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

Three and Six Months Ended June 30, 2018

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

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Date: August 7, 2018

The following Management's Discussion and Analysis ("MD&A") presents an analysis of the consolidated financial condition of goeasy Ltd. and its subsidiaries (collectively referred to as "goeasy" or the "Company") as at June 30, 2018 compared to June 30, 2017, and the consolidated results of operations for the three and six-month period ended June 30, 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, 2017. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the Company's 2017 annual MD&A: Overview of the Business, Corporate Strategy, Commitments, Guarantees and Contingencies, Risk Factors and Accounting Standards Issued But Not Yet Effective. Critical Accounting Estimates are as described in the December 31, 2017 notes to the financial statements other than as related to the Company's implementation of IFRS 9, *Financial Instruments* which are as described in the June 30, 2018 notes to the financial statements.

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

goeasy Ltd. is a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a chance for a better tomorrow, today. easyfinancial is the Company's financial services arm, operating in the non-prime consumer lending marketplace and bridging the gap between traditional financial institutions and costly payday lenders. 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. Both operating divisions of goeasy Ltd. offer the highest level of customer service and enable customers to transact through a national store and branch network and through its online and mobile eCommerce enabled platforms.

The Company's overview of the business remains as described in its December 31, 2017 MD&A.

Corporate Strategy

The Company is committed to being a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a chance for a better tomorrow, today. To maintain this position, the Company must continuously improve to meet the needs of its chosen customer segment. Additionally, the Company must focus on maintaining its competitive advantage by capitalizing on the key aspects of each business unit, including brand awareness, superior customer service and its cross-country retail network. Cost efficiencies through economies of scale and shared services will enable the Company to meet future competitive challenges, including new entrants into the marketplace. Ultimately, the Company will continue to be successful if it delivers a best-in-class customer experience.

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

The Company's corporate strategy remains as described in its December 31, 2017 MD&A.

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

The Company's 2018 targets and assumptions were disclosed in its December 31, 2017 MD&A. The Company has revised its targets for fiscal 2018 as follows:

	Revised Targets for 2018	Previously Reported Targets for 2018	Explanation for Change in Targets
Gross consumer loans receivable portfolio at year end	**$825 - $875 million**	**$700 - $750 million**	Increasing target due to the strong year to date growth of the consumer loans receivable portfolio and increased demand for the Company's secured and unsecured lending products.
easyfinancial total revenue yield	**54% - 56%**	**54% - 56%**	No change.
New easyfinancial locations opened during the year	**20 - 30**	**20 - 30**	No change.
Net charge-offs as a percentage of average gross consumer loans receivable	**12.0% - 14.0%**	**12.0% - 14.0%**	No change.
easyfinancial operating margin	**38% - 40%**	**38% - 40%**	No change.
Total revenue growth	**26% - 28%**	**16% - 18%**	Overall revenue growth is expected to increase given the strong year to date growth in the easyfinancial consumer loans receivable portfolio and the revised growth expectation for the second half of 2018.
Return on equity	**21% +**	**20% +**	Increased target due to the higher expected growth of the Company's gross consumer loans receivable portfolio and resulting expected impact on both revenue and earnings.

Update on 2019 Targets

The Company's 2019 targets and assumptions were disclosed in its December 31, 2017 MD&A. The Company has revised its targets for fiscal 2019 as follows:

	Revised Targets for 2019	Previously Reported Targets for 2019	Explanation for Change in Targets
Gross consumer loans receivable portfolio at year end	**$1.1 - $1.2 billion**	**$875 - $950 million**	Increased target based on the strong growth experienced year to date in 2018 and the increased demand for the Company's unsecured and secured lending products.
easyfinancial total revenue yield	**49% - 51%**	**49% - 51%**	No change.
New easyfinancial locations opened during the year	**10 - 20**	**10 - 20**	No change.
Net charge-offs as a percentage of average gross consumer loans receivable	**11.5% - 13.5%**	**11.0% - 13.0%**	Increasing expected net charge-off rate from previous target due to a higher expected proportion of loans in a higher interest rate band.
easyfinancial operating margin	**42% - 44%**	**40% +**	Strong consumer loans receivable growth coupled with improving branch level operating expense efficiencies are expected to result in higher levels of operating margin.
Total revenue growth	**20% - 22%**	**14% - 16%**	Overall revenue growth is expected to increase given the strong year to date growth in the easyfinancial consumer loans receivable portfolio experienced in 2018 and the revised growth expectation for the second half of 2018 and the full year growth expectations of 2019.
Return on equity	**24% +**	**20% +**	Increased target due to the higher expected growth of the Company's gross consumer loans receivable portfolio and resulting expected impact on both revenue and earnings.

Update on 2020 Targets

The Company's 2020 targets and assumptions were disclosed in its December 31, 2017 MD&A. The Company has revised its targets for fiscal 2020 as follows:

	Revised Targets for 2020	Previously Reported Targets for 2020	Explanation for Change in Targets
Gross consumer loans receivable portfolio at year end	**$1.3 - $1.4 billion**	**$1.0 - $1.1 billion**	Increased target based on the strong growth experienced year to date in 2018 and the increased demand for the Company's unsecured and secured lending products.
easyfinancial total revenue yield	**46% - 48%**	**46% - 48%**	No change.
New easyfinancial locations opened during the year	**10 - 20**	**10 - 20**	No change.
Net charge-offs as a percentage of average gross consumer loans receivable	**11.0% - 13.0%**	**10.0% - 12.0%**	Increasing expected net charge-off rate from previous target due to a higher expected proportion of loans in a higher interest rate band.
easyfinancial operating margin	**44% - 46%**	**40% +**	Strong consumer loans receivable growth coupled with improving branch level operating expense efficiencies are expected to result in higher levels of operating margin.
Total revenue growth	**14% - 16%**	**10% - 12%**	Overall revenue growth is expected to increase given the strong year to date growth in the easyfinancial consumer loans receivable portfolio experienced in 2018 and the revised growth expectation for the second half of 2018 and the full year growth expectations of 2019 and 2020.
Return on equity	**26% +**	**20% +**	Increased target due to the higher expected growth of the Company's gross consumer loans receivable portfolio and resulting expected impact on both revenue and earnings.

Adoption of IFRS 9

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").

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 custom 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 write off unsecured customer balances that are delinquent greater than 90 days and secured customer balances that are delinquent greater than 180 days. Likewise, the cash flows used in and generated by the Company's consumer loans receivable portfolio 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.

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 2017 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
Income taxes payable	9,445	(4,749)	4,696
Retained earnings	127,065	(12,659)	114,406

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 outstanding will be higher. 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.

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					
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**

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 100 bps from 8.3% 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 significantly 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 is introducing 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 and six-month period ended June 30, 2018 as reported against the estimated financial results for the comparable period ended June 30, 2017 presented under IFRS 9. Certain of these measures for the three and six-month period ended June 30, 2018 and June 30, 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 June 30, 2018 (as reported)	Three Months Ended June 30, 2017 (estimated under IFRS 9)	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**123,343**	97,546	25,797	26.4%
Bad debt expense	**27,549**	19,401	8,148	42.0%
Operating expenses before depreciation and amortization	**83,648**	68,376	15,272	22.3%
EBITDA[1]	**29,644**	18,950	10,694	56.4%
EBITDA margin[1]	**24.0%**	19.4%	460 bps	23.7%
Depreciation and amortization expense	**12,893**	12,792	101	0.8%
Operating income	**26,802**	16,378	10,424	63.6%
Operating margin[1]	**21.7%**	16.8%	490 bps	29.4%
Interest expense and amortization of deferred financing charges	**10,425**	6,578	3,847	58.5%
PTPP income[1]	**43,926**	29,201	14,725	50.4%
Effective income tax rate	**27.8%**	25.8%	200 bps	7.8%
Net income	**11,821**	7,270	4,551	62.6%
Diluted earnings per share	**0.82**	0.52	0.30	57.7%
Return on equity	**20.9%**	14.0%	690 bps	49.6%

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

($ in 000's except earnings per share and percentages)	Six Months Ended June 30, 2018 (as reported)	Six Months Ended June 30, 2017 (estimated under IFRS 9)	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**238,120**	191,791	46,329	24.2%
Bad debt expense	**51,927**	35,240	16,687	47.4%
Operating expenses before depreciation and amortization	**160,114**	130,682	29,432	22.5%
EBITDA[1]	**57,953**	40,167	17,786	44.3%
EBITDA margin[1]	**24.3%**	20.9%	340 bps	16.2%
Depreciation and amortization expense	**26,280**	26,040	240	0.9%
Operating income	**51,726**	35,069	16,657	47.5%
Operating margin[1]	**21.7%**	18.3%	340 bps	18.8%
Interest expense and amortization of deferred financing charges	**20,095**	12,403	7,692	62.0%
PTPP income[1]	**83,558**	57,906	25,652	44.3%
Effective income tax rate	**27.6%**	28.1%	(50 bps)	(1.9%)
Net income	**22,895**	16,288	6,607	40.6%
Diluted earnings per share	**1.58**	1.16	0.42	36.2%
Return on equity	**20.6%**	16.0%	460 bps	28.8%

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

Analysis of Results for the Three Months Ended June 30, 2018

Second Quarter Highlights

- 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 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%. The issuance of the notes was at a premium to par. As a result, the Canadian dollar yield to maturity is 6.17% per annum. The term is concurrent with the previously issued notes payable with a maturity date of November 1, 2022.

- 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.

- goeasy continued to grow revenue during the second quarter of 2018. Revenue for the quarter increased to $123.3 million from the $97.5 million reported in the second quarter of 2017, an increase of $25.8 million or 26.4%. The increase was driven by the growth of easyfinancial.

- The gross consumer loans receivable portfolio increased from $425.3 million as at June 30, 2017 to $686.6 million as at June 30, 2018, an increase of $261.2 million or 61.4%. The loan book grew $84.8 million in the quarter against growth of $38.3 million in the second quarter of 2017. Loan originations in the quarter were $233.8 million, up 67.7% against the origination volume of the second quarter of 2017. Both originations and loan book growth in the quarter reached record levels. 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 more credit worthy borrowers, the maturation of the Company's retail branch network, slowing paydown rates due to longer term loans, ongoing enhancements to the Company's digital properties and an increased level of advertising spend.

- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.4% in the quarter compared with 14.7% in the second quarter of 2017. The Company achieved an improvement in delinquency rates through strong collection activities during the current quarter. This, and the increased penetration of risk adjusted rate loans to more credit worthy customers, helped to reduce the net charge-off rates.

- easyfinancial's operating income was $33.3 million, up $12.0 million in the quarter compared with the second quarter of 2017. Similarly, the operating margin increased to 37.5% in the quarter compared with 33.9% in the second quarter of 2017. Both operating income and operating margin improvements were moderated by the increased provision for future charge-offs due to the increased level of loan book growth experienced in the quarter and the adoption of IFRS 9 in 2018 (as previously described).

- Total operating income for the second quarter of 2018 was $26.8 million, up $8.2 million or 44.1% when compared with the second quarter of 2017. Operating margin in the quarter was 21.7% against 19.1% in the second quarter of 2017. The increased rate of provisioning for future charge-offs related to the strong growth in the consumer loans receivable portfolio in the quarter coupled with the impact of the adoption of IFRS 9 in 2018 resulted in an additional $5.6 million non-cash reduction in operating income in the current quarter.

- PTPP Income, which is income before the impact of income taxes and loan provisioning, increased to $43.9 million for the quarter from $29.2 million reported in the second quarter of 2017, up 50.4%. 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 second quarter of 2017.

- Net income for the second quarter of 2018 was a record $11.8 million or $0.82 per share on a diluted basis. This compares with the $8.9 million or $0.63 reported in the second quarter of 2017. Net income and diluted earnings per share increased by 33.0% and 30.2%, respectively. The Company estimates that net income and diluted earnings per share for the second quarter of 2017 would have been $7.3 million and $0.52, respectively, if the allowance for credit losses was determined on the same basis as that employed under IFRS 9 in 2018, rather than under the previous accounting standard, IAS 39.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended June 30, 2018	June 30, 2017	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**123,343**	97,546	25,797	26.4%
Operating expenses before depreciation and amortization	**83,648**	66,148	17,500	26.5%
EBITDA[1]	**29,644**	21,178	8,466	40.0%
EBITDA margin[1]	**24.0%**	21.7%	230 bps	10.7%
Depreciation and amortization expense	**12,893**	12,792	101	0.8%
Operating income	**26,802**	18,606	8,196	44.1%
Operating margin[1]	**21.7%**	19.1%	260 bps	13.9%
Interest expense and amortization of deferred financing charges	**10,425**	6,578	3,847	58.5%
PTPP income[1]	**43,926**	29,201	14,725	50.4%
Effective income tax rate	**27.8%**	26.1%	170 bps	6.6%
Net income	**11,821**	8,890	2,931	33.0%
Diluted earnings per share	**0.82**	0.63	0.19	30.2%
Return on equity	**20.9%**	17.1%	380 bps	22.3%
Key Performance Indicators[1]				
Same store revenue growth	**28.4%**	16.6%	1,180 bps	71.1%
Same store revenue growth excl. easyfinancial	**6.9%**	1.4%	550 bps	392.9%
Segment Financials				
easyfinancial revenue	**89,015**	62,973	26,042	41.4%
easyfinancial operating margin	**37.5%**	33.9%	360 bps	10.5%
easyhome revenue	**34,328**	34,573	(245)	(0.7%)
easyhome operating margin	**14.9%**	15.3%	(40 bps)	(2.9%)
Portfolio Indicators				
Gross consumer loans receivable	**686,573**	425,324	261,249	61.4%
Growth in consumer loans receivable	**84,849**	38,269	46,580	121.7%
Gross loan originations	**233,811**	139,420	94,391	67.7%
Bad debt expense as a percentage of Financial Revenue	**30.4%**	27.2%	320 bps	11.6%
Net charge-offs as a percentage of average gross consumer loans receivable	**12.4%**	14.8%	(240 bps)	(16.0%)
Potential monthly lease revenue	**8,973**	9,419	(446)	(4.7%)
Change in potential monthly lease revenue due to ongoing operations	**(271)**	(179)	(92)	(51.2%)

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

Store Locations Summary

	Locations as at March 31, 2018	Locations opened during period	Locations closed during period	Conversions	Locations as at June 30, 2018
easyfinancial					
Kiosks (in store)	41	1	(1)	(1)	**40**
Stand-alone locations	191	4	-	1	**196**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	233	5	(1)	-	**237**
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 Ended June 30, 2018			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**59,669**	**1,106**	**-**	**60,775**
Lease revenue	**-**	**30,133**	**-**	**30,133**
Commissions earned	**27,601**	**1,587**	**-**	**29,188**
Charges and fees	**1,745**	**1,502**	**-**	**3,247**
	89,015	**34,328**	**-**	**123,343**
Total operating expenses before depreciation and amortization	**53,663**	**18,642**	**11,343**	**83,648**
Depreciation and amortization	**1,996**	**10,588**	**309**	**12,893**
Operating income (loss)	**33,356**	**5,098**	**(11,652)**	**26,802**
Finance costs				**10,425**
Income before income taxes				**16,377**
Income taxes				**4,556**
Net income				**11,821**
Diluted earnings per share				**0.82**

($ in 000's except earnings per share)	Three Months Ended June 30, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	40,732	49	-	40,781
Lease revenue	-	31,525	-	31,525
Commissions earned	20,753	1,183	-	21,936
Charges and fees	1,488	1,816	-	3,304
	62,973	34,573	-	97,546
Total operating expenses before depreciation and amortization	39,889	18,465	7,794	66,148
Depreciation and amortization	1,727	10,822	243	12,792
Operating income (loss)	21,357	5,286	(8,037)	18,606
Finance costs				6,578
Income before income taxes				12,028
Income taxes				3,138
Net income				8,890
Diluted earnings per share				0.63

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $425.3 million as at June 30, 2017 to $686.6 million as at June 30, 2018, an increase of $261.2 million or 61.4%. The loan book grew $84.8 million in the quarter against growth of $38.3 million in the second quarter of 2017. Loan originations in the quarter were $233.8 million, up 67.7% against the origination volume of the second quarter of 2017. Both originations and loan book growth in the quarter reached record levels. 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 more credit worthy borrowers, the maturation of the Company's retail branch network, 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 yield realized by the Company on its average consumer loans receivable portfolio decreased by 620 bps in the second quarter of 2018 when compared to the second 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. In addition, the second quarter in 2017 included a one-time benefit associated with the transition to a new provider of the Company's creditor life insurance product.

Bad debt expense increased to $27.5 million for the second quarter of 2018 from $17.1 million during the comparable period in 2017, an increase of $10.4 million or 60.8%. The following table details the components of bad debt expense:

($ in 000's)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Provision required due to net charge-offs	**20,297**	**15,112**
Impact of loan book growth – Historic rate	**5,494**	**2,403**
Impact of loan book growth – Incremental IFRS 9 rate	**2,528**	**-**
Impact of change in provision rate during period	**(770)**	**(342)**
Net change in allowance for credit losses	**7,252**	**2,061**
Bad debt expense	**27,549**	**17,173**

Bad debt expense increased due to four factors:

(i) Net charge-offs increased from $15.1 million in the second quarter of 2017 to $20.3 million in the current quarter, up $5.2 million. This represented an increase of 34.3% against the 61.4% growth in the loan book over the same period. Similarly, the net charge-off rate declined markedly in the current quarter. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.4% in the quarter compared with 14.8% in the second quarter of 2017. The Company achieved an improvement in delinquency rates in the current quarter through the increased penetration of risk adjusted rate loans to more credit worthy customers and strong collection activities.

(ii) The loan book growth in the quarter increased from $38.3 million in the second quarter of 2017 to $84.8 million in the current quarter, excluding the impact of the adoption of IFRS 9 (which served to increase the provision rate) this resulted in a $3.1 million increase in bad debt expense in the quarter.

(iii) The implementation of IFRS 9 resulted in the provision taken on loan book growth in the quarter increasing from 6.2% in the second quarter of 2017 to 9.2% in the current quarter. This resulted in an additional $2.5 million increase in bad debt expense in the current quarter.

(iv) The provision rate declined slightly in the second quarter of 2017 by 8 bps resulting in a reduction to bad debt expense of $0.3 million. The provision rate in the second quarter of 2018 declined by 11 resulting in a reduction to bad debts expense of $0.8 million.

easyhome Leasing Portfolio – the leasing portfolio as measured by potential monthly lease revenue as at June 30, 2018 was $9.0 million, down from the $9.4 million reported at June 30, 2017. Overall, the number of agreements declined from 106,698 as at June 30, 2017 to 98,009 as at June 30, 2018. The decline in agreement count over the past 12 months was related primarily to the sale of stores to franchisees and the closure of underperforming locations. The 8.1% decline in agreements was offset by a 4.1% 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. Seasonally the lease portfolio tends to decline in the second quarter. The change in potential monthly lease revenue due to ongoing operations in the current quarter was a decline of $0.3 million as compared with a decline of $0.2 million in the second quarter of 2017.

Revenue

Revenue for the three-month period ended June 30, 2018 was $123.3 million compared to $97.5 million in the same period in 2017, an increase of $25.8 million or 26.4%. Same store sales growth for the quarter was 28.4%. Revenue growth was driven primarily by the growth of easyfinancial.

easyfinancial – Revenue for the three-month period ended June 30, 2018 was $89.0 million, an increase of $26.0 million when compared with the second 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 easyfinancial revenue include:

- Interest revenue increased by $18.9 million or 46.5% 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 as well as 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 $6.8 million or 33.0% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products.
- Charges and fees increased by $0.3 million.

easyhome – Revenue for the three-month period ended June 30, 2018 was $34.3 million, a decrease of $0.2 million when compared with the second quarter of 2017. Revenue associated with the traditional leasing business declined by $1.7 million in the current quarter related primarily to store sales and the closure of underperforming locations. These declines were offset by a $1.5 million increase in financial revenue (interest and commissions earned) related to consumer lending in easyhome which was introduced in the first quarter of 2017. The components of easyhome revenue include:

- Interest revenue increased by $1.1 million. Consumer lending in easyhome was introduced in the second quarter of 2017.
- Lease revenue declined by $1.4 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 $0.1 million.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $83.6 million for the three-month period ended June 30, 2018, an increase of $17.5 million or 26.5% 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) as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 67.8% of revenue for the second quarter of 2018 consistent with the rate reported in the second quarter of 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $53.7 million for the second quarter of 2018, an increase of $13.7 million or 34.5% from the second quarter of 2017. Operating expenses, excluding bad debt, increased by $4.0 million or 17.5% in the quarter driven by: i) an additional $0.5 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 loan book and significant improvements in delinquency and charge-off rates). Overall branch count increased from 215 as at June 30, 2017 to 237 as at June 30, 2018. Bad debt expense for easyfinancial, increased by $9.7 million in the current period when compared to the same period in 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $18.6 million for the second quarter of 2018, which was $0.2 million higher than the second quarter of 2017. The increase was primarily related to higher store level operating expenses related specifically to the addition of consumer lending in easyhome stores. This increase was offset by a $0.2 million reduction in advertising spend in support of the easyhome business as well as lower costs due to the reduction in store count. Consolidated easyhome store count declined by eleven from 145 as at June 30, 2017 to 134 as at June 30, 2018.

Corporate – Total operating expenses before depreciation and amortization were $11.3 million for the second quarter of 2018 compared to $7.8 million in the second quarter of 2017, an increase of $3.5 million. The increase was primarily related to higher salary (additional management personnel) and incentive compensation (including stock based compensation) costs in the current quarter due to the strong financial results of the Company which have exceeded the Company's internal targets. Additionally, corporate costs in the second quarter of 2017 were offset by a gain on the sale of an easyhome store to a franchisee. Corporate expenses before depreciation and amortization represented 9.2% of total revenue in the second quarter of 2018 compared to 8.0% of total revenue in the second quarter of 2017.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended June 30, 2018 was $12.9 million, an increase of $0.1 million from the second quarter of 2017. Overall, depreciation and amortization represented 10.5% of revenue for the three months ended June 30, 2018, a decrease from the 13.1% reported in the comparable period of 2017.

easyfinancial – The $0.3 million increase in depreciation and amortization within easyfinancial was attributable to its growing network of branches and the amortization of new systems.

easyhome – Depreciation and amortization expense declined by $0.2 million in the second quarter of 2018 compared to the second quarter of 2017 due to reductions in the lease portfolio (as described in the analysis of easyhome's revenue). easyhome's depreciation and amortization expense expressed as a percentage of easyhome revenue for the quarter was 30.8%, down slightly from the 31.3% reported in the second quarter of 2017. Improved product pricing and margins contributed to this rate reduction.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended June 30, 2018 was $26.8 million, up $8.2 million or 44.1% when compared with the second quarter of 2017. Operating margin in the quarter was 21.7%, up 2.6% when compared with the comparable period of 2017. The transition to IFRS 9 in the current quarter served to reduce operating income by $2.5 million as compared to the previous accounting standard.

easyfinancial – Operating income was $33.4 million for the second quarter of 2018 compared with $21.4 million for the comparable period in 2017, an increase of $12.0 million or 56.2%. The benefits of the larger loan book and related revenue increases of $26.0 million were partially offset by: i) the $0.5 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 37.5% compared with 33.9% reported in the second quarter of 2017.

easyhome – Operating income was $5.1 million for the second quarter of 2018, a decrease of $0.2 million when compared with the second quarter of 2017. Declines in revenue coupled with higher store operating expenses associated with the consumer lending business in easyhome stores were partially offset by lower advertising costs and lower costs related to the reduced store count. Operating margin for the second quarter of 2018 was 14.9%, a decrease from the 15.3% reported in the second quarter of 2017.

Finance Costs

Finance costs for the three months ended June 30, 2018 were $10.4 million compared with $6.6 million in the second quarter of 2017. This increase in finance costs was driven by higher average borrowing levels offset somewhat by the reduced cost of borrowing.

PTPP Income

Pre-tax pre-provision income ("PTPP income") for the second quarter of 2018 was $43.9 million, an increase of $14.7 million or 50.4% when compared to the second 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 second quarter of 2017.

Income Tax Expense

The effective income tax rate for the second quarter of 2018 was 27.8% which was higher than the 26.1% reported in the second quarter of 2017. The lower effective tax rate in the prior quarter was due to the lower tax rate on the asset sales in the second quarter of 2017.

Net Income and EPS

Net income for the second quarter of 2018 was $11.8 million or $0.82 per share on a diluted basis, an increase of $2.9 million or $0.19 per share when compared to the second quarter of 2017. Net income and diluted earnings per share increased by 33.0% and 30.2%, respectively. The Company estimates that net income and diluted earnings per share for the second quarter of 2017 would have been $7.3 million and $0.52, respectively, if the allowance for credit losses was determined on the same basis as that employed under IFRS 9 in 2018, rather than under the previous accounting standard, IAS 39.

Analysis of Results for the Six Months Ended June 30, 2018

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Six Months Ended June 30, 2018	June 30, 2017	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**238,120**	191,791	46,329	24.2%
Operating expenses before depreciation and amortization	**160,114**	126,732	33,382	26.3%
EBITDA[1]	**57,953**	44,117	13,836	31.4%
EBITDA margin[1]	**24.3%**	23.0%	130 bps	5.8%
Depreciation and amortization expense	**26,280**	26,040	240	0.9%
Operating income	**51,726**	39,019	12,707	32.6%
Operating margin[1]	**21.7%**	20.3%	140 bps	6.8%
Interest expense and amortization of deferred financing charges	**20,095**	12,403	7,692	62.0%
PTPP income[1]	**83,558**	57,906	25,652	44.3%
Effective income tax rate	**27.6%**	28.0%	(40 bps)	(1.4%)
Net income	**22,895**	19,160	3,735	19.5%
Diluted earnings per share	**1.58**	1.36	0.22	16.2%
Return on equity	**20.6%**	18.8%	180 bps	9.5%
Key Performance Indicators[1]				
Same store revenue growth	**26.0%**	17.2%	880 bps	51.2%
Same store revenue growth excl. easyfinancial	**6.1%**	(0.1%)	620 bps	(6,200.0%)
Segment Financials				
easyfinancial revenue	**169,381**	122,526	46,855	38.2%
easyfinancial operating margin	**37.1%**	37.5%	(40 bps)	(1.0%)
easyhome revenue	**68,739**	69,265	(526)	(0.8%)
easyhome operating margin	**15.3%**	15.1%	20 bps	1.3%
Portfolio Indicators				
Gross consumer loans receivable	**686,573**	425,324	261,249	61.4%
Growth in consumer loans receivable	**160,027**	54,807	105,220	192.0%
Gross loan originations	**436,177**	245,523	190,654	77.7%
Bad debt expense as a percentage of Financial Revenue	**30.2%**	25.5%	470 bps	18.3%
Net charge-offs as a percentage of average gross consumer loans receivable	**12.4%**	14.4%	(200 bps)	(13,6%)
Potential monthly lease revenue	**8,973**	9,419	(446)	(4.7%)
Change in potential monthly lease revenue due to ongoing operations	**(364)**	(337)	(27)	(8.0%)

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

Store Locations Summary

	Locations as at December 31, 2017	Locations opened during period	Locations closed during period	Conversions	Locations as at June 30, 2018
easyfinancial					
Kiosks (in store)	42	1	(1)	(2)	**40**
Stand-alone locations	185	9	-	2	**196**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	228	10	(1)	-	**237**
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

	Six Months Ended June 30, 2018			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**112,755**	**1,811**	**-**	**114,566**
Lease revenue	**-**	**60,802**	**-**	**60,802**
Commissions earned	**53,101**	**3,026**	**-**	**56,127**
Charges and fees	**3,525**	**3,100**	**-**	**6,625**
	169,381	**68,739**	**-**	**238,120**
Total operating expenses before depreciation and amortization	**102,200**	**37,073**	**20,841**	**160,114**
Depreciation and amortization	**4,364**	**21,154**	**762**	**26,280**
Operating income (loss)	**62,817**	**10,512**	**(21,603)**	**51,726**
Finance costs				**20,095**
Income before income taxes				**31,631**
Income taxes				**8,736**
Net income				**22,895**
Diluted earnings per share				**1.58**

($ in 000's except earnings per share)	Six Months Ended June 30, 2017			
	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	78,866	49	-	78,915
Lease revenue	-	63,435	-	63,435
Commissions earned	40,693	2,216	-	42,909
Charges and fees	2,967	3,565	-	6,532
	122,526	69,265	-	191,791
Total operating expenses before depreciation and amortization	73,211	36,664	16,857	126,732
Depreciation and amortization	3,415	22,147	478	26,040
Operating income (loss)	45,900	10,454	(17,335)	39,019
Finance costs				12,043
Income before income taxes				26,616
Income taxes				7,456
Net income				19,160
Diluted earnings per share				1.36

Portfolio Performance

Consumer Loans Receivable Portfolio – The gross consumer loans receivable portfolio increased from $425.3 million as at June 30, 2017 to $686.6 million as at June 30, 2018, an increase of $261.3 million or 61.4%. Originations in the first half of 2018 were very strong at $436.2 million, up 77.7% against the originations recorded in the same period of 2017. The loan book grew $160.0 million in the current year to date period against growth of $54.8 million in the comparable period 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 more credit worthy borrowers, the maturation of the Company's retail branch network, 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 yield realized by the Company on its average consumer loans receivable portfolio decreased by 630 bps in the current year to date period when compared to the same period 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, 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. In addition, the first half of 2017 included a one-time benefit associated with the transition to a new provider of the Company's creditor life insurance product.

Bad debt expense increased to $51.9 million for the first half of 2018 from $31.3 million during the comparable period in 2017, an increase of $20.6 million or 66.0%. The following table details the components of bad debt expense:

($ in 000's)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Provision required due to net charge-offs	**38,323**	**28,391**
Impact of loan book growth – Historic rate	**10,253**	**3,450**
Impact of loan book growth – Incremental IFRS 9 rate	**4,781**	**-**
Impact of change in provision rate during period	**(1,430)**	**(551)**
Net change in allowance for credit losses	**13,604**	**2,899**
Bad debt expense	**51,927**	**31,290**

Bad debt expense increased due to four factors:

(i) Net charge-offs increased from $28.4 million in the first half of 2017 to $38.3 million in the current year to date period, up $9.9 million. This represented an increase of 35.0% against the 61.4% growth in the loan book over the past 12 months. Similarly, the net charge-off rate declined markedly in the first half of 2018. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 12.4% in the six month period ended June 30, 2018 compared with 14.3% in the same period of 2017. The Company achieved an improvement in delinquency rates in the current year to date period through the increased penetration of risk adjusted rate loans to more credit worthy customers, and strong collection activities.

(ii) The loan book growth increased from $54.8 million in the first half of 2017 to $160.0 million in the current year to date period. Excluding the impact of the adoption of IFRS 9 (which served to increase the provision rate) this resulted in a $6.8 million increase in bad debt expense in the current year to date period.

(iii) The implementation of IFRS 9 resulted in the provision taken on loan book growth increasing from 6.2% in the 2017 to 9.2% in 2018. This resulted in an additional $4.8 million increase in bad debt expense in the current year to date period.

(iv) The provision rate declined by 13 bps in the first half of 2017 resulting in a reduction to bad debts expense of $0.6 million. The provision rate in the first half of 2018 declined by 15 bps resulting in a reduction to bad debts expense of $1.4 million.

easyhome Leasing Portfolio – the leasing portfolio as measured by potential monthly lease revenue as at June 30, 2018 was $9.0 million, down from the $9.4 million reported at June 30, 2017 as previously described.

Revenue

Revenue for the six-month period ended June 30, 2018 was $238.1 million compared to $191.8 million in the same period in 2017, an increase of $46.3 million or 24.2%. Same store sales growth for the quarter was 26.0%. Revenue growth was driven primarily by the growth of easyfinancial.

e*asyfinancial* – Revenue for the six-month period ended June 30, 2018 was 169.4 million, an increase of $46.9 million or 38.2% 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 include:

- Interest revenue increased by $33.9 million or 43.0% driven by the loan book growth but offset by lower yields. Interest yield declined due to an increased take up of risk adjusted rate loans as well as 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 $12.4 million or 30.5% driven by the growth of the loan book. The rate of growth of commissions earned was less than the rate of growth of the loan book due to a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products.
- Charges and fees increased by $0.6 million.

easyhome – Revenue for the six-month period ended June 30, 2018 was $68.7 million, a decrease of $0.5 million when compared with the comparable period in 2017. Revenue associated with the traditional leasing business declined by $3.0 million in the current year to date period related primarily to store sales and the closure of underperforming locations. These declines were offset by a $2.5 million increase in financial revenue (interest and commissions earned) related to consumer lending in easyhome which was introduced in the first quarter of 2017. The components of easyhome revenue include:

- Interest revenue increased by $1.8 million. Consumer lending in easyhome was introduced in the second quarter of 2017.
- Lease revenue declined by $2.6 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 $0.3 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 $160.1 million for the six -month period ended June 30, 2018, an increase of $33.4 million or 26.3% 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) as well as higher corporate costs. Total operating expenses before depreciation and amortization represented 67.2% of revenue for the first six month of 2018, an increase from the 66.1% reported in the second quarter of 2017.

easyfinancial – Total operating expenses before depreciation and amortization were $102.2 million for the first six months of 2018, an increase of $29.0 million or 39.6% from the comparable period of 2017. Operating expenses, excluding bad debt, increased by $9.5 million or 22.6% in the first half of 2018 driven by: i) an additional $1.1 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 loan book and significant improvements in delinquency and charge-off rates). Overall branch count increased from 215 as at June 30, 2017 to 237 as at June 30, 2018. Bad debt expense for easyfinancial, increased by $19.5 million in the current period when compared to the same period in 2017 for the reasons described above.

easyhome – Total operating expenses before depreciation and amortization were $37.1 million for the first half of 2018, which was up $0.4 million when compared to the first half of 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 eleven from 145 as at June 30, 2017 to 134 as at June 30, 2018.

Corporate – Total operating expenses before depreciation and amortization were $20.8 million for the first half of 2018 compared to $16.9 million in the comparable period of 2017, an increase of $3.9 million. The increase was primarily related to higher salary (additional management personnel) and incentive compensation costs (including stock based compensation) in the first half of 2018 due to the strong financial results of the Company which have exceeded the Company's internal targets. Corporate expenses before depreciation and amortization represented 8.8% of total revenue for the first six month of 2018 which is consistent with the comparable period of 2017.

Depreciation and Amortization

Depreciation and amortization for the six-month period ended June 30, 2018 was $26.3 million, an increase of $0.2 million from the comparable period in 2017. Overall, depreciation and amortization represented 11.0% of revenue for the six-month period ended June 30, 2018, a decrease from the 13.6% reported in the comparable period of 2017.

easyfinancial – The $0.9 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 $1.0 million in the first six months of 2018 compared with the same period of 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 first half of 2018 was 30.8%, a decrease from the 32.0% reported in the comparable period of 2017.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the six-month period ended June 30, 2018 was $51.7 million, up $12.7 million or 32.6% when compared with the comparable period in 2017. Operating margin for the six-month period ended June 30, 2018 was 21.7%, compared to 20.3% for the same period of 2017. The transition to IFRS 9 in the current year to date period served to reduce operating income by $4.8 million as compared to the previous accounting standard.

easyfinancial – Operating income was $62.8 million for the first half of 2018 compared with $45.9 million for the comparable period in 2017, an increase of $16.9 million or 36.8%. The benefits of the larger loan book and related revenue increases of $46.3 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 $1.1 million increase in advertising spend and incremental expenditures to enhance the product offering and expand the easyfinancial footprint. Operating margin was 37.1% in the current year to date period compared with 37.5% reported in the same period of 2017.

easyhome – Operating income was $10.5 million for the first half of 2018, an increase of $0.1 million when compared with the first half of 2017. The reduced size of the lease portfolio and associated lower revenue (as previously described) coupled with an increase in store operating costs associated with consumer lending in easyhome were offset by lower store level cost due to lower store count and advertising costs. Operating margin for the first six months of 2018 was 15.3%, an increase from the 15.1% reported in the same period of 2017.

Finance Costs

Finance costs for the six-month period ended June 30, 2018 were $20.1 million compared with $12.4 million in the comparable period of 2017. This increase in finance costs was driven by higher average borrowing levels offset somewhat by the reduced cost of borrowing.

PTPP Income

Pre-tax pre-provision income ("PTPP income") for the six months of 2018 was $83.6 million, an increase of $25.7 million or 44.3% when compared to the same period in 2017. The increased revenue in the first half of 2018 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 first six months of 2018 was 27.6% which was comparable to the 28.0% reported in the same period of 2017.

Net Income and EPS

Net income for the first half of 2018 was $22.9 million or $1.58 per share on a diluted basis, an increase of $3.7 million or $0.22 per share when compared to the first half of 2017. Net income and diluted earnings per share increased by 19.5% and 16.2%, respectively. The Company estimates that net income and diluted earnings per share for the first half of 2017 would have been $16.3 million and $1.16, respectively, if the allowance for credit losses was determined on the same basis as that employed under IFRS 9 in 2018, rather than under the previous accounting standard, IAS 39.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	June 2018	March 2018	December 2017[2]	September. 2017[2]	June 2017[2]	March 2017[2]	December 2016[2]	September 2016[2]	June. 2016[2]
Gross consumer loans receivable	**686.6**	601.7	526.5	473.1	425.3	387.1	370.5	343.7	326.2
Revenue	**123.3**	114.8	107.2	102.7	97.5	94.2	91.1	87.6	86.0
Net income	**11.8**	11.1	5.4	11.6	8.9	10.3	8.3	4.9	10.5
Return on equity	**20.9%**	19.8%	9.5%	21.3%	18.8%	20.6%	17.4%	10.5%	19.7%
Net income as a percentage of revenue	**9.6%**	9.7%	4.9%	11.3%	9.1%	10.9%	9.1%	5.6%	12.2%
Earnings per share[1]									
Basic	**0.86**	0.81	0.39	0.86	0.66	0.76	0.62	0.37	0.77
Diluted	**0.82**	0.77	0.38	0.81	0.63	0.73	0.60	0.36	0.75

[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.

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. Net income increased, with the impact of higher revenue being partially offset by increased operating expenses and financing costs.

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		**Six Months Ended**	
($ in 000's)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Loan originations to new customers	**112,356**	64,500	**197,517**	103,808
Loan originations to existing customers	**121,455**	74,920	**238,660**	141,715
Less: Proceeds applied to repay existing loans	**(59,410)**	(38,623)	**(115,354)**	(73,609)
Net advance to existing customers	**62,045**	36,297	**123,306**	68,106
Net principal written	**174,401**	100,797	**320,823**	171,914

Gross Consumer Loans Receivable

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

	Three Months Ended		**Six Months Ended**	
($ in 000's)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Opening gross consumer loans receivable	**601,724**	387,055	**526,546**	370,517
Gross loan originations	**233,811**	136,420	**436,177**	245,523
Gross principal payments and other adjustments	**(125,953)**	(84,679)	**(233,325)**	(159,579)
Gross charge-offs before recoveries	**(23,009)**	(16,472)	**(42,825)**	(31,137)
Net growth in gross consumer loans receivable during the period	**84,849**	38,269	**160,027**	54,807
Ending gross consumer loans receivable	**686,573**	425,324	**686,573**	425,324

The scheduled principal repayment aging analysis of gross consumer loans receivable portfolio as at June 30, 2018 is as follows:

($ in 000's except percentages)	**$**	**% of total Loans**
0 – 6 months	**116,561**	**17.0%**
6 – 12 months	**92,885**	**13.5%**
12 – 24 months	**190,848**	**27.8%**
24 – 36 months	**169,664**	**24.7%**
36 – 48 months	**79,050**	**11.5%**
48 – 60 months	**19,873**	**2.9%**
60 months+	**17,692**	**2.6%**
Gross consumer loans receivable	**686,573**	**100.0%**

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

	June 30, 2018		**June 30, 2017**	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
0 – 1 year	**35,730**	**5.2%**	32,724	7.7%
1 – 2 years	**100,005**	**14.6%**	85,125	20.0%
2 – 3 years	**227,234**	**33.1%**	158,104	37.2%
3 – 4 years	**216,817**	**31.6%**	114,208	26.9%
4 – 5 years	**74,551**	**10.9%**	35,117	8.3%
5 years +	**32,236**	**4.6%**	46	0.0%
Gross consumer loans receivable	**686,573**	**100.0%**	425,324	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)	June 30, 2018		June 30, 2017	
	$	**% of total**	**$**	**% of total**
Gross consumer loans receivable, easyfinancial	**673,737**	**98.1%**	424,220	99.7%
Gross consumer loans receivable, easyhome	**12,836**	**1.9%**	1,104	0.3%
Gross consumer loans receivable	**686,573**	**100.0%**	425,324	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		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Financial revenue, easyfinancial	**89,015**	62,973	**169,381**	122,526
Financial revenue, easyhome	**1,633**	101	**2,693**	101
Financial revenue	**90,648**	63,074	**172,074**	122,627
Less: Finance costs	**(10,425)**	(6,578)	**(20,095)**	(12,403)
Less: Bad debt expense	**(27,549)**	(17,173)	**(51,927)**	(31,290)
Net Financial Income	**52,674**	39,323	**100,052**	78,934

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		Six Months Ended	
($ in 000's except percentages)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net charge-offs	**20,297**	15,112	**38,323**	28,391
Average gross consumer loans receivable	**656,687**	410,690	**618,738**	396,082
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**12.4%**	14.8%	**12.4%**	14.4%

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. The allowance for expected credit losses provides for credit losses that are expected to transpire in future periods and is calculated in accordance with IFRS 9 as previously described. Customer loans for which we have received a notification of bankruptcy, unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off against the allowance for loan losses.

	Three Months Ended		Six Months Ended	
($ in 000's except percentages)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Allowance for credit losses, beginning of period	**55,464**	24,294	**49,112**	23,456
Net charge-offs written off against the allowance	**(20,297)**	(15,112)	**(38,323)**	(28,391)
Bad debt expense	**27,549**	17,173	**51,927**	31,290
Allowance for credit losses, end of period	**62,716**	26,355	**62,716**	26,355
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**9.1%**	6.2%	**9.1%**	6.2%

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 June 30, 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%**	**+/- 44 bps**
Rate of inflation	**+/- 10%**	**+/- 11 bps**
Oil prices	**+/- 10%**	**-/+ 29 bps**

Bad Debt Expense (Provision for Credit Losses)

The Company's bad debt expense is the amount that its allowance for 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 IFRS 9. An analysis of the Company's bad debt expense for the periods was as follows:

	Three Months Ended		Six Months Ended	
($ in 000's except percentages)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Bad debt expense	**27,549**	17,173	**51,927**	31,290
Financial revenue	**90,648**	63,074	**172,074**	122,627
Bad debt expense as a percentage of Financial Revenue	**30.4%**	27.2%	**30.2%**	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:

($ in 000's except percentages)	June 30, 2018		June 30, 2017	
	$	**% of total**	**$**	**% of total**
Current	**657,603**	**95.8%**	406,768	95.7%
Days past due				
1 - 30 days	**17,037**	**2.5%**	10,725	2.5%
31 - 44 days	**3,551**	**0.5%**	2,179	0.5%
45 - 60 days	**3,462**	**0.5%**	2,078	0.5%
61 - 90 days	**4,920**	**0.7%**	3,574	0.8%
91 – 180 days	**-**	**0.0%**	-	0.0%
	28,970	**4.2%**	18,556	4.3%
Gross consumer loans receivable	**686,573**	**100.0%**	425,324	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, June 30, 2018	Saturday, June 24, 2017
	% of total	**% of total**
Current	**95.8%**	95.2%
Days past due		
1 - 30 days	**2.5%**	2.8%
31 - 44 days	**0.5%**	0.5%
45 - 60 days	**0.5%**	0.6%
61 - 90 days	**0.7%**	0.9%
91 – 180 days	**0.0%**	0.0%
	4.2%	4.8%
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:

	June 30, 2018		June 30, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**29,170**	**4.3%**	21,064	5.0%
Nova Scotia	**42,925**	**6.3%**	30,227	7.1%
Prince Edward Island	**7,820**	**1.2%**	5,600	1.3%
New Brunswick	**35,086**	**5.1%**	23,823	5.6%
Quebec	**34,496**	**5.0%**	7,046	1.7%
Ontario	**299,566**	**43.6%**	186,539	43.9%
Manitoba	**29,070**	**4.2%**	17,852	4.2%
Saskatchewan	**34,480**	**5.0%**	22,530	5.3%
Alberta	**89,488**	**13.0%**	55,560	13.1%
British Columbia	**76,771**	**11.2%**	50,123	11.8%
Territories	**7,701**	**1.1%**	4,960	1.0%
Gross consumer loans receivable	**686,573**	**100.0%**	425,324	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:

	June 30, 2018		June 30, 2017	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Unsecured Instalment Loans	**654,419**	**95.3%**	425,324	100.0%
Secured Instalment Loans	**32,154**	**4.7%**	-	-
Gross consumer loans receivable	**686,573**	**100.0%**	425,324	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio 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		Six Months Ended	
($ in 000's)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Opening potential monthly lease revenue	**9,252**	9,707	**9,481**	9,886
Change due to store opening or acquisitions during the period	**50**	-	**50**	-
Decrease due to store closures or sales during the period	**(59)**	(109)	**(195)**	(130)
Increase/(decrease) due to ongoing operations	**(270)**	(179)	**(364)**	(337)
Net change	**(279)**	(288)	**(509)**	(467)
Ending potential monthly lease revenue	**8,973**	9,419	**8,973**	9,419

Potential monthly lease revenue is calculated as follows:

	June 30, 2018	**June 30, 2017**
Total number of lease agreement	**98,009**	106,698
Multiplied by the average required monthly lease payment per agreement	**91.55**	88.28
Potential monthly lease revenue ($ in 000's)	**8,973**	9,419

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)	**June 30, 2018**	**June 30, 2017**
Furniture	**4,116**	4,194
Electronics	**1,062**	1,129
Computers	**2,756**	2,974
Appliances	**1,038**	1,122
Potential monthly lease revenue	**8,973**	9,419

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:

($ in 000's except percentages)	June 30, 2018		June 30, 2017	
	$	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**740**	**8.2%**	807	8.6%
Nova Scotia	**775**	**8.6%**	802	8.5%
Prince Edward Island	**149**	**1.7%**	163	1.7%
New Brunswick	**645**	**7.2%**	679	7.2%
Quebec	**558**	**6.2%**	594	6.3%
Ontario	**3,068**	**34.2%**	3,251	34.5%
Manitoba	**238**	**2.7%**	254	2.7%
Saskatchewan	**403**	**4.5%**	464	4.9%
Alberta	**1,334**	**14.9%**	1,309	13.9%
British Columbia	**970**	**10.8%**	968	10.3%
USA	**93**	**1.0%**	128	1.4%
Potential monthly lease revenue	**8,973**	**100.0%**	9,419	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.

($ in 000's except percentages)	Three Months Ended		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net charge-offs	**980**	830	**1,938**	1,888
easyhome Leasing revenue	**32,695**	34,472	**66,046**	69,164
Net charge-offs as a percentage of easyhome leasing revenue	**3.0%**	2.4%	**2.9%**	2.7%

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		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Same store revenue growth	**28.4%**	16.6%	**26.0%**	17.2%
Same store revenue growth excluding easyfinancial	**6.9%**	1.4%	**6.1%**	(0.1%)

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		Six Months Ended	
($ in 000's except percentages)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Operating expenses before depreciation and amortization	**83,648**	66,148	**160,114**	126,732
Divided by revenue	**123,343**	97,546	**238,120**	191,791
Operating expenses before depreciation and amortization as % of revenue	**67.8%**	67.8%	**67.2%**	66.1%

Operating Margin

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

	Three Months Ended		Six Months Ended	
($ in 000's except percentages)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
easyfinancial				
Operating income	**33,356**	21,357	**62,817**	45,900
Divided by revenue	**89,015**	62,973	**169,381**	122,526
easyfinancial operating margin	**37.5%**	33.9%	**37.1%**	37.5%
easyhome				
Operating income	**5,098**	5,286	**10,512**	10,454
Divided by revenue	**34,328**	34,573	**68,739**	69,265
easyhome operating margin	**14.9%**	15.3%	**15.3%**	15.1%
Total				
Operating income	**26,802**	18,606	**51,726**	39,019
Divided by revenue	**123,343**	97,546	**238,120**	191,791
Total operating margin	**21.7%**	19.1%	**21.7%**	20.3%

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		Six Months Ended	
($ in 000's except percentages)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net income	**11,821**	8,890	**22,895**	19,160
Finance costs	**10,425**	6,578	**20,095**	12,403
Income tax expense	**4,556**	3,138	**8,736**	7,456
Depreciation and amortization, excluding depreciation of lease assets	**2,842**	2,572	**6,227**	5,098
EBITDA	**29,644**	21,178	**57,953**	44,117
Divided by revenue	**123,343**	97,546	**238,120**	191,791
EBITDA margin	**24.0%**	21.7%	**24.3%**	23.0%

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		Six Months Ended	
($ in 000's except percentages)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net income	**11,821**	8,890	**22,895**	19,160
Income tax expense	**4,556**	3,138	**8,736**	7,456
Bad debt expense	**27,549**	17,173	**51,927**	31,290
PTPP Income	**43,926**	29,201	**83,558**	57,906

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		Six Months Ended	
($ in 000's except periods and percentages)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net income	**11,821**	8,890	**22,895**	19,160
Multiplied by number of periods in year	**X 4/1**	X 4/1	**X 4/2**	X 4/2
Divided by average shareholders' equity for the period	**225,765**	207,711	**222,371**	203,818
Return on equity	**20.9%**	17.1%	**20.6%**	18.8%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at June 30, 2018 and June 30, 2017.

($ in 000's, except for ratios)	June 30, 2018	June 30, 2017
Consumer loans receivable, net	**646,298**	409,644
Cash	**19,243**	44,828
Lease assets	**51,103**	53,189
Property and equipment	**16,022**	15,963
Intangible assets and goodwill	**36,016**	36,215
Other assets	**36,419**	19,022
Total assets	**805,101**	578,861
External debt	**518,385**	322,242
Other liabilities	**55,286**	44,762
Total liabilities	**573,671**	367,004
Shareholders' equity	**231,430**	211,857
Total capitalization (total debt plus total shareholders' equity)	**749,815**	534,099
External debt to shareholders' equity	**2.24**	1.52
External debt to total capitalization	**0.69**	0.60
Net external debt to total capitalization [2]	**0.67**	0.52
External debt to Adjusted EBITDA [1]	**4.62**	3.82

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

[2] Net external debt is calculated as external debt less cash on hand.

Total assets were $805.1 million as at June 30, 2018, an increase of $226.2 million or 39.1% compared to June 30, 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 $236.7 million over the past 12 months; ii) the increase in other assets of $17.4 million; and partially offset by iii) a $25.6 million decrease in cash (cash balances were elevated as at June 30, 2017 due to the issuance of convertible debentures).

The $226.2 million growth in total assets was financed by: i) a $196.1 million increase in external debt (including the issuance of USD$325 million in Notes and advances against the revolving credit facility offset by the repayment of the $280.0 million term loan); ii) a $19.6 million increase in total shareholder's equity; and iii) a $10.5 million increase in other liabilities. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

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

At June 30, 2018, the Company's external debt consisted of USD $325 million Notes,$53 million of Convertible Debentures and $50.0 million in advances against its revolving credit facility with net carrying values of $420.6 million, $48.1 million and $49.7 million, respectively. The maximum principal amount available to be borrowed under the revolving credit facility was $174.5 million.

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

Liquidity and Capital Resources

Summary of Cash Flow Components

	Three Months Ended		Six Months Ended	
($ in 000's)	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Cash provided by operating activities before the net issuance of consumer loans receivable and purchase of lease assets	**37,187**	41,011	**92,685**	74,679
Net issuance of consumer loans receivable	**(108,440)**	(55,155)	**(202,208)**	(86,435)
Purchase of lease assets	**(9,502)**	(9,281)	**(17,350)**	(19,563)
Cash used in operating activities	**(80,755)**	(23,425)	**(126,873)**	(31,319)
Cash used in investing activities	**(3,746)**	(1,199)	**(4,779)**	(3,990)
Cash provided by financing activities	**46,452**	45,259	**41,525**	55,209
Net increase (decrease) in cash for the period	**(38,049)**	20,635	**(90,127)**	19,900

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 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 June 30, 2018 was $80.8 million as compared to $23.4 million in the same period of 2017. The increase was due primarily to the higher growth of the Company's consumer loans receivable portfolio.

Included in cash used in operating activities for the three-month period ended June 30, 2018 were: i) a net investment of $108.4 million to increase the easyfinancial consumer loans receivable portfolio and ii) the purchase of lease assets of $9.5 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 $37.2 million for the three months ended June 30, 2018, down from $41.0 million in the same period of 2017. While net income and non-cash charges such as bad debt expense increased in the current period, this was more than offset by changes in working capital.

During the second quarter of 2018, the Company generated $46.4 million in cash flow from financing activities, which included the net proceeds of $49.4 million from the advances against the revolving credit facility which was partially offset by the $3.1 million dividend payment.

Cash used in operating activities during the six-month period ended June 30, 2018 were $126.9 million as compared to $31.3 million in the same period of 2017. The increase was due primarily to the higher growth of the Company's consumer loans receivable portfolio.

Included in cash used in operating activities for the six-month period ended June 30, 2018 were: i) a net investment of $202.2 million to increase the easyfinancial consumer loans receivable portfolio and ii) the purchase of lease assets of $17.4 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 $92.7 million for the six-month period ended June 30, 2018, up from $74.7 million in the same period of 2017. The increase was due to higher net income and non-cash charges such as bad debt expense in the current period.

During the first six-month period ended of 2018, the Company generated $41.5 million in cash flow from financing activities, which included the net proceeds of $49.4 million from the loan on the revolving credit facility which was partially offset by the $5.5 million dividend payment.

The Company believes that the cash on hand, additional availability under the Company's credit facilities and the issuance of US$150.0 million in Notes subsequent to June 30, 2018 will be sufficient to meet operational requirements, purchase lease assets, meet capital spending requirements, pay dividends and will allow the Company to achieve its targets for the growth of its consumer loans receivable portfolio through to the second quarter 2020.

Outstanding Shares & Dividends

As at August 7, 2018 there were 13,677,784 common shares, 176,052 DSUs, 613,390 options, 551,730 RSUs, and no warrants outstanding.

Normal Course Issuer Bid ("NCIB")

On June 22, 2016, the Company announced the acceptance by the Toronto Stock Exchange (the "TSX") of the Company's Notice of Intention to Make a Normal Course Issuer Bid. This NCIB terminated on June 26, 2017. As of June 30, 2017, the Company had purchased and cancelled 179,888 of its common shares on the open market under this NCIB at an average price of $24.40 per share for a total cost of $4.4 million.

On June 22, 2017, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid to commence June 27, 2017, (the "Notice of Intention"). Pursuant to this NCIB, the Company proposed to purchase, from time to time, if it is considered advisable, up to an aggregate of 300,000 common shares which represented approximately 4% of the 13,363,158 common shares issued and outstanding as at June 10, 2016. This NCIB terminated on June 26, 2018. The Company had not cancelled any of its common shares pursuant to this June 22, 2017 NCIB.

Dividends

During the quarter ended June 30, 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 June 30, 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 second 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

The Company's commitments, guarantees and contingencies remain as described in its December 31, 2017 MD&A.

Risk Factors

Overview

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

The Company's risk factors remain as described in its December 31, 2017 MD&A.

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 financial statements other than as related to the recent implementation of IFRS 9, Financial Instruments which are as described in the June 30, 2018 notes to the financial statements.

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted 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 interim condensed consolidated financial statements. Additional required disclosures were as provided in the notes to the Company's interim condensed consolidated financial statements for the period ending June 30, 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 interim condensed consolidated financial statements for the period ending June 30, 2018.

Accounting Standards Issued but Not Yet Effective

IFRS 16, *Leases*

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

Internal Controls

Disclosure Controls and Procedures ("DC&P")

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

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company's disclosure controls and procedures were effective as at June 30, 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.

As at June 30, 2018, under the direction and supervision of the CEO and CFO, the Company has evaluated that the design of the Company's internal controls over financial reporting were effective. In addition, there were no changes in the ICFR during the interim period ended June 30, 2018 that materially affected, or were reasonably likely to materially affect, the ICFR.