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

THREE AND SIX MONTHS ENDED JUNE 30, 2020

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

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Date: August 12, 2020

The following Management's Discussion and Analysis ("MD&A") presents an analysis of the consolidated financial condition of goeasy Ltd. and its subsidiaries (collectively referred to as "goeasy" or the "Company") as at June 30, 2020 compared to June 30, 2019, and the consolidated results of operations for the three and six-month period ended June 30, 2020 compared with the corresponding period of 2019. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2019. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise noted. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the Company's 2019 annual MD&A: Overview of the Business, Corporate Strategy and Commitments, Guarantees and Contingencies. Critical Accounting Estimates are as described in the December 31, 2019 notes to the financial statements other than as related to the impact of COVID-19 which are described in the June 30, 2020 notes to the financial statements.

This MD&A is the responsibility of management. The Board of Directors has approved this MD&A after receiving the recommendations of the Company's Audit Committee, which is comprised exclusively of independent directors, and the Company's Disclosure Committee.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Information Form. These filings are available on SEDAR at *www.sedar.com* and on the Company's website at *www.goeasy.com*.

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about goeasy, including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, forecasts for growth of the consumer loans receivable portfolio, annual revenue growth forecasts, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements and the Company's ability to secure sufficient capital, liquidity of goeasy, plans and references to future operations and results, critical accounting estimates, expected lower charge-off rates on loans with real estate collateral and the benefits resulting from such lower rates, the size and characteristics of the Canadian non-prime lending market, the continued development of the type and size of competitors in the market. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "target" or negative versions thereof and similar expressions, and/or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about goeasy's operations, economic factors and the industry generally. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by goeasy. Some important factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, goeasy's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favorable terms, secure new franchised locations, offer products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favorable terms, compete, manage the impact of litigation (including shareholder litigation), control costs at all levels of the organization and maintain and enhance the system of internal controls.

goeasy cautions that the foregoing list is not exhaustive. These and other factors could cause actual results to differ materially from our expectations expressed in the forward-looking statements, and further details and descriptions of these and other factors are disclosed in this MD&A, including under the section entitled "Risk Factors".

The reader is cautioned to consider these, and other factors carefully and not to place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Overview of the Business

goeasy Ltd. is a Canadian company headquartered in Mississauga, Ontario, that provides non-prime leasing and lending services through its easyhome and easyfinancial divisions. With a wide variety of financial products and services including unsecured and secured instalment loans, goeasy aspires to help put Canadians on a path to a better financial future as they rebuild their credit and graduate to prime lending. Customers can transact seamlessly with easyhome and easyfinancial through an omnichannel model that includes online and mobile, as well as over 400 leasing and lending locations across Canada supported by over 2,000 employees from coast to coast. Throughout the Company's history, it has served over 1 million Canadians and originated over $4.4 billion in loans, with one in three customers graduating to prime credit and 60% increasing their credit score within 12 months of borrowing from the Company.

The Company's overview of the business remains as described in its December 31, 2019 MD&A.

Corporate Strategy

As the Company pursues its ambitious growth targets and plans of becoming a multi-billion dollar company, it has built its strategy on 4 key strategic pillars. These strategic imperatives have remained consistent and the Company will continue to focus on moving them forward in the years to come as it furthers its vision of helping the non-prime customer on their journey to a better tomorrow.

The Company's four strategic imperatives include focusing on developing new and creative products, expanding its channels of distribution, geographic diversification and lastly, a focus on continuously improving the customer experience by leveraging new and advanced technologies and prioritizing a frictionless journey of financial improvement for everyday Canadians.

The Company's corporate strategy remains as described in its December 31, 2019 MD&A.

Outlook

The discussion in this section is qualified in its entirety by the cautionary language regarding forward-looking statements found in the "Caution Regarding Forward-Looking Statements" of this MD&A.

The outbreak of the novel strain of coronavirus in the six-month period ended June 30, 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.

The Company's forecasts were initially prepared based upon stable market conditions and did not contemplate disruption associated with the COVID-19 pandemic. As discussed in the Company's MD&A for the three-month period ended March 31, 2020, the Company withdrew its 3-year forecast due to the current uncertainty relating to the impacts of COVID-19. The Company intends to provide a new long-term forecast when the economic conditions and outlook stabilize.

Notwithstanding the impact of COVID-19, the Company ended the second quarter of 2020 in a strong financial position, complemented by year over year revenue growth, a marked improvement in the net charge-off rate, and prudent cost containment, resulting in growth in profitability and return levels. Additionally, positive customer payment trends and temporarily lower loan book growth have provided the Company with an increase in its cash and liquidity position, improving the strength and stability of its balance sheet.

With the Company's positive financial trend and signs of emerging improvement in the Canadian economic environment, the Company is optimistic in its outlook, however, remains cautious given the uncertainty relating to the impacts of COVID-19. The Company has previously indicated that it is well positioned to navigate through an economic downturn based on several factors, including, but not limited to:

- Lower Level of Debt: Approximately 20% of easyfinancial customers own their home, as compared to the Canadian homeownership rate of approximately 70%. As a result, the debt to income ratio of a typical easyfinancial customer is much lower than the average Canadian consumer, at 115% debt to disposable annual income versus 177%, primarily due to the absence of mortgage debt.

- Solutions to Support Borrowers: easyfinancial has a suite of loan amendment solutions that it can offer borrowers to support them through a difficult financial period. These include temporarily deferring loan payments or extending the term of their loan to reduce their regular payment obligation.

- Strength of the Business Model under Stress: goeasy's business model is able to withstand a material increase in credit losses. The Company estimates that its net charge-off rate would have to more than double (from 11.6% for the six-month period ended June 30, 2020 to approximately 30%) before the business would become unprofitable and impact its capital due its strong risk adjusted margins. Furthermore, the Company maintains a conservative level of financial leverage at a target of 70% net debt to net capitalization.

- Credit and Underwriting Flexibility: The Company employs the use of proprietary scoring models that can be adjusted to increase, or decrease, its tolerance for credit risk very quickly. In addition, all direct-to-consumer loans are reviewed by a central loan approval team, which conducts a series of additional evaluation measures such as verification of income. The Company has already implemented adjustments to its underwriting process and risk tolerance in response to changing market conditions due to COVID-19.

- A majority of easyfinancial Customers have Loan Protection Insurance: The insurance, offered by Assurant Inc., a global provider of risk-management solutions, covers a borrower's full loan payment for a period of up to 6 consecutive months in the event of unemployment.

- Support of Canadian Banks and Lenders to Consumers: Since the COVID-19 pandemic started, Canadian Banks and Lenders stepped up to help the consumers and launched comprehensive programs that include mortgage deferrals and reduction in credit card interest rates, deferring payments and instituting low minimum payments on credit cards and lines of credit.

- Degree of Federal Financial Support Available to Consumers: Since March 2020, the Federal Government has poured over $214 billion in direct financial aid to help Canadians cope with the global COVID-19 pandemic, including income supports, wage subsidies and tax deferrals. As the income of an easyfinancial customer is consistent with the national average (approximately $46,000), this financial support, along with the standard federal unemployment insurance, is helping to soften the impact associated with an increase in unemployment.

Analysis of Results for the Three Months Ended June 30, 2020

Second quarter Highlights

- As at June 30, 2020, the Company had an unrestricted cash position of $54.8 million and borrowing capacity under its revolving credit facility of $205 million, which represents $260 million in total liquidity, a $46 million increase from the previous quarter. The Company also has the ability to exercise the accordion feature under its revolving credit facility to add an additional $75 million in borrowing capacity. Ultimately, the current cash on hand and current borrowing limits, excluding future enhancements or diversification of funding sources, provide adequate growth capital for the Company to execute its growth plan and meet its forecast through the fourth quarter of 2022. However, the Company's forecast could also be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic.

- On June 29, 2020, the Company issued a notice of its intention to redeem all 5.75% convertible unsecured subordinated debentures maturing on July 31, 2022 (the "Convertible Debentures") that are issued and outstanding on July 31, 2020 (the "Redemption Date"). The Convertible 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. As of the close of business on June 28, 2020, there was $43,806,000 principal amount of Convertible Debentures issued and outstanding, of which the holders of approximately $41,379,000 aggregate principal amount elected to convert their Convertible Debentures into approximately 954,302 common shares prior to the Redemption Date. On the Redemption Date, the Company redeemed the $2,427,000 aggregate principal amount of Convertible Debentures that remained unconverted on that date.

- Based on the strong financial performance of PayBright and its point-of-sale industry sector during the second quarter of 2020, the Company recognized an unrealized fair value gain before-tax of $4.0 million on its investment in PayBright. Management will continue to closely monitor the financial performance of PayBright and the broader industry sector within which it operates.

- Revenue for the quarter increased to $150.7 million from the $147.9 million reported in the same quarter of 2019, an increase of $2.8 million or 1.9%. The increase was primarily driven by the growth of the consumer loan portfolio, partially offset by lower commissions on ancillary products and higher levels of loan protection insurance claims.

- The gross consumer loans receivable portfolio increased from $959.7 million as at June 30, 2019 to $1.13 billion as at June 30, 2020, an increase of $174.8 million or 18.2%. The growth was fueled by: i) the acquisition of a consumer loan portfolio from Mogo Inc.; ii) continued net customer growth; iii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iv) maturation of the Company's retail branch network and expansion in Quebec; v) lending in the Company's easyhome stores; and vi) ongoing enhancements to the Company's digital properties.

- Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis saw a significant improvement at 10.0%, 350 bps lower compared to the second quarter of 2019 at 13.5%.

- During the quarter, the Company held its provision for future credit losses broadly flat, recording a slight reduction in the provision rate from 10.10% to 10.05%, resulting in a decrease of $0.6 million before-tax provision expense. Although the Company has seen a material improvement in the credit and payment performance of its consumer loan portfolio, there continues to remain uncertainty in the economic outlook due to COVID-19. As such the Company has continued to employ a scenario-based forecasting methodology that assumes a probability weighted set of recession scenarios when establishing its provision rate.

- easyfinancial's operating income was $60.1 million for the second quarter of 2020 compared with $46.9 million for the comparable period in 2019, an increase of $13.2 million or 28.1%. The benefits of the larger loan book and related revenue increases of $2.4 million, a $1.7 million decrease in advertising spend, and $10.9 million reduction in bad debt expense, driven by lower net charge-offs and a lower provision expense due to a decline in loan book growth and a lower provision rate taken in the quarter of 10.05%, were partially offset by: i) $1.8 million in incremental expenditures to manage the larger loan book, enhance the product offering and expand the easyfinancial footprint. easyfinancial's operating margin in the quarter increased to 51.9% when compared to 41.4% reported in the same quarter of 2019.

- easyhome's operating income was $7.5 million compared with $5.6 million for the comparable period of 2019, an increase of $1.9 million or 34.4% driven by higher revenues due to the benefit of a larger loan portfolio, and lower expenses when compared to the comparable period of 2019. Operating margin for the second quarter of 2020 was 21.4%, an increase from the 16.1% reported in the same quarter of 2019.

- Total Company operating income for the second quarter of 2020 reached a record level of $54.0 million, up $13.1 million or 31.9% when compared with the same quarter of 2019. The Company's operating margin for the quarter was 35.8%, up from the 27.7% reported in the second quarter of 2019. The increase in operating margin was mainly driven by the higher revenue and lower bad debt expense during the period.

- goeasy reported record net income and diluted earnings per share during the second quarter of 2020. This was also the 76th consecutive quarter of positive net income and diluted earnings per share. The Company's net income for the second quarter of 2020 of $32.5 million or $2.11 per share on a diluted basis, was up 66.3% and 67.5%, respectively, against the $19.6 million and $1.26 per share on a diluted basis reported in the same quarter of 2019. Excluding the after-tax impact of the unrealized fair value gain of $4.0 million, adjusted net income for the second quarter of 2020 was $29.1 million or $1.89 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 48.6% and 50.0%, respectively.

- goeasy reported record return on equity during the second quarter of 2020. Return on equity in the second quarter was 37.0% compared to 25.2% in the same quarter of 2019. The increase was driven by higher revenues, lower bad debt expense and the recognition of a $4.0 million before-tax unrealized fair value gain on its investment in PayBright. Excluding the after-tax impact of the unrealized fair value gain of $4.0 million, adjusted return on equity during the second quarter of 2020 was 33.1%.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended June 30, 2020	June 30, 2019	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**150,677**	147,854	2,823	1.9%
Operating expenses before depreciation and amortization	**80,642**	90,928	(10,286)	(11.3%)
EBITDA[1]	**64,970**	47,548	17,422	36.6%
EBITDA margin[1]	**43.1%**	32.2%	1,090 bps	33.9%
Depreciation and amortization expense	**16,041**	15,995	46	0.3%
Operating income	**53,994**	40,931	13,063	31.9%
Operating margin[1]	**35.8%**	27.7%	810 bps	29.2%
Other income[2]	**4,000**	-	4,000	100.0%
Finance costs	**14,072**	13,836	236	1.7%
Effective income tax rate	**25.9%**	27.8%	(190 bps)	(6.8%)
Net income	**32,542**	19,568	12,974	66.3%
Diluted earnings per share	**2.11**	1.26	0.85	67.5%
Return on equity	**37.0%**	25.2%	1,180 bps	46.8%
Adjusted (Normalized) Financial Results[1,2]				
Adjusted EBITDA	**60,970**	47,548	13,422	28.2%
Adjusted EBITDA margin	**40.5%**	32.2%	830 bps	25.8%
Adjusted net income	**29,072**	19,568	9,504	48.6%
Adjusted diluted earnings per share	**1.89**	1.26	0.63	50.0%
Adjusted return on equity	**33.1%**	25.2%	790 bps	31.3%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**1.1%**	19.9%	(1,880 bps)	(94.5%)
Same store revenue growth (easyhome)	**2.1%**	3.8%	(170 bps)	(44.7%)
Segment Financials				
easyfinancial revenue	**115,737**	113,336	2,401	2.1%
easyfinancial operating margin	**51.9%**	41.4%	1,050 bps	25.4%
easyhome revenue	**34,940**	34,518	422	1.2%
easyhome operating margin	**21.4%**	16.1%	530 bps	32.9%
Portfolio Indicators				
Gross consumer loans receivable	**1,134,482**	959,708	174,774	18.2%
Growth in consumer loans receivable	**(31,573)**	80,338	(111,911)	(139.3%)
Gross loan originations	**170,842**	276,355	(105,513)	(38.2%)
Total yield on consumer loans (including ancillary products)	**42.6%**	50.4%	(780 bps)	(15.5%)
Net charge-offs as a percentage of average gross consumer loans receivable	**10.0%**	13.5%	(350 bps)	(25.9%)
Potential monthly lease revenue	**8,204**	8,365	(161)	(1.9%)

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

[2] During the second quarter of 2020, the Company recognized an unrealized fair value gain before-tax of $4.0 million on its investment in PayBright.

Store Locations Summary

	Locations as at March 31, 2020	Locations opened during period	Locations closed during period	Conversions	Locations as at June 30, 2020
easyfinancial					
Kiosks (in store)	19	-	-	(1)	**18**
Stand-alone locations	236	4	-	1	**241**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	256	4	-	-	**260**
easyhome					
Corporately owned stores	127	-	(1)	-	**126**
Franchise stores	35	-	-	-	**35**
Total easyhome stores	162	-	(1)	-	**161**

Summary of Financial Results by Operating Segment

	Three Months Ended June 30, 2020			
($ in 000's except earnings per share)	**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**
Operating income (loss)	**60,103**	**7,491**	**(13,600)**	**53,994**
Other income				
Unrealized fair value gain on investment				**4,000**
Finance costs				
Interest expense and amortization of deferred financing charges				**13,405**
Interest expense on lease liabilities				**667**
				14,072
Income before income taxes				**43,922**
Income taxes				**11,380**
Net income				**32,542**
Diluted earnings per share				**2.11**

($ in 000's except earnings per share)	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 asset	1,539	1,945	193	3,677
	3,316	11,774	905	15,995
Operating income (loss)	46,935	5,572	(11,576)	40,931
Finance costs				
Interest expense and amortization of deferred financing charges				13,244
Interest expense on lease liabilities				592
				13,836
Income before income taxes				27,095
Income taxes				7,527
Net income				19,568
Diluted earnings per share				1.26

Portfolio Performance

Consumer Loans Receivable Portfolio

Loan originations in the quarter were $170.8 million, down by 38.2% compared with origination volume in the same quarter of 2019. The loan book declined by $31.6 million in the quarter compared to growth of $80.3 million in the same quarter of 2019. The gross consumer loans receivable portfolio increased from $959.7 million as at June 30, 2019 to $1.13 billion as at June 30, 2020, an increase of $174.8 million or 18.2%. The growth was fueled by: i) the acquisition of a consumer loan portfolio from Mogo Inc.; ii) continued net customer growth; iii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans to the Company's best credit quality borrowers; iv) maturation of the Company's retail branch network and expansion in Quebec; v) lending in the Company's easyhome stores; and vi) ongoing enhancements to the Company's digital properties.

The annualized total yield (including loan interest, fees and ancillary products) realized by the Company on its average consumer loans receivable portfolio was 42.6% in the second quarter of 2020, down 780 bps from the same quarter of 2019 mainly due to the impact of COVID-19. During the second quarter, the Company experienced higher than usual loan protection insurance claim costs, which serve to reduce the net commissions earned on this program, associated with higher unemployment rates. The remaining decrease in the yield was due to several factors including: i) the acquisition of a consumer loan portfolio from Mogo, which have lower rates of interest; ii) the increased penetration of risk adjusted interest rate and real estate secured loans to more creditworthy customers which have lower rates of interest; iii) increased lending activity in Quebec where loans have a lower interest rate; iv) a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products; and v) a modest reduction in penetration rates on ancillary products (particularly on real estate secured and risk adjusted rate loans).

Bad debt expense decreased to $24.7 million for the quarter from $35.8 million during the same quarter of 2019, a decrease of $11.1 million or 31.0%. The following table details the components of bad debt expense.

	Three Months Ended	
($ in 000's)	**June 30, 2020**	**June 30, 2019**
Provision required due to net charge-offs	**28,459**	31,506
Impact of loan book growth	**(3,173)**	7,838
Impact of change in provision rate during the period	**(620)**	(3,579)
Net change in allowance for credit losses	**(3,793)**	4,259
Bad debt expense	**24,666**	35,765

Bad debt expense decreased by $11.1 million due to three factors:

(i) Net charge-offs decreased from $31.5 million in the second quarter of 2019 to $28.5 million in the current quarter, down by $3.0 million. Net charge-offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were at 10.0%, down by 350 bps as compared to 13.5% reported in the second quarter of 2019. The decrease in net charge-offs was primarily driven by the use of easyfinancial's loan protection insurance program, the significant degree of federal financial support available to customers during COVID-19, assistance provided by banks and other lenders in the form of payment deferral programs and reduced living expenses attributed to stay-at-home orders and business closures caused by the pandemic. In addition, throughout 2019, the Company proactively made a series of credit model enhancements to improve the long-term credit quality of the portfolio.

(ii) The lower loan book growth in the current quarter decreased bad debt expense provision by $11.0 million when compared to the same period of 2019. The loan book declined in the current quarter by $31.6 million which resulted in a reduction in provision by $3.2 million as compared to $7.8 million increase in provision as reported in the second quarter of 2019.
(iii) During the quarter, the Company decreased its provision rate for future credit losses from 10.10% to 10.05%, recording an additional decrease of $0.6 million in before-tax provision expense. Although the Company has seen a material improvement in the credit and payment performance of its consumer loan portfolio, there continues to remain uncertainty in the economic outlook due to COVID-19. As such the Company has continued to employ a scenario-based forecasting methodology that assumes a probability weighted set of recession scenarios when establishing its provision rate.

easyhome Leasing Portfolio

The leasing portfolio as measured by potential monthly lease revenue as at June 30, 2020 was $8.2 million, down from the $8.4 million reported as at June 30, 2019. Overall, the number of lease agreements declined from 89,212 as at June 30, 2019 to 85,576 as at June 30, 2020, a drop of 4.1%. Approximately 50% of the decline in agreement count over the past 12 months was related to the net sale of stores with the balance of the decline related to reduced agreement count at the remaining easyhome stores. The decline in agreements was offset by a 2.2% increase in average leasing rates due in part to changes in product mix, and selected pricing adjustments. While the lease portfolio has declined, the impact on revenue has been offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the three-month period ended June 30, 2020 was $150.7 million compared to $147.9 million in the same quarter of 2019, an increase of $2.8 million or 1.9%. Overall, same store sales growth for the quarter was 1.1%. Revenue growth was driven mainly by the growth in the consumer loan portfolio.

e*asyfinancial* – Revenue for the three-month period ended June 30, 2020 was $115.7 million, an increase of $2.4 million when compared with the same quarter of 2019. The components of the increased revenue include:

- Interest income increased by $17.0 million or 21.3% driven by the 18.2% growth in the loan portfolio, but offset by lower interest yields (as described above);
- Commissions earned on the sale of ancillary products and services decreased by $13.9 million or 44.5% mainly driven by higher than usual loan insurance claim costs associated with the Company's Customer Protection Program due to COVID-19, coupled with a decline in loan originations. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to higher loan insurance claim costs and a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, and slightly lower penetration of these products (particularly on risk adjusted rate and secured loans).
- Charges and fees decreased by $0.7 million driven primarily by the strong payment performance, resulting in fewer delinquency fees being charged to, and paid by, borrowers.

easyhome – Revenue for the three-month period ended June 30, 2020 was $34.9 million, an increase of $0.4 million when compared with the same quarter of 2019. Lending revenue within the easyhome stores increased by $1.2 million in the current quarter when compared to the second quarter of 2019. However, this revenue increase was partially offset by lower revenue generated by the traditional leasing business. Traditional leasing revenue declined by $0.8 million in the current quarter compared to the same period of 2019 due to the reduced size of the lease portfolio (as described above). The components of easyhome revenue include:

- Interest income increased by $1.3 million due to the growth of the consumer loans receivable related to the easyhome business;
- Lease revenue declined by $0.4 million due to the reduction of the lease portfolio (as described above);
- Commissions earned on the sale of ancillary products related to consumer lending at easyhome decreased by $0.1 million. The decrease is driven by higher than usual insurance claim costs associated with the Company's Customer Protection Program due to the impact of COVID-19.
- Charges and fees declined by $0.4 million due to a smaller number of traditional leasing agreements.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $80.6 million for the three-month period ended June 30, 2020, a decrease of $10.3 million or 11.3% from the comparable period in 2019. The decrease in operating expenses was driven by prudent expense management in the easyfinancial and easyhome businesses, partially offset by higher corporate costs. Total operating expenses before depreciation and amortization represented 53.5% of revenue for the second quarter of 2020 compared with 61.5% reported in the same quarter of 2019.

easyfinancial – Total operating expenses before depreciation and amortization were $52.0 million for the second quarter of 2020, a decrease of $11.1 million or 17.6% from the same quarter of 2019. Key drivers include:

- bad debt expense decreased by $10.9 million in the current quarter when compared to the same quarter in 2019, driven by a lower provision expense due to a lower loan book growth and a lower provision rate of 10.05% in the quarter;
- a $1.7 million decrease in advertising and marketing spend; and
- other operating expenses increased by $1.5 million in the quarter driven by higher wages and incentive compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 247 as at June 30, 2019 to 260 as at June 30, 2020.

easyhome – Total operating expenses before depreciation and amortization were $16.2 million for the second quarter of 2020, which was $1.0 million or 5.8% lower than the same quarter of 2019. Key drivers include:

- a decrease of $0.8 million in advertising spend; and
- bad debt expense decreased by $0.2 million in the current quarter when compared to the same quarter in 2019 due to lower loan book growth.

Corporate – Total operating expenses before depreciation and amortization for the second quarter of 2020 were $12.5 million compared to $10.7 million for the comparable period in 2019, an increase of $1.8 million. The increase was primarily due to higher compensation costs and administrative costs than in the same period of 2019. In addition, corporate costs in the second quarter of 2019 benefited from $1.1 million gain on sale of an easyhome store, whereas the current quarter had no such gains. Corporate expenses before depreciation and amortization represented 8.3% of revenue in the second quarter of 2020 compared to 7.2% of revenue in the second quarter of 2019.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended June 30, 2020 was $16.0 million, consistent with the same quarter of 2019. Overall, depreciation and amortization represented 10.6% of revenue for the second quarter of 2020, slightly lower compared with 10.8% reported in the same quarter of 2019.

easyfinancial – Total depreciation and amortization was $3.6 million in the second quarter of 2020. This included $1.9 million of right-of-use asset depreciation, $0.4 million higher than the $1.5 million reported in the comparable period of 2019. Depreciation of property and equipment and intangibles in the second quarter of 2020 was $1.8 million, in line with the depreciation expense reported in the comparable period of 2019.

easyhome – Depreciation and amortization was $11.3 million in the second quarter of 2020, a decrease of $0.5 million from the same period in 2019. This decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the current quarter was 27.0%, down from the 28.5% reported in the second quarter of 2019. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion generated from consumer lending.

Corporate – Depreciation and amortization was $1.1 million in the second quarter of 2020, an increase of $0.2 million from the same period in 2019. The increase was mainly due to higher amortization of intangible assets primarily driven by new software additions over the past 12 months.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended June 30, 2020 was $54.0 million, up $13.1 million or 31.9% when compared with the same quarter of 2019. The Company's operating margin for the quarter was 35.8%, up from the 27.7% reported in the second quarter of 2019. The increase in operating margin was mainly driven by the higher revenue and lower bad debt expense during the period.

easyfinancial – Operating income was $60.1 million for the second quarter of 2020 compared with $46.9 million for the comparable period in 2019, an increase of $13.2 million or 28.1%. The benefits of the larger loan book and related revenue increases of $2.4 million, $1.7 million decrease in advertising spend, and $10.9 million reduction in bad debt expense, driven by lower net charge-offs and a lower provision expense due to a decline in loan book and a lower provision rate of 10.05% taken in the quarter, were partially offset by $1.8 million in incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 51.9% compared with 41.4% reported in the same quarter of 2019.

easyhome – Operating income was $7.5 million for the second quarter of 2020, an increase of $1.9 million or 34.4% when compared with the same quarter of 2019. The increase was a result of higher revenues of $0.4 million due to the growth of consumer lending in easyhome, and lower expenses (as described above) when compared to the comparable period of 2019. Operating margin for the second quarter of 2020 was 21.4%, an increase from the 16.1% reported in the same quarter of 2019.

Other Income

As discussed above, the Company recognized an unrealized fair value before-tax gain of $4.0 million on its investment in PayBright due to the strong financial performance of PayBright and its point-of-sale industry sector.

Finance Costs

Finance costs for the three-month period ended June 30, 2020 were $14.1 million, up $0.2 million or 1.7% from the second quarter of 2019. This increase was driven by higher average borrowing levels partially offset by the reduced cost of borrowing. Total external debt as at June 30, 2020 was $883.0 million against $686.1 million as at June 30, 2019.

Income Tax Expense

The effective income tax rate for the second quarter of 2020 was 25.9% which was lower than the 27.8% reported in the same quarter of 2019 mainly driven by the lower combined basic federal and provincial tax rates and the effect of capital gain on the unrealized fair value gain on investment.

Net Income and EPS

Net income for the second quarter of 2020 was $32.5 million or $2.11 per share on a diluted basis, up 66.3% and 67.5%, respectively, against the $19.6 million and $1.26 per share on a diluted basis reported in the same quarter of 2019. Excluding the after-tax impact of the unrealized fair value gain of $4.0 million, adjusted net income for the second quarter of 2020 was $29.1 million or $1.89 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 48.6% and 50.0%, respectively.

Analysis of Results for the Six Months Ended June 30, 2020

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Six Months Ended June 30, 2020	June 30, 2019	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**317,879**	287,714	30,165	10.5%
Operating expenses before depreciation and amortization	**187,720**	175,655	12,065	6.9%
EBITDA[1]	**116,070**	93,031	23,039	24.8%
EBITDA margin[1]	**36.5%**	32.3%	420 bps	13.0%
Depreciation and amortization expense	**31,946**	32,318	(372)	(1.2%)
Operating income	**98,213**	79,741	18,472	23.2%
Operating margin[1]	**30.9%**	27.7%	320 bps	11.6%
Other income[2]	**4,000**	-	4,000	100.0%
Finance costs	**28,416**	27,337	1,079	3.9%
Effective income tax rate	**26.1%**	27.8%	(170 bps)	(6.1%)
Net income	**54,521**	37,841	16,680	44.1%
Diluted earnings per share	**3.51**	2.44	1.07	43.9%
Return on equity	**31.6%**	24.7%	690 bps	27.9%
Adjusted (Normalized) Financial Results[1,2]				
Adjusted EBITDA	**112,070**	93,031	19,039	20.5%
Adjusted EBITDA margin	**35.3%**	32.3%	300 bps	9.3%
Adjusted net income	**51,051**	37,841	13,210	34.9%
Adjusted diluted earnings per share	**3.29**	2.44	0.85	34.8%
Adjusted return on equity	**29.6%**	24.7%	490 bps	19.8%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**10.0%**	20.3%	(1,030 bps)	(50.7%)
Same store revenue growth (easyhome)	**3.3%**	4.2%	(90 bps)	(21.4%)
Segment Financials				
easyfinancial revenue	**247,525**	217,947	29,578	13.6%
easyfinancial operating margin	**45.1%**	40.5%	460 bps	11.4%
easyhome revenue	**70,354**	69,767	587	0.8%
easyhome operating margin	**20.6%**	18.2%	240 bps	13.2%
Portfolio Indicators				
Gross consumer loans receivable	**1,134,482**	959,708	174,774	18.2%
Growth in consumer loans receivable	**23,849**	125,929	(102,080)	(81.1%)
Gross loan originations	**412,445**	495,793	(83,348)	(16.8%)
Total yield on consumer loans (including ancillary products)	**45.2%**	50.2%	(500 bps)	(10.0%)
Net charge-offs as a percentage of average gross consumer loans receivable	**11.6%**	13.4%	(180 bps)	(13.4%)
Potential monthly lease revenue	**8,204**	8,365	(161)	(1.9%)

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

[2] During the second quarter of 2020, the Company recognized an unrealized fair value gain before-tax of $4.0 million on its investment in PayBright.

Store Locations Summary

	Locations as at December 31, 2019	Locations opened during period	Locations closed during period	Conversions	Locations as at June 30, 2020
easyfinancial					
Kiosks (in store)	20	-	-	(2)	**18**
Stand-alone locations	235	4	-	2	**241**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	256	4	-	-	**260**
easyhome					
Corporately owned stores	128	-	(2)	-	**126**
Franchise stores	35	-	-	-	**35**
Total easyhome stores	163	-	(2)	-	**161**

Summary of Financial Results by Operating Segment

	Six Months Ended June 30, 2020			
($ in 000's except earnings per share)	**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**
Operating income (loss)	**111,586**	**14,511**	**(27,884)**	**98,213**
Other Income				
Unrealized fair value gain on investment				**4,000**
Finance costs				
Interest expense and amortization of deferred financing charges				**27,081**
Interest expense on lease liabilities				**1,335**
				28,416
Income before income taxes				**73,797**
Income taxes				**19,276**
Net income				**54,521**
Diluted earnings per share				**3.51**

	Six Months Ended June 30, 2019			
($ in 000's except earnings per share)	**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 asset	3,056	4,027	385	7,468
	6,651	23,957	1,710	32,318
Operating income (loss)	88,285	12,720	(21,264)	79,741
Finance costs				
Interest expense and amortization of deferred financing charges				26,142
Interest expense on lease liabilities				1,195
				27,337
Income before income taxes				52,404
Income taxes				14,563
Net income				37,841
Diluted earnings per share				2.44

Portfolio Performance

Consumer Loans Receivable Portfolio

The gross consumer loans receivable portfolio increased from $959.7 million as at June 30, 2019 to $1.13 billion as at June 30, 2020, an increase of $174.8 million or 18.2%. The loan book grew $23.8 million in the current year to date period against growth of $125.9 million in the same period of 2019. Loan originations in the first half of 2020 were $412.4 million, down 16.8% compared with the origination volume in the same period of 2019. The drivers of this decline are as described in the preceding section: Analysis of Results for the Three Months Ended June 30, 2020.

The annualized total yield (including loan interest, fees and ancillary products) realized by the Company on its average consumer loans receivable portfolio was 45.2% in the current year to date period, down 500 bps from the same period of 2019 primarily driven by higher than usual insurance claim costs associated with the Company's Customer Protection Program due to the impact of COVID-19. During the first half of 2020, the Company experienced higher than usual loan protection insurance claim costs, which serve to reduce the net commissions earned on this program, associated with higher unemployment rates. The decrease in the yield was due to a number of other factors, including: i) the increased penetration of risk adjusted interest rate and real estate secured loans to a more credit worthy customer which have lower rates of interest; ii) increased lending activity in Quebec where loans have a lower interest rate; iii) a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products; and iv) a modest reduction in penetration rates on ancillary products (particularly on real estate secured and risk adjusted rate loans).

Bad debt expense increased to $73.3 million for the first half of 2020 from $70.2 million during the comparable period in 2019, an increase of $3.1 million or 4.5%. The following table details the components of bad debt expense:

	Six Months Ended	
($ in 000's)	**June 30, 2020**	**June 30, 2019**
Provision required due to net charge-offs	**66,361**	59,849
Impact of loan book growth	**2,427**	12,198
Impact of change in provision rate during period	**4,496**	(1,888)
Net change in allowance for credit losses	**6,923**	10,310
Bad debt expense	**73,284**	70,159

Bad debt expense increased by $3.1 million due to three factors:

(i) Net charge-offs increased from $59.8 million in the first half of 2019 to $66.4 million in the current year to date period, up by $6.5 million. Net charge-offs in the first half of 2020 as a percentage of the average gross consumer loans receivable on an annualized basis were 11.6% compared with the same period of 2019 at 13.4%. The decrease in net charge-offs was primarily driven by the use of easyfinancial's loan protection insurance program, the significant degree of federal financial support available to customers during COVID-19, assistance provided by banks and other lenders in the form of payment deferral programs and reduced living expenses attributed to stay-at-home orders and business closures caused by the pandemic. In addition, throughout 2019, the Company proactively made a series of credit model enhancements to improve the long-term credit quality of the portfolio.

(ii) The lower loan book growth in the current year to date period was $23.8 million which resulted in a lower increase in provision of $2.4 million. The loan book growth in the same period of 2019 was higher at $125.9 million which resulted in a growth-related provision of $12.2 million. The reduced loan book growth in the current year to date period reduced bad debt expense by $9.8 million when compared to the same period of 2019.

(iii) Changes in the provision rate resulted in bad debt expense increasing by $6.4 million when compared to the first half of 2019. During the first half of 2019, the provision rate declined from 9.56% to 9.38% which resulted in a $1.9 million reduction in bad debt expense. During the current year to date period, the provision rate increased from 9.64% to 10.05% which resulted in a $4.5 million increase in bad debt expense, based primarily on the significant turbulence in economic conditions generated by the COVID-19 pandemic.

easyhome Leasing Portfolio – The leasing portfolio as measured by potential monthly lease revenue as at June 30, 2020 was $8.2 million, down from the $8.4 million reported as at June 30, 2019 (as described in the preceding section: Analysis of Results for the Three Months Ended June 30, 2020). While the lease portfolio has declined, this impact on revenue has been more than offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the six-month period ended June 30, 2020 was $317.9 million compared to $287.7 million in the same period of 2019, an increase of $30.2 million or 10.5%. Overall same store sales growth for the first half of 2020 was 10.0%. Revenue growth was driven primarily by the growth of the consumer loan portfolio.

e*asyfinancial* – Revenue for the first half of 2020 was $247.5 million, an increase of $29.6 million or 13.6% when compared with the same period of 2019. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio and offset by the reduction in yield (as previously described). The components of the increased revenue include:

- Interest revenue increased by $38.7 million or 25.1% driven by the 18.2% growth in the consumer loan portfolio, but offset by lower interest yields (as described above).
- Commissions earned on the sale of ancillary products and services decreased by $9.0 million or 15.2%. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book driven by higher than usual insurance claim costs associated with the Company's Customer Protection Program due to the COVID-19 impact, coupled with a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, and slightly lower penetration of these products (particularly on risk adjusted rate and secured loans).
- Charges and fees decreased by $0.1 million, driven by the strong payment performance, resulting in fewer delinquency fees being charged to, and paid by, borrowers.

easyhome – Revenue for the first half of 2020 was $70.4 million, an increase of $0.6 million or 0.8% when compared with the same period of 2019. Lending revenue within the easyhome stores increased by $3.4 million as at June 30, 2020 when compared to the same period of 2019. These revenue increases were partially offset by lower revenue generated by the traditional leasing business. Traditional leasing revenue declined by $2.8 million for the six-month period ended June 30, 2020 when compared to the same period of 2019 due to the reduced size of the lease portfolio (as described above). The components of easyhome revenue include:

- Interest revenue increased by $3.0 million due to the growth of the consumer loans receivable related to the easyhome business.
- Lease revenue declined by $2.0 million due to the reduction of the lease portfolio (as described above).
- Commissions earned on the sale of ancillary products increased by $0.2 million. The increase was due to the sale of ancillary products related to consumer lending at easyhome.
- Charges and fees declined by $0.6 million due to a smaller number of traditional leasing agreements.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $187.7 million for the six-month period ended June 30, 2020, an increase of $12.1 million or 6.9% from the comparable period in 2019. The increase in operating expenses was driven primarily by higher costs associated with expanding the easyfinancial business, higher costs in the easyhome business and higher corporate costs. Total operating expenses before depreciation and amortization represented 59.1% of revenue for the six-month period ended June 30, 2020 compared with 61.1% reported in the comparable period of 2019.

easyfinancial – Total operating expenses before depreciation and amortization were $128.8 million for the first half of 2020, an increase of $5.7 million or 4.7% from the comparable period of 2019. Key drivers include:

- bad debt expense increased by $2.3 million in the current period when compared to the same period in 2019 for the reasons described above;
- a $1.2 million decrease in advertising and marketing spend; and
- other operating expenses increased by $4.6 million in the current year to date period driven by higher compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 247 as at June 30, 2019 to 260 as at June 30, 2020.

easyhome – Total operating expenses before depreciation and amortization were $33.2 million for the first half of 2020, which was $0.1 million or 0.4% higher than the same period of 2019. Key drivers include:

- a $0.8 million increase in bad debt expense due to the growth of consumer lending at easyhome; and
- partially offset by a $0.7 million decrease in advertising and marketing spend.

Corporate – Total operating expenses before depreciation and amortization for the first half of 2020 were $25.7 million compared to $19.6 million for the comparable period in 2019, an increase of $6.1 million or 31.7%. The increase was primarily due to higher compensation costs, professional fees and technology costs than in the same period of 2019. In addition, corporate costs in the first half of 2019 benefited from $2.2 million of gains from sale of lease portfolios, loan portfolio and easyhome stores whereas the current quarter had no such gains. Corporate expenses before depreciation and amortization represented 8.1% of revenue in the first half of 2020 compared to 6.8% of revenue in the comparable period of 2019.

Depreciation and Amortization

Depreciation and amortization for the six-month period ended June 30, 2020 was $31.9 million, a decrease of $0.4 million from the comparable period in 2019. The increase was due to higher depreciation and amortization in the easyfinancial business and corporate, partially offset by lower depreciation and amortization in the easyhome business. Overall, depreciation and amortization represented 10.0% of revenue for the six-month period ended June 30, 2020, an increase from the 11.2% reported in the comparable period of 2019.

easyfinancial – Total depreciation and amortization was $7.2 million in the first half of 2020. This included $3.7 million of right-of-use asset depreciation, $0.7 million higher than the $3.0 million reported in the comparable period of 2019. Depreciation of property and equipment and intangibles in the first half of 2020 was $3.5 million, $0.1 million lower than the $3.6 million reported in the comparable period of 2019.

easyhome – Total depreciation and amortization expense was $22.6 million in the first half of 2020. Depreciation and amortization of lease assets, property and equipment and intangibles was $18.9 million in the current year to date period compared with $19.9 million in the same period of 2019. This $1.0 million decline was due primarily to the lower level of lease revenue and lease assets. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the first half of 2020 was 26.8%, down from the 28.6% reported in the first half of 2019. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion being generated from consumer lending.

Corporate – Depreciation and amortization was $2.1 million in the first half of 2020, an increase of $0.4 million from the same period in 2019. The increase was mainly due to higher amortization of intangible assets primarily driven by software additions since the second quarter of 2019.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the six-month period ended June 30, 2020 was $98.2 million, up $18.5 million or 23.2% when compared with the same period of 2019. The Company's operating margin for the six-month period ended June 30, 2020 was 30.9%, up from the 27.7% reported in the same period of 2019. The growth in operating margin was driven by improved operating margin at both businesses and the larger proportion of earnings being generated by the easyfinancial business which has a higher margin.

easyfinancial – Operating income was $111.6 million for the first half of 2020 compared with $88.3 million for the comparable period in 2019, an increase of $23.3 million or 26.4%. The benefits of the larger loan book and related revenue increases of $29.6 million and a $1.2 million decrease in advertising spend were partially offset by: i) $2.3 million increase in bad debt expense, driven by higher net charge-offs, offset by a lower provision expense due to a decline in loan book growth and a lower provision rate of 10.05% taken in the quarter; and ii) $5.4 million increase in incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the current year to date period was 45.1% compared with 40.5% reported in the same period of 2019.

easyhome – Operating income was $14.5 million for the first half of 2020, an increase of $1.8 million or 14.1% when compared with the same period of 2019. The increase was due to higher revenues in the current year to date period of $0.6 million related to the growth of consumer lending in easyhome and lower expenses when compared with the comparable period of 2019. Operating margin for the first half of 2020 was 20.6%, an increase from the 18.2% reported in the same period of 2019.

Other Income

As discussed above, the Company recognized an unrealized fair value before-tax gain of $4.0 million on its investment in PayBright due to the strong financial performance of PayBright and its point-of-sale industry sector.

Finance Costs

Finance costs for the six-month period ended June 30, 2020 were $28.4 million, up $1.1 million from the comparable period of 2019. This increase was driven by higher average borrowing levels offset somewhat by the reduced cost of borrowing. Total external debt as at June 30, 2020 was $883.0 million against debt of $686.1 million as at June 30, 2019.

Income Tax Expense

The effective income tax rate for the six-month period ended June 30, 2020 was 26.1% which was lower than the 27.8% reported in the same period of 2019 mainly driven by the lower combined basic federal and provincial tax rates. In addition, the first half of 2020 benefited from the amount paid for deferred share units settlement and the effect of capital gain on the unrealized fair value gain on investment.

Net Income and EPS

Net income for the six-month period ended June 30, 2020 was $54.5 million or $3.51 per share on a diluted basis, up 44.1% and 43.9% respectively, against the $37.8 million and $2.44 per share on a diluted basis reported in the same period of 2019. Excluding the after-tax impact of the unrealized fair value gain of $4.0 million, adjusted net income for the six-month period ended June 30, 2020 was $51.1 million or $3.29 per share on a diluted basis. On this normalized basis, net income and diluted earnings per share increased by 34.9% and 34.8%, respectively.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	June 2020	March 2020	December 2019	September 2019	June 2019	March 2019	December 2018	September 2018	June 2018
Gross consumer loans receivable	**1,134.5**	1,166.1	1,110.6	1,035.6	959.7	879.4	833.8	749.6	686.6
Revenue	**150.7**	167.2	165.5	156.1	147.9	139.9	138.2	129.9	123.3
Net income	**32.5**	22.0	6.7	19.8	19.6	18.3	15.9	14.3	11.8
Adjusted net income[2]	**29.1**	22.0	22.6	19.8	19.6	18.3	15.9	14.3	11.8
Return on equity	**37.0%**	25.8%	8.0%	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%
Adjusted return on equity[2]	**33.1%**	25.8%	27.0%	24.1%	25.2%	24.4%	23.0%	23.8%	20.9%
Net income as a percentage of revenue	**21.6%**	13.1%	4.0%	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%
Adjusted net income as a percentage of revenue[2]	**19.3%**	13.1%	13.7%	12.7%	13.2%	13.1%	11.5%	11.0%	9.6%
Earnings per share[1]									
Basic	**2.25**	1.50	0.46	1.35	1.34	1.25	1.07	1.03	0.86
Diluted	**2.11**	1.41	0.46	1.28	1.26	1.18	1.02	0.97	0.82
Adjusted diluted[2]	**1.89**	1.41	1.45	1.28	1.26	1.18	1.02	0.97	0.82

[1] Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued or repurchased during the year on the basic weighted average number of common shares outstanding together with the effects of rounding.
[2] Adjusted for certain non-recurring or unusual transactions.

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

Portfolio Analysis

The Company generates its revenue from a portfolio of consumer loans receivable and lease agreements that are originated with its customers. To a large extent, the business results for a period are determined by the performance of these portfolios, and the make-up of the portfolios at the end of a period are an important indicator of future business results.

The Company measures the performance of its portfolios during a period and their make-up at the end of a period using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS. The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Consumer Loans Receivable Portfolio

Loan Originations and Net Principal Written

Gross loan originations is the value of all consumer loans receivable advanced to the Company's customers during the period where new credit underwritings have been performed. Included in gross loan originations are loans to new customers and new loans to existing customers, a portion of which is applied to eliminate their prior borrowings. When the Company extends additional credit to an existing customer, a full credit underwriting is performed using up-to-date information. Additionally, the loan repayment history of that customer throughout their relationship with the Company is considered in the credit decision. As a result, the quality of the credit decision is improved and has historically resulted in better performance. No additional credit is extended to a customer whose loan is delinquent.

Net principal written details the Company's gross loan originations during a period, excluding that portion of the originations that has been used to eliminate the prior borrowings.

The gross loan originations and net principal written during the period were as follows:

	Three Months Ended		Six Months Ended	
($ in 000's)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Loan originations to new customers	**52,429**	133,629	**146,912**	230,039
Loan originations to existing customers	**118,413**	142,726	**265,533**	265,754
Less: Proceeds applied to repay existing loans	**(64,326)**	(75,030)	**(145,519)**	(140,816)
Net advance to existing customers	**54,087**	67,696	**120,014**	124,938
Net principal written	**106,516**	201,325	**266,926**	354,977

Gross Consumer Loans Receivable

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

	Three Months Ended		Six Months Ended	
($ in 000's)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Opening gross consumer loans receivable	**1,166,055**	879,370	**1,110,633**	833,779
Gross loan originations	**170,842**	276,355	**412,445**	495,793
Gross loan purchased	**-**	-	**31,275**	-
Gross principal payments and other adjustments	**(171,009)**	(161,384)	**(347,598)**	(304,416)
Gross charge-offs before recoveries	**(31,406)**	(34,633)	**(72,273)**	(65,448)
Net growth in gross consumer loans receivable during the period	**(31,573)**	80,338	**23,849**	125,929
Ending gross consumer loans receivable	**1,134,482**	959,708	**1,134,482**	959,708

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

($ in 000's except percentages)	**June 30, 2020**		**June 30, 2019**	
	$	**% of total**	**$**	**% of total**
0 – 6 months	**171,448**	**15.1%**	150,487	15.7%
6 – 12 months	**135,244**	**11.9%**	117,782	12.3%
12 – 24 months	**288,323**	**25.4%**	248,233	25.9%
24 – 36 months	**268,588**	**23.7%**	227,552	23.7%
36 – 48 months	**153,782**	**13.6%**	130,199	13.6%
48 – 60 months	**49,175**	**4.3%**	36,071	3.8%
60 months +	**67,922**	**6.0%**	49,384	5.1%
Gross consumer loans receivable	**1,134,482**	**100.0%**	959,708	100.0%

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

($ in 000's except percentages)	June 30, 2020 $	June 30, 2020 % of total	June 30, 2019 $	June 30, 2019 % of total
0 – 1 year	**44,802**	**3.9%**	37,533	3.9%
1 – 2 years	**136,145**	**12.0%**	124,050	12.9%
2 – 3 years	**312,746**	**27.6%**	276,179	28.8%
3 – 4 years	**361,454**	**31.9%**	310,778	32.4%
4 – 5 years	**163,757**	**14.4%**	127,148	13.2%
5 years +	**115,578**	**10.2%**	84,020	8.8%
Gross consumer loans receivable	**1,134,482**	**100.0%**	959,708	100.0%

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

($ in 000's except percentages)	June 30, 2020 $	June 30, 2020 % of total	June 30, 2019 $	June 30, 2019 % of total
Gross consumer loans receivable, easyfinancial	**1,094,107**	**96.4%**	930,181	96.9%
Gross consumer loans receivable, easyhome	**40,375**	**3.6%**	29,527	3.1%
Gross consumer loans receivable	**1,134,482**	**100.0%**	959,708	100.0%

Financial Revenue and Net Financial Income

Financial revenue is generated by both the easyfinancial and easyhome segments. Financial revenue includes interest and various other ancillary fees generated by the Company's gross consumer loans receivable portfolio. Net financial income details the profitability of the Company's gross consumer loans receivable portfolio before any costs to originate or administer. Net financial income is calculated by deducting interest expense and amortization of deferred financing charges and bad debt expense from financial revenue. Net financial income is impacted by the size of the gross consumer loans receivable portfolio, the portfolio yield, the amount and cost of the Company's debt, the Company's leverage ratio and the bad debt expense experienced in the period.

($ in 000's)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Financial revenue, easyfinancial	**115,737**	113,335	**247,525**	217,946
Financial revenue, easyhome	**5,119**	3,883	**10,611**	7,239
Financial revenue	**120,856**	117,218	**258,136**	225,185
Less: Interest expenses and amortization of deferred financing charges	**(13,405)**	(13,244)	**(27,081)**	(26,142)
Less: Bad debt expense	**(24,666)**	(35,765)	**(73,284)**	(70,159)
Net financial income	**82,785**	68,209	**157,771**	128,884

Total Yield on Consumer Loans

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

	Three Months Ended		**Six Months Ended**	
($ in 000's except percentages)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Finance revenue	**120,856**	117,218	**258,136**	225,185
Multiplied by number of periods in year	**X 4/1**	X 4/1	**X 4/2**	X 4/2
Divided by average gross consumer loans receivable	**1,134,717**	930,632	**1,143,042**	896,572
Total yield as a percentage of average gross consumer loans receivable (annualized)	**42.6%**	50.4%	**45.2%**	50.2%

Net Charge-Offs

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge-offs. Unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off. In addition, customer loan balances are charged-off upon notification that the customer is bankrupt following a detailed review of the filing. Subsequent collections of previously charged-off accounts are netted with gross charge-offs during a period to arrive at net charge-offs.

Average gross consumer loans receivable has been calculated based on the average of the month-end loan balances for the indicated period. This metric is a measure of the collection performance of the easyfinancial consumer loans receivable portfolio. For interim periods, the rate is annualized.

	Three Months Ended		**Six Months Ended**	
($ in 000's except percentages)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net charge-offs	**28,459**	31,506	**66,361**	59,849
Multiplied by number of periods in year	**X 4/1**	X 4/1	**X 4/2**	X 4/2
Divided by average gross consumer loans receivable	**1,134,717**	930,632	**1,143,042**	896,572
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**10.0%**	13.5%	**11.6%**	13.4%

Allowance for Credit Losses

The allowance for expected credit losses is a provision that is reported on the Company's balance sheet that is netted against the gross consumer loans receivable to arrive at the net consumer loans receivable. The allowance for expected credit losses provides for credit losses that are expected to transpire in future periods. Customer loans for which we have received a notification of bankruptcy, unsecured customer loan balances that are delinquent greater than 90 days and secured customer loan balances that are delinquent greater than 180 days are charged-off against the allowance for loan losses.

	Three Months Ended		**Six Months Ended**	
($ in 000's except percentages)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Allowance for credit losses, beginning of period	**117,823**	85,792	**107,107**	79,741
Net charge-offs written off against the allowance	**(28,459)**	(31,506)	**(66,361)**	(59,849)
Bad debt expense	**24,666**	35,765	**73,284**	70,159
Allowance for credit losses, end of period	**114,030**	90,051	**114,030**	90,051
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**10.05%**	9.38%	**10.05%**	9.38%

IFRS 9 requires that forward-looking indicators ("FLIs") be considered when determining the allowance for credit losses. 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 gross domestic product ("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. Over the past several years the Company has operated in a relatively stable Canadian economic environment with moderate movements in economic variables. However, as a result of the turbulent economic environment brought on by the COVID-19 pandemic, management identified the need to incorporate additional data and methodological approaches into the Company's forward-looking scenario modelling. Therefore, additional factors have been incorporated in assessing the economic impact of the COVID-19 pandemic on the Company's consumer loan portfolio.

The Company assessed its historical loss rate experience in Alberta during the 2015-2016 province wide recession and the relationship with the four macroeconomic indicators during that period, which was then used to provide a baseline for future loss rate volatility under a "moderate recession" scenario. These macroeconomic factors were then further stressed to provide a range of future loss outcomes under a more "severe recession" scenario. These potential economic outcomes were then probability weighted using analysis that was informed by a number of inputs, including:

- the level of income support currently available to the Company's existing customers as a result of unprecedented levels of government stimulus;
- the level of repayment assistance currently available to the Company's existing customers as a result of payment deferral programs by banks and other lenders;
- the level of sophistication of the Company's credit risk models and underwriting;
- the Company's targeted use of enhanced collection tools to assist customers during periods of financial stress; and
- more than half of the Company's customers have optional creditor insurance, which covers up to 6 months of a customer's loan payments in the event of unexpected events including job loss or illness.

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.

Bad Debt Expense (Provision for Credit Losses)

The Company's bad debt expense is the amount that its allowance for future credit losses must be increased, after considering net-charge-offs, such that the balance of the allowance for credit losses at each statement of financial position date is appropriate under IFRS. Operationally, this will require a larger provision to be taken when new consumer loans receivables are originated or purchased. An analysis of the Company's bad debt expense for the periods is as follows:

	Three Months Ended		Six Months Ended	
($ in 000's except percentages)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net charge-offs	**28,459**	31,506	**66,361**	59,849
Net charge in allowance for credit losses	**(3,793)**	4,259	**6,923**	10,310
Bad debt expense	**24,666**	35,765	**73,284**	70,159
Financial revenue	**120,856**	117,218	**258,136**	225,185
Bad debt expense as a percentage of Financial Revenue	**20.4%**	30.5%	**28.4%**	31.2%

Aging of the Consumer Loans Receivable Portfolio

An aging analysis of the consumer loans receivable portfolio at the end of the periods was as follows:

	June 30, 2020		June 30, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Current	**1,090,107**	**96.1%**	917,369	95.6%
Days past due				
1 - 30 days	**27,684**	**2.4%**	24,073	2.5%
31 - 44 days	**5,341**	**0.5%**	5,208	0.5%
45 - 60 days	**5,283**	**0.5%**	5,348	0.6%
61 - 90 days	**5,791**	**0.5%**	7,562	0.8%
91 – 180 days	**276**	**0.0%**	148	0.0%
	44,375	**3.9%**	42,339	4.4%
Gross consumer loans receivable	**1,134,482**	**100.0%**	959,708	100.0%

A large portion of the Company's consumer loans receivable portfolio operates on a bi-weekly rather than monthly repayment cycle. As such, the aging analysis between different fiscal periods may not be comparable depending upon the day of the week on which the fiscal period ends. An alternate aging analysis prepared as of the last Saturday of the fiscal periods often presents a more relevant comparison.

An aging analysis of the consumer loans receivable portfolio as of the last Saturday of the periods was as follows:

	Saturday, June 27, 2020	Saturday, June 29, 2019
	% of total	% of total
Current	**96.3%**	95.7%
Days past due		
1 - 30 days	**2.3%**	2.5%
31 - 44 days	**0.5%**	0.5%
45 - 60 days	**0.4%**	0.6%
61 - 90 days	**0.5%**	0.7%
91 – 180 days	**0.0%**	0.0%
	3.7%	4.3%
Gross consumer loans receivable	**100.0%**	100.0%

Consumer Loans Receivable Portfolio by Geography

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

	June 30, 2020		June 30, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**40,250**	**3.5%**	37,479	3.9%
Nova Scotia	**60,736**	**5.4%**	54,612	5.7%
Prince Edward Island	**9,418**	**0.8%**	8,783	0.9%
New Brunswick	**50,822**	**4.5%**	45,470	4.7%
Quebec	**84,902**	**7.5%**	54,919	5.7%
Ontario	**490,981**	**43.3%**	420,128	43.8%
Manitoba	**46,862**	**4.1%**	39,814	4.1%
Saskatchewan	**59,292**	**5.2%**	50,895	5.3%
Alberta	**156,830**	**13.8%**	130,221	13.6%
British Columbia	**122,403**	**10.8%**	106,242	11.1%
Territories	**11,986**	**1.1%**	11,145	1.2%
Gross consumer loans receivable	**1,134,482**	**100.0%**	959,708	100.0%

Consumer Loans Receivable Portfolio by Loan Type

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

	June 30, 2020		June 30, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Unsecured Instalment Loans	**1,008,174**	**88.9%**	870,659	90.7%
Secured Instalment Loans	**126,308**	**11.1%**	89,049	9.3%
Gross consumer loans receivable	**1,134,482**	**100.0%**	959,708	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio and the performance of its easyhome business through potential monthly lease revenue. Potential monthly lease revenue reflects the lease revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments contractually due in that period but excludes revenue generated by certain ancillary products. Potential monthly leasing revenue is an important indicator of the future revenue generating potential of the Company's lease portfolio. Potential monthly leasing revenue is calculated as the number of lease agreements outstanding multiplied by the average required monthly lease payment per agreement. Growth in potential monthly lease revenue is driven by several factors including an increased number of customers, an increased number of leased assets per customer as well as an increase in the average price of the leased items.

The change in the potential monthly lease revenue during the periods was as follows:

	Three Months Ended		**Six Months Ended**	
($ in 000's)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Opening potential monthly lease revenue	**8,272**	8,740	**8,643**	9,141
Decrease due to store closures or sales during the period	**(21)**	(94)	**(33)**	(327)
Decrease due to ongoing operations	**(47)**	(281)	**(406)**	(449)
Net change	**(68)**	(375)	**(439)**	(776)
Ending potential monthly lease revenue	**8,204**	8,365	**8,204**	8,365

Potential monthly lease revenue is calculated as follows:

	June 30, 2020	**June 30, 2019**
Total number of lease agreements	**85,576**	89,212
Multiplied by the average required monthly lease payment per agreement	**95.87**	93.77
Potential monthly lease revenue ($ in 000's)	**8,204**	8,365

Leasing Portfolio by Product Category

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated among the following product categories:

($ in 000's except percentages)	June 30, 2020		June 30, 2019	
	$	**% of total**	**$**	**% of total**
Furniture	**3,614**	**44.0%**	3,822	45.7%
Electronics	**2,608**	**31.8%**	2,626	31.4%
Appliances	**1,072**	**13.1%**	1,027	12.3%
Computers	**910**	**11.1%**	890	10.6%
Potential monthly lease revenue	**8,204**	**100.0%**	8,365	100.0%

Leasing Portfolio by Geography

At the end of the periods, the Company's leasing portfolio as measured by potential monthly lease revenue was allocated among the following geographic regions:

($ in 000's except percentages)	June 30, 2020		June 30, 2019	
	$	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**661**	**8.1%**	678	8.1%
Nova Scotia	**831**	**10.1%**	747	8.9%
Prince Edward Island	**143**	**1.7%**	146	1.7%
New Brunswick	**698**	**8.5%**	635	7.6%
Quebec	**561**	**6.8%**	569	6.8%
Ontario	**2,626**	**32.0%**	2,787	33.3%
Manitoba	**237**	**3.0%**	247	3.0%
Saskatchewan	**364**	**4.4%**	382	4.6%
Alberta	**1,235**	**15.1%**	1,286	15.4%
British Columbia	**848**	**10.3%**	888	10.6%
Potential monthly lease revenue	**8,204**	**100.0%**	8,365	100.0%

Leasing Charge-Offs

When easyhome enters into a leasing transaction with a customer, a sale is not recorded as the Company retains ownership of the related asset under the lease. Instead, the Company recognizes its leasing revenue over the term of the lease as payments are received from the customer. Periodically, the lease agreement is terminated by the customer or by the Company prior to the anticipated end date of the lease and the assets are returned by the customer to the Company. In some instances, the Company is unable to regain possession of the assets which are then charged-off. Net charge-offs (charge-offs less subsequent recoveries of previously charged-off assets) are included in the depreciation of lease assets expense for financial reporting purposes. easyhome leasing revenue is defined as the total revenue generated by the Company's easyhome business less the financial revenue generated by easyhome.

	Three Months Ended		Six Months Ended	
($ in 000's except percentages)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net charge-offs	**814**	837	**1,657**	1,746
Leasing revenue	**29,821**	30,635	**59,742**	62,528
Net charge-offs as a percentage of leasing revenue	**2.7%**	2.7%	**2.8%**	2.8%

Key Performance Indicators and Non-IFRS Measures

In addition to the reported financial results under IFRS and the metrics described in the Portfolio Analysis section of this MD&A, the Company also measures the success of its strategy using a number of key performance indicators as described in more detail below. Several of these key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to net income or any other measure of performance under IFRS.

The discussion in this section refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to the Company's financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Several non-IFRS measures that are used throughout this discussion are defined as follows:

Same Store Revenue Growth

Same store revenue growth measures the revenue growth for all stores that have been open for a minimum of 15 months. To calculate same store revenue growth for a period, the revenue for that period is compared to the same period in the prior year. Same store revenue growth is influenced by both the Company's product offerings as well as the number of stores which have been open for a 12-month to 36-month time frame, as these stores tend to be in the strongest period of growth at this time.

During the second quarter of 2020, the company experienced a decline in same store revenue growth rate compared to the same quarter of 2019. During the second quarter of 2020, the Company experienced higher than usual loan protection insurance claim costs, which serve to reduce the net commissions earned on this program, associated with higher unemployment rates as a result of the COVID-19 pandemic. These higher claim costs resulted in a lower annualized total yield and lower revenue growth.

	Three Months Ended		**Six Months Ended**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Same store revenue growth (overall)	**1.1%**	19.9%	**10.0%**	20.3%
Same store revenue growth (easyhome)	**2.1%**	3.8%	**3.3%**	4.2%

Operating Expenses Before Depreciation and Amortization

The Company defines operating expenses before depreciation and amortization as total operating expenses excluding depreciation and amortization expenses for the period. The Company believes that operating expenses before depreciation and amortization is an important measure of the efficiency of its operations.

	Three Months Ended		**Six Months Ended**	
($ in 000's except percentages)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Operating expenses before depreciation and amortization	**80,642**	90,928	**187,720**	175,655
Divided by revenue	**150,677**	147,854	**317,879**	287,714
Operating expenses before depreciation and amortization as % of revenue	**53.5%**	61.5%	**59.1%**	61.1%

Operating Margin

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

	Three Months Ended		Six Months Ended	
($ in 000's except percentages)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
easyfinancial				
Operating income	**60,103**	46,935	**111,586**	88,285
Divided by revenue	**115,737**	113,336	**247,525**	217,947
easyfinancial operating margin	**51.9%**	41.4%	**45.1%**	40.5%
easyhome				
Operating income	**7,491**	5,572	**14,511**	12,720
Divided by revenue	**34,940**	34,518	**70,354**	69,767
easyhome operating margin	**21.4%**	16.1%	**20.6%**	18.2%
Total				
Operating income	**53,994**	40,931	**98,213**	79,741
Divided by revenue	**150,677**	147,854	**317,879**	287,714
Total operating margin	**35.8%**	27.7%	**30.9%**	27.7%

Adjusted Net Income and Adjusted Diluted Earnings Per Share

At various times, net income and diluted earnings per share may be affected by unusual items that have occurred in the period and impact the comparability of these measures with other periods. Items are considered unusual if they are outside of normal business activities, significant in amount and scope and are not expected to occur on a recurring basis. The Company defines i) adjusted net income as net income excluding such unusual and non-recurring items and ii) adjusted diluted earnings per share as diluted earnings per share excluding such items. The Company believes that adjusted net income and adjusted diluted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items used to net income and earnings per share for the three and six-month periods ended June 30, 2020 and 2019 include those indicated in the chart below:

	Three Months Ended		**Six Months Ended**	
($ in 000's except earnings per share)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net income as stated	**32,542**	19,568	**54,521**	37,841
Other income[1]	**(4,000)**	-	**(4,000)**	-
Tax impact of other income	**530**	-	**530**	-
After-tax impact	**(3,470)**	-	**(3,470)**	-
Adjusted net income	**29,072**	19,568	**51,051**	37,841
After-tax impact of convertible debentures	**683**	650	**1,363**	1,310
Fully diluted adjusted net income	**29,755**	20,218	**52,414**	39,151
Weighted average number of diluted shares outstanding	**15,733**	16,033	**15,922**	16,053
Diluted earnings per share as stated	**2.11**	1.26	**3.51**	2.44
Per share impact of normalized items	**(0.22)**	-	**(0.22)**	-
Adjusted diluted earnings per share	**1.89**	1.26	**3.29**	2.44

[1] During the second quarter of 2020, the Company recognized an unrealized fair value gain before-tax of $4.0 million on its investment in PayBright.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and EBITDA Margin

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization, excluding depreciation of leased assets. The Company uses EBITDA, among other measures, to assess the operating performance of its ongoing businesses. EBITDA margin is calculated as EBITDA divided by revenue.

($ in 000's except percentages)	Three Months Ended June 30, 2020	June 30, 2020 (adjusted)	June 30, 2019
Net income as stated	**32,542**	**32,542**	19,568
Finance cost	**14,072**	**14,072**	13,836
Income tax expense	**11,380**	**11,380**	7,527
Depreciation and amortization, excluding depreciation of lease assets	**6,976**	**6,976**	6,617
EBITDA	**64,970**	**64,970**	47,548
Other income	-	**(4,000)**	-
Adjusted EBITDA	**64,970**	**60,970**	47,548
Divided by revenue	**150,677**	**150,677**	147,854
EBITDA margin	**43.1%**	**40.5%**	32.2%

($ in 000's except percentages)	Six Months Ended June 30, 2020	June 30, 2020 (adjusted)	June 30, 2019
Net income as stated	**54,521**	**54,521**	37,841
Finance cost	**28,416**	**28,416**	27,337
Income tax expense	**19,276**	**19,276**	14,563
Depreciation and amortization, excluding depreciation of lease assets	**13,857**	**13,857**	13,290
EBITDA	**116,070**	**116,070**	93,031
Other income	-	**(4,000)**	-
Adjusted EBITDA	**116,070**	**112,070**	93,031
Divided by revenue	**317,879**	**317,879**	287,714
EBITDA margin	**36.5%**	**35.3%**	32.3%

Return on Assets

The Company defines return on assets as annualized net income in the period divided by average total assets for the period. The Company believes return on assets is an important measure of how total assets are utilized in the business.

($ in 000's except periods and percentages)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net income as stated	**32,542**	19,568	**54,521**	37,841
Multiplied by number of periods in year	**X 4/1**	X 4/1	**X 4/2**	X 4/2
Divided by average total assets for the period	**1,379,944**	1,110,533	**1,359,503**	1,106,583
Return on Assets	**9.4%**	7.0%	**8.0%**	6.8%

Return on Equity

The Company defines return on equity as annualized net income in the period divided by average shareholders' equity for the period. The Company believes return on equity is an important measure of how shareholders' invested capital is utilized in the business.

($ in 000's except periods and percentages)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2020 (adjusted)	Three Months Ended June 30, 2019
Net income as stated	**32,542**	**32,542**	19,568
Other income	**-**	**(4,000)**	-
Tax impact of other income	**-**	**530**	-
After-tax impact	**-**	**(3,470)**	-
Adjusted net income	**32,542**	**29,072**	19,568
Multiplied by number of periods in year	**X 4/1**	**X 4/1**	X 4/1
Divided by average shareholders' equity for the period	**351,527**	**351,527**	310,438
Return on equity	**37.0%**	**33.1%**	25.2%

($ in 000’s except periods and percentages)	Six Months Ended June 30, 2020	June 30, 2020 (adjusted)	June 30, 2019
Net income as stated	**54,521**	**54,521**	37,841
Other income	**-**	**(4,000)**	**-**
Tax impact of other income	**-**	**530**	**-**
After-tax impact	**-**	**(3,470)**	**-**
Adjusted net income	**54,521**	**51,051**	37,841
Multiplied by number of periods in year	**X 4/2**	**X 4/2**	X 4/2
Divided by average shareholders' equity for the period	**345,158**	**345,158**	306,374
Return on equity	**31.6%**	**29.6%**	24.7%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at June 30, 2020 and 2019.

($ in 000's, except for ratios)	June 30, 2020	June 30, 2019
Consumer loans receivable, net	**1,057,337**	901,401
Cash	**54,765**	29,263
Investment	**38,300**	-
Lease assets	**44,538**	46,701
Right-of-use assets, net	**45,153**	41,592
Property and equipment, net	**27,868**	21,924
Goodwill	**21,310**	21,310
Derivative financial assets	**23,585**	10,390
Intangible assets, net	**21,077**	15,636
Other assets	**18,286**	31,838
Total assets	**1,352,219**	1,120,055
External debt[1]	**882,966**	686,081
Lease liabilities	**51,439**	48,180
Other liabilities	**64,469**	66,472
Total liabilities	**998,874**	800,733
Shareholders' equity	**353,345**	319,322
Total capitalization (external debt plus total shareholders' equity)	**1,236,311**	1,005,403
External debt to shareholders' equity	**2.50**	2.15
Net debt to net capitalization[2]	**0.70**	0.67
External debt to EBITDA[3]	**4.04**	4.12

[1] External debt includes accrued interest and the carrying values of convertible debentures, loan from revolving credit facility, and notes payable.

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

[3] Trailing 12-month EBITDA.

Total assets were $1.4 billion as at June 30, 2020, an increase of $232.2 million or 20.7% compared to June 30, 2019. The increase was related primarily to: i) the $155.9 million increase in the net consumer loans receivable portfolio which includes $31.9 million of Mogo consumer loans acquired in the first quarter of 2020; ii) the minority equity investment in PayBright with fair value of $38.3 million as at June 30, 2020; iii) the increase in cash of $25.5 million; and iv) the increase in derivative financial assets by $13.2 million to $23.6 million as at June 30, 2020.

The $232.2 million growth in total assets was primarily financed by: i) a $196.9 million increase in external debt (principally due to higher advances from the Company's revolving credit facility by $85.0 million and the issuance of US$550 million of 5.375% senior unsecured notes payable ("2024 Notes") offset partially by the refinancing of the US$475 million of 7.875% senior unsecured notes payable ("2022 Notes")); and ii) the $34.0 million increase in total shareholder's equity, which was driven by earnings generated by the Company (offset partially by share buybacks under the Company's normal course issuer bid and dividends paid). While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

Liquidity and Capital Resources

Cash Flow Review

The table below provides a summary of cash flow components for the three and six-month periods ended June 30, 2020 and 2019.

	Three Months Ended		Six Months Ended	
($ in 000's)	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Cash provided by operating activities before issuance of consumer loans receivable and purchase of lease assets	**83,422**	67,337	**186,215**	144,206
Net 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)
Cash used in investing activities	**(7,910)**	(2,019)	**(14,105)**	(2,704)
Cash (used in) provided by financing activities	**(55,264)**	8,983	**(59,683)**	(7,120)
Net increase (decrease) in cash for the period	**20,513**	(45,477)	**8,424**	(70,925)

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

Cash Flow Analysis for the Three Months Ended June 30, 2020

Cash generated by operating activities for the three-month period ended June 30, 2020 was $83.7 million compared with $52.4 million of cash used in operating activities in the same period of 2019. Included in cash provided by operating activities for the three-month period ended June 30, 2020 were: i) a net collection of consumer loans receivable portfolio amounting to $6.2 million; and ii) the purchase of lease assets of $5.9 million. If the net collection of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $83.4 million for the three months ended June 30, 2020, up $16.1 million from the same period of 2019. The increase was driven by increased earnings and favorable movements in working capital.

During the second quarter, the Company used $7.9 million in investing activities compared to $2.0 million in prior year. The increase was primarily due to increase in purchase of property and equipment to $5.2 million, up $3.9 million from the same period of 2019. In addition, the second quarter of 2019 benefited from the proceeds on sale of assets of $1.6 million whereas in the second quarter of 2020, there was no sale of assets.

During the second quarter of 2020, the Company used $55.3 million in cash flow from financing activities. During the quarter, the Company repaid $40.0 million of advances on its revolving credit facility, repurchased $20.0 million worth of shares under the Company's Normal Course Issuer Bid, paid $6.4 million of dividends and made $4.1 million lease liabilities payments. These cash outflows were partially offset by the net proceeds of $15.0 million received from advances against the revolving credit facility. During the second quarter of 2019, the Company generated $9.0 million in cash flow from financing activities, which included the net proceeds of $20.0 million from advances against its revolving credit facility, partially offset by $4.5 million in dividend payments, $4.3 million for repurchased shares under the Company's Normal Course Issuer Bid and the $2.7 million net payment of lease liabilities.

Cash Flow Analysis for the Six Months Ended June 30, 2020

Cash generated by operating activities during the six-month period ended June 30, 2020 were $82.2 million as compared with $61.1 million of cash used in operating activities in the same period of 2019. Included in cash provided by operating activities for the six-month period ended June 30, 2020 were: i) a net investment of $90.1 million to increase the consumer loans receivable portfolio and ii) the purchase of $13.9 million of lease assets. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $186.2 million for the six-month period ended June 30, 2020, up from $144.2 million in the same period of 2019. The increase was due to increased earnings, higher non-cash expenses (such as bad debt expense and deferred income tax expense) and favorable movements in working capital.

During the six-month period ended June 30, 2020, the Company used $14.1 million in investing activities compared to $2.7 million in prior year. The increase was primarily due to increase in purchase of property and equipment to $7.9 million, up $4.1 million from the same period of 2019, and increase in purchase of intangible assets to $6.2 million, up $2.4 million from the same period of 2019. In addition, the six-month period ended June 30, 2019 benefited from the proceeds on sale of assets of $4.9 million whereas there was no sale of assets in the same period of 2020.

During the six-month period ended June 30, 2020, the Company used $59.7 million in cash flow from financing activities. During this period, the Company repaid $80.0 million of advances on its revolving credit facility, repurchased $30.0 million worth of shares under the Company's Normal Course Issuer Bid, paid $10.9 million of dividends and made $8.3 million lease liabilities payments. These cash outflows were partially offset by the net proceeds of $70.0 million received from advances against its revolving credit facility. During the six-month period ended June 30, 2019 the Company used $7.1 million in cash flow from financing activities which included the payment of $7.7 million in dividends, the net payment of $6.6 million in lease liabilities and the repurchase of shares under the Company's normal course issuer bid at a cost of $16.1 million. These cash outflows were partially offset by the net proceeds of $20.0 million from advances against the Company's revolving credit facility.

Capital Resources

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

At June 30, 2020, the Company's external debt consisted of US$550 million of 2024 Notes, $43.8 million of Convertible Debentures (with net carrying values of $734.8 million and $41.0 million, respectively) and $105 million drawn against the Company's revolving credit facility. The borrowing limit under the revolving credit facility was $310 million, leaving $205 million in additional available borrowing capacity as at June 30, 2020.

Borrowings under the 2024 Notes bore a US$ coupon rate of 5.375%. Through a cross-currency swap agreement arranged concurrently with the offering of the US$550 million 2024 Notes in November 2019, the Company fixed the foreign exchange rate for the proceeds from the offering and for all required payments of principal and interest under these 2024 Notes, effectively hedging the obligation at $728.3 million with a Canadian dollar interest rate of 5.65%. These 2024 Notes are due on December 1, 2024.

Borrowings under the Convertible Debenture bear interest at 5.75%. The Convertible Debentures mature on July 31, 2022 and are convertible at the holder's option into common shares of the Company at a conversion price of $43.36 per share. During the six-month period ended June 30, 2020, $250.0 thousand (2019 - $7.0 thousand) of convertible debentures had converted into 5,681 (2019 - 158) common shares. On July 31, 2020, the Company redeemed all remaining Convertible Debentures that remained unconverted on the Redemption Date and the Convertible Debentures were de-listed from TSX subsequently thereafter.

Borrowings under the Company's revolving credit facility bear interest at either the BA rate plus 300 bps or Prime plus 200 bps at the option of the Company. The $105 million drawn against this revolving credit facility bear interest at the BA rate plus 300 bps. The revolving credit facility matures on February 12, 2022.

The average blended coupon interest rate for the Company's debt as at June 30, 2020, was 5.45% down from 7.14% as at June 30, 2019.

As at June 30, 2020, the Company had total unrestricted cash on hand and borrowing capacity under its revolving credit facility of $260 million and the ability to exercise the accordion feature under this facility to add an additional $75 million in borrowing capacity. Ultimately, the current cash on hand and current borrowing limits, excluding future enhancements or diversification of funding sources, provide adequate growth capital for the Company to execute its growth plan and meet its forecast through the fourth quarter of 2022. However, the Company's forecast could also be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic.

<u>Outstanding Shares and Dividends</u>

As at August 12, 2020, there were 14,926,902 common shares, 254,161 deferred share units, 576,799 options, 333,658 restricted share units, and no warrants outstanding.

Normal Course Issuer Bid

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"). Pursuant to the 2019 NCIB, the Company proposed to purchase, from time to time, if considered advisable, up to an aggregate of 1,038,269 common shares being approximately 10% of goeasy's public float as of December 9, 2019. As at December 9, 2019, goeasy had 14,346,709 common shares issued and outstanding, and the average daily trading volume for the six months prior to November 30, 2019, was 36,081. Under the 2019 NCIB, daily purchases will be limited to 9,020 common shares, representing 25% of the average daily trading volume, other than block purchase exemptions. The purchases were permitted to commence on December 20, 2019, and will terminate on December 19, 2020, or on such earlier date as the Company may complete its purchases pursuant to the 2019 NCIB. The 2019 NCIB will be conducted through the facilities of the TSX or alternative trading systems, if eligible, and will conform to their regulations. Purchases under the 2019 NCIB will be made by means of open market transaction or other such means as a security regulatory authority may permit, including pre-arranged crosses, exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority. The price that goeasy will pay for any common shares will be the market price of such shares at the time of acquisition, unless otherwise permitted under applicable rules.

On March 23, 2020, TSX provided a temporary relief for its participating organizations for NCIB purchases. From March 23, 2020 to June 30, 2020 ("Effective Period"), TSX modified the volume of purchases condition in TSX Rule 6-101 of the TSX Rule Book, subsection (a) of "normal course issuer bid", so that the amount of NCIB purchases must not exceed 50% of the average daily trading volume of the listed securities of that class. During the Effective Period, the Company's daily purchases under the 2019 NCIB was limited to 18,040 common shares, representing 50% of the average daily trading volume, other than block purchase exemptions.

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 under the 2019 NCIB.

On November 8, 2018, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a NCIB to commence November 13, 2018, (the "2018 NCIB"). Pursuant to the 2018 NCIB, the Company proposed to purchase, from time to time, if considered advisable, up to an aggregate of 555,000 common shares, which represented approximately 5% of the Company's Public Float. As at October 30, 2018, the Company had 14,803,919 common shares issued and outstanding. Under the 2018 NCIB, daily purchases were limited to 9,052 common shares, other than block purchase exemptions. Under the 2018 NCIB, the Company was permitted to commence share repurchases on November 13, 2018, and the 2018 NCIB terminated on November 12, 2019. On February 25, 2019, the Company announced the acceptance by the TSX of the Company's amendment to the 2018 NCIB to increase the aggregate number of common shares that may be purchased to 887,000 common shares, which represented approximately 8% of the Company's Public Float as at October 30, 2018. On September 10, 2019, the Company announced the acceptance by the TSX of the Company's second amendment to the 2018 NCIB to increase the aggregate number of common shares that may be purchased to 1,108,000 common shares, which represented approximately 10% of the common shares issued and outstanding as at October 30, 2018. The purchases made by goeasy pursuant to the 2018 NCIB were effected through the facilities of the TSX, as well as alternative trading systems, and in accordance with the rules of the TSX. The price that the Company paid for any common shares was the market price of such shares at the time of acquisition. The Company did not purchase any common shares other than by open-market purchases. Under the 2018 NCIB, the Company completed the purchase for cancellation through the facilities of the TSX of 856,712 common shares at a weighted average price of $41.19 per common share for a total cost of $35.3 million.

Dividends

On February 12, 2020, the Company increased the dividend rate by 45.2% from $0.31 to $0.45. 2020 marks the 16th consecutive year of paying a dividend to shareholders and the 6th consecutive year of an increase in the dividend to shareholders. In February 2020, the Company was added to the S&P/TSX Canadian Dividend Aristocrats Index with a 42% compound annual growth rate in the dividend over the prior 5 years.

During the quarter ended June 30, 2020, the Company paid a $0.45 per share quarterly dividend on outstanding common shares. This dividend was paid on July 10, 2020. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends can be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

The following table sets forth the quarterly dividends paid by the Company in the second quarter of the years indicated:

	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Dividend per share	**$0.450**	**$0.310**	**$ 0.225**	**$ 0.18**	**$ 0.125**	**$ 0.100**	**$ 0.085**
Percentage increase	**45.2%**	**37.8%**	**25.0%**	**44.0%**	**25.0%**	**17.6%**	**0.0%**

Commitments, Guarantees and Contingencies

The Company's commitments, guarantees and contingencies remain as described in its December 31, 2019 MD&A.

Risk Factors

Overview

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

The Company's risk factors as described in its December 31, 2019 MD&A were based upon stable market conditions and did not contemplate disruption associated with the COVID-19 pandemic. While the precise impact of the COVID-19 virus on the Company remain unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to business, which could in turn affect interest rates, credit ratings, credit risk, inflation, financial conditions, results of operations of the Company and other risk factors relevant to the Company.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

The Company's critical Accounting Estimates are as described in the Company's December 31, 2019 notes to the consolidated financial statements other than as related to the impact of COVID-19 which are described in the June 30, 2020 notes to the interim condensed consolidated financial statements.

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.

Internal Controls

Disclosure Controls and Procedures ("DC&P")

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

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company's disclosure controls and procedures were effective as at June 30, 2020.

Internal Controls over Financial Reporting ("ICFR")

ICFR is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements in accordance with IFRS.

The Company's internal control over financial reporting framework includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable details, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Management is responsible for establishing and maintaining ICFR and designs such controls to attempt to ensure that the required objectives of these internal controls have been met. Management uses the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance and may not prevent or detect all misstatements as a result of, among other things, error or fraud. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and/or procedures may deteriorate.

Changes to ICFR during 2020

No changes were made in our internal control over financial reporting during the three months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of ICFR at June 30, 2020

As at June 30, 2020, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at June 30, 2020.