goeasy
2018 ANNUAL REPORT
PROVIDING EVERYDAY CANADIANS A PATH TO A BETTER TOMORROW TODAY

GOEASY IN 2018

2018 WAS ANOTHER OUTSTANDING YEAR FOR GOEASY. WE CONTINUED TO EXECUTE AGAINST OUR CORPORATE STRATEGY AND DELIVERED RECORD LOAN GROWTH, LEADING TO OUR 17TH CONSECUTIVE YEAR OF PROFITABLE REVENUE GROWTH.

Beyond our financial achievements, we continued to differentiate ourselves amongst the competition with a strong commitment to helping our customers achieve better financial outcomes. Our goal is clear and has remained unchanged – to provide everyday Canadians with access to the credit they need, as we help them on a path to improved financial health and a better tomorrow.

With 28 years of experience serving over one million Canadians from coast-to-coast, we have come to know our customers intimately. Our customers are hard-working everyday Canadians that are often faced with life's unexpected circumstances and are among the approximately seven million Canadian consumers considered to be non-prime by virtue of their credit score being below 700. Our frontline employees work to build lasting relationships with each and every customer as we provide them with financial relief and a second chance on their journey towards improved credit. With an ever-broadening set of financial products and services that help our customer graduate to lower rates, we are proud to see our vision brought to life with 1 in 3 *easyfinancial* customers graduating to prime credit and 60% increasing their credit score within 12 months of borrowing from us.

In 2018, we achieved industry leading levels of brand awareness for *easyfinancial* which reached an all-time high of 84%, attracting record levels of new customers. Through the combination of strong revenue growth, increased scale and stable credit performance, we achieved all of our commercial targets for 2018. As we executed against our stated strategic priorities, our loan book grew $307 million, almost double the prior year, resulting in an ending portfolio of $834 million. Strong loan growth helped produce record revenues of $506 million, an increase of 26%. Net income for 2018 reached an all time high of $53.1 million or $3.56 per share. In 2018, the Company adopted the IFRS 9 accounting standard which served to moderate earnings in the current year while 2017 was reported under the old accounting standard. Had IFRS 9 been applied in 2017, adjusted net income and adjusted diluted earnings per share in the current year would have increased by 53.4% and 44.7% respectively.

With our solid financial position and a history of successfully raising capital at progressively lower rates, *goeasy* is well-positioned to fund our ambitious growth plans for the foreseeable future. As we look to capture an even greater share of the $186 billion market for non-prime credit in Canada in 2019, we will focus on continuing to enhance our borrowing experience by removing friction throughout the process, investing in our indirect lending and point-of-sale finance channel and making transformative enhancements to our credit and analytics capabilities. We are on track to exceed the $1 billion loan book milestone this year, as we provide our customers with the highest levels of customer service to help them on their path to a better financial future.

$2.9B
TOTAL LOAN ORIGINATIONS

1M+
TOTAL CUSTOMERS SERVED

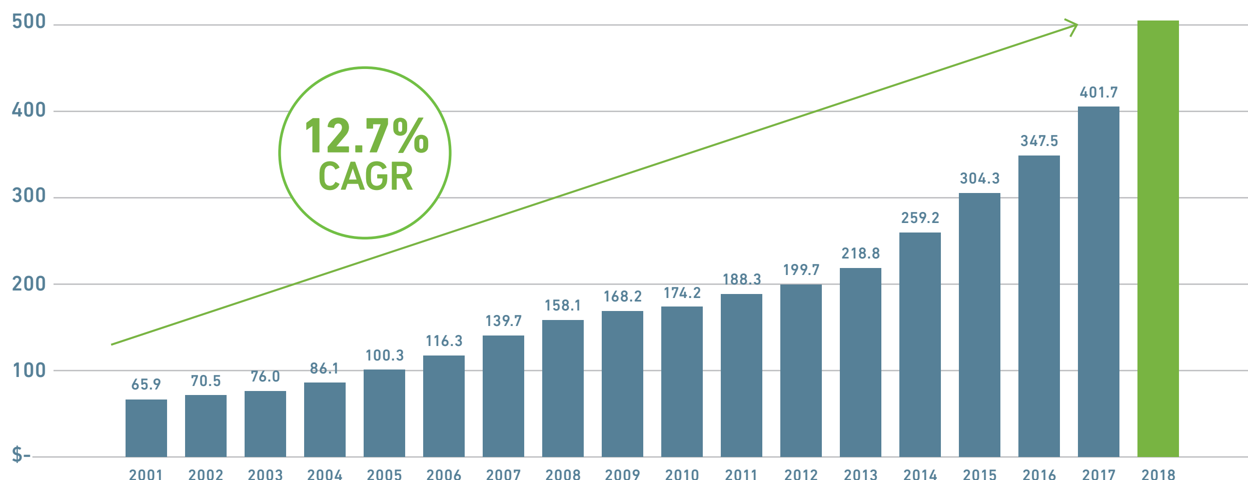
95%
EASYFINANCIAL CUSTOMER SATISFACTION RATING

1 IN 3
CUSTOMERS GRADUATE TO PRIME CREDIT[1]

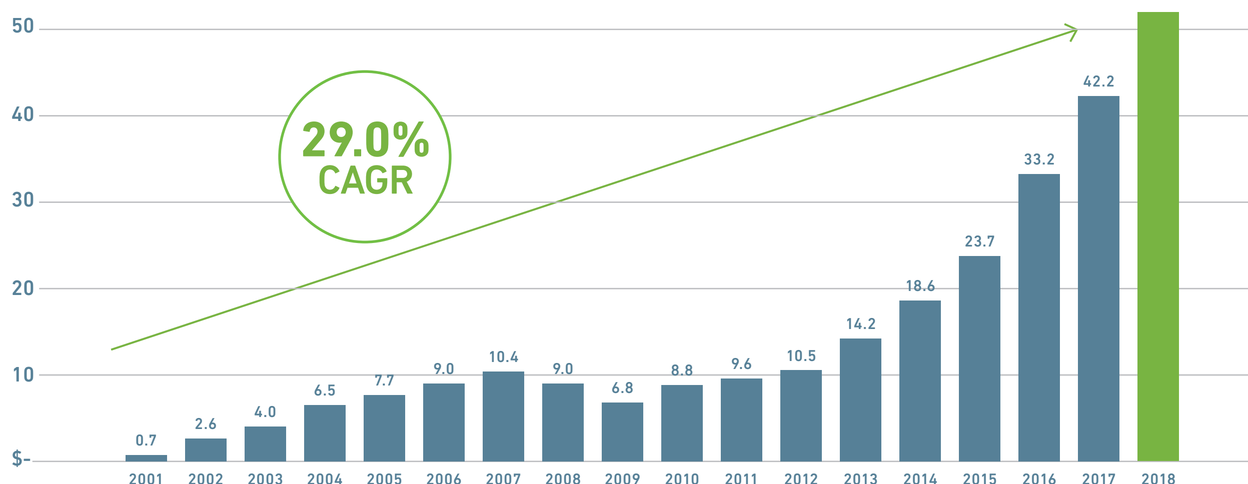
60%
OF CUSTOMERS IMPROVE THEIR CREDIT SCORE[2]

(1) Prime credit is defined as opening a trade with a prime bank lender within 12 months of borrowing from us.
(2) As measured by an increase in TransUnion Risk Score within 12 months of borrowing from us.

2018 FINANCIAL HIGHLIGHTS



Note: All revenue restated to IFRS. CAGR = Compound Annual Growth Rate



Note: 2001 to 2009 amounts reported on a Canadian GAAP basis. 2010 to 2018 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 Discussion and Analysis. CAGR = Compound Annual Growth Rate

58.3%
TOTAL LOAN BOOK GROWTH

26.0%
TOTAL REVENUE GROWTH

44.7%
DILUTED EPS GROWTH[1]

38.5%
OPERATING MARGIN FOR EASYFINANCIAL

21.8%
RETURN ON EQUITY

(1) Excludes the impact of non-recurring refinancing charge in 2017 and assumes IFRS 9 was applied in 2017.

FINANCIAL SUMMARY

(in $000s except per share amounts, store counts, employee counts, annual dividends, percentages and ratios)	2018	2017	2016	2015	2014
INCOME STATEMENT					
Revenue	506,191	401,728	347,505	304,273	259,150
Operating income	119,717	87,393	62,516	48,052	34,593
Net income	53,124	36,132	31,049	23,728	19,748
Diluted earnings per share	3.56	2.56	2.23	1.69	1.42
BALANCE SHEET					
Cash	100,188	109,370	24,928	11,389	1,165
Gross consumer loans receivable	833,779	526,546	370,517	289,426	192,225
Lease assets	51,618	54,318	55,288	60,753	64,526
Total assets	1,055,676	749,615	503,062	418,502	319,472
External debt	691,062	449,178	263,294	210,299	121,597
Shareholders' equity	301,529	228,244	196,031	176,059	153,968
FINANCIAL METRICS					
Revenue growth	26.0%	16.60%	14.20%	17.40%	18.40%
Adjusted operating margin[1]	23.70%	21.80%	19.00%	15.80%	12.90%
Adjusted net income[1]	53,124	42,158	33,155	23,728	18,600
Adjusted earnings per share[1]	3.56	2.97	2.38	1.69	1.34
Adjusted return on equity[1]	21.8%	19.8%	17.9%	14.4%	12.9%
Net debt to capitalization	0.66	0.60	0.55	0.53	0.44
Annual dividend per share	0.90	0.72	0.50	0.40	0.34
OPERATING METRICS					
Same store revenue growth	25.7%	18.3%	12.1%	16.3%	19.6%
Gross loan originations	922,550	579,494	398,739	330,689	233,805
Growth in gross consumer loans receivable	307,233	156,029	81,091	97,201	81,521
Net charge-offs as a percentage of average gross consumer loans receivable	12.7%	13.6%	15.4%	14.8%	13.0%
OPERATIONS					
Total Store Count:					
easyfinancial	241	228	208	202	154
easyhome	165	171	176	184	192
easyfinancial branch openings	23	22	17	64	39
Employees	1,821	1,729	1,587	1,566	1,496

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

OUR AWARD-WINNING CULTURE

GOEASY LTD. IS PROUD TO FOSTER A CULTURE THAT CELEBRATES SUCCESS, ENCOURAGES INNOVATION AND IS COMMITTED TO HELPING OUR CUSTOMERS GET BACK TO LOWER RATES.

From our staff at our *easyhome* and *easyfinancial* locations, to our team providing sales and service support at our call centre, to our employees at our corporate office - known as the Support Centre - the culture at *goeasy* revolves around our customers.

EMPLOYING CANADIANS FROM COAST-TO-COAST

Our employees are the foundation of our success. The connection our team builds with our customers extends far beyond simply providing a service – they are truly invested in their future and success. With over 1,800 dedicated and hardworking employees across the country, *goeasy* is as diverse as Canada itself, representing over 40 nationalities. Our award-winning culture is rooted in a customer first approach that focuses on respect and empathy. We pride ourselves on helping every customer find a way forward to a better financial future regardless of their situation. We are committed to their success, working together as one team to do great work and make a positive impact on those around us.

A CULTURE TO BE PROUD OF

In 2018, we reached another milestone in the Company's history as we opened our new state of the art Support Centre in Mississauga, Ontario. Leveraging technology and building a space to foster creativity and collaboration, we have room to scale and grow as we continue to support our front line staff in delivering the highest levels of customer service. This past year, *goeasy* was also a recipient of Canada's Most Admired Corporate Cultures award by Waterstone Human Capital. As one of only 40 winners, we were extremely excited to be recognized for building one of Canada's top performing cultures that drives results by hiring top talent, developing the leaders of tomorrow and creating a workplace culture that fosters innovation and collaboration.

1,800+ EMPLOYEES across Canada

56% FEMALE employee base

40 NATIONALITIES represented within employee base

Waterstone CANADA'S MOST ADMIRED CORPORATE CULTURES 2018

OUR BRANDS

easyfinancial
goeasy

Launched in 2006, *easyfinancial* is our non-prime consumer lending division that began operating with the goal of bridging the gap between traditional financial institutions and costly payday lenders. Since then, *easyfinancial* has significantly expanded and evolved to support our core vision of providing everyday Canadians a path to a better tomorrow, today, as they improve their financial outcomes and work their way back to prime lending.

Offering a suite of both unsecured and secured lending products up to $35,000 with rates starting at 19.99%, *easyfinancial* is uniquely positioned in the market with an omnichannel business model that allows our customers to conveniently transact with us through our national branch network of 241 locations, online or through one of our many retail and merchant partnerships. Through a disciplined approach to growth and managing risk, *easyfinancial* has demonstrated a history of stable and consistent credit performance. We believe our proprietary custom scoring models built using machine learning and advanced analytical tools, coupled with the personal relationships we develop with our customers in our branches, strikes the optimal balance between growth and prudent risk management and underwriting.

Over the past 12 years, we have served over 340,000 customers and originated close to $3 billion in loans (with $923 million originated in 2018). With additional services including our starter loan product, *creditplus*, for those with no credit or damaged credit, a credit monitoring service to track a customer's credit progress, and free financial education tools, our commitment to helping our customers on their journey towards a better financial future has never been stronger.

$834M
TOTAL LOAN BOOK SIZE

241
LOCATIONS

$368M
REVENUE

$142M
OPERATING INCOME

154K
ACTIVE CUSTOMERS

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easyhome
goeasy

easyhome, Canada's largest lease-to-own Company has been in operation since 1990 and offers customers brand name household furniture, appliances and electronics through flexible lease agreements. Through one of our 165 locations across Canada or online, Canadians turn to *easyhome* as an alternative to purchasing or financing their goods. With no down payment or credit check required, *easyhome* offers a flexible solution that helps consumers get access to the goods they need, with the flexibility to terminate their lease at any time without penalty.

In 2017, *easyhome* began offering unsecured lending products in almost 100 *easyhome* locations. This expansion allowed us to further increase the distribution footprint of our financial services products by leveraging our existing real estate and employee base. Offering lending at our *easyhome* locations has enabled our stores to diversify their product offering and meet their customers broader financial needs.

165
LOCATIONS (100 WITH LENDING)

$138M
REVENUE

$22M
OPERATING INCOME

46K
ACTIVE CUSTOMERS

CORPORATE SOCIAL RESPONSIBILITY

At *goeasy,* we understand our success is dependent on the strength of the communities in which we operate. With stores and branches in hundreds of communities both big and small across Canada, we believe we can play a key role in supporting the communities that are at the heart of many of the families we serve.

Our approach to giving back has always been a balance of both time and investment as we strive to help those around us and make a positive impact on the communities in which we live and work. Our employees share this core value and contribute countless volunteer hours each year to a variety of causes. We encourage and support their efforts by offering three days of paid time off per year to use for volunteering activities of their choice.

40
EASYBITES KITCHENS BUILT
on our way to 100 by 2024

43
HOUSING SOLUTIONS
built through Habitat for Humanity Global Village

14
YEARS
partnering with Boys and Girls Clubs of Canada

$2.7
MILLION
raised to support charities

goeasy is highly committed to our longstanding partnership with the Boys and Girls Clubs of Canada which has spanned over 14 years. During this time, we have raised over $2.5M to help the clubs with their mission of providing safe, supportive places where children and youth can experience new opportunities.

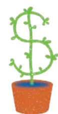
In 2014, we expanded our partnership with the clubs as we launched easybites – our ambitious $2.5 million, 10-year initiative to build functioning kitchens in all 100 Boys and Girls Clubs across Canada. With 40 built to date, these kitchens help feed today's youth while providing opportunities to learn how to prepare healthy meals and encourage the development of healthy habits and life skills.

Our efforts to give back go well beyond our local communities through our charitable corporate partnership with Habitat for Humanity's Global Village program. Through this relationship, we send teams of 25 staff to build houses for those in need across the globe. Since 2014 we have taken over 100 *goeasy* employees to Nicaragua, India, Guatemala and Cambodia, where we have helped build over 25 homes and 18 smokeless stoves for a total of 43 housing solutions for families in extreme poverty.

OUR HISTORY IN THE MAKING

1990

RTO Enterprises founded



2001

David Ingram appointed President & CEO and Company returns to profitability

2003

easyhome Ltd. is born consolidated from 6 brands

2006

easyfinancial launches

2011

First *easyfinancial* stand-alone branch opens

Centralized credit adjudication introduced

2015

Company name changed to *goeasy Ltd.*

2016

Risk adjusted rate loans launched

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

2017

Recapitalized the business with $530 million in financing

Secured lending product launched

Expanded into Quebec

Launched lending at *easyhome*

2018

CEO transition plan announced David Ingram to Executive Chairman of the Board and Jason Mullins to President & CEO

Next generation proprietary online loan application launched

creditplus savings loan launched

2019

& BEYOND

LETTER TO SHAREHOLDERS

I AM PRIVILEGED TO WRITE THIS LETTER AS THE NEW PRESIDENT & CEO OF GOEASY. THIS IS AN EXCITING TIME FOR OUR COMPANY AS WE EMBARK UPON THE MOST AMBITIOUS PERIOD OF GROWTH AND TRANSFORMATION IN OUR HISTORY. WE HAVE A CLEAR AND THOUGHTFUL STRATEGY, GUIDED BY A GOAL TO BE THE LARGEST AND BEST-PERFORMING NON-PRIME LENDER IN CANADA, WITH A COMPELLING VISION TO PUT EVERYDAY CANADIANS ON A PATH TO A BETTER TOMORROW, TODAY.

Jason Mullins
President & CEO

In the following letter, I am pleased to provide an overview of our business and the market in which we operate, discuss our strong results for 2018, and our plan and outlook for 2019 and beyond. But first, I will also use this unique opportunity to share my personal story, including my journey to date with *goeasy*.

Life before *goeasy*

My story resembles the principles we embody and encourage at *goeasy* – if you are hungry and humble, prepared to work hard, take calculated risks and be an "and then some" player – you can build something great, from humble beginnings. I started my professional career weeks after graduating from high school, working in a private mid-sized Company in the call centre outsourcing industry. I grew up in a working-class family that didn't have the means to pay for an undergraduate education, nor did I qualify for government subsidized student loans. As such, I had to work and finance my way through university courses, working during the day and attending classes in the evening, one course at a time. My first role was as a collections officer, making calls to Canadian and US customers that were struggling to pay their bank loans and credit cards. I had to quickly learn to communicate clearly, negotiate, influence, and most important of all, help everyday people navigate out of tough financial situations. I was good at it, I loved it, and that experience helps me today in connecting better with our staff and customers. After eight months on the phone, I was put into my first management role. As a manager, I led teams that handled a variety of collection and customer service related outsourcing programs for many of Canada's major financial institutions. This was when I got my first taste of owning a department P&L and learned to lead people. These early years proved to be tremendously valuable training grounds for developing essential management and leadership skills, most of which I still depend on today.

After two years, my collections experience landed me a job at a major Canadian bank, managing their secured debt recovery department. I suddenly found myself immersed in one of the largest financial institutions in Canada, handling a network of law firms and property managers that conducted asset recovery work on delinquent car loans and mortgages. The bank proved to be another incredibly valuable learning experience, particularly at such an early stage of my career. While I acquired and absorbed a substantial amount of knowledge about extending credit, underwriting, real estate and the governance and financial controls needed to safeguard a major bank, I ultimately came to realize I was far too ambitious to innovate and execute change than a big bank could accommodate. The slower pace and abundance of process to get things done was stifling, so I decided to return to the organization I had previously left. This was the first time in my career that I can remember becoming acutely aware of the relevance of organizational culture and its influence on innovation and execution.

LETTER TO SHAREHOLDERS

A few years after my return to a more senior role within the contact centre business, the company asked me to relocate to Vancouver to run their west coast office. While there, I was recruited to join a small privately-owned consumer lending business in the early start-up phase. That company wanted to digitize small short-term consumer loans by making them easily accessible online. Over the ensuing three years, I held progressive management roles and helped lead the development of an online transactional lending platform, launch new loan products and set up the basic functions of a credit risk and analytics department. By 2010, I began to see the consumer lending market shift and an opportunity started to emerge. The exit of a major consumer lender, others would soon follow, created a gap in the market. While the short-term lending space was beginning to crowd with new entrants, the traditional non-prime lending market was quickly becoming underserved. We began to model out what a pivot into installment loans would look like and started studying our industry peers. That was exactly when the phone rang.

History with *goeasy*

In the late spring of 2010, I received a call about an opportunity back in Toronto. The search firm explained that a retail business named *easyhome* had started a consumer lending division called *easyfinancial* and was looking to add management expertise in financial services. I had become familiar with the Company, as it was one of the public peers we had modelled. I was impressed with the plan they articulated for filling the gap that existed between payday loans and banks, by leveraging their expertise in serving the non-prime consumer. Between our plan to eventually return home to Ontario and the quickly emerging market opportunity, the fit was ideal for both family and career. So, in July of 2010, we moved back to Toronto and I joined *easyhome* Ltd., assigned to work on the small, but burgeoning business of *easyfinancia*l.

The day I joined the Company, the consumer loan portfolio was roughly $19 million and was operating out of 29 kiosks. My first role was to expand the online lending platform and the centralized sales and service functions. I embedded myself into the business, wildly excited about the growth prospects that lay ahead. However, as can often be the case in both business and life, there are times when we need to take two steps back, to move one step forward. Back in 2010, after just a few months on the job, I was prompted by the CEO, David Ingram, to carefully assess our largest location, given its anomalous performance. Upon delving into the data, I soon discovered an internal employee fraud that was felt throughout the Company. Fortunately, it was an isolated incident and adequately contained. Though a truly tough experience for everyone, it was one of the best things that could happen in the early stages of building a new business. The event proved to be a major catalyst for mobilizing our resources and accelerating the investment in the *easyfinancial* platform. In the following weeks and months, my role evolved very quickly. I was given full responsibility for the *easyfinancial* business unit with a direct reporting line to the CEO and given a clear mandate to build a lending platform that we could safely scale and expand. This was one of the busiest, but most productive and rewarding times of my life.

Over the next several years, we built an incredibly talented team, often drawing on the financial services expertise from many of the established players within our industry. I had the privilege of leading the development of our first centralized credit decision platform and proprietary custom scoring model, developing our digital strategy and first generation online transactional platforms, leading the expansion into point-of-sale financing and spearheading the rapid growth of our retail branch network and shared services centre. Over those years, we also spent considerable time crafting our brand strategy and crystallizing the corporate mission of helping customers improve their financial situation, with an end goal of seeing them get back to prime credit. We went through a tremendous evolution in almost every area of the business, with the loan portfolio expanding from $23 million in 2010 to $834 million at the end of last year. However, despite the degree of change, we have never wavered from maintaining an entrepreneurial spirit and passionate energy to take great care of our people and our customers.

Six job titles and nine years later, I now succeed one of the brightest leaders I've ever had the privilege of serving. After 18 years at the helm, David Ingram has passed on the torch. He has provided invaluable leadership and been a key source of my professional development. The succession plan was well orchestrated over several years, with thoughtful planning and endorsement from the Board. I am very grateful that in his new role as Executive Chairman, he will remain a mentor for many years to come.

LETTER TO SHAREHOLDERS

Overview of our Business Model

For those readers and investors less familiar with our Company, I'll take a moment to briefly review our business model. The focus will be on *easyfinancial*, given it is the primary driver of our performance.

We lend out our capital in the form of unsecured and secured consumer loans to non-prime borrowers, who are generally unable to access credit from traditional sources such as major banks. All loans are fixed payment and fully amortizing installment products. We offer these products through an omnichannel business model, including a retail branch network, digital platform and indirect lending partnerships. We compete on a point of differentiation, which is our customer experience – specifically the journey of providing customers a path to improve their credit and graduate back to prime borrowing. We do this through our product range, which provides customers with progressively lower interest rates, along with free financial education. The consumer demand for our products and our ability to generate brand awareness and create a compelling value proposition for customers, is a key driver to generating growth in loan originations.

We charge our customers interest on the money we lend, as well as offer a suite of ancillary optional products through third party providers, for which we receive a commission. The interest, additional commissions and various fees, collectively produce the total portfolio yield we generate on our loan book. Our total portfolio yield relative to our cost of capital and loan losses is a key driver of profitability.

As a lender, we expect to incur credit losses related to those customers who are unable to repay their loans. Given the higher risk nature of the non-prime borrower, the credit losses are reflective of the higher rate of interest we charge. In 2018, we experienced an annualized net charge off rate of 12.7%, measured on the average outstanding loan balance at the end of each month. Our proprietary credit models allow us to set the level of risk we are willing to accept and the loss rate we feel is optimal. We could take less credit risk and reduce our loan losses, but it would come at the expense of profitable volume. Likewise, we could accept more risk to drive greater growth and profitability, but it would come with higher losses and have downstream impacts on the cost and ability to access capital. Ultimately, our objective is to optimize profitability and operating margins by striking the right balance between velocity (the applicants we approve) and the loss rate of the portfolio. Managing credit risk and maintaining stable loan loss performance is a critical capability and key driver of profitability in our business.

Our operating expenses consist primarily of labour (in our branches, call centre and corporate office), the technology costs of our loan platform, advertising costs and basic overhead such as rent and utilities. Managing our operating expenses in a lean and efficient manner, while carefully investing in the key areas that drive results such as credit risk, technology, human resources and branding, is a key driver of the growth and profitability of the business.

We use a combination of debt and equity to fund the growth of our business. Our debt is provided through a suite of instruments including a revolving credit facility with several Canadian and US banks, Notes Payable and convertible debentures. When fully utilized, the weighted average interest rate on our debt is approximately 6.8%. Approximately 66% of our business is funded through debt, with the balance funded through equity, including the retained earnings that we generate. Over the last 18 years, we have developed a proven ability to access various forms of capital at progressively lower rates and more attractive terms. The availability and cost of our capital, combined with the leverage ratio we maintain, continue to be key drivers that influence the economic returns of the business.

All in, our business model produces a return on equity that exceeds 20%.

LETTER TO SHAREHOLDERS

Review of 2018

In 2018, we continued the accelerated growth plan launched in 2017. The year was marked by record financial performance and significant strides toward executing on our strategy. We were also pleased to report that we achieved all seven of the revised commercial targets we published for the year.

We finished the year with strong improvement in our aided brand awareness, which reached an all-time high of 84%. Our strategy is to consistently invest 4% of our revenue into fully integrated media campaigns, which leverage TV, digital marketing, social media and radio. These advertising vehicles drive traffic to our retail and digital platforms, where we then guide 90% of loan originations to a local branch so we can build and nurture a relationship with the customer. This strategy has helped propel us to the #1 most recognized brand in Canada for non-prime lending.

Loan originations for 2018 reached $923 million, up 59% from 2017. The result of the strong sales volume drove net loan book growth of $307 million, nearly double the $156 million of growth in the prior year, resulting in an ending portfolio of $834 million, up 58%. Strong loan growth helped produce record revenues for the Company of $506 million, an increase of 26%. The year marked the 17th consecutive year of revenue growth for the Company.

"These advertising vehicles drive traffic to our retail and digital platforms, where we then guide 90% of loan originations to a local branch so we can build and nurture a relationship with the customer. This strategy has helped propel us to the #1 most recognized brand in Canada for non-prime lending."

We continued to expand our secured loan product and broaden our use of risk-based pricing to reduce the cost of borrowing for our customers, while concurrently increasing our average loan size, customer tenure, and lifetime value. Through the improving mix of the portfolio and ongoing enhancements to our credit models, the net charge-off rate finished the year at 12.7%, down from 13.6% in 2017.

We also continued to experience the benefits of scale. The average loan book per branch increased from $2 million in 2017 to $2.9 million at the end of 2018. Operating income was up 37% while the operating margin expanded to a record 23.7%.

Net income for the full year was $53 million, up 26% from an adjusted $42 million in 2017, which resulted in diluted earnings per share of $3.56, up 20% from an adjusted $2.97 in 2017. As a reminder, in 2017 the results were adjusted to reflect removing a one-time before tax charge associated with the refinancing we completed to our balance sheet. If we then further adjusted for the effects of adopting IFRS 9 in 2018, we estimated that net income and diluted earnings per share for the full year of 2017 would have been $35 million and $2.46, respectively. On this basis, net income for the full year of 2018 increased 53% and diluted earnings per share increased 45%. We were pleased to report record return on equity of 21.8%, up from 19.8% in 2017. It was the 17th consecutive year of reporting profits and lifted our compound growth rate for net income to 29%.

It was also another year of adding significant strength and liquidity to our balance sheet. In July, our Notes Payable were trading at a premium to par of 105, so with significant capital needs in front of us we completed a follow-on offering of US $150 million, resulting in a rate of interest of 6.17%. On October 10th, we also completed what was only our second common equity offering in over five years, by issuing $46 million at a price of $50.50 per share. Shortly after year end we completed an amendment to our revolving credit facility, by increasing the size to $190 million, lengthening the term to 2022 and reducing the coupon to a rate of BA plus 325 bps or Prime plus 200 bps. This amendment reduced the cost of borrowing of the facility to approximately 5.25%. These enhancements to our capital structure improved our leverage, reduced our fully drawn and weighted cost of interest from 7.18% to 6.8%, and left us with approximately $290 million in borrowing capacity to fund our growth through to the third quarter of 2020.

Based on the 2018 earnings and the confidence in our continued growth and access to capital going forward, the Board of Directors approved an increase to the annual dividend from $0.90 per share to $1.24 per share, an increase of 38%. 2018 marks the fifth consecutive year of an increase in the dividend to shareholders.

Throughout the year we also executed on several key strategic initiatives. In the fall, we introduced a new product called *creditplus*. This new white labelled product is designed for the more than 20,000 applicants each month that are unable to qualify for an unsecured or secured installment loan. These applicants are often those without credit such as new Canadians or students, or those with very poor credit that need to show some signs of improvement before we can lend to them. With *creditplus*, the customer is offered a loan where the proceeds are directed to a secured savings account. Each payment on the loan is then reported to their credit file, which can assist them in improving their credit score. We actively monitor the customer's behavior and extend them an offer for an unsecured loan once they have demonstrated a stable history of payments.

In October, we launched our new enhanced digital loan application platform. This new online credit application will enable us to optimize web traffic and provide our customers with a streamlined and personalized experience. The process will be faster and easier for the customer and more importantly, will provide us with a better capability to optimize the online sales funnel, drive increased conversion and integrate other new digital technologies. We have progressively routed nearly all our web traffic to the new platform and we are continually monitoring the results. So far, the performance has been very positive, and we expect in the long term these enhancements will drive incremental growth by increasing our online funding rate by 25% or more.

"It was also another year of adding significant strength and liquidity to our balance sheet. These enhancements to our capital structure improved our leverage, reduced our fully drawn and weighted cost of interest from 7.18% to 6.8%, and left us with approximately $290 million in borrowing capacity to fund our growth through to the third quarter of 2020."

Despite the success, we also had our fair share of learnings. Part of our management philosophy is to "test and learn" when we implement new products or initiatives. Some will go according to plan, while others will not. However, because we manage and limit the risk and exposure to a low and acceptable level, we can learn from these experiences, while possibly uncovering new vehicles for future growth. It is a philosophy that has allowed us to deliver a compound annual growth rate for revenue of 12.7% over the past 17 years. In fact, if it had not been for this approach, *easyfinancial* itself would never have been born. 2018 was a year that demonstrated this philosophy in action. In 2017, we launched our secured loan product and expanded our business into Quebec. While both presented tremendous opportunities for growth, by the summer of 2018 the initiatives were on two distinct paths. In the case of our secured loan product, we experienced moderate growth but credit performance that was much stronger than our initial projections. As we analyzed the results we recognized that our lending criteria was too conservative and that certain segments of high quality borrowers were being declined. We then proceeded to modify our credit models and underwriting criteria so that we would see a measured increase in the growth of the product going forward. Quebec initially produced the opposite results with strong growth but loss performance which trailed our expectations, causing us to temporarily moderate our expansion in that market. Consistent with every test we run, we set tight measurement criteria and guardrails, then learn and adjust. While we knew the losses would initially be higher in the Quebec market, they unfortunately hit our self-imposed guardrail of 20%, at which time we acted quickly to temper loan originations and loan growth, while we focused on modifying our credit strategy for that market. Although we would like every initiative to go exactly according to plan, that is not the reality for any business. We believe firmly in the test and learn philosophy and it is a key component of our entrepreneurial culture. It's how our people learn and it motivates them to be creative, take initiative and drive toward positive outcomes that prove out our ideas. This engagement with our people fuels our entrepreneurial spirit and drives career progression and is one of the reasons that we can retain exceptional talent and have been recognized as one of Canada's most admired corporate cultures. We embrace and reward our successes and learn from our mistakes and challenges empowering our people to take calculated risks. Testing new ideas, even though some may fail, is key to our success.

Our Environment

Market & Competitive Landscape

Of the 28 million Canadians with an active credit file, seven million have credit scores less than 700 and are deemed to be non-prime. Collectively, these Canadians carry $186 billion in credit balances and represent our target market. Our customers resemble the average Canadian, with similar income, education and demographics, although they are more likely to be renters than homeowners and carry roughly half the level of total debt.

Based on our current product suite, we operate within a subset of the broader non-prime market, valued at approximately $21 billion. This market is largely underserved and dominated by two main providers, ourselves and the former CitiFinancial, which is now owned by private equity and has been rebranded as Fairstone. Over the years, we have seen numerous pure-play online lenders come and go, as none of them have been able to achieve scale and success in non-prime lending through an online only model. On the other hand, we continue to see the larger payday loan companies migrate into traditional installment lending. Although we keep a close eye on them, we believe much of the business they have produced thus far, has been from cannibalizing their existing payday loan customers. Many of these companies have highly leveraged balance sheets while offering a poor-quality customer experience relative to *easyfinancial*.

Regulatory Landscape

Canada continues to remain a stable regulatory environment with a good framework for governing the non-bank consumer lending industry. Section 347 of the Criminal Code regulates the entire lending market, dictating the maximum effective annual rate of interest that can be charged of 60%. This regulation has been stable and unchanged since 1980, without challenge by any government or major political party. We believe that there continues to be strong evidence of support for the existing federal structure.

In addition, each province has individual consumer protection legislation that outlines specific rules about how businesses interact with customers. In 2018, we saw two additional provinces adopt a new set of regulations designed to provide consumers with transparency and protection. Deemed "high-cost credit" regulations, Alberta and Quebec adopted a similar framework to the one introduced in Manitoba in 2016. These new regulations require that lenders offering loans over a prescribed rate, obtain a license and follow an additional set of disclosure requirements and operating practices. Both independently and through the Canadian Lenders Association, *goeasy* has established and maintains healthy working relationships with regulators federally and in each province. Throughout the legislative process, we were regularly consulted to provide guidance and feedback on how the regulations could be crafted to best protect consumers, without restricting their access to credit and disrupting the market. We are in full compliance with all federal and provincial laws and regulations, which took effect on January 1, 2019, and are well prepared for Quebec's regulations, which will be implemented in August.

Economic Landscape

We closely monitor the Canadian and US economic environment. While the risk of a recession may have increased in the past several years, the fundamentals of the Canadian economy remain strong. Inflation is in line with expectations, unemployment is at all-time structural lows and the economy is growing, while consumer confidence remains steady. While we remain optimistic in the future for Canada and for our customers, we often receive questions about how our loan book would perform in an economic downturn. There is a general misperception that the non-prime consumer performs much worse in a downtown than a prime consumer. The data however, shows that non-prime consumers are more stable and resilient during a recession than prime consumers. In December 2018, we published an update to shareholders on our investor website, which outlines the findings of our research, as well as the results we had in the province of Alberta where unemployment doubled in 2015. Based on our experience and that research, we believe that the business is well positioned to weather an economic downturn if one should emerge.

A Look at 2019

Turning the page to 2019, our plan is to continue executing on our strategy, with a goal of becoming the largest and best performing non-prime lender in Canada.

This year we will balance our efforts between continuing to optimize prior initiatives such as our operation in Quebec and our secured loan product, while focusing on new initiatives that will expand our distribution channels and enhance the customer experience. In Quebec, we have designed a new credit strategy tailored to the unique market conditions and will reignite our expansion there. To drive growth of the secured loan product we will begin using a homeowner focused marketing message, coupled with further enhancements to our credit and underwriting practices, that will see this product scale to a more meaningful part of our portfolio.

We will also focus on several new strategic initiatives that support our strategy. First, we will aim to reduce friction in the borrowing experience by introducing more automation to the underwriting process, streamlining our business

processes and offering enhanced choices for loan funding to the consumer. Delivering our products to customers quickly and conveniently is essential to resolving their borrowing needs and relieving the anxiety that often accompanies their situation. As the availability for consumers to apply for credit easily through online channels expands, processing our loans quickly and conveniently, while not comprising the level of diligence done to evaluate the credit of the applicant, will be key to remaining competitive.

"This year we will balance our efforts and continue to optimize Quebec and our secured loan product while also focusing on new initiatives that will expand our distribution channels and enhance the customer experience. "

Additionally, we are making further investments in our indirect lending and point-of-sale finance channel. With roughly $30 billion of loan originations produced at the point of sale each year, $9 billion of which are deemed non-prime, we believe there is a tremendous opportunity in this channel. In 2019 we will look to establish new merchant relationships across industry verticals such as auto repair, travel and retail. We will also make our non-prime point-of-sale product available through e-commerce, so online retailers can access financing solutions for customers declined by their prime financing offer. With retail sales continuing to shift online, we are well positioned to offer online shoppers a quick and simple payment alternative to finance their purchase.

Lastly, we will continue making transformative enhancements to our credit and analytics capabilities. We have begun to test leveraging new data sources and will be testing new machine learning and artificial intelligence software that could have the power to greatly strengthen our marketing, credit and collections capabilities.

With the $1 billion milestone firmly within reach, 2019 will be another year of significant growth and accomplishments for the Company.

My Role and Vision for the Future

In the months leading up to taking on the job as CEO, I spent considerable time thinking about how to best approach the role and the right philosophy to ensure our long-term success. I was drawn back to a concept that seemed to gracefully capture the essence of my new job. In their timeless classic, "Built to Last", Jim Collins and co-author Jerry Porras conduct a research project at the Stanford Graduate School of Business and investigate the question, why are some companies able to become and remain visionary through multiple generations of leaders, across decades, and even centuries? During the research they discover and codify a concept that came to be known as "Preserve the Core & Stimulate Progress". As the successor to an accomplished CEO that built an enduring Company that was able to weather challenges, seize and create opportunities and produced total shareholder return of over 4,000%, I couldn't think of a better way to define the mission than "preserve the core and stimulate progress".

As eloquently written in "Built to Last", great organizations that prove to stand the test of time seem to "exhibit a dynamic duality". The concept suggests that these organizations have a clear set of values and a vision or purpose that remains constant over an extended period, while at the same time, maintaining a relentless drive for progress, change, improvement and innovation. The study found that great organizations understand the distinct difference between their core values and leadership principles – which never change – and the operating strategies and tactics that need to constantly adapt to a rapidly evolving environment. Preserving the core values and traits of *goeasy*, its DNA, and the leadership principles and philosophies that have, over many years, become core to our success, is an essential part of my role. We will remain a performance-driven culture, a meritocracy where the best and brightest are given the opportunities and challenges to impact and influence the organization. We will remain obsessed with our front-line workforce and the customers they serve, never taking our eye off the critical connection and relationship that is so essential to our customer experience. Most of all, we will stay entrepreneurial in spirit and mindset and be relentless about finding a way to get things done, avoiding complexity and bureaucracy from stifling our growth and ambitions.

At the same time, I plan to lead the organization through its next phase of growth – our most significant period yet. We are embarking on building a world-class organization, turning the business into a multi-billion global enterprise. The leader in the alternative lending market.

LETTER TO SHAREHOLDERS

Over the months and years to come, we will intensify our focus on developing new and creative products, expanding our channels of distribution and leveraging new technologies that will improve our business model and fuel our future growth. We will be fiercely focused on hiring and developing talent, the future leaders of the Company that will be critical to our scale and expansion. Lastly, we will reimagine the customer experience, aiming for a frictionless journey of financial improvement for everyday Canadians.

Product – We plan to build a full suite of lending products, that will provide non-prime consumers with the same type of choices and options available to prime consumers at their local bank. These products will be designed to fit the needs of our customer, helping them improve their credit and get out of the cycle of debt. We will explore existing conventional products as well as seek product innovation, developing new forms of credit that meet the needs of our customers.

Channel – We will continue to expand our channels of distribution, broadening our retail network, developing a more dynamic and personalized digital experience, seeking new lending partnerships and investing in point-of-sale financing. Financing consumer purchases, spreading payments over time, and "buy now, pay later" models continue to be very attractive concepts. In Canada there is a great lack of supply for second look financing, a gap that *easyfinancial* is well positioned to fill.

"Ultimately our future depends on our people. I am fortunate to be surrounded by incredible talent, including 1,800 diverse and dedicated goeasy team members, that are passionate about the relationships they form with their customers and the valuable service we provide."

Customer Experience – We are committed to the customer journey. As we broaden our products and services, we will aim to provide a clear path to building and establishing credit, through product graduation. In the future we will seek to establish a direct relationship with a prime lender so we can proactively round out their journey by moving them directly into a lower cost lending product – the end goal for many of our customers.

Geography – Canada continues to provide a substantial runway for growth for many years to come. The market is vast and largely underserved, providing adequate room for expansion. At some point in the future, we think there may also be opportunity to consider other markets, where the *easyfinancial* business model can be replicated with success. Like Canada, many similar countries lack professionalized omnichannel providers of non-prime credit.

Ultimately our future depends on our people. I am fortunate to be surrounded by incredible talent, including 1,800 diverse and dedicated *goeasy* team members, that are passionate about the relationships they form with their customers and the valuable service we provide. I am inspired daily by their energy, work ethic and competitive spirit. I am also privileged to work alongside an outstanding senior leadership team, many of whom have been on the *easyfinancial* journey for many years and been instrumental in our success. They are bright, highly driven and execution focused leaders that share in this vision and believe we are only limited by the size of our imagination.

We believe firmly in our mission of helping customers graduate to prime-credit and remain confident in our ability to extend our track record and history of execution. We will continue driving for industry-leading loan growth, building a world-class corporate culture, strengthening our balance sheet, being disciplined about how we allocate our capital and continue taking great care of our customers.

We are truly just getting started and the future remains more exciting than ever!

Sincerely,

Jason Mullins
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations

February 13, 2019

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, 2018 compared to December 31, 2017, and the consolidated results of operations for the three-month period and year ended December 31, 2018 compared with the corresponding period of 2017. 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, 2018. 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. 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. (TSX: GSY) offers leasing and lending services in the alternative financial services market and provides everyday Canadians a path to a better tomorrow, today. *goeasy* Ltd. serves its customers through two key operating divisions, *easyfinancial* and *easyhome*. *easyfinancial* is a non-prime consumer lender that bridges the gap between traditional financial institutions and payday loans. *easyfinancial* offers a range of unsecured and secured personal installment loans supported by a strong central credit adjudication process and industry leading risk analytics. *easyhome* is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under flexible weekly or monthly leasing agreements through both corporate and franchise stores. Both operating divisions are supported by an omnichannel business model that includes a national footprint of over 400 branches and stores across Canada and digital e-commerce enabled platforms.

The core of *goeasy*'s business is centered around its vision of providing everyday Canadians a path to a better tomorrow, today. This vision is brought to life through its customer experience, the products and services it offers such as free financial education, risk adjusted rate loans, credit monitoring services, and the meaningful relationships formed by over 1,800 employees located coast-to-coast.

With 28 years of experience, multiple products, risk adjusted interest rates, and an omnichannel operating model, *goeasy* has a unique understanding of the $186 billion non-prime consumer lending market and how to best serve the 7 million Canadians that are unable to access credit from traditional financial institutions including the major banks.

goeasy funds its business through a combination of equity and debt instruments. Common Shares are listed for trading on the TSX under the trading symbol The Company's Common Shares are traded on the TSX under the trading symbol "GSY-DB". The Company has been able to consistently secure additional capital at increasingly lower rates in order to continue fueling the growth of its business and has sufficient capital and borrowing capacity to meet its growth plans through the third quarter of 2020. *goeasy* is rated BB- with a stable trend from S&P, and Ba3 with a stable trend from Moody's.

goeasy investment highlights:

Sizable and Underserved Market with Opportunities for Growth	• High growth business (50% loan book CAGR over 5 years) in Canada's C$186 billion non-prime consumer lending market following the exit of several large banks and on-line only lenders
Stable Regulatory Environment in Canada	• Unchanged Federal interest rate cap of 60% since 1980 • Active engagement with government through a leading industry association
History of Execution and Profitability	• 70 consecutive quarters of positive EPS and a CAGR of 23% since 2001 • Total shareholder return of 4,569% since 2001
Diversified Sources of Revenue	• High growth lending operation complimented by a mature leasing business • Opportunities for new revenue sources from a large non-prime consumer credit market
Strong Culture of Risk Management	• Robust risk management framework with centralized lending decisions • Stable net charge-offs of between ~12% to 15% since 2012
Well Capitalized and Conservative Balance Sheet	• Healthy net debt to capital ratio of 66%, lower than industry average • Available cash and borrowing capacity to fund growth through to the third quarter of 2020
Experienced Leadership Team with Aligned Interests	• Board and management own ~27% of the company • Maximum compensation for management earned at 30%+ EPS CAGR (3 Years)

Overview of *easyfinancial*

easyfinancial is the Company's financial services division that provides installment loans to non-prime customers who have limited access to traditional bank financing products.

easyfinancial's product offering consists of unsecured and real estate secured installment loans as well it's recently introduced secured saving loan, *creditplus*. The Company also offers a suite of complementary ancillary products including a Loan Protection Plan, Home & Auto Benefits and Credit Monitoring. *easyfinancial*'s installment loans range in size from $500 to $35,000 at interest rates starting at 19.99%, with repayment terms of 9 to 60 months for unsecured loans and up to 10 years for secured loans. In the Company's loan portfolio, unsecured loans make up about 94% of loans, while secured loans make up the remaining 6%. Unlike revolving credit products that can trap customers in a cycle of debt, *easyfinancial*'s installment loans enable customers to progressively get out of debt by requiring them to make fixed payments including principal and interest, which results in the entire principal balance being repaid over the term of the loan.

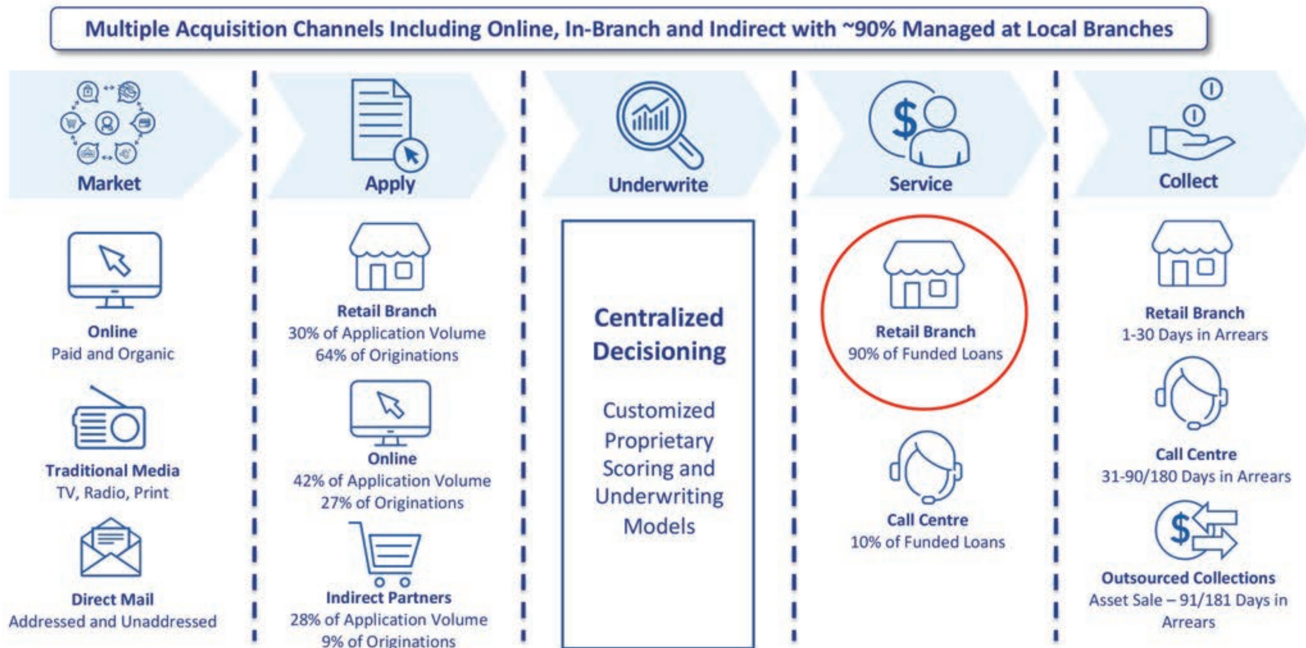
The Company believes that there is significant demand for non-prime lending in the Canadian marketplace and estimates that the size of the market is $186 billion, excluding mortgages. Historically, consumer demand for non-prime loans was satisfied by the consumer-lending arms of several large, international 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 over the past years due to changes in banking regulations related to risk adjusted capital requirements. Today, traditional financial institutions are generally unwilling or unable to 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. For this reason, demand in this market is met by a variety of industry participants who offer diverse products including auto lending, credit cards, installment loans, retail finance programs 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, *easyfinancial* is one of a small number of coast-to-coast non-prime lenders with a history of success.

The customer base that *easyfinancial* serves are everyday Canadians that are hard working and have often been met with life circumstances that have negatively affected their credit profile. These customers have an average age of 40, individual income of $44,000 per year, and a debt to disposable income ratio of about 95%, compared to the much higher Canadian average of 172% due in part to *easyfinancial* customers having a lower rate of home ownership of 20% compared with the Canadian average of approximately 69%. These customers typically come to *easyfinancial* looking for a second chance as 60% of them have been turned down by a bank in the past, and are trying to improve their financial situation for themselves and their families.

Through *easyfinancial*'s suite of lending products, the Company focuses on more than simply providing customers with the money they need today. *easyfinancial*'s customers are given the opportunity to graduate to larger loans and lower interest rates while they work to rebuild their credit and be in a position to qualify for prime credit. Whether a customer is looking to establish, repair, build or strengthen their credit profile by borrowing funds or using the equity in their home to secure a larger loan at a lower rate, *easyfinancial* can provide a lending solution that best serves their individual needs.

easyfinancial's unique omnichannel model including its national branch network, remains a key differentiator in the non-prime lending market. Although the Company leverages multiple acquisition channels to attract new customers including online, in-branch and point-of-sale financing, 90% of loans are originated or managed at local branches. It is the Company's experience that in the non-prime market, an omnichannel model optimizes loan performance and profitability, while providing high-touch and personalized customer experience. The customer loyalty developed through these direct personal relationships extends the length of the customer relationship and improves the repayment of loans which ultimately leads to lower charge-offs and higher lifetime value.

easyfinancial's omnichannel lending model:



easyfinancial has also demonstrated a history of stable and consistent credit performance. Since 2006, the Company has served over 340,000 customers and originated 793,000 unique loans for a total of $2.9 billion in originations. Since implementing centralized credit adjudication in 2011, the Company has successfully managed annualized net charge-off rates within its stated targeted range (2018 target was 12 to 14%). Lending decisions are made using proprietary custom scoring models built using machine learning and advanced analytical tools that optimize the balance between loan volume and credit losses. These models have been developed and refined over time by leveraging the accumulation of extensive customer application, demographic, borrowing, repayment and consumer banking data. These models improve the accuracy of predicting default risk for the non-prime customer when compared to a traditional credit score. Credit risk is further enhanced by industry-leading underwriting practices that include pre-qualification, credit adjudication, affordability calculations, centralized loan verification, and repayment by the customer via electronic pre-authorized debit directly from the customer's bank account on the day they receive their regularly schedule income.

Over the past several years, the Company has also made significant investments in its processes, systems, infrastructure and product offering to position *easyfinancial* for long-term sustainable growth. Below are a number of key milestones:

- Since 2011 the Company has invested $36 million in developing, enhancing and optimizing the systems that support IT businesses.
- Industry-standard banking platform implemented in 2012 to ensure that its consumer loan portfolio could be appropriately managed, and information could be securely maintained on a scalable infrastructure.
- In 2013, a transactional website was launched by *easyfinancial* for acquiring customers online. 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. Over the last several years, the Company has made significant investments in improving the online borrowing experience. In 2018, the online lending experience was significantly enhanced by the launch of a new digital loan application which has led to a noticeable increase in the number of customers applying and being approved for an *easyfinancial* loan.

- 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.
- In 2015, *easyfinancial* launched its point-of-sale non-prime lending platform, designed to offer merchants in a variety of industries the ability to provide financing for customers who do not qualify for traditional prime credit products. In 2018, the company further expanded its POS finance solution, by partnering with a prime bank to create Canada's first fully digital platform for consumers across the entire credit spectrum. Offered through a fast and simple digital application, this proprietary solution enables a business in any industry to offer instant point-of-sale financing to customers of any credit quality removing friction from the customer borrowing experience and maximizing their retail sales. Once a consumer completes the application, the platform will instantly present the best financing offer and the lowest interest rate available based on the risk profile of the borrower. Qualifying prime consumers will benefit from a competitive credit offer from a prime lender, while those consumers with lower credit quality will automatically be evaluated for a non-prime lending option through *easyfinancial*.
- The Company is committed to helping Canadians improve their financial literacy. In 2015, the Company developed a free on-line financial education platform called *goeasy* academy, that includes articles, videos and other educational content all designed to help Canadians understand their finances and improve their credit.
- 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 from a lower-cost loan, while the Company benefits by retaining its best customers and extending their value, while they work to rebuild their credit profile.
- In 2017, the Company launched a personal installment loan secured by residential real estate. These secured installment loans for homeowners offer customers larger loan values and a reduced rate of interest. While the yields are reduced 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 2017 *easyfinancial* expanded into the Quebec market, which has been largely underserved by non-prime lenders. While the Company has always operated its *easyhome* leasing business in the province, expanding *easyfinancial* into Quebec provides the company access to 22% of the Canadian population.
- In 2017 the Company also widened the distribution of its consumer loans by offering its *easyfinancial* lending products through almost 100 *easyhome* retail locations across Canada. This expansion enables the Company to further increase the distribution footprint of its financial services products while leveraging its existing real estate and employee base that understand the needs of this customer segment.
- To further help those customers with no credit or damaged credit, the Company launched *creditplus* in 2018. *creditplus* is an innovative secured savings loan that is offered to the thousands of *easyfinancial* applicants who are unable to obtain an unsecured loan each month. The difference between *creditplus* and a traditional installment loan is that customers do not receive immediate access to the proceeds of their loan. Instead, the loan proceeds are deposited into a savings account and held as security until the customer has successfully repaid the full amount. A customer's loan payments are reported to the credit reporting agencies which offers them the opportunity to improve their credit profile. Where a customer has demonstrated a track record of successful repayment, they may automatically qualified for an *easyfinancial* unsecured loan in as little as six months.
- Over the past several years the Company's management team has been progressively enhanced through the recruitment of senior executives with deep experience in financial services.

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.

easyhome also offers a number of optional ancillary products to its customers including a customer protection program. This product is designed to give a customer peace of mind by waiving their payments for a period of time should they be met with life's unexpected circumstances including involuntary job loss, accident and illness, and critical illness or death. *easyhome* also offers its customers a liability damage waiver product when entering into a lease agreement. The product provides protection to a customer from the obligation to make any additional payments in the event that merchandise is damaged, destroyed or lost while on lease.

easyhome operates through corporately owned stores located across Canada and through a network of franchised locations. *easyhome* provides a second and diverse revenue stream from the Company's *easyfinancial* business and produces strong cash flows which assists with financing the growth of *easyfinancial*. Additionally, since 2013, the Company operates an e-commerce platform that allows customers to enter into merchandise leasing transactions through online channels.

In 2017, the Company strengthened its relationships with its *easyhome* customers by offering them unsecured lending products in almost 100 *easyhome* leasing locations. This expansion allowed the Company to further increase the distribution footprint of its financial services products and leverage its existing real estate and employee base that understands this customer segment.

Corporate Strategy

The Company is committed to be a leading full-service provider of goods and alternative financial services that provides everyday Canadians a path to a better tomorrow, today. To maintain this position, the Company remains focused on continuously improving its operations and business model in order to meet the evolving needs of its customers. Additionally, the Company must focus on maintaining its competitive advantage by building brand awareness, delivering a best in class customer experience and effectively managing its sources of capital and funding. Cost efficiencies through economies of scale and shared services will also enable the Company to meet future competitive challenges, including new entrants into the marketplace.

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 the Product Offering

The continued growth of *easyfinancial* will be fueled 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 and help them improve their credit and "graduate" back to lower cost prime lending.

As the Company gains more experience with its use of risk adjusted interest rates, it will continue to respond to evolving market conditions and analyze 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 loan portfolio provides its customers with many benefits including i) lower borrowing costs; ii) access to larger dollar sized loans; and iii) the ability to improve their credit profile which should ultimately assist them in returning to lower cost prime lending. In addition to generating incremental growth, the Company benefits from increasing the 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 profile.

In 2017, the Company launched a personal installment loan secured by residential real estate to broaden its product offering of lower rate and larger size loan products.

In 2018, the Company introduced *creditplus*, an innovative secured savings loan that is offered to the thousands of *easyfinancial* applicants that are unable to obtain an unsecured loan each month.

In the future, the Company will look to introduce additional loan products that satisfy the needs of its customers and help them graduate to lower cost prime lending solutions. All new product launches will be assessed against current market conditions, the needs of its customers, significant modeling and credit analysis and the achievement of the Company's internal targets for return. All new products launched will include a go-to-market strategy that involves a test and learn approach as the Company gathers performance data and assesses the ongoing customer and economic impact of these products.

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.

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 and store 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 establishes a foundation for a meaningful value-based relationship;
- A continuing dialogue with the customer allows both the customer and the Company to more effectively deal with financial challenges that may occur. This approach leads to greater customer satisfaction and lower charge-off rates; and
- 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 with the goal of helping them qualify for lower cost prime lending.

The Company estimates that its retail footprint for *easyfinancial* will expand to between 250 and 300 locations across Canada. Total *easyfinancial* branch count at the end of 2018 was 241. 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 Quebec which represents a large market opportunity and completing the footprint in key urban markets such as Toronto and Vancouver.

The Company's retail branch network is complemented by a robust e-commerce channel that includes a new digital loan application launched in 2018. With its flexible architecture, this new platform allows the Company to easily test new application flows and offer customers a customized experience based on their stated needs and the marketing acquisition source. By optimizing the digital journey, the Company can increase its online applicant conversion rate while improving the customer borrowing experience.

In 2018, after several years of providing a non-prime only point-of-sale financing solution, the Company launched Canada's first fully integrated prime and non-prime point-of-sale financing platform. The platform allows for a prime lender to integrate directly with *easyfinancial*'s technology solution to enable any business in any industry to offer instant point-of-sale financing to customers of any credit quality.

Each year in Canada there is an estimated $30 billion of credit extended to consumers for goods and services through financing programs offered at the point-of-sale. While the concept of offering financing at the point-of-sale to consumers is not new, businesses in Canada have had limited options, often relying upon a fragmented set of lenders that primarily cater to prime consumers and only serve specific industries. *easyfinancial*'s solution has been designed fill this gap.

The initial launch of the Company's 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 at the point of sale and receive an instant credit decision. By leveraging automated authentication tools, custom credit models, personal identification scanning technology and digital documents, the Company can process loans in a fully paperless manner in minutes.

Execute with Efficiency and Effectiveness

As the Company continues to grow, executing with efficiency and effectiveness remains an important component in its ability to maximize the profitability of the overall business while continuing to meet and exceed the needs of its customers and deliver against aggressive growth targets. Below are the areas that the Company continues to focus on as it looks to improve its overall level of execution and efficiency across the business.

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 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 proprietary 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 for the Company. The Company will continue to invest in new analytical tools such as machine learning software that will enable the business to process and analyze larger quantities of data and expedite the production of models and analysis.

Continue to Invest in New Technologies

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. 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. New technologies will increase the level of automation, improve the customer experience and enable the business to shorten the software development lifecycle through greater flexibility and more configurable features.

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. The growth of *easyfinancial* has been primarily funded through the retention of earnings in the business and the acquisition of third-party debt financing, at ever improving interest rates and more flexible terms.

Prior to the refinancing of the Company's balance sheet which began in November 2017, all of the Company's debt was financed through a term loan at an interest rate of 8.41%. Upon issuing the first tranche of Notes Payable in November 2017, the Company borrowed at an interest rate of 7.84%. The second tranche of Notes Payable issued in July 2018 further reduced the interest rate to 6.17%.

The Company has always taken, and will continue to take, a long-term view in financing its business. During 2018 the Company issued an additional US$150 million in Notes Payable and $44 million in equity and increased the borrowing limit under its revolving credit facility from $110 million to $174.5 million. At year end the Company had total cash on hand and borrowing capacity under its revolving credit facility of $275 million, with the ability to exercise the accordion feature under this facility to add an additional $89 million in borrowing capacity. Ultimately the cash on hand and current borrowing limits provide adequate capital for the Company to execute its growth plan and meet its stated targets through the third quarter of 2020.

At the end of 2018, the Company's ratio of net debt (net of surplus cash on hand) to capitalization was 66%; a level that is conservative against several of the Company's peers and below the 70% which the Company believes is optimal. Access to capital at reasonable terms and cost is a meaningful barrier to entry in the consumer finance sector.

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 banks and other providers of such debt capital and continues to explore funding alternatives that represent an optimal balance between interest rates, term, flexibility and security.

Increase Store Level Efficiency

The Company continues to responsibly manage all discretionary spending. Supplier relationships and economies of scale are leveraged to reduce overall cost ratios. Within the *easyhome* leasing business 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 *easyhome* stores, merging their portfolios with other nearby locations. The Company regularly evaluates the activities that can be centralized within its shared services center without comprising its customer experience or loan performance, in order to drive greater efficiency and scale within the business.

Deliver a Best-in-class Customer Experience

Since its inception, the Company has set itself apart from its competition by seeing beyond the initial transaction with the customer and instead, focusing on building long-term relationships that are based on trust and respect for every customer's unique situation. These relationships are formed by over 1,800 employees from across Canada that deeply understand their customers and give them a second chance as they provide them with the financial relief they need today, and help them see a path forward towards a better financial future.

As the Company continues to evolve, ensuring its suite of products and services are designed to meet its customer's needs across the entire credit spectrum is critically important. Whether a customer is establishing credit as a new Canadian, or repairing damaged credit as a result of a life event, the Company's laddered suite of products ensures that every customer that walks through its doors has access to a better financial future. In addition, the use of technology and digital innovation remains a key focus in removing friction from the loan application process to ensure its customers can get the financial relief they are looking for quickly and conveniently through the channels that suit them best. The Company has also been focused on offering a variety of tools and educational materials that help its customers understand the complexities of credit and the steps required to improve their financial situation through free financial education materials.

Lastly, *goeasy* recognizes that delivering a best in class customer experience goes beyond each individual customer and permeates the hundreds of communities in which the Company operates. Through a variety of community driven initiatives, including a partnership with the Boys and Girls Clubs of Canada that has raised over $2.5 million since 2004, to the Company's annual day of giving back, govolunteer, the Company remains committed to making a difference not only to the customers it serves, but to the communities in which they live.

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 2018 Targets

Due to the strong growth experienced by the Company in 2018, certain of its stated targets for 2018 as presented in its MD&A for the year ending December 31, 2017 (along with the underlying assumptions and risk factors) were increased (as outlined below) in the Company's MD&A for the quarter ending June 30, 2018 (along with an explanation for the change in each target). The Company's actual performance against its targets for fiscal 2018 is as follows:

	Actual results for 2018	Revised targets for 2018	Previously reported targets for 2018	Outcome
Gross consumer loans receivable portfolio at year end	**$833.8 million**	$825 - $875 million	$700 - $750 million	Target achieved
easyfinancial total revenue yield	**54.2%**	54% - 56%	54% - 56%	Target achieved
New *easyfinancial* locations opened during the year	**23**	20 - 30	20 - 30	Target achieved
Net charge-offs as a percentage of average gross consumer loans receivable	**12.7%**	12.0% - 14.0%	12.0% - 14.0%	Target achieved
easyfinancial operating margin	**38.5%**	38% - 40%	38% - 40%	Target achieved
Total revenue growth	**26.0%**	26% - 28%	16% - 18%	Target achieved
Return on equity	**21.8%**	21% +	20% +	Target achieved

Three Year Targets

The following table outlines the Company's targets for 2019, 2020 and 2021 and provides the material assumptions used to develop such forward-looking statements. The Company has introduced guidance for 2021 while the targets for 2019 and 2020 are as previously provided. These targets are inherently subject to risks as 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.

The Company continues to pursue a long-term strategy of expanding its product range and increasing the use of risk-based pricing, which increases the average loan size and extends the life of its customer relationships. As such, the total yield earned on its consumer loan portfolio will gradually decline, while net charge-off rates moderate and operating margins expand, resulting in an increase to return on equity.

	Targets for 2019	Targets for 2020	Targets for 2021	Assumptions	Risk Factors[1]
Gross consumer loans receivable portfolio at year end	**$1.1-$1.2 billion**	**$1.3-$1.4 billion**	**$1.5-$1.7 billion**	• The new store opening plan occurs as per the Company's stated targets. • 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 is not able to complete its growth initiatives or the impact of such initiatives is reduced. • Continued access to reasonably priced capital.
easyfinancial total revenue yield	**49%-51%**	**46%-48%**	**43%-45%**	• *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 and the increased growth of the loan book in Quebec (Quebec loans are at a lower rate of interest). • 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 is not able to complete its growth initiatives or the impact of such initiatives is reduced.

	Targets for 2019	Targets for 2020	Targets for 2021	Assumptions	Risk Factors[1]
New *easyfinancial* locations opened during the year	**10-20**	**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 be 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.
Net charge-offs as a percentage of average gross consumer loans receivable	**11.5%-13.5%**	**11.0%-13.0%**	**11.0%-13.0%**	• 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	**42%-44%**	**44%-46%**	**45%-47%**	• The growth of the loan book occurs as indicated. • 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 estimated in the Company's budget and strategic plan. • Continued investment in new branches, new growth opportunities and increased marketing to drive originations moderate earnings.	• The Company is not able to complete its growth initiatives or the impact of such initiatives is reduced. • The loan book fails to grow in line with expectations and as indicated. • 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.

	Targets for 2019	Targets for 2020	Targets for 2021	Assumptions	Risk Factors[1]
Total revenue growth	**20%-22%**	**14%-16%**	**10%-12%**	• Continued accelerated growth of the consumer loans portfolio, driven by new delivery channels, building the Quebec 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. • Stable revenue generated by the Company's *easyhome* business.	• 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 is not able to complete its growth initiatives or the impact of such initiatives is reduced. • Continued access to reasonably priced capital
Return on equity	**24% +**	**26% +**	**26% +**	• The growth of the loan portfolio occurs as indicated. • 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 estimated in the Company's budget and strategic plan. • Continued investment in new branches, new growth opportunities and increased marketing to drive originations moderate earnings. • Stable financial performance from the Company's *easyhome* business. • The Company continues to be able to access growth capital for its *easyfinancial* business at a reasonable cost. • Consistent leverage ratios	• 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 is not able to complete its growth initiatives or the impact of such initiatives is reduced. • Continued access to reasonably priced capital.

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

Adoption of IFRS 9

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 introduced a new expected loss impairment model which replaced the previous incurred loss impairment model under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

Under the previous accounting standard, IAS 39, a collective allowance for loan loss was 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 had not yet occurred as at the balance sheet date.

Under IFRS 9, the Company is required to apply an expected credit loss model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the balance sheet date, are provided for. Under IFRS 9, the Company is required to assess and segment its loan portfolio into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each date of the statement of financial position. Loans are categorized as under-performing if there has been a significant increase in credit risk since the origination of the loan. The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a loan. Indicators of a significant increase in credit risk include a recent degradation in internal company risk rating based on the Company's proprietary behaviour credit scoring model, late or missed payments, delinquency, and adjustments to the loan's terms. Under-performing loans are recategorized to performing only if there is deemed to be a substantial decrease in credit risk. Loans are categorized as non-performing if there is objective evidence that such loans are impaired and thus likely to charge-off in the future which we have determined to be when loans are delinquent for greater than 30 days. For performing loans, the Company is required to 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 is required to 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 is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions (forward-looking indicators or "FLIs") that may impact the credit profile of the loans.

IFRS 9 requires that FLIs be considered when determining the impact on credit risk and measuring expected credit losses and must be incorporated in the risk parameters as relevant. Based on the analysis performed by the Company, the following FLIs were determined to historically have an impact on the credit performance of the portfolio and were incorporated into its calculation of its allowance for loan losses:

- forecast rate of inflation
- forecast rate of unemployment
- forecast oil prices

The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices were negatively correlated with the Company's historic loss rates. For purposes of determining its allowance for loan losses at each balance sheet date, the Company has decided to utilize the average forecasts of these FLIs from five large Canadian banks.

It is important to note that the adoption of IFRS 9 does not impact the net charge-off rate of the Company's consumer loans receivable portfolio which is driven by borrowers' credit profile and behaviour. The Company will continue to charge-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 are not 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 adoption of IFRS 9 does not require the restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives provided hindsight is not applied. The

Company made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amounts and the new carrying amounts on January 1, 2018, through an adjustment to opening retained earnings, net of deferred tax implications. Refer to the Company's 2018 Annual Consolidated Financial Statements and the accompanying notes for accounting policies under IAS 39 applied during 2017.

The Company's 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 determined that its allowance for loan losses, as determined under IFRS 9, as at January 1, 2018, was $49.1 million which represented 9.3% of the gross consumer loans receivable, resulting in an increase to its allowance for loan losses of $17.4 million. This increase in the allowance for loan losses was 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 as required under IFRS 9.

The following table summarizes the transition adjustment required to adopt IFRS 9 as at January 1, 2018.

($ in 000's)	IAS 39 Carrying Amount as at December 31, 2017	Transition Adjustment	IFRS 9 Carrying Amount as at January 1, 2018
Consumer loans receivable	513,425	(17,406)	496,019
Deferred tax asset	2,121	4,749	6,870
Retained earnings	126,924	(12,659)	114,265

In addition to the one-time reduction to retained earnings upon the adoption of IFRS 9 on January 1, 2018, the requirements of IFRS 9 will result in a reduction to IFRS reported net income in periods where the Company experiences growth in its consumer loans receivable portfolio. Due to the transition from an incurred loss model to a future expected credit loss model as required under IFRS 9, the Company's allowance for credit losses as a percentage of the gross consumer loans receivable will be higher. Operationally, this will require a larger provision to be taken when new consumer loans are originated or purchased. This will result in greater bad debt expense and a corresponding decrease in reported net income when compared to net income reported under the prior standard, IAS 39.

Although the Company has decided not to restate the 2017 comparative figures as if IFRS 9 had been applied retroactively, it is important to understand the estimated impact of this change in accounting standards on the comparative financial results.

The following tables estimates the financial results for each quarter of the prior fiscal year, as if the Company had adopted IFRS 9 on January 1, 2017, and therefore the allowance for credit losses in that prior period would employ a methodology for determining its allowance for credit losses the same as the methodology used in 2018 under IFRS 9. Such information presented is a non-IFRS 9 measure.

	Three Months Ended				Year Ended
($ in 000's)	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	December 31, 2017
Gross Consumer Loans Receivable					
Balance, beginning of period	370,517	387,055	425,324	473,063	370,517
Growth	16,538	38,269	47,739	53,483	156,029
Balance, end of period	387,055	425,324	473,063	526,546	526,546
Allowance for credit losses as reported under IAS 39					
Balance, beginning of period	23,456	24,294	26,355	29,055	23,456
Net amounts written off	(13,279)	(15,112)	(15,029)	(16,156)	(59,576)
Increase due to lending and collecting activities	14,117	17,173	17,729	18,807	67,826
Balance, end of period	24,294	26,355	29,055	31,706	31,706
Allowance expressed as % of gross consumer loan receivable	6.3%	6.2%	6.1%	6.0%	6.0%
Estimated allowance for credit losses under IFRS 9[1]					
Balance, beginning of period	30,494	33,054	37,343	43,190	30,494
Net amounts written off	(13,279)	(15,112)	(15,029)	(16,156)	(59,576)
Increase due to lending and collecting activities	15,839	19,401	20,876	22,078	78,194
Balance, end of period	33,054	37,343	43,190	49,112	49,112
Allowance expressed as % of gross consumer loan receivable	8.5%	8.8%	9.1%	9.3%	9.3%
Estimated net increase in bad debt expense under IFRS 9	**1,722**	**2,228**	**3,147**	**3,271**	**10,368**
Net income as stated	10,270	8,890	11,606	5,366	36,132
Estimated net increase in bad debt expense under IFRS 9	(1,722)	(2,228)	(3,147)	(3,271)	(10,368)
Tax impact	470	608	859	894	2,831
Estimated after tax impact of IFRS 9 on net income	**(1,252)**	**(1,620)**	**(2,288)**	**(2,377)**	**(7,537)**
Estimated net income under IFRS 9	**9,018**	**7,270**	**9,318**	**2,989**	**28,595**
Diluted earnings per share as stated	$0.73	$0.63	$0.81	$0.38	$2.56
Estimated impact of IFRS 9	**($0.09)**	**($0.11)**	**($0.15)**	**($0.15)**	**($0.51)**
Estimated diluted earnings per share under IFRS 9	**$0.64**	**$0.52**	**$0.66**	**$0.23**	**$2.05**

1 This represents a non-IFRS measure and reflects the estimated impact of adopting IFRS 9 with full retrospective adoption at January 1, 2017.

Under IAS 39, the Company's allowance for credit losses as a percentage of the gross consumer loans receivable decreased by 30 bps from 6.3% as at January 1, 2017 to 6.0% as at December 31, 2017. This was due largely to the improved performance of the underlying loan vintages and the shift towards risk adjusted rate loans to a better credit quality borrower.

While the allowance for credit losses as a percentage of the gross consumer loans receivable determined under IAS 39 decreased during 2017, the estimated rate determined using the same methodology as IFRS 9, on the basis presented above, for this same period increased by 80 bps from 8.5% as at January 1, 2017 to 9.3% as at December 31, 2017. The increase in this rate was predominantly due to changes in the FLIs. As at January 1, 2017 the FLIs, in amalgam, were forecasting improved economic performance and therefore indicated that the charge-off rates experienced by the Company would also improve. The incorporation of the FLIs at that time resulted in a reduction to the allowance for credit losses. By year's end, this forecasted economic improvement had been realized – oil had increased, unemployment was at structural low levels and the rate of inflation was low – and so the forecasted future change in these indicators was less positive. As a result, the incorporation of the FLIs as at December 31, 2017 resulted in an increase to the allowance for credit losses. All told, the shift in these FLIs during fiscal 2017 resulted in an increase in the allowance for credit losses under IFRS 9.

During a fiscal period, any consumer loans receivable that must be written off as uncollectible in accordance with the Company's policies, net of subsequent recoveries, are applied against the allowance for credit losses. Additionally, the Company recognizes bad debt expenses (provisions for credit losses) during the fiscal period as an increase to the allowance for credit losses such that the balance of the allowance for credit losses at each statement of financial position date is appropriate under IFRS 9.

Under IFRS 9, the required bad debt expense (provision for credit losses) will generally be more volatile than the corresponding bad debt expense determined under IAS 39 due to the inclusion of FLIs. To better understand the financial performance of the Company and compare results between different fiscal periods, the Company introduced a new, non-IFRS measure – Pre-Tax, Pre-Provision Income ("PTPP Income"). This non-IFRS measure details the financial performance of the Company excluding the impacts of income taxes and bad debt expense (provision for credit losses).

The following table presents a comparison of the financial results for the three-month period and year ended December 31, 2018 as reported against the estimated financial results for the comparable period ended December 31, 2017 presented under IFRS 9. Certain of these measures for the three -month period and year ended December 31, 2018 and December 31, 2017 estimated using the same methodology as IFRS 9 are non-IFRS measures.

($ in 000's except earnings per share and percentages)	Three Months Ended			
	December 31, 2018 (as reported)	December 31, 2017 (estimated under IFRS 9[1])	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**138,160**	107,244	30,916	28.8%
Bad debt expense	**34,186**	22,078	12,108	54.8%
Operating expenses before depreciation and amortization	**90,369**	72,613	17,756	24.5%
EBITDA[2]	**37,847**	24,391	13,456	55.2%
EBITDA margin[2]	**27.4%**	22.7%	470 bps	20.7%
Depreciation and amortization expense	**12,685**	13,452	(767)	(5.7%)
Operating income	**35,106**	21,179	13,927	65.8%
Operating margin[2]	**25.4%**	19.7%	570 bps	28.9%
Finance costs	**12,811**	16,972	(4,161)	(24.5%)
PTPP income[2]	**56,481**	26,285	30,196	114.9%
Net income	**15,887**	2,989	12,898	431.5%
Adjusted net income[3]	**15,887**	9,015	6,872	76.2%
Diluted earnings per share	**1.02**	0.23	0.79	343.5%
Adjusted earnings per share[3]	**1.02**	0.64	0.38	59.4%
Return on equity[2]	**23.0%**	5.3%	1,770 bps	334.0%
Adjusted return on equity[3]	**23.0%**	15.9%	710 bps	44.7%

1 This represents a non-IFRS measure and reflects the estimated impact of adopting IFRS 9 with full retrospective adoption at January 1, 2017.
2 See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".
3 Excluding the impact of the $8.2 million in non-recurring refinancing costs incurred in the fourth quarter of 2017.

($ in 000's except earnings per share and percentages)	Year Ended December 31, 2018 (as reported)	Year Ended December 31, 2017 (estimated under IFRS 9[1])	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**506,191**	401,728	104,463	26.0%
Bad debt expense	**118,980**	78,194	40,786	52.2%
Operating expenses before depreciation and amortization	**334,471**	272,495	61,976	22.7%
EBITDA[2]	**131,632**	88,012	43,620	49.6%
EBITDA margin[2]	**26.0%**	21.9%	410 bps	18.7%
Depreciation and amortization expense	**52,003**	52,208	(205)	(0.4%)
Operating income	**119,717**	77,025	42,692	55.4%
Operating margin[2]	**23.7%**	19.2%	450 bps	23.4%
Finance costs	**45,800**	36,840	8,960	24.3%
PTPP income[2]	**192,897**	118,379	74,518	62.9%
Net income	**53,124**	28,595	24,529	85.8%
Adjusted net income[3]	**53,124**	34,621	18,503	53.4%
Diluted earnings per share	**3.56**	2.05	1.51	73.7%
Adjusted earnings per share[3]	**3.56**	2.46	1.10	44.7%
Return on equity[2]	**21.8%**	13.4%	840 bps	62.7%
Adjusted return on equity[3]	**21.8%**	16.3%	550 bps	33.7%

1 This represents a non-IFRS measure and reflects the estimated impact of adopting IFRS 9 with full retrospective adoption at January 1, 2017.
2 See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".
3 Excluding the impact of the $8.2 million in non-recurring refinancing costs incurred in the fourth quarter of 2017.

Analysis of Results for the Year Ended December 31, 2018

Financial Highlights and Accomplishments

- During 2018 the Company strengthened its balance sheet and raised additional funds to facilitate its long-term growth plan.
  - On October 10, 2018, the Company closed its offering of 920,000 Common Shares at a price of $50.50 per common share for aggregate net proceeds of $44.3 million.
  - On July 16, 2018, the Company issued an additional US$150 million of 7.875% senior unsecured Notes Payable due on November 1, 2022. These notes were issued at a premium price of US$1,050 per US$1,000 principal amount. Concurrent with the issuance of the additional notes, the Company entered into a cross-currency swap through a derivative financial instrument 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 at a fixed exchange rate of US$1.000 = C$1.316, thereby fully hedging the US$150 million obligation under the Notes to C$197.5 million at a Canadian dollar interest rate of 7.52%. As the Notes were issued at premium to par, the Canadian dollar yield to maturity is 6.17% per annum.
  - On June 20, 2018, the Company entered into an amendment to its revolving credit facility to increase the maximum principal amount available to be borrowed from $110 million to $174.5 million. This facility also includes a $89 million accordion feature which allows the Company to further increase its borrowing limit.
  - At year end the Company had total cash on hand and borrowing capacity under its revolving credit facility of $275 million and the ability to exercise the accordion feature under this facility to add an additional $89 million in borrowing capacity. Ultimately the cash on hand and current borrowing limits provide adequate growth capital for the Company to execute its growth plan and meet its stated targets through the third quarter of 2020.
- As previously described, the Company adopted IFRS 9 on January 1, 2018. The adoption of IFRS 9 resulted in an increase in the allowance for credit losses and resulted in higher bad debt expense and lower net income than under the previous accounting standard in periods of loan book growth. In addition, IFRS 9 resulted in increased volatility in the allowance for credit losses due to the required incorporation of FLIs. The Company applied IFRS 9 on January 1, 2018 and, as such, the financial results of 2018 have been reported under IFRS 9 while the comparable financial results from 2017 have been reported under the previous incurred loss model of IAS 39.
- 2018 was the seventeenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue and adjusted net income have seen a compounded annual growth rate of 12.7% and 29.0%, respectively. The Company again delivered record levels of revenue, net income, earnings per share and return on equity in 2018.
- 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 38% increase to the quarterly dividend from $0.225 per share to $0.310 per share in the first quarter of 2019.
- *goeasy* continued to deliver record levels of revenue during 2018. Revenue increased to $506.2 million from the $401.7 million reported in 2017, an increase of $104.5 million or 26.0%. The increase in revenue was driven by the growth of the Company's *easyfinancial* business.
- The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. Gross loan originations in the current year were $922.6 million, an increase of 59.2% compared to the prior year. The strong growth was fueled by the continued net customer growth, the increased origination of unsecured loans including the increased penetration of risk adjusted rate loans to the Company's best credit quality borrowers, the maturation of the Company's retail branch network, lending in the Company's *easyhome* stores, slowing paydown rates due to longer term loans, ongoing enhancements to the Company's digital properties and increased advertising spend.

- Net charge-offs as a percentage of the average gross consumer loans receivable were 12.7% for the year, down from 13.6% in 2017.
- *easyfinancial*'s operating income was $141.9 million in 2018 compared with $102.7 million in 2017, an increase of $39.2 million or 38.2%. The benefits of the larger loan book and related revenue increases of $103.9 million were partially offset by: i) the higher provisions for future charge-offs driven by the strong loan book growth; ii) the adoption of IFRS 9; iii) the $2.8 million increase in advertising spend; and iv) and incremental expenditures to enhance the product offering and expand the *easyfinancial* footprint. Operating margin was 38.5% in the year compared with 38.8% reported in 2017.
- The Company's mature *easyhome* business also experienced increased levels of operating income and operating margin due to the addition of consumer lending.
- Operating income for the year was $119.7 million, up $32.3 million or 37.0% when compared with 2017. The transition to IFRS 9 in the year served to reduce operating income by $9.6 million as compared to the previous accounting standard. The operating margin for the year was 23.7%, compared to 21.8% in 2017.
- The issuance of US$150 million in Notes Payable in July, 2018 (as described above) reduced diluted earnings per share by 30 cents in the year.
- Net income for was $53.1 million or $3.56 per share on a diluted basis. 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 cost incurred in the fourth quarter of 2017, adjusted net income was $42.2 million or $2.97 per share. On this normalized basis, net income and diluted earnings per share increased by 26.0% and 19.9%, respectively.
- The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for 2017 would have been $7.5 million or $0.51 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in the year would have increased by 53.4% and 44.7% respectively.
- Return on equity was 21.8% in 2018.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Year Ended December 31, 2018	Year Ended December 31, 2017	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**506,191**	401,728	104,463	26.0%
Operating expenses before depreciation and amortization	**334,471**	262,127	72,344	27.6%
EBITDA[1]	**131,632**	98,380	33,252	33.8%
EBITDA margin[1]	**26.0%**	24.5%	150 bps	6.1%
Depreciation and amortization expense	**52,003**	52,208	(205)	(0.4%)
Operating income	**119,717**	87,393	32,324	37.0%
Operating margin[1]	**23.7%**	21.8%	190 bps	8.7%
Interest expense and amortization of deferred financing charges	**45,800**	28,642	17,158	59.9%
Refinancing costs	**-**	8,198	(8,198)	(100.0%)
PTPP income[1]	**192,897**	118,379	74,518	62.9%
Effective income tax rate	**28.1%**	28.5%	(40 bps)	(1.4%)
Net income	**53,124**	36,132	16,992	47.0%
Diluted earnings per share	**3.56**	2.56	1.00	39.1%
Return on equity	**21.8%**	17.0%	480 bps	28.2%
Adjusted (Normalized) Financial Results[2]				
Adjusted net income	**53,124**	42,158	10,966	26.0%
Adjusted earnings per share	**3.56**	2.97	0.59	19.9%
Adjusted return on equity	**21.8%**	19.8%	200 bps	10.1%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**25.7%**	18.3%	740 bps	40.4%
Same store revenue growth (*easyhome*)	**6.4%**	(0.7%)	710 bps	1,014.3%
Segment Financials				
easyfinancial revenue	**368,325**	264,468	103,857	39.3%
easyfinancial operating margin	**38.5%**	38.8%	(30 bps)	(0.8%)
easyhome revenue	**137,866**	137,260	606	0.4%
easyhome operating margin	**15.6%**	15.2%	40 bps	2.6%
Portfolio Indicators				
Gross consumer loans receivable	**833,779**	526,546	307,233	58.3%
Growth in consumer loans receivable	**307,233**	156,029	151,204	96.9%
Gross loan originations	**922,550**	579,494	343,056	59.2%
Total yield on consumer loans (including ancillary products)	**54.2%**	60.4%	(620 bps)	(10.3%)
Net charge-offs as a percentage of average gross consumer loans receivable	**12.7%**	13.6%	(90 bps)	(6.6%)
Potential monthly lease revenue	**9,141**	9,481	(340)	(3.6%)

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 December 31, 2017	Locations opened during period	Locations closed during period	Conversions	Locations as at December 31, 2018
easyfinancial					
Kiosks (in store)	42	1	(1)	(9)	**33**
Stand-alone locations	185	13	-,	9	**207**
National loan office	1	-	-	-	**1**
Total *easyfinancial* locations	228	14	(1)	-	**241**
easyhome					
Corporately owned stores	140	-	(6)	(1)	**133**
Consolidated franchise locations	1	-	-	-	**1**
Total consolidated stores	141	-	(6)	(1)	**134**
Total franchise stores	30	-	-	1	**31**
Total *easyhome* stores	171	-	(6)	-	**165**

Summary of Financial Results by Operating Segment

	Year Ended December 31, 2018			
($ in 000's except earnings per share)	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	**250,622**	**5,375**	**-**	**255,997**
Lease revenue	**-**	**119,745**	**-**	**119,745**
Commissions earned	**110,423**	**6,577**	**-**	**117,000**
Charges and fees	**7,280**	**6,169**	**-**	**13,449**
	368,325	**137,866**	**-**	**506,191**
Total operating expenses before depreciation and amortization	**218,138**	**74,215**	**42,118**	**334,471**
Depreciation and amortization	**8,333**	**42,104**	**1,566**	**52,003**
Operating income (loss)	**141,854**	**21,547**	**(43,684)**	**119,717**
Finance costs				
Interest expense and amortization of deferred financing charges				**45,800**
				45,800
Income before income taxes				**73,917**
Income taxes				**20,793**
Net income				**53,124**
Diluted earnings per share				**3.56**

($ in 000's except earnings per share)	Year Ended December 31, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	171,667	648	-	172,315
Lease revenue	-	125,111	-	125,111
Commissions earned	86,598	4,755	-	91,353
Charges and fees	6,203	6,746	-	12,949
	264,468	137,260	-	401,728
Total operating expenses before depreciation and amortization	154,559	72,570	34,998	262,127
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 costs				8,198
				36,840
Income before income taxes				50,553
Income taxes				14,421
Net income				36,132
Diluted earnings per share				2.56

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. Originations in the year ended December 31, 2018 were very strong at $922.6 million, up 59.2% against the originations recorded in 2017. The loan book grew $307.2 million in the year against growth of $156.0 million in 2017. The strong growth was fueled by the continued net customer growth, the increased origination of unsecured loans including the increased penetration of risk adjusted rate loans to the Company's best credit quality borrowers, the maturation of the Company's retail branch network, the growth of the loan book at the Company's *easyhome* stores, slowing paydown rates due to longer term loans, ongoing enhancements to the Company's digital properties and an increased level of advertising spend.

The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 54.2% in 2018, down 620 bps from 2017. The decrease in the yield was due to the increased penetration of risk adjusted interest rate loans to a more credit worthy customer, lower interest rates on secured lending products and loans in Quebec, a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, as well as increased amortization of deferred loan acquisition costs.

Bad debt expense increased to $119.0 million for the year ended December 31, 2018 from $67.8 million in 2017, an increase of $51.2 million or 75.5%. The following table details the components of bad debt expense:

	Year Ended	
($ in 000's)	December 31,2018	December 31,2017
Provision required due to net charge-offs	**88,351**	59,576
Impact of loan book growth – Historic rate	**19,480**	9,693
Impact of loan book growth – Incremental IFRS 9 rate	**9,602**	-
Impact of change in provision rate during period	**1,547**	(1,443)
Net change in allowance for credit losses	**30,629**	8,250
Bad debt expense	**118,980**	67,826

Bad debt expense increased by $51.2 million due to four factors:

(i) Net charge-offs increased from $59.6 million in 2017 to $88.4 million in 2018, up $28.8 million. This represented an increase of 48.3% against the 58.3% growth in the loan book over the past 12 months. The net charge-off rate declined in the year compared to 2017. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.7% in the year compared with 13.6% in 2017. The Company achieved an improvement in delinquency rates and loss performance in the year through the increased penetration of risk adjusted rate and secured loans to more credit worthy customers, as well as strong collection activities.

(ii) The loan book growth almost doubled from $156.0 million in 2017 to $307.2 million in 2018. Excluding the impact of the adoption of IFRS 9 (which served to increase the provision rate), the increased level of loan book growth resulted in a $9.8 million increase in bad debt expense in the year.

(iii) The implementation of IFRS 9 resulted in the provision taken on loan book growth increasing from 6.0% in 2017 to 9.3% in 2018 (the opening provision rate in the year). This resulted in an additional $9.6 million in bad debt expense in the year due to the adoption of the new accounting standard.

(iv) The provision rate, under the old accounting standard, declined in the year ended December 31, 2017 resulting in a reduction to bad debt expense of $1.4 million in that period. The provision rate increased from 9.3% as at January 1, 2018 to 9.6% as at September 30, 2018. The Company achieved very strong origination and loan book growth in the first nine months of 2018. These additional borrowers had a slightly lower credit quality on average than previous cohorts of loans. This resulted in a slight downward shift in the credit quality of the overall loan portfolio which contributed to the increase in the provision rate, as did the higher than expected losses in Quebec. From September 30, 2018 to December 31, 2018 the provision declined by 6 bps. The overall effect of the 30 bps increase in the provision rate during 2018 increased bad debt expense by $1.5 million in the year. The relative impact of these changes resulted in bad debt expense increasing by $3.0 million in the year compared with 2017.

easyhome Leasing Portfolio – The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2018 was $9.1 million, down from the $9.5 million reported as at December 31, 2017. Overall, the number of agreements declined from 104,982 as at December 31, 2017 to 97,459 as at December 31, 2018. The decline in agreement count over the past 12 months was related to the sale of stores to franchisees, the closure of underperforming locations, declines in the lease portfolio at remaining *easyhome* stores offset partially by the acquisition of lease portfolios from competitors. The 7.7% decline in agreements was offset by a 3.9% increase in average leasing rates due in part to the higher Canadian dollar cost of certain leased assets purchased in US dollars, changes in product mix and selected pricing adjustments.

Revenue

Revenue for the year was $506.2 million compared to $401.7 million in 2017, an increase of $104.5 million or 26.0%. Overall same store sales growth for the year was 25.7%. Revenue growth was driven primarily by the growth of *easyfinancial*.

easyfinancial – Revenue for the year was $368.3 million, an increase of $103.9 million or 39.3% from the comparable period of 2017. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in yield (as described above). The components of *easyfinancial* revenue increase include:

- Interest revenue increased by $78.9 million or 46.0% driven by the loan book growth but offset by lower yields. Interest yield declined due to increased penetration of risk adjusted rate loans, Quebec lending and secured lending (all of which have reduced interest rates) as well as the increased amortization of deferred loan acquisition costs.
- Commissions earned on the sale of ancillary products and services increased by $23.8 million or 27.5% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products and slightly lower penetration of these products.
- Charges and fees increased by $1.1 million.

easyhome – Revenue for the year was $137.9 million, an increase of $0.6 million when compared with 2017. Revenue associated with the traditional leasing business declined by $7.1 million in the year related primarily to store sales and the closure of underperforming locations and reductions in the lease portfolio. These declines were offset by a $7.8 million increase in financial revenue related to consumer lending in *easyhome*. The components of *easyhome* revenue increase include:

- Interest revenue increased by $4.7 million. Consumer lending in *easyhome* was introduced in the second quarter of 2017.
- Lease revenue declined by $5.4 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products and charges and fees collectively increased by $1.2 million. Gains in these revenue categories relating to the consumer lending business more than offset the declines related to the traditional leasing business.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $334.5 million for the year, an increase of $72.3 million or 27.6% from 2017. The increase in operating expenses was driven primarily by the higher costs associated with the expanding *easyfinancial* business (including the impact of the higher rate of loan book growth and the adoption of IFRS 9 on bad debt expense), higher costs in the *easyhome* business related to consumer lending as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 66.1% of revenue for the year, an increase from the 65.2% reported in 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $218.1 million for the year, an increase of $63.6 million or 41.1% from 2017. Operating expenses, excluding bad debts, increased by $15.3 million or 22.7% in the year driven by: i) an additional $2.8 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 Quebec); and iv) higher branch level incentives (driven by the large growth in originations and the loan book). Overall branch count increased from 228 as at December 31, 2017 to 241 as at December 31, 2018. Bad debt expense for *easyfinancial*, increased by $48.2 million in the year when compared to 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $74.2 million for the year, which was up $1.7 million when compared to 2017. The increase was primarily related to the incremental costs associated with consumer lending in *easyhome* stores but was partially offset by the reduced store count and lower advertising spend. Consolidated *easyhome* store count declined by seven from 141 as at December 31, 2017 to 134 as at December 31, 2018.

Corporate – Total operating expenses before depreciation and amortization were $42.1 million for the year compared to $35.0 million in 2017, an increase of $7.1 million. The increase was primarily related to higher salary and stock-based compensation expense (additional management personnel) in the year and increased accrued bonus expense due to the financial performance of the business exceeding target. In addition, corporate costs in the 2017 benefited from $1.9 million in gains on sale of corporate *easyhome* stores to franchises while the current year only had $0.7 million in such gains. Corporate expenses before depreciation and amortization represented 8.3% of total revenue for the year, down from 8.7% in 2017.

Depreciation and Amortization

Depreciation and amortization for the year was $52.0 million, a decrease of $0.2 million from 2017. Overall, depreciation and amortization represented 10.3% of revenue for the year, a decrease from the 13.0% reported in 2017.

easyfinancial – The $1.1 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 $1.7 million in the year compared with 2017 due to reductions in the lease portfolio and lower charge-offs. *easyhome*'s depreciation and amortization expense expressed as a percentage of *easyhome* revenue for the year was 30.5%, a decrease from the 31.9% reported in 2017. The rate reduction was due to the lower amount of amortization against an *easyhome* revenue base that is growing due to the introduction of consumer lending.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the year was $119.7 million, up $32.3 million or 37.0% when compared with 2017. The transition to IFRS 9 in the year served to reduce operating income by $9.6 million as compared to the previous accounting standard. The operating margin for the year was 23.7%, compared to 21.8% in 2017.

easyfinancial – Operating income was $141.9 million for the year compared with $102.7 million in 2017, an increase of $39.2 million or 38.2%. The benefits of the larger loan book and related revenue increases of $103.9 million were partially offset by: i) the higher provisions for future charge-offs driven by the strong loan book growth; ii) the adoption of IFRS 9; iii) the $2.8 million increase in advertising spend; and iv) incremental expenditures to enhance the product offering and expand the *easyfinancial* footprint. Operating margin was 38.5% in the year compared with 38.8% reported in 2017.

easyhome – Operating income was $21.5 million for the year, an increase of $0.7 million when compared with 2017. Revenue increased by $0.6 million with lower leasing revenue being more than offset by rising revenue associated with lending activities. Total expenses were down by $0.1 million due primarily to the reduced store count and lower advertising spend offset by increased expenses related to consumer lending. Operating margin for the year was 15.6%, an increase from the 15.2% reported in 2017.

Finance Costs

Finance costs for the year were $45.8 million and consisted entirely of interest and the amortization of deferred financing charges. Finance costs in 2017 totaled $36.8 million and consisted of: i) $28.6 million of interest expense and the amortization of deferred financing charges and ii) $8.2 million in non-recurring refinancing costs. Interest and deferred financing charges increased by $17.2 million due to the increased debt level offset by a lower effective borrowing rate. The total carrying value of the debt as at December 31, 2018 was $691.1 million against debt of $449.2 million as at December 31, 2017. As a result of refinancing its business and repaying the then existing credit facility 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 credit facility.

In July 2018, the Company issued US$150 million of notes. The notes bore a coupon rate of 7.875% but were issued at a 105% premium to par which resulted in an attractive Canadian dollar interest rate of 6.17% (excluding the effect of financing charges). The funds will be used to grow the *easyfinancial* loan book. However, the additional finance costs associated with these notes reduced diluted earnings per share by 30 cents in the year.

PTPP Income

Pre-tax pre-provision income ("PTPP income") for the year was $192.9 million, an increase of $74.5 million or 62.9% when compared to 2017. The increased revenue in the year associated with the larger consumer loans receivable portfolio more than offset the additional operating costs (excluding bad debt expense).

Income Tax Expense

The effective income tax rate for the year was 28.1% which was lower than the 28.5% reported in 2017. The higher effective tax rate in 2017 was related primarily to certain losses in the Company's US subsidiaries which were not tax deductible.

Net Income and EPS

Net income for 2018 was $53.1 million or $3.56 per share on a diluted basis. 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 cost incurred in the fourth quarter of 2017, adjusted net income was $42.2 million or $2.97 per share. On this normalized basis, net income and diluted earnings per share increased by 26.0% and 19.9%, respectively.

The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for 2017 would have been $7.5 million or $0.51 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in 2018 would have increased by 53.4% and 44.7% respectively.

Selected Annual Information

Operating Results

($ millions except percentages and per share amounts)	2018	2017 [2]	2016 [2]	2015 [2]	2014 [2]
Gross Consumer Loans Receivable	**833.8**	526.6	370.5	289.4	192.2
Revenue	**506.2**	401.7	347.5	304.3	259.2
Net income	**53.1**	36.1	31.0	23.7	19.7
Adjusted net income[1]	**53.1**	42.2	33.2	23.7	18.6
Return on equity	**21.8%**	17.0%	16.8%	14.4%	13.7%
Adjusted return on equity[1]	**21.8%**	19.8%	17.9%	14.4%	12.9%
Net income as a percentage of revenue	**10.5%**	9.0%	8.9%	7.8%	7.6%
Adjusted net income as a percentage of revenue[1]	**10.5%**	10.5%	9.5%	7.8%	7.2%
Dividends declared on Common Shares	**12.5**	9.7	6.7	5.4	4.5
Cash dividends declared per common share	**0.90**	0.72	0.49	0.40	0.34
Earnings per share					
Basic	**3.78**	2.67	2.29	1.75	1.47
Diluted	**3.56**	2.56	2.23	1.69	1.42
Adjusted diluted[1]	**3.56**	2.97	2.38	1.69	1.34

1 Adjusted for certain non-recurring or unusual transactions.
2 Prepared under IAS 39 rather than IFRS 9.

Key financial measures for each of the last five years are summarized in the table above and include the gross consumer loans receivable portfolio, revenue, net income, earnings per share and return on equity. Strong consumer demand has allowed the Company to grow its consumer loans receivable portfolio which in turn drove the rising level of revenue. The larger revenue base, offset partially by higher operating expenses, increased the Company's net income and earnings per share while the increased scale of the business resulted in net income as a percentage of revenue also increasing over the presented time horizon. Lastly return on equity has increased due to the increased earnings generated by the business and the higher level of financial leverage. Please refer to previous years' MD&As for detailed analysis.

Assets and Liabilities

($ in 000's)	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
Total assets					
Consumer loans receivable	**782,864**	513,425	354,499	270,961	180,693
Cash	**100,188**	109,370	24,928	11,389	1,165
Other	**172,624**	126,820	123,635	136,152	137,614
	1,055,676	749,615	503,062	418,502	319,472
Total liabilities					
Senior secured credit facilities	**650,481**	401,193	-	-	-
Convertible debentures	**40,581**	47,985	-	-	-
Bank debt	**-**	-	-	-	1,756
Term loan	**-**	-	263,294	211,720	120,743
Derivative financial instruments	**-**	11,138	-	-	-
Other	**63,085**	61,055	43,737	30,723	43,005
	754,147	521,371	307,031	242,443	165,504

Total assets have increased due primarily to the growth of the Company's consumer loans receivable portfolio. Cash increased in 2017 due to the Company refinancing in the fourth quarter of 2017 and assuming more debt to allow the Company to continue to grow its consumer loans receivable portfolio. Other assets increased significantly in 2018 due primarily to the existence of a derivate financial instrument related to a cash flow hedge against the Company's US dollar denominated debt. As the US dollar appreciated against the Canadian dollar during 2018 the carrying value of the US dollar debt increased as did the offsetting value of this hedging instrument.

The Company finances the growth of its consumer loans receivable portfolio through a combination of debt, equity and retained earnings. Until 2017 the Company had a credit facility which consisted of a term loan and a revolving line of credit. During 2017 the Company issued $53 million in convertible debentures and repaid the previous credit facility by issuing US$325 million in Notes Payable and securing a $110 million revolving line of credit from a syndicate of banks. During 2018 the Company issued a second US$150 million tranche of Notes Payable and increased the borrowing limit under its revolving line of credit to $174.5 million. All of the Company's credit facilitates are as described in the notes to the Company's financial statements for the year ended December 31, 2018.

Prior to refinancing, the previous term loan had an interest rate of 8.41%. Upon issuing the first tranche of Notes Payable in November 2017 the Company borrowed at an interest rate of 7.84%. The second tranche of Notes Payable issued in July 2018 further reduced the interest rate to 6.17%. At the end of 2018, the Company's ratio of net debt (net of surplus cash on hand) to capitalization was 66%; a level that is conservative against several of the Company's peers and below the 70% which the Company believes is optimal.

Analysis of Results for the Three Months Ended December 31, 2018

Fourth Quarter Highlights

- *goeasy* continued to report record revenue during the fourth quarter of 2018. Revenue for the quarter increased to $138.2 million from the $107.2 million reported in the same quarter of 2017, an increase of $30.9 million or 28.8%. The increase was driven by the growth of *easyfinancial*.
- The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. The loan book grew $84.2 million in the quarter against growth of $53.5 million in the same quarter of 2017. Loan originations in the quarter were $265.0 million, up 50.2% against the origination volume of the same quarter of 2017. The strong growth was fueled by the continued net customer growth, the increased origination of unsecured loans including the increased penetration of risk adjusted rate loans to the Company's best credit quality borrowers, the maturation of the Company's retail branch network, lending in the Company's *easyhome* stores, slowing paydown rates due to longer term loans, ongoing enhancements to the Company's digital properties and increased advertising spend.
- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 13.1% in the quarter compared with 12.8% in the same quarter of 2017. The net charge-off rate in the quarter of 13.1% was at the mid-point of the Company's targeted range for 2018 of 12.0% to 14.0%. During 2018 the growth of the secured loan product and expansion of risk-based pricing produced credit quality improvements. During this same time frame however, the Company experienced higher losses in Quebec than in other provinces as well as acquiring a larger proportion of originations from the digital channel. While borrowers acquired online tend to have lower credit quality, such customers generate attractive operating margins. Loss rates from Quebec were higher than in the fourth quarter of 2017 but have reduced from the level the Company experienced in the third quarter of 2018 as the new Quebec credit underwriting model is beginning to have the desired effect.
- Operating income from easyfinancial was $41.3 million for the fourth quarter of 2018 compared with $28.6 million for the comparable period in 2017, an increase of $12.7 million or 44.3%. The benefits of the larger loan book and related revenue increases of $30.1 million were partially offset by: i) the $1.1 million increase in advertising spend; ii) the higher provisions for future charge-offs driven by the strong loan book growth; iii) the adoption of IFRS 9; and iv) incremental expenditures to manage the growing customer base, enhance the product offering and expand the *easyfinancial* footprint. Operating margin in the quarter was 40.0% compared with 39.1% reported in the same quarter of 2017.
- The operating income generated by the Company's mature *easyhome* business was $5.2 million for the fourth quarter of 2018, an increase of $0.3 million when compared with the same quarter of 2017. The adoption of consumer lending in *easyhome* drove this improvement. Operating margin for the fourth quarter of 2018 was 14.8%, an increase from the 14.3% reported in the same quarter of 2017.
- Total Company operating income for the fourth quarter of 2018 was $35.1 million, up $10.7 million or 43.6% when compared with the same quarter of 2017. The transition to IFRS 9 in the current quarter served to reduce operating income by $2.9 million as compared to the previous accounting standard. Operating margin in the quarter was 25.4%, up from 22.8% in the comparable period of 2017.
- In July 2018, the Company issued US$150 million of notes. The notes bore a coupon rate of 7.875% but were issued at a 105% premium to par which resulted in an attractive Canadian dollar interest rate of 6.17% (excluding the effect of financing charges). The funds will be used to grow the *easyfinancial* loan book. However, the additional finance costs associated with these notes reduced diluted earnings per share by 16 cents in the quarter.
- Net income for the fourth quarter of 2018 was $15.9 million or $1.02 per share on a diluted basis. Reported 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 cost incurred in the fourth quarter of 2017, adjusted net income was $11.4 million or $0.79 per share. On this normalized basis, net income and diluted earnings per share increased by 39.5% and 29.1%, respectively.
- The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for the fourth quarter of 2017 would have been $2.3 million or $0.15 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in the current quarter would have increased by 76.2% and 59.4% respectively.
- Return on equity in the fourth quarter was 23.0%.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**138,160**	107,244	30,916	28.8%
Operating expenses before depreciation and amortization	**90,369**	69,342	21,027	30.3%
EBITDA[1]	**37,847**	27,662	10,185	36.8%
EBITDA margin[1]	**27.4%**	25.8%	160 bps	6.2%
Depreciation and amortization expense	**12,685**	13,452	(767)	(5.7%)
Operating income	**35,106**	24,450	10,656	43.6%
Operating margin[1]	**25.4%**	22.8%	260 bps	11.4%
Interest expense and amortization of deferred financing charges	**12,811**	8,774	4,037	46.0%
Refinancing costs	**-**	8,198	(8,198)	(100.0%)
PTPP income[1]	**56,481**	26,285	30,196	114.9%
Effective income tax rate	**28.7%**	28.2%	50 bps	1.8%
Net income	**15,887**	5,366	10,521	196.1%
Diluted earnings per share	**1.02**	0.38	0.64	168.4%
Return on equity	**23.0%**	9.5%	1,350 bps	142.1%
Adjusted (Normalized) Financial Results[2]				
Adjusted net income	**15,887**	11,392	4,495	39.5%
Adjusted earnings per share	**1.02**	0.79	0.23	29.1%
Adjusted return on equity	**23.0%**	20.1%	290 bps	14.4%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**28.5%**	20.0%	850 bps	42.5%
Same store revenue growth (*easyhome*)	**7.1%**	0.1%	700 bps	7,000.0%
Segment Financials				
easyfinancial revenue	**103,286**	73,231	30,055	41.0%
easyfinancial operating margin	**40.0%**	39.1%	90 bps	2.3%
easyhome revenue	**34,874**	34,013	861	2.5%
easyhome operating margin	**14.8%**	14.3%	50 bps	3.5%
Portfolio Indicators				
Gross consumer loans receivable	**833,779**	526,546	307,233	58.3%
Growth in consumer loans receivable	**84,198**	53,483	30,715	57.4%
Gross loan originations	**264,996**	176,383	88,613	50.2%
Total yield on consumer loans (including ancillary products)	**52.7%**	58.4%	(570 bps)	(9.8%)
Net charge-offs as a percentage of average gross consumer loans receivable	**13.1%**	12.8%	30 bps	2.3%
Potential monthly lease revenue	**9,141**	9,481	(340)	(3.6%)

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 September 30, 2018	Locations opened during period	Locations closed during period	Conversions	Locations as at December 31, 2018
easyfinancial					
Kiosks (in store)	39	-	-	(6)	**33**
Stand-alone locations	198	3	-	6	**207**
National loan office	1	-	-	-	**1**
Total *easyfinancial* locations	238	3	-	-	**241**
easyhome					
Corporately owned stores	133	-	-	-	**133**
Consolidated franchise locations	1				**1**
Total consolidated stores	134	-	-	-	**134**
Total franchise stores	31	-	-	-	**31**
Total *easyhome* stores	165	-	-	-	**165**

Summary of Financial Results by Operating Segment

	Three Months December 31, 2018			
($ in 000's except earnings per share)	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	**71,814**	**2,020**	**-**	**73,834**
Lease revenue	**-**	**29,437**	**-**	**29,437**
Commissions earned	**29,594**	**1,892**	**-**	**31,486**
Charges and fees	**1,878**	**1,525**	**-**	**3,403**
	103,286	**34,874**	**-**	**138,160**
Total operating expenses before depreciation and amortization	**60,032**	**19,482**	**10,855**	**90,369**
Depreciation and amortization	**1,965**	**10,238**	**482**	**12,685**
Operating income (loss)	**41,289**	**5,154**	**(11,337)**	**35,106**
Finance costs				
Interest expense and amortization of deferred financing charges				**12,811**
				12,811
Income before income taxes				**22,295**
Income taxes				**6,408**
Net income				**15,887**
Diluted earnings per share				**1.02**

($ in 000's except earnings per share)	Three Months Ended December 31, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	48,005	401	-	48,406
Lease revenue	-	30,784	-	30,784
Commissions earned	23,581	1,302	-	24,883
Charges and fees	1,645	1,526	-	3,171
	73,231	34,013	-	107,244
Total operating expenses before depreciation and amortization	42,549	18,194	8,599	69,342
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 costs				8,198
				16,972
Income before income taxes				7,478
Income taxes				2,112
Net income				5,366
Diluted earnings per share				0.38

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $526.5 million as at December 31, 2017 to $833.8 million as at December 31, 2018, an increase of $307.2 million or 58.3%. The loan book grew $84.2 million in the quarter against growth of $53.5 million in the same quarter of 2017. Loan originations in the quarter were $265.0 million, up 50.2% against the origination volume of the same quarter of 2017. The drivers behind the growth were as previously described.

The annualized total yield (including ancillary products) realized by the Company on its average consumer loans receivable portfolio was 52.7% in the fourth quarter of 2018, down 570 bps from the same quarter of 2017. The decrease in the yield was due to the increased penetration of risk adjusted interest rate loans to a more credit worthy customer, lower interest rates on secured lending products and loans in Quebec, a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, as well as increased amortization of deferred loan acquisition costs.

Bad debt expense increased to $34.2 million for the quarter from $18.8 million during the same quarter in 2017, an increase of $15.4 million or 81.9%. The following table details the components of bad debt expense:

	Three Months Ended	
($ in 000's)	December 31, 2018	December 31, 2017
Provision required due to net charge-offs	**26,471**	16,156
Impact of loan book growth – Historic rate	**5,239**	3,286
Impact of loan book growth – Incremental IFRS 9 rate	**2,943**	-
Impact of change in provision rate during period	**(467)**	(635)
Net change in allowance for credit losses	**7,715**	2,651
Bad debt expense	**34,186**	18,807

Bad debt expense increased by $15.4 million due to four factors:

(i) Net charge-offs increased from $16.2 million in the fourth quarter of 2017 to $26.5 million in the current quarter, up $10.3 million. This represented an increase of 62.5% against the 58.5% growth in the loan book over the same period. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 13.1% in the quarter compared with 12.8% in the same quarter of 2017. The net charge-off rate in the quarter of 13.1% was at the mid-point of the Company's targeted range for 2018 of 12.0% to 14.0%. During 2018 the growth of the secured loan product and expansion of risk-based pricing produced credit quality improvements. During this same time frame however, the Company experienced higher losses in Quebec than in other provinces as well as acquiring a larger proportion of originations from the digital channel. While borrowers acquired online tend to have lower credit quality, such customers generate attractive operating margins. Loss rates from Quebec were higher than in the fourth quarter of 2017 but have reduced from the level the Company experienced in the third quarter of 2018 as the new Quebec credit underwriting models are beginning to have the desired effect.

(ii) The loan book growth in the quarter increased from $53.5 million in the fourth quarter of 2017 to $84.2 million in the current quarter. Excluding the impact of the adoption of IFRS 9 (which served to increase the provision rate), the increased growth resulted in a $2.0 million increase in bad debt expense in the quarter.

(iii) The implementation of IFRS 9 resulted in the provision taken on the loan book growth in the quarter increasing from 6.1% in the fourth quarter of 2017 to 9.6% (the opening provision rate in the current quarter). This resulted in an additional $2.9 million increase in bad debt expense in the current quarter.

(iv) The provision rate under the old accounting standard declined slightly in the fourth quarter of 2017 resulting in a reduction to bad debt expense of $0.6 million. The provision rate in the fourth quarter of 2018 decreased by 6 bps resulting in a decrease in bad debt expense of $0.5 million. The net impact of these changes on the in-period provision rate resulted in bad debt expense increasing by $0.2 million in the current period compared with the comparable period of 2017.

easyhome Leasing Portfolio – The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2018 was $9.1 million, down from the $9.5 million reported as at December 31, 2017 (as previously described).

Revenue

Revenue for the three-month period ended December 31, 2018 was $138.2 million compared to $107.2 million in the same quarter of 2017, an increase of $30.9 million or 28.8%. Overall same store sales growth for the quarter was 28.5%. revenue growth was driven primarily by the growth of *easyfinancial*.

easyfinancial – Revenue for the three-month period ended December 31, 2018 was $103.3 million, an increase of $30.1 million when compared with the same quarter of 2017. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in yield (as previously described). The components of the increased revenue include:

- Interest revenue increased by $23.8 million or 49.6% driven by the loan book growth but offset by lower interest yields. Interest yield declined due to an increased take up of risk adjusted rate loans, Quebec lending and secured lending (all of which have reduced interest rates) as well as the increased amortization of deferred loan acquisition costs.
- Commissions earned on the sale of ancillary products and services increased by $6.0 million or 25.5% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products and slightly lower penetration of these products.
- Charges and fees increased by $0.3 million.

easyhome – Revenue for the three-month period ended December 31, 2018 was $34.9 million, an increase of $0.9 million when compared with the same quarter of 2017. Revenue associated with the traditional leasing business declined by $1.4 million in the current quarter related primarily to store sales and the closure of underperforming locations as well as reductions in the lease portfolio. These declines were offset by a $2.3 million increase in financial revenue (interest and commissions earned) related to consumer lending in *easyhome* stores which was introduced in the second quarter of 2017. The components of *easyhome* revenue increase include:

- Interest revenue increased by $1.6 million due to the growth of the consumer loans receivable related to the *easyhome* business.
- Lease revenue declined by $1.3 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products increased by $0.6 million. The increase was due to the growth of consumer lending at *easyhome*.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $90.4 million for the three-month period ended December 31, 2018, an increase of $21.0 million or 30.3% from the comparable period in 2017. The increase in operating expenses was driven primarily by the higher costs associated with the expanding *easyfinancial* business (including the impact of the higher rate of loan book growth and the adoption of IFRS 9 on bad debt expense), the additional expenses associated with offering consumer lending in *easyhome* as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 65.4% of revenue for the fourth quarter of 2018 compared with 64.7% reported in the same quarter of 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $60.0 million for the fourth quarter of 2018, an increase of $17.5 million or 41.1% from the same quarter of 2017. Operating expenses, excluding bad debt, increased by $3.1 million or 12.9% in the quarter driven by: i) an additional $1.1 million in advertising and marketing spend to support the growth in originations; ii) higher wages and other costs to operate and manage the growing loan book at existing branches; iii) increased branch count; and iv) higher branch level incentives (driven by the growth in originations and loan book). Overall branch count increased from 228 as at December 31, 2017 to 241 as at December 31, 2018. Bad debt expense for *easyfinancial*, increased by $14.4 million in the current quarter when compared to the same quarter in 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $19.5 million for the fourth quarter of 2018, which was $1.3 million higher than the same quarter of 2017. Operating costs increased due to expenses related specifically to the addition of consumer lending in *easyhome* stores including additional advertising, staffing and bad debt expense. These cost increases were partially offset by the reduction in store count and related cost savings. Consolidated *easyhome* store count declined by seven from 141 as at December 31, 2017 to 134 as at December 31, 2018.

Corporate – Total operating expenses before depreciation and amortization were $10.9 million for the fourth quarter of 2018 compared to $8.6 million in the same quarter of 2017, an increase of $2.3 million. The increase was related to higher salaries (additional management personnel) and increased accrued bonus expense due to the performance of the business exceeding target. In addition, the fourth quarter of 2017 benefitted from a $0.9 million gain on the sale of corporate *easyhome* store to a franchisee where the current quarter had no such gain. Corporate expenses before depreciation and amortization represented 7.9% of total revenue in the fourth quarter of 2018 compared to 8.0% of total revenue in the same quarter of 2017.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended December 31, 2018 was $12.7 million, a decrease of $0.8 million from the same quarter of 2017. Overall, depreciation and amortization represented 9.2% of revenue for the three months ended December 31, 2018, a decrease from the 12.5% reported in the comparable period of 2017.

easyfinancial – Depreciation and amortization of $2.0 million in the fourth quarter was broadly consistent with the comparable period in 2017.

easyhome – Depreciation and amortization expense was $10.2 million in the fourth quarter of 2018, a decrease of $0.7 million compared to the same quarter of 2017. The decline was due primarily to the lower level of lease revenue and lease assets. *easyhome*'s depreciation and amortization expense expressed as a percentage of *easyhome* revenue for the quarter was 29.4%, down from the 32.2% reported in the same quarter of 2017. The rate reduction was due to the lower amount of amortization against an *easyhome* revenue base that is growing due to the introduction of consumer lending.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended December 31, 2018 was $35.1 million, up $10.7 million or 43.6% when compared with the same quarter of 2017. The operating income of both the *easyfinancial* and *easyhome* business units increased in the current quarter compared with the same period of 2017. The transition to IFRS 9 in the current quarter served to reduce operating income by $2.9 million as compared to the previous accounting standard. Operating margin in the quarter was 25.4%, up from 22.8% in the comparable period of 2017.

easyfinancial – Operating income was $41.3 million for the fourth quarter of 2018 compared with $28.6 million for the comparable period in 2017, an increase of $12.7 million or 44.3%. The benefits of the larger loan book and related revenue increases of $30.1 million were partially offset by: i) the $1.1 million increase in advertising spend; ii) the higher provisions for future charge-offs driven by the strong loan book growth; iii) the adoption of IFRS 9; and iv) incremental expenditures to manage the growing customer base, enhance the product offering and expand the *easyfinancial* footprint. Operating margin in the quarter was 40.0% compared with 39.1% reported in the same quarter of 2017.

easyhome – Operating income was $5.2 million for the fourth quarter of 2018, an increase of $0.3 million when compared with the same quarter of 2017. The adoption of consumer lending in *easyhome* resulted in higher revenues in the quarter of $0.9 million when compared with the comparable period of 2017. Total expenses increased by $0.6 million with the higher costs associated with consumer lending (staffing and bad debt expense) being partially offset by cost reductions related to lower store count. Operating margin for the fourth quarter of 2018 was 14.8%, an increase from the 14.3% reported in the same quarter of 2017.

Finance Costs

Finance costs for the three months ended December 31, 2018 were $12.8 million and consisted entirely of interest and the amortization of deferred financing charges. Finance costs for the three-month period ended December 31, 2017 totaled $17.0 million and consisted of: i) $8.8 million of interest expense and the amortization of deferred financing charges and ii) $8.2 million in non-recurring refinancing costs. Interest and deferred financing charges increased by $4.0 million due to the increased debt level offset by a lower effective borrowing rate. The total carrying value of the debt as at December 31, 2018 was $691.1 million against debt of $449.2 million as at December 31, 2017. As a result of refinancing its business and repaying the then existing credit facility 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 credit facility.

In July 2018, the Company issued US$150 million of notes. The notes bore a coupon rate of 7.875% but were issued at a 105% premium to par which resulted in an attractive Canadian dollar interest rate of 6.17% (excluding the effect of financing charges). The funds will be used to grow the *easyfinancial* loan book. However, the additional finance costs associated with these notes reduced diluted earnings per share by 17 cents in the quarter.

PTPP Income

Pre-tax pre-provision income ("PTPP income") for the fourth quarter of 2018 was $56.5 million, an increase of $30.2 million or 114.9% when compared to the same quarter of 2017. The increased revenue associated with the larger consumer loans receivable portfolio more than offset the additional operating costs (excluding bad debt expense) in the quarter when compared to the same quarter of 2017.

Income Tax Expense

The effective income tax rate for the fourth quarter of 2018 was 28.7% which was higher than the 28.2% reported in the same quarter of 2017. The Company sold a store to a franchisee in the fourth quarter of 2017 and a portion of that gain was taxed as a capital gain resulting in a lower effective tax rate in that prior period.

Net Income and EPS

Net income for the fourth quarter of 2018 was $15.9 million or $1.02 per share on a diluted basis. Reported 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 cost incurred in the fourth quarter of 2017, adjusted net income was $11.4 million or $0.79 per share. On this normalized basis, net income and diluted earnings per share increased by 39.5% and 29.1%, respectively.

The Company adopted IFRS 9 in 2018 while 2017 was reported under the old accounting standard. The Company estimates that adjusted net income and adjusted earnings per share for the fourth quarter of 2017 would have been $2.3 million or $0.15 lower respectively had it been reported under IFRS 9. On this basis, net income and diluted earnings per share in the current quarter would have increased by 76.2% and 59.4% respectively.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	December 2018	September 2018	June 2018	March 2018	December 2017[2]	September 2017[2]	June 2017[2]	March 2017[2]	December 2016[2]
Gross consumer loans receivable	**833.8**	749.6	686.6	601.7	526.5	473.1	425.3	387.1	370.5
Revenue	**138.2**	129.9	123.3	114.8	107.2	102.7	97.5	94.2	91.1
Net income	**15.9**	14.3	11.8	11.1	5.4	11.6	8.9	10.3	8.3
Adjusted net income[3]	**15.9**	14.3	11.8	11.1	11.4	11.6	8.9	10.3	8.3
Return on equity	**23.0%**	23.8%	20.9%	19.8%	9.5%	21.3%	18.8%	20.6%	17.4%
Adjusted return on equity[3]	**23.0%**	23.8%	20.9%	19.8%	20.1%	21.3%	18.8%	20.6%	17.4%
Net income as a percentage of revenue	**11.5%**	11.0%	9.6%	9.7%	5.0%	11.3%	9.1%	10.9%	9.1%
Adjusted net income as a percentage of revenue[3]	**11.5%**	11.0%	9.6%	9.7%	10.5%	11.3%	9.1%	10.9%	9.1%
Earnings per share[1]									
Basic	**1.07**	1.03	0.86	0.81	0.39	0.86	0.66	0.76	0.62
Diluted	**1.02**	0.97	0.82	0.77	0.38	0.81	0.63	0.73	0.60
Adjusted diluted[3]	**1.02**	0.97	0.82	0.77	0.79	0.81	0.63	0.73	0.60

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 Prepared under IAS 39 rather than IFRS 9.

3 Adjusted for certain non-recurring or unusual transactions. ..

Key financial measures for each of the last nine quarters are summarized in the table above and include the gross consumer loans receivable portfolio, revenue, profitability and return on equity over this timeframe. Revenue growth over this time frame was primarily related to the growth of the gross consumer loans receivable portfolio. The larger revenue base, offset partially by higher operating expenses, increased the Company's net income and earnings per share while the increased scale of the business resulted in net income as a percentage of revenue also increasing over the presented time horizon. Lastly return on equity has increased due to the increased earnings generated by the business and the higher level of financial leverage. Please refer to previous periods' MD&As for detailed analysis.

Portfolio Analysis

The Company generates its revenue from a portfolio of consumer loans receivable and lease agreements that are originated 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 has historically resulted in better performance. No additional credit is extended to a customer whose loan is delinquent.

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)	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Loan originations to new customers	**116,577**	73,424	**411,671**	249,472
Loan originations to existing customers	**148,419**	102,959	**510,879**	330,023
Less: Proceeds applied to repay existing loans	**(78,454)**	(52,231)	**(259,513)**	(170,573)
Net advance to existing customers	**69,965**	50,728	**251,366**	159,450
Net principal written	**186,542**	124,152	**663,037**	408,922

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:

($ in 000's)	Three Months Ended		Year Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Opening gross consumer loans receivable	**749,581**	473,063	**526,546**	370,517
Gross loan originations	**264,996**	176,383	**922,550**	579,494
Gross principal payments and other adjustments	**(151,214)**	(104,796)	**(517,155)**	(357,664)
Gross charge-offs before recoveries	**(29,584)**	(18,104)	**(98,162)**	(65,801)
Net growth in gross consumer loans receivable during the period	**84,198**	53,483	**307,233**	156,029
Ending gross consumer loans receivable	**833,779**	526,546	**833,779**	526,546

The scheduled principal repayment aging analysis of gross consumer loans receivable portfolio is as follows:

($ in 000's except percentages)	December 31, 2018		December 31, 2017	
	$	% of total	$	% of total
0 – 6 months	**139,631**	**16.7%**	104,208	19.8%
6 – 12 months	**104,619**	**12.5%**	79,952	15.2%
12 – 24 months	**221,626**	**26.6%**	149,356	28.4%
24 – 36 months	**204,227**	**24.5%**	125,258	23.8%
36 – 48 months	**106,346**	**12.8%**	50,714	9.6%
48 – 60 months	**29,002**	**3.5%**	11,686	2.2%
60 months+	**28,328**	**3.4%**	5,372	1.0%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	100.0%

A breakdown of the gross consumer loans receivable portfolio categorized by the contractual time to maturity is as follows:

($ in 000's except percentages)	December 31, 2018		December 31, 2017	
	$	% of total	$	% of total
0 – 1 year	**34,355**	**4.1%**	37,332	7.1%
1 – 2 years	**108,262**	**13.0%**	96,443	18.3%
2 – 3 years	**260,205**	**31.2%**	183,254	34.8%
3 – 4 years	**270,621**	**32.5%**	145,165	27.6%
4 – 5 years	**108,932**	**13.1%**	55,853	10.6%
5 years +	**51,404**	**6.1%**	8,499	1.6%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	100.0%

Loans are originated and serviced by both the *easyfinancial* and *easyhome* business units. A breakdown of the gross consumer loans receivable portfolio between these segments is as follows:

($ in 000's except percentages)	December 31, 2018		December 31, 2017	
	$	% of total	$	% of total
Gross consumer loans receivable, *easyfinancial*	**811,950**	97.4%	**521,222**	99.0%
Gross consumer loans receivable, *easyhome*	**21,829**	2.6%	**5,324**	1.0%
Gross consumer loans receivable	**833,779**	100.0%	**526,546**	100.0%

Financial Revenue and Net Financial Income

Financial revenue is generated by both the *easyfinancial* and *easyhome* segments. 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.

($ in 000's)	Three Months Ended		Year Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial revenue, *easyfinancial*	**103,286**	73,231	**368,325**	264,468
Financial revenue, *easyhome*	**2,889**	608	**7,775**	1,030
Financial revenue	**106,175**	73,839	**376,100**	265,498
Less: Finance costs	**(12,811)**	(16,972)	**(45,800)**	(36,840)
Less: Bad debt expense	**(34,186)**	(18,807)	**(118,980)**	(67,826)
Net Financial Income	**59,178**	38,060	**211,320**	160,832

Total Yield on Consumer Loans

Total yield on consumer loans is calculated as the financial revenue generated (including revenue generated on the sale of ancillary products) on the Company's consumer loans receivable portfolio divided by the average of the month-end loan balances for the indicated period. Total yield on consumer loans is a measure of the revenue produced by the Company's consumer loans receivable portfolio. For interim periods, the rate is annualized.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial revenue	**106,175**	73,839	**376,100**	265,498
Average gross consumer loans receivable	**806,489**	506,009	**693,757**	439,348
Total yield as a percentage of average gross consumer loans receivable (annualized)	**52.7%**	58.4%	**54.2%**	60.4%

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)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net charge-offs	**26,471**	16,156	**88,351**	59,576
Average gross consumer loans receivable	**806,489**	506,009	**693,757**	439,348
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**13.1%**	12.8%	**12.7%**	13.6%

Allowance for Credit Losses

The allowance for expected credit 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.

During 2017 the Company's allowance for credit losses was calculated under IAS 39. Under this previous accounting standard, a collective allowance for loan loss was 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 had not yet occurred as at the balance sheet date.

The Company adopted IFRS 9 on January 1, 2018. Under IFRS 9, the Company is required to apply an expected credit loss model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the balance sheet date, are provided for. Due to the transition from an incurred loss model to a future expected credit loss model as required under IFRS 9, the Company's allowance for credit losses as a percentage of the gross consumer loans receivable outstanding increased. Operationally, this will require a larger provision to be taken when new consumer loans receivables are originated or purchased. This will result in greater bad debt expense and a corresponding decrease in reported net income when compared to net income reported under the prior standard, IAS 39.

The change from IAS 39 to IFRS 9 does not impact the Company's cash flows, charge-off policy, the underlying performance of the Company's consumer loans receivable portfolio or the net charge-off rate. Customer loans for which the Company has 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)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Allowance for credit losses, beginning of period	**72,026**	29,055	**49,112**	23,456
Net charge-offs written off against the allowance	**(26,471)**	(16,156)	**(88,351)**	(59,576)
Bad debt expense	**34,186**	18,807	**118,980**	67,826
Allowance for credit losses, end of period	**79,741**	31,706	**79,741**	31,706
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**9.6%**	6.0%	**9.6%**	6.0%

IFRS 9 requires that forward-looking indicators ("FLIs") be considered when determining the allowance for credit losses. The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices were negatively correlated with the Company's historic loss rates. For purposes of determining its allowance for loan losses at each balance sheet date, the Company has decided to utilize the forecasts of these FLIs from five large Canadian banks. The impact on the allowance for credit losses as a percentage of ending gross consumer loans receivable should each of these FLIs increase (or decrease) by 10%, as at December 31, 2018 is as follows:

	Change in FLIs	Impact on allowance for credit losses as a percentage of the ending gross consumer loans receivable
Rate of unemployment	**+/- 10%**	**+/- 43 bps**
Rate of inflation	**+/- 10%**	**+/- 9 bps**
Oil prices	**+/- 10%**	**-/+ 22 bps**

Bad Debt Expense (Provision for Credit Losses)

The Company's bad debt expense is the amount that its allowance for future credit losses must be increased, after considering net-charge-offs, such that the balance of the allowance for credit losses at each statement of financial position date is appropriate under the applicable accounting standards. As indicated the Company adopted IFRS 9 in 2018 which resulted in a higher allowance for credit losses than under the previous accounting standard, IAS 39. Operationally, this will require a larger provision to be taken when new consumer loans receivables are originated or purchased and will result in greater bad debt expense and an increase in bad debts expressed as a percentage of financial revenue than reported under the prior standard, IAS 39.

In periods where the Company grows its gross consumer loans receivable portfolio bad debt expense will tend to increase. An analysis of the Company's bad debt expense for the periods was as follows:

	Three Months Ended		Year Ended	
($ in 000's except percentages)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net charge-offs	**26,471**	16,156	**88,351**	59,576
Net change in allowance for credit losses	**7,715**	2,651	**30,629**	8,250
Bad debt expense	**34,186**	18,807	**118,980**	67,826
Financial revenue	**106,175**	73,839	**376,100**	265,498
Bad debt expense as a percentage of Financial Revenue	**32.2%**	25.5%	**31.6%**	25.5%

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, 2018		December 31, 2017	
($ in 000's except percentages)	$	% of total	$	% of total
Current	**789,834**	**94.7%**	497,991	94.6%
Days past due				
1 - 30 days	**25,442**	**3.1%**	17,274	3.3%
31 - 44 days	**5,931**	**0.7%**	3,601	0.7%
45 - 60 days	**5,930**	**0.7%**	3,330	0.6%
61 - 90 days	**6,559**	**0.8%**	4,350	0.8%
91 – 180 days	**83**	**0.0%**	-	-%
	43,945	**5.3%**	28,555	5.4%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	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, Dec. 29, 2018	Saturday, Dec. 30, 2017
	% of total	% of total
Current	**94.8%**	94.7%
Days past due		
1 - 30 days	**3.2%**	3.3%
31 - 44 days	**0.6%**	0.6%
45 - 60 days	**0.6%**	0.6%
61 - 90 days	**0.8%**	0.8%
91 – 180 days	**0.0%**	0.0%
	5.2%	5.3%
Gross consumer loans receivable	**100.0%**	100.0%

Consumer Loans Receivable Portfolio by Geography

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

	December 31, 2018		December 31, 2017	
($ in 000's except percentages)	$	% of total	$	% of total
Newfoundland & Labrador	**34,883**	**4.2%**	25,019	4.8%
Nova Scotia	**51,231**	**6.1%**	36,389	6.9%
Prince Edward Island	**8,721**	**1.0%**	6,505	1.2%
New Brunswick	**41,579**	**5.0%**	29,116	5.5%
Quebec	**38,330**	**4.6%**	23,457	4.5%
Ontario	**365,598**	**43.8%**	224,976	42.7%
Manitoba	**36,600**	**4.4%**	21,606	4.1%
Saskatchewan	**43,842**	**5.3%**	26,323	5.0%
Alberta	**109,864**	**13.2%**	68,073	12.9%
British Columbia	**93,420**	**11.2%**	58,920	11.2%
Territories	**9,711**	**1.2%**	6,162	1.2%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	100.0%

Consumer Loans Receivable Portfolio by Loan Type

At the end of the periods, the Company's consumer loans receivable portfolio was allocated among the following loan types:

	December 31, 2018		December 31, 2017	
($ in 000's except percentages)	$	% of total	$	% of total
Unsecured Installment Loans	**780,850**	**93.7%**	518,049	98.4%
Secured Installment Loans	**52,929**	**6.3%**	8,497	1.6%
Gross consumer loans receivable	**833,779**	**100.0%**	526,546	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio and the performance of its *easyhome* business through potential monthly lease revenue. Potential monthly lease revenue reflects the lease revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments contractually due in that period but excludes revenue generated by certain ancillary products. Potential monthly leasing revenue is an important indicator of the future revenue generating potential of the Company's lease portfolio. Potential monthly leasing revenue is calculated as the number of lease agreements outstanding multiplied by the average required monthly lease payment per agreement. 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)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Opening potential monthly lease revenue	**8,906**	9,226	**9,481**	9,886
Change due to store opening or acquisitions during the period	**-**	(15)	**131**	28
Decrease due to store closures or sales during the period	**(27)**	(91)	**(300)**	(346)
Increase/(decrease) due to ongoing operations	**262**	361	**(171)**	(87)
Net change	**235**	255	**(340)**	(405)
Ending potential monthly lease revenue	**9,141**	9,481	**9,141**	9,481

Potential monthly lease revenue is calculated as follows:

	December 31, 2018	December 31, 2017
Total number of lease agreements	**97,459**	104,982
Multiplied by the average required monthly lease payment per agreement	**93.79**	90.31
Potential monthly lease revenue ($ in 000's)	**9,141**	9,481

Leasing 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)	December 31, 2018	December 31, 2017
Furniture	**4,144**	4,241
Electronics	**1,051**	1,095
Computers	**2,914**	2,980
Appliances	**1,032**	1,165
Potential monthly lease revenue	**9,141**	9,481

Leasing 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, 2018		December 31, 2017	
($ in 000's except percentages)	$	% of total	$	% of total
Newfoundland & Labrador	**737**	**8.1%**	829	8.8%
Nova Scotia	**797**	**8.7%**	836	8.8%
Prince Edward Island	**146**	**1.6%**	165	1.7%
New Brunswick	**676**	**7.4%**	698	7.4%
Quebec	**579**	**6.3%**	580	6.1%
Ontario	**3,167**	**34.6%**	3,205	33.8%
Manitoba	**252**	**2.8%**	250	2.6%
Saskatchewan	**400**	**4.4%**	448	4.7%
Alberta	**1,353**	**14.8%**	1,391	14.7%
British Columbia	**934**	**10.2%**	987	10.4%
USA	**100**	**1.1%**	92	1.0%
Potential monthly lease revenue	**9,141**	**100.0%**	9,481	100.0%

Leasing 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. *easyhome* leasing revenue is defined as the total revenue generated by the Company's *easyhome* business less the financial revenue generated by *easyhome*.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net charge-offs	**1,097**	1,118	**4,230**	4,146
easyhome Leasing revenue	**31,985**	33,405	**130,091**	136,230
Net charge-offs as a percentage of *easyhome* leasing revenue	**3.4%**	3.3%	**3.3%**	3.0%

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	
($ in 000's except percentages)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Same store revenue growth (overall)	**28.5%**	20.0%	**25.7%**	18.3%
Same store revenue growth (*easyhome*)	**7.1%**	0.1%	**6.4%**	(0.7%)

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 efficiency of its operations.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Operating expenses before depreciation and amortization	**90,369**	69,342	**334,471**	262,127
Divided by revenue	**138,160**	107,244	**506,191**	401,728
Operating expenses before depreciation and amortization as % of revenue	**65.4%**	64.7%	**66.1%**	65.2%

Operating Margin

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

($ in 000's except percentages)	Three Months Ended		Year Ended	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
easyfinancial				
Operating income	**41,289**	28,614	**141,854**	102,654
Divided by revenue	**103,286**	73,231	**368,325**	264,468
***easyfinancial* operating margin**	**40.0%**	39.1%	**38.5%**	38.8%
easyhome				
Operating income	**5,154**	4,864	**21,547**	20,882
Divided by revenue	**34,874**	34,013	**137,866**	137,260
***easyhome* operating margin**	**14.8%**	14.3%	**15.6%**	15.2%
Total				
Operating income	**35,106**	24,450	**119,717**	87,393
Divided by revenue	**138,160**	107,244	**506,191**	401,728
Total operating margin	**25.4%**	22.8%	**23.7%**	21.8%

Adjusted Net Income and Adjusted Diluted Earnings Per Share

At various times, net income and diluted 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 i) adjusted net income as net income excluding such unusual and non-recurring items and ii) adjusted diluted earnings per share as diluted earnings per share excluding such items. The Company believes that 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 net income and earnings per share for the three-month period and year ended December 31, 2018 and 2017 include those indicated in the chart below:

($ in 000's except percentages)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
Net income as stated	**15,887**	5,366	**53,124**	36,132
Refinancing costs[1]	**-**	8,198	**-**	8,198
Tax impact of above items	**-**	(2,172)	**-**	(2,172)
After tax impact of above item	**-**	6,026	**-**	6,026
Adjusted net income	**15,887**	11,392	**53,124**	42,158
After tax impact of convertible debentures	**698**	773	**2,690**	1,790
Fully diluted adjusted net income	**16,585**	12,165	**55,814**	43,948
Weighted average number of diluted shares outstanding	**16,270**	15,403	**15,671**	14,805
Diluted earnings per share as stated[2]	**1.02**	0.38	**3.56**	2.56
Per share impact of normalized items[2]	**-**	0.41	**-**	0.41
Adjusted diluted earnings per share	**1.02**	0.79	**3.56**	2.97

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 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.

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		Year Ended	
($ in 000's except percentages)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net income	**15,887**	5,366	**53,124**	36,132
Finance costs	**12,811**	16,972	**45,800**	36,840
Income tax expense	**6,408**	2,112	**20,793**	14,421
Depreciation and amortization, excluding depreciation of lease assets	**2,741**	3,212	**11,915**	10,987
EBITDA	**37,847**	27,662	**131,632**	98,380
Divided by revenue	**138,160**	107,244	**506,191**	401,728
EBITDA margin	**27.4%**	25.8%	**26.0%**	24.5%

Pre-Tax, Pre-Provision Income ("PTPP Income")

The Company defines PTPP Income as earnings before taxes and bad debt expense (provision for credit losses). The Company uses PTPP, among other measures, to assess the operating performance of its ongoing businesses excluding the impact of bad debt expense (provision for credit losses) which could be volatile and reduce the comparability of results between periods due to the incorporation of FLIs.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net income	**15,887**	5,366	**53,124**	36,132
Income tax expense	**6,408**	2,112	**20,793**	14,421
Bad debt expense	**34,186**	18,807	**118,980**	67,826
PTPP Income	**56,481**	26,285	**192,897**	118,379

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.

	Three Months Ended			
($ in 000's except periods and percentages)	December 31, 2018	December 31, 2018 (adjusted)	December 31, 2017	December 31, 2017 (adjusted)
Net income as stated	**15,887**	**15,887**	5,366	5,366
Refinancing costs	**-**	**-**	-	8,198
Tax impact of above item	**-**	**-**	-	(2,172)
After tax impact	**15,887**	**15,887**	-	6,026
Adjusted net income	**15,887**	**15,887**	5,366	11,392
Multiplied by number of periods in year	**X 4/1**	**X 4/1**	X 4/1	X 4/1
Divided by average shareholders' equity for the period	**276,424**	**276,424**	226,165	226,165
Return on equity	**23.0%**	**23.0%**	9.5%	20.1%

	Year Ended			
($ in 000's except periods and percentages)	December 31, 2018	December 31, 2018 (adjusted)	December 31, 2017	December 31, 2017 (adjusted)
Net income as stated	**53,124**	**53,124**	36,132	36,132
Refinancing costs	**-**	**-**	-	8,198
Tax impact of above item	**-**	**-**	-	(2,172)
After tax impact	**53,124**	**53,124**	-	6,026
Adjusted net income	**53,124**	**53,124**	36,132	42,158
Divided by average shareholders' equity for the period	**243,992**	**243,992**	212,757	212,757
Return on equity	**21.8%**	**21.8%**	17.0%	19.8%

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, 2018 and December 31, 2017.

($ in 000's, except for ratios)	December 31, 2018	December 31, 2017
Consumer loans receivable, net	**782,864**	513,425
Cash	**100,188**	109,370
Lease assets	**51,618**	54,318
Derivative financial instruments	**35,094**	-
Goodwill	**21,310**	21,310
Property and equipment	**21,283**	15,941
Intangible assets	**14,589**	15,163
Other assets	**28,730**	20,088
Total assets	**1,055,676**	749,615
External debt	**691,062**	449,178
Derivative financial instruments	**-**	11,138
Other liabilities	**63,085**	61,055
Total liabilities	**754,147**	521,371
Shareholders' equity	**301,529**	228,244
Total capitalization (external debt plus total shareholders' equity)	**992,591**	677,422
External debt to shareholders' equity	**2.29**	1.97
External debt to total capitalization	**0.70**	0.66
Net external debt to net capitalization [1]	**0.66**	0.60
External debt to EBITDA	**5.25**	4.57

1 Net external debt is calculated as external debt less cash. Net external debt to net capitalization is net external debt divided by the sum of net external debt and shareholders' equity.

Total assets were $1,055.7 million as at December 31, 2018, an increase of $306.1 million or 40.8% 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 $269.5 million over the past 12 months and ii) a $35.1 million derivative financial asset.

The $306.1 million growth in total assets was primarily financed by: i) a $241.9 million increase in external debt (principally the issuance of US$150 million in Notes) and ii) a $73.3 million increase in total shareholder's equity, which is primarily driven by earnings generated by the Company and the issuance of 920,000 Common Shares in the fourth quarter of 2018. 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, 2018, the Company's external debt consisted of US$475 million notes and $44.1 million of Convertible Debentures with net carrying values of $650.5 million and $40.6 million, respectively. As at December 31, 2018 the Company did not have a balance owing under its revolving credit facility. The maximum principal amount available to be borrowed under the revolving credit facility as at December 31, 2018 was $174.5 million.

Borrowings under the Notes bore a US$ coupon rate of 7.875%. The Company has issued two tranches of Notes. Through a cross currency swap agreement arranged concurrent with the first offering of the US$325 million Notes in November 2017, 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%. Concurrent with the second offering of an additional US$150 million in Notes in July 2018, 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 $197.5 million. These notes were issued at premium to par resulting in an interest rate excluding the effect of financing charges of 6.17%. All Notes are due on November 1, 2022.

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 Convertible 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. As at December 31, 2018, $8.9 million of convertible debentures had converted into 203,000 Common Shares.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three Months Ended		Year Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Cash provided by operating activities before the net issuance of consumer loans receivable and purchase of lease assets	**62,176**	49,768	**232,196**	179,400
Net issuance of consumer loans receivable	**(113,589)**	(73,318)	**(405,827)**	(226,752)
Purchase of lease assets	**(11,961)**	(14,092)	**(37,913)**	(42,041)
Cash used in operating activities	**(63,374)**	(37,642)	**(211,544)**	(89,393)
Cash used in investing activities	**(4,097)**	(984)	**(15,616)**	(7,145)
Cash provided by financing activities	**26,209**	125,628	**217,978**	180,980
Net (decrease) increase in cash for the period	**(41,262)**	87,002	**(9,182)**	84,442

The Company provides loans to cash and credit constrained borrowers. The Company obtains capital which is treated as cash flows from financing activities and then advances funds to borrowers as loans which are treated as cash used in operating activities. When borrowers make loan payments this generates cash flow from operating activities and income over time. As such when the Company is growing its portfolio of consumer loans it will tend to use cash in operating activities.

Cash used in operating activities for the three-month period ended December 31, 2018 was $63.4 million compared with $37.6 million in the same period of 2017. While an additional $40.3 million was used in net issuance of consumer loans receivable and increased level of working capital, this was offset by higher net income and non-cash charges such as bad debt expense.

Included in cash used in operating activities for the three-month period ended December 31, 2018 were: i) a net investment of $113.6 million to increase the *easyfinancial* consumer loans receivable portfolio and ii) the purchase of lease assets of $12.0 million. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $62.2 million for the three months ended December 31, 2018, up $12.4 million from the same period of 2017. The increase is due to the higher level of net income and higher non-cash expenses in the current period (such as bad debt expense) offset by a higher level of working capital.

During the fourth quarter of 2018, the Company generated $26.2 million in cash flow from financing activities. During the quarter the Company issued 920,000 Common Shares, which generated net proceeds of $44.3 million. This inflow was partially offset by the $15.0 million repurchase of shares under the Company's Normal Course Issuer Bid and $3.1 million payment of dividends.

During the current quarter, cash used in investing activities was $4.1 million compared with $1.0 million in the same period of 2017. During the current quarter the Company spent $2.6 million on property and equipment (head office expansion and new branches) and $1.5 million on intangible assets (various IT systems and software in support of *easyfinancial*'s growth).

Cash used in operating activities during the year was $211.5 million as compared to $89.4 million in 2017. The increase in cash used in operating activities in the current year to date period was due primarily to the increase in the net issuance of consumer loans receivable and higher levels of working capital which was partially offset by higher net income and increased non-cash expenses such as bad debt expense.

Included in cash used in operating activities for the year were: i) a net investment of $405.8 million to increase the *easyfinancial* consumer loans receivable portfolio and ii) the purchase of lease assets of $37.9 million. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $232.2 million for the year, up from $179.4 million in 2017. The increase is due to the higher level of net income and higher non-cash expenses in the current period (such as bad debt expense) offset by a higher level of working capital.

During the year, the Company generated $218.0 million in cash flow from financing activities. The Company issued notes which generated net proceeds of $203.2 million and issuance of Common Shares, which generated proceeds of $45.1 million. This was partially offset by the $15.0 million repurchase of shares under the Company's Normal Course Issuer Bid activities and the payment of $11.7 million in dividends during the year.

Cash used in investing activities in the current year to date period was $15.6 million compared with $7.1 million 2017. The increase was due in part to the head office expansion and the reduced proceeds on the sale of *easyhome* stores to franchisees (such proceeds are netted against purchases in arriving at cash used in investing activities).

During 2018 the Company issued an additional US$150 million in Notes Payable and $44 million in equity. At year's end the Company had total cash on hand and borrowing capacity under its revolving credit facility of $275 million and the ability to exercise the accordion feature under this facility to add an additional $89 million in borrowing capacity. Ultimately the cash on hand and current borrowing limits provide adequate growth capital for the Company to execute its growth plan, meet operational requirements, purchases lease assets, meet capital spending requirements, pay dividends and achieve its stated targets through the third quarter of 2020.

Outstanding Shares & Dividends

As at February 13, 2019 there were 14,253,818 Common Shares, 231,287 DSUs, 612,391 options, 553,754 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

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 ("NCIB"). This NCIB terminated on June 26, 2017. As at 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 NCIB to commence June 27, 2017. This NCIB terminated on June 26, 2018. The Company had not cancelled any of its Common Shares pursuant to this June 22, 2017 NCIB.

On November 8, 2018, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a NCIB to commence November 13, 2018, (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 555,000 Common Shares which represented approximately 5% of the 14,803,919 Common Shares issued and outstanding as at October 30, 2018. Under the November 8, 2018 NCIB, daily purchases will be limited to 9,052 Common Shares, other than block purchase exemptions. The purchases may commence on November 13, 2018 and will terminate on November 12, 2019 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 at December 31, 2018, the Company had cancelled 398,452 Common Shares pursuant to this November 8, 2018 NCIB at an average price of $37.61 for a total cost of $15.0 million.

Dividends

During the quarter ended December 31, 2018, the Company paid a $0.225 per share quarterly dividend on outstanding Common Shares.

On February 20, 2018, the Company increased the dividend rate by 25% from 0.18 to 0.225. For the quarter ended December 31, 2018, the Company paid a $0.225 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

	2018	2017	2016	2015	2014	2013	2012
Dividend per share	**$ 0.225**	$ 0.18	$ 0.125	$ 0.100	$ 0.085	$ 0.085	$ 0.085
Percentage increase	**25.0%**	44.0%	25.0%	17.6%	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	**20,275**	**42,946**	**56,121**
Vehicles	**850**	**1,911**	**279**
Technology commitments	**8,778**	**12,755**	**-**
Total contractual obligations	**29,903**	**57,612**	**56,400**

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 Corporate Governance, Nominating and Risk Committee of the Board of Directors reviews the Company's risk management policies on an annual basis.

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 secure growth financing at a reasonable cost, 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.

Market Risk

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.

Interest Rate Risk

The Company's future success depends in part on its ability to access capital markets and obtain financing on reasonable terms. This is dependent on a number of factors, many of which the Company 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 US and, as such, its Canadian operations have some US denominated cash and payable balances. As a result, the Company has both foreign exchange transaction and translation risk. Although the Company has US 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 US 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.

Competition

The Company estimates the size of the Canadian market for non-prime consumer lending, excluding mortgages, is approximately $186 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 and financial performance.

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 credit losses as prescribed by IFRS 9 and as described fully in the notes to the Company's financial statements for the period ending December 31, 2018. The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions and is based on historical data, management's judgement and forward looking indicators. To the extent that such inputs used to develop its allowance for credit losses are 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 such uncollectible amounts.

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 and its financial performance could be adversely affected.

Liquidity and Funding Risk

Liquidity Risk

The Company has been funded through various sources including the issuance of convertible debentures, bank led revolving lines of credit, US$ Notes Payable, 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 repay the principal 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 obtain 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. Failure to meet its debt obligations could result in default under its lending 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.

Credit Ratings

The Company received credit ratings in connection with the issuance of its Notes Payable. 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 in the future.

Operational Risk

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.

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.

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 Risk

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 and information security laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security 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 penalties from 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 and information security laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy and information security 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.

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.

Compliance Risk

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 and 52-109F1 Certification of annual filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly and annual 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.

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. The Company and its management closely monitors and seeks to provide input and feedback on any legislative proposals that may impact the maximum cost of borrowing, details of which are ultimately determined by the federal legislature.

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.

Legal and Reputational Risk

Reputation

The Company's reputation is very important to attracting new customers to its platform, securing repeat lending to existing customers, hiring the best employees and obtaining financing to facilitate the growth of its business. 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, ability to raise growth capital or cash flows.

The Company's former US franchisees and certain other persons operate a lease-to-own business within the US 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 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.

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, concerns about the global economy and potential 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.

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 as described in the December 31, 2018 notes to the consolidated financial statements.

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customer*s (IFRS 15) which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The new standard did not result in any financial adjustments to the Company's consolidated financial statements. Additional required disclosures were as provided in the notes to the Company's consolidated financial statements for year ended December 31, 2018.

On January 1, 2018, the Company also adopted IFRS 9, the impact of which has been described earlier in this MD&A and in the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

Accounting Standards Issued but Not Yet Effective

IFRS 16, *Leases*

The Company will be required to adopt IFRS 16, *Leases* ("IFRS 16") on January 1, 2019, which is the IASB replacement of IAS 17, *Leases* ("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. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. As such IFRS 16 will not impact the financial results of the Company's *easyhome* leasing business. However, the accounting for the Company's premises and vehicle leases will be impacted by this standard.

The Company set up a team under the direction of the Company's Chief Financial Officer which reviewed all of the Company's leasing arrangements. From the lessee's perspective, IFRS 16 affected the accounting for the Company's vehicle and premises leases which were treated as operating leases under IAS 17, whereby such lease payments were expensed periodically as part of operating expenses without the recognition of the corresponding assets and related depreciation. Under IFRS 16, a significant right-of-use asset and lease liability will be recognized at the date of implementation resulting in a material increase to both total assets and total liabilities. The right-of-use asset will be amortized on a straight-line basis over the lease term of the underlying lease assets. The lease liability will also be amortized under the effective interest rate method using the interest rate inherent in the underlying leases and lease payments will include both a principal and interest component.

The net effect of this change is that earnings before income tax, depreciation and amortization (EBITDA) is expected to increase as the depreciation of the right-of-use assets and interests on the lease liability are excluded from this measure. The impact on net income is expected to be minor.

The Company plans to adopt IFRS 16 using the modified retrospective method commencing January 1, 2019. Under this method the Company will not restate 2018 under IFRS 16. In determining the opening balance sheet impact of the adoption of IFRS 16 as at January 1, 2019, the Company will recalculate all right of use asset and the lease liability of all leases as if these calculations had occurred from the data of inception of those leases. Additionally, the Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

The estimated impact as at the January 1, 2019 date of adoption is: i) a right of use asset of between $41 and $46 million; ii) a lease liability of between $46 and $50 million; iii) a reduction of retained earnings of approximately $3 million and iv) a deferred tax asset of approximately $1 million.

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, 2018.

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 2018

No changes were made in our internal control over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. On January 1, 2018, the Company adopted IFRS 9 and have updated and modified certain processes and internal controls over financial reporting as a result of this new accounting standard.

Evaluation of ICFR at December 31, 2018

As at December 31, 2018, 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, 2018.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, 2018, 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.

Jason Mullins
President & Chief Executive Officer

David Yeilding
Senior Vice President, Finance
(Interim Chief Financial Officer)

Independent Auditor's Report

To the shareholders of *goeasy* Ltd.

Opinion

We have audited the consolidated financial statements of ***goeasy* Ltd.** and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of *goeasy* Ltd. present fairly, in all material respects, the consolidated financial position of *goeasy* Ltd. as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion & Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the (Consolidated) Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Tedesco.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

February 13, 2019

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)	As At December 31, 2018	As At December 31, 2017
ASSETS		
Cash (note 5)	**100,188**	109,370
Amounts receivable (note 6)	**15,450**	14,422
Prepaid expenses	**3,835**	3,545
Consumer loans receivable, net (note 7)	**782,864**	513,425
Lease assets (note 8)	**51,618**	54,318
Property and equipment (note 9)	**21,283**	15,941
Derivative financial asset (note 13)	**35,094**	-
Deferred tax assets (note 18)	**9,445**	2,121
Intangible assets (note 10)	**14,589**	15,163
Goodwill (note 10)	**21,310**	21,310
TOTAL ASSETS	**1,055,676**	749,615
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**45,103**	43,071
Income taxes payable	**7,499**	9,445
Dividends payable (note 14)	**3,247**	2,426
Deferred lease inducements	**1,234**	1,294
Unearned revenue	**6,002**	4,819
Convertible debentures (note 12)	**40,581**	47,985
Notes Payable (note 13)	**650,481**	401,193
Derivative financial liability (note 13)	**-**	11,138
TOTAL LIABILITIES	**754,147**	521,371
Shareholders' equity		
Share capital (note 14)	**138,090**	85,874
Contributed surplus (note 15)	**16,105**	15,305
Accumulated other comprehensive income	**3,624**	141
Retained earnings	**143,710**	126,924
TOTAL SHAREHOLDERS' EQUITY	**301,529**	228,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,055,676**	749,615

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, 2018	Year Ended December 31, 2017
REVENUE		
Interest income	**255,997**	172,315
Lease revenue	**119,745**	125,111
Commissions earned	**117,000**	91,353
Charges and fees	**13,449**	12,949
	506,191	401,728
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**114,522**	102,666
Stock-based compensation (note 15)	**6,836**	5,623
Advertising and promotion	**19,145**	16,654
Bad debts	**118,980**	67,826
Occupancy	**34,665**	33,100
Technology costs	**11,118**	10,688
Other expenses (note 16)	**29,205**	25,570
	334,471	262,127
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets	**40,088**	41,221
Depreciation of property and equipment	**5,719**	5,702
Amortization of intangible assets	**6,196**	5,285
	52,003	52,208
Total operating expenses	**386,474**	314,335
Operating income	**119,717**	87,393
Finance costs (note 17)		
Interest expenses and amortisation of deferred financing charges	**45,800**	28,642
Refinancing cost	**-**	8,198
	45,800	36,840
Income before income taxes	**73,917**	50,553
Income tax expense (recovery) (note 18)		
Current	**24,354**	10,854
Deferred	**(3,561)**	3,567
	20,793	14,421
Net income	**53,124**	36,132
Basic earnings per share (note 19)	**3.78**	2.67
Diluted earnings per share (note 19)	**3.56**	2.56

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(expressed in thousands of Canadian dollars)	Year Ended December 31, 2018	Year Ended December 31, 2017
Net income	**53,124**	36,132
Other comprehensive (loss) income to be reclassified to statement of income in subsequent periods		
Change in foreign currency translation reserve	**(20)**	(48)
Change in fair value of cash flow hedge, net of taxes	**3,503**	(770)
Transfer of realized translation losses	**-**	79
	3,483	(739)
Comprehensive income	**56,607**	35,393

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 (Loss) Income	Total Shareholders' Equity
Balance, December 31, 2017	**85,874**	**15,305**	**101,179**	**126,924**	**141**	**228,244**
International Financial Reporting Standards 9 adjustment (note 3)	**-**	**-**	**-**	**(12,659)**	**-**	**(12,659)**
Adjusted Balance, January 1, 2018	**85,874**	**15,305**	**101,179**	**114,265**	**141**	**215,585**
Common Shares issued	**48,112**	**(2,972)**	**45,140**	**-**	**-**	**45,140**
Conversion of convertible debentures	**7,924**	**-**	**7,924**	**-**	**-**	**7,924**
Stock-based compensation (note 15)	**-**	**6,836**	**6,836**	**-**	**-**	**6,836**
Shares withheld related to net share settlement	**-**	**(3,064)**	**(3,064)**	**-**	**-**	**(3,064)**
Shares purchased for cancellation (note 14)	**(3,820)**	**-**	**(3,820)**	**(11,175)**	**-**	**(14,995)**
Comprehensive income	**-**	**-**	**-**	**53,124**	**3,483**	**56,607**
Dividends (note 14)	**-**	**-**	**-**	**(12,504)**	**-**	**(12,504)**
Balance, December 31, 2018	**138,090**	**16,105**	**154,195**	**143,710**	**3,624**	**301,529**
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 issued	-	3,220	3,220	-	-	3,220
Stock-based compensation (note 15)	-	5,623	5,623	-	-	5,623
Shares withheld related to net share settlement	-	(1,680)	(1,680)	-	-	(1,680)
Shares purchased for cancellation (note 14)	(536)	-	(536)	(2,159)	-	(2,695)
Comprehensive income (loss)	-	-	-	36,132	(739)	35,393
Dividends (note 14)	-	-	-	(9,659)	-	(9,659)
Balance, December 31, 2017	**85,874**	**15,305**	**101,179**	**126,924**	**141**	**228,244**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
(expressed in thousands of Canadian dollars)	December 31, 2018	December 31, 2017
OPERATING ACTIVITIES		
Net income	**53,124**	36,132
Add (deduct) items not affecting cash		
Bad debts expense	**118,980**	67,826
Depreciation of lease assets	**40,088**	41,221
Depreciation of property and equipment	**5,719**	5,702
Amortization of intangible assets	**6,196**	5,285
Stock-based compensation (note 15)	**6,836**	5,623
Amortization of premium on Notes Payable	**(1,005)**	-
Amortization of deferred financing charges	**4,540**	1,117
Deferred income tax (recovery) (note 18)	**(3,561)**	3,567
(Gain) loss on sale or disposal of assets	**(568)**	(2,709)
	230,349	163,764
Net change in other operating assets and liabilities (note 20)	**1,847**	15,636
Net issuance of consumer loans receivable	**(405,827)**	(226,752)
Purchase of lease assets	**(37,913)**	(42,041)
Cash used in operating activities	**(211,544)**	(89,393)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(11,225)**	(5,940)
Purchase of intangible assets	**(5,622)**	(6,136)
Proceeds on sale of assets	**1,231**	4,931
Cash used in investing activities	**(15,616)**	(7,145)
FINANCING ACTIVITIES		
Issuance of Notes Payable (note 13)	**203,202**	405,620
Payment of advances from revolving credit facilities	**(70,000)**	-
Advances from revolving credit facility	**69,378**	-
Payment of common share dividends (note 14)	**(11,683)**	(8,900)
Shares withheld related to net share settlement	**(3,064)**	(1,680)
Issuance of Common Shares	**45,140**	2,011
Issuance of convertible debentures (note 12)	**-**	49,918
Advances of term loan	**-**	(263,294)
Purchase of Common Shares for cancellation (note 14)	**(14,995)**	(2,695)
Cash provided by financing activities	**217,978**	180,980
Net increase in cash during the period	**(9,182)**	84,442
Cash, beginning of period	**109,370**	24,928
Cash, end of period	**100,188**	109,370

See accompanying notes to the consolidated financial statements.

Notes to consolidated financial statements

(Expressed in thousands of Canadian dollars except where otherwise indicated)

December 31, 2018 and December 31, 2017

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 provides everyday Canadians with a path for a better tomorrow, today. 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, 2018, the Company operated 241 *easyfinancial* locations (including 33 kiosks within *easyhome* stores) and 165 *easyhome* stores (including 31 franchises and one consolidated franchise location). 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).

The consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Company for the year ended December 31, 2018 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, 2018.

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

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 a special purpose entity ("SPE") where *goeasy* Ltd. has control but does not have ownership of a majority of voting rights.

As at December 31, 2018, the Parent Company's principal subsidiaries were:

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

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 United States (US) subsidiary, *easyhome* U.S. Ltd. and its SPE, is the US dollar ("US"). 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 translated 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 Income

Interest income 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) Commissions Earned and Charges and Fees

Commissions earned are recognized when, or as, a performance obligation is satisfied by providing a service to a customer, in the amount of the consideration to which the Company expects to receive. Charges and fees are recognized as revenue at a point in time upon when the transaction is completed.

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 and cash on hand, adjusted for in-transit items such as outstanding cheques and deposits.

Financial Assets

A. IFRS 9

Initial recognition and measurement

Beginning January 1, 2018, financial assets are classified at initial recognition at fair value through: i) profit or loss ("FVTPL"), ii) amortized cost, iii) debt financial instruments measured at fair value through other comprehensive income ("FVOCI"), iv) equity financial instruments designated at FVOCI, or v) financial instruments designated at FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed. All financial assets are measured at fair value with the exception of financial assets measured at amortized cost. Financial assets are reclassified when and only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

All debt instrument financial assets that do not meet a "solely payment of principal and interest" ("SPPI") test, including those that contain embedded derivatives are classified at initial recognition as FVTPL. For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis are classified as FVOCI for debt. Debt instruments that are managed on a "hold to collect" basis are classified as amortized cost.

Financial assets consist of amounts receivable and consumer loans receivable, and are initially measured at fair value plus transaction costs. They are subsequently measured at amortized cost.

Amortized cost is determined using the effective interest rate method, factoring in acquisition costs paid to third parties, and the allowance for loan losses. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument.

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 applies an expected credit loss ("ECL") model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the statement of financial position date, are provided for. The Company assesses and segments its loan portfolio into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each statement of financial position date. Loans are categorized as under-performing if there has been a significant increase in credit risk. The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a loan. Indicators of a significant increase in credit risk include a recent degradation in internal Company risk rating based on the Company's custom behaviour credit scoring model, NSF transactions, delinquency and adjustments to the loan's terms. Under-performing loans are recategorized to performing only if there is deemed to be a substantial decrease in credit risk. Loans are categorized as non-performing if there is objective evidence that such loans will likely charge-off in the future which we have determined to be when loans are delinquent for greater than 30 days. For performing loans, the Company is required to 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 is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life.

The Company does not provide any additional credit to borrowers who are delinquent. In order for additional credit to be advanced to a borrower, they must be current on their pre-existing loan and meet the Company's credit and underwriting requirements. In limited situations, the Company may amend the terms of a loan, typically through deferring payments and extending the loan amortization period, for customers that are current or are in arrears as a means to ensure the customer remains able to repay the loan.

The key inputs in the measurement of ECL allowances are as follows:

- The probability of default is an estimate of the likelihood of default over a given time horizon;
- The exposure at default is an estimate of the exposure at a future default date;
- The loss given default is an estimate of the loss arising in the case where a default occurs at a given time; and
- Forward-looking indicators ("FLIs").

Ultimately, the ECL is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and considers 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. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant. From an analysis of historical data, management has identified and reflected in our ECL allowance those relevant FLIs variables that contribute to credit risk and losses within its loan portfolio. Within the Company's loan portfolio, the most highly correlated variables are unemployment rates, inflation, and oil prices.

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.

Consumer loan balances, together with the associated allowances, are charged-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 charge-off is later recovered, the recovery is credited to bad debts expense.

For amounts receivable, the Company applies a simplified approach in calculating ECLs recognizing a loss allowance based on lifetime ECLs at each reporting date.

Modified Loans

In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, rate reductions and other modifications intended to minimize the economic loss. The Company has policies in place to determine the appropriate remediation strategy based on the individual borrower.

If the Company determines that a modification results in the expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the date of modification.

If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, the loans can revert to having twelve-month ECLs after a period of performance and improvement in the borrower's financial condition.

B. IAS 39

Prior to January 1, 2018, 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 charged-off against the allowance for loan losses.

Financial assets, together with the associated allowances, are charged-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:

- Lease assets, excluding game stations, computers and related equipment, are depreciated using the units of activity method over the expected lease agreement term.
- 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.
- 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	5 years
Office equipment	7 years
Automotive	5 years
Signage	7 years
Leasehold improvements	5 or 10 years depending on the 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. Websites and digital properties are amortized over their estimated useful lives of three 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.

The Company regularly reviews lease assets that are idle for more than 90 days for any indicators of impairment. Such assets deemed not leaseable or sellable are discarded and their net carrying value reduced to nil.

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. 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, US 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 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 Instruments and Hedge Accounting

The Company's financing activities expose it to the financial risks of changes in foreign exchange rates. The Company utilizes derivative financial instruments as cash flow hedges 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 cash flow hedges to hedge the change due to foreign exchange risk when the derivative financial instruments meet the criteria for hedge accounting in accordance with IFRS 9.

In order to qualify for hedge account, formal documentation must include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the change in values that result from that economic relationship.
- The hedge ratio of the hedging relationship is consistent with management's risk strategy.

Where an effective hedge exists, the change in the fair value of the derivative instrument is recognized in Other Comprehensive Income and reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows (in this case the interest or principal payments of the Company's US Notes Payable) affect profit or loss. As such there is no net impact on net 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 15.

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 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) Allowance for Credit Losses and Allowance for Loan Losses

ECL method is applied in determining the allowance for credit losses on gross consumer loans receivable as at December 31, 2018. The key inputs in the measurement of ECL allowances, all of which are subject to accounting judgments, estimates and assumptions are discussed in Note 2.

The allowance for loan losses as at December 31, 2017 consists of both specific allowances on identified impaired loans and an estimate of incurred losses in the loan portfolio under IAS 39 that have not yet been identified based on an assessment of historical loss rates and patterns.

ii) 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.

iii) 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 consumer loans, as estimated by management.

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 based on the time on lease against the lease agreement term, which is estimated by management for each product category. Other assets on lease such as game stations, computers and related equipment are depreciated on a straight-line basis over their estimated useful lives.

vi) Depreciation of Property and Equipment

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

vii) Impairment on Non-Financial Assets

The indicators of impairment are based on management's judgment. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. Where the carrying amount of an asset or

CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the recoverable amount, management estimates the asset's or CGU's value in use. Value in use is based on the estimated future cash flows of the asset or CGU discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

viii) Impairment of Goodwill and Indefinite Life Intangibles

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

ix) Fair Value of Stock-Based Compensation

The fair value of equity settled 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

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 payments that have not yet been earned, lease processing fees that are received at the inception of a consumer lease and secured loan origination fees charged to consumers. The processing fees are recognized into income over the expected life of the lease agreement, as estimated by management. The secured loan origination fees are recognized into income over the expected life of the loan, 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.

3. ADOPTION OF ACCOUNTING STANDARD

IFRS 9, Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 introduces a new expected loss impairment model which replaces the existing incurred loss impairment model under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The adoption of IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives provided hindsight is not applied. The Company made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amounts and the new carrying amounts on January 1, 2018, through an adjustment to opening retained earnings.

Under IAS 39, a collective allowance for loan loss is recorded on those loans, or groups of loans, where a loss event had occurred but had not been reported, as at, or prior to, the balance sheet date. An incurred but not reported loss event provided 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.

Refer to Note 2 for initial recognition and measurement and impairment policy under IFRS 9.

Consistent with IAS 39, all financial assets held by the Company under IFRS 9 are initially measured at fair value plus transaction costs and subsequently measured at amortized cost with the exception of derivative financial instruments. Derivatives continue to be measured at FVTPL under IFRS 9. There were no material changes to the carrying values of financial instruments as a result of the transition to the classification and measurement requirements of IFRS 9.

The classification and measurement of financial liabilities remain essentially unchanged from the IAS 39 requirements, except that changes in the fair value of liabilities designated at FVTPL using the fair value option (FVO) which are attributable to changes in own credit risk are presented in OCI, rather than profit and loss.

Under IFRS 9, the Company is required to apply an expected credit loss (ECL) model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the balance sheet date, are provided for.

It is important to note that the adoption of IFRS 9 does not directly impact the net charge-off rate of the Company's consumer loans receivable portfolio which is driven by borrowers' credit profile and behaviour. The Company will continue to charge-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 are not 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 following table summarizes the transition adjustment required to adopt IFRS 9 as at January 1, 2018, which is entirely as a result of the change in the impairment requirements.

	IAS 39 carrying amount as at December 31, 2017	Transition Adjustment	IFRS 9 carrying amount as at January 1,2018
Consumer loans receivable	**513,425**	**(17,406)**	**496,019**
Deferred tax asset	**2,121**	**4,749**	**6,870**
Retained earnings	**126,924**	**(12,659)**	**114,265**

The reconciliation of the Company's closing allowances for credit losses in accordance with IAS 39, as at December 31, 2017 and the opening allowance for credit losses in accordance with IFRS 9, as at January 1, 2018 is as shown in the following table:

	As reported under IAS 39 as at December 31, 2017	Transition Adjustments	As reported under IFRS 9 as at January 1, 2018
Allowance for credit losses	**31,706**	**17,406**	**49,112**
Stage 1 (Performing)			**24,384**
Stage 2 (Under-Performing)			**16,193**
Stage 3 (Non-Performing)			**8,535**
Total			**49,112**

Hedge accounting

IFRS 9 also introduces a new general hedge accounting model that aims to better align accounting with risk management activities. The Company has adopted hedge accounting under IFRS 9 and applied it prospectively. At the date of the initial application, the Company's hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Company has continued to designate the change in fair value of all of the cross-currency swaps to the Company's cash flow hedge relationship and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Company's financial statements. The Company complies with the revised hedge accounting disclosures as required by the related amendments to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7). The application of hedge accounting requirements of IFRS 9 did not have a material impact on the Company's accounting policies or comparative balances in the financial statements.

IFRS 15, Revenue from Contracts with Customers

On January 1, 2018, the Company adopted and applied IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The new standard did not result in any financial adjustments to the Company's consolidated financial statements, nor any material changes to the Company's revenue recognition policies. Additional required disclosures and revenue segmentation is as provided in note 19 Segmented Reporting.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16, Leases

The Company will be required to adopt IFRS 16, *Leases* ("IFRS 16") on January 1, 2019, which is the IASB replacement of IAS 17, *Leases* ("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. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. As such IFRS 16 will not impact the financial results of the Company's *easyhome* leasing business. However, the accounting for the Company's premises and vehicle leases will be impacted by this standard.

The Company set up a team under the direction of the Company's Chief Financial Officer which reviewed all of the Company's leasing arrangements. From the lessee's perspective, IFRS 16 affected the accounting for the Company's vehicle and premises leases which were treated as operating leases under IAS 17, whereby such lease payments were expensed periodically as part of operating expenses without the recognition of the corresponding assets and related depreciation. Under IFRS 16, a significant right-of-use asset and lease liability will be recognized at the date of implementation resulting in a material increase to both total assets and total liabilities. The right-of-use asset will be amortized on a straight-line basis over the lease term of the underlying lease assets. The lease liability will also be amortized under the effective interest rate method using the interest rate inherent in the underlying leases and lease payments will include both a principal and interest component.

The net effect of this change is that earnings before income tax, depreciation and amortization (EBITDA) is expected to increase as the depreciation of the right-of-use assets and interests on the lease liability are excluded from this measure. The impact on net income is expected to be minor.

Transition to IFRS 16

The Company plans to adopt IFRS 16 using the modified retrospective method commencing January 1, 2019. Under this method the Company will not restate 2018 under IFRS 16. In determining the opening balance sheet impact of the adoption of IFRS 16 as at January 1, 2019, the Company will recalculate all right of use asset and the lease liability of all leases as if these calculations had occurred from the data of inception of those leases. Additionally, the Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

The estimated impact as at the January 1, 2019 date of adoption is: i) a right of use asset of between $41 and $46 million; ii) a lease liability of between $46 and $50 million; iii) a reduction of retained earnings of approximately $3 million and iv) a deferred tax asset of approximately $1 million.

5. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates. The Company has pledged part of its cash to fulfil collateral requirements under its derivative financial instruments contract. As at December 31, 2018, the fair value of the cash pledged was nil (2017 - $16.2 million).

6. AMOUNTS RECEIVABLE

	December 31, 2018	December 31,2017
Vendor rebate receivable	**593**	657
Due from franchisees	**2,467**	2,778
Commission receivable	**9,439**	8,475
Other	**2,951**	2,512
	15,450	14,422
Current	**14,438**	13,397
Non-current	**1,012**	1,025
	15,450	14,422

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

7. CONSUMER LOANS RECEIVABLE

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

	December 31,2018	December 31,2017
Gross consumer loans receivable	**833,779**	526,546
Interest receivable from consumer loans	**10,472**	6,530
Unamortized deferred acquisition costs	**18,354**	12,055
Allowance for credit losses	**(79,741)**	(31,706)
	782,864	513,425

The allocation of the Company's gross consumer loans receivable as at December 31, 2018 and 2017 based on loan types are as follows:

	December 31, 2018	December 31, 2017
Unsecured installment loans	**780,850**	518,049
Secured installment loans	**52,929**	8,497
	833,779	526,546

The scheduled principal repayment aging analysis of gross consumer loans receivable portfolio as at December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	$	% of total loans	$	% of total Loans
0 - 6 months	**139,631**	**16.7%**	104,208	19.8%
6 - 12 months	**104,619**	**12.5%**	79,952	15.2%
12 - 24 months	**221,626**	**26.6%**	149,356	28.4%
24 - 36 months	**204,227**	**24.5%**	125,258	23.8%
36 - 48 months	**106,346**	**12.8%**	50,714	9.6%
48 - 60 months	**29,002**	**3.5%**	11,686	2.2%
60 months +	**28,328**	**3.4%**	5,372	1.0%
	833,779	**100.0%**	526,546	100.0%

The gross consumer loans receivable portfolio categorized by the contractual time to maturity at year-ends are summarized as follows:

	December 31, 2018		December 31, 2017	
	$	% of total loans	$	% of total Loans
0 - 1 year	**34,355**	**4.1%**	37,332	7.1%
1 - 2 years	**108,262**	**13.0%**	96,443	18.3%
2 - 3 years	**260,205**	**31.2%**	183,254	34.8%
3 - 4 years	**270,621**	**32.5%**	145,165	27.6%
4 - 5 years	**108,932**	**13.1%**	55,853	10.6%
5 years +	**51,404**	**6.1%**	8,499	1.6%
	833,779	**100.0%**	526,546	100.0%

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

	December 31, 2018		December 31, 2017	
	$	% of total loans	$	% of total Loans
1 - 30 days	**25,442**	**3.1%**	17,275	3.3%
31 - 44 days	**5,931**	**0.7%**	3,601	0.7%
45 - 60 days	**5,930**	**0.7%**	3,330	0.6%
61 - 90 days	**6,559**	**0.8%**	4,349	0.8%
91 - 180 days	**83**	**0.0%**	-	-
	43,945	**5.3%**	28,555	5.4%

The following table provides the gross consumer loans receivable split by the Company's risk ratings and further segregated by Stage 1, Stage 2, and Stage 3. The categorization of borrowers into low, normal and high risk is based on the Company's custom behaviour credit scoring model. This scoring model has been built and refined using analytical techniques and statistical modelling tools which has proven more effective at predicting future losses than traditional credit scores available from credit reporting agencies. Borrowers categorized as low risk have expected future losses that are lower than the average expected loss rate of the overall loan portfolio. Customers categorized as normal risk have expected future losses that are approximately the same as the average expected loss rate of the overall loan portfolio. Customers categorized as high risk have expected future losses that are higher than the average expected loss rate of the overall loan portfolio. The median TransUnion Risk Score for those borrowers categorized as low, normal and high risk is presented below as reference.

	As at December 31, 2018				
	Median TransUnion Risk Score	Stage 1 (Performing)	Stage 2 (Under-performing)	Stage 3 (Non-Performing)	Total
Low Risk	**610**	**324,989**	**1,517**	**-**	**326,506**
Normal Risk	**539**	**310,059**	**8,763**	**-**	**318,822**
High Risk	**496**	**66,119**	**103,998**	**18,334**	**188,451**
Total	**544**	**701,167**	**114,278**	**18,334**	**833,779**

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

	Year ended December 31, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at January 1, 2018	**446,920**	**68,440**	**11,186**	**526,546**
Gross loan originated	**922,550**	**-**	**-**	**922,550**
Principal payments and other adjustments	**(527,488)**	**13,559**	**(3,226)**	**(517,155)**
Transfers to (from)				
Stage 1 (Performing)	**135,378**	**(133,616)**	**(1,762)**	**-**
Stage 2 (Under-Performing)	**(234,495)**	**250,963**	**(16,468)**	**-**
Stage 3 (Non-Performing)	**(22,481)**	**(70,007)**	**92,488**	**-**
Gross charge-offs	**(19,217)**	**(15,061)**	**(63,884)**	**(98,162)**
Balance as at December 31, 2018	**701,167**	**114,278**	**18,334**	**833,779**

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

	December 31, 2018	December 31, 2017
Balance, beginning of year	**49,112**	23,456
Net amounts charged-off against allowance	**(88,351)**	(59,576)
Increase due to lending and collection activities	**118,980**	67,826
Balance, end of year	**79,741**	31,706

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

	Year ended December 31, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at January 1, 2018	**24,384**	**16,193**	**8,535**	**49,112**
Gross loans originated	**53,883**	**-**	**-**	**53,883**
Principal payments and other adjustments	**(20,232)**	**2,713**	**(11,009)**	**(28,528)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**23,634**	**(25,868)**	**(1,252)**	**(3,486)**
Stage 2 (Under-Performing)	**(20,893)**	**70,393**	**(12,403)**	**37,097**
Stage 3 (Non-Performing)	**(4,754)**	**(20,870)**	**85,638**	**60,014**
Net amounts charged-off against allowance	**(18,307)**	**(14,347)**	**(55,697)**	**(88,351)**
Balance as at December 31, 2018	**37,715**	**28,214**	**13,812**	**79,741**

8. LEASE ASSETS

	December 31, 2018	December 31, 2017
Cost		
Balance, beginning of year	**68,493**	74,049
Additions	**37,913**	42,041
Disposals	**(44,226)**	(47,597)
Balance, end of year	**62,180**	68,493
Accumulated Depreciation		
Balance, beginning of year	**(14,175)**	(18,761)
Depreciation for the year	**(40,088)**	(41,221)
Disposals	**43,701**	45,807
Balance, end of year	**(10,562)**	(14,175)
Net book value	**51,618**	54,318

During the year ended December 31, 2018, the net book value of the lease assets sold by the Company was $516 (2017 – $1,752).

9. PROPERTY AND EQUIPMENT

	Furniture and Fixtures	Computer and Office Equipment	Automotive	Signage	Leasehold Improvements	Total
Cost						
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	(276)	(662)	-	(125)	(494)	(1,557)
As at December 31, 2017	**14,501**	**10,398**	**212**	**5,911**	**26,631**	**57,653**
Additions	**1,926**	**2,066**	**-**	**393**	**6,840**	**11,225**
Disposals	**(683)**	**(1,400)**	**(6)**	**(121)**	**(1,451)**	**(3,661)**
As at December 31, 2018	**15,744**	**11,064**	**206**	**6,183**	**32,020**	**65,217**
Accumulated Depreciation						
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	205	434	-	94	424	1,157
As at December 31, 2017	**(10,648)**	**(6,665)**	**(210)**	**(4,357)**	**(19,832)**	**(41,712)**
Depreciation	**(1,070)**	**(1,128)**	**(3)**	**(411)**	**(3,107)**	**(5,719)**
Disposals	**654**	**1,309**	**7**	**103**	**1,424**	**3,497**
As at December 31, 2018	**(11,064)**	**(6,484)**	**(206)**	**(4,665)**	**(21,515)**	**(43,934)**
Net Book Value						
As at December 31, 2017	3,853	3,733	2	1,554	6,799	15,941
As at December 31, 2018	**4,680**	**4,580**	**-**	**1,518**	**10,505**	**21,283**

As at December 31, 2018, the amount of property and equipment classified as under construction or development and not being amortized was $1.5 million (2017 – $0.9 million).

During the year ended December 31, 2018, the net book value of the property and equipment sold by the Company was $168 (2017 – $395).

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 year. 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 13.60%. 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, 2018, the Company recorded a net impairment recovery in depreciation of property and equipment of $150 (2017 – $211 net impairment charge). All impairment charges and recoveries related solely to the *easyhome* segment.

10. INTANGIBLE ASSETS AND GOODWILL

	Trademarks	Customer Lists	Software	Total
Cost				
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**
Additions	**-**	**481**	**5,141**	**5,622**
Disposals	**-**	**-**	**(2)**	**(2)**
As at December 31, 2018	**2,088**	**1,683**	**36,055**	**39,826**
Accumulated Amortization				
As at December 31, 2016	(1,992)	(585)	(11,183)	(13,760)
Amortization	-	(224)	(5,061)	(5,285)
Disposals	-	-	2	2
As at December 31, 2017	**(1,992)**	**(809)**	**(16,242)**	**(19,043)**
Amortization	**-**	**(230)**	**(5,966)**	**(6,196)**
Disposals	**-**	**-**	**2**	**2**
As at December 31, 2018	**(1,992)**	**(1,039)**	**(22,206)**	**(25,237)**
Net Book Value				
As at December 31, 2017	96	393	14,674	15,163
As at December 31, 2018	**96**	**644**	**13,849**	**14,589**

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, 2018 were $5.1 million (2017 – $6.0 million) of internally developed software application and website costs.

Goodwill was $21.3 million as at December 31, 2018 (2017 – $21.3 million). There were no disposals or impairments applied to goodwill during the years ended December 31, 2018 and 2017.

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, 2018 and 2017. 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 13.60%, 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. REVOLVING CREDIT FACILITY

The Company's revolving credit facility consists of a $174.5 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 bps, at the option of the Company. During the year, the Company made advances against the revolving credit facility amounting to $70.0 million which was subsequently paid in July 2018. As at December 31, 2018 and December 31, 2017, no amount was drawn on this facility.

The financial covenants of the revolving credit facility were as follows:

Financial covenant	Requirements	December 31, 2018
Minimum consolidated tangible net worth	>132,000 plus 50% of consolidated net income	**$249,610**
Maximum consolidated leverage ratio	< 3.25	**2.40**
Minimum consolidated fixed charge coverage ratio	> 1.75	**2.08**
Maximum net charge-off ratio	< 15.0%	**12.7%**
Minimum collateral performance index	> 90.0%	**99.9%**

As at December 31, 2018, the Company was in compliance with all of its financial covenants under its credit agreements.

12. 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.

The following table summarizes the details of the convertible debentures:

	Liability component of Debenture	Equity component of Debenture	Net Book Value
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
As at December 31, 2017	**47,985**	**3,220**	**51,205**
Conversion of debentures to equity (net of $1,013 unamortized deferred financing costs)	**(7,924)**	-	**(7,924)**
Accretion in carrying value of debenture liability	**1,234**	-	**1,234**
Accrued interest	**2,858**	-	**2,858**
Interest payment	**(3,572)**	-	**(3,572)**
As at December 31, 2018	**40,581**	**3,220**	**43,801**

As at December 31, 2018, $8.9 million convertible debentures were converted into 203,000 Common Shares (December 31, 2017 - nil).

13. Notes Payable

On November 1, 2017, the Company issued US325.0 million of 7.875% senior unsecured Notes Payable (the "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 mature on November 1, 2022.

The Notes Payable include certain prepayment features: i) up to November 1, 2019, all of the Notes Payable can be prepaid at par plus a premium and accrued and unpaid interest; ii) from November 1, 2019 to October 31, 2020, all of the Notes Payable can be prepaid at a price of 103.94% plus accrued and unpaid interest; iii) from November 1, 2020 to October 31, 2021, all of the Notes Payable can be prepaid at a price of 101.97% plus accrued and unpaid interest; and iv) subsequent to November 1, 2021 the Notes Payable can be prepaid at par plus accrued and unpaid interest.

Concurrent with the issuance of the Notes Payable in 2017, the Company entered into derivative financial instruments (the "cross-currency swaps") as cash flow hedges to manage the Notes Payable's foreign currency risk associated with future exchange rate fluctuations between the US Dollar and Canadian Dollar. By entering into the cross-currency swaps, the Company fixed the foreign currency exchange rate for the proceeds from the offering for all required payments of principal and interest under the US325.0 million Notes Payable at a fixed exchange rate of US1.000 = C$1.2890. The cross-currency swaps fully hedge the obligation under the Notes Payable to C$418.9 million at an interest rate of 7.84%.

The following table summarizes the details of the US325.0 million Notes Payable:

	December 31, 2018	December 31, 2017
Notes Payable in C$ at issuance	**418,925**	418,925
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**24,278**	(10,367)
	443,203	408,558
Accrued interest on credit facilities	**5,694**	5,508
Unamortized deferred financing costs	**(10,821)**	(12,873)
	438,076	401,193

On July 16, 2018, the Company issued an additional US150.0 million of Notes Payable due on November 1, 2022. These Notes Payable were issued at a price of US1,050 per US1,000 principal amount.

Concurrent with the issuance of the additional Notes Payable in 2018, the Company entered into derivative financial instruments ("cross-currency swaps") as cash flow hedges to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the additional Notes Payable at a fixed exchange rate of US1.000 = C$1.316, thereby fully hedging the US150.0 million additional Notes Payable to C$197.5 million at a Canadian dollar interest rate of 7.52%. The issuance of the Notes Payable was at a 105 premium to par resulting in an interest rate excluding the effect of financing charges of 6.17%, and when factoring in financing charges, an effective interest rate of 6.69%.

The following table summarizes the details of the US150.0 million Notes Payable:

	December 31, 2018	December 31, 2017
Notes Payable in C$ at issuance	**197,458**	-
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**7,097**	-
	204,555	-
Accrued interest on credit facilities	**2,475**	-
Unamortized premium	**8,868**	-
Unamortized deferred financing costs	**(3,493)**	-
	212,405	-

The following table summarizes the total carrying value of Notes Payable:

	December 31, 2018	December 31, 2017
Notes Payable issued November 2017	**438,076**	401,193
Notes Payable issued July 2018	**212,405**	-
	650,481	401,193

The Company has elected to use hedge accounting for the Notes Payable and the cross-currency swaps. (i.e., the same notional amount, maturity date, interest rate, interest payment dates). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Notes Payable and cross-currency swaps. There was no hedge ineffectiveness recognized in net income for the year ended December 31, 2018.

As the Notes Payable and the cross-currency swaps are in an effective hedging relationship, changes in the fair value of the cross-currency swaps is recorded in Other Comprehensive Income and subsequently reclassified into net income to offset the effect of foreign currency exchange rates related to the Notes Payable recognized in net income.

The cross-currency swaps have an aggregated notional amount equal to the aggregated principal outstanding of the hedged Notes Payable. During 2018, the change in fair value of the cross-currency swaps used for measuring ineffectiveness for the period is as follows:

	December 31, 2018	December 31, 2017
Derivative financial asset (liability) related to Notes Payable issued November 2017	**25,680**	(11,138)
Derivative financial asset (liability) related to Notes Payable issued July 2018	**9,414**	-
	35,094	(11,138)

The counter party has posted cash collateral of $29.9 million as at December 31, 2018 (2017 – nil) in respect of the derivative financial instruments.

14. 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:

	December 31, 2018		December 31, 2017	
	# of shares (in 000's)	$	# of shares (in 000's)	$
Balance, beginning of the year	**13,476**	**85,874**	13,325	82,598
Share issuance, net of cost	**920**	**44,182**	-	-
Convertible Debt	**203**	**7,924**	-	-
Exercise of RSUs	**146**	**2,860**	58	1,315
Exercise of stock options	**46**	**562**	174	2,377
Dividend reinvestment plan	**12**	**508**	4	120
Shares purchased for cancellation	**(398)**	**(3,820)**	(85)	(536)
Balance, end of the year	**14,405**	**138,090**	13,476	85,874

Dividends on Common Shares

For the year ended December 31, 2018, the Company paid dividends of $11.7 million (2017 - $8.9 million) or $0.855 per share (2017 - $0.665 per share). On November 7, 2018, the Company declared a dividend of $0.225 per share to shareholders of record on December 28, 2018, payable on January 11, 2019. The dividend paid on January 11, 2019 was $3.2 million.

Shares Purchased for Cancellation

During the year ended December 31, 2018, the Company purchased and cancelled 398,452 (2017 - 85,388) of its Common Shares on the open market at an average price of $37.61 (2017 - $31.53) for a total cost of $15.0 million (2017 - $2.7 million) pursuant to a normal course issuer bid. The normal course issuer bid in effect as at December 31, 2018 allows for a total purchase of up to 555,000 Common Shares and expires on November 12, 2019.

15. 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.

	December 31, 2018		December 31, 2017	
	# of Option (in 000's)	Weighted average exercise price $	# of Option (in 000's)	Weighted average exercise price $
Outstanding balance, beginning of year	**526**	**23.70**	471	14.31
Options granted	**186**	**35.50**	238	32.37
Options exercised	**(46)**	**9.81**	(174)	10.87
Options forfeited or expired	**(53)**	**31.30**	(9)	10.20
Outstanding balance, end of year	**613**	**27.67**	526	23.70
Exercisable balance, end of year	**236**	**17.98**	208	15.64

Outstanding options to officers and employees as at December 31, 2018 were as follows:

	Outstanding			Exercisable	
Range of Exercise Prices $	# of Option (in 000's)	Weighted average remaining contractual life in years	Weighted average exercise price $	# of Option (in 000's)	Weighted average exercise price $
16.22 - 19.99	**226**	**0.50**	**17.71**	**226**	**17.71**
20.00 - 29.99	**10**	**0.67**	**24.45**	**10**	**24.45**
30.00 - 35.50	**377**	**3.97**	**33.73**	**-**	**-**
16.22 - 35.50	**613**	**2.64**	**27.67**	**236**	**17.98**

The Company used the fair value method of accounting for stock options granted to employees. During the year ended December 31, 2018, the Company recorded an expense of $914 (2017 – $586) 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 2018 and 2017 were determined using the Black-Scholes option pricing model with the following assumptions:

	2018	2017
Risk-free interest rate (% per annum)	**2.01**	1.37
Expected hold period to exercise (years)	**4.75**	4.75
Volatility in the price of the Company's shares (%)	**35.74**	35.54
Dividend yield (%)	**2.03**	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.

	December 31, 2018		December 31, 2017	
	# of RSUs (in 000's)	Weighted average fair value at grant date $	# of RSUs (in 000's)	Weighted average fair value at grant date $
Outstanding balance, beginning of year	**641**	**22.78**	598	19.71
RSUs granted	**184**	**39.78**	185	31.95
RSU dividend reinvestments	**10**	**39.80**	11	29.36
RSU exercised	**(226)**	**16.93**	(116)	22.55
RSUs forfeited	**(76)**	**25.26**	(37)	21.69
Outstanding balance, end of year	**533**	**31.14**	641	22.78

For the year ended December 31, 2018, $5,181 (2017 – $4,409) 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, 2018, the Company granted 14,767 DSUs (2017 – 17,100 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, 2018, $741 (2017 – $628, respectively) was recorded as stock-based compensation expense under the DSU Plan in the consolidated statements of income. Additionally, for the year ended December 31, 2018, an additional 3,684 DSUs (2017 – 3,460 DSUs) were granted as a result of dividends reinvested.

Stock-Based Compensation Expense

During the year ended December 31, 2018, the Company recorded $6,836 in stock-based compensation expense. (2017 – $5,623).

Contributed Surplus

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

	December 31, 2018	December 31, 2017
Contributed surplus, beginning of year	**15,305**	9,943
Equity-settled stock-based compensation expense		
Stock options	**914**	586
Restricted share units	**5,181**	4,409
Deferred share units	**741**	628
Equity component of convertible debentures	**-**	3,220
Reduction due to exercise of stock-based compensation		
Stock options	**(112)**	(486)
Restricted share units	**(5,924)**	(2,995)
Contributed surplus, end of year	**16,105**	15,305

16. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios and other assets. For the year ended December 31, 2018, other expenses included net gains realized on the sale of lease portfolios and other assets of $0.6 million (2017 – $2.9 million).

17. FINANCE COSTS

Finance costs in consolidated statements of income include interest expense, amortization of deferred financing costs and accretion expense on both the credit facilities and the convertible debentures. As a result of repaying the term loan in 2017, the Company incurred an early repayment penalty and expensed 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.

	December 31, 2018	December 31, 2017
Interest expense	**41,260**	25,660
Amortization of deferred financing costs and accretion expense	**4,540**	2,982
Refinancing cost	**-**	8,198
	45,800	36,840

18. INCOME TAXES

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

	December 31, 2018	December 31, 2017
Combined basic federal and provincial income tax rates	**27.2%**	27.2%
Expected income tax expense	**20,112**	13,765
Non-deductible expenses	**574**	410
US and SPE results not tax effected	**27**	841
Effect of capital gains on sale of assets and investments	**(92)**	(401)
Other	**172**	(194)
	20,793	14,421

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

	December 31, 2018	December 31, 2017
Current income tax:		
Current income tax charge	**23,689**	15,853
Adjustments in respect of prior years and other	**665**	(4,999)
	24,354	10,854
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(3,561)**	3,567
	20,793	14,421

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

	December 31, 2018	December 31, 2017
Amounts receivable and allowance for credit losses	**7,481**	1,676
Premium on Notes Payable	**2,350**	-
Stock based compensation	**1,994**	1,848
Unearned revenue	**454**	462
Loss carry forwards	**187**	-
Revaluation of Notes Payable and cross-currency swaps	**(986)**	-
Tax cost of lease assets and property and equipment in excess of net book value	**(991)**	(1,620)
Financing fees	**(1,044)**	(245)
	9,445	2,121

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, 2018 and 2017, there was no recognized deferred tax liabilities for taxes that would be payable on the undistributed earnings of the Company's subsidiaries. The Company has determined that undistributed earnings of its subsidiaries would not be distributed in the foreseeable future.

19. EARNINGS PER SHARE

Basic Earnings Per Share

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

	December 31, 2018	December 31, 2017
Net income	**53,124**	36,132
Weighted average number of ordinary shares outstanding (in 000's)	**14,045**	13,544
Basic earnings per ordinary share	**3.78**	2.67

For the year ended December 31, 2018, 173,667 DSUs (2017 - 154,201 DSUs) 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 years ended December 31, 2018 and 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.

	December 31, 2018	December 31, 2017
Net income	**53,124**	36,132
After tax impact of convertible debentures	**2,690**	1,790
Fully diluted net income	**55,814**	37,922
Weighted average number of ordinary shares outstanding (in 000's)	**14,045**	13,544
Dilutive effect of stock-based compensation (in 000's)	**496**	559
Dilutive effect of convertible debentures (in 000's)	**1,130**	702
Weighted average number of diluted shares outstanding (in 000's)	**15,671**	14,805
Dilutive earnings per ordinary share	**3.56**	2.56

For the year ended December 31, 2018, 185,784 stock options to acquire Common Shares (2017 – 238,088), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

20. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	December 31, 2018	December 31, 2017
Amounts receivable	**(1,028)**	(6,565)
Prepaid expenses	**(290)**	(1,636)
Accounts payable and accrued liabilities	**2,032**	10,584
Income taxes payable	**(1,946)**	6,571
Deferred lease inducements	**(60)**	(212)
Unearned revenue	**1,183**	(385)
Accrued interest	**1,956**	7,279
	1,847	15,636

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

	December 31, 2018	December 31, 2017
Income taxes paid	**26,300**	6,516
Income taxes refunded	**-**	2,233
Interest paid	**45,023**	12,687
Interest received	**253,578**	174,478

21. COMMITMENTS AND GUARANTEES

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

	Within 1 year	After 1 year, but not more than 5 years	More than 5 years
Premises	**20,275**	**42,946**	**56,121**
Vehicles	**850**	**1,911**	**279**
Technology commitments	**8,778**	**12,755**	**-**
Total contractual obligations	**29,903**	**57,612**	**56,400**

During the year ended December 31, 2018, $31.8 million (2017 – $30.4 million) was recognized as an expense in the consolidated statements of income in respect of operating leases.

22. CONTINGENCIES

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

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

23. CAPITAL RISK MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of bank debt (revolving operating facility), 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, 2018 and 2017, the Company was in compliance with all of its externally imposed financial covenants.

24. FINANCIAL RISK MANAGEMENT

Overview

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

Credit Risk

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

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by FLIs. The analysis performed by the Company determined that the rate of inflation and rate of unemployment were positively correlated with the Company's historic loss rates while oil prices were negatively correlated with the Company's historic loss rates. For purposes of determining its allowance for loan losses at each statement of financial position date, the Company utilizes the forecasts of these FLIs from five large Canadian banks. The impact on the allowance for credit losses as a percentage of ending gross consumer loans receivable should each of these FLIs increase (or decrease) by 10%, as at December 31, 2018 is as follows:

	Change in FLIs	Impact on allowance for credit losses as a percentage of the ending gross consumer loans receivable
Rate of unemployment	**+/- 10%**	**+/- 43 bps**
Rate of inflation	**+/- 10%**	**+/- 9 bps**
Oil prices	**+/- 10%**	**-/+ 22 bps**

As at December 31, 2018, the Company's gross consumer loan receivable portfolio was $833.7 million (2017 – $526.5 million). Net charge-offs expressed as a percentage of the average loan book were 12.7% for the year ended December 31, 2018 (2017 – 13.6%).

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, 2018, the Company's lease assets were $51.6 million (2017 – $54.3 million). Lease asset losses for the year ended December 31, 2018 represented 3.3% (2017 – 3.0%) 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 the credit facility will be sufficient in the near term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. In addition, the incremental financing obtained in 2018 will allow the Company to continue growing its consumer loans receivable portfolio into the third quarter of 2020. 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. These credit facilitates have no current component and are due as disclosed in note 12 & 13. As at December 31, 2018, no amount was drawn on Company's revolving credit facilities (note 11).

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, 2018 the Notes Payable and the Convertible Debentures had a fixed rate of interest. The $174.5 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, 2018 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, 2018, none of the Company's outstanding 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 US$325 million Notes Payable in 2017 and US$150 million in 2018. These Notes Payable are due November 1, 2022 with a US coupon rate of 7.875%. Concurrent with these offerings, the Company entered into currency swap agreements to fix the foreign exchange rate for the proceeds from the offerings and for all required payments of principal and interest under these Notes Payable effectively hedging the obligation. 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 US 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. A 5% movement in the Canadian and US exchange rate would have increased or decreased net income for the year by approximately $5.

25. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial instruments	Measurement	December 31, 2018	December 31, 2017
Cash	Amortized cost	**100,188**	109,370
Amounts receivable	Amortized cost	**15,450**	14,422
Consumer loans receivable	Amortized cost	**782,864**	513,425
Derivative financial assets	Fair value	**35,094**	-
Accounts payable and accrued liabilities	Amortized cost	**45,103**	43,071
Derivative financial liabilities	Fair value	**-**	11,138
Convertible debentures	Amortized cost	**40,581**	47,985
Notes Payable	Amortized cost	**650,481**	401,193

Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the unaudited interim condensed 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, 2018 and 2017:

December 31, 2018	Total	Level 1	Level 2	Level 3
Cash	**100,188**	**100,188**	**-**	**-**
Amounts receivable	**15,450**	**-**	**-**	**15,450**
Consumer loans receivable	**782,864**	**-**	**-**	**782,864**
Derivative financial asset	**35,094**	**-**	**35,094**	**-**
Accounts payable and accrued liabilities	**45,103**	**-**	**-**	**45,103**
Convertible debentures	**40,581**	**-**	**-**	**40,581**
Notes Payable	**650,481**	**-**	**-**	**650,481**

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	43,071	-	-	43,071
Derivative financial liabilities	11,138	-	11,138	-
Convertible debentures	47,985	-	-	47,985
Notes Payable	401,193	-	-	401,193

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

26. RELATED PARTY TRANSACTIONS

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

	December 31, 2018	December 31, 2017
Short-term employee benefits including salaries	**6,049**	5,617
Share-based payment transactions	**4,111**	3,993
	10,160	9,610

27. SEGMENTED REPORTING

For management purposes, the Company had two reportable segments: *easyfinancial* and *easyhome*. The Company's business units generate revenue in four main categories: i) interest generated on the Company's gross consumer loans receivable portfolio; ii) lease payments generated by *easyhome* lease agreements; iii) commissions and other revenues generated by the sale of various ancillary products; and iv) charges and fees.

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, 2018 and 2017:

Year ended December 31, 2018	*easyfinancial*	*easyhome*	Corporate	Total
Revenue				
Interest income	**250,622**	**5,375**	**-**	**255,997**
Lease revenue	**-**	**119,745**	**-**	**119,745**
Commissions earned	**110,423**	**6,577**	**-**	**117,000**
Charges and fees	**7,280**	**6,169**	**-**	**13,449**
	368,325	**137,866**	**-**	**506,191**
Total operating expenses before depreciation and amortization	**218,138**	**74,215**	**42,118**	**334,471**
Depreciation and amortization	**8,333**	**42,104**	**1,566**	**52,003**
Segment operating income (loss)	**141,854**	**21,547**	**(43,684)**	**119,717**
Finance costs				
Interest expense and amortization of deferred financing charges	**-**	**-**	**45,800**	**45,800**
	-	**-**	**45,800**	**45,800**
Income (loss) before income taxes	**141,854**	**21,547**	**(89,484)**	**73,917**

Year ended December 31, 2017	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	171,667	648	-	172,315
Lease revenue	-	125,111	-	125,111
Commissions earned	86,598	4,755	-	91,353
Charges and fees	6,203	6,746	-	12,949
	264,468	137,260	-	401,728
Total operating expenses before depreciation and amortization	154,559	72,570	34,998	262,127
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
	-	-	36,840	36,840
Income (loss) before income taxes	102,654	20,882	(72,983)	50,553

As at December 31, 2018, the Company's goodwill of $21.3 million (December 31, 2017 – $21.3 million) related entirely to its *easy-home* segment.

In scope under IFRS 15 are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IAS 17. Included in lease revenue is certain additional services provided by the Company related to the lease, but which fall under the scope of IFRS 15. These revenues totaled $14.2 million and $14.8 million in 2018 and 2017 respectively.

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, 2018 and 2017 were as follows:

	December 31, 2018 (%)	December 31, 2017 (%)
Furniture	**44**	44
Electronics	**31**	32
Computers	**12**	12
Appliances	**13**	12
	100	100

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