RICHARDSON Wealth

GAME CHANGERS

RF CAPITAL ANNUAL REPORT 2021

Advisors are our Clients

Gamechanging Thinking Gamechanging Results

A Message from the

PRESIDENT & CEO

We did not embark on a transformational journey to merely play the game. We set out to CHANGE IT.

KISH KAPOOR

Fellow Shareholders,

Gamechanging takes courage, bravery and risk. But gamechanging is not a gamble, it's a strategic mindset — an understanding that no matter how daunting the challenge, it is possible. It's also a belief that mighty is not size, it's behaviour. And when you step up, step forward, with accelerated pace, people take stock. We're getting attention: our rivals are watching closely and now, those who didn't even know Richardson Wealth was coming up from behind, are looking over their shoulders. **That's because we're CHANGING the game.**

Our playbook is disruptive. We have an informed, well-developed, and clearly articulated multi-dimensional strategy. We are unapologetically bold and audacious. We are singularly focused on our entrepreneurial advisors, who are our clients. We do all we can to help them serve *their* clients — as only they know best. We are taking equity, diversity and inclusion to another level. And our story — the Richardson legacy, is unique. It is Canada's success story that now spans seven generations.

Record Results

AUA[1]	Fee-Based Revenue	Recruiting Pipeline[2]	Net New and Recruited AUA[3]	Average Household AUA
$36.8B	**$243MM**	**$16B**	**$3.4B**	**$1.1MM**
Up $6B from 2020	Up 17% from 2020	Strongest ever	Up from $2.6B in 2020	All-time high

1. Assets under administration (AUA) is a measure of client assets and is common to the wealth management business. AUA represents the market value of client assets managed and administered by us from which we earn commissions and fees.
2. Represents conversations with advisors that have advanced beyond a certain probability threshold, and is a measure that management uses to assess outside advisors' interest in Richardson Wealth. We expect to convert only a portion of this pipeline.
3. Represents organic growth in AUA from existing advisors, excluding market appreciation, in addition to AUA from advisors recruited to the Company

A **gamechanger** alters the way things are done to spark change. They seek innovative strategies that open up new avenues of economic and financial growth, often **transforming** their entire image. Being part of a gamechanging company means creating **innovative** new paths to change the status quo. Becoming a gamechanger requires time, determination and the ability to ride out any uncertainty or adversity.

Playing to Win

Looking back, we've had a remarkable year of success. Our advisors posted career records. We attracted more advisors than we have since 2016. We inspired accomplished industry leaders to join our board and management team. And together with Boston Consulting Group, we worked tirelessly to help position Richardson Wealth to compete and win in a multi-trillion dollar industry that is expected to almost double in the next five years.

We have purposeful ambition and a bold growth strategy to triple assets under administration, triple revenue, and more than triple adjusted EBITDA within five years.

Aspirational Growth

	FROM	TO
AUA[1,2]	$30B	$100B
Revenue[3]	$300MM	$1B
ADJ. EBITDA[3,4]	$50MM	$200-300MM

It's an exciting time to be at Richardson Wealth

Although a formidable task, we motivated an entire organization to believe in our vision to become the brand of choice for Canada's top advisors and their clients. And we defined dramatic plays to make it happen with our three-pillar strategy:

- Double down on support for advisors
- Supercharge recruiting
- Acquire or partner with like-minded firms

And **double down** we did. We moved quickly to make gamechanging investments through strategic relationships with two of the industry's leading digital solutions giants — Envestnet and Fidelity Clearing Canada. And we launched transformative practice management programs for our advisors to do better here than anywhere else.


Advisor Concierge


Action Desk


Succession Planning


Richardson Wealth Masterclass


Richardson Wealth University

We hosted our first ever Virtual Conference to an unprecedented audience of 800 featuring dozens of gamechanging advisors who shared their trailblazing ideas. And we celebrated the success of our top advisors at our in-person Partners Roundtable in Charlevoix, Quebec, in the fall.

1. AUA is a measure of client assets and is common to the wealth management business. It represents the market value of client assets managed and administered by us from which we earn commissions and fees.
2. Q1 2021.
3. Annualized Q1 2021.
4. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section in the 2021 Annual MD&A.

Redefining Courage

Ukrainians have redefined the words “courage” and “resiliency.” President Zelensky has given fierce new meaning to “leadership.” Through the bravery of this country, we are starkly reminded that the will of a free people should never be underestimated. We pray for a swift and peaceful resolution – for Ukraine, and for humanity.

Our private client capital markets group strengthened and deepened our relationship with Cormark, driving a 58% increase in the number of deals introduced to our advisors.

We **supercharged recruiting** by investing in a four-person Corporate Development team who have done outstanding work in attracting advisors to our firm and building a recruiting pipeline that today stands at almost $18 billion.

Beyond this we secured a $200 million revolving credit facility giving us leverage when we need it for investing in our platform, recruiting, or acquisitions in the future.

You can read about these and many other ground-breaking initiatives throughout our Annual Report including in our Management Discussion & Analysis.

Keeping Score

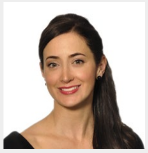
Early results show that our investments are in a winning position:

- AUA reached an all-time high of $36.8 billion, up $6.0 billion or 19% from a year ago, with net new and recruited assets accounting for roughly half that increase
- Recurring fee-based revenue was $243 million, up $34 million or 17% from 2020
- Commission revenue also increased 28% over the same period
- Our partnership with Cormark and strong industry-wide origination activity, particularly in the first half of 2021, drove a 70% increase in new issue commissions
- Our operating margins grew from 14.7% to 17.8% over the same period
- Our adjusted operating expense ratio[1] declined from 73.8% to 67.7%, helped by our focus on cost control

These strong results contributed to a noteworthy 44% increase in Richardson Wealth’s Adjusted EBITDA[2] to $57 million.

1. Calculated as adjusted operating expenses divided by gross margin at Richardson Wealth. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
2. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the “Presentation of Financial Information and Non-GAAP Measures” section in the 2021 Annual MD&A.

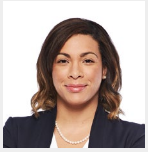
Preparing the next generation of leaders



Natalie Bisset
Corporate Development

Julie Burnham
Strategic Communications

Mike Ankers
Advisor Experience and Growth



Kerri-Ann Clare Sylvestre
Capital Markets, ECM

Scott Stennett
Technology and Operations

Lynne Brejak
Human Resources

This is how confident we are in our future. The single largest investment we made was **modernizing** and **upgrading** our physical footprint for advisors and clients.

Charlottetown, Edmonton, Burlington and Toronto

Cutting edge, modern, unique, welcoming, sophisticated, inviting, inspiring, collaborative, **highest environmental standards** — LEED platinum rating

Growing our Fan Base

We will tell the powerful Richardson Wealth story in unique and inspiring ways, boldly and broadly. This industry's top talent and leading industry players have already responded to it and we'll keep attracting them because resiliency and continuous innovation are in our DNA. We will also broaden analyst coverage, enhance our brand and increase demand for our shares.

Recently, we shared the news about the consolidation of our shares on a one for 10 basis. We also announced that we have implemented a normal course issuer bid (NCIB) to buy back some shares. The NCIB provides us with the flexibility to deploy capital towards share repurchases during periods in which we believe the market price of our shares may not fully reflect their value. We believe this will help broaden the pool of potential investors, including investors whose internal investment policies prohibit them from taking an equity position in any company whose shares are trading below a certain price.

Behaving with Might

I am filled with passion and energy for 2022. Our course is well defined: we will build on past success; capitalize on our momentum; broaden the reach of our story; leverage more strategic relationships; prepare for significant acquisitions; and take prudent risks — all the while keeping our advisors at the centre of everything we do. Our eye is on the prize.

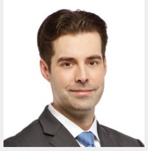
I thank you for your ongoing support. My commitment to you is to deliver on our promises, drive results, and inspire confidence. I will continue to change the game, be mighty and play to win. Our Board and entire leadership team remain convinced that because we are challenging the status quo, innovating and disrupting, we will win.

Sincerely,

Kish Kapoor

President & Chief Executive Officer

Sarah Widmeyer
Wealth Strategies

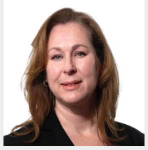


James Price
Investment Strategist

Tim Wilson
Finance and Treasury

Jan Sampson
Operations

Michael Williams
Enterprise Risk Management



Krista Coburn
General Counsel

Christina Clement
Practice Management

An Nguyen
Investment Services

The Future of Wealth is Female

Goal: 50%
FEMALE ADVISOR POPULATION AT RICHARDSON WEALTH BY 2027

WOMEN are driving industry-wide change, and Richardson Wealth is at the forefront of that change.

Richardson Wealth is home to remarkably talented women, across the company, from entry level to our most experienced professionals. Yet, women advisors are underrepresented in our firm and more broadly in our industry. Attracting and elevating women is a growth priority.

We have a bold vision for a strong, powerful, and diverse company that will capture the attention of more women advisors and their clients — those who want to be associated with a firm that represents inclusivity, one that is preparing for the future of wealth and one that is publicly recognized for being a **Great Place to Work™ for Women**. We are dedicated to defining the meaning of diversity in the workplace and proudly changing the game.

In 2021, Richardson Wealth joined forces with the Women's Executive Network (WXN) by sponsoring the 2022 and 2023 **Women of Courage Award**. This award is presented to extraordinary women who champion our country and its values across a diverse range of causes, with courage and compassion, even if it means risking their careers, reputations and, sometimes, their lives.

This partnership is reflective of our values that began with Muriel Sprague Richardson, an exceptional woman of courage. Muriel, known as the "Shy Baroness of Brokerage," became the fifth President of James Richardson & Sons, Limited in 1939 and demonstrated remarkable bravery during times of adversity and difficulty. She was the first woman to head a large corporation and the first woman ever to be inducted into the Canadian Business Hall of Fame. Her legacy continues to inspire us to advocate fiercely for the advancement of women.

WATTage: Women At The Table

We have openly and repeatedly stated what we expect to achieve: greater equity in the advisor population, in executive and senior positions, in all roles universally and among our clients. And our boots are on the ground. A strategic agenda is formulated along with quantifiable objectives. We have engaged a group of leaders who share a passion to bring our vision to reality. And we have branded our women's initiative, WATTage – Women At The Table. WATTage will help us achieve our 50% female advisor population goal by 2027. Our goal, alone, is changing the game.

GAMECHANGERS

GENDER DIVERSITY

The Opportunity

Women are amassing greater wealth than ever before. By 2026, women will control nearly two-thirds of retail wealth in Canada. Capturing the business of this influential and rapidly growing investor segment represents a significant opportunity and is aligned with our growth strategy.

$2.2 TRILLION
current financial wealth controlled by women

$1 TRILLION
the estimated wealth that women will inherit by 2026

90%
of women will be required to play the sole financial decision maker at some point in their life

70%
of women change their advisor within one year of the death of a spouse

50%
of women lack confidence in the quality of advice received from an advisor

62%
of women identified as high net worth feel financially secure

Source: Investor Economics, Boston Consulting Group

If I Can See Her, I Can Be Her

With so many powerful women in leadership roles at our firm, and an inclusive culture focused on mentoring and succession, it is not surprising we are attracting the industry's top female talent.

Natalie Bisset
Corporate Development

I sit here as a woman and as a minority, so others can see themselves and recognize that there is power in our differences. Together we can achieve tremendous outcomes.

Sascha Isaacs
Wealth Strategist
Private Family Office

I am proud to be a key member of a firm that treats diversity as an aspiration not an obligation. This mindset delivers diversity of thought, which ultimately leads to a more effective workplace.

Kerri-Ann Clare Sylvestre
Capital Markets, ECM

The work culture at our firm supports women without question. My career has flourished here and I take great pride in mentoring the next generation.

Susan Fry
Marketing

GAMECHANGERS
DIVERSITY, INCLUSION AND BELONGING

We proudly champion a culture of diversity, inclusion and belonging which ensures everyone's voice is heard. This is an indispensible precondition that enables us to capitalize on diverse perspectives and experiences. We would like to hightlight two important initiatives at Richarson Wealth.

"As a founding member of the Black Opportunity Fund, I am proud of Richardson Wealth's continued commitment to elevating Black communities in Canada."

Black Opportunity Fund

MICHAEL WILLIAMS, SVP, CHIEF RISK OFFICER

Black Opportunity Fund

We proudly supported the **Black Opportunity Fund** (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.

"By putting a spotlight on the unique — and often misunderstood — challenges Black people face with the entrenchment of anti-Black systemic racism, we can drive critical initiatives and lead conversations that mobilize real and sustainable change."

Michael Williams

Renewed Membership with Pride at Work Canada

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

Our devotion to zero tolerance against discrimination in any form — whether based on gender, race or sexual orientation — has created a productive, engaged workforce. And, above all, as a family, we believe we are part of something great here. As a result, we renewed our membership 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.

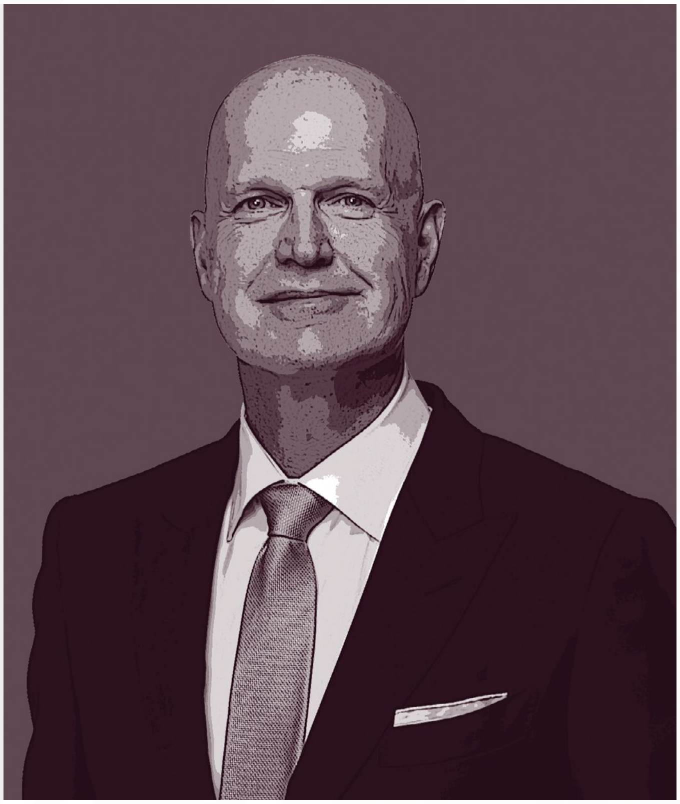
PRIDE AT WORK CANADA
FIERTÉ AU TRAVAIL CANADA

Pride is a culture of belonging, acceptance, and positivity. These are attributes aligned to the firm every day of the year.

Brad Gustafson

CALGARY, ALBERTA

Brad Gustafson started his career three decades ago at a brand name financial planning firm. He began to realize the suite of products available to his affluent clients was limited. In contemplating a transition, he had a list of non-negotiables. Firstly, he needed access to the broadest range of investment opportunities. Secondly, he wanted to join a firm where he was treated as a partner so he could put his clients' best interests first – at all times. Thirdly, he insisted on having the freedom to run his practice in an "honourable manner." As a result, Gustafson & Associates' assets under administration have quadrupled and today they serve a limited number of handpicked families. Brad attributes his success to that decision he made two decades ago. "Our culture continues to be unrivaled. Several times over my career, I phoned Hartley Richardson," says Gustafson. "Wealth typically makes it through two generations, yet the Richardson Family legacy is in its seventh." From time to time, I relied on Hartley's mentorship to help create a sustainable legacy for my clients, and for my family." This sponsorship, and the leaders who run the business, is what makes Richardson Wealth unique — entrepreneurs supporting entrepreneurs.



Ida Khajadourian

TORONTO, ONTARIO

Ida Khajadourian started her career at a boutique investment firm where she led marketing, held a business development role and advised high net worth clients. After 13 years, it was clear she was lacking the tools to provide a holistic wealth management offering for her clients' evolving needs. This meant a company change. It also meant a big leap of faith. A young mother with two small children and the family breadwinner, she knew it was a risk worth taking. Today, Ida leads one of Richardson Wealth's most successful advisor teams catering to ultra-high net worth clients — many of them, women. Ida feels well-equipped to run her burgeoning practice. With the "great platform, open architecture and access to alternatives," she's resolute. "We have a strong supportive culture that makes us different from the others," shares Ida. "Our company is young, fun and independent-minded. Everyone is rowing in the same direction now and I have a lot of respect for the leadership team and confidence in where we're headed." She further adds, "Here, advisors are the clients which gives us the freedom to do what is best for our clients," she says. "That is what integrity means in this business."

GAMECHANGERS
OUR ADVISORS

David Porter and Andy Zylstra

EDMONTON, ALBERTA

By 2009, **David Porter** and **Andy Zylstra** were at a pivotal point in their business. To sustain meaningful relationships with their clients according to their deeply rooted wealth planning philosophies, a new partnership was needed. A strong independent firm that promised advisors' needs come first. Richardson Wealth offered scale, technology enhancements and no conflicts of interests. It also offered a strong Canadian brand to align to, backed by a rich entrepreneurial history. The Porter Zylstra Wealth Management Team also had a voice. Andy says, "We are being heard and this gives us the ability to impact organizational change." This is particularly important today as Richardson Wealth is undergoing a bold strategic transformation. "We're seeing a ton of necessary change which is extremely important to us," says David. "So having a say is absolutely necessary," he adds. They also enjoy the collegial and supportive culture. "Everyone is appreciated, not just the biggest and best like other companies," Andy shares. "We acknowledge all our unsung heroes across the company. It's rewarding to see everyone recognized for their contribution," says David. They agree that 13 years later, Richardson Wealth is still the best place where they can do their best work for clients.

Antoine Niding

MONTREAL, QUEBEC

When asked why he joined the firm in 2012, **Antoine Niding** credits his father, one of the original advisors at Richardson Partners Financial, Richardson Wealth's predecessor firm. Antoine knew from his father's legacy, anything was possible here. "When I joined, it was about true entrepreneurs serving entrepreneurs. It still is. We have 100% control over our business," he says. The management team's top priority is the advisors. "I can pick up the phone and call anyone on the leadership team, anytime," he says. But his clients are loyal for their own reasons. As professionals themselves, they know how critical customized financial planning is and "they see how comprehensive and thorough we are," comments Antoine. They are also attracted to the Richardson name. It's easy to explain because people know the Richardson family and what they represent. "And the family's stability, longevity and depth provide confidence that we're here to stay," he adds. Finally, clients have come to expect extraordinary service. "That's all we control. We can't manage the markets, but we can manage the experience. That makes all the difference." Antoine is as confident as ever that, like his father, he too will create a legacy at Richardson Wealth.

A Message from the CHAIR

Fellow Shareholders,

Our first year operating as Richardson Wealth is now behind us. I am extremely gratified that we accomplished everything we said we would. We envisioned a brighter future. We inspired and empowered our advisor partners and their teams, and we executed with excellence. We are changing the game like we said we would.

DONALD A. WRIGHT

This is evidenced by record results including the outstanding job our advisors did in a period of ongoing disruption and uncertainty. Collectively, 94% of them had their best year ever. These are impressive results and largely due to the extraordinary work they did in managing their clients' wealth. And we attracted more advisors to our firm this year than we have since 2016.

Our CEO Kish Kapoor has done a remarkable job inspiring, empowering, and enabling the collective team to serve our advisors as our clients and above all, sharing his infinite passion for what this Company can achieve. He has also done a tremendous job bringing together a talented and diverse group of leaders to execute our transformation and ensure its success. We are confident that in time, these wins will translate into value for our shareholders.

Your Board also played a critically important role in the Company's success. We worked alongside management on opportunities to grow and strengthen the business, transform its operating model, its digital capabilities, and reset its culture.

We committed immense time to overseeing the development and implementation of the Company's five-year roadmap to triple its business by 2025.

Your Board also delivered on several other key priorities:

Board Renewal

We have added five new independent directors since December 2020. Joining the Board were: Nathalie Bernier, Vincent Duhamel, David Leith, Jane Mowat, and Sandy Riley. We have immediately benefitted from their perspectives, judgement, and broad-based business acumen. These appointments also reinforced our commitment to diversity and maintaining a majority of independent directors. In July 2021, Julie Lassonde, an independent director, retired from the Board, and I would like to thank her for her outstanding service to you and our firm during the three years she served on our Board.

Normal Course Issuer Bid (NCIB) and Share Consolidation

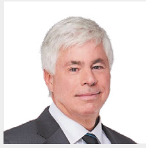
Based on feedback from shareholders and financial advisors, the Board approved a normal course issuer bid (NCIB) and share consolidation to broaden our stock's appeal and provide flexibility when our business fundamentals are not fully reflected in our share price. The Company has ample financial flexibility to implement the NCIB and at the same time pursue its growth ambitions.

BOARD MEMBERS

Donald Wright
Independent Chair

Nathalie Bernier
Independent

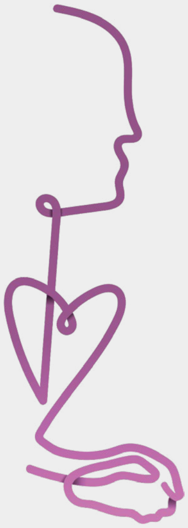
David Brown
Independent



Marc Dalpé
Investment Advisor

Vincent Duhamel
Independent

We led with head and heart in 2021, and in 2022 we will lead with hands as we continue the path to triple our business by 2025.



HEAD Envision the future and focus on the big rocks	>	• Create aspirational vision of growth-oriented future • Prioritize the big rocks to deliver results and create enduring value • Ensure the leadership team's alignment and commitment • Communicate a compelling case for change internally and externally
HEART Inspire and empower your people	>	• Activate purpose to inspire the organization and connect with both advisors and clients • Create an empowering culture where people can do their best work • Demonstrate care for people whose lives are being disrupted
HANDS Execute with excellence	>	• Ensure executional discipline and set teams up for success • Entrust and enable your best leaders • Build capabilities while executing

Pursuing ESG

This past year we also began laying the groundwork for our ESG strategy. While we are still in the early stages of developing our framework, the Company is active on many environmental, social and governance initiatives. Management has recently established an internal ESG-focused employee resource committee to ensure that we finalize our framework this year and make progress on this important initiative in 2022. Your Board is also committed to ongoing dialogue with all stakeholders and to providing oversight and support to management in the execution of our ESG strategy.

Newly Formed Risk Committee

To further strengthen and complement the Board's oversight of the Company's enterprise-wide risk management framework, the Board constituted a dedicated Risk Committee in late 2021. This Committee is Chaired by Nathalie Bernier, and includes Dave Brown, David Ferguson, and Sandy Riley. The Risk Committee is responsible for setting strategic and risk management direction, including our overall risk appetite and tolerance.

Strong Support and Commitment

What we accomplished in 2021 could not have been done without the unrelenting focus of our advisor teams, the dedication of our management team and the tenacity of my fellow Board members.

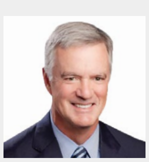
On behalf of the Board, I extend our sincere gratitude to everyone in this Company, each of whom has been instrumental in helping to make Richardson Wealth the brand of choice for Canada's top advisors and their clients.

To our shareholders, we thank you for your ongoing patience and support. I trust you share our excitement about the Company's growth opportunities as 2022 unfolds. Your Board remains convinced that continuing to execute on our growth strategy will create long-term shareholder value.

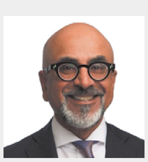
Donald Wright

D.A. Wright

Independent Chair of the Board

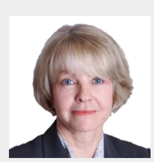


David Ferguson
Independent

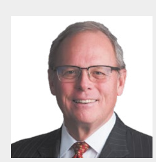


Kish Kapoor
President and CEO

David Leith
Independent



Jane Mowat
Independent

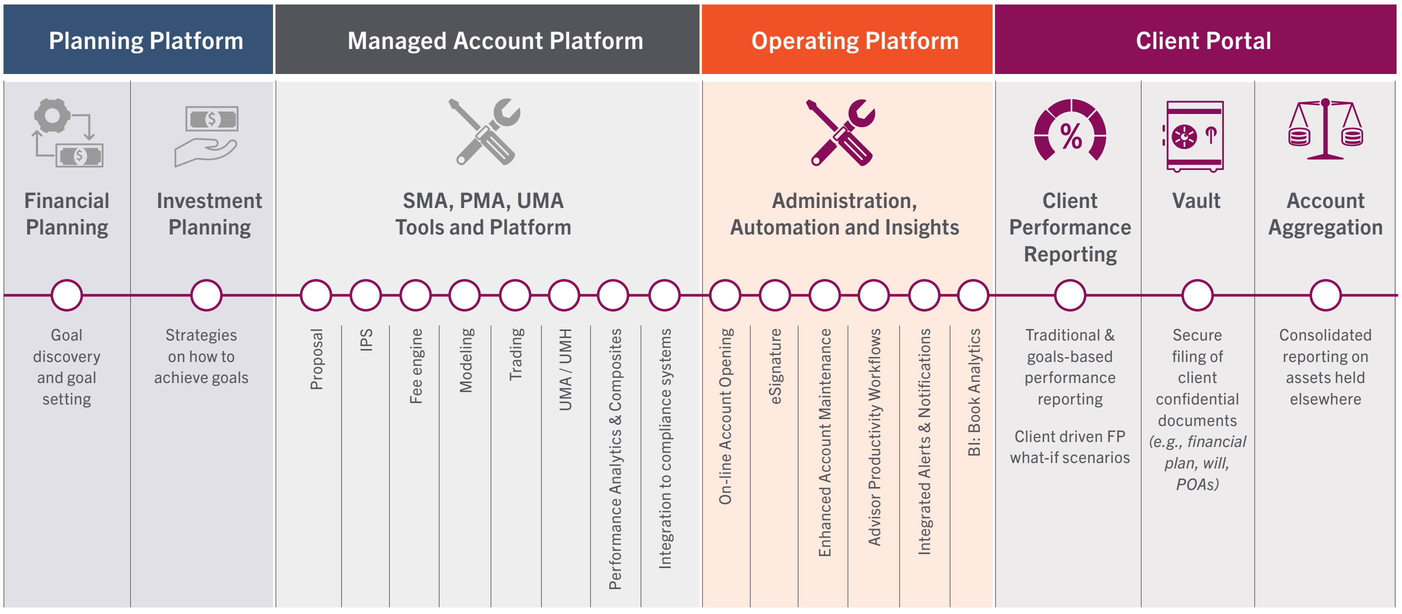


H. Sanford Riley
Independent

Leveraging relationships with best-of-breed providers of digital solutions will make it easier for advisors to **thrive and succeed** at Richardson Wealth more than anywhere else.

OUR BOLD DIGITAL JOURNEY

Our technology roadmap, with input from advisor sub-committees, will deliver on our promise of a **superior advisor and client experience**. Our advisor technology platform will be **second to none** when implementation is complete and a **competitive advantage**.



voyant

ENVESTNET

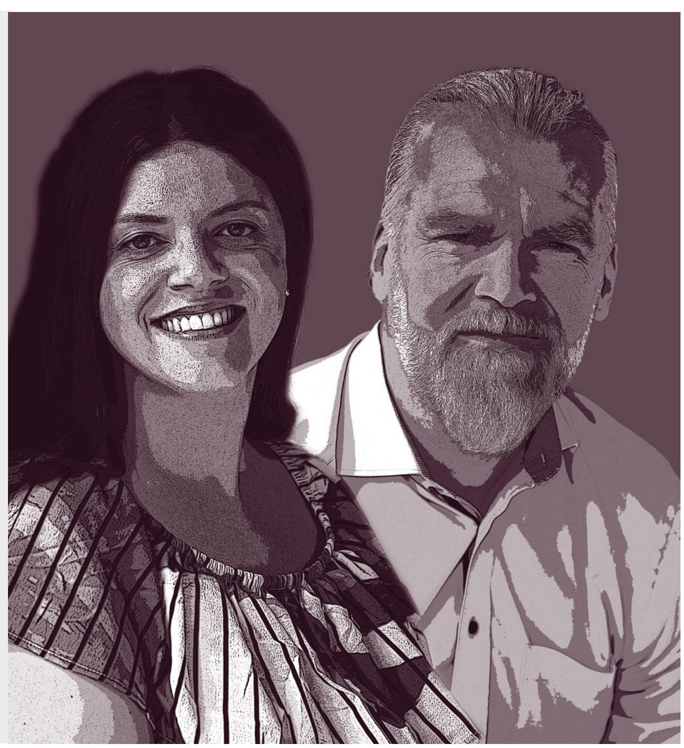
Fidelity INVESTMENTS

OUR ADVISORS

The Conlin Group

CALGARY, ALBERTA

After almost 30 years at a bank-owned firm, **The Conlin Group** decided last fall to transition their substantial business to Richardson Wealth. The journey that led Tim Conlin and his partner Maria Miletic to their destination was exhaustive. When asked why here, Tim and Maria were very clear. “First and foremost, it was the freedom to run our business our way — in our clients’ best interests,” says Tim. Technology was also critical. “We need the tools to do our jobs effectively and this company is a proven leader in innovation,” he adds. Culture was extremely important for their team of six. As Maria says, “We need authenticity, and here we have leaders and peers who are truly committed to us being our collective best.” The tipping point, says Tim, was the Richardson name. “We align with the Richardsons in such a genuine and truthful way — their ethics, values, their deep-rooted entrepreneurialism, the importance of family and community. These are the things that are fundamental to us, individually and as a team of professionals. This is a perfect fit.” Deep within, Tim and Maria needed to be connected to something very special. “We found it at Richardson Wealth.”



The Royden Richardson Award

In honour of Royden Rooper Richardson, September 9, 1953–May 4, 2013

On a beautiful Saturday afternoon in King Township, while driving his 1947 Willy's Jeep, Royden Richardson's life was suddenly taken in a single-vehicle accident. The impact this loss had on our firm was, and continues to be, simply profound.

Royden was an iconic man with a stellar 36-year career in financial services and investment management. He had escalating accountability in Richardson Securities of Canada, Richardson Greenshields of Canada Ltd., Ontario and Manitoba Securities Commission, Richardson Partners Financial Limited, and finally, Richardson GMP, and his contributions are unmatched. He is remembered in particular for his leadership in introducing and representing the Richardson family and ensuring a harmonious union with GMP.

He was highly respected for his extensive knowledge, experience and expertise in the financial services industry but also for his involvement in charity work and commitment to giving back to communities and causes across Canada. But ultimately, Royden's dedication and loyalty to the employees and partners of the Richardson family was what made him an adored leader.

To honour him and his legacy, the firm created The Royden Richardson Award, an annual tribute given to extraordinary contributors within the Company. Recipients emulate the same values Royden did — community builder, collaborator, connector, humanitarian, leader with a strong sense of purpose. This is a fitting award to memorialize the impact Royden had to on so many and to celebrate the way he strived to make the world a better place.

A hummingbird image, based on The Story of the Hummingbird, was lovingly chosen as a representation of Royden Richardson, a modest, persistent man filled with integrity, dedication and inspiration.

The Story of the Hummingbird

A forest is being consumed by a fire. All the animals come out and stand transfixed as they watch the forest burn. They feel overwhelmed and powerless.

Then a little hummingbird says, "I'm going to do something!" It flies to the nearest stream and takes a drop of water. It puts it on the fire, and goes up and down, as fast as it can.

In the meantime, all the animals including the elephant with a big trunk who could bring much more water, stand by watching. They say to the hummingbird, "What do you think you can do? You are too little. This fire is too big. Your wings are too little and your beak is so small that you can only bring a small drop of water at a time."

But the hummingbird turns to them without wasting any time and says, **"I am doing the best I can."**

CELEBRATING OUR

ROYDEN RICHARDSON AWARD RECIPIENTS

Congratulations to our hummingbirds who have demonstrated exceptional leadership with our company, their job mandate, among their peers and within the broader community. These are individuals who have gone beyond the call of duty to make our firm and the world a better place – an overarching principle that guided Royden Richardson's every action.

Jasmine Ariss

Vice President, Human Resources, Toronto

Jasmine has a passion for the well-being of everyone. A long-standing employee, she is a shining example of our cultural foundation. Over the pandemic, she authored working from home safety and wellness tips and followed up with hundreds of personal check-in calls. She is our Great Place to Work™ initiative leader and also launched Your Moment, an online recognition platform. Jas is a champion of thoughtful giving through the Partners in Community program. An advocate of Employee Resource Groups, she created an important voice for our LGBTQ2+ community. Jas is generous with her time and leads with heart.

Shirley Hermann

Branch Administrator, Edmonton

Shirley makes everyone in our Edmonton branch feel part of something big. She creates a culture of respect, kindness, generosity and empathy. An incredible advocate of people, she ensures everyone has a voice. From organizing the social committee to managing her branch through the pandemic, her unique ability to pull people together is evident in all she does. Whether it's helping to raise funds for the Centre of Family Literacy or helping those less fortunate, she is dedicated to making life better for all. Her compassion and kindness is matched by her extraordinary work ethic.

Shannon Jones

Associate Investment Advisor, Halifax

Shannon always has her hand up to do more. Her proficiency in her role is incredible, as is her desire to create exceptional experiences for her colleagues and clients alike. She also makes dreams come true. Recently, she raised $4,000 to send someone very deserving on a trip of a lifetime. She donates her time to many organizations including Halifax Food Bank, Brunswick Street Mission and helps serve at the annual Bridgetown Christmas dinner on Christmas Day. Amazingly, she has still found the time to volunteer to tutor students in math, accounting and tax.

Gina Letts

Receptionist, Toronto

Throughout the pandemic Gina has dutifully been in the office every day to ensure our advisor teams and clients are well served. But she has provided more than the essential. Gina generously sent gifts to people, on her own dime. Her objective was to bring a smile to people's faces at a difficult time and she did so repeatedly as her personalized baskets made their way to so many lucky recipients. She also proactively and quietly reached out to her colleagues to see how they were. She brings a human connection to our company.

Serge Zaina

Branch Manager, Greater Toronto & Surrounding Area

Serge believes in the power of motivation and reward, constantly highlighting the achievements of others. If ever in need, Serge will do all he can to help. Engagement is the cornerstone of his leadership. Among his peers, he shares ideas, best practices and invites people from across the country to participate in his events. Last year, Serge brought the Million Reasons to Run, a fundraiser for children's hospitals, to our company. What started locally, ended with cross-country representation. Richardson Wealth became the top corporate donor with thousands of dollars donated to children's hospitals across Canada.

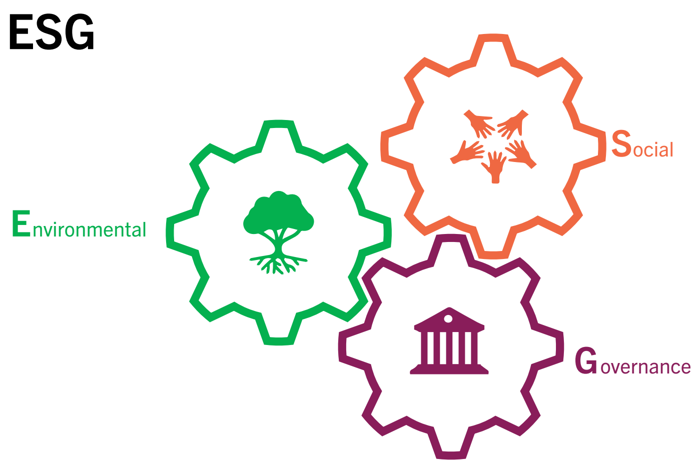
Social Responsibility

"Unto whom much is given, much is also required."

Muriel Sprague Richardson 1890–1973
President of James Richardson & Sons, Limited, 1939–1966

EVOLVING ESG FOR TOMORROW

We're committed to operating with integrity, promoting transparency, and respecting individuals and communities by helping advisors and their clients thrive in a socially responsible manner.



We believe in creating positive, lasting change for our stakeholders by managing the environmental, social and governance (ESG) factors we affect through our work. This conviction galvanized our teams across the country and inspired us to begin laying the groundwork for a formal ESG strategy.

Our goal is to have a comprehensive sustainability framework by the end of 2022 — one that aligns with the Company's strategy and culture and drives long-term value. Our sustainability strategy will be rooted in our diverse and engaged workforce, high standards in corporate governance, and corporate values. It will also focus our team on those risks and opportunities that will have the greatest impact on our communities and long-term sustainability of our business.

While we are still in the early stages of developing, articulating, and implementing a full sustainability strategy, we are already active on many ESG activities:

- Dedicating resources toward talent development to take equity, diversity, and inclusion to another level (**our Board is 30% diverse, and our leadership team is 73% diverse**);
- Strengthening and giving back to the communities in which we live and work through the Richardson Wealth Partners in Community Gifting Program;
- Establishing Black and Caribbean and LGBTQ2+ employee resource committees to ensure all voices are equally engaged and, more importantly, heard;
- Developing succession plans for our senior leaders, an effort that is led top-down by our Board of Directors; and
- Moving our corporate headquarters to a Platinum LEED-Certified building on Toronto's waterfront later this year.

To ensure rigour and pace to this important initiative, we recently launched a multi-departmental steering committee responsible for monitoring, developing, and implementing the Company's ESG strategy and related disclosures.

Susan O'Brien

CALGARY ALBERTA

Susan O'Brien conducted a meticulous review of the Canadian marketplace to explore options for a new home for her team and their unique practice. Her decision to come to Richardson Wealth last fall, after two decades at a bank-owned firm, was resolute. "This company is large enough to have the tools we need, yet small enough to have a wonderful boutique feel," Susan commented. Wanting to align with an unbiased independent philosophy, she was drawn to the singular focus the firm has on wealth advice — with no competing priorities. The Richardson family sponsorship was another deciding factor. "As one of Canada's most successful families, the Richardsons care about people, the firm and their reputation," she says. "The company was built and is run by caring people." Since her move, she's even more confident. She describes the culture as inclusive, respectful, warm and non-judgmental. She is supportive of the strategy to attract more women, an initiative near and dear to her heart. Susan also likes the firm's ambitious growth goals which inspires advisors to evolve their own practices. "It's like playing golf," she says. "We keep score but we're really working to improve our own game, so we all have better rounds together."

Blake and Katharine Dalton

TORONTO, ONTARIO

Life and business partners, **Blake and Katharine Dalton** manage a highly specialized niche practice creating customized portfolios for partners at leading global accounting firms. "Our clients are extremely busy professionals facing complex investment constraints. Our platform enables us to tailor solutions that fit their unique needs", says Blake. Katharine adds, "In my portfolio management and research role I appreciate working with an independent firm that gives us flexibility to provide a range of investment options and unbiased advice that puts client interests first." They both agree that the company's collaborative and supportive mindset is instrumental to their success. "Richardson Wealth's strategy is to bring together dedicated professionals, remove roadblocks, align our interests and accelerate our mutual success," Blake shares. Katharine is particularly pleased with the work being done to advance gender equality. "There is no glass ceiling here," she says. They credit the Richardson family's influence and their iconic entrepreneurialism for the culture and solid foundation and give full marks to the leadership team. Blake notes, "we're recruiting amazing advisors who are gamechangers. Together we'll move the needle towards Richardson's bold growth goals". Above all, they both agree that Richardson Wealth is the best wealth management firm in Canada, hands down.

GAMECHANGERS

OUR COMMUNITY COMMITMENT

We strive to build stronger, more supportive communities by proudly participating in various initiatives across Canada. Our community involvement and giving are a key part of our corporate identity and, we believe, speak volumes about our principles, culture and the people who work here. We have always prioritized the development of a workplace culture that allows each employee to thrive and feel fully engaged in the community where they live and work. Our culture reflects all our employees core values and beliefs and boldly embraces the power of diversity, equity, and inclusion. We value every voice and actively seek and welcome diverse perspectives.

RICHARDSON WEALTH – A GREAT PLACE TO WORK

Richardson Wealth was certified in Canada as a Great Place to Work™ and received five awards in 2021. There is truly no better or more powerful endorsement than that of our employees and advisors.

To be named a "Best Workplace," Great Place to Work executes a culture audit focused on management policies and practices. This is another powerful endorsement of our culture, our company and indeed, our people. These awards highlight our commitment to create an environment so valued that our talented people would publicly and objectively lead us to being named one of the best. As well, these awards reinforce our decision to fully embrace the values and highest standards espoused by the esteemed Richardson brand for more than 90 years in the financial services industry. These values and standards attract talented professionals who are turning to us to pursue their careers in the fast-expanding Canadian wealth management industry and their clients who are seeking their unmatched advice.

Best Workplaces™ for Women – Great Place To Work – CANADA 2021

Best Workplaces™ in Financial Services & Insurance – Great Place To Work – CANADA 2021

Best Workplaces™ – Great Place To Work – CANADA 2021

Best Workplaces for Mental Wellness – Great Place To Work – CANADA 2021

Best Workplaces in Ontario – Great Place To Work – CANADA 2021

PARTNERS IN COMMUNITY

Our firm, advisors and employees are committed to making our communities better for all. We lead by example, dedicating a tremendous amount of time to the initiatives we keep close to our hearts.

Our firm's annual ***Partners in Community Gifting Program*** is one way Richardson Wealth supports advisor and employee giving and empowers the support of causes that matter most to them. The program encourages advisors and employees to donate to organizations and charities near and dear to their hearts, with the firm matching every donation made at 50%.

In 2021, the advisor and employee donations totaled $260,118, with an additional $49,950 directed towards relief agencies: in particular, to support the East Coast and wildfire relief efforts in B.C. In addition, we amplified this giving with a 50% match totaling $154,950. All in, the Richardson Wealth ***Partners in Community Gifting Program*** provided $465,018 in funding for charities and relief across the country. And in early 2022, together with countless employees, we helped raise and give more than $100,000 for essential humanitarian aid for the Ukrainian people.

Richardson Wealth's Partners in Community Gifting Program

Mackie Wealth Group

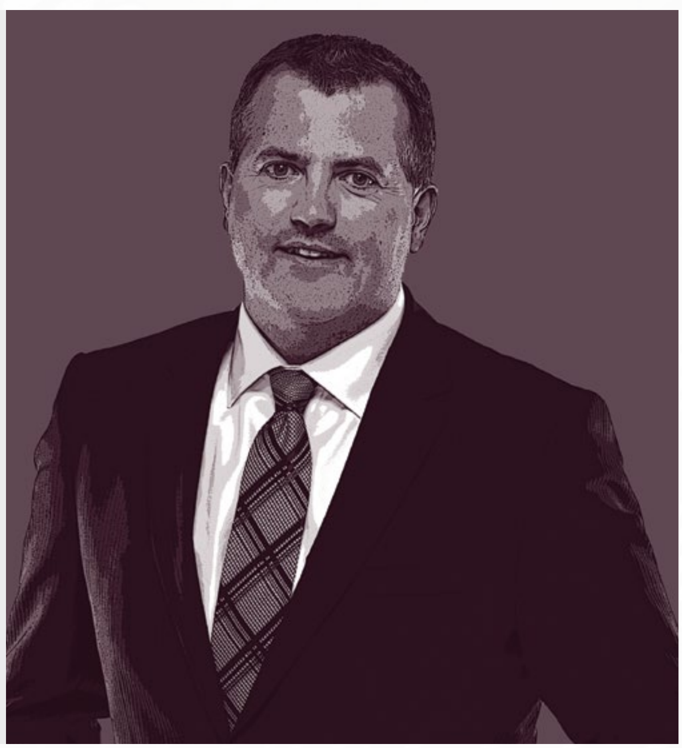
CALGARY, ALBERTA

Jeffrey Mackie, **Tricia Leadbeater** and **Rahim Chatur** are senior advisors operating under the **Mackie Wealth Group** banner. While each manage their own clients independently, they collectively serve the high net worth market and collaborate closely on investment themes and strategies. They also operate under the same firmly established philosophies: provide investors with innovative opportunities that incorporate solid financial principles. At Richardson Wealth, they feel highly supported through access to unconventional asset classes and an open architecture. And they partner closely with in-house experts for specialized wealth planning solutions. Above all, they enjoy their autonomy. Rahim says, “We have full control over our business, and we structure it with the goal to serve our clients the way we would want to be served.” They also believe the tailwinds for the firm are strong. “For the long term, Richardson Wealth is the place for wealthy families to be served in personal relationships with sound investment knowledge,” adds Jeffrey. The company brand is also critical to their business. “It indicates strength in the marketplace and that is important to our clients,” says Tricia. The Richardson name represents an exceptional success story of inter-generational wealth, and this aligns perfectly with the clients they serve.

Benji Miles

WINNIPEG, MANITOBA

In 2021, **Benji Miles** was recognized by The Globe and Mail's Report on Business and SHOOK Research as one of Canada’s Top Wealth Advisors. On the Miles Wealth Management Group website, Benji expresses his gratitude to Richardson Wealth for “… providing us with incredible support and resources over the past years and we are looking forward to many more years ahead. Our firm is playing to win!” For 14 years, Benji has been a relentlessly proud advocate of the firm. When asked why, his answer is simple. “I’m happy.” For him, he says, “It’s the people. We have great relationships and I’ve always been completely satisfied.” The positive friendly culture permeates across the country. “I know I could reach out to any advisor, even someone I don’t know, and they would give me their time,” he adds. He’s also very pleased with how the company is positioning itself for the future. “We are becoming the premier high net worth destination for independent advice in Canada. And we are big enough now to really compete for that business.” Anchored by the credibility, longevity and deep roots of the Richardson name, “The future of this company has never been brighter,” Benji states.



Select Financial Highlights

$50.8 MILLION

Adj. EBITDA[1] –
Consolidated

vs. $4.1 million in 2020

$56.8 MILLION

Adj. EBITDA[1] –
Richardson Wealth

vs. $39.5 million in 2020

17.8%

Adj. EBITDA Margin[1,2]
Richardson Wealth

Up from 14.7% in 2020

86%

Fee-based revenue[1,4]

58%

Strategic partnerships
delivered more deal flow

$1.1 MILLION

Record average household AUA

44%

Insurance revenue increase

$200 MILLION

New revolving credit facility
to accelerate growth

610 bps

Operating expense ratio[3]
improved to 67.7% from
73.8% in 2020

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section in the 2021 Annual MD&A, which is incorporated by reference.
2. Calculated as Adjusted EBITDA – Richardson Wealth/total revenue.
3. Calculated as adjusted operating expenses divided by gross margin at Richardson Wealth. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
4. Calculated as fee-based revenue as a percentage of fee-based and commission revenue at Richardson Wealth.

Management's Discussion & Analysis

For the three and twelve months ended December 31, 2021

Table of Contents

About this Management's Discussion & Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company), including its wholly-owned subsidiary Richardson Wealth Limited (Richardson Wealth), as at and for the year ended December 31, 2021.

This MD&A dated March 3, 2022 should be read in conjunction with the audited consolidated financial statements and related notes as at and for the year ended December 31, 2021 (2021 Annual Financial Statements). This documents as well as additional information relating to the Company, including our latest Annual Information Form (AIF), can be accessed at *www.rfcapgroup.com* and under our profile at *www.sedar.com*.

This MD&A refers to certain non-GAAP measures (including non-GAAP ratios), which management believes are useful in assessing the Company's financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to adjusted results and a reconciliation to their nearest IFRS measures, please read the "Presentation of Financial Information and Non-GAAP Measures" at the end of this MD&A.

Certain prior year amounts have been reclassified to correspond to the current period presentation.

Our Board of Directors (Board) approved this document.

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 and 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 NCIB and Consolidation, the nature of our growth strategy going forward and execution of any of our 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 our 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. In addition, other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, and natural disasters, or other unanticipated events (including the novel coronavirus and variants thereof (COVID-19) pandemic) may also influence our results of operations. For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" and "Risk Factors" sections in this MD&A and the "Risk Factors" section of our AIF.

Although we 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 us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws. The financial outlook may not be appropriate for purposes other than this MD&A.

Forward-looking information contained in this MD&A is:

- based on management's reliance on certain assumptions it considers reasonable; however, there can be no assurance that such expectations will prove correct. As such, 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;

- made as of the date of this MD&A and should not be relied upon as representing our view as of any date subsequent to the date of this MD&A. Except as required by applicable law, our management and Board undertake no obligation to update or revise any forward-looking information publicly, whether as a result of new information, future events or otherwise; and

- expressly qualified in its entirety by the foregoing cautionary statements.

COVID-19 Update

In response to the highly transmissible COVID-19 Omicron variant, the Ontario government introduced new public health restrictions in early 2022 to mitigate its spread and safeguard hospitals and intensive care unit capacity. We continue to monitor evolving COVID-19 developments closely and adjust our plans accordingly. Our top priority remains the well-being of our employees (most of whom continue to work from home), clients, and communities. As such, we have deferred our plans for a phased return to the workplace. The potential for near-term volatility in the Canadian economy and financial markets remains as a result of the conclusion of COVID-19-related government stimulus programs and the potential for further government restrictions. Readers are cautioned that these developments may adversely affect our financial performance.

2021 - Select Financial Information

($000's, except as otherwise indicated)	2021	2020	2019	2021 vs. 2020 % Increase/(decrease)	2020 vs. 2019 % Increase/(decrease)
Operating Performance - Richardson Wealth[1]					
AUA ($millions) - ending balance	36,847	30,846	28,564	19	8
Revenue	318,546	267,975	272,282	19	(2)
Gross margin[2]	175,935	150,769	159,275	17	(5)
Adjusted operating expenses[3,4]	119,178	111,279	109,017	7	2
Adjusted EBITDA - Richardson Wealth[3]	56,757	39,490	46,827	44	(16)
Asset yield[3,5] (%)	0.83	0.83	n/a	—	n/a
Adjusted operating expense ratio[3,4,6] (%)	67.7	73.8	68.4	-610 bps	+540 bps
Recurring fee-based revenue[3,7] (%)	86.1	87.2	86.9	-110 bps	+30 bps
Adjusted EBITDA margin[3,8] (%)	17.8	14.7	17.2	+310 bps	-250 bps
Operating Performance - Consolidated					
Reported Results:					
Revenue	328,519	84,119	36,840	n.m.	n.m.
Variable advisor compensation	142,611	23,726	—	n.m.	n.m.
Gross margin[2]	185,908	60,393	36,840	n.m.	n.m.
Operating expenses[3,4]	156,543	60,553	43,423	n.m.	n.m.
EBITDA - consolidated[3]	29,365	43,209	(4,311)	n.m.	n.m.
Net income (loss)	(20,152)	28,747	(13,710)	n.m.	n.m.
Adjusting Items[9]:					
Transformation costs and other provisions (pre-tax)	34,447	(34,062)	3,052	(201)	n.m.
Transformation costs and other provisions (after-tax)	27,508	(34,748)	11,083	(179)	(414)
Adjusted Results:					
Operating expense[3,4]	135,153	53,889	40,371	n.m.	n.m.
EBITDA - consolidated[3]	50,755	4,139	(1,259)	n.m.	n.m.
Net income (loss)[2]	7,357	(6,001)	(2,627)	n.m.	n.m.
Select balance sheet and other information:					
Total assets	2,216,015	2,119,919	1,357,862	5	56
Term debt[10]	110,922	109,494	15,603	1	n.m.
Shareholders' equity	354,890	379,863	202,860	(7)	87
Net working capital[3]	105,991	87,881	130,632	21	(33)
Common share information:					
Book value per common share ($)	1.53	1.68	1.20		
Closing share price ($)	1.90	1.74	1.93		
Common shares outstanding (millions)	159	159	75		
Common share market capitalization ($millions)	302	277	146		

1. Richardson Wealth's operating results pre-October 20, 2020 are for reference purposes as they were not fully consolidated into RF Capital's financial statements
2. Gross margin is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
3. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
4. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
5. Calculated as commission and fee income divided by average AUA
6. Calculated as adjusted operating expenses divided by gross margin
7. Calculated as fee income divided by commission and fee income
8. Calculated as Adjusted EBITDA – Richardson Wealth/total revenue
9. For further information, please see 2021 Financial Highlights – Items of Note in this MD&A
10. Term debt includes revolving credit facility (2021), subordinated debt (2020), and preferred share liability

2021 - OPERATING HIGHLIGHTS

$50.8 MILLION Adj. EBITDA[1] - Consolidated vs. $4.1 million in 2020	RICHARDSON Wealth **$56.8 MILLION** Adj. EBITDA[1] - Richardson Wealth vs. $39.5 million in 2020	**17.8%** Adj. EBITDA Margin[1,2] Richardson Wealth Up from 14.7% in 2020
Digital Transformation Fidelity/Envestnet Strategic Relationships	**$1.1 MILLION** Record average household AUA	**610 bps** Operating expense ratio[3] improved to 67.7% from 73.8% in 2020
86% Fee-based revenue[1,4]	**58%** Strategic partnerships delivered more deal flow	GAME CHANGERS **Virtual Conference** Top advisors and industry experts shared growth strategies
44% Insurance revenue increase	**$200 MILLION** New revolving credit facility to accelerate growth	**Richardson Masterclass** Comprehensive practice management program

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
2. Calculated as Adjusted EBITDA – Richardson Wealth/total revenue
3. Calculated as adjusted operating expenses divided by gross margin at Richardson Wealth Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
4. Calculated as fee-based revenue as a percentage of fee-based and commission revenue at Richardson Wealth

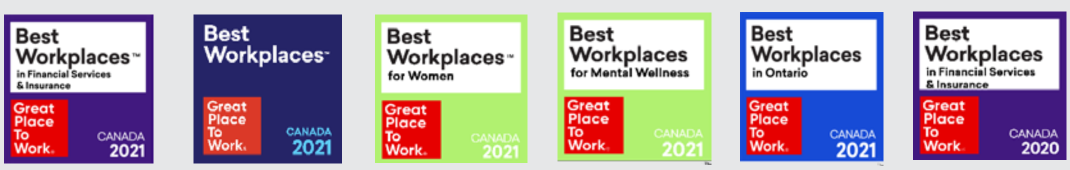
Business Overview

RF Capital is a wealth management-focused company. Our common and preferred shares trade on the Toronto Stock Exchange (TSX) under the following ticker symbols (TSX: RCG, RCG.PR.B). We operate under the Richardson Wealth and Patrimoine Richardson brands and are one of Canada's largest independent wealth management firms, with total assets under administration (AUA) of $36.6 billion (February 28, 2022). We have 162 advisor teams operating out of 20 offices in eight provinces, serving 31,000 high-net worth clients across Canada.

Richardson Wealth was founded almost two decades ago based on a belief that Canadians wanted an alternative to the banks for their wealth management needs. 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.

A GREAT PLACE TO WORK™

At Richardson Wealth, making our Company a great place to work for our advisors and employees is a priority. Independent recognition of our workplace environment is gratifying and inspires us to work even harder.



Our Vision

TO BE THE BRAND OF CHOICE FOR CANADA'S TOP ADVISORS AND THEIR HIGH-NET WORTH CLIENTS

Our Growth Strategy

Aspirational Growth

	FROM	TO
AUA[2,3]	$33B	$100B
REVENUE[4]	$300M	$1B
ADJ. EBITDA[4,5]	$50M	$200-300M

In May 2021, we unveiled the details of our five-year growth that period. We believe that our goals are ambitious but achievable, as we execute from a position of growing strength. A favourable market backdrop will also support our growth. The market for retail financial wealth in Canada is expected to grow from approximately $5 trillion today to $7.7 trillion[1] by 2028, creating a considerable opportunity for an independent wealth management firm with national scale. Richardson Wealth currently has a 0.7% share of Canadian retail wealth. Capturing either an additional 1.4% of the existing market, or 2% of the expected market growth, would allow us to achieve our growth objectives.

We are in the early stages of our transformation and growth plan. Our focus in 2021 was on making strategic and advisor-centric investments in our digital capabilities, managed account platform, communications and brand marketing strategies, advisor service teams, and practice management curriculum. We also transformed our leadership team and Board. These investments will enable us to deliver on our promise of enhancing the experience of our advisors and their clients.

In 2022, we intend to leverage the building blocks of long-term growth that we laid in 2021. We will do so by continuing to focus on organic growth and recruiting initiatives. More specifically, our top priorities will be successfully transforming our digital capabilities with the launch of our new portfolio management system and our transition to Fidelity's world-class advisor platform. These two game-changing initiatives will significantly enhance the overall advisor and client experience and help to accelerate our growth ambitions. In addition, we will be focused on improving long-term profitability through broadening the range of services and support we provide our advisors and leveraging our platform to drive operating efficiencies. Many of us will be carrying out these initiatives from our new landmark and LEED Platinum certified corporate headquarters on Toronto's waterfront beginning in late 2022.

Our Journey

We have a deep-rooted conviction that our transformation was the best path for creating meaningful long-term shareholder value, and our growth strategy should only accelerate that journey

Our Commitment

We are committed to driving our plan forward with focus, rigour, and pace of execution. We will make it easier for advisors to succeed here more than anywhere else

Our Progress

With our new leadership team and Board in place, we have delivered on all commitments to date. We have been reporting record results and inspiring confidence with each step we take

[1] Investor Economics

[2] AUA is a measure of client assets and is common to the wealth management business. It represents the market value of client assets managed and administered by us from which we earn commissions and fees.

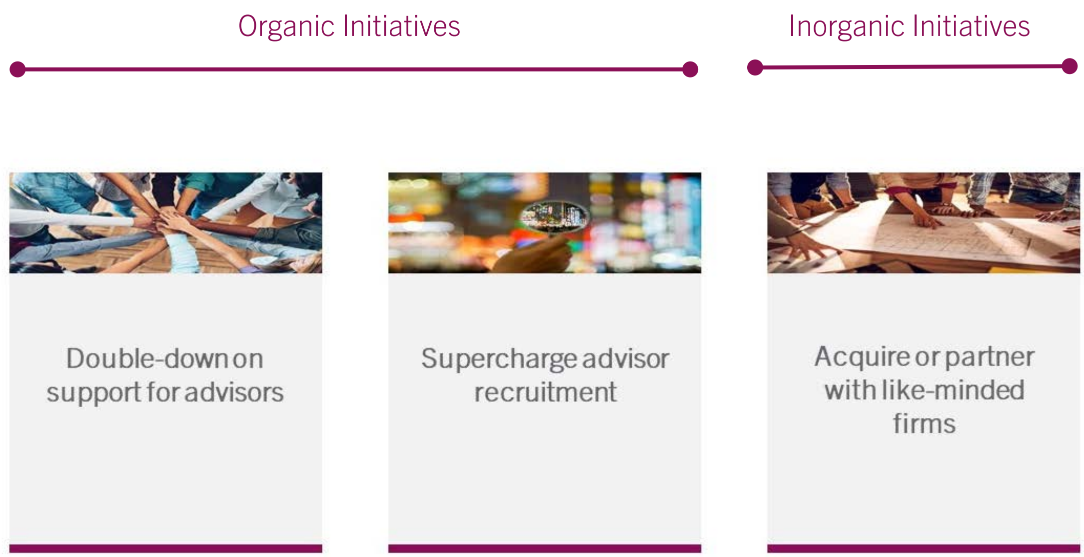
[3] Q1 2021

[4] Annualized Q1 2021

[5] Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section in the 2021 Annual MD&A.

Our Strategy is Based on Three Key Strategic Pillars

Our growth strategy rests on three strategic pillars that we believe will drive top-line growth, operating margin improvement, and shareholder value.



We carefully evaluated the sequencing of each pillar based on opportunity size, advisor and client impact, funding requirements, execution complexity and other inter-dependencies. We concluded that our near-term focus should be on organic initiatives. Our strategy's two organic growth pillars represent a meaningful portion of the expected increase in Adjusted EBITDA over the next five years. Once those organic growth efforts take hold and our valuation multiple better reflects our business' value, we will embark on a deliberate agenda to acquire or partner with like-minded firms, likely in 2023. In the near term, we will look at M&A opportunistically and lay the groundwork for future acquisitions.

We are committed to collaborating with our investment advisor partners to define and advance our strategy. As significant shareholders and our key assets, they have a very important voice in our transformation and a stake in its outcome. We have actively engaged our investment advisors in our strategy by establishing multiple advisor sub-committees, which helps to ensure that they have the right opportunities to provide input and inform our decision-making.

Organic Initiatives – Doubling-down on support for advisors

Our plan begins with strengthening our platform to enhance support for advisors as they provide a high-touch, boutique experience to their clients. We have started to streamline many processes to free up advisors' time, so that they are able to deepen relationships with their clients and build their practices.

We are also making investments in our capabilities to improve the advisor experience. They include transforming our digital platform and technology through strategic agreements with Envestnet and Fidelity Clearing Canada (Fidelity). Envestnet provides advisors with a state-of-the-art managed account platform that is used by over 108,000 advisors across more than 6,000 companies and supports US$5.2 trillion of assets. Fidelity provides access to a world-class digital platform that currently supports over US$14 trillion of assets, global scale and expertise, and a commitment to continuous technological innovation.

Other notable investments that we have made to better support our advisors and enable recruitment include:

Advisor Concierge

Action Desk

Succession Planning

Richardson Masterclass

Richardson University

Our unique advisor-centric and entrepreneurial culture is critical to our success

A significant portion of the incremental revenue from organic initiatives drops to the bottom line and drives higher operating margins, given that our fixed costs have already been covered. These extra points of operating margin will result in enhanced shareholder value. Helping our existing advisors to grow organically is also the strategic pillar that requires the least capital of the three.

Organic Initiatives - Supercharging recruitment

We have invigorated our recruitment mindset and are intent on attracting a significant number of new advisors to our brand every year. To reach that goal, we have added top talent to our Corporate Development team, implemented a more rigorous recruiting process, and enhanced the financial and non-financial elements of our advisor value proposition. We will also better leverage our Board, advisors, employees, and partners in promoting our brand with their peers across the country. These initiatives are attracting more entrepreneurial advisors from other institutions that are becoming increasingly less advisor-centric. As a result, seven new advisors joined us since we unveiled our growth strategy in May 2021.

Inorganic Initiatives – Acquiring and partnering with like-minded firms

A large part of our growth story involves acquiring like-minded wealth management firms aligned with our holistic wealth planning approach or other organizations that can add differentiated capabilities or enhance the advisor value proposition in areas such as banking, digital lead generation, business succession planning, or capital markets. Our focus in 2022 will be on identifying attractive industry segments and prioritizing our opportunities. We expect that over the next five years acquisitions will deliver over half of the growth that we need to achieve our aspirational target of $100 billion of AUA.

Business Segments

We operate through two business segments: Wealth Management and Corporate.

Wealth Management

Our Wealth Management segment supports our exceptional advisor teams as they provide strategic wealth advice and innovative investment solutions to their high-net worth clients across Canada. We offer advisors a holistic suite of wealth management solutions that enables them to deliver value to existing clients and attract new ones. We also make a team of tax, estate, and wealth planning experts available to advisors to assist with complex client needs.

Our advisors share our entrepreneurial spirit. There is no standard formula for their success; within the boundaries of our compliance regime, they have the flexibility to determine how best to serve their clients.

We include our current carrying broker business in the Wealth Management segment since it focuses on serving the needs of our Richardson Wealth advisors. In Q4 2022, we expect that Fidelity will begin providing custody, clearing and trade settlement services to Richardson Wealth, and we will no longer operate our proprietary carrying broker. We expect Fidelity to maintain service quality at an exceptionally high level and provide an innovative technology platform that will accelerate our digital ambition.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs. The functions included in the Corporate segment do not directly and entirely support the Wealth Management segment. For example, public company costs include external disclosures, registrations, maintaining a Board, external audits, and other corporate services.

For further information on our business segments, please visit our corporate website at *www.rfcapgroup.com*.

Outlook

Our Richardson Wealth business delivered record results in 2021 and has strong momentum heading into 2022. We anticipate AUA will continue to increase this year, fueled by organic growth programs, ongoing recruiting success, and modest market appreciation. Higher AUA volatility is likely in 2022 as the market reacts to ongoing global economic and political developments.

Adjusted EBITDA

We expect Adjusted EBITDA to grow by more than 20% from 2021, driven by AUA growth and cost efficiency. This expectation is premised on full year market growth in the range of 3-5%.

Q4 2021 Adjusted EBITDA is not indicative of our run-rate performance because of private client capital markets compensation costs that were booked in Q4, as discussed in the Q4 2021 Financial Performance section in this MD&A. These costs negatively impacted Q4 EBITDA by approximately $1.4 million.

Revenue

By successfully executing our growth strategy, we expect to help our existing advisors build their practices and attract new advisors to the firm. The resulting AUA increase, along with a modest level of market-driven growth, will push our more stable stream of fee income higher. The yield on fee-based assets should remain consistent with 2021 levels.

We anticipate 2022 commission revenue (trading and new issue commissions) to be down slightly, coming off an exceptionally strong equity market environment in 2021. Our partnerships with Cormark and Bloom Burton & Co, will continue to provide us with consistent access to deal flow, but we expect overall market activity to be lower.

Interest revenue will increase in the latter half of 2022, if benchmark rates rise as expected. Any increases in interest revenue will go straight to our bottom line since there are no associated costs.

Insurance revenue should also increase in 2022 as we expand our in-house capabilities to deliver greater value to advisors and their clients. Insurance revenue represented only 1.6% of our total revenue in 2021 and we believe that could increase to 7-8% over the next five years.

Expenses

We expect adjusted operating expenses in 2022 to be up from 2021, as we invest to support revenue generation and our key strategic initiatives. A competitive job market and changes to statutory benefit program contribution rates will put some pressure on compensation costs. We will manage all other expenses tightly and should continue to generate economies of scale as we grow.

We expect to realize run-rate operating expense savings from our strategic carrying broker agreement with Fidelity. This relationship should deliver an annualized $10 million EBITDA benefit in the first year after our Q4 2022 transition. The benefit has two components: $6 million in annualized run-rate expense savings and $4 million of expense avoidance (i.e. we will not have to incur $4 million of expenses that we would have had to incur had we kept the operations in-house). In addition to the EBITDA lift, this strategic relationship will transform our costs to be largely variable and reduce future capital investments in technology.

Richardson Wealth currently has enough excess capacity in its offices to absorb new advisors representing $10 billion in AUA with little incremental fixed costs. If we can recruit advisors to fill those office vacancies, the operating margin on the incremental assets is almost double what we achieve in our current business.

We expect capital expenditures to be in the range of $27 to 33 million in 2022, as we invest in strategic initiatives and in our offices across the country. Our new flagship office in Toronto, which we expect to fully occupy by early 2023, will account for the majority of the expenditures.

Balance Sheet

In September 2021, we secured a $200 million revolving credit facility. When combined with operating cash flow and our excess net working capital, it provides us with ample funding to accelerate our key growth initiatives. These growth initiatives, including advisor recruiting, all require up-front outlays of cash but will deliver significant EBITDA contributions over a multi-year horizon. Our overall appetite for leverage remains low, and we will not expose ourselves to undue financial risk as we invest in our growth.

2021 Financial Highlights - Items of Note

Pre-Tax Adjustments

We have been reporting a high number of items of note over the course of the past two years, which reflects our significant transformation journey. We expect these expenses to lead to significant EBITDA benefits in future periods. The adjusted financial results presented in this MD&A back out the impact of our transformation program to provide readers with a more representative view of our run-rate expenses and profitability. Transformation costs declined in Q4 of 2021 and we anticipate even fewer items of note in 2022. The material adjustment we make for intangible asset amortization will continue through 2035.

2021 included the following $34.4 million of adjusting items:

- $14.9 million of pre-tax charges related to our ongoing transformation ($11.6 million after-tax), reported in both our Wealth Management and Corporate segments. This amount includes charges in connection with refining our organizational structure, professional fees paid related to developing and implementing our new strategy across the Company, and provisions for realigning parts of our real estate footprint. We do not expect transformational charges to be as significant in 2022.

- $6.4 million of pre-tax carrying broker transformation charges ($6.2 million after-tax) connected with the outsourcing of our carrying broker operations. These charges, which relate to a workforce realignment and exiting certain technology provider relationships early, are recorded in our Wealth Management segment. We do not expect carrying broker transformational charges to be as significant in 2022.

- $13.1 million of pre-tax amortization of intangible assets ($9.7 million after-tax), reported in our Corporate segment. The amortization arises from intangible assets created on the acquisition of Richardson Wealth in Q4 2020.

2020 included the following adjusting items:

- a $45.7 million accounting gain in connection with our acquisition of Richardson Wealth, reported in our Corporate segment;
- $6.7 million in charges related to the transformation of the business, reported in our Corporate segment;
- $2.6 million of pre-tax amortization of intangible assets ($1.9 million after-tax), reported in our Corporate segment; and
- a $2.4 million expense related to our proportionate share of the $7.1 million in accelerated RSU costs and retention payments recorded by Richardson Wealth immediately prior to our acquisition of that business. This amount is included in the Share of loss of associate line item and reported in our Wealth Management segment.

Another Item of Note – Consolidation of Richardson Wealth

In late 2020, we began to fully consolidate Richardson Wealth's financial results, reflecting the fact that we acquired 100% ownership of that business on October 20, 2020 (the Transaction). Q1 2021 represented the first full quarter that we consolidated the results. We accounted for Richardson Wealth's results using the equity method before we acquired it, and the results were included on our income statement under the Share of net loss of associate line item. Furthermore, prior to the Transaction, RF Capital owned just 34% of Richardson Wealth and reported only that proportion of its earnings. After the Transaction, we began to consolidate 100% of its financial results. As a result, the comparability of results across periods is limited.

To assist readers in understanding the performance of our underlying business over time, we have included supplemental financial information for Richardson Wealth in this MD&A. We will cease to provide this supplemental disclosure in 2022, since we will have comparable prior period results.

Overall Financial Performance

2021 results are not comparable with those of 2020 because we began to consolidate the financial results of Richardson Wealth in October 2020, as discussed above.

($000's, except as otherwise indicated)	2021	2020	Increase/(decrease) $	%
Reported Consolidated Results:				
Revenue	328,519	84,119	244,400	n.m.
Variable advisor compensation	142,611	23,726	118,885	n.m.
Gross margin[1]	185,908	60,393	125,515	n.m.
Operating expenses[2,3]	156,543	60,553	95,990	n.m.
EBITDA - consolidated[2]	29,365	43,209	(13,844)	n.m.
Net income (loss)	(20,152)	28,747	(48,899)	n.m.
Adjusted Consolidated Results:				
Operating expenses[2,3]	135,153	53,889	81,264	n.m.
EBITDA - consolidated[2]	50,755	4,139	46,616	n.m.
Net income (loss)[2]	7,357	(6,001)	13,358	n.m.

1. Gross margin is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
2. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
3. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.

2021 vs. 2020

Net Income/(Loss)

The decrease in reported net income in 2021 compared with 2020 largely reflects a $45.7 million accounting gain recorded in 2020 and higher transformation charges in 2021, as discussed in the 2021 Financial Highlights - Items of Note section above. These amounts were partly offset by improved operating performance at Richardson Wealth and the fact that we are now capturing a more significant share of Richardson Wealth's earnings as a result of our increased ownership interest (100% vs. 34% pre-acquisition).

Adjusted Consolidated EBITDA

Adjusted consolidated EBITDA improved due to two primary factors:

- The Richardson Wealth business increased its Adjusted EBITDA on the strength of all-time high AUA and fee-based revenue; and
- We are now capturing a more significant share of that EBITDA as a result of our increased ownership interest (100% vs. 34% pre-acquisition).

Segment Results

The following section highlights the financial results of our two business segments for 2021 and 2020. These segments reflect how management evaluates the Company's financial performance.

Wealth Management

2021 results are not comparable with those of 2020 because we began to consolidate the financial results of Richardson Wealth commencing in mid-Q4 of 2020, as discussed in Another Item of Note - Consolidation of Richardson Wealth.

			Increase/(decrease)	
($000's, except as otherwise indicated)	2021	2020	$	%
Investment management and fee income	242,916	42,427	200,489	n.m.
Commissions	39,063	6,127	32,936	n.m.
Interest	17,821	12,072	5,749	n.m.
Other income	28,890	23,503	5,387	n.m.
Revenue	328,690	84,130	244,560	n.m.
Variable advisor compensation	142,611	23,726	118,885	n.m.
Gross margin[1]	186,079	60,404	125,675	n.m.
Employee compensation and benefits	73,146	18,850	54,296	n.m.
Selling, general and administrative	53,688	26,757	26,931	n.m.
Transformation costs and other provisions	20,260	—	20,260	n.m.
Operating expenses[2,3]	147,094	45,607	101,487	n.m.
Share of loss of associate[4]	—	(2,365)	2,365	n.m.
EBITDA[3]	38,985	12,432	26,553	n.m.
Interest	3,712	1,113	2,599	n.m.
Depreciation and amortization	11,748	3,149	8,599	n.m.
Advisor loan amortization	17,734	3,490	14,244	n.m.
Income (loss) before income taxes	5,791	4,680	1,111	n.m.
Adjusting items[5]:				
Carrying broker transformation costs	6,409	—	6,409	n.m.
Other transformation costs and provisions	13,851	—	13,851	n.m.
Total adjusting items	20,260	—	20,260	n.m.
Adjusted results:				
Adjusted EBITDA - Wealth Management[3]	59,245	12,432	46,813	n.m.
Adjusted income (loss) before income taxes - Wealth Management[3]	26,051	4,680	21,371	n.m.

1. Gross margin is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
2. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
3. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
4. Share of income/(loss) of associate represents our proportionate shares of Richardson Wealth's net income/(loss) prior to its acquisition by us
5. For further information, please see 2021 Financial Highlights – Items of Note in this MD&A

Financial Performance

2021 vs. 2020

Wealth Management reported income before taxes of $5.8 million in 2021 compared with $4.7 million last year. The increase reflects improved operating results at Richardson Wealth and the fact that we are now consolidating 100% of their results. Partly offsetting this increase were charges recorded in 2021 in connection with our decision to outsource our carrying broker operations and other transformation activities and provisions. The majority of our financial results are related to our Richardson Wealth operations, which are discussed in more detail below.

Supplemental Financial Information – Richardson Wealth

Due to the lack of comparability of our consolidated financial results across years and to help readers understand the performance of our underlying wealth management business, we have included the standalone financial results of Richardson Wealth as a supplemental disclosure below. The following table sets forth an overview of the financial results of Richardson Wealth for the periods indicated:

			Increase/(decrease)	
($000, except as otherwise indicated)	2021	2020	$	%
Commissions	39,063	30,552	8,511	28
Investment management and fee income	242,916	208,464	34,452	17
Interest	13,851	14,382	(531)	(4)
Other	22,716	14,577	8,139	56
Revenue	318,546	267,975	50,571	19
Variable advisor compensation	142,611	117,206	25,405	22
Gross margin[1]	175,935	150,769	25,166	17
Employee compensation and benefits	67,894	69,384	(1,490)	(2)
Selling, general and administrative	51,284	48,989	2,295	5
Transformation costs and other provisions	13,687	-	13,687	100
Operating expenses[2,3]	132,865	118,373	14,492	12
EBITDA[3]	43,070	32,396	10,674	33
Interest	5,881	6,137	(256)	(4)
Depreciation and amortization	9,596	12,137	(2,541)	(21)
Advisor loan amortization	17,734	11,263	6,471	57
Income (loss) before income taxes	9,859	2,859	7,000	245
Adjusting items[4]:				
Carrying broker transformation costs	586	—	586	100
Other transformation costs and provisions	13,101	—	13,101	100
Share-based compensation[5]	—	7,094	(7,094)	(100)
Total adjusting items	13,687	7,094	6,593	93
Adjusted results:				
Operating expenses[2,3]	119,178	111,279	7,899	7
EBITDA - Richardson Wealth[3]	56,757	39,490	17,267	44
Income (loss) before income taxes[3]	23,546	9,953	13,593	137

1. Gross margin is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
2. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
3. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
4. For further information, please see 2021 Financial Highlights – Items of Note in this MD&A
5. Represents share-based compensation expense related to the accelerated vesting of all Richardson Wealth's outstanding RSUs and retention payments prior to its acquisition by us. This amount excludes share based compensation recorded in connection with private company shares awarded to employees and advisors of Richardson Wealth prior to its acquisition by us.

Financial Performance — Richardson Wealth

2021 vs. 2020

Income/(Loss) Before Income Taxes

Income before taxes increased largely due to a record gross margin, partly offset by $13.7 million of transformation charges and $6.5 million higher advisor loan amortization.

Adjusted EBITDA — Richardson Wealth

Adjusted EBITDA — Richardson Wealth increased by 44% largely as a result of high revenue growth — most notably investment management and fee income — and an improved operating margin. The Adjusted EBITDA — Richardson Wealth margin was 17.8% in 2021, up from 14.7% last year.

Revenue

Revenue was up by $50.6 million or 19% from 2020, benefiting from record AUA, stable yields, higher new issue activity and growth of our insurance business.

			Increase/(decrease)	
	2021	2020	$/#	%
AUA - ending ($millions)	36,847	30,846	6,001	19
AUA - average ($millions)	34,012	28,844	5,168	18
New issue participation (# of deals)	575	364	211	58
New issue commissions ($000's)	12,009	7,052	4,957	70
Asset yield[1] (%)	0.83	0.83	—	—
Adjusted EBITDA margin (%)	17.8	14.7	+310 bps	
Advisory teams[2]	162	159	3	2

1. Calculated as commission and fee revenue divided by average AUA
2. Prior year has been revised to reflect the internal consolidation of certain teams

AUA increased from 2020 due to overall market growth and a record $3.4 billion in net new and recruited assets. The benefits of our focus on recruiting and retention are beginning to be reflected in our performance. In 2021, we recruited nine advisors who chose to have their names alongside the Richardson brand. Four advisors left the firm in 2021: all in the first half of the year. Many advisors are progressing through our recruiting pipeline which now stands at $16 billion.

Fee revenue reached another all-time high, up 17% from last year, and represented 86% of total commission and fee revenue in 2021. Our existing investment advisors have migrated more of their AUA to a fee-based structure over the past several years and our recruiting efforts are focused on attracting fee-based advisors. This deliberate strategic focus makes our revenue base more recurring and predictable.

Commission revenue was up 28% from last year largely due to higher new issue activity. The number of deals in which we participated increased 58% compared with 2020. Our strategic partnerships with Cormark and Bloom Burton & Co have allowed us to capitalize on an increase in industry-wide capital markets activity.

Other revenue increased 56%, led by higher fees earned by our private client capital markets group and increased insurance revenue. Insurance revenue was up 44% from 2020, as a result of a greater focus on employing the product as part of an integrated wealth plan and our decision to bring insurance distribution operations in-house. Dedicated in-house insurance specialists augment our wealth planning services and allow us to retain more of the commissions on each insurance sale.

Variable advisor compensation, an offset to revenue, was up by 22% and reflected our strong revenue generation. It remained relatively stable as a percentage of fee income and commissions, at 50.6% in 2021 compared with 49.0% in 2020.

Operating Expenses

Operating expenses were up in the year mainly due to $13.7 million of transformation costs and other provisions.

Adjusted operating expenses are the aggregate of employee compensation and benefits and selling, general, and administrative expenses: they exclude transformation, interest, and amortization costs. In 2020, share-based compensation in Richardson Wealth related to the accelerated vesting of all Richardson Wealth's outstanding RSUs and retention payments prior to its acquisition by us was also excluded from adjusted operating expenses.

Adjusted operating expenses were 7% higher than in 2020, mainly due to higher compensation and benefits. Compensation (excluding share-based compensation, an adjusting item) was up from last year as a result of several factors including the launch of a new compensation program for our private client capital markets group to align them to market, a furlough program that was in effect for the latter part of 2020, and annual inflationary adjustments. Selling, general, and administrative costs were up due to general growth of the business.

Even though costs were higher in dollar terms, our operating expense ratio (adjusted operating expenses/gross margin) declined by 610 basis points, from 73.8% to 67.7%, as we realized the benefits of our increasing scale.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs. The following table sets forth the financial results for the Corporate segment:

			Increase/(decrease)	
($000's)	2021	2020	$	%
Revenues	(171)	(11)	(160)	n.m.
Employee compensation and benefits	3,988	4,824	(836)	(17)
Selling, general and administrative	4,331	3,458	873	25
Transformation costs	1,130	6,664	(5,534)	(83)
Operating expenses[1,2]	9,449	14,946	(5,497)	(37)
EBITDA[2]	(9,620)	(14,957)	5,337	(36)
Interest	2,919	727	2,192	302
Amortization of acquired intangibles	13,057	2,593	10,464	n.m.
Gain on investment in associate	-	45,734	(45,734)	n.m.
Income (loss) before income taxes - reported	(25,596)	27,457	(53,053)	(193)
Adjusting items[3]:				
Transformation costs	1,130	6,664	(5,534)	(83)
Amortization of acquired intangibles	13,057	2,593	10,464	403
Gain on investment in associate	-	(45,734)	45,734	n.m.
Total adjusting items	14,187	(36,477)	50,664	(139)
Adjusted results:				
Operating expenses[1,2]	8,319	8,282	37	—
EBITDA[2]- Corporate	(8,490)	(8,293)	(197)	2
Income (loss) before income taxes[2] - Corporate	(11,409)	(9,019)	(2,390)	26

1. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
2. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A
3. For further information, please see 2021 Financial Highlights – Items of Note in this MD&A

Financial Performance

2021 vs. 2020

Income/(loss) before income taxes

We reported a net loss before taxes in 2021 in our Corporate segment compared with $27.5 million of income before taxes in 2020. The change is largely due to the following factors:

- a $45.7 million accounting gain in 2020 in connection with our acquisition of Richardson Wealth; and
- $13.1 million in amortization of acquired intangibles in 2021, compared with $2.6 million in 2020. These expenses are related to our acquisition of Richardson Wealth in October 2020;

Offset partially by:

- $5.5 million in lower transformation charges this year in our Corporate segment. The majority of 2021 transformation charges were recorded in Wealth Management as they related to the transformation of that segment.

Adjusted EBITDA

Adjusted EBITDA was largely unchanged as adjusted operating expenses were consistent year over year.

Quarterly Results

The following table provides selected quarterly financial information for our eight most recently completed financial quarters. The comparability of our financial results across quarters is limited primarily because we acquired full ownership interest of the Richardson Wealth business on October 20, 2020. Q1 2021 was the first quarter in which we consolidated Richardson Wealth's financial results for a full reporting period.

				2021				2020
($000's, except as otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment management and fee income	64,414	61,957	58,911	57,634	42,427	—	—	—
Commissions	9,233	6,681	10,131	13,018	6,127	—	—	—
Interest	4,474	4,319	4,455	4,573	4,271	2,463	2,177	3,639
Other income	7,990	6,725	5,567	8,437	7,890	5,043	4,893	5,189
Revenue	86,111	79,682	79,064	83,662	60,715	7,506	7,070	8,828
Advisor variable compensation	38,285	34,714	34,138	35,474	23,726	—	—	—
Gross margin[1]	47,826	44,968	44,926	48,188	36,989	7,506	7,070	8,828
Operating expenses[2,3]	37,263	41,482	34,096	43,702	27,491	12,503	8,174	10,819
Share of loss of associate[4]	—	—	—	—	(1,591)	(415)	(473)	114
Gain on investment in associate	—	—	—	—	45,734	—	—	—
EBITDA[3]	10,564	3,486	10,829	4,486	53,641	(5,412)	(1,577)	(1,876)
Interest	1,543	1,687	2,048	1,353	1,108	212	257	263
Depreciation and amortization	6,510	5,982	6,231	6,082	5,352	132	130	128
Advisor loan amortization	4,054	4,257	4,485	4,938	3,490	—	—	—
Income (loss) before income taxes	(1,544)	(8,441)	(1,935)	(7,885)	43,691	(5,755)	(1,968)	(2,435)
Net income (loss) from continuing operations	(2,357)	(8,462)	(1,858)	(7,475)	39,992	(5,760)	(1,787)	(3,038)
Net income (loss) from discontinued operation	—	—	—	—	—	(217)	(564)	121
Net income (loss)	(2,357)	(8,462)	(1,858)	(7,475)	39,992	(5,977)	(2,351)	(2,917)
Net income (loss) per Common Share:								
Basic	(0.02)	(0.14)	(0.04)	(0.13)	0.52	(0.08)	(0.05)	(0.06)
Diluted	(0.02)	(0.14)	(0.04)	(0.13)	0.26	(0.08)	(0.05)	(0.06)
Adjusting items[5]:								
Transformation costs and other provisions	1,730	9,517	2,513	7,630	1,201	3,901	113	1,449
Amortization of acquired intangibles	3,265	3,263	3,263	3,263	2,589	—	—	—
Gain on investment in associate	—	—	—	—	(45,734)	—	—	—
Total adjusting items	4,995	12,780	5,776	10,893	(41,944)	3,901	113	1,449
Adjusted Results:								
Operating expenses[2,3]	35,534	31,965	31,583	36,071	26,290	8,601	8,065	9,537
EBITDA - Consolidated[3]	12,294	13,003	13,342	12,116	9,108	(1,511)	(1,469)	(595)
Income (loss) before income taxes[3]	3,451	4,339	3,841	3,008	1,747	(1,854)	(1,856)	(986)
Net income (loss) from continuing operations[3]	1,395	2,491	2,403	1,068	(1,242)	(2,076)	(2,238)	(1,468)

1. Gross margin is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
2. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
3. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A
4. Share of income/(loss) of associate represents our proportionate shares of Richardson Wealth's net income/(loss) prior to its acquisition by us
5. For further information, please see 2021 Financial Highlights – Items of Note and Q4 Items of Note in this MD&A

Q4 2021 Financial Performance

As discussed previously in Another Item of Note – Consolidation of Richardson Wealth, the comparability of results across periods is limited due to the timing of the consolidation of Richardson Wealth following its acquisition by us. The acquisition occurred part way through Q4 2020.

Q4 Items of Note

The magnitude of adjusting items declined this quarter. Q4 2021 adjusting items included:

- $1.7 million of pre-tax of charges related to our ongoing transformation ($1.2 million after-tax), reported in our Wealth Management segment. The charges encompass a range of transformation initiatives including refining our ongoing operating model and implementing our digital strategy, as well as other provisions. Professional fees related to implementing our new strategy are almost half of the total and will cease beginning in Q1 2022.
- $3.3 million of pre-tax amortization of acquired intangibles ($2.5 million after-tax), reported in our Corporate segment.

In addition, while not an adjusting item, Q4 2021 included an incremental $1.4 million of compensation expenses related to the launching of a new compensation program for our private client capital markets group ($1.1 million after-tax). This change resulted in almost a full year of bonuses being recorded in Q4. These expenses were recorded in our Wealth Management segment.

Q4 2020 adjusting items included:

- a $45.7 million accounting gain in connection with our acquisition of Richardson Wealth, reported in our Corporate segment;
- $1.2 million in charges related to the transformation of the business, reported in our Corporate segment;
- $2.6 million of pre-tax amortization of intangible assets ($1.9 million after-tax), reported in our Corporate segment; and
- a $1.4 million expense related to our proportionate share of the $4.1 million in accelerated RSU costs and retention payments recorded by Richardson Wealth immediately prior to our acquisition of that business. This amount is included in the Share of Loss of Associate line item, in our Wealth Management segment.

Q4 2021 vs. Q4 2020

Net Income/(Loss)

We reported a net loss of $2.4 million in Q4 2021 compared with net income of $40.0 million in the same period last year. The change is largely a function of the $45.7 million accounting gain discussed above, offset by improved operating performance at Richardson Wealth. Richardson Wealth reported $2.2 million of net income in Q4 2021, up $6.3 million from a $4.1 million net loss last year.

Adjusted Consolidated EBITDA

Adjusted Consolidated EBITDA was $12.3 million in Q4 2021 compared with $9.1 million in Q4 2020. The improvement resulted primarily from all-time high AUA and recurring fee-based revenue, as well as higher commission income, at Richardson Wealth.

Richardson Wealth reported Adjusted EBITDA of $13.6 million in Q4 2021 compared with $11.6 million in Q4 2020. Gross margin increased 18%, driven by 21% and 27% increases in fee-based revenue and commissions, respectively. The Adjusted EBITDA margin was 16.1% in Q4 2021 compared with 16.9% in the same period last year. The decrease in margin reflects the private client capital markets compensation expenses discussed in the Q4 Items of Note section above; without those incremental expenses, Q4

2021 Adjusted EBITDA – Richardson Wealth would have been $15.0 million, and the Adjusted EBITDA margin would have been 17.8%.

Q4 2021 vs. Q3 2021

Net Income/(Loss)

Our net loss was $6.1 million lower in Q4 2021 than in Q3. The improvement reflects a gross margin increase of $2.9 million (6.4%) and $7.8 million in lower transformation costs, offset by the incremental compensation expenses discussed above.

Adjusted Consolidated EBITDA

Adjusted consolidated EBITDA was $12.3 million in Q4 2021 compared with $13.0 million in Q3. A higher gross margin was offset by compensation expenses as discussed above. Excluding the incremental compensation, Adjusted EBITDA would have been $1.4 million higher.

Adjusted EBITDA - Richardson Wealth was $13.6 million in Q4 2021, down from $14.0 million in Q3. Excluding the incremental compensation expenses discussed above, Adjusted EBITDA - Richardson Wealth would have increased $1.0 million from Q3.

Adjusted Operating Expenses

Adjusted operating expenses were 11% higher compared with Q3 of 2021 mainly due to the incremental compensation expenses, as discussed above, higher selling, general and administrative costs due to general growth of the business and recruited assets and truing-up of variable compensation in our Corporate segment in Q4. Excluding the $1.4 million incremental compensation, adjusted operating expenses would have been 6.7% higher than Q3 of 2021, which is commensurate with the 6.4% increase in gross margin over the same period.

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of working capital and debt on our balance sheet at the end of 2021.

As at December 31, ($000's)	2021	2020	Increase/(decrease) $	 %
Selected highlights:				
Total assets	2,216,015	2,119,919	96,096	5
Goodwill and intangible assets	348,152	356,881	(8,729)	(2)
Shareholders' equity	354,890	379,863	(24,973)	(7)
Term debt[1]	110,922	109,494	1,428	1
Net working capital[2]	105,991	87,881	18,110	21

1. Includes revolving credit facility (2021), subordinated debt (2020), preferred share liability, and net promissory note payable
2. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.

Total assets increased by $96.1 million from December 31, 2020 due to the general growth of our business. Shareholders' equity decreased by $25.0 million mainly due to the $20.2 million net loss we reported and $4.2 million of preferred share dividends.

Term Debt

As at December 31, ($000's, except as otherwise indicated)	2021	2020
Revolving credit facility	80,500	—
Subordinated debt	—	67,000
Promissory note (net)	—	12,072
Preferred share liability	30,422	30,422
	110,922	109,494
Ratios:		
Total debt/Adjusted EBITDA[1] - consolidated	2.2	n.m.
Adjusted EBITDA[1] - consolidated/interest	14.4	n.m.

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A

Revolving Credit Facility

On September 10, 2021, we secured a $200 million revolving credit facility with a syndicate of lenders. The initial authorized principal of the facility is $125 million. The facility also includes an accordion provision that will enable us to request increases in the total commitment, under the same terms, by an aggregate amount of up to $75 million, subject to the lenders' approval. As of December 31, 2021, we had drawn $80.5 million against the facility. Combined with our strong current and expected future operating cash flows and our excess working capital, the facility provides us with ample funding and flexibility to accelerate our organic growth, recruiting and other strategic initiatives.

The interest rate on the facility will be approximately 25 to 75 basis points less than what we paid on our previous subordinated bank debt. The facility will bear interest at a spread over prescribed benchmark rates, with the spread dependent on our leverage ratio at the time that we draw on the facility. The facility has an initial two-year term with an option for additional one-year terms, at our request and subject to the lenders' approval.

As of December 31, 2021, we were compliant with the covenants associated with the facility.

Repayment of Subordinated Bank Debt and Net Promissory Notes Payable

We used cash draws of $80.5 million under our new revolving credit facility to repay, in full, $65.0 million in subordinated unsecured bank debt held at Richardson Wealth and $12.1 million in net promissory notes payable held at the parent company level. Payments of $14.8 million under these promissory notes were made to former employees of our former capital markets business. Those payments were, in part, offset by receipts under these promissory notes in the amount of $2.8 million, for a net amount paid of $12.1 million.

Liquidity

Management and the Board continually assess the Company's dividend policy, expense structure, and capital spending plans in the context of our overall financial and liquidity positions. Our intent is to ensure that our business and financial strategies will not expose us to excessive financial risk.

Working Capital and Cash Flow

We require liquidity to fund our day-to-day operations, strategic investments, and cash distributions. Management believes that our current working capital, positive cash flow, and the undrawn amounts under our credit facilities provide us with more than enough liquidity for normal operating purposes, to invest in our future, and to manage through periods of financial stress. If equity markets or other business conditions deteriorate, adversely impacting our expected cash flow, we will take swift action to preserve our liquidity position. As at December 31, 2021, we had net working capital of $106.0 million.

Operating Credit Facilities

We supplement the day-to-day liquidity provided by our cash flow and working capital with access to a variety of other cost-effective, short-term funding sources. Available credit facilities with Schedule I Canadian chartered banks were $427.7 million at December 31, 2021, compared with $651.8 million at December 31, 2020. These credit facilities are available solely to facilitate the securities settlement process, primarily for client transactions. Management considers the current level of credit availability to be sufficient. We had had no amounts outstanding under any of these operating facilities at December 31, 2021 or December 31, 2020.

Liquid Assets

Liquid assets are comprised of cash, cash equivalents, and certain government securities. We hold our cash across several financial institutions, all of which have high credit ratings. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Certain government securities factor into our liquid asset and working capital balances and form an important part of our overall liquidity risk management framework. These government securities are classified as inventory on our balance sheet.

Subsidiary Capital Requirements

Certain of our subsidiaries are subject to regulatory capital requirements. These requirements are designed to assess the sufficiency of their liquidity position and to provide indications to the relevant regulatory authority of possible concerns. Regulatory capital levels, which fluctuate based on margin requirements for outstanding trades and other factors, complied with all regulatory requirements during 2021.

Updated Share Information

At the date of this report, March 3, 2022, we had 158.7 million common shares issued and outstanding (Common Shares). In addition, there were 0.5 million unexercised stock options outstanding, with a weighted average exercise price of $2.00 per share. We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding.

On February 25, 2021, pursuant to the terms of the Series B and Series C Preferred Shares, we announced that we did not intend to exercise our 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 of dividends is 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 18 to the 2021 Annual Financial Statements.

Common Shares

The Company did not pay any Common Share dividends in 2021. On April 29, 2020, in response to the disruption caused by COVID-19, the Company's Board suspended the Company's quarterly cash dividend. The decision was made to exercise caution and maintain a conservative approach to capital and risk management.

Preferred Shares

On March 3, 2022, the Board approved a quarterly cash dividend of $0.233313 per Series B preferred share, payable on March 31, 2022, to shareholders of record on March 15, 2022.

Normal Course Issuer Bid

On March 4, 2022, the Company announced that the Toronto Stock Exchange (TSX) has approved its notice of intention to make a normal course issuer bid (NCIB) for a portion of its common shares (Common Shares). The NCIB will be made in accordance with the requirements of the TSX.

RF Capital is implementing the NCIB because it believes that the market price of its Common Shares may not, from time to time, fully reflect their value. Accordingly, the purchase of its Common Shares may be an attractive and appropriate use of available funds, and in the best interest of its shareholders. The Company will still be able to sufficiently fund and pursue its growth ambitions if it deploys capital for the NCIB. The Company's current net working capital, positive cash flow generation and its recently secured $200 million revolving credit facility provide ample capital to pursue strategic priorities as they may arise.

Pursuant to the notice, the Company is authorized to acquire up to a maximum of 5,485,719 of its Common Shares, or approximately 10% of the Company's public float of approximately 54,857,193 Common Shares as of February 22, 2022, or up to a maximum of 548,571 of its Common Shares or approximately 10% of the Company's public float of approximately 5,485,719 Common Shares following the Consolidation (as defined below), for cancellation over the next 12 months. Purchases under the NCIB will be made through the facilities of the TSX or a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Common Share equal to the market at the time of acquisition, or such other price as may be permitted by the TSX. The number of Common Shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 8,838 Common Shares or approximately 883 Common Shares, following the Consolidation, (which is equal to 25% of 35,353 Common Shares or approximately 3,535 Common Shares, following the Consolidation, being the average daily trading volume during the six months ended February 28, 2022), except where purchases are made in accordance with the "block purchase exception" of the TSX rules.

The Company may begin to purchase Common Shares on or about March 9, 2022 and the bid will terminate on or about March 8, 2023 or such earlier time as the Company completes its purchases pursuant to the bid or provides notice of termination. Any Common Shares purchased under the NCIB will be cancelled.

Common Share Consolidation

On March 4, 2022, the Company also announced that it intends to proceed with the consolidation of its Common Shares on the basis of one post-consolidation Common Share for every 10 pre-consolidation Common Share (the Consolidation). The Company's shareholders previously approved the Consolidation at the annual general and special meeting held on May 26, 2021. The Consolidation will reduce the number of Common Shares issued and outstanding from approximately 158,714,254 to approximately 15,871,425.

The proposed Consolidation is part of the Company's overall strategy to drive long term shareholder value and to increase its profile among investors. The board of directors (Board) believes that such share consolidation may increase investment interest for the Company's Common Shares and enhance trading liquidity by broadening the pool of investors that may consider investing in the Company, including investors whose internal investment policies prohibit or discourage them from taking an equity position in any company whose shares are trading below a certain price.

No fractional Common Shares will be issued pursuant to the Consolidation. In lieu of any such fractional Common Shares, each registered shareholder otherwise entitled to a fractional Common Share following the implementation of the Consolidation will receive the nearest whole number of post-Consolidation Common Shares.

The TSX has conditionally approved the Consolidation. The Common Shares are expected to begin trading on a post-Consolidation basis when the market opens on or about March 22, 2022, subject to the TSX's final approval.

The Company's transfer agent, TSX Trust Company, intends to send a letter of transmittal to the registered holders of the Common Shares. The letter of transmittal will contain instructions on how to surrender Common Share certificates representing pre-Consolidation Common Shares to the transfer agent. Shareholders will be able to obtain a copy of the letter of transmittal at the Company's website at *www.rfcapgroup.com* and under the Company's SEDAR profile at *www.sedar.com*. The transfer agent will forward to each registered shareholder who has sent the required documents a new Common Share certificate representing the number of post-Consolidation Common Shares to which the registered shareholder is entitled. If shareholders hold their Common Shares through an intermediary and they have questions in this regard, they are encouraged to contact their intermediaries

Following the Consolidation, the new CUSIP and ISIN numbers for the Common Shares will be 74971G401 and CA74971G4016, respectively.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by us, (b) key management personnel, which are comprised of our directors and/or officers and those entities that they control (directly or indirectly), and (c) any persons having authority and responsibility for planning, directing, and controlling our activities. For further information on Related-Party Transactions, please refer to Note 14 to the 2021 Annual Financial Statements.

Critical Accounting Policies and Estimates

Our significant accounting policies are essential to an understanding of our reported results of operations and financial position. Accounting policies applied by us as at and for the year ended December 31, 2021 are the same as those applied by us as at and for the year ended December 31, 2020. Please refer to Note 2 to the 2021 Annual Financial Statements for further information.

Financial Instruments

A significant portion of our assets and liabilities are composed of financial instruments. There were no material changes in our use of financial instruments, or the types of financial instruments employed in our trading and non-trading activities during the 2021.

Refer to Note 1 to the 2021 Annual Financial Statements for more information. For significant assumptions made in determining the valuation of financial and other instruments, refer to Note 2 to the 2021 Annual Financial Statements.

Future Changes in Accounting Policies or Estimates

We continuously monitor the changes proposed by the International Accounting Standards Board and analyze 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 2021 Annual Financial Statements.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is accumulated and communicated to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis to enable appropriate decisions regarding required public disclosure. As of December 31, 2021, management evaluated the effectiveness of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

To the best of the knowledge and belief of our CEO and CFO, no changes were made to our operations during 2021 that materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Risk Management

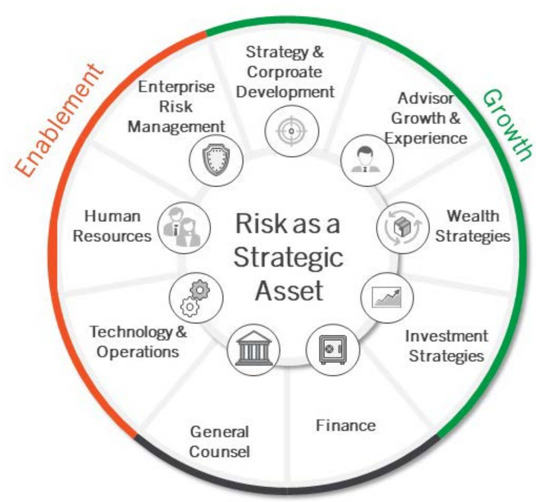
The financial services industry is, by its nature, subject to numerous and substantial risks, particularly in volatile, uncertain, or illiquid markets and a highly regulated environment.

We have a robust, effective, and continuously evolving enterprise-wide risk management framework designed to address the significant areas of risk that we face in the execution of our growth strategy.

This framework ensures that new, emerging, and open risks impacting our business are identified, classified, assessed, and managed to meet risk appetite objectives in the best interests of our stakeholders, through effective oversight, escalation and governance by management and the Board, respectively.

Our Board sets strategic and risk management direction, including our overall risk appetite and tolerance. Management is accountable for effectively managing the significant areas of risk and ensuring that our risk profile is in line with risk appetite as informed by our strategic mandate.

Risk Framework Components



We view our approach to risk management as a key differentiator. Effective risk management is an essential asset that, when managed proactively using qualitative and quantitative evaluation measures, creates opportunities to capture and increase stakeholder value. We recently enhanced our Corporate Governance structure to include a dedicated Board Risk Committee to strengthen the oversight of this critical function.

Risk Factors

An investment in securities of the Company involves a number of risks in addition to those outlined in this MD&A. The Company faces risks in formulating its business strategy and business objectives, in carrying on its business activities in the pursuit of its growth strategy, and from external factors such as changes in the economic, business, competitive and regulatory environments. In many cases, risks which are inherent to the Company's industry and its activities are beyond its 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. Risk management at the Company is a significant priority due to the importance of its effectiveness on the Company's operations.

These risks may occur independently or in combination and may occur in an environment where one or more risks evolve rapidly. For example, a fourth wave in connection with the COVID-19 pandemic resulting from the emergence of new variants could have a material adverse impact on its business. Such an event may trigger a downturn in equity market levels and increased market volatility which may affect the value of the Company's AUA and revenues and may also result in the disruption in third-party service arrangements upon which the Company depends.

The risk factors described below do not represent a complete inventory. It should be noted that these factors can continue to develop and change over time, and the combined adverse impact on the Company's profitability, financial position, and reputation could be significantly greater than the sum of the individual parts.

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.

The Company's risk factors have been grouped into the following seven categories: risks related to the Company's business and industry, operational risks, legal, compliance and regulatory risks, product risks, risks related to COVID-19, risks related to Common Shares, and risks related to Series B preferred shares.

The Company has robust policies, procedures, and a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems to identify, monitor, measure, assess and control risks.

Risks Related to the Company's Business and Industry

Strategic Execution Risk

The Company's growth is dependent on the successful execution of the identified organic, recruiting, and inorganic initiatives outlined in its five year growth plan. There is no certainty that the Company will be successful in implementing its business strategies or that the identified strategic initiatives will achieve its aspirational growth objectives. If the Company's business strategies are not successful or are not executed effectively, it may not be able to achieve its growth objectives or react to market opportunities, which may have an adverse impact on its business and financial results.

Reliance on Attracting and Retaining AUA and Investment Advisors

The Company derives a large portion of its revenues from fees and commissions generated by its advisors. The Company's continued growth and success depends on its ability to attract and retain Canada's top investment advisors with the desired qualifications on terms that are consistent with the Company's compensation structure. The market for investment advisors is extremely competitive and is increasingly characterized by frequent movement by investment advisors among different firms. There can be no assurance that the Company will be successful in the steps taken or will take to recruit and retain the investment advisors needed to achieve its growth objectives.

Failure to Protect the Company's Reputation Could Adversely Affect its Business

The Company views its reputation for integrity and client service as one of its most important assets. The Company's ability to attract and retain customers, investors, employees, and advisors is highly dependent upon external perceptions of the Company. Damage to its reputation could cause significant harm to its business and prospects. Reputational damage may arise from numerous sources including litigation or regulatory actions, failing to deliver minimum standards of service and quality, compliance, regulatory or governance failures, any perceived or actual weakness in the Company's financial strength or liquidity, clients' or potential clients' perceived failure of how the Company addresses certain political, social or environmental topics, technological, cybersecurity, or other security breaches (including attempted or inadvertent breaches) resulting in improper disclosure of client or employee personal information, unethical or improper behavior and the misconduct or error of the Company's employees, advisors and counterparties.

Notwithstanding the measures taken by the Company to detect, deter and prevent misconduct or fraud, there can be no assurance that regulatory sanctions or reputational harm will not arise as a result of employee misconduct or errors. Misconduct or errors by its employees and advisors could result in violations of law, regulatory sanctions and/or serious reputational or financial harm. The Company cannot always deter misconduct by its employees and advisors, and the precautions it takes to prevent and detect this activity may not be effective in all cases.

The Company's Financial Results are Sensitive to Global Economic, Political and Market Conditions

The Company's wealth management business is, by its nature, subject to numerous and substantial risks, including changes in global economic, political and market conditions that are beyond the Company's control. These or any conditions causing reductions in AUA, growth in AUA and/or investor confidence would cause revenue and EBITDA to decline. These factors are inherently difficult to predict and any or all such factors may adversely impact the Company's revenues, operating margins, compensation ratios and expense levels due to their potential negative impacts on market volumes, asset prices, volatility, or liquidity.

The Company May Not be Able to Achieve Performance Targets or Negotiate Target Acquisitions on Favourable Economic Terms

As part of its growth strategy, the Company intends to diversify its revenues by expanding its product and service offerings or acquiring business operations related or complementary to its wealth management business segment. Any such initiatives are accompanied by various risks, including failure to retain or acquire key employees, failure to identify growth opportunities, failure to anticipate and respond to changes in the business environment, failure to maintain or develop key client relationships, the impact of economic growth or contraction and its potential negative effects on the initiative, exposure to unknown liabilities of the acquired business, increased regulatory scrutiny and related compliance efforts, higher than anticipated acquisition/expansion costs, increased investments in management and operational personnel, financial and management systems and facilities, the difficulty and expense of integrating operations and personnel of acquired companies, disruption of ongoing business, diversion of management's time and attention, the ability to successfully integrate acquired businesses and realize their intended benefits and possible dilution to Shareholders. There is also the potential that any goodwill recorded in connection with acquisitions may be impaired if the economics of the transaction differ from expectations. The Company may not be able to successfully address all or some of these risks and other issues associated with acquisitions, divestitures, growth strategies, and competition, which could materially adversely affect Richardson Wealth's business, financial condition, or financial results.

Significant Industry Competition May Adversely Affect Results

The financial services industry is highly competitive. The Company competes with the wealth management divisions of major chartered banks in Canada, national independent wealth managers, insurance companies, mutual fund companies, private equity, investment management firms and boutique wealth managers. Some of these competitors have, and potential future competitors may have, greater technical, financial, marketing, distribution, or other resources than the Company. Many of these competing entities have a greater number of personnel and better access to capital. Larger competitors may have a greater number and variety of distribution outlets for their products and services. Competition could have a material adverse effect on the Company's profitability, and there can be no assurance that the Company will maintain its competitive standing or market share, which may adversely affect its business, financial condition, or operating results.

Emergence of Non-Traditional Competitors

Competition from non-traditional channels has gained momentum in other jurisdictions and will likely become increasingly prevalent in the Canadian market. In particular, the emergence and rapid development of the fee-based registered investment advisor channel poses a significant risk. The wealth management industry may also attract a number of technology-based competitors, including emerging next generation financial technology companies, given the industry's relatively low capital requirements and considerable growth outlook. The emergence of non-traditional competitors offering wealth management solutions could result in a reduction in product and service offerings from more traditional financial planning and advice provision streams. While the Company believes that the value proposition of face-to-face advice and the human touch in wealth management has never been stronger, it may not be able to mitigate all these risks, which could have a material and adverse effect on financial performance.

Credit Risk and Exposure to Financial Losses

The Company is exposed to credit risk that third parties owing money, securities or other assets will not fulfill its obligations. Such third parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries. These counterparties may default on its obligations due to bankruptcy, lack of liquidity, operational failure, or other reasons.

A primary source of credit risk arises from the extension of credit to clients 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. There is risk of financial loss in the event a client fails to meet a margin call if market prices for collateral declines and it becomes impossible to recover sufficient value from the collateral held to cover the loan. Although the Company continually reviews its exposure to credit risk, default risk may arise from events or circumstances that are difficult to detect, such as fraud. Assessment of credit risk can also be compromised by the failure to receive complete and accurate information with respect to the trading risks of counterparties.

Operational Risks

The Company Relies on Third-Party Service Providers to Perform Technology, Processing and Support Functions

The Company relies on various third party service providers, that it does not control, to perform certain technology, processing, and support functions. For example, commencing in Q4 2022, the Company will have an agreement with Fidelity, under which it will provide the Company with clearing broker services. The Company's utilization of third-party service providers may decrease its ability to control operating risks and information technology risks. Any significant failures by third-party service providers could cause the Company to sustain serious operational disruptions and incur losses and could harm its reputation. These third-party service providers are also susceptible to operational and technology vulnerabilities, including cyber-attacks, security breaches, fraud, phishing attacks, and computer viruses, which could result in unauthorized access, misuse, loss or destruction of data, an interruption in service or other similar events that may impact the Company's business. Because the Company relies on these intermediaries, it shares indirect exposure to these risks. If these risks were to materialize, or if there was a widespread perception that they could materialize, the Company's business and results of operations could be adversely affected.

Failure to Implement Effective and Efficient Cyber Security Policies and Training May Lead to Losses

Secure processing, storage, and transmission of confidential and other information in the Company's internal and third-party computer systems and networks is critically important to its business. Maintaining the security and integrity of this information and these systems and networks, and appropriately responding to any cybersecurity, and privacy incidents (including hacking or phishing attempts), is critical to the Company's success, including its reputation, the retention of its advisors and clients, and to the protection of its proprietary information and its clients' personal information. There have been several recent highly publicized cases involving financial services and consumer-based companies reporting the unauthorized disclosure of client or customer information, as well as cyber-attacks involving the dissemination, theft and destruction of corporate information or other assets, as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties.

Cyber data breaches and cyber-attacks that result in the loss of personal information could result in considerable reputational harm, trading losses, lost revenues, or losses due to unauthorized transactions. Although the Company takes protective measures and updates procedures and policies as circumstances necessitate (including general liability and fraud insurance, policies and training for all staff and an incident response plan with respect to cybersecurity potential breaches), the firm's computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. The occurrence of such an event could jeopardize confidential and other information processed and stored in, and transmitted through, the Company's computer systems and networks, or otherwise cause interruptions to the operations of the Company, as well as its clients, counterparties and other third parties.

Operations are Dependent on Systems

The Company's businesses are highly dependent on communications and information systems. Any failure or interruption of such systems could cause delays or other problems particularly for retail trading activities and could have a material adverse effect on the Company's financial results and financial condition. There can be no assurance that such systems failure or interruptions will not occur, including those caused by an earthquake, fire, other natural disaster, power or telecommunications failure, act of God, act of war or terror or otherwise, or that back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

Also, because many of the Company's employees and advisors are working remotely, additional risk management challenges may exist, including regarding remote office technology and information security practices.

Risk Management Policies and Procedures May Not Be Fully Effective

The Company has adopted policies and procedures to identify, monitor and manage its operational risk. The policies and procedures; however, may not be fully effective and may not respond quickly enough to changed circumstances and evolving business activities. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by the Company. This information may not in all cases be accurate, complete, up-to-date, or properly evaluated. Policies and procedures implemented to record and verify a large number of transactions and events to manage operational, legal, regulatory, credit, market, interest rate and liquidity risk requires, among other things may not be consistently effective.

In addition, the Company's existing systems, policies and procedures, and staffing levels may be insufficient to support a significant increase in its advisor population. Any such increase could require the Company to increase its costs, including information technology costs, to maintain its compliance and risk management obligations, or strain its existing policies and procedures as it evolves to support a larger advisor population.

If the Company's systems, policies, and procedures are not effective, or if the Company is not successful in capturing risks to which it is or may be exposed, the Company may suffer harm to its reputation or be subject to litigation or regulatory actions that could have a material adverse effect on its business and financial condition.

Restrictions Under the Company's Revolving Credit Facility

The Company's Revolving Credit Facility contains customary financial covenants and other restrictions on its activities, which may make it more difficult for the Company to successfully execute its business strategy. The Company's ability to comply with these covenants may be affected by events beyond its control. If the Company violates any of these covenants and is unable to obtain waivers, the payment of the indebtedness could be accelerated by the Lenders or the Company may be unable to draw down funds from the facility. Even if the Company can obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to the Company. If the Company's indebtedness is in default for any reason, its business could be materially and adversely affected.

Legal, Compliance and Regulatory Risks

Regulatory Risk

The Company's businesses are subject to extensive regulation. The Company takes an active leadership role in the development of the rules and regulations that govern its industry. The Company has been investing in its risk and compliance functions to monitor its adherence to the numerous legal and regulatory requirements applicable to its business. Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with applicable regulation, securities regulators and IIROC and other authorities may institute administrative or judicial proceedings that may result in the revocation or imposition of conditions on licenses to operate certain businesses, censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension, suspension or disqualification of investment advisors or employees, or other adverse consequences. The imposition of any such penalties or orders on the Company and its subsidiaries could have a material adverse effect on its operating results, financial condition, or profitability.

Additional regulation, changes in existing laws and rules, or changes in interpretations or enforcement of existing laws and rules often directly affect the method of operation and profitability of wealth management firms, as new regulation may require additional investment in personnel and/or systems. The Company cannot predict the effect any such changes might have. Furthermore, the Company's business may be materially affected not only by regulations applicable to the Company's businesses, but also by regulations of general application.

Operations may be materially adversely affected by changes in the securities regulatory framework and/or the interpretation or enforcement of existing laws and rules by securities regulatory authorities in Canada. Additionally, increased regulation in Canada may lead to even higher compliance costs, which may disproportionately impact smaller firms.

Furthermore, failure to maintain required regulatory capital may subject the Company to fines, suspension or revocation of registration or could prohibit expansion of its businesses.

Legal Risk

The Company and its subsidiaries are a party to a number of claims, proceedings, and investigations, including legal and regulatory matters, in the ordinary course of its business. See "Legal Proceedings" in our latest AIF for details of certain ongoing legal proceedings. While there is inherent difficulty in predicting the outcome of such matters, based on its current knowledge, the Company does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated financial position or results of operations.

The Company May Be Exposed to Liability and Litigation

The legal risks facing the Company and its subsidiaries also include potential liability under securities laws or through civil litigation in the event that Richardson Wealth's investment advisors and investment professionals or employees violate investor suitability requirements and other obligations, including providing negligent advice, making materially false or misleading statements in relation to securities transactions, effecting unauthorized transactions, failing to properly implement instructions, failing to implement an effective investment strategy, committing fraud, misusing client funds, or breaching any other statute, regulatory rule or requirement. Any of these violations could have a material adverse effect on the Company's operating results or financial condition.

Moreover, new regulatory requirements with respect to standards of care and other obligations, as discussed under "Risk Management" in this MD&A, may heighten this litigation risk.

The Company may also be subject to litigation arising from claims by former employees resulting from termination or other matters. In such actions, the Company may be obligated to bear legal, settlement and other costs. Additionally, recruitment of investment advisors may involve non-competition or non-solicitation agreements and other contractual or common law obligations. An investment advisor's former employer may claim damages or injunctive relief against the investment advisor or the Company, and the Company may incur expenses in awards, settlements, and legal expenses as a result.

Further, any negative outcomes individually or in the aggregate may cause us significant reputational harm and could have a material adverse effect on the Company's operating performance and its ability to recruit or retain other advisors.

A failure to appropriately identify and address potential conflicts of interest could adversely affect the Company

Due to the broad scope of the Company's products and services and its client base, the Company regularly addresses potential conflicts of interest, or are perceived to conflict, in the interests of its clients.

The Company has extensive procedures and controls that are designed to identify and address conflicts of interest, including those that intersect with the new Client Focused Reforms (CFR) standard, specifically as it relates to client interactions. CFR enhance core requirements relating to conflicts of interest, suitability, know-your-products, and know-your client. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the Company's reputation, could be damaged if the Company fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

Product Risks

The Company May Incur Losses as a Result of Ineffective Risk Management or Product Due Diligence Processes

The Company's investment portfolios are comprised of a broad range of assets, including public and private equities and debt, ETFs, mutual funds, hedge funds, real estate, less liquid alternative assets, options, and structured notes. As a general matter, investment portfolios are exposed to the risk that the fair value of these investments will fluctuate.

While the Company employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes.

Additionally, the Company employs a comprehensive due diligence process in its selection of investments it offers. The due diligence process can be more challenging for alternative investments strategies due to their complexity, conflict exposure and suitability for clients. The Company has considerable alternative investments expertise and actively manages risk exposures, including regulatory and legal obligations related to suitability, know your product and conflicts of interest. The Company has an ongoing commitment to improving and refining its investment due diligence process and team. Any failure in the Company's due diligence could have a materially adverse effect on the Company's reputation and its financial performance.

Risks Related to COVID-19 and Pandemics

The Ongoing COVID-19 Pandemic Creates Significant Risks and Uncertainties for the Company

The ongoing COVID-19 pandemic, including and the emergence of more infectious variants thereof (collectively COVID-19) has created and continues to create societal, economic and market disruption globally. Considerable uncertainty remains regarding the impact COVID-19, duration and severity of the pandemic, the success of worldwide vaccination efforts, and the effect of reduced government stimulus on the economy. The Company continues to closely monitor evolving COVID-19 developments and adjust its plans accordingly, however, no assurance can be given that the steps it has taken will continue to be effective or appropriate.

Risks related to COVID 19 and pandemics generally, may affect the ability of the Company's suppliers, distributors, vendors, and other counterparties to provide products and services and otherwise fulfill their commitments to the Company. The Company does not control these third parties. As such, the Company is subject to the limitations, deficiencies, and vulnerabilities of their services, products, and operations.

Risks Related to the Common Shares

Richardson Financial Group Limited (RFGL) Control Risk Due to Increased Common Share Ownership

On December 31, 2021, RFGL owned approximately 44% of the Company's issued and outstanding Common Shares. As such, RFGL has the power to exercise significant influence over all matters of the Company requiring shareholder approval.

Payment of Dividends

The Company's dividend policy on its Common Shares is at the discretion of the Board. Future dividends, if any, will depend on results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, alternatives uses of capital, provisions of applicable law and other factors that the Board may deem relevant.

Dilution

Pursuant to its Articles, the Company is authorized to issue an unlimited number of Common Shares, subject to compliance with the rules and regulations of the TSX and such other applicable securities regulations, for consideration and on terms and conditions established by the Board without the approval of any shareholders. Any future issuance of Common Shares will dilute the interests of existing shareholders.

Risks Related to the Series B Preferred Shares

As the Company is a holding company, its ability to pay dividends, interest, operating expenses and meet other financial obligations depends to a significant extent upon receipt of sufficient funds from its principal subsidiaries, the returns generated by its investments, its ability to raise additional capital and the value of its underlying business and assets. Accordingly, the likelihood that holders of Preferred Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the Company's principal subsidiaries and affiliates, the principal entities in which the Company invests and its underlying business and assets. The payment of interest and dividends to the Company by certain of these principal subsidiaries or investee entities is also subject to restrictions set forth in certain laws and regulations that require that solvency and capital standards be maintained by such companies.

For further information please see Note 24 to the 2021 Annual Financial Statements.

Presentation of Financial Information and Non-GAAP Measures

Unless otherwise specified herein, financial results contained in this MD&A, including related historical comparatives, are based on our 2021 Annual Financial Statements, which management has prepared in accordance with International Financial Reporting Standards (IFRS).

Non-GAAP Measures

We use a variety of measures to assess our performance. In addition to GAAP prescribed measures, we use certain non-GAAP measures that we believe provide useful information to investors regarding our performance and results of operations. Readers are cautioned that non-GAAP measures (including non-GAAP ratios) often do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP measures are reported in addition to, and should not be considered alternatives to, net income/(loss) or comparable metrics determined according to IFRS as indicators of our performance, liquidity, cash flows, and profitability.

The primary non-GAAP financial measures (including non-GAAP ratios) used in this MD&A are:

EBITDA

The use of EBITDA is common in the wealth management industry. We believe it provides a more accurate measure of our core operating results, is a proxy for operating cash flow, and is a facilitator for enterprise valuation. EBITDA is used to evaluate core operating performance by adjusting net income/(loss) to exclude:

- Interest expense, which we record primarily in connection with term debt;
- Income tax expense/(benefit);
- Depreciation and amortization expense, which we record primarily in connection with intangible assets, leases, equipment, and leasehold improvements; and

- Amortization in connection with investment advisor transition and loan programs. We view these loans as an effective recruiting and retention tool for advisors, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

Operating Expenses and Operating Expense Ratio

Operating expenses include:

- Employee compensation and benefits; and

- Selling, general, and administrative expenses

These are the expense categories that factor into the EBITDA calculation discussed above.

The operating expense ratio is determined by dividing adjusted operating expenses by gross margin. We use this ratio to measure the efficiency of our operations.

Adjusted Results

In periods that we determine that specified items have a significant impact on a user's assessment of ongoing business performance, we may present adjusted results in addition to reported results by removing these items from the reported results. Management considers the adjusting items to be outside of our core operating performance. We believe that adjusted results can to some extent enhance comparability between reporting periods or provide the reader with a better understanding of how management views core performance. Adjusted results are also intended to provide the user with results that have greater consistency and comparability to those of other issuers.

Adjusting items in this MD&A include the following, by reporting segment:

Wealth Management:

- **Transformation costs and other provisions:** charges in connection with the ongoing transformation of our business and other matters. These charges have encompassed a range of transformation initiatives, including refining our ongoing operating model, outsourcing our carrying broker operations, realigning parts of our real estate footprint, and rolling out our new strategy across the Company.

- **Share-based compensation costs:** adjustments for compensation recorded in connection with the accelerated vesting of all Richardson Wealth's outstanding RSUs prior to its acquisition by us. This adjustment applies only to the 2020 comparative results at Richardson Wealth and is included in the Share of loss in associate line on our income statement.

Corporate:

- **Transformation costs:** incremental professional and advisory fees in connection with the acquisition of Richardson Wealth and the development of our go-forward strategy

- **Amortization of acquired intangible assets:** amortization of intangible assets created on the acquisition of Richardson Wealth

- **Gain on investment in associate:** accounting gain recorded in connection with the acquisition of Richardson Wealth by us

Other than the gain on investment in associate, all adjusting items affect reported expenses. The following table itemizes these adjustments and reconciles our reported operating expenses to adjusted operating expenses:

	2021	2020
Total consolidated expenses - reported	205,713	71,625
Interest	6,631	1,840
Advisor loan amortization	17,734	3,490
Depreciation and amortization	24,805	5,742
Operating expenses	156,543	60,553
Carrying broker transformation costs	6,396	—
Other transformation costs and provisions	14,994	6,664
Adjusted operating expenses	135,153	53,889

The following table provides a reconciliation of our reported results to adjusted net income/(loss):

($000's)	2021	2020
Net income (loss) - reported	(20,152)	28,747
After-tax adjusting items:		
Carrying broker transformation costs	6,250	—
Other transformation costs and provisions	11,585	6,664
Amortization of acquired intangibles	9,673	1,903
Gain on investment in associate	—	(45,734)
RF Capital's proportionate share of accelerated RSU costs	—	2,419
Adjusted net income (loss)	7,357	(6,001)

Supplemental Financial Measures

Supplemental financial measures (SFM) are financial measures the Company may use on a periodic basis to depict its financial performance and financial condition. The Company's key supplemental financial measures include AUA, recruiting pipeline, net new and recruited assets, AUA per advisory team, and household AUA. The composition of a SFM is included in this MD&A where the measure is first disclosed.

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, 2021. 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.

KPMG LLP performed an independent audit of the consolidated financial statements, as outlined in the auditors' report contained herein. KPMG 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 & Chief Executive Officer

"Tim Wilson"

TIM WILSON
Chief Financial Officer

Toronto, Canada
March 3, 2022

Independent Auditors' Report

To the Shareholders of RF Capital Group Inc.

Opinion

We have audited the consolidated financial statements of RF Capital Group Inc. (the Entity), which comprise:

- the consolidated balance sheets as at end of December 31, 2021 and end of December 31, 2020;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2021 and end of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Evaluation of goodwill for impairment

Description of the matter

We draw attention to Note 2(c) and Note 13 to the financial statements. The Entity has recorded goodwill of $164.9 million as of December 31, 2021 related to the RGMP acquisition. The Entity performs impairment testing for goodwill on an annual basis or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal, where available, and value-in-use calculations, determined using managements best estimates of forecasted cash earnings, long-term growth rate and the discount rate (the "assumptions").

Why the matter is a key audit matter

We identified the evaluation of goodwill for impairment as a key audit matter. This matter represented an area of significant risk of material misstatement requiring specialized skills and knowledge to evaluate the Entity's significant assumptions, as noted above, used in estimating the recoverable amount for the CGU to which goodwill is allocated. Significant auditor judgment was required in evaluating the results of our audit procedures due to the high degree of sensitivity of the estimated recoverable amounts to changes to the assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the appropriateness of forecasted cash earnings by:

- Comparing the Entity's prior year forecasted cash earnings to the actual results to assess the Entity's budgeting process.
- Assessing forecasted cash earnings by comparing them to the CGU's historical performance and against new initiatives in the Board-approved plan.

We assessed the long-term growth rate by comparing it to available market information and the Entity's historical performance.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the discount rate by comparing the Entity's Weighted Average Cost of Capital (WACC) against publicly available market data for comparable entities.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

In preparing the financial statements, management is responsible for assessing the Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 the 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 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 Entity'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 Entity's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the 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 auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Abhimanyu Verma.

Toronto, Canada
March 3, 2022

Consolidated Balance Sheets

($ thousands)

As at	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		518,099	556,245
Securities owned	5, 24	62,355	70,322
Receivable from:			
Clients		610,376	455,166
Brokers	9	90,802	128,273
Client funds held in trust		466,336	409,648
Promissory note receivable	16	—	2,754
Employee and other loans receivable	10	50,303	67,475
Equipment and leasehold improvements	11	15,541	13,587
Right-of-use assets	12	19,547	24,234
Other assets	6	13,920	12,810
Deferred tax assets	17	20,584	22,524
Goodwill and intangible assets	13	348,152	356,881
		2,216,015	2,119,919
LIABILITIES			
Obligations related to securities sold short	5, 24	13,625	15,320
Lease liabilities		23,256	25,414
Payable to:			
Clients		1,333,692	1,183,572
Brokers	9	248,260	264,857
Issuers		824	1,114
Accounts payable and accrued liabilities		55,560	64,888
Other liabilities	15	—	2,112
Provisions	20	27,323	19,410
Promissory note liability	16	—	14,826
Deferred tax liability	17	47,663	51,121
Long-term debt	25	110,922	97,422
		1,861,125	1,740,056
EQUITY			
Shareholders' equity	18	354,890	379,863
		2,216,015	2,119,919

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

"Kishore Kapoor" *"Donald Wright"*

Kishore Kapoor
President and Chief Executive Officer

Donald Wright
Chair of the Board

Consolidated Statements of Income (Loss)

($ thousands)

	Note	2021	2020
REVENUE			
Investment management and fee income		242,916	42,427
Commissions		39,063	6,127
Interest		17,821	12,550
Other income	22	28,719	23,015
TOTAL REVENUE	4	328,519	84,119
Variable advisor compensation		142,611	23,726
GROSS MARGIN		185,908	60,393
EXPENSES			
Employee compensation and benefits		77,134	23,674
Selling, general and administrative		58,019	30,215
Advisor loan amortization	10	17,734	3,490
Transformation costs and other provisions		21,390	6,664
Interest		6,631	1,840
Depreciation and amortization		24,805	5,742
		205,713	71,625
Gain on investment in associate	8	—	45,734
Share of net loss of associate	7	—	(2,365)
Income (loss) before income taxes from continuing operations		(19,805)	32,137
Income tax expense (recovery)			
Current	17	1,865	1,482
Deferred	17	(1,518)	1,247
		347	2,729
Net income (loss) from continuing operations		(20,152)	29,408
Net loss from discontinued operations		—	(661)
Net income (loss)		(20,152)	28,747
Weighted-average number of common shares outstanding: (in thousands)			
Basic	23	73,202	73,398
Diluted		159,297	93,798
Net income (loss) per common share (dollars) from continuing operations:			
Basic	23	(0.33)	0.34
Diluted		(0.33)	0.27
Net income (loss) per common share (dollars):			
Basic	23	(0.33)	0.33
Diluted		(0.33)	0.26

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

Consolidated Statements of Comprehensive Income (Loss)

($ thousands)

	2021	2020
Net income (loss)	(20,152)	28,747
Other comprehensive income		
Item that may be subsequently reclassified to net income (loss):		
Foreign currency translation gain	33	365
Total other comprehensive income	33	365
Total comprehensive income (loss)	(20,119)	29,112
Total comprehensive income (loss) attributable to shareholders		
Continuing operations	(20,119)	29,773
Discontinued operations	—	(661)

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

Consolidated Statements of Changes in Equity

(thousands)	Preferred shares		Common shares		Deferred share-based awards	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Shareholders' equity
	#	$	#	$	$	$	$	$	$
As at 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)
Preferred share dividends	—	—	—	—	—	—	—	(4,190)	(4,190)
Net income	—	—	—	—	—	—	—	28,747	28,747
As at December 31, 2020	4,600	112,263	158,108	470,415	—	39,976	17,830	(260,621)	379,863
Net foreign currency translation gain	—	—	—	—	—	—	33	—	33
Common shares purchased, cancelled and forfeited	—	—	(1,708)	(5,748)	—	1,285	979	—	(3,484)
Share-based compensation	—	—	—	—	—	2,842	—	—	2,842
Preferred share dividends	—	—	—	—	—	—	—	(4,212)	(4,212)
Net loss	—	—	—	—	—	—	—	(20,152)	(20,152)
As at December 31, 2021	4,600	112,263	156,400	464,667	—	44,103	18,842	(284,985)	354,890

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

Consolidated Statements of Cash Flows

($ thousands)

	Note	2021	2020
OPERATING ACTIVITIES			
Net income (loss)		(20,152)	28,747
Add (deduct) items not involving cash:			
Depreciation and amortization		24,805	5,742
Advisor loan amortization	10	17,734	3,490
Accretion of lease liability expense		1,674	341
Settlement of exisitng dividend receivable		—	(1,680)
Deferred income taxes	17	(1,518)	1,247
Gain on investment in associate		—	(45,734)
Share of net income of associate		—	2,365
		22,543	(5,482)
Net change in non-cash operating items	26	(36,750)	10,865
Cash provided by (used in) operating activities		(14,207)	5,383
FINANCING ACTIVITIES			
Dividends paid on common shares		—	(1,886)
Dividends paid on preferred shares	18	(4,212)	(4,190)
Repayment of promissory note, net of payment received	16	(12,072)	(777)
Repayment of subordinated debt	25	(67,000)	—
Proceeds of revolving credit facility	25	80,500	—
Principal elements of lease payments		(8,369)	(3,145)
Common shares repurchased and cancelled	18	(3,484)	(40,000)
Cash provided by (used in) financing activities		(14,637)	(49,998)
INVESTING ACTIVITIES			
Cash acquired as part of RGMP Transaction		—	87,489
Common share dividend received from associate		—	698
Equity investment in associate		—	(1,947)
Intangibles	13	(3,356)	—
Equipment and leasehold improvements	11	(5,979)	(2,346)
Cash provided by (used in) investing activities		(9,335)	83,894
Effect of foreign exchange on cash balances		33	365
Net change in cash and cash equivalents		(38,146)	39,644
Cash and cash equivalents, beginning of year		556,245	516,601
Cash and cash equivalents, end of year		518,099	556,245
Supplemental cash flow information			
Interest paid		7,123	7,641
Interest received		17,303	10,146
Taxes (paid) received		(1,988)	5,164

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

Note 1 – Corporate Information

RF Capital Group Inc. (RF Capital or the Company), 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 and Series B Preferred Shares are listed on the Toronto Stock Exchange (TSX) under the symbols RCG and RCG.PR.B 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). Richardson Wealth is also a member of the Canadian Investor Protection Fund.

Note 2 – Basis of Preparation

a. Basis of Presentation

These consolidated financial statements of the Company have been prepared by management 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, certain financial instruments which are measured at fair value to the extent required or permitted under IFRS and as set out in the relevant accounting policies.

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

On October 20, 2020, the Company completed the acquisition of all the common shares of Richardson Wealth that were not previously owned by the Company (the RGMP Transaction). Richardson Wealth's results were accounted for using the equity method prior to the RGMP Transaction and consolidated thereafter. The Company had a period of one year to complete the business combination accounting. During the year, the Company adjusted for the cumulative dividends owing on the preferred shares liability.

Commencing first quarter 2021, the Company began presenting gross margin on its consolidated statements of income (loss). The Company uses gross margin, which is calculated as revenue less variable advisor compensation, as a measure of the operating results of the Wealth Management segment which includes the Richardson Wealth business. Gross margin deducts from revenue the advisor payments that are directly linked to revenue. As a result, expenses no longer include variable advisor compensation. Expenses for the stub period (October 20, 2020 to December 31, 2020) following the RGMP Transaction, have been reclassified to conform with our 2021 presentation. Prior to its acquisition, Richardson Wealth's results were accounted for using the equity method and, as such, these presentation changes do not affect our prior year financial statement presentation for the period from January 1, 2020 to October 19, 2020.

Also commencing first quarter 2021, the Company began reporting its results on the basis of two operating segments, down from three in prior periods. The results of the securities clearing business are now included in the Wealth Management segment, along with those of Richardson Wealth, because these operations are run as a unified wealth management business. The second segment is Corporate and includes certain corporate support functions and the costs associated with operating a public company. Operating results in the prior periods have been realigned in this same manner for comparison purposes.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 3, 2022.

b. Principles of Consolidation

The consolidated financial statements include the Company's assets, liabilities, and results of operations and wholly owned subsidiaries, after the elimination of intercompany transactions and balances.

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. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal, where available, and value-in-use calculations, determined using management's best estimates of forecasted cash earnings, long-term growth rate and discount rate.

The assumptions used are subjective judgements based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it operates. If forecasted cash earnings, long-term growth rate or the discount rate are different to those used, it is possible that the future impairment tests could result in a different outcome with the CGU goodwill and/or intangible assets being impaired.

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 share options to directors 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 chosen 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 with original maturities of three months or less that are convertible into cash.

b. Foreign Currency Translation

The Canadian dollar is the Company’s functional and presentation currency. 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.

The Company’s foreign currency denominated monetary assets and liabilities 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

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 of 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.

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, 2021 and 2020 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 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 fees associated with borrowing the securities are recorded in selling, general and administrative expense.

g. Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment, 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 the cash-generating unit (CGU) for the purpose of monitoring and internal management purposes.

i. Intangible Assets

The Company's intangible assets consist of application software, insurance customer relationships 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
Insurance customer relationships	Average life expectancy of individual policies
Brand	10 years
Customer relationships	15 years

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.

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 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 or its value-in-use, 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

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 are fees generated from commission-based brokerage services and new issuances. The performance obligation for recognition of commission revenue is satisfied at the date of the transaction.

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 the Company's cash positions. Interest revenue is recognized on an accrual basis.

Other revenue: Other revenue includes revenue earned from private client capital markets distribution activities, the provision of insurance products, foreign exchange services 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 security transactions are excluded from the scope of IFRS 15.

l. Share-Based Compensation

*Deferred Share-Ba*sed 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. The Company also has a Deferred Share Unit (DSU) plan for Directors. The cost of the DSUs is measured and recognized at fair value on the grant date.

Share Option Awards

The Company uses the fair value method to measure the cost of share options granted by the Company. The fair value of a 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 a share option award 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 forfeiture rate estimates 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 current and deferred taxes relating to transactions that have been included in the consolidated financial statements using 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 with reference to temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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. 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.

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). The right-of-use assets acquired as part of the RGMP Transaction were measured at fair value upon initial recognition. 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. Preferred Shares

The Company's non-redeemable preferred shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognized as equity distribution on approval by the Company's Board of Directors.

Redeemable preferred shares are classified as financial liabilities because they bear non-discretionary dividends and are redeemable in cash by the holder. Non-discretionary dividends thereon are recognized as interest expense in profit or loss as accrued.

q. 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. For the year ended December 31, 2021, there were no significant changes in accounting policies and no future accounting standards that are expected to impact the Company.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 4 – Revenue from Contracts with Customers

The following table presents disaggregated revenue information for the Company for the years ended December 31, 2021 and 2020.

	2021	2020
Major revenue lines		
Investment management and fee income	242,916	42,427
Commissions	39,063	6,127
Other income	17,061	12,694
Revenue - contracts with customers	299,040	61,248
Other revenue	29,479	22,871
Total revenue	328,519	84,119

	2021	2020
Timing of revenue recognition		
Point in time	39,063	6,127
Over time	259,977	55,121
Revenue - contracts with customers	299,040	61,248
Other revenue	29,479	22,871
Total revenue	328,519	84,119

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

The following table presents a breakdown of the Company's securities owned and obligations related to securities sold short as at December 31, 2021 and December 31, 2020.

	2021		2020	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Debt securities:				
Canadian and U.S. federal governments	36,600	9,214	37,296	11,851
Canadian provincial and municipal governments	8,501	2,292	10,688	590
Corporate and other	16,435	2,109	19,660	2,879
Equity securities	472	10	1,528	—
Derivative financial instruments	347	—	1,150	—
	62,355	13,625	70,322	15,320

As at December 31, 2021, the Company had $22,129 in securities pledged as collateral to central clearing agencies and custodians, compared to $17,630 at December 31, 2020.

Note 6 – Other Assets

The following table presents a breakdown of the Company's other assets as at December 31, 2021 and December 31, 2020.

	2021	2020
Accounts receivable	6,353	5,804
Finance lease receivable	707	1,284
Prepaid deposits and other	6,860	5,722
	13,920	12,810

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 shareholders' equity and subordinated loans.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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 cash dividends. As at and during the years ended December 31, 2021 and 2020, all of the Company's subsidiaries were in compliance with their respective regulatory capital requirements.

Prior to October 20, 2020, the Company accounted for its common share 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 for 2020, which includes the pre-consolidation period:

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

The Company began consolidating Richardson Wealth following the RGMP Transaction on October 20, 2020.

Note 8 — Acquisition of Richardson Wealth

For accounting purposes, the fair value of the purchase consideration for the RGMP Transaction was $323,150 based on the $1.93 closing price of the Company's common shares 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 dividend	1,680
Purchase consideration	323,150
Net tangible assets acquired	14,501
Remaining purchase price allocated to goodwill and intangibles and deferred tax liability	308,649

The fair value of the Company's existing ownership interest in Richardson Wealth common shares on October 20, 2020 was $96,376. As part of the RGMP Transaction, the Company recorded a gain of $45,734 on investment in associate.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The acquisition was accounted for as a business combination under the purchase method. The Company made an adjustment to the business combination accounting related to undeclared cumulative dividends owing on the preferred shares liability. The following table illustrates the revised fair values of identifiable assets and liabilities of Richardson Wealth as at 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	(31,408)
Loans and promissory notes	(67,000)
Net tangible assets acquired	14,501
Goodwill	164,957
Intangible assets	195,500
Deferred tax liability	(51,808)
Purchase consideration	323,150

For more details on the RGMP Transaction, please refer to the Company's management information circular dated September 8, 2020. If the acquisition had 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 – Securities Borrowed and Lent

The following table presents a breakdown of the Company's securities borrowed and lent and the corresponding cash delivered and received as collateral, respectively as at December 31, 2021 and 2020.

	Borrowed		Lent	
	Cash delivered as collateral	Securities borrowed	Cash received as collateral	Securities lent
As at December 31, 2021	21,430	21,100	123,555	123,586
As at December 31, 2020	69,836	68,342	157,428	152,750

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 10 – Employee and Other Loans Receivable

The following table presents a breakdown of the Company's employee and other loans receivable as at December 31, 2021 and 2020.

	2021	2020
Investment advisor loans	43,722	58,470
Transition agreements for retirees	1,602	2,141
Other loans	4,979	6,864
	50,303	67,475

Investment advisor loans

Richardson Wealth advances interest-free funds to newly-recruited 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 amount sufficient to repay 100% of the total loans or ii) forgive the loan over a specified term on each applicable anniversary date.

Richardson Wealth advanced interest-free funds to certain investment advisors as part of the RGMP Transaction on October 20, 2020. Upon satisfaction of certain conditions, including continued employment, the loan will be repaid over a prescribed term from cash bonus amounts awarded on each applicable anniversary date from the initial advance of the loan.

The Company records any reduction in the advisor loans as advisor loan amortization over the term of such loans. For the year ended December 31, 2021, the Company recorded advisor loan amortization of $17,734 (2020 – $3,490) and a corresponding reduction to loans outstanding.

Transition agreements for retirees

Richardson Wealth from time to time has facilitated the transition of clients' assets under administration upon retirement from one advisor to another. Richardson Wealth has agreed to provide repayable loans to investment advisors to facilitate transitioning the respective 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 11 – Equipment and Leasehold Improvements

The following table presents a breakdown of the Company's equipment and leasehold improvements as at December 31, 2021 and 2020.

	Furniture and equipment		Computer hardware		Leasehold improvements		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Cost								
As at January 1	1,710	54	2,475	130	11,336	1,169	15,521	1,353
Assets acquired	—	1,331	—	2,045	—	8,831	—	12,207
Additions	612	483	1,363	439	4,004	1,424	5,979	2,346
Disposals and write-offs	—	(158)	(473)	(139)	(4,476)	(88)	(4,949)	(385)
As at December 31	2,322	1,710	3,365	2,475	10,864	11,336	16,551	15,521
Accumulated depreciation								
As at January 1	(70)	16	102	68	1,902	905	1,934	989
Depreciation	435	72	941	173	2,649	1,085	4,025	1,330
Disposals and write-offs	—	(158)	(473)	(139)	(4,476)	(88)	(4,949)	(385)
As at December 31	365	(70)	570	102	75	1,902	1,010	1,934
Net book values								
As at December 31	1,957	1,780	2,795	2,373	10,789	9,434	15,541	13,587

Note 12 – Right-of-Use Assets

The following table presents a breakdown of the Company's right-of-use-assets as at December 31, 2021 and 2020.

	2021	2020
As at January 1	24,234	1,472
Additions	3,515	24,584
Amortization	(7,709)	(1,822)
Impairment	(493)	—
As at December 31	19,547	24,234

The Company amortizes 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 13 – Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets as at December 31, 2021 and 2020.

	Goodwill		Intangibles		Total	
	2021	2020	2021	2020	2021	2020
Cost						
As at January 1	163,971	—	195,500	—	359,471	—
Assets acquired	—	163,971	—	195,500	—	359,471
Additions	986	—	3,356	—	4,342	—
As at December 31	164,957	163,971	198,856	195,500	363,813	359,471
Accumulated amortization						
As at January 1			2,590	—	2,590	—
Amortization			13,071	2,590	13,071	2,590
As at December 31			15,661	2,590	15,661	2,590
Net book values						
As at December 31	164,957	163,971	183,195	192,910	348,152	356,881

Subsequent to the RGMP Transaction, the Company made an adjustment to the business combination accounting resulting in additional goodwill. The adjustment relates to undeclared cumulative dividends owing on the preferred shares liability. Intangible assets include $195,000 in customer relationships and $500 in brand that were acquired through the acquisition of Richardson Wealth. In 2021, the Company added software development costs and acquired insurance customer relationships.

Goodwill is tested for impairment annually on December 31 and more frequently if events or circumstances indicate that it may be impaired. The Company's finite life intangible assets are tested for impairment only in the event indicators of impairment exist. As at December 31, 2021, there were no indicators of impairment relating to the Company's goodwill or finite life intangible assets.

Note 14 – Related Party Transactions and Balances

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

a. associates or entities that are controlled or significantly influenced by the Company including subsidiaries of any associates;
b. key management personnel, including those entities that are controlled (directly or indirectly) by key management personnel; and
c. shareholders that can significantly influence the Company.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Related Party Balances

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

	Associates		Key Management		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Investment mangement and fee income	—	—	139	—	139	—
Interest income	—	—	14	3	14	3
Other income	—	9,999	—	—	—	9,999

Associates

During 2020, Associates included Richardson Wealth as it was not fully owned by the Company until October 20, 2020. The Company had no associates in 2021. 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 in 2020. Other income in 2020 also includes $1,680 in dividends on the Company's preferred share investments in Richardson Wealth.

Key Management

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 $6 (2020 – $36) and payables to clients of $561 (2020 – $611) 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 market terms and conditions.

Key management personnel compensation for services rendered is as follows:

	2021	2020
Fixed salaries and benefits	2,741	2,415
Retirement allowance	13	—
Variable incentive-based compensation	1,658	3,832
Share-based compensation	1,058	6
Directors' fees	1,270	832
	6,740	7,085

Shareholder

Richardson Financial Group Limited, a significant shareholder, holds $30,422 of preferred shares issued by a subsidiary of the Company (refer to Note 25). In 2021, the Company incurred $1,962 of related interest expense (2020 – nil).

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 15 – Other Liabilities

The following table presents a breakdown of the Company's other liabilities as at December 31, 2021 and December 31, 2020.

	2021	2020
Performance incentive plan liability	—	1,349
Income taxes payable	—	686
Other	—	77
	—	2,112

Note 16 – 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 was 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, 2021, the Company paid down $14,826 of principal on the promissory note (2020 – $777) and received a payment of $2,754 for the promissory note receivable (2020 – nil). The promissory note liability has been repaid in full as of December 31, 2021.

Note 17 – Income Tax

The components of income tax expense for the year ended December 31, 2021 and 2020, are as follows:

	2021	2020
Current tax expense		
Current year	1,865	667
Total current tax expense	1,865	667
Deferred tax expense		
Adjustments for prior years	556	815
Origination and reversal of temporary differences	(2,074)	1,247
Total income tax expense	347	2,729

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The differences between income tax expense 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:

	2021		2020	
	Amount	Rate	Amount	Rate
Income tax expense of continuing operations at the combined Canadian federal and provincial statutory tax rate	(5,248)	26.5%	8,516	26.5%
Income tax (recovery) of discontinued operations at the combined Canadian federal and provincial statutory tax rate	—	—	(175)	26.5%
Increase (decrease) in income tax expense (recovery) due to:				
Non-deductible expenses	376	(1.9%)	1,978	6.3%
Non-taxable income	(103)	0.5%	(16,879)	(53.6%)
Tax losses and other temporary differences not recognized	4,621	(23.3%)	6,187	19.7%
Adjustment for prior years	556	(2.8%)	815	2.6%
Rate difference in subsidiaries	(40)	0.2%	230	0.7%
Part VI.I Taxes	159	(0.8%)	1,626	5.2%
Other	26	(0.1%)	431	1.4%
Income tax expense and effective rate	347	(1.8%)	2,729	8.7%

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

	2021	2020
Deferred tax assets		
Deductible temporary differences:		
Non-capital losses	16,124	17,756
Deferred compensation arrangements	1,915	2,035
Equipment and leasehold improvements	1,233	1,752
Lease liability, net of right-of-use asset	1,091	534
Leasehold inducements	82	182
Other	139	265
Total	20,584	22,524
Deferred tax liabilities		
Taxable temporary differences:		
Intangible assets	47,663	51,121
Total	47,663	51,121

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

	2021	2020
Non-capital losses	64,948	44,158
Capital losses	—	54,305
Compensation and benefits	—	668
Equipment and leasehold improvements	198	1,107
Lease liability, net of right-of-use asset	(103)	1,428
Other	404	1,193
Total losses and other temporary differences not recognized	65,447	102,859

Note 18 – 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 as defined below), 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. On October 20, 2021, the Company released 29,442 common shares from escrow.

b. Preferred Shares

Preferred Shares issued and outstanding are 4,600 cumulative 5-Year rate reset Preferred Shares, Series B (the Series B 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 3.73% for the five-year period ending on March 31, 2026. On that date and every five years thereafter, the dividend rate is reset 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, 2026 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, 2026 and on March 31 of every fifth year thereafter.

On March 31, 2021, all Series C Preferred Shares automatically converted to Series B Preferred Shares on the basis of one Series B Share for each Series C Share. The terms of the Series C Shares provided that all remaining outstanding Series C Shares would automatically convert into Series B Shares, on a one-for-one basis, on the Conversion Date, if there would remain outstanding on the Conversion Date fewer than 1,000,000 Series C Shares, after taking into account all election notices at the close of business on March 16, 2021. On March 18, 2021, the Company announced that after having taken into account all election notices received in respect of the Cumulative 5-Year Rate Reset Preferred Shares, Series B and the Cumulative Floating Rate Preferred Shares, Series C, if the Company were to give effect to such notices there would be only 905,752 Series C Shares outstanding after the conversation date of March 31, 2021.

Preferred Share Dividends

Payment date	Cash dividend per Series B Preferred Share	Cash dividend per Series C Preferred Share	Total dividend ($ thousands)
March 31, 2021	0.225700	0.181788	993
June 30, 2021	0.233313	—	1,073
September 30, 2021	0.233313	—	1,073
December 31, 2021	0.233313	—	1,073

On March 3, 2022, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share payable on March 31, 2022, to preferred shareholders of record on March 15, 2022.

c. Share Repurchases and Forfeitures

During 2021, 665 common shares (2020 – 43) that were held in escrow were forfeited and cancelled, resulting in a share capital reduction of $1,285 (2020 – $216).

d. 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, 2021, the SIP Trust purchased 1,500 common shares at an average price of $2.3226 per share for a total cost of $3,484. The $979 discount of the purchase price over the carrying amount of the shares was recorded as a reduction to accumulated deficit.

The following table presents a breakdown of the SIP Trust as at December 31, 2021.

	Number of common shares (thousands)
As at December 31, 2020	1,272
Acquired - granted	1,500
Released on vesting	(457)
As at December 31, 2021	2,315

Note 19 – 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. The maximum term of an option is ten years from the date of grant. Options would 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, 2021, and 2020, and the changes during the years then ended is as follows:

	Number of common share options (thousands)	Weighted-average exercise price
As at December 31, 2019	753	6.67
Granted	110	1.71
Forfeited	(488)	6.53
As at December 31, 2020	375	5.40
Granted	440	2.03
Expired	(265)	6.94
Forfeited	(55)	1.62
As at December 31, 2021	495	2.00

Common share options outstanding and vested under the Share Option Plan as at December 31, 2021, are as follows:

Exercise prices	Number outstanding (thousands)	Weighted-average exercise price	Weighted-average remaining contractual life
1.80	55	1.80	0.67
2.01	275	2.01	0.71
2.05	165	2.05	0.72
As at December 31, 2021	495	2.00	0.71

As at December 31, 2021, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 0.32% (December 31, 2020 – 0.24%).

For the year ended December 31, 2021, the Company recorded $93 (2020 – $1) 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 2021 are as follows:

Weighted average fair value	$ 0.64
Weighted average of key assumptions:	
Common share price on grant date	$ 2.03
Exercise price	$ 2.03
Risk-free interest rate [1]	0.76 %
Dividend yield [2]	—
Expected volatility [3]	39.75 %
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 opportunities to own common shares, and to attract, retain and motivate key personnel and reward certain officers and employees of the Company for their 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. During the vesting period, dividend equivalents accrue to the Participants in the form of additional share units.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The fair value of the RSUs and PSUs granted is determined based on the average of the closing price of the Company's common shares for the five days preceding the grant date and is amortized over the vesting period of generally three years.

The Company did not award any PSUs to Participants and did not incur any compensation expense in 2021 or 2020.

A summary of the status of the Company's Share Incentive Plan as at December 31, 2021, and the changes during the year then ended is as follows:

	Number of RSUs
Balance, December 31, 2020	513
Granted	3,317
Vested	(427)
Forfeited	(165)
Balance, December 31, 2021	3,238

Deferred Share Unit Plan

The Company has a DSU plan for its directors. Directors can elect, on a one-time annual basis, to receive up to 100% of their annual compensation in the form of DSUs. The fair value of the DSUs granted is determined based on the average of the closing price of the Company's common shares for the five days preceding the grant date.

A summary of the status of the Company's Deferred Share Unit Plan as at December 31, 2021, and the changes during the year then ended is as follows:

	Number of DSUs
Balance, December 31, 2020	1,154
Granted	168
Balance, December 31, 2021	1,322

Note 20 – Provisions, Contingencies and Commitments

a. Provisions

The Company recognizes provisions when it is probable that it has an obligation arising from a past event which will result in an outflow that can be reliably estimated. 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. The Company assesses the adequacy of its provisions, if any, at each reporting period.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of the Company's provisions as at December 31, 2021 and the changes during the period are as follows:

As at December 31, 2020	19,410
Additions[1]	15,118
Payments[2]	(6,463)
Recoveries	(742)
As at December 31, 2021	27,323

[1]Includes $4,108 relating to key management personnel.

[2]Includes $2,508 relating to key management personnel.

b. Contingent Liabilities

In the normal course of business, the Company is involved in legal proceedings, including regulatory reviews. Management and the Company's external legal counsel are involved in assessing likelihood and in estimating any legal provisions. 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) related to its legal actions based on considering scenarios which are neither probable nor remote. The Company's provisions and RPL represent management's 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 the actual or RPL.

Prior to the sale of its capital markets 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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:

	2021	2020
Less than 1 year	8,633	8,549
1-5 years	26,586	23,661
Greater than 5 years	48,106	48,849
	83,325	81,059

Note 21 – 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 the level of RF Securities' risk-adjusted capital. In return, Richardson Wealth has guaranteed RF Securities' obligations to clients, in the event of default, up to the level of 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 22 – Other Income

The following table presents a breakdown of the Company's other income for the years ended December 31, 2021 and 2020.

	2021	2020
Clearing brokerage services	2,981	11,101
Preferred dividend from associate[1]	—	1,681
Foreign exchange	6,725	3,584
Insurance commissions	5,363	1,000
Private client capital markets commissions[2]	8,717	562
Other	4,933	5,087
	28,719	23,015

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

[2]Private client capital markets commissions represent amounts paid to Richardson Wealth by corporations issuing securities, primarily for distributing those securities through its own and other retail advisor networks.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 23 – Net Income (Loss) Per Common Share

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

	2021	2020
Net income (loss) from continuing operations	(20,152)	29,408
Less: dividends on preferred shares	(4,212)	(4,190)
Net income (loss) from continuing operations attributable to common shareholders	(24,364)	25,218
Net loss from discontinued operations	—	(661)
Net income (loss) attributable to common shareholders	(24,364)	24,557
Full year weighted-average number of common shares outstanding:		
Basic		
Common shares[1]	159,297	93,798
Common shares held by the SIP Trust[2]	(1,670)	(1,272)
Contingently returnable common shares held in escrow[1]	(84,425)	(19,128)
	73,202	73,398
Diluted		
Dilutive effect of shares held by the SIP Trust[2]	1,670	1,272
Dilutive effect of contingently returnable common shares held in escrow[1]	84,425	19,128
	159,297	93,798
Net loss per common share - Basic		
Continuing operations	$ (0.33)	$ 0.34
Discontinued operations	$ —	$ (0.01)
Total	$ (0.33)	$ 0.33
Net loss per common share - Diluted [3]		
Continuing operations	$ (0.33)	$ 0.27
Discontinued operations	$ —	$ (0.01)
Total	$ (0.33)	$ 0.26

[1]The Company's common shares and contingently returnable common shares increased as a result of the RGMP Transaction on October 20, 2020.

[2]The Company has established a SIP trust for the purposes of purchasing the Company's common shares in the open market and delivering the common shares to the SIP participants upon vesting.

[3]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 not be dilutive, therefore basic and diluted net loss per common share are the same.

Note 24 – Financial Assets and Liabilities

Financial Instruments – Fair Value Hierarchy

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 into the valuation of a financial asset or financial liability as of the measurement date.

The fair value hierarchy has the following levels:

Level 1. The Company's Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange. They are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. The Company's Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange. They also include debt and money market securities that are priced using aggregated trade data or reference prices based on yield, maturity and risk rating. The fair value is based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3. The Company's Level 3 equities are broker warrants that are valued based on observable data of the underlying security. The inputs for valuing the asset or liability are not based on observable market data associated with the broker warrants themselves.

The objective of these valuation techniques is to arrive at a fair value determination that reflects the value of the financial instrument at the reporting date that would have been determined by arm's length market participants.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following tables present the fair value hierarchy of the Company's financial assets and liabilities that are carried at fair value:

As at December 31, 2021	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	35,387	1,213	—	36,600
Provincial and municipal governments	—	8,501	—	8,501
Corporate and other	—	16,435	—	16,435
Equity securities	468	4	—	472
Derivative financial assets	—	—	347	347
Financial assets carried at fair value	35,855	26,153	347	62,355
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	76	9,138	—	9,214
Provincial and municipal governments	—	2,292	—	2,292
Corporate and other	—	2,109	—	2,109
Equity securities	10	—	—	10
Financial liabilities carried at fair value	86	13,539	—	13,625

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 governments	35,481	1,815	—	37,296
Provincial and municipal governments	—	10,688	—	10,688
Corporate and other	—	19,660	—	19,660
Equity securities	1,528	—	—	1,528
Derivative financial assets	—	—	1,150	1,150
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 governments	90	11,761	—	11,851
Provincial and municipal governments	—	590	—	590
Corporate and other	—	2,879	—	2,879
Financial liabilities carried at fair value	90	15,230	—	15,320

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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

	Level 3 fair value
As at December 31, 2020	1,150
Net unrealized gain before income taxes	784
Proceeds from disposition	(1,587)
As at December 31, 2021	347

a. 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 and broker warrants owned.

Fair Value Sensitivity Analysis

The following tables demonstrate the sensitivity of the Company's net income and OCI to reasonable changes in fair value of the Company's financial instruments recorded on the consolidated balance sheets as at December 31, 2021, and 2020 at fair value.

As at December 31, 2021	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	48,730	3,582	(3,582)

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)

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, its client account cash balances, securities owned, net of securities sold short, cash delivered or received in support of securities borrowing or lending activities, and 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 floating rates that vary depending on benchmark interest rates and the amount of cash deposited or borrowed by the Company's clients. Loans provided to certain Richardson Wealth employees bear interest at the prime rate of interest plus 2.5%.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Interest Rate Sensitivity Analysis

The tables below provide the potential net income impact of an immediate and sustained 100 basis point (bp) increase or 100 bp decrease in interest rates applied to the balances outstanding as at December 31, 2021, and 2020. The analysis assumes that all other variables remain constant.

As at December 31, 2021	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	518,099	3,808	(3,808)
Securities owned, net of securities sold short	48,730	358	(358)
Client funds held in trust	466,336	3,428	(3,428)
Employee and other loans receivable	50,303	370	(370)
Receivable from clients	610,376	4,486	(4,486)
Securities borrowing and lending, net	(102,125)	(751)	751
Payable to clients	(1,333,692)	(9,803)	9,803
Long-term debt	(110,922)	(815)	815

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)
Client funds held 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
Long-term debt	(97,422)	(716)	716

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 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

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, 2021, and 2020. The analysis assumes that all other variables remain constant.

As at December 31, 2021	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	(1)	1
Euro	4	(4)
Australian dollar	12	(12)
United States dollar	438	(438)

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)

b. 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 to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the clients' accounts. 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.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Credit risk is managed in a number of ways. For margin lending, management has established lending 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 by establishing 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 did not incur any material loss arising from a counterparty default in 2021. As at December 31, 2021, the Company had an allowance for credit losses of nil (2020 - 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, 2021, and 2020.

c. 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 under both normal and stress conditions. The table below sets forth the Company's obligations and terms to maturity.

	Carrying value	Term to maturity
Payable to clients	1,333,692	Due on demand
Payable to brokers	248,260	Due within one month
Due to issuers	824	Due on demand
Accounts payable and accrued liabilities	55,560	Due within one year
Long-term debt	110,922	Due within two years
	1,749,258	

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 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 liquidity portfolio. 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 within a few days if necessary. Client receivables are secured by readily marketable securities and are reviewed on an ongoing basis for impairment in value and collectability. The liquidity of the Company's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. There has been no change to the Company's cash management practices during fiscal 2021.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Credit Facilities

The Company maintains access to certain credit facilities to facilitate the securities settlement process for both client and proprietary transactions. Available credit facilities with Schedule I Canadian chartered banks were $427.7 million at December 31, 2021, compared to $651.8 million at December 31, 2020. 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 rate benchmarks. The Company had no amounts outstanding under any of these facilities as at December 31, 2021 and 2020.

Note 25 – Long-Term Debt and Capital Management

The following table presents a breakdown of the Company's debt obligations as at December 31, 2021 and 2020.

	2021	2020
Revolving credit facility	80,500	—
Term debt held by a syndicate of schedule I and II chartered banks	—	67,000
Preferred Shares	30,422	30,422
	110,922	97,422

a. Revolving Credit Facility

On September 10, 2021, the Company secured a $200 million syndicated revolving credit facility (Facility) with a syndicate of lenders. The initial authorized principal of the Facility is $125 million. The Facility also includes an accordion provision that will enable the Company to request increases in the total commitment, on the same terms, by an aggregate amount of up to $75 million, subject to certain conditions and the lenders' approval. As at December 31, 2021, $80.5 million was drawn against the Facility.

The Facility will bear interest at a spread over prescribed benchmark rates, with the spread depending on the Company's leverage at the time that it draws on the Facility. The Facility has an initial two-year term with an option for additional one-year terms, at the Company's request and subject to the lenders' approval. As at December 31, 2021, the Company was compliant with the covenants associated with the Facility.

b. Repayment of Subordinated Bank Debt and Net Promissory Notes Payable

Cash draws on the Facility were used to repay $65 million in subordinated unsecured bank debt and $12.1 million in net promissory notes payable in full.

c. Preferred Shares

The redeemable preferred shares are redeemable at the option of the holder, for cash, at any time following the third anniversary of the RGMP Transaction closing date. The Company has the right to acquire from the holder, for cash, the Preferred Shares at any time following the RGMP Transaction closing date. The Preferred Shares are entitled to receive preferential cash dividends that accrue at an annual rate of prime plus 4%. These shares do not carry the right to vote. Refer to Note 14 for additional information.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

d. Capital Management

The Company requires capital to fund existing and future operations, its growth plans, future dividends and regulatory capital requirements. The Company's policy is to maintain sufficient and appropriate levels of, and access to, capital through a variety of sources.

The following table sets forth the Company's equity capital position as at December 31, 2021 and 2020.

	2021	2020
Common shares	464,667	470,415
Preferred shares	112,263	112,263
Contributed surplus	44,103	39,976
Accumulated other comprehensive income	18,842	17,830
Accumulated deficit	(284,985)	(260,621)
	354,890	379,863

Note 26 – Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items.

	2021	2020
Securities owned	7,967	(1,741)
Receivable from clients and brokers	(117,739)	(259,488)
Client funds held in trust	(56,688)	(61,095)
Employee and other loans receivable	(562)	(33,191)
Other assets	2,261	9,174
Obligations related to securities sold short	(1,695)	3,901
Payable to clients, brokers and issuers	133,233	363,515
Accounts payable and accrued liabilities	(9,328)	(11,720)
Other liabilities	(2,112)	1,152
Provisions	7,913	358
	(36,750)	10,865

Note 27 – Update on COVID-19

In response to the highly transmissible COVID-19 Omicron variant, new public health restrictions were introduced in early 2022 to mitigate its spread and manage hospital capacity. The Company continues to monitor evolving COVID-19 developments closely and adjust its plans accordingly, emphasizing on a flexible approach to work. The Company's top priority remains the well-being of its employees (most of whom continue to work from home), clients, and communities. As such, the Company has deferred its plans for a phased return to the workplace. The potential for near-term volatility in the Canadian economy and financial markets remains, as a result of the upcoming conclusion of COVID-19 related government stimulus programs and the potential for further government restrictions. Any near-term volatility may adversely affect our financial performance.

Note 28 – Segmented Information

Wealth Management

The Wealth Management segment consists of the Company's investment advisory and carrying broker businesses.

Corporate

The Corporate segment is comprised of certain corporate functions. Amortization of intangibles acquired as a result of the RGMP Transaction is included in the Corporate segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020
($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following table presents selected financial results of the Company's continuing operations by segment for the years ended December 31, 2021 and 2020.

	Wealth Management		Corporate		Total	
	2021	2020	2021	2020	2021	2020
Total revenue	328,690	84,130	(171)	(11)	328,519	84,119
Variable advisor compensation	142,611	23,726	—	—	142,611	23,726
Gross margin	186,079	60,404	(171)	(11)	185,908	60,393
Expenses						
Employee compensation and benefits	73,146	18,850	3,988	4,824	77,134	23,674
Selling, general and administrative	53,688	26,757	4,331	3,458	58,019	30,215
Advisor loan amortization	17,734	3,490	—	—	17,734	3,490
Transformation costs and other provisions	20,260	—	1,130	6,664	21,390	6,664
Interest	3,712	1,113	2,919	727	6,631	1,840
Depreciation and amortization[1]	11,748	3,149	13,057	2,593	24,805	5,742
	180,288	53,359	25,425	18,266	205,713	71,625
Gain on investment in associate	—	—	—	45,734	—	45,734
Share of net loss of associate	—	(2,365)	—	—	—	(2,365)
Income (loss) before income taxes	5,791	4,680	(25,596)	27,457	(19,805)	32,137

[1] Amortization for years ended December 31, 2021 and 2020 of $13,057 and $2,593 in the Corporate segment is primarily related to the customer relationship and brand intangible assets acquired as part of the RGMP Transaction.

Shareholder Information

Transfer Agent and Registrar

TSX Trust Company
1 Toronto Street
Suite 1200
Toronto, ON
M5C 2VC

Toll Free: (800) 387-0825
Email:
shareholderinquiries@tmx.com
Website: *tsxtrust.com*

Corporate Head Office

RF Capital Group Inc.
145 King Street West
Suite 200
Toronto, ON
M5H 1J8

Tel: (416) 687-1300
Email:
investorrelations@rfcapgroup.com

Shareholder Inquiries

For all other shareholder inquiries or to request a copy of RF Capital's 2021 annual report, please contact Investor Relations:

Tel: (416) 941-0894
Email:
investorrelations@rfcapgroup.com

Regulatory Filings

Canadian Securities Administrators
Website: *sedar.com*

Independent Auditors

KGMP LLP

Legal Counsel

Goodmans LLP

Fiscal Year-End

December 31

Website

rfcapgroup.com

Annual Meeting of Common Shareholders

May 4, 2022, at 10:30 a.m. (EST)

Stock Exchange Listings

STOCK	LISTING	TICKER	CUSIP
Common Shares	Toronto Stock Exchange	RCG	74971G401
STOCK	**LISTING**	**TICKER**	**CUSIP**
Preferred Shares, Series B	Toronto Stock Exchange	RCG.PR.B	380134205

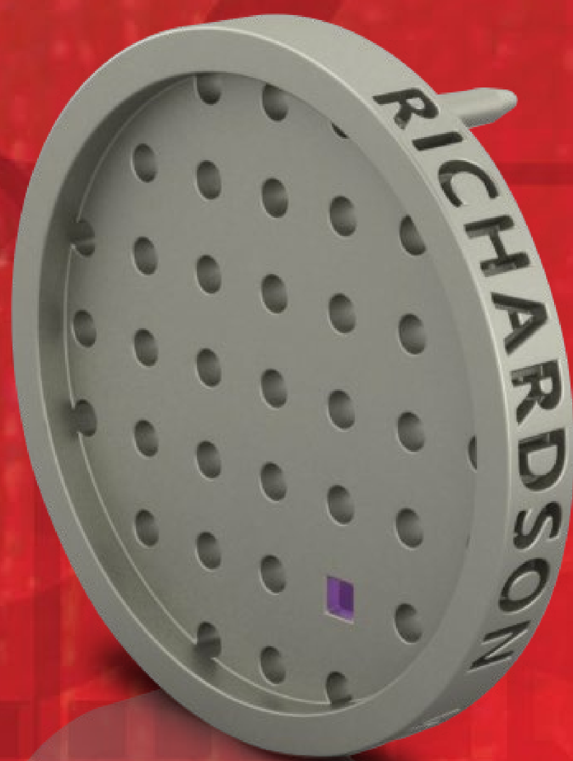
In a world full of game players, the only way to set yourself apart is to be a gamechanger.

- Matshona Dhliwayo

RICHARDSON WEALTH COMMEMORATIVE PIN

The centre disk is filled with circles and a single solid purple square. Average players are the same hollow circles.

The gamechangers are a different shape and colour. They think, work and react differently. They alter the game, and the way things are done.



The pin was designed for our 2021 National Virtual Conference.

RICHARDSON
Wealth