goeasy Ltd.

Interim Condensed Consolidated Financial Statements
(Unaudited)
June 30, 2020

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As At June 30, 2020	As At December 31, 2019
ASSETS		
Cash (note 4)	**54,765**	46,341
Amounts receivable	**7,286**	18,482
Prepaid expenses	**4,088**	7,077
Consumer loans receivable, net (note 5)	**1,057,337**	1,040,552
Investment (note 6)	**38,300**	34,300
Lease assets	**44,538**	48,696
Property and equipment, net	**27,868**	23,007
Deferred tax assets (note 14)	**6,912**	14,961
Derivative financial assets (note 9)	**23,585**	-
Intangible assets, net	**21,077**	17,749
Right-of-use assets, net	**45,153**	46,147
Goodwill	**21,310**	21,310
TOTAL ASSETS	**1,352,219**	1,318,622
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Revolving credit facility (note 7)	**102,934**	112,563
Accounts payable and accrued liabilities	**37,481**	41,350
Income taxes payable	**11,575**	4,187
Dividends payable (note 10)	**6,282**	4,448
Unearned revenue	**9,131**	8,082
Derivative financial liabilities (note 9)	-	16,435
Lease liabilities	**51,439**	52,573
Accrued interest	**4,188**	4,358
Convertible debentures (note 8)	**41,020**	40,656
Notes payable (note 9)	**734,824**	701,549
TOTAL LIABILITIES	**998,874**	986,201
Shareholders' equity		
Share capital (note 10)	**142,061**	141,956
Contributed surplus	**17,702**	20,296
Accumulated other comprehensive income (loss)	**4,824**	(915)
Retained earnings	**188,758**	171,084
TOTAL SHAREHOLDERS' EQUITY	**353,345**	332,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,352,219**	1,318,622

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

David Ingram
Director

Donald K. Johnson
Director

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
REVENUE				
Interest income	**100,866**	82,560	**200,966**	159,290
Lease revenue	**28,002**	28,352	**55,816**	57,834
Commissions earned	**19,348**	33,352	**54,626**	63,432
Charges and fees	**2,461**	3,590	**6,471**	7,158
	150,677	147,854	**317,879**	287,714
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	**34,124**	30,430	**65,826**	59,107
Stock-based compensation (note 11)	**1,771**	2,189	**3,869**	4,076
Advertising and promotion	**4,504**	6,936	**10,818**	12,786
Bad debts	**24,666**	35,765	**73,284**	70,159
Occupancy	**5,805**	5,023	**11,487**	10,003
Technology costs	**3,313**	3,019	**6,682**	5,757
Other expenses (note 12)	**6,459**	7,566	**15,754**	13,767
	80,642	90,928	**187,720**	175,655
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	**9,065**	9,378	**18,089**	19,028
Depreciation of right-of-use assets	**3,944**	3,677	**7,941**	7,468
Depreciation of property and equipment	**1,425**	1,549	**3,037**	3,050
Amortization of intangible assets	**1,607**	1,391	**2,879**	2,772
	16,041	15,995	**31,946**	32,318
TOTAL OPERATING EXPENSES	**96,683**	106,923	**219,666**	207,973
OPERATING INCOME	**53,994**	40,931	**98,213**	79,741
OTHER INCOME				
Unrealized fair value gain on investment (note 6)	**4,000**	-	**4,000**	-
FINANCE COSTS				
Interest expenses and amortization of deferred financing charges (note 13)	**13,405**	13,244	**27,081**	26,142
Interest expense on lease liabilities	**667**	592	**1,335**	1,195
	14,072	13,836	**28,416**	27,337
INCOME BEFORE INCOME TAXES	**43,922**	27,095	**73,797**	52,404
INCOME TAX EXPENSE (NOTE 14)				
Current	**6,001**	6,497	**13,298**	13,854
Deferred	**5,379**	1,030	**5,978**	709
	11,380	7,527	**19,276**	14,563
NET INCOME	**32,542**	19,568	**54,521**	37,841
BASIC EARNINGS PER SHARE (NOTE 15)	**2.25**	1.34	**3.74**	2.58
DILUTED EARNINGS PER SHARE (NOTE 15)	**2.11**	1.26	**3.51**	2.44

See accompanying notes to the interim condensed consolidated financial statements.

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net income	**32,542**	19,568	**54,521**	37,841
Other comprehensive income (loss) to be reclassified to the consolidated statement of income in subsequent periods				
Change in foreign currency translation reserve	**4**	2	**(3)**	10
Change in fair value of cash flow hedge, net of taxes	**(3,917)**	4,261	**8,428**	766
Change in costs of hedging, net of taxes	**(742)**	-	**(2,686)**	-
Transfer of realized translation losses on disposal of a special purpose entity	**-**	-	**-**	83
	(4,655)	4,263	**5,739**	859
Comprehensive income	**27,887**	23,831	**60,260**	38,700

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2019	**141,956**	**20,296**	**162,252**	**171,084**	**(915)**	**332,421**
Common shares issued	**5,767**	**(4,463)**	**1,304**	**-**	**-**	**1,304**
Stock-based compensation (note 11)	**-**	**3,869**	**3,869**	**-**	**-**	**3,869**
Conversion of convertible debentures	**231**	**-**	**231**	**-**	**-**	**231**
Settlement of deferred share units	**-**	**(2,000)**	**(2,000)**	**-**	**-**	**(2,000)**
Shares purchased for cancellation (note 10)	**(5,893)**	**-**	**(5,893)**	**(24,118)**	**-**	**(30,011)**
Comprehensive income	**-**	**-**	**-**	**54,521**	**5,739**	**60,260**
Dividends (note 10)	**-**	**-**	**-**	**(12,729)**	**-**	**(12,729)**
Balance, June 30, 2020	**142,061**	**17,702**	**159,763**	**188,758**	**4,824**	**353,345**
Balance, December 31, 2018	138,090	16,105	154,195	143,710	3,624	301,529
International Financial Reporting Standards 16 adjustment	-	-	-	(3,282)	-	(3,282)
Adjusted Balance, January 1, 2019	138,090	16,105	154,195	140,428	3,624	298,247
Common shares issued	7,825	(4,441)	3,384	-	-	3,384
Stock-based compensation (note 11)	-	4,076	4,076	-	-	4,076
Shares purchased for cancellation (note 10)	(3,691)	-	(3,691)	(12,435)	-	(16,126)
Comprehensive income	-	-	-	37,841	859	38,700
Dividends (note 10)	-	-	-	(8,959)	-	(8,959)
Balance, June 30, 2019	142,224	15,740	157,964	156,875	4,483	319,322

See accompanying notes to the interim condensed consolidated financial statements.

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
OPERATING ACTIVITIES				
Net income	**32,542**	19,568	**54,521**	37,841
Add (deduct) items not affecting cash				
Bad debts expense	**24,666**	35,765	**73,284**	70,159
Depreciation of lease assets	**9,065**	9,378	**18,089**	19,028
Depreciation of right-of-use assets	**3,944**	3,677	**7,941**	7,468
Stock-based compensation (note 11)	**1,771**	2,189	**3,869**	4,076
Depreciation of property and equipment	**1,425**	1,549	**3,037**	3,050
Amortization of intangible assets	**1,607**	1,391	**2,879**	2,772
Amortization of deferred financing charges	**1,190**	1,177	**2,344**	1,984
Deferred income tax expense	**5,379**	1,030	**5,978**	709
Unrealized fair value gain on investment (note 6)	**(4,000)**	-	**(4,000)**	-
Amortization of premium on notes payable	**-**	(513)	**-**	(1,050)
Gain on sale or disposal of assets	**-**	(1,075)	**-**	(2,213)
	77,589	74,136	**167,942**	143,824
Net change in other operating assets and liabilities (note 16)	**5,833**	(6,799)	**18,273**	382
Net collection (issuance) of consumer loans receivable	**6,154**	(112,419)	**(90,069)**	(189,335)
Purchase of lease assets	**(5,889)**	(7,359)	**(13,934)**	(15,972)
Cash provided by (used in) operating activities	**83,687**	(52,441)	**82,212**	(61,101)
INVESTING ACTIVITIES				
Purchase of property and equipment	**(5,217)**	(1,332)	**(7,898)**	(3,825)
Purchase of intangible assets	**(2,693)**	(2,287)	**(6,207)**	(3,819)
Proceeds on sale of assets	**-**	1,600	**-**	4,940
Cash used in investing activities	**(7,910)**	(2,019)	**(14,105)**	(2,704)
FINANCING ACTIVITIES				
Advances from revolving credit facility	**15,000**	20,000	**70,000**	20,000
Issuance of common shares	**266**	507	**1,304**	3,384
Lease incentive received	**49**	1,098	**191**	1,098
Settlement of deferred share units	**-**	-	**(2,000)**	-
Payment of lease liabilities	**(4,126)**	(3,839)	**(8,272)**	(7,738)
Payment of common share dividends (note 10)	**(6,447)**	(4,493)	**(10,895)**	(7,738)
Purchase of common shares for cancellation (note 10)	**(20,006)**	(4,290)	**(30,011)**	(16,126)
Payment of advances from revolving credit facility	**(40,000)**	-	**(80,000)**	-
Cash (used in) provided by financing activities	**(55,264)**	8,983	**(59,683)**	(7,120)
Net increase (decrease) in cash during the period	**20,513**	(45,477)	**8,424**	(70,925)
Cash, beginning of period	**34,252**	74,740	**46,341**	100,188
Cash, end of period	**54,765**	29,263	**54,765**	29,263

See accompanying notes to the interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

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

The Parent Company and all of the companies that it controls (collectively referred to as "goeasy" or the "Company") are a leading full-service provider of goods and alternative financial services that provides everyday Canadians with a path for a better tomorrow, today. The principal operating activities of the Company include: i) providing loans and other financial services to consumers; and ii) leasing household products to consumers.

The Company operates in two reportable segments: easyfinancial and easyhome. As at June 30, 2020, the Company operated 260 easyfinancial locations (including 18 kiosks within easyhome stores) and 161 easyhome stores (including 35 franchises). As at December 31, 2019, the Company operated 256 easyfinancial locations (including 20 kiosks within easyhome stores) and 163 easyhome stores (including 35 franchises).

2. BASIS OF PREPARATION

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

As at June 30, 2020, the Parent Company's principal subsidiaries were:
- RTO Asset Management Inc.
- easyfinancial Services Inc.
- easyhome U.S. Ltd.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 12, 2020.

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

The unaudited interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2020 was prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

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

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. These accounting judgments, estimates and assumptions are continuously evaluated and are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which could materially impact these consolidated financial statements. Changes in estimates will be reflected in the consolidated financial statements in future periods.

Impact of COVID-19 Pandemic

The outbreak of the novel strain of coronavirus in the first half of 2020, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The global pandemic related to an outbreak of COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian economy and the Company's business is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Company.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments were considered in the acquisition of a loan portfolio in February 2020.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39, *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on March 29, 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board ("IASB") in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial statements of the Company.

(b) Standards issued but not yet effective

There are no new standards issued but not yet effective as at January 1, 2020 that have a material impact to the Company's interim condensed consolidated financial statements.

4. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates. The Company has pledged part of its cash to fulfill collateral requirements under its derivative financial instruments contract. As at June 30, 2020, the fair value posted by the counterparties as a cash collateral in respect of the derivative financial instruments was $26.2 million. As at December 31, 2019, the fair value of the cash pledged by the Company as a cash collateral in respect of the derivative financial instruments was $11.6 million.

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

5. CONSUMER LOANS RECEIVABLE

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

	June 30, 2020	December 31, 2019
Gross consumer loans receivable	**1,134,482**	1,110,633
Interest receivable from consumer loans	**19,218**	16,384
Unamortized deferred acquisition costs	**17,667**	20,642
Allowance for credit losses	**(114,030)**	(107,107)
	1,057,337	1,040,552

On February 28, 2020, the Company acquired $31.3 million of gross consumer loans receivable from Mogo Inc. ("Mogo").

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

	June 30, 2020	December 31, 2019
Unsecured instalment loans	**1,008,174**	995,122
Secured instalment loans	**126,308**	115,511
	1,134,482	1,110,633

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

	June 30, 2020		December 31, 2019	
	$	% of total loans	$	% of total loans
0 - 6 months	**171,448**	**15.1%**	182,896	16.5%
6 - 12 months	**135,244**	**11.9%**	130,043	11.7%
12 - 24 months	**288,323**	**25.4%**	275,038	24.8%
24 - 36 months	**268,588**	**23.7%**	259,598	23.4%
36 - 48 months	**153,782**	**13.6%**	154,908	13.9%
48 - 60 months	**49,175**	**4.3%**	44,918	4.0%
60 months +	**67,922**	**6.0%**	63,232	5.7%
	1,134,482	**100.0%**	1,110,633	100.0%

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

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

	June 30, 2020		December 31, 2019	
	$	**% of total loans**	**$**	**% of total loans**
0 - 1 year	**44,802**	**3.9%**	42,623	3.8%
1 - 2 years	**136,145**	**12.0%**	139,414	12.6%
2 - 3 years	**312,746**	**27.6%**	296,891	26.7%
3 - 4 years	**361,454**	**31.9%**	366,359	33.0%
4 - 5 years	**163,757**	**14.4%**	156,439	14.1%
5 years +	**115,578**	**10.2%**	108,907	9.8%
	1,134,482	**100.0%**	1,110,633	100.0%

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

	June 30, 2020		December 31, 2019	
	$	**% of total loans**	**$**	**% of total loans**
1 - 30 days	**27,684**	**2.4%**	40,508	3.7%
31 - 44 days	**5,341**	**0.5%**	7,692	0.7%
45 - 60 days	**5,283**	**0.5%**	7,579	0.7%
61 - 90 days	**5,791**	**0.5%**	8,578	0.8%
91 - 180 days	**276**	**0.0%**	321	0.0%
	44,375	**3.9%**	64,678	5.9%

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

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

	As at June 30, 2020				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-performing)**	**Stage 3 (Non-Performing)**	**Total**
Low Risk	**609**	**526,170**	**2,789**	**34**	**528,993**
Normal Risk	**541**	**373,583**	**8,461**	**205**	**382,249**
High Risk	**498**	**129,816**	**78,043**	**15,381**	**223,240**
Total	**555**	**1,029,569**	**89,293**	**15,620**	**1,134,482**

	As at December 31, 2019				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-performing)**	**Stage 3 (Non-Performing)**	**Total**
Low Risk	601	445,584	1,198	6	446,788
Normal Risk	531	400,040	6,379	225	406,644
High Risk	489	137,699	95,871	23,631	257,201
Total	535	983,323	103,448	23,862	1,110,633

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

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

	Three Months Ended June 30, 2020			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at April 1, 2020	**1,025,126**	**114,980**	**25,949**	**1,166,055**
Gross loans originated	**170,842**	**-**	**-**	**170,842**
Principal payments and other adjustments	**(172,145)**	**2,380**	**(1,244)**	**(171,009)**
Transfers to (from)				
Stage 1 (Performing)	**86,637**	**(76,685)**	**(9,952)**	**-**
Stage 2 (Under-Performing)	**(66,276)**	**69,914**	**(3,638)**	**-**
Stage 3 (Non-Performing)	**(10,153)**	**(18,329)**	**28,482**	**-**
Gross charge-offs	**(4,462)**	**(2,967)**	**(23,977)**	**(31,406)**
Balance as at June 30, 2020	**1,029,569**	**89,293**	**15,620**	**1,134,482**

	Three Months Ended June 30, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at April 1, 2019	759,998	102,902	16,470	879,370
Gross loans originated	276,355	-	-	276,355
Principal payments and other adjustments	(162,317)	2,151	(1,218)	(161,384)
Transfers to (from)				
Stage 1 (Performing)	71,316	(69,696)	(1,620)	-
Stage 2 (Under-Performing)	(77,405)	80,821	(3,416)	-
Stage 3 (Non-Performing)	(9,719)	(19,301)	29,020	-
Gross charge-offs	(9,577)	(4,152)	(20,904)	(34,633)
Balance as at June 30, 2019	848,651	92,725	18,332	959,708

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

	Six Months Ended June 30, 2020			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2020	**983,323**	**103,448**	**23,862**	**1,110,633**
Gross loans originated	**412,445**	**-**	**-**	**412,445**
Gross loans purchased	**31,275**	**-**	**-**	**31,275**
Principal payments and other adjustments	**(357,417)**	**12,712**	**(2,893)**	**(347,598)**
Transfers to (from)				
Stage 1 (Performing)	**153,606**	**(135,026)**	**(18,580)**	**-**
Stage 2 (Under-Performing)	**(155,474)**	**161,641**	**(6,167)**	**-**
Stage 3 (Non-Performing)	**(27,521)**	**(46,301)**	**73,822**	**-**
Gross charge-offs	**(10,668)**	**(7,181)**	**(54,424)**	**(72,273)**
Balance as at June 30, 2020	**1,029,569**	**89,293**	**15,620**	**1,134,482**

	Six Months Ended June 30, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2019	701,167	114,278	18,334	833,779
Gross loans originated	495,793	-	-	495,793
Principal payments and other adjustments	(308,048)	6,422	(2,790)	(304,416)
Transfers to (from)				
Stage 1 (Performing)	149,382	(144,310)	(5,072)	-
Stage 2 (Under-Performing)	(158,390)	167,470	(9,080)	-
Stage 3 (Non-Performing)	(16,114)	(41,146)	57,260	-
Gross charge-offs	(15,139)	(9,989)	(40,320)	(65,448)
Balance as at June 30, 2019	848,651	92,725	18,332	959,708

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

	June 30, 2020	**December 31, 2019**
Balance, beginning of period	**107,107**	79,741
Net amounts written-off against allowance	**(66,361)**	(129,376)
Increase due to lending and collection activities	**73,284**	156,742
Balance, end of period	**114,030**	107,107

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

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

	Three Months Ended June 30, 2020			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at April 1, 2020	**61,868**	**36,777**	**19,178**	**117,823**
Gross loans originated	**7,280**	**-**	**-**	**7,280**
Principal payments and other adjustments	**(7,004)**	**173**	**(3,349)**	**(10,180)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**21,180**	**(16,611)**	**(6,956)**	**(2,387)**
Stage 2 (Under-Performing)	**(6,670)**	**19,195**	**(2,552)**	**9,973**
Stage 3 (Non-Performing)	**(1,741)**	**(5,193)**	**26,914**	**19,980**
Net amounts written-off against allowance	**(4,137)**	**(2,750)**	**(21,572)**	**(28,459)**
Balance as at June 30, 2020	**70,776**	**31,591**	**11,663**	**114,030**

	Three Months Ended June 30, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at April 1, 2019	44,353	28,335	13,104	85,792
Gross loans originated	13,437	-	-	13,437
Principal payments and other adjustments	(5,569)	396	(3,200)	(8,373)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	14,288	(14,642)	(1,212)	(1,566)
Stage 2 (Under-Performing)	(6,828)	23,316	(2,680)	13,808
Stage 3 (Non-Performing)	(1,673)	(5,832)	25,964	18,459
Net amounts written-off against allowance	(9,128)	(3,957)	(18,421)	(31,506)
Balance as at June 30, 2019	48,880	27,616	13,555	90,051

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

	Six Months Ended June 30, 2020			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2020	**55,930**	**33,671**	**17,506**	**107,107**
Gross loans originated	**18,073**	**-**	**-**	**18,073**
Gross loans purchased	**2,328**	**-**	**-**	**2,328**
Principal payments and other adjustments	**(13,732)**	**1,601**	**(6,684)**	**(18,815)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**37,577**	**(29,137)**	**(13,023)**	**(4,583)**
Stage 2 (Under-Performing)	**(15,324)**	**45,106**	**(4,357)**	**25,425**
Stage 3 (Non-Performing)	**(4,233)**	**(13,025)**	**68,114**	**50,856**
Net amounts written-off against allowance	**(9,843)**	**(6,625)**	**(49,893)**	**(66,361)**
Balance as at June 30, 2020	**70,776**	**31,591**	**11,663**	**114,030**

	Six Months Ended March 31, 2019			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2019	37,715	28,214	13,812	79,741
Gross loans originated	25,002	-	-	25,002
Principal payments and other adjustments	(10,541)	1,107	(6,406)	(15,840)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	27,840	(32,682)	(4,067)	(8,909)
Stage 2 (Under-Performing)	(13,707)	53,108	(6,971)	32,430
Stage 3 (Non-Performing)	(2,987)	(12,601)	53,064	37,476
Net amounts written-off against allowance	(14,442)	(9,530)	(35,877)	(59,849)
Balance as at June 30, 2019	48,880	27,616	13,555	90,051

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

The Company applied an expected credit loss ("ECL") model in determining the allowance for credit losses on gross consumer loans receivable which is impacted by forward-looking indicators ("FLIs"). Historically, the four key macroeconomic variables contributing to credit risk and losses within the Company's loan portfolio have been; unemployment rates, inflation rates, gross domestic product ("GDP") growth, and the price of oil. Analysis performed by the Company determined that a forecasted increase in the rate of unemployment, rate of inflation, a decrease in the expected future price of oil from the current rates or a decrease in the rate of GDP growth has historically tended to increase the charge-offs experienced by the Company. Conversely a forecasted decrease in the rate of unemployment, rate of inflation, an increase in the expected future price of oil from the current rates or an increase in the GDP growth rate has historically tended to decrease the charge-offs experienced by the Company. Management also applies expert credit judgment in the determination of ECL which is informed through the analysis of relevant historical experience, multiple stress-weighted scenario analysis and the consideration of the significant recent government stimulus measures, changes in the Company's policies and procedures and the level of creditor insurance within the portfolio. The incorporation of this enhanced FLI modelling analysis resulted in an increase in the provision rate to 10.05% as at June 30, 2020 from 9.64% as at December 31, 2019 but an improvement from 10.10% as at March 31, 2020. Management intends to continue incorporating the use of stress-weighted scenarios as inputs to its FLI provisioning methodology through this economic cycle.

6. INVESTMENT

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

The Company's investment in PayBright is classified at Fair Value Through Profit or Loss. The fair value of PayBright was determined using an enterprise value technique. For the six-month period ended June 30, 2020, the Company has recognized an unrealized fair value gain amounting to $4.0 million in the interim condensed consolidated statement of income.

Set out below are the significant unobservable inputs to valuation as at June 30, 2020:

	Valuation Techniques	Significant Unobservable Inputs	Range	Sensitivity of the Input to Fair Value
Investment in PayBright	Public company comparables	Revenue multiples	6.1x – 9.6x	0.5x increase (decrease) in the Revenue multiples would result in increase (decrease) in fair value by $2.4 million
	Recent transactions	Not applicable	Not applicable	Not applicable

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

7. REVOLVING CREDIT FACILITY

The Company's revolving credit facility consists of a $310.0 million senior secured revolving credit facility maturing on February 12, 2022. The revolving credit facility is provided by a syndicate of banks. Interest on advances is payable at either the Canadian Bankers' Acceptance rate ("BA") plus 300 bps or the lender's prime rate ("Prime") plus 200 bps, at the option of the Company.

The following table summarizes the details of the Revolving Credit Facility:

	June 30, 2020	**December 31, 2019**
Drawn amount	**105,000**	115,000
Unamortized deferred financing costs	**(2,066)**	(2,437)
	102,934	112,563

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

Financial covenant	**Requirements**	**June 30, 2020**
Minimum consolidated tangible net worth	>132,000, plus 50% of consolidated net income	**$295,999**
Maximum consolidated leverage ratio	< 3.25	**2.78**
Minimum consolidated fixed charge coverage ratio	> 1.75	**2.46**
Maximum net charge off ratio	< 15.0%	**12.4%**
Minimum collateral performance index	> 90.0%	**100.3%**

As at June 30, 2020, the Company was in compliance with all of its financial covenants under its credit agreements.

8. CONVERTIBLE DEBENTURES

In June 2017, the Company issued $53.0 million of 5.75% convertible unsecured subordinated debentures, with interest payable semi-annually on January 31 and July 31 each year which commenced on January 31, 2018 (the "Debentures"). The Debentures mature on July 31, 2022 and are convertible at the holder's option into common shares of the Company at a conversion price of $43.36 per share.

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

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

The following table summarizes the details of the Debentures:

	Amount
As at January 1, 2019	39,525
Accretion in carrying value of debenture liability	1,137
Conversion of debentures to equity (net of $1 unamortized deferred financing costs)	(6)
As at December 31, 2019	**40,656**
Accretion in carrying value of debenture liability	**595**
Conversion of debentures to equity (net of $19 unamortized deferred financing costs)	**(231)**
As at June 30, 2020	**41,020**

During the six-month period ended June 30, 2020, $250 of Debentures were converted into 5,681 common shares. During 2019, $7 of Debentures were converted into 158 common shares. Unamortized deferred financing costs related to these Debentures amounted to $19 (2019 - $1).

On June 29, 2020, the Company issued a notice of redemption to the holders of its Debentures. As set out in the notice of redemption, the Company intends to redeem all of the Debentures issued and outstanding on July 31, 2020 (the "Redemption Date"). The Debentures are redeemable at a redemption price equal to their principal amount, plus accrued and unpaid interest thereon up to, but excluding, the Redemption Date. Holders have the right to request for conversion of their Debentures prior to the close of business on July 30, 2020. On July 31, 2020, the Company redeemed all remaining Convertible Debentures that remained unconverted on the Redemption Date.

9. NOTES PAYABLE

On November 27, 2019, the Company issued US$550.0 million of 5.375% senior unsecured notes payable (“Notes Payable”) with interest payable semi-annually on June 1 and December 1 of each year which commenced on June 1, 2020. The Notes Payable mature on December 1, 2024.

The Notes Payable include certain prepayment features: i) up to December 1, 2021, all of the Notes Payable can be prepaid at par plus a premium and accrued and unpaid interest or, if the proceeds are acquired from an equity offering, up to 40% of the Notes Payable (including future additions) can be prepaid at a price of 105.375% plus accrued and unpaid interest; ii) from December 1, 2021 to November 30, 2022, all of the Notes Payable can be prepaid at a price of 102.688% plus accrued and unpaid interest; iii) from December 1, 2022 to November 30, 2023, all of the Notes Payable can be prepaid at a price of 101.344% plus accrued and unpaid interest; and iv) subsequent to December 1, 2023 the Notes Payable can be prepaid at par plus accrued and unpaid interest.

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

The proceeds of the November 27, 2019 notes issuance were used to extinguish the Company's previous US$475.0 million of 7.875% senior unsecured outstanding notes payable that would have matured on November 1, 2022, and unwind the related cross-currency swap for US$325.0 million at USD1.000 = CAD1.289 and USD150.0 million at USD1.000 = CAD1.316. As a result of repaying these notes, the Company incurred an early repayment penalty, recognized the remaining unamortized deferred financing costs and unamortized premium associated with these notes, realized derivative loss, and reclassified the net change in cash flow hedge from other comprehensive income (loss) to the consolidated statement of income resulting in a one-time before tax charge of $21.7 million.

The following table summarizes the details of the Notes Payable:

	June 30, 2020	December 31, 2019
Notes Payable in CAD at issuance	**728,310**	728,310
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**18,359**	(13,851)
	746,669	714,459
Unamortized deferred financing costs	**(11,844)**	(12,910)
	734,824	701,549

Concurrent with the issuance of the Notes Payable, the Company entered into derivative financial instruments (the "cross-currency swaps") as cash flow hedges to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes Payable at a fixed exchange rate of USD1.000 = CAD1.3242, thereby fully hedging the US$550.0 million Notes Payable at a CAD interest rate of 5.65%. The cross-currency swaps fully hedge the obligation under the Notes Payable to $728.3 million.

The Company has elected to use hedge accounting for the Notes Payable and the cross-currency swaps (i.e., the same notional amount, maturity date, interest rate, interest payment dates). The Company has elected to designate foreign currency basis as a cost of hedging, thereby excluding foreign currency basis spreads from the designation of the hedging relationship, and has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Notes Payable and cross-currency swaps. There was no hedge ineffectiveness recognized in net income for the three and six-month period ended June 30, 2020 and for the year ended December 31, 2019.

As the Notes Payable and the cross-currency swaps are in an effective hedging relationship, changes in the fair value of the cross-currency swaps is recorded in Other Comprehensive Income and subsequently reclassified into net income to offset the effect of foreign currency exchange rates related to the Notes Payable recognized in net income. The amount of the foreign currency basis spread at inception, designated as a cost of hedging, is amortized to profit and loss on a straight-line basis over the life of the Notes Payable.

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

The cross-currency swaps have an aggregated notional amount equal to the aggregated principal outstanding of the hedged notes payable. The fair value of cross-currency swaps is determined from swap curves adjusted for credit risks. Swap curves are obtained directly from market sources. The change in fair value of the cross-currency swaps used for measuring ineffectiveness for the periods are as follows:

	June 30, 2020	**December 31, 2019**
Derivative financial assets (liabilities)	**23,585**	(16,435)
	23,385	(16,435)

10. SHARE CAPITAL

Common Shares Issued and Outstanding

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

	Six Months Ended June 30, 2020		**Year Ended December 31, 2019**	
	# of shares (in 000's)	**$**	**# of shares (in 000's)**	**$**
Balance, beginning of the period	**14,346**	**141,956**	14,405	138,090
Exercise of RSUs	**131**	**4,243**	201	3,560
Exercise of stock options	**47**	**1,121**	188	4,284
Dividend reinvestment plan	**10**	**403**	10	490
Convertible debt	**6**	**231**	-	6
Shares purchased for cancellation	**(579)**	**(5,893)**	(458)	(4,474)
Balance, end of the period	**13,961**	**142,061**	14,346	141,956

Dividends on Common Shares

For the three and six-month periods ended June 30, 2020, the Company paid dividends of $6.4 million or $0.45 per share and $10.9 million or $0.76 per share, respectively. For the three and six-month periods ended June 30, 2019, the Company paid dividends of $4.5 million or $0.31 per share and $7.7 million or $0.535 per share, respectively. On May 6, 2020, the Company declared a dividend of $0.45 per share to shareholders of record on June 26, 2020, payable on July 10, 2020. The dividend paid on July 10, 2020 was $6.3 million.

Shares Purchased for Cancellation

On December 18, 2019, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to commence December 20, 2019 (the "2019 NCIB"). During the three and six-month periods ended June 30, 2020, the Company purchased and cancelled 375,185 and 579,335, respectively of its common shares on the open market at an average price of $53.31 and $51.78, respectively for a total cost of $20.0 million and $30.0 million, respectively pursuant to a normal course issuer bid. During the year ended December 31, 2019, no shares were purchased and cancelled under the 2019 NCIB. This NCIB allows for a total purchase of up to 1,038,269 common shares and expires on December 19, 2020.

On November 8, 2018, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make an NCIB to commence November 13, 2018 (the "2018 NCIB"). During the year ended December 31, 2019, the Company purchased and cancelled 458,260 of its common shares on the open market at an average price of $44.31 for a total cost of $20.3 million pursuant to the 2018 NCIB. This NCIB terminated on November 12, 2019.

11. STOCK-BASED COMPENSATION

Share Option Plan

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. During the three and six-month periods ended June 30, 2020, the Company granted 180,739 options for both periods (2019 – 111,516 and 114,258 options, respectively). For the three and six-month periods ended June 30, 2020, the Company recorded an expense of $177 and $458, respectively (2019 – $325 and $561, respectively) in stock-based compensation expense in the unaudited interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

Restricted Share Unit ("RSU") Plan

During the three and six-month periods ended June 30, 2020, the Company granted 92,548 and 92,818 RSUs, respectively (2019 – 87,586 and 106,852 RSUs, respectively) to employees of the Company under its RSU Plan. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets. For the three and six-month periods ended June 30, 2020, $969 and $2,157, respectively (2019 – $1,246 and $2,317, respectively) was recorded as an expense in stock-based compensation expense in the unaudited interim condensed consolidated statements of income. Additionally, for the three and six-month periods ended June 30, 2020, an additional 2,602 and 4,059 RSUs, respectively (2019 – 1,907 and 4,498 RSUs, respectively) were granted as a result of dividends payable.

Deferred Share Unit ("DSU") Plan

During the three and six-month periods ended June 30, 2020, the Company granted 2,661 and 27,636 DSUs, respectively (2019 – 3,263 and 52,602 DSUs, respectively) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the three and six-month periods ended June 30, 2020, $625 and $1,254, respectively (2019 – $618 and $1,198, respectively) was recorded as stock-based compensation expense under the DSU Plan in the unaudited interim condensed consolidated statements of income. Additionally, for the three and six-month periods ended June 30, 2020, an additional 3,187 and 4,248 DSUs, respectively (2019 – 1,609 and 2,619 DSUs, respectively) were granted as a result of dividends payable.

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

Stock-Based Compensation Expense

Stock-based compensation expense for the three and six-month periods ended June 30, 2020 was $1,771 and $3,869, respectively (2019 – $2,189 and $4,076, respectively).

12. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios, loan portfolio and other assets. For the three and six-month periods ended June 30, 2019, other expenses included net gains realized on the sale of lease portfolios, loan portfolio and other assets of $1.1 million and $2.2 million, respectively. For the three and six-month period ended June 30, 2020, there was no such gains.

13. INTEREST EXPENSE AND AMORTIZATION OF DEFERRED FINANCING CHARGES

Interest expense and amortization of deferred financing charges under finance costs in the unaudited interim condensed consolidated statements of income include the following:

	Three Months Ended		**Six Months Ended**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Interest expense				
Notes payable	**10,287**	11,410	**20,575**	22,796
Revolving credit facility	**1,413**	318	**3,235**	543
Convertible debt	**630**	633	**1,260**	1,267
Amortization of deferred financing costs and accretion expense	**1,190**	1,177	**2,344**	2,327
Interest income, net	**(115)**	(294)	**(333)**	(791)
	13,405	13,244	**27,081**	26,142

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

14. INCOME TAXES

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

	Six Months Ended	
	June 30, 2020	**June 30, 2019**
Combined basic federal and provincial income tax rates	**26.7%**	27.5%
Expected income tax expense	**19,698**	14,394
Non-deductible expenses	**635**	499
Effect of capital gains on sale of assets	**-**	(281)
Effect of capital gain on unrealized fair value gain on investment	**(534)**	-
Other	**(523)**	(49)
	19,276	14,563

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

	June 30, 2020	**December 31, 2019**
Financing fees	**5,249**	6,707
Amounts receivable and allowance for credit losses	**4,440**	8,890
Stock-based compensation	**1,864**	2,411
Right-of-use assets, net of lease liabilities	**1,205**	1,224
Unearned revenue	**302**	378
Loss carry forwards	**184**	616
Unrealized fair value gain on investment	**(530)**	-
Revaluation of notes payable and cross-currency swaps	**(1,385)**	685
Tax cost of lease assets and property and equipment in excess of net book value	**(4,417)**	(5,950)
	6,912	14,961

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

15. EARNINGS PER SHARE

Basic Earnings Per Share

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

	Three Months Ended		**Six Months Ended**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net income	**32,542**	19,568	**54,521**	37,841
Weighted average number of common shares outstanding (in 000's)	**14,483**	14,657	**14,580**	14,657
Basic earnings per common share	**2.25**	1.34	**3.74**	2.58

For the three and six-month periods ended June 30, 2020, 249,149 and 252,298 DSUs, respectively (2019 – 236,531 and 233,631 DSUs, respectively) were included in the weighted average number of common shares outstanding.

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

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of RSUs, or the exercise of the conversion option of the convertible debentures. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method. For the three and six-month periods ended June 30, 2020 and 2019, the convertible debentures were dilutive. Therefore, diluted earnings per share is calculated based on a fully diluted net income (adjusted for the after-tax financing cost associated with the convertible debentures) and including the shares to which those debentures could be converted.

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net income	**32,542**	19,568	**54,521**	37,841
After-tax impact of convertible debentures	**683**	650	**1,363**	1,310
Fully diluted net income	**33,225**	20,218	**55,884**	39,151
Weighted average number of common shares outstanding (in 000's)	**14,483**	14,657	**14,580**	14,657
Dilutive effect of stock-based compensation (in 000's)	**240**	375	**331**	395
Dilutive effect of convertible debentures (in 000's)	**1,010**	1,001	**1,011**	1,001
Weighted average number of diluted shares outstanding (in 000's)	**15,733**	16,033	**15,922**	16,053
Dilutive earnings per common share	**2.11**	1.26	**3.51**	2.44

For the three and six-month periods ended June 30, 2020, 247,320 and 160,208 stock options to acquire common shares, respectively (2019 – 111,516 for both periods), were considered anti-dilutive using the treasury stock method and therefore excluded in the calculation of diluted earnings per share.

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

16. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Amounts receivable	**10,646**	(581)	**11,196**	(1,967)
Prepaid expenses	**1,993**	1,805	**2,989**	(882)
Accounts payable and accrued liabilities	**(3,664)**	236	**(4,179)**	(3,595)
Income taxes payable	**5,799**	2,425	**7,388**	5,765
Unearned revenue	**947**	781	**1,049**	1,230
Accrued interest	**(9,888)**	(11,465)	**(170)**	(169)
	5,833	(6,799)	**18,273**	382

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

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Income taxes paid	**202**	4,072	**5,910**	8,089
Interest paid	**22,218**	24,932	**25,239**	27,020
Interest received	**101,486**	82,883	**198,464**	155,939

17. CONTINGENCIES

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

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

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

18. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial instruments	Measurement	June 30, 2020	December 31, 2019
Cash	Fair value	**54,765**	46,341
Amounts receivable	Amortized cost	**7,286**	18,482
Consumer loans receivable	Amortized cost	**1,057,337**	1,040,552
Investment	Fair value	**38,300**	34,300
Derivative financial assets	Fair value	**23,585**	-
Revolving credit facility	Amortized cost	**102,934**	112,563
Accounts payable and accrued liabilities	Amortized cost	**37,481**	41,350
Derivative financial liabilities	Fair value	**-**	16,435
Accrued interest	Amortized cost	**4,188**	4,358
Convertible debentures	Amortized cost	**41,020**	40,656
Notes payable	Amortized cost	**734,824**	701,549

Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the unaudited interim condensed consolidated financial statements were categorized within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The hierarchy required the use of observable market data when available. The following tables provide the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at June 30, 2020 and December 31, 2019:

June 30, 2020	Total	Level 1	Level 2	Level 3
Cash	**54,765**	**54,765**	**-**	**-**
Amounts receivable	**7,286**	**-**	**-**	**7,286**
Consumer loans receivable	**1,057,337**	**-**	**-**	**1,057,337**
Investment	**38,300**	**-**	**-**	**38,300**
Derivative financial assets	**23,585**	**-**	**23,585**	**-**
Revolving credit facility	**102,934**	**-**	**-**	**102,934**
Accounts payable and accrued liabilities	**37,481**	**-**	**-**	**37,481**
Accrued interest	**4,188**	**-**	**-**	**4,188**
Convertible debentures	**41,020**	**-**	**-**	**41,020**
Notes payable	**734,824**	**-**	**-**	**734,824**

December 31, 2019	Total	Level 1	Level 2	Level 3
Cash	46,341	46,341	-	-
Amounts receivable	18,482	-	-	18,482
Consumer loans receivable	1,040,552	-	-	1,040,552
Investment	34,300	-	-	34,300
Revolving credit facility	112,563	-	-	112,563
Accounts payable and accrued liabilities	41,350	-	-	41,350
Derivative financial liabilities	16,435	-	16,435	-
Accrued interest	4,358			4,358
Convertible debentures	40,656	-	-	40,656
Notes payable	701,549	-	-	701,549

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

19. SEGMENTED REPORTING

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

General and administrative expenses directly related to the Company's business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately as part of Corporate. Management assessed the performance based on segment operating income (loss).

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

The following tables summarize the relevant information for three-month periods ended June 30, 2020 and 2019:

Three Months Ended June 30, 2020	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**96,846**	**4,020**	**-**	**100,866**
Lease revenue	**-**	**28,002**	**-**	**28,002**
Commissions earned	**17,346**	**2,002**	**-**	**19,348**
Charges and fees	**1,545**	**916**	**-**	**2,461**
	115,737	**34,940**	**-**	**150,677**
Total operating expenses before depreciation and amortization	**51,999**	**16,181**	**12,462**	**80,642**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**1,770**	**9,441**	**886**	**12,097**
Depreciation of right-of-use assets	**1,865**	**1,827**	**252**	**3,944**
	3,635	**11,268**	**1,138**	**16,041**
Segment operating income (loss)	**60,103**	**7,491**	**(13,600)**	**53,994**
Other income				
Unrealized fair value gain on investment				**4,000**
Finance costs				
Interest expenses and amortization of deferred financing charges				**13,405**
Interest expense on lease liabilities				**667**
				14,072
Income before income taxes				**43,922**

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

Three Months Ended June 30, 2019	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	79,817	2,743	-	82,560
Lease revenue	-	28,352	-	28,352
Commissions earned	31,277	2,075	-	33,352
Charges and fees	2,242	1,348	-	3,590
	113,336	34,518	-	147,854
Total operating expenses before depreciation and amortization	63,085	17,172	10,671	90,928
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	1,777	9,829	712	12,318
Depreciation of right-of-use assets	1,539	1,945	193	3,677
	3,316	11,774	905	15,995
Segment operating income (loss)	46,935	5,572	(11,576)	40,931
Finance costs				
Interest expenses and amortisation of deferred financing charges				13,244
Interest expense on lease liabilities				592
				13,836
Income before income taxes				27,095

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

Six Months Ended June 30, 2020	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	**192,940**	**8,026**	**-**	**200,966**
Lease revenue	**-**	**55,816**	**-**	**55,816**
Commissions earned	**50,311**	**4,315**	**-**	**54,626**
Charges and fees	**4,274**	**2,197**	**-**	**6,471**
	247,525	**70,354**	**-**	**317,879**
Total operating expenses before depreciation and amortization	**128,755**	**33,220**	**25,745**	**187,720**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**3,470**	**18,852**	**1,683**	**24,005**
Depreciation of right-of-use assets	**3,714**	**3,771**	**456**	**7,941**
	7,184	**22,623**	**2,139**	**31,946**
Segment operating income (loss)	**111,586**	**14,511**	**(27,884)**	**98,213**
Other income				
Unrealized fair value gain on investment				**4,000**
Finance costs				
Interest expenses and amortization of deferred financing charges				**27,081**
Interest expense on lease liabilities				**1,335**
				28,416
Income before income taxes				**73,797**

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

Six Months Ended June 30, 2019	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	154,234	5,056	-	159,290
Lease revenue	-	57,834	-	57,834
Commissions earned	59,323	4,109	-	63,432
Charges and fees	4,390	2,768	-	7,158
	217,947	69,767	-	287,714
Total operating expenses before depreciation and amortization	123,011	33,090	19,554	175,655
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	3,595	19,930	1,325	24,850
Depreciation of right-of-use assets	3,056	4,027	385	7,468
	6,651	23,957	1,710	32,318
Segment operating income (loss)	88,285	12,720	(21,264)	79,741
Finance costs				
Interest expenses and amortization of deferred financing charges				26,142
Interest expense on lease liabilities				1,195
				27,337
Income before income taxes				52,404

As at June 30, 2020, the Company's goodwill of $21.3 million (December 31, 2019 – $21.3 million) related entirely to its easyhome segment.

In scope under IFRS 15, *Revenue from Contracts with Customers* are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IFRS 16 on or after January 1, 2019 or IAS 17 prior to January 1, 2019. Included in lease revenue is certain additional services provided by the Company related to the lease, but which fall under the scope of IFRS 15. These revenues totalled $3.3 million and $3.4 million for the three-month periods ended June 30, 2020 and 2019, respectively and $6.5 million and $6.9 million for the six-month periods ended June 30, 2020 and 2019, respectively.

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

The Company's easyhome business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the six-month periods ended June 30, 2020 and 2019 were as follows:

	Six Months Ended	
	June 30, 2020 (%)	**June 30, 2019 (%)**
Furniture	**42**	44
Electronics	**33**	33
Appliances	**14**	12
Computers	**11**	11
	100	100