RICHARDSON
Wealth

RF Capital Group Inc.

Management's Discussion & Analysis

For the year ended December 31, 2022

Contents

About this Management's Discussion and Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the consolidated financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company) as at and for the year ended December 31, 2022.

This MD&A, dated March 2, 2023, should be read in conjunction with the audited consolidated financial statements and related notes as at and for the year ended December 31, 2022 (2022 Annual Financial Statements). This document as well as additional information relating to the Company, including our audited consolidated financial statements and related notes as at and for the year ended December 31, 2022 (2022 Annual Financial Statements), and our latest annual information form (AIF), can be accessed at *www.rfcapgroup.com* and under our profile at *www.sedar.com*, and are incorporated by reference herein.

This MD&A refers to certain non-GAAP and supplemental financial measures (including non-GAAP ratios), which we believe are useful in assessing our financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under International Financial Reporting Standards (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 "Non-GAAP and Supplemental Financial Measures" section at the end of this MD&A.

Unless otherwise specified herein, financial results contained in this MD&A, including related historical comparatives, are based on our 2022 Annual Financial Statements, which we have prepared in accordance with IFRS.

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

Our Board of Directors (Board) has 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 our normal course issuer bid (NCIB), the project to outsource our carrying broker operations to Fidelity Clearing Canada (Fidelity), our recruiting pipeline, the nature of our growth strategy 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.

Our results can also be influenced by 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)). For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" section of this MD&A.

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 our reliance on certain assumptions we consider 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.

Basis of Presentation

Effective Q4 2022, we have discontinued the use of segmented reporting and are presenting only consolidated financial results. This change reflects the outsourcing of our carrying broker operations, the continued evolution of the Company, and the manner in which management views the business.

In order to replace our former Corporate segment and provide continued transparency into the costs of operating the public company, we will present those costs as a discrete expense line item in our discussion of the business' results.

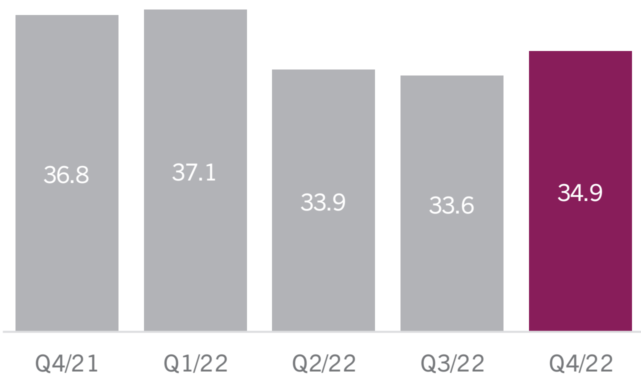
2022 - Select Financial Information

($000s, except as otherwise indicated)	2022	2021	2020	2022 vs. 2021 % Increase/(decrease)	2021 vs. 2020 % Increase/(decrease)
Key Performance Drivers[1,2]:					
AUA - ending ($ millions)[3]	34,948	36,847	30,846	(5)	19
Fee revenue	254,802	242,916	n/a	5	n/a
Fee based revenue (%)[4]	88	86	n/a	+162 bps	n/a
Adjusted operating expense ratio[5] (%)	69.8	72.7	n/a	(289) bps	n/a
Adjusted EBITDA margin (%)	17.4	15.4	n/a	+197 bps	n/a
Asset yield (%)[6]	0.85	0.82	n/a	+3 bps	n/a
Operating Performance[1]					
Reported Results:					
Revenue	353,972	328,519	84,119	8	n.m.
Variable advisor compensation	149,748	142,611	23,726	5	n.m.
Gross margin[7]	204,224	185,908	60,393	10	n.m.
Operating expenses[2,8]	151,207	156,543	60,553	(3)	n.m.
Share of loss of associate	—	—	(2,365)	n.m.	n.m.
Gain on investment in associate	—	—	45,734	n.m.	n.m.
EBITDA[2]	53,017	29,365	43,209	81	n.m.
Income (loss) before income taxes	(3,111)	(19,805)	33,533	(84)	n.m.
Net income (loss)	(4,803)	(20,152)	28,747	(76)	n.m.
Earnings per common share - diluted	(0.95)	(3.33)	2.65	n.m.	n.m.
Adjusting Items[9]:					
Transformation costs and other provisions (pre-tax)	8,634	21,390	n/a	(60)	n.m.
Amortization of acquired intangibles (pre-tax)	13,052	13,052	n/a	0	n.m.
Transformation costs and other provisions (after-tax)	6,309	17,835	n/a	(65)	n.m.
Amortization of acquired intangibles (after-tax)	9,594	9,673	n/a	(1)	n.m.
Adjusted Results[2]:					
Operating expenses[8]	142,573	135,153	53,889	5	n.m.
EBITDA	61,651	50,755	4,139	21	n.m.
Income (loss) before income taxes	18,575	14,637	(529)	27	n.m.
Net income (loss)	11,100	7,356	(6,001)	51	n.m.
Adjusted earnings per common share - diluted	0.43	0.20	(1.39)	n.m.	n.m.
Select balance sheet information:					
Total assets	1,699,654	2,216,015	2,119,919	(23)	5
Term debt	110,922	110,922	109,494	—	1
Shareholders' equity	346,921	354,890	379,863	(2)	(7)
Net working capital[2]	95,224	105,991	87,881	(10)	21
Common share information:					
Book value per common share ($)	14.80	15.25	16.80		
Closing share price ($)	11.50	19.00	17.40		
Common shares outstanding[10] (millions)	15.9	15.9	15.9		
Common share market capitalization ($ millions)	182	302	277		

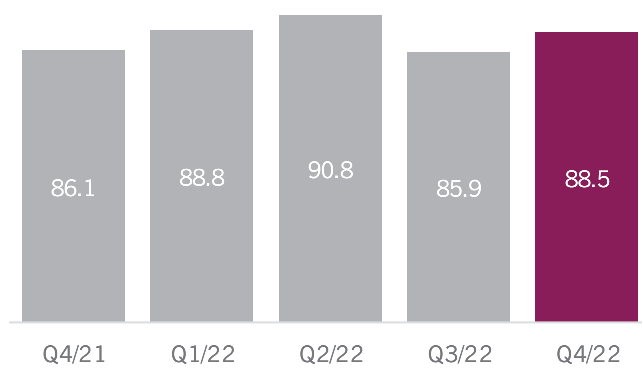
1. Operating results pre-October 20, 2020 are shown for reference purposes only as Richardson Wealth was not fully consolidated into RF Capital's financial statements.
2. Considered to be non-GAAP or supplemental financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section of this MD&A.
3. 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
4. Calculated as fee revenue divided by commissionable revenue. Commissionable revenue includes Wealth management revenue and commissions earned in connection with the placement of new issues and the sale of insurance products.
5. Calculated as adjusted operating expenses divided by gross margin
6. Calculated as Wealth management revenue plus interest on cash divided by average AUA
7. 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.
8. 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.
9. For further information, please see "2022 – Items of Note" in this MD&A.
10. In 2022, we consolidated our common shares at a 10:1 ratio. Prior period common share information has been adjusted to reflect this consolidation.

2022 – Operating Highlights

Assets Under Administration[1,2] ($Bn)



Quarterly Gross Revenue ($MM)



2022 Select Financial Highlights

Net New Assets[2]

Our advisors brought in new assets of $2.2 billion from existing and new clients

Recurring Fee Revenue[2]

88% of commissionable revenue, up from 86% last year

Increased Profitability

Adjusted EBITDA margin[2] increased to 17.4%, from 15.4% in 2021

$25.4 Million

or 8% increase in total revenue compared with last year

137%

Growth in interest revenue over 2021

$17.0 Million

Record quarterly Adjusted EBITDA[2] in Q4 2022; 3 record quarters during the year

289 bps

Year-over-year improvement in our Adjusted operating expense ratio[2]

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

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 AUA of $34.9 billion (December 31, 2022). We have 162 advisor teams operating out of 20 offices, serving over 31,000 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. Many of the nation's top advisors have joined our firm because their voices are heard, their diverse perspectives are valued, our open architecture and advisor-centric culture supports their success, and the name on the door is synonymous with integrity and excellence.

A Great Place To Work™

We strive to make our Company a great place to work for our advisors and employees. Independent recognition of our workplace culture inspires us to work even harder.

We are focused on delivering an exceptional service experience to our entrepreneurial advisors – our clients. Our company supports our advisor teams as they provide strategic wealth advice and innovative investment solutions to their high-net worth clients across Canada. A culture of entrepreneurship means there is no standard formula for success; within the boundaries of our comprehensive risk framework, our advisors can determine how best to run their practices.

We offer advisors a holistic suite of wealth management solutions that enables them to deliver value to existing clients and attract new ones. A team of tax, estate, and wealth planning experts is available to assist advisors with complex client needs.

Until the end of 2022, we operated a carrying broker business that focused on serving the needs of our advisors. Following the close of business on December 31, 2022, Fidelity Clearing Canada began to provide custody, clearing and trade settlement services to Richardson Wealth and our advisors, and our proprietary carrying broker will no longer conduct active business. We believe that over the long-term, once we work through an initial adjustment period, Fidelity will provide a technology platform that will accelerate our digital ambitions and maintain service quality at the high level that our advisors expect.

Our Growth Strategy

Our advisor-centric growth plan was developed with the belief that our focus should be on providing our advisors with best-in-class service and platforms that would enable them to grow their practices. By executing this strategy, we believe we will build a great business for the long-term and achieve our aspirational goal of tripling our AUA and revenue – and more than tripling our Adjusted EBITDA. Through that plan, we hope to create significant value for our shareholders.

Our Vision

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

Our original intent was to achieve our aspirational growth objectives by 2025; but we have now revised it to be three to five years from today. Management and the Board reset that timeline because of ongoing turbulence in the financial markets, which has had a negative impact on our AUA and Corporate Finance revenues. We believe that slightly deferring our timeline is more prudent than making aggressive – and potentially risky – investments to achieve it.

We expect a favourable long-term market outlook to support our growth, as retail financial wealth is projected to grow from approximately $5.6 trillion in 2021 to nearly $10 trillion by 2030[1]. With a 0.7% market share at present, we believe there is ample opportunity for us to gain share of this rapidly growing industry as an independent wealth management firm with national scale.

In 2022, we made significant progress against our three-pillar strategy by broadening the range of services and support we provide our advisors, growing new sources of revenue such as insurance, and leveraging our platform to drive operating efficiencies.

The most significant strategic milestones that we achieved in 2022 were the launch of the Envestnet Portfolio Management Platform and conversion to Fidelity Clearing Canada's carrying broker platform. 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 digital platform that currently supports over US$14 trillion of assets, global scale and expertise, and a commitment to continuous technological innovation. These transitions ticked all three of our strategic pillars, as they will enhance the overall advisor and client experience, help to accelerate our recruiting agenda, and enable acquisitions by making us more scalable.

[1] Investor Economics – Household Balance Sheet Report 2021

Additional strategic highlights from 2022 include:

Recent Milestones

Launched a **succession planning** program aimed at cultivating the 'next generation' of advisors	Completed the rollout of our **Richardson Wealth Masterclass** practice management and training series	Held a successful election and transition process for the **new advisor representative** to our Board of Directors
Recruited **four advisor teams**, before pausing onboarding in late spring ahead of our Fidelity conversion	Hosted a 'Back to the Future' themed best practices conference that received **outstanding reviews** from advisors	**Increased recruiting pipeline** to almost $23 billion, from $15 billion last year
Completed the **build out of our flagship Toronto office** and renovated our Calgary office	Established a **new Burlington office**, consolidating our previous locations in Mississauga and Oakville	Launched a **renewed website** that has already received five awards from AVA Digital Awards

Looking Forward

We remain committed to our three-pillar strategic framework and to collaborating with our advisor teams to optimize their experience at our firm:

Aspirational Goals:

$100 Billion in AUA and $200-300 Million in EBITDA

and over the next 3-5 years

Three Strategic Pillars

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

Anticipated Contribution to EBITDA Growth

20%	20%	60%
• Provide support for existing advisors to improve their productivity and grow their practices efficiently • Digital transformation and continuous technological innovation • Requires the least amount of capital of any of our three growth pillars	• Dedicated and experienced four-person team focused on recruitment • Added 13 teams since we launched our growth strategy • Strive to add 12-14 advisor teams/year • ~$23 Billion[1] recruiting pipeline; expected conversion rate of 10%-15% every year	• Add capabilities, talent and/or scale • Pursue M&A when share price better reflects business value • Expected time frame - late 2023 or early 2024

1. Represents conversations with advisors that have advanced beyond a certain probability threshold, with AUA measured as of the date the advisor was added to the recruiting pipeline and is not adjusted for market volatility. This measure is used by management to assess outside advisors' interest in our firm. We expect to convert only a portion of this pipeline.

Our near-term focus has been on organic initiatives. As our investments in organic growth continue to 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 early 2024. In the near term, we will look at M&A opportunistically and lay the groundwork for future acquisitions.

Organic Initiatives – Doubling-down on support for advisors

Our plan begins with strengthening our platform to provide advisors with a high-touch, boutique experience. Doubling-down on support for advisors is all about giving them the tools they require to meet and exceed the expectations of their existing clients – and to attract new ones. When our advisors are working with the right tools, they are able to service their clients efficiently and provide advice to help their clients meet their long-term financial goals.

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. We believe that these initiatives, in concert with the investments we have made in our platform, will make us more attractive to entrepreneurial advisors from other institutions.

We delayed our recruiting plans beginning in the middle of the year, and as a result brought fewer new advisors into the Company than we had originally expected. Our team made this decision so that new advisors joined us only after our conversion to the Fidelity platform and we were at a point that we could provide a seamless onboarding experience. We are now through that conversion and are attacking the recruiting pillar of our strategy with renewed intensity.

Inorganic Initiatives – Acquiring and partnering with like-minded firms

An important part of our growth story involves acquiring like-minded wealth management firms aligned with our holistic approach to wealth management or other organizations that can enhance the advisor value proposition in areas such as banking, digital lead generation, business succession planning, or capital markets. Recent volatility in the capital markets and our share price have limited our ability to use our common shares as a currency to unlock value. However, acquisitions and strategic partnerships are often opportunistic in nature, so we continue to position the Company to act quickly when the right opportunity surfaces.

Strategic Priorities

Our focus in 2023 will be delivering on the promises that we have made to our advisors, recruits, and other stakeholders, including our shareholders. Most importantly, we are committed to ensuring the successful adoption of the Fidelity and Envestnet platforms across our organization. Our key priorities in 2023 are:

1. Ensure a smooth adoption of the Envestnet and Fidelity platforms
2. Apply a renewed focus and more resources to recruiting new advisors
3. Continue to build our advisor-centric culture to maintain high levels of retention
4. Enhance profitability through new revenue opportunities, cost management, and operating efficiencies
5. Increase interest in our Company and demand for our shares through a systematic investor relations program
6. Begin laying the groundwork for acquisitions in early 2024

Outlook

Adjusted EBITDA

We expect 2023 Adjusted EBITDA to increase at a rate of just over 10% compared with 2022 as a result of continued growth in our AUA and a high level of interest income.

Revenue

We believe that AUA will increase as we recruit new advisors and as our existing advisors attract new assets to the firm. Recruiting activity should increase as we come through our conversion to the Fidelity platform and heighten our focus on this growth pillar. Our current assumption is that equity and debt markets will remain flat over the year so will not contribute to AUA growth.

The market expects interest rates to be steady through Q3 and then decrease in Q4 2023. Our interest revenue should follow the same pattern. It will be up on a full year basis from 2022, however, since it was low in the early part of last year.

Growing insurance revenue remains a strategic focus for us as we continue to expand our in-house capabilities. Insurance revenue will likely decrease from 2022 though, because of a record single insurance sale we recorded in Q2 2022. Excluding that sale, insurance represented only 3% of our total revenue in 2022 and we believe it could increase to 7%-8% over the next five years.

Also of note, until September of last year we had an arrangement to provide carrying broker services to a third party. That relationship contributed more than $2 million of revenue that we will not realize in 2023.

Operating Expenses

Adjusted operating expenses will increase in 2023 as we invest to support revenue generation and our key strategic initiatives, but even so we expect our expense ratio to decrease. A competitive job market has been putting some pressure on costs and we forecast that will continue. Newly recruited advisors also add to our costs as they bring over their teams and we incur the related compensation and benefits costs.

Fidelity Strategic Agreement

The Fidelity relationship should deliver almost $9 million of annualized EBITDA benefit, in addition to converting our costs from fixed to variable, reducing future technology investments, and making our Company more scalable. This benefit consists of two components: over $5 million of EBITDA uplift related to annualized run-rate expense savings net of revenue sharing, and $4 million of avoided expenses (i.e., we do not have to incur $4 million in expenses we would have incurred if we had kept the operations in-house). Our estimates have decreased slightly in recent months, partly because of changes in the interest rate environment and the effect on our revenue sharing with Fidelity.

We began to realize this benefit throughout 2022, as some employees left the firm in advance of the conversion date. Our estimate is that by the end of 2022 we had already achieved over $2 million of cost reductions. We expect to realize further run-rate expense savings of $7 million, which will be offset by interest revenue sharing of $4 million, beginning in Q1 2023.

Balance Sheet

We have a $200 million revolving credit facility that, together with operating cash flow and our excess working capital, provides us with ample funding to accelerate our key growth initiatives. These initiatives, as well as advisor recruitment, all require up-front outlays of cash but should generate significant EBITDA contributions over a multi-year horizon.

2022 - Items of Note

Pre-Tax Adjustments

The adjusted financial results presented in this MD&A exclude the impact of transformation program expenses and the amortization of acquired intangibles.

2022 included the following $21.7 million in pre-tax adjusting items ($15.9 million after-tax), and were down by $12.7 million or 37% compared with 2021:

- $8.6 million of pre-tax charges related to our ongoing transformation ($6.3 million after-tax). These charges relate largely to outsourcing our carrying broker operations to Fidelity, revitalizing our real estate footprint, and realigning our workforce.

- $13.1 million of pre-tax amortization of intangible assets ($9.6 million after-tax). The amortization arises from intangible assets created on the acquisition of Richardson Wealth. It will continue through 2035.

2021 included the following $34.4 million in pre-tax adjusting items ($27.5 million after-tax):

- $14.9 million in pre-tax charges related to our ongoing transformation ($11.6 million after-tax). This amount includes charges in connection with refining our organizational structure, developing and implementing our new strategy, and realigning parts of our real estate footprint.

- $6.4 million of pre-tax charges in connection with outsourcing our carrying broker operations ($6.2 million after-tax). These charges relate realigning our workforce and exiting certain technology provider relationships early.

- $13.1 million of pre-tax amortization of acquired intangible assets ($9.7 million after-tax)

Revenue Categorization

In 2022, we recategorized certain revenue lines during the year, for example those associated with securities lending activity, to provide more relevant disclosure to the readers of this MD&A. Comparative periods were realigned to conform to the current period presentation. Total revenue is unchanged in all periods.

RF CAPITAL GROUP

Consolidated Financial Performance

($000s)	2022	2021	Increase/(decrease) $	Increase/(decrease) %
Wealth management	278,319	272,482	5,837	2
Corporate finance	8,643	21,785	(13,142)	(60)
Interest	37,581	15,869	21,712	137
Other income	29,429	18,383	11,046	60
Revenue	353,972	328,519	25,452	8
Variable advisor compensation	149,748	142,611	7,138	5
Gross margin[1]	204,224	185,908	18,316	10
Employee compensation and benefits	74,157	73,146	1,011	1
Selling, general and administrative	60,449	53,629	6,819	13
Corporate costs[2]	7,967	8,378	(412)	(5)
Transformation costs and other provisions	8,634	21,390	(12,756)	(60)
Operating expenses[3,4]	151,207	156,543	(5,336)	(3)
EBITDA[4]	53,017	29,365	23,653	81
Interest	10,797	6,631	4,165	63
Depreciation and amortization	28,064	24,805	3,259	13
Advisor loan amortization	17,267	17,734	(467)	(3)
Income (loss) before income taxes	(3,111)	(19,805)	16,694	(84)
Adjusting items[5]:				
Transformation costs and other provisions	8,634	21,390	(12,756)	(60)
Total adjusting items	8,634	21,390	(12,756)	(60)
Adjusted results[4]:				
Operating expenses[3]	142,573	135,153	7,419	5
EBITDA	61,651	50,755	10,896	21
Income (loss) before income taxes	18,575	14,637	3,937	27

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. Corporate costs refer to employee compensation and benefits and selling, general and administrative expenses related to our corporate functions
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.
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 "Non-GAAP and Supplemental Financial Measures" section at the end of this MD&A.
5. For further information, please see "2022 – Items of Note" in this MD&A

2022 vs. 2021

Income (Loss) Before Income Taxes

Income before taxes increased largely due to a $12.8 million decline in costs related to our ongoing organizational transformation as well as the factors highlighted in the Adjusted EBITDA section below. Partly offsetting the improvement in transformation costs were $4.2 million in interest expense and $3.3 million in depreciation and amortization. Both interest and amortization increased primarily due to new lease commitments that were effective in 2022 for accounting purposes under IFRS16.

Adjusted EBITDA

Adjusted EBITDA was $10.9 million higher than last year benefiting from gross margin growth of $18.3 million or 10%, partly offset by higher adjusted operating expenses. The Adjusted EBITDA margin was 17.4% compared to 15.4% in 2021.

Revenue

Revenue was up by $25.5 million or 8% for the year as compared to 2021, led largely by higher interest revenue and record-setting revenue in our insurance business.

($000s, except as otherwise indicated)	2022	2021	Increase/(decrease) $/#	%
AUA[1] - average ($ millions)	35,418	33,925	1,494	4
Fee revenue[2]	254,802	242,916	11,886	5
Insurance revenue	17,807	5,363	12,444	232
New issue participation (# of deals)	224	575	(351)	(61)
Asset yield[3] (%)	0.85	0.82		+3 bps
Adjusted EBITDA[2] margin (%)	17.4	15.4		+197 bps
Adjusted operating expense ratio[4] (%)	69.8	72.7		(289) bps
Advisory teams[5] (#)	162	161	1	1

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 fee 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 "Non-GAAP and Supplemental Financial Measures" section at the end of this MD&A.
3. Calculated as Wealth management revenue and interest on cash balances divided by average AUA
4. Calculated as adjusted operating expenses divided by gross margin
5. Prior year has been revised to reflect the internal consolidation of certain teams

Fee revenue was up $11.9 million or 5% from 2021, in-line with average AUA growth. Average AUA increased 4% largely due to net new assets brought in by our existing advisors in 2021 and 2022 and due to recruiting success in late 2021 partly offset by soft capital market conditions.

Interest revenue increased $21.7 million or 137% from 2021 as a result of rising benchmark rates and higher cash balances. As benchmark rates rise, so does the yield we generate on client balances and margin loans.

Other income increased $11 million or 60% from 2021 largely due to record insurance revenue. Insurance commissions increased by $12.4 million from the same period last year, due to our strategic focus on that business and because of a large insurance sale recorded in Q2 2022.

Partly offsetting these increases were lower corporate finance revenues and client trading commissions, which decreased $13.1 million and $5.5 million respectively. These revenues were down because of ongoing market volatility.

Operating Expenses

Adjusted operating expenses were $7.4 million or 5% higher than last year. SG&A expenses increased primarily as a result of travel and office-related expenses returning to pre-pandemic levels, advisor conferences, and performance fees paid to third-party managers. Corporate costs, those that support our public company operations in addition to our core business, were down because of mark-to-market recoveries on deferred share units. Despite the growth in total operating expenses, our expense ratio decreased to 69.8% from 72.7% last year.

Quarterly Results

The following table presents selected quarterly financial information for our eight most recently completed financial quarters.

				2022				2021
($000s, except as otherwise indicated)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Wealth management	67,481	67,064	68,493	75,280	71,873	67,869	65,976	66,763
Corporate finance	1,860	2,121	2,529	2,133	5,467	3,933	6,146	6,240
Interest	13,015	12,082	7,683	4,801	4,272	4,016	3,828	3,754
Other income	6,175	4,661	12,047	6,546	4,499	3,864	3,114	6,905
Revenue	88,531	85,928	90,753	88,760	86,111	79,682	79,064	83,662
Advisor variable compensation	35,276	34,555	39,078	40,839	38,285	34,714	34,138	35,474
Gross margin[1]	53,255	51,373	51,675	47,921	47,826	44,968	44,926	48,188
Operating expenses[2,3]	38,867	36,435	37,493	38,412	37,263	41,482	34,096	43,702
EBITDA[3]	14,388	14,938	14,182	9,509	10,564	3,486	10,829	4,486
Interest	3,294	3,015	2,348	2,140	1,543	1,687	2,048	1,353
Depreciation and amortization	7,851	6,936	6,743	6,534	6,510	5,982	6,231	6,082
Advisor loan amortization	4,634	4,381	4,240	4,012	4,054	4,257	4,485	4,938
Income (loss) before income taxes	(1,391)	606	851	(3,177)	(1,544)	(8,441)	(1,935)	(7,885)
Net income (loss)	(990)	(724)	58	(3,147)	(2,357)	(8,462)	(1,858)	(7,475)
Earnings per common share:								
Basic	(0.21)	(0.19)	(0.11)	(0.44)	(0.38)	(1.42)	(0.43)	(1.25)
Diluted	(0.21)	(0.19)	(0.11)	(0.44)	(0.38)	(1.42)	(0.43)	(1.25)
Adjusting items[4]:								
Transformation costs and other provisions	2,621	2,055	2,415	1,543	1,730	9,517	2,513	7,630
Amortization of acquired intangibles	3,263	3,263	3,263	3,263	3,263	3,263	3,263	3,263
Total adjusting items	5,884	5,318	5,678	4,806	4,995	12,780	5,776	10,893
Adjusted Results[3]:								
Operating expenses[2]	36,246	34,380	35,078	36,870	35,534	31,966	31,583	36,071
EBITDA	17,009	16,993	16,597	11,051	12,294	13,003	13,342	12,116
Income (loss) before income taxes	4,493	5,924	6,529	1,629	3,451	4,339	3,841	3,008
Net income (loss)	3,500	3,197	4,010	393	1,395	2,491	2,403	1,068

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 or supplemental 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 "Non-GAAP and Supplemental Financial Measures" section of this MD&A.
4. For further information, please see "2022 - Items of Note" in this MD&A.

Q4 2022 Financial Performance

Q4 financial performance was just above the previous records set in the two previous quarters. It reflected further increases in benchmark interest rates, sales tax recoveries, and continued success building our insurance business.

Q4 Items of Note

Q4 2022 adjusting items included:

- $2.6 million of pre-tax charges related to our ongoing transformation ($2.1 million after-tax). The costs relate primarily to our migration to Fidelity's carrying broker platform.
- $3.3 million of pre-tax amortization of acquired intangibles ($2.4 million after-tax).

Q4 2021 adjusting items included:

- $1.7 million of pre-tax charges related to our ongoing transformation ($1.2 million after-tax). The charges encompass a range of transformation initiatives including refining our ongoing operating model and implementing our digital strategy, as well as other provisions.
- $3.3 million of pre-tax amortization of acquired intangible assets ($2.5 million after tax)

In addition, while not an adjusting item, Q4 2021 included an incremental $1.4 million of compensation expenses related to launching a new compensation program for our corporate finance team ($1.1 million after-tax). This change resulted in almost a full year of bonuses for that team being recorded in that quarter.

Q4 2022 vs. Q4 2021

Net Income/(Loss)

We reported a net loss of $1 million in Q4 2022, a decrease of $1.4 million as compared to the same period last year.

Adjusted EBITDA

Adjusted EBITDA was $17 million, an increase of $4.7 million from 2021.

Gross margin increased 11%, driven by an increase of 205% and 37% in interest and other income, respectively. Those increases were partly offset by a decrease in wealth management revenue and higher operating expenses. Even though expenses increased, we generated positive operating leverage and our expense ratio declined to 68.1% from 74.3% last year. The Adjusted EBITDA margin was 19.2% in Q4 2022 compared with 14.3% in the same period last year.

Q4 2022 vs. Q3 2022

Net Income/(Loss)

We reported a net loss of $1 million in Q4 2022, which was consistent with Q3 2022.

Adjusted EBITDA

Adjusted EBITDA was slightly above last quarter as an improvement in gross margin was offset by an increase in operating expenses.

Adjusted Operating Expenses

Adjusted operating expenses were 4% higher compared with Q3, mainly due to advisor conferences and investments in strategic initiatives, net of higher than normal sales tax recoveries.

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 December 2022 and 2021.

As at December 31, ($000s)	2022	2021	Increase/(decrease) $	%
Selected highlights:				
Total assets	1,699,654	2,216,015	(516,361)	(23)
Goodwill and intangible assets	337,581	348,152	(10,571)	(3)
Shareholders' equity	346,921	354,890	(7,969)	(2)
Term debt[1]	110,922	110,922	—	—
Net working capital[2]	95,224	105,991	(10,767)	(10)

1. Includes revolving credit facility and preferred share liabilities.
2. Considered to be non-GAAP financial measure, which does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section at the end of this MD&A.

Total assets decreased by $516.4 million from December 31, 2021, largely due to lower cash balances and margin loans. Cash balances were lower as cash was deployed into higher yielding fixed income and other investments. Margin loans declined as clients delevered due to market volatility. Shareholders' equity decreased by $8.0 million mainly due to the $4.8 million net loss we reported for the year 2022 and $4.3 million of preferred share dividends.

Term Debt

As at December 31, ($000s, except as otherwise indicated)	2022	2021
Revolving credit facility	80,500	80,500
Preferred share liability	30,422	30,422
	110,922	110,922
Ratios:		
Total debt to Adjusted EBITDA [1]	1.8	2.2
Adjusted EBITDA [1] to interest[2]	7.4	10.9

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 "Non-GAAP and Supplemental Financial Measures" section at the end of this MD&A
2. Includes interest expense on term debt, lease liabilities and client accounts. Prior periods have been restated to conform to current period presentation.

Revolving Credit Facility

In September 2021, we secured a $200 million revolving credit facility with a syndicate of lenders. As of December 31, 2022, we had drawn $80.5 million against the facility, unchanged from the end of 2021. 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. For further information, see Note 20 to the 2022 Annual Financial Statements.

The facility contains clauses whereby we are required to meet four financial covenants. As at December 31, 2022 we complied with all but the interest coverage ratio. We notified our lenders and they promptly waived the covenant until March 30th. The non-compliance was primarily the result of funding capital expenditures – which were elevated in the latter half of 2022 – with cash rather than with debt. The issue did not result from a decrease in earnings or operating cash flow. We are working with the syndicate to revise the covenant or extend the waiver period, and are confident that we will achieve a positive resolution. Our capital expenditures should also return to more normal levels beginning in Q1 2023.

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, growth initiatives, share repurchases under our NCIB, and cash distributions, as well as to manage the financial risks inherent in our business. 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 to manage through periods of financial stress. If equity markets or other business conditions deteriorate to a level that adversely impacts our expected cash flow, we will take swift action to preserve our liquidity position.

As of December 31, 2022, we had net working capital of $95.2 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. These credit facilities are available solely to facilitate the securities settlement process, primarily for client transactions. Available credit facilities with Schedule I Canadian chartered banks were $389.6 million at December 31, 2022, compared with $427.7 million at December 31, 2021. 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, 2022, or December 31, 2021.

The majority of these credit facilities were in place to support our carrying broker business. In light of the outsourcing of that business to Fidelity, we intend to scale back the aggregate size of these facilities during 2023. There are no standby fees on the facilities, so this reduction will not lead to any cost savings for the Company.

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 securities owned on our balance sheet. We had $367.9 million of liquid assets[2] at December 31, 2022 ($554.7 million at December 31, 2021).

Capital Requirements of Subsidiaries

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. Our capital levels complied with all regulatory requirements during Q4 2022.

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[2] Considered to be non-GAAP financial measure, which does not have any standardized meaning prescribed by GAAP under IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section at the end of this MD&A

Share Information

At the date of this report, March 2, 2023, we had 15.8 million common shares issued and outstanding (Common Shares). In addition, there were 50 thousand unexercised stock options outstanding, with a weighted average exercise price of $20.00 per share. We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding.

On March 25, 2022, we completed the consolidation of our Common Shares on the basis of ten (10) pre-consolidation Common Shares for every one (1) post-consolidation Common Share (the Consolidation). Immediately prior to the Consolidation, we had 158,714,254 Common Shares issued and outstanding. Following the Consolidation, we had 15,871,426 Common Shares issued and outstanding. The Common Shares began trading on a post-Consolidation basis on March 30, 2022.

Release of Escrowed Shares

In Q4 2022, and in accordance with the terms of the Richardson Wealth share purchase agreement and related escrow agreement, 30% of Common Shares subject to escrow were released and delivered to the vendor shareholders. The final 30% will be released from escrow in Q4 2023.

Normal Course Issuer Bid

On March 4, 2022, we announced that the TSX approved our notice of intention to make an NCIB to purchase up to a maximum of 548,571 Common Shares during the period from March 9, 2022, to March 8, 2023, or such earlier time as we complete our purchases pursuant to the bid or provide notice of termination. The NCIB was made in accordance with the requirements of the TSX. Any Common Shares purchased under the NCIB will be cancelled. The maximum number of shares that may be purchased under the NCIB represents approximately 10% of our Company's public float of approximately 5,485,719 Common Shares following the Consolidation. During 2022 we repurchased 61,102 Common Shares for cancellation under our NCIB, including 26,652 during Q4.

During Q2 2022, in connection with the NCIB, we entered into an automatic share purchase plan (ASPP) with a designated broker to allow for the repurchase of our Common Shares under the NCIB at times when we would ordinarily not be permitted to purchase our securities due to regulatory restrictions and customary self-imposed blackout periods. Pursuant to the ASPP, purchases are made by the designated broker based on pre-established purchasing parameters, without further instructions by the Company, in compliance with the rules of the TSX, applicable securities laws and the terms of the ASPP. The ASPP was pre-cleared by the TSX and was implemented on May 16, 2022. All purchases made under the ASPP are included in computing the number of Common Shares purchased under the NCIB.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) key management personnel, which are comprised of our directors and/or officers and entities that are controlled (directly or indirectly) by key management personnel; and (b) shareholers who can significantly influence our operations. For further information on Related-Party Transactions, please refer to Note 12 to the 2022 Annual Financial Statements.

Significant Accounting Policies and Estimates

Our significant accounting policies are essential to an understanding of our reported results of operations and financial position. Except as explained in Note 3 to the 2022 Annual Financial Statements, the accounting policies applied by us as at and for the year ended December 31, 2022, are the same as those applied by us as at and for the year ended December 31, 2021. Please refer to Note 3 to the 2022 Annual Financial Statements for further information.

The most significant areas for which we must make estimates and judgments include: goodwill and intangible assets; income taxes and deferred tax assets and liabilities; provisions, including legal and restructuring charges; share based compensation and financial instruments measured at fair value. We make judgments in assessing assets for impairment as well as assessing whether performance obligations have been fulfilled under revenue contracts. Please refer to Note 2 to the 2022 Annual Financial Statements for more 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 year ended December 31, 2022.

Please refer to Note 3 and Note 4 to the 2022 Annual Financial Statements for more information.

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 2022 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, 2022, 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.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. These controls include policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of assets of the Company
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated statements in accordance with IFRS
- Are designed to provide reasonable assurance that any unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements is prevented or detected in a timely manner

Due to inherent limitations in any internal controls system, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements because of error or fraud.

Management has evaluated the effectiveness of internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 (2013 COSO Framework). Based on this evaluation, management has concluded that internal control over financial reporting was effective as at December 31, 2022.

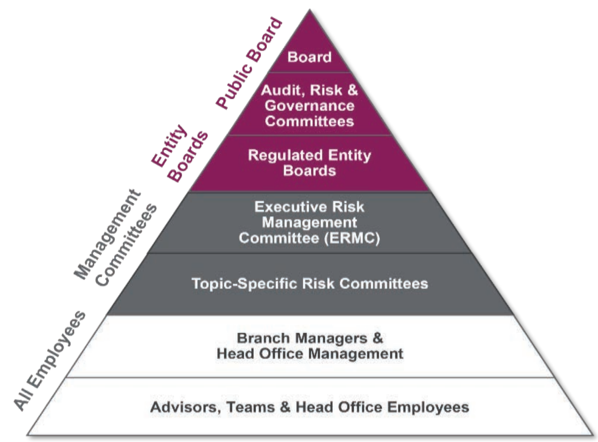
Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the adequacy and effectiveness of our internal control over financial reporting.

Risk Management

The Company is exposed to risks that are similar to those of other financial institutions, including the symptoms and effects of both domestic and global economic conditions and other factors that could adversely affect the business, financial condition, and operating results. The Company has a fit-for-purpose risk governance structure under which the RF Capital Board (the Board) is accountable for setting the strategic direction of the Public Company, including its risk appetite. It oversees the Company's key risks through dedicated Board Committees, and is supported by the Company's regulated entity boards (REBs) and management-level risk committees.

Risk Committee



The Risk Committee operates under a Board-mandated charter and assists the Board in fulfilling its oversight and governance responsibilities related to existing and emerging risks. The mandate of the Risk Committee is outlined in its Charter and includes setting the Company's overall Risk Appetite. At present, the Risk Committee is comprised of independent directors and meets with management, including the CEO, the Chief Risk Officer (CRO), and the CFO at least quarterly. The CRO also has a direct line into the Chair of the Risk Committee.

Audit Committee

The Audit Committee operates under a Board-mandated charter, assisting the Board in fulfilling its oversight and governance responsibilities with respect to the quality and integrity of the Company's financial reporting processes. The Audit Committee is assisted in fulfilling its mandate by the Company's Finance department. At present, the Audit Committee is comprised of independent directors who meet at least quarterly with management, including the CEO, the CFO and the CRO.

Governance Committee

The Governance Committee operates under a Board-mandated charter and maintains oversight over the Company's legal and regulatory affairs. The Committee is also responsible for overall corporate governance which includes Board membership, Board effectiveness, and development of corporate governance guidelines, including the Company's Code of Conduct. At present, the Governance Committee is comprised of independent directors who meet at least quarterly with management, including the CEO and the General Counsel.

Management Resources and Compensation Committee

The Management Resources and Compensation Committee operates under a Board-mandated charter and assists the Board in ensuring that the Company's compensation policies and practices are aligned with our risk appetite and risk management frameworks. This ensures that the incentive for management to assume risks in the pursuit of business objectives is aligned with our risk appetite. At present, the Management Resources and Compensation Committee is comprised of independent directors meeting at least quarterly with management, including the CEO and the Chief People Officer.

Under the Company's risk management framework, senior management reports on all key risk issues to at least one of the above committees of the Board on a quarterly basis.

The Company's REBs, through the Executive Risk Management Committee (ERMC), are accountable for effectively managing our nine significant areas of risk (as described below), ensuring that each risk segment and the business overall meets the Company's risk appetite. The REBs are chaired by the CEO of RF Capital, who is also the Ultimate Designated Person (UDP) of the Regulated Entities.

The ERMC, which is chaired by the CRO, consists of members of senior management who are each directly accountable for managing one or more of the nine significant areas of risk. To ensure that all significant risks the Company faces are actively managed and monitored, the ERMC meets regularly to review and assess core and emerging risks, risk trends, relevant policies, and risk management action plans.

The Company's approach to enterprise-wide risk management aligns with the three lines of defense model: (I) Business Unit Leaders are the 'first line', and are primarily accountable for identifying, assessing, managing and reporting risk within their functional areas of responsibility, (ii) The Risk Oversight functions – which include the Finance, Risk, and Compliance departments – are accountable for independent oversight of the Business Unit operations from a 'second line' perspective, and are also accountable for specific areas of risk relevant to their functions, and (iii) The Internal Compliance Audit function is the third line, and is resourced internally but uses the support of external specialists to supplement internal capabilities where required.

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. The Company's risk management framework, and specifically our identification of significant areas of risk, seeks to capture forward-looking risks and if required mitigate them in a timely manner based on the likelihood and potential impact of adverse events. These risks may occur independently or in combination and may occur in an environment where one or more risks evolve rapidly.

The Company's risk factors have been grouped into nine categories: Strategic Risk; Advisor Risk; Investment Risk; Product Risk; Financial Risk; Legal Risk; Operational and Technology Risk; Human Capital Risk; and Compliance, Credit and Regulatory Risk. Some but not all these risks are highlighted below. This list is not exhaustive but includes specific areas of risks and sub-risks that management has chosen to reflect in this document.

Strategic 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 characterized by movement of investment advisors across firms. The Company has put in place a strategy that involves significant focus on advisor retention and recruiting, but there can be no assurance that the Company will be successful in recruiting and retaining investment enough advisors 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; and unethical or improper behavior or 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 because of employee misconduct or errors. Misconduct or errors by its employees and advisors could result in violations of law, regulatory sanctions, 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 that could reduce AUA or AUA growth 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 Terms

As part of its growth strategy, the Company intends to diversify its revenues by expanding its product and service offerings and acquiring business operations related to 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 or 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 or 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. The wealth management industry has attracted 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 providers. 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.

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

On December 31, 2022, RFGL owned approximately 44.1% 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.

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.

Financial Risks

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 14 to the 2022 Annual Financial Statements.

Product Risks

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

The Company's clients' 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.

The Company employs a comprehensive product governance and due diligence process in its selection of investments available to its advisors and their clients. The due diligence process can be more challenging for alternative investments strategies due to their complexity, conflict exposure and suitability for clients. Weaknesses in the Company's product governance or sales processes may expose it to litigation or regulatory risks and financial losses. The Company does not have a material or high-risk proprietary investment portfolio on which it could incur losses.

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. As of January 1, 2023, the Company outsourced clearing broker services to Fidelity Clearing Canada. 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 Cybersecurity 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 or 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 is 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, procedures, and controls to identify, monitor and manage its Enterprise Risks including operational risk. The policies and procedures and controls, however, may not be fully effective and may not respond quickly enough to changing 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, procedures, and controls implemented to record and verify a large number of transactions and events to manage operational, legal, regulatory, credit, market, interest rate and liquidity risks, among other things, may not be consistently effective.

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.

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 2022 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 or 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 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.

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 perceived conflicts, 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.

Compliance, Credit 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 regulations, securities regulators and IIROC (now provisionally named the "New SRO" post IIROC/MFDA merger) 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, or 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 regulations, 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 regulations 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.

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 their obligations. These counterparties may default on their 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.

Non-GAAP and Supplemental Financial Measures

In addition to GAAP prescribed measures, we use a variety of non-GAAP financial measures, non-GAAP ratios and supplemental financial measures to assess our performance. We use these non-GAAP financial measures and supplementary financial measures (SFM) because we believe that they provide useful information to investors regarding our performance and results of operations. Readers are cautioned that non-GAAP financial measures, including non-GAAP ratios, and supplemental financial measures 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, measures of performance according to IFRS.

Non-GAAP Financial Measures

A non-GAAP financial measure is a financial measure used to depict our historical or expected future financial performance, financial position or cash flow and, with respect to its composition, either excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in our 2022 Annual Financial Statements. A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage, or similar representation and that has a non-GAAP financial measure as one or more of its components.

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 commonly used basis 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

Operating expenses include:

- Employee compensation and benefits.
- Selling, general, and administrative expenses.
- Transformation costs and other provisions.

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

Commissionable Revenue

Commissionable revenue includes Wealth management revenue, commission revenue in connection with the placement of new issues and revenue earned on the sale of insurance products. We use commissionable revenue to evaluate advisor compensation paid on that revenue.

Adjusted Results

In periods that we determine adjusting 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 reporte d results. Management considers the adjusting items to be outside of our core operating performance. We believe that adjusted results can enhance comparability across reporting periods and 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.

Adjusted EBITDA Margin

Adjusted EBITDA margin is a non-GAAP ratio defined as Adjusted EBITDA as a percentage of revenue.

Adjusting items in this MD&A include the following:

- **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 o ur new strategy across the Company.
- **Amortization of acquired intangible assets:** amortization of intangible assets created on the acquisition of Richardson Wealth.

All adjusting items affect reported expenses.

Adjusted Operating Expenses

The following table reconciles our reported operating expenses to adjusted operating ex penses:

($000s)	2022	2021
Total expenses - reported	207,335	205,713
Interest	10,797	6,631
Advisor loan amortization	17,267	17,734
Depreciation and amortization	28,064	24,805
Operating expenses	151,207	156,543
Transformation costs and other provisions[1]	8,634	21,390
Adjusted operating expenses	142,573	135,153

1. Excludes $13.2 million of amortization of acquired intangibles, which are categorized as transformation costs but do not factor into our definition of operating expenses

Adjusted Operating Expense Ratio

Adjusted Operating Expense Ratio is a non-GAAP ratio defined as Adjusted Operating Expenses divided by gross margin.

Adjusted Net Income

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

($000s)	2022	2021
Net income (loss) - reported	(4,803)	(20,152)
After-tax adjusting items:		
Transformation costs and other provisions	6,309	17,835
Amortization of acquired intangibles	9,594	9,673
Adjusted net income (loss)	11,100	7,356
Earnings per common share:		
Basic	(0.95)	(3.33)
Diluted	(0.95)	(3.33)
Adjusted earnings per common share:		
Basic	0.71	0.43
Diluted	0.43	0.20

Supplemental Financial Measures

A supplementary financial measure (SFM) is a financial measure that is not reported in our 2022 Annual Financial Statements, and is, or is intended to be, reported periodically to represent historical or expected future financial performance, financial position, or cash flows. The Company's key SFMs disclosed in this MD&A include AUA, recruiting pipeline, and net new and recruited assets. Management uses these measures to assess the operational performance of the Company. These measures do not have any definition prescribed under IFRS and do not meet the definition of a non-GAAP measure or non-GAAP ratio and may differ from the methods used by other companies and therefore these measures may not be comparable to other companies. The composition and explanation of a SFM is provided in this MD&A where the measure is first disclosed if the SFM's labelling is not sufficiently descriptive.