Interim Condensed Consolidated Financial Statements

goeasy Ltd.

(Unaudited)

September 30, 2019

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As At September 30, 2019	As At December 31, 2018
ASSETS		
Cash (note 4)	**29,723**	100,188
Amounts receivable	**17,713**	15,450
Prepaid expenses	**5,130**	3,835
Consumer loans receivable, net (note 5)	**971,467**	782,864
Investment (note 6)	**34,300**	-
Lease assets	**45,987**	51,618
Property and equipment	**22,300**	21,283
Deferred tax assets (note 14)	**8,132**	9,445
Derivative financial asset (note 9)	**23,905**	35,094
Intangible assets	**17,031**	14,589
Right-of-use assets (note 3)	**43,648**	-
Goodwill	**21,310**	21,310
TOTAL ASSETS	**1,240,646**	1,055,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Revolving credit facility (note 7)	**112,000**	-
Accounts payable and accrued liabilities	**40,989**	45,103
Income taxes payable	**4,078**	7,499
Dividends payable (note 10)	**4,447**	3,247
Deferred lease inducements (note 3)	**-**	1,234
Unearned revenue	**7,323**	6,002
Lease liabilities (note 3)	**50,136**	-
Convertible debentures (note 8)	**40,797**	40,581
Notes payable (note 9)	**643,337**	650,481
TOTAL LIABILITIES	**903,107**	754,147
Shareholders' equity		
Share capital (note 10)	**141,927**	138,090
Contributed surplus	**17,438**	16,105
Accumulated other comprehensive income	**9,325**	3,624
Retained earnings	**168,849**	143,710
TOTAL SHAREHOLDERS' EQUITY	**337,539**	301,529
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,240,646**	1,055,676

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

David Ingram
Director

Donald K. Johnson
Director

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(expressed in thousands of Canadian dollars except earnings per share)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
REVENUE				
Interest income	**90,304**	67,597	**249,594**	182,163
Lease revenue	**27,134**	29,506	**84,968**	90,308
Commissions earned	**34,909**	29,387	**98,341**	85,514
Charges and fees	**3,786**	3,421	**10,944**	10,046
	156,133	129,911	**443,847**	368,031
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	**30,141**	27,149	**89,248**	85,339
Stock-based compensation (note 11)	**1,752**	1,727	**5,828**	5,081
Advertising and promotion	**6,425**	3,352	**19,211**	12,942
Bad debts	**43,326**	32,867	**113,485**	84,794
Occupancy	**5,086**	8,628	**15,089**	25,858
Technology costs	**3,314**	2,660	**9,071**	8,292
Other expenses (note 12)	**7,737**	7,605	**21,504**	21,796
	97,781	83,988	**273,436**	244,102
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	**9,023**	10,091	**28,051**	30,144
Depreciation of right-of-use assets (note 3)	**3,798**	-	**11,266**	-
Depreciation of property and equipment	**1,607**	1,461	**4,657**	4,470
Amortization of intangible assets	**1,355**	1,486	**4,127**	4,704
	15,783	13,038	**48,101**	39,318
Total operating expenses	**113,564**	97,026	**321,537**	283,420
Operating income	**42,569**	32,885	**122,310**	84,611
Finance costs (note 13)				
Interest expenses and amortization of deferred financing charges	**14,208**	12,894	**40,350**	32,989
Interest expense on lease liabilities (note 3)	**613**	-	**1,808**	-
	14,821	12,894	**42,158**	32,989
Income before income taxes	**27,748**	19,991	**80,152**	51,622
Income tax expense (recovery) (note 14)				
Current	**8,097**	9,266	**21,951**	20,601
Deferred	**(174)**	(3,617)	**535**	(6,216)
	7,923	5,649	**22,486**	14,385
Net income	**19,825**	14,342	**57,666**	37,237
Basic earnings per share (note 15)	**1.35**	1.03	**3.94**	2.70
Diluted earnings per share (note 15)	**1.28**	0.97	**3.72**	2.53

See accompanying notes to the interim condensed consolidated financial statements.

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Net income	**19,825**	14,342	**57,666**	37,237
Other comprehensive income (loss) to be reclassified to statement of income in subsequent periods				
Change in foreign currency translation reserve	**(1)**	3	**9**	(6)
Change in fair value of cash flow hedge, net of taxes	**4,843**	(810)	**5,609**	(2,673)
Transfer of realized translation losses	**-**	-	**83**	-
	4,842	(807)	**5,701**	(2,679)
Comprehensive income	**24,667**	13,535	**63,367**	34,558

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(expressed in thousands of Canadian dollars)

	Share Capital	**Contributed Surplus**	**Total Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Shareholders' Equity**
Balance, December 31, 2018	**138,090**	**16,105**	**154,195**	**143,710**	**3,624**	**301,529**
International Financial Reporting Standards 16 adjustment (note 3)	**-**	**-**	**-**	**(3,282)**	**-**	**(3,282)**
Adjusted Balance, January 1, 2019	**138,090**	**16,105**	**154,195**	**140,428**	**3,624**	**298,247**
Common shares issued	**8,311**	**(4,495)**	**3,816**	**-**	**-**	**3,816**
Stock-based compensation (note 11)	**-**	**5,828**	**5,828**	**-**	**-**	**5,828**
Shares purchased for cancellation (note 10)	**(4,474)**	**-**	**(4,474)**	**(15,839)**	**-**	**(20,313)**
Comprehensive income	**-**	**-**	**-**	**57,666**	**5,701**	**63,367**
Dividends (note 10)	**-**	**-**	**-**	**(13,406)**	**-**	**(13,406)**
Balance, September 30, 2019	**141,927**	**17,438**	**159,365**	**168,849**	**9,325**	**337,539**
Balance, December 31, 2017	85,874	15,305	101,179	126,924	141	228,244
International Financial Reporting Standards 9 adjustment	-	-	-	(12,659)	-	(12,659)
Adjusted Balance, January 1, 2018	85,874	15,305	101,179	114,265	141	215,585
Common shares issued	3,464	(2,972)	492	-	-	492
Conversion of convertible debentures	7,924	-	7,924	-	-	7,924
Stock-based compensation (note 11)	-	5,081	5,081	-	-	5,081
Shares withheld related to net share settlement	-	(3,064)	(3,064)	-	-	(3,064)
Comprehensive income (loss)	-	-	-	37,237	(2,679)	34,558
Dividends (note 10)	-	-	-	(9,257)	-	(9,257)
Balance, September 30, 2018	97,262	14,350	111,612	142,245	(2,538)	251,319

See accompanying notes to the interim condensed consolidated financial statements.

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
OPERATING ACTIVITIES				
Net income	**19,825**	14,342	**57,666**	37,237
Add (deduct) items not affecting cash				
Bad debts expense	**43,326**	32,867	**113,485**	84,794
Depreciation of lease assets	**9,023**	10,091	**28,051**	30,144
Depreciation of right-of-use assets	**3,798**	-	**11,266**	-
Stock-based compensation (note 11)	**1,752**	1,727	**5,828**	5,081
Depreciation of property and equipment	**1,607**	1,461	**4,657**	4,470
Amortization of intangible assets	**1,355**	1,486	**4,127**	4,704
Amortization of deferred financing charges	**1,242**	1,434	**3,226**	3,184
Deferred income tax expense (recovery)	**(174)**	(3,617)	**535**	(6,216)
Amortization of premium on notes payable	**(501)**	(462)	**(1,551)**	(462)
Gain on sale or disposal of assets	**(410)**	-	**(2,623)**	(570)
	80,843	59,329	**224,667**	162,366
Net change in other operating assets and liabilities (note 16)	**63**	18,006	**445**	7,654
Net issuance of consumer loans receivable	**(113,392)**	(90,030)	**(302,727)**	(292,238)
Purchase of lease assets	**(8,948)**	(8,602)	**(24,920)**	(25,952)
Cash used in operating activities	**(41,434)**	(21,297)	**(102,535)**	(148,170)
INVESTING ACTIVITIES				
Proceeds on sale of assets	**1,092**	-	**6,032**	1,231
Purchase of property and equipment	**(2,027)**	(5,348)	**(5,852)**	(8,596)
Purchase of intangible assets	**(2,750)**	(1,392)	**(6,569)**	(4,154)
Purchase of investment	**(34,300)**	-	**(34,300)**	-
Cash used in investing activities	**(37,985)**	(6,740)	**(40,689)**	(11,519)
FINANCING ACTIVITIES				
Advances from revolving credit facility	**92,000**	19,972	**112,000**	69,378
Issuance of common shares	**432**	147	**3,816**	813
Lease incentive received	**30**	-	**1,128**	-
Payment of lease liabilities	**(3,928)**	-	**(11,666)**	-
Payment of common share dividends (note 10)	**(4,468)**	(3,077)	**(12,206)**	(8,560)
Purchase of common shares for cancellation (note 10)	**(4,187)**	-	**(20,313)**	-
Issuance of notes payable	**-**	203,202	**-**	203,202
Payment of advances from revolving credit facilities	**-**	(70,000)	**-**	(70,000)
Shares withheld related to net share settlement	**-**	-	**-**	(3,064)
Cash provided by financing activities	**79,879**	150,244	**72,759**	191,769
Net increase (decrease) in cash during the period	**460**	122,207	**(70,465)**	32,080
Cash, beginning of period	**29,263**	19,243	**100,188**	109,370
Cash, end of period	**29,723**	141,450	**29,723**	141,450

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
(Expressed in thousands of Canadian dollars except where otherwise indicated)
For the periods ended September 30, 2019 and 2018

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 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 September 30, 2019, the Company operated 250 easyfinancial locations (including 27 kiosks within easyhome stores) and 163 easyhome stores (including 35 franchises). 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).

2. BASIS OF PREPARATION

The unaudited interim condensed 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 where goeasy Ltd. has control but does not have ownership of a majority of voting rights.

As at September 30, 2019, the Parent Company's principal subsidiaries were:

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

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2019.

Statement of Compliance with International Financial Reporting Standards ("IFRS")

The unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2019 were prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements, except for the new accounting policies adopted and described in note 3. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

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

3. ADOPTION OF ACCOUNTING STANDARD

IFRS 16, Leases ("IFRS 16")

IFRS 16 supersedes IAS 17, *Leases* ("IAS 17"), IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor such as the Company's easyhome merchandise leasing business.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, comparative figures for 2018 were not restated and the cumulative effect of initially applying the standard was recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

Impact of Adoption of IFRS 16

The following table summarizes the transition adjustment required to adopt IFRS 16 as at January 1, 2019.

	Carrying amount under previous accounting standards as at December 31, 2018	**Transition Adjustment**	**IFRS 16 carrying amount as at January 1, 2019**
Right-of-use assets	**-**	**41,763**	**41,763**
Deferred tax assets	**9,445**	**1,244**	**10,689**
Lease liabilities	**-**	**47,523**	**47,523**
Deferred lease inducements	**1,234**	**(1,234)**	**-**
Retained earnings	**143,710**	**(3,282)**	**140,428**

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

The Company has lease contracts for various items of premises and vehicles. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease under IAS 17. In such operating leases, the leased property was not capitalized, and the lease payments were recognized as rent expense in the statement of income on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company reviewed all operating leases under IAS 17, except for short-term leases (generally defined as those with a term of less than 12 months). The IFRS 16 standard provides specific exemptions for such short-term leases and hence the accounting for those leases did not change. The Company also applied the available practical expedients whereby the Company:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In accordance with IFRS 16, the Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases.

The right-of-use assets for leases recognized as at January 1, 2019 date of adoption is the net carrying amount for the leases assuming that the standard had always been applied. As such, the net carrying amount is measured at the amount of lease liabilities recognized as if the standard had always been applied (apart from the use of incremental borrowing rate on leases at the date of initial application), less any accumulated depreciation (from the lease inception to the January 1, 2019 date of adoption) and less any lease incentives received. As such the deferred lease inducements previously reported on the statements of financial position are effectively netted against the right-of-use assets. The lease liabilities were recognized based on the present value of the remaining lease payments as at January 1, 2019, discounted using the incremental borrowing rate on leases at the date of initial application. As mentioned above, the difference between the right-of-use asset and lease liabilities recognized at the date of initial application was recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at January 1, 2019 as follows:

Lease commitments as at January 1, 2019 (excluding commitments relating to estimated variable lease payments and short-term leases)	54,173
Weighted average incremental borrowing rate on leases as at January 1, 2019	4.7%
Lease liabilities as at January 1, 2019	47,523

The lease liability is derived by discounting the operating lease payments to which the Company is committed (but excluding variable lease payments such as property tax and common area maintenance charges on property leases and short-term leases as allowed under IFRS 16), at the average incremental borrowing rate on leases under the leases. The Company applied the available practical expedients whereby the Company did not separate the non-lease components from lease component and instead account for each lease component and any associated non-lease components as a single lease component.

Accounting Policies under IFRS 16

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, plus variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In determining a lease component, the Company does not separate the non-lease components from lease component and instead account for each lease component and any associated non-lease components as a single lease component.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate on leases at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

The Company has the option, under some of its leases, to lease the premises for additional terms of one to ten years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e., a change in business strategy).

Impact on the Statements of Income

The net effect of adopting IFRS 16 on the statements of income is to decrease operating expenses before depreciation and amortization while increasing depreciation and amortization and financing costs with an insignificant impact on net income. By extension this will result in earnings before interest, income tax, depreciation and amortization (EBITDA) increasing as the depreciation of the right-of-use assets and interest on the lease liability is excluded from this measure. Operating income will also increase as the interest on the lease liability is excluded from this measure. The adoption of IFRS 16 has no impact on the cash flows of the Company. For the three and nine-month periods ended September 30, 2019, the adoption of IFRS 16 decreased net income by $23 and $11, respectively as described in the Company's Management's Discussion and Analysis for the three and nine-month periods ended September 30, 2019.

Right-of-use assets and Lease liability

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period.

	Right-of-use Assets			**Lease**
	Premises	**Vehicle**	**Total**	**Liabilities**
As at January 1, 2019	**39,274**	**2,489**	**41,763**	**47,523**
Additions	**12,977**	**174**	**13,151**	**13,151**
Depreciation expense	**(10,702)**	**(564)**	**(11,266)**	**-**
Interest expense	**-**	**-**	**-**	**1,808**
Interest payment	**-**	**-**	**-**	**(1,808)**
Lease inducement received	**-**	**-**	**-**	**1,128**
Principal payment	**-**	**-**	**-**	**(11,666)**
As at September 30, 2019	**41,549**	**2,099**	**43,648**	**50,136**

For the three and nine-month periods ended September 30, 2019, the Company recognized rent expense from short-term leases of $390 and $1,219, respectively and variable lease payments of $2,790 and $8,282, respectively.

4. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates.

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

5. 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.

	September 30, 2019	December 31, 2018
Gross consumer loans receivable	**1,035,596**	833,779
Interest receivable from consumer loans	**14,976**	10,472
Unamortized deferred acquisition costs	**20,765**	18,354
Allowance for credit losses	**(99,870)**	(79,741)
	971,467	782,864

The allocation of the Company's gross consumer loans receivable based on loan types are as follows:

	September 30, 2019	December 31, 2018
Unsecured instalment loans	**934,506**	780,850
Secured instalment loans	**101,090**	52,929
	1,035,596	833,779

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

	September 30, 2019		December 31, 2018	
	$	% of total loans	$	% of total loans
0 - 6 months	**162,117**	**15.7%**	139,631	16.7%
6 - 12 months	**124,490**	**12.0%**	104,619	12.5%
12 - 24 months	**262,356**	**25.3%**	221,626	26.6%
24 - 36 months	**245,661**	**23.7%**	204,227	24.5%
36 - 48 months	**143,770**	**13.9%**	106,346	12.8%
48 - 60 months	**39,996**	**3.9%**	29,002	3.5%
60 months +	**57,206**	**5.5%**	28,328	3.4%
	1,035,596	**100.0%**	833,779	100.0%

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

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

	September 30, 2019		December 31, 2018	
	$	**% of total loans**	**$**	**% of total loans**
0 - 1 year	**40,316**	**3.9%**	34,355	4.1%
1 - 2 years	**133,652**	**12.9%**	108,262	13.0%
2 - 3 years	**282,382**	**27.3%**	260,205	31.2%
3 - 4 years	**342,600**	**33.0%**	270,621	32.5%
4 - 5 years	**141,436**	**13.7%**	108,932	13.1%
5 years +	**95,210**	**9.2%**	51,404	6.1%
	1,035,596	**100.0%**	833,779	100.0%

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

	September 30, 2019		December 31, 2018	
	$	**% of total loans**	**$**	**% of total loans**
1 - 30 days	**28,323**	**2.7%**	25,442	3.1%
31 - 44 days	**6,472**	**0.6%**	5,931	0.7%
45 - 60 days	**6,751**	**0.7%**	5,930	0.7%
61 - 90 days	**7,156**	**0.7%**	6,559	0.8%
91 - 180 days	**277**	**0.0%**	83	0.0%
	48,979	**4.7%**	43,945	5.3%

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

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 have 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 September 30, 2019				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-performing)**	**Stage 3 (Non-Performing)**	**Total**
Low Risk	**600**	**402,306**	**1,391**	**52**	**403,749**
Normal Risk	**528**	**378,542**	**6,801**	**300**	**385,643**
High Risk	**487**	**137,708**	**87,881**	**20,615**	**246,204**
Total	**532**	**918,556**	**96,073**	**20,967**	**1,035,596**

	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

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

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

	Three Months Ended September 30, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at July 1, 2019	**848,651**	**92,725**	**18,332**	**959,708**
Gross loans originated	**286,068**	**-**	**-**	**286,068**
Principal payments and other adjustments	**(174,048)**	**1,978**	**(1,357)**	**(173,427)**
Transfers to (from)				
Stage 1 (Performing)	**68,739**	**(66,409)**	**(2,330)**	**-**
Stage 2 (Under-Performing)	**(89,051)**	**94,034**	**(4,983)**	**-**
Stage 3 (Non-Performing)	**(13,002)**	**(21,323)**	**34,325**	**-**
Gross charge-offs	**(8,801)**	**(4,932)**	**(23,020)**	**(36,753)**
Balance as at September 30, 2019	**918,556**	**96,073**	**20,967**	**1,035,596**

	Three Months Ended September 30, 2018			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at July 1, 2018	588,659	86,162	11,752	686,573
Gross loans originated	221,340	-	-	221,340
Principal payments and other adjustments	(135,717)	4,041	(903)	(132,579)
Transfers to (from)				
Stage 1 (Performing)	31,074	(30,724)	(350)	-
Stage 2 (Under-Performing)	(59,741)	63,746	(4,005)	-
Stage 3 (Non-Performing)	(5,927)	(17,922)	23,849	-
Gross charge-offs	(5,334)	(3,859)	(16,560)	(25,753)
Balance as at September 30, 2018	634,354	101,444	13,783	749,581

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

	Nine Months Ended September 30, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2019	**701,167**	**114,278**	**18,334**	**833,779**
Gross loans originated	**781,861**	**-**	**-**	**781,861**
Principal payments and other adjustments	**(482,096)**	**8,400**	**(4,147)**	**(477,843)**
Transfers to (from)				
Stage 1 (Performing)	**218,121**	**(210,719)**	**(7,402)**	**-**
Stage 2 (Under-Performing)	**(247,441)**	**261,504**	**(14,063)**	**-**
Stage 3 (Non-Performing)	**(29,116)**	**(62,469)**	**91,585**	**-**
Gross charge-offs	**(23,940)**	**(14,921)**	**(63,340)**	**(102,201)**
Balance as at September 30, 2019	**918,556**	**96,073**	**20,967**	**1,035,596**

	Nine Months Ended September 30, 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 loans originated	657,517	-	-	657,517
Principal payments and other adjustments	(373,897)	10,381	(2,388)	(365,904)
Transfers to (from)				
Stage 1 (Performing)	91,412	(90,134)	(1,278)	-
Stage 2 (Under-Performing)	(157,853)	170,117	(12,264)	-
Stage 3 (Non-Performing)	(15,916)	(47,349)	63,265	-
Gross charge-offs	(13,829)	(10,011)	(44,738)	(68,578)
Balance as at September 30, 2018	634,354	101,444	13,783	749,581

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

	September 30, 2019	**December 31, 2018**
Balance, beginning of year	**79,741**	49,112
Net amounts written-off against allowance	**(93,356)**	(88,351)
Increase due to lending and collection activities	**113,485**	118,980
Balance, end of year	**99,870**	79,741

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

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

	Three Months Ended September 30, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at July 1, 2019	**48,880**	**27,616**	**13,555**	**90,051**
Gross loans originated	**14,886**	**-**	**-**	**14,886**
Principal payments and other adjustments	**(6,078)**	**1,040**	**(3,719)**	**(8,757)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**14,920**	**(12,635)**	**(1,718)**	**567**
Stage 2 (Under-Performing)	**(8,357)**	**25,937**	**(3,789)**	**13,791**
Stage 3 (Non-Performing)	**(2,470)**	**(6,262)**	**31,571**	**22,839**
Net amounts written-off against allowance	**(8,389)**	**(4,701)**	**(20,417)**	**(33,507)**
Balance as at September 30, 2019	**53,392**	**30,995**	**15,483**	**99,870**

	Three Months Ended September 30, 2018			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at July 1, 2018	33,183	20,691	8,842	62,716
Gross loans originated	13,134	-	-	13,134
Principal payments and other adjustments	(5,202)	747	(2,738)	(7,193)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	7,416	(6,003)	(244)	1,169
Stage 2 (Under-Performing)	(5,499)	18,512	(2,985)	10,028
Stage 3 (Non-Performing)	(1,266)	(5,316)	22,311	15,729
Net amounts written-off against allowance	(5,093)	(3,685)	(14,779)	(23,557)
Balance as at September 30, 2018	36,673	24,946	10,407	72,026

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

	Nine Months Ended September 30, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2019	**37,715**	**28,214**	**13,812**	**79,741**
Gross loans originated	**39,889**	**-**	**-**	**39,889**
Principal payments and other adjustments	**(16,619)**	**2,148**	**(10,127)**	**(24,598)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**42,760**	**(45,318)**	**(5,785)**	**(8,343)**
Stage 2 (Under-Performing)	**(22,065)**	**79,045**	**(10,759)**	**46,221**
Stage 3 (Non-Performing)	**(5,457)**	**(18,863)**	**84,636**	**60,316**
Net amounts written-off against allowance	**(22,831)**	**(14,231)**	**(56,294)**	**(93,356)**
Balance as at September 30, 2019	**53,392**	**30,995**	**15,483**	**99,870**

	Nine Months Ended September 30, 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	39,303	-	-	39,303
Principal payments and other adjustments	(14,602)	1,997	(7,741)	(20,346)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	18,268	(17,147)	(912)	209
Stage 2 (Under-Performing)	(14,139)	47,400	(9,228)	24,033
Stage 3 (Non-Performing)	(3,358)	(13,953)	58,906	41,595
Net amounts written-off against allowance	(13,183)	(9,544)	(39,153)	(61,880)
Balance as at September 30, 2018	36,673	24,946	10,407	72,026

6. INVESTMENT

In September 2019, the Company purchased a minority equity interest in PayBright for an aggregate price of $34.3 million. PayBright is a non-listed Canadian lending company and payments platform focused on providing consumers with pay-later solutions at their favourite retailers, both online and in-store.

Our investment in PayBright is classified at initial recognition at fair value through profit or loss. No gains or losses were incurred in the interim period ended September 30, 2019.

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

The investment is subject to market risk defined as the risk of loss that may arise from changes in market factors such as interest rates and equity prices. The impact of these changes on the value of the investment may be significant in future periods.

7. REVOLVING CREDIT FACILITY

The revolving credit facility is provided by a syndicate of banks. On February 12, 2019, the Company entered into an amendment to its revolving credit facility to increase the maximum principal amount available to be borrowed from $174.5 million to $189.5 million and to extend the maturity date from November 1, 2020 to February 12, 2022. As part of this amendment the cost of borrowing under the revolving credit facility was also reduced. Previously, interest on advances was 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. Subsequent to the amendment, interest on advances is payable at either the Canadian Bankers' Acceptance rate plus 325 bps or lender's prime rate plus 200 bps, at the option of the Company.

As at September 30, 2019, $112.0 million was drawn on this facility based on 90-day Canadian Bankers' Acceptance rate plus 325 bps. No amount was drawn on this facility as at December 31, 2018.

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

Financial covenant	**Requirements**	**September 30, 2019**
Minimum consolidated tangible net worth	>132,000, plus 50% of consolidated net income	**285,872**
Maximum consolidated leverage ratio	< 3.25	**2.70**
Minimum consolidated fixed charge coverage ratio	> 1.75	**2.24**
Maximum net charge off ratio	< 15.0%	**13.3**
Minimum collateral performance index	> 90.0%	**99.6**

As at September 30, 2019, the Company was in compliance with all of its financial covenants under its credit agreements.

8. 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.

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

The following table summarizes the details of the Debentures:

	Liability component of Debenture	Equity component of Debenture	Net Book Value
As at January 1, 2018	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
Accretion in carrying value of debenture liability	**849**	**-**	**849**
Accrued interest	**1,900**	**-**	**1,900**
Interest payment	**(2,533)**	**-**	**(2,533)**
As at September 30, 2019	**40,797**	**3,220**	**44,017**

During the nine-month period ended September 30, 2019, no Debentures were converted into common shares.

During 2018, $8.9 million Debentures were converted into 203,000 common shares. Unamortized deferred financing costs related to these Debentures amount to $1.0 million.

9. NOTES PAYABLE

On November 1, 2017, the Company issued US$325.0 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 US$325.0 million Notes Payable at a fixed exchange rate of US$1.000 = 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%.

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

The following table summarizes the details of the US$325.0 million Notes Payable:

	September 30, 2019	December 31, 2018
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	**11,401**	24,278
	430,326	443,203
Accrued interest on credit facilities	**12,833**	5,694
Unamortized deferred financing costs	**(9,047)**	(10,821)
	434,112	438,076

On July 16, 2018, the Company issued an additional US$150.0 million of Notes Payable due on November 1, 2022. These notes were issued at a price of US$1,050 per US$1,000 principal amount.

Concurrent with the issuance of the additional Notes Payable in 2018, the Company entered into 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 US$1.000 = C$1.316, thereby fully hedging the US$150.0 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 US$150.0 million Notes Payable:

	September 30, 2019	December 31, 2018
Notes Payable in C$ at issuance	**197,458**	197,458
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**1,154**	7,097
	198,612	204,555
Accrued interest on credit facilities	**6,187**	2,475
Unamortized premium	**7,317**	8,868
Unamortized deferred financing costs	**(2,891)**	(3,493)
	209,225	212,405

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

	September 30, 2019	December 31, 2018
Notes Payable issued November 2017	**434,112**	438,076
Notes Payable issued July 2018	**209,225**	212,405
	643,337	650,481

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

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 and 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 three and nine-month periods ended September 30, 2019 or 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. The change in fair value of the cross-currency swaps used for measuring ineffectiveness for the periods are as follows:

	September 30, 2019	**December 31, 2018**
Derivative financial asset related to Notes Payable issued November 2017	**18,183**	25,680
Derivative financial asset related to Notes Payable issued July 2018	**5,722**	9,414
	23,905	35,094

The counterparty has posted cash collateral of $20.4 million as at September 30, 2019 (December 31, 2018 – $29.9 million) in respect of the derivative financial instruments.

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

10. SHARE CAPITAL

Common Shares Issued and Outstanding

The changes in common shares issued and outstanding are summarized as follows:

	Nine Months Ended September 30, 2019		Year-ended December 31, 2018	
	# of shares (in 000's)	$	# of shares (in 000's)	$
Balance, beginning of the period	**14,405**	**138,090**	13,476	85,874
Exercise of RSUs	**201**	**3,531**	146	2,860
Exercise of stock options	**188**	**4,438**	46	562
Dividend reinvestment plan	**8**	**342**	12	508
Shares purchased for cancellation	**(458)**	**(4,474)**	(398)	(3,820)
Share issuance, net of costs	**-**	**-**	920	44,182
Convertible Debt	**-**	**-**	203	7,924
Balance, end of the period	**14,344**	**141,927**	14,405	138,090

Dividends on Common Shares

For the three and nine-month periods ended September 30, 2019, the Company paid dividends of $4.5 million or $0.31 per share and $12.2 million or $0.845 per share, respectively. For the three-month and nine-month periods ended September 30, 2018, the Company paid dividends of $3.1 million or $0.225 per share and $8.6 million or $0.63 per share, respectively. On August 7, 2019, the Company declared a dividend of $0.31 per share to shareholders of record on September 27, 2019, payable on October 11, 2019. The dividends paid on October 11, 2019 was $4.4 million.

Shares Purchased for Cancellation

During the three and nine-month periods ended September 30, 2019, the Company purchased and cancelled 79,260 and 458,260, respectively of its common shares on the open market at an average price of $52.81 and $44.31, respectively for a total cost of $4.2 million and $20.3 million, respectively pursuant to a normal course issuer bid. During the year ended December 31, 2018, the Company purchased and cancelled 398,542 shares on the open market under this same normal course issuer bid. This normal course issuer bid in effect as at September 30, 2019 allows for a total purchase of up to 1,108,000 common shares and expires on November 12, 2019. No shares were purchased and cancelled during the three and nine-month periods ended September 30, 2018.

11. 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. During the three and nine-month periods ended September 30, 2019, the Company granted nil and 114,258 options, respectively (2018 – nil and 185,784, respectively). For the three and nine-month periods ended September 30, 2019, the Company recorded an expense of $311 and $871, respectively (2018 – $230 and $685, respectively) in stock-based compensation expense in the unaudited interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

Restricted Share Unit ("RSU") Plan

During the three and nine-month periods ended September 30, 2019, the Company granted 14,000 and 120,852 RSUs, respectively (2018 – nil and 182,774 RSUs, respectively) to employees of the Company under its RSU Plan. 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. For the three and nine-month periods ended September 30, 2019, $815 and $3,133, respectively (2018 – $1,300 and $3,860, respectively) was recorded as an expense in stock-based compensation expense in the unaudited interim condensed consolidated statements of income. Additionally, for the three and nine-month periods ended September 30, 2019, an additional 1,927 and 6,425 RSUs, respectively (2018 – 2,493 and 8,073 RSUs, respectively) were granted as a result of dividends payable.

Deferred Share Unit ("DSU") Plan

During the three and nine-month periods ended September 30, 2019, the Company granted 3,047 and 55,649 DSUs, respectively (2018 – 3,008 and 9,886 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 three and nine-month periods ended September 30, 2019, $626 and $1,824, respectively (2018 – $197 and $536, respectively) was recorded as stock-based compensation expense under the DSU Plan in the unaudited interim condensed consolidated statements of income. Additionally, for the three and nine-month periods ended September 30, 2019, an additional 1,400 and 4,019 DSUs, respectively (2018 – 1,008 and 2,849 DSUs, respectively) were granted as a result of dividends payable.

Stock-Based Compensation Expense

Stock-based compensation expense for the three and nine-month periods ended September 30, 2019 was $1,752 and $5,828, respectively (2018 – $1,727 and $5,081, respectively).

12. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios, loan portfolio and other assets. For the three and nine-month periods ended September 30, 2019, other expenses included net gains realized on the sale of lease portfolios, loan portfolio and other assets of $0.4 million and $2.6 million, respectively (2018 – nil and $699, respectively).

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

13. FINANCE COSTS

Finance costs in the unaudited interim condensed consolidated statements of income include the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Interest expense				
Notes payable	**11,579**	10,942	**34,829**	27,690
Convertible debt	**633**	712	**1,900**	2,235
Revolving credit facility	**880**	221	**969**	630
Amortization of deferred financing costs and accretion expense	**1,242**	1,434	**3,570**	3,184
Interest income, net	**(126)**	(415)	**(918)**	(750)
Interest expense and amortization of deferred financing charges	**14,208**	12,894	**40,350**	32,989
Interest on lease liabilities	**613**	-	**1,808**	-
	14,821	12,894	**42,158**	32,989

14. INCOME TAXES

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

	Nine Months Ended	
	September 30, 2019	**September 30, 2018**
Combined basic federal and provincial income tax rates	**27.1%**	27.2%
Expected income tax expense	**21,723**	14,027
Non-deductible expenses	**811**	412
U.S. and SPE results not tax effected	**4**	1
Effect of capital gains on sale of assets and investments	**(246)**	(93)
Other	**194**	38
	22,486	14,385

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

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

	September 30, 2019	**December 31, 2018**
Amounts receivable and allowance for credit losses	**8,269**	7,481
Premium on notes payable	**1,939**	2,350
Stock-based compensation	**1,881**	1,994
Right-of-use assets, net of lease liabilities	**1,228**	-
Loss carry forwards	**1,095**	187
Unearned revenue	**389**	454
Financing fees	**(1,356)**	(1,044)
Tax cost of lease assets and property and equipment in excess of net book value	**(2,305)**	(991)
Revaluation of notes payable and cross-currency swaps	**(3,008)**	(986)
	8,132	9,445

15. 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 common shares and DSUs outstanding. DSUs were included in the calculation of the weighted average number of common shares outstanding as these units vest upon grant.

	Three Months Ended		**Nine Months Ended**	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net income	**19,825**	14,342	**57,666**	37,237
Weighted average number of common shares outstanding (in 000's)	**14,634**	13,908	**14,650**	13,797
Basic earnings per common share	**1.35**	1.03	**3.94**	2.70

For the three and nine-month periods ended September 30, 2019, 241,163 and 236,169 DSUs, respectively (2018 – 175,920 and 171,576 DSUs, respectively) were included in the weighted average number of common shares outstanding.

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

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 three and nine-month periods ended September 30, 2019 and 2018, 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.

	Three Months Ended		Nine Months Ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net income	**19,825**	14,342	**57,666**	37,237
After-tax impact of convertible debentures	**674**	690	**2,021**	1,992
Fully diluted net income	**20,499**	15,032	**59,687**	39,229
Weighted average number of common shares outstanding (in 000's)	**14,634**	13,908	**14,650**	13,797
Dilutive effect of stock-based compensation (in 000's)	**441**	558	**402**	522
Dilutive effect of convertible debentures (in 000's)	**1,001**	1,111	**1,001**	1,173
Weighted average number of diluted shares outstanding (in 000's)	**16,076**	15,577	**16,053**	15,492
Dilutive earnings per common share	**1.28**	0.97	**3.72**	2.53

For the three and nine-month periods ended September 30, 2019, nil and 103,620 stock options to acquire common shares, respectively (2018 – nil and 164,051, respectively), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

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

16. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Amounts receivable	**(296)**	1,056	**(2,263)**	(827)
Prepaid expenses	**(413)**	143	**(1,295)**	(1,692)
Accounts payable and accrued liabilities	**(519)**	(1,531)	**(4,114)**	(1,864)
Income taxes payable	**(9,186)**	5,188	**(3,421)**	(1,599)
Deferred lease inducements	**-**	(26)	**-**	(317)
Unearned revenue	**91**	(297)	**1,321**	694
Accrued interest	**10,386**	13,473	**10,217**	13,259
	63	18,006	**445**	7,654

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Income taxes paid	**18,156**	4,078	**26,244**	22,200
Income taxes refund	**873**	-	**873**	-
Interest paid	**3,820**	2,082	**30,840**	20,973
Interest received	**87,273**	65,675	**243,212**	179,810

17. 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.

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

18. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial instruments	Measurement	September 30, 2019	December 31, 2018
Cash	Amortized cost	**29,723**	100,188
Amounts receivable	Amortized cost	**17,713**	15,450
Consumer loans receivable	Amortized cost	**971,467**	782,864
Investment	Fair value	**34,300**	-
Derivative financial asset	Fair value	**23,905**	35,094
Accounts payable and accrued liabilities	Amortized cost	**40,989**	45,103
Lease liabilities	IFRS 16	**50,136**	-
Revolving credit facility	Amortized cost	**112,000**	-
Convertible debentures	Amortized cost	**40,797**	40,581
Notes payable	Amortized cost	**643,337**	650,481

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.

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

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 September 30, 2019 and December 31, 2018:

September 30, 2019	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash	**29,723**	**29,723**	**-**	**-**
Amounts receivable	**17,713**	**-**	**-**	**17,713**
Consumer loans receivable	**971,467**	**-**	**-**	**971,467**
Investment	**34,300**	**-**	**-**	**34,300**
Derivative financial asset	**23,905**	**-**	**23,905**	**-**
Accounts payable and accrued liabilities	**40,989**	**-**	**-**	**40,989**
Lease Liabilities	**50,136**	**-**	**-**	**50,136**
Revolving credit facility	**112,000**	**-**	**-**	**112,000**
Convertible debentures	**40,797**	**-**	**-**	**40,797**
Notes payable	**643,337**	**-**	**-**	**643,337**

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

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

19. 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).

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

The following tables summarize the relevant information for the three and nine-month periods ended September 30, 2019 and 2018:

Three Months Ended September 30, 2019	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	**87,087**	**3,217**	**-**	**90,304**
Lease revenue	**-**	**27,134**	**-**	**27,134**
Commissions earned	**32,706**	**2,203**	**-**	**34,909**
Charges and fees	**2,463**	**1,323**	**-**	**3,786**
	122,256	**33,877**	**-**	**156,133**
Total operating expenses before depreciation and amortization	**71,283**	**16,854**	**9,644**	**97,781**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**1,794**	**9,453**	**738**	**11,985**
Depreciation of right-of-use assets	**1,672**	**1,951**	**175**	**3,798**
	3,466	**11,404**	**913**	**15,783**
Segment operating income (loss)	**47,507**	**5,619**	**(10,557)**	**42,569**
Finance costs				
Interest expenses and amortization of deferred financing charges				**14,208**
Interest expense on lease liabilities				**613**
				14,821
Income before income taxes				**27,748**

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

Three Months Ended September 30, 2018	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	66,053	1,544	-	67,597
Lease revenue	-	29,506	-	29,506
Commissions earned	27,728	1,659	-	29,387
Charges and fees	1,877	1,544	-	3,421
	95,658	34,253	-	129,911
Total operating expenses before depreciation and amortization	55,906	17,660	10,422	83,988
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	2,004	10,712	322	13,038
Segment operating income (loss)	37,748	5,881	(10,744)	32,885
Finance costs				
Interest expenses and amortization of deferred financing charges				12,894
Income before income taxes				19,991

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
(Expressed in thousands of Canadian dollars except where otherwise indicated)
For the periods ended September 30, 2019 and 2018

Nine Months Ended September 30, 2019	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**241,321**	**8,273**	**-**	**249,594**
Lease revenue	**-**	**84,968**	**-**	**84,968**
Commissions earned	**92,029**	**6,312**	**-**	**98,341**
Charges and fees	**6,853**	**4,091**	**-**	**10,944**
	340,203	**103,644**	**-**	**443,847**
Total operating expenses before depreciation and amortization	**194,294**	**49,944**	**29,198**	**273,436**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**5,389**	**29,383**	**2,063**	**36,835**
Depreciation of right-of-use assets	**4,728**	**5,978**	**560**	**11,266**
	10,117	**35,361**	**2,623**	**48,101**
Segment operating income (loss)	**135,792**	**18,339**	**(31,821)**	**122,310**
Finance costs				
Interest expenses and amortization of deferred financing charges				**40,350**
Interest expense on lease liabilities				**1,808**
				42,158
Income before income taxes				**80,152**

Nine Months Ended September 30, 2018	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	178,808	3,355	-	182,163
Lease revenue	-	90,308	-	90,308
Commissions earned	80,829	4,685	-	85,514
Charges and fees	5,402	4,644	-	10,046
	265,039	102,992	-	368,031
Total operating expenses before depreciation and amortization	158,106	54,733	31,263	244,102
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	6,368	31,866	1,084	39,318
Segment operating income (loss)	100,565	16,393	(32,347)	84,611
Finance costs				
Interest expenses and amortization of deferred financing charges				32,989
Income before income taxes				51,622

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

As at September 30, 2019, the Company's goodwill of $21.3 million (December 31, 2018 – $21.3 million) related entirely to its easyhome segment.

In scope under IFRS 15, *Revenue from Contracts with Customers* are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IFRS 16 on or after January 1, 2019 or IAS 17 prior to January 1, 2019. 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 totalled $3.2 million and $3.4 million for the three-month periods ended September 30, 2019 and 2018, respectively and $10.1 million and $10.7 million for the nine-month periods ended September 30, 2019 and 2018, 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 for the nine-month periods ended September 30, 2019 and 2018 were as follows:

	Nine Months Ended	
	September 30, 2019 (%)	**September 30, 2018 (%)**
Furniture	**44**	45
Electronics	**32**	31
Computers	**11**	12
Appliances	**13**	12
	100	100