Interim Condensed Consolidated Financial Statements

goeasy Ltd.

(Unaudited)
June 30, 2018

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)
(expressed in thousands of Canadian dollars)

	As At June 30, 2018	As At December 31, 2017
ASSETS		
Cash (note 5)	**19,243**	109,370
Amounts receivable	**16,305**	14,422
Prepaid expenses	**5,380**	3,545
Consumer loans receivable (note 6)	**646,298**	513,425
Lease assets	**51,103**	54,318
Property and equipment	**16,022**	15,941
Deferred tax assets (note 14)	**10,418**	2,121
Intangible assets	**14,706**	15,163
Goodwill	**21,310**	21,310
Derivative financial asset (note 9)	**4,316**	-
TOTAL ASSETS	**805,101**	749,615
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	**42,738**	43,071
Income taxes payable	**2,658**	9,445
Dividends payable (note 10)	**3,077**	2,426
Deferred lease inducements	**1,003**	1,294
Unearned revenue	**5,810**	4,819
Convertible debentures (note 8)	**48,095**	47,985
Loan from revolving credit facilty (Note 7)	**49,738**	-
Notes payable (note 9)	**420,552**	401,193
Derivative financial liability (note 9)	**-**	11,138
TOTAL LIABILITIES	**573,671**	521,371
Shareholders' equity		
Share capital (note 10)	**89,512**	85,874
Contributed surplus	**12,623**	15,305
Accumulated other comprehensive (loss) income	**(1,731)**	141
Retained earnings	**131,026**	126,924
TOTAL SHAREHOLDERS' EQUITY	**231,430**	228,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**805,101**	749,615

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

David Ingram
Director

Donald K. Johnson
Director

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
REVENUE				
Interest income	**60,775**	40,781	**114,566**	78,915
Lease revenue	**30,133**	31,525	**60,802**	63,435
Commissions earned	**29,188**	21,936	**56,127**	42,909
Charges and fees	**3,247**	3,304	**6,625**	6,532
	123,343	97,546	**238,120**	191,791
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Salaries and benefits	**29,715**	25,793	**58,190**	49,615
Stock-based compensation (note 11)	**1,735**	1,266	**3,354**	2,332
Advertising and promotion	**5,661**	5,295	**9,590**	8,727
Bad debts	**27,549**	17,173	**51,927**	31,290
Occupancy	**8,668**	8,304	**17,230**	16,616
Other expenses (note 12)	**10,320**	8,317	**19,823**	18,152
	83,648	66,148	**160,114**	126,732
DEPRECIATION AND AMORTIZATION				
Depreciation of lease assets	**10,051**	10,220	**20,053**	20,942
Depreciation of property and equipment	**1,391**	1,330	**3,009**	2,654
Amortization of intangible assets	**1,451**	1,242	**3,218**	2,444
	12,893	12,792	**26,280**	26,040
Total operating expenses	**96,541**	78,940	**186,394**	152,772
Operating income	**26,802**	18,606	**51,726**	39,019
Finance costs (note 13)	**10,425**	6,578	**20,095**	12,403
Income before income taxes	**16,377**	12,028	**31,631**	26,616
Income tax expense (recovery) (note 14)				
Current	**6,413**	(1,310)	**11,335**	4,137
Deferred	**(1,857)**	4,448	**(2,599)**	3,319
	4,556	3,138	**8,736**	7,456
Net income	**11,821**	8,890	**22,895**	19,160
Basic earnings per share (note 15)	**0.86**	0.66	**1.67**	1.42
Diluted earnings per share (note 15)	**0.82**	0.63	**1.58**	1.36

See accompanying notes to the interim condensed consolidated financial statements.

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net income	**11,821**	8,890	**22,895**	19,160
Other comprehensive (loss) income to be reclassified to P&L in subsequent periods				
Change in foreign currency translation reserve	**(4)**	(13)	**(9)**	(27)
Change in fair value of cash flow hedge, net of taxes	**753**	-	**(1,863)**	-
	749	(13)	**(1,872)**	(27)
Comprehensive income	**12,570**	8,877	**21,023**	19,133

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(expressed in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance, December 31, 2017	**85,874**	**15,305**	**101,179**	**126,924**	**141**	**228,244**
International Financial Reporting Standards 9 adjustment (note 3)	**-**	**-**	**-**	**(12,659)**	**-**	**(12,659)**
Adjusted Balance, January 1, 2018	**85,874**	**15,305**	**101,179**	**114,265**	**141**	**215,585**
Common shares issued	**3,638**	**(2,972)**	**666**	**-**	**-**	**666**
Stock-based compensation (note 11)	**-**	**3,354**	**3,354**	**-**	**-**	**3,354**
Shares withheld related to net share settlement	**-**	**(3,064)**	**(3,064)**	**-**	**-**	**(3,064)**
Comprehensive income (loss)	**-**	**-**	**-**	**22,895**	**(1,872)**	**21,023**
Dividends (note 10)	**-**	**-**	**-**	**(6,134)**	**-**	**(6,134)**
Balance, June 30, 2018	**89,512**	**12,623**	**102,135**	**131,026**	**(1,731)**	**231,430**
Balance, December 31, 2016	82,598	9,943	92,541	102,610	880	196,031
Common shares issued	1,686	(1,379)	307	-	-	307
Equity component of convertible debentures issued (note 8)	-	3,241	3,241	-	-	3,241
Stock-based compensation (note 11)	-	2,332	2,332	-	-	2,332
Shares withheld related to net share settlement	-	(1,680)	(1,680)	-	-	(1,680)
Shares purchased for cancellation (note 10)	(536)	-	(536)	(2,158)	-	(2,694)
Comprehensive income (loss)	-	-	-	19,160	(27)	19,133
Dividends (note 10)	-	-	-	(4,813)	-	(4,813)
Balance, June 30, 2017	83,748	12,457	96,205	114,799	853	211,857

See accompanying notes to the interim condensed consolidated financial statements.

goeasy Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(expressed in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
OPERATING ACTIVITIES				
Net income	**11,821**	8,890	**22,895**	19,160
Add (deduct) items not affecting cash				
Depreciation of lease assets	**10,051**	10,220	**20,053**	20,942
Depreciation of property and equipment	**1,391**	1,330	**3,009**	2,654
Amortization of intangible assets	**1,451**	1,242	**3,218**	2,444
Amortization of deferred financing charges	**806**	-	**1,750**	-
Stock-based compensation (note 11)	**1,735**	1,266	**3,354**	2,332
Bad debts expense	**27,549**	17,173	**51,927**	31,290
Deferred income tax (recovery) (note 14)	**(1,857)**	4,448	**(2,599)**	3,319
(Gain) loss on sale or disposal of assets	**14**	(934)	**(570)**	(867)
	52,961	43,635	**103,037**	81,274
Net change in other operating assets and liabilities (note 16)	**(15,774)**	(2,624)	**(10,352)**	(6,595)
Net issuance of consumer loans receivable	**(108,440)**	(55,155)	**(202,208)**	(86,435)
Purchase of lease assets	**(9,502)**	(9,281)	**(17,350)**	(19,563)
Cash used in operating activities	**(80,755)**	(23,425)	**(126,873)**	(31,319)
INVESTING ACTIVITIES				
Purchase of property and equipment	**(1,908)**	(1,604)	**(3,248)**	(2,630)
Purchase of intangible assets	**(1,854)**	(1,271)	**(2,762)**	(3,036)
Proceeds on sale of assets	**16**	1,676	**1,231**	1,676
Cash used in investing activities	**(3,746)**	(1,199)	**(4,779)**	(3,990)
FINANCING ACTIVITIES				
Advances from revolving credit facility	**49,406**	-	**49,406**	-
Issuance of convertible debentures	**-**	50,519	**-**	50,519
Advances (repayment) of term loan	**-**	(152)	**-**	12,838
Payment of common share dividends	**(3,057)**	(2,414)	**(5,483)**	(4,080)
Issuance of common shares	**133**	28	**666**	307
Shares withheld related to net share settlement	**(30)**	(28)	**(3,064)**	(1,681)
Purchase of common shares for cancellation (note 10)	**-**	(2,694)	**-**	(2,694)
Cash provided by financing activities	**46,452**	45,259	**41,525**	55,209
Net (decrease) increase in cash during the period	**(38,049)**	20,635	**(90,127)**	19,900
Cash, beginning of period	**57,292**	24,193	**109,370**	24,928
Cash, end of period	**19,243**	44,828	**19,243**	44,828

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
(Expressed in thousands of Canadian dollars except where otherwise indicated)
For the periods ended June 30, 2018 and June 30, 2017

1. CORPORATE INFORMATION

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

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

The Company operates in two reportable segments: easyfinancial and easyhome. As at June 30, 2018, the Company operated 237 easyfinancial locations (including 40 kiosks within easyhome stores) and 165 easyhome stores (including 31 franchises and one consolidated franchise location). As at December 31, 2017, the Company operated 228 easyfinancial locations (including 42 kiosks within easyhome stores) and 171 easyhome stores (including 30 franchises and one consolidated franchise location).

2. BASIS OF PREPARATION

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

As at June 30, 2018, the Parent Company's principal subsidiaries were:

- RTO Asset Management Inc.
- easyfinancial Services Inc.
- easyhome U.S. Ltd.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 7, 2018.

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

The unaudited interim condensed consolidated financial statements for the three and six-month period ended June 30, 2018 were prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements, except for the new accounting policies adopted and described in note 3. These unaudited interim condensed consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

3. ADOPTION OF ACCOUNTING STANDARD

IFRS 9, Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”). IFRS 9 introduces a new expected loss impairment model which replaces the existing incurred loss impairment model under IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). The adoption of IFRS 9 does not require restatement of comparative period financial statements except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives provided hindsight is not applied. The Company made the decision not to restate comparative period financial information and has recognized any measurement differences between the previous carrying amounts and the new carrying amounts on January 1, 2018, through an adjustment to opening retained earnings. Refer to the Company’s 2017 Annual Consolidated Financial Statements and the accompanying Notes for accounting policies under IAS 39 applied during those periods.

Under IAS 39, a collective allowance for loan loss is recorded on those loans, or groups of loans, where a loss event had occurred but had not been reported, as at, or prior to, the balance sheet date. An incurred but not reported loss event provided objective evidence to establish an allowance for loan loss against such loans. IAS 39 prohibited recognizing any allowance for loan losses expected in the future if a loss event has not occurred.

Classification and measurement

Under IFRS 9, financial instruments are measured under the following classifications:

All financial assets must be classified at initial recognition at fair value through: i) profit or loss (“FVTPL”), ii) amortized cost, iii) debt financial instruments measured at fair value through other comprehensive income (“FVOCI”), iv) equity financial instruments designated at FVOCI, or v) financial instruments designated at FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed. All financial assets and derivatives are required to be measured at fair value with the exception of financial assets measured at amortized cost. Financial assets are required to be reclassified when and only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a “solely payment of principal and interest” (“SPPI”) test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a “held for trading” or “fair value” basis are classified as FVTPL. Debt instruments that are managed on a “hold to collect and for sale” basis are classified as FVOCI for debt. Debt instruments that are managed on a “hold to collect” basis are classified as amortized cost.

Consistent with IAS 39, all financial assets held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost with the exception of derivative financial instruments. Derivatives continue to be measured at FVTPL under IFRS 9, except to the extent that they are designated in a hedging relationship, in which case the IAS 39 hedge accounting requirements continue to apply. There were no material changes to the carrying values of financial instruments as a result of the transition to the classification and measurement requirements of IFRS 9.

The classification and measurement of financial liabilities remain essentially unchanged from the IAS 39 requirements, except that changes in the fair value of liabilities designated at FVTPL using the fair value option (FVO) which are attributable to changes in own credit risk are presented in OCI, rather than profit and loss.

Impairment

Under IFRS 9, the Company is required to apply an expected credit loss (ECL) model, where credit losses that are expected to transpire in future years irrespective of whether a loss event has occurred or not as at the balance sheet date, are provided for. Under IFRS 9, the Company is required to assess and segment its loan portfolio into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3) categories as at each date of the statement of financial position. Loans are categorized as under-performing if there has been a significant increase in credit risk. The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase or decrease in the credit risk of a loan. Indicators of a significant increase in credit risk include a recent degradation in internal company risk rating based on the Company's custom behaviour credit scoring model, NSF transactions, delinquency and adjustments to the loan's terms. Under-performing loans are recategorized to performing only if there is deemed to be a substantial decrease in credit risk. Loans are categorized as non-performing if there is objective evidence that such loans will likely charge off in the future which we have determined to be when loans are delinquent for greater than 30 days. For performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on that group of loans over the ensuing twelve months. For under-performing and non-performing loans, the Company is required to record an allowance for loan losses equal to the expected losses on those groups of loans over their remaining life.

The Company does not provide any additional credit to borrowers who are delinquent. In order for additional credit to be advanced to a borrower, they must be current on their pre-existing loan and meet the Company's credit and underwriting requirements. In limited situations, the Company may amend the terms of a loan, typically through deferring payments and extending the loan amortization period, for customers that are current or are in arrears as a means to ensure the customer remains able to repay the loan.

The key inputs in the measurement of ECL allowances are as follows:
• The probability of default is an estimate of the likelihood of default over a given time horizon;
• The exposure at default is an estimate of the exposure at a future default date;
• The loss given default is an estimate of the loss arising in the case where a default occurs at a given time; and
• Forward looking indicators ("FLIs").

Ultimately, the expected credit loss is calculated based on the probability weighted expected cash collected shortfall against the carrying value of the loan and considers reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions that may impact the credit profile of the loans. Forward-looking information is considered when determining significant increase in credit risk and measuring expected credit losses. Forward-looking macroeconomic factors are incorporated in the risk parameters as relevant. From an analysis of historical data, management has identified and reflected in our ECL allowance those relevant FLIs variables that contribute to credit risk and losses within our loan portfolio. Within our loan portfolio, the most highly correlated variables are unemployment rates, inflation, and oil prices.

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

It is important to note that the adoption of IFRS 9 does not directly impact the net charge-off rate of the Company's consumer loans receivable portfolio which is driven by borrowers' credit profile and behaviour. The Company will continue to write off unsecured customer balances that are delinquent greater than 90 days and secured customer balances that are delinquent greater than 180 days. Likewise, the cash flows used in and generated by the Company's consumer loans receivable portfolio are not impacted by the adoption of IFRS 9 as the periodic increase in the allowance for loan losses as a result of growth in the consumer loans receivable is a non-cash item.

The following table summarizes the Transition Adjustment required to adopt IFRS 9 as at January 1, 2018.

	IAS 39 carrying amount as at December 31, 2017	Transition Adjustment	IFRS 9 carrying amount as at January 1, 2018
Consumer loans receivable	**513,425**	**(17,406)**	**496,019**
Income taxes payable	**9,445**	**(4,749)**	**4,696**
Retained earnings	**126,924**	**(12,659)**	**114,265**

The reconciliation of the company's closing allowances for credit losses in accordance with IAS 39, as at December 31, 2017 and the opening allowance for credit losses in accordance with IFRS 9, as at January 1, 2018 is as shown in the following table:

	As reported under IAS39 as at December 31, 2017	Transition Adjustments	As reported under IFRS 9 as at January 1, 2018
Allowance for credit losses	**31,706**	**17,406**	**49,112**
Stage 1 (Performing)			**24,384**
Stage 2 (Under-Performing)			**16,193**
Stage 3 (Non-Performing)			**8,535**
Total			**49,112**

Hedge accounting

IFRS 9 also introduces a new general hedge accounting model that aims to better align accounting with risk management activities. The Company has adopted hedge accounting under IFRS 9 and applied it prospectively. At the date of the initial application, the Company's hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Company has continued to designate the change in fair value of all of the cross-currency swaps to the Company's cash flow hedge relationship and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Company's financial statements. The Company complies with the revised hedge accounting disclosures as required by the related amendments to IFRS 7, Financial Instruments: Disclosures (IFRS 7). The application of hedge accounting requirements of IFRS 9 did not have a material impact on the Company's accounting policies or comparative balances in the financial statements.

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

IFRS 15, Revenue from Contracts with Customers

On January 1, 2018, the Company adopted and applied IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The new standard did not result in any financial adjustments to the Company's interim condensed consolidated financial statements, nor any material changes to the Company's revenue recognition policies. Additional required disclosures and revenue segmentation is as provided in note 19 Segmented Reporting.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16, Leases

The Company will be required to adopt IFRS 16, Leases ("IFRS 16"), which is the International Accounting Standards Board's ("IASB") replacement of IAS 17, Leases. IFRS 16 will require lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" for most lease contracts. IFRS 16 is required to be applied for fiscal years beginning on or after January 1, 2019, with early adoption permitted, but only in conjunction with the adoption of IFRS 15. The Company is in the process of assessing the impact of this standard.

5. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates. The Company has pledged part of its cash to fulfil collateral requirements under its derivative financial instruments contract. As at June 30, 2018, the fair value of the cash pledged was $5,520 (December 31, 2017 – $16,240).

6. CONSUMER LOANS RECEIVABLE

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

	June 30, 2018	**December 31, 2017**
Gross consumer loans receivable	**686,573**	526,546
Interest receivable from consumer loans	**7,318**	6,530
Unamortized deferred acquisition costs	**15,123**	12,055
Allowance for credit losses	**(62,716)**	(31,706)
	646,298	513,425

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

The scheduled principal repayment aging analysis of gross consumer loans receivable portfolio as at June 30, 2018 is as follows:

	$	% of total Loans
0 – 6 months	**116,561**	**17.0%**
6 – 12 months	**92,885**	**13.5%**
12 – 24 months	**190,848**	**27.8%**
24 – 36 months	**169,664**	**24.7%**
36 – 48 months	**79,050**	**11.5%**
48 – 60 months	**19,873**	**2.9%**
60 months +	**17,692**	**2.6%**
	686,573	**100.0%**

The gross consumer loans receivable portfolio categorized by the contractual time to maturity from the respective financial statement dates is summarized as follows:

	June 30, 2018		December 31, 2017	
	$	% of total Loans	$	% of total Loans
0 – 1 year	**35,730**	**5.2%**	37,332	7.1%
1 – 2 years	**100,005**	**14.6%**	96,443	18.3%
2 – 3 years	**227,234**	**33.1%**	183,254	34.8%
3 – 4 years	**216,817**	**31.6%**	145,165	27.6%
4 – 5 years	**74,551**	**10.9%**	55,853	10.6%
5 years +	**32,236**	**4.6%**	8,499	1.6%
	686,573	**100.0%**	526,546	100.0%

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

	June 30, 2018		December 31, 2017	
	$	% of total Loans	$	% of total Loans
1 - 30 days	**17,037**	**2.5%**	17,275	3.3%
31 - 44 days	**3,551**	**0.5%**	3,601	0.7%
45 - 60 days	**3,462**	**0.5%**	3,330	0.6%
61 - 90 days	**4,920**	**0.7%**	4,349	0.8%
91 – 180 days	**-**	**0.0%**	-	0.0%
	28,970	**4.2%**	28,555	5.4%

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

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

	As at June 30, 2018				
	Median TransUnion Risk Score	**Stage 1 (Performing)**	**Stage 2 (Under-performing)**	**Stage 3 (Non-Performing)**	**Total**
Low Risk	**617**	**274,262**	**1,144**	**-**	**275,406**
Normal Risk	**541**	**259,087**	**7,150**	**-**	**266,237**
High Risk	**501**	**55,310**	**77,868**	**11,752**	**144,930**
Total	**550**	**588,659**	**86,162**	**11,752**	**686,573**

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

	Six Months Ended June 30, 2018			
	Stage 1 (Performing)	**Stage 2 (Under-Performing)**	**Stage 3 (Non-Performing)**	**Total**
Balance as at January 1, 2018	**446,920**	**68,440**	**11,186**	**526,546**
Gross loan originated	**436,177**	**-**	**-**	**436,177**
Principal payments and other adjustments	**(238,180)**	**6,340**	**(1,485)**	**(233,325)**
Transfers to (from)				
Stage 1 (Performing)	**60,337**	**(59,410)**	**(927)**	**-**
Stage 2 (Under-Performing)	**(98,112)**	**106,371**	**(8,259)**	**-**
Stage 3 (Non-Performing)	**(9,988)**	**(29,427)**	**39,415**	**-**
Gross charge-offs	**(8,495)**	**(6,152)**	**(28,178)**	**(42,825)**
Balance as at June 30, 2018	**588,659**	**86,162**	**11,752**	**686,573**

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

	Three Months Ended June 30, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at April 1, 2018	**514,404**	**75,889**	**11,431**	**601,724**
Gross loan originated	**233,811**	**-**	**-**	**233,811**
Principal payments and other adjustments	**(127,871)**	**2,626**	**(708)**	**(125,953)**
Transfers to (from)				
Stage 1 (Performing)	**34,601**	**(34,104)**	**(497)**	**-**
Stage 2 (Under-Performing)	**(55,624)**	**59,827**	**(4,203)**	**-**
Stage 3 (Non-Performing)	**(5,488)**	**(14,577)**	**20,065**	**-**
Gross charge-offs	**(5,174)**	**(3,499)**	**(14,336)**	**(23,009)**
Balance as at June 30, 2018	**588,659**	**86,162**	**11,752**	**686,573**

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

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
Balance, beginning of period	**49,112**	23,456
Net amounts written-off against allowance	**(38,323)**	(59,576)
Increase due to lending and collection activities	**51,927**	67,826
Balance, end of period	**62,716**	31,706

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

	Six Months Ended June 30, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at January 1, 2018	**24,384**	**16,193**	**8,535**	**49,112**
Gross loans originated	**26,173**	**-**	**-**	**26,173**
Principal payments and other adjustments	**(9,397)**	**1,256**	**(5,015)**	**(13,156)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**10,853**	**(11,145)**	**(668)**	**(960)**
Stage 2 (Under-Performing)	**(8,640)**	**28,888**	**(6,243)**	**14,005**
Stage 3 (Non-Performing)	**(2,092)**	**(8,637)**	**36,594**	**25,865**
Net amounts written-off against allowance	**(8,098)**	**(5,864)**	**(24,361)**	**(38,323)**
Balance as at June 30, 2018	**33,183**	**20,691**	**8,842**	**62,716**

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

	Three Months Ended June 30, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at April 1, 2018	**27,519**	**18,570**	**9,375**	**55,464**
Gross loans originated	**13,703**	**-**	**-**	**13,703**
Principal payments and other adjustments	**(3,012)**	**(366)**	**(3,737)**	**(7,115)**
Transfers to (from) including remeasurement				
Stage 1 (Performing)	**5,944**	**(6,431)**	**(348)**	**(835)**
Stage 2 (Under-Performing)	**(4,887)**	**16,445**	**(3,122)**	**8,346**
Stage 3 (Non-Performing)	**(1,145)**	**(4,187)**	**18,690**	**13,358**
Net amounts written-off against allowance	**(4,939)**	**(3,340)**	**(12,016)**	**(20,295)**
Balance as at June 30, 2018	**33,183**	**20,691**	**8,842**	**62,716**

7. REVOLVING CREDIT FACILITY

The Company's revolving credit facility originally consisted of a $110.0 million Senior Secured revolving credit facility maturing on November 1, 2020. On June 20, 2018, the Company entered into an amendment to its Senior Secured revolving credit facility to increase the maximum principal amount available to be borrowed to $174.5 million.

The revolving credit facility was provided by a syndicate of banks. Interest on advances is payable at either the Canadian Bankers' Acceptance rate plus 450 bps or the lender's prime rate plus 350, at the option of the Company.
The following table summarizes the details of the Revolving Credit Facility:

	June 30, 2018	December 31, 2017
Advances on Revolving Credit Facility	**50,000**	**-**
Unamortized deferred financing costs	**(586)**	**-**
Accrued interest on credit facilities	**324**	**-**
	49,738	**-**

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

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

Financial covenant	**Requirements**	**June 30, 2018**
Minimum consolidated tangible net worth	>132,000, plus 50% of consolidated net income	180,760
Maximum consolidated leverage ratio	< 3.25	2.76
Minimum consolidated fixed charge coverage ratio	> 1.75	2.15
Maximum net charge off ratio	< 15.0%	12.6%
Minimum collateral performance index	> 90.0%	100.3%

As at June 30, 2018, the Company was in compliance with all of its financial covenants under its credit agreements.

8. CONVERTIBLE DEBENTURES

In June 2017, the Company issued $53.0 million of 5.75% convertible unsecured subordinated debentures, with interest payable semi-annually on January 31 and July 31 each year and commencing on January 31, 2018 (the "Debentures"). The Debentures mature on July 31, 2022, and are convertible at the holder's option into common shares of the Company at a conversion price of $44.00 per share.

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

The following table summarizes the details of the convertible debentures:

	June 30, 2018	**December 31, 2017**
Convertible debentures	**53,000**	53,000
Unamortized deferred financing costs	**(2,324)**	(2,554)
Equity component	**(4,658)**	(4,658)
Accretion expense on equity component	**807**	427
Accrued interest	**1,270**	1,770
	48,095	47,985

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

9. NOTES PAYABLE

On November 1, 2017, the Company issued US$325.0 million of 7.875% senior unsecured notes payable with interest payable semi-annually on May 1 and November 1 of each year and commencing on May 1, 2018 (the “Notes Payable”). The Notes Payable mature on November 1, 2022.

On and after November 1, 2019, the Notes Payable may be redeemed in whole or in part from time to time with proper notice by the Company.

The following table summarizes the details of the Notes Payable:

	June 30, 2018	**December 31, 2017**
Notes Payable in C$ at issuance	**418,925**	418,925
Change in fair value of Notes Payable since issuance date due to changes in foreign exchange rate	**7,898**	(10,367)
	426,823	408,558
Accrued interest on credit facilities	**5,474**	5,508
Unamortized deferred financing costs	**(11,745)**	(12,873)
	420,552	401,193

Concurrent with the issuance of the Notes Payable, the Company entered into the derivative financial instruments (the “cross-currency swaps”) to manage the Notes’ foreign currency risk associated with future exchange rates between the US Dollar and Canadian Dollar. By entering into the cross-currency swaps, the Company fixed the foreign currency exchange rate for the proceeds from the offering for all required payments of principal and interest under the Notes at a fixed exchange rate of US$1.000 = C$1.2890. The cross-currency swaps fully hedge the obligation under the Notes to C$418.9 million at an interest rate of 7.84%.

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

The Company has elected to use hedge accounting for the Notes Payable and the cross-currency swaps. The term of the cross-currency swaps is concurrent with the Notes Payable with the same maturity date of November 1, 2022. The timing and amount of cash flows of the cross-currency swaps match those of the Notes Payable. As a result, changes in the fair value of the cross-currency swaps is recorded in Other Comprehensive Income and subsequently reclassified into net income to offset the effect of foreign currency exchange rates related to the Notes Payable recognized in net income.

The fair value of the cross-currency swaps is as follows:

	June 30, 2018	December 31, 2017
Derivative financial asset	**4,316**	-
Derivative financial liability	**-**	11,138

10. SHARE CAPITAL

Common Shares Issued and Outstanding

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

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	# of shares (in 000's)	$	# of shares (in 000's)	$
Balance, beginning of the period	**13,476**	**85,874**	13,325	82,598
Exercise of stock options	**46**	**562**	174	2,377
Exercise of RSUs	**146**	**2,860**	58	1,315
Shares purchased for cancellation	**-**	**-**	(85)	(536)
Dividend reinvestment plan	**6**	**216**	4	120
Balance, end of the period	**13,674**	**89,512**	13,476	85,874

Dividends on Common Shares

For the three and six-month periods ended June 30, 2018, the Company paid dividends of $3.1 million or $0.225 per share and $5.5 million or $0.405 per share, respectively. For the three and six-month periods ended June 30, 2017, the Company paid dividends of $2.4 million or $0.180 per share and $4.1 million or $0.305 per share, respectively. On February 20, 2018, the Company increased the dividend rate by 25% from $0.18 per share to $0.225 per share. On May 1, 2018 the Company declared a dividend of $0.225 per share to shareholders of record on June 29, 2018, payable on July 13, 2018. The dividend paid on July 13, 2018 was $3.1 million.

Shares Purchased for Cancellation

During the three and six-month periods ended June 30, 2017, the Company purchased and cancelled 85,388 of its common shares on the open market at an average price of $31.53 for a total cost of $2.7 million pursuant to a normal course issuer bid. No shares were purchased and cancelled during the three and six-month period ended June 30, 2018.

11. STOCK-BASED COMPENSATION

Share Option Plan

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to directors, officers and employees. During the three and six-month periods ended June 30, 2018, the Company granted 185,784 options for both periods (2017 – 238,088 options for both periods). For the three and six-month periods ended June 30, 2018, the Company recorded an expense of $266 and $457, respectively (2017 – $115 and $272, respectively) in stock-based compensation expense in the unaudited interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

Restricted Share Unit ("RSU") Plan

During the three and six-month periods ended June 30, 2018, the Company granted 89,058 and 182,774 RSUs, respectively (2017 – 167,423 RSUs for both periods) to employees of the Company under its RSU Plan. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets. For the three and six-month periods ended June 30, 2018, $1,295 and $2,558, respectively (2017 – $988 and $1,771, respectively) was recorded as an expense in stock-based compensation expense in the unaudited interim condensed consolidated statements of income. Additionally, for the three and six-month periods ended June 30, 2018, an additional 3,101 and 5,580 RSUs, respectively (2017 – 1,830 and 4,281 RSUs, respectively) were granted as a result of dividends payable.

Deferred Share Unit ("DSU") Plan

During the three and six-month periods ended June 30, 2018, the Company granted 3,366 and 6,878 DSUs, respectively (2017 – 4,573 and 8,235 DSUs, respectively) to directors under its DSU Plan. DSUs are granted at fair market value at the grant date and vest immediately upon grant. For the three and six-month periods ended June 30, 2018, $174 and $339, respectively (2017 – $163 and $289, respectively) was recorded as stock-based compensation expense under the DSU Plan in the unaudited interim condensed consolidated statements of income. Additionally, for the three and six-month periods ended June 30, 2018, an additional 1,075 and 1,842 DSUs, respectively (2017 – 769 and 1,494 DSUs, respectively) were granted as a result of dividends payable.

Stock-Based Compensation Expense

Stock-based compensation for the three and six-month periods ended June 30, 2018 was $1,735 and $3,354, respectively (2017 – $1,266 and $2,332, respectively). All stock-based compensation in the current and prior period was equity settled.

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

12. OTHER EXPENSES

In the normal course of its operations, the Company periodically sells select lease portfolios and other assets. For the three and six-month periods ended June 30, 2018, other expenses included net gains realized on the sale of lease portfolios and other assets of $699 for both periods (2017 – $934 for both periods).

13. FINANCE COSTS

Included in finance costs in the unaudited condensed consolidated statements of income was interest expense, amortization of deferred financing costs and accretion expense on both the credit facilities and the convertible debentures as follows:

	Three Months Ended		**Six Months Ended**	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Interest expense	**9,604**	5,886	**18,315**	11,170
Amortization of deferred financing costs and accretion expense	**821**	692	**1,780**	1,233
	10,425	6,578	**20,095**	12,403

14. INCOME TAXES

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

	Six Months Ended	
	June 30, 2018	**June 30, 2017**
Combined basic federal and provincial income tax rates	**27.2%**	27.3%
Expected income tax expense	**8,600**	7,283
Non-deductible expenses	**267**	186
U.S. and SPE results not tax effected	**(11)**	380
Effect of capital gains on sale of assets and investments	**(93)**	(115)
Other	**(27)**	(278)
	8,736	7,456

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

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

	June 30, 2018	**December 31, 2017**
Tax cost of lease assets and property and equipment in excess of net book value	**878**	(1,620)
Amounts receivable and provisions	**7,257**	1,676
Deferred salary arrangements	**1,653**	1,848
Unearned revenue	**406**	462
Financing fees	**(725)**	(245)
Revaluation of notes payable and cross-currency swaps	**949**	-
	10,418	2,121

15. EARNINGS PER SHARE

Basic Earnings Per Share

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

	Three Months Ended		**Six Months Ended**	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net income	**11,821**	8,890	**22,895**	19,160
Weighted average number of ordinary shares outstanding (in 000's)	**13,807**	13,540	**13,741**	13,514
Basic earnings per ordinary share	**0.86**	0.66	**1.67**	1.42

For the three and six-month periods ended June 30, 2018, 171,623 and 169,368 DSUs, respectively (2017 – 151,021 and 148,844 DSUs respectively) were included in the weighted average number of ordinary shares outstanding.

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

Diluted Earnings Per Share

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of stock options, the exercise of RSUs, or the exercise of the conversion option of the convertible debentures. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method. For the three and six-month periods ended June 30, 2018, the convertible debentures were dilutive. The convertible debentures were issued in June 2017. For the three and six-month period ended June 30, 2017 the convertible debentures were anti-dilutive. Therefore, diluted earnings per share is calculated based on a fully diluted net income (adjusted for the after-tax financing cost associated with the convertible debentures) and including the shares to which those debentures could be converted.

	Three Months Ended		**Six Months Ended**	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Net income	**11,821**	8,890	**22,895**	19,160
After tax impact of convertible debentures	**786**	-	**1,568**	-
Fully diluted net income	**12,607**	8,890	**24,463**	19,160
Weighted average number of ordinary shares outstanding (in 000's)	**13,635**	13,540	**13,571**	13,514
Dilutive effect of stock-based compensation (in 000's)	**628**	562	**694**	590
Dilutive effect of convertible debentures (in 000's)	**1,205**	-	**1,205**	-
Weighted average number of diluted shares outstanding (in 000's)	**15,468**	14,102	**15,470**	14,104
Dilutive earnings per ordinary share	**0.82**	0.63	**1.58**	1.36

For the three and six-months ended June 30, 2018, 423,872 stock options to acquire common shares (2017 – 238,088 stock options to acquire common shares), were considered anti-dilutive using the treasury stock method and therefore excluded from the calculation of diluted earnings per share.

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

16. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Amounts receivable	**(1,240)**	(1,580)	**(1,883)**	(5,553)
Prepaid expenses	**574**	791	**(1,835)**	(1,334)
Accounts payable and accrued liabilities	**3,640**	964	**(333)**	666
Income taxes payable	**(11,711)**	(3,471)	**(6,787)**	(185)
Deferred lease inducements	**(95)**	(91)	**(291)**	(224)
Unearned revenue	**134**	811	**991**	207
Accrued interest	**(7,076)**	(48)	**(214)**	(172)
	(15,774)	(2,624)	**(10,352)**	(6,595)

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Income taxes paid	**18,122**	2,161	**18,122**	4,322
Interest paid	**16,758**	5,713	**18,891**	10,909
Interest received	**60,545**	41,424	**114,135**	80,462

17. CONTINGENCIES

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

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

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

18. FINANCIAL INSTRUMENTS

Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial Instruments	Measurement	June 30, 2018	December 31, 2017
Cash	Fair value	**19,243**	109,370
Amounts receivable	Amortized cost	**16,305**	14,422
Consumer loans receivable	Amortized cost	**646,298**	513,425
Derivative financial assets	Fair value	**4,316**	-
Accounts payable and accrued liabilities	Amortized cost	**42,738**	43,071
Derivative financial liabilities	Fair value	**-**	11,138
Convertible debentures	Amortized cost	**48,095**	47,985
Loan from revolving credit facility	Amortized cost	**49,738**	-
Notes payable	Amortized cost	**420,552**	401,193

Fair Value Measurement

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

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

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

The hierarchy required the use of observable market data when available. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at June 30, 2018:

	Total	Level 1	Level 2	Level 3
Cash	**19,243**	**19,243**	-	-
Amounts receivable	**16,305**	-	-	**16,305**
Consumer loans receivable	**646,298**	-	-	**646,298**
Derivative financial assets	**4,316**	-	**4,316**	-
Accounts payable and accrued liabilities	**42,738**	-	-	**42,738**
Convertible debentures	**48,095**	-	-	**48,095**
Loan from revolving credit facility	**49,738**	-	-	**49,738**
Notes payable	**420,552**	-	-	**420,552**

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

19. SEGMENTED REPORTING

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

General and administrative expenses directly related to the Company's business segments were included as operating expenses for those segments. All other general and administrative expenses were reported separately as part of Corporate. Management assessed the performance based on segment operating income (loss). The following tables summarize the relevant information for three and six-month periods ended June 30, 2018 and 2017:

Three Months Ended June 30, 2018	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	**59,669**	**1,106**	-	**60,775**
Lease revenue	-	**30,133**	-	**30,133**
Commissions earned	**27,601**	**1,587**	-	**29,188**
Charges and fees	**1,745**	**1,502**	-	**3,247**
	89,015	**34,328**	-	**123,343**
Total operating expenses before depreciation and amortization	**53,663**	**18,642**	**11,343**	**83,648**
Depreciation and amortization	**1,996**	**10,588**	**309**	**12,893**
Segment operating income (loss)	**33,356**	**5,098**	**(11,652)**	**26,802**
Finance costs	-	-	**10,425**	**10,425**
Income (loss) before income taxes	**33,356**	**5,098**	**(22,077)**	**16,377**

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

Three Months Ended June 30, 2017	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	40,732	49	-	40,781
Lease revenue	-	31,525	-	31,525
Commissions earned	20,753	1,183	-	21,936
Charges and fees	1,488	1,816	-	3,304
	62,973	34,573	-	97,546
Total operating expenses before depreciation and amortization	39,889	18,465	7,794	66,148
Depreciation and amortization	1,727	10,822	243	12,792
Segment operating income (loss)	21,357	5,286	(8,037)	18,606
Finance costs	-	-	6,578	6,578
Income (loss) before income taxes	21,357	5,286	(14,615)	12,028

Six Months Ended June 30, 2018	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest	**112,755**	**1,811**	**-**	**114,566**
Lease revenue	**-**	**60,802**	**-**	**60,802**
Commissions earned	**53,101**	**3,026**	**-**	**56,127**
Charges and fees	**3,525**	**3,100**	**-**	**6,625**
	169,381	**68,739**	**-**	**238,120**
Total operating expenses before depreciation and amortization	**102,200**	**37,073**	**20,841**	**160,114**
Depreciation and amortization	**4,364**	**21,154**	**762**	**26,280**
Segment operating income (loss)	**62,817**	**10,512**	**(21,603)**	**51,726**
Finance costs	**-**	**-**	**20,095**	**20,095**
Income (loss) before income taxes	**62,817**	**10,512**	**(41,698)**	**31,631**

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

Six Months Ended June 30, 2017	**easyfinancial**	**easyhome**	**Corporate**	**Total**
Revenue				
Interest	78,866	49	-	78,915
Lease revenue	-	63,435	-	63,435
Commissions earned	40,693	2,216	-	42,909
Charges and fees	2,967	3,565	-	6,532
	122,526	69,265	-	191,791
Total operating expenses before depreciation and amortization	73,211	36,664	16,857	126,732
Depreciation and amortization	3,415	22,147	478	26,040
Segment operating income (loss)	45,900	10,454	(17,335)	39,019
Finance costs	-	-	12,403	12,403
Income (loss) before income taxes	45,900	10,454	(29,738)	26,616

As at June 30, 2018 and December 31, 2017, the Company's goodwill of $21.3 million related entirely to its easyhome segment.

The Company's easyhome business consisted of four major product categories: furniture, electronics, computers and appliances. Lease revenue generated by these product categories as a percentage of total lease revenue for the six-month period ended June 30, 2018 and 2017 were as follows:

	Six Months Ended	
	June 30, 2018 (%)	**June 30, 2017 (%)**
Furniture	**44**	42
Electronics	**32**	33
Computers	**12**	13
Appliances	**12**	12
	100	100

20. COMPARATIVE FIGURES

Certain of the prior period comparative figures have been reclassified to conform to the current year's financial statement presentation. Specifically, the purchase of lease assets previously included in the cash used in investing activities section are now presented within cash used in operating activities on the interim condensed consolidated statement of cash flows for three and six-month period ended June 30, 2017.

21. SUBSEQUENT EVENT

On July 16, 2018, the Company issued an additional US$150 million of 7.875% senior unsecured notes payable due on November 1, 2022. These notes were issued at a price of US$1,050 per US$1,000 principal amount. Concurrent with the issuance of the additional notes, the Company entered into a cross-currency swap through a derivative financial instrument to fix the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the Notes at a fixed exchange rate of US$1.000 = C$1.316, thereby fully hedging the US$150 million obligation under the Notes to C$197.5 million at a Canadian dollar interest rate of 7.52%. The issuance of the notes was at a premium to par resulting in an interest rate excluding the effect of financing charges of 6.17%, and when factoring in financing charges, an effective interest rate of 6.69%. The term is concurrent with the previously issued notes payable with a maturity date of November 1, 2022.