Interim Condensed Consolidated Financial Statements

goeasy Ltd.

(Unaudited)

March 31, 2022

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As At March 31, 2022	As At December 31, 2021
ASSETS		
Cash (note 4)	**96,430**	102,479
Accounts receivable	**21,646**	20,769
Prepaid expenses	**8,043**	8,018
Consumer loans receivable, net (note 5)	**2,023,702**	1,899,631
Investments (note 6)	**35,313**	64,441
Lease assets	**44,650**	47,182
Property and equipment, net	**34,843**	35,285
Derivative financial assets (notes 6, 7 and 10)	**27,539**	20,634
Intangible assets, net	**158,778**	159,651
Right-of-use assets, net	**56,453**	57,140
Goodwill	**180,923**	180,923
TOTAL ASSETS	**2,688,320**	2,596,153
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Revolving credit facility (note 9)	**68,180**	-
Accounts payable and accrued liabilities	**45,046**	57,134
Income taxes payable	**4,965**	27,859
Dividends payable (note 11)	**14,514**	10,692
Unearned revenue	**13,344**	11,354
Accrued interest	**23,489**	8,135
Deferred tax liabilities, net (note 15)	**31,014**	38,648
Lease liabilities	**65,033**	65,607
Secured borrowings (note 8)	**155,948**	173,959
Revolving securitization warehouse facility (note 7)	**392,038**	292,814
Derivative financial liabilities (note 10)	**48,104**	34,132
Notes payable (note 10)	**1,075,331**	1,085,906
TOTAL LIABILITIES	**1,937,006**	1,806,240
Shareholders' equity		
Share capital (note 11)	**358,614**	363,514
Contributed surplus	**16,561**	22,583
Accumulated other comprehensive income	**3,771**	8,567
Retained earnings	**372,368**	395,249
TOTAL SHAREHOLDERS' EQUITY	**751,314**	789,913
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,688,320**	2,596,153

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

David Ingram
Director

Karen Basian
Director

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
REVENUE		
Interest income	**156,824**	105,494
Lease revenue	**26,878**	28,437
Commissions earned	**43,858**	33,337
Charges and fees	**4,582**	2,906
	232,142	170,174
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		
Salaries and benefits	**41,964**	35,406
Stock-based compensation (note 12)	**2,300**	2,086
Advertising and promotion	**9,510**	5,892
Bad debts (note 5)	**54,149**	29,274
Occupancy	**6,379**	5,524
Technology costs	**5,240**	3,804
Other expenses (note 13)	**11,863**	7,095
	131,405	89,081
DEPRECIATION AND AMORTIZATION		
Depreciation of lease assets	**8,465**	9,243
Depreciation of right-of-use assets	**4,869**	4,344
Amortization of intangible assets	**5,213**	1,746
Depreciation of property and equipment	**2,225**	1,828
	20,772	17,161
TOTAL OPERATING EXPENSES	**152,177**	106,242
OPERATING INCOME	**79,965**	63,932
OTHER INCOME (LOSS) (NOTE 6)	**(17,525)**	87,372
FINANCE COSTS		
Interest expenses and amortization of deferred financing charges (note 14)	**22,643**	13,495
Interest expense on lease liabilities	**836**	741
	23,479	14,236
INCOME BEFORE INCOME TAXES	**38,961**	137,068
INCOME TAX EXPENSE (RECOVERY) (NOTE 15)		
Current	**16,296**	16,997
Deferred	**(3,431)**	8,096
	12,865	25,093
NET INCOME	**26,096**	111,975
BASIC EARNINGS PER SHARE (NOTE 16)	**1.59**	7.41
DILUTED EARNINGS PER SHARE (NOTE 16)	**1.55**	7.14

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 March 31, 2022	Three Months Ended March 31, 2021
Net income	**26,096**	111,975
Other comprehensive income (loss) to be reclassified to the consolidated statement of income in subsequent periods		
Change in fair value of cash flow hedge, net of taxes	**(11,194)**	(469)
Change in costs of hedging, net of taxes	**6,398**	1,278
Change in foreign currency translation reserve	**-**	1
	(4,796)	810
Comprehensive income	**21,300**	112,785

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, 2021	**363,514**	**22,583**	**386,097**	**395,249**	**8,567**	**789,913**
Common shares issued	**1,506**	**(768)**	**738**	**-**	**-**	**738**
Stock-based compensation (note 12)	**-**	**2,300**	**2,300**	**-**	**-**	**2,300**
Repurchase of equity interest related to restricted share units, net of tax	**-**	**(7,554)**	**(7,554)**	**-**	**-**	**(7,554)**
Shares purchased for cancellation (note 11)	**(6,406)**	**-**	**(6,406)**	**(34,461)**	**-**	**(40,867)**
Comprehensive income	**-**	**-**	**-**	**26,096**	**(4,796)**	**21,300**
Dividends (note 11)	**-**	**-**	**-**	**(14,516)**	**-**	**(14,516)**
Balance, March 31, 2022	**358,614**	**16,561**	**375,175**	**372,368**	**3,771**	**751,314**
Balance, December 31, 2020	181,753	19,732	201,485	247,307	(5,280)	443,512
Common shares issued	4,926	(3,197)	1,729	-	-	1,729
Stock-based compensation (note 12)	-	2,086	2,086	-	-	2,086
Comprehensive income	-	-	-	111,975	810	112,785
Dividends (note 11)	-	-	-	(9,846)	-	(9,846)
Balance, March 31, 2021	186,679	18,621	205,300	349,436	(4,470)	550,266

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	
	March 31, 2022	**March 31, 2021**
OPERATING ACTIVITIES		
Net income	**26,096**	111,975
Add (deduct) items not affecting cash		
Bad debts expense (note 5)	**54,149**	29,274
Depreciation of lease assets	**8,465**	9,243
Depreciation of right-of-use assets	**4,869**	4,344
Amortization of intangible assets	**5,213**	1,746
Stock-based compensation (note 12)	**2,300**	2,086
Depreciation of property and equipment	**2,225**	1,828
Amortization of deferred financing charges	**1,549**	1,055
Deferred income tax (recovery) expense (note 15)	**(3,431)**	8,096
Other loss (income) (note 6)	**17,525**	(87,372)
	118,960	82,275
Net change in other operating assets and liabilities (note 17)	**(18,846)**	17,373
Net issuance of consumer loans receivable	**(178,220)**	(61,605)
Purchase of lease assets	**(5,927)**	(5,328)
Cash (used in) provided by operating activities	**(84,033)**	32,715
INVESTING ACTIVITIES		
Proceeds on sale of investment	**-**	20,904
Purchase of property and equipment	**(1,788)**	(778)
Purchase of intangible assets	**(4,340)**	(3,638)
Purchase of investment	**-**	(7,344)
Cash (used in) provided by investing activities	**(6,128)**	9,144
FINANCING ACTIVITIES		
Advances from revolving credit facilities, net of financing charges	**124,863**	-
Advances from revolving securitization warehouse facility, net of financing charges	**99,006**	178,949
Lease incentive received	**334**	437
Issuance of common shares	**324**	1,577
Payment of lease liability	**(5,090)**	(4,525)
Payment of cash-settled restricted share units	**(9,466)**	-
Payment of common share dividends (note 11)	**(10,181)**	(6,508)
Payment of loan from secured borrowings	**(18,011)**	-
Purchase of common shares for cancellation (note 11)	**(40,867)**	-
Payment of advances from revolving credit facilities	**(56,800)**	(200,000)
Cash provided by (used in) financing activities	**84,112**	(30,070)
Net (decrease) increase in cash during the period	**(6,049)**	11,789
Cash, beginning of period	**102,479**	93,053
Cash, end of period	**96,430**	104,842

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 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 March 31, 2022, the Company operated 299 easyfinancial locations (including 4 kiosks within easyhome stores and 3 operation centres) and 155 easyhome stores (including 34 franchises). As at December 31, 2021, the Company operated 294 easyfinancial locations (including 5 kiosks within easyhome stores and 3 operation centres) and 158 easyhome stores (including 34 franchises).

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 11, 2022.

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 when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This includes all wholly-owned subsidiaries and a structured entity (note 7) where goeasy Ltd. has control but does not have ownership of a majority of voting rights.

As at March 31, 2022, the Parent Company's principal subsidiaries were:
- RTO Asset Management Inc.
- easyfinancial Services Inc.
- LendCare Capital Inc. ("LendCare")

All intra-group transactions and balances were eliminated on consolidation.

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

The unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2022 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 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.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the interim condensed 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 interim condensed 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 Company's business has been impacted by the COVID-19 pandemic, which has created significant societal and economic disruptions. The COVID-19 pandemic has had a broad impact across industries and the economy, including effects on consumer confidence, global financial markets, regional and international travel, supply chain distribution of various products for many industries, government and private sector operations, the price of consumer goods, country-wide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce.

With the active vaccination campaigns initiated in the prior year, Canada saw improvements in containing outbreaks of the COVID-19 pandemic and the economy reopened at a different pace across the country. In early 2022, the Canadian government began to institute policies to re-open the economy and has signalled its intent to encourage the economy to remain open.

The ever-changing and rapidly-evolving effects of COVID-19, the duration, extent and severity of which are currently unknown, on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase delinquencies and defaults. The COVID-19 virus, and the measures to prevent its spread, may continue to contribute to 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 preparations of the company's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as at January 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Company.

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

(b) Standards Issued but Not Yet Effective

There are no new standards issued but not yet effective as at January 1, 2022 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 cross-currency swap contracts. As at March 31, 2022, the fair value of the cash pledged by the Company as a cash collateral in respect of the cross-currency swap was $49.1 million (December 31, 2021 - $19.6 million).

Related to its secured borrowing loans, the Company holds back an amount from the proceeds of the loan transfer as a reserve against future customer defaults. As at March 31, 2022, the cash held back as a reserve for the Revolving Securitization Warehouse Facility and Secured Borrowings was $10.7 million and $18.6 million, respectively (December 31, 2021 - $6.8 million and $20.8 million, respectively).

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 84 months while secured loan terms generally range from 5 to 20 years.

	March 31, 2022	**December 31, 2021**
Gross consumer loans receivable	**2,154,300**	2,030,339
Interest receivable from consumer loans	**26,097**	18,881
Unamortized deferred acquisition costs	**19,426**	16,320
Unamortized deferred revenues	**(8,511)**	(6,147)
Allowance for credit losses	**(167,610)**	(159,762)
	2,023,702	1,899,631

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

	March 31, 2022	**December 31, 2021**
Unsecured instalment loans	**1,428,108**	1,364,696
Secured instalment loans	**726,192**	665,643
	2,154,300	2,030,339

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

The scheduled principal repayment aging analysis of the gross consumer loans receivable portfolio as at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022		December 31, 2021	
	$	% of total loans	$	% of total loans
0 - 6 months	**224,520**	**10.4%**	220,383	10.9%
6 - 12 months	**160,706**	**7.5%**	160,914	7.9%
12 - 24 months	**357,950**	**16.6%**	351,028	17.3%
24 - 36 months	**426,162**	**19.8%**	408,762	20.1%
36 - 48 months	**357,435**	**16.6%**	332,049	16.4%
48 - 60 months	**242,152**	**11.2%**	229,782	11.3%
60 months +	**385,375**	**17.9%**	327,421	16.1%
	2,154,300	**100.0%**	2,030,339	100.0%

The gross consumer loans receivable portfolio categorized by the contractual time to maturity as at March 31, 2022 and December 31, 2021 are summarized as follows:

	March 31, 2022		December 31, 2021	
	$	% of total loans	$	% of total loans
0 - 1 year	**62,816**	**2.9%**	60,319	3.0%
1 - 2 years	**153,775**	**7.1%**	155,957	7.7%
2 - 3 years	**355,710**	**16.5%**	347,331	17.1%
3 - 4 years	**510,252**	**23.7%**	501,830	24.7%
4 - 5 years	**481,438**	**22.4%**	473,096	23.3%
5 years +	**590,309**	**27.4%**	491,806	24.2%
	2,154,300	**100.0%**	2,030,339	100.0%

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

	March 31, 2022		December 31, 2021	
	$	% of total loans	$	% of total loans
1 - 30 days	**62,928**	**2.9%**	71,505	3.5%
31 - 44 days	**15,885**	**0.7%**	14,417	0.7%
45 - 60 days	**12,722**	**0.6%**	12,358	0.6%
61 - 90 days	**18,097**	**0.8%**	14,966	0.7%
91 - 120 days	**5,213**	**0.3%**	3,350	0.2%
121 – 150 days	**3,304**	**0.2%**	2,792	0.1%
151 - 180 days	**2,331**	**0.1%**	1,841	0.1%
	120,480	**5.6%**	121,229	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 and/or third-party credit scores. This scoring model has been built and refined using analytical techniques and statistical modelling tools in predicting future losses among certain customer segments rather 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 March 31, 2022				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Low risk	**635**	**1,173,058**	**1,793**	**315**	**1,175,166**
Normal risk	**555**	**627,861**	**8,017**	**498**	**636,376**
High risk	**501**	**177,024**	**110,586**	**55,148**	**342,758**
Total	**582**	**1,977,943**	**120,396**	**55,961**	**2,154,300**

	As at December 31, 2021				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Low risk	635	1,090,814	1,586	122	1,092,522
Normal risk	557	610,484	6,122	270	616,876
High risk	504	167,008	105,102	48,831	320,941
Total	583	1,868,306	112,810	49,223	2,030,339

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
(Expressed in thousands of Canadian dollars, except where otherwise indicated)
For the periods ended March 31, 2022 and 2021

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

	Three Months Ended March 31, 2022			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2022	**1,868,306**	**112,810**	**49,223**	**2,030,339**
Gross loans originated	**476,542**	**-**	**-**	**476,542**
Principal payments and other adjustments	**(300,998)**	**7,490**	**(5,072)**	**(298,580)**
Transfers to (from)				
Stage 1 (Performing)	**83,462**	**(63,973)**	**(19,489)**	**-**
Stage 2 (Under-Performing)	**(98,759)**	**104,204**	**(5,445)**	**-**
Stage 3 (Non-Performing)	**(40,798)**	**(35,851)**	**76,649**	**-**
Gross charge-offs	**(9,812)**	**(4,284)**	**(39,905)**	**(54,001)**
Net growth in gross consumer loans receivable during the period	**109,637**	**7,586**	**6,738**	**123,961**
Balance as at March 31, 2022	**1,977,943**	**120,396**	**55,961**	**2,154,300**

	Three Months Ended March 31, 2021			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2021	1,141,801	84,835	20,204	1,246,840
Gross loans originated	272,351	-	-	272,351
Principal payments and other adjustments	(213,373)	5,081	(2,400)	(210,692)
Transfers to (from)				
Stage 1 (Performing)	69,133	(60,049)	(9,084)	-
Stage 2 (Under-Performing)	(77,286)	80,188	(2,902)	-
Stage 3 (Non-Performing)	(15,482)	(23,379)	38,861	-
Gross charge-offs	(7,087)	(3,028)	(21,093)	(31,208)
Net growth in gross consumer loans receivable during the period	28,256	(1,187)	3,382	30,451
Balance as at March 31, 2021	1,170,057	83,648	23,586	1,277,291

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

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

	Three Months Ended March 31, 2022	Year Ended December 31, 2021
Balance, beginning of period	**159,762**	125,676
Net charge offs against allowance	**(46,301)**	(147,998)
Increase due to lending and collection activities	**54,149**	182,084
Balance, end of period	**167,610**	159,762

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

	Three Months Ended March 31, 2022			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2022	**89,665**	**40,680**	**29,417**	**159,762**
Gross loans originated	**15,947**	**-**	**-**	**15,947**
Principal payments and other adjustments	**(6,821)**	**1,253**	**(9,315)**	**(14,883)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**17,577**	**(14,139)**	**(12,296)**	**(8,858)**
Stage 2 (Under-Performing)	**(9,574)**	**29,275**	**(3,959)**	**15,742**
Stage 3 (Non-Performing)	**(5,414)**	**(10,739)**	**62,354**	**46,201**
Net charge offs against allowance	**(9,301)**	**(4,072)**	**(32,928)**	**(46,301)**
Balance as at March 31, 2022	**92,079**	**42,258**	**33,273**	**167,610**

	Three Months Ended March 31, 2021			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2021	77,759	32,608	15,309	125,676
Gross loans originated	10,634	-	-	10,634
Principal payments and other adjustments	(6,373)	687	(3,440)	(9,126)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	10,740	(11,701)	(6,475)	(7,436)
Stage 2 (Under-Performing)	(6,626)	20,203	(1,901)	11,676
Stage 3 (Non-Performing)	(2,377)	(6,843)	32,746	23,526
Net charge offs against allowance	(6,580)	(2,812)	(19,408)	(28,800)
Balance as at March 31, 2021	77,177	32,142	16,831	126,150

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

In calculating the allowance for credit losses, internally developed models were used which factor in credit risk related parameters including the probability of default, the exposure at default, the loss given default, and other relevant risk factors. As part of the process, the Company employed five distinct forecast scenarios, derived from the FLI forecasts produced by Moody's Analytics, which include neutral, moderately optimistic, extremely optimistic, moderately pessimistic and extremely pessimistic forecast scenarios. These scenarios use a combination of four inter-related macroeconomic variables including unemployment rates, gross domestic product ("GDP"), inflation rates, and oil prices and are utilized to determine the probability weighted allowance. Judgment is then applied to the recommended probability weightings to these scenarios to determine a probability weighted allowance for credit losses.

The following table shows the key macroeconomic variables used in the determination of the probability weighted allowance during the forecast periods as at March 31, 2022 and December 31, 2021, respectively:

12-Month Forward-Looking Macroeconomic Variables (Average annual)	Forecast Scenarios				
	Neutral	Moderately Optimistic	Extremely Optimistic	Moderately Pessimistic	Extremely Pessimistic
March 31, 2022					
Unemployment rate[1]	**5.95%**	**5.16%**	**4.48%**	**8.19%**	**9.60%**
GDP growth rate[2]	**3.99%**	**5.45%**	**6.01%**	**1.72%**	**0.37%**
Inflation growth rate[3]	**3.89%**	**3.54%**	**3.20%**	**5.07%**	**5.87%**
Oil prices[4]	**$85.50**	**$83.63**	**$81.75**	**$88.12**	**$104.10**
December 31, 2021					
Unemployment rate[1]	5.81%	5.02%	4.33%	8.04%	9.45%
GDP growth rate[2]	3.78%	6.36%	9.03%	(2.18%)	(6.91%)
Inflation growth rate[3]	3.07%	3.64%	4.14%	2.38%	1.79%
Oil prices[4]	$67.34	$69.02	$72.75	$42.25	$38.69

[1] An average of the projected monthly unemployment rates over the next 12-month forecast period.
[2] A projected year-over-year GDP growth rate.
[3] A projected year-over-year inflation growth rate.
[4] An average of the projected monthly oil prices over the next 12-month forecast period.

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 and the rate of GDP growth were negatively correlated with the Company's historic loss rates. The assignment of the probability weighting for the various scenarios using these variables involves management judgment through a robust internal review and analysis to arrive at a collective view of the likelihood of each scenario, particularly in light of the current COVID-19 pandemic. If management were to assign 100% probability to the extremely pessimistic scenario forecast, the allowance for credit losses would have been $18.0 million (December 31, 2021 – $24.7 million under 100% extremely pessimistic scenario forecast) higher than the reported allowance for credit losses as at March 31, 2022. This sensitivity does not consider the migration of exposure and/or changes in credit risk that would have occurred in the loan portfolio due to risk mitigation actions or other factors.

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

6. INVESTMENTS

Investments include the following:

	March 31, 2022	December 31, 2021
Listed and actively traded equities		
Affirm Holdings Inc.	**24,385**	53,543
Others	**428**	398
Unlisted equities		
Brim Financial Inc.	**10,500**	10,500
	35,313	64,441

Changes in the holdings, fair values of investments and the related total return swap and realized and unrealized gains (losses) recorded in Other income in the consolidated statements of income are summarized below:

	Fair value, beginning of the period	Additions	Sales/ Settlements	Total realized and unrealized gains (losses)	Fair value, end of the period
For the three months ended March 31, 2022					
Investments					
Listed and actively traded equities					
Affirm Holdings Inc. [1]	**53,543**	**-**	**-**	**(29,158)**	**24,385**
Others	**398**	**-**	**-**	**30**	**428**
Unlisted equities					
Brim Financial Inc.	**10,500**	**-**	**-**	**-**	**10,500**
Investments	**64,441**	**-**	**-**	**(29,128)**	**35,313**
Total return swap related to Affirm Holdings Inc. [2]	**6,979**	**-**	**-**	**11,603**	**18,582**
Investments including total return swap	**71,420**	**-**	**-**	**(17,525)**	**53,895**
For the year ended December 31, 2021					
Investments					
Listed and actively traded equities					
Affirm Holdings Inc.[1]	-	33,065	(54,577)	75,055	53,543
Others	-	843	-	(445)	398
Unlisted equities					
Brim Financial Inc.	-	10,500	-	-	10,500
PayBright[1]	56,040	-	(56,040)	-	-
Investments	56,040	44,408	(110,617)	74,610	64,441
Total return swap related to Affirm Holdings Inc.[2]	-	-	(33,287)	40,266	6,979
Investments including total return swap	56,040	44,408	(143,904)	114,876	71,420

[1] On January 1, 2021, the Company sold its equity investment in PayBright for consideration of cash and equity in Affirm Holdings Inc.
[2] In August 2021, the Company settled the total return swap related to the non-contingent portion of the equity in Affirm Holdings Inc. and in September 2021 and November 2021, the Company entered into new total return swaps to partially hedge the contingent portion of the equity consideration received.

Affirm Holdings Inc. and PayBright

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

On January 1, 2021, PayBright sold 100% of its shares to Affirm Holdings Inc. ("Affirm"), including the Company's minority equity interest in PayBright. Subsequent to the closing of the sale transaction, Affirm completed an initial public offering and its shares now trade on the Nasdaq Global Select Market under the symbol "AFRM". The equity consideration received by the Company is subject to customary lock-up agreements in connection with Affirm's initial public offering.

Under the terms of the sale to Affirm, the Company received total consideration, which was valued at that time, as follows:
- Cash of $23.0 million, excluding one-time expenses and closing adjustments and including $2.1 million held in escrow;
- Equity in Affirm with a value of $21.5 million; and
- Contingent equity in Affirm with a value of $15.4 million, subject to revenue performance achieved in 2021 and 2022.

After considering the likelihood of realizing the contingent equity, the fair value of the investment in PayBright was determined to be $56.0 million as at December 31, 2020.

On January 1, 2021, the Company derecognized its investment in PayBright and recognized its $33.1 million investment in Affirm in the consolidated statements of financial position.

The Company's investment in Affirm was classified at initial recognition at fair value through profit or loss on January 1, 2021.

In August 2021, the lock-up period for the non-contingent portion of the equity in Affirm ended and the Company sold all non-contingent Affirm shares with a total consideration of $54.6 million and realized a fair value gain of $33.0 million under Other income in the consolidated statements of income.

For the three-month period ended March 31, 2022, the Company recognized an unrealized fair value loss of $29.2 million (for the three-month ended March 31, 2021 – unrealized fair value gain of $56.4 million) under Other income in the interim condensed consolidated statements of income.

Total Return Swap

Subsequent to Affirm's initial public offering, the Company entered into a 6-month total return swap ("TRS") agreement to substantively hedge its market exposure related to its equity in Affirm which represents the non-contingent portion of the equity consideration received, pursuant to the sale of its investment in PayBright. This TRS effectively results in the economic value of the Company's non-contingent shares in Affirm being settled in cash at maturity for USD108.87, net of applicable fees. This TRS does not meet the criteria for hedge accounting.

The TRS related to the non-contingent portion of the equity in Affirm was settled in August 2021 for $33.3 million, which was recognized as a realized fair value gain under Other income in the consolidated statements of income.

In September 2021, the Company entered into a 9-month TRS agreement to partially hedge its market exposure related to 100,000 contingent shares of Affirm. This TRS effectively results in the economic value of the hedged portion of the Company's contingent equity in Affirm being settled in cash at maturity for USD110.35 per share, net of applicable fees. This TRS does not meet the criteria for hedge accounting.

In November 2021, the Company entered into a 7-month TRS agreement to partially hedge its market exposure related to an additional 75,000 contingent shares of Affirm. This TRS effectively results in the economic value of the hedged portion of the Company's contingent equity in Affirm being settled in cash at maturity for USD163.00 per share, net of applicable fees. This TRS does not meet the criteria for hedge accounting.

Included in Derivative financial assets is the change in fair value of the 9-month and 7-month TRS, in the amount of $18.6 million as at March 31, 2022 (December 31, 2021 – $7.0 million).

The fair value of the cash posted by the counter parties in respect of the 9-month and 7-month TRS related to the contingent portion of the equity in Affirm as at March 31, 2022 was $19.0 million (December 31, 2021 – $ 6.3 million).

For the three-month period ended March 31, 2022, the Company recognized an unrealized fair value gain on TRS of $11.6 million (for the three-month ended March 31, 2021 – $30.9 million) under Other income in the interim condensed consolidated statements of income.

Brim Financial Inc.

In 2021, the Company invested $10.5 million to acquire a minority equity interest in Brim Financial Inc., a Canadian fintech company and globally certified credit card issuer.

7. REVOLVING SECURITIZATION WAREHOUSE FACILITY

goeasy Securitization Trust (the "Trust") is a securitization vehicle controlled and consolidated by the Company. The Company's activities include transactions with the Trust, a structured entity, which has been designed to achieve a specific business objective. A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The primary use of the Trust is to provide the Company with funding for its operational needs. The Trust has entered into a $600 million Revolving Securitization Warehouse Facility ("Revolving Securitization Warehouse Facility") with National Bank Financial Markets ("NBFM"), and as collateral for the drawn amount, consumer loans are sold from easyfinancial Services Inc. and LendCare Capital Inc. into the Trust. The economic exposure associated with the rights inherent to these consumer loans are controlled by easyfinancial Services Inc. and LendCare Capital Inc. As a result, these consumer loans do not qualify for derecognition in the Company's consolidated statements of financial position. The Revolving Securitization Warehouse Facility matures August 30, 2024 and bears interest equal to the 1-month Canadian Dollar Offered Rate ("CDOR") plus 185 bps.

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

On January 28, 2022, the Company increased its Revolving Securitization Warehouse Facility to $900 million. The Revolving Securitization Warehouse Facility continues to be underwritten by NBFM, with the addition of new lenders to the syndicate.

The following table summarizes the details of the Revolving Securitization Warehouse Facility:

	March 31, 2022	**December 31, 2021**
Drawn amount	**395,000**	295,000
Unamortized deferred financing costs	**(2,962)**	(2,186)
	392,038	292,814

As at March 31, 2022, $827.1 million (December 31, 2021 – $457.7 million) of consumer loans receivable were pledged by the Company as collateral against its Revolving Securitization Warehouse Facility.

Concurrent with the establishment of the Revolving Securitization Warehouse Facility, the Company entered into derivative financial instruments (the “interest rate swap”) as a cash flow hedge to protect against the variability of future interest payments by paying a fixed rate based on the weighted average life of the securitized loans and receiving a variable rate equivalent to 1-month CDOR.

The Company has elected to use hedge accounting for the Revolving Securitization Warehouse Facility and related interest rate swap (i.e., the same notional amount, maturity date, and interest payment dates). The Company has established a hedge ratio of 1:1 for the hedging relationships. 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 Revolving Securitization Warehouse Facility and interest rate swap. There was no hedge ineffectiveness recognized in net income for the three-month periods ended March 31, 2022 and 2021.

As the Revolving Securitization Warehouse Facility and the interest rate swap are in an effective hedging relationship, changes in the fair value of the interest rate swap are recorded in Other Comprehensive Income (“OCI”) and subsequently reclassified into net income upon settlement.

The interest rate swap has an aggregated notional amount equal to the aggregated principal outstanding of the hedged Revolving Securitization Warehouse Facility. The fair value of interest rate swap is determined from swap curves adjusted for credit risks. Swap curves are obtained directly from market sources. The fair value of the interest rate swap is as follows:

	March 31, 2022	**December 31, 2021**
Derivative financial asset		
Interest rate swap	**5,166**	1,035
	5,166	1,035

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

The financial covenant of the Revolving Securitization Warehouse Facility is as follows:

Financial covenant	Requirements	March 31, 2022	December 31, 2021
Minimum consolidated fixed charge coverage ratio	> 2.0	**4.58**	4.83

As at March 31, 2022 and December 31, 2021, the Company was in compliance with its financial covenant under the Revolving Credit Warehouse Facility.

8. SECURED BORROWINGS

The Company also securitizes consumer loans through non-structured third parties. The economic exposure associated with the rights inherent to these consumer loans are retained by the Company. As a result, these consumer loans do not qualify for derecognition in the Company's consolidated statements of financial position and Secured Borrowings are recognized for the cash proceeds received.

The Company has the following securitization facilities with non-structured third parties:

- A $105 million securitization facility ("$105 million Securitization Facility"), which bears interest at the Government of Canada Bonds ("GOCB") rate (with a floor rate of 0.95%) plus 395 bps. The loan sale agreement to sell loans into the facility expired on July 31, 2021. The balance of the loans that were sold into the facility will amortize down based on their contractual time to maturity; and
- An $85 million securitization facility ("$85 million Securitization Facility"), which bears interest at the GOCB rate (with a floor rate of 0.25%) plus 325 bps. In addition to the securitization loan facility, there is a $6 million accumulation loan agreement which advances 85% of the face value of consumer loans for up to a 90-day period, bearing interest rate at the Canadian Bankers' Acceptance rate ("BA") plus 400 bps. The loan sale agreement to sell loans into the facility expired on November 30, 2021. The balance of the loans that were sold into the facility will amortize down based on their contractual time to maturity.

As at March 31, 2022, the drawn amount against the Secured Borrowings was $155.9 million (December 31, 2021 - $174.0 million).

As at March 31, 2022, $159.4 million (December 31, 2021 - $171.3 million) consumer loans receivable was pledged by the Company as collateral for these Secured Borrowings.

The financial covenants on the Secured Borrowings of the $105 million Securitization Facility are as follows:

Financial covenant	Requirements	March 31, 2022	December 31, 2021
Minimum LendCare tangible net worth	**>20,000**	**95,096**	70,027

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

The financial covenants on the Secured Borrowings of the $85 million Securitization Facility are as follows:

Financial covenant	Requirements	March 31, 2022	December 31, 2021
Minimum LendCare tangible net worth	**>30,000**	**95,617**	75,919
Maximum LendCare leverage ratio	**< 9.00**	**5.78**	6.79

As at March 31, 2022 and December 31, 2021, the Company was in compliance with its financial covenants for all Secured Borrowings.

9. REVOLVING CREDIT FACILITY

The Company's Revolving Credit Facility consisted of a $310 million senior secured revolving credit facility that matures on February 12, 2022. The Revolving Credit Facility is provided by a syndicate of banks. The Company also had the ability to exercise the accordion feature under its Revolving Credit Facility to add an additional $75 million in borrowing capacity. Interest on advances is payable at either the BA plus 300 bps or the lender's prime rate ("Prime") plus 200 bps, at the option of the Company.

In January 2022, the Company amended its Revolving Credit Facility agreement to reduce the maximum principal amount available from $310 million to $270 million, with the maturity extended to January 27, 2025 and increased the accordion feature from $75 million to $100 million. The amendments also include key modifications including improved advance rates, less restrictive covenants, and a broader syndicate of banks. On lenders Prime advances, the interest rate payable has been reduced by 125 bps, from the previous rate of Prime plus 200 bps to Prime plus 75 bps. On draws elected to be taken utilizing the BA rate, the interest rate payable has been reduced by 75 bps from the previous rate of BA plus 300 bps to BA plus 225 bps.

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

	March 31, 2022	December 31, 2021
Drawn amount	**70,000**	-
Unamortized deferred financing costs	**(1,820)**	-
	68,180	-

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

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

Financial covenant	**Requirements as at March 31, 2022**	**March 31, 2022**	**Requirements as at December 31, 2021**	**December 31, 2021**
Maximum consolidated leverage ratio	**< 4.25**	**3.92**	< 4.25	3.23
Minimum consolidated fixed charge coverage ratio	**> 1.75**	**1.95**	> 1.75	2.41
Minimum consolidated asset coverage ratio	**>1.75**	**8.20**	-	-
Maximum net charge off ratio	**< 15.0%**	**8.9%**	< 15.0%	9.0%
Minimum consolidated tangible net worth	**-**	**-**	>132,000, plus 50% of consolidated net income	$472,917
Minimum collateral performance index	**-**	**-**	> 90.0%	99.2%

As at March 31, 2022 and December 31, 2021, the Company was in compliance with all of its financial covenants under its credit agreements.

10. NOTES PAYABLE

On November 27, 2019, the Company issued USD550.0 million of 5.375% senior unsecured notes payable (the "2024 Notes") with interest payable semi-annually on June 1 and December 1 of each year and commencing on June 1, 2020. The 2024 Notes mature on December 1, 2024 and include certain prepayment features.

Concurrent with the issuance of the 2024 Notes, the Company entered into derivative financial instruments (the "2024 cross-currency swaps") as cash flow hedges to hedge the risk of changes in the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the 2024 Notes at a fixed exchange rate of USD1.000 = CAD1.3242, thereby fully hedging the USD550.0 million 2024 Notes at a CAD interest rate of 5.65%. The 2024 cross-currency swaps fully hedge the obligation under the 2024 Notes.

The following table summarizes the details of the 2024 Notes:

	March 31, 2022	**December 31, 2021**
2024 Notes in CAD at issuance	**728,310**	728,310
Change in fair value of 2024 Notes since issuance date due to changes in foreign exchange rate	**(40,535)**	(33,275)
	687,775	695,035
Unamortized deferred financing costs	**(7,424)**	(8,063)
	680,351	686,972

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

On April 29, 2021, the Company issued USD320.0 million of 4.375% senior unsecured notes payable ("2026 Notes") (the 2024 Notes and 2026 Notes are collectively referred to as "Notes Payable") with interest payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2021. The 2026 Notes mature on May 1, 2026 and include certain prepayment features.

Concurrent with the issuance of the 2026 Notes, the Company entered into derivative financial instruments (the "2026 cross-currency swaps") (the 2024 cross-currency swaps and 2026 cross-currency swaps are collectively referred to as the "cross-currency swaps") as cash flow hedges to hedge the risk of changes in the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the 2026 Notes at a fixed exchange rate of USD1.000 = CAD1.2501, thereby fully hedging the USD320.0 million 2026 Notes at a CAD interest rate of 4.818%. The 2026 cross-currency swaps fully hedge the obligation under the 2026 Notes.

The following table summarizes the details of the 2026 Notes:

	March 31, 2022	December 31, 2021
2026 Notes in CAD at issuance	**400,032**	400,032
Change in fair value of 2026 Notes since issuance date due to changes in foreign exchange rate	**128**	4,352
	400,160	404,384
Unamortized deferred financing costs	**(5,180)**	(5,450)
	394,980	398,934

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

	March 31, 2022	December 31, 2021
2024 Notes	**680,351**	686,972
2026 Notes	**394,980**	398,934
	1,075,331	1,085,906

The Company has elected to use hedge accounting for the Notes Payable and the cross-currency swaps (i.e., the same notional amount, maturity date, interest rate, and interest payment dates). The Company has 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-month periods ended March 31, 2022 and 2021.

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 OCI 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 in net income 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 using swap curves adjusted for credit risks. Swap curves are obtained directly from market sources. The fair value of the cross-currency swaps are as follows:

	March 31, 2022	**December 31, 2021**
Derivative financial liabilities		
2024 Cross-currency swaps	**(48,104)**	(34,132)
Derivative financial assets		
2026 Cross-currency swaps	**3,791**	12,620
	(44,313)	(21,512)

11. SHARE CAPITAL

Common Shares Issued and Outstanding

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

	Three Months Ended March 31, 2022		**Year Ended December 31, 2021**	
	# of shares (in 000's)	**$**	**# of shares (in 000's)**	**$**
Balance, beginning of the period	**16,199**	**363,514**	14,801	181,753
Exercise of RSUs	**18**	**682**	75	2,904
Exercise of share options	**10**	**410**	164	7,326
Dividend reinvestment plan	**3**	**512**	6	807
Shares purchased for cancellation	**(280)**	**(6,406)**	(333)	(7,600)
Share issuance	**-**	**-**	1,486	184,358
Share issuance costs, net of tax	**-**	**-**	-	(6,034)
Others	**-**	**(98)**	-	-
Balance, end of the period	**15,950**	**358,614**	16,199	363,514

$172.5 Million Bought Deal Equity Offering

In connection with the acquisition of LendCare, on April 16, 2021, the Company issued 1,404,265 subscription receipts for common shares ("Subscription Receipts") at a price of $122.85 per Subscription Receipt, for gross aggregate proceeds of $172.5 million. At closing of the LendCare acquisition on April 30, 2021 ("Acquisition Date"), each of the 1,404,265 outstanding Subscription Receipts were exchanged for one common share of the Company.

Share Consideration for the Acquisition of LendCare

As share consideration for the acquisition of LendCare, the Company issued 81,400 common shares to LendCare's founders valued at $11.8 million, calculated with reference to the closing price of the Company's common shares on the Acquisition Date.

Dividends on Common Shares

For the three-month period ended March 31, 2022, the Company paid dividends of $10.7 million (three-month period ended March 31, 2021 - $6.7 million) or $0.66 per share (three-month period ended March 31, 2021 - $0.45 per share). On February 16, 2022, the Company declared a dividend of $0.91 per share to shareholders of record on March 25, 2022 payable on April 8, 2022. The dividend paid on April 8, 2022 was $14.5 million.

Shares Purchased for Cancellation

On December 16, 2020, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a NCIB, which commenced on December 21, 2020 (the "2020 NCIB"). During the year ended December 31, 2021, the Company purchased and cancelled 333,315 of its common shares on the open market at an average price of $186.86 per share for a total cost of $62.3 million pursuant to the 2020 NCIB. This normal course issuer bid expired on December 20, 2021.

On December 14, 2021, the Company renewed its normal course issuer bid ("NCIB"), which allows for a total purchase of up to 1,243,781 common shares (the "2021 NCIB") and expires on December 20, 2022. During the three-month period ended March 31, 2022, the Company purchased and cancelled 280,263 of its common shares on the open market at an average price of $145.79 per share for a total cost of $40.9 million pursuant to the 2021 NCIB.

12. 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 officers and employees. During the three-month period ended March 31, 2022, 28,820 options were granted by the Company (three-month period ended March 31, 2021 – 54,479). For the three-month period ended March 31, 2022, the Company recorded an expense of $439 (three-month period ended March 31, 2021 - $527) in stock-based compensation expense in the unaudited interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

Executive Share Unit (“ESU”) Plan

Under the terms of the ESU plan, the Company’s Board of Directors may grant restricted share units (“RSU”) and executive deferred share units (“Executive DSUs”) to officers and employees.

Restricted Share Units
During the three-month period ended March 31, 2022, the Company granted 30,509 RSUs (three-month period ended March 31, 2021 – 44,366) to employees of the Company under its ESU 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-month period ended March 31, 2022, $1,080 (three-month period ended March 31, 2021 - $1,013) was recorded as an expense in stock-based compensation expense in the unaudited interim condensed consolidated statements of income. Additionally, for the three-month period ended March 31, 2022, an additional 862 RSUs (three-month period ended March 31, 2021 – 1,295 RSUs) were granted as a result of dividends payable.

Executive Deferred Share Units
During the three-month period ended March 31, 2022, the Company granted 13,286 Executive DSUs (three-month period ended March 31, 2021 – nil) to employees of the Company under its ESU Plan. Executive DSUs 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-month period ended March 31, 2022, $25 (three-month period ended March 31, 2021 - nil) was recorded as an expense in stock-based compensation expense in the unaudited interim condensed consolidated statements of income.

Board of Director Deferred Share Unit (“Board DSU”) Plan

Under the terms of the Board DSU plan, the Company may grant DSUs to Board of Directors. During the three-month period ended March 31, 2022, the Company granted 8,862 Board DSUs (three-month period ended March 31, 2021 – 11,254 Board DSUs) to Board of Directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the three-month period ended March 31, 2022, $756 (three-month period ended March 31, 2021 - $546) was recorded as stock-based compensation expense under the Board DSU Plan in the unaudited interim condensed consolidated statements of income. Additionally, for the three-month period ended March 31, 2022, an additional 1,127 Board DSUs (three-month period ended March 31, 2021 – 1,196 Board DSUs) were granted as a result of dividends payable.

Stock-Based Compensation Expense

Stock-based compensation expense for the three-month period ended March 31, 2022 was $2,300 (three-month period ended March 31, 2021 - $2,086).

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

13. OTHER EXPENSES

During the three-month period ended March 31, 2022, the Company incurred corporate development costs of $2.3 million, including advisory, consulting and legal costs, in connection with the exploration of a strategic acquisition opportunity, which the Company elected to not undertake. These corporate development costs were reported under Other expenses in the interim condensed consolidated statement of income.

14. 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	
	March 31, 2022	**March 31, 2021**
Interest expense		
Notes payable	**15,106**	10,287
Revolving credit facility	**917**	1,274
Revolving securitization warehouse facility	**3,300**	1,023
Secured borrowings	**1,828**	-
Amortization of deferred financing costs and accretion expense	**1,601**	1,055
Interest income on cash in bank, net	**(109)**	(144)
	22,643	13,495

15. INCOME TAXES

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

	Three Months Ended	
	March 31, 2022	**March 31, 2021**
Combined basic federal and provincial income tax rates	**26.5%**	26.5%
Expected income tax expense	**10,325**	36,323
Non-deductible expenses	**364**	305
Effect of capital gains on sale of assets and investments	**2,322**	(11,577)
Other	**(146)**	42
	12,865	25,093

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

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

	March 31, 2022	March 31, 2021
Current income tax:		
Current income tax charge	**16,296**	16,990
Adjustments in respect of prior years and other	**-**	7
	16,296	16,997
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(3,431)**	8,096
	12,865	25,093

Deferred tax related to items recognized in OCI during the period are summarized below:

	March 31, 2022	March 31, 2021
Change in fair value of cash flow hedge	**(3,109)**	(209)
Change in costs of hedging	**720**	460
Deferred tax (recovery) expense charged to OCI	**(2,389)**	251

The changes in deferred tax liabilities are as follows:

	March 31, 2021	December 31, 2021
Balance, beginning of the period	**(38,648)**	4,066
Tax recovery during the period recognized in profit or loss	**3,431**	1,833
Tax recovery (expense) during the period recognized in OCI	**2,389**	(3,129)
Tax recovery during the period recognized in Contributed Surplus	**1,912**	-
Deferred taxes in business acquisition	**-**	(43,088)
Tax on share issuance costs	**(98)**	1,670
Balance, end of the period	**(31,014)**	(38,648)

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

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

	March 31, 2022	December 31, 2021
Accounts receivable and allowance for credit losses	**3,973**	3,312
Loss carry forwards	**2,687**	1,467
Financing fees	**2,580**	3,578
Revaluation of Notes Payable and derivative financial instruments	**1,521**	(868)
Stock-based compensation	**1,381**	1,874
Right-of-use assets, net of lease liabilities	**1,239**	1,230
Unrealized fair value gains on investments	**(4,691)**	(7,015)
Tax cost of lease assets and property and equipment in excess of net book value	**(8,789)**	(10,165)
Intangible asset arising from business acquisition	**(31,533)**	(32,401)
Others	**618**	340
	(31,014)	(38,648)

As at March 31, 2022 and December 31, 2021, there were no recognized deferred tax liabilities for taxes that would be payable on the undistributed earnings of the Company's subsidiaries.

16. 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 Board DSUs outstanding. Board DSUs granted to the Board of Directors were included in the calculation of the weighted average number of common shares outstanding as these units vest upon grant.

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net income	**26,096**	111,975
Weighted average number of common shares outstanding (in 000's)	**16,370**	15,115
Basic earnings per common share	**1.59**	7.41

For the three-month period ended March 31, 2022, 287,091 Board DSUs (three-month period ended March 31, 2021 – 270,648 Board DSUs) 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 share options, the exercise of RSUs, or the exercise of unvested Executive DSUs. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method.

	Three Months Ended	
	March 31, 2022	**March 31, 2021**
Net income	**26,096**	111,975
Weighted average number of common shares outstanding (in 000's)	**16,370**	15,115
Dilutive effect of stock-based compensation (in 000's)	**464**	574
Weighted average number of diluted shares outstanding (in 000's)	**16,834**	15,689
Diluted earnings per common share	**1.55**	7.14

The following stock-based compensation grants were considered anti-dilutive using the treasury stock method and therefore were excluded in the calculation of diluted earnings per share:

	Three Months Ended	
	March 31, 2022	**March 31, 2021**
Share options (in 000's)	**39**	50
Restricted share units (in 000's)	**31**	40
Executive deferred share units (in 000's)	**13**	-
	83	90

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

17. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended	
	March 31, 2022	**March 31, 2021**
Accounts receivable	**(877)**	(2,995)
Prepaid expenses	**(25)**	5,711
Accounts payable and accrued liabilities	**(12,394)**	(7,868)
Income taxes payable	**(22,894)**	11,142
Unearned revenue	**1,990**	(280)
Accrued interest	**15,354**	11,663
	(18,846)	17,373

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

	Three Months Ended	
	March 31, 2022	**March 31, 2021**
Income taxes paid	**39,189**	5,855
Interest paid	**5,797**	921
Interest received	**151,182**	101,514

18. CONTINGENCIES

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

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

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

19. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial instruments	Measurement	March 31, 2022	December 31, 2021
Cash	Fair value	**96,430**	102,479
Accounts receivable	Amortized cost	**21,646**	20,769
Consumer loans receivable	Amortized cost	**2,023,702**	1,899,631
Investments	Fair value	**35,313**	64,441
Derivative financial assets	Fair value	**27,539**	20,634
Revolving credit facility	Amortized cost	**68,180**	-
Accounts payable and accrued liabilities	Amortized cost	**45,046**	57,134
Accrued interest	Amortized cost	**23,489**	8,135
Secured borrowings	Amortized cost	**155,948**	173,959
Revolving securitization warehouse facility	Amortized cost	**392,038**	292,814
Derivative financial liabilities	Fair value	**48,104**	34,132
Notes payable	Amortized cost	**1,075,331**	1,085,906

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 March 31, 2022 and December 31, 2021:

March 31, 2022	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash	**96,430**	**96,430**	**-**	**-**
Accounts receivable	**21,646**	**-**	**-**	**21,646**
Consumer loans receivable	**2,023,702**	**-**	**-**	**2,023,702**
Investments	**35,313**	**24,813**	**-**	**10,500**
Derivative financial assets	**27,539**	**-**	**27,539**	**-**
Revolving credit facility	**68,180**	**-**	**-**	**68,180**
Accounts payable and accrued liabilities	**45,046**	**-**	**-**	**45,046**
Accrued interest	**23,489**	**-**	**-**	**23,489**
Secured borrowings	**155,948**	**-**	**-**	**155,948**
Revolving securitization warehouse facility	**392,038**	**-**	**-**	**392,038**
Derivative financial liabilities	**48,104**	**-**	**48,104**	**-**
Notes payable	**1,075,331**	**-**	**-**	**1,075,331**

December 31, 2021	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash	102,479	102,479	-	-
Accounts receivable	20,769	-	-	20,769
Consumer loans receivable	1,899,631	-	-	1,899,631
Investments	64,441	53,941	-	10,500
Derivative financial asset	20,634	-	20,634	-
Accounts payable and accrued liabilities	57,134	-	-	57,134
Accrued interest	8,135	-	-	8,135
Secured borrowings	173,959	-		173,959
Revolving securitization warehouse facility	292,814	-	-	292,814
Derivative financial liabilities	34,132	-	34,132	-
Notes payable	1,085,906	-	-	1,085,906

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

20. SEGMENTED REPORTING

For management reporting purposes, the Company has two reportable operating segments:

- The easyfinancial operating segment lends out capital in the form of unsecured and secured consumer loans to non-prime borrowers. easyfinancial's product offering consists of unsecured and real estate secured instalment loans. The LendCare operating segment specializes in financing consumer purchases in the powersports, automotive, retail, healthcare, and home improvement categories. The majority of LendCare loans are secured by personal property or a Notice of Security Interest. The Company aggregates operations of easyfinancial and LendCare into one reportable operating segment called easyfinancial, on the basis of their similar economic characteristics, customer profile, nature of products, and regulatory environment. This aggregation most accurately reflects the nature and financial results of the business activities in which the Company engages, and the broader economic and regulatory environment in which it operates.

  The Company's chief operating decision maker ("CODM"), which has been determined by the Company to be the Chief Executive Officer, utilizes the same key performance indicators to allocate resources and assess the performance of the operating segments. The CODM uses several metrics to evaluate the performance of the operating segments, including but not limited to, the volume of consumer loan originations and the risk-adjusted margin of the businesses (comprising the yield on the consumer loan portfolios net of the annualized loss rates). These key financial and performance indicators, which are used to assess results, manage trends and allocate resources to each of the operating segments, have been, and are expected to remain, similar. In addition, the Company will gradually centralize and share some of the common functions such as finance and certain aspects of human resources and information technology.

  The customers served by the easyfinancial and LendCare operating segments are Canadian consumers, the majority of whom are classified as non-prime borrowers and seeking alternative financial solutions to those of a traditional bank. These consumers actively use a wide range of financial products and will migrate across the products offered in each segment. Furthermore, the nature of products sold by each of the operating segments and the distribution methods of those products are similar. Both the easyfinancial and LendCare operating segments offer unsecured and secured instalment loans, which are offered through a retail network of branches or merchant partnerships, and complemented by an online digital platform. In addition, both operating segments are subject to the same federal and provincial legislations and regulations applicable to the consumer lending industry.

- The easyhome reportable operating segment provides leasing services for household furniture, appliances and electronics and unsecured lending products to retail consumers.

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

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

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

The following tables summarize the relevant information for the three-month periods ended March 31, 2022 and 2021:

Three Months Ended March 31, 2022	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**150,149**	**6,675**	**-**	**156,824**
Lease revenue	**-**	**26,878**	**-**	**26,878**
Commissions earned	**40,857**	**3,001**	**-**	**43,858**
Charges and fees	**3,604**	**978**	**-**	**4,582**
	194,610	**37,532**	**-**	**232,142**
Total operating expenses before depreciation and amortization	**95,652**	**17,448**	**18,305**	**131,405**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**5,910**	**8,770**	**1,223**	**15,903**
Depreciation of right-of-use assets	**2,723**	**1,943**	**203**	**4,869**
	8,633	**10,713**	**1,426**	**20,772**
Segment operating income (loss)	**90,325**	**9,371**	**(19,731)**	**79,965**
Other loss				**(17,525)**
Finance costs				
Interest expenses and amortization of deferred financing charges				**22,643**
Interest expense on lease liabilities				**836**
				23,479
Income before income taxes				**38,961**

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

Three Months Ended March 31, 2021	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	100,504	4,990	-	105,494
Lease revenue	-	28,437	-	28,437
Commissions earned	30,910	2,427	-	33,337
Charges and fees	1,915	991	-	2,906
	133,329	36,845	-	170,174
Total operating expenses before depreciation and amortization	57,326	16,325	15,430	89,081
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	2,085	9,575	1,157	12,817
Depreciation of right-of-use assets	2,221	1,908	215	4,344
	4,306	11,483	1,372	17,161
Segment operating income (loss)	71,697	9,037	(16,802)	63,932
Other income				87,372
Finance costs				
Interest expenses and amortization of deferred financing charges				13,495
Interest expense on lease liabilities				741
				14,236
Income before income taxes				137,068

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

As at March 31, 2022, the Company's goodwill of $21.3 million (December 31, 2021 – $21.3 million) is related to its easyhome reportable operating segment and $159.6 million (December 31, 2021 – $159.6 million) relates to the LendCare operating segment within the easyfinancial reportable operating segment.

In scope under IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IFRS 16. 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 $3.0 million and $3.2 million for the three-month periods ended March 31, 2022 and 2021, respectively.

The Company's easyhome business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the three-month periods ended March 31, 2022 and 2021 were as follows:

	Three Months Ended	
	March 31, 2022 (%)	**March 31, 2021 (%)**
Furniture	**40**	41
Electronics	**33**	32
Appliances	**15**	14
Computers	**12**	13
	100	100