

RF Capital Group Inc.

Report to Shareholders

Fourth Quarter and 2022



Richardson

Contents

A Message from our President & CEO..... 3

Management’s Discussion and Analysis 4

Independent Auditor’s Report..... 39

Management’s Responsibility for Financial Reporting 43

Consolidated Financial Statements 44

Notes to Consolidated Financial Statements 49

A Message from our President & CEO

The fourth quarter of 2022 was punctuated by our launch of Fidelity Clearing Canada's advisor technology platform. This transition is core to all components of our three-pillar strategy: doubling down on support to our advisors; supercharging recruiting; and accelerating growth through strategic partnerships, mergers, or acquisitions. With Fidelity, we have found a global partner that has the scale, expertise, and strong commitment to continuously improve (through innovation) the digital experience for our advisors and their clients over the long term. I extend my sincere thanks to the Richardson Wealth and Fidelity teams for their around-the-clock efforts to make this conversion happen and quickly resolve the early challenges faced by our advisor teams.

We finished the year strong with annual revenues of \$354 million, Adjusted EBITDA of almost \$62 million (up 21% from 2021), and AUA of \$34.9 billion. Fueled by stable fee-based revenues, a significant increase in interest income, and a 232% increase in insurance commissions, we posted three consecutive quarters (Q2, Q3 and Q4) of record Adjusted EBITDA — approximately \$17 million per quarter. While we missed the ambitious financial targets we had set for ourselves going into the year, these results still demonstrate the quality and resilience of our business model during a year when the S&P/TSX Composite and S&P 500 indices were down 8.7% and 19.5%, respectively.

You will recall that less than two years ago we unveiled our strategy to triple our business in five years. We have made great strides towards these aspirational financial goals through launching our insurance business, supercharging recruiting, improving advisor retention and building an infrastructure poised to scale. We can say with confidence that we have achieved the strategic milestones that were within our control. However, the weak performance of the capital markets last year means that we are now more likely to achieve our aspirational financial goals three to five years from today, than by 2025 as originally planned.

Looking forward to 2023, we are working to perfect our new systems and implement feedback from our advisor teams. Realistically, technological transitions seldom move seamlessly, and our conversion to Fidelity is no exception. With that being said, we expect to complete the heavy-lifting on our transition soon, and then intend to accelerate the on-boarding of new advisors. Our financial outlook is expected to benefit from growth in our core recurring fee-based revenue, high interest income, increasing insurance penetration, and improved operating leverage.

We are confident that in time all of this effort to build a great company for our shareholders will be rewarded by commensurate increases in our share price. Until then, we will continue to build and grow a quality business for our advisors and their clients, and we thank you for your loyalty and patience.

Sincerely,

Kish Kapoor



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.rfcapiogroup.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.

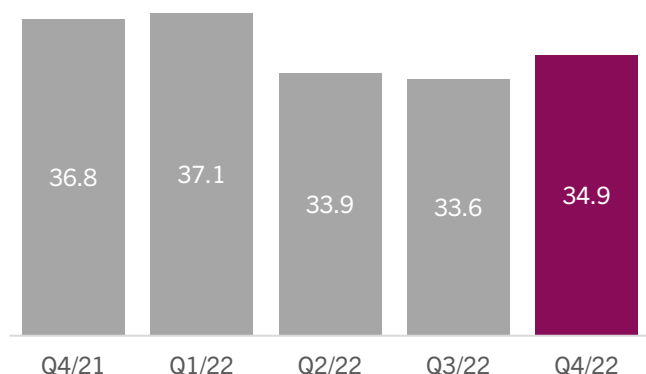
In order to replace our former Corporate segment and provide continued transparency into the costs of operating the public company, we will present those costs as a discrete expense line item in our discussion of the business' results.

2022 - Select Financial Information

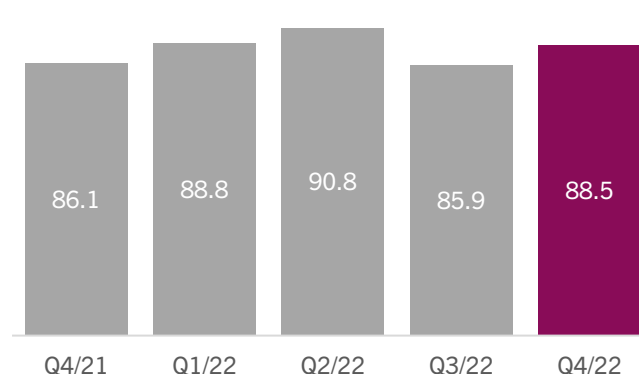
| (\$000s, except as otherwise indicated) | 2022 | 2021 | 2020 | 2022 vs. 2021 % Increase/(decrease) | 2021 vs. 2020 |
|---|-----------|-----------|-----------|--|---------------|
| Key Performance Drivers^{1,2}: | | | | | |
| AUA - ending (\$ millions) ³ | 34,948 | 36,847 | 30,846 | (5) | 19 |
| Fee 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 Performance¹ | | | | | |
| 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 Items⁹: | | | | | |
| 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 Results²: | | | | | |
| 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 | | |

- 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.
- 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.
- 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
- 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.
- Calculated as adjusted operating expenses divided by gross margin
- Calculated as Wealth management revenue plus interest on cash divided by average AUA
- 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.
- 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.
- For further information, please see "2022 – Items of Note" in this MD&A.
- 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 Assets²

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

\$25.4 Million

or 8% increase in total revenue compared with last year

Recurring Fee Revenue²

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

137%

Growth in interest revenue over 2021

Increased Profitability

Adjusted EBITDA margin² increased to 17.4%, from 15.4% in 2021

\$17.0 Million

Record quarterly Adjusted EBITDA² in Q4 2022; 3 record quarters during the year

289 bps

Year-over-year improvement in our Adjusted operating expense ratio²

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™

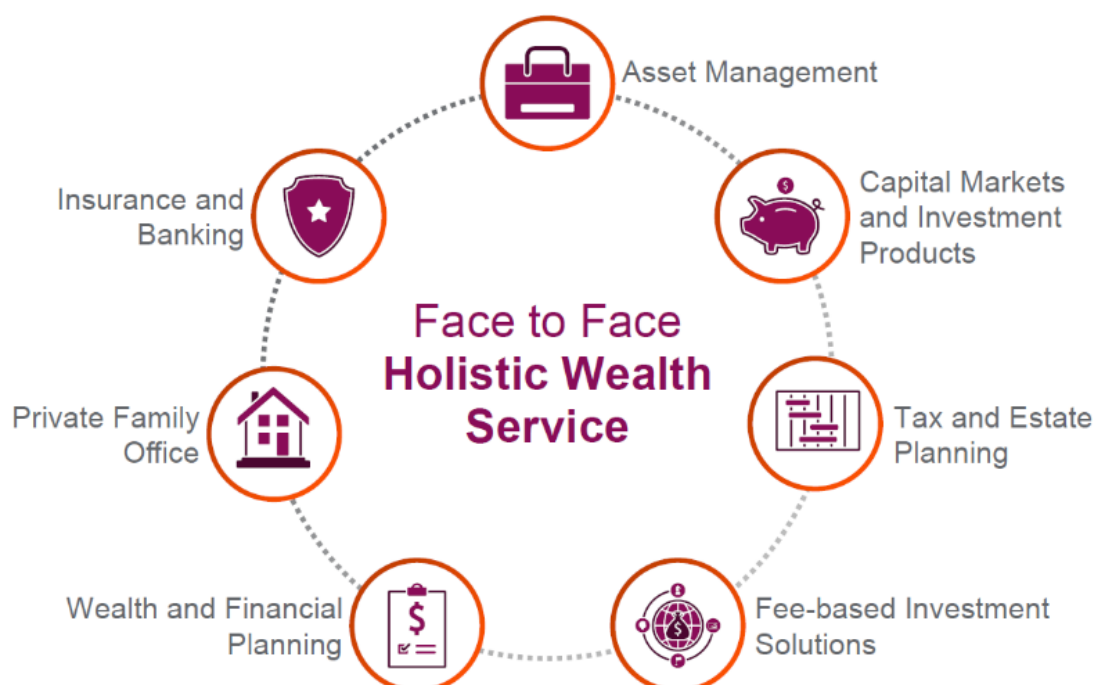
We strive to make our Company a great place to work for our advisors and employees. Independent recognition of our workplace culture inspires us to work even harder.



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 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 2030¹. 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.

Our Vision

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

¹ Investor Economics – Household Balance Sheet Report 2021

Additional strategic highlights from 2022 include:

Recent Milestones

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

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%

- 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

20%

- 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 Billion¹ recruiting pipeline; expected conversion rate of 10%-15% every year

60%

- 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 Investnet platforms across our organization. Our key priorities in 2023 are:

1. Ensure a smooth adoption of the **Investnet** 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.

Consolidated Financial Performance

| (\$000s) | 2022 | 2021 | 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.

| (\$000s, except as otherwise indicated) | 2022 | | | | 2021 | | | |
|---|---------|--------|--------|---------|---------|---------|---------|---------|
| | 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) | |
|------------------------------------|-----------|-----------|---------------------|------|
| | | | \$ | % |
| <i>Selected highlights:</i> | | | | |
| 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 assets² 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.

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) shareholders 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

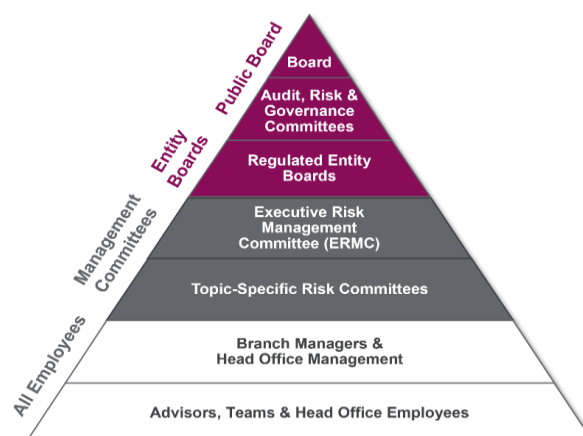
There were no changes in our internal control over financial reporting during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the adequacy and effectiveness of our internal control over financial reporting.

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 reported 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 our 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 expenses:

| (\$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.



KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RF Capital Group Inc.

Opinion

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

- the consolidated balance sheets as at December 31, 2022 and December 31, 2021;
- 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 December 31, 2022 and December 31, 2021, 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 “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our auditor’s 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, 2022. 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 auditor's report.

Evaluation of goodwill for impairment

Description of the matter

We draw attention to Note 2(c) and Note 11 to the financial statements. The Entity has recorded goodwill of \$164.9 million as of December 31, 2022 related to the Richardson Wealth 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 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; and
- the information, other than the financial statements and the auditor's 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.



We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's 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 auditor's 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.

Auditor's 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's 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 auditor's 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

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

Toronto, Canada

March 2, 2023

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, 2022. 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 and Chief Executive Officer

"Tim Wilson"

TIM WILSON
Chief Financial Officer

Toronto, Canada
March 2, 2023

Consolidated Balance Sheets

(\$ thousands)

| As at | Note | December 31, 2022 | December 31, 2021 |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 367,848 | 518,099 |
| Securities owned | 5, 19 | 673 | 62,355 |
| Receivable from: | | | |
| Clients | | 377,096 | 610,376 |
| Brokers | 7 | 61,204 | 90,802 |
| Client funds held in trust | | 367,316 | 466,336 |
| Employee and other loans receivable | 8 | 45,410 | 50,303 |
| Equipment and leasehold improvements | 9 | 37,452 | 15,541 |
| Right-of-use assets | 10 | 52,809 | 19,547 |
| Other assets | 6 | 34,895 | 13,920 |
| Deferred tax assets | 13 | 17,370 | 20,584 |
| Goodwill and intangible assets | 11 | 337,581 | 348,152 |
| | | 1,699,654 | 2,216,015 |
| LIABILITIES | | | |
| Obligations related to securities sold short | 5, 19 | — | 13,625 |
| Payable to: | | | |
| Clients | | 1,034,808 | 1,333,692 |
| Brokers | 7 | 24,650 | 248,260 |
| Issuers | | — | 824 |
| Accounts payable and accrued liabilities | | 50,966 | 55,560 |
| Debt | 20 | 110,922 | 110,922 |
| Provisions | 16 | 24,734 | 27,323 |
| Lease liabilities | | 62,448 | 23,256 |
| Deferred tax liability | 13 | 44,205 | 47,663 |
| | | 1,352,733 | 1,861,125 |
| EQUITY | | | |
| Common shares | | 462,935 | 464,667 |
| Preferred shares | | 112,263 | 112,263 |
| Contributed surplus | | 46,151 | 44,103 |
| Accumulated other comprehensive income | | 19,652 | 18,842 |
| Accumulated deficit | | (294,080) | (284,985) |
| Shareholders' equity | 14 | 346,921 | 354,890 |
| | | 1,699,654 | 2,216,015 |

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

"Kishore Kapoor"

Kishore Kapoor
President and Chief Executive Officer

"Donald Wright"

Donald Wright
Chair of the Board

Consolidated Statements of Income / (Loss)

(\$ thousands)

| For the years ended December 31, | Note | 2022 | 2021 |
|---|-----------|----------------|-----------------|
| REVENUE | | | |
| Wealth management | | 278,319 | 272,482 |
| Corporate finance | | 8,643 | 21,785 |
| Interest | | 37,581 | 15,869 |
| Other | | 29,429 | 18,383 |
| TOTAL REVENUE | 4 | 353,972 | 328,519 |
| Variable advisor compensation | | 149,748 | 142,611 |
| GROSS MARGIN | | 204,224 | 185,908 |
| EXPENSES | | | |
| Employee compensation and benefits | | 78,538 | 77,134 |
| Selling, general and administrative | | 64,035 | 58,019 |
| Advisor loan amortization | 8 | 17,267 | 17,734 |
| Transformation costs and other provisions | | 8,634 | 21,390 |
| Interest | | 10,797 | 6,631 |
| Depreciation and amortization | 9, 10, 11 | 28,064 | 24,805 |
| | | 207,335 | 205,713 |
| Loss before income taxes | | (3,111) | (19,805) |
| Income tax expense/(recovery) | | | |
| Current | | 1,938 | 1,865 |
| Deferred | | (246) | (1,518) |
| | 13 | 1,692 | 347 |
| Net income/(loss) | | (4,803) | (20,152) |
| Weighted-average number of common shares outstanding: | | | |
| (in thousands) | | | |
| Basic | 18 | 9,601 | 7,311 |
| Diluted | | 15,854 | 15,930 |
| Net loss per common share (dollars): | | | |
| Basic | 18 | (0.95) | (3.33) |
| Diluted | | (0.95) | (3.33) |

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

Consolidated Statements of Comprehensive Income (Loss)

(\$ thousands)

| For the years ended December 31, | 2022 | 2021 |
|---|----------------|----------|
| Net income/(loss) | (4,803) | (20,152) |
| Other comprehensive income/(loss) | | |
| Item that may be subsequently reclassified to net income/(loss): | | |
| Foreign currency translation gain/(loss) | (4) | 28 |
| Total other comprehensive income/(loss) | (4) | 28 |
| Total comprehensive income/(loss) attributable to shareholders | (4,807) | (20,124) |

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

Consolidated Statements of Changes in Equity

(thousands)

| | Preferred shares | | Common shares | | Contributed surplus | Accumulated other comprehensive income | Accumulated deficit | Shareholders' equity |
|--|------------------|---------|---------------|---------|---------------------|--|---------------------|----------------------|
| | # | \$ | # | \$ | \$ | \$ | \$ | \$ |
| As at and for the year ended 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 and for the year ended December 31, 2021 | 4,600 | 112,263 | 156,400 | 464,667 | 44,103 | 18,842 | (284,985) | 354,890 |
| Net foreign currency translation gain | — | — | — | — | — | (4) | — | (4) |
| Share consolidation | — | — | (140,760) | — | — | — | — | — |
| Common shares purchased, cancelled and forfeited | — | — | (70) | (1,732) | 187 | 814 | — | (731) |
| Share-based compensation | — | — | — | — | 1,861 | — | — | 1,861 |
| Preferred share dividends | — | — | — | — | — | — | (4,292) | (4,292) |
| Net loss | — | — | — | — | — | — | (4,803) | (4,803) |
| As at and for the year ended December 31, 2022 | 4,600 | 112,263 | 15,570 | 462,935 | 46,151 | 19,652 | (294,080) | 346,921 |

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

Consolidated Statements of Cash Flows

(\$ thousands)

| | Note | 2022 | 2021 |
|--|-----------|------------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Net income/(loss) | | (4,803) | (20,152) |
| Add/(deduct) items not involving cash: | | | |
| Depreciation and amortization | 9, 10, 11 | 28,064 | 24,805 |
| Advisor loan amortization | 8 | 17,267 | 17,734 |
| Accretion of lease liability expense | | 3,710 | 1,674 |
| Deferred income taxes | 13 | (246) | (1,518) |
| | | 43,992 | 22,543 |
| Net change in non-cash operating items | 21 | (151,394) | (36,750) |
| Cash provided by (used in) operating activities | | (107,402) | (14,207) |
| FINANCING ACTIVITIES | | | |
| Dividends paid on preferred shares | 14 | (4,292) | (4,212) |
| Purchase of shares for cancellation | 14 | (731) | (3,484) |
| Repayment of promissory note | | — | (12,072) |
| Repayment of subordinated debt | | — | (67,000) |
| Proceeds of revolving credit facility | | — | 80,500 |
| Principal elements of lease payments | | (8,779) | (8,369) |
| Cash used in financing activities | | (13,802) | (14,637) |
| INVESTING ACTIVITIES | | | |
| Intangibles | 11 | (2,656) | (3,356) |
| Equipment and leasehold improvements | 9 | (26,387) | (5,979) |
| Cash used in investing activities | | (29,043) | (9,335) |
| Effect of foreign exchange on cash balances | | (4) | 33 |
| Net change in cash and cash equivalents | | (150,251) | (38,146) |
| Cash and cash equivalents, beginning of period | | 518,099 | 556,245 |
| Cash and cash equivalents, end of period | | 367,848 | 518,099 |
| Supplemental cash flow information | | | |
| Interest paid | | 10,405 | 7,123 |
| Interest received | | 36,130 | 17,303 |
| Taxes paid | | (1,716) | (1,988) |

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 100 Queens Quay East, Suite 2500, Toronto, Ontario, M5E 1Y3. 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 New Self-Regulatory Organization of Canada, a consolidation of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada (New SRO). 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 historical cost basis except for 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.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 2, 2023.

b. Principles of Consolidation

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

Subsidiaries are those entities that the Company controls through its ownership of the majority of the voting shares.

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 certain assets and liabilities, certain revenue and expenses and other related disclosures. Accounting policies that require management's estimates and judgments are discussed below.

Revenue recognition

The Company recognizes revenue when performance obligations have been fulfilled under revenue contracts. Judgment is required in identifying the performance obligation and estimation may be required to determine the timing of substantial completion of performance obligations and the amount of revenue that can be recognized.

Impairment of Goodwill and Intangible Assets

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. 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 the discount rate. The Company reviews finite life intangibles when there are indicators of impairment.

The assumptions used include 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 provision in each of the tax jurisdictions in which it operates. In determining the provision for income taxes, the Company interprets tax legislation, case law and administrative positions in several jurisdictions, and based on its judgment, records an estimate of income taxes. In addition, the Company estimates 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. If interpretations and assumptions differ from those of the tax authorities or if the timing of reversals is not as expected, the Company's provision for income taxes could increase or decrease in future periods.

Share-based Compensation

The Company uses an option pricing model to estimate the fair value of stock options on the grant date and records this amount as compensation expense over the period the options vest.

Provisions

A provision is recognized if, as a result of a past event, the Company has an obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are recorded at the best estimate of the amount required to settle the obligation at the balance sheet date.

Fair Value of Financial Instruments

Fair value measurement techniques are used to value financial assets and financial liabilities. Additional information regarding our fair value measurement techniques is included in Note 19 Financial Assets and Liabilities.

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 or fewer months that are convertible into cash. The Company may be required, from time-to-time, to restrict cash.

b. Foreign Currency Translation

The Company conducts business in a variety of foreign currencies and presents its consolidated financial statements in Canadian dollars, which is the Company's functional currency. Monetary assets and liabilities, as well as non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies, are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities not measured at fair value are translated into Canadian dollars at historical rates. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the period.

c. Financial Instruments

Under IFRS 9, financial instruments are measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (loss) (FVOCI). Under IFRS 9 for financial assets, 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:

Financial assets measured at FVTPL comprise equity instruments that the Company has 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. Securities sold short are classified as held for trading and recognized at fair value.

The assessment of whether contractual cash flows on the debt instruments are solely composed of principal and interest is made based on the facts and circumstances at the initial recognition of a financial asset.

After initial recognition, financial liabilities carried at amortized cost are measured using the effective interest rate method. Gains and losses are recognized in the statements of income. The carrying value approximates their fair value due to their short-term nature of because they are frequently repriced to current market rates.

d. Impairment of Financial Assets

The Company records allowances for credit losses associated with clients' receivables, employee loans and other receivables based on a forward-looking, expected credit loss (ECL) approach. The Company establishes an allowance for credit losses based on its historical credit loss experience adjusted for forward-looking factors or other considerations as appropriate. Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the allowance, taking into consideration counterparty creditworthiness, current economic trends and past experience. Receivable from client balances, which represent margin loans, are generally collateralized by securities; therefore, any provision is generally measured after considering the market value of the collateral.

e. Receivable from and Payable to Clients

Client security transactions are entered into on either a cash, cash on delivery or margin basis, and are recognized on the trade date of the transaction and subsequently measured at amortized cost. 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 a client are restricted by the Company's credit limits, which are generally more restrictive than those required by the New SRO 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 the risks and rewards of ownership of the securities remain with the Company. Cash received as collateral is recorded on the consolidated balance sheets as a corresponding liability recognized in payable to brokers and is accounted for at amortized cost. Cash collateral received generally exceeds the market value of the securities loaned. Fees earned are recorded in other 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 as a receivable from brokers and is measured at amortized cost. The fees associated with borrowing the securities are recorded in selling, general and administrative expenses.

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 from business combinations. These other 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 |
| Envestnet portfolio management platform | 7 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

Goodwill

Goodwill is tested for impairment at the CGU level annually, or more frequently if events or circumstances suggest that there may be impairment. 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:

Wealth management: Wealth management revenue consists of account fees, mutual fund trailer fees, trading commissions and other client charges. The performance obligation for recognition of these fees is satisfied over the period during which the service is delivered, except for commission revenue where the performance obligation is satisfied at the date of the transaction.

Corporate finance: Corporate finance revenue includes fees earned in connection with the placement of new issues through our proprietary retail distribution network and third-party networks. It also includes fees for reviewing third-party structured notes offering documents. The performance obligation for recognition is satisfied when the services relating to the underlying transaction are completed and the income is reasonably determinable. Payments related to Corporate finance revenue are received over a period which can extend out to the following fiscal year.

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

Other: Includes revenue earned from the sale of insurance products, carrying broker and administrative services, foreign exchange, securities lending, and various other services. Revenue is recorded over time as performance obligations are satisfied through services rendered and accordingly is recognized on an accrual basis.

I. Share-Based Compensation

Share Option Awards

The Company measures the cost of share options granted using an option pricing model. The fair value of a share option award is estimated at grant date using valuation techniques that consider 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.

Restricted Share Unit, Performance Share Unit Plans

The fair value of restricted share units (RSU) and performance share units (PSU) granted is determined based on the average of the closing price of the Company's common shares, as per the plan. The fair value of the cash amount payable is recognized as an expense with a corresponding increase in Accounts payable and accrued liabilities, over the period during which the RSU or PSU vests. The liability is remeasured at each reporting date and at settlement date based on the closing price of the Company's common shares on the TSX, as per the relevant plan. Changes in the liability are recognized in profit or loss.

Deferred Share-Based Awards

The Company uses the average closing price of the Company's common shares as per the plan to estimate the fair value of the DSUs on grant date. It records this amount as a Selling, general and administrative expense over the period the awards vests with a corresponding increase in Accounts payable and accrued liabilities. The liability is remeasured at each reporting date and at settlement date based on the closing price of the Company's common shares on the TSX for the five consecutive trading days immediately prior to the respective date. Changes in the liability are recognized in profit or loss.

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 net income in the current reporting period.

m. Provisions

Provisions represent a liability of 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, that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of the best estimate of 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 income 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 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

Right-Of-Use Assets

When the Company enters a new arrangement as a lessee, it recognizes a right-of-use asset and corresponding lease liability at the commencement or extension date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, any direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimated decommissioning costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term plus renewal period if renewal is reasonably assured. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement or extension date of the lease, the Company recognizes a lease liability 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 of the likelihood of purchasing 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 distributions 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. Segmented Information

In the fourth quarter of 2022, the Company changed its internal reporting to Management to reflect the Company as one business segment: Wealth Management.

r. Future Changes in Accounting Policies

The Company monitors for changes in standards proposed by the International Accounting Standards Board (IASB) and analyzes the effect those changes may have on the Company's financial reporting and disclosures. For the year ended December 31, 2022, there were no significant changes in accounting policies and no new standards which are expected to impact the Company's consolidated financial statements.

Note 4 – Revenue

The following table presents disaggregated revenue information for the Company for the years ended December 31, 2022 and 2021.

| | 2022 | 2021 |
|------------------------------------|---------|---------|
| Wealth management | 278,319 | 272,482 |
| Corporate finance | 8,643 | 21,785 |
| Other customer revenue | 20,286 | 11,721 |
| Revenue - contracts with customers | 307,248 | 305,988 |
| Other revenue | 46,724 | 22,531 |
| Total revenue | 353,972 | 328,519 |
| Timing of revenue recognition | | |
| Point in time | 6,762 | 13,018 |
| Over time | 300,486 | 292,970 |
| Revenue - contracts with customers | 307,248 | 305,988 |
| Other revenue | 46,724 | 22,531 |
| Total revenue | 353,972 | 328,519 |

Other Income

The following table presents a breakdown of the Company's other income for the years ended December 31, 2022 and 2021.

| | 2022 | 2021 |
|---------------------------------|--------|--------|
| Insurance commissions | 17,807 | 5,363 |
| Foreign exchange | 6,093 | 6,725 |
| Brokerage services | 2,245 | 2,981 |
| Securities lending ¹ | 1,819 | 1,916 |
| Other | 1,465 | 1,398 |
| | 29,429 | 18,383 |

¹Prior period amounts have been reclassified to be consistent with current year presentation.

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 measured at fair value as at December 31, 2022 and 2021.

| | 2022 | | 2021 | |
|---|------------------|-----------------------|------------------|-----------------------|
| | Securities owned | Securities sold short | Securities owned | Securities sold short |
| Debt securities: | | | | |
| Canadian and U.S. federal governments | 23 | — | 36,600 | 9,214 |
| Canadian provincial and municipal governments | 173 | — | 8,501 | 2,292 |
| Corporate and other | 107 | — | 16,435 | 2,109 |
| Equity securities | 346 | — | 472 | 10 |
| Derivative financial instruments | 24 | — | 347 | — |
| | 673 | — | 62,355 | 13,625 |

As at December 31, 2022, the Company had no securities pledged as collateral to central clearing agencies and custodians, compared to \$22,129 at December 31, 2021.

Note 6 – Other Assets

The following table presents a breakdown of the Company's other assets as at December 31, 2022 and 2021.

| | 2022 | 2021 |
|--------------------------|--------|--------|
| Accounts receivable | 26,470 | 6,353 |
| Finance lease receivable | — | 707 |
| Prepaid deposits | 8,425 | 6,860 |
| | 34,895 | 13,920 |

Note 7 – 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, 2022 and 2021.

| | Borrowed | | Lent | |
|--------------------------------|---------------------|------------------------------|-----------------|-----------------------------|
| | Securities borrowed | Cash delivered as collateral | Securities lent | Cash received as collateral |
| As at December 31, 2022 | 33,525 | 34,487 | — | — |
| As at December 31, 2021 | 21,100 | 21,430 | 123,586 | 123,555 |

Note 8 – Employee and Other Loans Receivable

The following table presents a breakdown of the Company's employee and other loans receivable as at December 31, 2022 and 2021.

| | 2022 | 2021 |
|------------------------------------|---------------|---------------|
| Investment advisor loans | 39,561 | 43,722 |
| Transition agreements for retirees | 1,030 | 1,602 |
| Other loans | 4,819 | 4,979 |
| | 45,410 | 50,303 |

Investment advisor loans

The Company advances interest-free funds to newly recruited investment advisors on commencement of their employment. Upon the satisfaction of certain conditions over a pre-specified term, the Company 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.

The Company also advanced interest-free funds to certain investment advisors as part of the acquisition of Richardson Wealth on October 20, 2020. Upon satisfaction of certain conditions, including continued employment, the loans 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, 2022, the Company recorded advisor loan amortization of \$17,267 (2021 – \$17,734) and a corresponding reduction to loans outstanding.

Transition agreements for retirees

The Company from time to time has facilitated the transition of clients' assets under administration from one advisor to another upon retirement. The Company agreed to provide repayable loans to investment advisors to facilitate transitioning the books of business. The interest rates and terms vary with the individual circumstances.

Other loans

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

Note 9 – Equipment and Leasehold Improvements

The following table presents a breakdown of the Company's equipment and leasehold improvements as at December 31, 2022 and 2021.

| | Furniture and equipment | | Computer hardware | | Leasehold improvements | | Total | |
|--------------------------|-------------------------|-------|-------------------|-------|------------------------|---------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Cost | | | | | | | | |
| As at January 1 | 2,322 | 1,710 | 3,365 | 2,475 | 10,864 | 11,336 | 16,551 | 15,521 |
| Additions | 4,629 | 612 | 3,657 | 1,363 | 18,101 | 4,004 | 26,387 | 5,979 |
| Disposals and write-offs | (539) | — | (732) | (473) | — | (4,476) | (1,271) | (4,949) |
| As at December 31 | 6,412 | 2,322 | 6,290 | 3,365 | 28,965 | 10,864 | 41,667 | 16,551 |
| Accumulated depreciation | | | | | | | | |
| As at January 1 | 365 | (70) | 570 | 102 | 75 | 1,902 | 1,010 | 1,934 |
| Depreciation | 670 | 435 | 1,372 | 941 | 2,434 | 2,649 | 4,476 | 4,025 |
| Disposals and write-offs | (539) | — | (732) | (473) | — | (4,476) | (1,271) | (4,949) |
| As at December 31 | 496 | 365 | 1,210 | 570 | 2,509 | 75 | 4,215 | 1,010 |
| Net book values | | | | | | | | |
| As at December 31 | 5,916 | 1,957 | 5,080 | 2,795 | 26,456 | 10,789 | 37,452 | 15,541 |

Note 10 – Right-of-Use Assets

The following table presents a breakdown of the Company's right-of-use-assets, all of which relate to office space, as at December 31, 2022 and 2021.

| | 2022 | 2021 |
|-------------------|----------|---------|
| As at January 1 | 19,547 | 24,234 |
| Additions | 43,623 | 3,515 |
| Amortization | (10,361) | (7,709) |
| Impairment | — | (493) |
| As at December 31 | 52,809 | 19,547 |

The Company amortizes right-of-use assets 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.

During the fiscal year 2022, the Company entered into new lease agreements for its head office and two of its branches. On commencement of the leases, the Company recognized a total of \$38,686 of right-of-use assets and lease liabilities.

Note 11 – Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets as at December 31, 2022 and 2021.

| | | Intangible Assets | | | | |
|--------------------------|--|-------------------|------------------------|---|-----------------|---------|
| | | Goodwill | Customer relationships | Envestnet portfolio management platform | Brand and other | Total |
| Cost | | | | | | |
| As at January 1, 2021 | | 163,971 | 195,000 | — | 500 | 359,471 |
| Additions | | 986 | 2,086 | 1,206 | 64 | 4,342 |
| As at December 31, 2021 | | 164,957 | 197,086 | 1,206 | 564 | 363,813 |
| Additions | | — | 46 | 2,523 | 87 | 2,656 |
| Disposals | | — | — | — | (59) | (59) |
| As at December 31, 2022 | | 164,957 | 197,132 | 3,729 | 592 | 366,410 |
| Accumulated amortization | | | | | | |
| As at January 1, 2021 | | | 2,590 | — | — | 2,590 |
| Amortization | | | 13,005 | — | 66 | 13,071 |
| As at December 31, 2021 | | | 15,595 | — | 66 | 15,661 |
| Amortization | | | 13,109 | — | 118 | 13,227 |
| Disposals | | | — | — | (59) | (59) |
| As at December 31, 2022 | | | 28,704 | — | 125 | 28,829 |
| Net book value | | | | | | |
| As at December 31, 2021 | | 164,957 | 181,491 | 1,206 | 498 | 348,152 |
| As at December 31, 2022 | | 164,957 | 168,428 | 3,729 | 467 | 337,581 |

Intangible assets include \$195,000 in customer relationships and \$500 in brand that were acquired through the acquisition of Richardson Wealth. As at December 31, 2022, there were no indicators of impairment relating to the Company's goodwill or finite life intangible assets.

Goodwill is not amortized and is instead tested for impairment annually. In performing the impairment test, the Company estimates the value-in-use of the business or CGU and compares it to the carrying value.

For the year end 2022, cash flows were projected for ten years based on historical operating and financial result trends, and expected future business performance. Beyond ten years, cash flows were assumed to grow at perpetual rates of up to 5.0% (5.0% in 2021). The discount rate applied to these cash flows to determine the recoverable amount was 16.0% (14.8% in 2021) and was based on the Company's estimate of the cost of capital for the CGU. The cost of capital of the CGU was estimated using the Capital Asset Pricing Model, incorporating the historical betas of publicly traded peer companies that are comparable in

size to the CGU. The Company used significant judgment in determining inputs to the discounted cash flow model, which is sensitive to changes in future cash flows, discount rates and the terminal growth rates applied to cash flows beyond the forecast period.

The key assumptions described above may change as market and economic conditions change. However, the Company estimates that reasonably possible changes in the assumptions will not cause the recoverable amount of the CGU to decline below its carrying amount.

Note 12 – Related Party Transactions and Balances

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

- a. key management personnel, including those entities that are controlled (directly or indirectly) by key management personnel; and
- b. shareholders who can significantly influence the Company.

Related Party Balances

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

| | 2022 | 2021 |
|--------------------------------------|------|------|
| Revenue | | |
| Investment management and fee income | 102 | 139 |
| Interest income | 56 | 14 |

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 \$1,079 (2021 – \$6) and payables to clients of \$499 (2021 – \$561) 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:

| | 2022 | 2021 |
|---------------------------------------|--------------|--------------|
| Fixed salaries and benefits | 2,336 | 2,741 |
| Retirement allowance | 20 | 13 |
| Variable incentive-based compensation | 1,565 | 1,658 |
| Share-based compensation | 1,513 | 1,058 |
| Directors' fees | 1,108 | 1,270 |
| | 6,542 | 6,740 |

Shareholder

Richardson Financial Group Limited (RFGL), a significant shareholder, holds \$30,422 of redeemable preferred shares issued by a subsidiary of the Company, classified as financial liabilities (refer to Note 20). In 2022, the Company incurred \$2,470 of related interest expense (2021 – \$1,962). RFGL and its wholly owned affiliate collectively own approximately 6.97 million common Shares, representing 44.1% of the issued and outstanding common Shares.

Note 13 – Income Tax

The components of income tax expense for the year ended December 31, 2022 and 2021, are as follows:

| | 2022 | 2021 |
|---|--------------|--------------|
| Current tax expense | | |
| Current year | 1,938 | 1,865 |
| Total current tax expense | 1,938 | 1,865 |
| Deferred tax expense | | |
| Adjustments for prior years | — | 556 |
| Origination and reversal of temporary differences | (246) | (2,074) |
| Total income tax expense | 1,692 | 347 |

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:

| | 2022 | | 2021 | |
|---|--------|---------|---------|---------|
| | Amount | Rate | Amount | Rate |
| Income tax expense at the combined Canadian federal and provincial statutory tax rate | (824) | 26.5% | (5,248) | 26.5% |
| Increase (decrease) in income tax expense (recovery) due to: | | | | |
| Non-deductible expenses | 1,851 | (59.5%) | 376 | (1.9%) |
| Non-taxable income | — | — | (103) | 0.5% |
| Tax losses and other temporary differences not recognized | 591 | (19.0%) | 4,621 | (23.3%) |
| Adjustment for prior years | — | — | 556 | (2.8%) |
| Rate difference in subsidiaries | (31) | 1.0% | (40) | 0.2% |
| Part VI.I Tax | 157 | (5.0%) | 159 | (0.8%) |
| Other | (52) | 1.7% | 26 | (0.1%) |
| Income tax expense and effective rate | 1,692 | (54.4%) | 347 | (1.8%) |

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

| | 2022 | 2021 |
|--|--------|--------|
| Deferred tax assets | | |
| Deductible temporary differences: | | |
| Non-capital losses | 11,679 | 16,124 |
| Deferred compensation arrangements | 2,273 | 1,915 |
| Equipment and leasehold improvements | 668 | 1,233 |
| Lease liability, net of right-of-use asset | 2,633 | 1,091 |
| Leasehold inducements | 49 | 82 |
| Other | 68 | 139 |
| Total | 17,370 | 20,584 |
| Deferred tax liabilities | | |
| Taxable temporary differences: | | |
| Intangible assets | 44,205 | 47,663 |
| Total | 44,205 | 47,663 |

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

| | 2022 | 2021 |
|---|--------|--------|
| Non-capital losses | 69,868 | 64,948 |
| Equipment and leasehold improvements | — | 198 |
| Lease liability, net of right-of-use asset | — | (103) |
| Other | (841) | 404 |
| Total losses and other temporary differences not recognized | 69,027 | 65,447 |

Note 14 – 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

In consideration of the acquisition of Richardson Wealth, a portion of the common shares issued 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 transaction. On October 20, 2022 and 2021, the Company released 2,939,102 and 2,944,180 common shares from escrow respectively. The remaining 3,096,730 common shares will be released from escrow on October 20, 2023.

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 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 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.

Preferred Share Dividends

| Payment date | Cash dividend per Series B Preferred Share | (\$ thousands) Total dividend |
|--------------------|--|----------------------------------|
| March 31, 2022 | 0.233313 | 1,073 |
| June 30, 2022 | 0.233313 | 1,073 |
| September 30, 2022 | 0.233313 | 1,073 |
| January 3, 2023 | 0.233313 | 1,073 |

On March 2, 2023, the Board of Directors approved a cash dividend of \$0.233313 per Series B Preferred Share, payable on March 31, 2023, to preferred shareholders of record on March 15, 2023.

c. Share Repurchases, Cancellations and Forfeitures

On March 4, 2022, the Company announced that the TSX approved its notice of intention to make a normal course issuer bid (NCIB) for a portion of its common shares. The NCIB commenced on 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 have and will be cancelled. The Company is authorized to acquire up to a maximum of 548,571 of its common shares or approximately 10% of the Company's public float for cancellation under the NCIB. During the year ended December 31, 2022, 61,102 common shares, with an aggregate cost of \$1,545, were repurchased under the NCIB, and cancelled.

On March 25, 2022, the Company completed a consolidation of its common shares on the basis of ten pre-consolidation common shares for every one post-consolidation common share (the Consolidation). Immediately prior to the Consolidation, the Company had 158,714,254 common shares issued and outstanding. Following the Consolidation, the Company had 15,871,426 common shares issued and outstanding.

During 2022, 9,717 common shares (2021 – 66,587) that were held in escrow were forfeited and cancelled, resulting in a share capital reduction of \$187 (2021 – \$1,285).

d. Share Incentive Plan (SIP) Trust

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.

The following table presents a breakdown of the SIP Trust as at December 31, 2022 and 2021.

| | Number of common shares (thousands) |
|-------------------------|--|
| As at December 31, 2020 | 127 |
| Acquired - granted | 150 |
| Released on vesting | (46) |
| As at December 31, 2021 | 231 |
| Released on vesting | (2) |
| As at December 31, 2022 | 229 |

Note 15 – 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, 2022, and 2021, 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, 2020 | 38 | 54.00 |
| Granted | 44 | 20.25 |
| Expired | (26) | 69.36 |
| Forfeited | (6) | 16.20 |
| As at December 31, 2021 | 50 | 20.00 |
| Granted/Expired/Forfeited | — | — |
| As at December 31, 2022 | 50 | 20.00 |

Common share options outstanding and vested under the Share Option Plan, by exercise price range, as at December 31, 2022, are as follows:

| Exercise prices ¹ | Number outstanding (thousands) | Weighted-average exercise price ¹ | Weighted-average remaining contractual life |
|--------------------------------|--------------------------------------|---|---|
| 18.00 | 6 | 18.00 | 0.56 |
| 20.10 | 28 | 20.10 | 0.60 |
| 20.50 | 17 | 20.50 | 0.61 |
| As at December 31, 2022 | 50 | 20.00 | 0.60 |

¹On March 25, 2022, the Company completed the Consolidation of its common shares on a ratio of one post-consolidation share for every ten pre-consolidation shares. The comparative number of common shares outstanding have been revised.

As at December 31, 2022, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 0.3133% (December 31, 2021 – 0.3119%).

For the year ended December 31, 2022, the Company recorded \$111 (2021 – \$93) in share-based compensation expense relating to the Share Option Plan with a corresponding increase to contributed surplus.

For the year ended December 31, 2022, there were no options granted, expired, or forfeited.

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 on key assumptions: | |
| Common share price on grant date ¹ | \$ 20.25 |
| Exercise price ¹ | \$ 20.25 |
| Risk-free interest rate ² | 0.76 % |
| Dividend yield ³ | — |
| Expected volatility ⁴ | 39.75 % |
| Expected option life (years) ⁵ | 4.00 |

¹On March 25, 2022, the Company completed the Consolidation of its common shares on a ratio of one post-consolidation share for every ten pre-consolidation shares. The comparative number of common shares outstanding have been revised.

² Determined using the yield on Government of Canada benchmark bonds with a remaining term equal to the expected option life

³Based on the annual dividend yield on the date of grant

⁴ Estimated by considering historic average share price volatility

⁵ 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 vesting conditions and to market and non-market performance factors. During the vesting period, dividend equivalents accrue to the Participants in the form of additional share units. 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.

In the first quarter of 2022, the Company amended its restricted share unit (RSU), and performance share unit (PSU) plans to move from being equity-settled to cash-settled. The fair value of the grant is recorded in compensation expense over the period it vests with an offset to liability for cash settled units and to equity for equity settled units. Beginning with grants issued in 2022, each RSU or PSU held at the end of the vesting period will be paid to the eligible employee in cash, the value of which will be based on the weighted average closing price of the Company's common shares (common shares) on the Toronto Stock Exchange (TSX) for the 30 consecutive trading days immediately prior to the vesting date. RSUs and PSUs issued prior to 2022 will be settled in shares from the SIP Trust.

On March 14, 2022, the Company granted 625 RSUs and 77 PSUs to employees that entitle them to cash payments on December 1, 2024 and March 7, 2025, respectively. The RSUs and PSUs were issued at a grant price of \$16.46 and had a value of \$11,522. The fair value of the RSUs and PSUs at December 31, 2022 is \$7,998.

On August 5, 2022, the Company granted 7 RSUs and 1 PSUs to employees that entitle them to cash payments on December 1, 2024 and March 7, 2025 respectively. The RSUs and PSUs were issued at a grant price of \$13.77 and had a value of \$110. The fair value of the RSUs and PSUs at December 30, 2022 is \$90.

On November 3, 2022, the Company granted 7 RSUs to employees that entitle them to a cash payment on December 1, 2024. The RSUs were issued at a grant price of \$14.25 and had a value of \$101. The fair value of the RSUs at December 30, 2022, is \$81.

A summary of the status of the Company's Share Incentive Plans as at December 31, 2022 and 2021, and the changes during the year then ended is as follows:

| | Number of RSUs |
|-----------------------------------|-------------------|
| Balance, December 31, 2020 | 52 |
| Granted | 332 |
| Vested | (43) |
| Forfeited | (17) |
| Balance, December 31, 2021 | 324 |
| Granted | 639 |
| Vested | (5) |
| Forfeited | (30) |
| Balance, December 31, 2022 | 928 |

| | Number of PSUs |
|-----------------------------------|----------------|
| Balance, December 31, 2020 | — |
| Balance, December 31, 2021 | — |
| Granted | 78 |
| Balance, December 31, 2022 | 78 |

The Company records its obligation for RSUs and PSUs over the service period that the award is earned. The liability for the cash-settled portion is measured at fair value on the date of grant and at each subsequent reporting date and totaled \$1,992 as at December 31, 2022, (2021 – nil).

Deferred Share Unit Plan

The Company has a DSU plan for its directors. Each year, Directors can elect 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, 2022 and 2021, and the changes during the year then ended is as follows:

| | Number of DSUs |
|-----------------------------------|-------------------|
| Balance, December 31, 2020 | 115 |
| Granted | 17 |
| Balance, December 31, 2021 | 132 |
| Granted | 122 |
| Balance, December 31, 2022 | 254 |

Note 16 – Provisions, Contingent Liabilities and Commitments

a. Provisions and Contingent Liabilities

The Company recognizes provisions for litigation and restructuring when it is probable that it has an obligation arising from a past event and the obligation can be reliably estimated. The Company recognizes as a provision our best estimate of the amount required to settle the obligations as of the balance sheet date, considering the risks and uncertainties surrounding the obligations. 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.

Contingent liabilities are potential obligations arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within our control, and are not included in the table below.

A summary of the Company's provisions as at December 31, 2022 and 2021 and the changes during the period are as follows:

| | |
|--------------------------------|----------------|
| Balance, December 31, 2020 | 19,410 |
| Additions ¹ | 15,118 |
| Payments ² | (6,463) |
| Recoveries | (742) |
| As at December 31, 2021 | 27,323 |
| Additions | 575 |
| Payments¹ | (2,314) |
| Recoveries | (850) |
| As at December 31, 2022 | 24,734 |

¹Includes \$1,200 and \$4,108 relating to key management personnel in 2022 and 2021 respectively.

²Includes \$2,508 relating to key management personnel.

In the prior year ended December 31, 2021, the Company recorded restructuring charges of \$12,770, which included \$3,700 for termination fees related to RF Securities' carrying broker business. During the prior year, the Company also recorded \$1,905 of legal provisions.

b. 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:

| | 2022 | 2021 |
|----------------------|---------------|---------------|
| Less than 1 year | 8,211 | 8,633 |
| 1-5 years | 30,882 | 26,586 |
| Greater than 5 years | 49,806 | 48,106 |
| | 88,899 | 83,325 |

Note 17 – Financial Guarantees

RF Securities, as required by the New SRO, 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.

Note 18 – Net Income (Loss) Per Common Share

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

| | 2022 | 2021 |
|---|---------------|---------------|
| Net income/(loss) | (4,803) | (20,152) |
| Less: dividends on preferred shares | (4,292) | (4,212) |
| Net loss attributable to common shareholders | (9,095) | (24,364) |
| Weighted-average number of common shares outstanding:¹ (in thousands) | | |
| Basic | | |
| Common shares | 15,854 | 15,930 |
| Common shares held by the SIP Trust ² | (231) | (167) |
| Contingently returnable common shares held in escrow | (6,022) | (8,452) |
| | 9,601 | 7,311 |
| Diluted | | |
| Dilutive effect of shares held by the SIP Trust ² | 231 | 167 |
| Dilutive effect of contingently returnable common shares held in escrow | 6,022 | 8,452 |
| | 15,854 | 15,930 |
| Net income/(loss) per common share - Basic | (0.95) | (3.33) |
| Net income/(loss) per common share - Diluted³ | (0.95) | (3.33) |

¹On March 25, 2022, the Company completed the Consolidation of its common shares on a ratio of one post-consolidation share for every ten pre-consolidation shares. The comparative number of common shares outstanding have been revised.

²The Company has the SIP Trust for the purposes of purchasing the Company's common shares in the open market and delivering the common shares to the eligible participants upon vesting, for RSUs that were granted before 2022.

³In 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 19 – Fair Value of Financial Instruments

The Company records assets and liabilities held for trading, assets and liabilities designated at fair value, derivatives, certain equity and debt securities and securities sold short but not yet purchased at fair value, and other non-trading assets and liabilities at amortized cost less allowances or write-downs for impairment.

For traded securities, quoted market value is considered to be fair value. Securities for which no active market exists are valued using all reasonably available market information.

The carrying value of certain financial assets and liabilities, such as receivables and payables due from or to clients and brokers, client funds held in trust, employee and other loans receivable, other assets and liabilities, debt and provisions, is a reasonable estimate of fair value due to their short-term nature or because they are frequently repriced to current market rates.

Financial Instruments – Measurement

The categories of measurement of financial instruments, excluding cash and cash equivalents held by the Company at December 31, 2022 and 2021 are as follows:

| As at December 31, 2022 | FVTPL | FVOCI | Amortized cost | Total |
|-------------------------------------|------------|----------|------------------|------------------|
| Financial assets | | | | |
| Securities owned | 673 | — | — | 673 |
| Receivable from clients | — | — | 377,096 | 377,096 |
| Receivable from brokers | — | — | 61,204 | 61,204 |
| Client funds held in trust | — | — | 367,316 | 367,316 |
| Employee and other loans receivable | — | — | 45,410 | 45,410 |
| Other assets | — | — | 34,895 | 34,895 |
| Total financial assets | 673 | — | 885,921 | 886,594 |
| Financial liabilities | | | | |
| Payable to clients | — | — | 1,034,808 | 1,034,808 |
| Payable to brokers | — | — | 24,650 | 24,650 |
| Debt | — | — | 110,922 | 110,922 |
| Total financial liabilities | — | — | 1,170,380 | 1,170,380 |

| As at December 31, 2021 | FVTPL | FVOCI | Amortized cost | Total |
|--|---------------|----------|------------------|------------------|
| Financial assets | | | | |
| Securities owned | 62,355 | — | — | 62,355 |
| Receivable from clients | — | — | 610,376 | 610,376 |
| Receivable from brokers | — | — | 90,802 | 90,802 |
| Client funds held in trust | — | — | 466,336 | 466,336 |
| Employee and other loans receivable | — | — | 50,303 | 50,303 |
| Other assets | — | — | 13,920 | 13,920 |
| Total financial assets | 62,355 | — | 1,231,737 | 1,294,092 |
| Financial liabilities | | | | |
| Obligations related to securities sold short | 13,625 | — | — | 13,625 |
| Payable to clients | — | — | 1,333,692 | 1,333,692 |
| Payable to brokers | — | — | 248,260 | 248,260 |
| Payable to issuers | — | — | 824 | 824 |
| Debt | — | — | 110,922 | 110,922 |
| Total financial liabilities | 13,625 | — | 1,693,698 | 1,707,323 |

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.

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, 2022 | Level 1 | Level 2 | Level 3 | Total fair value |
|--|------------|------------|-----------|---------------------|
| Financial assets | | | | |
| Securities owned | | | | |
| Debt securities | | | | |
| Canadian and U.S. federal governments | 23 | — | — | 23 |
| Provincial and municipal governments | — | 173 | — | 173 |
| Corporate and other | — | 107 | — | 107 |
| Equity securities | 346 | — | — | 346 |
| Derivative financial assets | — | — | 24 | 24 |
| Financial assets carried at fair value | 369 | 280 | 24 | 673 |
| Financial liabilities | | | | |
| Obligations related to securities sold short | | | | |
| Debt securities | | | | |
| Canadian and U.S. federal governments | — | — | — | — |
| Provincial and municipal governments | — | — | — | — |
| Corporate and other | — | — | — | — |
| Equity securities | — | — | — | — |
| Financial liabilities 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 |

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy for the years ended December 31, 2022 and 2021.

| | Level 3 fair value |
|--|--------------------|
| As at December 31, 2020 | 1,150 |
| Net unrealized loss before income taxes | 784 |
| Proceeds from disposition | (1,587) |
| As at December 31, 2021 | 347 |
| Net unrealized loss before income taxes | (326) |
| Proceeds from disposition | 3 |
| As at December 31, 2022 | 24 |

There were no transfers to or from all levels in years ended December 31, 2022 and 2021.

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 its portfolio of securities and broker warrants owned.

Fair Value Sensitivity Analysis

The following tables demonstrate the sensitivity of the Company's net income to reasonable changes in fair value of the Company's financial instruments recorded on the consolidated balance sheets as at December 31, 2022, and 2021 at fair value.

| As at December 31, 2022 | 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 | 673 | 49 | (49) |

| 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) |

Interest Rate Risk

Interest rate risk is 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 cash balances are floating rates that vary depending on benchmark interest rates and the amount of cash deposited. Certain loans provided to Richardson Wealth employees bear interest at the prime rate of interest plus 2.5%.

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, 2022, and 2021. The analysis assumes that all other variables remain constant.

| As at December 31, 2022 | 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 | 367,848 | 2,704 | (2,704) |
| Securities owned, net of securities sold short | 673 | 5 | (5) |
| Receivable from clients | 377,096 | 2,772 | (2,772) |
| Client funds held in trust | 367,316 | 2,700 | (2,700) |
| Employee and other loans receivable | 45,410 | 334 | (334) |
| Securities borrowing and lending, net | 34,487 | 253 | (253) |
| Payable to clients | (1,034,808) | (7,606) | 7,606 |
| Debt | (110,922) | (815) | 815 |

| 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) |
| Receivable from clients | 610,376 | 4,486 | (4,486) |
| Employee and other loans receivable | 50,303 | 370 | (370) |
| Securities borrowing and lending, net | (102,125) | (751) | 751 |
| Payable to clients | (1,333,692) | (9,803) | 9,803 |
| Debt | (110,922) | (815) | 815 |

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.

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, 2022, and 2021. The analysis assumes that all other variables remain constant.

| As at December 31, 2022 | 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 | 0 | (0) |
| Euro | 1 | (1) |
| Australian dollar | 1 | (1) |
| United States dollar | 8 | (8) |

| 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) |

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.

Credit risk is managed in several 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 2022. As at December 31, 2022 and 2021, the Company had an allowance for credit losses of 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, 2022, and 2021.

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 short-term obligations and terms to maturity.

| | Carrying value | Term to maturity |
|--|----------------|----------------------|
| Payable to clients | 1,034,808 | Due on demand |
| Payable to brokers | 24,650 | Due within one month |
| Accounts payable and accrued liabilities | 50,966 | Due within one year |
| Debt | 110,922 | Due within one year |
| | 1,221,346 | |

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 2022.

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 \$389.6 million at December 31, 2022, compared to \$427.7 million at December 31, 2021. 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, 2022 and 2021.

Note 20 – Debt and Capital Management

The following table presents a breakdown of the Company's debt obligations as at December 31, 2022 and 2021.

| | 2022 | 2021 |
|---------------------------|---------|---------|
| Revolving credit facility | 80,500 | 80,500 |
| Preferred shares | 30,422 | 30,422 |
| | 110,922 | 110,922 |

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.

The Facility bears 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.

The Facility contains clauses whereby the Company is required to meet certain financial covenants. As at December 31, 2022 the Company met three covenants but did not meet the fourth, its *fixed charge coverage ratio*. Due to the breach of this covenant clause, the syndicate is contractually entitled to request immediate repayment of the drawn amount of \$80.5 million. However, the syndicate has agreed, subsequent to year end, to waive the fixed charge coverage ratio covenant until March 30, 2023 and, as such, the loan is not immediately repayable. In advance of March 30, 2023 the Company will work with the syndicate to revise the covenant or extend the waiver period.

b. Preferred Shares

Certain redeemable preferred shares issued by Richardson Wealth are classified as financial liabilities because they bear non-discretionary dividends and are redeemable at the option of the holder, for cash, at any time following October 20, 2023. The Company has the right to acquire the preferred shares from the holder for cash at any time. 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.

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 elements of the Company's equity capital position as at December 31, 2022 and 2021.

| | 2022 | 2021 |
|--|-----------|-----------|
| Common shares | 462,935 | 464,667 |
| Preferred shares | 112,263 | 112,263 |
| Contributed surplus | 46,151 | 44,103 |
| Accumulated other comprehensive income | 19,652 | 18,842 |
| Accumulated deficit | (294,080) | (284,985) |
| | 346,921 | 354,890 |

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 the New SRO. Sources of financial statement capital for the New SRO's regulatory capital purposes include shareholders' equity and subordinated loans.

Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades and/or working capital requirements. Compliance with these requirements may require the Company to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out as cash dividends. As at and during the years ended December 31, 2022 and 2021, all of the Company's subsidiaries were in compliance with their respective regulatory capital requirements.

Note 21 – Net Change in Non-Cash Operating Items

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

| | 2022 | 2021 |
|--|-----------|-----------|
| Securities owned | 61,682 | 7,967 |
| Receivable from clients and brokers | 262,878 | (117,739) |
| Client funds held in trust | 99,020 | (56,688) |
| Employee and other loans receivable | (12,374) | (562) |
| Other assets | (20,335) | 2,261 |
| Obligations related to securities sold short | (13,625) | (1,695) |
| Payable to clients, brokers and issuers | (523,318) | 133,233 |
| Accounts payable and accrued liabilities | (2,733) | (11,440) |
| Provisions | (2,589) | 7,913 |
| | (151,394) | (36,750) |