (%)	–	2.13

Restricted Share Unit ["RSU"] Plan

Under the Company's RSU plan, RSUs may be granted by the Board of Directors to employees of the Company. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets.

On May 3, 2016, the Company's shareholders approved a resolution to amend the RSU plan, increasing the maximum number of common shares reserved for issuance from treasury under the RSU Plan by 250,000 shares, from 915,000 to 1,165,000.

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	RSU's # (in 000's)	Weighted Average Fair Value at Grant Date $	RSU's # (in 000's)	Weighted Average Fair Value at Grant Date $
Outstanding balance, beginning of year	**675**	**15.82**	559	14.00
RSUs granted	**330**	**17.58**	194	21.69
RSU dividend reinvestments	**11**	**19.95**	11	18.38
RSU exercised	**(337)**	**9.99**	–	–
RSUs forfeited	**(81)**	**19.11**	(89)	17.46
Outstanding balance, end of year	**598**	**19.71**	675	15.82

For the year ended December 31, 2016, $3,325 (2015 – $2,685) was recorded as an expense in stock-based compensation expense in the consolidated statements of income, with a corresponding adjustment to contributed surplus.

Performance Share Unit ["PSU"] Plan

During the year ended December 31, 2016, the Company granted 226,236 PSUs (2015 – 199,330) to senior executives of the Company under its PSU Plan. On May 11, 2016, the PSUs granted in 2016 were cancelled and an equivalent number of RSUs were granted to senior executives of the Company (see RSU Plan described above).

PSUs are granted at fair market value at the grant date and vest at the end of a three-year period based on long-term targets. For the year ended December 31, 2016, nil (2015 – $1,018) was recorded as an expense in stock-based compensation expense in the consolidated statements of income. Additionally, for the year ended December 31, 2016, an additional 1,504 PSUs (2015 – 2,832) were granted as a result of dividends payable.

The PSU liability as at December 31, 2016 was nil (2015 – nil).

Deferred Share Unit ["DSU"] Plan

During the year ended December 31, 2016, the Company granted 23,538 DSUs (2015 – 24,805) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the year ended December 31, 2016, $559 (2015 – $519) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income. Additionally, for the year ended December 31, 2016, an additional 3,910 DSUs (2015 – 2,792) were granted as a result of dividends payable.

Stock Based Compensation Expense

	Year Ended	
	December 31, 2016	December 31, 2015
Equity-settled stock-based compensation	**4,323**	3,736
Cash-settled stock-based compensation	**–**	1,017
	4,323	4,753

Contributed Surplus

The following is a continuity of the activity in the contributed surplus account:

	Year Ended	
	December 31, 2016	December 31, 2015
Contributed surplus, beginning of year	**9,852**	6,458
Equity-settled stock-based compensation expense		
Stock options	**439**	532
Restricted share units	**3,325**	2,684
Deferred share units	**559**	519
Settlement of deferred share units	**(848)**	–
Reduction due to exercise of stock-based compensation		
Stock options	**(19)**	(341)
Restricted share units	**(3,365)**	–
Contributed surplus, end of year	**9,943**	9,852

15. Other income

On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.

16. Other expenses

In the normal course of its operations, the Company periodically sells select lease portfolios and other assets. For the year ended December 31, 2016, other expenses included net gains realized on the sale of lease portfolios and other assets of $2,408 (2015 – $3,669).

17. Transaction advisory costs

The Company incurred $6,382 in transaction advisory costs (2015 – nil) to analyze, arrange financing and submit a bid for a potential strategic acquisition. The acquisition was ultimately not completed by the Company.

18. Income taxes

The Company's income tax provision was determined as follows:

	Year Ended	
	December 31, 2016	**December 31, 2015**
Combined basic federal and provincial income tax rates	**27.4%**	27.3%
Expected income tax expense	**11,347**	8,942
Non-deductible expenses	**200**	333
U.S. and SPE results not tax effected	**151**	(370)
Effect of capital gains on sale of assets and investments	**(675)**	(386)
Other	**(604)**	471
	10,419	8,990

The significant components of the Company's income tax expense were as follows:

	Year Ended	
	December 31, 2016	**December 31, 2015**
Current income tax		
Current income tax charge	**11,733**	8,187
Adjustments in respect of prior years and other	**(371)**	(30)
Deferred income tax		
Relating to origination and reversal of temporary differences	**(943)**	833
	10,419	8,990

The significant components of the Company's deferred tax assets are as follows:

	December 31, 2016	**December 31, 2015**
Tax cost of lease assets and property and equipment in excess of net book value	**(1,817)**	(1,177)
Amounts receivable and provisions	**7,090**	5,575
Deferred salary arrangements	**1,368**	1,382
Unearned revenue	**501**	500
Financing fees	**(286)**	(100)
Other	**–**	(267)
	6,856	5,913

All changes to the deferred tax assets were recorded as an expense in deferred tax expense in the consolidated statements of income.

At December 31, 2016, there was no recognized deferred tax liabilities (2015 – nil) for taxes that would be payable on the undistributed earnings of the Company's subsidiaries. The Company has determined that undistributed earnings of its subsidiaries would not be distributed in the foreseeable future.

19. Earnings per share

Basic Earnings Per Share

Basic earnings per share amounts were calculated by dividing the net income for the year by the weighted average number of ordinary shares and DSUs outstanding. DSUs were included in the calculation of the weighted average number of ordinary shares outstanding as these units vest upon grant.

	Year Ended	
	December 31, 2016	December 31, 2015
Net income	**31,049**	23,728
Weighted average number of ordinary shares outstanding (in 000's)	**13,558**	13,561
Basic earnings per ordinary share	**2.29**	1.75

For the year ended December 31, 2016, 157,128 DSUs (2015 – 148,065) were included in the weighted average number of ordinary shares outstanding.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share was determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, were assumed to be exercised and the proceeds are used to purchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and warrants was included in the calculation of diluted earnings per share.

	Year Ended	
	December 31, 2016	December 31, 2015
Net income	**31,049**	23,728
Weighted average number of ordinary shares outstanding (in 000's)	**13,558**	13,561
Dilutive effect of stock-based compensation (in 000's)	**350**	476
Weighted average number of diluted shares outstanding (in 000's)	**13,908**	14,037
Dilutive earnings per ordinary share	**2.23**	1.69

For the year ended December 31, 2016, 89,306 stock options to acquire common shares (2015 – 261,138), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

20. Net change in other operating assets and liabilities

The net change in other operating assets and liabilities was as follows:

	Year Ended	
	December 31, 2016	December 31, 2015
Amounts receivable	**1,623**	4,112
Prepaid expenses	**537**	(475)
Accounts payable and accrued liabilities	**9,683**	(9,739)
Income taxes payable	**2,174**	(2,342)
Deferred lease inducements	**(416)**	(681)
Unearned revenue	**1,222**	4
Provisions	**26**	268
	14,849	(8,853)

Supplemental disclosures in respect of the consolidated statements of cash flows comprised the following:

	Year Ended	
	December 31, 2016	December 31, 2015
Income taxes paid	**10,102**	12,021
Income taxes refunded	**914**	1,522
Interest paid	**18,676**	13,873
Interest received	**137,649**	100,246

21. Commitments and guarantees

The Company is committed to software maintenance, development and licensing service agreements, and operating leases for premises and vehicles. The minimum annual lease payments plus estimated operating costs required for the next five years and thereafter are as follows:

	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Premises	23,236	38,188	371
Other operating lease obligations	1,080	2,934	11
Other	8,432	23,358	–
Total contractual obligations	32,748	64,480	382

During the year ended December 31, 2016, $28.6 million (2015 – $27.3 million) was recognized as an expense in the consolidated statements of income in respect of operating leases.

22. Contingencies

The Company was involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance or cash flows.

The Company has agreed to indemnify its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

23. Capital risk management

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of bank debt (revolving operating facility), term loan and shareholders' equity, which includes share capital, contributed surplus, accumulated other comprehensive income and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, share repurchases, the payment of dividends, increasing or decreasing bank debt and term debt or by undertaking other activities as deemed appropriate under specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly in the past year.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital.

The Company monitors capital on the basis of the financial covenants of its credit facility as described in note 12.

For the years ended December 31, 2016 and 2015, the Company was in compliance with all of its externally imposed financial covenants.

24. Financial risk management

Overview

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company makes consumer loans and leases products to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending and collecting practices which are overseen by the Company's senior management. Credit quality of the customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. As at December 31, 2016, the Company's gross consumer loan receivable portfolio was $370.5 million (2015 – $289.4 million). Net charge-offs expressed as a percentage of the average loan book were 15.4% for the year ended December 31, 2016 (2015 – 14.8%).

The credit risk related to lease assets with customer's results from the possibility of customer default with respect to agreed upon payments or in not returning the lease assets. The Company has a standard collection process in place in the event of payment default, which includes the recovery of the lease asset if satisfactory payment terms cannot be worked out with the customer, as the Company maintains ownership of the lease assets until payment options are exercised. As at December 31, 2016, the Company's lease assets were $55.3 million (2015 – $60.8 million). Lease asset losses for the year ended December 31, 2016 represented 3.2% (2015 – 2.8%) of total revenue for the *easyhome* segment.

The credit risk related to other amounts receivable are managed in accordance with policies and procedures resulting from the possibility of default on rebate payments, amounts due from licensee and franchisees and other amounts receivable. The Company deals with credible companies, performs ongoing credit evaluations of creditors and consumers and allows for uncollectible amounts when determined to be appropriate.

Liquidity Risk

The Company addresses liquidity risk management by maintaining sufficient availability of funding through its committed credit facility. The Company manages its cash resources based on financial forecasts and anticipated cash flows, which are periodically reviewed with the Company's Board of Directors.

The Company believes that the cash flow provided by operations and funds available from the credit facility will be sufficient in the near term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. In addition, the incremental financing obtained through the credit facility will allow the Company to continue growing its consumer loans receivable portfolio into 2017. In order for the Company to achieve the full growth opportunities available, however, additional sources of financing over and above the currently available credit facility will be required. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Substantially all liabilities are due within 12 months with the exception of the Company's credit facility, which are due as disclosed in note 12.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as the revolving operating facility bears interest at the lead lenders prime rate plus 175 to 275 bps, depending on the Company's total debt to EBITDA ratio and the term loan bears interest at 699 bps over the Canadian Bankers' Acceptance rate with a 799 bps floor. As at December 31, 2016, the interest rate on the revolving operating facility was 5.45% per annum (2015 – 5.45% per annum) and the interest rate on the term loan was 7.99% per annum (2015 – 7.99% per annum).

The Company does not hedge interest rates. Accordingly, future changes in interest rates will affect the amount of interest expense payable by the Company.

As at December 31, 2016, all of the Company's borrowings were subject to movements in floating interest rates. A 1% increase in the prime interest rate and bankers' acceptance rate would have decreased net income for the year by approximately $2.4 million, while a 1% decrease in the prime interest rate and bankers' acceptance rate would have increased net income for the year by nil due to the interest rate floor on the Company's term loan.

Currency Risk

Currency risk measures the Company's risk of financial loss due to adverse movements in currency exchange rates.

The Company sources a portion of the assets it leases in Canada from U.S. suppliers. As a result, the Company had foreign exchange transaction exposure. These purchases were funded using the spot rate prevailing at the date of purchase. Pricing to customers can be adjusted to reflect changes in the Canadian dollar landed cost of imported goods and, as such, there is not a material foreign currency transaction exposure.

The Company additionally had foreign currency transaction exposure through its SPEs in the United States with the Parent Company as these entities had a U.S. functional currency.

The income of the Company's U.S. subsidiaries and SPEs were translated into Canadian dollars each period. A 5% movement in the Canadian and U.S. dollar exchange rate would have increased or decreased net income for the year by approximately $30.

25. Financial instruments

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	December 31, 2016	December 31, 2015
Cash	Fair value	**24,928**	11,389
Amounts receivable	Amortized cost	**7,857**	9,480
Consumer loans receivable	Amortized cost	**354,499**	274,481
Accounts payable and accrued liabilities	Amortized cost	**31,879**	22,196
Term loan	Amortized cost	**263,294**	211,720

Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the 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: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at amortized cost as at December 31, 2016:

	Total	Level 1	Level 2	Level 3
Amounts receivable	**7,857**	–	–	**7,857**
Consumer loans receivable	**354,499**	–	–	**354,499**
Accounts payable and accrued liabilities	**31,879**	–	–	**31,522**
Term loan	**263,294**	–	–	**263,294**

There were no transfers between Level 1, Level 2, or Level 3 during the period.

26. Related party transactions

Key management personnel includes all corporate officers with the position of president, executive vice president or senior vice president. The following summarizes the expense related to key management personnel during the reporting periods.

	Year Ended	
	December 31, 2016	December 31, 2015
Short-term employee benefits including salaries	**5,290**	3,623
Share-based payment transactions	**3,003**	3,121
	8,293	6,744

27. Segmented reporting

For management purposes, the Company had two reportable segments: *easyfinancial* and *easyhome*.

General and administrative expenses directly related to the Company's business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately as part of Corporate. Management assessed the performance based on segment operating income (loss). The following tables summarize the relevant information for the years ended December 31, 2016 and 2015:

Year Ended December 31, 2016	*easyfinancial*	*easyhome*	Corporate	Total
Revenue	**204,076**	**143,429**	–	**347,505**
Other income	–	–	**3,000**	**3,000**
Total operating expenses before depreciation and amortization and transaction advisory costs	**122,843**	**74,708**	**29,719**	**227,270**
Transaction advisory costs	–	–	**6,382**	**6,382**
Depreciation and amortization	**6,479**	**47,184**	**674**	**54,337**
Segment operating income (loss)	**74,754**	**21,537**	**(33,775)**	**62,516**
Finance costs	–	–	**21,048**	**21,048**
Income (loss) before income taxes	**74,754**	**21,537**	**(54,823)**	**41,468**

Year Ended December 31, 2015	*easyfinancial*	*easyhome*	Corporate	Total
Revenue	151,668	152,605	–	304,273
Total operating expenses before depreciation and amortization	99,607	77,724	22,794	200,125
Depreciation and amortization	5,289	50,214	593	56,096
Segment operating income (loss)	46,772	24,667	(23,387)	48,052
Finance costs	–	–	15,334	15,334
Income (loss) before income taxes	**46,772**	**24,667**	**(38,721)**	**32,718**

As at December 31, 2016, the Company's goodwill of $21.3 million (2015 – $21.3 million) related entirely to its *easyhome* segment.

The Company's *easyhome* business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the years ended December 31, 2016 and 2015 were as follows:

	Year Ended	
	December 31, 2016 (%)	December 31, 2015 (%)
Furniture	**42**	40
Electronics	**33**	34
Computers	**13**	14
Appliances	**12**	12
	100	100

28. Consolidated financial statements

In prior reporting periods, the accrued interest receivable on the gross consumer loans receivable and the accrued interest payable on the term loan were reported with amounts receivable and accounts payable and accrued liabilities respectively on the consolidated statements of financial position. In the 2016 consolidated financial statements, including the comparative 2015 reporting period, the accrued interest receivable and accrued interest payable were reported with consumer loans receivable and term loan respectively on the consolidated statements of financial position in accordance with IFRS.

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Board of Directors

Donald K. Johnson
Chairman of the Board (18 years)

David Ingram
President & Chief Executive Officer, *goeasy* Ltd. (16 years)

David Appel
Corporate Director (7 years)

Sean Morrison
Corporate Director (5 years)

David J. Thomson
Corporate Director (5 years)

Karen Basian
Corporate Director (2 years)

Susan Doniz
Corporate Director (1 year)

Corporate Officers

David Ingram
President & Chief Executive Officer (16 years)

Steve Goertz
Executive Vice President & Chief Financial Officer (8 years)

Jason Mullins
Executive Vice President & Chief Operating Officer (7 years)

Andrea Fiederer
Executive Vice President & Chief Marketing Officer (2 years)

Jason Appel
Senior Vice President & Chief Risk Officer (5 years)

Shadi Khatib
Senior Vice President & Chief Information Officer (1 year)

Shane Pennell
Senior Vice President, *easyfinancial* Operations (4 years)

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