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

YEAR ENDED DECEMBER 31, 2020

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Table of Contents

Date: February 17, 2021

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, 2020 compared to December 31, 2019, and the consolidated results of operations for the three-month period and year ended December 31, 2020 compared with the corresponding periods of 2019. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2020. 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 consolidated 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* *(https://investors.goeasy.com/)*.

Caution Regarding Forward-Looking Statements

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

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

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

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

Overview of the Business

goeasy Ltd. is a Canadian company headquartered in Mississauga, Ontario, that provides non-prime leasing and lending services through its easyhome and easyfinancial divisions. With a wide variety of financial products and services including unsecured and secured instalment loans, goeasy aspires to help put Canadians on a path to a better financial future as they rebuild their credit and graduate to prime lending. Customers can transact seamlessly with easyhome and easyfinancial through an omnichannel model that includes online and mobile, as well as over 400 leasing and lending locations across Canada supported by over 2,000 employees from coast-to-coast. Throughout the Company's history, it has served over 1 million Canadians and originated over $5.0 billion in loans, with one in three customers graduating to prime credit and 60% increasing their credit score within 12 months of borrowing from the Company.

With 30 years of leasing and lending experience, goeasy has developed a deep understanding of the non-prime Canadian consumer. Of the 29.2 million Canadians with an active credit file, 8.4 million have credit scores less than 720 and are deemed to be non-prime, down from 9.4 million in 2019 due to the upward migration of consumer credit scores as a result of the pandemic. Collectively, these Canadians carry $196 billion in credit balances and represent the Company's target market. These consumers, many of which are unable to access credit from banks and traditional financial institutions, turn to goeasy to avoid the high cost of payday loans. By graduating customers to progressively lower rates of interest, goeasy is uniquely positioned to deliver against its vision of providing everyday Canadians a path to a better tomorrow, today.

goeasy funds its business through a combination of equity and debt instruments. goeasy's common shares ("Common Shares") are listed for trading on the TSX under the trading symbol "GSY". The Company has been able to consistently secure additional capital at increasingly lower rates in order to continue fueling the growth of its business and has sufficient capital and borrowing capacity to meet its growth plans through the third quarter of 2023 based on the Company's organic growth assumptions. goeasy is rated BB- with a stable trend from S&P, and Ba3 with a stable trend from Moody's.

goeasy is also the proud recipient of several awards in recognition of its exceptional culture and continued business growth including Waterstone Canada's Most Admired Corporate Cultures (2018), Glassdoor Top CEO Award (2018), Achievers Top 50 Most Engaged Workplaces in North America (2019), the Digital Finance Institute's Canada's Top 50 FinTech Companies (2019), ranking on the TSX30 (2019), placing on the Report on Business ranking of Canada's Top Growing Companies (2019) and being included on the Greater Toronto Area (GTA) Top Employer list (2020).

Overview of easyfinancial

In 2006, easyfinancial, the Company's non-prime consumer lending division began operating with the goal of bridging the gap between traditional financial institutions and costly payday lenders.

Historically, consumer demand for non-prime loans in Canada 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. Today, traditional financial institutions are generally unwilling or unable to 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. For this reason, demand in this market is met by a 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, easyfinancial is one of a small number of coast-to-coast non-prime lenders with a history of success.

The business model of easyfinancial is based on lending out capital in the form of unsecured and secured consumer loans to non-prime borrowers who are generally unable to access credit from traditional sources such as major banks. The company originates loans up to $45,000 with rates between 19.9% - 46.9% which are fixed payment and fully amortizing installment products. All payment made by borrowers are reported to credit reporting agencies to help customers rebuild their credit. In addition, the company offers a starter loan product for those customers that do not qualify for traditional instalment loans called creditplus, a secured savings loan designed to help customers build a positive credit history. easyfinancial also offers a number of optional ancillary products including a customer protection program that provides creditor insurance, a home and auto benefits product which provides roadside assistance and a credit monitoring and optimization tool that helps customers understand the steps to take to rebuild their credit and improve their financial outcomes.

The Company charges its customers interest on the money it lends and also receives a commission for the optional ancillary products it offers through third party providers. The interest, additional commissions and various fees, collectively produce the total portfolio yield the Company generates on its loan book. The Company's total portfolio yield relative to its cost of capital and loan losses is a key driver of profitability.

As a lender, the Company expects to incur credit losses related to those customers who are unable to repay their loans. Given the higher risk nature of the non-prime borrower, the credit losses are reflective of the higher rate of interest it charges. In 2020, the Company experienced an annualized net charge off rate of 10.0%, measured on the average outstanding loan balance at the end of each month. The Company's proprietary credit models allow it to set the level of risk it is willing to accept. The Company could take less credit risk and reduce its loan losses, but it would come at the expense of profitable volume. Likewise, the Company could accept more risk to drive greater growth and profitability, but it would come with higher losses and have downstream impacts on the cost and ability to access capital. Ultimately, the Company's objective is to optimize profitability and operating margins by striking the right balance between origination velocity (the applicants it approves) and the loss rate of the portfolio.

The Company offers its products and services through an omnichannel business model, including a retail branch network, digital platform and indirect lending partnerships. The Company had 266 easyfinancial locations (including 14 kiosks within easyhome stores) in 10 Canadian provinces as of December 31, 2020. In addition to its retail branch network, customers can also transact online which remains a critical source of new customer acquisition and accounts for over 50% of the Company's application volume. The Company also originates loans through its point-of-sale channel that includes hundreds of retail and merchant partnerships. Through its partnership with PayBright developed in 2019, Canada's leading provider of instant point-of-sale financing, the Company is able to offer its non-prime installment loan product through the PayBright platform at the point-of-sale, a partnership which will continue with Affirm Inc.'s acquisition of PayBright in 2020.

Although the Company leverages multiple acquisition channels to attract new customers, approximately 85% of loans are managed at local branches. Through its many years of experience in non-prime lending, the Company believes that an omnichannel model optimizes loan performance and profitability, while providing a high-touch and personalized customer experience. The customer loyalty developed through these direct personal relationships extends the length of the customer relationship and improves the repayment of loans which ultimately leads to lower charge offs and higher lifetime value.

In addition to its unique omnichannel model, the Company also differentiates itself through its customer experience and specifically the journey of providing customers a path to improving their credit and graduating back to prime borrowing. This is done through the Company's broad product range which provides customers with progressively lower interest rates, access to credit rebuilding products such as its creditplus starter loan, free financial education and tools and services that help them better understand and manage their credit scores. Whether a customer is looking to establish, repair, build or strengthen their credit profile by borrowing funds or using the equity in their home to secure a larger loan at a lower rate, easyfinancial can provide a lending solution that best serves their individual needs.

Through its many years of experience and a disciplined approach to growth and managing risk, easyfinancial has demonstrated a history of stable and consistent credit performance. Over the past 15 years, the company has served over 523,000 customers and originated over $5.0 billion in loans. Since implementing centralized credit adjudication in 2011, the Company has successfully managed annualized net charge off rates within its stated targeted range. Lending decisions are made using proprietary custom scoring models, which combine machine learning and advanced analytical tools to optimize the balance between loan volume and credit losses. These models have been developed and refined over time by leveraging the accumulation of extensive customer application, demographic, borrowing, repayment and consumer banking data that determines a customer's creditworthiness, lending limit and interest rate. These models improve the accuracy of predicting default risk for the non-prime customer when compared to a traditional credit score. Credit risk is further enhanced by industry-leading underwriting practices that include pre-qualification, credit adjudication, affordability calculations, centralized loan verification, and repayment by the customer via electronic pre-authorized debit directly from the customer's bank account on the day they receive their regularly schedule income. The Company also requires supporting documentation for all of its successful applicants who take out a direct to consumer loan. Through the company's proprietary custom scoring models, coupled with the personal relationships its employees develop with customers at its branch locations, the Company believes it has found an optimal balance between growth and prudent risk management and underwriting.

Overview of easyhome

easyhome, is Canada's largest lease-to-own Company and has been in operation since 1990 offering customers brand name household furniture, appliances and electronics through flexible lease agreements. In 2020, easyhome accounted for 22% of consolidated revenue (2019 – 23%) and leasing revenue accounted for 84% of easyhome revenue (2019 – 88%).

Through its 161 locations which includes 35 franchise stores or through its eCommerce platform, Canadians turn to easyhome as an alternative to purchasing or financing their goods. With no down payment or credit check required, easyhome offers a flexible solution that helps consumers get access to the goods they need, with the flexibility to terminate their lease at any time without penalty.

In 2017, easyhome began offering unsecured lending products in almost 100 easyhome locations. As at December 31, 2020, there are 113 easyhome locations offering lending products. This expansion allowed the Company to further increase its distribution footprint for its financial services products by leveraging its existing real estate and employee base. This transition has enabled easyhome stores to diversify its product offering and meet the broader financial needs of its customers.

In 2019, easyhome began reporting customer's lease payments to the credit reporting agencies as a way to further enhance its vision of providing its customers with a path to a better tomorrow. With every on-time lease payment, easyhome customers can now build their credit and ultimately use the easyhome transaction as a stair step into other financial products and services that easyfinancial offers.

Corporate Strategy

The Company has developed a strategy based on four key strategic pillars. These strategic imperatives have remained consistent and the Company will continue to focus on moving them forward in the years to come as it furthers its vision of helping the non-prime customer on their journey to a better tomorrow.

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

Product Range

The Company's objective is to build a full suite of non-prime consumer credit products which today includes unsecured and secured lending products at various risk adjusted interest rates, products for those looking to build their credit such as creditplus, and a broad suite of value-add ancillary services. Through its robust product range, the Company looks to provide its customers with a path to improving their credit and graduating back to prime borrowing. In the future, the Company will continue to expand and grow the products it offers with the goal of providing non-prime consumers with the same type of choices and options available to prime consumers at their local bank. As the Company brings new products to market, it will look to explore existing conventional products as well as develop innovative products and new forms of credit that meet the needs of its customers and can provide meaningful improvements to their financial health. The Company currently has an auto loan product in development targeted to launch in 2021. Future products could include credit cards, lines of credit and additional products for credit establishment, including cash secured credit and starter loans.

Channel Expansion

Today, the Company operates 3 distinct channels such as retail, online and indirect. Based on originations in dollar from October 1 to December 31, 2020, retail represents 31% of application volume and 71% of originations, online represents 51% of application volume and 23% of originations and indirect represents 18% of applications and 6% of originations. 85% of all loan originations are funded and/or serviced in a branch location with the remainder serviced in the Company's national shared services centre. As the Company looks towards the future, expanding its channels of distribution is a key strategic imperative as it consistently seeks new ways to get in front of consumers that are in need of credit. The Company will continue to pursue new opportunities that include expanding its retail network, developing a more dynamic and personalized digital experience, and seeking new third-party lending and referral partnerships. The point-of-sale market which includes over $30 billion in estimated annual originations is an extremely attractive opportunity as consumers gravitate to spreading payments over time through a buy now, pay later model. This opportunity and the lack of supply for second look financing in Canada was key in prompting the Company's 2019 partnership with PayBright to create an integrated full credit spectrum product that now offers some of the highest approval rates in the industry (85% - 90%). The partnership with PayBright will continue with Affirm Inc.'s acquisition of PayBright in 2020.

Geographic Expansion

Canada continues to provide a substantial runway for growth for many years to come for goeasy with over 8.4 million non-prime Canadians that face limited options for credit. The market is vast and often underserved, providing adequate room for expansion. While the Company finished 2020 with 266 easyfinancial locations, it estimates that its retail footprint for easyfinancial will expand to support between 300 and 325 locations across Canada in the coming years. The Company will continue to add incremental locations in select markets as it works towards this target. In particular, the retail branch expansion will be focused on the expansion into Quebec which represents a large market opportunity and completing the footprint in key urban markets such as Toronto and Vancouver. The Company also believes that there is significant future opportunity to consider international markets where the easyfinancial business model can be replicated with success.

Customer Experience

The Company competes on a unique point of differentiation which is its customer experience and more specifically, the journey of providing customers a path to improve their credit and graduate back to prime borrowing within 12 months of borrowing from us. 78% of the non-prime Canadians are often denied for credit by banks and other financial institutions. The Company is proud to have helped 60% of its customers improve their credit score while 1 in 3 customers have graduated to prime lending. The Company has always set itself apart from the competition by seeing beyond the initial transaction with the customer and instead, focusing on building long-term relationships that are based on trust and respect for every customer's unique situation. The Company's over 2,000 employees are focused on giving these customers a second chance as they provide them with the financial relief they need today, and help them see a path forward towards a better financial future.

As the Company continues to evolve, ensuring its suite of products and services are designed to meet its customer's needs across the entire credit spectrum is critically important. Whether a customer is establishing credit as a new Canadian or repairing damaged credit as a result of a life event, goeasy's laddered suite of products ensures that every customer that walks through its doors has access to a better financial future through product graduation, which in the future may include partnerships with prime lenders. The Company's omnichannel model and approach ensures engagement with customers through channels they prefer, whether in-branch, online or through indirect partners.

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.

During the year ended December 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing have caused material disruption to businesses globally. The global pandemic related to an outbreak of COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The Company's forecasts were initially prepared based upon stable market conditions and did not contemplate disruption associated with the COVID-19 pandemic. As discussed in the Company's MD&A for the three-month period ended March 31, 2020, the Company withdrew its 3-year forecast due to the uncertainty relating to the impacts of COVID-19.

Notwithstanding the impact of COVID-19, the Company experienced strong commercial performance throughout 2020, including record high operating income, adjusted net income, and adjusted diluted earnings per share. The Company's positive financial position was driven by strong credit performance, continued positive customer payment trends and continued expansion of the Company's point-of-sale channel. The material improvement in the credit performance was assisted by significant degree of federal financial support available to customers during the COVID-19 pandemic, assistance provided by banks and other lenders in the form of payment deferral programs and reduced living expenses attributed to stay-at-home orders and business closures caused by the pandemic, and the use of easyfinancial's loan protection insurance program. Furthermore, the Company remained well capitalized with approximately $403 million in total liquidity and funding capacity, along with a conservative level of financial leverage, which ensures it is well positioned to withstand any level of financial pressure.

With the Company's positive financial trend and signs of emerging improvement in the Canadian economic environment, the Company is optimistic in its outlook and has introduced new forecasts for 2021, 2022 and 2023.

The Company continues to pursue a long-term strategy of growing its loan portfolio through the execution of its four strategic pillars: (i) continuously increasing penetration of risk adjusted products and real estate secured loans; (ii) growing the point-of-sale channel and launching auto loans; (iii) increasing the use of various risk adjusted pricing offers, which increase the average loan size and extend the life of its customer relationships; and (iv) expanding retail branch network and expansion in Quebec. The total yield earned on its consumer loan portfolio will gradually decline due to the shift of product mix towards more risk adjusted products and real estate secured loans, increased lending activity in Quebec where loans have a lower interest rate and coupled with a modest yield reduction in ancillary products. Total Company operating margin will continue to expand with strong credit performance, optimized risk adjusted margins, and continued prudent expense management.

	Forecasts for 2021	Forecasts for 2022	Forecasts for 2023
Gross consumer loans receivable at year end	**$1.45 - $1.55 billion**	**$1.65 - $1.85 billion**	**$1.90 - $2.10 billion**
New easyfinancial locations to be opened during the year	**20 - 25**	**15 - 20**	**10 - 15**
easyfinancial total revenue yield	**44% - 46%**	**42% - 44%**	**41% - 43%**
Total Company revenue growth	**12.5% - 14.5%**	**11.0% - 13.0%**	**10.5% - 12.5%**
Net charge offs as a percentage of average gross consumer loans receivable	**10.5% - 12.5%**	**10.5% - 12.5%**	**10.5% - 12.5%**
Total Company operating margin	**30% - 33%**	**31% - 34%**	**32% - 35%**
Return on equity	**25% +**	**25% +**	**25% +**
Cash provided by operating activities before net growth in gross consumer loans receivable	**$180 million - $220 million**	**$190 million - $230 million**	**$230 million – $270 million**
Net debt to net capitalization	**63% - 65%**	**62% - 64%**	**60% - 62%**

These forecasts are inherently subject to material assumptions used to develop such forward-looking statements and risks factors as identified below.

Key Assumptions

In formulating the guidance provided above, the Company makes a series of assumptions, which include, but are not limited to:

Environment Conditions

- Gradual improvement and stability in the economy.
- There is a continued growing demand for non-prime credit in the market.
- The effects of the COVID-19 pandemic will gradually subside through 2021.

goeasy Locations

- The new store opening plan occurs as per the Company's stated targets.
- Continued investment in new branches, new growth opportunities and increased marketing will continue to drive customer originations.

Portfolio Growth

- The Company successfully completes the growth initiatives outlined in its strategic plan including continued diversified portfolio expansion of loan products, geographic expansion across Canada, and increased penetration of its risk adjusted products, indirect point of-sale, and secured lending products, and easyhome lending products.
- Continued accelerated growth of the consumer loans receivable, driven by new delivery channels, building the Quebec branch network and other additional branch openings, and the continued strong growth of the Company's existing lending products.
- Stable revenue generated by the Company's easyhome business coupled with the growth of consumer lending at easyhome.

Liquidity & Funding

- The Company continues to be able to access growth capital at a reasonable cost.

Revenue Yield

- The Company expects the yield to moderate over this three-year period due to continued diversified portfolio expansion of loan products and the increased penetration of its risk adjusted products, indirect point of-sale, and secured lending products, and the increased growth of the loan book in Quebec (Quebec loans are at a lower rate of interest).
- The effective yield earned on the sale of ancillary products reduces as the average loan size increases.
- Yield and loss rates of risk adjusted, and secured lending products are as estimated in the Company's budget and strategic plan.

Credit Performance

- Net charge off rates for the existing products remain at current levels while net charge off rates for the risk adjusted and secured lending products are lower.
- The mixture of customers acquired through each of the Company's channels of acquisition, and the mixture of new and existing borrowers, are as estimated in the Company's forecast.

Investment Performance

- The fair value of Investments held on the Balance Sheet are assumed to remain static, as no forecast is made on change in carrying value of the investment portfolio.

Mergers and Acquisitions

- No mergers and acquisitions were contemplated in the forecasts.

<u>**Key Risk Factors**</u>

These forecasts above are inherently subject to risks as identified in the following, as well as those risks, which are referred to in the section entitled "Risk Factors" as described in this MD&A.

Environment Conditions

- Uncertainty around the extent of the second wave of COVID-19 and its impact on the economy.
- Uncertainty around overall consumer demand during times of business disruption.

Market Conditions

- Retail business conditions are within acceptable parameters with respect to consumer demand, competition and margins.

Real Estate

- The Company's ability to secure new real estate and experienced personnel.

Portfolio Growth

- The Company's is not able to complete its growth initiatives, or the impact of such initiatives is reduced.
- The loan book fails to grow in line with expectations and as indicated.
- The Company's ability to achieve operating efficiencies as the business grows.

Access to Capital & Funding

- Continued access to reasonably priced capital.

Regulatory Environment

- Changes to regulations governing the products offered by the Company.

Credit Performance

- Net charge off rates on products offered see a material increase.
- Increased levels of unemployment or economic instability.

Analysis of Results for the Year Ended December 31, 2020

Financial Highlights and Accomplishments

- In December 2020, the Company established goeasy Securitization Trust, a securitization vehicle controlled by the Company, to provide the Company a new funding facility for its operational needs. In addition, the Company completed the establishment of a new $200 million revolving securitization warehouse facility ("Revolving Securitization Warehouse Facility"). The launch of this facility serves to highlight the strength of the Company's business model, the stability in credit performance and the positive growth outlook of the Company. This new facility will broaden the Company's banking relationships, lower its cost of borrowing and further diversify the Company's sources of capital for maximum flexibility.

  As at December 31, 2020, the Company had an unrestricted cash position of $93.1 million and borrowing capacities of $110 million and $200 million under its revolving credit facility and Revolving Securitization Warehouse Facility, respectively, which represents $403 million in total liquidity. The Company also has the ability to exercise the accordion feature under its revolving credit facility to add an additional $75 million in borrowing capacity. Ultimately, the current cash on hand and current borrowing limits, excluding future enhancements or diversification of funding sources, provide adequate growth capital for the Company to execute its growth plan and meet its forecast through the third quarter of 2023 based on the Company's organic growth assumptions.

- In September 2019, the Company invested $34.3 million to acquire a minority equity interest in PayBright. On December 3, 2020, PayBright announced that the shareholders of PayBright had reached a definitive agreement to sell 100% of the PayBright shares to Affirm Holdings Inc. ("Affirm"), including the Company's minority equity interest in PayBright. The sale transaction closed on January 1, 2021. Under the terms of the sale transaction, the Company received consideration in cash, equity in Affirm and contingent equity in Affirm, subject to revenue performance achieved in 2021 and 2022. After considering the likelihood of achieving the contingent equity, the total consideration of $56 million was recognized. The fair value of investment in PayBright as at December 31, 2020 equivalent to $56 million was determined based on the sale transaction. For the year-ended December 31, 2020, the Company recognized an unrealized fair value gain amounting to $21.7 million ($18.9 million after-tax) in the consolidated statement of income.

- On July 31, 2020 (the "Redemption Date"), the Company redeemed all convertible debentures ("Debentures") that remained unconverted on that date in accordance with the notice of redemption to the holders of its Debentures issued on June 29, 2020. The Debentures were redeemed at a redemption price equal to their principal amount, plus accrued and unpaid interest thereon up to, but excluding, the Redemption Date. On the Redemption Date, the Company redeemed $2,427,000 aggregate principal amount of Debentures that remained unconverted on that date and the Debentures were de-listed from TSX subsequently thereafter. From June 29, 2020, approximately 954,302 Common Shares were issued to Debenture holders who elected to convert prior to the Redemption Date.

- 2020 was the nineteenth consecutive year of growing revenues and delivering profits. Since 2001, total revenue and adjusted net income have seen a compounded annual growth rate of 12.8% and 31.0%, respectively. The Company again delivered record levels of revenue, adjusted net income, adjusted earnings per share and adjusted return on equity in 2020.

- goeasy continued to achieve record levels of revenue during 2020. Revenue increased to $652.9 million from the $609.4 million reported in 2019, an increase of $43.5 million or 7.1%. The increase was primarily driven by continued diversified portfolio expansion of loan products including risk adjusted rates, indirect point-of-sale, and real estate secured loans, and geographic expansion across Canada. Revenue growth was moderated by the temporary increases in claims under the Company's third party optional loan protection plan, which served to reduce the commissions earned under the program.

- The gross consumer loans receivable increased from $1.11 billion as at December 31, 2019 to $1.25 billion as at December 31, 2020, an increase of $136.2 million or 12.3%. The growth was fueled by: i) increased originations from the Company's point-of-sale channel; ii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans; iii) maturation of the Company's retail branch network and expansion in Quebec; iv) lending in the Company's easyhome stores; v) ongoing enhancements to the Company's digital properties; vi) the acquisition of a $31.3 million consumer loan portfolio from Mogo Inc.

- Net charge offs in the year as a percentage of the average gross consumer loans receivable on an annualized basis saw a significant reduction to 10.0%, 330 bps lower compared to 2019 of 13.3% primarily driven by the significant degree of federal financial support available to customers during the COVID-19 pandemic, assistance provided by banks and other lenders in the form of payment deferral programs and reduced living expenses attributed to stay-at-home orders and business closures caused by the pandemic, and the use of easyfinancial's loan protection insurance program. In addition, throughout 2019, the Company proactively made a series of credit model enhancements to improve the long-term credit quality of the portfolio.

- During the year, the provision rate for future credit losses increased from 9.64% to 10.08%, resulting in an increase of $4.9 million before-tax provision expense from changes in the provision rate. Although the Company has seen a material improvement in the credit and payment performance of its consumer loan portfolio, there continues to remain uncertainty in the economic outlook due to COVID-19. As such the Company has continued to employ a scenario-based forecasting methodology that assumes a probability weighted set of economic scenarios when establishing its provision rate.

- easyfinancial's operating income was $242.6 million in 2020 compared with $189.1 million in 2019, an increase of $53.5 million or 28.3% driven by: i) revenue increases of $39.7 million, ii) $22.2 million reduction in bad debt expense, driven by lower net charge offs and a lower provision expense, iii) a $0.7 million increase in advertising investments; and iv) $7.7 million in incremental expenditures to manage the larger loan book, enhance the product offering and expand the easyfinancial footprint. easyfinancial's operating margin in the year increased to 47.6% when compared to 40.2% reported in the same period of 2019.

- easyhome reported record operating income and operating margin in 2020. easyhome's operating income was $31.0 million compared with $24.8 million in 2019, an increase of $6.2 million or 25.0% driven by: i) higher revenues due to the benefit of continued growth in its loan portfolio, and ii) lower depreciation and amortization expenses when compared to the comparable period of 2019. Operating margin for 2020 was 21.7%, an increase from the 17.8% reported in the same period of 2019.

- Total Company operating income in 2020 reached a record level of $216.4 million, up $47.6 million or 28.2% when compared to 2019. The Company's operating margin for the year was 33.1%, up from the 27.7% reported in 2019. The growth in operating margin was driven by the larger proportion of earnings being generated by the higher margin easyfinancial business coupled with strong credit performance and continued prudent expense management.

- goeasy achieved record reported and adjusted net income and reported and adjusted diluted earnings per share in 2020. Net income for 2020 was $136.5 million or $8.76 per share on a diluted basis. Excluding the $18.9 million after-tax impact of the unrealized fair value gain in the PayBright investment, adjusted net income in 2020 was $117.6 million or $7.57 per share on a diluted basis. Excluding the $16.0 million after-tax impact of the refinancing cost related to extinguishing the Company's US$475 million aggregate principal amount of 7.875% senior unsecured notes that would have matured on November 1, 2022 ("2022 Notes"), adjusted net income for 2019 was $80.3 million or $5.17 per share on a diluted basis. On these normalized bases, adjusted net income and adjusted diluted earnings per share increased by 46.5% and 46.4%, respectively.

- goeasy achieved record reported return on equity of 36.1% compared to 20.2% in 2019 and a record adjusted return on equity of 31.1% in 2020 compared to 25.3% in 2019. The improvement was related primarily to growth in adjusted net income.

- In consideration of the improved earnings achieved in 2020 compared to the prior year and the Company's confidence in its continued growth and access to capital going forward, the Board of Directors approved a 47% increase to the annual dividend from $1.80 per share to $2.64 per share in 2021.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Year Ended December 31, 2020	Year Ended December 31, 2019	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**652,922**	609,383	43,539	7.1%
Operating expenses before depreciation and amortization	**371,763**	376,226	(4,463)	(1.2%)
EBITDA[1]	**267,129**	195,755	71,374	36.5%
EBITDA margin[1]	**40.9%**	32.1%	880 bps	27.4%
Depreciation and amortization expense	**64,723**	64,364	359	0.6%
Operating income	**216,436**	168,793	47,643	28.2%
Operating margin[1]	**33.1%**	27.7%	540 bps	19.5%
Other income[2]	**21,740**	-	21,740	100.0%
Interest expense and amortization of deferred financing charges and interest expense on lease liabilities	**54,992**	57,558	(2,566)	(4.5%)
Refinancing cost[3]	**-**	21,723	(21,723)	(100.0%)
Effective income tax rate	**25.5%**	28.1%	(260 bps)	(9.3%)
Net income	**136,505**	64,349	72,156	112.1%
Diluted earnings per share	**8.76**	4.17	4.59	110.1%
Return on equity	**36.1%**	20.2%	1,590 bps	78.7%
Adjusted (Normalized) Financial Results[1,2,3]				
Adjusted EBITDA	**245,389**	195,755	49,634	25.4%
Adjusted EBITDA margin	**37.6%**	32.1%	550 bps	17.1%
Adjusted net income	**117,646**	80,315	37,331	46.5%
Adjusted diluted earnings per share	**7.57**	5.17	2.40	46.4%
Adjusted return on equity	**31.1%**	25.3%	580 bps	22.9%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**6.3%**	19.5%	(1,320 bps)	(67.7%)
Same store revenue growth (easyhome)	**4.5%**	4.3%	20 bps	4.7%
Segment Financials				
easyfinancial revenue	**509,904**	470,208	39,696	8.4%
easyfinancial operating margin	**47.6%**	40.2%	740 bps	18.4%
easyhome revenue	**143,018**	139,175	3,843	2.8%
easyhome operating margin	**21.7%**	17.8%	390 bps	21.9%
Portfolio Indicators				
Gross consumer loans receivable	**1,246,840**	1,110,633	136,207	12.3%
Growth in consumer loans receivable	**136,207**	276,854	(140,647)	(50.8%)
Gross loan originations	**1,033,130**	1,095,375	(62,245)	(5.7%)
Total yield on consumer loans (including ancillary products)	**45.5%**	50.1%	(460 bps)	(9.2%)
Net charge offs as a percentage of average gross consumer loans receivable	**10.0%**	13.3%	(330 bps)	(24.8%)
Cash provided by operating activities before net growth in gross consumer loans receivable	**210,619**	120,985	89,634	74.1%
Potential monthly lease revenue	**8,461**	8,643	(182)	(2.1%)

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".
[2] For the year-ended December 31, 2020, the Company recognized $18.9 million after-tax impact of the unrealized fair value gain in the PayBright investment.
[3] For the year-ended December 31, 2019, the Company repaid its 2022 Notes incurring a $16.0 million after-tax impact of refinancing cost.

Store Locations Summary

	Locations as at December 31, 2019	Locations opened in the year	Locations closed in the year	Conversions	Locations as at December 31, 2020
easyfinancial					
Kiosks (in store)	20	-	(1)	(5)	**14**
Stand-alone locations	235	12	(1)	5	**251**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	256	12	(2)	-	**266**
easyhome					
Corporately owned stores	128	-	(2)	-	**126**
Franchise stores	35	-	-	-	**35**
Total easyhome stores	163	-	(2)	-	**161**

Summary of Financial Results by Operating Segment

	Year Ended December 31, 2020			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**392,450**	**17,133**	**-**	**409,583**
Lease revenue	**-**	**112,796**	**-**	**112,796**
Commissions earned	**109,246**	**8,667**	**-**	**117,913**
Charges and fees	**8,208**	**4,422**	**-**	**12,630**
	509,904	**143,018**	**-**	**652,922**
Total operating expenses before depreciation and amortization	**251,897**	**67,261**	**52,605**	**371,763**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**7,665**	**37,209**	**3,666**	**48,540**
Depreciation of right-of-use assets	**7,753**	**7,489**	**941**	**16,183**
	15,418	**44,698**	**4,607**	**64,723**
Operating income (loss)	**242,589**	**31,059**	**(57,212)**	**216,436**
Other Income				
Unrealized fair value gain on investment				**21,740**
Finance costs				
Interest expense and amortization of deferred financing charges				**52,248**
Interest expense on lease liabilities				**2,744**
				54,992
Income before income taxes				**183,184**
Income taxes				**46,679**
Net income				**136,505**
Diluted earnings per share				**8.76**

($ in 000's except earnings per share)	easyfinancial	easyhome	Corporate	Total
	Year Ended December 31, 2019			
Revenue				
Interest income	334,124	11,873	-	345,997
Lease revenue	-	113,236	-	113,236
Commissions earned	126,806	8,704	-	135,510
Charges and fees	9,278	5,362	-	14,640
	470,208	139,175	-	609,383
Total operating expenses before depreciation and amortization	267,356	67,253	41,617	376,226
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	7,194	39,140	2,831	49,165
Depreciation of right-of-use assets	6,521	7,943	735	15,199
	13,715	47,083	3,566	64,364
Operating income (loss)	189,137	24,839	(45,183)	168,793
Finance costs				
Interest expense and amortization of deferred financing charges				55,094
Interest expense on lease liabilities				2,464
Refinancing cost				21,723
				79,281
Income before income taxes				89,512
Income taxes				25,163
Net income				64,349
Diluted earnings per share				4.17

Portfolio Performance

Consumer Loans Receivable

The loan book grew $136.2 million in 2020 compared to growth of $276.9 million in 2019. Loan originations for the year were $1.03 billion, down 5.7% compared to the origination volume in 2019. The gross consumer loans receivable increased from $1.11 billion as at December 31, 2019 to $1.25 billion as at December 31, 2020, an increase of $136.2 million or 12.3%. The growth was fueled by: i) the acquisition of a consumer loan portfolio from Mogo Inc.; ii) increased originations from the Company's point-of-sale channel; iii) increased origination of unsecured loans and the increased penetration of risk adjusted rate and real estate secured loans; iv) maturation of the Company's retail branch network and expansion in Quebec; v) lending in the Company's easyhome stores; and vi) ongoing enhancements to the Company's digital properties.

The annualized total yield (including loan interest, fees and ancillary products) realized by the Company on its average consumer loans receivable was 45.5% in 2020, down 460 bps from 2019, primarily driven by higher than usual insurance claim costs associated with the Company's Loan Protection Program due to the impact of COVID-19. During the year, the Company experienced higher than usual loan protection insurance claim costs, which serve to reduce the net commissions earned on this program, associated with higher unemployment rates. The decrease in the yield was also due to a number of other factors, including: i) the increased penetration of risk adjusted interest rate and real estate secured loans to a more credit-worthy customer which have lower rates of interest; ii) increased lending activity in Quebec where loans have a lower interest rate; iii) a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products; and iv) a modest reduction in penetration rates on ancillary products (particularly on risk adjusted rate and real estate secured loans).

Bad debt expense decreased to $135.0 million for the year from $156.7 million in 2019, a decrease of $21.7 million or 13.9%. The following table details the components of bad debt expense:

($ in 000's)	Year Ended December 31, 2020	December 31, 2019
Provision required due to net charge offs	**116,429**	129,376
Impact of loan book growth	**13,699**	26,554
Impact of change in provision rate in the year	**4,870**	812
Net change in allowance for credit losses	**18,569**	27,366
Bad debt expense	**134,998**	156,742

Bad debt expense decreased by $21.7 million due to three factors:

(i) Net charge offs decreased from $129.4 million in 2019 to $116.4 million in 2020, down by $12.9 million. Net charge offs in 2020 as a percentage of the average gross consumer loans receivable on an annualized basis were 10.0% compared to 13.3% in 2019. The decrease in net charge offs was primarily driven by the significant degree of federal financial support available to customers during the COVID-19 pandemic, assistance provided by banks and other lenders in the form of payment deferral programs and reduced living expenses attributed to stay-at-home orders and business closures caused by the pandemic, and the use of easyfinancial's loan protection insurance program. In addition, throughout 2019 and 2020, the Company proactively made a series of credit model enhancements and underwriting adjustments to improve the long-term credit quality of the portfolio.

(ii) The lower loan book growth in the year of $136.2 million resulted in a lower increase in provision of $13.7 million. The loan book growth in 2019 was higher at $276.9 million which resulted in a growth-related provision of $26.6 million. The reduced loan book growth in the year reduced bad debt expense by $12.8 million when compared to 2019.
(iii) Changes in the provision rate resulted in bad debt expense increasing by $4.1 million when compared to 2019. In the prior year, the provision rate increased from 9.56% to 9.64% which resulted in a $0.8 million increase in bad debt expense. During the year, the provision rate increased from 9.64% to 10.08% which resulted in a $4.9 million increase in bad debt expense, based primarily on the significant turbulence in economic conditions generated by the COVID-19 pandemic.

easyhome Leasing Portfolio – The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2020 was $8.5 million, down from the $8.6 million reported as at December 31, 2019. Overall, the number of lease agreements declined from 91,206 as at December 31, 2019 to 85,946 as at December 31, 2020, a drop of 5.8%. The decline in agreements was offset by a 3.9% increase in average leasing rates due in part to changes in product mix, and selected pricing adjustments. While the lease portfolio has declined, this impact on revenue has been more than offset by the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the year was $652.9 million compared to $609.4 million in 2019, an increase of $43.5 million or 7.1%. Overall same store sales growth for the year was 6.3%. Revenue growth was driven primarily by the growth of the consumer loan portfolio.

easyfinancial – Revenue in 2020 was $509.9 million, an increase of $39.7 million or 8.4% when compared to 2019. The increase in revenue was driven by the growth of the gross consumer loans receivable and offset by the reduction in yield. The components of the increased revenue include:

- Interest revenue increased by $58.3 million or 17.5% driven by the 12.3% growth in the consumer loan portfolio, but offset by lower interest yields;
- Commissions earned on the sale of ancillary products and services decreased by $17.6 million or 13.8%. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book driven by higher than usual insurance claim costs associated with the Company's Loan Protection Program due to the COVID-19 impact, coupled with a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, and slightly lower penetration of these products (particularly on risk adjusted rate and real estate secured loans); and
- Charges and fees decreased by $1.1 million, driven by the strong payment performance, resulting in fewer delinquency fees being charged.

easyhome – Revenue in 2020 was $143.0 million, an increase of $3.8 million or 2.8% when compared to 2019. The increase in revenue was driven by the growth of the gross consumer loans receivable within the easyhome stores, which were slightly offset by lower revenue generated by the traditional leasing business. The components of easyhome revenue include:

- Interest revenue increased by $5.3 million due to the growth of the consumer loans receivable related to the easyhome business;
- Lease revenue declined by $0.4 million due to the reduction of the lease portfolio;
- Commissions earned on the sale of ancillary products was flat compared to prior year; and
- Charges and fees declined by $0.9 million due to a smaller number of traditional leasing agreements.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization for the year were $371.8 million, a decrease of $4.5 million or 1.2% from 2019. The decrease in operating expenses was driven by prudent expense management in the easyfinancial business, partially offset by higher expenses in the corporate segment. Total operating expenses before depreciation and amortization represented 56.9% of revenue in 2020 compared with 61.7% reported in 2019.

easyfinancial – Total operating expenses before depreciation and amortization were $251.9 million in 2020, a decrease of $15.5 million or 5.8% from 2019. Key drivers include:

- bad debt expense decreased by $22.2 million in the year when compared to 2019 for the reasons described above; partially offset by
- a $0.7 million increase in advertising and marketing spend; and
- other operating expenses increased by $6.0 million in the year driven by higher compensation and other costs to operate and manage the growing loan book and branch network. Overall branch count increased from 256 as at December 31, 2019 to 266 as at December 31, 2020.

easyhome – Total operating expenses before depreciation and amortization were $67.3 million in 2020, which was in line with 2019. Key drivers include:

- a $0.5 million increase in bad debt expense due to the growth of consumer lending at easyhome;
- a $0.7 million increase in incentive compensation driven by the strong performance of the leasing business and to support the growth of the lending business; and partially offset by
- a $0.6 million decrease in advertising and marketing spend and $0.6 million in distribution spend.

Corporate – Total operating expenses before depreciation and amortization for the year were $52.6 million compared to $41.6 million in 2019, an increase of $11.0 million or 26.4%. The increase was primarily due to higher compensation costs, professional fees and technology costs than 2019. In addition, corporate costs in the prior year benefited from $2.6 million gains from the sale of lease portfolios, loan portfolio and other assets. Corporate expenses before depreciation and amortization represented 8.1% of revenue in 2020 compared to 6.8% of revenue in 2019.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2020 was $64.7 million, a slight increase of $0.4 million from 2019. Overall, depreciation and amortization represented 9.9% of revenue in 2020, a decrease from the 10.6% reported in 2019.

easyfinancial – Total depreciation and amortization was $15.4 million in the year. This included $7.7 million of right-of-use asset depreciation, $1.2 million higher than the $6.5 million reported in 2019. Depreciation of property and equipment and intangibles in the year was $7.7 million, $0.5 million higher than the $7.2 million reported in 2019.

easyhome – Total depreciation and amortization expense was $44.7 million in the year. Depreciation and amortization of lease assets, property and equipment and intangibles was $37.2 million in the year compared with $39.1 million in 2019. This $1.9 million decline was due primarily to the lower level of lease revenue and lease assets and lower lease asset charge offs. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the year was 26.0%, down from the 28.1% reported in 2019. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion being generated from consumer lending.

Corporate – Depreciation and amortization was $4.6 million in the year, an increase of $1.0 million from 2019. The increase was mainly due to higher amortization of intangible assets and depreciation of property and equipment primarily driven by new software additions and leasehold improvements recognized over the past 12 months.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the year was $216.4 million, up $47.6 million or 28.2% when compared to 2019. The Company's operating margin for the year was 33.1% up from the 27.7% reported in 2019. The growth in operating margin was driven by improved operating margin at both businesses and the larger proportion of earnings being generated by the easyfinancial business which has a higher margin.

easyfinancial – Operating income was $242.6 million for the year compared with $189.1 million in 2019, an increase of $53.5 million or 28.3%. The benefits of the continued growth in its loan book and related revenue increases of $39.7 million, and $22.2 million reduction in bad debt expense, driven by lower net charge offs and a lower provision expense, partially offset by: i) a $1.7 million increase in depreciation and amortization, and ii) a $6.7 million increase in incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the current year to date period was 47.6% compared with 40.2% reported in 2019.

easyhome – Operating income was $31.1 million for the year, an increase of $6.2 million or 25.0% when compared with 2019. The increase was due to higher revenues in the year of $3.8 million related to the growth of consumer lending in easyhome and lower depreciation and amortization expenses of $2.4 million when compared to 2019 mainly driven by the improvement in leasing charge offs. Operating margin for the year was 21.7%, an increase from the 17.8% reported in 2019.

Other Income

During the year, the Company recognized total unrealized fair value before-tax gains of $21.7 million on its investment in PayBright which was based on the sale transaction described above.

Finance Costs

Finance costs for the year were $55.0 million, a decrease of $24.3 million from 2019. The decrease was mainly driven by: i) $21.7 million of non-recurring refinancing costs related to the extinguishment of 2022 Notes in 2019; ii) a lower cost of borrowing driven by the issuance of US$550 million of 5.375% senior unsecured notes payable ("2024 Notes") in the fourth quarter of 2019 which bears a lower borrowing rate than the refinanced 2022 Notes; and iii) the redemption of Debentures in the third quarter of 2020. The average blended coupon interest rate for the Company's debt as at December 31, 2020, was 5.2% down from 5.6% as at December 31, 2019. As at December 31, 2020, the Company had $403 million in total liquidity which provides adequate growth capital to meet its forecast through the third quarter of 2023 based on the Company's organic growth assumptions.

Income Tax Expense

The effective income tax rate for the year was 25.5% which was lower than the 28.1% reported in the 2019 mainly driven by the lower combined basic federal and provincial tax rates. In addition, the current year benefited from the amount paid for deferred share units settlement and the effect of capital gain treatment on the unrealized fair value gain on the Company's PayBright investment.

Net Income and EPS

Net income for the year ended December 31, 2020 was $136.5 million or $8.76 per share on a diluted basis. Excluding the $18.9 million after-tax impact of the unrealized fair value gain in the PayBright investment, adjusted net income in 2020 was $117.6 million or $7.57 per share on a diluted basis. Excluding the $16.0 million after-tax impact of the refinancing cost related to extinguishing the Company's 2022 Notes, adjusted net income for 2019 was $80.3 million or $5.17 per share on a diluted basis. On these normalized bases, adjusted net income and adjusted diluted earnings per share increased by 46.5% and 46.4%, respectively.

Selected Annual Information

($ in 000's except percentages and per share amounts)	2020	2019	2018	2017[2]	2016[2]
Gross Consumer Loans Receivable	**1,246,840**	1,110,633	833,779	526,546	370,517
Revenue	**652,922**	609,383	506,191	401,728	347,505
Net income	**136,505**	64,349	53,124	36,132	31,049
Adjusted net income[1]	**117,646**	80,315	53,124	42,158	33,155
Return on equity	**36.1%**	20.2%	21.8%	17.0%	16.8%
Adjusted return on equity[1]	**31.1%**	25.3%	21.8%	19.8%	17.9%
Net income as a percentage of revenue	**20.9%**	10.6%	10.5%	9.0%	8.9%
Adjusted net income as a percentage of revenue[1]	**18.0%**	13.2%	10.5%	10.5%	9.5%
Dividends declared on Common Shares	**26.1**	17.9	12.5	9.7	6.7
Cash dividends declared per common share	**1.80**	1.24	0.90	0.72	0.49
Earnings per share					
Basic	**9.21**	4.40	3.78	2.67	2.29
Diluted	**8.76**	4.17	3.56	2.56	2.23
Adjusted diluted[1]	**7.57**	5.17	3.56	2.97	2.38

[1] Adjusted for certain non-recurring or unusual transactions.
[2] Prepared under IAS 39 rather than IFRS 9.

Key financial measures for each of the last five years are summarized in the table above and include the gross consumer loans receivable, revenue, net income, earnings per share, return on equity, and net income as a percentage of revenue over this timeframe. Revenue growth over this time frame was primarily related to the growth of the gross consumer loans receivable. The larger revenue base together with lower operating expenses and finance costs, increased the Company's adjusted net income and adjusted diluted earnings per share while the increased scale of the business resulted in adjusted net income as a percentage of revenue also increasing over the presented time horizon. Lastly, adjusted return on equity has increased due to the increased earnings generated by the business. Please refer to previous years' MD&As for detailed analysis.

Assets and Liabilities

($ in 000's)	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016
Total assets					
Consumer loans receivable, net	**1,152,378**	1,040,552	782,864	513,425	354,499
Cash	**93,053**	46,341	100,188	109,370	24,928
Other	**256,485**	231,729	172,624	126,820	123,635
	1,501,916	1,318,622	1,055,676	749,615	503,062
Total liabilities					
Notes payable	**689,410**	701,549	650,481	401,193	-
Revolving credit facility	**198,339**	112,563	-	-	-
Derivative financial liabilities	**36,910**	16,435	-	11,138	-
Convertible debentures	**-**	40,656	40,581	47,985	-
Term loan	**-**	-	-	-	263,294
Other	**133,745**	114,998	63,085	61,055	43,737
	1,058,404	986,201	754,147	521,371	307,031

Total assets have increased due primarily to the growth of the Company's consumer loans receivable. Cash increased in 2020 mainly due to the cash generated from operating activities. Other assets increased in 2020 primarily due to the increase in the fair valuation of the Company's PayBright investment.

The Company finances the growth of its consumer loans receivable through a combination of debt, equity and retained earnings. In 2017, the Company issued $53 million in Debentures and repaid the previous credit facility by issuing US$325 million in 2022 Notes and securing a $110 million revolving line of credit from a syndicate of banks. In 2018, the Company issued a second US$150 million tranche of 2022 Notes and increased the borrowing limit under its revolving line of credit to $174.5 million. In 2019, the Company issued US$550 million of 2024 Notes and repaid the 2022 Notes and increased the borrowing limit under its revolving line of credit to $310 million. In 2020, the Company redeemed all unconverted Debentures as at the Redemption Date and established a new $200 million Revolving Securitization Warehouse Facility. All of the Company's credit facilities are as described in the notes to the Company's consolidated financial statements for the year ended December 31, 2020.

At the end of 2020, the Company's ratio of net debt (net of surplus cash on hand) to net capitalization was 64%; a level that is conservative against several of the Company's peers and below the Company's desired position of less than, or equal to, 70%.

Analysis of Results for the Three Months Ended December 31, 2020

Fourth Quarter Highlights

- PayBright completed the sale of all outstanding shares to Affirm on January 1, 2021, including the Company's minority equity interest. The fair value of investment in PayBright as at December 31, 2020 equivalent to $56 million was determined based on the sale transaction. For the fourth quarter of 2020, the Company recognized an unrealized fair value gain amounting to $16.0 million ($13.9 million after-tax) in the consolidated statement of income.

- The Company reported record revenue during the fourth quarter of 2020. Revenue for the quarter increased to $173.2 million from the $165.5 million reported in the comparable period of 2019, an increase of $7.7 million or 4.6%. The increase was primarily driven by the growth of the consumer loan portfolio offset partially by the temporary increases in claims under the Company's third party optional loan protection plan, which served to reduce the commissions earned under the program.

- The gross consumer loans receivable increased from $1.11 billion as at December 31, 2019 to $1.25 billion as at December 31, 2020, an increase of $136.2 million or 12.3%. The drivers of this growth are as described in the preceding section: Analysis of Results for the Year Ended December 31, 2020.

- Net charge offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis saw a significant reduction to 9.0%, 430 bps lower compared to the fourth quarter of 2019 of 13.3% primarily driven by the significant degree of federal financial support available to customers during the COVID-19 pandemic, assistance provided by banks and other lenders in the form of payment deferral programs and reduced living expenses attributed to stay-at-home orders and business closures caused by the pandemic, and the use of easyfinancial's loan protection insurance program. In addition, in the fourth quarter of 2019, the Company proactively made a series of credit model enhancements to improve the long-term credit quality of the portfolio.

- During the quarter, the bad debt provision for future credit losses slightly increased from 10.03% to 10.08%, resulting in an increase of $0.6 million before-tax provision expense. Although the Company has seen a material improvement in the credit and payment performance of its consumer loan portfolio, there continues to remain uncertainty in the economic outlook due to COVID-19. As such the Company has continued to employ a scenario-based forecasting methodology that assumes a probability weighted set of economic scenarios when establishing its provision rate.

- easyfinancial reported record operating income for the fourth quarter of 2020. easyfinancial's operating income was $67.2 million for the fourth quarter of 2020 compared with $53.3 million for the comparable period in 2019, an increase of $13.9 million or 26% driven by: i) revenue increases of $6.5 million; ii) an $8.7 million reduction in bad debt expense, driven by lower net charge offs and a lower provision expense; iii) a $0.9 million increase in advertising investments; and iv) $0.4 million in incremental expenditures to manage the larger loan book, enhance the product offering and expand the easyfinancial footprint. easyfinancial's operating margin in the quarter increased to 49.2% when compared to 41.0% reported in the comparable period of 2019.

- easyhome reported record operating income and operating margin during the fourth quarter of 2020. easyhome's operating income was $8.7 million compared with $6.5 million for the comparable period of 2019, an increase of $2.2 million or 33.3% driven by: i) higher revenues due to the strong performance of the leasing portfolio and the benefit of continued growth in its loan portfolio; and ii) lower expenses when compared to the comparable period of 2019. Operating margin for the fourth quarter of 2020 was 23.6%, an increase from the 18.3% reported in the comparable period of 2019.

- Total Company operating income for the fourth quarter of 2020 reached a record level of $61.3 million, up $14.8 million or 31.8% when compared to the comparable period of 2019. The Company's operating margin for the quarter was 35.4%, up from the 28.1% reported in the comparable period of 2019. The increase in operating margin was mainly driven by the higher revenue and lower bad debt expense during the period, along with the operating leverage achieved from scale.

- goeasy achieved record reported and adjusted net income and reported and adjusted diluted earnings per share during the fourth quarter of 2020, which was the 78th consecutive quarter of positive net income and diluted earnings per share. Net income for the fourth quarter of 2020 was $48.9 million or $3.14 per share on a diluted basis. Excluding the $13.9 million after-tax impact of the unrealized fair value gain in the PayBright investment, adjusted net income during the fourth quarter of 2020 was $35.0 million or $2.24 per share on a diluted basis. Excluding the $16.0 million after-tax impact of the refinancing cost related to extinguishing the Company's 2022 Notes, adjusted net income during the fourth quarter of 2019 was $22.6 million or $1.45 per share on a diluted basis. On these normalized bases, adjusted net income and adjusted diluted earnings per share both increased by 54.5%.

- Return on equity in the fourth quarter of 2020 was 45.8% compared to 8.0% in the comparable period of 2019. Adjusted return on equity during the fourth quarter increased from 27.0% in 2019 to 32.8% in 2020. The improvement was related primarily to growth in adjusted net income.

Summary of Financial Results and Key Performance Indicators

($ in 000's except earnings per share and percentages)	Three Months Ended December 31, 2020	December 31, 2019	Variance $ / bps	Variance % change
Summary Financial Results				
Revenue	**173,219**	165,536	7,683	4.6%
Operating expenses before depreciation and amortization	**95,190**	102,790	(7,600)	(7.4%)
EBITDA[1]	**85,089**	53,395	31,694	59.4%
EBITDA margin[1]	**49.1%**	32.3%	1,680 bps	52.0%
Depreciation and amortization expense	**16,752**	16,263	489	3.0%
Operating income	**61,277**	46,483	14,794	31.8%
Operating margin[1]	**35.4%**	28.1%	730 bps	26.0%
Other income[2]	**16,040**	-	16,040	100.0%
Interest expense and amortization of deferred financing charges and interest expense on lease liabilities	**13,343**	15,400	(2,057)	(13.4%)
Refinancing cost[3]	**-**	21,723	(21,723)	(100.0%)
Effective income tax rate	**23.5%**	28.6%	(510 bps)	(17.8%)
Net income	**48,911**	6,683	42,228	631.9%
Diluted earnings per share	**3.14**	0.46	2.68	582.6%
Return on equity	**45.8%**	8.0%	3,780 bps	472.5%
Adjusted (Normalized) Financial Results[1,2,3]				
Adjusted EBITDA	**69,049**	53,395	15,654	29.3%
Adjusted EBITDA margin	**39.9%**	32.3%	760 bps	23.5%
Adjusted net income	**34,996**	22,649	12,347	54.5%
Adjusted diluted earnings per share	**2.24**	1.45	0.79	54.5%
Adjusted return on equity	**32.8%**	27.0%	580 bps	21.5%
Key Performance Indicators[1]				
Same store revenue growth (overall)	**4.2%**	19.7%	(1,550 bps)	(78.7%)
Same store revenue growth (easyhome)	**4.4%**	6.2%	(180 bps)	(29.0%)
Segment Financials				
easyfinancial revenue	**136,523**	130,005	6,518	5.0%
easyfinancial operating margin	**49.2%**	41.0%	820 bps	20.0%
easyhome revenue	**36,696**	35,531	1,165	3.3%
easyhome operating margin	**23.6%**	18.3%	530 bps	29.0%
Portfolio Indicators				
Gross consumer loans receivable	**1,246,840**	1,110,633	136,207	12.3%
Growth in consumer loans receivable	**64,039**	75,037	(10,998)	(14.7%)
Gross loan originations	**334,102**	313,514	20,588	6.6%
Total yield on consumer loans (including ancillary products)	**46.6%**	49.8%	(320 bps)	(6.4%)
Net charge offs as a percentage of average gross consumer loans receivable	**9.0%**	13.3%	(430 bps)	(32.3%)
Cash provided by operating activities before net growth in gross consumer loans receivable	**40,980**	21,703	19,277	88.8%
Potential monthly lease revenue	**8,461**	8,643	(182)	(2.1%)

[1] See description in sections "Portfolio Analysis" and "Key Performance Indicators and Non-IFRS Measures".
[2] During the fourth quarter of 2020, the Company recognized $13.9 million after-tax impact of the unrealized fair value gain in the PayBright investment.
[3] During the fourth quarter of 2019, the Company repaid its 2022 Notes incurring a $16.0 million after-tax impact of refinancing cost.

Store Locations Summary

	Locations as at September 30, 2020	Locations opened during period	Locations closed during period	Conversions	Locations as at December 31, 2020
easyfinancial					
Kiosks (in store)	16	-	(1)	(1)	**14**
Stand-alone locations	245	6	(1)	1	**251**
National loan office	1	-	-	-	**1**
Total easyfinancial locations	262	6	(2)	-	**266**
easyhome					
Corporately owned stores	126	-	-	-	**126**
Franchise stores	35	-	-	-	**35**
Total easyhome stores	161	-	-	-	**161**

Summary of Financial Results by Operating Segment

	Three Months Ended December 31, 2020			
($ in 000's except earnings per share)	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest income	**101,967**	**4,817**	**-**	**106,784**
Lease revenue	**-**	**28,564**	**-**	**28,564**
Commissions earned	**32,461**	**2,286**	**-**	**34,747**
Charges and fees	**2,095**	**1,029**	**-**	**3,124**
	136,523	**36,696**	**-**	**173,219**
Total operating expenses before depreciation and amortization	**65,053**	**16,833**	**13,304**	**95,190**
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	**2,181**	**9,306**	**1,076**	**12,563**
Depreciation of right-of-use assets	**2,062**	**1,894**	**233**	**4,189**
	4,243	**11,200**	**1,309**	**16,752**
Operating income (loss)	**67,227**	**8,663**	**(14,613)**	**61,277**
Other income				
Unrealized fair value gain on investment				**16,040**
Finance costs				
Interest expense and amortization of deferred financing charges				**12,624**
Interest expense on lease liabilities				**719**
				13,343
Income before income taxes				**63,974**
Income taxes				**15,063**
Net income				**48,911**
Diluted earnings per share				**3.14**

($ in 000's except earnings per share)	Three Months Ended December 31, 2019 easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	92,803	3,600	-	96,403
Lease revenue	-	28,268	-	28,268
Commissions earned	34,777	2,392	-	37,169
Charges and fees	2,425	1,271	-	3,696
	130,005	35,531	-	165,536
Total operating expenses before depreciation and amortization	73,062	17,309	12,419	102,790
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	1,805	9,757	768	12,330
Depreciation of right-of-use assets	1,793	1,965	175	3,933
	3,598	11,722	943	16,263
Operating income (loss)	53,345	6,500	(13,362)	46,483
Finance costs				
Interest expense and amortization of deferred financing charges				14,744
Interest expense on lease liabilities				656
Refinancing cost				21,723
				37,123
Income before income taxes				9,360
Income taxes				2,677
Net income				6,683
Diluted earnings per share				0.46

Portfolio Performance

Consumer Loans Receivable

Loan originations in the quarter were $334.1 million, up by 6.6% compared to origination volume in the comparable period of 2019. The loan book increased by $64.0 million in the quarter compared to growth of $75.0 million in the comparable period of 2019. The gross consumer loans receivable increased from $1.11 billion as at December 31, 2019 to $1.25 billion as at December 31, 2020, an increase of $136.2 million or 12.3%. The drivers of this growth are as described in the preceding section: Analysis of Results for the Year Ended December 31, 2020.

The annualized total yield (including loan interest, fees and ancillary products) realized by the Company on its average consumer loans receivable was 46.6% in the fourth quarter of 2020, down 320 bps from the comparable period of 2019 mainly due to the impact of COVID-19. During the fourth quarter, the Company experienced higher than usual loan protection insurance claim costs, which served to reduce the net commissions earned on this program, associated with higher unemployment rates. The remaining decrease in the yield was due to several factors including: i) the acquisition of a consumer loan portfolio from Mogo, which have lower rates of interest; ii) the increased penetration of risk adjusted interest rate and real estate secured loans to more creditworthy customers which have lower rates of interest; iii) increased lending activity in Quebec where loans have a lower interest rate; iv) a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products; and v) a modest reduction in penetration rates on ancillary products (particularly on risk adjusted rate and real estate secured loans).

Bad debt expense decreased to $34.5 million for the quarter from $43.3 million during the comparable period of 2019, a decrease of $8.8 million or 20.3%. The following table details the components of bad debt expense.

	Three Months Ended	
($ in 000's)	**December 31, 2020**	**December 31, 2019**
Provision required due to net charge offs	**27,482**	36,020
Impact of loan book growth	**6,425**	7,237
Impact of change in provision rate during the period	**586**	-
Net change in allowance for credit losses	**7,011**	7,237
Bad debt expense	**34,493**	43,257

Bad debt expense decreased by $8.8 million due to three factors:

(i) Net charge offs decreased from $36.0 million in the fourth quarter of 2019 to $27.5 million in the current quarter, down by $8.5 million. Net charge offs in the quarter as a percentage of the average gross consumer loans receivable on an annualized basis were 9.0%, down by 430 bps as compared to 13.3% reported in the fourth quarter of 2019. The decrease in net charge offs was primarily driven by the significant degree of federal financial support available to customers during the COVID-19 pandemic, assistance provided by banks and other lenders in the form of payment deferral programs and reduced living expenses attributed to stay-at-home orders and business closures caused by the pandemic, and the use of easyfinancial's loan protection insurance program. In addition, throughout 2019 and 2020, the Company proactively made a series of credit model enhancements and underwriting adjustments to improve the long-term credit quality of the portfolio.

(ii) The lower loan book growth in the current quarter decreased bad debt expense provision by $0.8 million when compared to the same period of 2019. The loan book increased in the current quarter by $64.0 million which resulted in a provision expense of $6.4 million as compared to $7.2 million as reported in the fourth quarter of 2019.

(iii) During the quarter, the Company increased its provision rate for future credit losses from 10.03% to 10.08%, recording an additional increase of $0.6 million in before-tax provision expense. Although, the Company has seen a material improvement in the credit and payment performance of its consumer loan portfolio, there continues to remain uncertainty in the economic outlook due to COVID-19. As such the Company has continued to employ a scenario-based forecasting methodology that assumes a probability weighted set of economic scenarios when establishing its provision rate.

easyhome Leasing Portfolio

The leasing portfolio as measured by potential monthly lease revenue as at December 31, 2020 was $8.5 million, down from the $8.6 million reported as at December 31, 2019 (as described in the preceding section: Analysis of Results for the Year Ended December 31, 2020). While the lease portfolio has declined, the impact on revenue has been offset by strong cash collections and the growth of consumer lending within the easyhome stores.

Revenue

Revenue for the three-month period ended December 31, 2020 was $173.2 million compared to $165.5 million in the comparable period of 2019, an increase of $7.7 million or 4.6%. Overall, same store sales growth for the quarter was 4.2%. Revenue growth was driven mainly by the growth in the consumer loan portfolio and the strong performance of the leasing portfolio.

easyfinancial – Revenue for the three-month period ended December 31, 2020 was $136.5 million, an increase of $6.5 million when compared to the comparable period of 2019. The components of the increased revenue include:

- Interest income increased by $9.2 million or 9.9% driven by the 12.3% growth in the loan portfolio, offset by lower interest yields;
- Commissions earned on the sale of ancillary products and services decreased by $2.3 million or 6.7% mainly driven by higher than usual loan insurance claim costs associated with the Company's Loan Protection Program due to COVID-19. The rate of growth of commissions earned was less than the rate of growth of interest revenue and the loan book due to higher loan insurance claim costs and a higher proportion of larger dollar loans which have reduced pricing on certain ancillary products, and slightly lower penetration of these products (particularly on risk adjusted rate and real estate secured loans); and
- Charges and fees decreased by $0.3 million driven primarily by the strong payment performance, resulting in fewer delinquency fees being charged.

easyhome – Revenue for the three-month period ended December 31, 2020 was $36.7 million, an increase of $1.2 million when compared to the comparable period of 2019. Lending revenue within the easyhome stores increased by $1.1 million in the current quarter when compared to the fourth quarter of 2019. Traditional leasing revenue for the current quarter was flat compared to the same period of 2019. The components of easyhome revenue include:

- Interest income increased by $1.2 million due to the growth of the consumer loans receivable related to the easyhome business;
- Lease revenue increased by $0.3 million due to strong cash collections on the lease portfolio;
- Commissions earned on the sale of ancillary products related to consumer lending at easyhome decreased by $0.1 million. The decrease is driven by higher than usual insurance claim costs associated with the Company's Loan Protection Program due to the impact of COVID-19; and
- Charges and fees declined by $0.2 million due to a smaller number of traditional leasing agreements.

Total Operating Expenses before Depreciation and Amortization

Total operating expenses before depreciation and amortization were $95.2 million for the three-month period ended December 31, 2020, a decrease of $7.6 million or 7.4% from the comparable period in 2019. The decrease in operating expenses was driven by prudent expense management in the easyfinancial and easyhome business, partially offset by slightly higher expenses in the corporate segment. Total operating expenses before depreciation and amortization represented 55.0% of revenue for the fourth quarter of 2020 compared with 62.1% reported in the comparable period of 2019.

easyfinancial – Total operating expenses before depreciation and amortization were $65.1 million for the fourth quarter of 2020, a decrease of $8.0 million or 11.0% from the comparable period of 2019. Key drivers include:

- bad debt expense decreased by $8.7 million in the current quarter when compared to the comparable period in 2019, driven by a lower net charge offs and provision expense in the quarter;
- other operating expenses decreased by $0.2 million in the quarter driven by lower wages and incentive compensation; partially offset by
- a $0.9 million increase in advertising and marketing spend.

easyhome – Total operating expenses before depreciation and amortization were $16.8 million for the fourth quarter of 2020, which was $0.5 million or 2.8% lower than the comparable period of 2019. Key drivers include:

- a decrease of $0.6 million in store admin, distribution costs and other operating expenses;
- $0.1 million decrease in bad debt expense driven by lower charge offs in the quarter; and partially offset by
- an increase in advertising and marketing spend of $0.2 million.

Corporate – Total operating expenses before depreciation and amortization for the fourth quarter of 2020 were $13.3 million compared to $12.4 million for the comparable period in 2019, an increase of $0.9 million. The increase was primarily due to higher compensation costs, professional fees, and technology costs than in the same period of 2019. Corporate expenses before depreciation and amortization represented 7.7% of revenue in the fourth quarter of 2020 compared to 7.5% of revenue in the fourth quarter of 2019.

Depreciation and Amortization

Depreciation and amortization for the three-month period ended December 31, 2020 was $16.8 million, an increase of $0.5 million or 3.0% from the comparable period in 2019. Overall, depreciation and amortization represented 9.7% of revenue for the fourth quarter of 2020, slightly lower compared with 9.8% reported in the comparable period of 2019.

easyfinancial – Total depreciation and amortization was $4.2 million in the fourth quarter of 2020. This included $2.1 million of right-of-use asset depreciation, $0.3 million higher than the $1.8 million reported in the comparable period of 2019. Depreciation of property and equipment and intangibles in the fourth quarter of 2020 was $2.2 million, $0.4 million higher than the $1.8 million reported in the comparable period of 2019.

easyhome – Depreciation and amortization was $11.2 million in the fourth quarter of 2020, a decrease of $0.5 million from the comparable period in 2019. This decline was due primarily to lower lease asset charge offs compared to the prior quarter primarily due to strong cash collections. easyhome's depreciation and amortization of lease assets, property and equipment and intangibles expressed as a percentage of easyhome revenue for the current quarter was 25.4%, down from the 27.5% reported in the fourth quarter of 2019. The rate reduction was due to a smaller lease asset base against a revenue base with an increasing proportion generated from consumer lending and significantly lower lease asset charge offs.

Corporate – Depreciation and amortization was $1.3 million in the fourth quarter of 2020, an increase of $0.4 million from the same period in 2019. The increase was mainly due to higher amortization of intangible assets and depreciation of property and equipment primarily driven by new software additions and leasehold improvements recognized over the past 12 months.

Operating Income (Income before Finance Costs and Income Taxes)

Operating income for the three-month period ended December 31, 2020 was $61.3 million, up $14.8 million or 31.8% when compared to the comparable period of 2019. The Company's operating margin for the quarter was 35.4%, up from the 28.1% reported in the fourth quarter of 2019. The increase in operating margin was mainly driven by the higher revenue and lower bad debt expense during the period.

easyfinancial – Operating income was $67.2 million for the fourth quarter of 2020 compared with $53.3 million for the comparable period in 2019, an increase of $13.9 million or 26.0%. The benefits of the continued growth in its loan book and related revenue increases of $6.5 million, and $8.7 million reduction in bad debt expense, driven by lower net charge offs and a lower provision expense, partially offset by a $0.9 million increase in advertising spend, and $0.4 million in incremental expenditures to manage the growing customer base, enhance the product offering and expand the easyfinancial footprint. Operating margin in the quarter was 49.2% compared with 41.0% reported in the comparable period of 2019.

easyhome – Operating income was $8.7 million for the fourth quarter of 2020, an increase of $2.2 million or 33.3% when compared to the comparable period of 2019. The increase was driven by higher revenues of $1.2 million due to the strong performance of the leasing business, and the growth of consumer lending in easyhome, combined with lower expenses of $1.0 million. Operating margin for the fourth quarter of 2020 was 23.6%, an increase from the 18.3% reported in the comparable period of 2019.

Other Income

During the current quarter, the Company recognized total unrealized fair value before-tax gains of $16.0 million on its investment in PayBright which was based on the sale transaction described in the preceding section: Analysis of Results for the Year Ended December 31, 2020.

Finance Costs

Finance costs for the three-month period ended December 31, 2020 were $13.3 million, a decrease of $23.8 million from the fourth quarter of 2019. The decrease was mainly driven by: i) $21.7 million of non-recurring refinancing costs related to the extinguishment of 2022 Notes in 2019; ii) a lower cost of borrowing driven by the issuance of 2024 Notes in the fourth quarter of 2019 which bears a lower borrowing rate than the 2022 Notes; and iii) the redemption of Debentures in the third quarter of 2020. The average blended coupon interest rate for the Company's debt as at December 31, 2020, was 5.2% down from 5.6% as at December 31, 2019. As at December 31, 2020, the Company had $403 million in total liquidity which provides adequate growth capital to meet its forecast through the third quarter of 2023 based on the Company's organic growth assumptions.

Income Tax Expense

The effective income tax rate for the fourth quarter of 2020 was 23.5% which was lower than the 28.6% reported in the comparable period of 2019 mainly driven by the lower combined basic federal and provincial tax rates. In addition, the fourth quarter of 2020 benefited from the effect of capital gain treatment on the unrealized fair value gain on the Company's PayBright investment.

Net Income and EPS

Net income for the fourth quarter of 2020 was $48.9 million or $3.14 per share on a diluted basis. Excluding the $13.9 million after-tax impact of the unrealized fair value gain in the PayBright investment, adjusted net income in the fourth quarter of 2020 was $35.0 million or $2.24 per share on a diluted basis. Excluding the $16.0 million after-tax impact of the refinancing cost related to extinguishing the Company's 2022 Notes, adjusted net income for the fourth quarter of 2019 was $22.6 million or $1.45 per share on a diluted basis. On these normalized bases, adjusted net income and adjusted diluted earnings per share both increased by 54.5%.

<u>Selected Quarterly Information</u>

($ in millions except percentages and per share amounts)	December 2020	September 2020	June 2020	March 2020	December 2019	September 2019	June 2019	March 2019	December 2018
Gross consumer loans receivable	**1,246.8**	1,182.8	1,134.5	1,166.1	1,110.6	1,035.6	959.7	879.4	833.8
Revenue	**173.2**	161.8	150.7	167.2	165.5	156.1	147.9	139.9	138.2
Net income	**48.9**	33.1	32.5	22.0	6.7	19.8	19.6	18.3	15.9
Adjusted net income[2]	**35.0**	31.6	29.1	22.0	22.6	19.8	19.6	18.3	15.9
Return on equity	**45.8%**	34.7%	37.0%	25.8%	8.0%	24.1%	25.2%	24.4%	23.0%
Adjusted return on equity[2]	**32.8%**	33.1%	33.1%	25.8%	27.0%	24.1%	25.2%	24.4%	23.0%
Net income as a percentage of revenue	**28.2%**	20.5%	21.6%	13.1%	4.0%	12.7%	13.2%	13.1%	11.5%
Adjusted net income as a percentage of revenue[2]	**20.2%**	19.5%	19.3%	13.1%	13.7%	12.7%	13.2%	13.1%	11.5%
Earnings per share[1]									
Basic	**3.24**	2.20	2.25	1.50	0.46	1.35	1.34	1.25	1.07
Diluted	**3.14**	2.09	2.11	1.41	0.46	1.28	1.26	1.18	1.02
Adjusted diluted[2]	**2.24**	2.00	1.89	1.41	1.45	1.28	1.26	1.18	1.02

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

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

Portfolio Analysis

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

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

Loan Originations and Net Principal Written

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

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

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

($ in 000's)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
Loan originations to new customers	**109,378**	130,292	**345,588**	491,171
Loan originations to existing customers	**224,724**	183,222	**687,542**	604,204
Less: Proceeds applied to repay existing loans	**(121,246)**	(101,771)	**(373,293)**	(326,075)
Net advance to existing customers	**103,478**	81,451	**314,249**	278,129
Net principal written	**212,856**	211,743	**659,837**	769,300

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 during the periods were as follows:

	Three Months Ended		Year Ended	
($ in 000's)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Opening gross consumer loans receivable	**1,182,801**	1,035,596	**1,110,633**	833,779
Gross loan originations	**334,102**	313,514	**1,033,130**	1,095,375
Gross loan purchased	**-**	-	**31,275**	-
Gross principal payments and other adjustments	**(240,170)**	(199,153)	**(801,400)**	(676,995)
Gross charge offs before recoveries	**(29,893)**	(39,324)	**(126,798)**	(141,526)
Net growth in gross consumer loans receivable during the period	**64,039**	75,037	**136,207**	276,854
Ending gross consumer loans receivable	**1,246,840**	1,110,633	**1,246,840**	1,110,633

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

	December 31, 2020		December 31, 2019	
($ in 000's except percentages)	$	% of total	$	% of total
0 – 6 months	**184,553**	**14.8%**	182,896	16.5%
6 – 12 months	**144,341**	**11.6%**	130,043	11.7%
12 – 24 months	**300,560**	**24.1%**	275,038	24.8%
24 – 36 months	**289,065**	**23.2%**	259,598	23.4%
36 – 48 months	**181,866**	**14.6%**	154,908	13.9%
48 – 60 months	**62,361**	**5.0%**	44,918	4.0%
60 months +	**84,094**	**6.7%**	63,232	5.7%
Gross consumer loans receivable	**1,246,840**	**100.0%**	1,110,633	100.0%

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

	December 31, 2020		December 31, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
0 – 1 year	**48,561**	**3.9%**	42,623	3.8%
1 – 2 years	**142,958**	**11.5%**	139,414	12.6%
2 – 3 years	**321,683**	**25.8%**	296,891	26.7%
3 – 4 years	**381,055**	**30.6%**	366,359	33.0%
4 – 5 years	**209,994**	**16.8%**	156,439	14.1%
5 years +	**142,589**	**11.4%**	108,907	9.8%
Gross consumer loans receivable	**1,246,840**	**100.0%**	1,110,633	100.0%

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

	December 31, 2020		December 31, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Gross consumer loans receivable, easyfinancial	**1,196,498**	**96.0%**	1,072,530	96.6%
Gross consumer loans receivable, easyhome	**50,342**	**4.0%**	38,103	3.4%
Gross consumer loans receivable	**1,246,840**	**100.0%**	1,110,633	100.0%

Financial Revenue and Net Financial Income

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

	Three Months Ended		Year Ended	
($ in 000's)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Financial revenue, easyfinancial	**136,523**	130,006	**509,904**	470,208
Financial revenue, easyhome	**6,226**	5,096	**22,341**	16,893
Financial revenue	**142,749**	135,102	**532,245**	487,101
Less: Interest expenses and amortization of deferred financing charges	**(12,624)**	(14,744)	**(52,248)**	(55,094)
Less: Bad debt expense	**(34,493)**	(43,257)	**(134,998)**	(156,742)
Net financial income	**95,632**	77,101	**344,999**	275,265

Total Yield on Consumer Loans

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

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Finance revenue	**142,749**	135,102	**532,245**	487,101
Multiplied by number of periods in year	**X 4**	X 4	**X 1**	X 1
Divided by average gross consumer loans receivable	**1,225,737**	1,084,284	**1,169,001**	972,625
Total yield as a percentage of average gross consumer loans receivable (annualized)	**46.6%**	49.8%	**45.5%**	50.1%

Net Charge offs

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

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

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Net charge offs	**27,482**	36,020	**116,429**	129,376
Multiplied by number of periods in year	**X 4**	X 4	**X 1**	X 1
Divided by average gross consumer loans receivable	**1,225,737**	1,084,284	**1,169,001**	972,625
Net charge offs as a percentage of average gross consumer loans receivable (annualized)	**9.0%**	13.3%	**10.0%**	13.3%

Allowance for Credit Losses

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

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Allowance for credit losses, beginning of period	**118,665**	99,870	**107,107**	79,741
Net charge offs written off against the allowance	**(27,482)**	(36,020)	**(116,429)**	(129,376)
Bad debt expense	**34,493**	43,257	**134,998**	156,742
Allowance for credit losses, end of period	**125,676**	107,107	**125,676**	107,107
Allowance for credit losses as a percentage of the ending gross consumer loans receivable	**10.08%**	9.64%	**10.08%**	9.64%

IFRS 9 requires that forward-looking indicators ("FLIs") be considered when determining the allowance for credit losses. Historically, the four key macroeconomic variables contributing to credit risk and losses within the Company's loan portfolio have been; unemployment rates, inflation rates, gross domestic product ("GDP") growth, and the price of oil. Analysis performed by the Company determined that a forecasted increase in the rate of unemployment, rate of inflation, a decrease in the expected future price of oil from the current rates or a decrease in the rate of GDP growth has historically tended to increase the charge offs experienced by the Company. Conversely a forecasted decrease in the rate of unemployment, rate of inflation, an increase in the expected future price of oil from the current rates or an increase in the GDP growth rate has historically tended to decrease the charge offs experienced by the Company. Over the past several years the Company has operated in a relatively stable Canadian economic environment with moderate movements in economic variables. However, as a result of the turbulent economic environment brought on by the COVID-19 pandemic, management identified the need to incorporate additional data and methodological approaches into the Company's forward-looking scenario modelling. Therefore, additional factors have been incorporated in assessing the economic impact of the COVID-19 pandemic on the Company's consumer loan portfolio.

In calculating the allowance for credit losses for 2020, internally developed models were used which factor in credit risk related parameters including the probability of default, the exposure at default, the loss given default, and other relevant risk factors. As part of the process, three forward-looking scenarios are generated - i) Neutral, ii) Optimistic, and iii) Pessimistic - based on forecasting of macroeconomic variables (GDP, unemployment rates, inflation rates, and oil prices) that are determined relevant to the allowance for credit losses. Judgment is then applied to the recommended probability weightings to these scenarios to determine a probability weighted allowance for credit losses as at December 31, 2020.

The following table shows the key macroeconomic variables used in the determination of the probability weighted allowance during the forecast period as at December 31, 2020, which were obtained from the forward-looking indicator ("FLI") forecasts produced by five large Canadian banks.

12-Month Forward-Looking Macroeconomic Variables (Average annual %)	**Neutral Forecast**	**Optimistic Forecast**	**Pessimistic Forecast**
Unemployment rate[1]	**7.51%**	**7.30%**	**11.41%**
GDP Growth[2]	**5.91%**	**6.55%**	**(2.9%)**
Inflation Growth[3]	**1.52%**	**1.05%**	**2.03%**
Oil Prices[4]	**$49.91**	**$55.04**	**$31.33**

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

The assignment of the probability weighting for the various scenarios using these variables involves management judgment through a robust internal review and analysis by management to arrive at a collective view on the likelihood of each scenario, particularly in light of the current COVID-19 pandemic circumstance. If management were to assign 100% probability to the pessimistic scenario forecast, the allowance for credit losses would have been $14.0 million higher than the reported allowance for credit losses as at December 31, 2020. Note the sensitivity above does not consider the migration of exposure and/or changes in credit risk that would have occurred in the loan portfolio due to risk mitigation actions or other factors.

Bad Debt Expense (Provision for Credit Losses)

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

	Three Months Ended		**Year Ended**	
($ in 000's except percentages)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Net charge offs	**27,482**	36,020	**116,429**	129,376
Net change in allowance for credit losses	**7,011**	7,237	**18,569**	27,366
Bad debt expense	**34,493**	43,257	**134,998**	156,742
Financial revenue	**142,749**	135,102	**532,245**	487,101
Bad debt expense as a percentage of Financial Revenue	**24.2%**	32.0%	**25.4%**	32.2%

Aging of the Consumer Loans receivable

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

	December 31, 2020		December 31, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Current	**1,191,176**	**95.6%**	1,045,955	94.1%
Days past due				
1 - 30 days	**34,880**	**2.8%**	40,508	3.7%
31 - 44 days	**7,645**	**0.6%**	7,692	0.7%
45 - 60 days	**5,503**	**0.4%**	7,579	0.7%
61 - 90 days	**7,258**	**0.6%**	8,578	0.8%
91 – 180 days	**378**	**0.0%**	321	0.0%
	55,664	**4.4%**	64,678	5.9%
Gross consumer loans receivable	**1,246,840**	**100.0%**	1,110,633	100.0%

A large portion of the Company's consumer loans receivable 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 as of the last Saturday of the periods was as follows:

	Saturday, December 26, 2020	Saturday, December 28, 2019
	% of total	**% of total**
Current	**94.9%**	94.9%
Days past due		
1 - 30 days	**3.5%**	3.1%
31 - 44 days	**0.5%**	0.6%
45 - 60 days	**0.5%**	0.6%
61 - 90 days	**0.6%**	0.8%
91 – 180 days	**0.0%**	0.0%
	5.1%	5.1%
Gross consumer loans receivable	**100.0%**	100.0%

Consumer Loans receivable by Geography

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

($ in 000's except percentages)	December 31, 2020 $	December 31, 2020 % of total	December 31, 2019 $	December 31, 2019 % of total
Newfoundland & Labrador	**43,672**	**3.5%**	41,009	3.7%
Nova Scotia	**66,665**	**5.4%**	61,288	5.5%
Prince Edward Island	**10,285**	**0.8%**	9,553	0.9%
New Brunswick	**56,735**	**4.6%**	50,850	4.6%
Quebec	**109,180**	**8.8%**	75,539	6.8%
Ontario	**529,909**	**42.5%**	481,543	43.4%
Manitoba	**51,995**	**4.2%**	46,127	4.1%
Saskatchewan	**62,672**	**5.0%**	59,452	5.3%
Alberta	**172,627**	**13.8%**	153,141	13.8%
British Columbia	**130,233**	**10.4%**	119,863	10.8%
Territories	**12,867**	**1.0%**	12,268	1.1%
Gross consumer loans receivable	**1,246,840**	**100.0%**	1,110,633	100.0%

Consumer Loans receivable by Loan Type

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

($ in 000's except percentages)	December 31, 2020 $	December 31, 2020 % of total	December 31, 2019 $	December 31, 2019 % of total
Unsecured Instalment Loans	**1,091,562**	**87.5%**	995,122	89.6%
Secured Instalment Loans	**155,278**	**12.5%**	115,511	10.4%
Gross consumer loans receivable	**1,246,840**	**100.0%**	1,110,633	100.0%

Leasing Portfolio Analysis

Potential Monthly Leasing Revenue

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

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

	Three Months Ended		Year Ended	
($ in 000's)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Opening potential monthly lease revenue	**8,256**	8,432	**8,643**	9,141
Change due to store opening or acquisitions during the period	**-**	88	**-**	351
Decrease due to store closures or sales during the period	**(6)**	(7)	**(52)**	(397)
Increase/(Decrease) due to ongoing operations	**211**	130	**(130)**	(452)
Net change	**205**	211	**(182)**	(498)
Ending potential monthly lease revenue	**8,461**	8,643	**8,461**	8,643

Potential monthly lease revenue is calculated as follows:

	December 31, 2020	**December 31, 2019**
Total number of lease agreements	**85,946**	91,206
Multiplied by the average required monthly lease payment per agreement	**98.45**	94.77
Potential monthly lease revenue ($ in 000's)	**8,461**	8,643

Leasing Portfolio by Product Category

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

	December 31, 2020		December 31, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Furniture	**3,624**	**42.8%**	3,917	45.3%
Electronics	**2,666**	**31.5%**	2,762	32.0%
Appliances	**1,150**	**13.6%**	1,050	12.1%
Computers	**1,021**	**12.1%**	914	10.6%
Potential monthly lease revenue	**8,461**	**100.0%**	8,643	100.0%

Leasing Portfolio by Geography

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

	December 31, 2020		December 31, 2019	
($ in 000's except percentages)	**$**	**% of total**	**$**	**% of total**
Newfoundland & Labrador	**685**	**8.1%**	716	8.3%
Nova Scotia	**847**	**10.0%**	890	10.3%
Prince Edward Island	**148**	**1.7%**	149	1.7%
New Brunswick	**702**	**8.3%**	729	8.4%
Quebec	**592**	**7.0%**	576	6.7%
Ontario	**2,706**	**32.0%**	2,769	32.0%
Manitoba	**245**	**2.9%**	246	2.9%
Saskatchewan	**398**	**4.7%**	378	4.4%
Alberta	**1,252**	**14.8%**	1,307	15.1%
British Columbia	**886**	**10.5%**	883	10.2%
Potential monthly lease revenue	**8,461**	**100.0%**	8,643	100.0%

Leasing Charge offs

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

	Three Months Ended		Year Ended	
($ in 000's except percentages)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Net charge offs	**728**	933	**2,927**	3,638
Leasing revenue	**30,470**	30,435	**120,677**	122,282
Net charge offs as a percentage of leasing revenue	**2.4%**	3.1%	**2.4%**	3.0%

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 consolidated financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

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

Same Store Revenue Growth

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

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

	Three Months Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Same store revenue growth (overall)	**4.2%**	19.7%	**6.3%**	19.5%
Same store revenue growth (easyhome)	**4.4%**	6.2%	**4.5%**	4.3%

Operating Expenses Before Depreciation and Amortization

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

	Three Months Ended		Year Ended	
($ in 000's except percentages)	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Operating expenses before depreciation and amortization	**95,190**	102,790	**371,763**	376,226
Divided by revenue	**173,219**	165,536	**652,922**	609,383
Operating expenses before depreciation and amortization as % of revenue	**55.0%**	62.1%	**56.9%**	61.7%

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)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
easyfinancial				
Operating income	**67,227**	53,345	**242,589**	189,137
Divided by revenue	**136,523**	130,005	**509,904**	470,208
easyfinancial operating margin	**49.2%**	41.0%	**47.6%**	40.2%
easyhome				
Operating income	**8,663**	6,500	**31,059**	24,839
Divided by revenue	**36,696**	35,531	**143,018**	139,175
easyhome operating margin	**23.6%**	18.3%	**21.7%**	17.8%
Total				
Operating income	**61,277**	46,483	**216,436**	168,793
Divided by revenue	**173,219**	165,536	**652,922**	609,383
Total operating margin	**35.4%**	28.1%	**33.1%**	27.7%

Cash provided by operating activities before net growth in gross consumer loans receivable

The Company defines cash provided by operating activities before net growth in gross consumer loans receivable as cash provided by (used in) operating activities if the Company has not invested in the growth of the consumer loans receivable and the loan portfolio had remained static. The Company believes cash provided by operating activities before net growth in gross consumer loans receivable is an important performance indicator to assess the cash generating ability of its existing loan portfolio.

	Three Months Ended		Year Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Cash (used in) provided by operating activities	**(23,059)**	(53,334)	**74,412**	(155,869)
Net growth in gross consumer loans receivable during the period	**64,039**	75,037	**136,207**	276,854
Cash provided by operating activities before net growth in gross consumer loans receivable	**40,980**	21,703	**210,619**	120,985

Adjusted Net Income and Adjusted Diluted Earnings Per Share

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

Items used to calculate adjusted net income and earnings per share for the three-month period and year ended December 31, 2020 and 2019 include those indicated in the chart below:

	Three Months Ended		**Year Ended**	
($ in 000's except earnings per share)	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Net income as stated	**48,911**	6,683	**136,505**	64,349
Refinancing cost[1]	**-**	21,723	**-**	21,723
Other income[2]	**(16,040)**	-	**(21,740)**	-
Tax impact of above items	**2,125**	(5,757)	**2,881**	(5,757)
After-tax impact	**(13,915)**	15,966	**(18,859)**	15,966
Adjusted net income	**34,996**	22,649	**117,646**	80,315
After-tax impact of Debentures	**-**	677	**1,586**	2,698
Fully diluted adjusted net income	**34,996**	23,326	**119,232**	83,013
Weighted average number of diluted shares outstanding	**15,589**	16,108	**15,757**	16,062
Diluted earnings per share as stated	**3.14**	0.46	**8.76**	4.17
Per share impact of normalized items	**(0.90)**	0.99	**(1.19)**	1.00
Adjusted diluted earnings per share	**2.24**	1.45	**7.57**	5.17

[1] During the fourth quarter of 2019, the Company repaid its 2022 Notes incurring a $16.0 million after-tax impact of refinancing cost.
[2] During the three-month period and year ended December 31, 2020, the Company recognized an unrealized fair value gain before-tax of $16.0 and $21.7 million, respectively, on the PayBright investment.

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

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

	Three Months Ended		
($ in 000's except percentages)	December 31, 2020	December 31, 2020 (adjusted)	December 31, 2019
Net income as stated	48,911	48,911	6,683
Finance cost	13,343	13,343	37,123
Income tax expense	15,063	15,063	2,677
Depreciation and amortization, excluding depreciation of lease assets	7,772	7,772	6,912
EBITDA	85,089	85,089	53,395
Other income	-	(16,040)	-
Adjusted EBITDA	85,089	69,049	53,395
Divided by revenue	173,219	173,219	165,536
EBITDA margin	49.1%	39.9%	32.3%

	Year Ended		
($ in 000's except percentages)	December 31, 2020	December 31, 2020 (adjusted)	December 31, 2019
Net income as stated	136,505	136,505	64,349
Finance cost	54,992	54,992	79,281
Income tax expense	46,679	46,679	25,163
Depreciation and amortization, excluding depreciation of lease assets	28,953	28,953	26,962
EBITDA	267,129	267,129	195,755
Other income	-	(21,740)	-
Adjusted EBITDA	267,129	245,389	195,755
Divided by revenue	652,922	652,922	609,383
EBITDA margin	40.9%	37.6%	32.1%

Return on Assets

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

($ in 000's except periods and percentages)	Three Months Ended December 31, 2020	December 31, 2020 (adjusted)	December 31, 2019	December 31, 2019 (adjusted)
Net income as stated	**48,911**	**48,911**	6,683	6,683
Refinancing cost	**-**	**-**	-	21,723
Other income	**-**	**(16,040)**	-	-
Tax impact of above items	**-**	**2,125**	-	(5,757)
After-tax impact	**-**	**(13,915)**	**-**	15,966
Adjusted net income	**48,911**	**34,996**	6,683	22,649
Multiplied by number of periods in year	**X 4**	**X 4**	X 4	X 4
Divided by average total assets for the period	**1,434,596**	**1,434,596**	1,279,634	1,279,634
Return on assets	**13.6%**	**9.8%**	2.1%	7.1%

($ in 000's except periods and percentages)	Year Ended December 31, 2020	December 31, 2020 (adjusted)	December 31, 2019	December 31, 2019 (adjusted)
Net income as stated	**136,505**	**136,505**	64,349	64,349
Refinancing cost	**-**	**-**	-	21,723
Other income	**-**	**(21,740)**	-	-
Tax impact of above items	**-**	**2,881**	-	(5,757)
After-tax impact	**-**	**(18,859)**	-	15,966
Adjusted net income	**136,505**	**117,646**	64,349	80,315
Divided by average total assets for the period	**1,389,540**	**1,389,540**	1,175,803	1,175,803
Return on assets	**9.8%**	**8.5%**	5.5%	6.8%

Return on Equity

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

($ in 000's except periods and percentages)	Three Months Ended			
	December 31, 2020	December 31, 2020 (adjusted)	December 31, 2019	December 31, 2019 (adjusted)
Net income as stated	**48,911**	**48,911**	6,683	6,683
Refinancing cost	**-**	**-**	-	21,723
Other income	**-**	**(16,040)**	-	-
Tax impact of above items	**-**	**2,125**	-	(5,757)
After-tax impact	**-**	**(13,915)**	-	15,966
Adjusted net income	**48,911**	**34,996**	6,683	22,649
Multiplied by number of periods in year	**X 4**	**X 4**	X 4	X 4
Divided by average shareholders' equity for the period	**426,868**	**426,868**	334,980	334,980
Return on equity	**45.8%**	**32.8%**	8.0%	27.0%

($ in 000's except periods and percentages)	Year Ended			
	December 31, 2020	December 31, 2020 (adjusted)	December 31, 2019	December 31, 2019 (adjusted)
Net income as stated	**136,505**	**136,505**	64,349	64,349
Refinancing cost	**-**	**-**	-	21,723
Other income	**-**	**(21,740)**	-	-
Tax impact of above items	**-**	**2,881**	-	(5,757)
After-tax impact	**-**	**(18,859)**	-	15,966
Adjusted net income	**136,505**	**117,646**	64,349	80,315
Divided by average shareholders' equity for the period	**377,842**	**377,842**	317,816	317,816
Return on equity	**36.1%**	**31.1%**	20.2%	25.3%

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, 2020 and 2019.

($ in 000's, except for ratios)	December 31, 2020	December 31, 2019
Consumer loans receivable, net	**1,152,378**	1,040,552
Cash	**93,053**	46,341
Investment	**56,040**	34,300
Lease assets	**49,384**	48,696
Right-of-use assets, net	**46,335**	46,147
Property and equipment, net	**31,322**	23,007
Intangible assets, net	**25,244**	17,749
Goodwill	**21,310**	21,310
Other assets	**26,850**	40,520
Total assets	**1,501,916**	1,318,622
External debt[1]	**887,749**	854,768
Lease liabilities	**53,902**	52,573
Derivative financial liabilities	**36,910**	16,435
Other liabilities	**79,843**	62,425
Total liabilities	**1,058,404**	986,201
Shareholders' equity	**443,512**	332,421
Total capitalization (external debt plus total shareholders' equity)	**1,331,261**	1,187,189
External debt to shareholders' equity	**2.00**	2.57
Net debt to net capitalization[2]	**0.64**	0.71
External debt to EBITDA	**3.32**	4.37

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

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

Total assets were $1.5 billion as at December 31, 2020, an increase of $183.3 million or 13.9% compared to December 31, 2019. The increase was related primarily to: i) the $111.8 million increase in the net consumer loans receivable which includes $31.9 million of Mogo consumer loans acquired in the first quarter of 2020; ii) the increase in cash of $46.7 million; and iii) the increase of $21.7 million in the fair value of minority equity investment in PayBright.

The $183.3 million growth in total assets was primarily financed by: i) a $33.0 million increase in external debt (principally due to the higher advances from the Company's revolving credit facility by $85 million partially offset by the redemption of all Debentures that remained unconverted on the Redemption Date); and ii) the $111.1 million increase in total shareholder's equity, which was driven by earnings generated by the Company partially offset by share buybacks under the Company's Normal Course Issuer Bid and dividends paid. While the Company has continued to pay a dividend to its shareholders, a large portion of the Company's earnings over the prior year have been retained to fund the growth of easyfinancial.

Liquidity and Capital Resources

Cash Flow Review

The table below provides a summary of cash flow components for the three months and year ended December 31, 2020 and 2019.

($ in 000's)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash provided by operating activities before net issuance of consumer loans receivable and purchase of lease assets	**74,822**	71,603	**357,690**	296,175
Net issuance of consumer loans receivable	**(85,873)**	(112,342)	**(246,824)**	(415,069)
Purchase of lease assets	**(12,008)**	(12,055)	**(36,454)**	(36,975)
Cash (used in) provided by operating activities	**(23,059)**	(53,334)	**74,412**	(155,869)
Cash used in investing activities	**(8,659)**	(4,439)	**(28,673)**	(45,128)
Cash provided by financing activities	**85,294**	74,391	**973**	147,150
Net increase (decrease) in cash for the period	**53,576**	16,618	**46,712**	(53,847)

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

Cash Flow Analysis for the Three Months Ended December 31, 2020

Cash used by operating activities for the three-month period ended December 31, 2020 was $23.1 million compared with $53.3 million of cash used in operating activities in the same period of 2019. Included in cash provided by operating activities for the three-month period ended December 31, 2020 were: i) a net investment of consumer loans receivable amounting to $85.9 million; and ii) the purchase of lease assets of $12.0 million. If the net collection of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $74.8 million for the three months ended December 31, 2020, up $3.2 million from the same period of 2019. The increase was driven by higher earnings partially offset by lower non-cash expenses such as bad debt expense, depreciation and amortization and refinancing costs related to the extinguishment of the Company's 2022 Notes.

During the fourth quarter of 2020, the Company used $8.7 million in investing activities, up $4.2 million compared to $4.4 million in the prior year, mainly due to higher investment in property and equipment and intangible assets in the current quarter than in the same period of 2019.

During the fourth quarter of 2020, the Company generated $85.3 million in cash flow from financing activities. During this quarter, the Company received the net proceeds of $100 million received from advances against the revolving credit facility. These cash inflows were partially offset by the $6.7 million of dividends paid, $5.5 million worth of shares repurchased under the Company's Normal Course Issuer Bid and $4.3 million lease liabilities paid. During the fourth quarter of 2019, the Company generated $74.4 million in cash flow from financing activities, where the Company issued US$550 million 2024 Notes and repaid the US$475 million 2022 Notes, which generated net proceeds of $79.8 million. In the same quarter in 2019, the Company received the net proceeds of $3 million from advances against its revolving credit facility. These inflows were partially offset by $4.4 million in dividend payments and the $4.1 million payment of lease liabilities.

Cash Flow Analysis for the Year Ended December 31, 2020

Cash generated by operating activities during the year was $74.4 million. In 2019, cash used in operating activities was $155.9 million. Included in cash provided by operating activities for the year ended December 31, 2020 were: i) a net investment of $246.8 million to increase the consumer loans receivable; and ii) the purchase of $36.5 million of lease assets. If the net issuance of consumer loans receivable and the purchase of lease assets were treated as cash flows from investing activities, the cash flows generated by operating activities would have been $357.7 million for the year, up from $296.2 million in 2019. The increase was due to increased earnings and favorable movements in working capital partially offset by lower non-cash expenses such as bad debt expense, depreciation and amortization and refinancing costs related to the extinguishment of the Company's 2022 Notes.

During the year, the Company used $28.7 million in investing activities compared to $45.1 million in prior year. Cash used in investing activities for the year was lower than in 2019 mainly due to the investment of $34.3 million in PayBright in 2019 partially offset by the higher investment in property and equipment and intangible assets in the current year.

During the year, the Company generated $1 million in cash flow from financing activities. During the year, the Company received the net proceeds of $85 million received from advances against its revolving credit facility. These cash inflows were partially offset by $42.4 million worth of shares repurchased under the Company's Normal Course Issuer Bid, $23.9 million of dividends paid, $16.8 million lease liabilities paid and $2.4 million redemption of Debentures. In 2019, the Company generated $147.2 million in cash flow from financing activities, which included the net proceeds of $115.0 million from advances against the Company's revolving credit facility and the net proceeds of $79.8 million generated from the issuance of 2024 Notes and repayment of 2022 Notes partially offset by the $20.3 million worth of shares repurchased under the Company's Normal Course Issuer Bid, the payment of $16.7 million in dividends and the net payment of $15.7 million in lease liabilities.

Capital Resources

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

As at December 31, 2020, the Company's external debt consisted of US$550 million of 2024 Notes (with net carrying values of $689.4 million) and $200 million drawn against the Company's revolving credit facility. The borrowing limit under the revolving credit facility was $310 million, leaving $110 million in additional available borrowing capacity as at December 31, 2020.

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

Borrowings under the Debenture bear interest at 5.75%. The Debentures mature on July 31, 2022 and are convertible at the holder's option into Common Shares of the Company at a conversion price of $43.36 per share. During the year ended December 31, 2020, $41.6 million (2019 - $7.0 thousand) of Debentures had converted into 959,983 (2019 - 158) Common Shares. On July 31, 2020, the Company redeemed all remaining Debentures that remained unconverted on the Redemption Date and the Debentures were de-listed from TSX subsequently thereafter.

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

As described in the preceding section: Analysis of Results for the Year Ended December 31, 2020, the Company established a new $200 million Revolving Securitization Warehouse Facility which bears an interest at the rate of 1-month Canadian Dollar Offered Rate ("CDOR") plus 295 bps. As at December 31, 2020, the Company has not drawn any amount against it.

The average blended coupon interest rate for the Company's debt as at December 31, 2020, was 5.2% down from 5.6% as at December 31, 2019.

As at December 31, 2020, the Company had total unrestricted cash on hand and borrowing capacities under its revolving credit facility and securitization warehouse facility of $403 million and the ability to exercise the accordion feature under this facility to add an additional $75 million in borrowing capacity. Ultimately, the current cash on hand and current borrowing limits, excluding future enhancements or diversification of funding sources, provide adequate growth capital for the Company to execute its growth plan and meet its forecast through the third quarter of 2023 based on the Company's organic growth assumptions. However, the Company's forecast could also be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic.

<u>Outstanding Shares and Dividends</u>

As at February 17, 2021, there were 14,802,735 Common Shares, 271,050 deferred share units, 576,799 options, 269,590 restricted share units, and no warrants outstanding.

Normal Course Issuer Bid

On December 16, 2020, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") (the "2020 NCIB"). Pursuant to the 2020 NCIB, the Company proposed to purchase, from time to time, if considered advisable, up to an aggregate of 1,079,703 Common Shares being approximately 10% of goeasy's public float as of December 9, 2020. As at December 9, 2020, goeasy had 14,801,169 Common Shares issued and outstanding, and the average daily trading volume for the nine months prior to November 30, 2020, was 83,554. Under the 2020 NCIB, daily purchases will be limited to 20,888 Common Shares, representing 25% of the average daily trading volume, other than block purchase exemptions. The purchases were permitted to commence on December 21, 2020, and will terminate on December 20, 2021, or on such earlier date as the Company may complete its purchases pursuant to the 2020 NCIB. The 2020 NCIB will be conducted through the facilities of the TSX or alternative trading systems, if eligible, and will conform to their regulations. Purchases under the 2020 NCIB will be made by means of open market transaction or other such means as a security regulatory authority may permit, including pre-arranged crosses, exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority. The price that goeasy will pay for any Common Shares will be the market price of such shares at the time of acquisition, unless otherwise permitted under applicable rules.

On December 18, 2019, the Company announced the acceptance by the TSX of the Company's Notice of Intention to Make a NCIB (the "2019 NCIB"). Pursuant to the 2019 NCIB, the Company proposed to purchase, from time to time, if considered advisable, up to an aggregate of 1,038,269 Common Shares being approximately 10% of goeasy's public float as of December 9, 2019. As at December 9, 2019, goeasy had 14,346,709 Common Shares issued and outstanding, and the average daily trading volume for the nine months prior to November 30, 2019, was 36,081. Under the 2019 NCIB, daily purchases were limited to 9,020 Common Shares, representing 25% of the average daily trading volume, other than block purchase exemptions. The 2019 NCIB was permitted to commence on December 20, 2019 and the 2019 NCIB terminated on December 19, 2020. The purchases made by goeasy pursuant to the 2019 NCIB were effected through the facilities of the TSX, as well as alternative trading systems, and in accordance with the rules of the TSX. The price that the Company paid for any Common Shares was the market price of such shares at the time of acquisition. The Company did not purchase any Common Shares other than by open-market purchases. Under the 2019 NCIB, the Company completed the purchase for cancellation through the facilities of the TSX of 767,855 Common Shares at a weighted average price of $55.18 per Common Share for a total cost of $42.4 million.

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

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

During the year ended December 31, 2020, the Company repurchased and cancelled 767,855 (2019 – 458,260) of its Common Shares on the open market at an average price of $55.18 (2019 - $44.31) per share for a total cost of $42.4 million (2019 - $20.3 million) pursuant to 2019 NCIB (2019 - 2018 NCIB).

Dividends

During the quarter ended December 31, 2020, the Company paid a $0.45 per share quarterly dividend on outstanding Common Shares. This dividend was paid on January 8, 2021.

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.

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

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

	2020	2019	2018	2017	2016	2015	2014
Dividend per share	$0.450	$0.310	$ 0.225	$ 0.180	$ 0.125	$ 0.100	$ 0.085
Percentage increase	45.2%	37.8%	25.0%	44.0%	25.0%	17.6%	0.0%

Commitments, Guarantees and Contingencies

Commitments

The Company is committed to software maintenance, development and licensing service agreements, and operating leases for premises and vehicles. The undiscounted potential future lease payments for operating leases for premises and vehicles and the estimated operating costs related to technology 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	17,164	35,641	4,837
Vehicles	881	1,722	52
Technology commitments	11,315	5,985	-
Total contractual obligations	**29,360**	**43,348**	**4,889**

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 Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Corporate Governance, Nominating and Risk Committee of the Board reviews the Company's risk management policies on an annual basis.

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'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, to access customers through new delivery channels, to successfully develop and launch new products to meet evolving customer demands, to secure growth financing at a reasonable cost, 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.

Market Risk

Macroeconomic Conditions

Certain changes in macroeconomic conditions, many of which are beyond the Company's control, can have a negative impact on its customers and its performance. The Company's primary customer segment is the non-prime consumer. These cash and credit constrained customers are affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower collection rates and result in higher 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.

There can be no assurance that economic conditions will remain favorable for the Company's business or that demand for loans or default rates by customers will remain at current levels. Reduced demand for loans would negatively impact the Company's growth and revenues, while increased default rates by customers may inhibit the Company's access to capital, hinder the growth of the loan portfolio attributable to its products and negatively impact its profitability. Either such result could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

COVID-19 Pandemic

The Company's business has been and will continue to be impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The COVID-19 pandemic has had, and will continue to have, a broad impact across industries and the economy, including by affecting consumer confidence, global financial markets (with global equity markets having experienced significant volatility and weakness), regional and international travel, supply chain distribution of various products for many industries, government and private sector operations, the price of consumer goods, country-wide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce. Additionally, the second wave of the COVID-19 pandemic and the emergence of new variants have led to governments around the world to continue to enact measures to combat the spread of the COVID-19 virus, including, but not limited to, the implementation of travel bans, border closings, mandated closure of non-essential services, self-imposed quarantine periods and social and physical distancing policies, which have contributed to the material disruption to businesses globally, resulting in a sudden economic slowdown. The ever-changing and rapidly-evolving effects of COVID-19, the duration, extent and severity of which are currently unknown, on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase delinquencies and defaults. Therefore, the COVID-19 virus and the measures to prevent its spread may negatively impact interest rates, credit ratings, credit risk, inflation, financial conditions, results of operations of the Company and other risk factors relevant to the Company.

Interest Rate Risk

The Company's future success depends in part on its ability to access capital markets and obtain financing on reasonable terms. This is dependent on a number of factors, many of which the Company cannot control, including interest rates. Amounts due under the Company's credit facilities may bear interest at a variable rate. The Company may not hedge its interest rate risks and future changes in interest rates may affect the amount of interest expense the Company pays. Any increases in interest rates, or in the Company's inability to access the debt or equity markets on reasonable terms, could have an adverse impact on its financial condition, results of operations and growth prospects.

Foreign Currency Risk

The 2024 Notes are US$ denominated. In connection with the offering of the 2024 Notes, the Company entered into the cross-currency swap to fix the foreign exchange rate for the obligations of the 2024 Notes and for all required payments of principal and interest.

The Company sources some of its merchandise out of the U.S. and, as such, its Canadian operations have some U.S. denominated cash and payable balances. As a result, the Company has both foreign exchange transaction and translation risk. Although the Company has U.S. dollar denominated purchases, it 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 its financial performance.

Competition

The Company estimates the size of the Canadian market for non-prime consumer lending, excluding mortgages, is approximately $196 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 online lenders are expected to continue their expansion into the non-prime market.

The Company also faces direct competition in the Canadian market from other merchandise leasing companies. Other factors that may adversely affect the performance of the leasing business are increased sales of used furniture and electronics online and at 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.

The Company may be unable to compete effectively with new and existing competitors, which could adversely affect its revenues and results of operations. In addition, investments required to adjust to changing market conditions may adversely affect the Company's business and financial performance.

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 its 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 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 credit losses as prescribed by IFRS 9 and as described fully in the notes to the Company's consolidated financial statements for the year ended December 31, 2020. The process for establishing an allowance for loan losses is critical to the Company's results of operations and financial conditions and is based on historical data, the underlying health and quality of the consumer loan portfolio at a point in time, and forward-looking indicators. To the extent that such inputs used to develop its allowance for credit losses are not representative or predictive of current loan book performance, the Company could suffer increased loan losses above and beyond those provided for on its consolidated 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.

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. 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 consolidated financial statements for such uncollectible amounts.

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 and its financial performance could be adversely affected.

Liquidity and Funding Risk

Liquidity Risk

The Company has been funded through various sources, including the revolving credit facility, the Revolving Securitization Warehouse Facility, the 2024 Notes, 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, the Company may 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 favorable to the Company. The inability to access adequate sources of financing, or to do so on favorable terms, may adversely affect the Company's capital structure and ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support the Company's 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 Company's capital structure consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

All of the Company's debt facilities 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 the Company's operations 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 is unable to renew these facilities on acceptable terms when they become due, there could be a material adverse effect on the Company's financial condition, liquidity and results of operations.

Debt Service

The Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to repay the principal and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, reduce its growth plans, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to obtain such alternative measures on commercially reasonable terms, or at all and, even if successful, those alternative actions may not allow it to meet its scheduled debt service obligations. The Company's credit agreements restrict its ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate any such dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations when due.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all would materially and adversely affect its business, results of operations and financial condition. Failure to meet its debt obligations could result in default under its lending agreements. In the event of such default, the holders of such indebtedness could elect to declare all of the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. If the Company's operating performance declines, it may need to seek waivers from the holders of such indebtedness to avoid being in default under the instruments governing such indebtedness. If the Company breaches its covenants under its indebtedness, it may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to the Company or at all. If this occurs, the Company would be in default under such indebtedness, and the holders of such indebtedness could exercise their rights as described above and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. A default under the agreements governing certain of the Company's existing or future indebtedness and the remedies sought by the holders of such indebtedness could make the Company unable to pay principal or interest on the debt.

Debt Covenants

The agreements governing the Company's credit facilities contain restrictive covenants that may limit its discretion with respect to certain business matters. These covenants may place significant restrictions on, among other things, the Company's ability to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets. In addition, the agreements governing the Company's credit facilities may contain financial covenants that require it to meet certain financial ratios and financial condition tests.

If the Company fails to maintain the requisite financial ratios under the agreement governing its credit facilities, it will be unable to draw any amounts under the revolving credit facility until such default is waived or cured as required. In addition, such a failure could constitute an event of default under the Company's lending agreements entitling the lenders to accelerate the outstanding indebtedness thereunder unless such event of default is cured as required by the agreement. The Company's ability to comply with these covenants in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond its control.

The restrictions in the agreements governing the Company's credit facilities may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with companies that are not similarly restricted. The Company may also incur future debt obligations that might subject it to additional restrictive covenants that could affect its financial and operational flexibility.

The Company's ability to comply with the covenants and restrictions contained in the agreement governing the Company's credit facilities may be affected by economic, financial and industry conditions beyond its control. The breach of any of these covenants or restrictions could result in a default under the agreements that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable (including terminating any outstanding hedging arrangements), together with accrued and unpaid interest, or cause cross-defaults under the Company's other debts. If the Company is unable to repay its secured debt, lenders could proceed against the collateral securing the debt. This could have serious consequences to the Company's financial condition and results of operations and could cause it to become bankrupt or insolvent.

Credit Ratings

The Company received credit ratings in connection with the issuance of its 2024 Notes. Any credit ratings applied to the 2024 Notes are an assessment of the Company's ability to pay its obligations. The Company is under no obligation to maintain any credit rating with credit rating agencies and there is no assurance that any credit rating assigned to the 2024 Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering, withdrawal or failure to maintain any credit ratings applied to the 2024 Notes may have an adverse effect on the market price or value and the liquidity of the 2024 Notes and, in addition, any such action could make it more difficult or more expensive for the Company to obtain additional debt financing in the future.

Operational Risk

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.

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.

Outsource Risk

The Company outsources certain business functions to third-party service providers, which increases its operational complexity and decreases its control. The Company relies on these service providers to provide a high level of service and support, which subjects it to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to the Company were otherwise disrupted, the Company would have to obtain these services from an alternative provider. The Company may be unable to replace, or be delayed in replacing, these sources and there is a risk that it would be unable to enter into a similar agreement with an alternate provider on terms that it considers favorable or in a timely manner. In the future, the Company may outsource additional business functions. If any of these or other risks relating to outsourcing were realized, the Company's financial position, liquidity and results of operations could be adversely affected.

Fraud Risk

Employee error and employee and customer misconduct could subject the Company to financial losses or regulatory sanctions and seriously harm the Company's reputation. Misconduct by its employees could include hiding unauthorized activities, improper or unauthorized activities on behalf of customers or improper use of confidential information. It is not always possible to prevent employee error and misconduct, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. Employee error could also subject the Company to financial claims for negligence.

If the Company's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured, exceeds applicable insurance limits or if insurance coverage is denied or not available, it could have a material adverse effect on the Company's business, financial condition and results of operations.

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.

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 the Company's 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 and information security laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy and information security 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.

Risk Management Processes and Procedures

The Company has established a Risk Oversight Committee and created regular and ongoing 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.

Compliance Risk

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 and 52-109F1 Certification of annual filings of the Ontario Securities Commission, which requires the Company's CEO and CFO to submit a quarterly and annual 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.

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.

Section 347 of the Criminal Code prohibits the charging of an effective annual rate of interest that exceeds sixty percent for an agreement or arrangement for credit advanced. The Company believes that easyfinancial is subject to section 347 of the Criminal Code and closely monitors any legislative activity in this area. The application of additional 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. At present, additional provincial regulation in certain geographic areas focusing on high-cost credit loans have been adopted, but do not materially impact the Company's business operations.

While management of the Company is of the view that its merchandise leasing business does not involve the provision of credit, it could be determined that aspects of easyhome's merchandise leasing business are subject to the Criminal Code. The Company has implemented measures to ensure that the aggregate of all charges and expenses under its merchandise lease agreement do not exceed the maximum interest rate allowed by law. Where aspects of easyhome's business are subject to the Criminal Code, and the Company has not complied with the requirements thereof, the Company could be subject to either or both (1) civil actions for nullification of contracts, rebate of some or all payments made by customers, and damages and (2) criminal prosecution for violation of the Criminal Code, any of which outcomes 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.

easyfinancial is subject to minimal regulatory capital requirements in connection with its operations in Saskatchewan. Otherwise, the Company operates in an unregulated environment with regard to capital requirements.

Accounting Standards

From time to time the Company may be subject to changes in accounting standards issued by accounting standard-setting bodies, which may affect the Company's consolidated financial statements and reduce its reported profitability.

Legal and Reputational Risk

Reputation

The Company's reputation is very important to attracting new customers to its platform, securing repeat lending to existing customers, hiring the best employees and obtaining financing to facilitate the growth of its business. While the Company believes that it has a good reputation and that it provides customers with a superior experience, there can be no assurance that the Company will continue to maintain a good relationship with customers or avoid negative publicity.

In recent years, consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on non-bank consumer loans. Such consumer advocacy groups and media reports generally focus on the annual percentage rate for this type of consumer loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories. The finance charges the Company assesses can attract media publicity about the industry and be perceived as controversial. Customer's acceptance of the interest rates the Company charges on its consumer loans receivable could impact the future rate of the growth. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, the Company could become subject to more restrictive laws and regulations applicable to consumer loan products that could have a material adverse effect on the Company's business, prospects, results of operations, financial condition or cash flows.

The Company's ability to attract and retain customers is highly dependent upon the external perceptions of its level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters — even if related to seemingly isolated incidents, or even if related to practices not specific to short-term loans, such as debt collection — could erode trust and confidence and damage the Company's reputation among existing and potential customers, which would make it difficult to attract new customers and retain existing customers, significantly decrease the demand for the Company's products, result in increased regulatory scrutiny, and have a material adverse effect on the Company's business, prospects, results of operations, financial condition, ability to raise growth capital or cash flows.

The Company's former U.S. franchisees and certain other persons operate a lease-to-own business within the U.S. Although the Company does not own these businesses, their use of the easyhome name could adversely affect the Company if these third parties receive negative publicity or if external perceptions of these third parties' levels of service, trustworthiness or business practices are negative.

Litigation

From time to time and in the normal course of business, the Company may be involved in material litigation or may be subject to regulatory actions. There can be no assurance that any litigation or regulatory action 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. Lawsuits or regulatory actions could cause the Company to incur substantial expenditures, generate adverse publicity and could significantly impair the Company's business, force it to cease doing business in one or more jurisdictions or cause it to cease offering one or more products.

The Company is also likely to be subject to further litigation and communications with regulators in the future. An adverse ruling or a settlement of any current or future litigation or regulatory actions against the Company or another lender could cause the Company to have to refund fees and/or interest collected, forego collections of the principal amount of loans, pay multiple damages, pay monetary penalties and/or modify or terminate its operations in particular jurisdictions. Defense of any lawsuit or regulatory action, even if successful, could require substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs.

Possible Volatility of Stock Price

The market price of the 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, concerns about the global economy and potential recession, economic shocks such as the ongoing global pandemic related to an outbreak of COVID-19 and the 2015 decline in oil prices and their related impacts 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.

Critical Accounting Estimates

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

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

The Company's critical accounting estimates are as described in the December 31, 2020 notes to the consolidated financial statements.

Changes in Accounting Policy and Disclosures

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

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

(b) Standards issued but not yet effective

Amendments to IFRS 16 COVID-19 Related Rent Concessions
On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Company has not early adopted this amendment as these amendments had no impact on the consolidated financial statements.

Internal Controls

Disclosure Controls and Procedures ("DC&P")

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

The Company's management, under supervision of, and with the participation of, the CEO and CFO, have designed and evaluated the Company's DC&P, as required in Canada by National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*". Based on this evaluation, the CEO and CFO have concluded that the design of the system of the Company's disclosure controls and procedures were effective as at December 31, 2020.

Internal Controls over Financial Reporting ("ICFR")

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

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

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

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

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

Changes to ICFR during 2020

No changes were made in our internal control over financial reporting during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of ICFR at December 31, 2020

As at December 31, 2020, under the direction and supervision of the CEO and CFO, the Company has evaluated the effectiveness of the Company's ICFR. The evaluation included a review of key controls, testing and evaluation of such test results. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2020.