goeasy Ltd.

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

Year Ended December 31, 2016

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

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Date: February 15, 2017

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 December 31, 2016 compared to December 31, 2015, and the consolidated results of operations for the three month period and year ended December 31, 2016 compared with the corresponding periods of 2015. 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, 2016. 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.

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

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

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

Caution Regarding Forward-Looking Statements

This MD&A includes forward-looking statements about goeasy, including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to the estimated number of new locations to be opened, targets for growth of the consumer loans receivable portfolio, annual revenue growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements are 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 'expects', 'anticipates', 'intends', 'plans', 'believes', 'budgeted', 'estimates', 'forecasts', 'targets' 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 the Company's operations, economic factors and the industry generally, as well as those factors referred to in the section entitled "Risk Factors". 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 the Company, due to, but not limited to, important factors such as the Company's ability to enter into new lease and/or financing agreements, collect on existing lease and/or financing agreements, open new locations on favourable terms, secure new franchised locations, purchase products which appeal to customers at a competitive rate, respond to changes in legislation, react to uncertainties related to regulatory action, raise capital under favourable terms, 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. The Company cautions that the foregoing list is not exhaustive.

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

Overview of the Business

General Overview

goeasy Ltd. is a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians. goeasy Ltd. serves its customers through its two key operating divisions: easyfinancial and easyhome.

The activities of both easyfinancial and easyhome are governed by federal laws which set a maximum rate of interest and by various consumer protection acts that exist in each province. goeasy Ltd. is not subject to payday loan legislation and is not regulated by the Office of the Superintendent of Financial Institutions.

Overview of easyfinancial

easyfinancial is the Company's financial services arm, operating in the non-prime consumer lending marketplace by bridging the gap between traditional financial institutions and costly payday lenders.

Traditional financial institutions are generally unwilling to effectively offer credit solutions to consumers that are deemed to be a higher credit risk due to the consumer's financial situation or less-than-perfect credit history. Historically, approximately 60% of easyfinancial's customers have been denied credit by these same traditional financial institutions. These same consumers prefer to avoid the high fees and onerous repayment terms set by payday lenders (which could have an annualized interest rate in excess of 500% and be repayable within two weeks of borrowing). easyfinancial's products appeal to these consumers who are looking for better alternatives.

The Company believes that there is significant demand for non-prime lending in the Canadian marketplace and estimates that the size of the Canadian market for non-prime consumer lending, excluding mortgages, is in excess of $165 billion. This demand is currently being met by a wide variety of industry participants who offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product rather than providing consumers with a broad integrated suite of financial products and services. As a result, the suppliers to the marketplace are quite diverse.

The Company has made significant investments in its processes, systems and infrastructure to position its easyfinancial business for long-term sustainable growth, including making the following key enhancements:

- The Company has developed an internal competence in evaluating and managing credit risk. Using leading-edge, data-driven modeling and analytical techniques, underwriting and credit adjudication rules have been continuously enhanced in response to changing market conditions with the goal of optimizing returns while balancing throughput and charge-offs.
- An industry-standard banking platform was implemented in 2012 to ensure that the loans receivable portfolio could be appropriately managed and information could be securely maintained on a scalable infrastructure.
- In 2014, the Company implemented a proprietary loan application management system to process applications originated in its retail and on-line channels. This system was supported by a credit decision engine, built in partnership with a global leader in risk management technology solutions, and is fully integrated with the Company's customer relationship management platform enabling it to meet the changing needs of its growing customer base.
- The easyfinancial management team was enhanced through the recruitment of senior managers with broad experience in financial services.
- Through a combination of equity offerings, debt offerings and renegotiation of existing lending relationships, the Company has been able to secure the necessary capital to fund its expected growth over the near-term. The continued successful growth of the easyfinancial portfolio and the strengthened balance sheet should provide access to further levels of capital in the future at reduced costs.

To this point, easyfinancial has focused on providing consumer installment loans. Historically, the consumer demand for loans such as these was satisfied by the consumer-lending arms of several large, international financial institutions. Since 2009, many of the largest branch-based participants in this market (including Wells Fargo, HSBC Finance and CitiFinancial) have either closed their operations or dramatically reduced their size due to changes in banking regulations related to risk adjusted capital requirements, leaving easyfinancial as one of a small number of coast-to-coast non-prime lenders with stated growth aspirations.

The easyfinancial business model has continued to evolve in response to changing consumer expectations and technological developments.

- The offering of consumer installment loans was initially piloted in 2006 using a kiosk that was physically located within an existing easyhome location.
- In 2011, to better meet customer demand for its products, the Company determined that the easyfinancial business would scale more successfully by operating out of stand-alone locations that were physically separated from the easyhome stores. The first easyfinancial stand-alone location was opened in July 2011. These larger and higher capacity stand-alone locations also exhibited a more rapid growth trajectory.
- Once the business model was finalized and prior to its large-scale expansion, easyfinancial launched a centralized loan decision platform in 2011 and deployed a highly scalable core banking platform in 2012.
- In 2013, a transactional website was launched by easyfinancial for securing consumer installment loans. This new delivery channel allowed the Company to reach consumers who may not have had access to a physical location or who preferred to interact through the privacy and convenience of their home or on their mobile device.
- In 2014, the Company launched an internally developed and proprietary loan application management system that was fully integrated with its customer relationship management and collections activities.
- In 2015, easyfinancial launched its indirect lending platform, significantly expanding the number of distribution points. Indirect lending involves creating partnerships with merchants, both on-line and offline, to provide

financing for their customers who do not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through easyfinancial at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.

- The Company is committed to helping Canadians improve their financial literacy. In 2015, the Company developed a free on-line financial education platform through goeasy Academy that included articles, videos and other educational content.
- In 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source point-of-sale application system to provide financing for customers across the entire credit spectrum. Depending on the customer credit profile, the retail partner or easyfinancial can extend credit for such purchases with easyfinancial providing the application platform and back-end support needed.

Through its multiple delivery channels and utilizing an extensive analysis of the historic performance of its consumer lending portfolio, easyfinancial has created a business model that is somewhat unique within its industry.

- On-line advertising, coupled with the Company's mobile responsive transactional website, create a cost-effective way to attract new customers and optimize the application process.
- While digital channels are important to the growth of easyfinancial, the Company believes that originating loans and servicing its customers through a combination of on-line activities along with its coast-to-coast network of branches provides an optimal balance between growth and credit risk management. Bricks and mortar branches remain an integral part of our customer acquisition and servicing strategy.
- Indirect lending significantly expands the Company's distribution points without significant incremental costs by leveraging an industry leading, proprietary mobile solution.
- The Company's national footprint of retail branch locations further promote the Company's brand and allow customers to apply in-person if that is their preferred means of application. Recent surveys indicated that over 48% of easyfinancial customers became aware of easyfinancial through the physical retail presence.
- By analyzing all of its loan transactions originated since 2006, the Company has developed underwriting practices and credit scoring models that are able to predict the performance of its customers with a far greater degree of accuracy than the traditional generic scoring models utilized by credit rating agencies and other lenders.
- Subsequent to a successful loan application, the responsibility for loan closing and funding and ongoing customer relationship management, including early stage collections, is assigned to a retail branch that is conveniently located near the customer. In this way, the customer lifetime value is enhanced as the sale of ancillary products is improved, customer retention is extended and lower delinquency rates are experienced due to the local relationship and direct engagement with the customer.
- Since ongoing customer relationship management is performed at the local branch level, the Company is able to establish stronger relationships with its customers that enable it to effectively address and resolve various unplanned financial challenges that may occur. In this way, bad debts are able to be reduced more effectively, particularly when compared to a non-prime consumer loan originated through an on-line-only lender.

The Company recognizes that the loan products it offers to consumers carry a higher risk of default than the loan products offered by traditional banks and, as such, the Company incurs a higher level of delinquencies and charge-offs, but that is offset by the higher yield generated on its installment loans. To assist with the management of this risk, the Company has developed proprietary underwriting practices and credit scoring models using the historical performance of its consumer loan portfolio. Additionally, the Company continuously explores and incorporates, where appropriate, leading edge data sources, incorporating them in controlled tests as they become available. Taking advantage of its underwriting experience gained since 2006 and including almost $1.4 billion in credit originations, the Company regularly optimizes these practices and scoring models to make better lending decisions, with a goal of maximizing total returns.

Overview of easyhome

easyhome is Canada's largest lease-to-own company, offering brand-name household furniture, appliances and electronics to consumers under weekly or monthly leasing agreements through both corporate and franchise stores.

easyhome's programs appeal to a wide variety of consumers who are looking for alternatives to traditional retailers and who are attracted to a leasing transaction that does not involve a credit check, does not require an initial down payment, includes delivery and set up and offers them the flexibility to terminate the lease at any time. These consumers may not be able to purchase merchandise due to a lack of credit or insufficient cash resources, may have a short-term or otherwise temporary need for the merchandise, or may simply want to use the merchandise, with no long-term obligation, before making a purchase decision.

Customers who wish to lease merchandise with an option to purchase from easyhome are required to enter into easyhome's standard form merchandise leasing agreement. This lease agreement provides that the customer will lease merchandise for a set term and make payments on a weekly or monthly basis. Generally, customers are required to make an initial up-front lease payment and thereafter the periodic payments are collected in advance for each payment period. If the customer makes all of the periodic payments throughout the lease term, he or she will obtain ownership of the merchandise at the end of the term. In addition, at specified times during the term of the lease, customers can exercise an option to purchase the leased merchandise at a predetermined price. easyhome maintains ownership of its merchandise until this purchase option is exercised. Ultimately, easyhome's customers have the flexibility to return the merchandise at any time without any further obligations.

easyhome operates through both corporately owned stores located across Canada and through a network of franchised locations. Additionally, since 2013, the Company operates an e-commerce platform that allows customers to enter into merchandise leasing transactions through on-line channels.

Corporate Strategy

The Company is committed to being a leading full-service provider of goods and alternative financial services that improve the lives of everyday Canadians. To maintain this position, the Company must continuously evolve to meet the needs of its chosen customer segment. Additionally, the Company must focus on maintaining its competitive advantage by capitalizing on the key aspects of each business unit, including brand awareness, superior customer service and its cross-country retail network. Cost efficiencies through economies of scale and shared services will enable the Company to meet future competitive challenges, including new entrants into the marketplace.

Throughout 2016, the Company completed an in-depth strategic review, including gaining a greater understanding of the non-prime market for consumer lending in Canada. Through this process, the Company gained valuable insights into the opportunities available for non-prime lending within the Canadian marketplace. These insights confirmed that the Company's corporate strategy continues to be appropriate and will guide the tactics employed by the Company to achieve its goals in the future. These key insights include:

- Although the market for non-prime lending in Canada is in excess of $165 billion, the supply is fragmented by both product and credit segments. It is satisfied by a large number of diverse lenders with each focusing on a relatively narrow range of products. Opportunities for growth exist for those lenders who are able to effectively offer multiple products spanning the non-prime consumer credit spectrum across various distribution channels.
- Competition within the non-prime consumer lending market is in a state of transition. While many large participants have exited the market in recent years, new competition from non-traditional sources such as payday lenders, on-line lenders and marketplace lenders has emerged.
- The activities of the Company over the past several years to both build out its retail footprint and develop a scalable platform provide it with a strong base to expand and diversify its product offering to ultimately meet consumer demand and competitive challenges.
- Within the non-prime market, the Company has traditionally focused on a relatively higher risk consumer and offered a product with higher interest rates that was commensurate with that risk. Greater opportunities exist for lower rate products where the reduced yield is offset by lower credit losses and relative costs to administer.
- The opportunity for installment lending secured by real estate or other assets is large, with significant unsatisfied demand. This demand is likely to increase in the future as Canadian mortgage rules continue to change. The reduced yield for this type of product is offset by lower credit losses and relative costs to administer.
- There continues to be an opportunity to provide retail point-of-sale financing alternatives to the customers of traditional retail organizations, many of which do not have financing options for customers in the non-prime credit segment. While the opportunity for non-prime retail financing is large with few suppliers of scale, even

more significant prospects exist for companies that can provide retail financing across the entire credit spectrum (from prime to non-prime) that minimizes or eliminates the level of credit friction in the customer application process.

- Securing adequate financing for a non-prime consumer lending business can be difficult. Reasonable capital (both rate and leverage ratios) is available to those companies that can demonstrate strong underwriting, risk management and collection capabilities, sufficient scale, predictable credit loss rates and a history of performance.

To achieve its long-term goals, the Company has four key business imperatives:

- Evolve the delivery channels
- Expand the easyfinancial footprint
- Enhance the product offering
- Execute with efficiency and effectiveness

Evolve the Delivery Channels

Over the last several years, the Company has developed multiple delivery channels in response to changing customer needs, technological advancements and market opportunities. Up until 2013, all of goeasy's interactions with its customers occurred at a physical retail location.

In 2013, transactional websites were launched by easyfinancial and easyhome, allowing consumers to initiate their transactions on-line. These new delivery channels allowed the Company to reach consumers who may not have had access to a physical location or who preferred to interact through the privacy and convenience of their home or on their mobile device. These transactional websites require continued evolution to stay abreast of changing technologies and to offer improved levels of service. All of the Company's websites were significantly enhanced in 2015 and these investments in technology will be ongoing. Further optimization of the digital channels will be achieved through ongoing analysis of website utilization and performance data with the goals of further streamlining the application process, increasing traffic and improving the conversion rate of qualifying lease or loan applications to completed transactions Ultimately, the transactional websites will be personalized to the unique needs of each user.

The continued enhancement of the easyfinancial transactional website and the shift from traditional advertising channels towards digital media has resulted in a large portion of easyfinancial loans originating from on-line applications. This shift has resulted in reduced transaction support costs (labour, real estate, etc.). This cost reduction, however, has been offset by a modest increase in the overall charge-off rate. The Company's experience has shown that on-line-originated consumers have a higher charge-off rate than retail originated consumers. On a net basis, the achieved margins from each of these two origination channels are similar and the Company benefits from an overall increase in volume.

In 2015, the Company launched its mobile indirect lending platform to provide financing solutions to the customers of merchant partners who did not qualify for the traditional credit products offered by these merchants. Under such a delivery channel, these customers are given the opportunity to apply for a loan through easyfinancial at the point of purchase, thereby allowing them to purchase the desired products or services from the merchant partner.

In 2016, the Company further enhanced its mobile indirect lending platform by launching the industry's first single source application system for point-of-sale financing across the entire credit spectrum. Depending on a customer's credit profile, either the retail partner or easyfinancial will extend credit for such purchases with easyfinancial's point-of-sale financing platform providing the back-end support system and loan servicing needed.

The initial launch of the indirect lending platform was the first step in a broader strategy of developing the indirect lending channel, where the Company will offer its lending products at the point-of-sale in the home furnishing, health care and automotive industries. The internally developed mobile tablet solution allows merchant partners to process credit applications right in their store and receive an instant credit decision. By leveraging automated authentication tools, custom credit models, personal identification scanning technology and digital documents, the Company is able to process loans in a fully paperless manner in minutes. As the indirect lending channel expands, the Company will need to enhance the mobile tablet solution, taking advantage of developments in technology to further streamline and expedite the in-store loan application process.

easyhome will complement the expansion into indirect lending. Consumer loans made by easyfinancial to consumers for the purchase of product categories that are similar to those offered by easyhome will be secured by the purchased merchandise. In the event that the loan goes into default, the goods can be repossessed and the value of these recovered goods can be realized by leasing or selling the assets through the easyhome store network. In this manner, the Company can better manage its risk and has a significant competitive advantage over potential competitors that lack a viable outlet for realizing any significant value against the security.

Expand the easyfinancial Footprint

The Company believes that direct, personal relationships with its customers are best achieved through a physical location where its customers live and work. For this reason, the Company's extensive branch network continues to be a core element of its business and product delivery strategy. The establishment of direct personal relationships provides the following significant benefits to both the Company and its customers:

- A greater ability to explain the product offering provides the customer with clarity on their obligations and alternatives and results in greater penetration of ancillary products that provide value to the customers.
- A continuing dialogue with the customer allows both the customer and the Company to more effectively deal with financial challenges that may arise for the customer. This approach leads to greater customer satisfaction and lower charge-off rates.
- Establishing easyfinancial as a financial partner to the customer aids in the ongoing retention of the customer relationship and allows easyfinancial to assist the customer in managing their financial needs as their circumstances change and ultimately returning to lower rate prime financing options.

The Company previously estimated that its retail footprint for easyfinancial outside of Quebec could expand to over 250 locations across Canada. Total easyfinancial branch count at the end of 2016 was 208. Over the next few years, the Company will continue to add incremental locations in select markets as it works towards this target. In addition to providing more convenient access to the customers that wish to transact in a physical retail environment, the critical mass of physical locations will strengthen the Company's financial services brand, establishing easyfinancial as the leader in providing financing solutions to consumers who are looking for an alternative to traditional banks and payday lenders.

In addition to the easyfinancial branch network, the Company also operates 176 easyhome stores that offer customers access to furniture, appliances, electronics and computers through lease agreements. These easyhome stores are located in areas that overlap with the easyfinancial target populations, have existing relationships with customers that are likely consumers of the products offered by easyfinancial and are staffed with dedicated employees that have significant experience in managing the relationships, including collections, with non-prime consumers.

The existing easyhome stores create an immediate opportunity for the Company to expand its consumer lending footprint. Since i) credit and risk decisions are already made centrally; ii) the easyfinancial systems are developed and have capacity; and iii) the easyfinancial lending practices are documented and well established, offering easyfinancial products across the easyhome store network (where not restricted by landlord covenants) can be completed with limited effort and no additional risk. The Company intends to begin offering consumer lending products through its easyhome stores in 2017.

Since its launch in 2006 until 2016, the Company has focused on developing its easyfinancial business across Canada with the exception of the province of Quebec. Although the easyhome business has a long and successful history of operating in Quebec, the Quebec market for non-prime lending created additional complexities for the Company due to a different legal and regulatory environment.

The Company has always believed that Quebec represented a large opportunity for non-prime lending. Now that easyfinancial has been firmly established across the rest of the country, the Company intends to expand the easyfinancial footprint into Quebec. Although the easyfinancial product offering will differ somewhat from the product offering across the rest of Canada, the Company's focus in Quebec will be consistent with its overall goal of being a leading full-service provider of alternative goods and financial services that improve the lives of everyday Canadians.

Over the long-term, the Company expects the operating margin of its easyfinancial business unit to exceed 35% (before any allocation of indirect corporate costs and interest). This operating margin, however, will be moderated in periods of rapid expansion. Additional easyfinancial store openings will result in an initial drag on margins as the relatively fixed cost base of a new location in the months after opening will be disproportionately large until the consumer loans receivable portfolio for that location has grown to a sufficient size to generate larger revenues.

Enhance the Product Offering

The continued growth of easyfinancial will also be aided by the enhancement of its product offering. These enhancements will include the introduction of new lending products as well as additional ancillary products that provide value to customers.

It is the Company's mission to help customers improve their credit risk profile and "graduate" the customer back to lower cost prime lending. In cases where the Company has the expertise and resources to offer these products directly, it will do so. In other cases, it will look to partner with primary providers of these products and offer such products to the Company's customers under a commission or fee-type arrangement. As an example, in 2015 the Company began offering a credit monitoring service to its customers, allowing them to take better control of their financial situation by monitoring their credit score and borrowing activity on an ongoing basis.

The extent of the Company's risk adjusted pricing offering will continue to be increased as the Company responds to evolving market conditions and analyzes the overall impact of these activities on the behaviour of its customers and its business model. Increasing the ratio of lower rate products within the Company's consumer loans receivable portfolio provides its consumers with many benefits including i) lower borrowing costs; ii) access to larger dollar sized loans; and iii) incentives to improve their overall credit score which should ultimately assist them in returning to lower cost prime financing alternatives. In addition to generating incremental growth, the Company benefits from increasing the relative size of its consumer loans receivable portfolio that has lower interest rates by i) reducing the overall risk of its consumer loans receivable portfolio; ii) offsetting the inherent decline in yields with reduced per loan acquisition and administrative costs and lower charge-offs; iii) attracting a greater number of new customers; and iv) increasing its ability to retain customers that have improved their credit standing.

The Company believes that a substantial opportunity exists to complement its current unsecured installment loan product with loan products that are secured by assets. For these new products, the interest rate charged to customers can be reduced due to the expected lower charge-off rates stemming from the collateral security pledged by the customers, thereby generating an acceptable return on equity. Initially, the Company will explore an installment loan product secured by real estate while future products may include loans secured by other assets such as automobiles.

Execute with Efficiency and Effectiveness

The Company believes that the products and services presented to its customers are clearly differentiated from its competitors. easyfinancial provides consumers with a financing alternative that is less costly than payday loans and quicker and more convenient than traditional banks, all in a welcoming and respectful retail or electronic environment. easyhome has established itself as the Canadian market leader having created a more inviting retail experience than its competitors, providing consumers with the guaranteed lowest weekly payment rates, and by employing more engaged and better trained retail associates.

To meet the demands of its customers and to maximize the profitability of the overall business, the Company will continue to focus on improving its level of execution across all areas of the business.

Offer High Levels of Customer Service and Satisfaction

Customer retention is of paramount importance. Frequent and positive customer interactions encourage repeat business and provide high levels of service and satisfaction. As part of its effort to provide superior customer service, the Company offers quick delivery of its merchandise and rapid loan decisions and funding. The Company believes that competent, knowledgeable and motivated personnel are necessary in order to achieve high levels of customer service and satisfaction. Accordingly, the Company has developed intensive employee training programs, as well as performance measurement programs, incentive-driven compensation plans and other tools to drive a positive customer experience and ensure customer retention. Also, by offering a lower cost lending product, the Company allows its customers to graduate to lower interest rates thereby enhancing customer satisfaction and retention.

Increase Store Level Efficiency

Although the Company will pursue the previously described methods to encourage customer retention and growth, it must also responsibly manage all discretionary spending. Supplier relationships and economies of scale are leveraged to reduce overall cost ratios. Idle inventory levels are maintained at optimum levels, balancing the need to provide customers with the choice and selection they require with the capital committed and management effort required to maintain this inventory. Other costs, particularly labour, are tightly controlled centrally through established thresholds, allowing spending to occur only when it will result in improved revenues. In addition, the Company does remediate and, if necessary, close underperforming stores, merging their portfolios with other nearby locations.

Utilize Data Analytics as a Competitive Advantage

The Company has a tremendous volume of customer data that it has gained from years of operating its merchandise leasing and consumer lending businesses. The Company has made significant investments in information technology to safeguard the privacy of this data and also to allow the business to analyze this data to make better business decisions. The intelligent use of this data allows easyfinancial to continually enhance its underwriting practices and credit scoring models to make better lending decisions. It allows easyhome to better understand the retention patterns of its customers and develop marketing and customer relationship programs that are tailored to each customer's needs while maximizing profitability to the Company.

Leverage the Synergies of Both Business Units

The easyfinancial and easyhome businesses offer different products to a common customer segment and share many operational practices such as customer relationship management, collections and contract administration. Historically, and as is common within both industries, these practices have been performed by each business unit at the local operating store level. While this approach results in more direct contact with customers, it makes it difficult to foster best practices and achieve economies of scale.

In the fourth quarter of 2013, the Company opened a new Shared Service Centre to provide operational support for both business units in areas such as collections, customer retention and customer care and to support the new delivery channels that do not operate with a dedicated local presence. The Company believes that this hybrid structure allows local operators to continue to provide a strong level of service directly to their customers, and enables many administrative and support functions to be performed at a reduced cost, employing best practices. Going forward, additional opportunities for providing coordinated operational support for all business units will be explored.

Continue to Invest in New Technologies

As indicated previously, the Company has made significant investments in technology over the past several years to provide easyfinancial with a scalable platform on which to support significant future growth and to allow new delivery channels to be developed. As an example, in 2014 the Company implemented a proprietary loan application management system on the Salesforce platform to process applications originated in its retail and on-line channels. This investment in new technologies will continue in the future as the Company evolves its delivery channels and expands the size and scope of easyfinancial. Investments in new technology will also be made to provide operators and support staff with additional tools so that they can better service their customers and obtain greater levels of efficiency as well as enhanced systems, management and processes to ensure the Company's proprietary data is protected against cyber and other security threats.

Optimize the Capital Structure

Over the past several years, the Company has improved its return on equity by delivering increasing net income and improving its capital structure. At the end of 2006, the Company was almost entirely funded by equity. Since then, the growth of easyfinancial has been funded by the retention of earnings in the business and the acquisition of third-party debt financing, at ever improving interest rates and flexibility of terms. At the end of 2016, external debt represented almost 60% of the Company's funding requirements.

The Company is confident that it will continue to have access to additional debt capital to fund the growth of its business into the future. The Company has established relationships with many alternative providers of such debt capital and continues to explore funding alternatives that represent an optimal balance between interest rates, term, flexibility and security.

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.

Performance against 2016 Targets

The Company's 2016 targets along with the underlying assumptions and risk factors were most recently revised and communicated in its September 30, 2016 MD&A. The Company's actual performance against its targets for fiscal 2016 is as follows:

	Actual Results for 2016	Revised Targets for 2016	Outcome
New easyfinancial locations opened in year	**17**	10 - 20	Target achieved.
Gross consumer loans receivable portfolio at year end	**$370.5 million**	$370 - $380 million	Target achieved.
easyfinancial operating margin	**36.6%**	35% - 38%	Target achieved.
Total revenue growth	**14.2%**	14% - 16%	Target achieved.

2017 and Three-Year (2019) Targets

The following table outlines the Company's targets for 2017 and 2019 and provides the material assumptions used to develop such forward-looking statements. These targets are inherently subject to risks which are identified in the following tables, as well as those risks referred to in the section entitled "Risk Factors".

	Targets for 2017	Targets for 2019	Assumptions	Risk Factors[1]
New easyfinancial locations	**20 - 30 locations opened during the year**	**260 locations by the end of 2019**	• The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost. • The Company successfully completes the growth initiatives outlined in its strategic plan. • Virtually all new locations will operate as stand-alone branches.	• The earnings drag from newly opened locations is within acceptable levels. • The Company's ability to secure new real estate and experienced personnel. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company is successful in obtaining regulatory approval for its new markets and products where required.
Gross consumer loans receivable portfolio at year end	**$475 - $500 million**	**$775 - $800 million**	• The new store opening plan and the development of new delivery channels occur as expected. • The Company successfully completes the growth initiatives outlined in its strategic plan. • The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost. • Increased expenditures on marketing and advertising within easyfinancial	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company's ability to secure new real estate and experienced personnel. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required. • Continued access to reasonably priced capital.
easyfinancial total revenue yield	**60% - 62%**	**49% - 51%**	• easyfinancial total revenue yield includes the impact of the sale of ancillary products. • The Company successfully completes the growth initiatives outlined in its strategic plan. • Penetration rates for the sale of ancillary products continue at current levels.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required.

	Targets for 2017	Targets for 2019	Assumptions	Risk Factors[1]
Total revenue growth	**10% - 12%**	**n/a**	• Nominal growth for easyhome. • Continued accelerated growth of the consumer loans receivable portfolio, driven by new delivery channels, additional store openings and launch of secured loans and lending in Quebec. • Revenue growth moderated by a higher proportion of lower yield loans.	• Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required. • Continued access to reasonably priced capital. • Further reductions in the revenue earned by easyhome.
easyfinancial operating margin	**35% - 37%**	**40%+**	• Yield and loss rates at mature locations are indicative of future performance. • Yield and loss rates of new lower yield lending products are as anticipated. • Continued investment in new branches and increased marketing to drive originations moderates earnings.	• The Company's ability to achieve operating efficiencies as the business grows. • The earnings drag from newly opened locations is within acceptable levels. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company is able to manage charge-off rates within its desired parameters. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required.

	Targets for 2017	Targets for 2019	Assumptions	Risk Factors[1]
Return on equity	**18% - 19%**	**21%+**	• The Company continues to be able to access growth capital for its easyfinancial business at a reasonable cost. • The Company is able to maintain a capitalization ratio that is within industry norms. • Operating results meet the expectations as described above.	• The Company's ability to achieve operating efficiencies as the business grows. • The earnings drag from newly opened locations is within acceptable levels. • Retail business conditions are assumed to be within normal parameters with respect to consumer demand, competition and margins. • The Company is able to manage charge-off rates within its desired parameters. • Changes to regulations governing the products offered by the Company. • The Company's growth initiatives do not deliver the expected results. • The Company is successful in obtaining regulatory approval for its new markets and products where required. • Continued access to reasonably priced capital.

[1] Risk factors include those risks referred to in the section entitled "Risk Factors".

Analysis of Results for the Year Ended December 31, 2016

Financial Highlights and Accomplishments

- 2016 was the fifteenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue has seen a compounded annual growth rate of 11.7% while net income has grown from a loss of $1.9 million in 2001 to net income of $31.0 million in 2016. The Company again delivered record levels of revenue, net income and earnings per share in 2016.

- In consideration of the improved earnings achieved in 2016 compared to the prior year and the Company's confidence of its continued growth and access to capital going forward, the Board of Directors approved a 44% increase to the quarterly dividend from $0.125 per share to $0.18 per share in the first quarter of 2017.

- goeasy continued to grow revenue during 2016. Revenue for the year increased to a record level of $347.5 million from $304.3 million in 2015, an increase of $43.2 million or 14.2%. The growth was driven primarily by the expansion of easyfinancial and its consumer loans receivable portfolio.

- The gross consumer loans receivable portfolio increased from $289.4 million as at December 31, 2015 to $370.5 million as at December 31, 2016, an increase of $81.1 million or 28.0%. Loan originations for the year were $398.7 million, up $68.1 million against 2015. Similarly, easyfinancial revenue increased by 34.6% in 2016, reaching $204.1 million. easyfinancial now contributes almost 60% of the Company's total revenue.

- The operating margin of easyfinancial for the year was 36.6% compared with 30.8% for 2015. The increase in operating margin was driven by the increasing size and scale of this business as well as the impact of the 45 branches acquired in the first quarter of 2015 which negatively impacted earnings in 2015 but which positively contributed to operating income and margins in 2016.

- During the year, $6.4 million in transaction advisory costs were incurred by the Company to analyze, arrange financing and submit a bid for a potential strategic acquisition. The Company did not ultimately complete the acquisition as, during the process, the Company determined that it would create greater shareholder value by continuing the growth and expansion of its current business rather than by continuing with the acquisition process.

- Operating income for 2016 reached a record level of $62.5 million. Excluding both a $3.0 million gain on sale of investment included in other income and the $6.4 million in transaction advisory costs, adjusted operating income was $65.9 million, an increase of $17.8 million or 37.1% when compared to 2015. Overall, adjusted operating margin, expressed on this normalized basis, was 19.0% for the year ended December 31, 2016, up from the 15.8% reported in 2015.

- Net income for the year ended December 31, 2016 was $31.0 million or $2.23 per share on a diluted basis. Excluding the after tax impact of a $3.0 million gain on sale of investment included in other income and the transaction advisory costs, net income was $33.2 million or $2.38 per share on a diluted basis, up from the $23.7 million or $1.69 per share reported in 2015. On this normalized basis, net income and diluted earnings per share increased by 39.7% and 40.8%, respectively.

- To help its customers along the journey back to lower interest rates, easyfinancial announced the introduction of risk adjusted interest rates and an increase in the maximum loan size to $15,000 for eligible customers in the first quarter of 2016 following a successful market test in 2015. The new loan products are designed to reward existing customers with improved credit and attract new ones that are eligible for a lower rate of interest.

- In 2016, the Company further enhanced its indirect lending platform by launching the industry's first single source point-of-sale application system to provide financing for customers across the credit spectrum. Depending on the customer credit profile, the retail partner or easyfinancial can extend credit for such purchases with easyfinancial providing the application platform and back-end support needed.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015	Variance $ / %	Variance % change
Summary Financial Results				
Revenue	**347,505**	304,273	43,232	14.2%
Other income[2]	**3,000**	-	3,000	100.0%
Operating expenses before depreciation and amortization and transaction advisory costs	**227,270**	200,125	27,145	13.6%
Transaction advisory costs[3]	**6,382**	-	6,382	100.0%
EBITDA[1]	**72,623**	56,741	15,882	28.0%
EBITDA margin[1]	**20.9%**	18.6%	2.3%	-
Depreciation and amortization expense	**54,337**	56,096	(1,759)	(3.1%)
Operating income	**62,516**	48,052	14,464	30.1%
Operating margin[1]	**18.0%**	15.8%	2.2%	-
Finance costs	**21,048**	15,334	5,714	37.3%
Effective income tax rate	**25.1%**	27.5%	(2.4%)	-
Net income	**31,049**	23,728	7,321	30.9%
Diluted earnings per share	**2.23**	1.69	0.54	32.0%
Return on Equity[1]	**16.8%**	14.4%	2.4%	-
Adjusted (Normalized) Financial Results[1,2,3]				
Adjusted EBITDA margin	**21.9%**	18.6%	3.3%	-
Adjusted operating income	**65,898**	48,052	17,846	37.1%
Adjusted operating margin	**19.0%**	15.8%	3.2%	-
Adjusted net income	**33,155**	23,728	9,427	39.7%
Adjusted earnings per share	**2.38**	1.69	0.69	40.8%
Adjusted return on equity	**17.9%**	14.4%	3.5%	-
Key Performance Indicators[1]				
Same store revenue growth	**12.1%**	16.3%	(4.2%)	-
Same store revenue growth excluding easyfinancial	**(1.1%)**	4.7%	(5.8%)	-
easyfinancial				
Gross consumer loans receivable	**370,517**	289,426	81,091	28.0%
Growth in gross consumer loans receivable	**81,091**	97,201	(16,110)	(16.6%)
Gross loan originations	**398,739**	330,689	68,050	20.6%
easyfinancial revenue	**204,076**	151,668	52,408	34.6%
Bad debt expense as a percentage of easyfinancial revenue	**27.3%**	27.6%	(0.3%)	-
Net charge-offs as a percentage of average gross consumer loans receivable	**15.4%**	14.8%	0.6%	-
easyfinancial operating margin	**36.6%**	30.8%	5.8%	-
easyhome				
Potential monthly lease revenue	**9,886**	10,651	(765)	(7.2%)
Change in potential monthly lease revenue due to ongoing operations	**(315)**	(98)	(217)	(221.4%)
easyhome revenue	**143,429**	152,605	(9,176)	(6.0%)
easyhome operating margin	**15.0%**	16.2%	(1.2%)	-

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".
[2] On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.
[3] During the year ended December 31, 2016, the Company incurred $6.4 million in transaction advisory costs related to a potential acquisition.

Store Locations Summary

	Locations as at Dec. 31, 2015	Locations opened / acquired during year	Locations closed / sold during year	Conversions	Locations as at Dec. 31, 2016
easyfinancial					
Kiosks (in store)	51	4	(1)	(8)	**46**
Stand-alone locations	150	5	(2)	8	**161**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	202	9	(3)	-	**208**
easyhome					
Corporately owned stores	155	-	(6)	(3)	**146**
Consolidated franchise locations	3	-	-	(1)	**2**
Total consolidated stores	158	-	(6)	(4)	**148**
Total franchise stores	26	-	(2)	4	**28**
Total easyhome stores	184	-	(8)	-	**176**

Summary of Financial Results by Operating Segment

($ in 000's except earnings per share)	Year Ended December 31, 2016			
	easyfinancial	easyhome	Corporate	Total
Revenue	**204,076**	**143,429**	**-**	**347,505**
Other income[1]	**-**	**-**	**3,000**	**3,000**
Total operating expenses before depreciation and amortization and transaction advisory costs	**122,843**	**74,708**	**29,719**	**227,270**
Transaction advisory costs[2]	**-**	**-**	**6,382**	**6,382**
Depreciation and amortization	**6,479**	**47,184**	**674**	**54,337**
Operating income (loss)	**74,754**	**21,537**	**(33,775)**	**62,516**
Finance costs				**21,048**
Income before income taxes				**41,468**
Income taxes				**10,419**
Net income				**31,049**
Diluted earnings per share				**2.23**

[1] On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.
[2] During the year ended December 31, 2016, the Company incurred $6.4 million in transaction advisory costs related to a potential acquisition.

($ in 000's except earnings per share)	Year Ended December 31, 2015			
	easyfinancial	easyhome	Corporate	Total
Revenue	151,668	152,605	-	304,273
Total operating expenses before depreciation and amortization	99,607	77,724	22,794	200,125
Depreciation and amortization	5,289	50,214	593	56,096
Operating income (loss)	46,772	24,667	(23,387)	48,052
Finance costs				15,334
Income before income taxes				32,718
Income taxes				8,990
Net income				23,728
Diluted earnings per share				1.69

Revenue

Revenue for the year ended December 31, 2016 was $347.5 million compared to $304.3 million in 2015, an increase of $43.2 million or 14.2%. The increase was driven by the growth of easyfinancial.

easyfinancial – Revenue for the year ended December 31, 2016 was $204.1 million, an increase of $52.4 million or 34.6% from 2015. The increase was due to the growth of the gross consumer loans receivable portfolio, which increased from $289.4 million as at December 31, 2015 to $370.5 million as at December 31, 2016, an increase of $81.1 million or 28.0%.

The yield realized by the Company on its average consumer loans receivable portfolio declined by 250 bps in 2016 when compared to 2015 due to the following:

- An increased proportion of higher value loans which have lower effective pricing on certain ancillary products.
- The launch of risk adjusted interest rates to consumers in the first quarter of 2016 provided more credit worthy customers with a lower rate of interest.
- One-time impacts associated with the transition of the Company's creditor life insurance product to a new provider reduced the commissions earned by the Company on that product by $1.0 million during the fourth quarter of 2016.
- The above noted declines were partially offset by the launch and increased penetration of new ancillary products.

The gross consumer loans receivable portfolio grew by $81.1 million during the year ended December 31, 2016 as compared with growth of $97.2 million for 2015. Loan originations for the year were $398.7 million, up $68.1 million against 2015. While originations were higher in the year, the growth in the loan book was moderated by increased principal repayments due to the larger overall size of the loan book.

easyhome – Revenue for the year ended December 31, 2016 was $143.4 million, a decrease of $9.2 million from 2015. The year-over-year change in revenue can be attributed to:

- The Company completed several transactions over the past 24 months to acquire merchandise lease portfolios and closed or sold merchandise leasing stores that it owned. These transactions in aggregate reduced revenue by $4.3 million in 2016 when compared to the prior year.
- Revenue in 2016 declined by $1.3 million due to the deconsolidation or closure of U.S. franchise locations that were previously consolidated for financial reporting purposes. The Company has been winding down its remaining U.S. operations.
- Other reductions in the lease portfolio over the preceding 24 months have resulted in a decline in revenue across the organic store network of $3.6 million in the quarter when compared to 2016.

Other income – During the second quarter of 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The Company acquired the shares during the start-up phase of this entity and the net book value of the shares was nil.

Total Operating Expenses before Depreciation and Amortization and Transaction Advisory Costs

Total operating expenses before depreciation and amortization and transaction advisory costs were $227.3 million for the year end December 31, 2016, an increase of $27.1 million or 13.6% when compared to 2015. The increase was related to the higher operating expenses of the growing easyfinancial business, higher advertising expenditures to drive originations and growth and higher corporate costs somewhat offset by lower operating expenses within the leasing business. Operating expenses before depreciation and amortization and transaction advisory costs represented 65.4% of revenue in 2016 as compared with 65.8% for 2015.

easyfinancial – Total operating expenses before depreciation and amortization were $122.8 million for the year ended December 31, 2016, an increase of $23.2 million or 23.3% from 2015. Operating expenses excluding bad debt expense increased by $9.5 million or 16.5% in the year driven by: i) an additional $2.8 million in advertising and marketing spend to support the growth in originations; ii) higher operating costs of additional branches and the maturing branch network; and iii) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 202 as at December 31, 2015 to 208 as at December 31, 2016.

Bad debt expense increased to $55.7 million for the year ended December 31, 2016 from $41.9 million in 2015, up $13.7 million or 32.8%. Net charge-offs as a percentage of the average gross consumer loans receivable were 15.4% in 2016, up from 14.8% in 2015. The year-over-year increase was largely driven by i) a greater proportion of loans originating on-line as such loans tend to have a higher charge-off rate than retail originated customers; ii) an increase in customer bankruptcy related charge-offs; and iii) the slowing growth rate of the gross consumer loan receivable portfolio. The Company expects that the net charge-off rate will be in the range of 15% to 16% for 2017.

easyhome – Total operating expenses before depreciation and amortization for the year ended December 31, 2016 were $74.7 million, a decrease of $3.0 million or 3.9% from 2015. The decline was related to the reduced store count. Advertising spend in the year was consistent with 2015. Consolidated leasing store count declined by ten from 158 as at December 31, 2015 to 148 as at the current year end.

Corporate – Total operating expenses before depreciation and amortization and transaction advisory costs were $29.7 million in 2016 compared to $22.8 million in 2015, an increase of $6.9 million. The increase was driven primarily by: i) higher accrued but not paid short-term incentive compensation as the results of the business have exceeded budget whereas the 2015 results were more in line with internal targets; ii) higher salary costs; iii) higher professional fees; and iv) reduced gains on the sale of stores to franchisees. Corporate expenses before depreciation and amortization and transaction advisory costs represented 8.6% of revenue in 2016 compared to 7.5% of revenue in 2015.

Transaction Advisory Costs - During 2016, $6.4 million in transaction advisory costs were incurred by the Company to analyze, arrange financing and submit a bid for a potential strategic acquisition. The acquisition was ultimately not completed by the Company as, during the process, the Company determined that it would create greater shareholder value by continuing the growth and expansion of its current business rather than by continuing with the acquisition process.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2016 was $54.3 million, a decrease of $1.8 million from 2015. Increased depreciation of property and equipment and intangible assets within easyfinancial was more than offset by the reduced depreciation and amortization within easyhome. Overall depreciation and amortization represented 15.6% of revenue in 2016, an improvement from the 18.4% reported in 2015.

The $1.2 million increase in depreciation and amortization within easyfinancial was attributable to its growing branch network and the amortization of new systems.

easyhome depreciation and amortization expense declined by $3.0 million in the year compared with 2015 due to reductions in the lease portfolio (as described in the analysis of easyhome's revenue). easyhome depreciation and amortization expressed as a percentage of easyhome revenue for the year was 32.9% consistent with 2015.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the year ended December 31, 2016 was $62.5 million. Excluding both the $3.0 million gain on sale of investment included in other income and the $6.4 million in transaction advisory costs, adjusted operating income was $65.9 million, an increase of $17.8 million or 37.1% against 2015. The growth in normalized operating income was driven by the expansion and improved operating margins of easyfinancial, partially offset by lower operating income from easyhome and higher corporate expenses. Overall, adjusted operating margin, expressed on this normalized basis, was 19.0% for the year ended December 31, 2016, up from the 15.8% reported in 2015. Overall operating margin benefitted from higher operating margins at the easyfinancial business and an increasing percentage of the Company's operating income being generated by the higher margin easyfinancial business.

easyfinancial – Operating income was $74.8 million for 2016 compared with $46.8 million for 2015, an increase of $28.0 million or 59.8%. The increase in operating income was driven primarily by the growth of the consumer loans receivable portfolio and associated revenue and scale as well as the impact of the 45 branches acquired in the first quarter of 2015 which negatively impacted earnings in 2015 but which positively contributed to operating income in 2016. Operating margin for the year was 36.6% compared with 30.8% for 2015.

easyhome – Operating income was $21.5 million for 2016, down $3.1 million against 2015. Declines in revenue of $9.2 million related to store transactions and negative same store sales were partially offset by reduced depreciation and amortization and lower operating expenses due to a smaller store network. Operating margin for 2016 was 15.0%, down from the 16.2% reported in 2015.

Finance Costs

Finance costs for the year were $21.0 million, up $5.7 million from 2015. The increase in finance costs was driven by higher average borrowing levels.

Income Tax Expense

The effective income tax rate for the year ended December 31, 2016 was 25.1%, down from the 27.5% reported in 2015. The decline in the effective tax rate in the current year was due to the lower tax rate on the capital gains from the sale of investments and assets as well as certain research and development tax credits realized in 2016.

Net Income and Earnings Per Share

Net income for the year ended December 31, 2016 was $31.0 million or $2.23 per share on a diluted basis. Excluding the after tax impact of the $3.0 million gain on sale of investment included in other income and the transaction advisory costs, net income was $33.2 million or $2.38 per share on a diluted basis, up from the $23.7 million or $1.69 per share reported in 2015. On this normalized basis, net income and diluted earnings per share increased by 39.7% and 40.8%, respectively.

Selected Annual Information

Operating Results

($ in 000's except per share amounts)	2016	2015	2014	2013	2012
Revenue	**347,505**	304,273	259,150	218,814	199,673
Net income	**31,049**	23,728	19,748	14,182	11,057
Dividends declared on common shares	**6,699**	5,370	4,530	4,178	4,043
Cash dividends declared per common share	**0.49**	0.40	0.34	0.34	0.34
Earnings Per Share					
Basic	**2.29**	1.75	1.47	1.16	0.93
Diluted	**2.23**	1.69	1.42	1.15	0.92

Assets and Liabilities

($ in 000's)	As at Dec. 31, 2016	As at Dec. 31, 2015	As at Dec. 31, 2014	As at Dec. 31, 2013	As at Dec. 31, 2012
Total Assets	**503,062**	418,502	319,472	232,900	189,927
Total Liabilities					
Bank debt	**-**	-	1,756	23,496	21,281
Term loan	**263,294**	211,720	120,743	38,206	18,330
Other	**43,737**	30,723	43,005	35,565	45,303
	307,031	242,443	165,504	97,267	84,914

Analysis of Results for the Three Months Ended December 31, 2016

Fourth Quarter Highlights

- goeasy continued to grow revenue during the fourth quarter of 2016. Revenue for the quarter increased to $91.3 million from the $82.9 million reported in the fourth quarter of 2015, an increase of $8.4 million or 10.2%.

- During the fourth quarter of 2016, the Company transitioned to a new provider for its creditor life insurance product resulting in a one-time reduction of $1.0 million on the commissions earned by the Company on the sale of that product. The reduction in commissions decrease diluted earnings per share by $0.05.

- The gross consumer loans receivable portfolio as at December 31, 2016 was $370.5 million compared with $289.4 million as at December 31, 2015, an increase of $81.1 million or 28.0%. Loan originations were strong in the quarter at $117.5 million, up 6.0% compared with the fourth quarter of 2015.

- Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 15.8% in the quarter compared with 15.5% in the fourth quarter of 2015. Cash collections were strong during the quarter which resulted in a delinquency rate of 5.8% on the final Saturday of the quarter compared to 7.4% on the final Saturday of the fourth quarter of 2015.

- easyfinancial generated a strong operating margin of 34.9% in the fourth quarter of 2016, up from the 32.9% reported in the fourth quarter of 2015. The increase in operating margin was driven primarily by the growth of the consumer loans receivable portfolio and associated revenue and the slowing of branch openings.

- Operating income for the three month period ended December 31, 2016 was $17.2 million. This represents an increase of $2.2 million or 14.6% when compared to the fourth quarter of 2015. Overall, operating margin for the fourth quarter of 2016 was 18.8%, an increase of 0.7% from the 18.1% operating margin reported for the fourth quarter of 2015.

- Net income for the fourth quarter of 2016 was $8.3 million or $0.60 per share on a diluted basis compared with $7.5 million or $0.54 per share for the fourth quarter of 2015, increases of 10.8% and 11.1%, respectively. As indicated above, diluted earnings per share in the fourth quarter of 2016 was reduced by $0.05 due to the one-time impacts on commissions associated with the transition of the Company's creditor life insurance product to a new provider.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended Dec. 31, 2016	Dec. 31, 2015	Variance $ / %	Variance % change
Summary Financial Results				
Revenue	**91,294**	82,875	8,419	10.2%
Operating expenses before depreciation and amortization	**60,702**	53,813	6,889	12.8%
EBITDA[1]	**19,803**	17,161	2,642	15.4%
EBITDA margin[1]	**21.7%**	20.7%	1.0%	-
Depreciation and amortization expense	**13,417**	14,071	(654)	(4.6%)
Operating income	**17,175**	14,991	2,184	14.6%
Operating margin[1]	**18.8%**	18.1%	0.7%	-
Finance costs	**5,702**	4,605	1,097	23.8%
Effective income tax rate	**27.3%**	27.5%	(0.2%)	-
Net income	**8,342**	7,532	810	10.8%
Diluted earnings per share	**0.60**	0.54	0.06	11.1%
Return on Equity[1]	**17.4%**	17.5%	(0.1%)	-
Key Performance Indicators[1]				
Same store revenue growth	**12.6%**	16.5%	(3.9%)	-
Same store revenue growth excluding easyfinancial	**(1.9%)**	5.0%	(6.9%)	-
easyfinancial				
Gross consumer loans receivable	**370,517**	289,426	81,091	28.0%
Growth in consumer loans receivable	**26,806**	35,819	(9,013)	(25.2%)
Gross loan originations	**117,525**	110,895	6,630	6.0%
easyfinancial revenue	**55,999**	44,826	11,173	24.9%
Bad debt expense as a percentage of easyfinancial revenue	**28.5%**	30.1%	(1.6)%	-
Net charge-offs as a percentage of average gross consumer loans receivable	**15.8%**	15.5%	0.3%	-
easyfinancial operating margin	**34.9%**	32.9%	2.0%	-
easyhome				
Potential monthly lease revenue	**9,886**	10,651	(765)	(7.2%)
Change in potential monthly lease revenue due to ongoing operations	**355**	314	41	13.1%
easyhome revenue	**35,295**	38,049	(2,754)	(7.2%)
easyhome operating margin	**15.6%**	18.5%	(2.9%)	-

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

Store Locations Summary

	Locations as at Sept. 30, 2016	Locations opened / acquired during period	Locations closed / sold during period	Conversions	Locations as at Dec. 31, 2016
easyfinancial					
Kiosks (in store)	48	-	-	(2)	**46**
Stand-alone locations	160	-	(1)	2	**161**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	209	-	(1)	-	**208**
easyhome					
Corporately owned stores	148	-	(1)	(1)	**146**
Consolidated franchise locations	3	-	-	(1)	**2**
Total consolidated stores	151	-	(1)	(2)	**148**
Total franchise stores	26	-	-	2	**28**
Total easyhome stores	177	-	(1)	-	**176**

Summary of Financial Results by Operating Segment

($ in 000's except earnings per share)	Three Months Ended December 31, 2016			
	easyfinancial	**easyhome**	**Corporate**	**Total**
Revenue	**55,999**	**35,295**	**-**	**91,294**
Total operating expenses before depreciation and amortization	**34,772**	**18,244**	**7,686**	**60,702**
Depreciation and amortization	**1,675**	**11,558**	**184**	**13,417**
Operating income (loss)	**19,552**	**5,493**	**(7,870)**	**17,175**
Finance costs				**5,702**
Income before income taxes				**11,473**
Income taxes				**3,131**
Net income				**8,342**
Diluted earnings per share				**0.60**

($ in 000's except earnings per share)	Three Months Ended December 31, 2015			
	easyfinancial	**easyhome**	**Corporate**	**Total**
Revenue	44,826	38,049	-	82,875
Total operating expenses before depreciation and amortization	28,616	18,520	6,677	53,813
Depreciation and amortization	1,449	12,489	133	14,071
Operating income (loss)	14,761	7,040	(6,810)	14,991
Finance costs				4,605
Income before income taxes				10,386
Income taxes				2,854
Net income				7,532
Diluted earnings per share				0.54

Revenue

Revenue for the three month period ended December 31, 2016 was $91.3 million compared to $82.9 million in the same period in 2015, an increase of $8.4 million or 10.2%. Same-store sales growth for the quarter was 12.6%. Revenue growth was driven primarily by the growth of easyfinancial.

e*asyfinancial* – Revenue for the three month period ended December 31, 2016 was $56.0 million, an increase of $11.2 million or 24.9% over the same period of 2015. The increase in revenue was driven by the growth of the gross consumer loans receivable portfolio, which increased from $289.4 million as at December 31, 2015 to $370.5 million as at December 31, 2016, an increase of $81.1 million or 28.0%.

The yield realized by the Company on its average consumer loans receivable portfolio declined by 300 bps in the fourth quarter of 2016 when compared to the fourth quarter of 2015 due to the following:

- An increased proportion of higher dollar loans which have reduced pricing on certain ancillary products.
- The launch of risk adjusted interest rates to consumers in the first quarter of 2016 provided more credit worthy customers with a lower rate of interest.
- One-time impacts associated with the transition of the Company's creditor life insurance product to a new provider reduced the commissions earned by the Company on that product by $1.0 million during the fourth quarter of 2016.

easyhome – Revenue for the three month period ended December 31, 2016 was $35.3 million, a decrease of $2.8 million when compared with the fourth quarter of 2015. The decline in revenue was driven by the following:

- The Company completed several transactions over the past 15 months to acquire merchandise lease portfolios and closed or sold merchandise leasing stores that it owned. These transactions in aggregate reduced revenue by $1.6 million in the fourth quarter of 2016 when compared to the fourth quarter of the prior year.
- Other reductions in the lease portfolio over the preceding 15 months have resulted in a decline in revenue across the organic store network of $1.2 million in the quarter when compared to the fourth quarter of 2015. Similarly, same store sales, excluding the impact of easyfinancial, declined by 1.9%.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $60.7 million for the three month period ended December 31, 2016, an increase of $6.9 million or 12.8% from the comparable period in 2015. The increase in operating expenses was driven primarily by the higher costs associated with the expanding easyfinancial business and higher corporate costs. Total operating expenses before depreciation and amortization represented 66.5% of revenue for the fourth quarter of 2016, an increase from the 64.9% reported in the fourth quarter of 2015.

easyfinancial – Total operating expenses before depreciation and amortization were $34.8 million for the fourth quarter of 2016, an increase of $6.2 million or 21.5% from the fourth quarter of 2015. Operating expenses, excluding bad debt, increased by $3.7 million or 24.4% in the quarter driven by: i) an additional $1.3 million in advertising and marketing spend to support the growth in originations; ii) higher operating costs of additional branches and the maturing branch network; and iii) incremental expenditures to develop new distribution channels and manage the growing branch network. Overall, branch count increased from 202 as at December 31, 2015 to 208 as at December 31, 2016.

Bad debt expense increased to $15.9 million for the fourth quarter of 2016 from $13.5 million during the comparable period in 2015, up $2.5 million or 18.3%. Net charge-offs as a percentage of the average gross consumer loans receivable on an annualized basis were 15.8% in the quarter compared with 15.5% in the fourth quarter of 2015. While rates of delinquency have improved, the year-over-year charge-off rate has increased due to an increase in customer bankruptcy filings and the slowing growth rate of the gross consumer loans receivable portfolio.

easyhome – Total operating expenses before depreciation and amortization were $18.2 million for the fourth quarter of 2016, a decrease of $0.3 million when compared with the fourth quarter of 2015. Cost savings associated with the reduced store count were partially offset by a $0.3 million increase in advertising spend in the current quarter. Consolidated leasing store count decline by ten from 158 as at December 31, 2015 to 148 as at the current year end.

Corporate – Total operating expenses before depreciation and amortization were $7.7 million for the fourth quarter of 2016 compared to $6.7 million in the fourth quarter of 2015, an increase of $1.0 million. The increase was related to higher salary and administrative costs in the fourth quarter of 2016. Corporate expenses before depreciation represented 8.4% of revenue in the fourth quarter of 2016 compared to 8.1% of revenue in the fourth quarter of 2015.

Depreciation and Amortization

Depreciation and amortization for the three month period ended December 31, 2016 was $13.4 million, a decrease of $0.7 million from the comparable period in 2015. Overall, depreciation and amortization represented 14.7% of revenue for the three months ended December 31, 2016, a decrease from 17.0% reported in the comparable period of 2015.

The $0.2 million increase in depreciation and amortization within easyfinancial was attributable to its growing branch network and the amortization of new systems.

easyhome depreciation and amortization expense declined by $0.9 million in the fourth quarter of 2016 compared to the fourth quarter of 2015 due to reductions in the lease portfolio (as described in the analysis of easyhome's revenue). easyhome depreciation and amortization expressed as a percentage of easyhome revenue for the quarter was 32.7%, decreased slightly from the 32.8% reported in the fourth quarter of 2015.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three month period ended December 31, 2016 was $17.2 million, an increase of $2.2 million or 14.6% compared to $15.0 million in 2015. The growth in operating income was driven by the expansion of easyfinancial and its improved operating margins but was partially offset by lower operating income from easyhome and higher corporate expenses. Overall, operating margin for the quarter was 18.8%, increased from the 18.1% reported in the fourth quarter of 2015.

easyfinancial – Operating income was $19.6 million for the fourth quarter of 2016 compared with $14.8 million for the comparable period in 2015, an increase of $4.8 million or 32.4%. Operating margin was 34.9% in the quarter compared with 32.9% reported in the fourth quarter of 2015. The increase in operating income and margin was driven primarily by the growth of the consumer loans receivable portfolio and the increasing scale of this business.

easyhome – Operating income was $5.5 million for the fourth quarter of 2016, a decrease of $1.5 million when compared with the fourth quarter of 2015. The reduction in operating income was primarily driven by the reduced size of the lease portfolio and associated revenue as previously described, coupled with the additional advertising spend incurred in the current quarter. Operating margin for the fourth quarter of 2016 was 15.6%, a decrease from the 18.5% reported in the fourth quarter of 2015.

Finance Costs

Finance costs for the three month period ended December 31, 2016 were $5.7 million, up $1.1 million from the same period in 2015. This increase in finance costs was driven by higher average borrowing levels.

Income Tax Expense

The effective income tax rate for the fourth quarter of 2016 was 27.3%, consistent with the 27.5% reported in the fourth quarter of 2015.

Net Income and EPS

Net income for the fourth quarter of 2016 was $8.3 million or $0.60 per share on a diluted basis compared with $7.5 million or $0.54 per share for the fourth quarter of 2015, increases of 10.8% and 11.1%, respectively. As indicated above, diluted earnings per share in the fourth quarter of 2016 was reduced by $0.05 due to the one-time impacts on commissions associated with the transition of the Company's creditor life insurance product to a new provider.

Selected Quarterly Information

($ in millions except percentages and per share amounts)	Dec. 2016	Sep. 2016	Jun. 2016	Mar. 2016	Dec. 2015	Sept. 2015	Jun. 2015	Mar. 2015	Dec. 2014
Revenue	**91.3**	87.8	86.1	82.3	82.9	78.0	72.9	70.5	70.0
Net income	**8.3**	4.9	10.5	7.3	7.5	6.3	5.0	4.9	7.1
Net income as a percentage of revenue	**9.1%**	5.6%	12.2%	8.8%	9.1%	8.0%	6.9%	7.0%	10.2%
Earnings per share[1]									
Basic	**0.62**	0.37	0.77	0.54	0.56	0.46	0.37	0.36	0.53
Diluted	**0.60**	0.36	0.75	0.52	0.54	0.45	0.36	0.35	0.51

[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.

Portfolio Analysis

The Company generates its revenue from a portfolio of consumer loans receivable and lease agreements that are originated through the initial transaction 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 is expected to result in better performance.

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 loans originations and net principal written during the period were as follows:

	Three Months Ended		**Year Ended**	
($ in 000's)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Loan originations to new customers	**47,310**	45,804	**168,347**	144,807
Loan originations to existing customers	**70,215**	65,091	**230,392**	185,882
Less: Proceeds applied to repay existing loans	**(36,796)**	(31,565)	**(119,073)**	(88,830)
Net advance to existing customers	**33,419**	33,526	**111,319**	97,052
Net principal written	**80,729**	79,330	**279,666**	241,859

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		Year Ended	
($ in 000's)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Opening gross consumer loans receivable	**343,711**	253,607	**289,426**	192,225
Gross loan originations	**117,525**	110,895	**398,739**	330,689
Gross principal payments and other adjustments	**(74,796)**	(63,289)	**(260,476)**	(194,527)
Gross charge-offs before recoveries	**(15,923)**	(11,787)	**(57,172)**	(38,961)
Net growth in gross consumer loans receivable during the period	**26,806**	35,819	**81,091**	97,201
Ending gross consumer loans receivable	**370,517**	289,426	**370,517**	289,426

Net Charge-Offs

In addition to loan originations, the consumer loans receivable portfolio during a period is impacted by charge-offs of delinquent customers. The Company charges off delinquent customers when they are 90 days contractually in arrears. 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		Year Ended	
($ in 000's except percentages)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Net charge-offs	**14,196**	10,707	**50,677**	35,000
Average gross consumer loans receivable	**360,367**	275,714	**329,019**	236,392
Net charge-offs as a percentage of average gross consumer loans receivable (annualized)	**15.8%**	15.5%	**15.4%**	14.8%

easyfinancial Bad Debt Expense

The Company's bad debt expense for a period includes the net charge-offs for that particular period plus any increases or decreases to its allowance for loan losses. The details of the Company's bad debt expense for the periods were as follows:

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Net charge-offs	**14,196**	10,707	**50,677**	35,000
Net increase in allowance for loan losses	**1,740**	2,765	**4,991**	6,933
Bad debt expense	**15,936**	13,472	**55,668**	41,933
easyfinancial revenue	**55,999**	44,826	**204,076**	151,668
Bad debt expense as a percentage of easyfinancial revenue	**28.5%**	30.1%	**27.3%**	27.6%

easyfinancial Allowance for Loan Losses

The allowance for loan 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 loan losses provides for a portion of the future charge-offs that have not yet occurred within the portfolio of consumer loans receivable that exist at the end of a period. It is determined by the Company using a standard calculation that considers i) the relative maturity of the loans within the portfolio; ii) the long-term expected charge-off rates based on actual historical performance; and iii) the long-term expected charge-off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimates the charge-offs that are expected to occur over the subsequent five month period for loans that existed as of the balance sheet date. Customer loan balances which are delinquent greater than 90 days are written off against the allowance for loan losses.

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Allowance for loan losses, beginning of period	**21,716**	15,700	**18,465**	11,532
Net charge-offs written off against the allowance	**(14,196)**	(10,707)	**(50,677)**	(35,000)
Increase in allowance due to lending and collection activities	**15,936**	13,472	**55,668**	41,933
Allowance for loan losses, ending of period	**23,456**	18,465	**23,456**	18,465
Allowance for loan losses as a percentage of the ending gross consumer loans receivable	**6.3%**	6.4%	**6.3%**	6.4%

Aging of the Consumer Loans Receivable Portfolio

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

($ in 000's)	December 31, 2016		December 31, 2015	
	$	**% of total**	**$**	**% of total**
Current	**348,877**	**94.2%**	269,711	93.2%
Days past due				
1 - 30 days	**13,468**	**3.6%**	12,282	4.2%
31 - 44 days	**2,712**	**0.7%**	2,256	0.8%
45 - 60 days	**2,366**	**0.6%**	1,919	0.7%
61 - 90 days	**3,094**	**0.8%**	3,258	1.1%
	21,640	**5.8%**	19,715	6.8%
Gross consumer loans receivable	**370,517**	**100.0%**	289,426	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:

($ in 000's)	Saturday, Dec. 31, 2016	Saturday, Dec. 26, 2015
	% of total	**% of total**
Current	**94.2%**	92.6%
Days past due		
1 - 30 days	**3.6%**	4.8%
31 - 44 days	**0.7%**	0.7%
45 - 60 days	**0.6%**	0.8%
61 - 90 days	**0.8%**	1.1%
	5.8%	7.4%
Gross consumer loans receivable	**100.0%**	100.0%

easyfinancial Consumer Loans Receivable Portfolio by Geography

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

($ in 000's)	December 31, 2016		December 31, 2015	
	$	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**19,032**	**5.1%**	15,753	5.4%
Nova Scotia	**27,434**	**7.4%**	23,501	8.1%
Prince Edward Island	**5,066**	**1.4%**	3,849	1.3%
New Brunswick	**21,060**	**5.7%**	16,227	5.6%
Quebec	**-**	**-**	-	-
Ontario	**164,541**	**44.4%**	126,832	44.0%
Manitoba	**15,290**	**4.1%**	11,412	3.9%
Saskatchewan	**19,832**	**5.4%**	15,560	5.4%
Alberta	**49,811**	**13.4%**	41,097	14.2%
British Columbia	**44,186**	**11.9%**	32,491	11.2%
Territories	**4,265**	**1.2%**	2,704	0.9%
Gross consumer loans receivable	**370,517**	**100.0%**	289,426	100.0%

easyhome Portfolio Analysis

Potential Monthly Leasing Revenue

The Company measures its leasing portfolio through potential monthly lease revenue. Potential monthly lease revenue reflects the revenue that the Company's portfolio of leased merchandise would generate in a month providing it collected all lease payments due in that period. 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:

($ in 000's)	Three Months Ended		Year Ended	
	Dec. 31, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Opening potential monthly lease revenue	**9,714**	10,555	**10,651**	10,955
Increase due to store openings or acquisitions during the period	**-**	-	**-**	548
Decrease due to store closures or sales during the period	**(183)**	(218)	**(450)**	(754)
Increase/(Decrease) due to ongoing operations	**355**	314	**(315)**	(98)
Net change	**172**	96	**(765)**	(304)
Ending potential monthly lease revenue	**9,886**	10,651	**9,886**	10,651

easyhome 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)	Dec. 31, 2016	Dec. 31, 2015
Furniture	**4,243**	4,369
Appliances	**1,133**	1,174
Electronics	**3,228**	3,547
Computers	**1,282**	1,561
Potential monthly lease revenue	**9,886**	10,651

easyhome 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)	December 31, 2016		December 31, 2015	
	$	% of total	$	% of total
Newfoundland & Labrador	**814**	**8.2%**	936	8.8%
Nova Scotia	**837**	**8.5%**	842	7.9%
Prince Edward Island	**172**	**1.7%**	199	1.9%
New Brunswick	**746**	**7.6%**	729	6.8%
Quebec	**593**	**6.0%**	575	5.4%
Ontario	**3,454**	**34.9%**	3,900	36.5%
Manitoba	**263**	**2.7%**	263	2.5%
Saskatchewan	**527**	**5.3%**	613	5.8%
Alberta	**1,341**	**13.6%**	1,470	13.8%
British Columbia	**1,002**	**10.1%**	986	9.3%
USA	**137**	**1.4%**	138	1.3%
Potential monthly lease revenue	**9,886**	**100.0%**	10,651	100.0%

easyhome 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.

($ in 000's except percentages)	Three Months Ended Dec. 31, 2016	Three Months Ended Dec. 31, 2015	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Net charge-offs	**1,191**	1,254	**4,821**	4,292
Leasing revenue	**35,295**	38,049	**143,429**	152,605
Net charge-offs as a percentage of easyhome revenue	**3.4%**	3.3%	**3.4%**	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 12-36 month time frame, as these stores tend to be in the strongest period of growth at this time.

	Three Months Ended Dec. 31, 2016	Three Months Ended Dec. 31, 2015	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Same-store revenue growth	**12.6%**	16.5%	**12.1%**	16.3%
Same-store revenue growth excluding easyfinancial	**(1.9%)**	5.0%	**(1.1%)**	4.7%

Adjusted Operating Income, Adjusted Operating Margin, Adjusted Net Income, Adjusted Earnings Per Share

At various times, operating income, operating margin, net income and 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. The Company defines operating margin as operating income divided by revenue. 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 operating income as operating income excluding such unusual and non-recurring items; ii) adjusted net income as net income excluding such items; and iii) adjusted earnings per share as diluted earnings per share excluding such items. The Company believes that adjusted operating income, adjusted net income and adjusted earnings per share are important measures of the profitability of operations adjusted for the effects of unusual items.

Items used to adjust operating income, net income and earnings per share for the three months and years ended December 31, 2016 and 2015 include those indicated in the chart below:

	Three months ended		**Year ended**	
($ in 000's except earnings per share)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Operating income as stated	**17,175**	14,991	**62,516**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Operating margin	**18.8%**	18.1%	**18.0%**	15.8%
Operating income as stated	**17,175**	14,991	**62,516**	48,052
Other income[1]	**-**	-	**(3,000)**	-
Transaction advisory costs[2]	**-**	-	**6,382**	-
Adjusted operating income	**17,175**	14,991	**65,898**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Adjusted operating margin	**18.8%**	18.1%	**19.0%**	15.8%
Net income as stated	**8,342**	7,532	**31,049**	23,728
Other income[1]	**-**	-	**(3,000)**	-
Transaction advisory costs[2]	**-**	-	**6,382**	-
Tax impact of above items	**-**	-	**(1,276)**	-
After tax impact of above items	**-**	-	**2,106**	-
Adjusted net income	**8,342**	7,532	**33,155**	23,728
Weighted average number of diluted shares outstanding	**13,991**	14,069	**13,908**	14,037
Diluted earnings per share as stated	**0.60**	0.54	**2.23**	1.69
Per share impact of other income and transaction advisory costs	**-**	-	**0.15**	-
Adjusted earnings per share	**0.60**	0.54	**2.38**	1.69

[1] On June 30, 2016, the Company sold its minority interest in a provider of credit remediation products for cash proceeds of $3.0 million. The shares were acquired by the Company during the start-up phase of this company and the net book value of those shares was nil.

[2] During the year ended December 31, 2016, the Company incurred transaction advisory costs related to a potential acquisition of $6.4 million.

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 cost of operations adjusted for the effects of purchasing decisions that may have been made in prior periods.

($ in 000's except percentages)	Three Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
Operating expenses before depreciation and amortization	**60,702**	53,813
Divided by revenue	**91,294**	82,875
Operating expenses before depreciation and amortization as % of revenue	**66.5%**	64.9%

($ in 000's except percentages)	Year Ended		
	Dec. 31, 2016	Dec. 31, 2016 (adjusted)	Dec. 31, 2015
Operating expenses before depreciation and amortization as stated	**233,652**	**233,652**	200,125
Transaction advisory costs included in operating expenses	**-**	**(6,382)**	-
Adjusted operating expenses before depreciation and amortization	**233,652**	**227,270**	200,125
Divided by revenue	**347,505**	**347,505**	304,273
Operating expenses before depreciation and amortization as % of revenue	**67.2%**	**65.4%**	65.8%

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		Year Ended	
($ in 000's except percentages)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
easyfinancial				
Operating income	**19,552**	14,761	**74,754**	46,772
Divided by revenue	**55,999**	44,826	**204,076**	151,668
easyfinancial operating margin	**34.9%**	32.9%	**36.6%**	30.8%
easyhome				
Operating income	**5,493**	7,040	**21,537**	24,667
Divided by revenue	**35,295**	38,049	**143,429**	152,605
easyhome operating margin	**15.6%**	18.5%	**15.0%**	16.2%
Total				
Operating income	**17,175**	14,991	**62,516**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Total operating margin	**18.8%**	18.1%	**18.0%**	15.8%
Total (adjusted)				
Operating income as stated	**17,175**	14,991	**62,516**	48,052
Other income	**-**	-	**(3,000)**	-
Transaction advisory costs	**-**	-	**6,382**	-
Adjusted operating income	**17,175**	14,991	**65,898**	48,052
Divided by revenue	**91,294**	82,875	**347,505**	304,273
Total (adjusted) operating margin	**18.8%**	18.1%	**19.0%**	15.8%

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	
	Dec. 31, 2016	**Dec. 31, 2015**
Net income	**8,342**	7,532
Finance costs	**5,702**	4,605
Income Tax Expense	**3,131**	2,854
Depreciation and amortization, excluding dep. of lease assets	**2,628**	2,170
EBITDA	**19,803**	17,161
Divided by revenue	**91,294**	82,875
EBITDA margin	**21.7%**	20.7%

($ in 000's except percentages)	Year Ended		
	Dec. 31, 2016	**Dec. 31, 2016 (adjusted)**	**Dec. 31, 2015**
Net income as stated	**31,049**	**31,049**	23,728
Finance costs	**21,048**	**21,048**	15,334
Income Tax Expense	**10,419**	**10,419**	8,990
Depreciation and amortization, excluding dep. of lease assets	**10,107**	**10,107**	8,689
EBITDA	**72,623**	**72,623**	56,741
Other income		**(3,000)**	
Transaction advisory costs	**-**	**6,382**	-
Adjusted EBITDA	**72,623**	**76,005**	56,741
Divided by revenue	**347,505**	**347,505**	304,273
EBITDA margin	**20.9%**	**21.9%**	18.6%

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	
	Dec. 31, 2016	Dec. 31, 2015
Net income	**8,342**	7,532
Multiplied by number of periods in year	**X 4/1**	X 4/1
Divided by average shareholders' equity for the period	**192,049**	172,446
Return on equity	**17.4%**	17.5%

($ in 000's except periods and percentages)	Year Ended		
	Dec. 31, 2016	Dec. 31, 2016 (adjusted)	Dec. 31, 2015
Net income as stated	**31,049**	**31,049**	23,728
Other income	**-**	**(3,000)**	-
Transaction advisory costs	**-**	**6,382**	-
Tax impact of other income & transaction advisory costs	**-**	**(1,276)**	-
After tax impact	**-**	**2,106**	-
Adjusted net income	**31,049**	**33,155**	23,728
Divided by average shareholders' equity for the period	**185,210**	**185,210**	164,480
Return on equity	**16.8%**	**17.9**%	14.4%

Financial Condition

The following table provides a summary of certain information with respect to the Company's capitalization and financial position as at December 31, 2016 and December 31, 2015.

($ in 000's, except for ratios)	Dec. 31, 2016	Dec. 31, 2015
Consumer loans receivable, net	**354,499**	274,481
Lease assets	**55,288**	60,753
Cash	**24,928**	11,389
Property and equipment	**16,103**	18,689
Intangible assets	**14,312**	14,041
Amounts receivable	**7,857**	9,480
Other assets	**30,075**	29,669
Total assets	**503,062**	418,502
External debt (includes term loan)	**263,294**	211,720
Other liabilities	**43,737**	30,723
Total liabilities	**307,031**	242,443
Shareholders' equity	**196,031**	176,059
Total capitalization (total debt plus total shareholders' equity)	**459,325**	387,779
External debt to shareholders' equity	**1.34**	1.20
External debt to total capitalization	**0.57**	0.55
External debt to EBITDA [1]	**3.46**	3.73

[1] EBITDA excludes the impact of other income and transaction advisory costs and is expressed on a trailing 12-month basis.

Total assets were $503.1 million as at December 31, 2016, an increase of $84.6 million or 20.2% over December 31, 2015. The growth in total assets was driven primarily by: i) the increased size of the consumer loans receivable portfolio (net of allowance) which increased by $80.0 million over the past 12 months; ii) a $13.5 million increase in cash on hand related to the timing of advances on the Company's credit facilities; and iii) offset by a $5.5 million decrease in lease assets due to the decline in the lease portfolio driven in large part by the sale of stores to franchisees and the closures of under-performing stores.

The $84.6 million growth in total assets was financed by a $51.6 million increase in external debt, a $20.0 million increase in total shareholder's equity and a $13.0 million increase in other liabilities. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior 12 months have been retained to fund the growth of easyfinancial.

The Company's credit facilities consisted of a $280 million term loan and a $20 million revolving operating facility. As at December 31, 2016, $267.5 million had been drawn under the Company's term loan. Borrowings under the term loan bore interest at the Canadian Bankers' Acceptance rate plus 699 bps with a 799 bps floor, while borrowings under the revolving operating facility bore interest at the lender's prime rate plus 175 to 275 bps depending on the Company's EBITDA ratio. The Company's credit facilities expire on October 4, 2019 and are secured by a first charge over substantially all assets of the Company. As at December 31, 2016, the Company's interest rates under the term loan and revolving operating facility were 7.99% and 5.45%, respectively.

Liquidity and Capital Resources

Summary of Cash Flow Components

($ in 000's)	Three Months Ended Dec. 31, 2016	Three Months Ended Dec. 31, 2015	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Cash provided by operating activities before issuance of consumer loans receivable	**39,390**	37,718	**153,305**	114,166
Net issuance of consumer loans receivable	**(43,025)**	(47,131)	**(135,686)**	(132,805)
Cash (used in) provided by operating activities	**(3,635)**	(9,413)	**17,619**	(18,639)
Cash used in investing activities	**(12,792)**	(13,451)	**(41,516)**	(54,916)
Cash provided by financing activities	**11,603**	11,992	**37,436**	83,779
Net (decrease) increase in cash for the period	**(4,824)**	(10,872)	**13,539**	10,224

Cash flows used in operating activities for the three month period ended December 31, 2016 were $3.6 million. Included in this amount was a net investment of $43.0 million to increase the easyfinancial consumer loans receivable portfolio. If this net investment in the easyfinancial consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $39.4 million in the fourth quarter of 2016, up $1.7 million compared to the same period of 2015 driven primarily by i) higher net income; and ii) an increase in non-cash expenses such as bad debts.

Cash flows provided by operating activities in the fourth quarter of 2016 enabled the Company to: i) meet the growth demands of easyfinancial as described above; ii) invest $12.7 million in new lease assets; iii) invest $2.0 million in additional property and equipment and intangible assets (specifically internally developed software); and iv) maintain its dividend payments.

During the fourth quarter of 2016, the Company generated $11.6 million in cash flow from financing activities as the Company increased its borrowings under the credit facility to finance the growth of easyfinancial.

Cash flows provided by operating activities for the year ended December 31, 2016 were $17.6 million. Included in this amount was a net investment of $135.7 million to increase the easyfinancial consumer loans receivable portfolio. If this net investment in the easyfinancial consumer loans receivable portfolio was treated as cash flows from investing activities, the cash flows generated by operating activities would be $153.3 million in the year, up $39.1 million or 34.3% compared to 2015 driven primarily by: i) higher net income; ii) improvements in working capital; and iii) an increase in non-cash expenses such as bad debts.

Cash flows provided by operating activities for the year ended December 31, 2016 enabled the Company to: i) meet the growth demands of easyfinancial as described above; ii) invest $40.6 million in new lease assets; iii) invest $8.3 million in additional property and equipment and intangible assets; and iv) maintain its dividend payments.

During the year ended December 31, 2016, the Company generated $37.4 million in cash flow from financing activities related primarily to increased borrowings under the Company's credit facility.

The Company believes that the cash flows provided by operations will be sufficient in the near-term to meet operational requirements, purchase lease assets, meet capital spending requirements and pay dividends. Also, the additional availability under the Company's amended credit facilities will allow the Company to achieve its targets for the growth of its consumer loans receivable portfolio into 2017. However, for easyfinancial to achieve its full long-term growth potential, additional sources of financing over and above the currently available credit facility and term loan will be required in 2017. There is no certainty that these long-term sources of capital will be available or at terms favourable to the Company.

Outstanding Shares & Dividends

As at February 15, 2017 there were 13,326,111 common shares, 146,708 DSUs, 470,734 options, 600,533 RSUs, and no warrants outstanding.

Normal Course Issuer Bid

On June 23, 2015, the Company announced the acceptance by the Toronto Stock Exchange (the "TSX") of the Company's Notice of Intention to Make a Normal Course Issuer Bid. This initial NCIB terminated on June 24, 2016. As of December 31, 2016, the Company had purchased and cancelled 452,341 of its common shares on the open market under this initial NCIB at an average price of $18.14 per share for a total cost of $8.2 million.

On June 22, 2016, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid to commence June 27, 2016, (the "Notice of Intention"). Pursuant to this second NCIB, the Company proposes to purchase, from time to time, if it is considered advisable, up to an aggregate of 986,105 common shares which represented approximately 7.3% of the 13,488,603 common shares issued and outstanding as at June 10, 2016. The Company had an average daily trading volume for the six months prior to May 31, 2016 of 28,219 shares.

Under the June 27, 2016 NCIB, daily purchases will be limited to 6,494 common shares, other than block purchase exemptions. The purchases may commence on June 27, 2016 and will terminate on June 26, 2017 or on such earlier date as goeasy may complete its purchases pursuant to the Notice of Intention. The purchases made by goeasy will be 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 will pay for any common shares will be the market price of such shares at the time of acquisition. The Company will not purchase any common shares other than by open-market purchases.

As of December 31, 2016, the Company had repurchased and cancelled 94,500 of its common shares on the open market under this June 27, 2016 NCIB at an average price of $17.94 per share for a total cost of $1.7 million.

Dividends

On February 17, 2016, the Company increased the dividend rate by 25% from $0.10 to $0.125. For the quarter ended December 31, 2016, the Company paid a $0.125 per share quarterly dividend on outstanding common shares. The Company reviews its dividend distribution policy on a regular basis, evaluating its financial position, profitability, cash flow and other factors the Board of Directors considers relevant. However, no dividends can be declared in the event there is a default of the loan facility, or where such payment would lead to a default.

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

	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Dividend per share	**$ 0.125**	$ 0.100	$ 0.085	$ 0.085	$ 0.085	$ 0.085	$ 0.085
Percentage increase	**25.0%**	17.6%	0.0%	0.0%	0.0%	0.0%	0.0%

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to long-term service contracts and operating leases for premises, equipment, vehicles and signage. The minimum annual lease payments plus estimated operating costs and other commitments required for the next five years and thereafter are as follows:

($ in 000's)	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Premises	23,236	38,188	371
Other operating lease obligations	1,080	2,934	11
Other	8,432	23,358	-
Total contractual obligations	**32,748**	**64,480**	**382**

Contingencies

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

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

Risk Factors

Overview

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

Commercial Risks

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. Over the past few years, the Company has strengthened its hiring competencies and training programs.

In particular, the Company is dependent upon the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could have a material adverse impact on its business and operations.

As a consequence of its growth strategy and relatively high employee turnover at the store and branch level, the Company requires a growing number of qualified managers and other store or branch personnel to successfully operate its expanding branch and store network. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining the personnel it may require. If the Company is unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Competition

easyfinancial - The Company estimates that size of the Canadian market for non-prime consumer lending, excluding mortgages, is in excess of $165 billion. This demand is currently being met by a wide variety of industry participants that offer diverse products including auto lending, credit cards, installment loans, retail finance programs, small business lending and real estate secured lending. Generally, industry participants have tended to focus on a single product offering rather than providing consumers with multiple alternatives. As a result, the suppliers to the marketplace are quite diverse.

Competition in the non-prime consumer lending market is based primarily on access, flexibility and cost (interest rates). Consumers are generally able to transition between the different types of lending products that are available in the marketplace to satisfy their need for these different characteristics.

The Company expects the competition for non-prime consumer lending in Canada will continue to shift for the foreseeable future. While traditional financial institutions are likely to decrease their risk tolerance and move farther away from non-prime lending, regional financial institutions such as credit unions, payday lenders, marketplace lenders and on-line lenders are expected to continue their expansion into the non-prime market.

Although there may be other, larger companies that offer non-prime lending products to Canadian consumers, the Company believes that the potential marketplace is sufficiently large enough that such competition will not adversely affect the Company's operational results in the near term. Additionally, the large volume of data relating to its customers and related loan performance which the Company has compiled and uses to create its loan underwriting models forms an effective barrier to entry.

easyhome – The Company faces limited direct competition in the Canadian market from other merchandise leasing companies. Other competitive factors exist that may adversely affect the performance of the leasing business including increased sales of used furniture and electronics on-line as well as retail stores that offer a non-prime point-of-sale purchase financing option. Additional competitors, both domestic and international, may emerge since barriers to entry are relatively low.

Macroeconomic Conditions

Certain changes in macroeconomic conditions can have a negative impact on the Company's customers and its performance. The Company's primary customer segment is the cash and credit constrained individual. These customers are affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower the Company's collection rates and result in higher loss charge-off rates and adversely affect the Company's performance, financial condition and liquidity. The Company can neither predict the impact current economic conditions will have on its future results, nor predict when the economic environment will change.

Litigation

From time to time and in the normal course of business the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Operational Risks

Operational risk, which is inherent in all business activities, is the potential for loss as a result of external events, human behaviour (including error and fraud, non-compliance with mandated policies and procedures or other inappropriate behaviour) or inadequacy, or the failure of processes, procedures or controls. The impact may include financial loss, loss of reputation, loss of competitive position or regulatory and civil penalties. While operational risk cannot be eliminated, the Company takes reasonable steps to mitigate this risk by putting in place a system of oversight, policies, procedures and internal controls.

Strategic Risk

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for the Company's products or services, improper implementation of decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape.

The Company believes it has the correct strategy to address the current market opportunities. The Company's growth strategy is focused on easyfinancial. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional locations for easyfinancial, to grow its consumer loans receivable portfolio, to access customers through new delivery channels, to successfully develop and launch new products to meet evolving customer demands, to maintain profitability levels within the mature easyhome business and to execute with efficiency and effectiveness.

The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Credit Risk

Credit risk is the risk of loss that arises when a customer or third party fails to pay an amount owing to the Company.

The maximum exposure to credit risk is represented by the carrying amount of the amounts receivable, consumer loans receivable and lease assets with customers under merchandise lease agreements. The Company leases products and makes consumer loans to thousands of customers pursuant to policies and procedures that are intended to ensure that there is no concentration of credit risk with any particular individual, company or other entity, although the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances where its policies and procedures are not complied with.

The credit risk on the Company's consumer loans receivable made in accordance with policies and procedures is impacted by both the Company's credit policies and the lending practices which are overseen by the Company's Credit Committee comprised of members of senior management. Credit quality of the customer is assessed using proprietary credit scorecards and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. The Company develops underwriting models based on the historical performance of groups of customer loans which guide its lending decisions. To the extent that such historical data used to develop its underwriting models is not representative or predictive of current loan book performance, the Company could suffer increased loan losses.

The Company maintains an allowance for loan losses (i.e. expected losses that will be incurred in relation to the Company's consumer loan's portfolio). The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial condition. It is determined by the Company using a standard calculation that considers: i) the relative maturity of the loans within the portfolio; ii) the long-term expected charge-off rates based on actual historical performance; and iii) the long-term expected charge-off pattern (timing) for a vintage of loans over their life based on actual historical performance. To the extent that such historical data used to develop its allowance for loans losses is not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its financial statements.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly and have a material adverse effect on the financial results of the Company.

For easyhome, the credit risk related to assets on lease with customers results from the possibility of customer default with respect to agreed upon payments or in their not returning the leased asset. The Company has a standard collection process in place in the event of payment default, which concludes with the recovery of the lease asset if satisfactory payment terms cannot be worked out, as the Company maintains ownership of the lease assets until payment options are exercised.

For amounts receivable from third parties the risk relates to the possibility of default on amounts owing to the Company. The Company deals with credible companies, performs ongoing credit evaluations of debtors and creates an allowance on its financial statements for uncollectible amounts where determined to be appropriate.

The Company has established a Credit Committee and created processes and procedures to identify, measure, monitor and mitigate significant credit risks. However to the extent that such risks go unidentified or are not adequately or expeditiously addressed by senior management the Company could be adversely affected.

Technology Risk

The Company is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially impact the Company's ability to enter into new lease or lending transactions and service or collect customer accounts. Although the Company has extensive information technology security and disaster recovery plans, such a failure, if sustained, could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company's operations rely heavily on the secure processing, storage and transmission of confidential customer information. While the Company has taken reasonable steps to protect its data and that of its customers, the risk of the Company's inability to protect customer information, or breaches in the Company's information systems, may adversely affect the Company's reputation and result in significant costs or regulatory penalties and remedial action.

Breach of Information Security

The Company's operations rely heavily on the secure processing, storage and transmission of confidential and sensitive customer and other information through its information technology network. Other risks include the Company's use of third party vendors with access to its network that may increase the risk of a cyber security breach. Third party breaches or inadequate levels of cyber security expertise and safeguards may expose the Company, directly or indirectly, to security breaches.

A breach, unauthorized access, computer virus, or other form of malicious attack on the Company's information security may result in the compromise of confidential and/or sensitive customer or employee information, destruction or corruption of data, reputational harm affecting customer and investor confidence, and a disruption in the management of customer relationships or the inability to originate, process and service its leasing or lending portfolios which could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

To mitigate the risk of an information security breach, the Company regularly assesses such risks, has a disaster recovery plan in place and has implemented reasonable controls over unauthorized access. The store network and corporate administrative offices, including centralized operations, takes reasonable measures to protect the security of its information systems (including against cyber-attacks). The Chief Information Officer of the Company oversees information security. However, such a cyber-attack or data breach could have a material adverse effect on the Company and its financial condition, liquidity and results of operations.

Privacy, Information Security, and Data Protection Regulations

The Company is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security may adversely affect the Company's reputation and also result in fines or penalties from governmental bodies or regulators.

Internal Controls over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company is also obligated to comply with the Form 52-109F2 Certification of interim filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly certificate of compliance. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Risk Management Processes and Procedures

The Company has established a Risk Oversight Committee and created processes and procedures to identify, measure, monitor and mitigate significant risks to the organization. However, to the extent such risks go unidentified or are not adequately or expeditiously addressed by management, the Company could be adversely affected.

Financial Risks

Inadequate Access to Financing

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

The Company has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, it will require additional funds which can be obtained through various sources, including debt or equity financing. There can be no assurance, however, that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Interest Rate Risk

Interest rate risk measures the Company's risk of financial loss due to adverse movements in interest rates. The Company is subject to interest rate risk as all credit facilities bear interest at variable rates. The Company does not hedge its interest rate risks and future changes in interest rates will affect the amount of interest expense payable by the Company.

Foreign Exchange

The Company sources some of its merchandise out of the U.S. and, as such, the Company's Canadian operations have U.S. denominated cash and payable balances. While the Company sold off most of its U.S. franchise rights in 2014, it continues to have some operations in the U.S. As a result, the Company has both foreign exchange transaction and translation risk.

Although easyhome has U.S. dollar denominated purchases, the Company has historically been able to price its lease transactions to compensate for the impact of foreign currency fluctuations on its purchases. However, in periods of rapid change in the Canadian to U.S. dollar exchange rate, the Company may not be able to pass on such changes in the cost of purchased products to its customers which may negatively impact the Company's financial performance. The Company currently does not actively hedge foreign currency risk and transacts in foreign currencies on a spot basis.

Liquidity Risk

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support its business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and dividends. The capital structure of the Company consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, share repurchases, the payment of dividends, increasing or decreasing debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's strategy, objectives, measures, definitions and targets have not changed significantly from the prior period.

The Company's revolving operating facility and term debt facility must be renewed on a periodic basis. These facilities contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. The facilities also contain a number of covenants that require the Company to maintain certain specified financial ratios. Failure to meet any of these covenants could result in an event of default under these facilities which could, in turn, allow the lenders to declare all amounts outstanding to be immediately due and payable. In such a case, the financial condition, liquidity and results of operations of the Company could materially suffer.

The Company has been successful in renewing and expanding its credit facilities in the past to meet the needs of its growing easyfinancial business. If the Company were unable to renew these facilities on acceptable terms when they became due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company has significant debt that is subject to certain financial and non-financial covenants. A violation of any or all of the debt covenants may result in the lender requiring the Company to repay the outstanding debt, which would have a material adverse effect on the Company's financial position, liquidity and results of operation.

Possible Volatility of Stock Price

The market price of the Company's Common Shares, similar to that of many other Canadian (and indeed worldwide) companies, has been subject to significant fluctuation in response to numerous factors, including significant shifts in the availability of global credit, swings in macro-economic performance due to volatile shifts in oil prices and unexpected natural disasters, the recent credit crisis and related recession, economic shock such as the recent decline in oil prices and the related impact on the Canadian economy, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of shares for future sale (including shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the Common Shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

Regulatory Risks

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses including the salability or pricing of certain ancillary products which could have a material adverse effect on the Company.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. The Company takes reasonable steps to ensure compliance with such laws and regulations.

The Company currently operates in an unregulated environment with regard to capital requirements. The *Criminal Code* of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 fully described in the Company's December 31, 2016 Notes to the Financial Statements.

Adoption of New Accounting Standards and Standards Issued But Not Yet Effective

No new accounting standards were adopted by the Company during the reporting period.

A description of the applicable accounting standards issued but not yet effective are provided in the Company's December 31, 2016 Notes to the 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 the Canadian Securities Law 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 December 31, 2016.

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 2016

There were no material changes in the Company’s ICFR that occurred or were finalized during the year ended December 31, 2016.

Evaluation of ICFR at December 31, 2016

As at December 31, 2016, 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 December 31, 2016.