2017 Annual Report

goeasy Ltd.

Our results, which include 66 consecutive quarters of positive net income and 31 quarters of positive same-store revenue growth, demonstrate our ability to deliver on our targets and create a high degree of confidence for our future growth.

Providing everyday Canadians the chance for a better tomorrow, is at the core of everything we do.

goeasy has become a clear leader in providing goods and alternative financial services to non-prime Canadian consumers by helping meet the needs of more than one million customers from coast-to-coast who have been turned down by banks and other traditional lenders. We develop lasting relationships with our customers, standing by them when no one else will and providing them with access to the goods and financial services they need today. We help them build their confidence and financial stability for a brighter future.

In 2017, we embarked on an accelerated growth plan as we executed against several key initiatives and continued to deliver record-results for revenue and profits. Our plan delivered loan book growth that was almost double what we experienced in 2016, and resulted in adjusted earnings per share increasing by 24.8 per cent to $2.97.

Our strategy has remained consistent and the growth we have experienced has been driven by leveraging the strong foundation we have built as an organization. At the same time, we have continued to expand our business by focusing on our mission of helping our customers graduate towards lower rates and back to prime credit. Our plan of offering a laddered suite of products across the non-prime credit spectrum is well under way. This past year, we launched a secured loan product for homeowners with loan amounts up to $25,000 and rates starting at 19.99 per cent. We have also expanded the availability of our rate adjusted unsecured installment loan product.

With the recapitalization of our balance sheet and a new debt structure backed by a syndicate of Canadian and international banks in place, we are extremely well-positioned to fund our growth for the foreseeable future. Coupled with favourable market conditions and increasing consumer demand for non-prime credit, we remain confident about the future and our ability to meet and exceed the targets we have established which include a loan book that will surpass $1.0 billion by the end of 2020.

ACCESS

We say yes when banks are not an option

RELIEF

We give our customers a decision in minutes

RESPECT

We help our customers graduate towards lower rates

2017 was the 16th consecutive year of growing revenues & delivering profits.

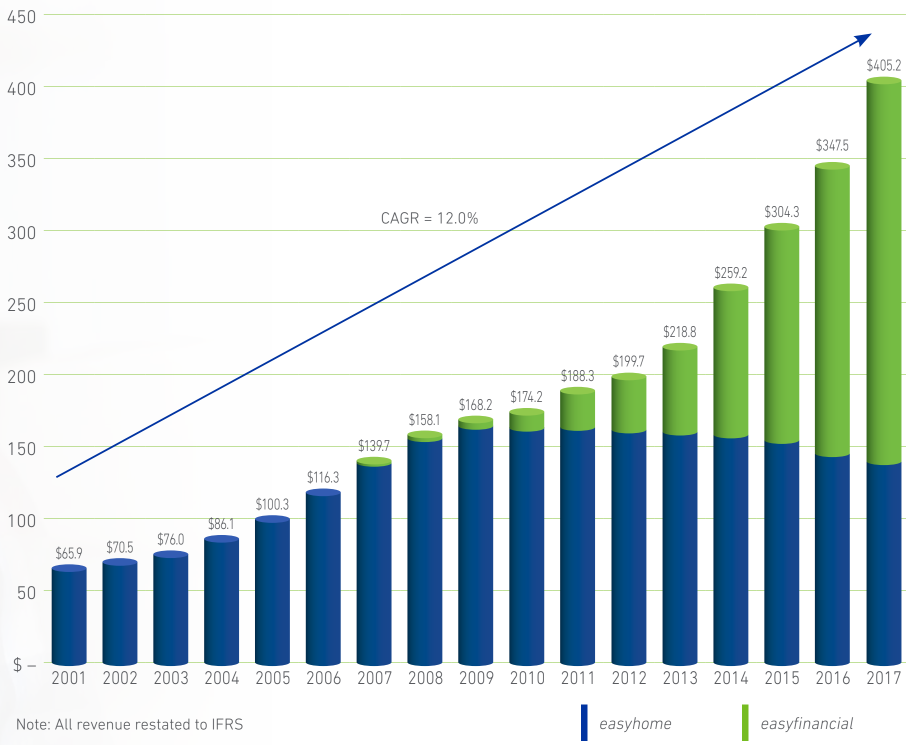
16.6%

TOTAL REVENUE GROWTH IN 2017

2017 Highlights

Annual Revenue

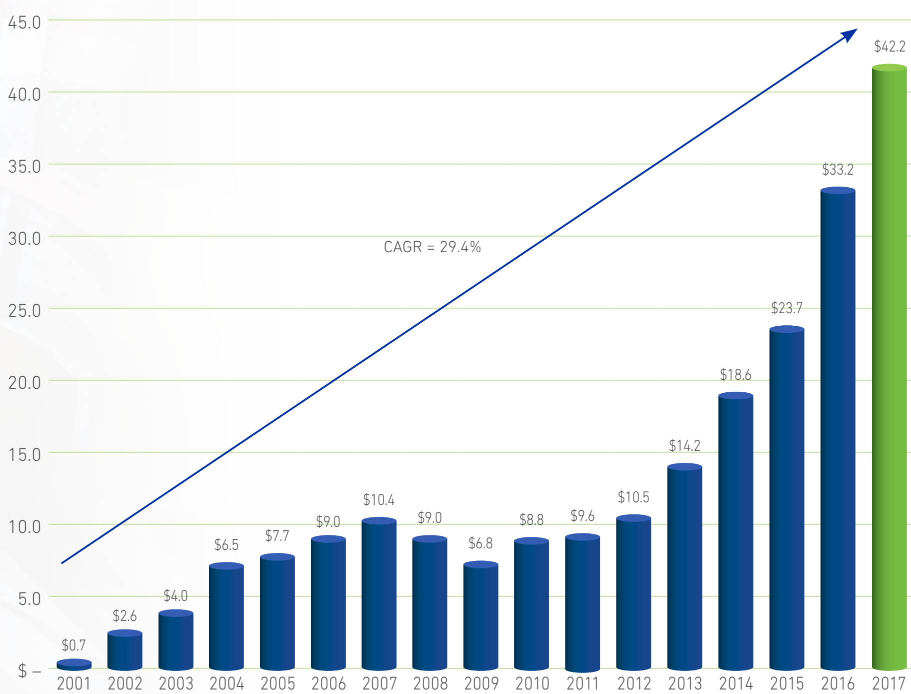
(in dollar millions)



Note: All revenue restated to IFRS

Adjusted Annual Net Income

(in dollar millions)



Note: 2001 to 2009 amounts reported on a Canadian GAAP basis. 2010 to 2017 amounts reported under IFRS. 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.

$87.4M
RECORD OPERATING INCOME

38.3%
OPERATING MARGIN FOR *EASYFINANCIAL*

12.0%
COMPOUND ANNUAL GROWTH RATE OF REVENUE SINCE 2001

27.2%
INCREASE IN ADJUSTED NET INCOME

19.8%
ADJUSTED RETURN ON EQUITY

A history worth celebrating

Since 2001, on a normalized basis, we have achieved compound annual growth rates of 12.0 per cent for revenue and 29.4 per cent for normalized net income. Over that time, we have remained unwavering in our commitment to provide our customers with the opportunity to achieve better financial outcomes positioning *goeasy* as the leading non-prime lender for everyday Canadians.

2001

David Ingram appointed CEO.

Company returned to profitability.

130 retail locations.

2003

easyhome Ltd. was born, consolidated from 6 brands.

First analyst report issued by Raymond James.

2004

easyhome Ltd. established partnership with Boys and Girls Clubs of Canada.

2005

easyhome Ltd.'s annual revenue grew to $100 million.

2006

The first *easyfinancial* kiosk opened in Edmonton, AB.

2011

The first *easyfinancial* standalone location opened in Toronto, ON.

Implemented third party centralized credit decisioning/ loan origination platform.

easyfinancial increased maximum loan size to $5,000.

2001

2012

Secured the first credit facility to support the growth of *easyfinancial.*

Launched third party loan servicing platform.

2013

Total company revenue hit $200 million.

Transactional websites for both businesses launched.

2014

easyfinancial increased maximum loan size to $10,000.

goeasy Ltd. Masterbrand launched.

Released next-gen proprietary loan origination platform.

2015

Corporate name changed to *goeasy* Ltd.

Mobile point-of-sale financing platform launched.

easyfinancial hit $1 billion in loan originations.

Acquired 45 retail lending locations from Cash Store.

Acquired 14 retail leasing stores from Rent-A-Center.

2016

easyfinancial increased maximum loan size to $15,000.

Launched the first integrated application for prime/non-prime lending at point-of-sale.

Introduced rate adjusted lending products.

2017

easyfinancial reached a $500 million loan book.

easyfinancial secured lending product launched with maximum loan size of $25,000.

Entered into new credit facility and closed US $325 million offering for unsecured notes.

easyfinancial expanded into the Québec market.

easyfinancial exceeded $2 billion in loan originations.

easyhome lending was established.

356 retail locations.

2017

Our commitment to our customers will drive our growth.

We continue to drive forward our strategy of providing everyday Canadians with access to non-prime credit while helping them on their journey towards lower cost prime financing.

goeasy

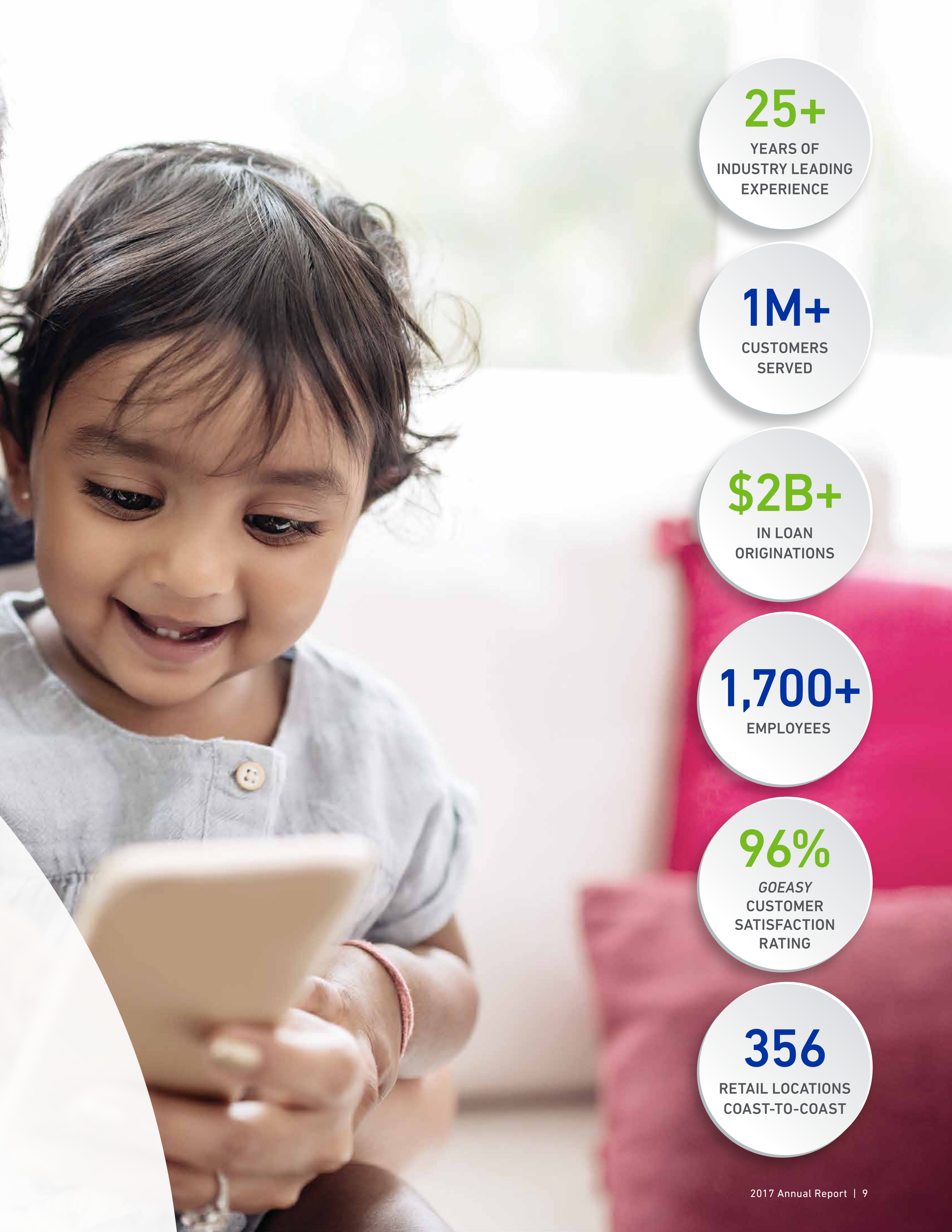
goeasy is a leading provider of goods and alternative financial services that improve the lives of everyday Canadians. We help our customers meet their financial borrowing needs with the ultimate goal of seeing them graduate towards lower cost prime financing.

goeasy serves its customers through two key operating divisions, *easyfinancial* and *easyhome*. Both enable customers to transact through an omni-channel model, which includes a national branch network of 228 *easyfinancial* and 171 *easyhome* locations and transactional online and mobile platforms.

Our customers are hard-working Canadians that are most often married with kids, employed, and are among the approximately seven million consumers that get declined for credit from traditional lenders.

It is our goal to provide each and every person with the opportunity for financial relief and a high level of customer service delivered by over 1,700 of our employees. It is the front-line team that is at the core of our success. We intimately understand our customers so that we can provide them with personalized financial solutions that put them on the path to a better financial future.

With multiple products, risk adjusted interest rates, a strong central credit decision process and industry-leading risk analytics, we have an acute understanding of the $165 billion non-prime consumer lending market in Canada. This combination of experience, innovation and customer focus has resulted in 66 consecutive quarters of positive net income and 31 quarters of positive same-store revenue growth. In addition, we continue to improve employee engagement, customer satisfaction and brand awareness. We remain confident in our ability to achieve and surpass our ambitions for the future.



25+
YEARS OF INDUSTRY LEADING EXPERIENCE

1M+
CUSTOMERS SERVED

$2B+
IN LOAN ORIGINATIONS

1,700+
EMPLOYEES

96%
GOEASY CUSTOMER SATISFACTION RATING

356
RETAIL LOCATIONS COAST-TO-COAST

easyfinancial

easyfinancial is a non-prime consumer lender that began in 2006 with a goal of bridging the gap between traditional financial institutions and costly payday lenders. *easyfinancial* provides loans up to $25,000 with rates starting at 19.99 per cent. Our unique omni-channel business model allows our customers to conveniently transact with us through our national branch network, online, or with our indirect partners.

In 2017, we introduced two new significant initiatives to expand our *easyfinancial* business and continue to meet the needs of our customers. We launched *easyfinanciére* in Québec and added a secured personal loan for homeowners to our product portfolio.

The Québec market, which has been largely underserved by non-prime lenders, has proven to be a tremendous growth opportunity for us. Over the past year, we opened 11 branches in Québec and the province's loan portfolio reached $23.5 million by year end, ahead of our initial expectations.

The introduction of secured loans up to $25,000 was core to expanding our suite of products and is a continuation of our strategy to help customers graduate towards lower rates. In addition, this new product will help attract a new segment of higher credit-quality customers that own their home while also providing our existing home-owning customers the flexibility to use the equity in their home to secure more credit at lower rates.

With 228 locations, including the newly-opened branches in Québec, we now serve customers in every province. To date, our total loan originations exceed $2 billion. Although we are very proud of our financial achievements, it is the real difference we are making in the lives of more than 250,000 hard-working Canadians who have come to us for financial help, that is the real source of organizational pride.

$527M
gross consumer loan book

$268M
revenue

$103M
operating income

228
locations
(29 Opened in 2017)

125K
active customers

goeasy serves its customers through two key operating divisions, *easyfinancial* and *easyhome*.

easyhome

easyhome offers customers brand name household furniture, appliances and electronics through flexible leasing agreements. We offer a leasing transaction for cash and credit constrained customers that acts as an alternative to the financing offered by traditional retailers. To lease from us you do not require credit checks or down payments, and we offer the flexibility to terminate a lease at any time with no cost.

easyhome customers can shop online, or in one of 171 stores across the country. The process is quick and easy, with 97 per cent of our clients receiving immediate approval.

Starting in 2017, 99 *easyhome* locations also began offering unsecured loans of up to $15,000, powered by *easyfinancial*. Lending in *easyhome* locations allows us to expand our points of distribution and leverage our existing real estate investment. Lending also provides our *easyhome* stores with a way to expand their product offering and retain their best customers by helping them rebuild their credit and providing them access to the funds they need.

$137M
revenue

$21M
operating income

171
locations

99
locations offering *easyfinancial* loans

50K
active customers

Helping families in Canada and beyond.

With locations across the country, *goeasy* employees are committed to helping those in need within the communities where we live and work and across the globe.

From the beginning, *goeasy* has always focused on the ways we can give back to those in need. It has become a cornerstone of our culture. With locations across the country, *goeasy* employees are committed to making a meaningful difference in the communities where we live and work.

In 2004, we began our long-standing relationship with Boys and Girls Clubs of Canada whose mission is to provide safe, supportive places where children and youth can experience new opportunities. Since then, we have raised more than $1.5 million to fund their impactful work. Over the past 14-year relationship, *goeasy* employees have also spent many hours volunteering in Clubs across Canada, assisting with clean-ups, renovations, teaching kids, organizing events and more.

In 2014, with the goal of making an even more significant contribution to Boys and Girls Clubs of Canada, we launched easybites. The initiative is an ambitious $2.5 million, 10-year program to build safe and functioning kitchens in all 100 Boys and Girls Clubs across Canada. These kitchens help the Clubs feed today's youth and enhance their food and nutrition programs, where kids can learn how to prepare healthy meals and develop life skills. The kitchens also help serve the communities around the Clubs, adding to the importance of this project.

Giving back to our communities is core to our organizational values. We are strong supporters of not only donating financially but also with our time. All employees are entitled to three annual paid days off to volunteer at charities of their choice. In addition, once a year, corporate employees participate in a govolunteer day where employees spend the day volunteering their time at local charities. This past year, our support centre team participated in the Dovercourt Boys and Girls Club Christmas Hamper Program which helped build and deliver over 400 food hampers to families in need across the Greater Toronto Area.

Although we recognize the importance of giving back locally, our charitable efforts go far beyond our Canadian borders. To drive impact on a global scale, we have also partnered with Habitat for Humanity's Global Village Team to build houses for those in need. 2017 marked the third straight year of this initiative, which in total has funded 40 housing solutions including 22 homes and 18 smokeless wood burning stoves for families in extreme poverty. Through this initiative, our CEO and COO have taken 75 *goeasy* employees to Nicaragua, India and Guatemala where they participated in building homes and stoves, witnessing first-hand the difference they are making on an international scale.

Boys & Girls Clubs of Canada
Repaires jeunesse du Canada

Habitat for Humanity® Canada

govolunteer

$1.5M

RAISED TO SUPPORT BOYS AND GIRLS CLUBS OF CANADA

$2.5M

COMMITMENT OVER 10 YEARS TO BUILD 100 NEW KITCHENS IN EVERY BOYS AND GIRLS CLUB

22

HOUSES BUILT THROUGH HABITAT FOR HUMANITY GLOBAL VILLAGE

"2017 was a year of accelerated growth for *goeasy*, defined by achievement, innovation and fulfilling our mission of providing our customers with the access, relief and respect they deserve. Our results, which included 66 consecutive quarters of positive net income and 31 quarters of positive same-store revenue growth, demonstrate our ability to deliver on our targets and create a high degree of confidence for our future growth."

David Ingram, President & Chief Executive Officer

Over the past 17 years, we have delivered compound annual growth rates of 12.0 per cent for revenue and 29.4 per cent for normalized net income. We also continued to experience improvements in employee engagement, customer satisfaction and brand awareness.

Throughout 2017, our focus was on growth and leveraging the scale of *easyfinancial*. In addition to delivering strong financial results, we met or exceeded all of our stated targets. Our closing loan book target was between $475 and $500 million, and ended the year at $527 million. Our *easyfinancial* revenue yield target was between 60 and 62 per cent and we achieved 61.2 per cent for the full year. The total revenue growth target was 10 to 12 per cent and we delivered revenue growth of 16.6 per cent. We targeted *easyfinancial* operating margins to be 35 to 37 per cent and delivered 38.3 per cent. Finally, we targeted a return on equity between 18 and 19 per cent and delivered 19.8 per cent. Our net income reached $36.1 million, and diluted earnings per share were $2.56. *goeasy*'s 2017 results included an $8.2 million before-tax charge associated with refinancing completed on November 1, 2017. 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. Adjusted net income for 2017 was $42.2 million compared with $33.2 million in 2016, an increase of $9.0 million or 27.2 per cent. Adjusted diluted earnings per share for 2017 were $2.97 compared with $2.38 in 2016, an increase of $0.59 or 24.8 per cent.

A Look Back

The Company was founded in 1990 and was then known as RTO Enterprises, which included six acquired brands that serviced customers in the rent-to-own market. Since the Company was founded, it had struggled to make a profit. The debt used to complete many of those acquisitions had led to double digit borrowing rates with royalty financing costs of 22 per cent. With the Company's losses exceeding $9 million in 2000, our Chairman, Don Johnson reached out to me and asked me to join the organization with a mandate to turnaround the declining operations. Excited by the opportunity, I joined the team in December of 2000. After my initial review of the business and forecasts, I learned that our suppliers had put all future inventory orders on strict cash-on-delivery terms and it became clear that we would run out of money within 90 days. The gravity of the situation was far worse than I had anticipated and the excitement changed to a mode of "working to survive rather than working to succeed."

The Company was also facing multiple operational issues including: staff turnover of 129 per cent, delinquency rates of 20 per cent, a pricing strategy that was complicated and unfavourable for customers and a store set-up that was unappealing, contained no brand name merchandise and had windows with security bars. In order to right the ship, the first step of the plan was to rewrite the entire operating budget for 2001 with a target to make $1 pre-tax profit. All of the operating procedures for collections, selling, margins, and merchandising were reset with an initial goal; collect all 14-day past due merchandise and replenish empty showrooms with revenue-generating assets.

Next, we executed a rights issue backstopped by the Chairman to inject the Company with $5.8 million of cash to save us from potential bankruptcy and build the basic pillars for the organization. With no cash, every dollar required judicious scrutiny and pre-approval. In addition, I put a new Executive team in place who all had industry experience across North America and the U.K. in the lease-to-own space and opened a small office in Mississauga. We replaced the royalty financing with a preferred share offering that the management team participated in to further reduce the cost on our capital structure.

In 2001, we made $1 million income before tax and have been profitable every year since.

In 2002, we began forming a new merchandising strategy including a new model for the store layout, new category management and pricing principles, 30-60-day payment terms, volume discounting and special buys. We added Ashley, Sony, and Dell to our vendor partnerships, with Dell leveraging our business as their first entrance into supplying product within a store distribution model.

With the business growing, new vendors and improved staff morale, we knew it was time to focus on our brand and to start the work of consolidating our six discrete store names into our store of the future. After testing two concepts in 10 stores, the brand name *easyhome* had a 20 per cent increase in same-store revenue over the alternate brand. In November 2002, the Board approved our recommendation to convert all 126 locations under the name *easyhome* in the spring of 2003. At the same time, we changed the corporate name to align to our stores and acquired what may be the most Canadian ticker of all time – EH!

In 2005, although the business had experienced significant growth in revenues and profitability, it was clear that changing market dynamics and customer needs combined with the size of the merchandise leasing market meant we were likely three to five years from peaking our growth at *easyhome*. It was evident that we needed to explore new business opportunities. The time to act was during our growth mode so we could make clear and thoughtful decisions about our future. We began testing five new business concepts until the idea for *easyfinancial* came to me at a hotel bar in Edmonton. The concept was simple – how could we leverage our experience with the same customer we had come to know so well to help fulfill their needs for cash, as opposed to only household goods. Although the payday loan industry was growing rapidly, they were in violation of the criminal code. In addition, I could not understand how a customer would be able to repay 50 per cent of their income on their next pay cycle which was the common practice for these operators.

That night, the business plan was crafted on the back of a napkin and the CFO was tasked the next morning to start building a model. He had to build a model that had a mid-point for risk and interest rates compared with banks and pay day lenders, but could achieve an operating margin that could scale above the rate of return for the leasing business. On January 6, 2006, we opened the first *easyfinancial* test kiosk on Stony Plain Rd. in Edmonton. To date, *easyfinancial* has generated over $2 billion in loan originations, has a loan book of over $500 million and has served approximately 250,000 customers through over 300 Canadian retail branches from coast-to-coast.

Building the Next Growth Engine

One of the biggest assets in a coast-to-coast retail store distribution model is the opportunity to test and learn. You can try new ideas, allow for space in your imagination to think about the customer journey, launch new products and the permission to fail knowing that, with the right controls, it would not kill the Company but it could succeed and become the next growth engine.

When we first launched *easyfinancial*, we had the discipline and focus to test this business on a limited scale basis, but we knew the market size was far more significant than the leasing business. Later that same year, we added two additional locations to deepen the understanding of the market. We became quietly confident of our results with the first location becoming profitable in 10 months. Still acting with prudence, we further added five kiosks in 2007. In 2008, we continued to build more kiosks as the business unit delivered its first consolidated profit, with revenues doubling year over year to $2.3 million. In 2009, we launched our *easyfinancial* website, including an online pre-screening function and finished the year with 29 kiosk locations.

2010 was marked by an event that left me with my most painful work experience. In October, we found a major fraud in Saint John, New Brunswick. We flew there the next day, investigated the allegations, interviewed the staff and concluded, after completing a full file check, that the Manager was operating a Ponzi-type scheme. That weekend, with legal advice and the Board of Directors oversight, we engaged PWC to complete a forensic accounting review to ensure we gained a complete understanding of the extent of this activity and to review the supervision and controls. The investigation concluded that this fraud was limited to this one individual, but outlined a number of recommendations that would further improve our internal controls. We modified the *easyfinancial* transaction software, increased the number of key performance indicators, and refined our operating procedures. We strengthened our team by accelerating the hiring of a Vice President of Risk Management and adding independent field auditors. The biggest insight was the need for instituting PAPs (Pre-Authorized Payments from the bank accounts) and partnering with a consumer credit reporting agency. We teamed up with TransUnion to implement a new electronically automated loan decision-making and identity verification tool. It was a painful but crucial lesson that has served us well and acted as a constant reference for the importance to evolve and build our risk competence for detection of possible internal and external threats.

With the recommendations implemented and the loan adjudication process now centralized and with a much-enhanced credit risk team, our infrastructure was engineered for continued growth. In 2011, we added 20 more locations, increased the maximum loan size to $5,000 and finished the year with a loan book of almost $50 million. With the wind in our sails, the most critical change that provided an inflection point in the Company's history took place. The management team had begun the search for external capital to meet the growing demand for *easyfinancial*. Up to that point, we had depended on the free cash flow from leasing, but the rate of growth for loans was far exceeding the current balance sheet. The Company needed to make a decision; grow at a slower pace by matching the cash flow or meet the accelerating demand of our customers and begin to leverage our balance sheet. The management's strategic plan concluded that we needed to seek new capital and be a leader in the space we were building. The Board of Directors had a split view but the Chairman supported the management recommendation and this lead to a period of uncertainty as opinions of the Board members were quite polarized. This division prevented alignment and it stopped the organization from acting with pace, confidence and leadership. In the end, five of the Directors could not support the management position and resigned from the Board in December 2011.

The resolution to this began the best growth period that the Company had ever experienced. The years that followed led to hiring very talented Executive leaders who had the resources and the technical skills to build a robust growth machine. In 2012, we deployed a new loan software system supported by a financial services leader that provided us with a full banking system. We secured a $20 million credit facility and opened our 100th *easyfinancial* location. In addition, we launched a proprietary credit score that feeds our loan decision methodology.

In September 2015, we consolidated the *easyhome* and *easyfinancial* business units under the corporate name of *goeasy*. This move was reflective of the evolution and growth of the business. We evolved from a name that was aligned with the legacy leasing business to a corporate name that encompassed all our business units. This change also gave us a platform to add new brands as we continue to pursue our growth objectives.

The story of where we came from is critical to understanding our success and how we plan on fulfilling our ambitious growth plans. We took a business on the verge of bankruptcy with a market capitalization of $10 million and an enterprise value of $30 million and turned it into one that has a market capitalization of $525 million and an enterprise value of approximately $1 billion.

As an organization built on entrepreneurship, the culture continues to run through our veins as we relentlessly get things done through innovation and calculated risks. We focus on execution and value creation through our unwavering commitment to our customers and our team of over 1,700 employees.

A Changing Landscape

Our mission is to provide everyday Canadians the chance for a better tomorrow, today by helping them on their journey back to lower cost prime financing. As we continue to drive forward, our long-term strategy of providing access to credit across the non-prime credit spectrum, the market conditions, customer needs and regulatory environment are all aligned to support that mission.

Market

We believe that there is significant demand for non-prime lending in the Canadian marketplace. The estimated size of the Canadian market for non-prime consumer lending, excluding mortgages, is roughly $165 billion. This demand is being met by a wide-variety of industry participants, who offer diverse products. 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, opportunities for growth exist for those lenders who can effectively offer multiple products spanning the non-prime consumer credit spectrum across various distribution channels.

Historically, the consumer demand for non-prime loans 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. This leaves *easyfinancial* as one of a small number of coast-to-coast non-prime lenders with stated growth aspirations.

With our strong balance sheet, robust infrastructure, expanded product offering and coast-to-coast branch network, we are well-positioned to capture a much larger share of this $165 billion non-prime consumer credit market.

Customers

Over the years, we have gained experience in serving over one million customers and have come to develop an unparalleled understanding of their needs. For these customers, of which 60 per cent have been denied credit from a bank or traditional lender, *goeasy* offers the 'yes' they need and deserve.

In addition to macroeconomic indicators that support strong credit performance in the coming quarters, our target customer remains more stable during economic shocks as compared to those in the prime and prime plus categories.

With a segment that under-indexes in home ownership versus the Canadian average, our customers have a reduced sensitivity to housing prices and interest rate fluctuations. In addition, this group tends to under-index on total debt-to-income levels due to lack of access to credit, which further creates stability within this segment when economic factors shift.

That stability coupled with our focus on prudent risk management and responsible lending through our centralized and proprietary credit, underwriting and collection models, makes us extremely bullish on our future.

Regulatory

Canada has a well-established and stable regulatory environment that governs the operations of non-bank lenders. Section 347 of the federal criminal code, which dictates that a maximum rate of interest of 59.9 per cent can be charged, was established in 1985. The only significant modification to that section occurred in 2007, when provisions were made to exempt payday lenders from the interest rate cap.

On a provincial basis, each of the Canadian provinces have enacted consumer protection legislation that govern what must be disclosed to a consumer in a lending transaction and the rules around interacting with that customer once a relationship has been established. As individual provinces, such as Alberta and Québec, consider implementing new regulations that may impact non-bank lenders, *goeasy* is proactively engaged with these provinces, both directly and through participation in industry associations, including the Canadian Lenders Association, to provide input on any potential changes.

Driving Success Through Execution

With the strong outlook for the Canadian non-prime credit market and our continued focus on growth and leveraging the scale of *easyfinancial*, 2017 was, once again, a year of significant achievement for *goeasy*. Our track record of exceeding our targets and over-delivering against market expectations has been fueled by a commitment to our long-term strategy of providing access to credit across the non-prime credit spectrum through a comprehensive suite of borrowing products. Our strategic imperatives have remained consistent and focused on evolving our delivery channels to meet the needs of customers, delivering a best-in-class experience, enhancing our product offering and executing with efficiency and effectiveness. In 2017, we focused on delivering against these imperatives and a strong drive towards execution that led to significant progress on our strategic initiatives. There are several that are key to highlight.

First, we completed a recapitalization of our balance sheet. This recapitalization began with the closing of our $53 million convertible debt offering in June and finished with the concurrent closing of our US $325 million high-yield debt offering and $110 million bank revolver in early November. The new debt structure provided by the North American capital markets and a group of national and international banks, provides us with a capital structure to fund our growth for the foreseeable future. Additionally, our new credit facilities are less restrictive, offer improved advance rates, as well as a lower cost of borrowing.

Second, we significantly expanded our *easyfinancial* footprint. We now offer loans from coast-to-coast having launched *easyfinanciére* in Québec in the second quarter of 2017. The growth in Québec has exceeded our expectations and by the end of the year we grew to 11 branches with a loan book of $23.5 million. We will continue to grow our Québec business and expect to have approximately 40 branches there within the next few years. The Québec market place was largely under-served by non-prime lenders and the opportunities available in this market will be a major contributor to our growth in the years to come.

Our ability to reach customers with our *easyfinancial* loan product was also improved in the second quarter of 2017, as we began to offer our unsecured lending products in almost 100 of our *easyhome* leasing locations. This expansion allowed us to further increase the distribution footprint of our financial services products and leverage our existing real estate and employee base that understands our targeted customer demographic. All told, we now offer lending at over 300 locations across Canada, as well as online and through mobile technology.

Third, we broadened our product offering. We strongly believe in improving the lives of everyday Canadians by helping them on their journey back to lower cost prime financing. A key element of this vision is a laddered suite of loan products which allows our customers to reduce their overall cost of borrowing and improve their credit profile.

In 2016, we launched risk adjusted pricing, which features interest rates from 29.99 per cent. We offered this product to our best-performing customers, enabling them to reduce their cost of borrowing and increase their access to financing. After understanding the performance of these rate adjusted loans, we significantly expanded the availability of our rate adjusted lending product in 2017.

2017 was again a year of significant achievement for *goeasy*. Our track record of exceeding our targets and over delivering against market expectations has been fueled by a commitment to our long-term strategy of providing access to credit across the non-prime credit spectrum through a comprehensive suite of borrowing products.

More recently, we launched a secured loan product that is offered to qualifying homeowners looking for a lower cost form of financing and who can pledge their residence as security for the loan. Loan sizes range from $15,000 to $25,000 with rates from 19.99 per cent and terms of up to 10 years. All loans require periodic installment payments of both principal and interest and have real estate pledged as security for the loan. While the borrower's equity in their home is important, lending decisions are based primarily on the borrower's creditworthiness and ability to repay – similar to our unsecured loans. The secured nature of this product will result in lower loss rates and servicing costs, which allows us to reduce the interest rate charged to the customer.

Finally, rate adjusted pricing and secured lending have allowed qualifying customers to gain access to greater amounts of financing while reducing their cost of borrowing. While we will see a moderation of yield, we believe that these products will feature longer customer tenure, reduce rates of charge-offs and lower relative costs to underwrite and administer. Thus, we expect to ultimately deliver a higher long-term value per customer. We now offer lending products which span the non-prime credit spectrum with rates starting at 19.99 per cent. These lower rate products allow us to reward customers, that perform with a reduced cost of borrowing, with greater access to funds and enable them to improve their financial future. This strategy is the right thing for the consumer, but it is also the right thing for our Company.

Outlook for the Future

As I look towards the future, it is clear that our long-term strategy and our focus on execution to deliver record financial performance year-on-year has led us to this moment. A moment where market conditions, the needs of our customers and our experience are colliding to create our biggest opportunity yet.

We are extremely well-positioned for the future and our ability to continue delivering against our customers' needs has never been stronger. As we continue to leverage the scale and capabilities we have built over the past 17 years, our mission remains the same – to deliver a best-in-class borrowing experience by helping our customers improve their credit and graduate them back to lower cost prime lending.

In 2018 and beyond, we will continue to focus on fueling our ambitious growth platform. Innovation is core to this strategy, as is our ability to continue providing our customers with an omni-channel experience that allows them to transact with us in the fastest and most convenient ways for them.

We will be significantly investing in our digital capabilities to create a fast, mobile-driven loan application that significantly reduces friction in the process by minimizing the effort required to get a loan from us. With a flexible architecture and the ability to rapidly test and learn what delivers the most optimal customer experience, we are confident that this next iteration will be one that we can continue to evolve as we grow and expand. Core to this evolution will also be a robust personalized portal that will allow our customers to see how their credit is improving, engage in our library of proprietary financial education and ultimately manage the progress of their financial future.

At the same time, as we build out our core digital technology, we will also undertake an initiative to create our branch of the future. One where technology and personal customer interactions come together to create a seamless experience for our customers. We know that our customers tremendously value the ability to interact with our branch employees through our physical locations. With the use of technology, we can build on our winning formula to create a personalized and engaging customer experience that has never been offered by a non-prime lender.

In the coming year, we will also invest in new product development across the credit spectrum for non-prime customers. This includes continuing to fine-tune our lower rate product offerings as we gain further understanding of their performance. In 2018, we will research and explore other lending products that can be added to our product portfolio in 2019 and beyond. We are committed to building out a full suite of products that will ultimately serve all the borrowing needs of a non-prime consumer.

Our credit underwriting models will also continue to evolve to better optimize the balance between providing greater access to consumers while managing charge-offs. We will make use of supplementary credit and alternative data sources to further improve our ability to underwrite a broader population of customers for non-prime credit, while reducing the overall level of risk.

We will also invest in machine-learning and artificial intelligence, so we can learn to better anticipate customer lending needs. Our goal is to progress customers through a life cycle of lower cost borrowing with, ultimately, getting them back to prime lending.

All of these activities will be supported by the launch of an evolved brand strategy that will build on our current position of being the most recognized brand for installment lending. This strategy is designed to appeal to a wider non-prime customer segment and promote our expanded suite of credit products. The campaign, which focuses on providing our customers with “Money that Matters”, helps with the message of our ability to meet the credit needs of our customers today and gives them hope of a better tomorrow. The campaign will be supported by a new TV spot, radio advertising and refreshed point-of-sale materials at all of our branches for a consistent and integrated message.

Lastly, as we continue to expand our delivery channels, we will focus on further developing our indirect lending channel so it becomes a key revenue and customer acquisition engine for *easyfinancial*. Our strategy involves developing a prime partnership with large retailers and modifications to our existing product/solution with medium retailers.

It is clear that we have many upcoming initiatives, but we have the utmost confidence in our team’s ability to deliver against our ambitious growth objectives and targets. With the strength and experience of our management team that includes an average of 25 years experience in the credit market, and over 1,700 associates across the country, we are well-positioned to achieve and surpass the goals and targets we have set for the coming years.

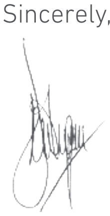
We have build a culture on preserving the core of who we are, while pursuing innovation and a growth mentality. We have created an environment where winning as a team is not simply a value we hang on the wall, but one that we live by every day, as we service our customers. With over 35 nationalities represented by our employees and a workforce that is 53 per cent female, we are committed to building a diverse and inclusive workforce. Through initiatives such as our Women in Leadership program, we seek to empower and support the females within our organization to achieve their career aspirations through learning, mentorship and creating a peer-based support system. In addition to this program, we have taken an even bigger position in helping to support women in the workplace by committing to closing the gender pay gap at *goeasy* by 2020. Although the World Economic Forum’s 2017 Global Gender Gap Report estimated that gender parity is over 200 years away, we feel strongly about being an example in the Canadian corporate landscape and doing everything we can to ensure pay parity for our employees.

Our story, for some shareholders, is one of recent success and a linear progression that depicts rising revenues and growing profits. But it is one that has been 17 years in the making; a journey of hits and misses, tenacity, innovation, confrontation and, above all, a test of character and leadership. It is in our DNA to prove ourselves over again every day. Tenure, credentials and years of experience do not substitute for results. No one is rewarding us to pace ourselves or budget for our efforts. To this end, we enter the next stage of growth with our highest set of targets informed by our trends, plans, management skill and customer demand. With the new capital structure in place we can grow to our ambitious goals unencumbered, allowing many more Canadians choice and financial support at their greatest time of need.

Through all this time, it was our people – responding to our customers for help with their bills, providing needed resources when the car broke down or a washing machine needed fixing, assisting with lifetime events that traditional providers turned their backs on – that continued to make us successful. They stepped up and continued to battle daily at the sharp end and built lasting relationships because, like me, they believe in what we do.

It is that tireless effort that makes me gratified to serve them as their CEO and I could not be prouder!

Sincerely,



David Ingram,
President & Chief Executive Officer

Financial Summary

(in $000s except per share amounts, store counts, employee counts, percentages and ratios)	2017	2016	2015	2014	2013
Income statement					
Revenue	405,224	347,505	304,273	259,150	218,814
Operating income	87,393	62,516	48,052	34,593	24,965
Net income	36,132	31,049	23,728	19,748	14,182
Diluted earnings per share	2.56	2.23	1.69	1.42	1.15
Balance sheet					
Gross consumer loans receivable	526,546	370,517	289,426	192,225	110,704
Lease assets	54,318	55,288	60,753	64,526	68,453
Total assets	749,615	503,062	418,502	319,472	232,900
Gross external debt	471,925	267,500	217,500	126,756	64,063
Shareholders' equity	228,244	196,031	176,059	153,968	135,633
Cash flow					
Net issuance of consumer loans receivable	226,752	135,686	132,805	101,021	52,152
Purchase of lease assets	42,041	40,649	44,709	49,066	49,423
Purchase of property and equipment, intangibles and goodwill	12,076	8,297	10,880	12,339	11,233
Dividend payments	8,900	6,374	5,164	4,527	4,060
Key metrics					
Revenue growth	16.6%	14.2%	17.4%	18.4%	9.6%
Same store revenue growth	18.3%	12.1%	16.3%	19.6%	17.7%
Adjusted operating margin[1]	21.6%	19.0%	15.8%	12.9%	11.4%
Adjusted net income	42,158	33,155	23,728	18,600	14,182
Adjusted earnings per share[1]	2.97	2.38	1.69	1.34	1.15
Adjusted return on equity[1]	19.8%	17.9%	14.4%	12.9%	12.4%
External debt to shareholders' equity	1.97	1.34	1.19	0.79	0.45
External debt to adjusted EBITDA	4.57	3.46	3.71	2.91	2.01
Operations					
Total store count:					
easyfinancial	228	208	202	154	119
easyhome	171	176	184	192	237
easyfinancial branch openings	29	17	64	39	36
Employees	1,729	1,587	1,566	1,496	1,254

[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.

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Date: February 20, 2018

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, 2017 compared to December 31, 2016, and the consolidated results of operations for the three month period and year ended December 31, 2017 compared with the corresponding period of 2016. 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, 2017. 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 and the Company's ability to secure sufficient capital, liquidity of *goeasy*, plans and references to future operations and results, critical accounting estimates, expected lower charge-off rates on loans with real estate collateral and the benefits resulting from such lower rates, the size and characteristics of the Canadian non-prime lending market, the continued development of the type and size of competitors in the market and the anticipated impacts of the implementation of IFRS 9. In certain cases, forward-looking 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 "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "target" 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 *goeasy*'s operations, economic factors and the industry generally. 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 *goeasy*. Some important factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, *goeasy*'s ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favorable terms, secure new franchised locations, offer products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favorable terms, compete, 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.

goeasy cautions that the foregoing list is not exhaustive. These and other factors could cause actual results to differ materially from our expectations expressed in the forward-looking statements, and further details and descriptions of these and other factors are disclosed in this MD&A, including under the section entitled "Risk Factors".

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 provides everyday Canadians with a chance for a better tomorrow, today. Effective in September 2015, the Company changed its name from *easyhome* Ltd. to *goeasy* Ltd.

goeasy funds its business through a combination of equity and debt instruments. *goeasy*'s common shares are listed for trading on the TSX under the trading symbol "GSY" and *goeasy*'s convertible debentures are traded on the TSX under the trading symbol "GSY-DB". *goeasy* is rated BB- with a stable trend from S&P and Ba3 with a stable trend from Moody's.

goeasy serves its customers through our two operating divisions: *easyfinancial* and *easyhome*.

easyfinancial is the Company's financial services arm that provides fully-amortizing consumer installment loans to non-prime customers who have limited or no access to traditional bank financing products. *easyfinancial* is supported by a strong central credit adjudication process and industry leading risk analytics. *easyfinancial* also operates an indirect lending channel, offering loan products to consumers at the point-of-sale of third-party merchants.

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.

goeasy offers a high level of customer service and enables customers to transact through a national store and branch network and through its online and mobile e-commerce enabled platforms. At the core of the business is a community-based network of *easyfinancial* and *easyhome* branches. The Company believes that direct, personal relationships with its customers are best achieved through a physical location. For this reason, the extensive store and branch network continues to be a core element of the Company's business and product delivery strategy.

All loan and pricing decisions are made centrally using proprietary credit risk and underwriting models developed over the past decade by analyzing historical customer performance data. Additionally, 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. Through the Company's multiple delivery channels and utilizing an extensive analysis of the historic performance of its consumer lending portfolio, the Company has created a business model that aims to provide an optimal balance between growth and prudent risk management.

goeasy uses online advertising, coupled with mobile responsive transactional websites, to create a cost-effective way to attract new customers and optimize the application process. The Company also believes that its national footprint of retail branch locations promotes its brand and allows customers to apply in-person if that is their preferred means of interaction. *goeasy*'s recent customer surveys indicate that a large portion of its *easyfinancial* customers became aware of *easyfinancial* through its physical retail presence.

While digital properties and the Company's indirect lending arrangements are important application channels, *goeasy* believes that servicing its customers through a coast-to-coast network of branches optimizes their lifetime value. While the Company uses a multi-channel origination process, a large majority of its consumer loans are funded and managed in its branches. The customer loyalty developed through direct personal relationships increases the penetration of ancillary products, extends the length of the customer relationships and encourages the repayment of loans, which ultimately leads to lower charge-offs. *goeasy* has been a stable and positive community presence using its industry leading technology platform, proprietary underwriting process and data analytics to originate, price, manage and monitor risk effectively.

Prominent Player in an Underserved Market Represents a Unique Growth Opportunity	• A leading player in Canada's C$165B non-prime consumer lending sector • Well-positioned to capitalize on attractive industry fundamentals
Diversified Sources of Revenue and Funding	• Diversified and successful at growing lending operations while maintaining focus on stable leasing operations • Actively pursuing strategic growth opportunities in non-prime consumer credit spectrum
Strong Culture of Risk Management	• Robust risk management framework with centralization of all lending decisions • Stable charge-offs of ~14% to 16% of average receivables since 2011, trending lower in recent quarters
Predictable Losses and Stable Growth	• Stable cash flow and growth since inception of *easyfinancial* business in 2006 • 16 consecutive years of positive net income (CAGR of 29.4% from 2001 – 2017; 25.0% since 2011) and increasing book value
Balance Sheet Management	• Conservative approach to leverage – target debt to total capital of 70%
Experienced Leadership Team with Alignment of Interests	• Average of 25 years experience for senior management • Board and management own ~29% of the company (Chairman of the Board owns 22.9%)
Stable Regulatory Environment in Canada with Few Competitors	• Canada has a well established regulatory environment • Industry has become less competitive following the exit of several large banks

Overview of *easyfinancial*

easyfinancial is the Company's financial services arm that primarily provides fully-amortizing consumer installment loans to non-prime customers who may have diminished access to traditional bank financing products. *easyfinancial* is supported by a strong central credit adjudication process and industry leading risk analytics. *easyfinancial* also operates an indirect lending channel, offering loan products to consumers at the point-of-sale of third party merchants.

easyfinancial's product offering consists of unsecured and real estate secured installment loans available to Canadian consumers plus a suite of complementary ancillary products. These installment loans range in size from $500 to $25,000 at interest rates starting at 19.99% with repayment periods from nine to 60 months for unsecured loans and terms of up to 10 years for secured loans. The required regular installment payments on these loans from customers include both principal and interest and result in the entire principal balance being repaid over the stated amortization period, provided all contractual payments are made as scheduled.

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 traditional financial institutions. These same consumers prefer to avoid the high fees and onerous repayment terms set by payday lenders (which could have loan that carry an annualized interest rate in excess of 500% and may be repayable within two weeks of borrowing). *easyfinancial*'s products appeal to these consumers who are looking for better alternatives.

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 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 policies 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 focussed on providing consumer installment loans. Unlike payday loans, consumer installment loans are amortizing, equal payment loans that require borrowers to pay down balances over time rather than in a "bullet" maturity at the end of a short timeframe. Consumer installment loans are underwritten in such a way that the ability of the borrower to repay the loan is a key factor.

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

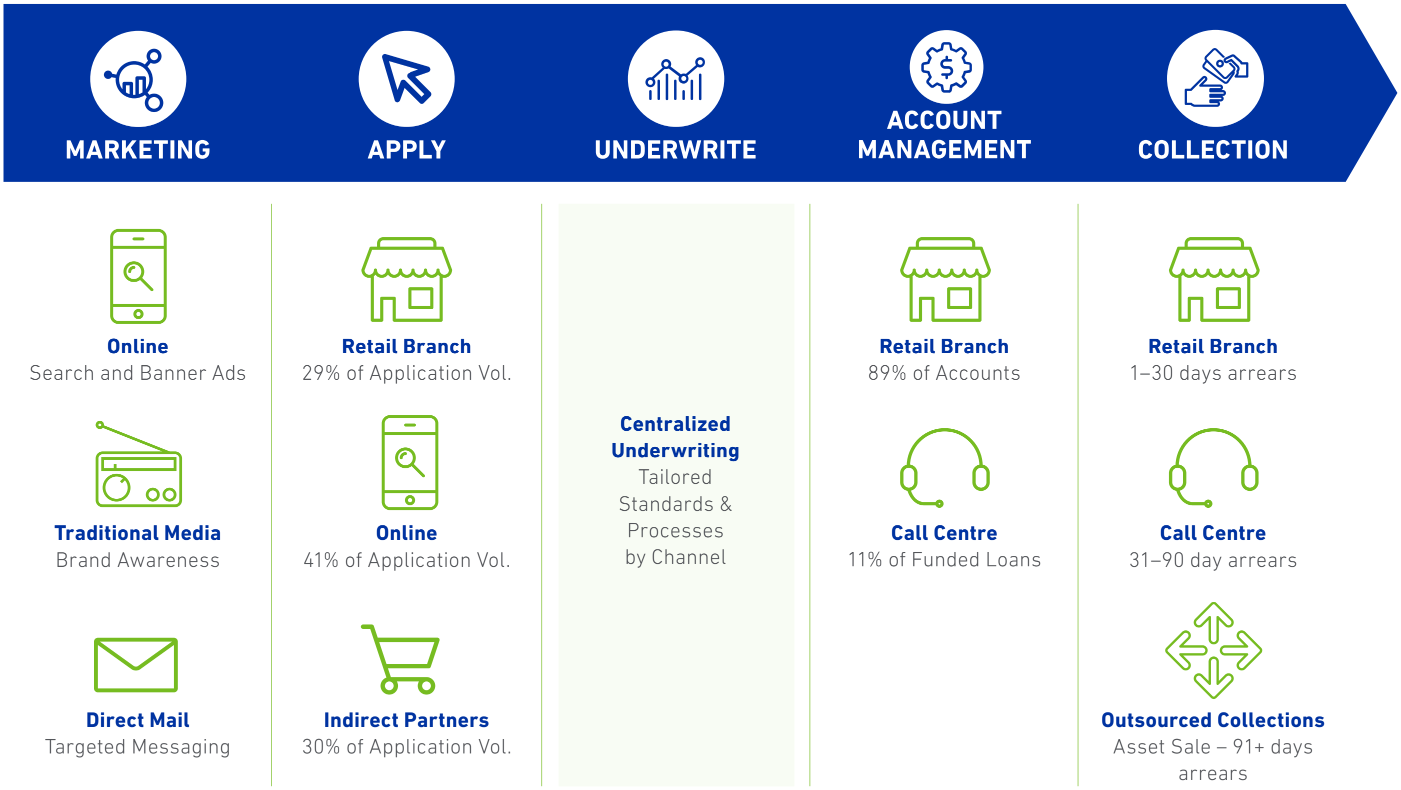
- The offering of consumer installment loans was initially piloted in 2006 using a kiosk that was physically located within an existing *easyhome* location.
- In 2011, to better meet customer demand for its products, the Company determined that the *easyfinancial* business would scale more successfully 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 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 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.
- In 2016, the Company introduced 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 the Company benefits by retaining its best customers as they work to rebuild their credit profile.
- In 2017, the Company complemented its unsecured installment loans with loans that are secured by residential real estate. These secured installment loans offer larger loan values and 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 from lower rates of charge off, longer customer tenure and lower relative acquisition and administration costs, which are expected to ultimately increase overall customer profitability.

easyfinancial's national scale distribution and servicing remains a key differentiator in its non-prime lending practice. In the non-prime lending sector, it is the Company's experience that multi-channel platforms supported by a national branch presence generally outperform online-only loan origination and account management, as the personal vetting of the loan applicant and the management of the customer relationship throughout a loan's repayment period leads to improved collections activity and ultimately lower loan losses.

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.
- The Company believes that originating loans through a combination of online activities along with a 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 the Company's 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.
- 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.
- While digital properties and the Company's indirect lending arrangements are important application channels, the Company believes that servicing its customers through a coast-to-coast network of branches optimizes their lifetime value. The customer loyalty developed through direct personal relationships increases the penetration of ancillary products, extends the length of the customer relationships and encourages the repayment of loans which ultimately leads to lower charge-offs.
- 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.
- 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 more effectively address and resolve various unplanned financial challenges that may occur. In this way, the Company believes bad debts are able to be reduced more effectively, particularly when compared to a non-prime consumer loan originated through an online-only lender.

The following chart depicts the *easyfinancial* lending life-cycle.



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.

easyfinancial's credit adjudication models and underwriting process optimize the balance between loan origination volume and loss rates. Having underwritten over $2 billion in loans over the past decade, the Company has developed proprietary credit scoring models based on its own historical data that better assess customer risk profiles than those employed by credit reporting agencies. The Company utilizes these proprietary models in its credit underwriting and collection activities.

The following summary provides certain information about the Company's credit approval process and credit risk management expertise.

- **Application**
  - Customer application includes a mix between personal identification and financial details
  - No additional credit granted to customers in arrears
- **Credit Adjudication**
  - Application information is combined with underlying data from a customer's credit report
  - Proprietary custom risk models based on demographic and behavioural attributes unique to *easyfinancial*'s consumer population
  - Champion/challenger strategy in refining models
  - Determines customer acceptability, lending limit and interest rate
- **Affordability**
  - Detailed debt to income calculation
  - Establishes a maximum loan amount based on ability to repay
- **Verification**
  - Supporting documentation validation including identity, customer consent, residency, credit report, banking history, income, expenses
  - Performed independent of operations
- **Fulfillment**
  - Loan document generation/signatures
  - Centralized funding control
- **Loan Payments**
  - All loan payments made via electronic pre-authorized payment from the customer's bank account
  - Loan repayment schedule coincides with customer's payroll deposit

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 provides everyday Canadians with a chance for a better tomorrow, today. To maintain this position, the Company must continuously improve 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. Ultimately, the Company will continue to be successful if it delivers a best-in-class customer experience.

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 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:

- **ENHANCE** the product offering
- **EVOLVE** the delivery channels
- **EXECUTE** with efficiency and effectiveness
- **DELIVER** a best-in-class customer experience

ENHANCE	Continue to enhance our **product offering** to align to our vision of helping our customers graduate towards better products and lower rates	**Full Suite of Lending Products with Prime Hand-Off**
EVOLVE	Expand the ways in which we reach and interact with our customers including through our **National** footprint and **omni-channel distribution**	**250 – 300 Branches Optimize Digital Growing Indirect**
EXECUTE	Continuous improvement of our **platforms** and **execution** across the business to create meaningful scale and drive greater efficiency	**EPS Growth >20% ROE >20%**
EXPERIENCE	Deliver a best in class **customer experience** through personalized relationships and building a meaningful brand that fosters deep emotional connections with our customers	**Best in Class Customer Experience Ratings**

Enhance the Product Offering

The continued growth of *easyfinancial* will 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. We partnered with Transunion to use their product and price it to our customers identical to what they would pay if they purchased it directly.

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 customers 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.

In 2017, the Company complemented its unsecured installment loan product with a secured installment loan product that is secured by residential real estate. These secured installment loans offer larger loan values and 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 from lower rates of charge off, longer customer tenure and lower relative acquisition and administration costs, which are expected to ultimately increase overall customer profitability.

In the future, the Company will look to introduce additional loan products that satisfy the needs of consumers and help them graduate towards lower cost lending solutions. Any new product launches will only be undertaken after i) a thorough review of the market dynamics and competition, ii) rigorous development of credit underwriting standards, iii) configuration of required systems and operating procedures and iv) product trials and testing. Ultimately, successful new products will be determined based on satisfactory consumer acceptance and the achievement of the Company's internal targets for return.

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.

The Company continues to believe 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 customer.
- 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 estimates that its retail footprint for *easyfinancial* could expand to between 250 and 300 locations across Canada. Total *easyfinancial* branch count at the end of 2017 was 228. Over the next few years, the Company will continue to add incremental locations in select markets as it works towards this target. In particular, the retail branch expansion will be focused on the expansion into Québec which represents a large market opportunity.

In 2013, transactional websites were launched by *easyfinancial* and *easyhome*, allowing consumers to initiate their transactions on-line. These 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. Further optimization of the digital channels will be ongoing utilizing 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.

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.

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.

Increase Store Level Efficiency

The Company must continue to 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.

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 2017, net external debt (adjusting for surplus cash on hand) represented almost 60% of the Company's funding requirements, approaching the Company's stated goal of funding its balance sheet on the basis of 70% debt and 30% equity.

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.

Deliver a Best-in-class Customer Experience

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 decisioning 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.

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.

Update on 2017 Targets

The Company's 2017 targets along with the underlying assumptions and risk factors were most recently revised and communicated in its September 30, 2017 MD&A. The Company's actual performance against its targets for fiscal 2017 is as follows:

	Actual Results for 2017	Revised Targets for 2017	Outcome
Gross consumer loans receivable portfolio at year end	**$526.5 million**	$500 – $520 million	Target achieved.
easyfinancial total revenue yield	**61.2%**	60% – 62%	Target achieved.
New *easyfinancial* locations opened in year	**29**	27 – 32 locations opened during the year	Target achieved.
Net charge-offs as a percentage of average gross consumer loans receivable	**13.6%**	13% – 15%	Target achieved.
easyfinancial operating margin	**38.3%**	37% – 40%	Target achieved.
Total revenue growth	**16.6%**	15% – 17%	Target achieved.
Adjusted return on equity	**19.8%**	19% – 20%	Target achieved.

2018, 2019 and 2020 Targets

The following table outlines the Company's targets for 2018, 2019 and 2020 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, which are referred to in the section entitled "Risk Factors" as described in this MD&A.

	Targets for 2018	Targets for 2019	Targets for 2020	Assumptions	Risk Factors[1]
Gross consumer loans receivable portfolio at year end	**\$700 – \$750 million**	**\$875 – \$950 million**	**\$1.0 – \$1.1 billion**	• 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 including the increased penetration of its risk adjusted and secured lending products. • 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	**54% – 56%**	**49% – 51%**	**46% – 48%**	• *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 including the increased penetration of its risk adjusted and secured lending products. • The Company expects the yield to moderate over this three year period due to the increased penetration of its risk adjusted and secured lending, products. • The effective yield earned on the sale of ancillary products reduces as the average loan size increases.	• 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	Targets for 2020	Assumptions	Risk Factors[1]
New *easyfinancial* locations opened during the year	**20 – 30**	**10 – 20**	**10 – 20**	• 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.
Net charge-offs as a percentage of average gross consumer loans receivable	**12% – 14%**	**11% – 13%**	**10% – 12%**	• Net charge off rates for the existing products remain at current levels while net charge off rates for the risk adjusted and secured lending products are lower.	• Net charge off rates for existing products increase or the net charge off rates for the risk adjusted or secured lending products are higher than expected. • Increased levels of unemployment or economic instability.
easyfinancial operating margin	**38% – 40%**	**40%+**	**40%+**	• Yield and loss rates at mature locations are indicative of future performance. • Yield and loss rates of risk adjusted and secured lending products are as anticipated. • Net charge off rates for both existing and secured lending products are as expected. • Continued investment in new branches and increased marketing to drive originations moderate 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.

	Targets for 2017	Targets for 2019	Targets for 2020	Assumptions	Risk Factors[1]
Total revenue growth	**16% – 18%**	**14% – 16%**	**10% – 12%**	• Continued accelerated growth of the consumer loans receivable portfolio, driven by new delivery channels, building the Québec branch network and other additional branch openings, the launch of secured loans and the continued strong growth of the Company's existing lending products. • 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. • Revenue generated by *easyhome* is expected to be flat.

[1] Risk factors include those risks referred to in the section entitled "Risk Factors" as described in this MD&A.

In connection with the achievement of these targets, the Company has targeted a long-term return on equity of 20+%.

Analysis of Results for the Year Ended December 31, 2017

Financial Highlights and Accomplishments

- During 2017, the Company completed a recapitalization of its balance sheet which will facilitate the long-term growth of its *easyfinancial* business.
  - On June 2, 2017, the Company completed an offering of convertible unsecured subordinated debentures ["Convertible Debentures"] due July 31, 2022 for aggregate gross proceeds of $53 million. This offering was a positive first step towards achieving the Company's objective of diversifying its funding sources and optimizing its capital structure at attractive levels.
  - On November 1, 2017, the Company completed an offering of US$325 million senior unsecured notes ["Notes"], due November 1, 2022. Concurrent with this offering, the Company entered into a currency swap agreement to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes, effectively hedging the obligation under these instruments to $418.9 million.
  - Additionally, on November 1, 2017, the Company entered into a new senior secured $110 million revolving credit facility ["Revolving Credit Facility"] maturing in 2020 with a syndicate of banks.
- During 2017, the Company also made significant progress in expanding its product offering and the footprint of its *easyfinancial* business.
  - The Company always believed that the province of Québec represented a large opportunity for non-prime lending. During the second quarter of 2017, the Company expanded into Québec with its first branch. By year's end Québec had grown to 11 branches and a loan book of $23.5 million.
  - Beginning in the second quarter of 2017, the Company introduced its *easyfinancial* loan product into almost 100 of its *easyhome* leasing stores. The existing *easyhome* stores created an opportunity for the Company to further expand the *easyfinancial* footprint since i) the credit and risk decisions were already made centrally; ii) the *easyfinancial* systems were developed and had capacity; and iii) the *easyfinancial* lending practices were documented and well established.
  - Finally, during the fourth quarter of 2017, the Company launched its secured lending product. This lending product is offered to qualifying borrowers who own and reside within their home and who are looking for lower cost forms of financing.
- 2017 was the sixteenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue has seen a compounded annual growth rate of 12.0% while net income has grown from a loss of $1.9 million in 2001 to adjusted net income of $42.2 million in 2017 resulting in a compounded annual growth rate of 29.4%. The Company again delivered record levels of revenue, net income and earnings per share in 2017.
- In consideration of the improved earnings achieved in 2017 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 25% increase to the quarterly dividend from $0.18 per share to $0.225 per share in the first quarter of 2018.
- *goeasy* continued to reach record levels of revenue during 2017. Revenue increased to $405.2 million from the $347.5 million reported in 2016, an increase of $57.7 million or 16.6%. The increase in revenue was driven by the growth of the Company's *easyfinancial* business.

- The Company's *easyfinancial* business generated record levels of new customer acquisition, loan originations and loan book growth during the year. The strong growth was fueled by the continued maturation of the Company's retail branch network, the increased penetration of risk adjusted rate loans to more credit worthy borrowers, the Company's expansion into Québec, the launch of the secured lending product, the ongoing enhancements to the Company's digital properties and additional investment in advertising. The gross consumer loans receivable portfolio increased from $370.5 million as at December 31, 2016 to $526.5 million as at December 31, 2017, an increase of $156.0 million or 42.1%. Gross loan originations in the current year were $579.5 million, an increase of 45.3% compared to the prior year.
- The continuing investments in credit analytics, underwriting and collections had the desired effect during 2017. Net charge-offs as a percentage of the average gross consumer loans receivable were 13.6% for the year, down from 15.4% in 2016. The Company achieved an improvement in delinquency rates and experienced lower bankruptcy losses during the year. This, and the increased penetration of risk adjusted rate loans to more credit worthy customers, helped to reduce the charge-off rate.
- *easyfinancial* recorded a strong operating margin of 38.3%, up from the 36.6% reported in 2016. The strong operating margin was driven by the larger loan book and associated impact on revenue, coupled with the reduced net charge off rate. Increased advertising spend to drive loan origination growth, increased operating expenses to expand the *easyfinancial* product suite and distribution and a higher provision for future charge-offs necessitated by the accelerated growth achieved in 2017 all served to moderate the improvement in operating margin.
- Operating income in 2017 was $87.4 million. Operating income in 2016 was negatively impacted by $6.4 million in transaction advisory costs which were non-recurring and unusual in nature and positively impacted by a $3.0 million gain on the sale of an investment. On a normalized basis, operating income in 2016 was $65.9 million. On this normalized basis, adjusted operating income increased by $21.5 million or 32.6% in 2017 when compared to 2016. Operating margin in 2017 was 21.6% compared to the 19.0% normalized operating margin reported in 2016.
- As a result of repaying the term loan in 2017, the Company incurred refinancing costs of $8.2 million.
- Net income for 2017 was $36.1 million or $2.56 per share on a diluted basis. Excluding the after tax impact of the $8.2 million refinance costs, adjusted net income for 2017 was $42.2 million or $2.97 per share. As mentioned, the prior year benefitted from a $3.0 million gain on the sale of an investment but was negatively impacted by $6.4 million in transaction advisory costs. Normalizing for these items, adjusted net income and adjusted earnings per share in 2016 were $33.2 million or $2.38 per share, respectively. On this normalized basis, net income and diluted earnings per share increased by 27.2% and 24.8%, respectively.
- Return on equity, adjusted for non-recurring items, was 19.8% in 2017 as compared to 17.9% reported in 2016. The improvement was related to both earnings growth and increased balance sheet leverage.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Variance $ / %	Variance % Change
Summary Financial Results				
Revenue	**405,224**	347,505	57,719	16.6%
Other income[2]	**–**	3,000	(3,000)	(100.0%)
Operating expenses before depreciation and amortization and transaction advisory costs	**265,623**	227,270	38,353	16.9%
Transaction advisory costs[3]	**–**	6,382	(6,382)	(100.0%)
EBITDA[1]	**98,380**	72,623	25,757	35.5%
EBITDA margin[1]	**24.3%**	20.9%	3.4%	–
Depreciation and amortization expense	**52,208**	54,337	2,129	(3.9%)
Operating income	**87,393**	62,516	24,877	39.8%
Operating margin[1]	**21.6%**	18.0%	3.6%	–
Interest expense and amortization of deferred financing charges	**28,642**	21,048	7,594	36.1%
Refinancing costs[4]	**8,198**	–	8,198	100.0%
Effective income tax rate	**28.5%**	25.1%	3.4%	–
Net income	**36,132**	31,049	5,083	16.4%
Diluted earnings per share	**2.56**	2.23	0.33	14.8%
Return on Equity[1]	**17.0%**	16.8%	0.2%	–
Adjusted (Normalized) Financial Results[1,2,3]				
Adjusted EBITDA margin	**24.3%**	21.9%	2.4%	–
Adjusted operating income	**87,393**	65,898	21,495	32.6%
Adjusted operating margin	**21.6%**	19.0%	2.6%	–
Adjusted net income	**42,158**	33,155	9,003	27.2%
Adjusted earnings per share	**2.97**	2.38	0.59	24.8%
Adjusted return on equity	**19.8%**	17.9%	1.9%	–
Key Performance Indicators[1]				
Same store revenue growth	**18.3%**	12.1%	6.2%	–
Same store revenue growth excluding *easyfinancial*	**(0.7%)**	(1.1%)	0.4%	–
Segment Financials				
easyfinancial revenue	**267,964**	204,076	63,888	31.3%
easyfinancial operating margin	**38.3%**	36.6%	1.7%	–
easyhome revenue	**137,260**	143,429	(6,169)	(4.3%)
easyhome operating margin	**15.2%**	15.0%	0.2%	–
Portfolio Indicators				
Gross consumer loans receivable	**526,546**	370,517	156,029	42.1%
Growth in consumer loans receivable	**156,029**	81,091	74,938	92.4%
Gross loan originations	**579,494**	398,739	180,755	45.3%
Bad debt expense as a percentage of *easyfinancial* Revenue	**25.3%**	27.3%	(2.0%)	–
Net charge-offs as a percentage of average gross consumer loans receivable	**13.6%**	15.4%	(1.8%)	–
Potential monthly lease revenue	**9,481**	9,886	(405)	(4.1%)
Change in potential monthly lease revenue due to ongoing operations	**(87)**	(315)	228	72.4%

[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.
[4] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

Store Locations Summary

	Locations as at Dec. 31, 2016	Locations opened during period	Locations closed during period	Conversions	Locations as at Dec. 31, 2017
easyfinancial					
Kiosks (in store)	46	3	–	(7)	**42**
Stand-alone locations	161	19	(2)	7	**185**
National loan office	1	–	–	–	**1**
Total *easyfinancial* locations	208	22	(2)	–	**228**
easyhome					
Corporately owned stores	146	–	(3)	(3)	**140**
Consolidated franchise locations	2	–	(1)	–	**1**
Total consolidated stores	148	–	(4)	(3)	**141**
Total franchise stores	28	–	(1)	3	**30**
Total *easyhome* stores	176	–	(5)	–	**171**

Summary of Financial Results by Operating Segment

($ in 000's except earnings per share)	Year Ended December 31, 2017			
	easyfinancial	*easyhome*	Corporate	Total
Revenue	**267,964**	**137,260**	**–**	**405,224**
Total operating expenses before depreciation and amortization	**158,055**	**72,570**	**34,998**	**265,623**
Depreciation and amortization	**7,255**	**43,808**	**1,145**	**52,208**
Operating income (loss)	**102,654**	**20,882**	**(36,143)**	**87,393**
Finance costs				
Interest expense and amortization of deferred financing charges				**28,642**
Refinancing cost[3]				**8,198**
				36,840
Income before income taxes				**50,553**
Income taxes				**14,421**
Net income				**36,132**
Diluted earnings per share				**2.56**

($ 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[1]	–	–	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				
Interest expense and amortization of deferred financing charges				21,048
				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.
[3] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

Revenue and Other Income

Revenue for 2017 was $405.2 million compared to $347.5 million in 2016, an increase of $57.7 million or 16.6%. The increase was driven by the growth of the *easyfinancial* business.

easyfinancial – Revenue for 2017 was $268.0 million, an increase of $63.9 million or 31.3% from 2016. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio. The gross consumer loans receivable portfolio increased from $370.5 million as at December 31, 2016 to $526.5 million as at December 31, 2017, an increase of $156.0 million or 42.1%. Gross loan originations in the current year were $579.5 million, an increase of 45.3% compared to the prior year.

The annualized yield realized by the Company on its average consumer loans receivable portfolio in the current year declined by 80 bps when compared with 2016. The increased proportion of higher dollar loans which have reduced pricing on certain ancillary products and the increased penetration of risk adjusted interest rate loans to more credit worthy customers put downward pressure on yields. This downward pressure on yield was partially offset in 2017 by the benefits of the transition of the Company's creditor life insurance product to a new provider which increased the commissions earned by the Company during the first half of 2017.

easyhome – Revenue for the year ended December 31, 2017 was $137.3 million, a decrease of $6.2 million from 2016. The year over year change in revenue was driven by the closure or sale of a number of merchandise leasing stores over the past 24 months which reduced revenue by $5.1 million in 2017 when compared to 2016 and by a decline in revenue across the organic store network of $1.1 million.

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

Total operating expenses before depreciation and amortization and transaction advisory costs were $265.6 million in 2017, an increase of $38.4 million or 16.9% when compared to the prior year. The increase in operating expenses was driven primarily by the higher costs associated with the expanding *easyfinancial* business, including higher advertising expenditures, and by higher corporate costs but was somewhat offset by lower costs within the *easyhome* business. Total operating expenses before depreciation and amortization and transaction advisory costs represented 65.5% of revenue in 2017 consistent with the 65.4% reported in 2016.

easyfinancial: Total operating expenses before depreciation and amortization were $158.1 million in 2017, an increase of $35.2 million or 28.7% from 2016. Operating expenses, excluding bad debt, increased by $23.2 million or 34.5% in the current year driven by: i) an additional $5.7 million in advertising and marketing spend to support the strong growth in originations, ii) higher wages and other costs to operate and manage the growing loan book at existing branches, iii) increased branch count (including new branches in Québec), iv) incremental expenditures to enhance the product offering (such as secured lending which launched in the fourth quarter of 2017), and v) higher branch level incentives (driven by the record growth in originations and loan book and significant improvements in delinquency and charge off rates). Overall branch count increased from 208 as at December 31, 2016 to 228 as at December 31, 2017.

Bad debt expense increased to $67.8 million in 2017 from $55.7 million during the prior year, an increase of $12.1 million or 21.7%. Included in bad debt expense in the current year was an incremental $3.3 million provision for future charge offs when compared to the same period of 2016 due to the strong loan book growth (particularly during the second half of 2017). Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 13.6% in the current year compared with 15.4% in 2016. The Company achieved an improvement in delinquency rates through strong collection activities and experienced lower bankruptcy losses in 2017. This, and the increased penetration of risk adjusted rate loans to more credit worthy customers, helped to reduce the charge-off rates.

easyhome: Total operating expenses before depreciation and amortization for the year ended December 31, 2017 were $72.6 million, a decrease of $2.1 million or 2.9% from 2016. The decline was driven primarily by the reduced store count but was partially offset by a $1.0 million increase in advertising spend. Consolidated leasing store count declined by seven from 148 as at December 31, 2016 to 141 as at December 31, 2017.

Corporate: Total operating expenses before depreciation and amortization and transaction advisory costs were $35.0 million for the current year compared to $29.7 million in 2016, an increase of $5.3 million. The increase was related to i) higher salary and incentive compensation costs (including stock based compensation) due to the strong financial results of the Company, ii) higher administrative costs (particularly information technology) to manage the growing business and iii) a $1.6 million allowance against certain remaining receivables relating to the US business which is being wound down.

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. No transaction advisory costs were incurred in 2017.

Depreciation and Amortization

Depreciation and amortization expense in 2017 was $52.2 million, down $2.1 million from 2016. Increases in depreciation and amortization expense within the *easyfinancial* business were more than offset by declines within the *easyhome* business. Overall depreciation and amortization represented 12.9% of revenue in 2017, a decrease from 15.6% reported in 2016.

easyfinancial: The $0.8 million increase in depreciation and amortization expense within *easyfinancial* was attributable to its growing branch network and the amortization of new systems.

easyhome: Depreciation and amortization expense declined by $3.4 million in the year compared with 2016 due to the reductions in the lease portfolio and improved pricing and product margins. *easyhome*'s depreciation and amortization expense expressed as a percentage of *easyhome*'s revenue for the year was 31.9%, down from the 32.9% reported in 2016.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income in 2017 was $87.4 million. Operating income in 2016 was negatively impacted by $6.4 million in transaction advisory costs which were non-recurring and unusual in nature and positively impacted by a $3.0 million gain on the sale of an investment. On a normalized basis, operating income in 2016 was $65.9 million. On this normalized basis, adjusted operating income increased by $21.5 million or 32.6% in 2017 when compared to 2016. Operating margin in 2017 was 21.6% compared to the 19.0% normalized operating margin reported in 2016.

easyfinancial: Operating income was $102.7 million in 2017 compared with $74.8 million in 2016, an increase of $27.9 million or 37.3%. The benefits of the larger loan book and related revenue increases of $63.9 million were partially offset by the $5.7 million increase in advertising spend, the $12.2 million increase in bad debt expense and incremental expenditures to enhance the product offering and expand the *easyfinancial* footprint. Operating margin was 38.3% for the current compared with 36.6% reported in 2016.

easyhome: Operating income was $20.9 million for 2017, a decrease of $0.7 million compared to 2016. The impact of a lower lease portfolio and associated lower revenue (primarily related to store transactions) coupled with the higher advertising spend were partially offset by lower store operating expenses and lower depreciation and amortization. Operating margin for 2017 was 15.2% compared to the 15.0% reported in 2016.

Finance Costs

Finance costs in 2017 consisted of: i) interest expense and amortization of deferred financing charges and ii) non-recurring refinancing costs.

Interest expense and amortization of deferred financing charges increased from $21.0 million in 2016 to $28.6 million in 2017. The increase was related to higher average borrowing levels offset somewhat by a lower cost of borrowing. Total debt as at December 31, 2017 was $449.2 million compared to $263.3 million as at December 31, 2016.

As a result of repaying the term loan in the fourth quarter of 2017, the Company incurred $8.2 million in refinancing costs which consisted of an early repayment penalty and accelerated amortization of the remaining unamortized deferred financing costs associated with the prior term loan.

Income Tax Expense

The effective income tax rate in 2017 was 28.5%, higher than the 25.1% reported in 2016. The higher effective tax rate in 2017 is related primarily to the allowance taken against the Company's remaining U.S. receivables. Conversely the lower effective tax rate in the comparable period of 2016 was due to the lower tax rate on the capital gains from investment and asset sales (which were taxed at the lower capital gain rates).

Net Income and EPS

Net income for 2017 was $36.1 million or $2.56 per share on a diluted basis. Excluding the after-tax impact of the $8.2 million refinancing costs, adjusted net income for 2017 was $42.2 million or $2.97 per share. As mentioned, the prior year benefitted from a $3.0 million gain on the sale of an investment but was negatively impacted by $6.4 million in transaction advisory costs. Normalizing for these items, adjusted net income and adjusted earnings per share in 2016 were $33.2 million or $2.38 per share, respectively. On this normalized basis, net income and diluted earnings per share increased by 27.2% and 24.8%, respectively.

Selected Annual Information

Operating Results

($ in 000's except per share amounts)	2017	2016	2015	2014	2013
Revenue	**405,224**	347,505	304,273	259,150	218,814
Net income	**36,132**	31,049	23,728	19,748	14,182
Adjusted net income [1]	**42,158**	33,155	23,728	18,600	14,182
Dividends declared on common shares	**9,659**	6,699	5,370	4,530	4,178
Cash dividends declared per common share	**0.72**	0.49	0.40	0.34	0.34
Earnings Per Share					
Basic	**2.67**	2.29	1.75	1.47	1.16
Diluted	**2.56**	2.23	1.69	1.42	1.15
Adjusted diluted [1]	**2.97**	2.38	1.69	1.34	1.15

[1] Adjusted for certain non-recurring or unusual transactions.

Assets and Liabilities

($ in 000's)	As At Dec. 31, 2017	As At Dec. 31, 2016	As At Dec. 31, 2015	As At Dec. 31, 2014	As At Dec. 31, 2013
Total Assets	**749,615**	503,062	418,502	319,472	232,900
Total Liabilities					
Bank debt	**–**	–	–	1,756	23,496
Term loan	**–**	263,294	211,720	120,743	38,206
Convertible debentures	**47,985**	–	–	–	–
Senior secured credit facilities	**401,193**	–	–	–	–
Derivative financial instruments	**11,138**	–	–	–	–
Other	**61,055**	43,737	30,723	43,005	35,565
	521,371	307,031	242,443	165,504	97,267

Analysis of Results for the Three Months Ended December 31, 2017

Fourth Quarter Highlights

- *goeasy* continued to grow revenue during the fourth quarter of 2017. Revenue for the quarter increased to $108.6 million from the $91.3 million reported in the fourth quarter of 2016, an increase of $17.3 million or 18.9%.
- The gross consumer loans receivable portfolio increased from $370.5 million as at December 31, 2016 to $526.5 million as at December 31, 2017, an increase of $156.0 million or 42.1%. Gross loan originations in the quarter were $176.4 million, an increase of 50.1% when compared to the fourth quarter of 2016. Both originations and loan book growth in the quarter reached record levels. The strong growth was fueled by the continued maturation of the Company's retail branch network, the increased penetration of risk adjusted rate loans to more credit worthy borrowers, the Company's expansion into Québec, the launch of the Company's secured lending product, ongoing enhancements to the Company's digital properties and an increased level of advertising spend.
- *easyfinancial* revenue for the three month period ended December 31, 2017 was $74.6 million, an increase of $18.6 million or 33.2% from the comparable period of 2016. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset somewhat by a 270 bps reduction in yield. As the Company's risk adjusted and secured lending products become a larger proportion of the overall loan book, yields will moderate.
- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.8% in the quarter compared with 15.8% in the fourth quarter of 2016. The Company achieved an improvement in delinquency rates through strong collection activities and experienced lower bankruptcy losses during the current quarter. This, and the increased penetration of risk adjusted rate loans to more credit worthy customers, helped to reduce the net charge-off rates.
- *easyfinancial* generated a strong operating margin of 38.4% in the fourth quarter of 2017, up from the 34.9% reported in the fourth quarter of 2016. The increase in operating margin was driven primarily by the growth of the consumer loans receivable portfolio and associated revenue, the improvement in charge off rates and the slowing of branch openings.
- Operating income for the three month period ended December 31, 2017 was $24.5 million, up $7.3 million or 42.4% when compared with the fourth quarter of 2016. Operating margin in the quarter was 22.5% against the 18.8% reported in the fourth quarter of 2016.
- As a result of repaying the term loan in the fourth quarter of 2017, the Company incurred $8.2 million in refinancing costs which consisted of an early repayment penalty and accelerated amortization of the remaining unamortized deferred financing costs associated with the prior term loan.
- Net income for the fourth quarter of 2017 was $5.4 million or $0.38 per share on a diluted basis. Excluding the after tax impact of the $8.2 million refinance costs, adjusted net income was $11.4 million or $0.79 per share. This compares with the $8.3 million or $0.60 reported in the fourth quarter of 2016. On this normalized basis, net income and diluted earnings per share increased by 36.6% and 31.7%, respectively.

Summary Financial Results and Key Performance Indicators

	Three Months Ended		Variance	Variance
(in $000's except earnings per share and percentages)	Dec. 31, 2017	Dec. 31, 2016	$ / %	% Change
Summary Financial Results				
Revenue	**108,586**	91,294	17,292	18.9%
Operating expenses before depreciation and amortization	**70,684**	60,702	9,982	16.4%
EBITDA[1]	**27,662**	19,803	7,859	39.7%
EBITDA margin[1]	**25.5%**	21.7%	3.8%	–
Depreciation and amortization expense	**13,452**	13,417	35	0.3%
Operating income	**24,450**	17,175	7,275	42.4%
Operating margin[1]	**22.5%**	18.8%	3.7%	–
Interest expense and amortization of deferred financing charges	**8,774**	5,702	3,072	53.9%
Refinance costs[2]	**8,198**	–	8,198	100.0%
Effective income tax rate	**28.2%**	27.3%	0.9%	–
Net income	**5,366**	8,342	(2,976)	(35.7%)
Diluted earnings per share	**0.38**	0.60	(0.22)	(36.7%)
Return on equity	**9.5%**	17.4%	(7.9%)	–
Adjusted (Normalized) Financial Results[2]				
Adjusted EBITDA margin	**25.5%**	21.7%	3.8%	–
Adjusted operating income	**24,450**	17,175	7,275	42.4%
Adjusted operating margin	**22.5%**	18.8%	3.7%	–
Adjusted net income	**11,392**	8,342	3,050	36.6%
Adjusted earnings per share	**0.79**	0.60	0.19	31.7%
Adjusted return on equity	**20.1%**	17.4%	2.7%	–
Key Performance Indicators[1]				
Same store revenue growth	**20.0%**	12.6%	7.4%	–
Same store revenue growth excluding *easyfinancial*	**0.1%**	(1.9%)	2.0%	–
Segment Financials				
easyfinancial revenue	**74,573**	55,999	18,574	33.2%
easyfinancial operating margin	**38.4%**	34.9%	3.5%	–
easyhome revenue	**34,013**	35,295	(1,282)	(3.6%)
easyhome operating margin	**14.3%**	15.6%	(1.3%)	–
Portfolio Indicators				
Gross consumer loans receivable	**526,546**	370,517	156,029	42.1%
Growth in consumer loans receivable	**53,483**	26,806	26,677	99.5%
Gross loan originations	**176,383**	117,525	58,858	50.1%
Bad debt expense as a percentage of Financial Revenue	**25.2%**	28.5%	(3.3%)	–
Net charge-offs as a percentage of average gross consumer loans receivable	**12.8%**	15.8%	(3.0%)	–
Potential monthly lease revenue	**9,481**	9,886	(405)	(4.1%)
Change in potential monthly lease revenue due to ongoing operations	**361**	355	6	1.7%

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

[2] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

Store Locations Summary

	Locations as at Sept. 30, 2017	Locations opened during period	Locations closed during period	Conversions	Locations as at Dec. 31, 2017
easyfinancial					
Kiosks (in store)	42	–	–	–	**42**
Stand-alone locations	177	9	(1)	–	**185**
National loan office	1	–	–	–	**1**
Total *easyfinancial* locations	220	9	(1)	–	**228**
easyhome					
Corporately owned stores	141	–	–	(1)	**140**
Consolidated franchise locations	1	–	–	–	**1**
Total consolidated stores	142	–	–	(1)	**141**
Total franchise stores	29	–	–	1	**30**
Total *easyhome* stores	171	–	–	–	**171**

Summary Financial Results by Operating Segment

	Three Months Ended December 31, 2017			
($ in 000's except earnings per share)	*easyfinancial*	*easyhome*	Corporate	Total
Revenue	**74,573**	**34,013**	**–**	**108,586**
Total operating expenses before depreciation and amortization	**43,891**	**18,194**	**8,599**	**70,684**
Depreciation and amortization	**2,068**	**10,955**	**429**	**13,452**
Operating income (loss)	**28,614**	**4,864**	**(9,028)**	**24,450**
Finance costs				
Interest expense and amortization of deferred financing charges				**8,774**
Refinancing cost[1]				**8,198**
Finance costs				**16,972**
Income before income taxes				**7,478**
Income taxes				**2,112**
Net income				**5,366**
Diluted earnings per share				**0.38**

	Three Months Ended December 31, 2016			
($ in 000's except earnings per share)	*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				
Interest expense and amortization of deferred financing charges				5,702
Finance costs				5,702
Income before income taxes				11,473
Income taxes				3,131
Net income				8,342
Diluted earnings per share				0.60

[1] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

Revenue and Other Income

Revenue for the three month period ended December 31, 2017 was $108.6 million compared to $91.3 million in the same period in 2016, an increase of $17.3 million or 18.9%. Same store sales growth for the quarter was 20.0%. Revenue growth was driven primarily by the growth of *easyfinancial*.

easyfinancial: Revenue for the three month period ended December 31, 2017 was $74.6 million, an increase of $18.6 million or 33.2% from the comparable period of 2016. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset somewhat by a reduction in yield. The gross consumer loans receivable portfolio increased from $370.5 million as at December 31, 2016 to $526.5 million as at December 31, 2017, an increase of $156.0 million or 42.1%. Gross loan originations in the quarter were $176.4 million, an increase of 50.1% when compared to the fourth quarter of 2016.

The annualized yield realized by the Company on its average consumer loans receivable portfolio decreased by 270 bps in the fourth quarter of 2017 when compared to the fourth quarter of 2016. The decrease in the yield was due to the increased penetration of risk adjusted interest rate loans to a more credit worthy customer and a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products.

easyhome: Revenue for the three month period ended December 31, 2017 was $34.0 million, a decrease of $1.3 million when compared with the fourth quarter of 2016. The decline in revenue was driven primarily by store sales to franchisees or closures which occurred over the past 15 months. These transactions in aggregate reduced revenue by $1.2 million in the fourth quarter of 2017 when compared to the fourth quarter of 2016. Excluding the impact of such store transactions, the decline in revenue across the store network was $0.1 million in the current quarter compared with the fourth quarter of 2016.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $70.7 million for the three month period ended December 31, 2017, an increase of $10.0 million or 16.4% from the comparable period in 2016. The increase in operating expenses was driven primarily by the higher costs associated with the expanding *easyfinancial* business, greater advertising expenditures to drive the growth of the *easyfinancial* consumer loans receivable portfolio, higher provisions for future charge offs driven by the strong loan book growth and increased corporate costs. Total operating expenses before depreciation and amortization represented 65.1% of revenue for the fourth quarter of 2017, down from the 66.5% reported in the fourth quarter of 2016.

easyfinancial: Total operating expenses before depreciation and amortization were $43.9 million for the fourth quarter of 2017, an increase of $9.1 million or 26.2% from the fourth quarter of 2016. Operating expenses, excluding bad debt, increased by $6.2 million or 32.8% in the quarter driven by: i) an additional $1.6 million in advertising and marketing spend to support the strong growth in originations, ii) higher wages and other costs to operate and manage the growing loan book at existing branches, iii) increased branch count (including new branches in Québec), iv) incremental expenditures to enhance the product offering (such as secured lending which launched in the fourth quarter of 2017) and v) higher branch level incentives (driven by the record growth in originations and loan book and significant improvements in delinquency and charge off rates). Overall branch count increased from 208 as at December 31, 2016 to 228 as at December 31, 2017.

Bad debt expense increased to $18.8 million for the fourth quarter of 2017 from $15.9 million during the comparable period in 2016, an increase of $2.9 million or 18.2%. The increase in bad debt expense of 18.2% was compared to the 42.1% growth in the loan book over the same period. Included in the bad debt expense was an incremental $0.9 million provision for future charge offs when compared to the fourth quarter of 2016 due to the strong loan book growth during the current quarter. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.8% in the quarter compared with 15.8% in the fourth quarter of 2016. The Company achieved an improvement in delinquency rates through strong collection activities and experienced lower bankruptcy losses during the current quarter. This, and the increased penetration of risk adjusted rate loans to more credit worthy customers, helped to reduce the charge-off rates.

easyhome: Total operating expenses before depreciation and amortization were $18.2 million for the fourth quarter of 2017, which was consistent with the fourth quarter of 2016. Advertising spend increased by $0.5 million in the current quarter, which was offset by a decrease in overall store operating expenses due, in part, to the reduced store count. Consolidated leasing store count declined by seven from 148 as at December 31, 2016 to 141 as at December 31, 2017.

Corporate: Total operating expenses before depreciation and amortization were $8.6 million for the fourth quarter of 2017 compared to $7.7 million in the fourth quarter of 2016, an increase of $0.9 million. The increase was primarily related to higher salary and incentive compensation costs (including accrued bonus and stock based compensation) due to the strong financial results of the Company. Corporate expenses before depreciation and amortization represented 7.9% of revenue in the fourth quarter of 2017 compared to 8.4% of revenue in the fourth quarter of 2016.

Depreciation and Amortization

Depreciation and amortization for the three month period ended December 31, 2017 was $13.5 million, consistent with the fourth quarter of 2016. Overall, depreciation and amortization represented 12.4% of revenue for the three months ended December 31, 2017, a decrease from the 14.7% reported in the comparable period of 2016.

easyfinancial: The $0.4 million increase in depreciation and amortization within *easyfinancial* was attributable to its growing network of branches and the amortization of new systems.

easyhome: Depreciation and amortization expense declined by $0.6 million in the fourth quarter of 2017 compared to the fourth quarter of 2016 due to reductions in the lease portfolio (as described in the analysis of *easyhome*'s revenue) and lower charge-offs. *easyhome*'s depreciation and amortization expense expressed as a percentage of *easyhome* revenue for the quarter was 32.2%, a decrease from the 32.7% reported in the fourth quarter of 2016. Improved product pricing and margins contributed to this reduction in the rate.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three month period ended December 31, 2017 was $24.5 million, up $7.3 million or 42.4% when compared with the fourth quarter of 2016. Operating margin in the quarter was 22.5% against the 18.8% reported in the fourth quarter of 2016. The improvement was driven by the higher operating margin generated by *easyfinancial* and by the fact that the higher margin *easyfinancial* business is generating an ever increasing proportion of total operating income.

easyfinancial: Operating income was $28.6 million for the fourth quarter of 2017 compared with $19.6 million for the comparable period in 2016, an increase of $9.1 million or 46.3%. The benefits of the larger loan book and related revenue increases of $18.6 million were partially offset by the $1.6 million increase in advertising spend, the higher provisions for future charge offs driven by the strong loan book growth and incremental expenditures to manage the growing customer base, enhance the product offering and expand the *easyfinancial* footprint. Operating margin in the quarter was 38.4% compared with 34.9% reported in the fourth quarter of 2016.

easyhome: Operating income was $4.9 million for the fourth quarter of 2017, a decrease of $0.6 million when compared with the fourth quarter of 2016. Revenue declined by $1.3 million driven largely by the sale of stores to franchisees coupled with the $0.5 million increase in advertising spend. This was offset by reduced store operating costs due to the lower store count and a $0.6 million reduction in depreciation and amortization due to the smaller lease portfolio. Operating margin for the fourth quarter of 2017 was 14.3%, a decrease from the 15.6% reported in the fourth quarter of 2016.

Finance Costs

Finance costs for the three month period ended December 31, 2017 consisted of: i) interest expense and amortization of deferred financing charges and ii) non-recurring refinancing costs.

Interest expense and amortization of deferred financing charges increased from $5.7 million in the fourth quarter of 2016 to $8.8 million in the current quarter. The increase was related to higher average borrowing levels offset somewhat by a lower cost of borrowing. Total debt as at December 31, 2017 was $449.2 million compared to $263.3 million as at December 31, 2016.

As a result of repaying the term loan in the fourth quarter of 2017, the Company incurred $8.2 million in refinancing costs which consisted of an early repayment penalty and accelerated amortization of the remaining unamortized deferred financing costs associated with the prior term loan.

Income Tax Expense

The effective income tax rate for the fourth quarter of 2017 was 28.2% which was higher than the 27.3% reported in the fourth quarter of 2016. The effective tax rate in the current quarter was higher than the statutory rate of approximately 27.5% due to various non-deductible expenses in Canada and expenses related to the winddown of the US business.

Net Income and EPS

Net income for the fourth quarter of 2017 was $5.4 million or $0.38 per share on a diluted basis. Excluding the after-tax impact of the $8.2 million refinancing costs, adjusted net income was $11.4 million or $0.79 per share. This compares with the $8.3 million or $0.60 per share reported in the fourth quarter of 2016. On this normalized basis, net income and diluted earnings per share increased by 36.6% and 31.7%, respectively.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	Dec. 2017	Sep. 2017	Jun. 2017	Mar. 2017	Dec. 2016	Sept. 2016	Jun. 2016	Mar. 2016	Dec. 2015
Revenue	**108.6**	103.7	98.2	94.7	91.3	87.8	86.1	82.3	82.9
Net income	**5.4**	11.6	8.9	10.3	8.3	4.9	10.5	7.3	7.5
Adjusted net income[2]	**11.4**	11.6	8.9	10.3	8.3	8.8	8.4	7.6	7.5
Adjusted net income as a percentage of revenue	**10.5%**	11.2%	9.1%	10.8%	9.1%	10.1%	9.7%	9.2%	9.1%
Earnings per Share[1]									
Basic	**0.39**	0.86	0.66	0.76	0.62	0.37	0.77	0.54	0.56
Diluted	**0.38**	0.81	0.63	0.73	0.60	0.36	0.75	0.52	0.54
Adjusted diluted[2]	**0.79**	0.81	0.63	0.73	0.60	0.64	0.60	0.54	0.54

[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.
[2] Adjusted for certain non-recurring or unusual transactions.

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 loan originations and net principal written during the period were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Loan originations to new customers	**73,424**	47,310	**249,472**	168,347
Loan originations to existing customers	**102,959**	70,215	**330,023**	230,392
Less: Proceeds applied to repay existing loans	**(52,231)**	(36,796)	**(170,573)**	(119,073)
Net advance to existing customers	**50,728**	33,419	**159,450**	111,319
Net principal written	**124,152**	80,729	**408,922**	279,666

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, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Opening gross consumer loans receivable	**473,063**	343,711	**370,517**	289,426
Gross loan originations	**176,383**	117,525	**579,494**	398,739
Gross principal payments and other adjustments	**(104,796)**	(74,796)	**(357,664)**	(260,476)
Gross charge-offs before recoveries	**(18,104)**	(15,923)	**(65,801)**	(57,172)
Net growth in gross consumer loans receivable during the period	**53,483**	26,806	**156,029**	81,091
Ending gross consumer loans receivable	**526,546**	370,517	**526,546**	370,517

Financial Revenue and Net Financial Income

Financial revenue is generated by the *easyfinancial* segment. Financial revenue includes interest and various other ancillary fees generated by the Company's gross consumer loans receivable portfolio. Net financial income details the profitability of the Company's gross consumer loans receivable portfolio before any costs to originate or administer. Net financial income is calculated by deducting finance costs and bad debt expense from financial revenue. Net financial income is impacted by the size of the gross consumer loans receivable portfolio, the portfolio yield, the amount and cost of the Company's debt, the Company's leverage ratio and the bad debt expense experienced in the period.

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Financial revenue	**74,573**	55,999	**267,964**	204,076
Less: Interest expense and amortization of deferred financing charges	**(8,774)**	(5,702)	**(28,642)**	(21,048)
Less: Bad debt expense	**(18,807)**	(15,936)	**(67,826)**	(55,668)
Net Financial Income	**46,992**	34,361	**171,496**	127,360

Net Charge-Offs

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge-offs of delinquent customers. Unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged off. In addition, customer loan balances are charged off upon notification that the customer is bankrupt. 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, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net charge-offs	**16,156**	14,196	**59,576**	50,677
Average gross consumer loans receivable	**506,009**	360,367	**439,348**	329,019
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**12.8%**	15.8%	**13.6%**	15.4%

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, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net charge-offs	**16,156**	14,196	**59,576**	50,677
Net change in allowance for loan losses	**2,651**	1,740	**8,250**	4,991
Bad debt expense	**18,807**	15,936	**67,826**	55,668
Financial revenue	**74,573**	55,999	**267,964**	204,076
Bad debt expense as a percentage of Financial Revenue	**25.2%**	28.5%	**25.3%**	27.3%

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 loans for which we have received a notification of bankruptcy, unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged off against the allowance for loan losses.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Allowance for loan losses, beginning of period	**29,055**	21,716	**23,456**	18,465
Net charge-offs written off against the allowance	**(16,156)**	(14,196)	**(59,576)**	(50,677)
Increase in allowance due to lending and collection activities	**18,807**	15,936	**67,826**	55,668
Allowance for loan losses, ending of period	**31,706**	23,456	**31,706**	23,456
Allowance for loan losses as a percentage of the ending gross consumer loans receivable	**6.0%**	6.3%	**6.0%**	6.3%

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, 2017		December 31, 2016	
($ in 000's)	$	% of total	$	% of total
Current	**497,992**	**94.6%**	348,877	94.2%
Days past due				
1 – 30 days	**17,274**	**3.3%**	13,468	3.6%
31 – 44 days	**3,601**	**0.7%**	2,712	0.7%
45 – 60 days	**3,330**	**0.6%**	2,366	0.6%
61 – 90 days	**4,349**	**0.8%**	3,094	0.8%
	28,554	**5.4%**	21,640	5.8%
Gross consumer loans receivable	**526,546**	**100.0%**	370,517	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:

	Saturday, December 31, 2017	Saturday, December 26, 2016
($ in 000's)	% of total	% of total
Current	**94.7%**	94.2%
Days past due		
1 – 30 days	**3.2%**	3.6%
31 – 44 days	**0.7%**	0.7%
45 – 60 days	**0.6%**	0.6%
61 – 90 days	**0.8%**	0.8%
	5.3%	5.8%
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, 2017		December 31, 2016	
($ in 000's)	$	% of total	$	% of total
Newfoundland & Labrador	**25,019**	**4.8%**	19,032	5.1%
Nova Scotia	**36,389**	**6.9%**	27,434	7.4%
Prince Edward Island	**6,505**	**1.2%**	5,066	1.4%
New Brunswick	**29,116**	**5.5%**	21,060	5.7%
Québec	**23,457**	**4.5%**	–	–
Ontario	**224,964**	**42.7%**	164,541	44.4%
Manitoba	**21,606**	**4.1%**	15,290	4.1%
Saskatchewan	**26,323**	**5.0%**	19,832	5.4%
Alberta	**68,072**	**12.9%**	49,811	13.4%
British Columbia	**58,920**	**11.2%**	44,186	11.9%
Territories	**6,175**	**1.2%**	4,265	1.2%
Gross consumer loans receivable	**526,546**	**100.0%**	370,517	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, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Opening potential monthly lease revenue	**9,226**	9,714	**9,886**	10,651
Change due to store openings or acquisitions during the period	**(15)**	–	**28**	–
Decrease due to store closures or sales during the period	**(91)**	(183)	**(346)**	(450)
Increase/(Decrease) due to ongoing operations	**361**	355	**(87)**	(315)
Net change	**255**	172	**(405)**	(765)
Ending potential monthly lease revenue	**9,481**	9,886	**9,481**	9,886

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, 2017	Dec. 31, 2016
Furniture	**4,241**	4,243
Appliances	**1,095**	1,133
Electronics	**2,980**	3,228
Computers	**1,165**	1,282
Potential monthly lease revenue	**9,481**	9,886

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, 2017		December 31, 2016	
($ in 000's)	$	% of total	$	% of total
Newfoundland & Labrador	**829**	**8.8%**	814	8.2%
Nova Scotia	**836**	**8.8%**	837	8.5%
Prince Edward Island	**165**	**1.7%**	172	1.7%
New Brunswick	**698**	**7.4%**	746	7.6%
Québec	**580**	**6.1%**	593	6.0%
Ontario	**3,205**	**33.8%**	3,454	34.9%
Manitoba	**250**	**2.6%**	263	2.7%
Saskatchewan	**448**	**4.7%**	527	5.3%
Alberta	**1,391**	**14.7%**	1,341	13.6%
British Columbia	**987**	**10.4%**	1,002	10.1%
USA	**92**	**1.0%**	137	1.4%
Potential monthly lease revenue	**9,481**	**100.0%**	9,886	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, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net charge-offs	**1,118**	1,191	**4,146**	4,821
Leasing revenue	**34,013**	35,295	**137,260**	143,429
Net charge-offs as a percentage of *easyhome* revenue	**3.3%**	3.4%	**3.0%**	3.4%

Key Performance Indicators and Non-IFRS Measures

In 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, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Same store revenue growth	**20.0%**	12.6%	**18.3%**	12.1%
Same store revenue growth excluding *easyfinancial*	**0.1%**	(1.9%)	**(0.7%)**	(1.1%)

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. 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 operating margin as operating income divided by revenue. 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 and twelve month periods ended December 31, 2017 and 2016 include those indicated in the chart below:

	Three Months Ended		Year Ended	
($ in 000's except earnings per share)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Operating income as stated	**24,450**	17,175	**87,393**	62,516
Divided by revenue	**108,586**	91,294	**405,224**	347,505
Operating margin	**22.5%**	18.8%	**21.6%**	18.0%
Operating income as stated	**24,450**	17,175	**87,393**	62,516
Other income[1]	**–**	–	**–**	(3,000)
Transaction advisory costs[2]	**–**	–	**–**	6,382
Adjusted operating earnings	**24,450**	17,175	**87,393**	65,898
Divided by revenue	**108,586**	91,294	**405,224**	347,505
Adjusted operating margin	**22.5%**	18.8%	**21.6%**	19.0%
Net income as stated	**5,366**	8,342	**36,132**	31,049
Refinancing costs[1]	**8,198**	–	**8,198**	–
Other income[2]	**–**	–	**–**	(3,000)
Transaction advisory costs[3]	**–**	–	**–**	6,382
Tax impact of above items	**(2,172)**	–	**(2,172)**	(1,276)
After tax impact of above items	**6,026**	–	**6,026**	2,106
Adjusted earnings	**11,392**	8,342	**42,158**	33,155
After tax impact of convertible debentures	**773**	–	**1,790**	–
Fully diluted net income	**12,165**	8,342	**43,948**	33,155
Weighted average number of diluted shares outstanding	**15,403**	13,991	**14,805**	13,908
Diluted earnings per share as stated[4]	**0.38**	0.60	**2.56**	2.23
Per share impact of normalized items[4]	**0.41**	–	**0.41**	0.15
Adjusted earnings per share	**0.79**	0.60	**2.97**	2.38

[1] During the fourth quarter of 2017, the company repaid its Term Loan incurring an early repayment penalty and amortizing the remaining unamortized deferred financing costs associated with the Term Loan which resulted in a one-time before tax charge of $8.2 million.

[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 transaction advisory costs related to a potential acquisition of $6.4 million.

[4] During the fourth quarter of 2017, the impact of convertible debentures on diluted earnings per share was anti-dilutive. As such, diluted earnings per share as stated was calculated based on net income as stated divided by weighted average number of diluted shares outstanding excluding convertible shares ($5,366 / (15,403 – 1,205 shares) = $0.38). The normalization of refinancing costs resulted in the convertible debentures becoming dilutive in the quarter. The impact of the change from anti-dilutive to dilutive convertible debentures is included in the per share impact of normalized items.

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, 2017	Dec. 31, 2016
Operating expenses before depreciation and amortization	**70,684**	60,702
Divided by revenue	**108,586**	91,294
Operating expenses before depreciation and amortization as % of revenue	**65.1%**	66.5%

	Year Ended		
($ in 000's except percentages)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2016 (adjusted)
Operating expenses before depreciation and amortization	**265,623**	233,652	233,652
Transaction advisory costs included in operating expenses	**–**	–	(6,382)
Adjusted operating expenses before depreciation and amortization	**265,623**	233,652	227,270
Divided by revenue	**405,224**	347,505	347,505
Operating expenses before depreciation and amortization as % of revenue	**65.5%**	67.2%	65.4%

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.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
easyfinancial				
Operating income	**28,614**	19,552	**102,654**	74,754
Divided by revenue	**74,573**	55,999	**267,964**	204,076
***easyfinancial* operating margin**	**38.4%**	34.9%	**38.3%**	36.6%
easyhome				
Operating income	**4,864**	5,493	**20,882**	21,537
Divided by revenue	**34,013**	35,295	**137,260**	143,429
***easyhome* operating margin**	**14.3%**	15.6%	**15.2%**	15.0%
Total				
Operating income	**24,450**	17,175	**87,393**	62,516
Divided by revenue	**108,586**	91,294	**405,224**	347,505
Total operating margin	**22.5%**	18.8%	**21.6%**	18.0%
Total (adjusted)				
Operating income as stated	**24,450**	17,175	**87,393**	62,516
Other income	**–**	–	**–**	(3,000)
Transaction advisory costs	**–**	–	**–**	6,382
Adjusted operating income	**24,450**	17,175	**87,393**	65,898
Divided by revenue	**108,586**	91,294	**405,224**	347,505
Total (adjusted) operating margin	**22.5%**	18.8%	**21.6%**	19.0%

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, 2017	Dec. 31, 2016
Net income	**5,366**	8,342
Finance costs	**16,972**	5,702
Income Tax Expense	**2,112**	3,131
Depreciation and amortization, excluding depreciation of lease assets	**3,212**	2,628
EBITDA	**27,662**	19,803
Divided by revenue	**108,586**	91,294
EBITDA margin	**25.5%**	21.7%

	Year Ended		
($ in 000's except percentages)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2016 (adjusted)
Net income as stated	**36,132**	31,049	31,049
Finance costs	**36,840**	21,048	21,048
Income Tax Expense	**14,421**	10,419	10,419
Depreciation and amortization, excluding depreciation of lease assets	**10,987**	10,107	10,107
EBITDA	**98,380**	72,623	72,623
Other income	**–**	–	(3,000)
Transaction advisory costs	**–**	–	6,382
Adjusted EBITDA	**98,380**	72,623	76,005
Divided by revenue	**405,224**	347,505	347,505
EBITDA margin	**24.3%**	20.9%	21.9%

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 periods and percentages)	Three Months Ended		
	Dec. 31, 2017	Dec. 31, 2017 (adjusted)	Dec. 31, 2016
Net income as stated	**5,366**	**5,366**	8,342
Refinancing costs	**–**	**8,198**	–
Tax impact of above item	**–**	**(2,172)**	–
After tax impact	**–**	**6,026**	–
Adjusted net income	**5,366**	**11,392**	8,342
Multiplied by number of periods in year	**X 4/1**	**X 4/1**	X 4/1
Divided by average shareholders' equity for the period	**226,165**	**226,165**	192,049
Return on equity	**9.5%**	**20.1%**	17.4%

($ in 000's except periods and percentages)	Year Ended			
	Dec. 31, 2017	Dec. 31, 2017 (adjusted)	Dec. 31, 2016	Dec. 31, 2016 (adjusted)
Net income as stated	**36,132**	**36,132**	31,049	31,049
Refinancing costs	**–**	**8,198**	–	–
Other income	**–**	**–**	–	(3,000)
Transaction advisory costs	**–**	**–**	–	6,382
Tax impact of above items	**–**	**(2,172)**	–	(1,276)
After tax impact	**–**	**6,026**	–	2,106
Adjusted net income	**36,132**	**42,158**	31,049	33,155
Divided by average shareholders' equity for the period	**212,757**	**212,757**	185,210	185,210
Return on equity	**17.0%**	**19.8%**	16.8%	17.9%

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, 2017 and December 31, 2016.

($ in 000's except for ratios)	Dec. 31, 2017	Dec. 31, 2016
Consumer loans receivable, net	**513,425**	354,499
Cash	**109,370**	24,928
Lease assets	**54,318**	55,288
Property and equipment	**15,941**	16,103
Intangible assets	**15,163**	14,312
Other assets	**41,398**	37,932
Total assets	**749,615**	503,062
External debt	**449,178**	263,294
Derivative financial instruments	**11,138**	–
Other liabilities	**61,055**	43,737
Total liabilities	**521,371**	307,031
Shareholders' equity	**228,244**	196,031
Total capitalization (total debt plus total shareholders' equity)	**677,422**	459,325
External debt to shareholders' equity	**1.97**	1.34
External debt to total capitalization	**0.66**	0.57
External debt to Adjusted EBITDA[1]	**4.57**	3.46

[1] Adjusted EBITDA excludes the impact of non-recurring or unusual items.

Total assets were $749.6 million as at December 31, 2017, an increase of $246.6 million or 49.0% compared to December 31, 2017. 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 $158.9 million over the past 12 months, and ii) a $84.4 million increase in cash on hand related to the issuance of Notes in the fourth quarter of 2017 which were used to fund the growth of the consumer loans receivable portfolio and to repay the term loan.

The $246.6 million growth in total assets was financed by: i) a $185.9 million increase in external debt (including the issuance of USD $325 million in Notes and the issuance of Convertible Debentures offset by the repayment of the $280.0 million Term Loan); ii) a $32.2 million increase in total shareholder's equity; and iii) a $17.3 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*.

goeasy funds its business through a combination of equity and debt instruments. *goeasy*'s common shares are listed for trading on the TSX under the trading symbol "GSY" and *goeasy*'s convertible debentures are traded on the TSX under the trading symbol "GSY-DB". *goeasy* is rated BB- with a stable trend from S&P and Ba3 with a stable trend from Moody's.

At December 31, 2017, the Company's external debt consisted of USD $325 million Notes, and $53 million of Convertible Debentures with net carrying values of $401.2 million and $48.0 million, respectively. The Company's credit facilities also consisted of an undrawn $110 million Revolving Credit Facility.

Borrowings under the Notes bore a US$ coupon rate of 7.875%. Through a currency swap agreement arranged concurrent with the offering of the Notes, the company fixed the foreign exchange rate for the proceeds from the offering and for all required payments of principal and interest under these Notes, effectively hedging the obligation at $418.9 million with a Canadian dollar interest rate of 7.84%. Borrowings under the Convertible Debenture bore interest at 5.75% while borrowings under the Revolving Credit Facility bore interest at the Canadian Bankers' Acceptance rate plus 450 bps or lender's prime rate plus 350 bps, at the option of the Company. The Company's Notes are due on November 1, 2022, the Revolving Credit Facility matures on October 31, 2020, and the Convertible Debentures will mature on July 31, 2022.

Liquidity and Capital Resources

Summary of Cash Flow Components

	Three Months Ended		Year Ended	
($ in 000's)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Cash provided by operating activities	**48,361**	39,390	**179,400**	153,305
Cash used in investing activities	**(88,394)**	(55,817)	**(275,938)**	(177,202)
Cash provided by financing activities	**127,035**	11,603	**180,980**	37,436
Net increase (decrease) in cash for the period	**87,002**	(4,824)	**84,442**	13,539

Cash flows provided by operating activities for the three month period ended December 31, 2017 were $48.4 million, an increase of $9.0 million compared to the same period of 2016. While reported net income declined (due to the non-recurring refinancing costs) this was somewhat offset by an increased proportion of non-cash expenses.

During the fourth quarter of 2017, the Company generated $127.0 million in cash flow from financing activities, which included the net $405.6 million issuance of Notes offset by the $280.0 million repayment of the Term Loan and a $2.4 million dividend payment.

Cash flows provided by operating and financing activities in the fourth quarter of 2017 enabled the Company to: i) fund the $73.3 million net growth of the consumer loans receivable portfolio; ii) invest $14.1 million in new lease assets and iii) invest $2.4 million in additional property and equipment and intangible assets (specifically internally developed software).

Cash flows provided by operating activities during the year ended December 31, 2017 were $179.4 million, up $26.1 million compared to 2016. The increase was related to i) higher net income; ii) an increased proportion of non-cash expenses and iii) partially offset by a net investment in working capital.

Also during the 2017, the Company generated $181.0 million in cash from financing activities which included: i) the net proceeds of $405.6 million from the issuance of Notes; ii) the net proceeds of $49.9 million from the issuance of Convertible Debentures and iii) offset by the repayment of the Term Loan and payment of dividends.

Cash flows provided by operating and financing activities in 2017 enabled the Company to: i) fund the $226.8 million of net growth in the consumer loan receivable portfolio; ii) invest $42.0 million in new lease assets and iii) invest $12.1 million in property and equipment and intangible assets (primarily software development).

Outstanding Shares and Dividends

As at February 20, 2018 there were 13,478,476 common shares, 167,142 DSUs, 525,610 options, 643,536 RSUs, and no warrants outstanding.

Normal Course Issuer Bid ["NCIB"]

On June 22, 2016, 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 NCIB terminated on June 26, 2017. As of June 30, 2017, the Company had purchased and cancelled 179,888 of its common shares on the open market under this NCIB at an average price of $24.40 per share for a total cost of $4.4 million.

On June 22, 2017, 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, 2017, [the "Notice of Intention"]. Pursuant to this NCIB, the Company proposed to purchase, from time to time, if it is considered advisable, up to an aggregate of 300,000 common shares which represented approximately 4% of the 13,363,158 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, 2017 of 29,980 shares. Under the June 22, 2017 NCIB, daily purchases will be limited to 7,495 common shares, other than block purchase exemptions. The purchases may commence on June 27, 2017 and will terminate on June 26, 2018 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, 2017, the Company had not cancelled any of its common shares pursuant to this June 22, 2017 NCIB.

Dividends

During the quarter ended December 31, 2017, the Company paid a $0.18 per share quarterly dividend on outstanding common shares.

On February 15, 2017, the Company increased the dividend rate by 44% from 0.125 to 0.18. For the quarter ended December 31, 2017, the Company paid a $0.18 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:

	2017	2016	2015	2014	2013	2012	2011
Dividend per share	**$ 0.18**	$ 0.125	$ 0.100	$ 0.085	$ 0.085	$ 0.085	$ 0.085
Percentage increase	**44.0%**	25.0%	17.6%	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	**22,693**	**41,066**	**7,183**
Other operating lease obligations	**1,069**	**2,510**	**36**
Other	**8,175**	**17,681**	**–**
Total contractual obligations	**31,937**	**61,257**	**7,219**

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

The Company estimates the size of the Canadian market for non-prime consumer lending, excluding mortgages, is approximately $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 online lenders are expected to continue their expansion into the non-prime market.

The Company also faces direct competition in the Canadian market from other merchandise leasing companies. Other factors that may adversely affect the performance of the leasing business are increased sales of used furniture and electronics at online and at 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.

The Company may be unable to compete effectively with new and existing competitors, which could adversely affect its revenues and results of operations. In addition, investments required to adjust to changing market conditions may adversely affect the Company's business.

Macroeconomic Conditions

Certain changes in macroeconomic conditions, many of which are beyond the Company's control, can have a negative impact on its 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 collection rates and result in higher 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.

There can be no assurance that economic conditions will remain favorable for the Company's business or that demand for loans or default rates by customers will remain at current levels. Reduced demand for loans would negatively impact the Company's growth and revenues, while increased default rates by customers may inhibit the Company's access to capital, hinder the growth of the loan portfolio attributable to its products and negatively impact its profitability. Either such result could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

Reputation

The Company's reputation is very important to attracting new customers to its platform as well as securing repeat lending to existing customers. While the Company believes that it has a good reputation and that it provides customers with a superior experience, there can be no assurance that the Company will continue to maintain a good relationship with customers or avoid negative publicity.

In recent years, consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on non-bank consumer loans. Such consumer advocacy groups and media reports generally focus on the annual percentage rate for this type of consumer loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories. The finance charges the Company assesses can attract media publicity about the industry and be perceived as controversial. Customer's acceptance of the interest rates the Company charges on its consumer loans receivable could impact the future rate of the growth. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, the Company could become subject to more restrictive laws and regulations applicable to consumer loan products that could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

The Company's ability to attract and retain customers is highly dependent upon the external perceptions of its level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters — even if related to seemingly isolated incidents, or even if related to practices not specific to short-term loans, such as debt collection — could erode trust and confidence and damage the Company's reputation among existing and potential customers, which would make it difficult to attract new customers and retain existing customers, significantly decrease the demand for the Company's products, result in increased regulatory scrutiny, and have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

The Company's former U.S. franchisees and certain other persons operate a lease-to-own business within the U.S. Although the Company does not own these businesses, their use of the *easyhome* name could adversely affect the Company if these third parties receive negative publicity or if external perceptions of these third parties' levels of service, trustworthiness or business practices are negative.

Litigation

From time to time and in the normal course of business, the Company may be involved in material litigation or may be subject to regulatory actions. There can be no assurance that any litigation or regulatory action 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. Lawsuits or regulatory actions could cause the Company to incur substantial expenditures, generate adverse publicity and could significantly impair the Company's business, force it to cease doing business in one or more jurisdictions or cause it to cease offering one or more products.

The Company is also likely to be subject to further litigation and communications with regulators in the future. An adverse ruling or a settlement of any current or future litigation or regulatory actions against the Company or another lender could cause the Company to have to refund fees and/or interest collected, forego collections of the principal amount of loans, pay treble or other multiple damages, pay monetary penalties and/or modify or terminate its operations in particular jurisdictions. Defense of any lawsuit or regulatory action, even if successful, could require substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs.

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'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 its 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 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 (that provides for a portion of the future charge-offs that have not yet occurred within its portfolio of consumer loans receivable that exists at the end of a fiscal period). The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions. The Company determines it 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.

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. 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.

Outsource Risk

The Company outsources certain business functions to third-party service providers, which increases its operational complexity and decreases its control. The Company relies on these service providers to provide a high level of service and support, which subjects it to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to the Company were otherwise disrupted, the Company would have to obtain these services from an alternative provider. The Company may be unable to replace, or be delayed in replacing, these sources and there is a risk that it would be unable to enter into a similar agreement with an alternate provider on terms that it considers favorable or in a timely manner. In the future, the Company may outsource additional business functions. If any of these or other risks relating to outsourcing were realized, the Company's financial position, liquidity and results of operations could be adversely affected.

Fraud

Employee error and employee and customer misconduct could subject the Company to financial losses or regulatory sanctions and seriously harm the Company's reputation. Misconduct by its employees could include hiding unauthorized activities, improper or unauthorized activities on behalf of customers or improper use of confidential information. It is not always possible to prevent employee error and misconduct, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Employee error could also subject the Company to financial claims for negligence.

If the Company's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured, exceeds applicable insurance limits or if insurance coverage is denied or not available, it could have a material adverse effect on the Company's business, financial condition and results of operations.

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.

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 the Company's leasing or lending portfolios which could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

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. A breach in the Company's information security may adversely affect its reputation and also result in fines or penaltiesfrom government bodies or regulators.

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

Liquidity Risk

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, the Company may 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 favorable to the Company. The inability to access adequate sources of financing, or to do so on favorable terms, may adversely affect the Company's capital structure and ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support the Company's 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 Company's capital structure consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

All of the Company's debt facilities 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 the Company's operations 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 is unable to renew these facilities on acceptable terms when they become due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

Debt Service

The Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, reduce its growth plans, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow it to meet its scheduled debt service obligations. The Company's credit agreements restrict its ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate any such dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect its business, results of operations and financial condition.

Contractual Obligations

The terms of the Company's debt govern how it conducts its business. If the Company defaults on its obligations under the instruments governing its indebtedness, it may not be able to make required debt payments.

The Company's failure to comply with its contractual obligations (including restrictive, financial and other covenants), to pay its indebtedness and fixed costs or to post collateral (including under hedging arrangements) could result in a variety of material adverse consequences, including a default under its indebtedness and the exercise of remedies by its creditors, lessors and other contracting parties, and such defaults could trigger additional defaults under other indebtedness or agreements.

In the event of such default, the holders of such indebtedness could elect to declare all of the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. If the Company's operating performance declines, it may need to seek waivers from the holders of such indebtedness to avoid being in default under the instruments governing such indebtedness. If the Company breaches its covenants under its indebtedness, it may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to the Company, or at all. If this occurs, the Company would be in default under such indebtedness, and the holders of such indebtedness could exercise their rights as described above, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. A default under the agreements governing certain of our existing or future indebtedness and the remedies sought by the holders of such indebtedness could make the Company unable to pay principal or interest on the debt.

Debt Covenants

The agreements governing the Company's credit facilities contain restrictive covenants that may limit its discretion with respect to certain business matters. These covenants may place significant restrictions on, among other things, the Company's ability to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets. In addition, the agreements governing the Company's credit facilities may contain financial covenants that require it to meet certain financial ratios and financial condition tests.

If the Company fails to maintain the requisite financial ratios under the agreement governing its credit facilities, it will be unable to draw any amounts under the revolving credit facility until such default is waived or cured as required. In addition, such a failure could constitute an event of default under the Company's lending agreements entitling the lenders to accelerate the outstanding indebtedness thereunder unless such event of default is cured as required by the agreement. The Company's ability to comply with these covenants in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond its control.

The restrictions in the agreements governing the Company's credit facilities may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with companies that are not similarly restricted. The Company may also incur future debt obligations that might subject it to additional restrictive covenants that could affect its financial and operational flexibility.

The Company's ability to comply with the covenants and restrictions contained in the agreement governing the Company's credit facilities may be affected by economic, financial and industry conditions beyond its control. The breach of any of these covenants or restrictions could result in a default under the agreements that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable (including terminating any outstanding hedging arrangements), together with accrued and unpaid interest, or cause cross-defaults under the Company's other debts. If the Company is unable to repay its secured debt, lenders could proceed against the collateral securing the debt. This could have serious consequences to the Company's financial condition and results of operations and could cause it to become bankrupt or insolvent.

Interest Rate Risk

The Company's future success depends in part on its ability to access capital markets and obtain financing on reasonable terms. Its ability to access financial markets and obtain financing on commercially reasonable terms in the future is dependent on a number of factors, many of which it cannot control, including interest rates. Amounts due under the Company's credit facilities may bear interest at a variable rate. The Company may not hedge its interest rate risks and future changes in interest rates may affect the amount of interest expense the Company pays. Any increases in interest rates, or in the Company's inability to access the debt or equity markets on reasonable terms, could have an adverse impact on its financial condition, results of operations and growth prospects.

Foreign Currency Risk

The Company issued US$ denominated Notes. Concurrent with this offering, the Company entered into a currency swap agreement to fix the foreign exchange rate for the obligation under this offering and for all required payments of principal and interest.

The Company sources some of its merchandise out of the U.S. and, as such, its Canadian operations have some U.S. denominated cash and payable balances. As a result, the Company has both foreign exchange transaction and translation risk. Although the Company has U.S. dollar denominated purchases, it 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 its financial performance.

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 2008 - 2009 credit crisis and related recession, economic shocks such as the 2015 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.

Credit Ratings

The Company received credit ratings in connection with the issuance of Notes. Any credit ratings applied to the Notes are an assessment of the Company's ability to pay its obligations. The Company is under no obligation to maintain any credit rating with credit rating agencies and there is no assurance that any credit rating assigned to the Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering, withdrawal or failure to maintain any credit ratings applied to the Notes may have an adverse effect on the market price or value and the liquidity of the Notes and, in addition, any such action could make it more difficult or more expensive for the Company to obtain additional debt financing.

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 application of certain provincial legislation to the Company's business model remains uncertain. There is a risk that regulatory bodies or consumers could assert that certain provincial legislation is applicable where the Company had determined that it is not and that the Company is not in compliance with such applicable statutory requirements. If it should be determined that the Company has not complied with the requirements of applicable provincial legislation, it could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers and damages, and (2) prosecution for violation of the legislation, any of which outcomes could have a material adverse effect on the Company.

easyfinancial is subject to minimal regulatory capital requirements in connection with its operations in Saskatchewan. Otherwise, the Company operates in an unregulated environment with regard to capital requirements.

The Criminal Code, R.S.C. 1985, c. C-46 imposes a restriction on the cost of borrowing in any lending transaction in excess of 60% per year. The application of additional 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.

Accounting Standards

From time to time the Company may be subject to changes in accounting standards issued by accounting standard-setting bodies, which may affect the Company's financial statements and reduce its reported profitability.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of 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, 2017 Notes to the Financial Statements.

Adoption of New Accounting Standards

Amendments to IFRS 2, Share-Based Payment

On June 20, 2016, the International Accounting Standards Board ["IASB"] issued amendments to IFRS 2, Share-based Payment ["IFRS 2"], which provided clarifications to the classification and measurement of share-based payment transactions. Under the previous requirements of IFRS 2, where a company issued equity instruments to employees and intended to settle such instruments by withholding a certain number of those equity instruments equal to the monetary value of the employee's tax obligation, such a transaction would be divided into an equity-settled component and a cash-settled component. These amendments permitted the settlement of such instruments to be entirely classified as equity-settled, if certain conditions were met.

The effective date of the amendments was January 1, 2018, with early adoption permitted. On January 1, 2017, the Company early-adopted and applied, for the first time, the amendments to IFRS 2.

Accounting Standards Issued But Not Yet Effective

The Company will be required to adopt IFRS 9, Financial Instruments ["IFRS 9"], for years beginning on or after January 1, 2018. IFRS 9 introduces a new expected loss impairment model which will replace the existing incurred loss impairment model under IAS 39.

Under IAS 39, a collective allowance for loan loss is recorded on those loans, or groups of loans, where a loss event has occurred but has not been reported, as at, or prior to, the balance sheet date. An incurred but not reported loss event provides objective evidence to establish an allowance for loan loss against such loans. IAS 39 prohibited recognizing any allowance for loan losses expected in future if a loss event has not occurred.

Under IFRS 9, credit losses that are expected to transpire in future years irrespective of whether the loss event has occurred or not as at the balance sheet date, will need to be provided for. Under IFRS 9, the Company will be required to assess and segment its loan portfolio into performing, under-performing and non-performing categories as at each date of the statement of financial position. Loans will be categorized as under-performing if there has been a deterioration in the loans credit quality. Loans will be categorized as non-performing if there is objective evidence that such loans will likely charge off in the future. For performing loans, the Company will record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Company will record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life. Ultimately, the expected credit loss will be calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and will consider reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans.

It is important to note that the adoption of IFRS 9 in 2018 will not directly impact the net charge-off rate of the Company's consumer loans receivable portfolio which will be driven by borrowers' credit profile and behaviour. The Company will continue to write off unsecured customer balances that are delinquent greater than 90 days and secured customer balances that are delinquent greater than 180 days. Likewise, the cash flows used in and generated by the Company's consumer loans receivable portfolio will not be impacted by the adoption of IFRS 9 as the periodic increase in the allowance for loan losses as a result of growth in the consumer loans receivable is a non-cash item.

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 with senior executive oversight. 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 analytical and system work required to support the Company's transition to IFRS 9 is largely complete subject to refinement.

The Company's current allowance for loan losses, as determined under IAS 39, as at December 31, 2017 was $31.7 million which represented 6.0% of the gross consumer loans receivables. The Company estimates that implementing the requirements of IFRS 9 as at December 31, 2017 would result in an increase to its allowance for loan losses of $15.8 million to $19.0 million. This increase in the allowance for loan losses is not indicative of a change in the expected recovery value of the underlying consumer loans receivable but rather a function of extending the allowance for loan losses to provide for expected future losses over a longer future time frame.

The Company estimates that the implementation of the requirements of IFRS 9 on January 1, 2018, will result in an after-tax reduction to retained earnings of between $11.5 million and $13.8 million. The primary impact is attributable to increases in the allowance for credit losses under the new impairment requirements. Management continues to monitor and refine certain elements of the IFRS 9 loan impairment process in advance of Q1 2018 reporting. All estimates reported above with respect to the expected impact of the adoption of IFRS 9 are preliminary and are subject to change and adjustment as the Company's transition to IFRS 9 is completed.

The Company is on track to finalize its analytical and systems work and complete the implementation of IFRS 9 within the required timeframe.

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 fiscal years beginning on or after January 1, 2018, and is to be applied retrospectively.

The Company completed its review of IFRS 15 and determined that additional revenue disclosures will be required, however the new standard will not result in any material financial adjustments on its consolidated 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 fiscal 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.

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 applicable Canadian securities laws 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, 2017.

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 2017

There were no material changes in the Company's ICFR that occurred or were finalized during the year ended December 31, 2017.

Evaluation of ICFR at December 31, 2017

As at December 31, 2017, 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, 2017.

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, 2017, 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, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 20, 2018

Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)	As At December 31, 2017	As At December 31, 2016
ASSETS		
Cash (note 5)	**109,370**	24,928
Amounts receivable (note 6)	**14,422**	7,857
Prepaid expenses	**3,545**	1,909
Consumer loans receivable (note 7)	**513,425**	354,499
Lease assets (note 8)	**54,318**	55,288
Property and equipment (note 9)	**15,941**	16,103
Deferred tax assets (note 22)	**2,121**	6,856
Intangible assets (note 10)	**15,163**	14,312
Goodwill (note 10)	**21,310**	21,310
TOTAL ASSETS	**749,615**	503,062
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**42,706**	31,879
Income taxes payable	**9,445**	2,874
Dividends payable (note 16)	**2,426**	1,666
Deferred lease inducements	**1,294**	1,506
Unearned revenue	**4,819**	5,204
Provisions (note 11)	**365**	608
Term loan (note 13)	**–**	263,294
Convertible debentures (note 14)	**47,985**	–
Notes payable (note 15)	**401,193**	–
Derivative financial instruments (note 15)	**11,138**	–
TOTAL LIABILITIES	**521,371**	307,031
Shareholders' equity		
Share capital (note 16)	**85,874**	82,598
Contributed surplus (note 17)	**15,305**	9,943
Accumulated other comprehensive (loss) income	**141**	880
Retained earnings	**126,924**	102,610
TOTAL SHAREHOLDERS' EQUITY	**228,244**	196,031
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**749,615**	503,062

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, 2017	Year Ended December 31, 2016
REVENUE		
Interest income	**175,812**	138,782
Lease revenue	**130,527**	137,849
Other	**98,885**	70,874
	405,224	347,505
Other income (note 18)	**–**	3,000
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**102,666**	91,557
Stock-based compensation (note 17)	**5,623**	4,323
Advertising and promotion	**20,150**	13,457
Bad debts	**67,826**	55,668
Occupancy	**33,100**	32,867
Other expenses (note 19)	**36,258**	29,398
Transaction advisory costs (note 20)	**–**	6,382
	265,623	233,652
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets	**41,221**	44,230
Depreciation of property and equipment	**5,702**	5,902
Amortization of intangible assets	**5,285**	4,205
	52,208	54,337
Total operating expenses	**317,831**	287,989
Operating income	**87,393**	62,516
FINANCE COSTS		
Interest expense and amortization of deferred financing charges (note 21)	**28,642**	21,048
Refinancing cost (note 21)	**8,198**	–
	36,840	21,048
Income before income taxes	**50,553**	41,468
Income tax expense (recovery) (note 22)		
Current	**10,854**	11,362
Deferred	**3,567**	(943)
	14,421	10,419
Net income	**36,132**	31,049
Basic earnings per share (note 23)	**2.67**	2.29
Diluted earnings per share (note 23)	**2.56**	2.23

See accompanying notes to the consolidated financial statements

Consolidated Statements of Comprehensive Income

(expressed in thousands of Canadian dollars)	Year Ended December 31, 2017	December 31, 2016
Net income	**36,132**	31,049
Other comprehensive (loss) income		
Change in foreign currency translation reserve	**(48)**	(89)
Change in fair value of derivative financial instruments designated as cash flow hedge	**(11,138)**	–
Change in value of US denominated notes payable	**10,368**	–
Transfer of realized translation gains	**79**	–
Comprehensive income	**35,393**	30,960

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, 2016	**82,598**	**9,943**	**92,541**	**102,610**	**880**	**196,031**
Common shares issued	**3,812**	**(1,801)**	**2,011**	**–**	**–**	**2,011**
Equity component of convertible debentures (note 14)	**–**	**3,220**	**3,220**	**–**	**–**	**3,220**
Stock-based compensation (note 17)	**–**	**5,623**	**5,623**	**–**	**–**	**5,623**
Shares withheld related to net share settlement	**–**	**(1,680)**	**(1,680)**	**–**	**–**	**(1,680)**
Shares purchased for cancellation (note 16)	**(536)**	**–**	**(536)**	**(2,159)**	**–**	**(2,695)**
Comprehensive income (loss)	**–**	**–**	**–**	**36,132**	**(739)**	**35,393**
Dividends (note 16)	**–**	**–**	**–**	**(9,659)**	**–**	**(9,659)**
Balance, December 31, 2017	**85,874**	**15,305**	**101,179**	**126,924**	**141**	**228,244**
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 17)	–	3,475	3,475	–	–	3,475
Shares purchased for cancellation (note 16)	(2,684)	–	(2,684)	(5,253)	–	(7,937)
Comprehensive income	–	–	–	31,049	(89)	30,960
Dividends (note 16)	–	–	–	(6,699)	–	(6,699)
Balance, December 31, 2016	82,598	9,943	92,541	102,610	880	196,031

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(expressed in thousands of Canadian dollars)	Year Ended December 31, 2017	Year Ended December 31, 2016
OPERATING ACTIVITIES		
Net income	**36,132**	31,049
Add (deduct) items not affecting cash		
Depreciation of lease assets	**41,221**	44,230
Depreciation of property and equipment	**5,702**	5,902
Amortization of intangible assets	**5,285**	4,205
Amortization of deferred financing charges	**1,117**	–
Stock-based compensation (note 17)	**5,623**	3,475
Bad debts expense	**67,826**	55,668
Deferred income tax expense (recovery) (note 22)	**3,567**	(943)
Other income (note 18)	**–**	(3,000)
Gain on sale of assets	**(2,709)**	(2,130)
Net change in other operating assets and liabilities (note 24)	**15,636**	14,849
Cash provided by operating activities	**179,400**	153,305
INVESTING ACTIVITIES		
Net issuance of consumer loans receivable	**(226,752)**	(135,686)
Purchase of lease assets	**(42,041)**	(40,649)
Purchase of property and equipment	**(5,940)**	(3,540)
Purchase of intangible assets	**(6,136)**	(4,757)
Proceeds on sale of investment (note 18)	**–**	3,000
Proceeds on sale of assets	**4,931**	4,430
Cash used in investing activities	**(275,938)**	(177,202)
FINANCING ACTIVITIES		
Issuance of Notes Payable (note 15)	**405,620**	–
Advances (payments) of term loan (note 13)	**(263,294)**	51,574
Issuance of convertible debentures (note 14)	**49,918**	–
Payment of common share dividends (note 16)	**(8,900)**	(6,374)
Issuance of common shares	**2,011**	173
Shares withheld related to net share settlement	**(1,680)**	–
Purchase of common shares for cancellation (note 16)	**(2,695)**	(7,937)
Cash provided by financing activities	**180,980**	37,436
Net increase in cash during the period	**84,442**	13,539
Cash, beginning of period	**24,928**	11,389
Cash, end of period	**109,370**	24,928

See accompanying notes to the consolidated financial statements

(Expressed in thousands of Canadian dollars except where otherwise indicated)
December 31, 2017 and December 31, 2016

1. Corporate Information

goeasy Ltd. [the "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 [the "TSX"] under the symbol "GSY" 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, 2017, the Company operated 228 *easyfinancial* locations (including 42 kiosks within *easyhome* stores) and 171 *easyhome* stores (including 30 franchises and one consolidated franchise location). 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 franchise locations).

2. Basis of Preparation

The consolidated financial statements were authorized for issue by the Board of Directors on February 20, 2018.

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, 2017.

Certain comparative amounts have been restated to conform with the presentation adopted in the current period.

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, 2017, 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 posted as collateral and cash on hand, 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 interest receivable, unamortized deferred financing costs and 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, acquisition costs paid to third parties, and the allowance for loan losses.

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 except for the Derivative Financial Instrument which may be in an asset or liability position depending on the prevailing foreign exchange rates at such time (see section "Derivative Financial Instrument and Hedge Accounting").

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. Unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 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 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. In the case of certain loans and borrowings, the fair value at initial recognition includes the value of proceeds received net of directly attributable transaction costs. The Company's financial liabilities include a revolving credit facility, U.S. dollar denominated notes payable, convertible debentures, term loans, derivative financial instruments 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 and the amortization of deferred financing charges are 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 settled, discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

Convertible Debentures

Convertible debentures include both liability and equity components, due to the embedded financial derivative associated with the conversion option. The liability component of the convertible debentures is initially recognised at fair value determined by discounting the future principal and interest payments at the rate of interest prevailing at the date of issue for a similar non-convertible debt instrument.

The equity component of the convertible debenture is initially recognised at fair valued determined as the difference between the gross proceeds of the convertible debt issuance less the liability component and the deferred tax liability that arises from the temporary difference between the carrying value of the liability and its tax basis. The equity component is allocated to contributed surplus within shareholders' equity. Directly attributable transaction costs related to the issuance of convertible debentures are allocated to the liability and equity components on a pro-rata basis, reducing the fair value at the time of initial recognition.

Derivative Financial Instrument and Hedge Accounting

The Company's financing activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Company utilizes derivative financial instruments to assist in the management of certain foreign exchange risks.

Derivative financial instruments are initially measured at fair value on the trade date and are subsequently remeasured at fair value at each reporting date using observable market inputs.

The Company designates derivative financial instruments as hedges of the change in fair value of recognised assets and liabilities when the derivative financial instruments meet the criteria for hedge accounting in accordance with IAS 39.

In order to qualify for hedge accounting, a hedge relationship must be designated and formally documented with such documentation to include the specific risk management objective and strategy being applied, the specific financial asset or liability or cash flow being hedged and how hedge effectiveness is assessed. To qualify for hedge accounting, there must be a correlation of between 80% and 125% in the changes in fair values or cash flows between the hedged and hedging items.

Where an effective hedge exists, the change in the fair value of the derivative instrument and the change in fair value of the specific foreign currency denominated financial asset or liability or cash flow being hedged are ultimately recognized in Other Comprehensive Income.

Hedge effectiveness is assessed at the inception of the hedge and on an ongoing basis. Should a hedge cease to be effective any changes in fair value related to movements in the foreign currency rates would be taken in net income.

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 17.

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, warrants and convertible debentures 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 during a 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

IIn 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.

xiii) Convertible Debentures

The convertible debentures are accounted for as a compound financial instrument with a liability component and a separate equity component. The debt component of this compound financial instrument is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk as estimated by management. The debt component is subsequently deducted from the total carrying value of the compound instrument to derive the equity component.

4. New Accounting Standards

Adoption of Accounting Standard

Amendments to IFRS 2, *Share-Based Payment*

On June 20, 2016, the International Accounting Standards Board ["IASB"] issued amendments to IFRS 2, Share-based Payment ["IFRS 2"], which provided clarifications to the classification and measurement of share-based payment transactions. Under the previous requirements of IFRS 2, where a company issued equity instruments to employees and intended to settle such instruments by withholding a certain number of those equity instruments equal to the monetary value of the employee's tax obligation, such a transaction would be divided into an equity-settled component and a cash-settled component. These amendments permitted the settlement of such instruments to be entirely classified as equity-settled, if certain conditions were met.

The effective date of the amendments was January 1, 2018, with early adoption permitted. On January 1, 2017, the Company early-adopted and applied, for the first time, the amendments to IFRS 2.

Standards Issued but Not Yet Effective

IFRS 9, *Financial Instruments*

The Company will be required to adopt IFRS 9, Financial Instruments ["IFRS 9"], for years beginning on or after January 1, 2018. IFRS 9 introduces a new expected loss impairment model which will replace the existing incurred loss impairment model under IAS 39.

Under IAS 39, a collective allowance for loan loss is recorded on those loans, or groups of loans, where a loss event has occurred but has not been reported, as at, or prior to, the balance sheet date. An incurred but not reported loss event provides objective evidence to establish an allowance for loan loss against such loans. IAS 39 prohibited recognizing any allowance for loan losses expected in the future if a loss event has not occurred.

Under IFRS 9, credit losses that are expected to transpire in future years irrespective of whether the loss event has occurred or not as at the balance sheet date, will need to be provided for. Under IFRS 9, the Company will be required to assess and segment its loan portfolio into performing, under-performing and non-performing categories as at each date of the statement of financial position. Loans will be categorized as under-performing if there has been a significant increase in credit risk. Loans will be categorized as non-performing if there is objective evidence that such loans will likely charge off in the future. For performing loans, the Company will record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Company will record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life. Ultimately, the expected credit loss will be calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and will consider reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans.

It is important to note that the adoption of IFRS 9 in 2018 will not directly impact the net charge-off rate of the Company's consumer loans receivable portfolio which will be driven by borrowers' credit profile and behaviour. The Company will continue to write off unsecured customer balances that are delinquent greater than 90 days and secured customer balances that are delinquent greater than 180 days. Likewise, the cash flows used in and generated by the Company's consumer loans receivable portfolio will not be impacted by the adoption of IFRS 9 as the periodic increase in the allowance for loan losses as a result of growth in the consumer loans receivable is a non-cash item.

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 with senior executive oversight. 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 analytical and system work required to support the Company's transition to IFRS 9 is largely complete subject to refinement.

The Company's current allowance for loan losses, as determined under IAS 39, as at December 31, 2017 was $31.7 million which represented 6.0% of the gross consumer loans receivables. The Company estimates that implementing the requirements of IFRS 9 as at December 31, 2017 would result in an increase to its allowance for loan losses of $15.8 million to $19.0 million. This increase in the allowance for loan losses is not indicative of a change in the expected recovery value of the underlying consumer loans receivable but rather a function of extending the allowance for loan losses to provide for expected future losses over a longer future time frame.

The Company estimates that the implementation of the requirements of IFRS 9 on January 1, 2018, will result in an after-tax reduction to retained earnings of between $11.5 million and $13.8 million. The primary impact is attributable to increases in the allowance for credit losses under the new impairment requirements. Management continues to monitor and refine certain elements of the IFRS 9 loan impairment process in advance of Q1 2018 reporting. All estimates reported above with respect to the expected impact of the adoption of IFRS 9 are preliminary and are subject to change and adjustment as the Company's transition to IFRS 9 is completed.

The Company is on track to finalize its analytical and systems work and complete the implementation of IFRS 9 within the required timeframe.

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 fiscal years beginning on or after January 1, 2018, and is to be applied retrospectively.

The Company completed its review of IFRS 15 and determined that additional revenue disclosures will be required, however the new standard will not result in any material financial adjustments on its consolidated 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 fiscal 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. Cash

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. The Company has pledged part of its cash to fulfil collateral requirements under its derivative financial instruments contract. As at December 31, 2017, the fair value of the cash pledged was $16,240.

6. Amounts Receivable

	December 31, 2017	December 31, 2016
Vendor rebate receivable	**657**	571
Due from franchisees	**2,778**	3,602
Commission receivable	**8,475**	1,214
Other	**2,512**	2,470
	14,422	7,857
Current	**13,397**	7,631
Non-current	**1,025**	226
	14,422	7,857

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

7. Consumer Loans Receivable

Consumer loans receivable represented amounts advanced to customers and includes both unsecured and secured loans. Unsecured loan terms generally ranged from 9 to 60 months while secured loan terms generally ranged from 6 to 10 years.

	December 31, 2017	December 31, 2016
Gross consumer loans receivable	**526,546**	370,517
Interest receivable from consumer loans	**6,530**	4,753
Unamortized deferred acquisition costs	**12,055**	2,685
Allowance for loan losses	**(31,706)**	(23,456)
	513,425	354,499
Current	**222,621**	153,600
Non-current	**290,804**	200,899
	513,425	354,499

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

	December 31, 2017		December 31, 2016	
	$	% of total loans	$	% of total loans
1 – 30 days	**17,275**	**3.3%**	13,468	3.6%
31 – 44 days	**3,601**	**0.7%**	2,712	0.7%
45 – 60 days	**3,330**	**0.6%**	2,366	0.6%
61 – 90 days	**4,349**	**0.8%**	3,094	0.8%
	28,555	**5.4%**	21,640	5.7%

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

	Year Ended	
	December 31, 2017	December 31, 2016
Balance, beginning of the year	**23,456**	18,465
Net amounts written off against allowance	**(59,576)**	(50,677)
Increase due to lending and collection activities	**67,826**	55,668
Balance, end of the year	**31,706**	23,456

8. Lease Assets

	Total
Cost	
As at December 31, 2015	83,251
Additions	40,649
Disposals	(49,817)
Foreign exchange differences	(34)
As at December 31, 2016	74,049
Additions	42,041
Disposals	(47,539)
Foreign exchange differences	(58)
As at December 31, 2017	**68,493**
Accumulated Depreciation	
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)
Depreciation for the year	(41,221)
Disposals	45,787
Foreign exchange differences	20
As at December 31, 2017	**(14,175)**
Net Book Value	
As at December 31, 2016	55,288
As at December 31, 2017	**54,318**

During the year ended December 31, 2017, the net book value of the lease assets sold by the Company was $1,752 (2016 – $1,857).

9. Property and Equipment

	Furniture and Fixtures	Computer and Office Equipment	Automotive	Signage	Leasehold Improvements	Total
Cost						
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
Additions	865	1,764	–	492	2,819	5,940
Disposals	(269)	(658)	–	(124)	(484)	(1,535)
Foreign exchange differences	(7)	(4)	–	(1)	(10)	(22)
As at December 31, 2017	**14,501**	**10,398**	**212**	**5,911**	**26,631**	**57,653**
Accumulated Depreciation						
As at December 31, 2015	(8,838)	(5,448)	(204)	(3,897)	(15,000)	(33,387)
Depreciation	(1,352)	(946)	(3)	(441)	(3,160)	(5,902)
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)
Depreciation	(1,186)	(1,119)	(3)	(368)	(3,026)	(5,702)
Disposals	200	432	–	93	415	1,140
Foreign exchange differences	5	2	–	1	9	17
As at December 31, 2017	**(10,648)**	**(6,665)**	**(210)**	**(4,357)**	**(19,832)**	**(41,712)**
Net Book Value						
As at December 31, 2016	4,245	3,316	5	1,461	7,076	16,103
As at December 31, 2017	**3,853**	**3,733**	**2**	**1,554**	**6,799**	**15,941**

As at December 31, 2017, the amount of property and equipment classified as under construction or development and not being amortized was $0.9 million (2016 – $0.4 million).

During the year ended December 31, 2017, the net book value of the property and equipment sold by the Company was $113 (2016 – $42).

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, 2017, the Company recorded a net impairment charge in depreciation of property and equipment of $211 (2016 – $296). All impairment charges and recoveries related solely to the *easyhome* segment.

10. Intangible Assets and Goodwill

	Intangible Assets			
	Trademarks	Customer Lists	Software	Total
Cost				
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
Additions	–	108	6,028	6,136
Disposals	–	–	(2)	(2)
As at December 31, 2017	**2,088**	**1,202**	**30,916**	**34,206**
Accumulated Amortization				
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)
Amortization for the year	–	(224)	(5,061)	(5,285)
Disposals	–	–	2	2
As at December 31, 2017	**(1,992)**	**(809)**	**(16,242)**	**(19,043)**
Net Book Value				
As at December 31, 2016	96	509	13,707	14,312
As at December 31, 2017	**96**	**393**	**14,674**	**15,163**

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 additions for the year ended December 31, 2017 were $6.0 million (2016 – $4.7 million) of internally developed software application and website costs.

Goodwill was $21.3 million as at December 31, 2017 (2016 – $21.3 million). There were no disposals or impairments applied to goodwill during the years ended December 31, 2017 and 2016.

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, 2017 and 2016. 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.

11. Provisions

	Provisions Due to Onerous Leases
As at December 31, 2015	582
Incurred during the year	592
Utilized during the year	(566)
As at December 31, 2016	608
Incurred during the year	545
Utilized during the year	(788)
As at December 31, 2017	**365**

	December 31, 2017	December 31, 2016
Current	**297**	480
Non-current	**68**	128
	365	608

12. Revolving Credit Facility

The Company's revolving credit facility consisted of a $110.0 million Senior Secured revolving credit facility maturing on November 1, 2020.

The revolving credit facility was provided by a syndicate of banks. Interest on advances is payable at either the Canadian Bankers' Acceptance rate plus 450 bps or the lender's prime rate plus 350, at the option of the Company. As of December 31, 2017, nil was drawn on this facility.

Prior to November 1, 2017, the Company's revolving credit facility consisted of a $20.0 million revolving operating facility maturing on October 4, 2019. The revolving credit was secured by a first charge over substantially all assets of the Company and 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 Revolving credit facility was terminated with the refinancing that was completed on November 1, 2017.

The financial covenants of the Revolving Facility were as follows:

Financial Covenants	Requirements	December 31, 2017
Minimum consolidated tangible net worth	>145,000, plus 50% of consolidated net income	171,356
Maximum consolidated leverage ratio	< 2.50	2.08
Minimum consolidated fixed charge coverage ratio	> 2	2.17
Maximum net charge off ratio	<17.0%	13.6%
Minimum collateral performance index	>90.0%	97.7%

As at December 31, 2017, the Company was in compliance with all of its financial covenants under its credit agreements.

13. Term Loan

Prior to November 1, 2017, the Company had a $280.0 million term loan. Borrowings under the term loan bore interest at the Canadian Bankers Acceptance rate plus 699 bps with a 799 bps floor. The term loan was scheduled to mature on October 4, 2019 and was secured by a first charge over substantially all of the assets of the Company. During the fourth quarter of 2017 the term loan was repaid out of the proceeds of the senior unsecured notes payable.

	December 31, 2017	December 31, 2016
Amounts borrowed under term loan	–	267,500
Accrued interest on term loan	–	1,733
Unamortized deferred financing costs	–	(5,939)
Term loan	–	263,294

As a result of repaying the Term Loan, the Company incurred an early repayment penalty and recognized the remaining unamortized deferred financing costs associated with the term loan in 2017 resulting in a one-time before tax charge of $8.2 million.

14. Convertible Debentures

In June 2017, the Company issued $53.0 million of 5.75% convertible unsecured subordinated debentures, with interest payable semi-annually on January 31 and July 31 each year and commencing on January 31, 2018 [the "Debentures"]. The Debentures mature on July 31, 2022, and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share.

On and after July 31, 2020, and prior to July 31, 2021, the Debentures may be redeemed in whole or in part from time to time and with proper notice by the Company, provided that the volume-weighted average trading price of the common shares on the TSX for the 20 consecutive trading days prior to the 5th trading day before redemption notification date was not less than 125% of the conversion price. On or after July 31, 2021, the Company may redeem with proper notice the convertible debentures for the principal amount plus accrued and unpaid interest.

On the date of issuance, the gross proceeds of $53.0 million were first allocated to the debt component of the Debentures by discounting the future principal and interest payments at the rate of interest prevailing at the date of issue for a similar non-convertible debt instrument. The difference between the gross proceeds and the debt component, or residual value, was then allocated to contributed surplus within shareholders' equity. A deferred tax liability arose from the temporary difference between the carrying value of the liability and its tax basis. Transaction costs were allocated to the debt and equity components on a pro-rata basis.

The allocation of the gross proceeds on the issuance of the convertible debentures is as follows:

	Liability Component of Debenture	Equity Component of Debenture	Net Book Value December 31, 2017	Net Book Value December 31, 2016
Debentures	48,342	4,658	**53,000**	–
Transaction costs	(2,812)	(270)	**(3,082)**	–
Net proceeds	45,530	4,388	**49,918**	–
Deferred taxes	–	(1,168)	**(1,168)**	–
Accretion in carrying value of debenture liability	685	–	**685**	–
Accrued interest	1,770	–	**1,770**	–
	47,985	3,220	**51,205**	–

As at December 31, 2017, the Debentures remained fully outstanding.

15. Notes Payable

On November 1, 2017, the Company issued USD$325.0 million of 7.875% senior unsecured notes payable with interest payable semi-annually on May 1 and November 1 of each year and commencing on May 1, 2018 [the "Notes Payable"]. The Notes Payable mature on November 1, 2022.

On and after November 1, 2019, the Notes Payable may be redeemed in whole or in part from time to time with proper notice by the Company.

The Company used a portion of the net proceeds from the issuance of the Notes Payable to repay the Term Loan and to pay related fees and expenses of the offering.

	December 31, 2017	December 31, 2016
Notes Payable in C$ at Issuance	**418,925**	–
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**(10,367)**	–
	408,558	–
Accrued interest on credit facilities	**5,508**	–
Unamortized deferred financing costs	**(12,873)**	–
Notes Payable	**401,193**	–

Concurrent with the issuance of the Notes Payable, the Company entered into the derivative financial instruments to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes Payable and established a fixed exchange rate of US$1.00 = C$1.2890, effectively hedging the obligation under the Notes Payable to C$418.9 million at a Canadian dollar interest rate of 7.84%. The term of the derivative financial instruments is concurrent with the Notes Payable with the same maturity date of November 1, 2022. The cash flows for the derivative financial instrument matches the cash flows for the Notes Payable.

The Company has elected to use hedge accounting for the Notes Payable and the Derivative Financial Instruments. After initial recognition, changes in the fair value of the Notes Payable and of the Derivative Financial Instruments related to changes in the C$ to US$ foreign exchange rate are recorded in Other Comprehensive Income. The fair value of the Derivative Financial Instruments is as follows:

	December 31, 2017	December 31, 2016
Derivative Financial Instruments	**11,138**	–

16. 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 issued and outstanding are summarized as follows:

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	# of shares (in 000's)	$	# of shares (in 000's)	$
Balance, beginning of the year	**13,325**	**82,598**	13,411	81,725
Exercise of stock options	**174**	**2,377**	9	106
Exercise of RSUs	**58**	**1,315**	337	3,365
Shares purchased for cancellation	**(85)**	**(536)**	(436)	(2,684)
Dividend reinvestment plan	**4**	**120**	4	86
Balance, end of the period	**13,476**	**85,874**	13,325	82,598

Dividends on Common Shares

For the year ended December 31, 2017, the Company paid dividends of $8.9 million (2016 – $6.4 million) or $0.665 per share (2016 – $0.475 per share). On February 15, 2017, the Company increased the dividend rate by 44% from $0.125 per share to $0.18 per share. On November 1, 2017 the Company declared a dividend of $0.18 per share to shareholders of record on December 29, 2017, payable on January 12, 2018. The dividend paid on January 12, 2018 was $2.4 million.

Shares Purchased for Cancellation

During the year ended December 31, 2017, the Company purchased and cancelled 85,388 (2016 – 435,800) of its common shares on the open market at an average price of $31.53 (2016 – $18.21) for a total cost of $2.7 million (2016 – $7.9 million) pursuant to a normal course issuer bid. The normal course issuer bid in effect as at December 31, 2017 allows for a total purchase of up to 300,000 common shares and expires on June 26, 2018.

17. Stock-Based Compensation

Share Option Plan

Under the Company's share 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.

On May 3, 2017, the Company's shareholders approved a resolution to amend the share option plan to change the maximum number of common shares issuable from treasury under the share option plan from 2,038,000 to such number which represents 6% of the issued and outstanding common shares from time to time.

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Options # (in 000's)	Weighted Average Exercise Price $	Options # (in 000's)	Weighted Average Exercise Price $
Outstanding balance, beginning of year	**471**	**14.31**	480	14.22
Options granted	**238**	**32.37**	–	–
Options exercised	**(174)**	**10.87**	(9)	9.47
Options forfeited or expired	**(9)**	**10.20**	–	–
Outstanding balance, end of year	**526**	**23.70**	471	14.31
Exercisable balance, end of year	**208**	**15.64**	204	9.60

Outstanding options to officers and employees as at December 31, 2017 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	50	0.19	9.61	50	9.61
15.00 – 19.99	228	1.51	17.72	148	17.13
20.00 – 24.99	10	1.67	24.45	10	24.45
30.00 – 34.99	238	4.84	32.37	–	–
8.00 – 34.99	526	2.89	23.70	208	15.64

The Company used the fair value method of accounting for stock options granted to employees. During the year ended December 31, 2017, the Company recorded an expense of $586 (2016 – $439) in stock-based compensation expense related to its stock option plan in the consolidated statements of income, with a corresponding adjustment to contributed surplus.

Options granted in 2017 were determined using the Black-Scholes option pricing model with the following assumptions:

	2017	2016
Risk-free interest rate (% per annum)	**1.37**	–
Expected hold period to exercise (years)	**4.75**	–
Volatility in the price of the Company's shares (%)	**35.54**	–
Dividend yield (%)	**2.22**	–

Restricted Share Unit ["RSU"] Plan

On May 3, 2017, the Company's shareholders approved a resolution to amend the RSU Plan to change the maximum number of common shares issuable from treasury under the RSU Plan from 1,165,000 to such number which represents 5% of the issued and outstanding common shares from time to time.

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.

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	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	**598**	**19.71**	675	15.82
RSUs granted	**185**	**31.95**	330	17.58
RSU dividend reinvestments	**11**	**29.36**	11	19.95
RSU exercised	**(116)**	**22.55**	(337)	9.99
RSUs forfeited	**(37)**	**21.69**	(81)	19.11
Outstanding balance, end of year	**641**	**22.78**	598	19.71

For the year ended December 31, 2017, $4,409 (2016 – $3,325) was recorded as an expense in stock-based compensation expense related to the Company's RSU program in the consolidated statements of income with a corresponding adjustment to contributed surplus.

Deferred Share Unit ["DSU"] Plan

During the year ended December 31, 2017, the Company granted 17,100 DSUs (2016 – 23,538 DSUs, respectively) 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, 2017, $628 (2016 – $559) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income. Additionally, for the year ended December 31, 2017, an additional 3,460 DSUs (2016 – 3,910 DSUs) were granted as a result of dividends payable.

Stock Based Compensation Expense

During the year ended December 31, 2017, the company recorded $5,623 in stock-based compensation expense (2016 – $4,323).

Contributed Surplus

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

	Year Ended	
	December 31, 2017	December 31, 2016
Contributed surplus, beginning of year	**9,943**	9,852
Equity-settled stock-based compensation expense		
Stock options	**586**	439
Restricted share units	**4,409**	3,325
Deferred share units	**628**	559
Settlement of deferred share units	**–**	(848)
Equity component of convertible debentures	**3,220**	–
Reduction due to exercise of stock-based compensation		
Stock options	**(486)**	(19)
Restricted share units	**(2,995)**	(3,365)
Contributed surplus, end of year	**15,305**	9,943

18. 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.

19. 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, 2017, other expenses included net gains realized on the sale of lease portfolios and other assets of $2.9 million (2016 – $2.4 million).

20. Transaction Advisory Costs

During year ended December 31, 2016, the Company incurred $6.4 million in transaction advisory costs to analyze, arrange financing and submit a bid for a potential strategic acquisition. The acquisition was ultimately not completed by the Company.

21. Finance Costs

Included in finance costs in consolidated statements of income was interest expense, amortization of deferred financing costs and accretion expense on both the credit facilities and the convertible debentures. Also, as a result of repaying the term loan, the Company incurred an early repayment penalty and amortized the remaining unamortized deferred financing costs associated with the term loan resulting in a one-time before tax charge of $8.2 million in 2017.

	Year Ended	
	December 31, 2017	December 31, 2016
Interest expense	**25,660**	18,988
Amortization of deferred financing costs and accretion expense	**2,982**	2,060
Refinancing cost	**8,198**	–
	36,840	21,048

22. Income Taxes

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

	Year Ended	
	December 31, 2017	**December 31, 2016**
Combined basic federal and provincial income tax rates	**27.2%**	27.4%
Expected income tax expense	**13,765**	11,347
Non-deductible expenses	**410**	200
U.S. and SPE results not tax effected	**841**	151
Effect of capital gains on sale of assets and investments	**(401)**	(675)
Other	**(194)**	(604)
	14,421	10,419

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

	Year Ended	
	December 31, 2017	**December 31, 2016**
Current income tax		
Current income tax charge	**15,853**	11,733
Adjustments in respect of prior years and other	**(4,999)**	(371)
Deferred income tax		
Relating to origination and reversal of temporary differences	**3,567**	(943)
	14,421	10,419

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

	December 31, 2017	**December 31, 2016**
Tax cost of lease assets and property and equipment in excess of net book value	**(1,620)**	(1,817)
Amounts receivable and provisions	**1,676**	7,090
Deferred salary arrangements	**1,848**	1,368
Unearned revenue	**462**	501
Financing fees	**(245)**	(286)
	2,121	6,856

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, 2017, there was no recognized deferred tax liabilities (2016 – 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.

23. 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, 2017	December 31, 2016
Net income	**36,132**	31,049
Weighted average number of ordinary shares outstanding (in 000's)	**13,544**	13,558
Basic earnings per ordinary share	**2.67**	2.29

For the year ended December 31, 2017, 154,201 DSUs (2016 – 157,128) were included in the weighted average number of ordinary shares outstanding.

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of RSUs, or the exercise of the conversion option of the convertible debentures. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method. For the year ended December 31, 2017, the convertible debentures were dilutive. Therefore, diluted earnings per share is calculated based on a fully diluted net income (adjusted for the after tax financing cost associated with the convertible debentures) and including the shares to which those debentures could be converted.

	Year Ended	
	December 31, 2017	December 31, 2016
Net income	**36,132**	31,049
After tax impact of convertible debentures	**1,790**	–
Fully diluted net income	**37,922**	31,049
Weighted average number of ordinary shares outstanding (in 000's)	**13,544**	13,558
Dilutive effect of stock-based compensation (in 000's)	**559**	350
Dilutive effect of convertible debentures (in 000's)	**702**	–
Weighted average number of diluted shares outstanding (in 000's)	**14,805**	13,908
Dilutive earnings per ordinary share	**2.56**	2.23

For the year ended December 31, 2017, 238,088 stock options to acquire common shares (2016 – 89,306), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

24. Net Change in Other Operating Assets and Liabilities

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

	Year Ended	
	December 31, 2017	December 31, 2016
Amounts receivable	**(6,565)**	1,623
Prepaid expenses	**(1,636)**	537
Accounts payable and accrued liabilities	**10,827**	9,683
Income taxes payable	**6,571**	2,174
Deferred lease inducements	**(212)**	(416)
Unearned revenue	**(385)**	1,222
Provisions	**(243)**	26
Accrued interest	**7,279**	–
	15,636	14,849

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

	Year Ended	
	December 31, 2017	December 31, 2016
Income taxes paid	**6,516**	10,102
Income taxes refunded	**2,233**	914
Interest paid	**18,823**	18,676
Interest received	**174,478**	137,649

25. 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	22,693	41,066	7,183
Other operating lease obligations	1,069	2,510	36
Other	8,175	17,681	–
Total contractual obligations	31,937	61,257	7,219

During the year ended December 31, 2017, $29.8 million (2016 – $28.6 million) was recognized as an expense in the consolidated statements of income in respect of operating leases.

26. 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.

27. 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), notes payable, convertible debentures 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 financing facilities.

For the years ended December 31, 2017 and 2016, the Company was in compliance with all of its externally imposed financial covenants.

28. 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 proprietary credit rating scorecard and individual credit limits are defined in accordance with this assessment. Most of the consumer loans receivable as at December 31, 2017 were 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, 2017, the Company's gross consumer loan receivable portfolio was $526.5 million (2016 – $370.5 million). Net charge-offs expressed as a percentage of the average loan book were 13.6% for the year ended December 31, 2017 (2016 – 15.4%).

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, 2017, the Company's lease assets were $54.3 million (2016 – $55.3 million). Lease asset losses for the year ended December 31, 2017 represented 3.0% (2016 – 3.4%) 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 financing 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 its credit facilities 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 in 2017 will allow the Company to continue growing its consumer loans receivable portfolio into 2019. 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 in the future. 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 facilities, which are due as disclosed in note 12, 13, 14 & 15.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. As at December 31, 2017 the Notes Payable and the Convertible Debentures had a fixed rate of interest. The $110 million Revolving Facility has a variable interest rate at either the Canadian Banker's Acceptance rate plus 450 bps or the lender's prime rate plus 350 bps, at the option of the Company. However as of December 31, 2017 the Company had not drawn upon this facility.

The Company does not hedge interest rates. Accordingly, future changes in interest rates will affect the amount of interest expense payable by the Company to the extent that draws are made on the variable rate Revolving Facility.

As at December 31, 2017, none of the Company's borrowings were subject to movements in floating interest rates.

Currency Risk

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

The Company completed an offering of USD $325 million Notes Payable. These Notes Payable are due November 1, 2022 with a USD coupon rate of 7.875%. Concurrent with this offering, the Company entered into a currency swap agreement to fix the foreign exchange rate for the proceeds from the offering and for all required payments of principal and interest under these Notes Payable effectively hedging the obligation at CAD$418.9 million with a Canadian dollar interest rate of 7.84%. The hedge is designed to match the cash flow obligations of the Company under the Notes Payable.

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 also 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 $87.

29. Financial Instruments

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	December 31, 2017	December 31, 2016
Cash	Fair value	**109,370**	24,928
Amounts receivable	Amortized cost	**14,422**	7,857
Consumer loans receivable	Amortized cost	**513,425**	354,499
Accounts payable and accrued liabilities	Amortized cost	**42,706**	31,879
Derivative financial instruments	Fair value	**11,138**	–
Term loan	Amortized cost	**–**	263,294
Convertible debentures	Amortized cost	**47,985**	–
Notes payable	Amortized cost	**401,193**	–

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 as at December 31, 2017:

	Total	Level 1	Level 2	Level 3
Cash	**109,370**	109,370	–	–
Amounts receivable	**14,422**	–	–	14,422
Consumer loans receivable	**513,425**	–	–	513,425
Accounts payable and accrued liabilities	**42,706**	–	–	42,706
Derivative financial instruments	**11,138**	–	11,138	–
Convertible debentures	**47,985**	–	–	47,985
Senior unsecured notes payable	**401,193**	–	–	401,193

There were no transfers between Level 1, Level 2, or Level 3 during the current or prior year.

30. 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, 2017	December 31, 2016
Short-term employee benefits including salaries	**5,612**	5,290
Share-based payment transactions	**3,993**	3,003
	9,605	8,293

31. 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 years ended December 31, 2017 and 2016:

Year Ended December 31, 2017	*easyfinancial*	*easyhome*	Corporate	Total
Revenue	267,964	137,260	–	405,224
Total operating expenses before depreciation and amortization	158,055	72,570	34,998	265,623
Depreciation and amortization	7,255	43,808	1,145	52,208
Segment operating income (loss)	102,654	20,882	(36,143)	87,393
Finance costs				
Interest expense and amortization of deferred financing charges	–	–	28,642	28,642
Refinancing cost	–	–	8,198	8,198
Finance costs	–	–	36,840	36,840
Income (loss) before income taxes	102,654	20,882	(72,983)	50,553

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				
Interest expense and amortization of deferred financing charges	–	–	21,048	21,048
Finance costs	–	–	21,048	21,048
Income (loss) before income taxes	74,754	21,537	(54,823)	41,468

As at December 31, 2017, the Company's goodwill of $21.3 million (December 31, 2016 – $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 years ended December 31, 2017 and 2016 were as follows:

	Year Ended	
	December 31, 2017 (%)	December 31, 2016 (%)
Furniture	**44**	42
Electronics	**32**	33
Computers	**12**	13
Appliances	**12**	12
	100	100

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Sabrina Anzini
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