

A New Name. A New Beginning.

RF Capital Group Inc.
Annual Report
2020

RICHARDSON
Wealth

Renaissance of a Bygone Era

Independent firms across Canada are enjoying a renaissance of a bygone era when the name on the door mattered, capturing the imagination of a growing number of advisors and high-net-worth families opting to leave bank owned firms for the personal, high touch experience of a boutique firm. We have taken bold strides in the last several years to position our firm to capitalize on this trend, including associating ourselves with the rich 90-year history of the powerful Richardson brand in financial services.



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*Imagine a brighter future.
Take necessary steps towards it.
Achieve ambitious growth.*

With clarity in ownership complete and considerable input from our exceptional advisory teams, our Company is now entering the exciting growth phase of a multi-year transformational reset. Our growth plans are bold. They are based on a comprehensive and actionable five-year plan built upon three key objectives to unlock the Company's full potential.

Organic Initiatives



Invest in our talented advisory teams

Provide support and tools to help advisors and their high net worth clients thrive here better than anywhere else.



Supercharge advisor recruitment

Strive to be the brand of choice for Canada's top advisors and their high net worth clients.

Inorganic Initiatives



Acquire and partner with like-minded firms

Continuously monitor market dynamics to watch for opportunities to rapidly build scale and/or enhance capabilities.

A New Name. A New Beginning.

Fellow shareholders,

We are now deep into a multi-year transformational reset. Our objective is to unlock the full potential and value of our wealth management business.

KISH KAPOOR
President and CEO



Along with our Board, and with considerable input from our exceptional investment advisory teams, we are progressing toward a bold future as we map out an ambitious new growth strategy together.

To further ensure our success, we hired a global consulting firm with deep expertise in wealth management and large-scale organizational transformation. We completed this engagement in mid-March 2021, and will be unveiling our comprehensive growth strategy at our upcoming annual meeting on May 26, 2021.

Get ready for exciting times ahead.

A retrospective

We embarked on this journey two years ago, with the decision to divest our capital markets business and focus on wealth management. The divestiture was challenging, but we did it, and we followed up by consolidating our ownership of Richardson Wealth. During this period, we returned \$79 million to shareholders.

As I write this letter, our 159 advisory teams manage a record \$33 billion for 31,000 clients across the country. That is \$4.6 billion higher than when we started the transformation at the beginning of 2019.

Looking at the asset growth attributable only to advisors who stayed with us or joined over the past two years, the growth we achieved is even more impressive — on that measure, assets were up by \$8 billion. As exciting, many advisors achieved personal bests month after month.

Nothing deterred us, not even the pandemic. We successfully transitioned the majority of our employees to work remotely within weeks of the outbreak, with minimal disruption to both advisors and clients. Our talented professionals continued to fully support and advise their clients during this trying period.

All these factors highlight why we believe, after a difficult multi-year journey to transform the business, we have positioned the company for long-term success in the dynamic, fast-expanding wealth management industry in Canada.



MIKE ANKERS
Advisor Growth and Experience



SARAH WIDMEYER
Wealth Strategies



JAMES PRICE
Investment Strategist



TIM WILSON
Finance and Treasury

GROWTH

CORPORATE

A new name on the door

Our new beginning was an ideal occasion to adopt the names RF Capital Group for our public company and Richardson Wealth for our wealth management business.

**RF CAPITAL
GROUP**

**RICHARDSON
Wealth**

These names reflect our new strategic focus in wealth management and our close association with the powerful Richardson brand and its 90-year legacy of success in financial services. This alignment is an unmatched calling card for our advisors and their high net worth clients.

Capitalizing on the renaissance of a bygone era

Richardson Wealth started nearly 20 years ago as an idea drawn up on the back of a napkin. Back then we had no advisors, no clients and no revenue. Our founders correctly anticipated that Canadians wanted a thriving ecosystem of independent wealth managers as an alternative to the banks, to meet the holistic needs of clients.

That idea inspired many of the country's top advisors to join our entrepreneurial firm, where their voices matter, where diverse perspectives are valued, where the culture and open architecture is geared toward their success, and where the name on the door is synonymous with integrity and excellence.

Not a bad outcome from an idea on a napkin.

Imagining a brighter future

Bolstered by the full support and oversight of our strong and independent Board, we have developed a comprehensive and actionable five-year plan with three key objectives:

- Double-down on our investment in all our exceptional advisory teams to drive organic growth;
- Supercharge our recruiting; and
- Opportunistically build upon these organic initiatives with partnerships and tuck-in acquisitions of like-minded firms with complementary capabilities.

Select Richardson Wealth Performance Highlights in 2020:

\$268M

(Total 2020 Revenue)

\$208M

(Record Fee Income in 2020)

\$43.5M

(2020 Adjusted EBITDA)

Taking steps towards our ambitious goals

To achieve our ambitious goals, we have reorganized our leadership team into one governance/operating structure for all our lines of business. This structure eliminates redundancies and allows for a clear roadmap for setting of priorities and firm-wide measurement of operating performance.

Our new, "one-company", leadership team is comprised of three distinct groups: Growth Team; Corporate Team and our Enablement Team. Each of these groups have specific mission statements to enhance our high-performing, advisor-centric, entrepreneurial culture. This includes the establishment of an "advisor concierge" and "action desk" as well as a "centre of excellence". With this clarity of purpose and a boutique private client mindset, and with the help of a growth and enablement office and a highly engaged Board of Directors, I am confident we are taking the right steps toward our future.

A few weeks ago, we introduced our new leaders, organization structure and strategic plan across our company through 12 virtual town hall meetings and have received enthusiastic feedback and support for our bold and audacious plans.

We are delighted by this response and will share more of the excitement at our upcoming shareholders meeting.



KRISTA COBURN
General Counsel



SCOTT STENNETT
Technology and Operations



LYNNE BREJAK
Human Resources



MICHAEL WILLIAMS
Enterprise Risk Management

ENABLEMENT

Vision statement: To be the brand of choice for Canada's top advisors and their high net worth clients

Attracting leadership and executive talent

Early this year we significantly increased our executive capabilities by hiring Tim Wilson as RF Capital's Chief Financial Officer, and Julie Burnham as Richardson Wealth's Vice President, Strategic Communications.



TIM WILSON
Chief Financial
Officer

Tim joined us from Equitable Bank, where he was CFO for nine years. Prior to that he was President of Visa Canada, leading the transformation and streamlining of their

Canadian operations. His proven track record of delivering profitable growth and improving operational performance is especially relevant as we chart the path to future success.



JULIE BURNHAM
Vice President
of Strategic
Communications

Julie joined us from BMO Private Wealth (formerly BMO Nesbitt Burns), where she was Senior Advisor, Communications and Investment Advisor Experience. Julie will help us create

brand-heightening opportunities and express our culture and value proposition, internally and externally.



DEAN MANJURIS
Vice-Chair,
Richardson
Wealth Board
of Directors

More recently, we welcomed industry veteran Dean Manjuris as Vice-Chair of Richardson Wealth's Board of Directors. Dean has almost three decades of senior leadership experience

in financial services, including serving as Global Head, Full Service Investing BMO, then Vice-Chairman, BMO Nesbitt Burns for over a decade. During that time, Dean was responsible for setting and executing the strategic direction of a company of 3,000 people. Under his leadership, the business grew by \$90 billion.

Leveraging partnerships to accelerate growth

Last June we strategically partnered with Cormark Securities, one of Canada's leading investment banks, after our advisors asked us for greater access to outstanding research, investment ideas, new securities issues, investment funds and other investment products.

This relationship has already resulted in:

- A six-fold increase in our participation in Cormark-led deals;
- A substantial increase in the number of transactions Cormark introduced to our firm;
- Increased access to Cormark research covering more than 280 companies; and
- Cormark's recent addition of real estate capabilities in response to demand from our advisors.

In early 2021, we signed a similar strategic partnership agreement with healthcare specialists Bloom Burton & Co. We expect it will deliver additional value.

Delivering an exceptional advisor experience

As you can see a great deal has changed – and changed for the better – but one thing that will always remain is our focus on our high-performing, advisor-centric entrepreneurial culture.

By making it simple, making it personal and making it fun to work here, we are confident our advisors will do better here than anywhere else. This will also help us attract more of Canada's top advisors and their high net worth clients. Our pipeline of recruits has never been stronger, clear evidence that Canada's top advisors see our potential.

To make all this possible, we are investing even more in the right infrastructure, the best technology, and the most leading-edge products. You can read about these investments later in this report.

The bottom line: Delivering an exceptional advisor experience is what sets us apart.

AUA GROWTH AMBITION

From
~\$33B ➤ To
\$100B

Our brand promise



Proud to be a great place to work

We are proud to be celebrated as a Best Workplace in Canada, a Best Workplace for Financial Services in Canada, and a Best Workplace for Women.

These awards are a powerful endorsement of our diverse culture, our company and indeed, our people. They reflect the values that inspire our people to support initiatives such as the Black Opportunity Fund, the Richardson Wealth Partners in Community Gifting Program, and many women's financial empowerment initiatives.

We are committed to supporting diversity and inclusion, not only in the workplace, but in our communities.

95%

of our advisors acknowledged in the Great Place to Work Survey that Richardson Wealth is a diverse and inclusive workplace.

Pivot to create shareholder value

Our Board and I recognize that the company's total shareholder return has lagged the market over a period of many years. It is this fact that prompted the Board to conduct a strategic review in 2018. The result of that process was a decision to transform our company from one focused on the volatile capital markets business to one founded on a more stable wealth management platform. This decision was bold, since it involved a very significant pivot and considerable disruption to our operations.

We thank our shareholders for their patience during our journey to fully unlock the potential of the business. The good news: we are now well positioned to realize an ambitious growth agenda. The better news: we are already seeing signs of success, with record fee-based revenues, record assets under administration, and the strongest recruiting pipeline in our history.

I believe that as we implement the growth strategy formed with the help of our Board, advisors and management – and pressure tested by an international consulting firm – we will create significant long-term value for our shareholders, and begin to attract new investors to our story.

We couldn't have got here without them

Andrew Marsh and Elliot Muchnik both made the personal decision to leave at the end of March 2021.

Andrew was with us for 17 years, including 11 as CEO of Richardson Wealth. He will continue to serve as an ambassador for Richardson Wealth as a significant and supportive shareholder. Elliot was Richardson Wealth's CFO for 14 years. He built a strong finance organization and guided the firm through multiple transactions.

I thank Andrew and Elliot for their significant contributions to making Richardson Wealth the leader it is today.

I would also like to thank Ben Scholten for his outstanding service as Head of Human Resources, Interim CFO, and Head of Clearing Operations as he steps into a consulting role in our newly created Growth and Enablement Office.

Looking ahead

Our ambition is bold, but realistic and achievable. We are starting from a position of strength. The market for retail financial wealth in Canada is expected to grow from \$4.4 trillion to \$7.7 trillion by 2028. Capturing 2% of this expected market growth would allow us to triple our assets under administration.

This is our seminal moment to gain a significant share of the wealth management market. We are moving with urgency and conviction to capture it.

Thank you to our shareholders, clients, and advisory teams for your continued trust and confidence as we turn the page on a new chapter of growth.

Kish Kapoor

President and Chief Executive Officer

The Power of Teamwork

Our clients would be pleased to know that our client-focus permeates all levels of the organization.

McMillan Wealth Solutions

Calgary, Alberta

McMillan Wealth Solutions is a truly intergenerational and collaborative team that is focused on nurturing their clients' wealth and growing their legacy. The team liaises with outside counsel while leveraging the support of Richardson Wealth's team of in-house tax and estate planning professionals. Simply put, McMillan Wealth Solutions are strong advocates for the clients' future. And they do so with a combination of investments, insurance, estate planning, tax planning, philanthropy, retirement, and cash management strategies unique to client needs. The McMillan team helps clients think long term as they work through the complexities of all of life's transitions.

FROM LEFT: **Bill Green**, Associate, Wealth Planning, **Summer Driscoll**, Associate, **Mona Schoenfeld**, Associate Investment Advisor, **Keith Button**, Associate Investment Advisor, **Kathy McMillan**, Director, Wealth Management, Portfolio Manager, Investment Advisor, **Heather McDiarmid**, Assistant, **Karla Sampson**, Associate, **Debra Husband**, Associate, **Jesse Leonard**, Associate

NO PHOTO AVAILABLE: **Zak Smith**, Associate, Wealth Planning



Great people at all levels who are genuinely interested in moving the organization forward.



Valerie Wowryk Team

Winnipeg, Manitoba

For the past 25 years, Valerie Wowryk has been providing highly personalized service to a select number of clients in order to build genuine, lasting relationships and to ensure investment decisions are well thought out and thoroughly researched. Her extensive experience includes working with management boards, executives, entrepreneurs and prominent families. The Wowryk team works with its clients to understand their goals and priorities. They customize investment strategies and implement solutions designed to maximize returns while minimizing tax and risk. As part of their clients' Advisory team, the Wowryk team engages Richardson Wealth's in-house Tax & Estate Planning professionals who will develop a holistic Wealth Plan for clients to address any estate, tax, philanthropy, insurance and business and farm succession needs.

FROM LEFT: Jaimie Kehler, Associate, Valerie Wowryk, CFA® Director, Wealth Management, Portfolio Manager, Investment Advisor

Entering an Exciting New Phase of Growth

Fellow shareholders,

2020 was a year of significant change for RF Capital Group.

DONALD A. WRIGHT
Chair of the Board of Directors



Your Board delivered on several key priorities:

- Concluded the transformational acquisition of Richardson Wealth;
- Engaged in ongoing dialogue with advisors to inform the future strategic direction of our Company; and
- Strengthened the Board's skillsets and diversity.

We also reinforced our leadership team by appointing Kishore Kapoor as President and Chief Executive Officer, removing his *interim* title.

Kish has successfully led the transformation of our business and has assembled a very capable leadership team of seasoned executives to execute on our ambitious growth strategy.

Richardson Wealth transaction

The centrepiece of our transformation is the Richardson Wealth transaction, which was completed with a share exchange on October 20, 2020. We acquired all the common shares of Richardson Wealth (formerly known as Richardson GMP) that we did not already own.

As a result of the transaction and our related share buyback, approximately 31% of RF Capital's shares are now owned by Richardson Wealth investment advisors. Richardson Financial Group Ltd. now owns approximately 44% of RF Capital's shares, up from 24% previously.

Of the roughly 100 million common shares we issued as part of the transaction at \$2.42 per share, 10% became freely tradeable last November. The remaining 90% are held in escrow and will be released in equal amounts on the three October 20 anniversaries following the closing. The escrowed shares issued to Richardson Wealth investment advisors are subject to full forfeiture if an advisor leaves to compete at any time during the first three years following the transaction.

Dialogue with advisors

One of the Board's vital strategic priorities is to provide advisors with a strong voice in the decision-making process and the charting of the Company's path forward. Our people are our greatest assets and they are at the heart of our high-performing, advisor-centric entrepreneurial culture. To that end, each Board member engaged in numerous one-on-one conversations with advisors and Kish himself engaged in townhalls, surveys and one-on-one conversations across the country. That dialogue has informed us and strengthened our view that our new growth strategy that incorporates our advisors' perspectives is the best path forward to create shareholder value.

New independent directors

Following the closing of the Richardson Wealth transaction, two new independent directors, David Leith and Nathalie Bernier, joined the Board. This broadened our capabilities while ensuring the Board continued to meet diversity objectives. The appointments also reinforced our commitment to a majority of independent directors.

David brings over 25 years of investment banking experience, including significant mergers and acquisition expertise, most recently as Head of CIBC World Markets' Investment, Corporate and Merchant Banking activities. He is also a highly sought-after and seasoned corporate director.

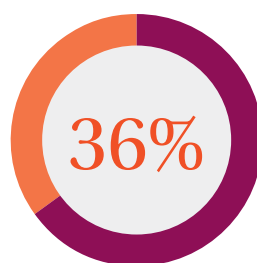
Nathalie, a former Managing Partner at KPMG (Quebec Region), has extensive experience in implementing innovative growth strategies. She is also a former CFO of The Public Sector Pension Investment Board, where she led a transformative five-year strategy resulting in a 50% increase in net assets under management to \$168 billion in 2019 from \$112 billion in 2015.

We are already benefiting from their perspectives, judgment and broad-based business expertise.

Board Independence



Board Diversity



Board majority independence

Looking ahead, at our upcoming annual and special meeting of shareholders on May 26, 2021, the Board intends to nominate three additional director candidates, two of whom are independent. They are Sandy Riley, Jane Mowat, and Vincent Duhamel.

Sandy is one of the founders of our firm, CEO of Richardson Financial Group, and past CEO of Investors Group. Sandy knows our advisors exceptionally well, and brings significant wealth management expertise to the Company.

Jane was the former lead director of Via Rail Canada Inc. and General Manager IBM Americas, IBM Global Financing, and IBM Canada. Jane is a seasoned Corporate Director who brings extensive corporate finance and acquisitions expertise.

Vincent is a highly accomplished executive with international asset management expertise, including serving as the former Global President and Vice Chairman at Fiera Capital.

Following these additions, which remain subject to your vote as shareholders, the Board will be comprised of eleven directors, the majority independent of both management and Richardson Financial Group.

Unwavering dedication and commitment

The numerous accomplishments outlined in this annual report were only made possible by the unwavering dedication and commitment of each of our 800 talented advisors and employees during our transformational reset. I am proud of how they each rallied in the midst of a global pandemic, and how they helped prepare for our exciting new growth phase.

I thank our people for continuing to meet the needs of clients amid the global pandemic, and I thank Kish for his leadership and vision on how to best unlock significant long-term value for all stakeholders.

To my fellow Board members, thank you for your insight, sound judgment and courage to embark on this transformational journey. Finally, on behalf of the Board, I thank you, our loyal shareholders, for your ongoing support.

Your Board remains committed to providing strategic counsel and oversight to management as it now pivots to execute against an ambitious growth agenda.

Donald A. Wright
Independent Chair

Strengthened Board by adding high-calibre leaders with considerable financial and strategic acumen, and organizational transformation expertise.

BOARD MEMBERS



Donald Wright
Independent Chair



Nathalie Bernier
Independent
Board Member



David Brown
Independent
Board Member



Marc Dalpé
Board Member



David Ferguson
Independent
Board Member



Julie Lassonde
Independent
Board Member



David Leith
Independent
Board Member



Kish Kapoor
Board Member



Vincent Duhamel
Director Nominee



Jane Mowat
Director Nominee



H. Sanford Riley
Director Nominee

This is an Inspiring Time to Join Richardson Wealth



Making it Easier for Advisors to Succeed and Grow their High-Net-Worth Practices



Advisor is our client mindset

We put your interests and those of your clients first in all that we do



Recruitment

- Partnership culture
- Strong transition team
- Competitive financial package
- Digital client onboarding



Exceptional experience

- Best practices leadership and sharing
- High touch/white glove service
- Advisor concierge desk
- Seat at the decision-making table



Advisor support

- Access to in-house Tax, Lawyers and Estate Planning experts
- Highly effective marketing strategies
- Comprehensive financial planning
- Client prospecting programs, presentations and client events



Technology platform

- Seamless remote access and tools
- Considerable investment in technology:
 - Building state-of-the-art UMA platform
 - MyNextGen Plan proprietary financial planning tool
 - Enhanced client portal “MyRichardson Wealth”
 - E-signature
 - CRM software
 - New client statements
- Advisor sub-committees ensure informed technology investments



Strategic partnerships

- Cormark Securities
- Bloom Burton & Co.
- Others – digital lead generation, insurance, banking, technology and capital markets



Solid foundation

- Highly profitable
- Record fee-based revenue
- Record AUA
- Growth momentum – added \$4.8 billion in AUA since October 2020
- National platform
- Holistic wealth solution-focused



Alignment with highly respected name

- 90-year history of Richardson name in financial services
- Long-term partners
- Richardson Financial owns 44% of public company
- Advisor names are displayed alongside ours

This is Our Moment. Let's Play to Win!

The bigger the goals, the greater the opportunity.

It is based on a comprehensive and actionable five-year plan built upon the following key objectives.



Doubling-down on advisor-facing support and tools to help them grow their practices more quickly by treating them as our most valuable asset.



Making it easier for advisors to be more successful at Richardson Wealth than anywhere else.



Supercharge recruitment by rapidly deploying capital to attract more advisors who see the benefits of what we are doing for our existing advisors and their clients.



Follow organic growth with strategic acquisition of like-minded wealth and asset management firms and those with complementary capabilities.

To be the brand of choice for Canada's top advisors & their high-net-worth clients

AUA GROWTH AMBITION

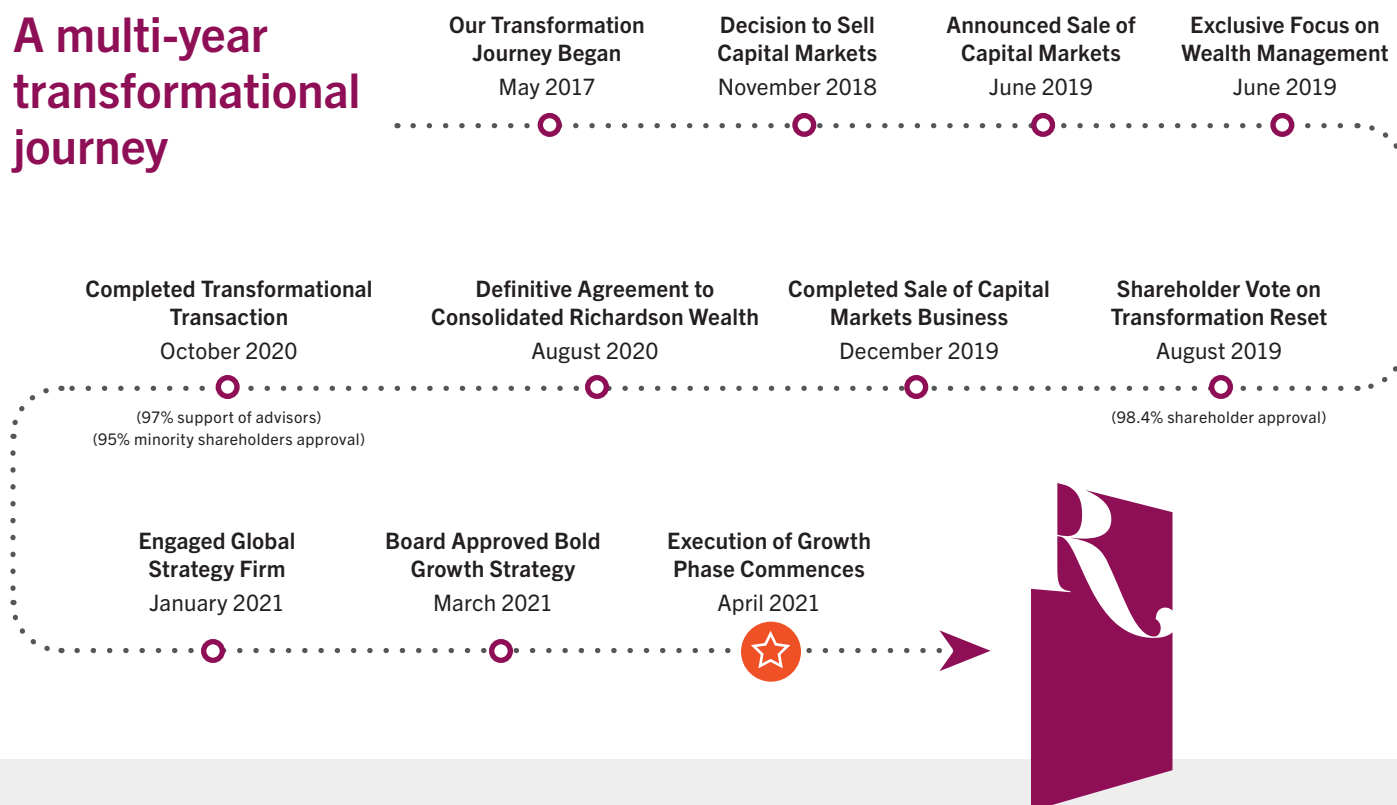
From
~\$33B



To
\$100B

Make no mistake, our growth objectives are bold and audacious.

A multi-year transformational journey



With each step, inspiring confidence



Independent thinking. High-quality people.



O'Connor Engelbert Investment Group

Vancouver, British Columbia

The O'Connor Engelbert Investment Group understands that affluent people lead busy and complex lives. The team is focused on taking care of all aspects of their clients' corporate and personal wealth and, like a personal CFO, coordinate with other professional advisors to develop personalized strategies for preserving capital, managing risk, achieving returns in all market conditions, minimizing taxes on invested capital and providing access to innovative and exclusive investment opportunities. The O'Connor and Engelbert team counsel some of Canada's wealthiest individuals, families, business owners, entrepreneurs, foundations, and charities.

FROM LEFT: Jennic Vegelahn, Associate, Ryan Ha, Portfolio Analytics Associate, Danielle O'Neill, Associate Investment Advisor, Tim Englebert, Senior Vice President & Portfolio Manager, Investment Advisor, Rory O'Connor, Senior Vice President & Portfolio Manager, Investment Advisor,

The most creative business model,
and freedom to be your best.



Rosemary Horwood Wealth

Toronto, Ontario

Like a good healthcare professional would do, the team gathers a complete history to diagnose a client's financial health before beginning any financial planning or investing. Working with the team, clients will always understand the financial options available and will be well-informed when choosing the ones that best suit their clients' life and practice or business. After gathering all their clients' personal information and learning what they want their wealth to accomplish, the team creates a personalized vision document to guide all its actions. A customized portfolio is built from the ground up according to those goals. At Richardson Wealth, the team is free to choose from a wide universe of investments without bias to any product or platform.

FROM LEFT: Sharbari Chakraborty, Assistant, Andrea Ivasecko, Associate,
Rosemary Horwood, Director, Wealth Management, Portfolio Manager, Investment Advisor

Business at a Glance

RF Capital Group Inc., formerly GMP Capital Inc., is a public company listed on the Toronto Stock Exchange (TSX) focused exclusively on growing its wealth management business (Richardson Wealth). The Company's common and preferred shares trade on the TSX under the ticker symbols (TSX: RCG, RCG.PR.B). Richardson Wealth is one of Canada's leading independent wealth management firms focused exclusively on providing strategic wealth advice and innovative holistic investment solutions customized for high-net-worth families or entrepreneurs.

National Platform. Scalable. Award Winning.



Recognized for Fiduciary Excellence



Our story in numbers

As of December 31, 2020 unless otherwise indicated

+\$33B

Assets under Administration
(March 2021)

\$208.5M

Record fee revenue in 2020

\$4.8B

Growth in AUA from current
advisor teams in last 6 months

19

Offices across Canada

\$285M

Annual consolidated
pro-forma revenues

\$79M

Capital returned to shareholders
since beginning of 2019

97%

Advisor support for
RGMP transaction

159

Advisory teams

\$208M

Average AUA per advisory team
(March 2021)

31,000

Household relationships

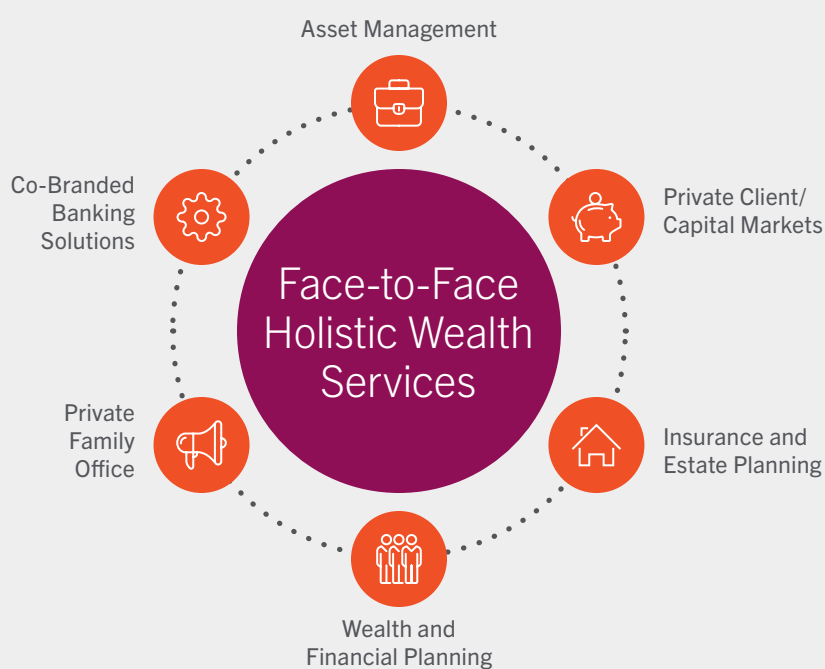
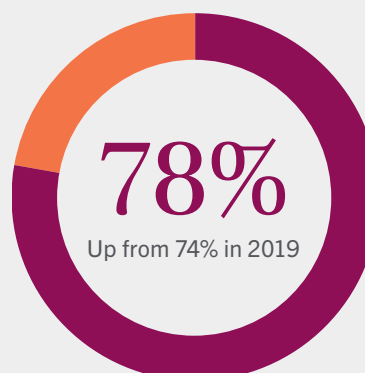
90 years

Association with the Richardson
brand and its 90-year legacy in
financial services

Three pillars of success

**Best Advisors.
Strong Balance Sheet.
Powerful Brand.**

**Recurring fee-based revenue
as a % of total revenue**



A critical element of our unique culture is recognizing and celebrating success.



The Bakish Team

Pointe Claire, Quebec

Richardson Wealth is home to many of the country's top advisors, including emerging professionals whose drive, dedication, personal and professional qualities and accomplishments have brought distinction to the investment industry. This year, Joseph Bakish won the prestigious IIAC Top Under 40 Award.



FROM LEFT: Siwei Liu , Associate, Chris Stamatakos, Assistant, Gord Kennedy, Associate Investment Advisor, **Joseph Bakish**, Director, Wealth Management, Portfolio Manager, Investment Advisor, Max Nykanorov, Portfolio Manager, Associate Investment Advisor, Connie Gallant, Business Development

It feels like one big family working together.

The growing complexity and sophistication of wealth supports long-term value proposition for face-to-face advice. Richardson Wealth's advisors provide broad strategic wealth advice across a wide range of traditional and innovative and exclusive non-traditional wealth management solutions. Meet some of the exceptional advisor teams that are proud to call Richardson Wealth home.



The Wronski Cann Group

Toronto, Ontario

Focused Portfolio Managers and holistic wealth solution providers assisting clients and their families to make prudent decisions in building their investments and protecting their assets. The team does this by implementing a set of proven processes and techniques acquired through a combined 60 plus years of experience.

FROM LEFT: **Corey Eccles**, Associate, **Jorge Saban Jr.**, Associate Investment Advisor, **Michael Cann**, Director, Wealth Management & Portfolio Manager, Investment Advisor, **Kathleen Wronski**, Director, Wealth Management & Portfolio Manager, Investment Advisor

Our Community Commitment

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 across Canada, 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 Richardson Wealth's *Partners in Community Gifting Program*. This initiative was created to help support our charities and foundations amid the COVID-19 pandemic by matching every donation made by an employee at 50%. Even as we remain physically apart during this lockdown period, giving together will have a far greater impact than charitable giving alone.

We have always prioritized the development of a workplace culture that allows each employee to thrive and feel fully engaged in their community where they live and work. Our culture reflects the core values and beliefs of all our employees and boldly embraces the power of diversity, equity, and inclusion. We value every voice and actively seek and welcome diverse perspectives.

Proud strategic diversity initiatives

In 2020, we proudly renewed our support and sponsorship of many different diversity initiatives that are important to our people and our clients to strengthen our communities.

We would like to take the opportunity to highlight two of our senior leaders that are champions of diversity and inclusion at Richardson Wealth.

Black Opportunity Fund

Michael is one of the founders of the **Black Opportunity Fund (BOF)**. He has been instrumental in leading the conversation at our firm on issues related to systemic racism and how we can specifically support the Black community holistically build generational wealth that is substantial and sustainable.

Richardson Wealth proudly supports the BOF and other organizations in their efforts to develop a sustainable national, long-term economic growth strategy for the Black community, among other critical and related BOF initiatives. The BOF broadly prioritizes initiatives around education, healthcare, youth, women, social justice, immigration, technology, entrepreneurship, and politics that impact the quality of life in the Black community.



Michael Williams
Enterprise Risk Management

Renewed Support for Women in the Workforce

Sarah led the Company's support of initiatives aimed at women's financial empowerment and women's health and wellness. In honour of **International Women's Day**, we have proudly supported *Plan International Canada's Youth Advisory Council* in each of the past two years. This partnership represents a clear choice to challenge gender bias and inequality. It also reflects our commitment to helping the next generation of young women rise to become leaders.

We were pleased to renew our support for the second annual **Women's Brain Health Day** on December 2, 2020, organized by the *Women's Brain Health Initiative*. This initiative focuses resources on research to combat brain-aging disorders that disproportionately affect women.



Sarah Widmeyer
Wealth Strategies

Partnering with Pride at Work Canada

We live by a fundamental notion: zero tolerance against discrimination of any form – gender, racial or in terms of sexual orientation. It's on this basis that we decided to formalize our commitment to diversity and inclusion by partnering with **Pride at Work Canada**. This organization hosts events across Canada, advising, celebrating and connecting the most inclusive Canadian employers, which now includes Richardson Wealth!

As an employer, our goal is to create a safer, more inclusive workplace that recognizes the skills of all our employees. We want every individual to achieve their full potential at work, regardless of gender expression, gender identity, and sexual orientation. We remain committed to developing focused internal strategies to improve policies and practices that support LGBTQ2+ employees.



Richardson Wealth – A great place to work

Richardson Wealth was certified in Canada as a Great Place to Work™ for the third consecutive year. There is truly no better or more powerful endorsement than that of our employees and advisors at Richardson Wealth.

Here's what our employees have to say:

We have an organization that focuses on growing, progression, and learning from our mistakes. It's a culture that's exciting to be a part of and makes every day a pleasure to come to work.

We are an independent firm and we are proud of this. Firm has flexibility and can operate freely to do its best for our clients.

What is unique is that the leadership truly exemplified the real meaning of family, teamwork and its virtues unlike other organizations.

Great people at all levels who are genuinely interested in moving the organization forward in a positive manner. Company has a great image in the marketplace.

Our clients would be pleased to know that our client focus permeates all levels of the organization. This is a foundational part of our culture which separates us from our competitors and allows us to succeed.

People care about the success of others. People want to help. In many ways, it is different here.

Great two-way and honest communications.

Select comments from employees on COVID-19 pandemic response:

During the pandemic, our firm was resilient in making that transition over from office to home. It was incredible and I was in awe to see just how ready everyone was to work Monday morning despite the incredibly challenging circumstances facing everyone at that time. Just shows how adaptable the firm is and just how willing the employees are to rise to the occasion of any challenge, large or small.

COVID-19 work-from-home order was quickly put into effect, and the disruption of workflow was minimal, if any. This allowed me to be effectively working from home while also caring for my young children.

Management has been especially great at communication and leadership during the pandemic.

The support during the pandemic was amazing and everyone stepped up to the plate to do a great job for our clients.

The ability to adapt quickly when needed. When the offices had to close due to COVID-19, the executive team was quick to take action. Employees were kept up to date and encouraged to reach out for guidance, support, to share ideas.

Our high-performing, advisor-centric entrepreneurial culture is exciting.



Richie/Feindel Team

Toronto, Ontario

Kyle Richie's knowledge, passion, and ability to communicate everything from complex strategies to advanced planning with clarity make him one of the most sought-after professionals in the industry. Prior to joining Richardson Wealth, Kyle was ranked the number one advisor at a leading Canadian financial services firm for ten years in a row.

Over the past 20 years, Kyle has cultivated an in-depth understanding of the unique financial complexities facing physicians and dentists.

Andrew Feindel built his career around understanding both the nuances of wealth and, perhaps more importantly in his chosen profession, the nuances of people when it comes to wealth.

The Team joined Richardson Wealth in 2019, drawn to the entrepreneurial nature of the firm and the access to a broad scope of advice, services and products it would afford clients.

FROM LEFT: Jennifer Olvet, Assistant, Yola Guo, Associate, Kyle Richie, Senior Vice President, Investment Advisor, Andrew Feindel, Senior Vice President, Investment Advisor, Lisa Johnson, Assistant, Alex Loh, Assistant

The ability to grow your practice and personal lifestyle, without being shoehorned into a mould.

Francis Sabourin Wealth Management

Montreal, Quebec

The Francis Sabourin Wealth Management Team is exclusively focused on serving and working with families and entrepreneurs who have accumulated great wealth and seek a high level of personalized service. Simplifying the lives of its clients is at the core of its client centric culture. The team embraces a unique approach to wealth management based on three pillars: Vision, Planning and Guidance. This approach allows it to deepen and reinforce its relationships as well as anticipate the needs of its clients in order to be able to respond with flexibility and creativity. The team's philosophy is simple – make life easier for its clients.



FROM LEFT: Francis Sabourin, Director, Wealth Management and Portfolio Manager, Investment Advisor, Hossein Ghaffari Aram, Portfolio Analytics Assistant, Kristopher Quesnel-Bedard, Associate, Michael Khoury, Associate

Our Commitment to Culture



In 2020, as everyone seamlessly transitioned to work from home, we asked our employees to show us photos of their fun, ingenious, or makeshift home offices.

We received so many amazing entries that offered some much need humorous relief during an otherwise challenging and serious situation.

The winners!!!



*“I love working from home! I get along with everyone in the office, I can show up in my pajamas and **I’m always employee of the month**”*

Honourable mentions!!!



Management's Discussion & Analysis

For the three and twelve months ended December 31, 2020

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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 RF Capital Group Inc. (RF Capital or the Company) as at and for the year ended December 31, 2020.

This MD&A has been prepared with an effective date of March 4, 2021, and should be read in conjunction with the audited consolidated financial statements and related notes as at and for the year ended December 31, 2020 (2020 Annual Financial Statements). These documents as well as additional information relating to the Company can be accessed at www.rfcapgroup.com and at www.sedar.com. Certain comparative amounts have been reclassified to conform to the current year's presentation.

All references to RF Capital refer to the Company together with the consolidated operations controlled by it. All references to shareholders refer collectively to holders of common shares (Common Shares), holders of Cumulative 5-Year Rate Reset Preferred Shares, Series B of the Company (Series B Preferred Shares), and Cumulative Floating Rate Preferred Shares, Series C of the Company (Series C Preferred Shares). References to Preferred Shares refer to the Series B Preferred Shares and Series C Preferred Shares, collectively.

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

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

Impact and Response to COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, which resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures caused material disruption to businesses globally and led to considerable stress in global equity markets in the early days of the pandemic. Equity markets recovered quickly and significantly from their initial lows in March and ended the year in positive territory. The duration and impact of the COVID-19 outbreak is currently unknown, and the strength of the ultimate economic recovery will depend on the speed at which a vaccine can be administered on a mass scale. It is not possible to reliably estimate the trajectory of the recovery or the impact on the financial results and condition of the Company in future periods.

The Company's response was to move quickly to protect the health and safety of its people and the well-being of the business by enabling everyone, except a handful of essential personnel, to work seamlessly from home. Powered by digital technology, and with minimal disruption, the Company's professionals continued to support fully and offer personal advice to their respective clients during this particularly trying period. As the country begins to reopen cautiously, the Company 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.

For a further description of risk factors associated with the Company, including COVID-19, refer to the "Risk Factors" section of the Company's AIF dated March 4, 2021 and the Information Circular, which are both available under the Company's profile on SEDAR at [sedar.com](https://www.sedar.com).

Presentation of Financial Information and Non-GAAP Measures

Unless otherwise specified herein, financial results, including related historical comparatives, contained in this MD&A, are based on the Company's Annual 2020 Financial Statements, which have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The Canadian dollar is the Company's functional and reporting currency for purposes of preparing its consolidated financial statements and accordingly, all dollar references in this MD&A are in Canadian dollars, unless otherwise specified herein.

IFRS 5 – Discontinued Operations

In accordance with IFRS 5, the operating results of the Company's disposed capital markets businesses are accounted for as discontinued operation throughout this MD&A. Accordingly, certain previously reported figures have been retroactively restated to show discontinued operation separately from continuing operations.

For further information relating to Discontinued Operation, please refer to Note 9 to the 2020 Annual Financial Statements.

Non-GAAP Measures

The Company uses certain measures to assess its 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. The Company 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 its core performance. The Company also believes that securities analysts, investors, and other interested parties, frequently use these non-GAAP measures in the evaluation of companies, many of which present similar metrics when reporting their results. Non-GAAP measures are reported in addition to and should not be considered as alternatives or a substitute to net income or comparable metrics determined in accordance with IFRS as indicators of the Company's performance, liquidity, cash flows and profitability.

These non-GAAP financial measures include the following:

Assets Under Administration

Assets under administration (AUA) is a non-GAAP financial measure of client assets that is common to the wealth management business. AUA represents the market value of client assets managed and administered by Richardson Wealth 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 Wealth'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 Wealth's operational performance.

EBITDA and Adjusted EBITDA

EBITDA is the Company's primary non-GAAP measure that measures its core operating performance by adjusting net income to exclude:

- 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 leases, equipment and leasehold improvements; and
- Transition assistance loan amortization in connection with investment advisor loan programs. The Company views these loans as an effective recruiting and retention tool for advisors in its wealth management business, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

The Company also presents adjusted EBITDA¹ which excludes certain share-based compensation costs recorded in connection with certain awards granted to employees and investment advisors and one-time costs incurred in connection with the RGMP Transaction, including those noted below:

- *Acquisition Costs:* Fourth quarter and fiscal 2020 results were impacted by \$1.2 million and \$4.3 million, respectively, in incremental professional and advisory fees (the RGMP Transaction Costs) in connection with the RGMP Transaction compared with \$1.1 million recorded in fourth quarter and fiscal 2019, respectively. Fiscal 2020

also included \$2.4 million in incremental costs incurred in connection with the Company's contested annual and special meeting of common shareholders held on October 6, 2020 (the Proxy Contest Costs). Both the RGMP Transaction Costs and the Proxy Contest Costs (collectively, the Acquisition Costs) were recorded in the Corporate Segment.

- **Restricted Share Units (RSUs) and Retention Awards:** In connection with and prior to the closing of the RGMP Transaction, Richardson Wealth incurred a one-time expense of \$3.0 million and \$0.4 million related to the accelerated vesting of all outstanding RSUs (the Accelerated RSU Costs) in third quarter and fourth quarter 2020, respectively, totalling \$3.4 million. In connection with the Recognition Plan and other retention awards provided prior to the closing of the RGMP Transaction,

Richardson Wealth incurred an additional \$3.7 million in costs in the fourth quarter of 2020.

- **Amortization of Acquired Intangible Assets:** Amortization expense for acquisition-related intangible assets was \$2.6 million in fourth quarter 2020. This non-cash item is considered by management to be outside of the Company's core operating performance. Intangible assets are amortized over their estimated useful lives on a straight-line basis.

The following table provides a reconciliation of the Company's reported results to its adjusted measures including the composition of the adjusted measures for the period presented.

| | Twelve months ended December 31, | | Three months ended December 31, | |
|--|-------------------------------------|---------------|------------------------------------|-----------|
| (\$000, except as otherwise noted) | 2020 | 2019 | 2020 | 2019 |
| Reported Results | | | | |
| Income (loss) before income taxes from continuing operations | 32,137 | (6,900) | 42,295 | (2,278) |
| Net income (loss) from continuing operations | 29,408 | (13,710) | 39,992 | (5,288) |
| Net income (loss) | 28,747 | (53,158) | 39,992 | (8,463) |
| Net income (loss) attributable to common shareholders from continuing operations | 25,218 | (18,111) | 37,985 | (6,388) |
| Net income (loss) attributable to common shareholders | 24,557 | (57,559) | 37,985 | (9,563) |
| Reported Measures | | | | |
| Net income (loss) per Common Share (dollars) from continuing operations | | | | |
| Basic | 0.35 | (0.26) | 0.52 | (0.09) |
| Diluted | 0.27 | (0.26) | 0.26 | (0.09) |
| Net income (loss) per common share (dollars): | | | | |
| Basic | 0.34 | (0.82) | 0.52 | (0.13) |
| Diluted | 0.26 | (0.82) | 0.26 | (0.13) |
| Pre-Tax Impact of Adjusting Items: | | | | |
| Gain on investment in associate | (45,734) | — | (45,734) | — |
| Acquisition costs | 6,664 | 1,077 | 1,201 | 64 |
| RF Capital's proportionate share of accelerated RSU costs and retention payments | 2,419 | — | 1,396 | — |
| Amortization of acquired intangibles | 2,589 | — | 2,589 | — |
| Restructuring Charge | — | 1,975 | — | — |
| Impact of adjusting items on income (loss) before taxes | (34,062) | 3,052 | (40,548) | 64 |
| After-Tax Impact of Adjusting Items: | | | | |
| Gain on investment in associate | (45,734) | — | (45,734) | — |
| Acquisition costs | 6,664 | 1,077 | 1,201 | 64 |
| RF Capital's proportionate share of accelerated RSU costs and retention payments | 2,419 | — | 1,396 | — |
| Amortization of acquired intangibles | 1,903 | — | 1,903 | — |
| Restructuring Charge | — | 1,975 | — | — |
| Deferred tax asset write-down | — | 8,031 | — | — |
| Impact of adjusting items on net (loss)/income | (34,748) | 11,083 | (41,234) | 64 |
| Adjusted Results¹ | | | | |
| (Loss) income before income taxes from continuing operations | (1,925) | (3,848) | 1,747 | (2,214) |
| Net loss from continuing operations | (5,340) | (2,627) | (1,242) | (5,224) |
| Net loss | (6,001) | (42,075) | (1,242) | (8,399) |
| Net loss attributable to common shareholders from continuing operations | (9,530) | (7,028) | (3,249) | (6,324) |
| Net loss attributable to common shareholders | (10,191) | (46,476) | (3,249) | (9,499) |
| Adjusted Measures¹ | | | | |
| Net loss per common share (dollars) from continuing operations: | | | | |
| Basic | (0.13) | (0.10) | (0.04) | (0.09) |
| Diluted | (0.10) | (0.09) | (0.02) | (0.08) |
| Net loss per common share (dollars): | | | | |
| Basic | (0.14) | (0.67) | (0.04) | (0.14) |
| Diluted | (0.11) | (0.62) | (0.02) | (0.13) |

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 concerning objectives, strategies to achieve those objectives, as well as statements made 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" or "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.

The forward-looking statements included in this MD&A, including statements regarding the nature of the Company's growth strategy going forward and execution of 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 or anticipated in the forward-looking statements, including those described in this MD&A and in the Company's latest Annual Information Form (AIF). Such risks and uncertainties include, but are not limited to, market, credit, liquidity, operational and legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and sustainability of fees. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, may also influence the Company's results of operations. For a description of additional risks that could cause actual results to materially differ from current expectations, see the "Risk Management" and "Risk Factors" sections in this MD&A and the "Risk Factors" section in the Company's latest AIF.

Although the Company has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to the Company or that the Company presently believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Although forward-looking information contained in this MD&A is provided based on management's reliance on certain assumptions it considers reasonable, there can be no assurance that such expectations will prove to be correct. 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. Readers should not place undue reliance on the forward-looking statements and information contained in this MD&A. When relying on forward-looking statements to make decisions, readers should carefully consider the foregoing factors, the list of which is not exhaustive.

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 the Company's view as of any date subsequent to the date of this MD&A. Except as required by applicable law, the Management and the Board of the Corporation undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

All the forward-looking information contained in this MD&A is expressly qualified in its entirety by the foregoing cautionary statements.

About the Company

RF Capital Group Inc., formerly GMP Capital Inc., is a public company listed on the Toronto Stock Exchange (TSX). The Company's common and preferred shares commenced trading on the Toronto Stock Exchange under its new name and ticker symbols (TSX: RCG, RCG.PR.B, RCG.PR.C) on November 24, 2020.

The Company's principal subsidiaries are Richardson Wealth Limited (Richardson Wealth) and RF Securities Clearing LP. In the francophone market, the Company's wealth management business operates under the name Patrimoine Richardson.

Richardson Wealth is one of Canada's leading independent wealth managers and has \$31.4 billion in assets under administration (as at February 28, 2021) and 19 offices across Canada. For further information, please visit the Company's corporate website at www.rfcapgroup.com.

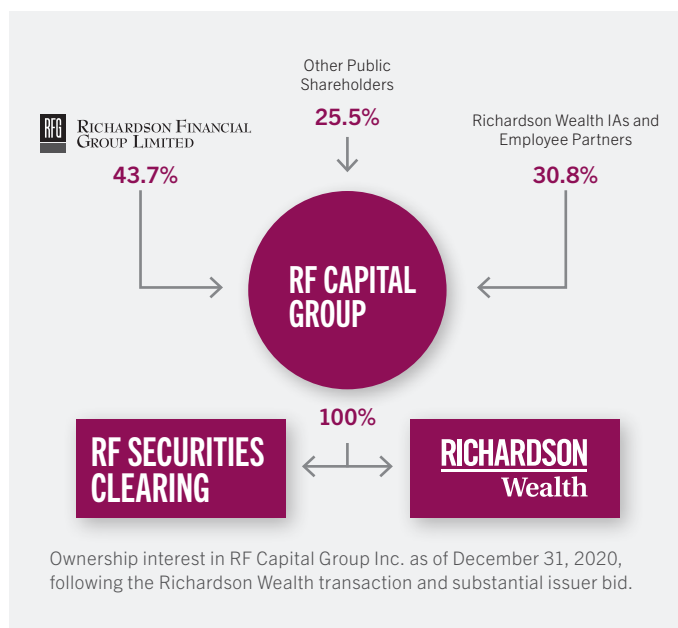
Richardson Wealth has been recognized as a Great Place to Work™ for the past three years.

RGMP Transaction

On October 20, 2020, after receiving 95% shareholder vote in favour of the transformative transaction, the Company completed:

- the acquisition of all the common shares of Richardson GMP that were not owned by the Company for a purchase price of 1.76 common shares of the Company (Common Shares) for each common share of Richardson GMP (the RGMP Transaction). In consideration, the Company issued 100,517,533 Common Shares to former Richardson GMP shareholders at closing (the Issuance). Of this amount, 10% of the Issuance is freely tradeable shortly after closing of the substantial issuer bid noted below and the remaining 90% will be held in escrow and released in equal amounts on the first three anniversaries following closing; and
- the purchase pursuant to a substantial issuer bid (SIB) of 16,528,926 of the Company's outstanding Common Shares at \$2.42 per Common Share for an aggregate purchase price of approximately \$40 million.

The illustration below shows the percentage ownership for all three of the Company's common shareholder groups following the closing of the RGMP Transaction and the completion of the SIB.



As part of the RGMP Transaction, Richardson Financial Group Limited demonstrated its strong commitment to the Company's growth strategy by, amongst other things, agreeing to:

- accept Common Shares in lieu of the \$43 million cash portion of the purchase price that they were otherwise entitled to under Richardson GMP's Shareholders Agreement (at a reference price of \$2.42 per Common Share);
- defer the immediate redemption of its \$32 million of preferred shares of Richardson GMP held by them that were otherwise required to be redeemed at the closing of the RGMP Transaction; and the royalty-free use of the Richardson brand on the Company's wealth management business.

Collectively, these concessions were designed to ensure the Company had sufficient capital to pursue its go-forward strategy and leverage a brand with a rich 90-year history in the financial services to accelerate growth.

Go-Forward Strategy

The RGMP Transaction is the culmination of a multi-year journey to transform the Company into a dominant independent wealth management firm in Canada. The market for retail financial wealth in Canada is expected to grow from \$4.4 trillion to \$7.7 trillion by 2028 (source: Investor Economics), creating a considerable opportunity for an independent competitor with national scale. The Company believes that demographic trends driving a generational shift in wealth have created a growing degree of complexity and sophistication of wealth solutions, supporting the long-term value proposition of face-to-face advice.

By completing the RGMP Transaction and associating with the Richardson brand which has a successful 90-year history in financial services, the Company's mission is to be the destination of choice for:

- Canada's top investment advisors, who share the Company's entrepreneurial spirit, independent culture and philosophy to deliver unparalleled face-to-face advice to Canadians seeking non-bank points

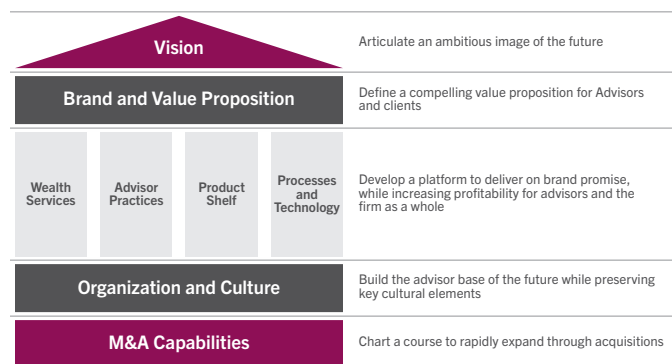
of access for holistic wealth management solutions across the entire household balance sheet; and

- For third-party providers of innovative branded and co-branded wealth management solutions for the Company's advisors and clients.

To realize its mission, the Company intends to grow Richardson Wealth's 160 investment advisory teams, current \$31.4 billion in AUA, \$268.0 million in revenues in fiscal 2020 and its earnings through three key programs:

Richardson Wealth has a 0.7% share of Canadian retail wealth. Capturing an additional 1.4% of the existing market or 2% of the expected market growth would allow the Company to triple its assets under administration.

Management and the Board, with considerable input from investment advisory teams and supported by a global consulting firm with deep expertise in wealth management, have begun to map out a strategy to gain a greater share of the multi-trillion dollar wealth management industry. The strategy will leverage the Company's single-minded focus on wealth management, best-in-class advisor teams, and national platform and scale. This exercise will encompass validating the Company's view of the external market, assessing current capabilities, laying out the desired end-state vision and value proposition, and developing an execution roadmap. The Company intends to complete the review by the second quarter of 2021 and will communicate the key elements of its plan by mid-year.



To learn more about the Company's growth strategy please review the Company's latest Annual Report and the Company's Proxy Circular dated September 8, 2020. Both documents can be found at <https://gmcapital.com/Investor-Relations/Shareholder-Meetings>.

Reporting Segments

The Company operates through three business segments: Wealth Management, Operations Clearing, and Corporate.

Wealth Management

Richardson Wealth is the Company's wealth management brand. It has 160 advisor teams that are focused on providing strategic wealth advice and innovative investment solutions to their high net worth clients across Canada. The company offers advisors working under its brand with a platform – including technology, a product shelf, and operational support – that enables them to deliver value to existing clients and attract new ones. It also makes a best-in-class team of tax, estate, and wealth planning experts available to advisors to assist with complex client needs.

The Company's advisors share an entrepreneurial spirit and desire to provide exceptional service to their clients. There is no standard formula for their success; with the boundaries of the Company's compliance regime, they have the flexibility to individually determine how best to serve their clients. Management is intently focused on creating an environment that will maximize retention of existing advisors and attract new talent.

The table below highlights the primary revenue streams of the Wealth Management segment:

| Revenue Streams | Description |
|--------------------------------------|--|
| Investment Management and Fee Income | Fees earned from the provision of investment and wealth management services |
| Commissions | Commissions earned on trading volume and by the retail distribution network from capital markets issuances |
| Interest | Spread earned on loans and cash balances |
| Other | Fees for providing insurance products, foreign exchange and other miscellaneous services |

Investment management and fee income is the largest and most consistent revenue stream and is driven by assets under administration. It represented approximately 78% of the Wealth Management segment's 2020 revenue. Fee revenue is highly correlated to equity market valuations, global economic conditions, and investor demand for wealth management services and solutions.

Operations Clearing

The Operations Clearing segment provides carrying broker services – including trade execution, clearing, settlement, custody, and certain other middle- and back-office services – to Richardson Wealth. It also provides such services to Stifel Nicolaus Canada Inc. (Stifel), concurrent with the sale of its capital markets business to Stifel (the Sale Transaction). This segment also includes the Company's securities borrowing and lending business.

Maintaining a wholly owned clearing business allows the Company to better control the quality of service provided to its advisors. It also creates option value in the event that market conditions change, and it becomes attractive to provide these services to third parties.

Corporate

The Corporate segment is primarily comprised of corporate functions and public company costs.

Business Highlights

The Company made great strides in 2020, including:

- Completed transformational acquisition of Richardson Wealth on October 20, 2020, focused exclusively on opportunities in dynamic and fast-growing wealth management industry;
- Returned \$79 million to shareholders since the beginning of 2019 via a substantial issuer bid, return of capital distribution and common and preferred dividends;
- Retained, inspired, and aligned the interests of Richardson Wealth's advisors (owners of approximately 31% of the Company) with the Company's go-forward wealth management focused strategy;
- Strengthened its Board by adding two new independent directors, both of whom are high-calibre leaders with considerable financial and strategic acumen and organizational transformation expertise:
 - » On January 21, 2021, the Company announced the appointment of Nathalie Bernier; and
 - » On December 3, 2020, the Company announced the appointment of David Leith;
- Reported record quarterly and annual investment management and fee income in Richardson Wealth, with this recurring revenue increasing to 78% of total revenue in 2020, up from 74% in 2019;
- Grew assets under administration (AUA) by \$2.9 billion since the beginning of 2019 to end of 2020 with \$30.3 billion;
- At the end of 2020, net working capital stood at \$88 million, after the \$40 million SIB, \$33 million in retention payments, \$2 million in preferred dividends and \$1.2 million in acquisition-related costs;
- Entered into a strategic alliance with Cormark Securities Inc. that resulted in Richardson Wealth's advisors and their clients having preferred access to Cormark's industry-leading research and new investment issuances and ideas. This led to a six-fold increase in the dollar value participation in the deals led by Cormark;
- Broadened the Company's wealth solution offerings in the healthcare sector by initiating a strategic alliance with Bloom Burton & Co.; and
- Enhanced its management team by appointing Kish Kapoor as President and Chief Executive Officer and Tim Wilson as Chief Financial Officer.

2020 Financial Highlights

Selected Financial Information

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

| (\$000's, except as otherwise indicated) | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
|--|-----------|-----------|-----------|-----------------------|---------------|
| | | | | % increase/(decrease) | |
| Revenues | | | | | |
| Investment management and fee income | 42,427 | — | — | n.m. | — |
| Commissions | 6,127 | — | — | n.m. | — |
| Investment banking and principal transactions | 1,742 | 3,984 | 5,588 | (56) | (49) |
| Interest | 12,550 | 18,683 | 10,978 | (33) | 70 |
| Other | 21,273 | 14,172 | 14,665 | 50 | (3) |
| | 84,119 | 36,840 | 31,231 | 128 | 18 |
| Expenses | | | | | |
| Variable advisor compensation | 23,726 | — | — | n.m. | — |
| Advisor loan amortization | 3,490 | — | — | n.m. | n.m. |
| Employee compensation and benefits | 23,674 | 14,241 | 12,764 | 66 | 12 |
| Non-compensation expenses | 35,208 | 30,694 | 26,756 | 15 | 15 |
| Acquisition Costs | 6,664 | 1,077 | — | n.m. | n.m. |
| Amortization of acquired intangibles | 2,589 | — | — | n.m. | n.m. |
| | 95,351 | 46,012 | 39,520 | 107 | 16 |
| Share of (loss) income of associate | (2,365) | 2,272 | 2,949 | (204) | (23) |
| Gain on investment in associate | 45,734 | — | — | n.m. | n.m. |
| Income/(loss) before income taxes | 32,137 | (6,900) | (5,340) | n.m. | (29) |
| Net income (loss) from continuing operations | 29,408 | (13,710) | (2,386) | n.m. | n.m. |
| Net (loss) income from discontinued operation | (661) | (39,448) | 4,931 | n.m. | n.m. |
| Net income (loss) | 28,747 | (53,158) | 2,545 | n.m. | n.m. |
| Net income (loss) attributable to common shareholders from continuing operations | 25,218 | (18,111) | (6,668) | n.m. | (172) |
| Net income (loss) attributable to common shareholders | 24,557 | (57,559) | (664) | n.m. | n.m. |
| Net income (loss) per Common Share from continuing operations: | | | | | |
| Basic | \$ 0.35 | \$ (0.26) | \$ (0.10) | 235 | (160) |
| Diluted | \$ 0.27 | \$ (0.26) | \$ (0.10) | 204 | (160) |
| Net income (loss) per Common Share | | | | | |
| Basic | \$ 0.34 | \$ (0.82) | \$ (0.03) | 141 | n.m. |
| Diluted | \$ 0.26 | \$ (0.82) | \$ (0.03) | 132 | n.m. |
| Total assets | 2,119,919 | 1,357,862 | 1,723,420 | 56 | (21) |

n.m. = not meaningful

Share of net (loss) income of associate reflects the Company's share of Richardson Wealth's net (loss) income attributable to common shareholders prior to the RGMP Transaction.

Financial Performance

2020 vs. 2019

Continuing Operations

Revenues

Revenue from continuing operations of \$84.1 million in 2020 was up 128% from the \$36.8 million reported in 2019. The increase was led largely by:

- investment management and fee income and commissions in connection with the acquisition of Richardson Wealth. Consolidated financial results include 100% of Richardson Wealth's operating results for the period October 20, 2020 to December 31, 2020.
- revenue in connection with providing carrying broker services to both Richardson Wealth (prior to October 20, 2020) and Stifel's Canadian capital markets business; and
- foreign exchange revenue.

These increases were partly offset by lower interest revenue in connection with reduced activity in the stock borrowing and lending business and lower investment banking and principal transaction revenue. 2019 included \$2.4 million in investment banking and principal transactions revenue in the former Emerging Markets business.

Expenses

Expenses were \$95.4 million in 2020 compared with \$46.0 million in 2019. The increase was led largely by the consolidation of Richardson Wealth's expenses following its acquisition on October 20, 2020, \$5.6 million in higher Acquisition costs in 2020 and \$2.6 million in amortization of acquired intangible assets recorded in fourth quarter 2020.

Net Income

Net income from continuing operations was \$29.6 million in 2020 compared with a net loss of \$13.7 million in 2019. The \$43.3 million increase was due to several factors including:

- a \$45.7 million accounting gain on investment in associate in connection with the RGMP Transaction;
- \$4.1 million in lower tax expense which primarily reflects a non-cash deferred tax expense of \$8.0 million recorded in 2019 relating to a write-down of deferred tax assets (income tax expense of \$0.4 million recorded in first nine months 2020 largely in connection with Part VI.1 tax relating to dividends paid on the Company's preferred shares compared with income tax expense of \$3.8 million in first nine months 2019); and
- The inclusion of 100% of Richardson Wealth's financial results for the period October 20, 2020 to December 31, 2020.

These increases were partly offset by:

- \$5.6 million higher Acquisition Costs in 2020 (\$6.7 million in 2020 compared with \$1.1 million in 2019);
- \$4.6 million decrease in the Company's proportionate share of Richardson Wealth's net loss from January 1, 2020 to October 19, 2020, largely driven by the Company's proportionate share of Accelerated RSU Costs and retention payments incurred immediately prior to the closing of the RGMP Transaction; and
- \$2.6 million (\$1.9 million after-tax) in amortization expense for acquisition-related intangible assets (acquired in connection with RGMP Transaction).

Discontinued Operation

Discontinued Operation reflect substantially all the Company's former capital markets business in 2019.

For further information relating to Discontinued Operation, please refer to Note 9 to the 2020 Annual Financial Statements.

Consolidated Results

Net income in 2020 was \$28.9 million compared with a net loss of \$53.2 million in 2019. The \$82.1 million change was largely due to the \$45.7 million gain on investment in associate in connection with the RGMP Transaction and a \$38.8 million decrease in net loss from Discontinued Operation in 2020 compared with the same period a year ago. Partly offsetting this increase was \$5.6 million higher Acquisitions Costs recorded in 2020 relative to 2019.

Segment Results from Continuing Operations

The following section highlights the financial results of the Company's three business segments, on a continuing basis, for 2020 compared with 2019. 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.

Wealth Management

The following table sets forth an overview of the financial results of the Wealth Management segment for the periods presented and includes 100% of Richardson Wealth's financial results from October 20, 2020 to December 31, 2020.

| (\$000's, except as otherwise indicated) | 2020 | 2019 | % increase/ (decrease) |
|---|----------------|-------|---------------------------|
| Revenues | | | |
| Investment management and fee income | 42,427 | — | n.m. |
| Commissions | 6,127 | — | n.m. |
| Interest | 2,096 | — | n.m. |
| Other income | 5,934 | 2,384 | 149 |
| | 56,584 | 2,384 | n.m. |
| Expenses | | | |
| Variable advisor compensation | 23,726 | — | n.m. |
| Advisor loan amortization | 3,490 | — | |
| Employee compensation and benefits | 12,469 | — | n.m. |
| Selling, general and administrative | 9,595 | 61 | n.m. |
| Interest | 886 | — | n.m. |
| Depreciation and amortization | 2,608 | — | n.m. |
| | 52,774 | 61 | 864 |
| Share of (loss) income of associate¹ | (2,365) | 2,272 | (204) |
| Income before income taxes – reported | 1,445 | 4,595 | (69) |
| Adjusted: | | | |
| RF Capital's proportionate share of accelerated RSU costs and retention payments ² | 2,419 | — | n.m. |
| Income before income taxes – adjusted³ | 3,864 | 4,595 | (16) |

1. Share of net (loss) income of associate represents the Company's proportionate ownership of Richardson Wealth's financial results from January 1, 2020 to October 19, 2020, during which time Richardson Wealth was considered an associate of the Company under IFRS. Following the completion of the RGMP Transaction on October 20, 2020, Richardson Wealth became a wholly owned subsidiary of the Company.

2. Represents the Company's approximate 34.1% proportionate share of Accelerated RSU Costs recorded by Richardson Wealth prior to the completion of the RGMP Transaction.

3. 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 "Non-GAAP Measures" section in this MD&A.

Immediately prior to the RGMP Transaction, Richardson Wealth had 2.6 million RSUs outstanding, which were accelerated in connection with the closing of the RGMP Transaction. This resulted in Richardson Wealth recording a one-time expense of \$3.4 million related to the Accelerated RSU Costs. Richardson Wealth also incurred \$3.7 million in retention payments largely in connection with its Recognition Plan. The Company's non-controlling ownership interest in Richardson Wealth immediately prior to the RGMP Transaction was 34.1%, and the Company's proportionate share of these \$7.1 million costs is reflected in the Share of Net (loss)/income of associate on the Company's income statement in the 2020 Annual Financial Statements and financial highlights table in this MD&A.

Financial Performance

2020 vs. 2019

Wealth Management reported income before income taxes of \$1.4 million in 2020 compared with income before income taxes of \$4.6 million in 2019. This decrease largely reflected a reduction in the Company's proportionate share of Richardson Wealth's net income/(loss) attributable to common shareholders. Partly offsetting this decrease was the consolidation of

Richardson Wealth's results commencing on October 20, 2020 for which no comparable period exists. Adjusting for the Company's proportionate share of Accelerated RSU Costs and retention payments recorded by Richardson Wealth immediately prior to closing of the RGMP Transaction, income before income taxes was \$3.9 million in 2020 compared with \$4.6 million in 2019. The decrease was led by lower dividends received on the Company's preferred share investments in Richardson Wealth in connection with the completion of the RGMP Transaction.

The increase in revenue and expenses was attributable to Richardson Wealth's results being consolidated from October 20, 2020 to December 31, 2020. Preferred share dividends received on the Company's preferred share investments in Richardson Wealth prior to the completion of the RGMP Transaction were \$1.7 million and \$2.4 million, respectively, in 2020 and 2019.

Highlights:

- Richardson Wealth generated record investment management and fee income.
- AUA grew by \$1.7 billion to \$30.3 billion in 2020, an increase of 6% compared with 2019.

Supplemental Financial Information – Richardson Wealth

The following table sets forth an overview of the consolidated financial results of Richardson Wealth for the periods indicated, on a 100% basis; noting, however, that Richardson Wealth became a wholly owned subsidiary on October 20, 2020 and its financial results are included in the Company's financial results commencing on that date.

| (\$000, except as otherwise noted) | 2020 | 2019 | % Increase/ (decrease) |
|--|---------|---------|---------------------------|
| Revenue | | | |
| Commissions | 30,552 | 30,402 | — |
| Investment management and fee income | 208,464 | 201,575 | 3 |
| Interest | 14,382 | 25,471 | (44) |
| Other | 13,845 | 14,486 | (4) |
| Principal transactions | 732 | 348 | 110 |
| | 267,975 | 272,282 | (2) |
| Expenses | | | |
| Variable advisor compensation | 117,206 | 113,007 | 4 |
| Advisor loan amortization | 11,263 | 8,132 | 39 |
| Employee compensation and benefits | 62,290 | 60,657 | 3 |
| Non-compensation expenses | 67,263 | 73,013 | (8) |
| Accelerated RSU costs and retention payments | 7,094 | — | n.m. |
| | 265,116 | 254,809 | 4 |
| Income before income tax | 2,859 | 17,473 | (84) |
| Net (loss) income – reported | (3,263) | 11,294 | (129) |
| Pre-tax impact of adjusting items | | | |
| Interest | 6,137 | 8,095 | (24) |
| Income tax | 6,122 | 6,179 | (1) |
| Depreciation and amortization | 12,137 | 13,127 | (8) |
| Transition assistance loan amortization | 11,263 | 8,132 | 39 |
| EBITDA¹ | 32,396 | 46,827 | (31) |
| Share-based compensation | 3,999 | 3,431 | 17 |
| Accelerated RSU costs and retention payments | 7,094 | — | n.m. |
| Adjusted EBITDA¹ | 43,489 | 50,258 | (13) |
| Number of advisory teams | 162 | 162 | — |
| AUA ¹ at period-end (\$ millions) | 30,320 | 28,564 | 6 |

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.

Operations Clearing

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

| (\$000) | 2020 | 2019 | % increase/ (decrease) |
|--|---------------|---------|---------------------------|
| Revenues | 27,546 | 32,031 | (14) |
| Expenses | | | |
| Employee compensation and benefits | 6,381 | 6,921 | (8) |
| Selling, general and administrative | 10,386 | 12,015 | (14) |
| Interest | 7,003 | 13,716 | (49) |
| Depreciation and amortization | 541 | 1,557 | (65) |
| | 24,311 | 34,209 | (29) |
| Income (loss) before income taxes | 3,235 | (2,178) | 249 |

Financial Performance

2020 vs. 2019

Operations Clearing reported income before income taxes of \$3.2 million in 2020 compared with a loss before income taxes of \$2.2 million in 2019.

Revenues

Revenue in 2020 was \$27.5 million, down 14% from \$32.0 million recorded in 2019. The decrease was led largely by lower interest revenue in connection with reduced activity in the stock borrowing and lending business, with a commensurate offset in interest expense. Partly offsetting this decrease was:

- higher volume of carrying broker services provided to both Richardson Wealth, as well as Stifel's Canadian capital markets business, following the completion of the Sale Transaction;
- Unrealized gains on principal transactions; and
- higher foreign exchange revenue compared with the same period a year ago.

Expenses

Expenses of \$24.3 million in 2020 were 29% lower than the \$34.2 million recorded in 2019. The decrease was largely due to a 49% decrease in interest expense in 2020 compared with 2019 in connection with reduced activity in the stock borrowing and lending business (largely offset by lower other revenue) and a 14% decrease in selling, general and administrative expense compared with 2019.

Corporate

The Corporate segment primarily comprises corporate functions and public company costs.

The following table sets forth the financial results for the Corporate segment for the periods presented.

| (\$000) | 2020 | 2019 | % increase/ (decrease) |
|--|----------------|---------|---------------------------|
| Revenues | (11) | 2,425 | (100) |
| Expenses | | | |
| Employee compensation and benefits | 4,824 | 7,320 | (34) |
| Non-compensation expenses | 4,189 | 3,345 | 25 |
| Acquisition Costs | 6,664 | 1,077 | 519 |
| Amortization of acquired intangibles | 2,589 | — | n.m. |
| | 18,266 | 11,742 | 56 |
| Gain on investment in associate | 45,734 | — | n.m. |
| Income (loss) before income taxes – reported | 27,457 | (9,317) | n.m. |
| Pre-tax impact of adjusting items: | | | |
| Gain on investment in associate | (45,734) | — | n.m. |
| Acquisition Costs | 6,664 | 1,077 | n.m. |
| Amortization of acquired intangibles | 2,589 | — | n.m. |
| Restructuring charge | — | 1,975 | n.m. |
| Loss before income taxes – adjusted¹ | (9,024) | (6,265) | (44) |

n.m. = not meaningful

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. Most of the revenue in the Corporate segment reflects the Company's former Emerging Markets business that was not acquired in connection with the Sale Transaction.

Financial Performance

2020 vs. 2019

Corporate reported income before income taxes of \$27.5 million in 2020 compared with a loss before income taxes of \$9.3 million in 2019. The change was largely due to a \$45.7 million accounting gain on investment in associate in connection with the completion of the RGMP Transaction. On an adjusted basis, loss before income taxes was \$9.0 million in 2020 compared with \$6.3 million in 2019.

Revenues

Revenues in 2020 decreased \$2.4 million compared with 2019.

2019 revenue includes \$2.4 million in investment banking and principal transactions revenue in the former Emerging Markets business.

Expenses of \$18.3 million in 2020 increased 56% compared with 2019.

The increase was led largely by \$6.7 million in Acquisition Costs and \$2.6 million in amortization expense for acquisition-related intangible assets. 2019 Acquisition Costs were \$1.1 million. Partly offsetting this increase was lower variable compensation in the former Emerging Markets business, which was commensurate with lower revenue generation in that business. Excluding adjusting items, expenses were \$9.0 million in 2020 compared with \$8.7 million in 2019.

Quarterly Results

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended on or before December 31, 2020. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as indications of future performance. Revenue from the Company's wealth

management business, given its high percentage of fee-based revenue, is more recurring and predictable in nature. Commencing October 20, 2020, the Company's performance includes the results of the acquired Richardson Wealth business, and as such, most of the Company's revenues and expenses from continuing operations will be generated by the Wealth Management segment.

| (\$000's, except as otherwise indicated) | 2020 | | | | 2019 | | | |
|---|---------|---------|---------|---------|---------|----------|---------|----------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenues | | | | | | | | |
| Investment management and fee income | 42,427 | — | — | — | — | — | — | — |
| Commissions | 6,127 | — | — | — | — | — | — | — |
| Investment banking and principal transactions | — | — | — | — | 533 | 999 | 1,527 | 926 |
| Interest | 4,271 | 2,463 | 2,177 | 3,639 | 4,575 | 6,360 | 4,007 | 3,741 |
| Other income | 7,890 | 5,043 | 4,893 | 5,189 | 3,259 | 3,199 | 3,203 | 4,513 |
| | 60,715 | 7,506 | 7,070 | 8,828 | 8,367 | 10,558 | 8,737 | 9,180 |
| Expenses | 62,563 | 12,846 | 8,566 | 11,376 | 11,248 | 14,220 | 10,383 | 10,162 |
| Share of loss of associate | (1,591) | (415) | (473) | 114 | 603 | 587 | 137 | 945 |
| Gain on investment in associate | 45,734 | — | — | — | — | — | — | — |
| Income (loss) before income taxes from continuing operations | 42,295 | (5,755) | (1,969) | (2,434) | (2,278) | (3,075) | (1,509) | (37) |
| Net income (loss) from continuing operations | 39,992 | (5,760) | (1,787) | (3,037) | (5,288) | (8,123) | (464) | 165 |
| Net (loss) income from discontinued operation | — | (217) | (564) | 120 | (3,175) | (17,284) | (3,345) | (15,645) |
| Net income (loss) | 39,992 | (5,977) | (2,351) | (2,917) | (8,463) | (25,407) | (3,809) | (15,480) |
| Net income (loss) per Common Share from continuing operations: | | | | | | | | |
| Basic | 0.52 | (0.08) | (0.04) | (0.06) | (0.09) | (0.13) | (0.02) | (0.01) |
| Diluted | 0.26 | (0.08) | (0.04) | (0.06) | (0.09) | (0.13) | (0.02) | (0.01) |
| Net income (loss) per Common Share from continuing operations: | | | | | | | | |
| Basic | 0.52 | (0.08) | (0.05) | (0.06) | (0.13) | (0.38) | (0.07) | (0.23) |
| Diluted | 0.26 | (0.08) | (0.05) | (0.06) | (0.13) | (0.38) | (0.07) | (0.23) |

Quarterly Trend and Analysis

Specified Items Affecting Reported Results from Continuing Operations

Management believes highlighting these items is necessary to present a fair statement of the results from continuing operations for the periods presented. Acquisition Costs in connection with the RGMP Transaction affected quarterly expenses. These costs were as follows:

| (\$ millions) | 2020 | | | | 2019 | | | |
|-------------------|------|-----|----|-----|------|----|----|----|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Acquisition Costs | 1.2 | 3.9 | — | 1.6 | 1.1 | — | — | — |

Other notable items affecting quarterly results include:

- Fourth quarter 2020 includes \$2.6 million in amortization expense for acquisition-related intangible assets.
- First quarter 2020 and fourth quarter 2019 include a \$0.5 million and \$1.8 million tax expense, respectively, in connection with Part VI.1 tax relating to the Company's preferred shares outstanding.
- Third quarter 2019 included a non-cash deferred tax expense of \$8.0 million relating to a write-down of deferred tax assets and included \$2.0 million in restructuring charges recorded in the Corporate segment.

Interest revenue in the Operations Clearing segment has generally benefited from increased stock borrowing and lending activity in 2019 and first quarter of 2020. Other revenue largely reflects carrying broker

and administrative support fees charged largely to Richardson Wealth, and commencing on December 6, 2019, to Stifel.

Total expenses over the past five quarters reflect charges incurred in connection with acquisition of Richardson Wealth on October 20, 2020. Commencing December 6, 2019, expenses also reflect incremental trade clearing and settlement costs in connection with providing carrying broker services to Stifel's Canadian capital markets business (offset by a commensurate increase in other revenue). The gain on investment in associate is also in connection with the RGMP Transaction.

Share of net (loss) income of associate reflects the Company's share of Richardson Wealth's net income (loss) attributable to common shareholders prior to the completion of the RGMP Transaction.

Fourth Quarter 2020 Financial Performance from Continuing Operations

Fourth quarter 2020 results include the financial results of Richardson Wealth from October 20, 2020 to December 31, 2020 following the acquisition of that business.

Fourth Quarter 2020 vs. Fourth Quarter 2019

Net income was \$40.0 million in fourth quarter 2020 compared with a net loss of \$5.3 million in the same period a year ago. The \$45.3 million change was largely due to the \$45.7 million accounting gain on investment in associate in connection with the RGMP Transaction and the inclusion of 100% of Richardson Wealth's results commencing on October 20, 2020. The Company's share of net loss of associate in fourth quarter 2020 was led largely by the Company's proportionate share of the \$4.1 million in Accelerated RSU Costs and retention payments recorded by Richardson Wealth in fourth quarter 2020 immediately prior to the closing of the RGMP Transaction.

Revenues

Revenue was \$60.7 million in fourth quarter 2020 compared with \$8.4 million in fourth quarter 2019. The increase largely reflects the inclusion of Richardson Wealth's results from October 20, 2020 to December 31, 2020.

Highlights (Richardson Wealth 100% basis):

- Generated record investment management and fee income in fourth quarter 2020.
- Fee-based revenue was 78% of total revenue in fourth quarter 2020.

Expenses

Expenses were \$62.6 million in fourth quarter 2020 compared with \$11.3 million in fourth quarter 2019. The increase largely reflects Richardson Wealth's expenses which we commenced consolidating on October 20, 2020.

Highlights:

- Acquisition Costs were \$1.2 million in fourth quarter 2020 compared with \$1.1 million recorded in fourth quarter 2019; and
- Amortization expense for acquisition-related intangible assets added \$2.6 million expenses in fourth quarter 2020.

Financial Condition

The table below sets forth select consolidated balance sheet items as at the dates presented and is followed by a discussion of the change in these balances from December 31, 2019 to December 31, 2020.

For the year ended December 31,

| (\$000) | 2020 | 2019 | Increase/(decrease) | |
|-------------------------------------|------------------|-----------|---------------------|------|
| | | | \$ | % |
| TOTAL ASSETS | 2,119,919 | 1,357,862 | 762,057 | 56 |
| <i>Selected asset balances:</i> | | | | |
| Cash and cash equivalents | 556,245 | 516,601 | 39,644 | 8 |
| Receivable from: | | | | |
| Clients | 455,166 | 256,075 | 199,091 | 78 |
| Brokers | 128,273 | 67,876 | 60,397 | 89 |
| Client funds held in trust | 409,648 | 348,553 | 61,095 | 18 |
| Investment in associate | — | 82,853 | (82,853) | n.m. |
| Deferred tax assets | 22,524 | — | 22,524 | n.m. |
| Promissory note receivable | 2,754 | 2,754 | — | — |
| Goodwill and intangible assets | 356,881 | — | 356,881 | n.m. |
| TOTAL LIABILITIES | 1,740,056 | 1,155,002 | 585,054 | 51 |
| <i>Selected liability balances:</i> | | | | |
| Payable to: | | | | |
| Clients | 1,183,572 | 958,354 | 225,218 | 24 |
| Brokers | 264,857 | 124,308 | 140,549 | 113 |
| Promissory note | 14,826 | 15,603 | (777) | (5) |
| Long-term debt | 97,422 | — | 97,422 | n.m. |

n.m. — not meaningful

Total assets increased \$762.1 million or 56% in 2020. The increase primarily relates to the recognition of goodwill and intangible assets and deferred tax assets in connection with the RGMP Transaction. Also contributing to the increase were higher client and broker receivables, higher other assets which reflect an increase in funds deposited in trust and higher cash and cash equivalents. Partly offsetting these increases was an \$82.9 million decrease in investment in associate in connection with the RGMP Transaction.

The receivable from clients balance as at December 31, 2020, included loans receivable from clients of \$381.6 million (December 31, 2019 — \$192.7 million) and open security transactions of \$73.6 million (December 31, 2019 — \$63.3 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 increased \$584.4 million or 51% in 2020 compared with December 31, 2019. Amounts payable to clients increased 24% compared with the prior year while amounts payable to brokers increased 113%. As at December 31, 2020, amounts payable to clients included client deposits of \$1.1 billion (December 31, 2019 — \$0.9 billion) and open security transactions of \$0.1 billion (December 31, 2019 — \$0.1 billion).

The Company's long-term debt is comprised of long-term bank debt of \$67.0 million held at Richardson Wealth and includes \$30.4 million preferred share liability in connection with Richardson Financial Group Limited's preferred share ownership in Richardson Wealth. The Company also has promissory notes payable to former shareholders of FirstEnergy in the amount of \$14.8 million. These notes are, in part, offset by promissory notes receivable from Stifel in the amount of \$2.8 million, for a net amount of \$12.1 million as at December 31, 2020. Both the promissory notes payable and receivable are due in September 2021, previously classified as non-current. For further information on promissory notes please see Note 18 to the 2020 Annual Financial Statements.

Liquidity and Capital Resources

The Company requires capital and liquidity to fund existing and future operations, future cash payments to shareholders and to satisfy regulatory requirements. The Company'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 the Company.

The Company currently derives liquidity from its working capital, its credit facilities and long-term debt. As at December 31, 2020, the Company had credit facilities with Canadian Schedule I banks of \$651.8 million (December 31, 2019 – \$707.5 million) that it may use 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 the Company for payment of dividends or funding of business initiatives. There were no amounts outstanding under these facilities as at December 31, 2020, and December 31, 2019.

The Company holds its cash and cash equivalent balances with several 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. The Company 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 the Company's overall cash management practices to address liquidity risk. There were no significant changes made to the Company's cash management practices during 2020. The Company'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 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 the Company'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 the Company operates. The Company continually assesses its dividend policy, initiatives, and expense structure. If equity markets deteriorate, adversely impacting the Company's ability to generate cash flow, the Company will need to assess and potentially make changes to its initiatives, and expense structure. The Company may also seek borrowings and/or equity financing to maintain or increase its productive capacity. There can be no assurance that such borrowings and/or equity financing will be available to the Company or available on terms and in an amount sufficient to meet its needs.

Subordinated Loan

| (\$000) | 2020 | 2019 |
|--|--------|--------|
| Syndicate of schedule I and II chartered banks | 67,000 | 71,000 |

The subordinated loan bears interest at the prime rate plus 2.5%.

The subordinated loan is unsecured and subject to regular scheduled repayment dates. The subordinated loans have financial tests and other covenants with which the Company complied throughout the year and at December 31, 2020.

On March 20, 2020, the Company provided written notice to terminate its \$17.5 million committed standby subordinated loan facility, that was scheduled to mature on October 25, 2020. This facility was formally terminated by the Company on July 1, 2020. The facility was undrawn for the period from January 1, 2020 until its termination on July 1, 2020 and was also undrawn at December 31, 2019.

Subsidiary Capital Requirements

Certain of the Company'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 and/or working capital requirements. Compliance with these requirements may require the Company 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 2020 and as at December 31, 2020, the relevant subsidiaries were in compliance with all regulatory capital requirements.

Cash Flow Summary

For the year ended December 31,

| (\$000) | 2020 | 2019 |
|--|----------|----------|
| Operating activities | 5,383 | 2,830 |
| Financing activities | (49,998) | (41,626) |
| Investing activities | 83,894 | 37,880 |
| Effect of foreign exchange on cash balances | 365 | (207) |
| Net increase (decrease) in cash and cash equivalents | 39,644 | (1,123) |

Operating Activities

Cash provided by operating activities was \$5.4 million in 2020 compared with \$2.8 million in 2019. Excluding non-cash operating items, cash used by operations was \$5.5 million in 2020 compared with \$39.6 million in 2019. For further detail on non-cash operating items, please refer to Note 29 of the 2020 Annual Financial Statements.

Financing Activities

Financing activities consumed \$50.0 million and \$41.6 million of cash in 2020 and 2019, respectively. Financing activities in 2020 largely include \$40 million used to purchase and cancel common shares under the Company's SIB. Cash used to pay dividends on Common and Preferred Shares was \$6.1 million and \$11.9 million in 2020 and 2019, respectively. Principal elements of lease payment obligations consumed \$3.1 million and \$2.0 million in 2020 and 2019, respectively.

2019 uses of cash included \$20.7 million in one-time return of capital distribution in connection with the Sale Transaction and \$6.8 million in connection with the partial payment of the promissory note payable to former FirstEnergy shareholders.

Investing Activities

Cash provided by investing activities was \$83.9 million in 2020 compared with \$37.9 million in 2019. The increase was led largely by \$87.5 million in cash acquired as part of the RGMP Transaction partly offset by \$2.3 million in equipment and leasehold improvements and \$1.9 million equity investment made in Richardson Wealth prior to the RGMP Transaction. 2019 investing activities provided \$37.9 million of cash largely due to \$42.2 million in proceeds from the sale of the Company's former capital markets businesses and common share dividends of \$2.7 million received on the Company's equity investment in Richardson Wealth. These amounts were partly offset by an additional \$4.4 million equity investment made in Richardson Wealth and \$2.7 million in equipment and leasehold improvements.

Outstanding Share Data and Dividends

The Company is authorized to issue an unlimited number of Common Shares. The Company 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 the Company's outstanding common and preferred shares as of the dates presented.

For the year ended December 31,

| (#) | 2020 | 2019 |
|----------------------------|---------|--------|
| Common Shares ¹ | 159,380 | 75,434 |
| Series B Preferred Shares | 3,565 | 3,565 |
| Series C Preferred Shares | 1,035 | 1,035 |

1. Includes 1,272 Common Shares held by the Company's share incentive plan trust.

Common Shares

Issuance in Connection with RGMP Transaction

In connection with the completion of the RGMP Transaction, the Company issued 100,517,533 Common Shares to former Richardson GMP

shareholders at closing, with 10% of the Issuance being freely tradeable shortly after closing and the remaining 90% being held in escrow and to be released in equal amounts on the first three anniversaries following closing.

Substantial Issuer Bid

In November 2020, the Company purchased for cancellation 16,528,926 Common Shares under its SIB at the purchase price of \$2.42 per Common Share for an aggregate purchase price of approximately \$40 million. Under the terms of the SIB, RFGL agreed not to participate in the SIB and no shares issued under the RGMP Transaction were entitled to participate in the SIB. Accordingly, the full \$40 million under the SIB was paid to the Company's minority Common Shareholders.

For more information, refer to Note 21 to the 2020 Annual Financial Statements.

Preferred Shares

Redemption Election

On February 25, 2021, pursuant to the terms of the Series B and Series C Preferred Shares, the Company announced that it did not intend to exercise its right to redeem all or any part of the 3.6 million Series B Preferred Shares and 1.0 million Series C Preferred Shares then outstanding.

Dividends

The declaration and payment of dividends are at the sole discretion of the Board of Directors. The Board of Directors reviews the Company's dividend policy periodically in the context of the firm's overall profitability, alternative uses of capital, free cash flow, regulatory capital requirements, legal requirements and other such factors that the Board of Directors determines to be relevant.

For more information on dividends, refer to Note 20 to the 2020 Annual Financial Statements.

Common Shares

On April 29, 2020, in response to the disruption caused by COVID-19, the Company's board of directors decided to suspend the Company's quarterly common share cash dividend. The decision was made to exercise caution and maintain a conservative approach to capital and risk management.

Preferred Shares

On October 20, 2020, immediately following the closing of the RGMP Transaction, the Board approved the resumption of the Company's quarterly dividend on its preferred shares (which had previously been temporarily suspended in third quarter 2020) commencing with the payment of accrued but unpaid dividends of \$0.2257 per Cumulative 5-Year Rate Reset Preferred Share, Series B, and \$0.193803 per Cumulative Floating Rate Preferred Shares, Series C, payable on November 16, 2020, to preferred shareholders of record on October 30, 2020. These amounts represent the dividend that would normally have been paid on September 30, 2020.

For more information on dividends, refer to Note 20 to the 2020 Annual Financial Statements.

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 (or \$20.7 million in aggregate), paid on December 31, 2019, to common shareholders of record on December 16, 2019.

Related-Party Transactions

The Company's related parties include the following persons and/or entities: associates, or entities which are controlled or significantly influenced by the Company, which currently include Richardson Wealth; and key management personnel, which are comprised of directors and/or officers of the Company, Richardson Wealth investment advisors, and those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Other than the completion of the RGMP Transaction, the nature of the Company's related-party transactions have not changed materially since December 31, 2019, as described under "Related-Party Transactions" in the 2019 Annual MD&A.

Related party transactions include amounts due from and deposits with the Company's carrying broker, the latter pursuant to the terms of the introducing/carrying broker arrangement between Richardson Wealth and RF Securities Clearing LP.

The RGMP Transaction constituted a "related party transaction" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (MI 61-101) due to RFG's ownership of approximately 24.1% of the Company common shares and the voting rights attached to those shares, and approximately one-third ownership of Richardson Wealth. In July 2019, an independent special committee of the Board, (the Special Committee) retained RBC Capital Markets (RBC) on a fixed fee basis to provide an independent formal valuation of both the Company and Richardson Wealth common shares pursuant to the requirements of MI 61-101. RBC also provided its opinion as to the fairness of the RGMP Transaction.

All minority shareholder approvals required in accordance with MI 61-101 and the rules of the Toronto Stock Exchange were obtained in connection with the RGMP Transaction. For further information on the aggregate number of the Company common shares excluded from the calculation of the requisite approval of the RGMP Transaction Resolution in accordance with the minority approval requirements under MI 61-101, please refer to the Company's management information circular date September 8, 2020.

Critical Accounting Policies and Estimates

The preparation of the 2020 Annual Financial Statements in accordance with IFRS required management to make estimates and exercise judgment that affected 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 were 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.

Goodwill

Goodwill and intangibles were acquired through the acquisition of Richardson Wealth. Goodwill is tested for impairment annually and more frequently if events or circumstances indicate that impairment may have occurred. The impairment test resulted in no change to the carrying value of the Company's goodwill.

As at December 31, 2020, the carrying value of goodwill and intangible assets was \$356.9 million.

For further details regarding goodwill, please refer to Note 14 to the 2020 Annual Financial Statements.

Income Taxes

The Company computes an income tax provision 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 after the issuance of the consolidated 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. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

Share-Based Compensation

The Company uses estimates and judgment when determining the share-based compensation expense recorded on awards to employees and investment advisors during a reporting period. The determination of the share-based compensation expense resulting from the Company'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.

Expected Credit Losses

The Company uses the ECL model to address credit risk associated with client margin and advisor loans. ECLs are estimated based on detailed review of client margin and advisor loans. A 12-month allowance for ECL is recognized at initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date. A lifetime ECL allowance is recognized if a significant increase in credit risk is detected after initial recognition, reflecting a lifetime cash shortfall that would result over the expected life of a financial asset.

Provisions

The Company is involved in several legal proceedings, including regulatory investigations, in the ordinary course of business. Contingent litigation loss provisions are recorded by the Company when it is probable that the Company will incur a loss and the amount of the loss can be reasonably estimated. Management and the Company'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, the Company does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on the Company'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. The Company's securities owned include equity and debt securities and derivative financial assets which are comprised primarily of broker warrants. Most of the Company'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 based on pricing models or other appropriate methods. For further information regarding the fair value disclosure of the Company's financial assets and financial liabilities, refer to Note 26 to the 2020 Annual Financial Statements.

Financial Instruments

A significant portion of the Company's assets and liabilities are composed of financial instruments. There were no significant changes in the Company's use of financial instruments, or types of financial instruments employed in its trading and non-trading activities during 2020.

Refer to Notes 1 and 13 to the 2020 Annual Financial Statements for more information. For significant assumptions made in determining the valuation of financial and other instruments, refer to the "Critical Accounting Policies and Estimates" section in this MD&A.

Future Changes in Accounting Policies or Estimates

The Company monitors continuously the potential changes proposed by the International Accounting Standards Board and analyzes the effect that changes in the standards may have on the Company. For a summary of future changes in accounting policies or estimates, refer to Note 3 to the 2020 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 the Company is accumulated and communicated to the Company's Chief Executive Officer (CEO) and Interim Chief Financial Officer (CFO) to allow for timely decisions regarding required disclosure and to ensure that information required to be disclosed in the Company'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, 2020, management evaluated the effectiveness of 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 Company's CEO and CFO. Based on the evaluation conducted as at December 31, 2020, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

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 the Company.

As of December 31, 2020, management evaluated the effectiveness of the Company's internal control over financial reporting taking into account the nature and size of the Company'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 the Company's internal control over financial reporting was effective as of December 31, 2020, and that there were no material weaknesses that have been identified in the Company's internal control over financial reporting as of December 31, 2020.

Changes in Internal Control over Financial Reporting

To the best of the knowledge and belief of the Company's CEO and CFO, no changes were made in the Company's internal control over financial reporting in 2020 that materially affected, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

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 the Company, or that the Company currently considers immaterial, may also impair the operations of the Company and its subsidiaries. In many cases, risks which are inherent to the wealth management industry and the Company's activities are beyond management's 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 Company could be materially adversely affected. Management believes that effective risk management is of primary importance to the ongoing success of the Company.

The Company and its subsidiaries have an evolving enterprise wide risk management process designed around Risk Principles, Risk Governance and Enterprise Risk Management to address eight core risks identified by the Company.

Risk Classification



Risk Principles

A robust governance framework ensures that risks impacting the business are identified, classified, assessed, and managed in the best interest of all stakeholders. The Company seeks to monitor and control its 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 the Company's risk management process.

Risk Governance

The Company's Board and CEO are accountable to effectively identify areas of significant risk and are responsible for overall risk appetite and tolerance. Key risk metrics are reported regularly to the Board of Directors and the Company's management committee. Risk Oversight ensures governance and risk management effectiveness.

Enterprise Risk Management

The Company views its approach to risk management as a key differentiator as it views effective risk management as an essential asset that creates opportunities to recapture and increase shareholder value, when managed proactively using qualitative and quantitative measures of evaluation.

For a full description of the key risks facing the Company, please see Note 26 "Financial Risk Management" to the 2020 Annual Financial Statements and "Risk Factors" in the Company's AIF dated March 4, 2021, which can be found under the Company's profile on SEDAR at www.sedar.com.

Risk Factors

An investment in securities of the Company involves a number of risks. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also impair the operations of the Company.

For a further description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's AIF dated March 4, 2021 and the Information Circular, which are both available under the Company's profile on SEDAR at www.sedar.com.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of RF Capital Group Inc. (the Company), 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, 2020. 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 the Company (Board of Directors) oversees management's responsibilities for financial reporting through the Company'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 the Company 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 the Company, 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

President and Chief Executive Officer

"Benjamin Scholten"

Benjamin Scholten

Interim Chief Financial Officer

Toronto, Canada

March 4, 2021

Independent Auditor's Report

To the Shareholders of **RF Capital Group Inc.**

Opinion

We have audited the consolidated financial statements of RF Capital Group Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as at December 31, 2020 and 2019 and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), 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 Company as at December 31, 2020 and 2019, 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

Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Restructuring and legal provisions

| | |
|---|---|
| <i>Key audit matter</i> | <p>As more fully described in Note 22 of the consolidated financial statements, the Company has recognized \$19.4 million in restructuring and legal provisions included within Other Liabilities. The restructuring and legal provisions are related to legal claims as a result of the sale of the capital markets business in December 2019 and various other legal matters.</p> <p>We identified restructuring and legal provisions as a key audit matter because of the materiality of the balance and the judgment required by the Company's management in estimating the likelihood of being liable and the potential amount of loss. This in turn led to a high degree of auditor judgment and effort in evaluating management's assessment of the provisions.</p> |
| <i>How our audit addressed the key audit matter</i> | <p>To test the reasonableness of these provisions, we performed the following procedures, among others:</p> <ul style="list-style-type: none"> Assessed the methodology used to estimate the provisions, including obtaining and inspecting supporting contracts, agreements and documentation related to the constructive and legal obligations associated with the restructuring and legal provisions, and obtaining a representation letter from management; Performed inquiries with various members of management and internal legal counsel regarding the nature of the obligations, likelihood of liability for the Company and measurement of the provisions, and performed inquiries with external counsel in accordance with the Canadian Bar Association/Chartered Professional Accountants Canada December 2016 Joint Policy Statement; and Evaluated the adequacy and completeness of information presented in the notes to the consolidated financial statements based on the IFRS requirements. |

Business combination

| | |
|---|--|
| <i>Key audit matter</i> | <p>On October 20, 2020, the Company acquired 100% of the issued and outstanding common shares of Richardson GMP Limited (renamed Richardson Wealth Limited) as detailed in Note 8 of the consolidated financial statements for an aggregate purchase consideration of \$323.2 million. The transaction was accounted for as a business combination in accordance with IFRS 3. The Company applied valuation techniques to determine the preliminary acquisition date fair value of identifiable assets and liabilities.</p> <p>The preliminary valuation of customer relationship intangible assets acquired in a business combination was identified as a key audit matter. The preliminary fair value of the customer relationship intangible assets is determined in reference to inputs including estimated customer attrition, discount rates, projected period, projected revenues and forecasted gross profit. The estimation of these valuation inputs utilized in establishing the fair value of these intangible assets require considerable judgment, and these inputs can have a material effect on the values ascribed. As a result, significant judgment and specialized skills were required to assess management's conclusions.</p> |
| <i>How our audit addressed the key audit matter</i> | <p>To assess the valuation of customer relationship intangibles, we performed the following procedures with the assistance of our valuation specialists, among others:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the methodology and model used to estimate preliminary fair value; • Tested the mathematical accuracy of the calculation used by the Company; • Tested the accuracy and completeness of data used to determine key assumptions used in the preliminary fair value estimate by comparing the data against the Company's historical revenue, gross profit and attrition data. Obtained and inspected data related to customer relationships and corroborated, through inquiry of management, the reasonableness of the data and assumptions underlying the preliminary estimate; • Evaluated management's preliminary fair value estimate for customer relationship intangible assets including assessing reasonableness of the projected period, forecasted revenues, forecasted gross profit, attrition rate and discount rate by comparing to peer and industry data for similar transactions; • Compared the earnings multiple implied by the purchase price and earnings forecast to comparable transactions to evaluate the earnings forecasts used; • Sensitized the discount rate and attrition rate applied to the forecast to assess the impact on the preliminary fair value ascribed; • Reviewed the reasonability of the discount rates used to value the intangible assets by comparing the discount rates to the internal rate of return; • Benchmarked the allocation of the purchase price discrepancy to transactions of similar businesses; and • Evaluated the adequacy and completeness of information presented in the notes to the consolidated financial statements based on the IFRS requirements. |

Other information

Other information consists of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon. We obtained Management's Discussion & Analysis prior to the date of our audit report, and we expect to obtain the Annual Report after the date of our auditor's report. Management is responsible for the other information.

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.

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.

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

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company 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.

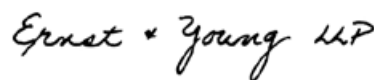
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 4, 2021

Consolidated Balance Sheets

(\$ Thousands)

| As at December 31 | Note | 2020 | 2019 |
|--|------|-----------|-----------|
| ASSETS | | | |
| Cash and cash equivalents | | 556,245 | 516,601 |
| Securities owned | 5 | 70,322 | 65,441 |
| Receivable from: | | | |
| Clients | | 455,166 | 256,075 |
| Brokers | | 128,273 | 67,876 |
| Employee and other loans receivable | 11 | 67,475 | 1,903 |
| Other assets | 6 | 12,810 | 13,970 |
| Client funds held in trust | | 409,648 | 348,553 |
| Promissory note receivable | 18 | 2,754 | 2,754 |
| Investment in associate | | — | 82,853 |
| Equipment and leasehold improvements | 12 | 13,587 | 364 |
| Right-of-use assets | 13 | 24,234 | 1,472 |
| Deferred tax assets | 19 | 22,524 | — |
| Goodwill and intangible assets | 14 | 356,881 | — |
| | | 2,119,919 | 1,357,862 |
| LIABILITIES | | | |
| Obligations related to securities sold short | 5 | 15,320 | 11,399 |
| Lease liabilities | | 25,414 | 3,603 |
| Payable to: | | | |
| Clients | | 1,183,572 | 958,354 |
| Brokers | | 264,857 | 124,308 |
| Issuer | | 1,114 | — |
| Accounts payable and accrued liabilities | | 64,888 | 21,723 |
| Other liabilities | 17 | 21,522 | 20,012 |
| Promissory note liability | 18 | 14,826 | 15,603 |
| Deferred tax liability | 19 | 51,121 | — |
| Debt | 27 | 97,422 | — |
| | | 1,740,056 | 1,155,002 |
| EQUITY | | | |
| Shareholders' equity | | 379,863 | 202,860 |
| | | 2,119,919 | 1,357,862 |

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

Donald A. Wright

President and Chief Executive Officer

Chair of the Board

Consolidated Statements of Income (Loss)

(\$ Thousands)

| Years ended December 31, | Note | 2020 | 2019 |
|---|------|---------------|-----------------|
| REVENUE | | | |
| Commissions | | 6,127 | — |
| Investment management and fee income | | 42,427 | — |
| Investment banking and principal transactions | | 1,742 | 3,985 |
| Interest | | 12,550 | 18,683 |
| Other income | 24 | 21,273 | 14,172 |
| | | 84,119 | 36,840 |
| EXPENSES | | | |
| Variable advisor compensation | | 23,726 | — |
| Advisor loan amortization | | 3,490 | — |
| Employee compensation and benefits | | 23,674 | 14,241 |
| Selling, general and administrative | | 23,439 | 15,439 |
| Acquisition related costs | | 6,664 | 1,077 |
| Interest | | 8,616 | 13,705 |
| Depreciation and amortization | | 5,742 | 1,550 |
| | | 95,351 | 46,012 |
| Gain on investment in associate | 8 | 45,734 | — |
| Share of net income (loss) of associate | | (2,365) | 2,272 |
| Income (loss) before income taxes from continuing operations | | 32,137 | (6,900) |
| Income tax expense | 19 | | |
| Current | | 1,482 | 1,993 |
| Deferred | | 1,247 | 4,817 |
| | | 2,729 | 6,810 |
| Net income (loss) from continuing operations | | 29,408 | (13,710) |
| Net (loss) from discontinued operation | 9 | (661) | (39,448) |
| Net income (loss) | | 28,747 | (53,158) |
| Weighted-average number of common shares outstanding (in thousands): | 25 | | |
| Basic | | 73,020 | 69,788 |
| Diluted | | 93,798 | 75,446 |
| Net income (loss) per common share (dollars) from continuing operations: | 25 | | |
| Basic | | 0.35 | (0.26) |
| Diluted | | 0.27 | (0.26) |
| Net income (loss) per common share (dollars): | 25 | | |
| Basic | | 0.34 | (0.82) |
| Diluted | | 0.26 | (0.82) |

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

Consolidated Statements of Comprehensive Income (Loss)

(\$ Thousands)

| Years ended December 31, | 2020 | 2019 |
|---|---------------|----------|
| Net income (loss) | 28,747 | (53,158) |
| Other comprehensive income (loss): | | |
| Item that may be subsequently reclassified to net income (loss): | | |
| Foreign currency translation gain (loss) from continuing operations | 365 | (447) |
| Total other comprehensive income (loss) | 365 | (447) |
| Total comprehensive income (loss) | 29,112 | (53,605) |
| Total comprehensive income (loss) attributable to shareholders | | |
| Continuing operations | 29,773 | (14,157) |
| Discontinued operation | (661) | (39,448) |

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

Consolidated Statements of Changes in Equity

| (Thousands) | Note | Preferred shares # | Preferred shares \$ | Common shares # | Common shares \$ | Share purchase loans \$ | Deferred share-based awards \$ | Contributed surplus \$ | Accumulated comprehensive income \$ | Accumulated deficit \$ | Shareholders' equity \$ |
|--|------|-----------------------|------------------------|--------------------|---------------------|----------------------------------|---|------------------------------|--|------------------------------|-------------------------------|
| 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 | | - | - | - | - | - | - | - | - | (197,401) | 289,998 |
| Net foreign currency translation loss | | - | - | - | - | - | - | - | (447) | - | (447) |
| Reclassification of cumulative currency translation | | - | - | - | - | - | - | - | (9,661) | - | (9,661) |
| Share-based compensation | | - | - | 1,453 | 3,021 | 327 | 9,073 | (3,545) | - | - | 8,876 |
| Common shares purchased for cancellation | | - | - | (12) | (59) | - | - | - | - | - | (59) |
| Common share return of capital distribution | | - | - | - | - | - | - | - | - | (20,744) | (20,744) |
| Common share dividends | | - | - | - | - | - | - | - | - | (7,544) | (7,544) |
| Series B Preferred Share dividends | | - | - | - | - | - | - | - | - | (3,219) | (3,219) |
| Series C Preferred Share dividends | | - | - | - | - | - | - | - | - | (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 |
| Net foreign currency translation gain | | - | - | - | - | - | - | - | 365 | - | 365 |
| Share-based compensation | | - | - | - | - | - | 5,525 | (5,513) | - | (44) | (32) |
| Common shares purchased through substantial issuer bid | | - | - | (16,529) | (49,178) | - | - | - | 9,178 | - | (40,000) |
| Common shares issued for RGMP Transaction | | - | - | 100,518 | 193,999 | - | - | - | - | - | 193,999 |
| Common shares forfeited | | - | - | (43) | (216) | - | - | 216 | - | - | - |
| Common share dividends | | - | - | - | - | - | - | - | - | (1,886) | (1,886) |
| Series B Preferred Share dividends | | - | - | - | - | - | - | - | - | (3,220) | (3,220) |
| Series C Preferred Share dividends | | - | - | - | - | - | - | - | - | (970) | (970) |
| Net income | | - | - | - | - | - | - | - | - | 28,747 | 28,747 |
| Balance, December 31, 2020 | | 4,600 | 112,263 | 158,108 | 470,415 | - | - | 39,976 | 17,830 | (260,621) | 379,863 |

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

Consolidated Statements of Cash Flows

(\$ Thousands)

| Years ended December 31, | Note | 2020 | 2019 |
|---|------|-----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Net income (loss) | | 28,747 | (53,158) |
| Add (deduct) items not involving cash: | | | |
| Depreciation and amortization | | 5,742 | 2,650 |
| Deferred income taxes | | 1,247 | 797 |
| Goodwill, intangible and right of use asset impairment | | — | 30,537 |
| Reclassification of cumulative foreign currency translation | | — | (9,661) |
| Share-based compensation expense | | — | 8,876 |
| Accretion expense | | — | 1,581 |
| Loss on sale of discontinued operations | | — | 15,499 |
| Transaction costs from sale of capital markets | | — | (34,404) |
| Accretion of lease liability expense | | 341 | — |
| Advisor loan amortization | | 3,490 | — |
| Settlement of existing dividend receivable | | (1,680) | — |
| Gain on investment in associate | | (45,734) | — |
| Share of (net income) loss of associate | | 2,365 | (2,272) |
| | | (5,482) | (39,555) |
| Net change in non-cash operating items | 29 | 10,865 | 42,385 |
| Cash provided by (used in) operating activities | | 5,383 | 2,830 |
| FINANCING ACTIVITIES | | | |
| Partial repayment of promissory note | | (777) | (6,844) |
| Return of capital on common shares | | — | (20,744) |
| Dividends paid on common shares | | (1,886) | (7,544) |
| Dividends paid on Series B and C Preferred Shares | | (4,190) | (4,401) |
| Principal elements of lease payments | | (3,145) | (2,034) |
| Common shares repurchased and cancelled | | (40,000) | (59) |
| Cash provided by (used in) financing activities | | (49,998) | (41,626) |
| INVESTING ACTIVITIES | | | |
| Cash acquired as part of RGMP transaction | | 87,489 | — |
| Proceeds from sale of discontinued operation | | — | 42,179 |
| Common share dividend received from associate | | 698 | 2,743 |
| Equity investment in associate | | (1,947) | (4,381) |
| Equipment and leasehold improvements, net expenditures | | (2,346) | (2,661) |
| Cash provided by (used in) investing activities | | 83,894 | 37,880 |
| Effect of foreign exchange on cash balances | | 365 | (207) |
| Net increase (decrease) in cash and cash equivalents | | 39,644 | (1,123) |
| Cash and cash equivalents, beginning of period | | 516,601 | 517,724 |
| Cash and cash equivalents, end of period | | 556,245 | 516,601 |
| Supplemental cash flow information | | | |
| Interest paid | | 7,641 | 9,698 |
| Interest received | | 10,146 | 19,646 |
| Taxes received | | 5,164 | 7,854 |

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

Notes to Consolidated Financial Statements

Years ended December 31, 2020 and 2019
(\$ thousands, except share and per share)

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Note 1. Corporate Information

RF Capital Group Inc. (RF Capital or the Company), formerly GMP Capital Inc., 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. The Company's Common Shares, Series B Preferred Shares, and Series C Preferred Shares are listed on the Toronto Stock Exchange (TSX) under the symbols RCG, RCG.PR.B, and RCG.PR.C, respectively. The Company is the parent company of its wholly owned operating subsidiaries Richardson Wealth Limited (Richardson Wealth) and RF Securities Clearing LP (RF Securities). Richardson Wealth and RF Securities are members of the Investment Industry Regulatory Organization of Canada (IIROC).

Note 2. Basis of Preparation

a. Basis of Presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Company'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, the Company completed the sale of substantially all of its capital markets business. The results of discontinued operation are presented separately in the consolidated statements of income (loss) and consolidated statements of comprehensive income (loss).

On October 20, 2020, the Company completed the acquisition of all the common shares of Richardson Wealth that were not owned by the Company (the RGMP Transaction). Prior to the acquisition of Richardson Wealth, results were accounted for on the equity method and the acquisition method thereafter.

These consolidated financial statements were authorized for issuance by the Company's board of directors (Board of Directors) on March 4, 2021.

b. Principles of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries, after the elimination of intercompany transactions and balances. The Company has control of its subsidiaries as it's exposed to the rights to variable returns from its involvement with the subsidiaries and it can affect those returns through its power over their relevant activities.

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.

Business Combinations

The purchase price related to business acquisitions is allocated to the underlying assets and liabilities based on their estimated fair value at the acquisition date. Management makes estimates to determine the fair value of assets and liabilities including the valuation of separately identifiable intangibles acquired. These estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates.

Impairment of Goodwill and Intangible Assets

Goodwill and intangible assets are 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 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. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill and intangible assets. Management believes that the assumptions and estimates used are reasonable.

Income Taxes

The Company computes an income tax expense 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

The Company 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 the Company'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

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated provisions.

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 the Company. Each of the Company'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 the Company 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 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 were 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 were not held for trading.

Financial assets measured at FVPL comprise equity instruments that the Company 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.

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

The Company and its subsidiaries selectively utilize derivative instruments to manage financial risks, including foreign exchange, interest rate and fair value risks. The Company'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 requires the Company to record an allowance for expected credit losses (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 ECLs. The Company uses a historical-based provision matrix adjusted for forward-looking factors. The ECLs for the years ended December 31, 2020 and 2019 were insignificant.

The Company also applies a forward-looking expected credit loss approach requiring it to record an allowance for ECLs for loans and debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. Under the ECL model, the Company recognizes ECL provision on the following basis:

Stage 1 – At initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL).

Stage 2 – When a significant increase in credit risk is detected, a loss allowance is required for credit losses expected over the remaining life of the exposure (a lifetime ECL).

Stage 3 – When a financial asset is impaired, a lifetime ECL is recognized.

Provisions are based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 the Company's credit limits, which are generally more restrictive than those required by IIROC and are subject to the Company'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

The Company 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. The Company 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 the Company. 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 the Company borrows securities under stock borrow arrangements and the risks and rewards of ownership do not pass to the Company, the securities borrowed are not recorded by the Company 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 to 5 years |
| Leasehold improvements | Shorter of useful life and 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 the Company at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

i. Intangible Assets

The Company's intangible assets consist of application software and other intangibles acquired as part of the RGMP Transaction described in Note 8. These intangibles relate to brand and customer relationships acquired through the acquisition of Richardson Wealth. Intangibles are initially recognized at fair value and amortized over their estimated useful lives on a straight-line basis:

| | |
|------------------------|----------|
| Application software | 3 years |
| Brand | 10 years |
| Customer relationships | 15 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. The Company 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

The main types of revenue contracts are as follows:

Commissions: Commissions consist of revenue generated primarily from commission-based brokerage services provided to clients. The performance obligation for recognition of commission revenue is satisfied through the execution of trades for clients on a trade date basis.

Fee-based revenue: Fee-based revenue consists primarily of fees earned through investment management services. The performance obligation for recognition of fee-based income is satisfied over the period of time during which the service is delivered.

Interest revenue: Interest revenue primarily includes interest earned on margin loans, securities lending and interest on the Company's own cash positions. Interest revenue is recognized on an accrual basis.

Other revenue: Other revenue includes revenue earned from the provision of insurance products, foreign exchange services and rebate income associated with securities lending activities and is recognized on an accrual basis. The Company also provides carrying broker and administrative services which are recorded over time as performance obligations are satisfied.

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

l. Share-Based Compensation

Deferred Share-Based Awards

The Company 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

The Company 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 the Company'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, the Company 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 the Company for which the amount or timing is uncertain. Provisions are recognized when the Company 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

The Company 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 the Company'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 the Company 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 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.

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

- the election was 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 was taken to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the election was taken to rely on the IAS 37 assessment of whether leases are onerous instead of performing an impairment review;

- the election was taken to exclude leases for which the term ends within 12 months from January 1, 2019;
- the election was taken to exclude initial direct costs from the measurement of the right of use asset on January 1, 2019;
- the election was taken to use hindsight to determine lease terms; and
- the election was 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.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). With the exception of the right-of-use assets acquired as part of the RGMP Transaction, which were remeasured at fair value, 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 the Company 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, the Company 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 the Company and payments of penalties for terminating a lease, if the lease term reflects the Company's 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, the Company 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

The Company 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 the Company's operations. There were no significant changes in accounting policies that would impact the Company for the year ended December 31, 2020.

Note 4. Revenue from Contracts with Customers

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

| | Wealth Management | | Operations Clearing | | Corporate | | Total | |
|--------------------------------------|-------------------|-------|---------------------|--------|-----------|-------|--------|--------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Commissions | 6,127 | — | — | — | — | — | 6,127 | — |
| Investment management and fee income | 42,427 | — | — | — | — | — | 42,427 | — |
| Investment banking | — | — | — | — | — | 1,919 | — | 1,919 |
| Other income ¹ | 1,562 | — | 11,132 | 8,879 | — | — | 12,694 | 8,879 |
| Revenue — contracts with customers | 50,116 | — | 11,132 | 8,879 | — | 1,919 | 61,248 | 10,798 |
| Timing | | | | | | | | |
| Point in time | 6,127 | — | — | — | — | 1,919 | 6,127 | 1,919 |
| Over time | 43,989 | — | 11,132 | 8,879 | — | — | 55,121 | 8,879 |
| Other revenue | 6,468 | 2,384 | 16,414 | 21,781 | (11) | 1,877 | 22,871 | 26,042 |
| Total Revenue | 56,584 | 2,384 | 27,546 | 30,660 | (11) | 3,796 | 84,119 | 36,840 |

1. Included in Other income is revenue earned from the provision of insurance products and private client capital markets in Wealth Management and carrying broker fees in Operations Clearing.

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

| | 2020 | | 2019 | |
|---|----------------|-----------------------|----------------|-----------------------|
| | Trading Assets | Securities Sold Short | Trading Assets | Securities Sold Short |
| Debt securities: | | | | |
| Canadian and U.S. federal government debt | 37,296 | 11,851 | 47,045 | 6,999 |
| Canadian provincial and municipal government debt | 10,688 | 590 | 6,275 | 3,109 |
| Corporate and other debt | 19,660 | 2,879 | 11,514 | 1,291 |
| Equity securities | 1,528 | — | 562 | — |
| Derivative financial instruments | 1,150 | — | 45 | — |
| | 70,322 | 15,320 | 65,441 | 11,399 |

As at December 31, 2020, debt securities have a weighted-average maturity of January 2022 (2019 – weighted-average maturity of January 2021) with a weighted-average yield of 0.55% (2019 – 1.85%). Certain securities owned have been pledged as collateral with central clearing organizations.

Note 6. Other Assets

| | 2020 | 2019 |
|----------------------------|--------|--------|
| Accounts receivable | 5,804 | 4,814 |
| Income taxes recoverable | — | 6,077 |
| Finance lease receivable | 1,284 | 2,127 |
| Prepaid deposits and other | 5,722 | 952 |
| | 12,810 | 13,970 |

Accounts receivable consist of interest, dividends, and rebate fees receivable. Impairment losses recognized on accounts receivable in accordance with IFRS 9 were nil in 2020 and 2019.

Note 7. Interests in Other Entities

Certain of the Company's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. Richardson Wealth and RF Securities are registered investment dealers subject to regulation primarily by IIROC. Sources of financial statement capital for IIROC regulatory capital purposes include unitholders' equity in addition to subordinated loans.

Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades and/or working capital requirements. Compliance with these requirements may require the Company 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, 2020 and 2019, all of the Company's subsidiaries were in compliance with their respective capital requirements.

The Company accounted for its equity investment in Richardson Wealth using the equity method. Preferred share investments in Richardson Wealth were measured at FVOCI. The following table details the Company's equity and non-equity investments in Richardson Wealth:

| | 2020 | 2019 |
|---|----------|---------|
| Equity investment as at January 1 | 51,758 | 47,848 |
| Additional investment | 1,947 | 4,381 |
| Common share dividends | (698) | (2,743) |
| Share of net income of associate | (2,365) | 2,272 |
| Gain on investment | 45,734 | — |
| Elimination of the equity investment upon consolidation | (96,376) | — |
| Equity investment as at December 31 | — | 51,758 |
| Preferred share investments: | | |
| Class B preferred shares | 30,422 | 30,422 |
| Special preference shares | 673 | 673 |
| Elimination of the non-equity investment upon consolidation | (31,095) | — |
| Total investment as at December 31 | — | 82,853 |

Note 8. Acquisition of Richardson Wealth

For accounting purposes, the fair value of the purchase consideration for the RGMP Transaction is assumed to be \$323,150 based on a closing price of the Company's common shares of \$1.93 per common share on October 20, 2020 and is calculated as follows:

| | |
|---|---------|
| Consideration Paid | |
| 100,518 common shares | 193,999 |
| Fair value of existing ownership interest – Richardson Wealth common shares | 96,376 |
| Fair value of existing ownership interest – Richardson Wealth preferred shares | 31,095 |
| Settlement of existing intercompany amounts | 1,680 |
| Purchase consideration | 323,150 |
| Net tangible assets acquired | 15,487 |
| Remaining purchase price to be allocated to goodwill and intangibles and deferred tax liability | 307,663 |

The fair value of the Company's existing ownership interest in Richardson Wealth common shares is assumed to be \$96,376 determined using 28,372,616 Richardson Wealth common shares at \$3.40 per common share resulting in a gain of \$45,734. The fair value of the Company's existing ownership interest in Richardson Wealth Class A preferred shares and Special Preference shares (Richardson Wealth preferred shares) is the redemption price of \$31,095. Settlement of pre-existing trade amounts of \$1,680 receivable from Richardson Wealth to the Company as at October 20, 2020 relates to the dividend receivable from Richardson Wealth.

The acquisition was accounted for as a business combination under the purchase method. The Company has a period of one year to complete the business combination accounting. The following table illustrates the preliminary fair values of identifiable assets and liabilities of Richardson Wealth as of October 20, 2020.

| | |
|--|----------|
| Cash and cash equivalents | 87,489 |
| Securities owned | 3,140 |
| Employee and other loans receivable | 35,871 |
| Other assets | 8,014 |
| Equipment and leasehold improvements | 12,207 |
| Right-of-use assets | 24,584 |
| Deferred tax assets | 24,458 |
| Obligations related to securities sold short | (20) |
| Payable to brokers | (3,366) |
| Lease liabilities | (24,584) |
| Accounts payable and accrued liabilities | (44,606) |
| Other liabilities | (10,278) |
| Preferred shares liability | (30,422) |
| Loans and promissory notes | (67,000) |
| Net tangible assets acquired | 15,487 |
| Goodwill | 163,971 |
| Intangible assets | 195,500 |
| Deferred tax liability | (51,808) |
| Purchase consideration | 323,150 |

If the acquisition has occurred on January 1, 2020, consolidated revenue and net income for the year ended December 31, 2020 would have been approximately \$286,778 and \$17,930 respectively.

Note 9. Discontinued Operation

On December 6, 2019, the Company completed the sale of substantially all of its capital markets business. 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.

In January 2019, the Company announced that it had completed the sale of the 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 operation for the years ended December 31, 2020 and 2019 and include both the sale of the capital markets business and the institutional fixed income trading operation:

| | 2020 | 2019 |
|---|-------|----------|
| Revenues | 1,361 | 59,465 |
| Expenses | 2,022 | 74,389 |
| Impairment Charge | — | 30,537 |
| Income (loss) before income taxes from discontinued operation | (661) | (45,461) |
| Income tax recovery | — | (6,013) |
| Income (loss) from discontinued operation | (661) | (39,448) |

Note 10. Securities Borrowed and Lent

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

| | Borrowed | | Lent | |
|-------------------------|------------------------------|---------------------|-----------------------------|-----------------|
| | Cash delivered as collateral | Securities borrowed | Cash received as collateral | Securities lent |
| As at December 31, 2020 | 69,836 | 68,342 | 157,428 | 152,750 |
| As at December 31, 2019 | 44,135 | 45,949 | 27,923 | 27,626 |

Note 11. Employee and Other Loans Receivable

| | 2020 | 2019 |
|-----------------------------------|--------|-------|
| Investment advisor loans | 58,470 | – |
| Transition agreement for retirees | 2,141 | – |
| Other loans | 6,864 | 1,903 |
| | 67,475 | 1,903 |

Investment advisor loans

Richardson Wealth advances interest-free funds to new investment advisors upon commencement of their employment. Upon the satisfaction of certain conditions over a pre-specified term, Richardson Wealth is obligated to i) pay cash bonuses to the investment advisors of an advance sufficient to repay 100% of the total loans or ii) the loan is forgiven over a pre-specified term on each applicable anniversary date. The Company records a reduction in the loan as compensation expense over the term of such loan. For the year ended December 31, 2020, the Company recorded compensation expense of \$3,222 (2019 – nil) and a corresponding reduction to loans outstanding.

Transition agreement for retirees

Richardson Wealth has a program for interested advisors to help facilitate the transition of the clients' assets under administration upon retirement. Richardson Wealth has agreed to provide a repayable loan to the successor investment advisors to assist in acquiring the book of business. The interest rates and terms vary with the individual circumstances.

Other loans

Other loans represent repayable financing loans and certain other advisor and employee loans.

Note 12. Equipment and Leasehold Improvements

| | Furniture and equipment | | Computer hardware | | Leasehold improvements | | Total | |
|---|-------------------------|---------|-------------------|---------|------------------------|---------|--------|----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Cost | | | | | | | | |
| Balance at January 1 | 54 | 1,634 | 130 | 4,546 | 1,169 | 8,853 | 1,353 | 15,033 |
| Assets acquired | 1,331 | – | 2,045 | – | 8,831 | – | 12,207 | – |
| Additions | 483 | 647 | 439 | 104 | 1,424 | 1,920 | 2,346 | 2,671 |
| Disposals and write-offs ¹ | (158) | (2,227) | (139) | (4,520) | (88) | (9,604) | (385) | (16,351) |
| Cost at December 31 | 1,710 | 54 | 2,475 | 130 | 11,336 | 1,169 | 15,521 | 1,353 |
| Accumulated depreciation | | | | | | | | |
| Balance at January 1 | 16 | 616 | 68 | 4,154 | 905 | 7,582 | 989 | 12,352 |
| Depreciation | 72 | 169 | 173 | 349 | 1,085 | 155 | 1,330 | 673 |
| Disposals and write-offs ¹ | (158) | (769) | (139) | (4,435) | (88) | (6,832) | (385) | (12,036) |
| Accumulated depreciation at December 31 | (70) | 16 | 102 | 68 | 1,902 | 905 | 1,934 | 989 |
| Net book value at December 31 | 1,780 | 38 | 2,373 | 62 | 9,434 | 264 | 13,587 | 364 |

1. Includes write-offs in connection with the sale of the capital markets business and institutional fixed income trading operation, refer to Note 9.

Note 13. Right-of-Use Assets

| | |
|-------------------------------------|---------------|
| Balance, January 1, 2019 | 2,345 |
| Additions of right-of-use assets | — |
| Depreciation of right-of-use assets | (873) |
| Balance, December 31, 2019 | 1,472 |
| Additions of right-of-use assets | 24,584 |
| Depreciation of right-of-use assets | (1,822) |
| Balance, December 31, 2020 | 24,234 |

The Company depreciates the right-of-use assets related to office space on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Note 14. Goodwill and Intangible Assets

| | Goodwill | | Intangibles | | Application software | | Total | |
|--|----------|---------|-------------|------|----------------------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Cost | | | | | | | | |
| Balance at January 1 | — | 105,421 | — | — | — | 2,631 | — | 108,052 |
| Assets acquired | 163,971 | — | 195,500 | — | — | 18 | 359,471 | 18 |
| Additions | — | — | — | — | — | — | — | — |
| Disposals | — | — | — | — | — | (2,649) | — | (2,649) |
| Cost at December 31 | 163,971 | 105,421 | 195,500 | — | — | — | 359,471 | 105,421 |
| Accumulated amortization and impairment | | | | | | | | |
| Balance at January 1 | — | 55,785 | — | — | — | 2,585 | — | 58,370 |
| Amortization | — | — | 2,590 | — | — | 46 | 2,590 | 46 |
| Impairments | — | 28,541 | — | — | — | (2,631) | — | 25,910 |
| Disposals | — | — | — | — | — | — | — | — |
| Goodwill allocated to sale | — | 21,095 | — | — | — | — | — | 21,095 |
| Accumulated amortization and impairment at December 31 | — | 105,421 | 2,590 | — | — | — | 2,590 | 105,421 |
| Net book value at December 31 | 163,971 | — | 192,910 | — | — | — | 356,881 | — |

Goodwill and intangible assets, which include \$195,000 in customer relationships and \$500 in brand were acquired through the acquisition of Richardson Wealth.

Goodwill is tested for impairment annually on December 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, the Company considers factors such as revenue performance compared with forecast and the relationship between the Company's market capitalization and its book value. An impairment test was performed as at December 31, 2020. An impairment is required if

the recoverable amount of the Company, 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 December 31, 2020 impairment test, the estimated recoverable amount of the Company 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 no reduction of the carrying amount of goodwill.

Note 15. Related Party Transactions and Balances

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

- a. associate or entities that are controlled or significantly influenced by the Company including subsidiaries of associate; and
- b. key management personnel, including those entities that are controlled (directly or indirectly) by key management personnel.

Related Party Balances

Outstanding related party balances were nil as at December 31, 2020. In the prior year, there was a balance due to associate of \$10,310.

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

| | Associate | | Key Management | | Total | |
|-----------------|-----------|--------|----------------|------|-------|--------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | | | |
| Interest income | — | — | 3 | 83 | 3 | 83 |
| Other income | 9,999 | 11,293 | — | — | 9,999 | 11,293 |

Associate

Accounts payable and accrued liabilities as at December 31, 2019 included outstanding current obligations to Richardson Wealth representing cash held by RF Securities in its role as carrying broker, which relates primarily to revenue earned by Richardson Wealth. The balance is nil as at December 31, 2020 due to the RGMP Transaction.

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 Wealth. During 2020, other income also includes \$1,680 (2019 – \$2,414) in dividends on the Company's preferred share investments in Richardson Wealth.

Key Management Personnel

Key management personnel consist of the Board of Directors and officers of the Company and other persons having authority and responsibility for planning, directing and controlling the activities of the Company. Receivables from clients of \$36 (2019 – nil) and payables to clients of \$611 (2019 – nil) represent outstanding transactions where the Company 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 the Company. Interest on margin loans is based on terms and conditions applicable to all clients.

Key management personnel compensation for services rendered is as follows:

| | 2020 | 2019 |
|---------------------------------------|-------|--------|
| Fixed salaries and benefits | 2,415 | 2,264 |
| Retirement allowance | — | 13,889 |
| Variable incentive-based compensation | 3,832 | 6,627 |
| Share-based compensation | 6 | 405 |
| Directors fees | 832 | 874 |
| | 7,085 | 24,059 |

Note 16. Credit Facilities

The Company borrows money primarily to facilitate the securities settlement process for both client and proprietary transactions. As at December 31, 2020, the Company has credit facilities with Schedule I Canadian chartered banks of \$651,831 (2019 – \$707,535). 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. At December 31, 2020, and 2019, the Company had no amounts outstanding under any of these facilities.

Note 17. Other Liabilities

| | 2020 | 2019 |
|--------------------------------------|--------|--------|
| Restructuring and legal provision | 19,410 | 19,768 |
| Performance incentive plan liability | 1,349 | — |
| Income taxes payable | 686 | — |
| Other | 77 | 244 |
| | 21,522 | 20,012 |

Note 18. Promissory Note Receivable and Liability

In connection with the Company's acquisition of FirstEnergy Capital Corp. (FirstEnergy) in 2016, the Company 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, 2020, the Company paid down \$777 of principal on the promissory note (2019 — \$6,844) and recorded accretion expenses of nil (2019 — \$1,581).

Promissory note receivable represents a receivable from Stifel for the promissory notes held by former FirstEnergy shareholders in the UK.

Note 19. Income Tax

The components of income tax expense for 2020 and 2019, are as follows:

| | 2020 | 2019 |
|---|-------|-------|
| Current tax expense | | |
| Current year | 667 | 1,934 |
| Adjustments for prior years | 815 | 59 |
| Total current tax expense | 1,482 | 1,993 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 1,247 | 4,817 |
| Total income tax expense | 2,729 | 6,810 |

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:

| | 2020 | | 2019 | |
|---|----------|---------|----------|-------|
| | Amount | Rate | Amount | Rate |
| Income tax expense of continuing operations at the combined Canadian federal and provincial statutory tax rate | 8,516 | 26.5% | 4,825 | 26.5% |
| Income tax (recovery) of discontinued operations at the combined Canadian federal and provincial statutory tax rate | (175) | 26.5% | (18,675) | 26.5% |
| Increase (decrease) in income tax expense (recovery) due to: | | | | |
| Non-deductible expenses | 1,978 | 23.7 | 4,324 | (8.3) |
| Non-taxable income | (16,879) | (202.4) | (729) | 1.4 |
| Tax losses and other temporary differences not recognized | 6,187 | 74.2 | 3,418 | (6.5) |
| Adjustment for prior years | 815 | 9.8 | 59 | (0.1) |
| Derecognition of previously recognized tax assets | — | — | 5,035 | (0.1) |
| Rate difference in subsidiaries | 230 | — | 798 | (1.5) |
| Part VI.1 Taxes | 1,626 | 23.2 | 1,757 | (3.4) |
| Other | 431 | 52.9 | (15) | — |
| Income tax expense and effective rate | 2,729 | 0.3 | 797 | (1.6) |
| Income tax (recovery) on discontinued operation | — | | (6,013) | |
| Income tax expense on continuing operations | 2,729 | | 6,810 | |

The major components of the Company's deferred tax assets and liabilities are as follows:

| | 2020 | 2019 |
|--------------------------------------|---------|------|
| Deferred tax assets | | |
| Deductible temporary differences: | | |
| Non-capital losses | 17,756 | — |
| Lease liability | 5,651 | — |
| Deferred compensation arrangements | 2,035 | — |
| Equipment and leasehold improvements | 1,752 | — |
| Leasehold inducements | 182 | — |
| Other | 265 | — |
| Right-of-use assets | (5,117) | — |
| Deferred tax assets | 22,524 | — |
| Deferred tax liabilities | | |
| Taxable temporary differences: | | |
| Intangible assets | 51,121 | — |
| Deferred tax liabilities | 51,121 | — |

The Company initially recorded a deferred tax liability of \$51,808 on intangible assets acquired with the business combination of Richardson Wealth (refer to note 8).

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

| | 2020 | 2019 |
|---|---------|---------|
| Non-capital losses | 44,158 | 36,276 |
| Capital losses | 54,305 | 54,305 |
| Compensation and benefits | 668 | 9,789 |
| Equipment and leasehold improvements | 1,107 | 4,417 |
| Right-of-use asset and liability | 1,428 | 2,459 |
| Other | 1,193 | 800 |
| Total losses and other temporary differences not recognized | 102,859 | 108,046 |

Note 20. Share Capital

The Company 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. The Company 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 the Company prior to issue.

a. Common Shares

As of the closing of the RGMP Transaction, 90% of the 100,518 common shares issued for the RGMP Transaction were placed in escrow (the Escrowed Shares) to be released, subject to the satisfaction of certain conditions, in equal amounts on the first, second and third anniversaries of the closing of the RGMP Transaction.

b. Preferred Shares

Issued and outstanding are 3,565 cumulative 5-Year Rate Reset Preferred Shares, Series B (the Series B Preferred Shares) and 1,035 Cumulative Floating Rate Preferred Shares, Series C (the 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 the Company, 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 the Company'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 the Company'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 the Company, 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.

c. Dividends

Common Share Dividends

The Company declared the following common share dividends during the year ended December 31, 2020:

| Record date | Payment date | Cash dividend per common share | Total dividend amount |
|----------------|----------------|--------------------------------|-----------------------|
| March 16, 2020 | March 31, 2020 | 0.025 | 1,886 |

On April 29, 2020, in response to the disruption caused by COVID-19, the Company's Board of Directors decided to temporarily suspend the Company's quarterly common shares cash dividend.

Preferred Share Dividends

The Company declared the following Preferred Share dividends during the year ended December 31, 2020:

| Record date | Payment date | Cash dividend per Series B Preferred Share | Cash dividend per Series C Preferred Share | Total dividend amount |
|-------------------|-------------------|--|--|-----------------------|
| March 16, 2020 | March 31, 2020 | 0.2257 | 0.282800 | 1,097 |
| June 15, 2020 | June 30, 2020 | 0.2257 | 0.272005 | 1,086 |
| October 30, 2020 | November 16, 2020 | 0.2257 | 0.193803 | 1,005 |
| December 15, 2020 | December 31, 2020 | 0.2257 | 0.190410 | 1,002 |
| Total | | | | 4,190 |

On March 4, 2021, the Board of Directors approved a cash dividend of \$0.2257 per Series B Preferred Share and \$0.181788 per Series C Preferred Share payable on March 31, 2021, to preferred shareholders of record on March 15, 2021.

d. Share Repurchases and Forfeitures

During 2020, the Company purchased for cancellation 16,529 common shares under the substantial issuer bid at an offer price of \$2.42 per share for a total cost of \$40,000. The difference between the offer price and carrying amount of the shares of \$9,178 was recorded as a reduction to accumulated deficit.

During 2020, 43 common shares (2019 – 12) that were issued under an escrow share plan were forfeited and cancelled for a share capital reduction of \$216 (2019 – \$59).

e. Share Incentive Plan (SIP)

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

During the year ended December 31, 2020, the SIP Trust did not purchase any common shares.

A summary of the status of the SIP Trust as at December 31, 2020, and the changes during the year then ended is as follows:

| | Number of common shares (thousands) |
|-----------------------------------|-------------------------------------|
| Balance, December 31, 2019 | 1,272 |
| Acquired – Granted | – |
| Acquired – Dividends | – |
| Released on Vesting | – |
| Activity during the year | – |
| Balance, December 31, 2020 | 1,272 |

Note 21. Share Options and Deferred Share-Based Awards

a. Share Options

Under the Company's common share option plan (the Share Option Plan), the Company may grant options to acquire up to 10% of the issued and outstanding common shares of the Company to directors,

officers, employees and service providers of the Company 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 the Company'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, 2020, and 2019, and the changes during the years then ended is as follows:

| | Number of common share options (thousands) | Weighted-average exercise price |
|-----------------------------------|--|---------------------------------|
| Balance, December 31, 2018 | 1,684 | 7.02 |
| Forfeitures | (931) | 7.30 |
| Balance, December 31, 2019 | 753 | 6.67 |
| Granted | 110 | 1.71 |
| Forfeitures | (488) | 6.53 |
| Balance, December 31, 2020 | 375 | 5.40 |

Common share options outstanding and vested under the Share Option Plan as at December 31, 2020, are as follows:

| Range of exercise prices | Number outstanding (thousands) | Weighted-average exercise price | Weighted-average remaining contractual life | Number vested |
|----------------------------|--------------------------------|---------------------------------|---|---------------|
| 1.62–1.80 | 110 | 1.71 | 6.95 | – |
| 6.00 | 110 | 6.00 | 0.87 | 110 |
| 7.60 | 155 | 7.60 | 0.25 | 155 |
| Balance, December 31, 2020 | 375 | | | 265 |

As at December 31, 2020, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 0.24% (December 31, 2019 – 1.00%).

For the year ended December 31, 2020, the Company recorded \$1 (2019 – nil) in share-based compensation expense relating to the Share Option Plan with a corresponding increase to contributed surplus.

The weighted-average fair value of the options granted and principal assumptions applied for options granted during 2020 are as follows:

| | |
|---|---------|
| Weighted average fair value | \$ 0.53 |
| Weighted average of key assumptions: | |
| Common share price on grant date | \$ 1.71 |
| Exercise price | \$ 1.71 |
| Risk-free interest rate ¹ | 0.35% |
| Dividend yield ² | — |
| Expected volatility ³ | 39.67% |
| Expected option life (years) ⁴ | 4.00 |

1. Determined using the yield on Government of Canada benchmark bonds with a remaining term equal to the expected option life.

2. Based on the annual dividend yield on the date of grant.

3. Estimated by considering historic average share price volatility.

4. Estimated based upon historical data for the holding period of options between the grant and exercise dates, together with the assumption that a certain percentage of options will lapse due to forfeitures.

b. Deferred Share-Based Awards

Share Incentive Plan

The Company 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 the Company for significant performance. Pursuant to the terms of the SIP, the Company 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 the Company'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 the Company'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, 2020, was \$95 (2019 – nil). The compensation expense relating to the RSUs recorded during the year was \$6 (December 31, 2019 – \$2,847).

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 Company did not award any PSUs to Participants in 2020 or 2019 and did not incur any compensation expense in 2020 or 2019.

A summary of the status of the Company's Share Incentive Plan as at December 31, 2020, and the changes during the year then ended is as follows:

| | Number of RSUs |
|-----------------------------------|-------------------|
| Balance, December 31, 2019 | 794 |
| Dividends credited | 9 |
| Granted | 55 |
| Vested | (30) |
| Forfeited | (315) |
| Balance, December 31, 2020 | 513 |

Note 22. Provisions, Contingencies and Commitments

a. Provisions

The Company 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. The Company assesses the adequacy of its provisions, if any, at each reporting period. A summary of the Company's provisions as at December 31, 2020, and 2019 and the changes during the years are as follows:

| | Restructuring and Legal Provisions | Onerous Contracts | Total Provisions |
|-----------------------------------|--|----------------------|---------------------|
| 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 |
| Liability acquired | 9,411 | – | 9,411 |
| Additions | 322 | – | 322 |
| Payments | (10,091) | (225) | (10,316) |
| Balance, December 31, 2020 | 19,410 | 186 | 19,596 |

The Company added a legal provision of \$9,411 which was acquired as part of the RGMP Transaction.

b. Contingent Liabilities

The Company in the normal course of business is involved in legal proceedings, including regulatory reviews. Legal provisions that are assumed as part of a business acquisition are recorded by the Company at fair value if there is a present obligation for a past event that can be reliably measured even if it is not probable that the Company will incur a loss. Management and the Company'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, the Company does not expect that the outcome of any of these matters, individually or in the aggregate, would have a material adverse effect on the Company's financial position or results of operations. The company estimates the aggregate range of reasonably possible losses (RPL) in its legal actions based on considering scenarios which are neither probable nor remote. As at December 31, 2020, the Company's RPL inclusive of provisions in relation to legal and restructuring matters is estimated to be from \$15,817 to approximately \$21,807. The Company's provisions and RPL represent the best estimates based upon currently available information for actions for which estimates can be made, but there are a number of factors that could cause the Company's provisions and/or RPL to be significantly different from its actual or RPL.

Prior to the sale of its capital market business on December 6, 2019, the Company provided financial advisory, underwriting and other services to, and trading of 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. Commitments

The Company has entered into lease agreements for office premises and equipment for periods up to December 31, 2037. Aggregate future minimum annual payments for the fiscal years ended December 31 are as follows:

| | 2020 | 2019 |
|----------------------|--------|-------|
| Less than 1 year | 8,549 | 713 |
| 1–5 years | 23,661 | 696 |
| Greater than 5 years | 48,849 | – |
| | 81,059 | 1,409 |

Note 23. Financial Guarantees

RF Securities as required by IIROC has executed a full cross guarantee arrangement with Richardson Wealth which stipulates that, in the event of default, RF Securities guarantees Richardson Wealth's outstanding obligations to clients up to RF Securities' risk-adjusted capital, as prescribed by IIROC. In return, Richardson Wealth has guaranteed RF Securities' obligations to clients, in the event of default, up to Richardson Wealth's risk-adjusted capital. 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 the Company'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 the Company or its subsidiaries.

Note 24. Other Income

| | 2020 | 2019 |
|--|--------|--------|
| Brokerage services | 11,101 | 8,879 |
| Preferred dividend from associate ¹ | 1,681 | 2,414 |
| Foreign exchange | 3,584 | 2,879 |
| Other ² | 4,907 | – |
| | 21,273 | 14,172 |

1. Reflects preferred share dividends received from Richardson Wealth prior to the RGMP transaction.

2. Included in Other is insurance and private client capital markets and certain other income.

Note 25. Net Income (Loss) Per Common Share

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

| | 2020 | 2019 |
|--|----------------|------------------|
| Net income (loss) from continuing operations | 29,408 | (13,710) |
| Less: Dividends on Series B Preferred Shares | (3,220) | (3,220) |
| Less: Dividends on Series C Preferred Shares | (970) | (1,181) |
| Net income (loss) attributable to common shareholders from continuing operations | 25,218 | (18,111) |
| Net (loss) from discontinued operation | (661) | (39,448) |
| Net income (loss) attributable to common shareholders | 24,557 | (57,559) |
| Weighted-average number of common shares outstanding | | |
| Basic | | |
| Common shares | 93,798 | 75,446 |
| Common shares pledged | (378) | (35) |
| Common shares held by the SIP Trust | (1,272) | (2,725) |
| Contingently returnable common shares awarded to employees | (19,128) | (2,898) |
| | 73,020 | 69,788 |
| Diluted | | |
| Dilutive effect of common shares pledged | 378 | 35 |
| Dilutive effect of shares held by the SIP Trust | 1,272 | 2,725 |
| Dilutive effect of contingently returnable common shares awarded to employees | 19,128 | 2,898 |
| | 93,798 | 75,446 |
| Net income (loss) per common share – Basic | | |
| Continuing operations | \$ 0.35 | \$ (0.26) |
| Discontinued operation | \$ (0.01) | \$ (0.56) |
| Total | \$ 0.34 | \$ (0.82) |
| Net income (loss) per common share – Diluted¹ | | |
| Continuing operations | \$ 0.27 | \$ (0.26) |
| Discontinued operation | \$ (0.01) | \$ (0.56) |
| Total | \$ 0.26 | \$ (0.82) |

1. In the case of a net loss, the impact of the shares pledged 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.

Note 26. 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 an internal model that uses 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 the Company's financial assets and liabilities carried at fair value:

| As at December 31, 2020 | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---------------|---------------|--------------|------------------|
| Financial assets | | | | |
| Securities owned | | | | |
| Debt securities | | | | |
| Canadian and U.S. federal government debt | 35,481 | 1,815 | — | 37,296 |
| Provincial and municipal government debt | — | 10,688 | — | 10,688 |
| Corporate and other debt | — | 19,660 | — | 19,660 |
| Equity securities | 1,528 | — | — | 1,528 |
| Derivative financial assets | — | — | 1,150 | 1,150 |
| Financial assets at fair value through profit or loss | 37,009 | 32,163 | 1,150 | 70,322 |
| Financial assets at fair value through other comprehensive income | — | — | — | — |
| Financial assets carried at fair value | 37,009 | 32,163 | 1,150 | 70,322 |
| Financial liabilities | | | | |
| Obligations related to securities sold short | | | | |
| Debt securities | | | | |
| Canadian and U.S. federal government debt | 90 | 11,761 | — | 11,851 |
| Provincial and municipal government debt | — | 590 | — | 590 |
| Corporate and other debt | — | 2,879 | — | 2,879 |
| Financial liabilities at fair value through profit or loss | 90 | 15,230 | — | 15,320 |
| Financial liabilities carried at fair value | 90 | 15,230 | — | 15,320 |

| 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 and other debt | — | 11,514 | — | 11,514 |
| Equity securities | 518 | 44 | — | 562 |
| Derivative financial assets | — | — | 45 | 45 |
| Financial assets at fair value through profit or loss | 45,913 | 19,483 | 45 | 65,441 |
| Preferred share investments in associate | | | | |
| Investments in associate | | | | |
| Class B preferred shares | — | — | 30,422 | 30,422 |
| Special preference shares | — | — | 673 | 673 |
| Financial assets at fair value through other comprehensive income | — | — | 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 and other debt | — | 1,291 | — | 1,291 |
| Financial liabilities at fair value through profit or loss | — | 11,399 | — | 11,399 |
| Financial liabilities carried at fair value | — | 11,399 | — | 11,399 |

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 on broker warrants | (46) |
| Sale and redemptions | (5,538) |
| Balance, December 31, 2019 | 31,140 |
| Net unrealized gain before income taxes on broker warrants | 1,150 |
| Sales and redemptions | (45) |
| Elimination of Richardson Wealth preference shares | (31,095) |
| Balance, December 31, 2020 | 1,150 |

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, the Company 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. The Company incurs fair value risk through its trading positions and portfolio of securities owned.

Fair Value Sensitivity Analysis

The following tables include the Company's significant financial instruments recorded on the consolidated balance sheets as at December 31, 2020, and 2019, at fair value and demonstrates the sensitivity of the Company's net income and OCI, to reasonable changes in fair value of those instruments.

| As at December 31, 2020 | 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 securities sold short | 55,002 | 4,043 | (4,043) |
| 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 securities sold short | 54,042 | 3,972 | (3,972) |

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. The Company 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, interest earned on loans provided to certain Richardson Wealth

employees.

All cash and cash equivalent balances mature within three months. 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 the Company's clients. The Company's loans provided to

certain Richardson Wealth employees currently bear interest at the prime rate of interest plus 2.5%.

Interest Rate Sensitivity Analysis

The tables below provide the potential impact of an immediate and sustained 100 basis point (bp) increase or 100bp decrease in interest rates on net income applied to the balances outstanding at December 31, 2020, and 2019. The analysis assumes that all other variables remain constant.

| As at December 31, 2020 | 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 | 556,245 | 4,088 | (4,088) |
| Securities owned, net of securities sold short | 55,002 | 404 | (404) |
| Funds deposited in trust | 409,648 | 3,011 | (3,011) |
| Employee and other loans receivable | 67,475 | 496 | (496) |
| Receivable from clients | 455,166 | 3,345 | (3,345) |
| Securities borrowing and lending, net | (87,592) | (644) | 644 |
| Payable to clients | (1,183,572) | (8,699) | 8,699 |
| Promissory note | (14,826) | (109) | 109 |

| 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 |

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. The Company incurs currency risk primarily on its net investments in foreign subsidiaries which conduct their activities primarily in their respective local currency. The Company does not undertake any hedging of its net investments in foreign subsidiaries. The Company also incurs

currency risk on financial instruments held by the operating subsidiaries of the Company denominated in currencies other than their functional currency, which includes cash and cash equivalents, client account cash balances and broker receivables and payables.

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, 2020, and 2019. The analysis assumes that all other variables remain constant.

| As at December 31, 2020 | Effect of a 10% strengthening in foreign exchange rates on net income | Effect of a 10% weakening in foreign exchange rates on net income |
|-------------------------|---|---|
| British pound sterling | 5 | (5) |
| Euro | (7) | 7 |
| Australian dollar | 10 | (10) |
| United States dollar | 1,125 | (1,125) |

| 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 |
|-------------------------|---|---|
| British pound sterling | 3 | (3) |
| United States dollar | 423 | (423) |

Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company 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 the Company arises when the Company extends credit to clients of its introducing brokers, Richardson Wealth 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. The Company 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 the Company is unable to recover sufficient value from the collateral held. The Company 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 the Company'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, the Company 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 the Company prescribe the level of approval and the amount of credit exposure the Company may assume to a counterparty taking into account collateral or other credit risk mitigants where applicable. The Company has not incurred any material loss arising from a counterparty default in 2020. As at December 31, 2020, the Company has an allowance for credit losses of nil (2019 – 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 the Company's consolidated balance sheets as at December 31, 2020, and 2019.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Management oversees the Company'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 the Company's obligations and when they are expected to become due.

| | Carrying value | Expected term to maturity |
|--|----------------|---------------------------|
| Payable to clients | 1,123,894 | Due on demand |
| Payable to brokers | 107,325 | Due within one month |
| Due to issuers | 1,114 | Due on demand |
| Accounts payable and accrued liabilities | 44,655 | Due within three months |
| Long-term debt | 67,000 | Due within one year |
| Promissory note | 14,826 | Due within one year |
| | 1,358,814 | |

The Company 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. The Company 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 the Company's overall cash management practices to address liquidity risk. There has been

no change to the Company's cash management practices during fiscal 2020. The Company'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

The Company requires capital to fund existing and future operations, future dividends and regulatory capital requirements. The liquidity of the Company's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. The Company's policy is to maintain sufficient and appropriate levels of capital through a variety of sources including credit facilities as discussed in Note 16.

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

| | 2020 | 2019 |
|-----------------------------|-----------|-----------|
| Common shares | 470,415 | 325,810 |
| Preferred shares | 112,263 | 112,263 |
| Deferred share-based awards | — | (5,525) |
| Contributed surplus | 39,976 | 45,273 |
| Accumulated deficit | (260,621) | (283,248) |
| | 362,033 | 194,573 |

Note 27. Debt

| | 2020 | 2019 |
|--|--------|------|
| Syndicate of schedule I and II chartered banks | 67,000 | — |
| Richardson Financial preferred shares | 30,422 | — |
| | 97,422 | — |

Note 28. Segmented Information

Wealth Management

The Wealth Management segment consists of Richardson Wealth. Prior to October 20, 2020, Richardson Wealth was accounted for using the equity method and included dividend revenue recognized by the Company on its investment in Richardson Wealth Preference Shares. As at and after October 20, 2020, Richardson Wealth activity is fully consolidated by the Company.

Operations Clearing

The Operations Clearing segment includes carrying broker and other administrative support services provided to Richardson Wealth and Stifel. This segment also includes the Company's securities borrowing and lending business.

Corporate

The Corporate segment is primarily comprised of corporate functions and public company costs and investment banking revenues in certain jurisdictions that were not acquired in connection with the sale of the capital markets business. Amortization of intangibles acquired as a result of the RGMP Transaction is included in the Corporate segment.

The following table presents selected financial results of continuing operations by segment for the years ended December 31, 2020, and 2019:

| | Wealth Management | | Operations Clearing | | Corporate | | Total | |
|--|-------------------|-------|---------------------|---------|-----------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue | 56,584 | 2,384 | 27,546 | 32,031 | (11) | 2,425 | 84,119 | 36,840 |
| Expenses | | | | | | | | |
| Variable advisor compensation | 23,726 | — | — | — | — | — | 23,726 | — |
| Advisor loan amortization | 3,490 | — | — | — | — | — | 3,490 | — |
| Employee compensation and benefits | 12,469 | — | 6,381 | 6,921 | 4,824 | 7,320 | 23,674 | 14,241 |
| Selling, general and administrative | 9,595 | 61 | 10,386 | 12,015 | 3,458 | 3,363 | 23,439 | 15,439 |
| Acquisition costs | — | — | — | — | 6,664 | 1,077 | 6,664 | 1,077 |
| Interest | 886 | — | 7,003 | 13,716 | 727 | (11) | 8,616 | 13,705 |
| Depreciation and amortization ¹ | 2,608 | — | 541 | 1,557 | 2,593 | (7) | 5,742 | 1,550 |
| | 52,774 | 61 | 24,311 | 34,209 | 18,266 | 11,742 | 95,351 | 46,012 |
| Gain on investment in associate | — | — | — | — | 45,734 | — | 45,734 | — |
| Share of net income (loss) of associate | (2,365) | 2,272 | — | — | — | — | (2,365) | 2,272 |
| Income (loss) before income taxes | 1,445 | 4,595 | 3,235 | (2,178) | 27,457 | (9,317) | 32,137 | (6,900) |

1. Amortization of \$2,593 in the Corporate segment is primarily related to the customer relationship and brand intangible assets acquired as part of the RGMP Transaction.

Note 29. Net Change in Non-Cash Operating Items

| | 2020 | 2019 |
|--|-----------|-----------|
| Securities owned | (1,741) | 44,951 |
| Receivable from clients and brokers | (259,488) | 168,445 |
| Employee and other loans receivable | (33,191) | 505 |
| Other assets | (51,921) | 78,693 |
| Obligations related to securities sold short | 3,901 | 268 |
| Payable to clients, brokers and issuers | 363,515 | (255,024) |
| Accounts payable and accrued liabilities and other liabilities | (10,210) | 4,547 |
| | 10,865 | 42,385 |

Note 30. Update on COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, which resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures caused material disruption to businesses globally and led to considerable stress in global equity markets in the early days of the

pandemic. Equity markets recovered quickly and significantly from their initial lows in March and ended the year in positive territory. The duration and impact of the COVID-19 outbreak is currently unknown, and the strength of the ultimate economic recovery will depend on the speed at which a vaccine can be administered on a mass scale. It is not possible to reliably estimate the trajectory of the recovery or the impact on the financial results and condition of the Company in future periods.

Shareholder Information

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Regulatory Filings

Canadian Securities Administrators
Website: sedar.com

Independent Auditors

Ernst & Young LLP

Legal Counsel

Goodmans LLP

Fiscal Year-End

December 31

Virtual Annual and Special Meeting of Common Shareholders

May 26, 2021, at 10 a.m. (EST)

Stock Exchange Listings

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

Website

rfcapgroup.com

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Commitment for the long term.

In preparing for an exciting new future we opened new offices in Vancouver, Edmonton and Charlottetown. We are moving into our soon-to-be constructed marquee Toronto waterfront location in 2023. Our new Toronto location will meet the highest standards in environmental sustainability, and its design will support collaboration, connection, and idea exchange which best represent the future of work.



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