transformation

storied past. exciting future.

COVID-19

On behalf of everyone at GMP, we extend our sincere condolences to the large number of families that have been, and are being, affected by COVID-19. For those most affected, the sudden and unimagined loss of life is heartbreaking.

As Canadians, we are proud of how communities across the country are responding to the guidance of public health authorities to limit the spread of the coronavirus; staying at home, ensuring the safety of their families and adhering to social distancing protocols for the benefit of all. It truly highlights the power of collective efforts against a deadly global pandemic.

We are profoundly grateful to all front-line workers, especially our healthcare workers and first responders, for their daily selfless acts of bravery to keep us all safe. They exemplify the best qualities within us all. And to the federal, provincial and municipal authorities, who responded quickly and decisively to help mitigate the devastating impact to the well-being of our fellow citizens, a big thank you.

Together with our partners at Richardson GMP, we moved quickly to protect the health and safety of our people and the well-being of our businesses by enabling everyone, except a handful of essential personnel, to work seamlessly from home. Powered by digital technology, and with minimal disruption, our talented professionals continued to support fully and offer personal advice to our respective clients during this particularly trying period. As the country begins to re-open cautiously, we will continue along a thoughtfully planned process of helping employees return to the workplace, all while protecting their health and safety and that of others.

Finally, we would like to thank you, our shareholders, for your patience as we manage our way through this unprecedented crisis. With your support and a strong balance sheet, we emerged from the experience; more certain that, together, we can overcome anything. And we will. For we know collective ambition, resilience and confidence cannot be quarantined.

Be well and stay safe.

Kish Kapoor
Interim President and CEO

D.A. Wright
Don Wright
Chair of the Board

Our Ambition is Bold. Our Conviction is Strong.

We intend to leverage our ownership interest in Richardson GMP, given its strong brand, national platform and recurring revenues, to capitalize further on the considerable opportunities in the multi-trillion-dollar wealth management industry in Canada. Our ambition is to build the dominant wealth management firm serving high net worth Canadians. We continue to believe this route offers the greatest long-term potential for value creation for all stakeholders. Our franchise remains strong and resilient, with considerable net working capital at both GMP and Richardson GMP.

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Fellow Shareholders,

2019 marked the end of an era at GMP. After 25 years of being known as a disruptive investment dealer, we made a bold decision to prepare our Company for the future.

Our past was an entrepreneurial capital markets business that was capital intensive and focused primarily on niche sectors of the Canadian economy. It was called GMP Securities. This iconic brand had been a strong performer for more than fifteen years generating strong returns for shareholders but then endured a near decade-long risk-off trade, disintermediation and countless structural challenges. With a falling share price reflecting the concern and uncertainty investors felt about our future, we knew the status quo was no longer the best option. Let me assure you that we did not arrive at this decision lightly. GMP Securities had many great years but its outlook as a small independent dealer was less promising. We needed to act, and that is precisely what we did.

Last year, after the culmination of a multi-year comprehensive review of our long-term strategy, the Board made the decision to:

- sell our capital markets business;
- focus capital on the considerable opportunities in the multi-trillion-dollar wealth management industry, including the potential consolidation of 100% of Richardson GMP's ownership under GMP; and
- associate ourselves with the Richardson brand to accelerate growth.

Richardson GMP is one of Canada's leading wealth management firms serving high net worth Canadians. At the end of 2019, each of GMP and Richardson Financial Group ("RFGL"), our largest shareholder, owned approximately 34.4% of that business. The balance is held by investment advisors, management, employees and others at Richardson GMP. That business is at scale, less capital intensive, national in scope, consistently profitable with strong recurring revenues. It has some of the best investment professionals in the industry, a strong management team, an award-winning brand and offers the potential for significant growth opportunities in the multi-trillion-dollar wealth management industry in Canada.

With a 98.4% favourable vote from shareholders to sell our capital markets business, we successfully sold the business to Stifel Nicolaus Canada Inc. (Stifel) in December 2019.

The sale of capital markets freed up significant capital to devote to other opportunities, including in the wealth management industry. It also allowed us to return to shareholders a significant portion of the $42.2 million cash proceeds from the sale. In December, we returned $21 million to shareholders as a return of capital, and when combined with $12 million in preferred and common dividends, we returned $33 million to shareholders in 2019.

Then, this past February, based on the unanimous recommendation of an independent Special Committee (which did not include representatives of RFGL, we announced a non-binding agreement between GMP and RFGL to consolidate 100% ownership of Richardson GMP under GMP (the "Initial RGMP Transaction"). For this purpose, the Special Committee had retained RBC Capital Markets to complete a formal valuation of both Richardson GMP and GMP.

In March, the severity and uncertain duration of the COVID-19 outbreak resulted in us deferring the Initial RGMP Transaction.

On August 13, 2020, after considering the impact of market conditions on Richardson GMP and GMP and receiving an updated formal valuation and fairness opinion from RBC Capital Markets and based on the unanimous approval by the Board (excluding conflicted directors), we announced a definitive purchase agreement with RFGL to consolidate 100% ownership of RGMP under GMP (the "RGMP Transaction"). Pursuant to the RGMP Transaction, GMP will acquire all of the common shares of Richardson GMP that are not owned by the Company for a purchase price of 1.875 common shares per common share of RGMP.

We also announced as part of the RGMP Transaction, the payment of a special dividend of 15 cents per common share to pre-closing GMP shareholders. The revised terms to the previously announced transaction in February 2020 strike what, we believe, is an appropriate balance taking into account the effects of the global pandemic, feedback raised by various stakeholders and retaining the appropriate level of capital to execute our long-term value creation strategy. Furthermore, we were able to secure the commitment of RFGL to not have their preferred shares in Richardson GMP redeemed on closing as otherwise required under the RGMP Shareholders Agreement, and instead leaving the $32.1 million in the Company to fund growth opportunities. This announcement represents another significant milestone in our journey to create long-term value for you, our shareholders.

You will have the opportunity to vote on the RGMP Transaction at our upcoming annual and special meeting of shareholders, on October 6, 2020. We encourage you to review the related management proxy circular.

The following table provides a summary of the key revised August terms compared with the non-binding terms announced in February.

	August 2020	February 2020	% Change
Exchange ratio, pre special dividend	1.76:1	2:1	(12)%
Exchange ratio, post special dividend	1.875:1	2:1	(6)%
Enterprise value for RGMP (millions)	$420	$500	(16)%
Reference value of RGMP common shares	$4.25	$5.14	(17)%
RGMP's AUA[1] (billions)	$28.3	$28.6	(1)%
RGMP net working capital[2] (millions)	$58.2	$54.4	7%
GMP adjusted net working capital[2] (millions)	$123.1	$130.6	(6)%
Special dividend, conditional on closing of the RGMP Transaction	$0.15/share	Nil	n/a
Reference value of GMP common shares, pre special dividend	$2.42	$2.57	(6)%
Reference value of GMP common shares, post special dividend	$2.27	$2.57	(12)%
GMP common share 10-day VWAP prior to announcement	$1.29	$1.90	(32)%
# of GMP common shares to be issued to RGMP shareholders (millions)	106.9	111.0	(4)%

1. June 30, 2020 assets under administration ("AUA") was $28.3 billion compared with December 31, 2019 AUA of $28.6 billion.
2. Net working capital as at June 30, 2020 compared with December 31, 2019, respectively.

Furthermore, the payment of a 15 cent special dividend of $11.3 million when combined with the $21 million return of capital last December, represents approximately 76% of the aggregate proceeds received from the sale of our capital markets business.

CEO Transition

In August 2019, at a critical time in our history, we appointed Kish Kapoor as Interim President and Chief Executive Officer of GMP. His mandate was to complete the sale of the capital markets business and prepare the Company for the next phase of its growth. Kish brings considerable senior leadership experience and business acumen in wealth management, asset management and capital markets over a career that spans more than 40 years.

While he is new to the role, Kish is not new to the firm. He sits on the boards of GMP, Richardson GMP and RFGL. Given his deep knowledge, he is uniquely positioned to chart a path forward that best meets the interests of all stakeholders.

Dividends

On April 29, 2020, out of an abundance of caution and conservative approach to capital management, amid disruption caused by COVID-19, the Board decided to temporarily suspend quarterly common share dividends.

Board Retirements

In April 2020, Gene McBurney and Fiona Macdonald retired from the Company's Board of Directors, and in February 2020, Kevin Sullivan retired from the Board. Gene and Kevin were two of the founders of GMP Securities L.P. in 1995. Fiona joined the Board in 2013.

We thank Gene, Kevin and Fiona for their leadership, strategic guidance and informed insights and we wish them all the very best in their future endeavours.

Looking Ahead

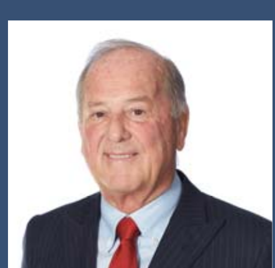
Our top priority in 2019 was to accelerate our transformation, and we did just that. In 2020, our top priority is to safely navigate through the challenges brought about by the global pandemic and complete the RGMP Transaction. We are confident that the course we charted some time ago to transform GMP will lead to success for us all.

To our shareholders, thank you for your ongoing support through this time of transition. To my fellow Board members, thank you for your insight, sound judgement and courage to embark on this transformational journey on behalf of all of our stakeholders. Finally, a special thanks to our leadership team and employees who have worked tirelessly to prepare us for where we are going in the future.

D.A. Wright

Donald A. Wright
Chair of the Board of Directors

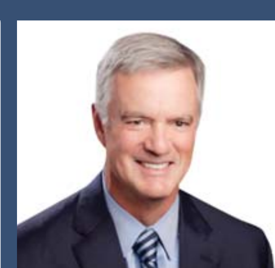
BOARD OF DIRECTORS



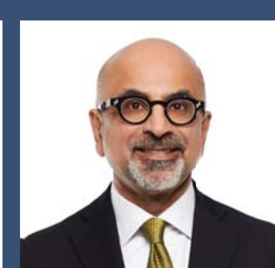
DONALD WRIGHT
Independent Chair

DAVID BROWN
Independent Board Member

JULIE LASSONDE
Independent Board Member



DAVID FERGUSON
Independent Board Member



KISH KAPOOR
Board Member

GMP Capital Inc. Today

GMP Capital Inc.

34.1% ownership interest

$130.6 MILLION
Net Working Capital
(as at December 31, 2019)

Strong financial condition

RF SECURITIES CLEARING

Wholly-owned carrying broker business (formerly GMP Securities)

RICHARDSON GMP

A leading independent wealth management firm

Transformation Timeline

A Multi-Year Process, Significant Investment

NOVEMBER 2017	NOVEMBER 2018	JANUARY 2019	JUNE 2019	AUGUST 2019	DECEMBER 2019	2020
GMP retained global management consulting firm to assist with strategic review process. Board determines status quo not in best interests of shareholders.	Board formed Special Committee comprised entirely of independent directors, with a mandate to oversee strategic transactions available to GMP.	Non-binding indications of interest solicited from multiple counterparties. Board formed another Special Committee, also comprised entirely of independent directors, to lead discussions with respect to leveraging its ownership interest in Richardson GMP.	Announced Sale of Capital Markets to Stifel.	GMP Shareholders Voted 98.4% in Favour of Sale of Capital Markets.	Completed Sale of Capital Markets; Board declared a one-time return of capital distribution in the amount of $0.275 per common share (paid December 31, 2019).	GMP enters into definitive agreement with RFGL to consolidate 100% of Richardson GMP's ownership under GMP. Exchange ratio to be used is 1.875 shares of GMP for one share of Richardson GMP. As part of the RGMP Transaction, GMP intends to pay a special dividend of $0.15/share to pre-closing GMP shareholders.

Progress with Purpose

Our mission: To continue building and growing a top-tier wealth management business that becomes a fully integrated financial services firm, with Richardson GMP being the foundational centrepiece, to provide a comprehensive suite of client solutions across the entire family household balance sheet.

Dear Shareholders,

It is truly a privilege to lead GMP at such a critical time in its history. Although impacted by the severe global health crisis, we have made great strides in preparing our Company for the future. We sold our capital markets franchise in December 2019, unlocking significant capital that had been dedicated to that business. We also mapped out a strategy to leverage our ownership interest in Richardson GMP to create long-term value by pursuing opportunities in the growing wealth management industry in Canada.

Our ambition remains a bold one: to be the **destination of choice for Canada's top advisors** who share our entrepreneurial spirit, independent culture and philosophy to deliver unparalleled face-to-face advice to Canadians opting for non-bank points of access for wealth management advice. To achieve this, we believe our best opportunity is to build on the success of Richardson GMP, a company we created with Richardson Financial, the leadership team and talented investment advisors at Richardson GMP more than a decade ago.

In this environment of uncertainty and changing demographics, where good advice is in increasing demand, we are confident that, together with Richardson GMP, we have the right strategy and the key ingredients necessary to succeed. We have a strong balance sheet; a proven national brand in Richardson GMP; and we have amongst the best investment and wealth management professionals in the industry who care deeply about the well-being of our growing base of high net worth clients across Canada.

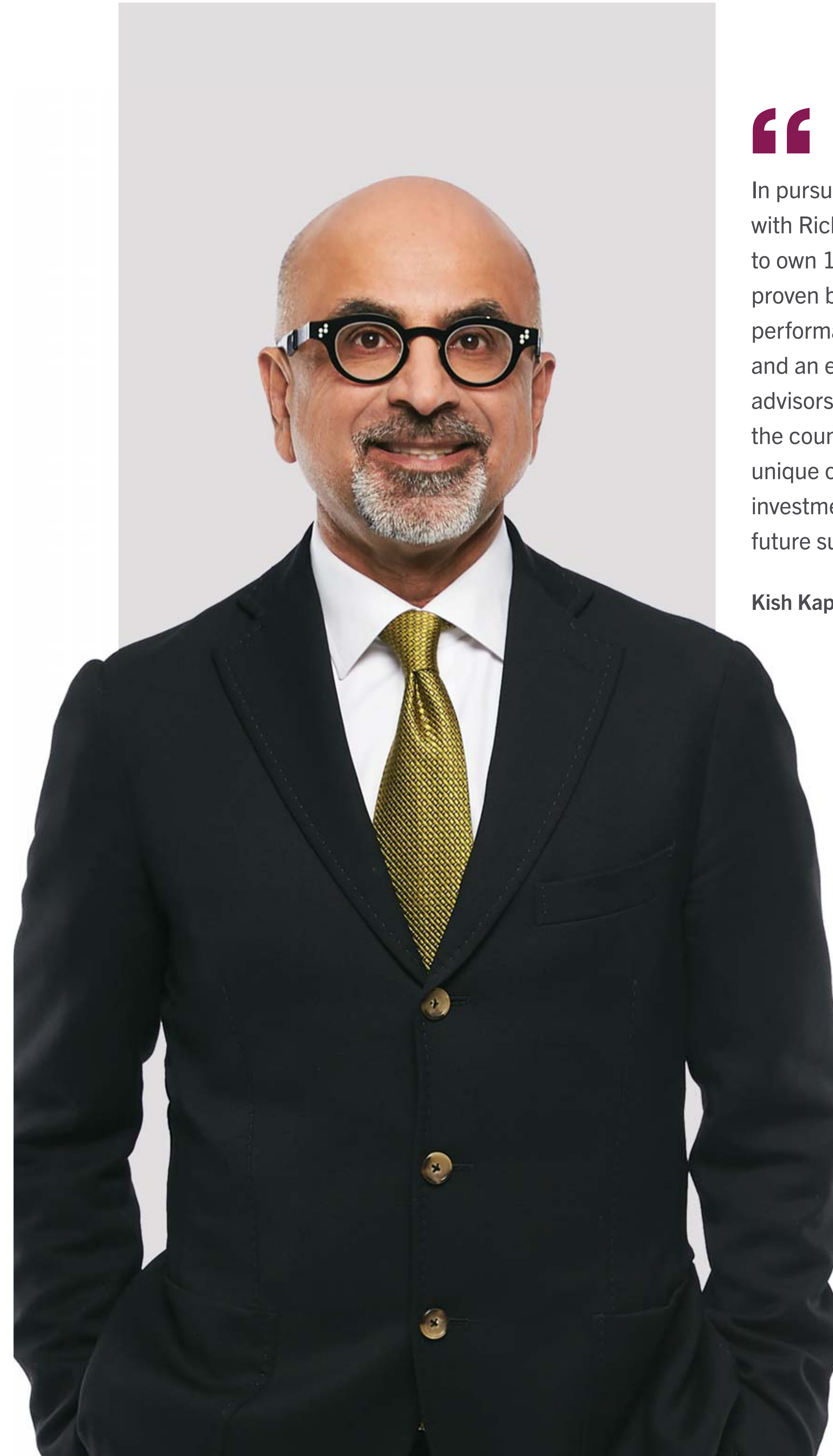
Our strategy for the future of Richardson GMP wasn't formed in isolation. We engaged outside experts, we assessed opportunities for independents in a wealth management market dominated by the banks, and we sought feedback from shareholders. Together with Andrew Marsh, Richardson GMP's CEO, we held town hall meetings with Richardson GMP's investment and wealth professionals and those who support them across Canada. We also hosted several client events and recruiting meetings across Canada to hear directly from our key target market on what is and isn't important in a wealth management firm of the future.

Armed with this knowledge, I am proud to share in my inaugural letter to you how far we have come in the last year, where we are now, where we are headed and the path that will lead us there.

A Year of Change

2019 was a pivotal year for GMP. Bluntly, after a nearly decade-long challenging landscape for independent investment banks focused on niche markets in Canada, the Company was struggling to attract investors to its story. We experienced disappointing share price declines year after year. It was abundantly clear we needed to change course to redeploy our cash resources toward a segment of the market that held far greater promise. And so, after careful deliberation, the Board announced the sale of the capital markets business to Stifel Nicolaus Canada Inc. (Stifel) on June 17, 2019 and we completed the transaction on December 6, 2019.

The sale transaction was a lengthy process due to a variety of factors including securing complex regulatory approvals. These unavoidable delays had a significant impact on our operating results for the year. Our capital markets revenues were $59.5 million in 2019 compared with $165.8 million in the prior year, and we reported a consolidated loss of $53.2 million compared with net income of $2.5 million in 2018. This year's loss included large one-time impairment charges, restructuring, severance and professional fees incurred to transform the business.

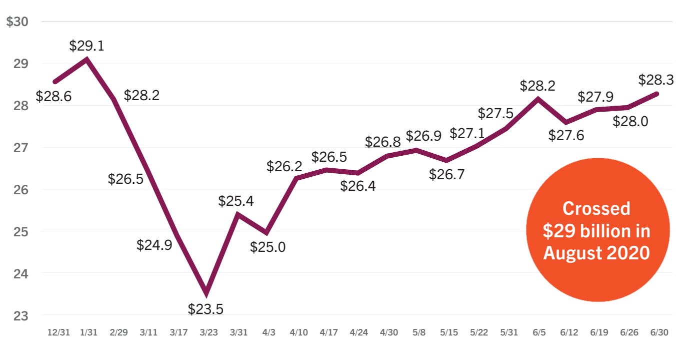


"In pursuing the announced transaction with Richardson GMP, the objective is to own 100% of a business that has a proven brand, strong track record of performance, scale, a national platform and an exceptional roster of investment advisors who are among the best in the country. These factors afford us a unique opportunity to capitalize on our investment in Richardson GMP to drive future success for all stakeholders."

Kish Kapoor, Interim President and CEO

At Richardson GMP, assets under administration at the end of June were $28.3 billion, recovering most of the short-term losses from the sharp drop caused by the COVID-19 pandemic. This highlights the stability and resilience of their business driven by strong demand for face-to-face wealth management advice and a long-term investment strategy. On another front, the appeal of our go-forward plan continues with our partners at Richardson GMP adding six advisory teams and expected client assets of over $1 billion since August 2019, with many more in discussion with Richardson GMP across the country. Today, GMP's remaining assets are cash, a carrying broker business and an approximate 34.1% interest in Richardson GMP.

Richardson GMP AUA Trend



Our Path Forward

While pursuing the sale of the capital markets business, the Board formed a Special Committee, comprised solely of independent directors excluding management and representatives of RFGL to consider, among other things, the potential consolidation of the ownership of Richardson GMP under GMP.

In late 2019, the Special Committee began exploratory discussions with RFGL and the investment advisor representatives on Richardson GMP's board to acquire the remaining interest in Richardson GMP not owned by GMP in exchange for common shares in GMP.

In pursuing a potential transaction with Richardson GMP, the objective is to own 100% of a business that has a proven brand and strong record of performance. It is one of the largest independent wealth management firms in Canada that has the scale and national platform to gain a greater share of the Canadian wealth management market that is expected to grow to $7.7 trillion by 2028 (Source: Investor Economics). While this market is dominated by the six major chartered banks, we believe strong independents like Richardson GMP with considerable scale and strong brand recognition will continue to play a pivotal role in attracting investment professionals and high net worth clients who value independence, choice and highly personalized service.

At the end of 2019, Richardson GMP had just under $29 billion in assets under administration, 162 investment advisory teams, nearly 900 employees operating out of 19 locations across Canada, over $272 million in annual revenues (74% recurring) and $50 million in adjusted EBITDA. Richardson GMP's investment advisory teams, our partners in this exciting journey, are among the top in the industry with an average practice size of approximately $176 million in client assets.

A key draw for Richardson GMP's investment professionals and others looking to join them (including their client base of high net worth clients) is the rich 90-year history of the Richardson brand in financial services and their success in creating wealth over more than five generations. For the second consecutive year, Richardson GMP was recognized as a Great Place to Work® by its employees, with 91% of investment advisors saying, "I am proud to tell others I work at Richardson GMP" and "Taking everything into account, I would say this is a great place to work." Some of Richardson GMP's leaders are profiled in this year's Annual Report, and we look forward to highlighting more in future reports.

These and other factors afford us a unique opportunity to capitalize on our investment in Richardson GMP to drive future success including a strong balance sheet, an opportunity to continue to own a meaningful portion of the business through GMP and gain access to public markets for liquidity and capital for accelerated growth.

The Importance of Culture

> There is a real sense of community. It's like being in a small village every day even though we are spread across the country."

> 91% of advisors say "We are proud to tell others that we work at Richardson GMP."

> It's small and nimble with a warm and progressive culture… People matter here."

("Great Place to Work" survey results)

Accelerating Growth

If the consolidation of Richardson GMP is successful, the Company intends to deploy considerable capital toward accelerating growth in wealth management through:

- Recruitment;
- Acquisition;
- Complementary wealth management services; and
- Organic growth.

Assuming shareholder approval and completion of the RGMP Transaction, our plan is to use the resources and strengths of the combined firms to:

(i) invest in Richardson GMP's highly talented investment advisors and platform to better serve advisors and their clients;

(ii) aggressively recruit top advisors;

(iii) explore acquisition of like-minded IIROC-member wealth management businesses;

(iv) add complementary asset management and insurance capabilities through acquisition or alliances;

(v) enhance operating margins;

(vi) realize operating synergies with our carrying broker platform;

(vii) offer greater choice of third-party products and services, including co-branded solutions across the household balance sheet; and

(viii) broaden our shareholder base to include new small to mid-cap investors looking for opportunities in the growing wealth management market in Canada.

Richardson GMP Enters into Strategic Alliance with Cormark Securities

In June 2020, Richardson GMP announced a strategic alliance with Cormark Securities Inc., one of Canada's premier independent investment dealers, that will result in Richardson GMP's advisors and their extensive high net worth clientele having preferred access to Cormark's industry-leading research and new investment issues and ideas; and Cormark's marquee issuer clients and institutional investors benefiting from close collaboration with Richardson GMP's growing network of professional, experienced and knowledgeable investment advisors who are some of the best in the country.

A New Name

At our upcoming annual and special meeting of shareholders, shareholders will be asked to approve changing the name of GMP Capital Inc. to RF Capital Group, which we believe will be better aligned with the firm's wealth management-focused growth strategy.

RF CAPITAL GROUP

Later this year, Richardson GMP, conditional upon the approval of the RGMP Transaction, will also change its name for the Anglophone and Francophone markets, respectively, to:

RICHARDSON Wealth

Patrimoine RICHARDSON

Closing Thoughts

After a multi-year process to transform GMP, we can begin to focus our resources on capitalizing on the considerable opportunities in the multi-trillion-dollar wealth management industry. Our franchise remains strong and resilient, with considerable net working capital at both GMP and Richardson GMP.

I would like to thank our shareholders, clients and our partners at Richardson GMP for your patience and continued trust as we execute our transformation. I would also like to thank the members of our Board for your bold decision-making, vision and wise counsel. Tomorrow will assuredly look different from yesterday; but the journey promises to be exciting.

Kish Kapoor
Interim President and CEO

Business Overview

GMP operates through the following segments: Operations Clearing, Wealth Management and Corporate

RF SECURITIES CLEARING

OPERATIONS CLEARING provides carrying broker services to Richardson GMP Limited and Stifel's Canadian capital markets business, including trade execution, clearing, settlement, custody, and certain other middle- and back-office services, and other expenses associated with providing such services. Effective December 6, 2019, GMP's carrying broker business was renamed RF Securities Clearing LP (formerly GMP Securities L.P.).

FROM LEFT: **Darren Molloy,** Head of Retail Trading; **Krista Coburn,** General Counsel and Corporate Secretary, GMP Capital Inc., and **Alrica Jones,** Finance

RICHARDSON GMP

WEALTH MANAGEMENT consists of GMP's non-controlling ownership interest in Richardson GMP, one of Canada's largest independent wealth management firms focused on providing exclusive and comprehensive wealth management and investment services delivered by an experienced team of investment professionals. GMP's non-controlling ownership in Richardson GMP as at December 31, 2019, was approximately 34.4%.

CORPORATE primarily comprises enterprise-wide items, general corporate functions and other public company costs.

RICHARDSON GMP intends to change its name following the successful completion of the consolidation of Richardson GMP, for the Anglophone and Francophone markets, respectively, to:

RICHARDSON Wealth

Patrimoine RICHARDSON

Senior Executive Committee of Richardson GMP






FROM TOP LEFT: **Mike Ankers,** Director National Sales, **Sarah Widmeyer,** Director, Wealth Strategies, and **Michael Williams,** Chief Risk and Compliance Officer, **Lynne Brejak,** Director, Human Resources, **Elliot Muchnik,** Chief Financial Officer and Corporate Secretary, and **Scott Stennett,** Chief Operating Officer

The Path Forward

Management, together with GMP's Board of Directors, has carefully mapped out a clear strategy to leverage the Company's ownership interest in Richardson GMP to create long-term value for all stakeholders.

Focused Strategy to Transform GMP

- Exit capital markets business
- Focus capital on considerable opportunities in multi-trillion-dollar wealth management industry
- Association with the Richardson brand and its 90-year history in financial services to accelerate growth

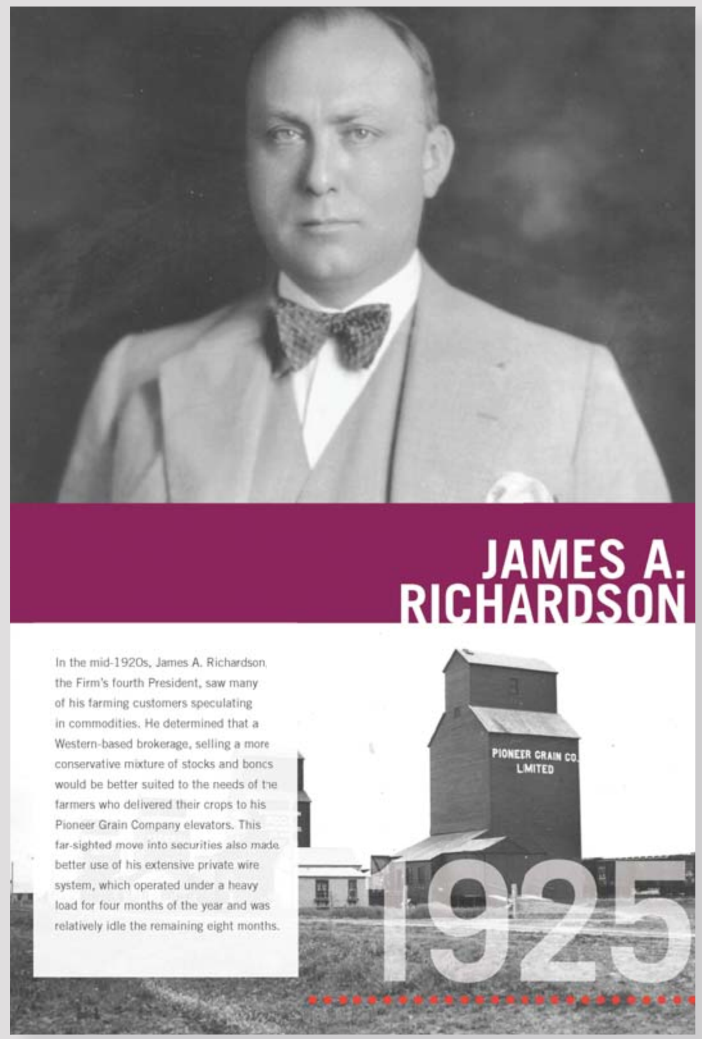
Association with Richardson Brand to Accelerate Growth

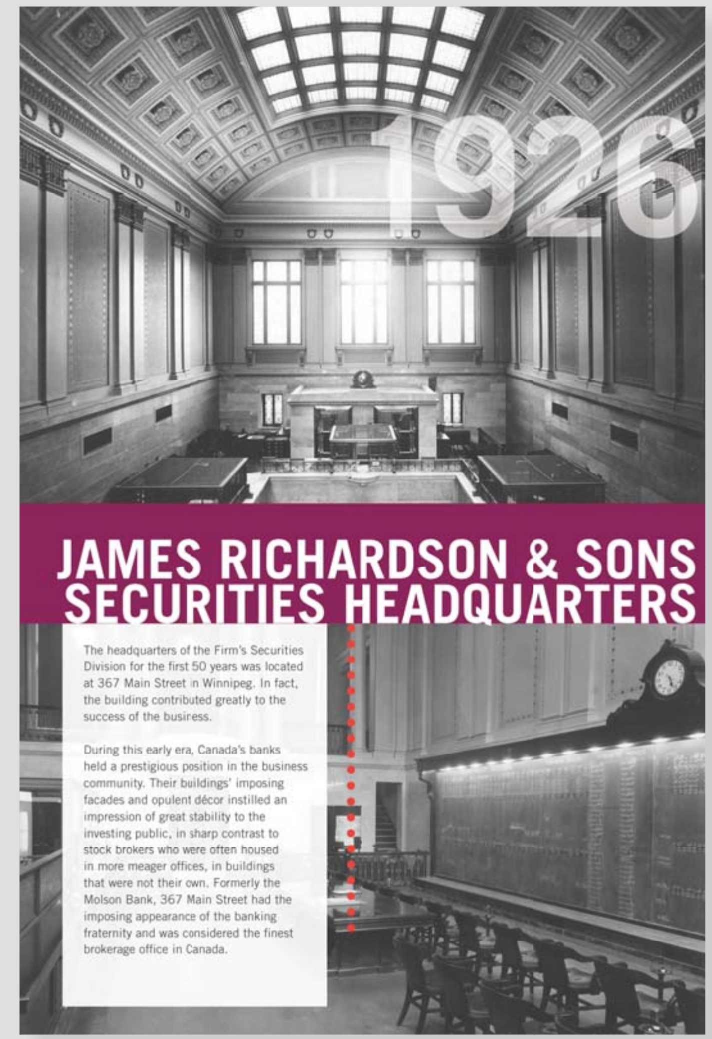
A core element to GMP's transformation includes a continued association with the Richardson brand.

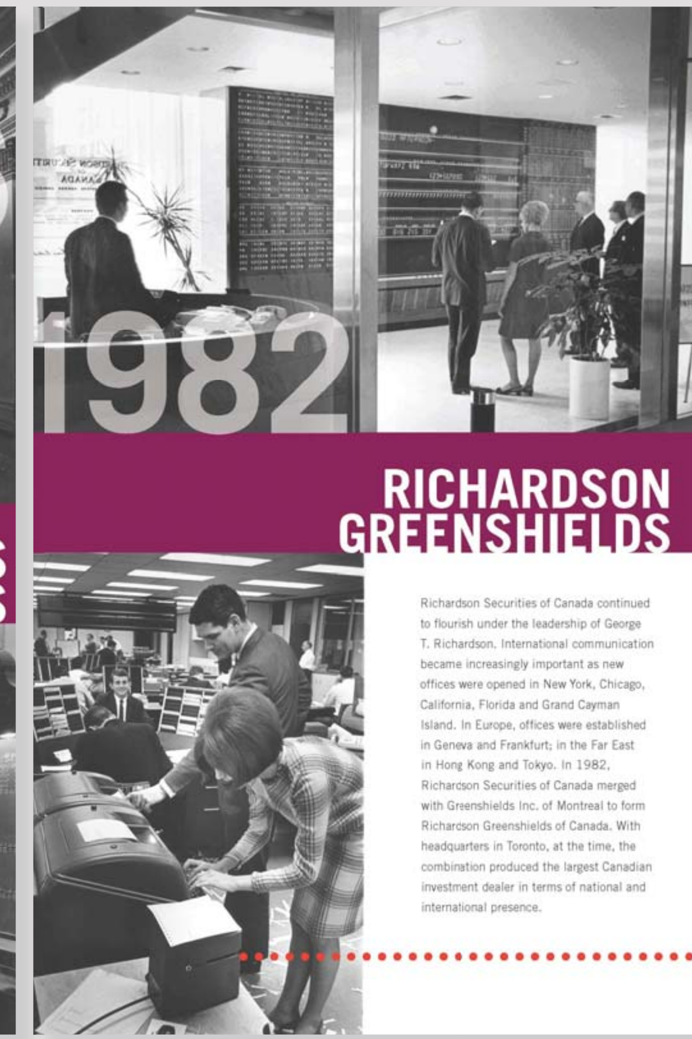
"We are very pleased to renew our support and commitment to the long-term success of GMP, a firm that has successfully transformed itself to focus exclusively on serving the complete wealth management needs of Canadian families with Richardson GMP being the foundational centerpiece of that strategy.

As a significant shareholder (through our ownership of RFGL), we look forward to working alongside GMP's public and employee shareholders to repeat the success we have enjoyed in the financial services industry for over 90 years."

Hartley T. Richardson
President & Chief Executive Officer,
James Richardson & Sons, Limited







A Unique Opportunity to Acquire 100% Ownership Interest in a Premier Wealth Management Platform Poised for Growth

With its impressive reputation and track record of strong financial performance, we believe Richardson GMP is an ideal platform to grow our share of the wealth management market in Canada. Richardson GMP is already one of Canada's largest independent wealth management firms.

2019 By the Numbers: Richardson GMP High-Quality Earnings

Revenue
$272.3
MILLION

Assets Under Administration[1]
$28.6
BILLION

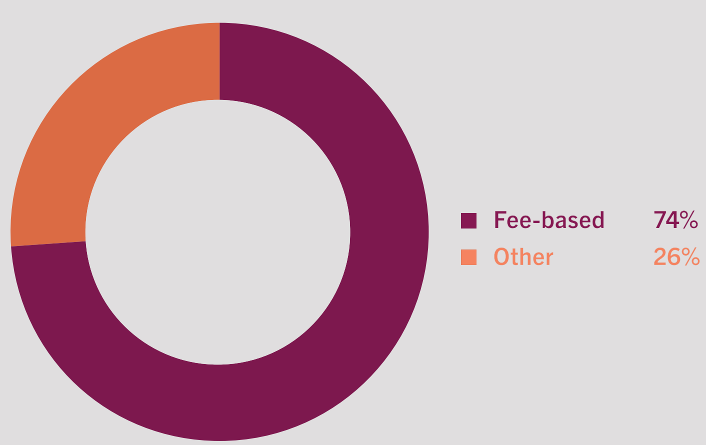
Recognized for Fiduciary Excellence

CEFEX® CENTRE FOR FIDUCIARY EXCELLENCE

High-Quality Advisory Teams
162
TEAMS

$176
MILLION
Avg. AUA per team
One of the highest in Canada

Strong Fee-Based Recurring Revenues



(1) Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Supplemental Information" section in GMP Capital Inc.'s 2019 MD&A.

Unlocking Shareholder Value

Significant Market Opportunity

Large and Growing Retail Wealth in Canada

Net assets
$4.4
TRILLION

Increasing to
$7.7
TRILLION (BY 2028)

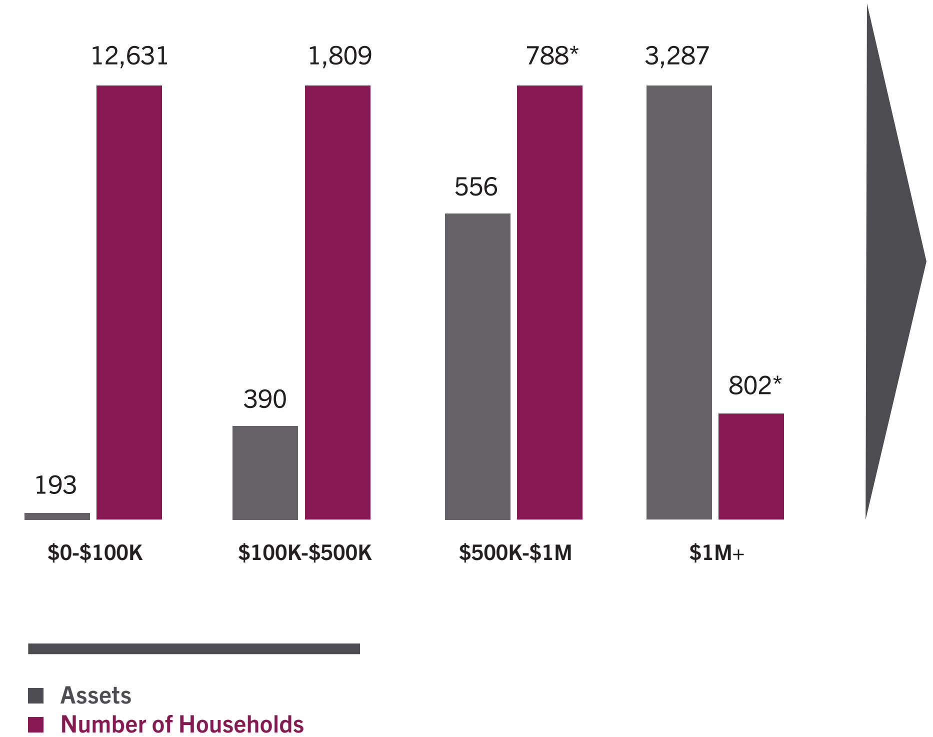
Financial advisors
90,000
NATIONWIDE

Source: Investor Economics

Significant Opportunity for Delivery of Fee-Based, Face-to-Face Advice

Target Market – Affluent Clients

Strategic Focus on High-Value Segment of the Market



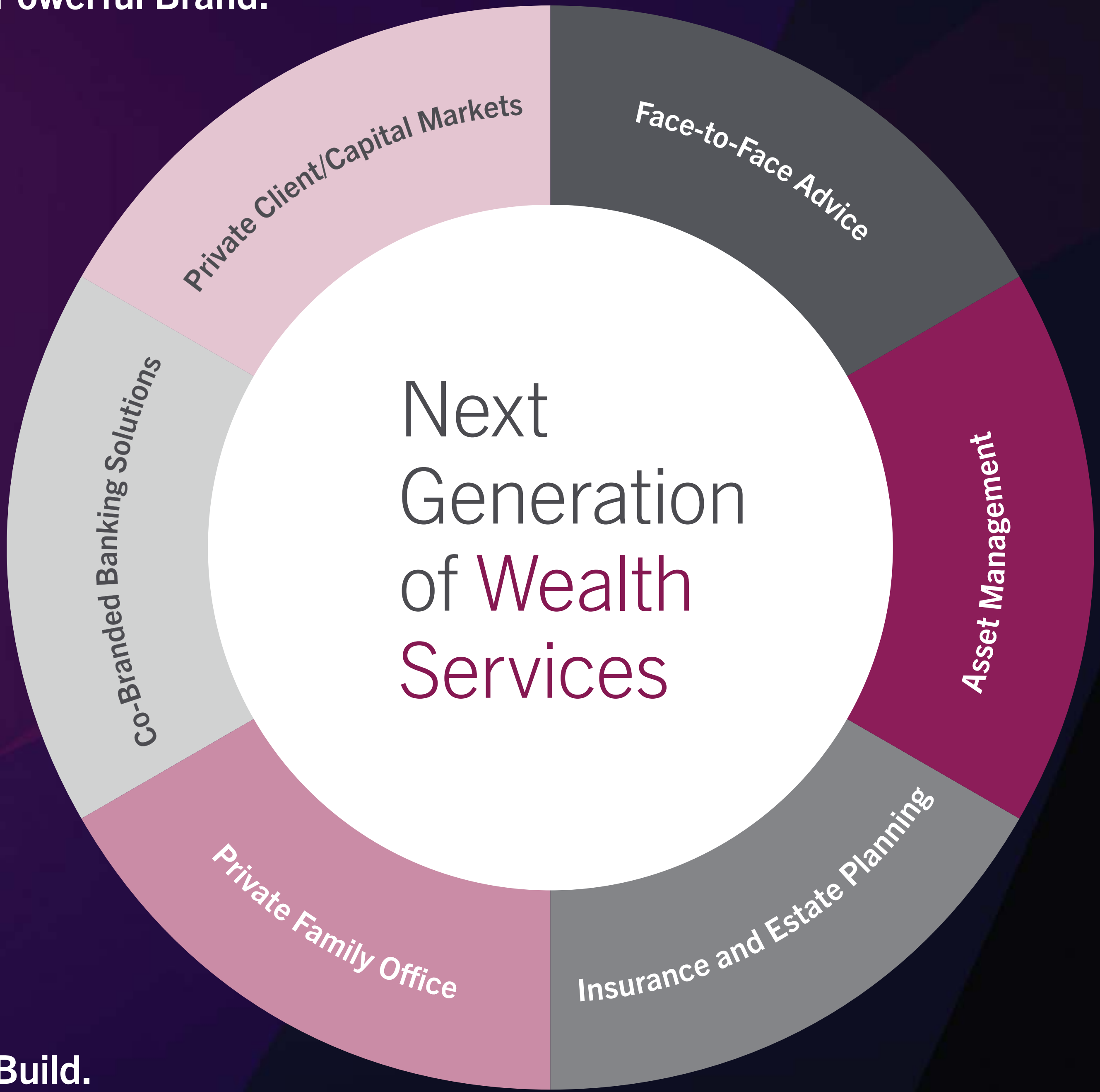
Concentration of wealth across mass affluent, high and ultra-high net worth channel

1.6 MILLION*
Number of households with retail wealth in excess of $500K

Vision

To create a fully integrated financial services firm; offering face-to-face advice, with Richardson Wealth as the foundational centrepiece

Three Pillars of Success:
Best Advisors.
Strong Balance Sheet.
Powerful Brand.



Build.
Partner.
Acquire.

The Next Generation of Wealth

RICHARDSON GMP

Our investment advisory teams, partners in this exciting transformation journey, understand their role as stewards of their clients' wealth and embrace being a trusted partner in the provision of holistic wealth management solutions that are built on an aggregate understanding of the next generation of wealth. Just like us, they recognize the need to shift the conversation they're having with clients from financial product to holistic wealth solutions delivery across the clients' entire financial ecosystem. We believe strong independents like Richardson GMP with considerable scale, a national platform and strong brand recognition will continue to play a pivotal role in attracting investment professionals and high net worth clients who value independence, choice and highly personalized service.

"These are exciting times at Richardson GMP as we usher in a new era of expansion. The growing sophistication and complexity of client portfolios, together with an aging and wealthy target demographic, supports the long-term value proposition of face-to-face advice. The clear message we hear from clients is that they value access, flexibility and personalization in the advice they receive, and they need that advice to be aligned with their values, life events and financial goals."

Andrew Marsh
President and CEO Richardson GMP

Offices Nationwide
Scalable Platform
Award Winning

19 Markets Across Canada
Serving 32K+ Families

Richardson GMP

A Great Place to Work

Great Place To Work®
Certified
OCT 2019 – OCT 2020
CANADA

We always knew that Richardson GMP was a great place to work — now it's official. There is truly no better or more powerful endorsement than that of our employees and advisor partners.

Words pulled from GPTW employee survey

Richardson GMP was certified in Canada as a Great Place to Work™ in 2019. Since its creation a decade ago, Richardson GMP's goal was to build a firm based on a culture of partnership, collaboration, and filled with people who are motivated by the positive impact their advice can have on others. But we've always recognized that central to this client-first strategy is an employee-first culture. Richardson GMP's success, strength and effectiveness are a direct reflection of the advisors and individuals who work there. Simply put, our employees make us great!

An Employee First Culture

Richardson GMP has always prioritized the development of a workplace culture that allows each employee to thrive and feel fully engaged.

At Richardson GMP, our values are deeply ingrained. We live by them whether in difficult times like today or in better days. This begins with people who bring the highest integrity to their approach, in work and in life. Always doing what is right by our clients extends beyond the walls of our offices to our communities, where we strive to be leaders who seek to improve conditions for others.

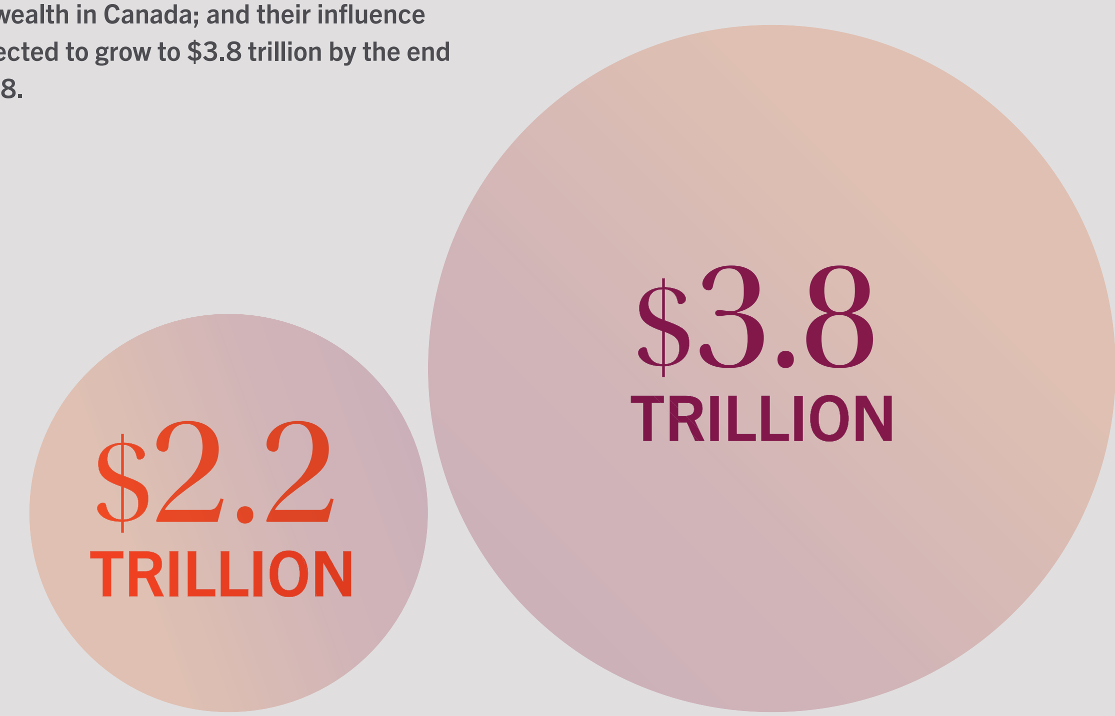
On a corporate level, we lend our support to worthy causes that serve crucial or unmet needs in our communities, that will truly benefit from our support. Our employees and advisors take it further with their incredible energy and dedication as well as their own initiatives backed by our Partners in Community Gifting Program.

Women – A Powerful Investor Segment

There are many factors that go into driving organizational success. At the top of that list is diversity of perspectives. Richardson GMP fosters a partnership culture where diverse perspectives are not only shared openly, but heard and celebrated. Each advisor partner has so much to add to the conversation. An environment of ongoing and healthy dialogue helps reveal organizational blind spots, ultimately leading to better decision-making. In particular, women have emerged as a powerful investor segment; however, female advisors, who are on the cusp of a significant growth opportunity in Canada, are underrepresented across the industry.

> "We are proud to be part of an organization that recognizes the contributions and growing importance of women to the success of Canada's retail wealth industry."
>
> **Sarah Widmeyer**
> Director, Wealth Strategies

Women currently control $2.2 trillion in total retail wealth in Canada; and their influence is expected to grow to $3.8 trillion by the end of 2028.



(Source: Statistics Canada)

Richardson GMP

One of Richardson GMP's top priorities is to target and recruit strong female advisory teams to add to the already tremendously talented female advisors that call Richardson GMP home.

Cielo Carin Wealth Management Team

Montreal

Our mission is to provide financial peace of mind for the families under our care. We take the time to truly understand their vision for the future and develop clarity around their values and life goals.

FROM LEFT: **Cielo Carin,** Director, Wealth Management, Portfolio Manager, Investment Advisor, **Nancy Bounadere,** Portfolio Manager, Investment Advisor, **Andrea Pacitti,** Associate, and **Josie Grassia,** Associate

The Orlic Harding Cooke Wealth Management Group

Burlington

Our team focuses on advising medical professionals, individuals, business executives and incorporated small business owners to invest with peace of mind through a wealth management process that includes investment consulting, advanced planning and relationship management.

FROM LEFT: **Kim Sevcik,** Business Development Assistant, **Ty A. Cooke,** Director, Wealth Management, Portfolio Manager, Investment Advisor, **Elizabeth Harding,** Director, Wealth Management, Portfolio Manager, Investment Advisor, **Diana M. Orlic,** Director, Wealth Management, Investment Advisor, and **Pearson Avelino,** Portfolio Manager, Investment Advisor

Empowering the Next Generation of Female Advisors

"I like to treat clients like family, dedicated to their long-term success. The demand for the human element and trust in the provision of face-to-face advice has never been stronger. A culture of collaboration at Richardson GMP encourages advisors to share industry best practices, swap ideas, compare experiences and, most of all, celebrate *best in class*. I am proud to call Richardson GMP home and I am extremely humbled to have been named Canada's advisor of the year for 2019."

Alexandra Horwood, Richardson GMP

Embracing the Depth of Personal Connections

"I love people and understanding how the human mind works. I find it so interesting how we have so many thoughts and patterns that are just chemical reactions."

Serena Cheng, Richardson GMP

Richardson GMP

The Power of Teamwork

JSK Partners

Vancouver

More than investment services and expertise, our team delivers client support that's as proactive as it is collaborative. We help navigate today's often daunting financial waters and do our best to make it easy to understand.

We deliver peace of mind because that's our job. And most of all, we believe trust has to be earned, so we do what we say we're going to do, and we do it well.

FROM LEFT: **Heather Meehan,** Assistant, **Brenda Geib,** Associate, **Edward Gudewill,** Portfolio Manager, Associate Investment Advisor, **Tyler Steele,** Director, Wealth Management, Portfolio Manager, Investment Advisor, **Neil Kumar,** Director, Wealth Management, Portfolio Manager, Investment Advisor, **Jessica Dewey,** Associate, and **Wendy Lloyd,** Associate

Nicol Sanchez Wealth

Toronto

At Nicol Sanchez Wealth our focus is long-term and holistic Wealth Management for successful Canadians and their families. We believe a good financial plan is a catalyst for all other aspirations and incorporate world-class investment strategies, tax minimization, long-term planning and insurance to ensure our clients maximize and protect their wealth.

FROM LEFT: **Nancy Nicol,** Director, Wealth Management, Investment Advisor, **John Sanchez,** Director, Wealth Management, Investment Advisor, and **Reid Carthy,** Associate Investment Advisor

Holistic Wealth Management Platform

Richardson GMP's investment advisors benefit from access to a comprehensive range of resources and innovative ideas to help develop customized holistic wealth management solutions, including access to highly experienced portfolio managers, best-in-class technology platform, specialized tax, alternative investment strategies and in-house Tax and Estate Planning professionals. Our advisor partners also benefit from extensive and continuous marketing support.

Richardson GMP has a breadth and depth of talent and expertise that enables advisor teams supported by the firm to deliver on their value proposition. Uniquely positioned to serves the needs of high net worth families and businesses today and meet the emerging needs of the next generation.

FROM LEFT: **Paul Adair,** Director, Products & Services, **James Price,** Director, Capital Markets & Investment Products, **An Nguyen,** Vice President, Investment Services, **Craig Basinger,** CIO, **Romain Marguet,** Vice President, Alternative Investments, and **Kerri-Ann Sylvestre,** Vice President, Capital Market Products

Richardson GMP

Planning for the Long Term

The need for high-quality holistic financial planning and advice continues to grow alongside clients' increasingly complex financial situations.

Richardson GMP's Tax & Estate Planning Team is a multi-disciplinary team of professionals who have the technical expertise and experience to help protect and enhance clients' wealth. Working together with investment advisors, the team provides support in the development and implementation of customized solutions for clients encompassing financial, tax, estate, risk management, philanthropic and succession planning strategies.

FROM LEFT: **Maureen Glenn,** Vice President, Tax & Estate Planning, **Marie-Luisa de Benedictis,** Senior Financial Planner, **Jeff Fray,** Vice President, Insurance, **Sylvia Azoulay,** Vice President, Tax & Estate Planning, **Sean Hsu,** Tax Specialist, **Amélie Campeau-Lanctôt,** Vice President, Tax & Estate Planning, and **Pinal Gadhvi,** Senior Financial Planner

"With the strong support of our advisor partners, who are amongst the best in the country, we fully endorse the RGMP Transaction, which we believe affords advisors the best opportunity to serve the unique wealth management needs of high net worth families across Canada."

Marc Dalpé and Neil Bosch, investment advisor representatives on Richardson GMP's board of directors

Management's Discussion & Analysis

For the year ended December 31, 2019

About this Management's Discussion and Analysis

Management's discussion and analysis (MD&A) is provided to enable readers to assess the financial condition and results of operations of GMP Capital Inc. (GMP or the Company) as at and for the year ended December 31, 2019.

This MD&A has been prepared with an effective date of February 27, 2020, and should be read in conjunction with the audited annual consolidated financial statements and related notes of GMP for the year ended December 31, 2019 (2019 Annual Financial Statements). These documents as well as additional information relating to GMP, including GMP's annual information form (AIF), can be accessed at *gmpcapital.com* and at *sedar.com*. Certain comparative amounts have been reclassified to conform to the current year's presentation.

All references to we, our, us and GMP Group refer to GMP, together with its consolidated operations controlled by it. All references to shareholders refer collectively to holders of common shares of GMP (Common Shares), holders of Cumulative Five-Year Rate Reset Preferred Shares, Series B of GMP (Series B Preferred Shares), and Cumulative Floating Rate Preferred Shares, Series C of GMP (Series C Preferred Shares). References to Preferred Shares refer to the Series B Preferred Shares and Series C Preferred Shares, collectively.

GMP's audit committee (Audit Committee) has reviewed this document and, prior to its release, GMP's board of directors (Board of Directors or GMP Board) approved it, on the Audit Committee's recommendation.

Certain numbers contained in this MD&A are subject to rounding.

CONTENTS

Presentation of Financial Information and Non-Gaap Measures

Presentation of Financial Information

Unless otherwise specified herein, financial results, including related historical comparatives, contained in this MD&A, are based on our 2019 Annual Financial Statements, which have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The Canadian dollar is our functional and reporting currency for purposes of preparing GMP's consolidated financial statements and accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified herein.

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5, the sale of the company's U.S. fixed income business in January 2019 and the sale of substantially all of the assets of its capital markets business, are both accounted for as discontinued operations as at December 31, 2019.

As at December 31, 2019, the Company's continuing business is comprised of clearing broker operations and a 34.4% equity investment in Richardson GMP Limited (Richardson GMP), one of Canada's leading wealth management firms.

Reporting Segments

Commencing in third quarter 2019, in connection with the sale of the Company's capital markets business to Stifel Financial Corp. (Stifel) in December 2019, the Company changed the composition of its business segment disclosure to better reflect its go-forward organizational structure to provide readers enhanced understanding of management's views of GMP's core performance:

Previous Reporting Segments	Current Reporting Segments
Capital Markets	Operations Clearing
Wealth Management	Wealth Management
Corporate	Corporate

The Operations Clearing segment includes the business of providing carrying brokers services to Richardson GMP and Stifel's Canadian capital markets operations.

The results for prior periods have been restated to conform with the changes to reporting segments.

Non-GAAP Measures

We use certain measures to assess our financial performance that are not generally accepted accounting principles (GAAP) measures under IFRS. These measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of GMP's performance, liquidity, cash flows and profitability.

Annualized Return on Common Equity

We evaluate the performance of our consolidated operations using annualized return on common equity (ROE) which we calculate based on net income (loss) attributable to common shareholders divided by total average common shareholder equity for the period, which are measures derived from information contained in our 2019 Annual Financial Statements.

Assets Under Administration

Assets under administration (AUA) is a non-GAAP financial measure of client assets that are common to the wealth management business. AUA represents the market value of client assets managed and administered by Richardson GMP from which it earns commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Richardson GMP's method of calculating may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess Richardson GMP's operational performance.

Forward-Looking Information

This MD&A contains "forward-looking information" as defined under applicable Canadian securities laws. This information includes, but is not limited to, statements made in "Business Environment – 2019 Highlights – Outlook" and "Liquidity and Capital Resources" and other statements concerning our objectives, our strategies to achieve those objectives as well as statements with respect to management's beliefs, plans, estimates, projections, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "continue", or similar expressions suggesting future outcomes or events. Such forward-looking information reflects management's current beliefs and is based on information currently available to management.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

Forward-looking information is not a guarantee of future performance and is subject to numerous risks and uncertainties, including those described in this MD&A. GMP's primary business activities are both competitive and subject to various risks. These risks include market, credit, liquidity, operational, legal and regulatory risks and other risk factors including, without limitation: variation in the market value of securities, volume of client trading, level of assets under administration, access to new financings, dependence on key personnel, and sustainability of fees. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, may also have an effect on GMP's results of operations.

The forward-looking statements included in this MD&A, including statements regarding the RGMP Transaction (as defined herein), the nature of GMP's growth strategy going forward and execution on any of its potential plans are not guarantees of future results and involve numerous risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements. In respect of the forward-looking statements and information concerning the RGMP Transaction, and the Company's strategy going forward, management has provided same based on reliance on certain assumptions it considers reasonable at this time including that a transaction involving Richardson GMP can be completed on acceptable terms and that any conditions precedent can be satisfied. There is no assurance that any transaction involving Richardson GMP will result from the discussions with Richardson Financial Group Limited or on what terms or structure any transaction may occur as proposed or at all, including the timing of the completion of any transaction involving Richardson GMP. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this MD&A.

Risks and uncertainties related to the RGMP Transaction include, but are not limited to: failure of the parties to enter into the RGMP Transaction on satisfactory terms, or at all; failure of GMP and RFGL to obtain the required shareholders and regulatory approvals for, or satisfy other conditions to effect, the RGMP Transaction; the risk that the RGMP Transaction may involve unexpected costs, liabilities or delays; the risk that, prior to or as a result of the completion of the RGMP Transaction, the business of GMP and/or Richardson GMP may experience significant disruptions, including loss of clients or employees due to transaction related uncertainty, industry conditions or other factors; risks relating to employee retention; the risk that legal proceedings may be instituted against GMP or Richardson GMP and/or others and the outcome of such proceedings; risks related to the diversion of management's attention from GMP's ongoing business operations. If the RGMP Transaction is not completed, and GMP continues in its current form, the dedication of substantial resources of GMP to the completion of the RGMP Transaction could have a material adverse impact on GMP's share price, its current business relationships (including with future and prospective employees, clients and partners) and on the current and future operations, financial condition and prospects of GMP and Richardson GMP. In addition, GMP may incur substantial transaction and restructuring costs, which, in addition to other factors, may result in the Company's working capital position to be lower than anticipated.

Many of these risks and uncertainties can affect GMP's actual results and could cause its actual results to differ materially from those expressed or implied in any forward-looking information disclosed by management or on its behalf. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect GMP's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website *(www.sedar.com)*. For a description of additional risks that could cause our actual results to materially differ from our current expectations, see the "Risk Management" and "Risk Factors" sections of this MD&A and the "Risk Factors" section in GMP's Annual Information form (the "2019 AIF"). For additional information on the risk factors related to the RGMP Transaction, see "The Sale Transaction – Reasons for the Sale Transaction" and "The Sale Transaction – Risk Factors" in GMP's Notice of Special Meeting and Management Information Circular dated July 8, 2019 (the "July 2019 Circular"). The 2019 AIF and July 2019 Circular are filed under the Company's profile on SEDAR at *www.sedar.com*.

These risks and uncertainties are not the only ones facing the GMP Group. Additional risks and uncertainties not currently known to us or that we currently consider immaterial, may also impair the operations of the GMP Group. Although forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws and, as such, the financial outlook may not be appropriate for purposes other than this MD&A.

The forward-looking information contained in this MD&A is made as of the date of this MD&A, and should not be relied upon as representing GMP's views as of any date subsequent to the date of this MD&A. Except as required by applicable law, management and the Board of Directors undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

About GMP

GMP currently operates through two business segments: Operations Clearing and Wealth Management; and a corporate segment. Operations Clearing provides carrying broker services to Richardson GMP and to Stifel's Canadian capital markets business, including trade execution, clearing, settlement, custody, and certain other middle- and back-office services. Wealth Management consists of GMP's non-controlling ownership interest in Richardson GMP. Richardson GMP, one of Canada's largest independent wealth management firms, is focused on providing exclusive and comprehensive wealth management and investment services delivered by an experienced team of investment professionals. GMP's Common Shares, Series B Preferred Shares, and Series C Preferred Shares are listed on the Toronto Stock Exchange (TSX) under the symbols GMP, GMP.PR.B, and GMP.PR.C, respectively.

Fourth Quarter and full year 2019 results highlight the successful completion of the sale of our capital markets business, the end of an era marked by a challenging period of declining opportunities in the resource, mining and specialty sectors in Canada and the significant one-time restructuring charges and professional fees incurred to transform the company to a pure play wealth management firm.

Wealth Management Strategy Update – Subsequent to Year-End

New Era of Aggressive Expansion in Wealth Management

The Sale Transaction was the first step in a wider strategy to transform the Company into a pure-play wealth management firm that can provide Common Shareholders the greatest potential for long-term value creation through ownership in a business that is focused exclusively on serving the wealth management needs of a growing number of investment advisors and their high net worth clients looking for independent, non-bank points of access for advice. Following the completion of the sale of the capital markets business, the Company is now focused exclusively on opportunities in the $4.4 trillion wealth management industry in Canada.

On February 26, 2020, the Company announced that, based on the unanimous recommendation of the Special Committee following an extensive review and analysis, it has entered into a non-binding term sheet with Richardson Financial Group Limited (RFGL) in respect of a transaction (the RGMP Transaction) to consolidate the ownership of Richardson GMP. Pursuant to the terms of the RGMP Transaction, GMP will acquire all of the common shares of Richardson GMP that are not owned by the Company for a purchase price of two (2) Common Shares of GMP per common share of Richardson GMP (RGMP Common Share). The RGMP Transaction will proceed pursuant to the terms of the Shareholders' Agreement governing Richardson GMP (the RGMP Shareholders Agreement) and in connection therewith, contemporaneously with the execution of the non-binding term sheet, all three of Richardson GMP's shareholder groups, including GMP, RFGL and Richardson GMP's investment advisors, have jointly provided written notice to commence the liquidity mechanism process (the RGMP Liquidity Mechanism) under the RGMP Shareholders Agreement.

Transaction Rationale

The conclusions and recommendations of the Special Committee and the Board have been based on a number of factors, including the following:

- *Wealth Management Strategy* – The RGMP Transaction represents the next critical step in executing on the Board's strategy of focusing on wealth management, which the Board believes offers the greatest potential for long-term value creation for shareholders. The first step of that process was the sale of the Company's capital markets to Stifel Financial Corp. ("Stifel"). As of December 31, 2019, the Company has approximately $131 million of working capital (after the $21 million return of capital distribution and quarterly common and preferred dividends paid on December 31, 2019) , which together with the approximately $37 million of working capital at Richardson GMP as of December 31, 2019, and excluding the retention plan payments described below, will allow the Company to deploy considerable capital to accelerate the growth of the wealth management business following the completion of the RGMP Transaction.
- *Partnership with the Richardson Family* – By completing the RGMP Transaction, the Company is partnering with and leveraging the Richardson brand to create the destination of choice for Canada's top advisors who share Richardson GMP's entrepreneurial spirit, independent culture and philosophy to deliver unparalleled face-to-face advice to Canadians opting for non-bank points of access for wealth management advice. RFGL will own approximately 39.7% of the Common Shares of the Company upon closing of the RGMP Transaction.
- *Growing Market Opportunity* – With $4.4 trillion in retail financial wealth in Canada in 2018, which is expected to grow to $7.7 trillion by 2028, the opportunity in the market for an independent competitor or independent firm with national scale is significant. The Company believes that demographic trends driving a generational shift have created a growing degree of complexity and sophistication of wealth solutions, supporting the long-term value proposition. Firms and advisors that have embraced the evolution of wealth advice and have enhanced professional accreditation possess the expertise required to provide face-to-face advice across the entire household balance sheet.
- *Leading Wealth Management Advisors* – Richardson GMP is one of Canada's leading wealth management firms with 162 highly qualified professional advisory teams serving over 33,000 high net worth families and businesses across Canada. With approximately $29 billion of assets under administration ("AUA") as at December 31, 2019, Richardson GMP's advisors have amongst the best practices in Canada with one of the highest AUA per advisory team and is recognized as one of Canada's Best Workplaces™. For the year ended December 31, 2019, Richardson GMP had revenues of $272 million and adjusted EBITDA of $50 million.
- *Strong Management Team* – Led by Kish Kapoor, Interim President and Chief Executive Officer of GMP, who has decades of experience at prominent wealth management firms, including having served as President of Wellington West Holdings Inc., Executive Vice-President Corporate Development of Loring Ward International Ltd., and Executive Vice President Corporate Development at Assante Corporation (a firm Mr. Kapoor co-founded), along with Andrew Marsh, President and Chief Executive Officer of Richardson GMP, who has over 30 years of wealth management experience, including as a founding executive of Richardson GMP, and other seasoned executives, following completion of the RGMP Transaction, the Company will have in place a strong management team to execute on its growth strategy.
- *Special Committee Process* – The RGMP Transaction is the result of an extensive process conducted by the Special Committee, consisting entirely of independent directors, to review and analyze the RGMP Transaction and available alternatives, and extensive negotiations with RFGL and other shareholders of Richardson GMP on the pricing and other terms of the RGMP Transaction.
- *Fairness Opinion* – The Special Committee and the Board received an opinion from RBC that, as of February 25, 2020, and subject to the assumptions, limitations and qualifications contained therein, the GMP Consideration to be paid by the Company pursuant to the RGMP Transaction is fair, from a financial point of view, to the Company.
- *Procedural Protections* – The RGMP Transaction is subject to a number of procedural protections under MI 61-101, including the requirement for approval by the holders of a majority of the Common Shares (excluding RFGL and any other shareholders required to be excluded under MI 61-101). In evaluating the RGMP Transaction, the Company's shareholders will have the benefit of enhanced disclosure requirements under MI 61-101 and the independent formal valuation conducted by RBC, which will be included in the Company's management information circular for the Special Meeting.

Transaction Details

Pursuant to the terms of the RGMP Transaction, GMP will acquire all of the RGMP Common Shares that are not owned by the Company for a purchase price of two (2) Common Shares per RGMP Common Share. In negotiating the RGMP Transaction, the Special Committee and RFGL mutually agreed to use $5.14 and $2.57 per share as reference values for the RGMP Common Shares and Common Shares, respectively. It is expected that the Company will issue to shareholders of Richardson GMP an aggregate of approximately 110.994 million Common Shares (the "Consideration Shares"). Upon closing of the

RGMP Transaction, 10% of the Consideration Shares will be paid to Richardson GMP's shareholders and the remaining 90% will be placed in escrow to be released in equal amounts on the first, second and third anniversaries of the closing subject to the satisfaction of certain conditions. The Consideration Shares will also be subject to downward adjustment if investor advisor departures over the first year following closing exceed a certain threshold, measured on the AUA associated with those investment advisors as of the closing date.

After giving effect to the RGMP Transaction, if completed, the Company will have an estimated 186.428 million Common Shares issued and outstanding. RFGL, GMP's largest shareholder with an aggregate ownership stake of approximately 24.1% of Common Shares immediately prior to the RGMP Transaction, will have an estimated aggregate ownership position of approximately 39.7% following completion of the RGMP Transaction. Existing GMP shareholders (other than RFGL) and Richardson GMP investment advisors will hold 30.7% and 29.6%, respectively, of the Common Shares following completion of the RGMP Transaction.

Pursuant to the RGMP Transaction, GMP will also purchase for cash all of the preferred shares in the capital of Richardson GMP held by RFGL in consideration for a payment equal to the redemption price of such preferred shares, together with all accrued but unpaid dividends, and will purchase for cash outstanding indebtedness of current investment advisors and other employees of Richardson GMP and their affiliated entities and their related employees owing to RFGL and its affiliates for the aggregate principal amount thereof, together with all accrued but unpaid interest thereon.

Upon successful completion of the RGMP Transaction, RGMP intends to allocate $36 million toward a retention plan award program for existing investment advisors. Richardson GMP investment advisors, collectively representing over 75% of Richardson GMP's assets under administration, have already indicated their support for the RGMP Transaction by entering into acknowledgment and support letters.

Name Changes – at GMP and Richardson GMP

In the coming months, GMP will change its name to a name that will be more aligned with the go-forward wealth management strategy of the Company. In addition, Richardson GMP will also change its name for the Anglophone and Francophone markets, respectively, to:

RICHARDSON Wealth   Patrimoine RICHARDSON

There can be no assurance that GMP and RFGL will enter into a definitive agreement for the RGMP Transaction or that the RGMP Transaction will occur as proposed or at all.

Sale of Capital Markets Business

Discontinued Operations

On December 6, 2019, the Company sold substantially all of its capital markets business to Stifel in an all cash transaction (the Sale Transaction). The entering into of the Sale Transaction followed a comprehensive strategic review process overseen by a special committee of the GMP Board comprised exclusively of independent directors (the Sale Transaction Special Committee). In its review, the Sale Transaction Special Committee considered numerous alternatives and recommended to the GMP Board that the Sale Transaction is in the best interest of the Company and its shareholders.

Pursuant to the terms of the Sale Transaction, Stifel acquired the bulk of GMP's capital markets business for cash consideration based on the tangible book value of the business at closing (less cash) plus $40 million.

In January 2019, GMP completed the sale of its U.S. fixed income business, which was conducted through its wholly owned U.S. subsidiary GMP Securities, LLC to a third party.

As required under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results of the above disposed capital markets businesses are reported as discontinued operations throughout this MD&A.

Certain previously reported figures have been retroactively restated to show the discontinued operations separately from continuing operations.

For further information relating to Discontinued Operations, please refer to Note 8 to the 2019 Annual Financial Statements.

Reporting Segments

GMP operates through the following two business segments and a Corporate segment:

Operations Clearing

This segment includes the business of continuing to provide trade execution, clearing and settlement of securities transactions, custody and other administrative services to both Richardson GMP and Stifel's Canadian capital markets business. Effective December 6, 2019, GMP's carrying broker business was re-named RF Securities Clearing LP (formerly GMP Securities L.P.).

Wealth Management

Wealth Management consists of GMP's non-controlling ownership interest in Richardson GMP Limited (Richardson GMP), one of Canada's largest independent wealth management firms. GMP's non-controlling ownership interest in Richardson GMP as at December 31, 2019, was approximately 34.4% (December 31, 2018 – 33%).

Richardson GMP is considered an associate of GMP under IFRS and, accordingly, GMP's share of Richardson GMP's results are accounted for using the equity method. Wealth Management also includes dividend revenue recognized by GMP on its preferred share investments in Richardson GMP following dividend declarations made by Richardson GMP from time to time.

For further descriptions of our business segments and our Corporate segment, refer to "Segment Results" in this MD&A.

Business Environment – 2019 Highlights – Outlook

Business Environment

Global equity markets posted strong returns in 2019, boosted largely by further aggressive central bank stimulus and easing trade tensions between the U.S. and China. After raising rates in 2018, many central banks around the globe, including the Bank of Canada, abruptly changed course and made further rate cuts in 2019. In Canada, the S&P/TSX Composite Index rose 22.9%, while, in the U.S., the S&P 500 Index was up 31.5% in 2019.

As we start 2020, financial markets valuations are at all-time highs, and central banks are already highly accommodative. If the global economic growth re-accelerates, equities markets should rise, although higher starting valuations might limit the extent of the upside. However, the on-again/off-again U.S./China trade war remains the biggest economic risk facing the market.

Outlook

Management's highest priority is to complete the consolidation of 100% of the ownership of Richardson GMP under GMP in the first half of 2020. If successful, Richardson GMP will become a wholly owned subsidiary of GMP and serve as the foundational centerpiece of a strategy to leverage the Richardson brand to create the destination of choice for Canada's top advisors. The Company is focused exclusively on deploying considerable resources toward accelerating growth in wealth management through aggressive recruitment of investment advisors, selective and complementary acquisitions, and forming alliances to help it grow faster and better serve clients. The recruitment pipeline for Canada's top investment advisors remains fairly robust and we expect to continue building on that growth momentum in 2020, with the addition of new advisory teams with average practice sizes of $170 million and a high proportion of fee-based assets. Management will also be focused on enhancing margins and managing expenses by leveraging technology and utilizing existing capacity. Richardson GMP is also committed to technology investment spending to enable its advisors to spend less time on routine activities that can be largely automated, freeing up more time that can be better spent building and strengthening client relationships.

2019 Highlights

The following are key 2019 highlights:

GMP Highlights

- On February 26, 2020, the Company entered into a non-binding term sheet with RFGL in respect of a transaction (the RGMP Transaction) to consolidate the ownership of Richardson GMP. Pursuant to the terms of the RGMP Transaction, GMP will acquire all of the common shares of Richardson GMP that are not owned by the Company for a purchase price of two (2) common shares of GMP per common share of RGMP.
- In December 2019, GMP completed the sale of substantially all of the assets of its capital markets business to Stifel in an all-cash transaction.
- On December 31, 2019, the Company paid a one-time return of capital distribution to Common Shareholders, following the declaration by GMP's Board, in the amount of $0.275 per common share. The one-time return of capital distribution was paid on December 31, 2019, to common shareholders of record on December 16, 2019.
- Effective December 6, 2019, following the closing of the sale of its capital markets business to Stifel, GMP renamed its carrying broker business RF Securities Clearing LP (formerly GMP Securities L.P.).
- On August 9, 2019, the GMP Boards appointed Mr. Kapoor as Interim President and Chief Executive Officer of GMP Capital Inc. Mr. Kapoor remains a director of GMP's Board.
- In January 2019, GMP completed the sale of its U.S. institutional fixed income trading business, which was conducted through its wholly owned U.S. subsidiary GMP Securities, LLC (GMP USA), to U.S.-based INTL FCStone Inc.

Richardson GMP Highlights

- Remains one of Canada's dominant wealth management firms providing face-to-face advice to high net worth Canadians and their families.
- Generated adjusted EBITDA[1] of $50.3 million in 2019 on total revenue of $272.3 million.
- Ended the year with $28.6 billion of AUA and 162 advisor teams; with an average AUA per team of approximately $176.3 million.
- For the second consecutive year, Richardson GMP was recognized as one of Canada's Best Workplaces™.
- Awarded top ranking in the latest *Investment Executive* Annual Brokerage Report Card for products and services dedicated to high net worth investors.

Financial Highlights

Selected Financial Information

Full year 2019 results highlight the successful completion of the sale of our capital markets business, the end of an era marked by a challenging period of declining opportunities in the resource, mining and specialty sectors in Canada, and the significant one-time restructuring charges and professional fees incurred to transform the Company to a pure-play wealth management firm.

Unless otherwise noted, all results in this MD&A reflect only continuing operations, including the results of GMP's Operations Clearing and Wealth Management segments and the Corporate segment.

($000, except as otherwise noted)	2019	2018 (Restated)	2017 (Restated)	2019 vs. 2018 % increase/(decrease)	2018 vs. 2017 % increase/(decrease)
Revenue	36,840	31,231	44,078	18	(29)
Investment banking	1,919	3,739	4,723	(49)	(21)
Principal transactions	2,066	1,849	3,091	12	(40)
Interest	18,683	10,978	9,081	70	21
Other	14,172	14,665	27,208	(3)	(46)
Expenses	46,012	39,520	40,389	16	(2)
Employee compensation and benefits	14,241	12,764	13,149	12	(3)
Non-compensation expenses	31,771	26,756	27,240	19	(2)
Share of net income of associate	2,272	2,949	2,578	(23)	14
(Loss) income before income taxes	(6,900)	(5,340)	6,267	(29)	n.m.
Net (loss) gain from continuing operations	(13,710)	(2,386)	2,285	n.m.	n.m.
Net (loss) gain from discontinued operations	(39,448)	4,931	(49,697)	n.m.	110
Net (loss) income	(53,158)	2,545	(47,412)	n.m.	105
Net loss attributable to common shareholders from continuing operations	(18,111)	(6,668)	(1,828)	(172)	(265)
Net loss attributable to common shareholders	(57,559)	(664)	(51,525)	n.m.	99
Net loss per Common Share (dollars) from continuing operations:					
Basic	$ (0.26)	$ (0.10)	$ 0.03	(160)	(433)
Diluted	$ (0.26)	$ (0.10)	$ 0.03	(160)	(433)
Net loss per Common Share (dollars):					
Basic	(0.82)	(0.03)	(0.75)	n.m.	96
Diluted	(0.82)	(0.03)	(0.75)	n.m.	96
Cash dividends declared per Common Share (dollars)	0.10	0.20	—		
ROE[1]	(41.9)%	(0.4)%	(26.4)%	n.m.	98
Total assets	1,357,862	1,723,420	1,978,040	(21)	(13)

n.m. = not meaningful

1. Considered to be non-GAAP financial measures. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section of this MD&A.

Financial Performance

2019 vs. 2018

Continuing Operations

Revenue from continuing operations for the year ended 2019 was $36.8 million, up 18% compared with 2018. Net loss and diluted loss per share for the year ended 2019 from continuing operations was $13.7 million and $0.26, compared with a net loss of $2.4 million and a diluted loss per share of $0.10 in 2018. The $11.3 million increase in net loss is largely due to an $8.0 million non-cash write-down of deferred tax asset in 2019, $3.1 million ($2.8 million after-tax) in professional fees and restructuring costs related to consolidating the ownership of Richardson GMP, a $1.8 million tax expense recorded in fourth quarter 2019 in connection with Part VI.1 tax relating to GMP's preferred shares, partly offset by a net increase in stock borrowing and lending activity in 2019.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's 2019 financial performance, refer to the "Supplemental Information" section within this MD&A.

Discontinued Operations

Net loss from discontinued operations was $39.4 million in 2019 on total revenue of $59.5 million compared with net income of $4.9 million and revenue of $165.8 million in 2018. The increase in year-over-year net loss of $44.4 million is mainly due to non-cash impairment charges of $30.5 million to the carrying value of goodwill and other intangibles, a $15.5 million loss on sale of the capital markets business, which included $34.4 million in transaction and restructuring charges in connection with the sale of the capital markets business, including restructuring charges, advisory costs and other professional fees, and $2.9 million in non-cash charges in connection with the acceleration of expenses in connection with certain incentive arrangement concurrent with the sale of capital markets. These charges were partly offset by an $8.3 million non-cash gain in connection with the sale of the Company's U.S. fixed income business in first quarter 2019.

For further information, please refer to Note 8 to the 2019 Annual Financial Statements.

2018 vs. 2017

Continuing Operations

Continuing operations is comprised of the new Operations Clearing segment, the Wealth Management and Corporate segments. Prior period results have been re-stated to conform to new reporting segments.

Net loss from continuing operations of $2.4 million in 2018 compared with net income of $2.3 million in 2017. The $4.7 million year-over-year decrease was largely due to $12.2 million in lower dividends received on our preferred share investments in Richardson GMP, a net decrease in stock borrowing and lending activity in 2018, and lower investment banking revenue in certain jurisdictions not being acquired as part of the Sale Transaction. These decreases were partly offset by $2.6 million in deferred tax asset recognized in fourth quarter 2018.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's 2018 financial performance, refer to the "Supplemental Information" section within this MD&A.

Discontinued Operations

Net income from discontinued operations was $4.9 million in 2018 compared with a net loss of $49.7 million in 2017. The year-over-year increase of $54.6 million in net income is mainly due to a $52.0 million non-cash goodwill impairment charge recorded in second quarter of 2017, higher investment banking revenue compared with 2017 resulting largely from improved client activity in the cannabis and blockchain sectors; lower share-based compensation in connection with the expiration of certain incentive arrangements in 2017, and lower non-compensation expense due to lower transaction-related expenses commensurate with lower commission revenue compared with 2017. This was partly offset by a cost rationalization charge of $4.1 million (after-tax) recorded in our former capital markets business in 2018, and higher variable compensation commensurate with improved investment banking revenue.

Segment Results from Continuing Operations

The following section highlights the financial results of our two business segments and the Corporate segment, on a continuing basis, for the years ended December 31, 2019, and 2018. These segments are based upon the products and services provided and the types of customers served and reflect the manner in which financial information is evaluated by management.

Operations Clearing

Segment Description

Operations Clearing (through RF Securities Clearing LP) provides carrying broker services to Richardson GMP and Stifel's Canadian capital markets business, including trade execution, clearing, settlement, custody, and certain other middle- and back-office services.

Competitive Landscape

The financial services industry is extremely competitive. Independent firms face the challenges of high and rising compliance costs, mounting administrative issues and systemic technology challenges. In order to remain competitive, the independent channel rely on carrying dealers to provide the necessary support for back-office functions. The benefits of using a carrying broker include cost efficiencies, economies of scale and risk mitigation. In addition, carrying brokers allow introducing brokers to focus on their core competencies, including client relationship management, asset accumulation, portfolio management.

Financial Performance

The following table shows the financial results of the Operations Clearing segment for the periods presented:

($000, except as otherwise noted)	2019	2018	% increase/ (decrease)
Revenue	30,660	24,449	25
Principal transactions	1,643	1,393	18
Interest	18,524	10,744	72
Other	10,493	12,311	(15)
Expenses	34,077	29,101	17
Employee compensation and benefits	6,789	6,569	3
Selling, general and administrative	12,015	14,585	(18)
Interest	13,717	6,894	99
Depreciation and amortization	1,556	1,053	48
Loss before income taxes	(3,417)	(4,652)	27

2019 vs. 2018

Operations Clearing reported a net loss before income taxes of $3.4 million in 2019 compared with a net loss before income taxes of $4.7 million in 2018.

Operations Clearing revenue increased 25% in 2019 compared with 2018 primarily driven by higher interest revenue, which increased 72% in connection with increased stock borrowing and lending activity. Partly offsetting the increase was lower other revenue, which decreased 15% largely due to reduced carrying broker and other administrative service fee charges to Richardson GMP amid lower retail client trading activity, with a corresponding decrease in clearing and settlement costs.

Total expenses increased 17% in 2019 compared with 2018 led largely by higher interest expense, which increased 99% in 2019 compared with 2018 in connection with increased stock borrowing and lending activity this year. Partly offsetting this increase was lower selling, general and administrative expense, which decreased 18% in 2019 compared with 2018 largely due to lower clearing and settlement costs in connection with reduced retail client trading volumes at Richardson GMP.

Wealth Management

Segment Description

Wealth Management consists of GMP's non-controlling ownership interest in Richardson GMP, one of Canada's leading wealth management firms.

GMP's non-controlling ownership interest in Richardson GMP as at December 31, 2019, was approximately 34.4% (December 31, 2018 – 33%). Richardson GMP is considered an associate of GMP under IFRS and, accordingly, GMP's share of Richardson GMP's results are accounted for using the equity method. Wealth Management also includes dividend revenue recognized by GMP on its preferred share investments in Richardson GMP following dividend declarations made by Richardson GMP from time to time.

Richardson GMP was formed in 2009 through the merger of Richardson Partners Financial Ltd. (RPFL) and GMP Private Client LP. In 2013, Richardson GMP acquired Macquarie Private Wealth Inc. (MPW). Through its predecessor firms, Richardson GMP has a 90-year history in financial services. Today, Richardson GMP is recognized as one of Canada's leading wealth management firms providing exclusive and innovative investment solutions, including investment advisory, tax and estate planning, charitable giving, risk management, and the intergenerational transfer of wealth for high net worth businesses and families. Business transition counsel and intergenerational transfer of wealth are an important part of the value proposition that it offers clients.

Competitive Landscape

Competition in the wealth/asset management industry is based on a wide range of factors, including brand recognition, investment performance, the types of products offered, business reputation, financial strength, continuity of institutional, management and sales relationships, and quality of service and face-to-face advice. Richardson GMP's competitors include mutual fund companies, private client investment managers, financial advisors, investment dealers, and the wealth management divisions of banks and insurance companies. The wealth management industry is highly correlated to equity market valuations, global economic conditions and investor demand for wealth management services and solutions.

There has been considerable consolidation among independent wealth managers in Canada, with fewer independent wealth managers since 2015. This decrease is driven largely by the need for scale in order to drive profitability, compete for talent and having the financial strength to absorb rising onerous regulatory costs. Competition among the firms with greater scale has also intensified over the past decade. Further industry consolidation is likely, whether by acquisition or aggressive recruitment of investment advisors. This will result in fewer, but larger and stronger industry players capturing growth in financial wealth.

Strong independents with scale play a pivotal role in the wealth management ecosystem, providing Canadians with choice and non-banks points of access in selecting the best holistic wealth management service provider to help them achieve their long-term financial goals. Richardson GMP is focused on providing a comprehensive suite of products and services across the entire household balance sheet and believes the opportunities to grow its business aggressively are compelling.

Financial wealth has grown considerably in Canada over the last decade, in large part due to rising equity markets worldwide and a prolonged period of global economic growth. In particular, Canadian retail financial wealth totalled $4.4 trillion in 2018, which is held across 16 million households, and is expected to grow to $7.7 trillion by 2028.

Financial Performance

The following shows the financial results of the Wealth Management segment for the periods presented:

($000, except as otherwise noted)	2019	2018	% increase/ (decrease)
Revenue	2,384	2,345	2
Expenses	61	80	(24)
Share of net income of associate[1]	2,272	2,949	(23)
Income before income taxes	4,595	5,214	(12)

1. GMP's non-controlling ownership interest in Richardson GMP as at December 31, 2019, was approximately 34.4% (December 31, 2018 – 33%). Richardson GMP is considered an associate of GMP under IFRS and, accordingly, GMP's share of Richardson GMP's results are accounted for using the equity method.

2019 vs. 2018

Wealth Management reported income before income taxes of $4.6 million in 2019 compared with income before income taxes of $5.2 million in 2018. Results in 2019 included $2.4 million in dividends received on our preferred share investments in Richardson GMP, compared with $2.3 million in 2018.

Share of net income of associate reflects our share of Richardson GMP's net income attributable to common shareholders. For more information on Richardson GMP's 2019 financial performance, refer to the "Supplemental Information" section within this MD&A.

Corporate

The Corporate segment primarily comprises enterprise-wide items.

The following table shows the financial results for the Corporate segment for the periods presented:

($000, except as otherwise noted)	2019	2018	% increase/ (decrease)
Revenue	3,796	4,438	(14)
Expenses	11,875	10,338	15
Employee compensation and benefits	7,452	6,195	20
Non-compensation expenses	4,423	4,143	7
Loss before income taxes – reported	(8,079)	(5,900)	(37)

Financial Performance

2019 vs. 2018

Total revenue from continuing operations of $3.8 million in 2019 decreased 14% compared with 2018 largely due to lower investment banking revenue in certain jurisdictions that were not acquired in connection with the Sale Transaction and lower foreign exchange translation gains. Expenses from continuing operations increased 15% primarily due to $3.1 million in professional and other fees in connection with GMP's intention to consolidate the ownership of Richardson GMP and restructuring charges recorded during 2019.

Quarterly Results

The following table shows selected quarterly financial information for the eight most recently completed quarters:

($000, except as otherwise noted)	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	8,367	10,556	8,736	9,180	6,978	7,398	9,461	7,395
Investment banking	130	473	884	432	103	69	2,882	685
Principal transactions	403	525	643	494	316	849	365	320
Interest	4,575	6,360	4,007	3,741	2,836	2,792	2,512	2,838
Other	3,259	3,198	3,203	4,513	3,723	3,688	3,702	3,552
Expenses	11,248	14,219	10,383	10,162	9,889	10,042	9,902	9,687
Share of income of associate	603	587	137	945	541	476	1,133	799
(Loss) income before income taxes from continuing operations	(2,278)	(3,076)	(1,510)	(37)	(2,370)	(2,168)	692	(1,493)
Net (loss) income from continuing operations	(5,288)	(8,124)	(464)	165	1,106	(2,345)	522	(1,669)
Net (loss) income from discontinued operations	(3,175)	(17,283)	(3,345)	(15,645)	(6,057)	5,233	(6)	5,761
Net (loss) income	(8,463)	(25,407)	(3,809)	(15,480)	(4,951)	2,888	516	4,092
Net (loss) income per Common Share (dollars) from continuing operations:								
Basic	(0.09)	(0.13)	(0.02)	(0.01)	—	(0.05)	(0.01)	(0.04)
Diluted	(0.09)	(0.13)	(0.02)	(0.01)	—	(0.05)	(0.01)	(0.04)
Net (loss) income per Common Share (dollars):								
Basic	(0.13)	(0.38)	(0.07)	(0.24)	(0.09)	0.03	(0.01)	0.04
Diluted	(0.13)	(0.38)	(0.07)	(0.24)	(0.09)	0.02	(0.01)	0.04

Quarterly Trend and Analysis

GMP's revenues and expenses from continuing operations are generated primarily by our Operations Clearing segment, which includes stock borrowing and lending activity and carrying broker and other administrative services.

Specified items affecting our reported results from continuing operations

- Fourth quarter 2019 includes $1.1 million in professional and other fees in connection with the RGMP Transaction and a $1.8 million tax expense recorded in fourth quarter 2019 in connection with Part VI.1 tax relating to GMP's preferred shares outstanding.
- Third quarter 2019 includes $2.0 million in restructuring charges recorded in the Corporate segment.
- Fourth quarter 2018 included a recognition of a deferred tax asset of $2.6 million in connection with previously unrecognized losses.

Interest revenue in our Operations Clearing segment has generally benefited from increased stock borrowing and lending activity over the past two years. Other revenue largely reflects lower carrying broker and administrative support fees charged largely to Richardson GMP and also includes dividends received from our preferred share investment in Richardson GMP. Commencing December 2019, GMP provides carrying broker and administrative support fees charged to Stifel's Canadian capital markets business.

Total expenses in 2019 reflect one time charges in connection with restructuring of continuing operations, and professional and other fees incurred in connection with RGMP Transaction. Fixed salaries have also decreased over the past two years largely reflecting the benefit of operational efficiencies.

Share of net income of associate reflects our share of Richardson GMP's net income (loss) attributable to common shareholders.

Fourth Quarter 2019 Financial Performance from Continuing Operations

Fourth Quarter 2019 vs Fourth Quarter 2018

Revenue from continuing operations was $8.4 million in fourth quarter 2019; up 8% from $7.0 million reported in fourth quarter 2018. Net loss from continuing operations was $5.3 million in fourth quarter 2019 compared with net income of $1.1 million in fourth quarter 2018. The $6.4 million change from fourth quarter last year was due to several factors including a $2.6 million in deferred tax asset recognized in fourth quarter 2018, a $1.8 million tax expense recorded in fourth quarter 2019 in connection with Part VI.1 tax relating to GMP's preferred shares, and $1.1 million in costs incurred this quarter to consolidate the ownership of Richardson GMP.

Financial Condition

The table below shows select consolidated balance sheet items as at the dates presented and is followed by a discussion of the change in these balances:

($000)	December 31, 2019	December 31, 2018	$ increase/ (decrease)	% increase/ (decrease)
TOTAL ASSETS	1,357,862	1,723,420	(365,558)	(21)
Selected asset balances:				
Cash and cash equivalents	516,601	515,955	646	—
Assets held for sale	—	18,042	(18,042)	n.m.
Securities Owned	65,441	110,392	(44,951)	(41)
Receivable from:				
Clients	256,075	421,902	(165,827)	(39)
Brokers	67,876	70,494	(2,618)	(4)
Other assets	365,277	446,097	(80,820)	(18)
Investment in associate	82,853	78,953	3,900	5
Goodwill and intangible assets	—	51,416	(51,416)	(100)
TOTAL LIABILITIES	1,155,002	1,433,390	(278,388)	(19)
Selected liability balances:				
Liabilities held for sale	—	7,625	(7,625)	(100)
Payable to:				
Clients	958,354	1,216,385	(258,031)	(21)
Brokers	124,308	113,565	10,743	9
Issuers	—	7,736	(7,736)	(100)
Promissory Note	15,603	28,699	(13,096)	(46)

n.m.= not meaningful

Total assets decreased $365.6 million or 21% in 2019. The decrease primarily relates to lower client receivables and lower other assets related to a decrease in funds deposited in trust. Lower securities owned largely reflects lower equity securities held to facilitate client transactions and lower equity securities acquired in connection with investment banking mandates in the former capital markets business, which was sold in December 2019. The reduction in goodwill reflects impairment charges recorded in the former Capital Markets segment in the first quarter 2019, subsequently reclassified as discontinued operations in the third quarter of 2019, and the elimination of goodwill in connection with the Sale Transaction. As at December 31, 2018, the assets of GMP USA were presented as held for sale, prior to their sale in early January 2019, and were recorded at the lesser of their carrying value amount and their fair value less cost to sell. For further details on discontinued operations, please refer to Note 8 to the 2019 Annual Financial Statements.

The receivable from clients balance as at December 31, 2019, included loans receivable from clients of $192.7 million (December 31, 2018 – $335.6 million) and open security transactions of $63.3 million (December 31, 2018 – $86.3 million). The level of open security transactions pending settlement with clients may fluctuate significantly on a day-to-day basis based on client trading activity and the balance represents the level of unsettled transactions outstanding.

Total liabilities decreased $278.4 million or 19% in 2019 compared with 2018. Amounts payable to clients decreased 21% compared with the prior year while amounts payable to brokers increased 9%. As at December 31, 2019, amounts payable to clients included client deposits of $0.9 billion (December 31, 2018 – $1.1 billion) and open security transactions of $0.1 billion (December 31, 2018 – $0.1 billion). The level of open security transactions pending settlement with brokers and clients may fluctuate significantly on a day-to-day basis based on trading activity and the balance represents the level of unsettled transactions outstanding.

During the year ended December 31, 2019, GMP repaid $6.8 million of principal on the promissory note and recorded accretion expenses of $1.6 million. In connection with the closing of the Sale Transaction, GMP transferred $7.8 million of principal on the promissory note to Stifel. As at December 31, 2019, the promissory note balance was $15.6 million, which includes $2.8 million in promissory notes held by former FirstEnergy U.K. shareholders that require the noteholders consent to assign recorded as a receivable from Stifel in other assets. The net amount of promissory notes outstanding is $12.8 million.

Liquidity and Capital Resources

GMP requires capital and liquidity to fund existing and future operations, future cash payments to our shareholders and to satisfy regulatory requirements. GMP's policy is to maintain sufficient and appropriate levels of capital and liquidity through a variety of sources, at a reasonable cost. This serves to maintain balance sheet strength under normal market conditions and through periods of financial stress. Capital and balance sheet strength are always key priorities for GMP.

GMP currently derives liquidity from its working capital and its credit facilities. As at December 31, 2019, GMP has credit facilities with Canadian Schedule I banks of approximately $710.9 million (December 31, 2018 – $754 million) that are used to facilitate the day-to-day securities settlement process primarily for client transactions. These facilities are collateralized by either unpaid client securities and/or securities owned and do not represent a source of cash to GMP for payment of dividends, or funding of business initiatives. There were no amounts outstanding under these facilities as at December 31, 2019, and December 31, 2018.

GMP holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. GMP considers Canadian federal government debt (such as treasury bills) with original maturities from three to six months as highly liquid investments. Although these securities are not classified as cash equivalents on the consolidated balance sheets, they form an important part of GMP's overall cash management practices to address liquidity risk. There were no significant changes made to GMP's cash management practices during 2019. GMP's inventory of trading assets is recorded at market value. Receivables and payables from brokers and dealers represent open transactions which generally settle within the normal two-day settlement cycle and also include collateralized securities borrow and/or lend transactions that can be closed on demand within a few days. Client receivables are secured by securities and are reviewed on an ongoing basis for impairment in value and collectability.

Management believes GMP's working capital provides it with an appropriate level of liquidity and capital for existing operating and regulatory purposes for the reasonably foreseeable future assuming no significant adverse changes in the markets in which we operate. We continually assess our dividend policy, initiatives and expense structure. If capital markets deteriorate, adversely impacting our ability to generate cash flow, we will need to assess and potentially make changes to our dividend policy, initiatives, and expense structure. We may also seek borrowings and/or equity financing to maintain or increase our productive capacity. There can be no assurance that such borrowings and/or equity financing will be available to GMP or available on terms and in an amount sufficient to meet our needs.

During the year ended December 31, 2019, GMP repaid $6.8 million of principal on the promissory note (2018 – $11.9 million). In connection with the closing of the Sale Transaction, GMP transferred $7.8 million of principal on the promissory note to Stifel. As at December 31, 2019, the promissory note balance was $15.6 million, which includes $2.8 million in promissory notes held by former FirstEnergy U.K. shareholders that require the noteholders consent to assign recorded as a receivable from Stifel in other assets. The net amount of promissory notes outstanding is $12.8 million.

Concurrent with and subject to the successful closing of the RGMP Transaction, including receipt of all required shareholders and regulatory approvals, the Company intends to allocate $36 million toward a recognition plan award program for certain existing investment advisors. Eligible investment advisors will enter into retention agreements with Richardson GMP and will receive a retention award in the form of an interest-free forgiveable loan. Upon satisfaction of certain conditions, including continued employment, the loan will be forgiven over three years on each applicable anniversary date from the initial advance of the loan.

Subordinated Loans

Subordinated loans can be used to provide additional regulatory capital to support business activities in GMP Securities. GMP Securities has in place an unsecured committed standby facility in the amount of $17.5 million with a Schedule I Canadian chartered bank. The facility is repayable on demand subject to certain conditions. Financial covenants require that regulatory risk-adjusted capital be a minimum of $45 million on the day prior to the drawdown request date and a minimum of $50 million, including the drawdown amount, on the drawdown date and each day thereafter. Also, the required shareholder capital to subordinated debt ratio is 3.25:1. Management funds interest costs associated with the subordinated loan facility, which are calculated at the prime rate of interest plus 4%, when drawn, through cash generated by operations. The facility was undrawn as at December 31, 2019, and December 31, 2018.

Subsidiary Capital Requirements

Certain of GMP's subsidiaries are subject to regulatory capital requirements designed to provide notice to the relevant regulatory authority of possible liquidity concerns. Regulatory capital levels fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require GMP to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash dividend. During 2019 and as at December 31, 2019, GMP's subsidiaries were in compliance with all regulatory capital requirements.

Cash Flow Summary

The following table summarizes the statement of cash flows as presented within our 2019 Annual Financial Statements:

($000)	2019	2018
Operating activities	2,830	(87,563)
Financing activities	(41,626)	(39,239)
Investing activities	37,880	1,707
Effect of foreign exchange on cash balances	(207)	744
Net decrease in cash and cash equivalents	(1,123)	(124,351)

Operating Activities

Cash provided by operating activities was $2.8 million in 2019 compared with cash consumed by operating activities of $87.6 million in 2018 and largely relates to changes in non-cash operating items. Excluding non-cash operating items, cash consumed by operations was $39.6 million and cash provided by operations was $20.4 million in 2019 and 2018, respectively. For further detail on non-cash operating items, refer to Note 27 to the 2019 Annual Financial Statements.

Financing Activities

Financing activities consumed $41.6 million and $39.2 million of cash in 2019 and 2018, respectively. Financing activities in 2019 included a $20.7 million return of capital distribution paid on December 31, 2019, $7.5 million in dividends paid on Common Shares, a $6.8 million repayment of principal of the promissory note related to the acquisition of GMP FirstEnergy, and $4.4 million in dividends paid on the Preferred Shares. Financing activities in 2018 included an $11.9 million repayment of principal of the promissory note related to the acquisition of GMP FirstEnergy and $19.6 million in dividends on common and preferred shares. In 2018, GMP repurchased for cancellation $7.7 million in common shares under its approved normal course issuer bid.

Investing Activities

Investing activities provided $37.9 million of cash in 2019 largely due to proceeds from the sale of discontinued operations of $42.2 million, a common share dividend of $2.7 million on our equity investment in Richardson GMP, partly offset by a $4.4 million equity investment in Richardson GMP pursuant to a Richardson GMP internal liquidity process.

Contractual Obligations

In the normal course of business, GMP enters into contracts that give rise to commitments of future minimum payments that affect our liquidity. The table below provides a summary of our future contractual funding commitments. Management expects to fund these commitments through cash generated by operations.

		Payments due by period			
($000)	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Lease commitments[1]	3,603	1,377	2,226	—	—
Buyer Note[2]	15,603	—	15,603	—	—
Total	19,206	1,377	17,829	—	—

1. Our obligations under operating leases reflect lease arrangements for our continuing operations globally.
2. The timing of the Buyer Note repayment is based upon certain GMP and GMP FirstEnergy financial metrics and other conditions pursuant to the terms of the Purchase Agreement.

Investment commitments and financial guarantees are discussed in Notes 21 and 22 to the 2019 Annual Financial Statements.

Outstanding Share Data and Dividends

GMP is authorized to issue an unlimited number of Common Shares. GMP is also authorized to issue an unlimited number of preferred shares (other than the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares), issuable at any time and from time to time in one or more series.

The following table shows GMP's outstanding equity and securities convertible into equity as of the dates presented:

(# 000)	December 31, 2019	December 31, 2018
Common Shares	74,162	72,721
Common Shares held by the SIP Trust	1,272	2,725
Share options – vested	753	1,684
Share options – non-vested	—	—
Series B Preferred Shares	3,565	3,565
Series C Preferred Shares	1,035	1,035

As of the date hereof, the number of vested share options are 0.753 million. There have been no other changes to the above table since December 31, 2019.

Common Shares

Common Share Issuance in Connection with FirstEnergy Acquisition

On September 30, 2016, GMP issued 11.2 million Common Shares to former FirstEnergy shareholders in connection with the acquisition of FirstEnergy, to be released over a four-year period pursuant to the terms of the Purchase Agreement. As at December 31, 2019, 1.1 million of such shares remain subject to an escrow agreement.

Repurchases, Cancellations, and Forfeitures

During 2019, GMP did not purchase for cancellation any Common Shares under its approved normal course issuer bid programs (NCIB). GMP's NCIB expired on May 4, 2019, and was not renewed by the Company. During 2018, GMP purchased for cancellation 2.7 million Common Shares under its normal course issuer bids.

Share-Based Compensation

Share Incentive Plan Trust

In connection with the SIP, GMP established the SIP Trust for the purpose of purchasing Common Shares in the open market and delivering them to the SIP participants upon vesting. GMP consolidates the SIP Trust in accordance with IFRS 10, Consolidated Financial Statements. Consideration paid for GMP Common Shares held by the SIP Trust is deducted from shareholders' equity and the Common Shares are treated as cancelled in GMP's basic earnings per share calculation. During 2019, the SIP Trust did not purchase any Common Shares.

Options

During 2019, GMP did not grant any options to purchase Common Shares (2018 – nil). No options were exercised in 2019 or 2018. During 2019, 0.931 million options were forfeited or expired unexercised (2018 – 0.965 million).

For more information, refer to Note 20 to the 2019 Annual Financial Statements.

Preferred Shares

Rating of Preferred Shares

In September 2019, in connection with the completion of the Sale Transaction and GMP's intention to consolidate 100% of the ownership of Richardson GMP under GMP, DBRS Limited (DBRS) announced the rating for GMP's Cumulative Preferred Shares, currently at Pfd-4 (high), was placed "Under Review with Developing Implications". The continuation of the current rating status takes into consideration that the future ownership and corporate structure of GMP is still contingent upon the successful completion of the consolidation of 100% of the ownership in Richardson GMP.

The DBRS rating of Pfd-4 (high) is the highest sub-category within the fourth highest rating of the five standard categories of ratings utilized by DBRS for preferred shares. According to the DBRS preferred share rating scale, preferred shares rated Pfd-4 "are speculative, where the degree of protection afforded to dividends and principal is uncertain, particularly during periods of economic adversity. Companies with preferred shares rated Pfd-4 generally coincide with entities that have senior bond ratings ranging from the lower end of the BBB category through the BB category." DBRS further subcategorizes each rating by the designation of "high" and "low" to indicate where an entity falls within the rating category. The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. A rating trend that is "Positive" or "Negative" acts as a signal indicating that there is a greater likelihood that the rating could change in the future that would be the case if a "Stable" trend was assigned to the security.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The foregoing rating assigned to Preferred Shares may not reflect the potential impact of all risks on the value of the Preferred Shares. A rating is therefore not a recommendation to buy, sell or hold securities (including the Preferred Shares) and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating organization at any time if in its judgment circumstances so warrant.

Dividends

GMP's philosophy is to return excess capital to its shareholders. The declaration and payment of dividends are at the sole discretion of the Board of Directors. The Board of Directors reviews GMP's dividend policy periodically in the context of the firm's overall profitability, free cash flow, regulatory capital requirements, legal requirements and other such factors that the Board of Directors determines to be relevant. On November 8, 2018, the Board of Directors approved the reinstatement of a quarterly cash dividend of $0.025 per Common Share.

Dividends, when declared on the Common Shares and Preferred Shares, are designated as "eligible dividends" for purposes of the *Income Tax Act* (Canada) and any similar provincial and territorial legislation unless indicated otherwise. For more information on dividends, refer to Note 19 to the 2019 Annual Financial Statements.

Special Cash Dividends

On March 1, 2018, the Board of Directors declared a special cash dividend of $0.10 per Common Share, payable on April 2, 2018, to common shareholders of record on March 15, 2018. On November 8, 2018, the Board of Directors declared an additional special cash dividend of $0.075 per Common Share, payable on December 3, 2018, to common shareholders of record on November 19, 2018. These special cash dividends represent excess capital arising from GMP's improved financial performance.

Return of Capital

On December 6, 2019, the Board of Directors approved a one-time return of capital distribution in the amount of $0.275 per common share, payable on December 31, 2019, to common shareholders of record on December 16, 2019. The return of capital distribution was approved on August 6, 2019, by GMP's shareholders who voted 98.4% in favour of the one-time return of capital distribution at a special meeting of common shareholders held that day to consider the Sale Transaction and return of capital distribution.

Related Party Transactions

Our related parties include the following persons and/or entities: associates, or entities which are controlled or significantly influenced by GMP, which currently include Richardson GMP; and key management personnel, which are comprised of directors and/or officers of GMP and those persons having authority and responsibility for planning, directing and controlling the activities of GMP.

Related party transactions with Richardson GMP include amounts due to or from Richardson GMP arising from the general services agreement and GMP Securities' role as carrying broker to Richardson GMP. GMP also makes available to Richardson GMP a subordinated loan facility and has made preferred share investments in Richardson GMP.

Transactions with key management personnel include security trades executed for key management personnel of GMP on either a cash or margin basis. Commission income on such transactions, in the aggregate, is not material in relation to our overall operations. Related party transactions for key management personnel also include loans associated with the executive common share loan plans and other employee loans, Common Share options, the SIP and other compensation provided for employment services rendered by key management personnel.

For further details on related party transactions, see Note 14 to the 2019 Annual Financial Statements.

Critical Accounting Policies and Estimates

The preparation of the 2019 Annual Financial Statements in accordance with IFRS required management to make estimates and exercise judgment that affects reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are made based on information available as at the date of issuance of financial statements. Accordingly, actual results may differ from these amounts. Accounting policies that require management's estimates and judgments are discussed below.

Impairment of Goodwill

We review goodwill for potential impairment annually, or more frequently if events or circumstances indicate that impairment may have occurred. An impairment is required if the recoverable value of a cash-generating unit (CGU) is less than its carrying value. The recoverable value of a CGU is determined from internally developed valuation models that consider various factors and assumptions including revenue performance compared with forecast, cash earnings, growth rates, price-earnings multiples, discount rates, and terminal multiples. Management is required to use judgment in estimating the recoverable value of a CGU or a group of CGUs. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable. Any impairment of goodwill is expensed in the period in which the impairment is identified.

In first quarter 2019, GMP recorded a non-cash goodwill impairment charge of $28.5 million. Following a review of the above factors and the recoverability of intangible assets, and in connection with the Sale Transaction, including the fact that the former Capital Markets business was the only group of Cash Generating Units to which goodwill had been previously allocated, the remaining balance was allocated to discontinued operations and eliminated following the completion of the Sale Transaction.

For further details regarding goodwill, please refer to Note 13 to the 2019 Annual Financial Statements.

Income Taxes

We compute an income tax provision in each of the tax jurisdictions in which we operate. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements. Additionally, the estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

Share-Based Compensation

We use estimates and judgment when determining the share-based compensation expense during a reporting period. The determination of the share-based compensation expense resulting from GMP's granting of employee share options and other deferred share-based awards depends on the use of option pricing models, which by their nature are subject to measurement uncertainty. These models require the use of subjective assumptions, including expected stock price volatility and the use of historical data that may not be reflective of future performance.

Provisions

We are involved in a number of legal proceedings, including regulatory investigations, in the ordinary course of business. Contingent litigation loss provisions are recorded by GMP when it is probable that GMP will incur a loss and the amount of the loss can be reasonably estimated. Management and GMP's external experts are involved in assessing the likelihood and in estimating any amounts involved. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on GMP's consolidated financial position or results of operations.

Fair Value of Financial Assets and Financial Liabilities

Securities owned are measured at fair value through profit and loss requiring the use of judgment to estimate fair values when quoted market prices are not available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data. GMP's securities owned include equity and debt securities and derivative financial assets which are comprised primarily of broker warrants. The majority of GMP's debt and equity securities and obligations related to securities sold short comprise or relate to actively traded securities, which are carried at fair value based on quoted market prices in an active market. Management believes its estimates of fair value are reasonable given its process for obtaining external market prices, consistent application of its approach from period to period and the validation of estimates through the actual settlement of transactions. Fair value is estimated on the basis of pricing models or other appropriate methods. GMP's investments in preferred shares issued by Richardson GMP are measured at fair value through other comprehensive income. These securities do not have a quoted market price and fair value is estimated on the basis of pricing models or other appropriate methods. For further information regarding the fair value disclosure of GMP's financial assets and financial liabilities, refer to Note 25 to the 2019 Annual Financial Statements.

Financial Instruments

A significant portion of the GMP Group's assets and liabilities are composed of financial instruments. GMP uses financial instruments for both trading and non-trading activities. GMP engages in trading activities which include the purchase and sale of securities in the course of facilitating client trades and, less frequently, taking principal trading positions with the objective of earning a profit. Non-trading activities generally include the business of investing in equity securities and hedging through the use of derivatives (see below discussion).

The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See "Risk Management" in this MD&A for details on how these risks are managed. For significant assumptions made in determining the valuation of financial and other instruments, refer to "Critical Accounting Policies and Estimates" in this MD&A. For additional information regarding GMP's financial instruments, refer to Note 25 to the 2019 Annual Financial Statements.

Derivative Financial Instruments

GMP and its subsidiaries selectively utilize derivative instruments to manage financial risks, including foreign exchange, interest rate, and fair value risks. GMP's derivatives are carried at fair value with realized and unrealized gains and losses arising from changes in fair value recognized in the consolidated statements of income, recorded in principal transactions revenue. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques and other pricing models which include market-based data as inputs.

Future Changes in Accounting Policies or Estimates

GMP monitors continuously the potential changes proposed by the International Accounting Standards Board and analyzes the effect that changes in the standards may have on GMP. For a summary of future changes in accounting policies or estimates, refer to Note 3 to the 2019 Annual Financial Statements.

Risk Management

Oversight and Monitoring

The financial services industry is, by its nature, subject to numerous and substantial risks, particularly in volatile, uncertain or illiquid markets. Additional risks and uncertainties not currently known to GMP, or that GMP currently considers immaterial, may also impair the operations of GMP and its affiliates. In many cases, risks which are inherent to our industry and our activities are beyond our control and are not easily detected or mitigated. If any such risks occur, the business, financial condition, or liquidity and results of operations of the GMP Group, and the ability of GMP to pay dividends could be materially adversely affected. Management believes that effective risk management is of primary importance to the ongoing success of the GMP Group. We have risk management processes in place to monitor, evaluate and manage the principal risks we assume in conducting our activities. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, strategic and legal and compliance processes. Segregation of duties and management oversight are fundamental elements of our risk management process.

In addition to risks described below, "Forward-Looking Information" and "Risk Factors" in this MD&A and "Risk Factors" in GMP's AIF dated February 27, 2020, should be given careful consideration.

The Board of Directors and GMP's CEO support our risk management processes through involvement in the assessment of principal risks. Key risk metrics are reported regularly to the Board of Directors and executive management. Oversight and monitoring of risk are accomplished through a comprehensive committee structure which seeks to identify, measure, control and report on the significant risks facing the GMP Group.

Key Risks

No Certainty That a Definitive Agreement Will Be Entered Into in Respect of the Potential Richardson GMP Transaction

Although the Corporation has entered into the Term Sheet, no definitive agreement has been entered into by the Corporation in respect of the Potential Richardson GMP Transaction. There can be no certainty nor can the Corporation provide any assurance that a definitive agreement, or any binding commitment at all, in respect of the Potential Richardson GMP Transaction will be entered into and no representation is made to that effect. If the Corporation fails to enter into a definitive agreement in respect of the Potential Richardson GMP Transaction, the Corporation could suffer adverse consequences.

No Certainty That the Potential Richardson GMP Transaction Will Be Consummated

Even if the Corporation and RFGL enter into a definitive agreement in respect of the Potential Richardson GMP Transaction, there can be no certainty nor can the Corporation provide any assurance that the Potential Richardson GMP Transaction will be consummated in a timely manner or at all. The Potential Richardson GMP Transaction will be dependent upon the satisfaction of various closing conditions, including obtaining necessary regulatory and shareholder approvals. There can be no assurance that these conditions will be satisfied or that the Potential Richardson GMP Transaction will be completed as currently contemplated in the Term Sheet or at all. If, for any reason, the Potential Richardson GMP Transaction is not completed or its completion is substantially delayed, the Corporation's share price may be materially adversely effected and consequently, its business, financial condition or results of operations could also be subject to material adverse consequences.

The Potential Richardson GMP Transaction may Divert the Attention of Management

The pendency of the Potential Richardson GMP Transaction could cause the attention of Management to be diverted from the day-to-day operations and clients may seek to modify or terminate their business relationships with the Corporation. These disruptions could be exacerbated by a delay in the consummation of the Potential Richardson GMP Transaction and could have an adverse effect on the Corporation regardless of whether the Potential Richardson GMP Transaction is ultimately completed.

GMP and RFGL May Be the Targets of Legal Claims and Such Claims May Delay or Prevent the Potential Richardson GMP Transaction from Being Completed

GMP and RFGL may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Potential Richardson GMP Transaction from being completed. Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into an agreement to acquire a company or to be acquired. Third parties may also attempt to bring claims against the Corporation and RFGL seeking to restrain the Potential Richardson GMP Transaction or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting the consummation of the Potential Richardson GMP Transaction, then that injunction may delay or prevent the Potential Richardson GMP Transaction from being completed.

The Success of Our Wealth Management Segment (through our non-controlling interest in Richardson GMP) Depends on Growing, Accumulating and Retaining AUA

The Wealth Management segment, which includes GMP's non-controlling ownership interest in Richardson GMP, is subject to a number of the same risks that are applicable to all of our GMP businesses including changes in global economic, political and market conditions, dependence on the ability to retain and recruit personnel, regulation and capital requirements, significant competition, litigation and potential securities laws liability, reputational risk, failure to maintain adequate insurance coverage on favourable economic terms, risk management policies and procedures, significant fluctuations in results, credit risk and exposure to losses, and dependence on systems. The profitability of Richardson GMP is directly related to its ability to grow, accumulate and retain AUA. The level of AUA is influenced by several factors, including investment performance, mix of assets being managed, additions and withdrawals of assets by clients and successful recruitment and retention of investment advisors. Richardson GMP devotes considerable resources to recruiting new investment advisors, which may involve a lengthy recruitment process. There can be no assurance that the steps Richardson GMP has taken or will take to recruit new investment advisors will be sufficient in light of, among other things, the intense and increasing competition for experienced professionals in the wealth management industry or that Richardson GMP will be able to recruit new investment advisors with the desired qualifications on terms that are consistent with Richardson GMP's hiring strategy. As well, the market for investment advisors is increasingly characterized by the movement of investment advisors among different firms. Individual independent investment advisors of Richardson GMP have regular direct contact with clients, which can lead to a strong and personal client relationship based on the client's trust in the individual investment advisor. The loss of investment advisors could lead to the loss of client accounts, which may reduce AUA. Although Richardson GMP uses a combination of competitive compensation structures, including equity incentive arrangements, as a means of seeking to retain investment advisors, there can be no assurance that investment advisors will remain with Richardson GMP. Significant declines in AUA may have a material adverse effect on Richardson GMP's financial results and would also adversely impact our Wealth Management segment through our non-controlling interest in Richardson GMP.

Our Wealth Management Business Faces Significant Competition

The wealth management industry is highly competitive and our ability to compete effectively directly impacts revenues and profitability. We compete with the wealth management divisions of major chartered banks in Canada, national independent wealth managers, insurance companies, mutual fund companies, private equity, investment management firms and boutique wealth managers. Some of these competitors have, and potential future competitors may have, greater technical, financial, marketing, distribution or other resources than Richardson GMP. Many of these competing entities have a greater number of personnel and easier access to capital than we do. Larger competitors may have a greater number and variety of distribution outlets for their products and services. Considerable consolidation in the wealth management industry has resulted in fewer but stronger competitors. Competition could have a material adverse effect on our profitability and there can be no assurance that Richardson GMP will maintain its competitive standing or market share, which may adversely affect its business, financial condition or operating results.

In addition, there are uncertainties involved in the introduction of new products and services, including technical requirements, operational controls and procedures, compliance with regulatory requirements and shifting market preferences. The development and introduction of new products and services may require ongoing support and investment. A failure to manage the risks involved in the implementation of new products and services may lead to operational lapses, increased capital requirements, and competitive alternatives, which could adversely affect Richardson GMP's business, financial condition or operating results.

We Do Not Control Richardson GMP and there are Restrictions on the Transfer of our Non-Controlling Interest in Richardson GMP

As at December 31, 2019, we own a non-controlling interest in Richardson GMP of approximately 34.4% and, accordingly, we do not control, and if the RGMP Transaction is not completed, will not control Richardson GMP. Further, the RGMP Shareholders Agreement requires, among other things, the prior written consent of JRSL (which consent may be withheld in JRSL's sole and absolute discretion) if we wish to transfer all or any portion of our interest in Richardson GMP to any person other than certain affiliates, subject to certain limited exceptions. The board of directors and senior management of Richardson GMP retain responsibility for the management, control and direction of the business and operations of Richardson GMP. As such, we must rely on the management expertise of the board and senior management of Richardson GMP. The restriction on our ability to transfer our non-controlling interest in Richardson GMP may limit or prevent us from dealing with our interest in Richardson GMP in the manner we see fit, and may have an adverse effect on our ability to realize on our investment in Richardson GMP. Additionally, to the extent that the board and senior management of Richardson GMP do not fulfill their obligations to manage the business and operations of Richardson GMP or are not effective in doing so, our non-controlling interest may be materially adversely affected.

Market Risk – Risk of Loss From Changes in Interest Rates, Securities Prices, Commodities Prices, and Currency Exchange Rates

We are exposed to market risk through our trading activities from our market-making, facilitation trading and investing activities and through our underwriting activities. The level of market risk to which we are exposed varies depending on market conditions, the movement in commodity prices, expectations of future price and yield movements and the composition of our security holdings. GMP segregates market risk into three categories: fair value risk, interest rate risk and currency risk. GMP seeks to manage market risks by diversifying exposures and controlling position sizes. The GMP Group does not take substantial principal positions in any one security or make large directional "bets" on the market. Capital limits for liability trading are recommended by senior management, approved by the Board of Directors and communicated to the executives responsible. Trading desk managers have the first line of responsibility for managing risk within prescribed limits. These managers have in-depth knowledge of the primary sources of risk in their respective markets and the instruments available to hedge their exposures. Trading activity and related capital usage are continually monitored by the GMP Group's compliance and finance personnel, respectively, and reviewed regularly by senior management.

The GMP Group uses a disciplined approval and risk management process to determine its participation in underwritten deals, imposing guidelines, approved by the Board of Directors, on maximum capital exposure on any given deal and requiring senior management approval on all transactions. In addition, the GMP Group limits its maximum risk exposure by limiting the deal size and participating in most financings on a syndicated basis.

Operational Risk – Risk of Loss Due to Inadequate or Failed Internal Processes, People and Systems or External Events

Operational risk is embedded in all of our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can lead to failure in the management of other risks such as credit, market or regulatory risk.

We manage operational risk through the application of long-standing, but continuously evolving, firm-wide control standards: the training, supervision and development of our people; the active participation and commitment of senior management in a continuous process of identifying and mitigating key operational risks across the firm; and a framework of strong and independent control personnel that monitor operational risk on a daily basis. Together, these elements form a strong firm-wide control culture that serves as the foundation of our efforts to minimize events that create operational risk and the damage they can cause.

Legal and Regulatory Risk – Risk of Loss Due to Adverse Legal Developments and Regulatory Non-Compliance

The GMP Group is subject to extensive regulation under securities laws of the jurisdictions in which we operate. Compliance with such regulations involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. Our regulatory compliance philosophy is to manage regulatory and legal risks through the promotion of a strong compliance culture and the integration of strong controls within the business and support areas. The GMP Group's compliance department directly supports our management of regulatory, compliance and legal risk through approval of our ethics and compliance program, which includes our code of conduct and enterprise compliance management framework, as well as specific policies and procedures in areas such as anti-money laundering, privacy and information protection, conflicts of interest, insider trading, corporate finance and sales and trading practices. It serves as the senior management focal point in initiating a response to and action on new and changing regulatory and compliance risks.

GMP's subsidiaries in the normal course of business are involved in legal proceedings, including regulatory investigations. An adverse resolution of any lawsuits against the GMP Group could materially affect the GMP Group's operating results and financial condition. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on GMP's consolidated financial position or results of operations.

There is a risk that the Company could be the subject of third-party proceedings, which may have a material adverse effect on the Company's business, revenue, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

Credit Risk – Risk of Loss Associated with the Inability of a Third Party to Fulfill its Payment Obligation

GMP is exposed to the risk that third parties that owe it money, securities or other assets, will not perform their obligations. These parties include trading counterparties, customers, clearing agents, stock exchanges, clearing houses and other financial intermediaries. A primary source of credit risk to GMP arises when GMP extends credit to its clients or to clients of its introducing broker, Richardson GMP, to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. GMP faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and GMP is unable to recover sufficient value from the collateral held. Credit risk is managed in a number of ways. For margin lending, management has established limits that are generally more restrictive than those required by applicable regulatory policies. Additionally, GMP manages its credit risk in certain types of trading activities through the establishment of aggregate limits by individual counterparty, reviewing security and loan concentrations, and marking to market collateral provided on certain transactions. Policies authorized by GMP prescribe the level of approval and the amount of credit exposure GMP may assume to a counterparty taking into account collateral or other credit risk mitigants where applicable. GMP did not incur material loss arising from a counterparty default in 2019 or 2018.

Liquidity Risk – Risk of Failure to Meet a Demand for Cash or Fund Obligations as They Become Due

Management oversees GMP's liquidity to ensure access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations both under normal and stress conditions. For further discussion regarding liquidity risk and how we ensure such risks are minimized, refer to "Liquidity and Capital Resources" in this MD&A.

For further information refer to Note 25 to the 2019 Annual Financial Statements.

Controls and Procedures

Disclosure Controls and Procedures

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to GMP is accumulated and communicated to GMP's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to allow for timely decisions regarding required disclosure and to ensure that information required to be disclosed in GMP's annual and interim filings and other reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

As of December 31, 2019, management evaluated the effectiveness of our disclosure controls and procedures as defined under the Canadian Securities Administrators' National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. This evaluation was performed under the supervision of, and with the participation of, the CEO and CFO. Based on the evaluation conducted as at December 31, 2019, the CEO and CFO concluded that GMP's disclosure controls and procedures were effective as of December 31, 2019.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting for GMP.

As of December 31, 2019, management evaluated the effectiveness of GMP's internal control over financial reporting taking into account the nature and size of GMP's business and using the framework and criteria established in the *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that GMP's internal control over financial reporting was effective as of December 31, 2019, and that there were no material weaknesses that have been identified in our internal control over financial reporting as of December 31, 2019.

Changes in Internal Control over Financial Reporting

To the best of the knowledge and belief of the CEO and CFO, no changes were made in GMP's internal control over financial reporting in 2019 that have materially affected or are reasonably likely to have a material affect on GMP's internal control over financial reporting.

Risk Factors

An investment in securities of GMP involves a number of risks in addition to those described under "Forward-Looking Information" and "Risk Management" in this MD&A. These risks and uncertainties are not the only ones facing the GMP Group. In many cases, risks which are inherent to our industry and our activities are beyond our control and are not easily detected or mitigated. In addition to other information contained or incorporated by reference in this MD&A, the "Risk Factors" section in our AIF dated February 27, 2020, should be given careful consideration. Additional risks and uncertainties not currently known to GMP, or that GMP currently considers immaterial, may also impair the operations of the GMP Group. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the GMP Group, and the ability of GMP to pay dividends could be materially adversely affected.

Supplemental Information – Richardson GMP

The following supplemental information reflects how Richardson GMP's management assesses the financial performance of Richardson GMP.

Richardson GMP's management assesses performance on both a reported and an adjusted basis and considers both bases to be useful in assessing underlying, ongoing business performance. Presenting results on both bases also permits readers to assess the impact of specified items on financial results. Richardson GMP's management uses certain measures to assess the financial performance of Richardson GMP that are not GAAP measures under IFRS. Richardson GMP presents earnings before interest, income tax, depreciation and amortization (EBITDA) which excludes:

- Interest expense recorded primarily in connection with subordinated loan financing arrangements.
- Income tax expense (benefit) recorded.
- Depreciation and amortization expense recorded primarily in connection with equipment and leasehold improvements.
- Transition assistance loan amortization in connection with investment advisor loan programs. Richardson GMP views these loans as an effective recruiting and retention tool, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

Richardson GMP also presents an adjusted EBITDA[1] which excludes the following (adjusted EBITDA[1]):

- Share-based compensation costs recorded in connection with awards granted to employees and investment advisors of Richardson GMP.

EBITDA[1] and adjusted EBITDA[1] do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of Richardson GMP's performance, liquidity, cash flows, and profitability. Richardson GMP's management believes adjusting results by excluding the impact of the specified items is more reflective of ongoing financial performance and cash generating capabilities and provides readers with an enhanced understanding of how management views Richardson GMP's core performance.

The following table sets forth an overview of the consolidated financial results of Richardson GMP for the periods indicated, on a 100% basis; noting, however, that GMP owns an approximate 34.4% non-controlling interest of Richardson GMP as at December 31, 2019.

The following table shows the consolidated financial results of Richardson GMP for the periods indicated.

($000, except as otherwise noted)	2019	2018	% increase/ (decrease)
Revenue	272,282	290,079	(6)
Commissions	30,402	46,304	(34)
Investment management and fee income	201,575	202,040	—
Principal Transactions	348	(1,347)	126
Interest	25,471	28,152	(10)
Other	14,486	14,930	(3)
Expenses	254,809	269,968	(6)
Employee compensation and benefits	181,796	190,337	(4)
Non-compensation expenses	73,013	79,631	(8)
Income before income taxes	17,473	20,111	(13)
Income tax expense	6,179	6,459	(4)
Net income – reported	11,294	13,652	(17)
Pre-tax impact of adjusting items			
Interest	8,095	7,067	15
Income tax	6,179	6,459	(4)
Depreciation and amortization	13,127	5,205	152
Transition assistance loan amortization	8,132	10,402	(22)
EBITDA[1]	46,827	42,785	9
Share-based compensation	3,431	2,580	33
Adjusted EBITDA[1]	50,258	45,365	11
Number of advisory teams	162	166	(2)
AUA at period-end ($ millions)	28,564	27,408	4

1. Considered to be a non-GAAP financial measure. This measure does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers.

Financial Performance

2019 vs. 2018

Richardson GMP reported net income of $11.3 million in 2019 compared with $13.7 million in 2018. Net income attributable to common shareholders was $6.5 million in 2019 compared with $9.0 million in 2018. On an adjusted basis, Richardson GMP reported adjusted EBITDA of $50.3 million and $45.4 million in 2019 and 2018, respectively. Total revenues decreased 6% primarily due to lower commission revenue.

Adjusted EBITDA[1] in 2019 includes the favourable impact of adopting IFRS 16.

The following table is Richardson GMP's balance sheet without adjusting for GMP's proportionate interest:

As at December 31,	2019	2018
Assets		
Cash	67,901	61,694
Securities owned	997	546
Due from carrying broker	10,328	11,051
Other assets	7,310	7,764
Total current assets	86,536	81,055
Deposit with carrying broker	496	496
Equipment and leasehold improvements, net	14,418	12,658
Right-of-use asset	24,949	—
Advisor loans receivable	30,858	27,167
Deferred Tax Asset	28,494	34,475
Goodwill and intangible assets, net	145,267	145,482
Total assets	331,018	301,333
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities	49,742	48,711
Leased liability	27,404	—
Subordinated loans	71,000	71,000
Total liabilities	148,146	119,711
Shareholders' equity		
Share capital:		
Common shares	134,891	132,152
Preferred shares	61,517	61,527
Share capital	196,408	193,679
Contributed surplus	2,793	2,958
Accumulated retained earnings	(16,329)	(15,015)
Total shareholders' equity	182,872	181,622
Total liabilities and shareholders' equity	331,018	301,333

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of **GMP Capital Inc.** (GMP), were prepared by management, who are responsible for the integrity and fairness of all information presented in the consolidated financial statements and management's discussion and analysis (MD&A) for the year ended December 31, 2019. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. Financial information presented in the MD&A is consistent with these consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the basis of preparation and significant accounting policies summarized in Notes 2 and 3, respectively, of the consolidated financial statements. Management maintains a system of internal controls to meet its responsibilities for the integrity of the consolidated financial statements.

The board of directors of GMP (Board of Directors) oversees management's responsibilities for financial reporting through GMP's audit committee (Audit Committee), which is composed entirely of independent directors. Among other things, the mandate of the Audit Committee includes the review of the consolidated financial statements of GMP on a quarterly basis, advising the Board of Directors on auditing matters and financial reporting issues and recommending the consolidated financial statements to the Board of Directors for approval. The Audit Committee has full access to management and the auditors to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters.

Ernst & Young LLP performed an independent audit of the consolidated financial statements, as outlined in the auditors' report contained herein. Ernst & Young LLP had, and has, full and unrestricted access to management of GMP, the Audit Committee and the Board of Directors to discuss their audit and related findings and have the right to request a meeting in the absence of management at any time.

"Kishore Kapoor"

Kishore Kapoor
Interim President and Chief Executive Officer

"Deborah Starkman"

Deborah Starkman
Chief Financial Officer and Corporate Secretary

Toronto, Canada
February 27, 2020

Independent Auditor's Report

To the Shareholders of **GMP Capital Inc.**

Opinion

We have audited the consolidated financial statements of GMP Capital Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of (loss) income, consolidated statements of comprehensive (loss) income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Humayun Jafrani.

Ernst & Young LLP

Toronto, Canada
February 27, 2020

Consolidated Balance Sheets

As at December 31, (thousands of Canadian dollars)	Note	2019	2018
ASSETS			
Cash and cash equivalents		516,601	515,955
Assets held for sale	8	—	18,042
Securities owned	5	65,441	110,392
Receivable from			
Clients		256,075	421,902
Brokers		67,876	70,494
Employee and other loans receivable	10	1,903	2,408
Other assets	6	365,277	446,097
Investment in associate	7	82,853	78,953
Equipment and leasehold improvements	12	364	2,681
Right-of-use assets		1,472	—
Goodwill and intangible assets	13	—	51,416
Deferred income tax assets	18	—	5,080
Total assets		1,357,862	1,723,420
LIABILITIES			
Liabilities held for sale	8	—	7,625
Obligations related to securities sold short	5	11,399	11,131
Lease liability		3,603	—
Payable to			
Clients		958,354	1,216,385
Brokers		124,308	113,565
Issuers		—	7,736
Accounts payable and accrued liabilities		21,723	41,510
Other liabilities	16	20,012	6,521
Promissory note	17	15,603	28,699
Deferred tax liabilities	18	—	218
Total liabilities		1,155,002	1,433,390
EQUITY			
Shareholders' equity		202,860	290,030
Total liabilities and equity		1,357,862	1,723,420

See accompanying notes, which are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:

"Kishore Kapoor"	"Donald Wright"
Director	Director
Kishore Kapoor Interim President and Chief Executive Officer	**Donald A. Wright** Chair of the Board of Directors

Consolidated Statements of (Loss) Income

Years ended December 31, (thousands of Canadian dollars, except as noted)	Note	2019	2018
CONTINUING OPERATIONS			(Restated)
REVENUE			
Investment banking		1,919	3,739
Principal transactions		2,066	1,849
Interest		18,683	10,978
Other income	23	14,172	14,665
		36,840	31,231
EXPENSES			
Employee compensation and benefits		14,241	12,764
Selling, general and administrative		16,516	18,697
Interest		13,705	6,894
Depreciation and amortization		1,550	1,165
		46,012	39,520
Share of net income of associate	7	2,272	2,949
Loss before income taxes from continuing operations		(6,900)	(5,340)
Income tax expense			
Current		1,993	(1,308)
Deferred		4,817	(1,646)
	18	6,810	(2,954)
Net loss from continuing operations		(13,710)	(2,386)
Net (loss) income from discontinued operations	8	(39,448)	4,931
NET (LOSS) INCOME		(53,158)	2,545
Net (loss) income per common share (dollars) from continuing operations:	24		
Basic		(0.26)	(0.10)
Diluted		(0.26)	(0.10)
Net (loss) income per common share (dollars):	24		
Basic		(0.82)	(0.03)
Diluted		(0.82)	(0.03)

See accompanying notes, which are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive (Loss) Income

Years ended December 31, (thousands of Canadian dollars)	2019	2018
		(Restated)
NET (LOSS) INCOME	(53,158)	2,545
Other comprehensive (loss) income, net of income taxes:		
Foreign currency translation (losses) gains from continuing operations	(447)	2,067
Foreign currency translation gains from discontinued operations	—	2,100
Total other comprehensive (loss) income	(447)	4,167
TOTAL COMPREHENSIVE (LOSS) INCOME	(53,605)	6,712
Total comprehensive (loss) income attributable to:		
GMP shareholders	(53,605)	6,712
Total comprehensive (loss) income attributable to GMP shareholders		
Continuing operations	(14,157)	(319)
Discontinued operations	(39,448)	7,031

See accompanying notes, which are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars and thousands of shares)	Note	Preferred shares #	Preferred shares $	Common shares #	Common shares $	Share purchase loans $	Deferred share-based awards $	Contributed surplus $	Accumulated other comprehensive income (loss) $	(Accumulated deficit) $	Shareholders' equity $
Balance, December 31, 2017		4,600	112,263	75,451	334,972	(1,375)	(36,146)	54,225	14,228	(184,741)	293,426
Net foreign currency translation gain		—	—	—	—	—	—	—	4,167	—	4,167
Share-based compensation	11, 20	—	—	—	—	1,048	21,548	(5,407)	—	30	17,219
Common shares purchased, cancelled and forfeited	19	—	—	(2,730)	(12,124)	—	—	—	—	4,436	(7,688)
Common share dividends	19	—	—	—	—	—	—	—	—	(15,357)	(15,357)
Dividends on Series B Preferred Shares	19	—	—	—	—	—	—	—	—	(3,219)	(3,219)
Dividends on Series C Preferred Shares	19	—	—	—	—	—	—	—	—	(1,063)	(1,063)
Net income		—	—	—	—	—	—	—	—	2,545	2,545
Balance, December 31, 2018		4,600	112,263	72,721	322,848	(327)	(14,598)	48,818	18,395	(197,369)	290,030
Change in accounting policy	1	—	—	—	—	—	—	—	—	(32)	(32)
Restated balance at January 1, 2019		4,600	112,263	72,721	322,848	(327)	(14,598)	48,818	18,395	(197,401)	289,998
Net foreign currency translation loss		—	—	—	—	—	—	—	(447)	—	(447)
Reclassification of cumulative currency translation		—	—	—	—	—	—	—	(9,661)	—	(9,661)
Share-based compensation	11, 20	—	—	1,453	3,021	327	9,073	(3,545)	—	—	8,876
Common shares purchased, cancelled and forfeited	19	—	—	(12)	(59)	—	—	—	—	—	(59)
Common share return of capital distribution	19	—	—	—	—	—	—	—	—	(20,744)	(20,744)
Common share dividends	19	—	—	—	—	—	—	—	—	(7,544)	(7,544)
Dividends on Series B Preferred Shares	19	—	—	—	—	—	—	—	—	(3,219)	(3,219)
Dividends on Series C Preferred Shares	19	—	—	—	—	—	—	—	—	(1,182)	(1,182)
Net loss		—	—	—	—	—	—	—	—	(53,158)	(53,158)
Balance, December 31, 2019		4,600	112,263	74,162	325,810	—	(5,525)	45,273	8,287	(283,248)	202,860

See accompanying notes, which are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, (thousands of Canadian dollars)	Note	2019	2018
OPERATING ACTIVITIES			
Net (loss) income		(53,158)	2,545
Add (deduct) items not involving cash			
Depreciation and amortization		1,211	2,299
Depreciation on right-of-use asset		1,439	—
Fixed asset write-offs		—	1,030
Goodwill impairment	13	28,541	2,426
Impairment of intangible assets	13	1,229	—
Right of use asset impairment		767	—
Reclassification of cumulative foreign currency translation		(9,661)	—
Lease inducements		—	(257)
Income tax expense (recovery)		797	(1,637)
Share-based compensation expense		8,876	16,111
Accretion expense		1,581	789
Loss on sale of discontinued operations		15,499	—
Transaction costs from sale		(34,404)	—
Share of net income of associate		(2,272)	(2,949)
		(39,555)	20,357
Net change in non-cash operating items	27	42,385	(107,920)
Cash provided by (used in) operating activities		2,830	(87,563)
FINANCING ACTIVITIES			
Partial repayment of promissory note		(6,844)	(11,912)
Return of capital on common shares		(20,744)	—
Dividends paid on common shares		(7,544)	(15,357)
Dividends on Series B Preferred Shares		(3,219)	(3,219)
Dividends on Series C Preferred Shares		(1,182)	(1,063)
Payment of principal portion of lease liabilities		(2,034)	—
Common shares repurchased and cancelled		(59)	(7,688)
Cash used in financing activities		(41,626)	(39,239)
INVESTING ACTIVITIES			
Proceeds from sale of discontinued operations		42,179	—
Common share dividend from associate		2,743	5,295
Equity investment in associate		(4,381)	(2,874)
Equipment and leasehold improvements, net expenditures		(2,661)	(714)
Cash provided by investing activities		37,880	1,707
Effect of foreign exchange on cash balances		(207)	744
Net decrease in cash and cash equivalents		(1,123)	(124,351)
Cash and cash equivalents, beginning of year		517,724	642,075
Cash and cash equivalents, end of year[1]		516,601	517,724
Supplemental cash flow information			
Interest paid		9,698	6,867
Interest received		19,646	11,788
Income taxes paid		7,854	1,203

1. Cash and cash equivalents, end of year 2018 include $1,769 classified as held for sale, refer to Note 8.

See accompanying notes, which are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

(thousands of Canadian dollars and shares, except where noted and per share information)

Note 1. Corporate Information

GMP Capital Inc. (GMP or the Company) operates through two business segments; Operations Clearing and Wealth Management; and a corporate segment. Operations Clearing provides carrying broker services to Richardson GMP Limited (Richardson GMP) and to Stifel Nicolaus Canada Inc. (Stifel). The Company performs trade execution, clearing, settlement, custody, and certain other middle and back-office services. Wealth Management consists of GMP's non-controlling ownership interest in Richardson GMP. Richardson GMP, one of Canada's largest independent wealth management firms, is focused on providing exclusive and comprehensive wealth management and investment services delivered by experienced teams of investment professionals.

GMP is incorporated under the laws of the Province of Ontario, Canada and has its registered office and principal place of business located at 145 King Street West, Suite 200, Toronto, Ontario, M5H 1J8. GMP's Common Shares, Series B Preferred Shares, and Series C Preferred Shares are listed on the Toronto Stock Exchange (TSX) under the symbols GMP, GMP.PR.B, and GMP.PR.C, respectively.

These consolidated financial statements were authorized for issuance by GMP's board of directors (Board of Directors) on February 27, 2020.

Note 2. Basis of Preparation

a. Basis of Presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). GMP's consolidated financial statements are prepared on a going concern basis, under the historical cost convention, modified to include the fair valuation of certain financial instruments to the extent required or permitted under accounting standards as set out in the relevant accounting policies.

On December 6, 2019, GMP completed the sale of substantially all of its capital markets business. The results of discontinued operations are presented separately in the consolidated statements of income (loss) and consolidated statements of comprehensive income (loss) with comparative information restated accordingly. For further details, refer to Note 8. For segment reporting purposes the Capital Markets segment was renamed Operations Clearing and includes the business of providing clearing services to Richardson GMP and Stifel Nicolaus Canada Inc. Refer to Note 26.

Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousand.

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b. Principles of Consolidation

Subsidiaries

These consolidated financial statements include the assets and liabilities and financial performance of GMP and its subsidiaries after elimination of inter-company transactions and balances.

Subsidiaries, which include an employee benefit trust, are entities over which GMP has control. GMP controls an entity when (i) it has the power to govern and direct the activities of the entity; (ii) it is exposed to the risks and/or returns arising from the entity; and (iii) it is able to use its power to affect the risks and/or returns to which it is exposed. Subsidiaries continue to be consolidated until the date that such control ceases.

Associates

Associates are entities over which GMP has significant influence, but not control, over the operating and financial management policy decisions of the entity. Ownership of 20 to 50 percent of the voting shares of an investee would generally indicate that GMP has significant influence. Investments in associates are accounted for using the equity method and initially recorded at cost and subsequently adjusted for changes in GMP's share of the net assets of the associate. Such adjustments are reflected in the consolidated statements of income (loss).

c. Critical Accounting Estimates and Use of Judgment

The preparation of financial statements in accordance with IFRS requires management to make estimates and exercise judgment that affect reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are made based on information available as at the date of issuance of the consolidated financial statements that are believed to be reasonable. Accordingly, actual results may differ from these estimates. Accounting policies that require management's estimates and judgments are discussed below.

Impairment of Goodwill

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. The recoverable amount of a cash-generating unit (CGU) or group of CGUs is determined from internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates, discount rates and terminal multiples. Management is required to use judgment in estimating the recoverable value of a CGU or a group of CGUs. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable. Goodwill amount recognized at December 31, 2019 was nil.

Income Taxes

GMP computes an income tax expese in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, income would be affected in a subsequent period.

Share-based Compensation

GMP uses estimates and judgments when determining the share-based compensation expense during a reporting period. The determination of the share-based compensation expense resulting from GMP's granting of employee share options and other deferred share-based awards depends on the use of option pricing and probability weighted models, which by their nature are subject to measurement uncertainty. These models require the use of subjective assumptions, including expected stock price volatility and the use of historical data that may not be reflective of future performance.

Provisions

GMP may become involved in legal proceedings, including regulatory investigations, in the ordinary course of business. Contingent litigation loss provisions are recorded by GMP when it is probable that GMP will incur a loss and the amount of the loss can be reasonably estimated. Management and GMP's external experts are involved in assessing likelihood and in estimating any amounts involved. Provisions related to restructuring costs are also recorded when the recognition criteria for provisions are met. These amounts are included in other liabilities.

Fair Value of Financial Instruments

Determining the fair value of financial instruments involves the use of judgment to estimate fair values when quoted market prices are not available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Note 3. Significant Accounting Policies

a. Cash and Cash Equivalents

Cash is comprised of cash on deposit and cash equivalents including highly liquid investments such as interest-bearing treasury bills and bankers' acceptances that are convertible into cash with original maturities of three months or less.

b. Foreign Currency Translation

The Canadian dollar is the functional and presentation currency of GMP. Each of GMP's subsidiaries determines its own functional currency and items included in the financial statements of each subsidiary and associate are measured using that functional currency.

Assets and liabilities of foreign operations that have a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date and revenue and expenses at average rates during the period. Gains or losses on translation are included as a component of equity.

Foreign currency denominated monetary assets and liabilities of GMP and its Canadian dollar functional currency subsidiaries are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenue and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in other income. Foreign currency denominated non-monetary assets and liabilities, measured at historical cost, are translated at the rate of exchange at the transaction date.

c. Financial Instruments

As of January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* (IFRS 9). The standard replaced *Financial Instruments: Recognition and Measurements* (IAS 39). The transition to the new standard had no material impact on the Company's classification and measurement of financial instruments. The Company applied the standard retrospectively, with an initial application date of January 1, 2018.

Classification and measurement: Under IFRS 9, financial instruments are measured at fair value through profit or loss (FVPL), amortized cost, or through other comprehensive income (loss) (FVOCI). Under IFRS 9 for financial instruments, the classification is based on two criteria: the business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments and interest on the principal amount outstanding (SPPI criterion).

The classification and measurement of the Company's financial instruments are as follows:

Preferred share investments in associate are designated at FVOCI, with no gains or losses recycled to profit or loss on recognition. Such instruments all qualify as equity of the issuer as defined in IAS 32, *Financial Instruments: Presentation*, and are not held for trading. Under IAS 39, GMP's preferred share investments in associate were classified as available-for-sale.

Financial assets measured at FVPL are comprised of equity instruments that GMP had not irrevocably elected to classify at FVOCI and derivatives. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell. Under IAS 39, GMP's financial assets measured at FVPL were classified as trading assets.

The assessment of the Company's business models was made as of the date of initial application, and then applied retrospectively. The assessment of whether contractual cash flows on the debt instruments are solely composed of principal and interest was made based on the facts and circumstances at the initial recognition of the assets.

Derivative Financial Instruments

GMP and its subsidiaries selectively utilize derivative instruments to manage financial risks, including foreign exchange, interest rate and fair value risks. GMP's derivatives are carried at fair value with realized and unrealized gains and losses arising from changes in fair value recognized in the consolidated statements of income (loss), recorded in principal transactions revenue. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques and other pricing models which include market-based data as inputs.

d. Impairment of Financial Assets

IFRS 9 replaces IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach, requiring the Company to record an allowance for ECLs for loans and debt financial assets not held at FVPL. The Company has applied the standard's simplified approach for corporate finance receivables and has calculated ECLs based on lifetime expected credit losses (lifetime ECLs). The Company uses a historical-based provision matrix adjusted for forward-looking factors. ECL for the year at December 31, 2019 was nil.

e. Client Balances

Client security transactions are entered into on either a cash, cash on delivery or margin basis and are recorded on the trade date of the transaction. Amounts are due from clients on the settlement date of the transaction for cash accounts. Margin loans are due on demand and are collateralized by the financial assets in the client's account. Amounts loaned to any client are restricted by GMP's credit limits, which are generally more restrictive than those required by the Investment Industry Regulatory Organization of Canada (IIROC) and are subject to GMP's credit review and daily monitoring procedures. Interest earned on margin loans and interest paid on client cash deposits are based on a floating rate.

f. Securities Borrowing and Lending

GMP engages in securities borrowing and lending primarily to facilitate the securities settlement process. These arrangements are typically short term in nature. These transactions are fully collateralized and subject to daily margin calls for any deficiency between the market value of the security loaned and the amount of collateral received. GMP manages its credit exposure by establishing and monitoring aggregate limits by customer for these transactions.

Securities lent to counterparties are retained on the consolidated balance sheets when substantially all of the risks and rewards of ownership of the securities remain with GMP. Cash received as collateral is recorded on the consolidated balance sheets with a corresponding liability recognized in payable to brokers. Cash collateral received generally exceeds the market value of the securities loaned. Fees earned, net of interest paid on cash collateral, are recorded in interest income.

When GMP borrows securities under stock borrow arrangements and the risks and rewards of ownership do not pass to GMP, the securities borrowed are not recorded by GMP on its consolidated balance sheets. The claim relating to cash or other collateral deposited with the lender is recorded in receivable from brokers. The cost of borrowing the securities, net of interest received on the cash collateral deposited, is recorded in interest expense.

g. Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment in value, if any. Depreciation is recorded on a straight-line basis over the following expected useful lives:

Furniture and equipment	7 to 8 years
Computer hardware	3 years
Leasehold improvements	Lease term plus first renewal period, if renewal is reasonably assured

Residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted, if appropriate.

h. Goodwill

Goodwill represents the excess purchase price paid over the net fair value of identifiable assets and liabilities acquired in a business combination. Goodwill is allocated to a CGU or group of CGUs that is expected to benefit from synergies of the business combination regardless of whether any assets acquired and liabilities assumed are assigned to the CGU or group of CGUs. A CGU is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows from other assets or group of assets. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within GMP at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

i. Intangible Assets

GMP's intangible assets consist of application software that are initially recognized at fair value and amortized over their estimated useful lives on a straight-line basis of three years.

j. Impairment of Non-Financial Assets

The carrying values of non-financial assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. In addition, long-lived assets that are not amortized, such as investments in associates, are subject to an annual impairment assessment. GMP evaluates impairment losses for potential reversals when events or changes in circumstances warrant such consideration.

Goodwill

Goodwill is tested for impairment at the CGU or group of CGUs level annually or more frequently if events or circumstances suggest that there may be impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. A write-down is recognized if the recoverable amount of the CGU, determined as the greater of the estimated fair value less costs to sell (FVLCS) or its value-in-use (VIU), is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the CGU.

Intangible Assets

Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Identifiable finite-life intangible assets are amortized over their estimated useful lives on a straight-line basis. The amortization period and the method of amortization for an intangible asset with a finite useful life is reviewed at least annually, at each financial year-end. At each consolidated balance sheet date, intangible assets are assessed for indicators of impairment. If indicators are present, these assets are subject to an impairment review. Any loss resulting from the impairment of intangible assets is expensed in the period the impairment is identified.

k. Revenue Recognition

As at January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15). The transition to the standard had no material impact on the measurement or recognition of revenue of prior periods; however, required additional disclosures have been added. The Company elected to apply the standard on a full retrospective basis, whereby the cumulative effect of adoption is applied to the earliest comparative period presented.

The main types of revenue contracts are as follows:

Underwriting fees: Underwriting fees represent the spread between the price the Company pays the issuer of securities and the public offering price. Underwriting mandates can be on a "bought-deal" basis where the underwriting is performed on a firm-commitment basis or agency basis where the underwriting is performed on a best-efforts basis. Generally, the underwriting of the securities will be the only performance obligation and therefore the performance obligation is satisfied and related revenue is recognized on close of an underwriting mandate.

Advisory fees: Advisory fees represent payments received by the Company in return for assisting clients to complete transactions including providing pre-transaction services, advice on strategic alternatives, selection of counterparty, deal negotiation and fairness opinions. Each advisory contract is assessed individually to identify distinct performance obligations. The majority of the advisory services included in typical advisory contracts, such as delivery of a fairness opinion or sale of a business, involve a specified outcome and are satisfied at a point in time. Certain performance obligations are satisfied over time because the customer simultaneously receives and consumes the benefit of the services as the Company performs its obligations under the contract. The amount of variable consideration recognized on advisory contracts is limited to the amount for which it is probable a significant revenue reversal will not occur. This is assessed at each reporting period. The vast majority of performance obligations included in typical advisory contracts involve a specified outcome with the related consideration contingent on that outcome and earned at that point in time. The related fee is typically highly susceptible to factors outside of the Company's control; therefore most fees found in advisory contracts will be recognized at the completion of the contingent event.

Commissions: Commissions represent fees to the Company for executing and settling trades for clients and are recognized at a point in time (trade date) as the performance obligation is satisfied. The adoption of IFRS 15 did not have an impact on the timing or measurement of commission income.

Carrying broker income: The Company provides carrying broker and administrative services to an associate. Fees earned in connection with such services are recorded over time as performance obligations are satisfied. Such fees are reflected in other income. The adoption of IFRS 15 did not have an impact on the timing or measurement of carrying broker fees.

Revenue associated with principal transactions and investment income are excluded from the scope of IFRS 15.

l. Share-Based Compensation

Deferred Share-Based Awards

GMP uses the fair value method to measure the cost of common share awards granted to certain employees. Under this method, the cost of the share awards is measured at the grant date and recognized over the vesting period, taking into account an estimated forfeiture rate and the likelihood of performance vesting conditions being met. The estimate of share awards expected to vest relating to non-market vesting conditions is revisited at each reporting period and remeasured as required.

Share Option Awards

GMP uses the fair value method to measure the cost of share options awarded to directors and employees. The fair value of the share option award is estimated at grant date using valuation techniques that take into account its exercise price, its expected life, the risk-free interest rate, the expected volatility and dividends of GMP's common shares and the expected level of forfeitures. For share option awards with graded vesting, the fair value of each tranche is treated as a separate grant with a different vesting date and a different fair value. The fair value of the share option awards is recognized as an expense over the applicable vesting period over which all specified vesting conditions are satisfied, with a corresponding increase to contributed surplus.

At each reporting date, GMP reassesses its estimate of the number of share-based awards and share option awards that are expected to vest and recognizes the impact of the change in estimate in forfeitures through the consolidated statements of income (loss) in the current reporting period.

m. Provisions

Provisions represent a liability to GMP for which the amount or timing is uncertain. Provisions are recognized when GMP has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

n. Income Taxes

GMP records the current and deferred taxes relating to transactions that have been included in the consolidated financial statements using the provisions of the related jurisdiction's tax laws and rates.

Current Income Tax

Current income tax is measured as the amounts expected to be paid to or recovered from the taxation authorities based on taxable income or loss. Taxable income or loss may differ from income reported on GMP's consolidated statements of income (loss) since taxable income excludes certain items that are taxable or deductible in other years and also excludes items that are never taxable or deductible for tax purposes. Changes in taxes arising from a change in tax rates and laws will be recognized in the period when the tax rate or law is substantively enacted. Current tax assets and liabilities are offset when the legally enforceable right to offset exists and GMP itself intends to net settle the amounts.

Deferred Income Tax

Deferred tax expense and/or benefit is calculated using the liability method with reference to temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable income will be available against which unused tax losses and deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when the legally enforceable right exists to offset and the deferred tax assets and liabilities relate to income taxes levied on the same tax reporting entity by the same taxation authority. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the consolidated balance sheet dates.

o. IFRS 16 Leases

The new standard requires lessees to recognize right-of-use assets and lease liabilities for most leases and recognize the associated expenses to depreciation and interest expense, respectively.

GMP elected to apply IFRS 16 using the modified retrospective approach using the following practical expedients:

- the election is being taken to not reassess whether a contract is or contains a lease at the date of initial application, and instead to only apply IFRS 16 to contracts that were in the scope of IAS 17;
- the election is being taken to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the election is being taken to rely on the IAS 37 assessment of whether leases are onerous instead of performing an impairment review;
- the election is being taken to exclude leases for which the term ends within 12 months from January 1, 2019;
- the election is being taken to exclude initial direct costs from the measurement of the right of use asset on January 1, 2019;
- the election is being taken to use hindsight to determine lease terms;
- the election is being taken, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The following table reconciles the aggregate future minimum lease payments pertaining to continuing operations as disclosed in the 2018 Annual Financial Statements.

Future minimum annual lease payments as at December 31, 2018	8,431
Lease payments for renewal options not contractually obligated	1,075
Lease payments for leases not yet commenced	(1,597)
Short-term leases	(260)
Gross lease liabilities as at January 1, 2019	7,649
Discount at weighted average rate of 3.87%	(471)
Net lease liabilities as at January 1, 2019	7,178

Nature of the effect of adoption of IFRS 16

GMP has a lease contract for a property. Prior to the adoption of IFRS 16, GMP classified its lease (as lessee) at the inception date as an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to GMP; otherwise it was classified as an operating lease.

In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Upon adoption of IFRS 16, GMP applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by GMP.

Leases previously accounted for as operating leases

GMP recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, accrued lease payments previously recognized, less tenant inducements previously recognized as a liability under IAS 17. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

GMP also applied the available practical expedients wherein it excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Right-of-use assets

GMP recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless GMP is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, GMP recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by GMP and payments of penalties for terminating a lease, if the lease term reflects GMP exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, GMP uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

p. Future Changes in Accounting Policies

GMP monitors the potential changes in standards proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on GMP's operations.

IFRS Interpretation Committee Interpretation 23, *Uncertainty over Income Tax Treatments* (IFRIC 23)

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. GMP does not expect IFRIC 23 to have a material impact on its accounting policies.

q. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are normal course of business payables to vendors and payable balance to RGMP. These balances are expected to be settled within the first quarter of 2020.

Note 4. Revenue from Contracts with Customers

The following table presents disaggregated revenue information for each reportable segment.

	Operations Clearing		Wealth Management		Corporate		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Investment banking	—	—	—	—	1,919	3,739	1,919	3,739
Carrying broker fees	8,879	10,684	—	—	—	—	8,879	10,684
Revenue – contracts with customers	8,879	10,684	—	—	1,919	3,739	10,798	14,423
Timing								
Point in time	—	—	—	—	1,919	3,739	1,919	3,739
Over time	8,879	10,684	—	—	—	—	8,879	10,684
Other revenue	21,781	13,765	2,384	2,345	1,877	699	26,042	16,809
Total revenue	30,660	24,449	2,384	2,345	3,796	4,438	36,840	31,231

Total contract assets and liabilities were nil in 2019 and 2018.

Note 5. Securities Owned and Obligations Related to Securities Sold Short

As at December 31,	2019		2018	
	Trading Assets	Securities Sold Short	Trading Assets	Securities Sold Short
Debt securities:				
Canadian and U.S. federal government debt	47,045	6,999	59,169	5,317
Canadian provincial and municipal government debt	6,275	3,109	8,278	3,938
Corporate and other debt	11,514	1,291	10,575	1,876
Equity securities	562	—	26,751	—
Derivative financial instruments	45	—	5,619	—
	65,441	11,399	110,392	11,131

As at December 31, 2019, debt securities have a weighted-average maturity of January 2021 (as at December 31, 2018 – weighted-average maturity of January 2021) with a weighted-average yield of 1.85% (as at December 31, 2018 – 3.69%). Certain securities owned have been pledged as collateral for securities borrowing transactions.

Note 6. Other Assets

As at December 31,	2019	2018
Accounts receivable	4,814	15,146
Income taxes recoverable	6,077	—
Funds deposited in trust	348,553	429,211
Finance lease receivable	2,127	—
Prepaid deposits and other	952	1,740
Promissory note receivable	2,754	—
	365,277	446,097

Accounts receivable consist of interest, dividends, and rebate fees receivable. Impairment losses recognized on accounts receivable in accordance with IFRS 9 were nil in 2019 and 2018.

Funds deposited in trust represent client amounts held in trust for registered retirement savings plans and similar accounts. The related liability is included in payable to clients.

Promissory note receivable represents a receivable from Stifel for the promissory notes held by former FirstEnergy Capital Holdings Corp. (FirstEnergy) shareholders in the UK that require the noteholders consent to assign.

Note 7. Interests in Other Entities

a. Interests in Subsidiaries

Certain of GMP's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. RF Securities Clearing LP (RF Securities) (formerly GMP Securities L.P.) is a registered investment dealer subject to regulation primarily by the Investment Industry Regulatory Organization of Canada (IIROC). Sources of financial statement capital for IIROC regulatory capital purposes include unitholders' equity of RF Securities in addition to subordinated loans, when drawn. Griffiths McBurney Corp. (GMC) is registered as a broker dealer in the United States and is subject to regulation primarily by the Financial Industry Regulatory Authority (FINRA). FirstEnergy Capital LLP is authorized and regulated by the Financial Conduct Authority in the United Kingdom and is a member of the London Stock Exchange. GMP Securities Asia Limited is authorized and regulated by the Securities and Futures Commission of Hong Kong. GMP Securities Emerging Markets Corp. is authorized and regulated by the Securities Commission of The Bahamas.

Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require GMP to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash dividend. As at and during the years ended December 31, 2019 and 2018, all of GMP's subsidiaries were in compliance with their respective capital requirements.

b. Investment in Associate

As at December 31, 2019, GMP had an approximate 34.4% ownership interest in Richardson GMP (2018 – 33%) and has significant influence over its operations. Richardson GMP is a Canadian-controlled private corporation incorporated on November 12, 2009, pursuant to the laws of Canada. Richardson GMP is a member of the IIROC and has a registered office and principal place of business located at 145 King Street West, Toronto, Ontario. Richardson GMP provides comprehensive wealth management and investment services to affluent Canadian individuals. RF Securities provides carrying broker, administrative and financing services to Richardson GMP.

GMP accounts for its equity investment in Richardson GMP using the equity method. Preferred share investments in Richardson GMP are measured at FVOCI. The following table details GMP's equity and non-equity investments in Richardson GMP:

	2019	2018
Equity investment as at January 1	47,848	47,320
Additional investment	4,381	2,874
Common share dividends	(2,743)	(5,295)
Share of net income of associate	2,272	2,949
Equity investment as at December 31	51,758	47,848
Preferred share investments:		
Class B preferred shares	30,422	30,422
Special preference shares	673	683
Total investment as at December 31	82,853	78,953

During 2019, GMP made an additional equity investment in common shares of Richardson GMP of $4,381 (2018 – $2,874) pursuant to a Richardson GMP internal liquidity process. The Class B preference shares are non-voting, entitle the holder to cumulative cash dividends at the prime rate of interest plus 4% and are non-redeemable. The special preference shares are non-voting, non-redeemable and holders are not entitled to dividends. During 2019, GMP received $2,418 (2018 – $2,261) in preferred dividends from Richardson GMP.

Credit Arrangements with Associate

In order to accommodate short-term funding requirements, GMP makes available to Richardson GMP a revolving line of credit up to a maximum of $8,000. The loan, when drawn, is unsecured, bears interest at the prime rate of interest plus 4% and is repayable on demand subject to certain conditions, including IIROC approval. As at December 31, 2019, Richardson GMP had nil outstanding under this facility (2018 – nil).

The following table is Richardson GMP's balance sheet without adjusting for GMP's proportionate interest:

As at December 31,	2019	2018
Assets		
Cash	67,901	61,694
Securities owned	997	546
Due from carrying broker	10,328	11,051
Other assets	7,310	7,764
Total current assets	86,536	81,055
Deposit with carrying broker	496	496
Equipment and leasehold improvements, net	14,418	12,658
Right-of-use asset	24,949	—
Advisor loans receivable	30,858	27,167
Deferred tax asset	28,494	34,475
Goodwill and intangible assets, net	145,267	145,482
Total assets	331,018	301,333
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities	49,742	48,711
Lease liability	27,404	—
Subordinated loans	71,000	71,000
Total liabilities	148,146	119,711
Shareholders' equity		
Share capital:		
Common shares	134,891	132,152
Preferred shares	61,517	61,527
Share capital	196,408	193,679
Contributed surplus	2,793	2,958
Accumulated retained earnings	(16,329)	(15,015)
Total shareholders' equity	182,872	181,622
Total liabilities and shareholders' equity	331,018	301,333

The following table summarizes Richardson GMP's revenue, expenses and net income on an aggregate basis without adjusting for GMP's proportionate interest:

For the year ended December 31,	2019	2018
Revenue	272,282	290,079
Expenses	254,809	269,968
Net income before income taxes	17,473	20,111
Deferred income tax expense	6,179	6,459
Net income	11,294	13,652
Less: Cumulative preferred dividends	(4,837)	(4,626)
Net income attributable to common shareholders	6,457	9,026

Note 8. Discontinued Operations

Sale Transaction

On December 6th, 2019, GMP completed the sale of substantially all of its capital markets business in an all-cash transaction to Stifel Nicolaus Canada Inc. (the Sale Transaction). The Sale Transaction was structured as an asset sale of substantially all of the Capital Markets operating segment which historically has represented the vast majority of the Company's operating business. Pursuant to the Sale Transaction, cash consideration was determined at closing based on the tangible book value of the capital markets business (less cash) plus $40,000. Total cash consideration was determined to be $42,179. Loss on sale amounted to $15,499 and included transaction costs of $34,404 and goodwill write-off of $21,095. Transaction costs associated with the transaction were primarily comprised of contractual remuneration payments, restructuring charges, legal, advisory and other professional fees. The Sale Transaction included customary non-solicitation covenants.

Sale of GMP Securities, LLC

In January 2019, GMP announced that it had completed the sale of GMP Securities, LLC (GMP USA), GMP's institutional fixed income trading operations. A non-cash gain of $8,310 was realized in first quarter 2019, comprising the reclassification of cumulative foreign currency translation adjustments to net income, recorded in discontinued operations.

The following tables present the financial performance and cash flow information of the discontinued operations for the years ended December 31, 2019 and 2018 and include both the sale of the capital markets business and the sale of GMP USA:

For the year ended December 31,	2019	2018
Revenue		
Investment Banking	37,346	121,184
Commissions	15,839	28,783
Principal Activities	4,735	12,184
Interest Income	1,035	1,646
Other	510	2,000
	59,465	165,797
Expenses		
Employee compensation and benefits	47,821	112,873
Selling, general and administrative	15,655	33,875
Interest	2,624	1,866
Amortization	1,100	1,135
Goodwill and intangible impairment charges	30,537	2,426
Cumulative foreign currency translation adjustment	(8,310)	—
	89,427	152,175
Net (loss) income before taxes from discontinued operations	(29,962)	13,622
Income tax (recovery) expense	(6,013)	8,691
Net (loss) income after taxes from discontinued operations	(23,949)	4,931
Loss on sale of discontinued operations	(15,499)	—
Net (loss) income for the year on discontinued operations	(39,448)	4,931

Expenses in 2019 include goodwill impairment of $28,541, other asset impairments and provisions of $1,996 and transaction related costs of $34,404. Expenses in 2018 include goodwill impairment of $2,426, other asset impairments and provisions of $2,728 and transaction related costs of $1,251.

As at December 31, 2018, GMP USA was carried at FVLCS. During first quarter 2019, management recognized a gain in connection with the transaction related to the reclassification of accumulated foreign currency translation adjustments to net income.

The following table shows the assets and liabilities of GMP USA that were classified as held for sale as at December 31, 2018:

As at December 31,	2018
Assets held for sale:	
Cash and cash equivalents	1,769
Trading assets	5,012
Receivable from broker	11,236
Other assets	25
Total assets	18,042
Liabilities associated with assets held for sale:	
Obligations related to securities sold short	1,231
Accounts payable and accrued liabilities	6,287
Other liabilities	107
Total liabilities	7,625

Note 9. Securities Borrowed and Lent

The following table details the fair value of securities borrowed and lent as at December 31, 2019 and 2018, as well as the amount and type of collateral delivered and received in connection with this activity:

			Borrowed			Lent
As at December 31,	Cash delivered as collateral	Securities delivered as collateral	Securities borrowed	Cash received as collateral	Securities received as collateral	Securities lent
2019	44,135	—	45,949	27,923	—	27,626
2018	43,430	—	42,733	62,239	—	56,395

Note 10. Employee and Other Loans Receivable

Employee and other loans receivable include $1,903 (2018 – $2,408) in loans made to certain employees of Richardson GMP in connection with its creation in 2009. These loans bear interest at a variable rate, which is currently set at the prime rate of interest plus 2.5% and are required to be repaid in full to GMP on the earlier of the date the Richardson GMP employee ceases to be an employee or on the date they cease to hold all of their shares. Interest earned by GMP for the year ended December 31, 2019, related to these loans is $140 (2018 – $203).

Note 11. Share Purchase Loans

GMP previously offered the GMP Capital Share Loan Plan and RF Securities 2011 Executive Common Share Loan Plan (collectively, the Share Loan Plans) whereby GMP advanced funds to participating executives representing the purchase price, or a portion thereof, of GMP common shares acquired in the market. Upon the satisfaction of certain conditions, including continued employment, GMP was obligated to pay cash bonuses to the executives that fully, or partially, repaid the loans. No further funds will be advanced to executives under the Share Loan Plans.

As at December 31, 2019, amounts owing to GMP related to the Share Loan Plan were nil (2018 – $327).

Note 12. Equipment and Leasehold Improvements

	Furniture and equipment		Computer hardware		Leasehold improvements		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Cost								
Balance at January 1	1,634	2,657	4,546	4,754	8,853	11,292	15,033	18,703
Additions	647	213	104	410	1,920	91	2,671	714
Disposals and write-offs[1]	(2,227)	(1,350)	(4,520)	(672)	(9,604)	(2,738)	(16,351)	(4,760)
Foreign exchange	—	114	—	54	—	208	—	376
Cost at December 31	54	1,634	130	4,546	1,169	8,853	1,353	15,033
Accumulated depreciation								
Balance at January 1	616	1,309	4,154	4,529	7,582	8,641	12,352	14,479
Depreciation	169	350	349	232	155	757	673	1,339
Disposals and write-offs[1]	(769)	(1,127)	(4,435)	(659)	(6,832)	(1,953)	(12,036)	(3,739)
Foreign exchange	—	84	—	52	—	137	—	273
Accumulated depreciation at December 31	16	616	68	4,154	905	7,582	989	12,352
Net book value at December 31	38	1,018	62	392	264	1,271	364	2,681

1. Includes write-offs in connection with the sale of GMP USA and Capital Markets, refer to Note 8.

Note 13. Goodwill and Intangible Assets

	Goodwill		Non-Competition Intangible		Application software		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Cost								
Balance at January 1	105,421	101,075	3,687	3,687	2,631	2,885	111,739	107,647
Additions	—	—	—	—	18	—	18	—
Disposals	—	—	(1,229)	—	(2,649)	(278)	(3,878)	(278)
Foreign exchange	—	4,346	—	—	—	24	—	4,370
Cost at December 31	105,421	105,421	2,458	3,687	—	2,631	107,879	111,739
Accumulated amortization and impairment								
Balance at January 1	55,785	51,117	1,953	1,085	2,585	2,740	60,323	54,942
Amortization	—	—	505	868	46	92	551	960
Impairments	28,541	2,426	—	—	(2,631)	(269)	25,910	2,157
Goodwill allocated to sale	21,095	—	—	—	—	—	21,095	—
Foreign exchange	—	2,242	—	—	—	22	—	2,264
Accumulated amortization and impairment at December 31	105,421	55,785	2,458	1,953	—	2,585	107,879	60,323
Net book value at December 31	—	49,636	—	1,734	—	46	—	51,416

Goodwill is tested for impairment annually on October 31 and more frequently if events or circumstances indicate that it may be impaired. When determining whether an impairment test is required at a given balance sheet date, GMP considers factors such as revenue performance compared with forecast and the relationship between the Company's market capitalization and its book value. As at March 31, 2019, following a review of these and other factors, management performed an impairment test for the former Capital Markets operating segment, which is the only group of Cash Generating Units to which goodwill has been allocated. An impairment is required if the recoverable amount of the Capital Markets operating segment, determined as the greater of the estimated fair value less cost to sell (FVLCS) or its value-in-use (VIU), is less than the carrying value. For purposes of the March 31, 2019 impairment test, the estimated recoverable amount of the Capital Markets operating segment was based on the FVLCS. The FVLCS has been determined from internally developed valuation models which consider various factors and assumptions. While the use of different assumptions and estimates could influence the amount of the goodwill impairment charge, management believes that the assumptions and estimates used are reasonable. The impairment test resulted in a goodwill impairment charge of $28,541 to the Capital Markets operating segment, which reduced total goodwill and intangible assets to $22,645 as at March 31, 2019 (December 31, 2018 – $51,416). Following the recognition of this impairment, the Capital Markets operating segment estimated recoverable amount equalled the carrying value. Subsequent to this recognition of impairment, in connection with the sale of the Capital Markets business (refer to Note 8.), GMP recorded a loss on sale of the remaining goodwill balance of $21,095 as part of the Sale Transaction. The goodwill balance at December 31, 2019 is nil.

In connection with the sale transaction, GMP reviewed the carrying value of the non-compete intangible assets and determined its carrying value to be unrecoverable. Accordingly, a full impairment loss of $1,229 was recorded in the three months ended September 30, 2019.

In consideration of the allocation of goodwill to the discontinued operations and a review of the factors, management completed an impairment test on the group of CGUs in the former Capital Markets operating segment. An impairment is required if the recoverable amount of the Capital Markets operating segment, determined as the greater of the estimated fair value less cost to sell (FVLCS) or its value-in-use (VIU), is less than the carrying value. The recoverable amount of the group of CGUs was determined based on its VIU. In assessing VIU, estimated future cash flows are discounted using an appropriate pre-tax discount rate. Considering the sale of the Capital Markets business, a discounted cash flow was not performed to value goodwill. The FVLCS was used given the pricing availability.

Note 14. Related Party Transactions and Balances

GMP's related parties include the following persons and/or entities:

a. associate or entities that are controlled or significantly influenced by GMP including subsidiaries of associate; and

b. key management personnel, including those entities that are controlled (directly or indirectly) by key management personnel.

a. Related Party Balances

The following reflects outstanding balances with related parties as at December 31, 2019:

	Associate	Key Management	Total
Assets			
Receivable from clients	—	—	—
Liabilities			
Payable to clients	—	—	—
Accounts payable and accrued liabilities	10,310	—	10,310

The following reflects outstanding balances with related parties as at December 31, 2018:

	Associate	Key Management	Total
Assets			
Receivable from clients	—	3,234	3,234
Liabilities			
Payable to clients	—	5,634	5,634
Accounts payable and accrued liabilities	11,041	—	11,041

The following table reflects related party transactions recorded in GMP's consolidated statements of income (loss):

	Associate		Key Management		Total	
For the years ended December 31,	2019	2018	2019	2018	2019	2018
Revenue						
Interest income	—	—	83	189	83	189
Other income	11,293	12,945	—	—	11,293	12,945

Associate

Accounts payable and accrued liabilities include outstanding current obligations to Richardson GMP representing cash held by RF Securities in its role as carrying broker, which relates primarily to revenue earned by Richardson GMP.

Other income includes trade execution, technology and administration service fees associated with RF Securities' role as carrying broker pursuant to a services agreement with Richardson GMP. During 2019, other income also includes $2,414 (2018 – $2,261) in dividends on GMP's preferred share investments in Richardson GMP.

Key Management Personnel

Key management personnel consists of the Board of Directors and officers of GMP and other persons having authority and responsibility for planning, directing and controlling the activities of GMP. Receivables from clients and payables to clients represent outstanding transactions where GMP executes security trades on either a cash or margin basis for key management personnel. Commission income on such transactions in the aggregate is not material in relation to the overall operations of GMP. Interest on margin loans is based on terms and conditions applicable to all clients.

Key management personnel compensation for services rendered is as follows:

For the years ended December 31,	2019	2018
Fixed salaries and benefits	2,264	2,674
Retirement allowance	13,889	—
Variable incentive-based compensation	6,627	14,173
Share-based compensation	405	362
Directors fees	874	945
	24,059	18,154

Note 15. Credit Facilities

GMP borrows money primarily to facilitate the securities settlement process for both client and proprietary transactions. As at December 31, 2019, GMP has credit facilities with Schedule I Canadian chartered banks of $707,535 (2018 – $754,269). The facilities consist of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities is based on floating rates.

GMP has in place an unsecured committed standby facility in the amount of $17,500 to provide additional regulatory capital for RF Securities. The facility provides for an unsecured subordinated loan at an annual interest cost of the prime rate of interest plus 4% when drawn, that is repayable on demand subject to prior approval of the IIROC. The financial covenants require that regulatory risk adjusted capital be a minimum of $45,000 on the day prior to the drawdown request date and a minimum of $50,000, including the drawn amount, on the drawdown date and each day thereafter. The required shareholder capital to subordinated debt ratio is 3.25:1. At December 31, 2019, and 2018, GMP had no amounts outstanding under any of these facilities.

Note 16. Other Liabilities

As at December 31,	2019	2018
Income taxes payable	—	5,915
Deferred lease inducements	38	252
Restructuring provision (Note 21)	19,768	—
Other	206	354
	20,012	6,521

Deferred lease inducements relate to GMP's Toronto office. The lease inducements received are amortized on a straight-line basis over the term of the respective lease as a reduction to rent expense.

Note 17. Promissory Note

In connection with the acquisition of FirstEnergy in 2016, GMP issued to former FirstEnergy shareholders an unsecured promissory note bearing interest at 3.61% compounded annually. The promissory note is subject to adjustments and is to be repaid based upon certain financial metrics over a maximum five-year period pursuant to the terms of the purchase agreement. During the year ended December 31, 2019, GMP paid down $6,844 of principal on the promissory note and recorded accretion expenses of $1,581. Upon closing of the sale of the capital markets business, GMP transferred $7,833 of principal on the promissory note to Stifel.

Note 18. Income Taxes

The components of income tax expense (recovery) for 2019 and 2018, are as follows:

Years ended December 31,	2019	2018
Current tax expense (recovery)		
Current year	1,934	(955)
Adjustments for prior years	59	(353)
Total current tax expense (recovery)	1,993	(1,308)
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	4,817	(1,646)
Total income tax expense (recovery)	6,810	(2,954)

The majority of income tax expense (recovery) relates to domestic operations, although GMP is also subject to tax in the United Kingdom. The differences between income tax expense (recovery) reflected in the consolidated statements of income (loss) and the amounts calculated at the combined Canadian federal and provincial statutory tax rates are as follows:

Years ended December 31,	2019		2018	
	Amount	Rate	Amount	Rate
Income tax expense (recovery) of continuing operations at the combined Canadian federal and provincial statutory tax rate	4,825	26.5%	(4,811)	26.6%
Income tax expense (recovery) of discontinued operations at the combined Canadian federal and provincial statutory tax rate	(18,675)	26.5	10,373	26.5
Increase (decrease) in income tax expense (recovery) due to:				
Non-deductible expenses	4,324	(8.3)	5,113	24.5
Non-taxable income	(729)	1.4	(2,521)	(12.1)
Tax losses and other temporary differences not recognized	3,418	(6.5)	282	1.3
Benefit of losses carried back	—	—	(2,560)	(12.2)
Adjustment for prior years	59	(0.1)	(353)	(1.7)
Derecognition of previously recognized tax assets	5,035	(0.1)	—	—
Rate difference in foreign jurisdictions	798	(1.5)	89	0.4
Part VI.1 Taxes	1,757	(3.4)	—	—
Other	(15)	—	125	0.6
Income tax expense and effective rate	797	(1.6)%	5,737	27.4%
Income tax (recovery) expense on discontinued operations	(6,013)		8,691	
Income tax expense (recovery) on continuing operations	6,810		(2,954)	

The major components of GMP's deferred tax assets and liabilities before offsetting are as follows:

As at December 31,	2019	2018
Deferred tax assets		
Deductible temporary differences:		
Compensation and benefits	—	2,615
Tax losses carried forward	—	3,661
Transaction costs	—	232
Equipment and leasehold improvements	—	258
Onerous contracts	—	157
	—	6,923
Deferred tax liabilities		
Taxable temporary differences:		
Trading assets	—	(1,371)
Non-competition intangible	—	(462)
Other	—	(10)
	—	(1,843)
Deferred income tax asset	—	5,080
Deferred tax liabilities		
Taxable temporary differences:		
Unrealized foreign exchange gain	—	(218)
Deferred tax liabilities	—	(218)

The benefit of these losses and other deductible temporary differences not reflected in GMP's consolidated financial statements are as follows:

	2019
Non-capital losses	36,276
Capital losses	54,305
Compensation and benefits	9,789
Equipment and leasehold improvements	4,417
Right-of-use asset and liability	2,459
Other	800
Total losses and other temporary differences not recognized	108,046

In aggregate, GMP has tax loss carry forwards of $36,276 (2018 – $7,182) for which a deferred tax asset has not been recognized as the future economic benefit of these losses is uncertain.

Note 19. Share Capital

GMP is authorized to issue an unlimited number of Common Shares. Each Common Share has equal rights and privileges and entitles the holder to one vote at all meetings of common shareholders. GMP is also authorized to issue an unlimited number of preferred shares (other than the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares), issuable at any time and from time to time in one or more series. The designation, rights, privileges, restrictions and conditions attaching to the preferred shares will be determined by the Board of Directors of GMP prior to issue.

a. Preferred Shares

Issued and outstanding are 3,565 cumulative 5-Year Rate Reset Preferred Shares, Series B (Series B Preferred Shares) and 1,035 Cumulative Floating Rate Preferred Shares, Series C (Series C Preferred Shares) recorded at the aggregate net proceeds of $112,263. Quarterly cumulative cash dividends on Series B Preferred Shares, if declared, will be paid at an annual rate of 3.611% for the five-year period ending on March 31, 2021. Thereafter, the dividend rate is reset every five years at a rate equal to the sum of the then current five-year Government of Canada (GOC) bond yield plus 2.89%. The Series B Preferred Shares are redeemable by GMP, in whole or in part, at its option on March 31, 2021 and on March 31 of every fifth year thereafter at a cash redemption price per share of $25.00 together with all accrued and unpaid dividends. Holders of Series B Preferred Shares have the right, at their option, to convert their shares into Series C Preferred Shares, subject to certain conditions and GMP's right to redeem the Series B Preferred Shares as described above, on March 31, 2021 and on March 31 of every fifth year thereafter.

Holders of the Series C Preferred Shares are entitled to receive cumulative quarterly floating dividends at a rate equal to the sum of the then 90-day GOC yield plus 2.89%, as and when declared by the Board of Directors. Holders of the Series C Preferred Shares may convert their shares into Series B Preferred Shares on a one-for-one basis, subject to certain conditions and GMP's right to redeem the Series C Preferred Shares as described below, on March 31, 2021 and on March 31 every fifth year thereafter. The Series C Preferred Shares are redeemable in whole or in part by GMP, at its option, at a cash redemption price per share of $25.00 together with all accrued and unpaid dividends in the case of redemptions on March 31, 2021 and on March 31 every fifth year thereafter or $25.50 per share together with all accrued and unpaid dividends in the case of redemptions on any other date after March 31, 2016.

b. Dividends

Common Share Dividends

GMP declared the following common share dividends during the year ended December 31, 2019:

Record date	Payment date	Cash dividend per common share	Total dividend amount
March 15, 2019	April 1, 2019	0.025	1,886
June 14, 2019	July 2, 2019	0.025	1,886
September 16, 2019	October 1, 2019	0.025	1,886
December 16, 2019	December 31, 2019	0.025	1,886
Total		0.10	7,544

On December 6, 2019, the Board of Directors approved a one-time return of capital distribution in the amount of $0.275 per common share, payable on December 31, 2019, to common shareholders of record on December 16, 2019.

On February 27, 2020, the Board of Directors declared a regular cash dividend of $0.025 per common share, payable on March 31, 2020, to common shareholders of record on March 16, 2020.

Preferred Share Dividends

GMP declared the following Preferred Share dividends during the year ended December 31, 2019:

Record date	Payment date	Cash dividend per Series B Preferred Share	Cash dividend per Series C Preferred Share	Total dividend amount
March 15, 2019	April 1, 2019	0.2257	0.2837	1,098
June 15, 2019	July 2, 2019	0.2257	0.2850	1,099
September 14, 2019	October 1, 2019	0.2257	0.2884	1,104
December 16, 2019	December 31, 2019	0.2257	0.2853	1,100
Total				4,401

On February 27, 2020, the Board of Directors approved a cash dividend of $0.2257 per Series B Preferred Share and $0.282848 per Series C Preferred Share payable on March 31, 2020, to preferred shareholders of record on March 16, 2020.

c. Share Repurchases and Forfeitures

During 2019, GMP did not purchase for cancellation any Common Shares under its normal course issuer bid program. GMP's NCIB expired on May 4, 2019 and was not renewed by the Company. During 2018, GMP purchased for cancellation 2,724 Common Shares under its normal course issued bid program at an average price of $2.81 per share for a total cost of $7,656. The discount of the purchase price under the carrying amount of the shares of $4,436 was recorded as a reduction to accumulated deficit. During 2019, 12 Common Shares (2018 – 6) that were issued under an escrow share plan were forfeited and cancelled for a share capital reduction of $59 (2018 – $32).

d. Share Incentive Plan (SIP)

In connection with the SIP (see Note 20), GMP has established an employee benefit plan trust (the SIP Trust) for the purpose of purchasing GMP common shares in the open market and delivering the common shares to the SIP participants upon vesting. GMP consolidates the SIP Trust in accordance with IFRS 10, *Consolidated Financial Statements*. Consideration paid for GMP Common Shares held by the SIP Trust is deducted from shareholders' equity and the Common Shares are treated as cancelled in GMP's basic earnings per share calculation.

During the year ended December 31, 2019, the SIP Trust did not purchase any common shares.

A summary of the status of the SIP Trust as at December 31, 2019, and the changes during the year then ended is as follows:

	Number of common shares (thousands)
Balance, December 31, 2017	2,725
Acquired – Granted	—
Acquired – Dividends	—
Released on Vesting	—
Activity during the year	—
Balance, December 31, 2018	2,725
Acquired – Granted	—
Acquired – Dividends	—
Released on Vesting	(1,453)
Activity during the year	(1,453)
Balance, December 31, 2019	1,272

Note 20. Share Options and Deferred Share-Based Awards

a. Share Options

Under GMP's common share option plan (Share Option Plan), GMP may grant options to acquire up to 10% of the issued and outstanding common shares of GMP to directors, officers, employees and service providers of GMP or any of its subsidiaries. The maximum term of an option is ten years from the date of grant. Options may be granted by reference to GMP's common share price on the TSX. The related vesting period over which share-based compensation expense is recognized is up to four years. Each share option awarded under the Share Option Plan is equity-settled and the share-based compensation expense is based on the fair value estimate on the business day prior to the grant date.

A summary of the status of the Share Option Plan as at December 31, 2019, and 2018, and the changes during the years then ended is as follows:

	Number of common share options (thousands)	Weighted-average exercise price
Balance, December 31, 2017	2,649	7.56
Forfeitures	(965)	8.49
Balance, December 31, 2018	1,684	7.02
Forfeitures	(931)	7.30
Balance, December 31, 2019	753	6.67

Common share options outstanding and vested under the Share Option Plan as at December 31, 2019, are as follows:

Range of exercise prices	Number outstanding (thousands)	Weighted-average exercise price	Weighted-average remaining contractual life	Number vested
6.00	165	6.00	1.87	165
6.35	348	6.35	0.23	348
7.60	240	7.60	1.25	240
Balance, December 31, 2019	753			753

As at December 31, 2019, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 1.00% (December 31, 2018 – 2.23%).

For the year ended December 31, 2019, GMP recorded nil (2018 – $10) in share-based compensation expense relating to the Share Option Plan with a corresponding increase to contributed surplus.

b. Deferred Share-Based Awards

Share Incentive Plan

GMP adopted the SIP to provide eligible employees (Participants) with compensation opportunities to encourage ownership of common shares, to attract, retain and motivate key personnel and reward certain officers and employees of GMP for significant performance. Pursuant to the terms of the SIP, GMP awards restricted share units (RSUs) and performance share units (PSUs) to certain Participants. The RSUs awarded are subject to service vesting conditions. The PSUs awarded are subject to market and non-market performance vesting conditions including both absolute and relative shareholder return, return on equity, and adjusted net income per common share with a minimum performance factor of zero and maximum performance factor of 150% of the original grant. The expense related to the PSUs varies based on GMP's performance and is determined based on a probability-weighted-average of outcomes at each reporting date. During the vesting period, dividend equivalents accrue to the Participants in the form of additional share units.

The fair value of the RSUs is determined based on the five-day average of the closing price of GMP's common shares on the grant date and is amortized over the vesting period of generally three years. The weighted-average fair value of RSUs awarded to Participants during the year ended December 31, 2019, was nil (2018 – 1,400). The compensation expense relating to the RSUs recorded during the year was $2,847 (December 31, 2018 – $1,187).

The fair value of the PSUs is determined in accordance with IFRS 2, *Share-Based Payments* and is amortized over the vesting period of generally three years. The weighted-average fair value of PSUs awarded to Participants during the year ended December 31, 2019, was nil (2018 – nil). The compensation expense relating to the PSUs recorded during the year was nil (2018 – nil).

A summary of the status of GMP's Share Incentive Plan as at December 31, 2019, and the changes during the year then ended is as follows:

	Number of RSUs (thousands)
Balance, December 31, 2017	1,805
Granted	750
Dividends credited	146
Vested	—
Forfeited	(477)
Balance, December 31, 2018	2,224
Granted	—
Dividends credited	181
Vested	(1,453)
Forfeited	(158)
Balance, December 31, 2019	**794**

Other Share-Based Awards

Other share-based awards represent the unamortized value of share awards granted to certain employees of GMP in connection with the acquisition of FirstEnergy. In 2016, GMP issued 11,162 common shares of which 7,442 were subject to vesting conditions with a fair value of $37,433 to former shareholders of FirstEnergy. Holders of these shares are entitled to receive dividends as and when declared by the Board of Directors and have voting rights consistent with those of other common shareholders. Such shares are subject to an escrow agreement with vesting occurring over a four-year period ending in September 2020. The fair value of the common shares issued is expensed over the vesting period with a corresponding increase to contributed surplus.

For the year ended December 31, 2019, GMP recorded $5,644 (2018 – $14,911) in share-based compensation expense with a corresponding increase to contributed surplus. During 2019, $9,015 (2018 – $21,516) of vested share awards were reclassified from contributed surplus and $59 (2018 – $32) of forfeited and cancelled share awards were reclassified from share capital.

Note 21. Provisions, Contingencies, and Commitments

a. Provisions

GMP recognizes provisions when it is probable that it has a present legal or constructive obligation arising from a past event which will result in an outflow of resources that can be reliably estimated. GMP assesses the adequacy of its provisions, if any, at each reporting period. A summary of GMP's provisions as at December 31, 2019, and 2018 and the changes during the years are as follows:

	Restructuring Provisions	Onerous Contracts	Total Provisions[1]
Balance, December 31, 2017	—	1,367	1,367
Additions	—	—	—
Payments	—	(622)	(622)
Recoveries	—	42	42
Balance, December 31, 2018	—	787	787
Additions	28,161	—	28,161
Payments	(8,393)	(209)	(8,602)
Recoveries	—	(167)	(167)
Balance, December 31, 2019	**19,768**	**411**	**20,179**

1. The total provisions at December 31, 2018, includes $167 classified as liabilities associated with the assets held for sale, refer to Note 8.

b. Contingent Liabilities

GMP in the normal course of business is involved in legal proceedings, including regulatory investigations. Contingent litigation loss provisions are recorded by GMP when it is probable that GMP will incur a loss and the amount of the loss can be reasonably estimated. Management and GMP's external legal counsel are involved in assessing likelihood and in estimating any amounts involved. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, GMP does not expect that the outcome of any of these matters, individually or in the aggregate, would have a material adverse effect on GMP's financial position or results of operations.

Prior to the sale of its capital market business on December 6, 2019, the Company provided financial advisory, underwriting and other services to, and trade the securities of issuers that were involved with new and emerging industries, including the U.S. cannabis industry. Activities within such industries, including the U.S. cannabis industry, typically have not had the benefit of a history of successful operating results. In addition to the economic uncertainties associated with new industries, new activities and new issuers, the laws applicable to such industries or activities, particularly the U.S. cannabis industry and the activities of issuers in that industry, and the effect or enforcement of such laws are undetermined, conflicting and uncertain. With respect to the U.S. cannabis industry, cannabis continues to be a controlled substance under the *United States Controlled Substances Act* and as such, there is a risk that certain issuers, while in compliance with applicable state law, may be prosecuted under federal law. Accordingly, the Company has adopted policies and procedures reasonably designed to ensure compliance with the *United States Currency and Foreign Transactions Reporting Act* of 1970 and the guidance issued by the United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-G001 (the FinCEN Guidance) relating to providing financial services to marijuana related businesses in the United States (as that term is used in the FinCEN Guidance). While the Company took steps to identify the risks associated with emerging industries, including the U.S. cannabis industry, and only provided services to those issuers where it determined that there was no material risk to the Company or where any risk was unlikely to result in a material adverse consequence to the Company, there is a risk that the Company could be the subject of third-party proceedings, which may have a material adverse effect on the Company's business, revenue, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

c. Investment Commitments

Pursuant to the Richardson GMP shareholders' agreement, in the event that Richardson GMP requires additional capital to fund ongoing capital expenditures, ongoing operating expenses or general contingencies, Richardson GMP has the ability to require Richardson Financial Group Limited (RFGL) and GMP, or in each case an affiliate thereof, to contribute additional Class B preferred share capital to Richardson GMP (Capital Call). Capital Call amounts, which are to be funded jointly by RFGL and GMP, will be based on the annual budgeted cash requirements for the relevant fiscal year, provided that RFGL and GMP may at any time mutually agree that the maximum Capital Call amounts shall not apply in respect of one or more Capital Calls. If either or both of GMP and/or RFGL defaults in its obligation to contribute all or any portion of a required contribution, Richardson GMP will issue an incremental capital call to its common shareholders.

Note 22. Financial Guarantees

RF Securities as required by IIROC has executed a cross guarantee arrangement with Richardson GMP which stipulates that, in the event of default, RF Securities guarantees Richardson GMP's outstanding obligations to clients up to RF Securities' risk-adjusted capital, as prescribed by IIROC. In return, Richardson GMP has guaranteed RF Securities' obligations to clients, in the event of default, up to that percentage of Richardson GMP's risk-adjusted capital that corresponds to GMP's percentage ownership interest of Richardson GMP. The Company has not recorded an allowance for expected credit loss in connection with this arrangement.

In the normal course of business, the articles of incorporation provide for the indemnification of GMP's officers, former officers, directors and former directors against any and all costs, charges and expenses, including amounts paid to settle an action or satisfy a judgment, reasonably incurred in respect of any civil, criminal or administrative action or proceeding in which they are involved by reason of being or having been a director or officer of GMP or its subsidiaries.

Note 23. Other Income

Years ended December 31,	2019	2018
Brokerage services	8,879	10,684
Preferred dividend from associate	2,414	2,261
Foreign exchange and other	2,879	1,720
	14,172	14,665

Note 24. Net Income (Loss) Per Common Share

In the case of a net loss, the impact of shares pledged on share purchase loans and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share will be anti-dilutive; therefore, basic and diluted net loss per common share will be the same.

Net income (loss) per common share consists of the following:

Years ended December 31,	2019	2018
Net loss from continuing operations	(13,710)	(2,386)
Less: Dividends on Series B Preferred Shares	(3,219)	(3,219)
Less: Dividends on Series C Preferred Shares	(1,182)	(1,063)
Net income (loss) attributable to common shareholders from continuing operations	(18,111)	(6,668)
Net loss from discontinued operations	(39,448)	4,931
Net loss attributable to common shareholders	(57,559)	(1,737)
Weighted-average number of common shares outstanding:		
Basic		
Common shares	75,446	76,777
Common shares pledged on share purchase loans	(33)	(150)
Common shares held by the SIP Trust	(2,610)	(2,725)
Contingently returnable common shares awarded to employees	(2,517)	(6,192)
	70,286	67,710
Diluted		
Dilutive effect of shares pledged on share purchase loans	33	150
Dilutive effect of common shares held by the SIP Trust	2,610	2,725
Dilutive effect of contingently returnable common shares awarded to employees	2,517	6,192
	75,446	76,777
Net income (loss) per common share – Basic		
Continuing operations	($0.26)	($0.10)
Discontinued operations	($0.56)	$0.07
Total	($0.82)	($0.03)
Net income (loss) per common share – Diluted		
Continuing operations	($0.26)	($0.10)
Discontinued operations	($0.56)	$0.06
Total	($0.82)	($0.03)

Note 25. Financial Risk Management

a. Financial Instruments

IFRS 13, *Fair Value Measurement*, as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or a liability as of the measurement date.

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange.

Level 2. Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange.

Level 3. Inputs for the asset or liability that are not based on observable market data.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and, minimizes the use of unobservable inputs to the extent possible. Level 2 debt and money market securities are priced using securities industry market data providers based on aggregated trade data or reference prices based on yield, maturity and risk rating. Level 2 equities are valued using last trade price or based on recent offerings or financings. Level 3 equities are broker warrants that are valued using the intrinsic value method based on the observable data of the underlying security. Gains and losses recognized during the periods were recorded through FVPL in the principal transactions line of the consolidated statements of income (loss).

The following tables present the level within the fair value hierarchy of GMP's financial assets and liabilities carried at fair value:

As at December 31, 2019	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and US federal government debt	45,395	1,650	—	47,045
Provincial and municipal government debt	—	6,275	—	6,275
Corporate debt and other	—	11,514	—	11,514
Equity securities	518	44	—	562
Derivative financial assets	—	—	45	45
Financial assets at FVPL	45,913	19,483	45	65,441
Preferred share investments in associate				
Class B Preferred Shares	—	—	30,422	30,422
Special preference shares	—	—	673	673
Financial assets at FVOCI	—	—	31,095	31,095
Financial assets carried at fair value	45,913	19,483	31,140	96,536
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and US federal government debt	—	6,999	—	6,999
Provincial and municipal government debt	—	3,109	—	3,109
Corporate debt and other	—	1,291	—	1,291
Financial liabilities at FVPL	—	11,399	—	11,399
Financial liabilities carried at fair value	—	11,399	—	11,399

As at December 31, 2018	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trading assets				
Debt securities				
Canadian and US federal government debt	57,604	1,565	—	59,169
Provincial and municipal government debt	—	8,278	—	8,278
Corporate debt and other	1	10,574	—	10,575
Equity securities	24,629	2,122	—	26,751
Derivative financial assets	—	—	5,619	5,619
Trading assets	82,234	22,539	5,619	110,392
Available-for-sale investments				
Preferred share investments in associate				
Class B Preferred Shares	—	—	30,422	30,422
Special preference shares	—	—	683	683
Available-for-sale investments	—	—	31,105	31,105
Financial assets carried at fair value	82,234	22,539	36,724	141,497
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and US federal government debt	—	5,317	—	5,317
Provincial and municipal government debt	—	3,938	—	3,938
Corporate debt and other	—	1,876	—	1,876
Equity securities	—	—	—	—
Financial liabilities carried at fair value	—	11,131	—	11,131

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy:

Balance, December 31, 2018	36,724
Net unrealized loss before income taxes	(46)
Sales and redemptions	(5,538)
Balance, December 31, 2019	31,140

Fair Value Estimation

Preferred share investments in associate include GMP's investments in Richardson GMP preferred shares which have an estimated fair value of $30,422 as at December 31, 2019 (2018 – $30,422). The current fair value reflects an expected required market yield of 7.95%. An increase or decrease in this yield of 100 basis points would cause an increase or decrease in other comprehensive income of approximately $282.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, GMP segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

Fair Value Risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. GMP incurs fair value risk through its trading positions and portfolio of securities owned.

i. Fair Value Sensitivity Analysis

The following tables include GMP's significant financial instruments recorded on the consolidated balance sheets as at December 31, 2019, and 2018, at fair value and demonstrates the sensitivity of GMP's net income and OCI, to reasonable changes in fair value of those instruments.

As at December 31, 2019	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Securities owned, net of obligations related to securities sold short	54,042	3,972	(3,972)

As at December 31, 2018	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Securities owned, net of obligations related to securities sold short	99,261	7,283	(7,283)

Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. GMP incurs interest rate risk on its own cash and cash equivalent balances, on its client account cash balances, cash delivered or received in support of securities borrowing or lending activities, preferred dividends received on its preferred share investments in Richardson GMP, interest earned on loans provided to certain Richardson GMP employees and on subordinated loans when provided to Richardson GMP and interest paid on subordinated loan when drawn.

All cash and cash equivalent balances mature within three months. GMP's subordinated loan to Richardson GMP, when drawn, bears interest at the prime rate of interest plus 4%. Interest rates on client account cash balances are based on floating interest rates that vary depending on the amount of cash deposited or borrowed by GMP's clients. GMP's preferred share investments in Richardson GMP are currently entitled to receive cumulative cash dividends at the prime rate of interest plus 4% when declared. GMP's loans provided to certain Richardson GMP employees currently bear interest at the prime rate of interest plus 2.5%.

i. Interest Rate Sensitivity Analysis

The tables below provide the potential impact of an immediate and sustained 100 basis point (bp) increase or 100 bp decrease in interest rates on net income applied to the balances outstanding at December 31, 2019, and 2018. The analysis assumes that all other variables remain constant.

As at December 31, 2019	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 100bp decrease in market interest rates on net income
Cash and cash equivalents	516,601	3,796	(3,796)
Securities owned, net of securities sold short	54,042	397	(397)
Funds deposited in trust	348,553	2,562	(2,562)
Preferred share investments in associate	31,095	229	(229)
Employee and other loans receivable	1,903	14	(14)
Receivable from clients	256,075	1,882	(1,882)
Securities borrowing and lending, net	16,212	119	(119)
Payable to clients	(958,354)	(7,043)	7,043
Promissory note	(15,603)	(115)	115

As at December 31, 2018	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 100bp decrease in market interest rates on net income
Cash and cash equivalents	515,955	3,786	(3,786)
Securities owned, net of securities sold short	99,261	729	(729)
Funds deposited in trust	429,211	3,149	(3,149)
Preferred share investments in associate	31,105	228	(228)
Employee and other loans receivable	2,408	18	(18)
Receivable from clients	421,902	3,095	(3,095)
Payable to clients	(1,216,385)	(8,925)	8,925
Securities borrowed and lending, net	18,809	(138)	138
Promissory note	(28,699)	477	(477)

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. GMP incurs currency risk primarily on its net investments in foreign subsidiaries which conduct their activities primarily in their respective local currency. GMP does not undertake any hedging of its net investments in foreign subsidiaries. GMP also incurs currency risk on financial instruments held by the operating subsidiaries of GMP denominated in currencies other than their functional currency, which includes cash and cash equivalents, client account cash balances and broker receivables and payables.

i. Currency Risk Sensitivity Analysis

The tables below summarize the effects on net income and OCI as a result of a 10% change in the value of certain foreign currencies against the Canadian dollar as at December 31, 2019, and 2018. The analysis assumes that all other variables remain constant.

As at December 31, 2019	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income	Effect of a 10% increase in foreign exchange rates on OCI	Effect of a 10% decrease in foreign exchange rates on OCI
British pound sterling	3	(3)	—	—
United States dollar	423	(423)	—	—

As at December 31, 2018	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income	Effect of a 10% increase in foreign exchange rates on OCI	Effect of a 10% decrease in foreign exchange rates on OCI
British pound sterling	90	(90)	261	(261)
United States dollar	153	(153)	2,343	(2,343)

Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. GMP is exposed to the risk that third parties owing money, securities or other assets to it will not perform their obligations. These parties include trading counterparties, customers, clearing agents, stock exchanges, clearing houses and other financial intermediaries.

A primary source of credit risk to GMP arises when GMP extends credit to clients of its introducing brokers, Richardson GMP and Stifel, to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. GMP faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and GMP is unable to recover sufficient value from the collateral held. GMP also faces credit risk due to the default or deterioration in credit quality of a counterparty or an issuer of securities held in connection with the facilitation of client transactions relating to GMP's fixed income trading activities.

Credit risk is managed in a number of ways. For margin lending, management has established limits that are generally more restrictive than those required by applicable regulatory policies. Additionally, GMP manages its credit risk in certain types of trading activities through the establishment of aggregate limits by individual counterparty, reviewing security and loan concentrations and marking to market collateral provided on certain transactions. Policies authorized by GMP prescribe the level of approval and the amount of credit exposure GMP may assume to a counterparty taking into account collateral or other credit risk mitigants where applicable. GMP has not incurred any material loss arising from a counterparty default in 2019. As at December 31, 2019, GMP has an allowance for credit losses of nil (2018 – nil).

The maximum exposure to credit risk relating to client and broker receivables, accounts receivable balances, employee and other loans receivable and share purchase loans without consideration of collateral is represented by the carrying value on GMP's consolidated balance sheets as at December 31, 2019, and 2018.

Liquidity Risk

Liquidity risk is the risk that GMP cannot meet a demand for cash or fund its obligations as they come due. Management oversees GMP's liquidity to ensure access to enough readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations both under normal and stress conditions. The table below sets forth GMP's obligations and when they are expected to become due.

	Carrying value	Expected term to maturity
Payable to clients	958,354	Due on demand
Payable to brokers	124,308	Due within one month
Accounts payable and accrued liabilities	21,723	Due within three months
Leased liability	3,603	Due within two years
Promissory note	15,603	Due within two years
	1,123,591	

GMP holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are short-term in nature and are comprised of highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. GMP considers Canadian federal government debt (such as treasury bills) with original maturities from three to six months as highly liquid investments. Although these securities are not classified as cash equivalents on the consolidated balance sheets, they form an important part of GMP's overall cash management practices to address liquidity risk. There has been no change to GMP's cash management practices during fiscal 2019. GMP's inventory of trading securities, which results from its facilitation of trades for retail clients and its own proprietary holdings, is recorded at fair value. Payables and receivables to and from brokers and dealers represent open transactions that generally settle within the normal two-day settlement cycle and also include collateralized securities borrowed and/or loaned in transactions that can be closed on demand within a few days. Client receivables are secured by readily marketable securities and are reviewed on an ongoing basis for impairment in value and collectability.

b. Capital Management

GMP requires capital to fund existing and future operations, future dividends and regulatory capital requirements. The liquidity of GMP's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. GMP's policy is to maintain sufficient and appropriate levels of capital through a variety of sources including credit facilities as discussed in Note 15.

The following table sets forth GMP's capital resources at the dates indicated:

Sources and (Uses) of Capital

As at December 31,	2019	2018
Preferred shares	112,263	112,263
Common shares	325,810	322,848
Share purchase loans	—	(327)
Deferred share-based awards	(5,525)	(14,598)
Contributed surplus	45,273	48,818
Accumulated deficit	(283,248)	(197,369)
	194,573	271,635

Note 26. Segmented Information

Operations Clearing

The Operations Clearing segment includes enterprise-wide items and third-party revenue received in relation to carrying broker and other administrative support services provided by RF Securities to Richardson GMP and Stifel. Additionally, related employee compensation and benefits, clearing and execution costs and other expenses associated with providing such services to Richardson GMP and Stifel are included in this segment.

Wealth Management

The Wealth Management segment consists of GMP's non-controlling ownership interest in Richardson GMP. This segment also includes dividend revenue recognized by GMP on its investment in Richardson GMP Preference Shares following dividend declarations made by Richardson GMP from time to time.

Corporate

The Corporate segment includes head office expenses, other enterprise-wide items, and investment banking revenues in certain jurisdictions that were not acquired in connection with the Sale Transaction.

The following table presents selected financial results of continuing operations by segment for the years ended December 31, 2019, and 2018:

	Operations Clearing		Wealth Management		Corporate		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	30,660	24,449	2,384	2,345	3,796	4,438	36,840	31,231
Expenses								
Employee compensation and benefits	6,789	6,569	—	—	7,452	6,195	14,241	12,764
Selling, general and administrative	12,015	14,585	61	80	4,439	4,033	16,516	18,697
Interest expense	13,717	6,894	—	—	(11)	—	13,705	6,894
Depreciation and amortization	1,556	1,053	—	—	(5)	110	1,550	1,165
	34,077	29,101	61	80	11,875	10,338	46,012	39,520
Share of net income of associate	—	—	2,272	2,949	—	—	2,272	2,949
(Loss) income before income taxes	(3,417)	(4,652)	4,595	5,214	(8,079)	(5,900)	(6,900)	(5,340)

Note 27. Net Change in Non-Cash Operating Items

Year ended December 31,	2019	2018
Securities owned	44,951	(19,911)
Receivable from clients and brokers	168,445	130,677
Employee and other loans receivable	505	1,713
Other assets	78,693	18,788
Obligations related to securities sold short	268	(2,670)
Payable to clients, brokers and issuers	(255,024)	(237,389)
Accounts payable and accrued liabilities and other liabilities	4,547	872
	42,385	(107,920)

Note 28. Subsequent Event

On February 26, 2020, the Company announced that it has entered into a non-binding term sheet with RFGL in respect of a transaction (the RGMP Transaction) to consolidate the ownership of Richardson GMP. Pursuant to the terms of the RGMP Transaction, GMP will acquire all of the common shares of Richardson GMP that are not owned by the Company for a purchase price of two (2) common shares of GMP per common shares of RGMP. The RGMP Transaction will proceed pursuant to the terms of the Shareholders' Agreement governing Richardson GMP and in connection therewith, contemporaneously with the execution of the non-binding term sheet, all three of Richardson GMP's shareholder groups have jointly provided written notice to commence the liquidity mechanism process under the RGMP Shareholders Agreement.

Pursuant to the RGMP Transaction, it is expected that the Company will issue to shareholders of Richardson GMP an aggregate of approximately 110.994 million Common Shares (the Consideration Shares). Upon closing of the RGMP Transaction, 10% of the Consideration Shares will be paid to Richardson GMP's shareholders and the remaining 90% will be placed in escrow to be released in equal amounts on the first, second and third anniversaries of the closing subject to the satisfaction of certain conditions. The Consideration Shares will also be subject to downward adjustment if investor advisor departures over the first year following closing exceed a certain threshold, measured on the Assets Under Administration associated with those investments advisors as of the closing date.

After giving effect to the RGMP Transaction, if completed, the Company will have an estimated 186.428 million Common Shares issued and outstanding. RFGL, GMP's largest shareholder with an aggregate ownership stake of approximately 24.1% of Common Shares immediately prior to the RGMP Transaction, will have an estimated aggregate ownership position of approximately 39.7% following completion of the RGMP Transaction. Existing GMP shareholders (other than RFGL) and Richardson GMP investment advisors will hold 30.6% and 29.7%, respectively, following completion of the RGMP Transaction.

Pursuant to the RGMP Transaction, GMP will also purchase for cash all of the preferred shares in the capital of Richardson GMP held by RFGL in consideration for a payment equal to the redemption price of such preferred shares, together with all accrued but unpaid dividends, and will purchase for cash all of the outstanding indebtedness of current investment advisors and other employees of Richardson GMP and their affiliated entities and their related employees owing to RFGL and its affiliates for the aggregate principal amount thereof, together with all accrued but unpaid interest thereon.

Upon successful completion of the RGMP Transaction, RGMP intends to allocate $36 million toward a retention plan award program for existing investment advisors.

Officers and Directors

GMP Capital Inc.

BOARD OF DIRECTORS

Donald Wright
Chair

David Brown
Independent Board Member

David Ferguson
Independent Board Member

Kish Kapoor
Board Member

Julie Lassonde
Independent Board Member

MANAGEMENT COMMITTEE

Kish Kapoor
Interim, President and Chief Executive Officer

Benjamin Scholten
Interim, Chief Financial Officer

Krista Coburn
Managing Director, General Counsel and Corporate Secretary

Rocco Colella
Managing Director, Head of Investor and Media Relations

RF Securities Clearing LP

OFFICERS

Benjamin Scholten
Chief Executive Officer

Erick Yoon
Chief Financial Officer

Leo Ciccone
Chief Compliance Officer

DIRECTORS

Joey Mack
Darren Molloy
Kasia Pawlowski
Elizabeth Pires-Velez
Kris Rychlik

SENIOR VICE PRESIDENTS

Cynthia Bruce
Giuseppe Riga
Charlene Rzepiela

VICE PRESIDENTS

Nataly Alves
David Becker
Diane Gomes
David Mak
Marino Meggetto
Susan Pasternak
Paul Stephenson

Richardson GMP Limited[1]

BOARD OF DIRECTORS

H. Sanford Riley
Chair

Neil Bosch
Board Member

Marc Dalpé
Board Member

David Ferguson
Board Member

Kish Kapoor
Board Member

Andrew Marsh
Board Member and Chief Executive Officer and President

Donald Wright
Board Member

EXECUTIVE MANAGEMENT TEAM

Andrew Marsh
Mike Ankers
Lynne Brejak
Elliot Muchnik
Scott Stennett
Sarah Widmeyer
Michael Williams

INVESTMENT ADVISORS

Michael Andersen
Rick Arora
Inder Arya
Peter Bacsalmasi
Scott Baillie
Joseph Bakish
Fred Banwell
Marc Beauchamp
Brian Becker
Mark Begg
Keith Bekker
Bruce Bennett
Jody Bent
Randy Bergh
Greg Bieber
Hal Biren
Neil Bosch
Martin Boulianne
Leah Bourgeois
Michelle Bradet-Simpson
Stephen Brice
Michael Brook
Adam Brookes
Jeffrey Brumer
Robert Byler
Lou Caci
Justin Caldwell
Robert Caldwell
Matthew Campbell
Robert Campbell
Michael Cann
Dawn Carey
Cielo Carin
Frank Cestnik
Rahim Chatur
Serena Cheng
Nevin Chernick
Colin Chovin
Trevor Chow
Marcus Christensen
Brad Conacher
Ty Cooke
Chris Cottier
Kent Coulter
Thomas Courteau
Stephen Cudmore
Gregory Cunningham
Marc Dalpé
Blake Dalton
Steve Damberger
Charles de Kovachich
James Dennis
Annie Deveault
Garth Doiron
Diana Dowhaluk
Marshall Drozduk

1. GMP has a non-controlling ownership interest in Richardson GMP Limited.

Richardson GMP Limited (continued)

INVESTMENT ADVISORS (CONTINUED)

Lewis Dyck
Mounir El-Ayari
William Ellis
Mohamed El Tagi
Tim Engelbert
Fadi Ephtimios
Beverly Evans
Eric Falkenberg-Poetz
Garreth Fallis
Andrew Feindel
Allan Fenerdjian
Kelsey Filion Drozduk
Matt Finlay
George Fisher
James Fray
David Friesen
Matthew Froggatt
James Gellman
René Gendreau
Robert Goldberger
Douglas Goodman
Ian Gray
Randall Gray
Neil Gregory
Anna Greig
Peter Guidote
Brad Gustafson
George Halkidis
Elizabeth Harding
Darren Harrold
Wynn Harvey
Helen Hatzitzanakis
Richard Herman
Darren Heywood
Sean Hickey
Theodore Hochman
Darrin Hopkins
Alexandra Horwood
John Horwood
Rebecca Horwood
Rosemary Horwood
Chris Housepian
Mike Hryn
David Hunt
Brad Hunter
Ronald Hutner
Marc Istanboulie
Tessy Karolia
Lily Khosla
Robert Kruzel
Joel Kruzich
Neil Kumar
Matt Langsford
Wilma Larratt-Smith
Tricia Leadbeater
Joanne Lee
Marc Le Sieur
Raymond Li
Hilliard MacBeth
Jason MacDonald
Peter MacDougald
Grant MacEachern
Kenneth MacNeal
Craig Machel
Jamie Mackie
Jeffrey Mackie
Cathy Macleod
Jon MacLeod
Ken MacNeal
William Mactaggart
Douglas Mair
Chris Martin
Ken Martin
Kim McCartney
Walter McCormick
Garry McCulloch
Robert McDermott
Tracey McGrath
Maryanne McIntyre
Paul McKenna
Brian McKenzie
Sean McLean
Kathy McMillan
Don McPherson
Darren Midgley
Benji Miles
Jean-Marc Milette
Antonio Minicucci
Lane Mosby
Grant Mutch
Alan Nelson
John Nelson
Nancy Nicol
Antoine Niding
Ida Khajadourian Nowak
Paula O'Brien
Rory O'Connor
Anne O'Farrell
Yaron Orgil
Diana Orlic
Robert Panes
Simon Partington
Kurt Pedersen
Greg Phillips
Greg N. Phillips
Matthew Phillips
Michael Pickard
Michael Pidhirniak
Timothy Pinkoski
David Porter
Tim Pritchard
Blair Pytak
Guylaine Raby
Kent Racz
Andy Rafelman
Mark Ramage
Gary Rasiuk
John Reyes
Eric Richards
Kyle Richie
Philip Richmond
James Rogers
Jonathan Ross
Francis Sabourin
John Sanchez
Glenn Schaefer
Margaret Schvarcz
Lorne Searle
Sean Seidman
Alex Senkiw
Jack Shrieves
Robert Smith
Tyler Steele
Christian Strigl
Jari Stromberg
Barry Takemura
Todd Tanchak
Patrick Tenpenny
John Tierra
Jeffrey Torchia
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Kris Viel
Lou Voticky
Nick Waddell
Gareth Watson
Stanley Wei
Michael Will
Cally Wong
Richard Wong
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Kathleen Wronski
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Andy Zylstra

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Tel: (416) 941-0894

Regulatory Filings

Canadian Securities Administrators
www.sedar.com.

Independent Auditors

Ernst & Young LLP

Legal Counsel

Goodmans LLP

Fiscal Year-End

December 31

Website

www.gmpcapital.com

Annual and Special Meeting of Common Shareholders

October 6, 2020, 10 a.m. (EST)

Stock Exchange Listings

STOCK	LISTING	TICKER	CUSIP
Common Shares	Toronto Stock Exchange	GMP	380134106
Preferred Shares, Series B	Toronto Stock Exchange	GMP.PR.B	380134205
Preferred Shares, Series C	Toronto Stock Exchange	GMP.PR.C	380134304

Mission Statement:

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