

## Interim Condensed Consolidated Financial Statements

**goeasy Ltd.**

(Unaudited)

September 30, 2022

goeasly Ltd.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

(expressed in thousands of Canadian dollars)

	As At September 30, 2022	As At December 31, 2021
<b>ASSETS</b>		
Cash (note 4)	74,009	102,479
Accounts receivable	25,566	20,769
Prepaid expenses	8,604	8,018
Consumer loans receivable, net (note 5)	2,435,447	1,899,631
Investments (note 6)	37,913	64,441
Lease assets	45,520	47,182
Property and equipment, net	35,223	35,285
Derivative financial assets (notes 6, 7 and 10)	67,580	20,634
Intangible assets, net	157,812	159,651
Right-of-use assets, net	61,319	57,140
Goodwill	180,923	180,923
<b>TOTAL ASSETS</b>	<b>3,129,916</b>	<b>2,596,153</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Revolving credit facility (note 9)	98,492	-
Accounts payable and accrued liabilities	50,401	57,134
Income taxes payable	2,088	27,859
Dividends payable (note 11)	14,453	10,692
Unearned revenue	24,589	11,354
Accrued interest	24,511	8,135
Deferred tax liabilities, net (note 15)	25,735	38,648
Lease liabilities	69,973	65,607
Secured borrowings (note 8)	121,207	173,959
Revolving securitization warehouse facility (note 7)	716,554	292,814
Derivative financial liabilities (note 10)	-	34,132
Notes payable (note 10)	1,189,961	1,085,906
<b>TOTAL LIABILITIES</b>	<b>2,337,964</b>	<b>1,806,240</b>
<b>Shareholders' equity</b>		
Share capital (note 11)	359,920	363,514
Contributed surplus	19,691	22,583
Accumulated other comprehensive (loss) income	(414)	8,567
Retained earnings	412,755	395,249
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>791,952</b>	<b>789,913</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,129,916</b>	<b>2,596,153</b>

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:



David Ingram  
Director



Karen Basian  
Director

goeasy Ltd.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>REVENUE</b>				
Interest income	180,695	146,132	506,830	380,109
Lease revenue	25,369	27,923	78,195	84,708
Commissions earned	50,569	42,052	145,770	117,824
Charges and fees	5,583	3,655	15,215	9,651
	<b>262,216</b>	<b>219,762</b>	<b>746,010</b>	<b>592,292</b>
<b>EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>				
Salaries and benefits	44,838	41,776	130,710	120,986
Stock-based compensation (note 12)	2,642	2,116	7,432	6,103
Advertising and promotion	7,234	7,751	26,127	20,815
Bad debts (note 5)	72,551	45,297	194,636	123,444
Occupancy	6,265	5,995	18,828	17,272
Technology costs	5,274	4,900	15,974	12,721
Other expenses (note 13)	11,054	9,852	33,716	32,356
	<b>149,858</b>	<b>117,687</b>	<b>427,423</b>	<b>333,697</b>
<b>DEPRECIATION AND AMORTIZATION</b>				
Depreciation of lease assets	8,371	8,601	25,031	26,687
Amortization of intangible assets	5,249	5,405	15,377	11,285
Depreciation of right-of-use assets	5,071	4,650	14,911	13,416
Depreciation of property and equipment	2,289	2,067	6,742	5,833
	<b>20,980</b>	<b>20,723</b>	<b>62,061</b>	<b>57,221</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>170,838</b>	<b>138,410</b>	<b>489,484</b>	<b>390,918</b>
<b>OPERATING INCOME</b>	<b>91,378</b>	<b>81,352</b>	<b>256,526</b>	<b>201,374</b>
<b>OTHER INCOME (LOSS) (NOTE 6)</b>	<b>1,294</b>	<b>23,219</b>	<b>(23,050)</b>	<b>106,505</b>
<b>FINANCE COSTS</b>				
Interest expense and amortization of deferred financing charges (note 14)	27,602	20,889	73,835	54,450
Interest expense on lease liabilities	895	797	2,586	2,294
	<b>28,497</b>	<b>21,686</b>	<b>76,421</b>	<b>56,744</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>64,175</b>	<b>82,885</b>	<b>157,055</b>	<b>251,135</b>
<b>INCOME TAX EXPENSE (RECOVERY) (NOTE 15)</b>				
Current	17,822	25,769	54,443	58,577
Deferred	(836)	(6,424)	(8,973)	(2,424)
	<b>16,986</b>	<b>19,345</b>	<b>45,470</b>	<b>56,153</b>
<b>NET INCOME</b>	<b>47,189</b>	<b>63,540</b>	<b>111,585</b>	<b>194,982</b>
<b>BASIC EARNINGS PER SHARE (NOTE 16)</b>	<b>2.92</b>	<b>3.79</b>	<b>6.88</b>	<b>12.15</b>
<b>DILUTED EARNINGS PER SHARE (NOTE 16)</b>	<b>2.86</b>	<b>3.66</b>	<b>6.71</b>	<b>11.75</b>

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		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income	47,189	63,540	111,585	194,982
<b>Other comprehensive (loss) income to be reclassified to the consolidated statement of income in subsequent periods</b>				
Change in fair value of cash flow hedge, net of taxes	(13,112)	3,202	(10,771)	10,354
Change in costs of hedging, net of taxes	250	710	1,795	1,594
Change in foreign currency translation reserve	(5)	(3)	(5)	(2)
	<b>(12,867)</b>	<b>3,909</b>	<b>(8,981)</b>	<b>11,946</b>
<b>Comprehensive income</b>	<b>34,322</b>	<b>67,449</b>	<b>102,604</b>	<b>206,928</b>

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
<b>Balance, December 31, 2021</b>	<b>363,514</b>	<b>22,583</b>	<b>386,097</b>	<b>395,249</b>	<b>8,567</b>	<b>789,913</b>
Common shares issued	6,702	(1,851)	4,851	-	-	4,851
Stock-based compensation (note 12)	-	7,432	7,432	-	-	7,432
Repurchase of equity interest related to restricted share units, net of tax	-	(8,473)	(8,473)	-	-	(8,473)
Shares purchased for cancellation (note 11)	(10,296)	-	(10,296)	(50,703)	-	(60,999)
Comprehensive income (loss)	-	-	-	111,585	(8,981)	102,604
Dividends	-	-	-	(43,376)	-	(43,376)
<b>Balance, September 30, 2022</b>	<b>359,920</b>	<b>19,691</b>	<b>379,611</b>	<b>412,755</b>	<b>(414)</b>	<b>791,952</b>
<b>Balance, December 31, 2020</b>	<b>181,753</b>	<b>19,732</b>	<b>201,485</b>	<b>247,307</b>	<b>(5,280)</b>	<b>443,512</b>
Common shares issued	187,722	(5,317)	182,405	-	-	182,405
Stock-based compensation (note 12)	-	6,103	6,103	-	-	6,103
Comprehensive income	-	-	-	194,982	11,946	206,928
Dividends	-	-	-	(31,621)	-	(31,621)
<b>Balance, September 30, 2021</b>	<b>369,475</b>	<b>20,518</b>	<b>389,993</b>	<b>410,668</b>	<b>6,666</b>	<b>807,327</b>

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		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>OPERATING ACTIVITIES</b>				
Net income	47,189	63,540	111,585	194,982
Add (deduct) items not affecting cash				
Bad debts expense (note 5)	72,551	45,297	194,636	123,444
Depreciation of lease assets	8,371	8,601	25,031	26,687
Other loss (income) (note 6)	(1,294)	(23,219)	23,050	(106,505)
Amortization of intangible assets	5,249	5,405	15,377	11,285
Depreciation of right-of-use assets	5,071	4,650	14,911	13,416
Stock-based compensation (note 12)	2,642	2,116	7,432	6,103
Depreciation of property and equipment	2,289	2,067	6,742	5,833
Amortization of deferred financing charges	1,585	1,588	4,584	4,003
Deferred income tax recovery	(836)	(6,424)	(8,973)	(2,424)
	142,817	103,621	394,375	276,824
Net change in other operating assets and liabilities (note 17)	26,908	35,126	(6,447)	46,867
Net issuance of consumer loans receivable	(284,435)	(143,219)	(730,452)	(306,619)
Purchase of lease assets	(8,515)	(7,160)	(23,359)	(21,776)
<b>Cash used in operating activities</b>	<b>(123,225)</b>	<b>(11,632)</b>	<b>(365,883)</b>	<b>(4,704)</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds on sale of investment	-	87,863	25,395	109,199
Purchase of property and equipment	(2,704)	(1,997)	(6,695)	(4,757)
Purchase of intangible assets	(5,190)	(4,215)	(13,538)	(13,044)
Purchase of investment	-	-	(15,000)	(11,343)
Cash used in business acquisitions, net of cash acquired	-	1,309	-	(282,215)
<b>Cash (used in) provided by investing activities</b>	<b>(7,894)</b>	<b>82,960</b>	<b>(9,838)</b>	<b>(202,160)</b>
<b>FINANCING ACTIVITIES</b>				
Advances from revolving securitization warehouse facility, net of financing charges	189,990	(1,278)	422,691	202,671
Advances from revolving credit facilities, net of financing charges	99,994	29,902	384,850	74,887
Issuance of common shares, net of issuance costs	1,085	(250)	2,908	169,460
Lease incentive received	210	475	856	1,195
Payment of cash-settled restricted share units	(1,058)	-	(10,546)	(1,159)
Payment of lease liability	(5,288)	(4,817)	(15,580)	(13,926)
Payment of common share dividends	(13,534)	(10,694)	(37,377)	(26,897)
Payment of loan from secured borrowings	(17,171)	(22,972)	(52,752)	(42,797)
Purchase of common shares for cancellation (note 11)	-	-	(60,999)	-
Payment of advances from revolving credit facilities	(145,000)	(30,000)	(286,800)	(260,000)
Issuance of notes payable, net of finance charges	-	-	-	391,516
Advances from secured borrowings	-	27,799	-	67,113
Payment of advances from revolving securitization warehouse facility	-	(75,000)	-	(80,000)
Payment of notes payable	-	-	-	(243,567)
<b>Cash provided by (used in) financing activities</b>	<b>109,228</b>	<b>(86,835)</b>	<b>347,251</b>	<b>238,496</b>
<b>Net (decrease) increase in cash during the period</b>	<b>(21,891)</b>	<b>(15,507)</b>	<b>(28,470)</b>	<b>31,632</b>
Cash, beginning of period	95,900	140,192	102,479	93,053
<b>Cash, end of period</b>	<b>74,009</b>	<b>124,685</b>	<b>74,009</b>	<b>124,685</b>

See accompanying notes to the interim condensed consolidated financial statements.

**goeasy Ltd.**

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

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### **1. CORPORATE INFORMATION**

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

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

The Company operates in two reportable segments: easyfinancial and easyhome. As at September 30, 2022, the Company operated 301 easyfinancial locations (including 3 kiosks within easyhome stores and 3 operation centres) and 154 easyhome stores (including 34 franchises). As at December 31, 2021, the Company operated 294 easyfinancial locations (including 5 kiosks within easyhome stores and 3 operation centres) and 158 easyhome stores (including 34 franchises).

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 10, 2022.

### **2. BASIS OF PREPARATION**

The unaudited interim condensed consolidated financial statements include the financial statements of the Parent Company and all of the companies that it controls. goeasy Ltd. controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This includes all wholly owned subsidiaries and a structured entity (note 7) where goeasy Ltd. has control but does not have ownership of a majority of voting rights.

As at September 30, 2022, the Parent Company’s principal subsidiaries were:

- RTO Asset Management Inc.
- easyfinancial Services Inc.
- LendCare Capital Inc. (“LendCare”)

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

#### **Statement of Compliance with International Financial Reporting Standards (“IFRS”)**

The unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2022 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. These unaudited interim condensed consolidated financial statements do not include all the disclosures included in the Company’s audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read together with the audited annual consolidated financial statements.

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

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### **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make accounting judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods.

These accounting judgments, estimates and assumptions are continuously evaluated and are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which could materially impact these consolidated financial statements. Changes in estimates will be reflected in the consolidated financial statements in future periods.

#### *Impact of COVID-19 Pandemic*

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

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

The ever changing and rapidly evolving effects of COVID-19, the duration, extent and severity of which are not fully known, on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase delinquencies and defaults. The COVID-19 virus, and the measures to prevent its spread, may continue to contribute to a higher level of uncertainty with respect to management's judgements and estimates.

### **3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

#### ***(a) New Standards, Interpretations and Amendments Adopted by the Company***

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as at January 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

### ***(b) Standards Issued but Not Yet Effective***

There are no new standards issued but not yet effective as at January 1, 2022 that have a material impact on the Company's interim condensed consolidated financial statements.

## 4. CASH

Certain cash on deposit at banks earns interest at floating rates based on daily bank deposit rates.

The Company has pledged a portion of its cash to fulfill collateral requirements under its cross-currency swap contracts. As at September 30, 2022, the fair value of the cash pledged by the counterparties as cash collateral in respect of its cross-currency swap contracts was \$21.5 million. As at December 31, 2021, the fair value of the cash pledged by the Company as cash collateral in respect of its cross-currency swap contracts was \$19.6 million.

Related to its secured borrowing loans, the Company holds back an amount from the proceeds of loan transfers as a reserve against future customer defaults. As at September 30, 2022, the cash held back as a reserve for the Revolving Securitization Warehouse Facility and Secured Borrowings were \$23.2 million and \$16.0 million, respectively (December 31, 2021 - \$6.8 million and \$20.8 million, respectively).

## 5. CONSUMER LOANS RECEIVABLE

Consumer loans receivable represents amounts advanced to customers and includes both unsecured and secured loans. Unsecured loan terms generally range from 9 to 84 months while secured loan terms generally range from 5 to 20 years.

	September 30, 2022	December 31, 2021
Gross consumer loans receivable	2,588,656	2,030,339
Interest receivable from consumer loans	29,829	18,881
Unamortized deferred acquisition costs	30,109	16,320
Unamortized deferred revenues	(16,852)	(6,147)
Allowance for credit losses	(196,295)	(159,762)
	<b>2,435,447</b>	1,899,631

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

	September 30, 2022	December 31, 2021
Unsecured instalment loans	1,616,485	1,364,696
Secured instalment loans	972,171	665,643
	<b>2,588,656</b>	2,030,339

**goeasy Ltd.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

The contractual principal repayments of the gross consumer loans receivable are as follows:

	September 30, 2022		December 31, 2021	
	\$	% of total loans	\$	% of total loans
0 - 6 months	225,861	8.7%	220,383	10.9%
6 - 12 months	161,776	6.2%	160,914	7.9%
12 - 24 months	366,041	14.1%	351,028	17.3%
24 - 36 months	439,042	17.0%	408,762	20.1%
36 - 48 months	441,712	17.1%	332,049	16.4%
48 - 60 months	307,142	11.9%	229,782	11.3%
60 months +	647,082	25.0%	327,421	16.1%
	<b>2,588,656</b>	<b>100.0%</b>	<b>2,030,339</b>	<b>100.0%</b>

The gross consumer loans receivable by contractual times to maturity are as follows:

	September 30, 2022		December 31, 2021	
	\$	% of total loans	\$	% of total loans
0 - 1 year	64,246	2.5%	60,319	3.0%
1 - 2 years	141,890	5.5%	155,957	7.7%
2 - 3 years	325,017	12.6%	347,331	17.1%
3 - 4 years	560,060	21.6%	501,830	24.7%
4 - 5 years	502,201	19.4%	473,096	23.3%
5 years +	995,242	38.4%	491,806	24.2%
	<b>2,588,656</b>	<b>100.0%</b>	<b>2,030,339</b>	<b>100.0%</b>

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

	September 30, 2022		December 31, 2021	
	\$	% of total loans	\$	% of total loans
1 - 30 days	72,231	2.8%	71,505	3.5%
31 - 44 days	19,536	0.8%	14,417	0.7%
45 - 60 days	15,102	0.6%	12,358	0.6%
61 - 90 days	22,111	0.9%	14,966	0.7%
91 - 120 days	4,585	0.2%	3,350	0.2%
121 - 150 days	3,983	0.2%	2,792	0.1%
151 - 180 days	2,533	0.1%	1,841	0.1%
	<b>140,081</b>	<b>5.6%</b>	<b>121,229</b>	<b>5.9%</b>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

The following tables provide the gross consumer loans receivable segregated by the Company's risk ratings and staging classification. The classification of loans into low, normal and high risk categories is based on the Company's custom behaviour credit scoring model and/or third-party credit scores. The Company's scoring model has been built and refined using analytical techniques and statistical modelling tools for predicting future losses among certain customer segments rather than traditional credit scores available from credit reporting agencies. Loans categorized as low risk have expected future losses that are lower than the average expected loss rate of the overall portfolio. Customers categorized as normal risk have expected future losses that are approximately equal to 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 as a reference.

<b>As at September 30, 2022</b>					
	<b>Median TransUnion Risk Score</b>	<b>Stage 1 (Performing)</b>	<b>Stage 2 (Under- Performing)</b>	<b>Stage 3 (Non- Performing)</b>	<b>Total</b>
Low risk	634	1,423,799	2,074	174	1,426,047
Normal risk	551	745,720	8,279	686	754,685
High risk	498	200,776	139,608	67,540	407,924
<b>Total</b>	<b>578</b>	<b>2,370,295</b>	<b>149,961</b>	<b>68,400</b>	<b>2,588,656</b>

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

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

	Three Months Ended September 30, 2022			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
Balance as at July 1, 2022	2,191,144	118,499	60,200	2,369,843
Gross loans originated	640,519	-	-	640,519
Principal payments and other adjustments	(352,203)	8,126	(10,312)	(354,389)
Transfers to (from)				
Stage 1 (Performing)	85,994	(69,673)	(16,321)	-
Stage 2 (Under-Performing)	(131,271)	137,356	(6,085)	-
Stage 3 (Non-Performing)	(51,071)	(38,635)	89,706	-
Gross charge offs	(12,817)	(5,712)	(48,788)	(67,317)
Net growth in gross consumer loans receivable during the period	179,151	31,462	8,200	218,813
<b>Balance as at September 30, 2022</b>	<b>2,370,295</b>	<b>149,961</b>	<b>68,400</b>	<b>2,588,656</b>
	Three Months Ended September 30, 2021			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)*	Total
Balance as at July 1, 2021	1,676,257	90,930	28,657	1,795,844
Gross loans originated	436,194	-	-	436,194
Principal payments and other adjustments	(292,311)	3,257	(3,163)	(292,217)
Transfers to (from)				
Stage 1 (Performing)	60,046	(52,576)	(7,470)	-
Stage 2 (Under-Performing)	(95,404)	98,443	(3,039)	-
Stage 3 (Non-Performing)	(20,954)	(31,547)	52,501	-
Gross charge offs	(8,305)	(3,617)	(31,183)	(43,105)
Net growth in gross consumer loans receivable during the period	79,266	13,960	7,646	100,872
<b>Balance as at September 30, 2021</b>	<b>1,755,523</b>	<b>104,890</b>	<b>36,303</b>	<b>1,896,716</b>

\* Included purchased credit-impaired loans from the acquisition of LendCare.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

	Nine Months Ended September 30, 2022			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
Balance as at January 1, 2022	1,868,306	112,810	49,223	2,030,339
Gross loans originated	1,745,251	-	-	1,745,251
Principal payments and other adjustments	(1,002,862)	21,264	(22,735)	(1,004,333)
Transfers to (from)				
Stage 1 (Performing)	279,579	(226,882)	(52,697)	-
Stage 2 (Under-Performing)	(348,429)	366,155	(17,726)	-
Stage 3 (Non-Performing)	(136,283)	(107,289)	243,572	-
Gross charge offs	(35,267)	(16,097)	(131,237)	(182,601)
Net growth in gross consumer loans receivable during the period	501,989	37,151	19,177	558,317
<b>Balance as at September 30, 2022</b>	<b>2,370,295</b>	<b>149,961</b>	<b>68,400</b>	<b>2,588,656</b>

	Nine Months Ended September 30, 2021			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)*	Total
Balance as at January 1, 2021	1,141,801	84,835	20,204	1,246,840
Gross loans originated	1,087,627	-	-	1,087,627
Gross loan purchased	435,311	-	9,209	444,520
Principal payments and other adjustments	(772,500)	11,550	(11,204)	(772,154)
Transfers to (from)				
Stage 1 (Performing)	192,233	(167,211)	(25,022)	-
Stage 2 (Under-Performing)	(252,308)	261,313	(9,005)	-
Stage 3 (Non-Performing)	(54,068)	(76,147)	130,215	-
Gross charge offs	(22,573)	(9,450)	(78,094)	(110,117)
Net growth in gross consumer loans receivable during the period	613,722	20,055	16,099	649,876
<b>Balance as at September 30, 2021</b>	<b>1,755,523</b>	<b>104,890</b>	<b>36,303</b>	<b>1,896,716</b>

\* Included purchased credit-impaired loans from the acquisition of LendCare.

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

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Balance, beginning of period	159,762	125,676
Net charge offs against allowance	(158,103)	(147,998)
Increase due to lending and collection activities	194,636	182,084
<b>Balance, end of period</b>	<b>196,295</b>	<b>159,762</b>

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

	Three Months Ended September 30, 2022			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	
Balance as at July 1, 2022	102,527	43,846	35,628	182,001
Gross loans originated	26,580	-	-	26,580
Principal payments and other adjustments	(13,451)	1,262	(12,357)	(24,546)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	21,593	(15,338)	(9,735)	(3,480)
Stage 2 (Under-Performing)	(13,452)	37,769	(4,290)	20,027
Stage 3 (Non-Performing)	(5,968)	(11,271)	71,209	53,970
Net charge offs against allowance	(11,829)	(5,272)	(41,156)	(58,257)
<b>Balance as at September 30, 2022</b>	<b>106,000</b>	<b>50,996</b>	<b>39,299</b>	<b>196,295</b>

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For the periods ended September 30, 2022 and 2021

	Three Months Ended September 30, 2021			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)*	
Balance as at July 1, 2021	92,104	34,685	15,117	141,906
Gross loans originated	14,573	-	-	14,573
Principal payments and other adjustments	(7,173)	(452)	(5,279)	(12,904)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	5,732	(10,870)	(4,901)	(10,039)
Stage 2 (Under-Performing)	(6,252)	26,535	(2,040)	18,243
Stage 3 (Non-Performing)	(2,474)	(8,441)	46,339	35,424
Net amounts written-off against allowance	(7,736)	(3,390)	(27,556)	(38,682)
<b>Balance as at September 30, 2021</b>	<b>88,774</b>	<b>38,067</b>	<b>21,680</b>	<b>148,521</b>

\* Included purchased credit-impaired loans from the acquisition of LendCare.

	Nine Months Ended September 30, 2022			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	
Balance as at January 1, 2022	89,665	40,680	29,417	159,762
Gross loans originated	67,737	-	-	67,737
Principal payments and other adjustments	(31,924)	2,988	(31,178)	(60,114)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	65,151	(49,965)	(31,995)	(16,809)
Stage 2 (Under-Performing)	(35,051)	103,843	(12,622)	56,170
Stage 3 (Non-Performing)	(16,680)	(31,525)	195,857	147,652
Net charge offs against allowance	(32,898)	(15,025)	(110,180)	(158,103)
<b>Balance as at September 30, 2022</b>	<b>106,000</b>	<b>50,996</b>	<b>39,299</b>	<b>196,295</b>

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(Unaudited)

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For the periods ended September 30, 2022 and 2021

	Nine Months Ended September 30, 2021			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)*	
Balance as at January 1, 2021	77,759	32,608	15,309	125,676
Gross loans originated	38,650	-	-	38,650
Gross loans purchased	14,252	-	-	14,252
Principal payments and other adjustments	(20,501)	705	(12,464)	(32,260)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	25,761	(33,724)	(16,998)	(24,961)
Stage 2 (Under-Performing)	(19,072)	68,369	(6,019)	43,278
Stage 3 (Non-Performing)	(7,116)	(21,095)	112,696	84,485
Net amounts written-off against allowance	(20,959)	(8,796)	(70,844)	(100,599)
<b>Balance as at September 30, 2021</b>	<b>88,774</b>	<b>38,067</b>	<b>21,680</b>	<b>148,521</b>

\* Included purchased credit-impaired loans from the acquisition of LendCare.

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

The following table shows the key macroeconomic variables used in the determination of the probability weighted allowance during the forecast periods as at September 30, 2022 and December 31, 2021, respectively:

12-Month Forward-Looking Macroeconomic Variables (Average Annual)	Forecast Scenarios				
	Neutral	Moderately Optimistic	Extremely Optimistic	Moderately Pessimistic	Extremely Pessimistic
<b>September 30, 2022</b>					
Unemployment rate <sup>1</sup>	5.79%	5.00%	4.31%	8.02%	9.43%
GDP growth rate <sup>2</sup>	1.36%	2.69%	3.36%	(0.58%)	(1.88%)
Inflation growth rate <sup>3</sup>	4.63%	4.24%	3.90%	5.93%	6.73%
Oil prices <sup>4</sup>	\$90.25	\$87.70	\$85.32	\$102.05	\$121.00
<b>December 31, 2021</b>					
Unemployment rate <sup>1</sup>	5.81%	5.02%	4.33%	8.04%	9.45%
GDP growth rate <sup>2</sup>	3.78%	6.36%	9.03%	(2.18%)	(6.91%)
Inflation growth rate <sup>3</sup>	3.07%	3.64%	4.14%	2.38%	1.79%
Oil prices <sup>4</sup>	\$67.34	\$69.02	\$72.75	\$42.25	\$38.69

<sup>1</sup> An average of the projected monthly unemployment rates over the next 12-month forecast period.

<sup>2</sup> A projected year-over-year GDP growth rate.

<sup>3</sup> A projected year-over-year inflation growth rate.

<sup>4</sup> An average of the projected monthly oil prices over the next 12-month forecast period.

Historically, the rates of inflation and unemployment are positively correlated with the Company's loss rates while oil prices and the rate of GDP growth are negatively correlated. The assignment of the probability weighting for the various scenarios using these variables involves management judgment to arrive at a collective view of the likelihood of each scenario taking into account current economic conditions and implications for near-term macroeconomic performance. If management were to assign 100% probability to the extremely pessimistic scenario forecast, the allowance for credit losses would have been \$11.3 million (December 31, 2021 – \$24.7 million under 100% extremely pessimistic scenario forecast) higher than the reported allowance for credit losses as at September 30, 2022. This sensitivity does not consider the migration of exposure and/or changes in credit risk that would have occurred in the loan portfolio due to risk mitigation actions or other factors.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

### 6. INVESTMENTS

Investments include the following:

	September 30, 2022	December 31, 2021
<i>Listed and actively traded companies</i>		
Affirm Holdings Inc.	12,121	53,543
Others	86	398
<i>Unlisted companies</i>		
1195407 B.C. Ltd. ("Canada Drives")	15,206	-
Brim Financial Inc.	10,500	10,500
	<b>37,913</b>	<b>64,441</b>

Changes in the holdings, fair values of investments and the related total return swap, and investment income (loss) recorded in other income (loss) (including interest income and realized and unrealized gains and losses) in the interim condensed consolidated statements of income are summarized below:

	Fair value, beginning of the period	Additions	Sales/ Settlements	Investment income (loss)	Fair value, end of the period
<b>For the nine months ended September 30, 2022</b>					
Investments					
<i>Listed and actively traded companies</i>					
Affirm Holdings Inc. <sup>1</sup>	53,543	-	-	(41,422)	12,121
Others	398	-	-	(312)	86
<i>Unlisted companies</i>					
Canada Drives	-	15,000	-	206	15,206
Brim Financial Inc.	10,500	-	-	-	10,500
<b>Investments</b>	<b>64,441</b>	<b>15,000</b>	<b>-</b>	<b>(41,528)</b>	<b>37,913</b>
Total return swaps related to Affirm Holdings Inc. <sup>2</sup>	6,979	-	(25,395)	18,416	-
<b>Investments including total return swap</b>	<b>71,420</b>	<b>15,000</b>	<b>(25,395)</b>	<b>(23,112)</b>	<b>37,913</b>
<b>For the year ended December 31, 2021</b>					
Investments					
<i>Listed and actively traded equities</i>					
Affirm Holdings Inc. <sup>1</sup>	-	33,065	(54,577)	75,055	53,543
Others	-	843	-	(445)	398
<i>Unlisted equities</i>					
Brim Financial Inc.	-	10,500	-	-	10,500
PayBright <sup>1</sup>	56,040	-	(56,040)	-	-
<b>Investments</b>	<b>56,040</b>	<b>44,408</b>	<b>(110,617)</b>	<b>74,610</b>	<b>64,441</b>
Total return swaps related to Affirm Holdings Inc. <sup>2</sup>	-	-	(33,287)	40,266	6,979
<b>Investments including total return swap</b>	<b>56,040</b>	<b>44,408</b>	<b>(143,904)</b>	<b>114,876</b>	<b>71,420</b>

<sup>1</sup> On January 1, 2021, the Company sold its equity investment in PayBright for consideration of cash and equity in Affirm Holdings Inc.

<sup>2</sup> In August 2021, the Company settled the total return swap related to the non-contingent portion of the equity in Affirm Holdings Inc. and in September 2021 and November 2021, the Company entered into new total return swaps to partially hedge the contingent portion of the equity consideration received. In June 2022, the Company settled the total return swaps related to the contingent portion of the equity in Affirm Holdings Inc.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### *Affirm Holdings Inc. and PayBright*

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

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

Under the terms of the sale to Affirm, the Company received total consideration, which was valued at that time, as follows:

- Cash of \$23.0 million, excluding one-time expenses and closing adjustments and including \$2.1 million held in escrow;
- Equity in Affirm with a value of \$21.5 million; and
- Contingent equity in Affirm with a value of \$15.4 million, subject to revenue performance achieved in 2021 and 2022.

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

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

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

In August 2021, the Company sold all non-contingent Affirm shares with a total consideration of \$54.6 million and realized a fair value gain of \$33.0 million included in other income (loss) in the interim condensed consolidated statements of income.

For the three and nine-month periods ended September 30, 2022, the Company recognized an unrealized fair value gain of \$1.2 million and an unrealized fair value loss of \$41.4 million, respectively (for the three and nine-month periods ended September 30, 2021 – unrealized fair value gains of \$23.7 million and \$41.5 million, respectively) included in other income (loss) in the interim condensed consolidated statements of income.

### *Total Return Swaps*

Subsequent to Affirm’s initial public offering, the Company entered into a 6-month total return swap (“TRS”) agreement to substantively hedge its market exposure related to its equity in Affirm which represented the non-contingent portion of the equity consideration received, pursuant to the sale of its investment in PayBright. This TRS effectively resulted in the economic value of the Company’s non-contingent shares in Affirm being settled in cash at maturity for US\$108.87 per share, net of applicable fees. This TRS did not meet the criteria for hedge accounting.

The TRS related to the non-contingent portion of the equity in Affirm was settled in August 2021 for \$33.3 million, which was recognized as a realized fair value gain included in other income (loss) in the interim condensed consolidated statements of income.

**goeasy Ltd.**

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In September 2021, the Company entered into a 9-month TRS agreement to partially hedge its market exposure related to 100,000 contingent shares of Affirm. This TRS effectively resulted in the economic value of the hedged portion of the Company's contingent equity in Affirm being settled in cash at maturity for US\$110.35 per share, net of applicable fees. This TRS did not meet the criteria for hedge accounting.

In November 2021, the Company entered into a 7-month TRS agreement to partially hedge its market exposure related to an additional 75,000 contingent shares of Affirm. This TRS effectively resulted in the economic value of the hedged portion of the Company's contingent equity in Affirm being settled in cash at maturity for US\$163.00 per share, net of applicable fees. This TRS did not meet the criteria for hedge accounting.

The TRS related to the contingent portion of the equity in Affirm were settled in June 2022 for \$25.4 million, which was recognized as a realized fair value gain included in other income (loss) in the interim condensed consolidated statements of income.

### ***Canada Drives***

In June 2022, the Company invested \$15 million in convertible notes receivable of Canada Drives and committed to purchase an additional \$25 million of convertible notes receivable on or before January 1, 2023. Canada Drives is Canada's largest 100% online car shopping and to-your-door delivery platform. The convertible notes receivable mature on June 15, 2025, bear interest at 5% annually and are convertible into preferred shares on defined terms.

The Company's investment in Canada Drives was classified at initial recognition at fair value through profit or loss. The option to convert the notes receivable into preferred shares is a financial derivative instrument, the fair value of which is included in the cost of the convertible notes receivable. The acquisition cost approximated the fair value of the convertible notes receivable as at September 30, 2022.

For the three and nine-month periods ended September 30, 2022, the Company recognized an interest income of \$0.2 million in both periods included in other income (loss) in the interim condensed consolidated statements of income.

### ***Brim Financial Inc.***

In 2021, the Company invested \$10.5 million to acquire a minority equity interest in Brim Financial Inc., a Canadian fintech company and globally certified credit card issuer. The acquisition cost approximated fair value as at September 30, 2022 and December 31, 2021.

## **7. REVOLVING SECURITIZATION WAREHOUSE FACILITY**

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

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The primary purpose of the Trust is to provide the Company with funding for its operational needs. On August 30, 2021, the Trust entered into a \$600 million Revolving Securitization Warehouse Facility (“Revolving Securitization Warehouse Facility”) with National Bank Financial Markets (“NBFM”), and as collateral for the drawn amount, consumer loans are sold from easyfinancial Services Inc. and LendCare into the Trust. As the economic exposure associated with the rights related to these consumer loans are controlled by easyfinancial Services Inc. and LendCare, these consumer loans do not qualify for derecognition in the Company’s consolidated statements of financial position. The Revolving Securitization Warehouse Facility matures August 30, 2024 and bears interest equal to the 1-month Canadian Dollar Offered Rate (“CDOR”) plus 185 bps.

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

On June 30, 2022, the Company further increased its Revolving Securitization Warehouse Facility to \$1.4 billion.

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Drawn amount	<b>720,000</b>	295,000
Unamortized deferred financing costs	<b>(3,446)</b>	(2,186)
	<b>716,554</b>	292,814

As at September 30, 2022, \$1.19 billion (December 31, 2021 – \$457.7 million) of consumer loans receivable were pledged by the Company as collateral against its Revolving Securitization Warehouse Facility.

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

The Company has elected to use hedge accounting for the Revolving Securitization Warehouse Facility and related interest rate swap (i.e., the same notional amount, maturity date, and interest payment dates). The Company has established a hedge ratio of 1:1 for the hedging relationships. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Revolving Securitization Warehouse Facility and interest rate swap. There was no hedge ineffectiveness recognized in net income for the three and nine-month periods ended September 30, 2022 and 2021.

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

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

	September 30, 2022	December 31, 2021
Derivative financial asset		
Interest rate swap	10,069	1,035
	<b>10,069</b>	<b>1,035</b>

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

Financial Covenant	Requirements	September 30, 2022	December 31, 2021
Minimum consolidated fixed charge coverage ratio	> 2.0	4.49	4.83

As at September 30, 2022 and December 31, 2021, the Company was in compliance with its financial covenant under the Revolving Credit Warehouse Facility.

## 8. SECURED BORROWINGS

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

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

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

As at September 30, 2022, the drawn amount against the Secured Borrowings was \$121.2 million (December 31, 2021 - \$174.0 million).

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As at September 30, 2022, \$135.7 million (December 31, 2021 - \$171.3 million) of consumer loans receivable were pledged by the Company as collateral for these Secured Borrowings.

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

Financial Covenant	Requirements	September 30, 2022	December 31, 2021
Minimum LendCare tangible net worth	>20,000	118,469	70,027

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

Financial Covenants	Requirements	September 30, 2022	December 31, 2021
Minimum LendCare tangible net worth	>30,000	119,102	75,919
Maximum LendCare leverage ratio	< 9.00	6.13	6.79

As at September 30, 2022 and December 31, 2021, the Company was in compliance with its financial covenants for all Secured Borrowings.

## 9. REVOLVING CREDIT FACILITY

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

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

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

	September 30, 2022	December 31, 2021
Drawn amount	100,000	-
Unamortized deferred financing costs	(1,508)	-
	98,492	-

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The financial covenants of the Revolving Credit Facility were as follows:

Financial Covenants	Requirements as at September 30, 2022	September 30, 2022	Requirements as at December 31, 2021	December 31, 2021
Maximum consolidated leverage ratio	< 4.50	4.38	< 4.25	3.23
Minimum consolidated fixed charge coverage ratio	> 1.25	1.77	> 1.75	2.41
Minimum consolidated asset coverage ratio	>1.75	6.04	-	-
Maximum net charge off ratio	< 15.0%	9.4%	< 15.0%	9.0%
Minimum consolidated tangible net worth	-	-	>\$132,000, plus 50% of consolidated net income	\$472,917
Minimum collateral performance index	-	-	> 90.0%	99.2%

As at September 30, 2022 and December 31, 2021, the Company was in compliance with all of its financial covenants under its Revolving Credit Facility agreements.

**10. NOTES PAYABLE**

On November 27, 2019, the Company issued US\$550.0 million of 5.375% senior unsecured notes payable (the “2024 Notes”) with interest payable semi-annually on June 1 and December 1 of each year. The 2024 Notes mature on December 1, 2024 and include certain prepayment features.

Concurrent with the issuance of the 2024 Notes, the Company entered into derivative financial instruments (the “2024 cross-currency swaps”) as cash flow hedges to hedge the risk of changes in the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the 2024 Notes at a fixed exchange rate of US\$1.000 = CAD1.3242, thereby fully hedging the US\$550.0 million 2024 Notes at a CAD interest rate of 5.65%. The 2024 cross-currency swaps fully hedge the obligation under the 2024 Notes.

The following table summarizes the details of the 2024 Notes:

	September 30, 2022	December 31, 2021
2024 Notes in CAD at issuance	728,310	728,310
Change in fair value of 2024 Notes since issuance date due to changes in foreign exchange rate	30,745	(33,275)
	759,055	695,035
Unamortized deferred financing costs	(6,120)	(8,063)
	752,935	686,972

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On April 29, 2021, the Company issued US\$320.0 million of 4.375% senior unsecured notes payable (“2026 Notes”) (the 2024 Notes and 2026 Notes are collectively referred to as “Notes Payable”) with interest payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2021. The 2026 Notes mature on May 1, 2026 and include certain prepayment features.

Concurrent with the issuance of the 2026 Notes, the Company entered into derivative financial instruments (the “2026 cross-currency swaps”) (the 2024 cross-currency swaps and 2026 cross-currency swaps are collectively referred to as the “cross-currency swaps”) as cash flow hedges to hedge the risk of changes in the foreign currency exchange rate for the proceeds from the offering and for all required payments of principal and interest under the 2026 Notes at a fixed exchange rate of US\$1.000 = CAD1.2501, thereby fully hedging the US\$320.0 million 2026 Notes at a CAD interest rate of 4.818%. The 2026 cross-currency swaps fully hedge the obligation under the 2026 Notes.

The following table summarizes the details of the 2026 Notes:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
2026 Notes in CAD at issuance	<b>400,032</b>	400,032
Change in fair value of 2026 Notes since issuance date due to changes in foreign exchange rate	<b>41,600</b>	4,352
	<b>441,632</b>	404,384
Unamortized deferred financing costs	<b>(4,606)</b>	(5,450)
	<b>437,026</b>	398,934

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
2024 Notes	<b>752,935</b>	686,972
2026 Notes	<b>437,026</b>	398,934
	<b>1,189,961</b>	1,085,906

The Company has elected to use hedge accounting for the Notes Payable and the cross-currency swaps (i.e., the same notional amount, maturity date, interest rate, and interest payment dates). The Company has elected to designate foreign currency basis as a cost of hedging, thereby excluding foreign currency basis spreads from the designation of the hedging relationship, and has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. There are no significant sources of hedge ineffectiveness between the Notes Payable and cross-currency swaps. There was no hedge ineffectiveness recognized in net income for the three and nine-month periods ended September 30, 2022 and 2021.

As the Notes Payable and the cross-currency swaps are in an effective hedging relationship, changes in the fair value of the cross-currency swaps is recorded in OCI and subsequently reclassified into net income to offset the effect of foreign currency exchange rates related to the Notes Payable recognized in net income. The amount of the foreign currency basis spread at inception, designated as a cost of hedging, is amortized in net income on a straight-line basis over the life of the Notes Payable.

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The cross-currency swaps have an aggregated notional amount equal to the aggregated principal outstanding of the hedged Notes Payable. The fair value of cross-currency swaps is determined using swap curves adjusted for credit risks. Swap curves are obtained directly from market sources. The fair value of the cross-currency swaps are as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Derivative financial assets (liabilities)		
2024 Cross-currency swaps	<b>20,172</b>	(34,132)
2026 Cross-currency swaps	<b>37,339</b>	12,620
	<b>57,511</b>	(21,512)

**11. SHARE CAPITAL**

**Common Shares Issued and Outstanding**

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

	<b>Nine Months Ended September 30, 2022</b>		<b>Year Ended December 31, 2021</b>	
	<b># of Shares (in 000s)</b>	<b>\$</b>	<b># of Shares (in 000s)</b>	<b>\$</b>
<b>Balance, beginning of the period</b>	<b>16,199</b>	<b>363,514</b>	14,801	181,753
Exercise of RSUs	24	1,077	75	2,904
Exercise of share options	90	3,682	164	7,326
Dividend reinvestment plan	19	2,238	6	807
Shares purchased for cancellation	(450)	(10,296)	(333)	(7,600)
Share issuance	-	-	1,486	184,358
Share issuance costs, net of tax	-	-	-	(6,034)
Others	-	(295)	-	-
<b>Balance, end of the period</b>	<b>15,882</b>	<b>359,920</b>	16,199	363,514

**\$172.5 Million Bought Deal Equity Offering**

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

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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### **Share Consideration for the Acquisition of LendCare**

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

### **Dividends on Common Shares**

For the three and nine-month periods ended September 30, 2022, the Company paid dividends of \$14.4 million or \$0.91 per share and \$39.6 million or \$2.48 per share, respectively. For the three and nine-month periods ended September 30, 2021, the Company paid dividends of \$10.9 million or \$0.66 per share and \$27.4 million or \$1.77 per share, respectively. On August 10, 2022, the Company declared a dividend of \$0.91 per share to shareholders of record on September 30, 2022, payable on October 14, 2022. The dividend paid on October 14, 2022, was \$14.5 million.

### **Shares Purchased for Cancellation**

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

On December 14, 2021, the Company renewed its NCIB, which allows for a total purchase of up to 1,243,781 common shares (the "2021 NCIB") and expires on December 20, 2022. During the nine-month period ended September 30, 2022, the Company purchased and cancelled nil and 450,058, respectively, of its common shares on the open market at an average price of nil and \$135.52, respectively, for a total cost of nil and \$61.0 million, respectively, pursuant to the 2021 NCIB. During the year ended December 31, 2021, no shares were purchased and cancelled under the 2021 NCIB.

## **12. STOCK-BASED COMPENSATION**

### **Share Option Plan**

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to officers and employees. During the three and nine-month periods ended September 30, 2022, nil and 28,820 options were granted by the Company, respectively (for the three and nine-month periods ended September 30, 2021 – 6,820 and 64,555 options, respectively). For the three and nine-month periods ended September 30, 2022, the Company recorded an expense of \$432 and \$1,302, respectively (for the three and nine-month periods ended September 30, 2021 - \$438 and \$1,382, respectively) in stock-based compensation expense in the interim condensed consolidated statements of income, with a corresponding adjustment to contributed surplus.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### Executive Share Unit (“ESU”) Plan

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

#### *Restricted Share Units*

During the three and nine-month periods ended September 30, 2022, the Company granted 459 and 38,322 RSUs, respectively (for the three and nine-month periods ended September 30, 2021 – 2,138 and 85,987 RSUs, respectively) to employees of the Company under its ESU Plan. RSUs are granted at fair market value at the grant date and generally vest at the end of a three-year period based on long-term targets. For the three and nine-month periods ended September 30, 2022, \$1,279 and \$3,510, respectively (for the three and nine-month periods ended September 30, 2021 – \$1,082 and \$2,979, respectively) were recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three and nine-month periods ended September 30, 2022, an additional 1,658 and 3,790 RSUs, respectively (for the three and nine-month periods ended September 30, 2021 – 957 and 3,371 RSUs, respectively) were granted as a result of dividends payable.

#### *Executive Deferred Share Units*

During the three and nine-month periods ended September 30, 2022, the Company granted nil and 13,286 Executive DSUs, respectively (for the three and nine-month periods ended September 30, 2021 – nil for both periods) to employees of the Company under its ESU Plan. Executive DSUs are granted under the ESU Plan 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 nine-month periods ended September 30, 2022, \$86 and \$197, respectively (for the three and nine-month periods ended September 30, 2021 – nil for both periods) was recorded as an expense in stock-based compensation expense in the interim condensed consolidated statements of income. Additionally, for the three and nine-month periods ended September 30, 2022, an additional 123 and 216 Executive DSUs, respectively (for the three and nine-month periods ended September 30, 2021 – nil for both periods) were granted as a result of dividends payable.

### Board of Directors Deferred Share Unit (“Board DSU”) Plan

Under the terms of the Board DSU Plan, the Company may grant DSUs to Board Directors. During the three and nine-month periods ended September 30, 2022, the Company granted 2,408 and 13,647 Board DSUs, respectively (for the three and nine-month periods ended September 30, 2021 – 907 and 13,361 Board DSUs, respectively) to Board 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 nine-month periods ended September 30, 2022, \$845 and \$2,423, respectively (for the three and nine-month periods ended September 30, 2021 – \$596 and \$1,742, respectively) were recorded as stock-based compensation expense under the Board DSU Plan in the interim condensed consolidated statements of income. Additionally, for the three and nine-month periods ended September 30, 2022, an additional 2,685 and 5,827 Board DSUs, respectively (for the three and nine-month periods ended September 30, 2021 – 1,134 and 3,713 Board DSUs, respectively) were granted as a result of dividends payable.

### Stock-Based Compensation Expense

Stock-based compensation expense for the three and nine-month periods ended September 30, 2022 was \$2,642 and \$7,432, respectively (for the three and nine-month periods ended September 30, 2021 – \$2,116 and \$6,103, respectively).

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(Unaudited)

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### 13. OTHER EXPENSES

During the three and nine-month periods ended September 30, 2022, the Company incurred corporate development costs of nil and \$2.3 million, respectively, including advisory, consulting and legal costs, in connection with the exploration of a strategic acquisition opportunity, which the Company elected to not undertake. These corporate development costs were reported under other expenses in the interim condensed consolidated statement of income.

### 14. INTEREST EXPENSE AND AMORTIZATION OF DEFERRED FINANCING CHARGES

Interest expense and amortization of deferred financing charges under finance costs in the interim condensed consolidated statements of income include the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest expense				
Notes payable	15,106	15,106	45,317	38,893
Revolving securitization warehouse facility	8,163	1,628	16,376	4,438
Secured borrowings	1,420	2,153	4,891	3,570
Revolving credit facility	1,871	599	3,539	2,308
Amortization of deferred financing costs and accretion expense	1,583	1,576	4,632	3,990
Loan commitment fees	-	-	-	1,726
Interest income on cash in bank, net	(541)	(173)	(920)	(475)
	<b>27,602</b>	<b>20,889</b>	<b>73,835</b>	<b>54,450</b>

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**15. INCOME TAXES**

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

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Combined basic federal and provincial income tax rates	26.5%	26.6%
Expected income tax expense	41,620	66,802
Effect of capital losses (gains) on sale of assets and investments	3,081	(14,112)
Non-deductible expenses	1,176	909
Non-deductible acquisition transaction costs	-	1,996
Other	(407)	558
	<b>45,470</b>	<b>56,153</b>

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

	September 30, 2022	December 31, 2021
Accounts receivable and allowance for credit losses	5,906	3,312
Financing fees	1,630	3,578
Stock-based compensation	1,799	1,874
Right-of-use assets, net of lease liabilities	1,265	1,230
Revaluation of notes payable and derivative financial instruments	3,367	(868)
Unrealized fair value gains on investments	(560)	(7,015)
Tax cost of lease assets and property and equipment in excess of net book value	(9,473)	(10,165)
Intangible asset arising from business acquisition	(29,930)	(32,401)
Loss carry forwards	-	1,467
Others	261	340
	<b>(25,735)</b>	<b>(38,648)</b>

As at September 30, 2022 and December 31, 2021, there were no recognized deferred tax liabilities for taxes that would be payable on the undistributed earnings of the Company's subsidiaries.

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**16. EARNINGS PER SHARE****Basic Earnings Per Share**

Basic earnings per share amounts were calculated by dividing the net income for the period by the weighted average number of outstanding common shares and Board DSUs. Board DSUs granted to the Board Directors are included in the calculation of the weighted average number of common shares outstanding as they vest upon grant.

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income	<b>47,189</b>	63,540	<b>111,585</b>	194,982
Weighted average number of common shares outstanding (in 000s)	<b>16,149</b>	16,772	<b>16,220</b>	16,043
<b>Basic earnings per common share</b>	<b>2.92</b>	3.79	<b>6.88</b>	12.15

For the three and nine-month periods ended September 30, 2022, 296,346 and 291,612 Board DSUs, respectively (for the three and nine-month periods ended September 30, 2021 – 276,215 and 273,604 Board DSUs, respectively) were included in the weighted average number of common shares outstanding.

**Diluted Earnings Per Share**

Diluted earnings per share reflect the potential dilutive effect that could occur if additional common shares were assumed to be issued under securities or instruments that may entitle their holders to obtain common shares in the future. Dilution could occur through the exercise of share options, the exercise of RSUs, or the exercise of unvested Executive DSUs. The number of additional shares for inclusion in the diluted earnings per share calculation was determined using the treasury stock method.

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income	<b>47,189</b>	63,540	<b>111,585</b>	194,982
Weighted average number of common shares outstanding (in 000s)	<b>16,149</b>	16,772	<b>16,220</b>	16,043
Dilutive effect of stock-based compensation (in 000s)	<b>361</b>	568	<b>399</b>	557
Weighted average number of diluted shares outstanding (in 000s)	<b>16,510</b>	17,340	<b>16,619</b>	16,600
<b>Dilutive earnings per common share</b>	<b>2.86</b>	3.66	<b>6.71</b>	11.75

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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Share options (in 000s)	89	10	89	60
Restricted share units (in 000s)	39	-	28	-
Executive deferred share units (in 000s)	13	-	13	-
	<b>141</b>	10	<b>130</b>	60

**17. NET CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES**

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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Accounts receivable	(2,689)	(2,766)	(4,735)	878
Prepaid expenses	47	(191)	(586)	5,135
Accounts payable and accrued liabilities	3,409	8,678	(7,039)	7,834
Income taxes payable	5,605	14,357	(23,698)	14,507
Unearned revenue	3,997	(60)	13,235	(1,293)
Accrued interest	16,539	15,108	16,376	19,806
	<b>26,908</b>	35,126	<b>(6,447)</b>	46,867

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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Income taxes paid	13,834	10,836	79,758	43,494
Income taxes refund	1,617	-	1,617	-
Interest paid	10,040	4,378	53,747	29,403
Interest received	177,616	143,350	501,879	376,978

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### 18. CONTINGENCIES

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

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

### 19. FINANCIAL INSTRUMENTS

#### Recognition and Measurement of Financial Instruments

The Company classified its financial instruments as follows:

Financial instruments	Measurement	September 30, 2022	December 31, 2021
Cash	Fair value	74,009	102,479
Accounts receivable	Amortized cost	25,566	20,769
Consumer loans receivable, net	Amortized cost	2,435,447	1,899,631
Investments	Fair value	37,913	64,441
Derivative financial assets	Fair value	67,580	20,634
Revolving credit facility	Amortized cost	98,492	-
Accounts payable and accrued liabilities	Amortized cost	50,401	57,134
Accrued interest	Amortized cost	24,511	8,135
Secured borrowings	Amortized cost	121,207	173,959
Revolving securitization warehouse facility	Amortized cost	716,554	292,814
Derivative financial liabilities	Fair value	-	34,132
Notes payable	Amortized cost	1,189,961	1,085,906

#### Fair Value Measurement

All assets and liabilities for which fair value was measured or disclosed in the 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.

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The hierarchy required the use of observable market data when available. The following tables provide the fair value measurement hierarchy of the Company's financial assets and liabilities measured as at September 30, 2022 and December 31, 2021:

<b>September 30, 2022</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	74,009	74,009	-	-
Accounts receivable	25,566	-	-	25,566
Consumer loans receivable, net	2,435,447	-	-	2,435,447
Investments	37,913	12,207	-	25,706
Derivative financial assets	67,580	-	67,580	-
Revolving credit facility	98,492	-	-	98,492
Accounts payable and accrued liabilities	50,401	-	-	50,401
Accrued interest	24,511	-	-	24,511
Secured borrowings	121,207	-	-	121,207
Revolving securitization warehouse facility	716,554	-	-	716,554
Notes payable	1,189,961	-	-	1,189,961

  

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

There were no transfers between Level 1, Level 2, or Level 3 for the nine-month period ended September 30, 2022 and year ended December 31, 2021.

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### 20. SEGMENTED REPORTING

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

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

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

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

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

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

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

**goeasy Ltd.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

The following tables summarize the relevant information for the three and nine-month periods ended September 30, 2022 and 2021:

<b>Three Months Ended September 30, 2022</b>	<b>easyfinancial</b>	<b>easyhome</b>	<b>Corporate</b>	<b>Total</b>
Revenue				
Interest income	<b>173,145</b>	<b>7,550</b>	-	<b>180,695</b>
Lease revenue	-	<b>25,369</b>	-	<b>25,369</b>
Commissions earned	<b>47,236</b>	<b>3,333</b>	-	<b>50,569</b>
Charges and fees	<b>4,537</b>	<b>1,046</b>	-	<b>5,583</b>
	<b>224,918</b>	<b>37,298</b>	-	<b>262,216</b>
Total operating expenses before depreciation and amortization	<b>114,291</b>	<b>18,888</b>	<b>16,679</b>	<b>149,858</b>
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	<b>6,006</b>	<b>8,663</b>	<b>1,240</b>	<b>15,909</b>
Depreciation of right-of-use assets	<b>2,809</b>	<b>1,965</b>	<b>297</b>	<b>5,071</b>
	<b>8,815</b>	<b>10,628</b>	<b>1,537</b>	<b>20,980</b>
Segment operating income (loss)	<b>101,812</b>	<b>7,782</b>	<b>(18,216)</b>	<b>91,378</b>
Other income				<b>1,294</b>
Finance costs				
Interest expense and amortization of deferred financing charges				<b>27,602</b>
Interest expense on lease liabilities				<b>895</b>
				<b>28,497</b>
<b>Income before income taxes</b>				<b>64,175</b>

**goeasy Ltd.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

<b>Three Months Ended September 30, 2021</b>	<b>easyfinancial</b>	<b>easyhome</b>	<b>Corporate</b>	<b>Total</b>
Revenue				
Interest income	140,266	5,866	-	146,132
Lease revenue	-	27,923	-	27,923
Commissions earned	39,234	2,818	-	42,052
Charges and fees	2,619	1,036	-	3,655
	182,119	37,643	-	219,762
Total operating expenses before depreciation and amortization	83,167	16,752	17,768	117,687
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	5,880	8,912	1,281	16,073
Depreciation of right-of-use assets	2,512	1,924	214	4,650
	8,392	10,836	1,495	20,723
Segment operating income (loss)	90,560	10,055	(19,263)	81,352
Other income				23,219
Finance costs				
Interest expense and amortization of deferred financing charges				20,889
Interest expense on lease liabilities				797
				21,686
<b>Income before income taxes</b>				<b>82,885</b>

**goeasy Ltd.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

<b>Nine Months Ended September 30, 2022</b>	<b>easyfinancial</b>	<b>easyhome</b>	<b>Corporate</b>	<b>Total</b>
Revenue				
Interest income	<b>485,434</b>	<b>21,396</b>	-	<b>506,830</b>
Lease revenue	-	<b>78,195</b>	-	<b>78,195</b>
Commissions earned	<b>135,990</b>	<b>9,780</b>	-	<b>145,770</b>
Charges and fees	<b>12,218</b>	<b>2,997</b>	-	<b>15,215</b>
	<b>633,642</b>	<b>112,368</b>	-	<b>746,010</b>
Total operating expenses before depreciation and amortization	<b>320,101</b>	<b>54,663</b>	<b>52,659</b>	<b>427,423</b>
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	<b>17,542</b>	<b>25,918</b>	<b>3,690</b>	<b>47,150</b>
Depreciation of right-of-use assets	<b>8,280</b>	<b>5,896</b>	<b>735</b>	<b>14,911</b>
	<b>25,822</b>	<b>31,814</b>	<b>4,425</b>	<b>62,061</b>
Segment operating income (loss)	<b>287,719</b>	<b>25,891</b>	<b>(57,084)</b>	<b>256,526</b>
Other loss				<b>(23,050)</b>
Finance costs				
Interest expense and amortization of deferred financing charges				<b>73,835</b>
Interest expense on lease liabilities				<b>2,586</b>
				<b>76,421</b>
<b>Income before income taxes</b>				<b>157,055</b>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

Nine Months Ended September 30, 2021	easyfinancial	easyhome	Corporate	Total
Revenue				
Interest income	363,806	16,303	-	380,109
Lease revenue	-	84,708	-	84,708
Commissions earned	109,809	8,015	-	117,824
Charges and fees	6,721	2,930	-	9,651
	480,336	111,956	-	592,292
Total operating expenses before depreciation and amortization	223,784	50,143	59,770	333,697
Depreciation and amortization				
Depreciation and amortization of lease assets, property and equipment and intangible assets	12,423	27,652	3,730	43,805
Depreciation of right-of-use assets	7,021	5,750	645	13,416
	19,444	33,402	4,375	57,221
Segment operating income (loss)	237,108	28,411	(64,145)	201,374
Other income				106,505
Finance costs				
Interest expense and amortization of deferred financing charges				54,450
Interest expense on lease liabilities				2,294
				56,744
<b>Income before income taxes</b>				<b>251,135</b>

As at September 30, 2022, the Company's goodwill of \$21.3 million (December 31, 2021 – \$21.3 million) is related to its easyhome reportable operating segment and \$159.6 million (December 31, 2021 – \$159.6 million) is related to the LendCare operating segment within the easyfinancial reportable operating segment.

In scope under IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") are revenues relating to commissions earned and charges and fees. Lease revenue is covered under IFRS 16, *Leases*. Included in lease revenue is certain additional services provided by the Company related to the lease, but which fall under the scope of IFRS 15. These revenues totalled \$2.9 million and \$8.9 million for the three and nine-month periods ended September 30, 2022 (for the three and nine-month periods ended September 30, 2021 - \$3.2 million and \$9.9 million, respectively).

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

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

For the periods ended September 30, 2022 and 2021

The Company's easyhome business consisted of four major product categories: furniture, electronics, appliances and computers. Lease revenue generated by these product categories as a percentage of total lease revenue for the nine-month periods ended September 30, 2022 and 2021 were as follows:

	<b>Nine Months Ended</b>	
	<b>September 30, 2022 (%)</b>	<b>September 30, 2021 (%)</b>
Furniture	40	40
Electronics	32	32
Appliances	16	15
Computers	12	13
	<b>100</b>	<b>100</b>

**21. SUBSEQUENT EVENT**

On October 24, 2022, the Company established the goeasy Asset Securitization Trust, a securitization vehicle. Upon its creation, the Company's activities will include transactions with goeasy Asset Securitization Trust, a structured entity, which has been designed to achieve a specific business objective. The Company controls the goeasy Asset Securitization Trust. As such, it will be consolidated for financial reporting purposes.

The primary purpose of goeasy Asset Securitization Trust is to provide the Company with funding for automotive consumer loans. On November 10, 2022, the Company entered into an agreement establishing a \$200 million revolving securitization warehouse facility, structured and underwritten by Bank of Montreal (the "Asset Securitization Facility"). The Asset Securitization Facility will be collateralized by automotive consumer loans originated by goeasy's wholly owned subsidiaries, easyfinancial Services Inc. and LendCare. As the economic exposure associated with the rights related to these automotive consumer loans are controlled by easyfinancial Services Inc. and LendCare, these consumer loans do not qualify for derecognition in the Company's consolidated statements of financial position. The Asset Securitization Facility will have an initial term of two years and interest on advances payable at the rate of 1-month CDOR plus 185 bps. The Company intends to establish an interest rate swap agreement to generate fixed rate payments on the amounts drawn to assist in mitigating the risk of increases in interest rates.