RICHARDSON
Wealth

RF Capital Group Inc.

Q2 2023 Report to Shareholders

Contents

A Message from our President & CEO

Challenging transformation evolving into optimism and real results

Spring represents the promise of new beginnings, the opportunity for prosperity and the potential of a new season ahead. This spring, I felt that optimism as I toured the offices across the country and hosted our annual conference attended by more than 150 advisors and team members. The shift in mood was so refreshing and rewarding. Conversations have evolved from pace of change, volume of disruption, and challenge of transformations to enhanced client experience, superior resources for advisor practices and more importantly, appreciation for the long-term benefits of the investments we have made – and are making – to position our company as the destination for Canada's top advisors.

The numbers also tell a story of optimism:

- AUA increased from $28 billion at the start of the journey in October 2020 to $36 billion at the end of July 2023;
- Revenues increased from $267 million in 2020 to $354 million in 2022, up $90 million or 33% over the period of our transformation;
- Adjusted EBITDA increased 77% from 2020, to $62 million in 2022; and
- Advisor teams representing 95% of our AUA at the beginning of our transformation journey are still here today, and they have grown their practices 20% over that period.

And we are being celebrated in the industry too. In this year's Investment Executive's Brokerage Report Card, we ranked second in a three-way tie among 14 firms surveyed. In that Report Card, our Net Promoter Score increased to 74, a level deemed to be exceptional. For the fifth consecutive year, we have been named as a Best Workplace™ in Financial Services & Insurance by Great Places to Work®. Nine of our advisors were recognized in Canada's best 100 Women Wealth Advisors for 2023 by The Globe and Mail and SHOOK Research.

Shifting to a growth mindset

The 90% decline in transformation costs in Q2 vs. Q1 ($4 million v/s $0.4 million) signals the end of our transformation journey and a shift to a growth mindset where we are beginning to see evidence of the benefits of enhancing our platform for the long term. Those benefits are noticeable when comparing Q2 2023 results with Q2 of last year:

- AUA was up approximately $2 billion;
- Fee revenues were $64 million, up $2 million;
- Interest revenue was $5 million or 61% higher;
- Our recruiting pipeline now stands at $27 billion, up $6 billion.

Adjusted EBITDA was $15 million in the second quarter, up over the $13 million reported in Q1 2023 but down as compared to $17 million in the second quarter of 2022. Excluding the impact of one large insurance commission in Q2 of last year, EBITDA would have been up $2 million. Last year's insurance commission, together with uncertainty in the capital markets, has caused us to forecast flat Adjusted EBITDA this year relative to 2022.

As we now move beyond our transformation and turn our full attention to growth, we expect to drive organic growth, accelerate recruiting and pursue acquisition of like-minded firms.

Now to translate this into a higher share price

Our transformation work has given us almost all our intended results. It has strengthened our platform, generated interest in our story, and reduced the risk in our business. It has made our business more profitable and valuable than when we started our journey in 2020. However, our share price is not yet aligned.

We expect the improving fundamentals of our business to translate into meaningful long-term shareholder value and for our share price to ultimately follow. And, to try to narrow the price gap in the near-term, we are devoting more time to investor relations activities and working with third-party advisors to build awareness of our exciting story across a broader range of stakeholders.

We look forward to updating you in the coming quarters on our progress on all fronts.

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 financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company) as at and for the three and six months ended June 30, 2023.

This MD&A, dated August 2, 2023, should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes as at and for the three and six months ended June 30, 2023 (Second Quarter 2023 Financial Statements). This document as well as additional information relating to the Company, including our annual MD&A (2022 Annual MD&A), our audited consolidated financial statements and related notes as at and for the year ended December 31, 2022 (2022 Annual Financial Statements), and our latest annual information form (AIF), can be accessed at *www.rfcapgroup.com* and under our profile at *www.sedarplus.ca* 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 Second Quarter 2023 Financial Statements, which we have prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

Certain prior year amounts have been reclassified to correspond to the current period presentation. All numbers and discussion in this MD&A relate to continuing operations unless otherwise specified.

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), 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, legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and service organizations, 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, natural disasters, or other unanticipated events. For a description of additional risks that could cause actual results to differ materially from current expectations, see the "Risk Management" section in our 2022 Annual 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.

Select Financial Information

($000s, except as otherwise indicated)	As at or for the three months ended June 30, 2023	March 31, 2023	Increase/ (decrease)	June 30, 2022	Increase/ (decrease)	As at or for the six months ended June 30, 2023	June 30, 2022	Increase/ (decrease)
Key Performance Drivers[1]:								
AUA - ending[2] ($ millions)	35,788	35,965	(0%)	33,841	6%	35,788	33,841	6%
AUA - average[2] ($ millions)	35,880	35,872	0%	35,607	1%	35,876	36,115	(1%)
Fee revenue	64,047	62,532	2%	62,312	3%	126,579	130,202	(3%)
Fee revenue[3] (%)	90	90	(1) bps	81	+880 bps	90	85	+477 bps
Adjusted operating expense ratio[4] (%)	70.9	74.7	(379) bps	67.9	+302 bps	72.8	72.2	+56 bps
Adjusted EBITDA margin[5] (%)	16.9	14.9	+199 bps	18.3	(141) bps	15.9	15.4	+49 bps
Asset yield[6] (%)	0.86	0.86	(1) bps	0.82	+4 bps	0.86	0.84	+2 bps
Operating Performance								
Reported Results:								
Revenue	88,832	87,700	1%	90,753	(2%)	176,532	179,513	(2%)
Variable advisor compensation	37,305	36,095	3%	39,078	(5%)	73,400	79,917	(8%)
Gross margin[7]	51,527	51,605	(0%)	51,675	(0%)	103,132	99,596	4%
Operating expenses[1,8]	36,947	42,647	(13%)	37,493	(1%)	79,594	75,905	5%
EBITDA[1]	14,580	8,958	63%	14,182	3%	23,538	23,691	(1%)
Income (loss) before income taxes	217	(5,649)	(104%)	851	(74%)	(5,430)	(2,326)	133%
Net income (loss) from continuing operations	(1,425)	(5,332)	(73%)	58	n/m	(6,756)	(3,089)	119%
Net income (loss) from discontinued operations[9]	(2,064)	—	n/m	—	n/m	(2,064)	—	n/m
Earnings per common share from continuing operations - diluted[10]	(0.20)	(0.51)	(61%)	(0.11)	82%	(0.71)	(0.55)	31%
Adjusting Items[11]:								
Transformation costs and other provisions (pre-tax)	413	4,101	(90%)	2,415	(83%)	4,514	3,958	14%
Amortization of acquired intangibles (pre-tax)	3,263	3,263	—	3,263	—	6,525	6,525	—
Transformation costs and other provisions (after-tax)	306	3,039	(90%)	1,554	(80%)	3,345	2,695	24%
Amortization of acquired intangibles (after-tax)	2,398	2,398	—	2,398	—	4,796	4,797	(0%)
Adjusted Results[1]:								
Operating expenses[8]	36,533	38,546	(5%)	35,078	4%	75,080	71,947	4%
EBITDA	14,993	13,059	15%	16,597	(10%)	28,052	27,649	1%
Income (loss) before income taxes	3,892	1,715	127%	6,529	(40%)	5,607	8,158	(31%)
Net income (loss)	1,279	105	n/m	4,010	(68%)	1,385	4,403	(69%)
Adjusted earnings per common share - diluted[10]	0.01	(0.08)	(117%)	0.19	(93%)	(0.06)	0.14	(143%)
Select balance sheet information:								
Total assets	1,518,918	1,640,757	(7%)	2,474,722	(39%)	1,518,918	2,474,722	(39%)
Term debt	110,922	110,922	—	110,922	—	110,922	110,922	—
Shareholders' equity	336,310	340,443	(1%)	350,521	(4%)	336,310	350,521	(4%)
Net working capital[1]	90,019	88,407	2%	103,646	(13%)	90,019	103,646	(13%)
Common share information:								
Book value per common share ($)	14.20	14.45	(2%)	15.01	(5%)	14.20	15.01	(5%)
Closing share price ($)	9.44	12.33	(23%)	14.37	(34%)	9.44	14.37	(34%)
Common shares outstanding[10] (millions)	15.8	15.8	(0%)	15.9	(1%)	15.8	15.9	(1%)
Common share market capitalization ($ millions)	149	195	(24%)	228	(35%)	149	228	(35%)

1. 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.
2. AUA is a measure of client assets and is common in the wealth management business. It represents the market value of client assets managed and administered by us.
3. 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.
4. Calculated as adjusted operating expenses divided by gross margin
5. Calculated as Adjusted EBITDA divided by revenue
6. Calculated as wealth management revenue plus interest on cash divided by average AUA
7. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
8. Operating expenses include employee compensation and benefits, selling, general, and administrative expenses, and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
9. In Q2 2023 we recorded a provision for a legacy employment litigation matter related to the 2019 sale of our capital markets business to Stifel Nicolaus Canada Inc. See Note 14 to the Second Quarter 2023 Financial Statements.
10. In 2022, we consolidated our common shares at a 10:1 ratio. Prior period common share information has been adjusted to reflect this consolidation.
11. For further information, please see "Items of Note" of this MD&A

Quarterly Results

The following table presents select financial information for the eight most recently completed financial quarters.

	2023		2022				2021	
($000s, except as otherwise indicated)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Key Performance Drivers[1]:								
AUA - ending[2] ($ millions)	35,788	35,965	34,948	33,604	33,841	37,084	36,847	34,360
AUA - average[2] ($ millions)	35,880	35,872	34,788	34,679	35,607	36,629	35,905	34,311
Fee revenue	64,047	62,532	62,625	61,974	62,312	67,890	64,414	61,957
Fee revenue[3] (%)	90	90	90	92	81	89	86	91
Adjusted operating expense ratio[4] (%)	70.9	74.7	68.1	66.9	67.9	76.9	74.3	71.1
Adjusted EBITDA margin[5] (%)	16.9	14.9	19.2	19.8	18.3	12.5	14.3	16.3
Asset yield[6] (%)	0.86	0.86	0.87	0.86	0.82	0.85	0.81	0.80
Operating Performance:								
Reported Results:								
Wealth management	68,972	67,808	67,481	67,064	68,493	75,280	71,873	67,869
Corporate finance	2,366	981	1,860	2,121	2,529	2,133	5,467	3,933
Interest	12,361	13,400	13,015	12,082	7,683	4,801	4,272	4,016
Other income	5,133	5,511	6,175	4,661	12,047	6,546	4,499	3,864
Revenue	88,832	87,700	88,531	85,928	90,753	88,760	86,111	79,682
Advisor variable compensation	37,305	36,095	35,276	34,555	39,078	40,839	38,285	34,714
Gross margin[7]	51,527	51,605	53,255	51,373	51,675	47,921	47,826	44,968
Operating expenses[1,8]	36,947	42,647	38,867	36,435	37,493	38,412	37,263	41,482
EBITDA[1]	14,580	8,958	14,388	14,938	14,182	9,509	10,564	3,486
Interest	3,675	3,511	3,294	3,015	2,348	2,140	1,543	1,687
Depreciation and amortization	6,805	6,895	7,851	6,936	6,743	6,534	6,510	5,982
Advisor loan amortization	3,884	4,201	4,634	4,381	4,240	4,012	4,054	4,257
Income (loss) before income taxes	217	(5,649)	(1,391)	606	851	(3,177)	(1,544)	(8,441)
Net income (loss) from continuing operations	(1,425)	(5,332)	(990)	(724)	58	(3,147)	(2,357)	(8,462)
Net income (loss) from discontinued operations[9]	(2,064)	—	—	—	—	—	—	—
Earnings per common share from continuing operations[10]:								
Basic	(0.20)	(0.51)	(0.21)	(0.19)	(0.11)	(0.44)	(0.38)	(1.42)
Diluted	(0.20)	(0.51)	(0.21)	(0.19)	(0.11)	(0.44)	(0.38)	(1.42)
Adjusting items[11]:								
Transformation costs and other provisions	413	4,101	2,621	2,055	2,415	1,543	1,730	9,517
Amortization of acquired intangibles	3,263	3,263	3,263	3,263	3,263	3,263	3,263	3,263
Total adjusting items	3,675	7,364	5,884	5,318	5,678	4,806	4,995	12,780
Adjusted Results[1]:								
Operating expenses[8]	36,533	38,546	36,246	34,380	35,078	36,869	35,534	31,966
EBITDA	14,993	13,059	17,009	16,993	16,597	11,052	12,294	13,003
Income (loss) before income taxes	3,892	1,715	4,493	5,924	6,529	1,629	3,451	4,339
Net income (loss)	1,279	105	3,500	3,197	4,010	393	1,395	2,491

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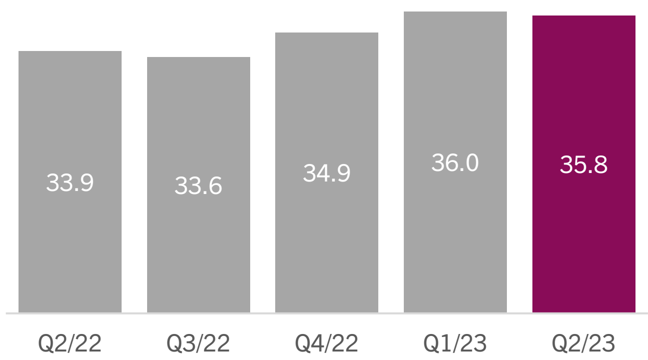
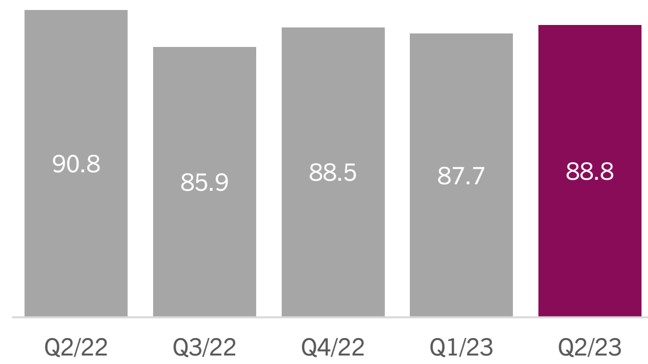
Operating Highlights

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



Revenue ($MM)



Q2 2023 Select Financial Highlights

Adjusted EBITDA[2]

Up 15% from Q1 but decreased by 10% vs last year

High Recurring Fee Revenue[2]

90% of commissionable revenue, up from 81% last year

Transformation[3] Costs

Decreased by 90% compared to last quarter

Adjusted EBITDA Margin[2]

Adjusted EBITDA margin[2] decreased to 16.9% from 18.3% last year

Insurance Penetration

Remained high at 4% of total revenue; Q2 insurance revenue down from last year because of one large commission in 2022

Interest Revenue

61% growth in interest revenue vs last year, though down by 8% from Q1

AUA Growth

Up 6% vs Q2 2022 even amidst ongoing market volatility

Operating Efficiency[2]

Adjusted operating expense ratio[2] worsened 302 bps year-over-year but improved 379 bps from Q1

1. AUA is a measure of client assets and is common in 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.
3. Pre-tax transfromation costs and other provisions

Business Overview

RF Capital is one of Canada's largest independent wealth management firms, with total AUA of $35.8 billion (June 30, 2023). We conduct our business under the Richardson Wealth and Patrimoine Richardson brands. Our 158 advisor teams operate out of 21 offices and serve over 31,000 clients across Canada. The Company's common and preferred shares trade on the Toronto Stock Exchange (TSX) under the ticker symbols RCG and RCG.PR.B.

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.

2023 Strategic Priorities

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

1. Ensure a smooth adoption of the Envestnet and Fidelity platforms
2. Apply a renewed focus and more resources to recruiting new advisors
3. Continue to reinforce 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

We believe that our team will continue to grow our franchise and successfully execute on strategic initiatives that will create long-term value for our shareholders.

Adjusted EBITDA

We have revised our 2023 forecast and now expect Adjusted EBITDA to be consistent with 2022. Our expectations have come down primarily as a result of weak capital markets activity year to date and the market outlook for the balance of the year, as well as declining cash balances.

Revenue

We believe that AUA will increase over the remainder of the year despite our assumption that equity and debt markets will remain flat so will not contribute to AUA growth. Recruiting activity should accelerate now that we have worked through the conversion to the Fidelity platform and heightened our focus on this growth pillar. Weak market conditions should also result in low corporate finance revenue through the end of the year. If the capital markets perform better than we expect, there is a meaningful upside to our EBITDA because of the operating leverage in our business.

The market expects interest rates to remain flat or see one further hike over the rest of 2023. Our interest revenue should follow a similar pattern, assuming that cash and margin loan balances stay consistent with Q2. Interest revenue will increase in 2023 relative to 2022 since interest rates were lower 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. However, insurance revenue will likely decrease from 2022 because of a single large insurance commission we recorded in Q2 2022. Insurance represented 4% of our total revenue in Q2 2023, and we believe it could increase to 5%-6% 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 nearly $3 million of revenue that we will not realize in 2023.

Adjusted Operating Expenses

Adjusted operating expenses will increase in 2023 as we continue to experience the impact of staff transitioning back to the office as part of a hybrid work model and as we invest to support revenue generation and our key strategic initiatives, including the Fidelity conversion. We anticipate that quarterly operating expenses in the remainder of the year will be higher than in the second quarter, partly because of recoveries for share-based compensation and deferred share units recorded in Q2. A competitive job market has been putting some pressure on costs, and we forecast that it will continue. Newly recruited advisors also add to our expense base since we incur the compensation and benefits costs for their team members.

Adjusting Items

The heavy lifting associated with our transformation is complete, but we may have some minimal residual costs flow through our income statement in Q3 and Q4.

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. We may draw on our credit facility towards the end of the year in order to finance recruiting and other strategic 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.

Items of Note

The adjusted financial results presented in this MD&A exclude the impact of transformation program expenses, costs associated with legacy legal matters, and the amortization of acquired intangibles.

Q2 2023 included $0.4 million of pre-tax transformation costs and other provisions:

- $0.8 million of pre-tax charges ($0.4 million after-tax) related to outsourcing our carrying broker operations to Fidelity.
- $0.4 million of pre-tax recoveries related to legacy legal and other transformation matters ($0.3 million after-tax).

Q1 2023 included $4.1 million of pre-tax transformation costs and other provisions:

- $4.1 million of pre-tax charges for our ongoing transformation ($3.0 million after-tax). These charges are related largely to outsourcing our carrying broker operations to Fidelity.

Q2 2022 included $2.4 million of pre-tax transformation costs and other provisions:

- $2.4 million of pre-tax charges for our ongoing transformation ($1.6 million after-tax). These charges are related largely to developing our growth strategy and outsourcing our carrying broker operations.

Each quarter also included:

- $3.3 million of pre-tax amortization of acquired intangible assets ($2.4 million after-tax). The amortization arose from intangible assets created on the acquisition of Richardson Wealth. It will continue through 2035.

Financial Performance

($000s)	June 30, 2023	March 31, 2023	Increase/ decrease)	June 30, 2022	Increase/ decrease)	June 30, 2023	June 30, 2022	Increase/ decrease)
	For the three months ended					For the six months ended		
Wealth management[1]	68,972	67,808	2%	68,493	1%	136,780	143,773	(5%)
Corporate finance	2,366	981	141%	2,529	(6%)	3,346	4,662	(28%)
Interest	12,361	13,400	(8%)	7,683	61%	25,762	12,484	106%
Other income	5,133	5,511	(7%)	12,047	(57%)	10,644	18,594	(43%)
Revenue	88,832	87,700	1%	90,753	(2%)	176,532	179,513	(2%)
Variable advisor compensation	37,305	36,095	3%	39,078	(5%)	73,400	79,917	(8%)
Gross margin[2]	51,527	51,605	(0%)	51,675	(0%)	103,132	99,596	4%
Employee compensation and benefits	18,107	20,145	(10%)	18,940	(4%)	38,252	37,818	1%
Selling, general and administrative	16,578	16,241	2%	14,441	15%	32,819	30,398	8%
Corporate costs[3]	1,849	2,160	(14%)	1,696	9%	4,008	3,731	7%
Transformation costs and other provisions	413	4,101	(90%)	2,415	(83%)	4,514	3,958	14%
Operating expenses[4,5]	36,947	42,647	(13%)	37,493	(1%)	79,594	75,905	5%
EBITDA[4]	14,580	8,958	63%	14,182	3%	23,538	23,691	(1%)
Interest	3,675	3,511	5%	2,348	57%	7,185	4,488	60%
Depreciation and amortization	6,805	6,895	(1%)	6,743	1%	13,699	13,277	3%
Advisor loan amortization	3,884	4,201	(8%)	4,240	(8%)	8,085	8,252	(2%)
Income (loss) before income taxes	217	(5,649)	(104%)	851	(74%)	(5,430)	(2,326)	133%
Adjusting items[6]:								
Transformation costs and other provisions	413	4,101	(90%)	2,415	(83%)	4,514	3,958	14%
Total adjusting items	413	4,101	(90%)	2,415	(83%)	4,514	3,958	14%
Adjusted results[4]:								
Operating expenses[5]	36,533	38,546	(5%)	35,078	4%	75,080	71,947	4%
EBITDA	14,993	13,059	15%	16,597	(10%)	28,052	27,649	1%
Income (loss) before income taxes	3,892	1,715	127%	6,529	(40%)	5,607	8,158	(31%)

1. Wealth management revenue includes both fee revenue and commissions earned for trading activity in client accounts.
2. Calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
3. Corporate costs refer to employee compensation and benefits and selling, general, and administrative expenses related to our corporate functions
4. 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.
5. 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.
6. For further information, please see "Items of Note" of this MD&A

Q2 2023 vs. Q2 2022

Income (Loss) Before Income Taxes

The Company reported income before income taxes of $0.2 million in Q2 2023, compared with $0.8 million in the same period last year. Income before taxes decreased as Adjusted EBITDA declined by 10% and transformation costs and other provisions were $0.4 million, down from $2.4 million in the same period last year.

Income before taxes also includes $3.9 million of amortization related to special recognition loans that were granted to our advisors on our reorganization in October 2020. The recognition loans are being amortized into income over a three year period which ends in October 2023. That amortization expense will cease in November.

Adjusted EBITDA

Adjusted EBITDA was down 10% due to a stable gross margin and higher adjusted operating expenses. The Adjusted EBITDA margin was 16.9% compared to 18.3% last year.

Gross margin

Gross margin remained unchanged from last year as lower revenue was offset by lower variable advisor compensation. Variable advisor compensation payout as a percentage of commissionable revenue was 52%, up from 51% from last year.

Revenue

Revenue was down 2% due to a large insurance commission in Q2 of last year. Excluding that single commission, revenue would have been up 7%, mainly due to interest income.

	As at or for the three months ended			
($000s, except as otherwise indicated)	June 30, 2023	June 30, 2022	Increase/(decrease)	
AUA[1] - average ($ millions)	35,880	35,607	273	1%
Fee revenue[2]	64,047	62,312	1,735	3%
Insurance revenue	3,821	9,239	(5,418)	(59%)
New issue participation (# of deals)	50	56	(6)	(11%)
Asset yield[3] (%)	0.86	0.82	n/a	+4 bps
Adjusted EBITDA margin[2,4] (%)	16.9	18.3	n/a	(141) bps
Adjusted operating expense ratio[5] (%)	70.9	67.9	n/a	+302 bps
Advisory teams[6] (#)	158	162	(4)	(2%)

1. AUA is a measure of client assets and is common in 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 by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section of this MD&A.
3. Calculated as wealth management revenue and interest on cash balances divided by average AUA
4. Calculated as adjusted EBITDA divided by revenue
5. Calculated as adjusted operating expenses divided by gross margin
6. Prior year has been revised to reflect the internal consolidation of certain teams

Fee revenue increased by $1.7 million or 3% compared to last year, driven by higher average AUA as well as AUA mix shifting towards assets that generate fee revenue.

Corporate finance revenue decreased by $0.2 million or 6% from last year due to weaker conditions in the new issue market.

Other income declined by $6.9 million or 57% which is attributable to the single large insurance commission in Q2 of last year.

Partly offsetting the decreases above was interest revenue. It increased $4.7 million or 61% primarily as a result of rising benchmark rates and even as cash and margin loan balances declined. As benchmark rates rise, so does the yield we generate on cash balances and margin loans.

Adjusted Operating Expenses

Adjusted operating expenses were $1.5 million or 4% higher than last year. Employee compensation and benefits were down 4% driven by the migration of our carrying broker functions to Fidelity and mark-to-market recoveries on share-based compensation. The $2.1 million or 15% increase in SG&A expenses was primarily driven by costs associated with staff transitioning back to travelling and to the office, including those related to training our advisor teams on our new Fidelity and Envestnet platforms.

Q2 2023 vs. Q1 2023

Income (Loss) Before Income Taxes

The Company reported income before income taxes of $0.2 million in Q2 2023, compared with a loss of $5.7 million last quarter. Income before taxes increased due to an Adjusted EBITDA increase of 15% and a decrease in transformation costs and other provisions of 90%. This decline in transformation costs and other provisions was driven primarily by lower transformation costs associated with the migration of our carrying broker functions to Fidelity.

Adjusted EBITDA

Adjusted EBITDA was up by $1.9 million or 15% due to lower operating expenses. The Adjusted EBITDA margin was 16.9% compared to 14.9% last quarter.

Gross margin

Gross margin was unchanged from last quarter, as higher revenue was offset by higher variable advisor compensation. The payout rate for variable advisor compensation was consistent at 52% of commissionable revenue.

Revenue

Revenue was up 1% for the quarter largely due to growth in wealth management and corporate finance revenue.

($000s, except as otherwise indicated)	June 30, 2023	March 31, 2023	Increase/(decrease)	
			As at or for the three months ended	
AUA[1] - average ($ millions)	35,880	35,872	8	0%
Fee revenue[2]	64,047	62,532	1,516	2%
Insurance revenue	3,821	3,581	239	7%
New issue participation (# of deals)	50	50	—	—
Asset yield[3] (%)	0.86	0.86	n/a	(1) bps
Adjusted EBITDA margin[2,4] (%)	16.9	14.9	n/a	+199 bps
Adjusted operating expense ratio[5] (%)	70.9	74.7	n/a	(379) bps
Advisory teams[6] (#)	158	158	—	—

1. AUA is a measure of client assets and is common in 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 by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section of this MD&A.
3. Calculated as wealth management revenue and interest on cash balances divided by average AUA
4. Calculated as adjusted EBITDA divided by revenue
5. Calculated as adjusted operating expenses divided by gross margin
6. Prior year has been revised to reflect the internal consolidation of certain teams

Fee revenue increased $1.5 million or 2% compared to last quarter, driven primarily by a higher number of days. Average AUA was flat from Q1 to Q2.

Corporate finance revenue increased by $1.4 million or 141% from last quarter. While market activity remained soft, we acted as the lead agent on several deals and earned higher fees from those transactions.

Partly offsetting the above increases was interest revenue which decreased by $1.0 million or 8% as a result of declining cash and margin loan balances. Cash balances were lower sequentially as clients moved cash into higher yielding fixed income and other instruments. Margin loans declined as clients delevered due to continued market volatility and rising interest rates.

Adjusted Operating Expenses

Adjusted operating expenses were $2.0 million or 5% lower than last quarter. Employee compensation and benefits were down by $2.0 million or 10% primarily driven by the seasonality of statutory benefit costs and mark-to-market recoveries on share-based compensation. Corporate costs, those that support our public company operations in addition to our core business, were down 14% because of mark-to-market recoveries on deferred share units.

YTD 2023 vs. YTD 2022

Income (Loss) Before Income Taxes

The Company incurred a reported loss before taxes of $5.4 million in 2023, compared with $2.3 million last year. Loss before taxes increased primarily because of higher interest expenses. Interest expenses rose because our debt is floating rate and benchmark rates have been climbing.

Adjusted EBITDA

Adjusted EBITDA was up by 1% as a result of a higher gross margin partly offset by higher adjusted operating expenses. The Adjusted EBITDA margin was 15.9% compared to 15.4% last year.

Gross margin

Gross margin was up by 4%, mainly because of higher interest income. The payout rate for variable advisor compensation was consistent at 52% of commissionable revenue.

Revenue

Revenue was down 2% due to lower insurance, fee, and trading (included in wealth management revenues) revenues, partially offset by higher interest income.

	As at or for the six months ended			
($000s, except as otherwise indicated)	June 30, 2023	June 30, 2022	Increase/(decrease)	
AUA[1] - average ($ millions)	35,876	36,115	(239)	(1%)
Fee revenue[2]	126,579	130,202	(3,623)	(3%)
Insurance revenue	7,402	12,438	(5,036)	(40%)
New issue participation (# of deals)	100	145	(45)	(31%)
Asset yield[3] (%)	0.86	0.84	n/a	+2 bps
Adjusted EBITDA margin[2,4] (%)	15.9	15.4	n/a	+148 bps
Adjusted operating expense ratio[5] (%)	72.8	72.2	n/a	(134) bps
Advisory teams[6] (#)	158	162	(4)	(2%)

1. AUA is a measure of client assets and is common in 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 by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Non-GAAP and Supplemental Financial Measures" section of this MD&A.
3. Calculated as wealth management revenue and interest on cash balances divided by average AUA
4. Calculated as adjusted EBITDA divided by revenue
5. Calculated as adjusted operating expenses divided by gross margin
6. Prior year has been revised to reflect the internal consolidation of certain teams

Insurance revenue was down primarily because of one large insurance commission in Q2 of last year.

Fee revenue decreased $3.6 million or 3% compared to last year driven by a decline in average AUA and performance fees. Average AUA decreased 1% and trading commissions were down 27% due to ongoing market volatility, and in particular the steep decline in markets during Q2 of last year (AUA during the early part of Q2 last year was still high, causing average AUA to be elevated). Performance fees are charged by several of our advisors each February based on performance in the prior calendar year, and they declined because market performance in 2022 was weaker than in 2021.

Corporate finance revenue decreased by $1.3 million or 28% from last year due to weaker conditions in the new issue market.

Partly offsetting the decreases above was interest revenue. It increased by $13.3 million or 106% from last year primarily because benchmark rates were higher and even though cash and margin loan balances declined.

Adjusted Operating Expenses

Adjusted operating expenses were $3.1 million or 4% higher. Employee compensation and benefits were up by 1% driven by annual inflation increases and higher benefit costs, partly offset by the migration of our carrying broker functions to Fidelity. SG&A was up by 8% primarily driven by costs associated with staff transitioning back to travelling and to the office, including those related to training our advisor teams on our new Fidelity and Envestnet platforms.

Financial Condition

($000s, except as otherwise indicated)	June 30, 2023	March 31, 2023	Increase/ (decrease)	December 31, 2022	As at Increase/ (decrease)
Selected highlights:					
Total assets	1,518,918	1,640,757	(7%)	1,699,654	(11%)
Goodwill and intangible assets	331,416	334,489	(1%)	337,581	(2%)
Shareholders' equity	336,311	340,443	(1%)	346,921	(3%)
Term debt	110,922	110,922	—	110,922	—
Net working capital[1]	90,019	88,407	2%	95,224	(5%)
Term debt:					
Revolving credit facility	80,500	80,500	—	80,500	—
Preferred share liability	30,422	30,422	—	30,422	—
	110,922	110,922	—	110,922	—
Ratios:					
Total debt to Adjusted EBITDA[1,2]	1.8	2.1	—	1.8	—
Adjusted EBITDA[2] to interest[3]	5.2	4.8	—	7.4	—

1. Considered to be a supplemental 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 of this MD&A.
2. Adjusted EBITDA for June 30, 2023 is Q2 annualized
3. Includes interest expense on term debt, lease liabilities, and client accounts. Prior periods have been restated to conform to current period presentation.

Q2 2023 vs. Q1 2023

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 Q2 2023.

Total assets decreased by 7% from last quarter largely due to lower cash balances and margin loans. Cash balances were lower as clients moved cash into higher yielding fixed income and other instruments. Margin loans declined as clients delevered due to continued market volatility and rising interest rates. Shareholders' equity decreased by $4.1 million or 1% mainly due to the $1.4 million net loss we reported for the three months ended June 30, 2023 and $1.1 million of preferred share dividends.

Q2 2023 vs. Q4 2022

Total assets decreased by 7% from December 31, 2022 largely due to lower cash balances and margin loans. Cash and margin loan balances were down for the reasons cited above when comparing Q2 to Q1. Shareholders' equity decreased by $10.6 million or 3% mainly due to the $6.8 million net loss we reported for the six months ended June 30, 2023 and $2.1 million of preferred share dividends.

Revolving Credit Facility

In September 2021, we secured a $200 million revolving credit facility with a syndicate of lenders. We renewed the facility in May 2023. As at June 30, 2023, we had drawn $80.5 million against the facility, unchanged from the end of 2022. Combined with our 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 and Note 9 to the Second Quarter 2023 Financial Statements .

The facility contains clauses whereby we are required to meet four financial covenants. As at June 30, 2023, we were in compliance with all four covenants.

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 at June 30, 2023, we had net working capital of $90.0 million.

Operating Credit Facilities

We supplement the day-to-day liquidity provided by our cash flow and working capital with access to a variety of other cost-effective, short-term funding sources. 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 $118.1 million at June 30, 2023, compared with $389.6 million at December 31, 2022. Management considers the current level of credit availability to be sufficient. We had no amounts outstanding under any of these operating facilities at June 30, 2023 or December 31, 2022.

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 further scale back the aggregate size of these facilities. 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 assets 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 $67.0 million of liquid assets[1] at June 30, 2023 ($368.5 million at December 31, 2022). The decline in liquid assets is related to the Company outsourcing our carrying broker operation; Fidelity now holds our clients' cash on its balance sheet. We report the client cash that Fidelity holds in our "Due from broker" balance, which is not considered to be a liquid asset. For further information, see Note 9 to the Second Quarter 2023 Financial Statements.

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 Q2 2023.

Share Information

At the date of this report, August 2, 2023, we had 15.8 million common shares issued and outstanding. In addition, there were 55,000 unexercised stock options outstanding, with a weighted average exercise price of $19.23 per share. We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding.

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 completed our purchases pursuant to the bid or provide notice of termination. During 2022, we repurchased 61,102 Common Shares for cancellation under our NCIB and, in Q1 2023, we repurchased a further 23,692 shares.

We chose to not renew our NCIB in 2023. While Management and the Board still believe that the market may misprice RF Capital's shares from time to time, we also believe that there are other, higher return options for deploying the Company's capital.

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.

[1] Considered to be non-GAAP or supplemental financial measures, which does 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.

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 three and six months ended June 30, 2023, are the same as those applied by us as at and for the year ended December 31, 2022. 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 three and six months ended June 30, 2023.

Please refer to Note 3 and Note 4 to the 2022 Annual Financial Statements and Note 8 to the Second Quarter 2023 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 June 30, 2023, management evaluated the design of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the design of disclosure controls and procedures was effective.

Changes in Internal Control over Financial Reporting

As we outsourced our carrying broker operations to Fidelity on January 1, 2023, there have been changes to certain processes and personnel resulting in changes in our internal control over financial reporting. We have modified or established new internal controls, where appropriate, to address the change in operations and organizational structure including, but not limited to, ensuring user entity complementary controls are in place where we rely on our service provider for processes such as custody, clearing, and settlement. We are now reliant on certain controls at Fidelity, and, based on its CSAE 3416 report for the period from October 1, 2021 to September 30, 2022, believe that those controls are designed effectively.

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

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 (SFM) to assess our performance. We use these non-GAAP financial measures and 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 SFM 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 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 and preferred share liability;
- 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; and
- transformation costs and other provisions.

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

Fee Revenue

Fee revenue represents the fees that our advisors generate for providing holistic wealth management services and investment advice to their clients. The fees are charged to clients as a percentage of AUA. We often refer to the fees as *recurring fee revenue* because of the nature of the charges and the fact that the revenue tends to be less volatile than other types of revenue such as commissions for trading or placing new issues.

Commissionable Revenue

Commissionable revenue is revenue on which our advisors earn variable commissions and other performance incentive awards. It includes Wealth management revenue, commission revenue in connection with the placement of new issues and revenue earned on the sale of insurance products.

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:

	For the three months ended			For the six months ended	
($000s)	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Total expenses - reported	51,310	57,254	50,823	108,563	101,922
Interest	3,675	3,511	2,348	7,185	4,488
Advisor loan amortization	3,884	4,201	4,240	8,085	8,252
Depreciation and amortization	6,805	6,895	6,743	13,699	13,277
Operating expenses	36,947	42,647	37,493	79,594	75,905
Transformation costs and other provisions	413	4,101	2,415	4,514	3,958
Adjusted operating expenses	36,533	38,546	35,078	75,080	71,947

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):

	For the three months ended			For the six months ended	
($000s)	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income (loss) from continuing operations - reported	(1,425)	(5,332)	58	(6,756)	(3,089)
After-tax adjusting items:					
Transformation costs and other provisions	306	3,039	1,554	3,345	2,695
Amortization of acquired intangibles	2,398	2,398	2,398	4,796	4,797
Adjusted net income (loss)	1,279	105	4,010	1,385	4,403
Earnings per common share from continuing operations:					
Basic	(0.20)	(0.51)	(0.11)	(0.71)	(0.55)
Diluted	(0.20)	(0.51)	(0.11)	(0.71)	(0.55)
Adjusted earnings per common share:					
Basic	0.02	(0.08)	0.31	(0.06)	0.24
Diluted	0.01	(0.08)	0.19	(0.06)	0.14

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, net new and recruited assets, and working capital. 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.

Consolidated Balance Sheet

As at	Note	June 30, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	12	65,723	367,848
Securities owned	8, 12	1,323	673
Receivable from:	8, 12		
Clients		299,241	377,096
Brokers		646,185	61,204
Client funds held in trust	8, 12	—	367,316
Employee and other loans receivable	8	39,599	45,410
Equipment and leasehold improvements		38,869	37,452
Right-of-use assets		50,795	52,809
Other assets	8	30,468	34,895
Deferred tax assets		15,299	17,370
Goodwill and intangible assets	4	331,416	337,581
		1,518,918	1,699,654
LIABILITIES			
Payable to:	8, 12		
Clients		888,515	1,034,808
Brokers		204	24,650
Issuers		2,298	—
Accounts payable and accrued liabilities	6,8	54,128	50,966
Debt	8,9,13	110,922	110,922
Provisions	10	22,634	24,734
Lease liabilities		61,431	62,448
Deferred tax liability		42,476	44,205
		1,182,608	1,352,733
EQUITY			
Common shares	5	461,872	462,935
Preferred shares	5	112,263	112,263
Contributed surplus		46,930	46,151
Accumulated other comprehensive income		20,293	19,652
Accumulated deficit		(305,048)	(294,080)
Shareholders' equity		336,310	346,921
		1,518,918	1,699,654

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

"Kishore Kapoor"

Kishore Kapoor
President and Chief Executive Officer

"Donald Wright"

Donald Wright
Chair of the Board

Consolidated Statement of Income / (Loss)

($ thousands)	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
REVENUE					
Wealth management		68,972	68,494	136,780	142,877
Corporate finance		2,366	2,529	3,346	4,662
Interest		12,361	7,683	25,762	13,146
Other		5,133	12,047	10,644	18,828
Total Revenue	3	88,832	90,753	176,532	179,513
Variable advisor compensation		37,305	39,078	73,400	79,917
Gross Margin		51,527	51,675	103,132	99,596
EXPENSES					
Employee compensation and benefits		19,385	20,371	41,088	40,897
Selling, general and administrative		17,561	17,122	38,505	35,008
Advisor loan amortization		3,884	4,240	8,085	8,252
Interest		3,675	2,348	7,185	4,488
Depreciation and amortization	4	6,805	6,743	13,699	13,277
		51,310	50,824	108,562	101,922
Income/(loss) before income taxes		217	851	(5,430)	(2,326)
Income tax expense/(recovery)					
Current		480	482	983	895
Deferred		1,162	311	343	(132)
		1,642	793	1,326	763
Net income/(loss) from continuing operations		(1,425)	58	(6,756)	(3,089)
Net income/(loss) from discontinued operations	14	(2,064)	—	(2,064)	—
Net income/(loss)		(3,489)	58	(8,820)	(3,089)
Weighted-average number of common shares outstanding: (in thousands)					
Basic	7	12,449	9,602	12,455	9,603
Diluted		15,773	15,869	15,781	15,870
Net loss per common share (dollars) from continuing operations:					
Basic	7	(0.20)	(0.11)	(0.71)	(0.55)
Diluted		(0.20)	(0.11)	(0.71)	(0.55)
Net loss per common share (dollars):					
Basic	7	(0.37)	(0.11)	(0.88)	(0.55)
Diluted		(0.37)	(0.11)	(0.88)	(0.55)

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

Consolidated Statement of Comprehensive Income (Loss)

($ thousands)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net income/(loss)	(3,489)	58	(8,820)	(3,089)
Other comprehensive income/(loss)				
Item that may be subsequently reclassified to net income/(loss):				
Foreign currency translation gain/(loss) from continuing operations	—	(7)	—	(4)
Total other comprehensive income/(loss)	—	(7)	—	(4)
Total comprehensive income/(loss) attributable to shareholders	(3,489)	51	(8,820)	(3,093)

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

Consolidated Statement of Changes in Equity

($ thousands)	Note	Preferred shares #	Preferred shares $	Common shares #	Common shares $	Contributed surplus $	Accumulated other comprehensive income $	Accumulated deficit $	Shareholders' equity $
As at and for the period 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		—	—	—	—	—	3	—	3
Share consolidation		—	—	(140,760)	—	—	—	—	—
Share-based compensation		—	—	—	—	458	—	—	458
Preferred share dividends		—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(3,147)	(3,147)
As at and for the period ended March 31, 2022		4,600	112,263	15,640	464,667	44,561	18,845	(289,205)	351,131
Net foreign currency translation gain		—	—	—	—	—	(7)	—	(7)
Common shares purchased and cancelled		—	—	(16)	(171)	—	86	—	(85)
Share-based compensation		—	—	—	—	497	—	—	497
Preferred share dividends		—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	58	58
As at and for the period ended June 30, 2022		4,600	112,263	15,624	464,496	45,058	18,924	(290,220)	350,521
As at December 31, 2022		4,600	112,263	15,570	462,935	46,151	19,652	(294,080)	346,921
Common shares purchased, cancelled and forfeited	6	—	—	(27)	(1,063)	—	641	—	(422)
Share-based compensation		—	—	—	—	349	—	—	349
Preferred share dividends	5	—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(5,332)	(5,332)
As at and for the period ended March 31, 2023		4,600	112,263	15,543	461,872	46,500	20,293	(300,485)	340,443
Share-based compensation		—	—	—	—	430	—	(1)	429
Preferred share dividends	5	—	—	—	—	—	—	(1,073)	(1,073)
Net loss		—	—	—	—	—	—	(3,489)	(3,489)
As at and for the period ended June 30, 2023		4,600	112,263	15,543	461,872	46,930	20,293	(305,048)	336,310

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

Consolidated Statement of Cash Flows

($ thousands)

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
OPERATING ACTIVITIES					
Net income/(loss)		(3,489)	58	(8,820)	(3,089)
Add/(deduct) items not involving cash:					
Depreciation and amortization	4	6,805	6,743	13,699	13,277
Advisor loan amortization		3,884	4,240	8,085	8,252
Accretion of lease liability expense		799	867	1,733	1,693
Deferred income taxes		1,162	311	343	(132)
		9,161	12,219	15,040	20,001
Net change in non-cash operating items	11, 12	16,580	201,029	(302,997)	249,968
Cash provided by (used in) operating activities		25,741	213,248	(287,957)	269,969
FINANCING ACTIVITIES					
Dividends paid on preferred shares	5	(1,073)	(1,073)	(2,146)	(2,146)
Purchase of shares for cancellation	5	—	(85)	(422)	(85)
Principal elements of lease payments		(2,273)	(2,232)	(4,536)	(4,477)
Cash provided by (used in) financing activities		(3,346)	(3,390)	(7,104)	(6,708)
INVESTING ACTIVITIES					
Intangibles	4	(366)	(745)	(621)	(1,909)
Equipment and leasehold improvements		(2,968)	(6,292)	(6,443)	(7,636)
Cash provided by (used in) investing activities		(3,334)	(7,037)	(7,064)	(9,545)
Effect of foreign exchange on cash balances		—	(7)	—	(4)
Net change in cash and cash equivalents		19,061	202,814	(302,125)	253,712
Cash and cash equivalents, beginning of period		46,662	568,997	367,848	518,099
Cash and cash equivalents, end of period		65,723	771,811	65,723	771,811
Supplemental cash flow information					
Interest paid		3,674	2,170	7,185	4,276
Interest received		12,389	7,611	26,217	12,451
Taxes paid		(858)	(429)	(858)	(858)

See accompanying notes, which are an integral part of these unaudited interim condensed 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 subsidiary 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 (CIRO), a consolidation of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada. Richardson Wealth is also a member of the Canadian Investor Protection Fund.

On January 1, 2023, the Company transitioned from a self-clearing to a Type 3 Introducing Broker with the transfer of its carrying broker operations to Fidelity Clearing Canada ULC.

Note 2 – Basis of Preparation

Basis of Presentation

These interim condensed consolidated financial statements, (Interim Financial Statements) of RF Capital, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in the notes to the Company's audited annual consolidated financial statements for the year ended December 31, 2022 (Annual Financial Statements).

On December 6, 2019, the Company completed the sale of substantially all of its capital markets business. In the second quarter of 2023, the results of this discontinued operation are presented separately in the consolidated statements of income (loss) and consolidated statements of comprehensive income (loss). For further details, refer to Note 14.

Commencing the third quarter 2022, due to a change in revenue classification, certain prior period comparatives have been realigned to conform to current period presentation.

These Interim Financial Statements should be read in conjunction with the notes to the Company's Annual Financial Statements. Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousands except share and per share amounts. The Interim Financial Statements include the assets, liabilities, and results of operations of our wholly owned subsidiaries, after the elimination of intercompany transactions and balances.

These Interim Financial Statements were authorized for issuance by the Company's Board of Directors on August 2, 2023 and include all subsequent events up to that date.

Critical Accounting Estimates and Use of Judgment

The preparation of these Interim Financial Statements 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.

The areas of significant judgment, estimates and assumptions are revenue recognition, impairment of goodwill and intangible assets, income taxes and valuation of deferred taxes, share-based compensation, provisions and the fair value of financial instruments as detailed in Note 2 of the 2022 Annual Financial Statements.

($ Thousands, except share and per share amounts)

Note 3 – Revenue

The following table presents disaggregated revenue information for the Company for the three and six months ended June 30, 2023 and 2022.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Wealth management	68,972	68,494	136,780	142,877
Corporate finance	2,366	2,529	3,346	4,662
Other customer revenue	4,198	10,430	8,570	14,888
Revenue - contracts with customers	75,536	81,453	148,696	162,427
Other revenue	13,296	9,300	27,836	17,086
Total revenue	88,832	90,753	176,532	179,513
Timing of revenue recognition				
Point in time	6,756	8,207	12,502	17,200
Over time	68,780	73,246	136,194	145,227
Revenue - contracts with customers	75,536	81,453	148,696	162,427
Other revenue	13,296	9,300	27,836	17,086
Total revenue	88,832	90,753	176,532	179,513

Other Income

The following table presents a breakdown of the Company's other income for the three and six months ended June 30, 2023 and 2022.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Insurance commissions	3,821	9,239	7,402	12,438
Foreign exchange	943	1,880	1,995	3,598
Brokerage Services[1]	—	728	—	1,449
Other	369	200	1,247	1,343
	5,133	12,047	10,644	18,828

[1] Effective January 1, 2023, the Company no longer provides brokerage services.

($ Thousands, except share and per share amounts)

Note 4 – Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets as at June 30, 2023 and December 31, 2022.

		Intangible Assets			
	Goodwill	Customer relationships	Portfolio management platform	Brand and other	Total
Cost					
As at January 1, 2022	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
Additions	—	—	581	40	621
As at June 30, 2023	164,957	197,132	4,310	632	367,031
Accumulated amortization					
As at January 1, 2022		15,595	—	66	15,661
Amortization		13,109	—	118	13,227
Disposals		—	—	(59)	(59)
As at December 31, 2022		28,704	—	125	28,829
Amortization		6,554	196	36	6,786
As at June 30, 2023		35,258	196	161	35,615
Net book value					
As at December 31, 2022	164,957	168,428	3,729	467	337,581
As at June 30, 2023	164,957	161,874	4,114	471	331,416

As at June 30, 2023, there were no indicators of impairment relating to the Company's goodwill or finite life intangible assets.

Note 5 – Share Capital

Preferred Share Dividends

On May 3, 2023, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share for a total of $1,073, payable on June 30, 2023, to preferred shareholders of record on June 15, 2023.

On August 2, 2023, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share for a total of $1,073, payable on September 30, 2023, to preferred shareholders of record on September 15, 2023.

Share Repurchases, Cancellations and Forfeitures

During the six month period ended June 30, 2023, 23,692 common shares, with an aggregate cost of $704, were repurchased under the Company's normal course issuer bid (NCIB) and cancelled. The Company cancelled 9,096 common shares purchased in the previous year under the NCIB for an aggregate cost of $270. The Company's NCIB ended on March 8, 2023 and has not been renewed.

On March 17, 2023, 3,000 common shares were forfeited and cancelled in satisfaction of an employee loan, resulting in a share capital reduction of $89.

Note 6 – Share Based Compensation

Share Incentive Plan

On March 10, 2023, the Company granted 578,604 RSUs and 91,103 PSUs to employees that entitle them to cash payments on December 1, 2025 and March 7, 2026, respectively. The RSUs and PSUs were granted at a price of $13.31, based on the weighted average closing price of the Company's common shares on the TSX for the 30 consecutive trading days immediately prior to the grant date. The fair value of the RSUs and PSUs granted in March 2023 was $6,408 at the end of the reporting period.

Deferred Share Unit Plan

On March 9, 2023, the Company granted 12,792 DSUs to directors that entitle them to cash payments when they leave the Company or its Board. The DSUs were issued at a grant price of $12.79, based on the weighted average closing price of the Company's common shares on the TSX for the five consecutive trading days immediately prior to the grant date and had a value of $166. The fair value of the DSUs at June 30, 2023 is $122 and is included in Accounts payable and accrued liabilities.

On May 10, 2023, the Company granted 19,829 DSUs to directors that entitle them to cash payments when they leave the Company or its Board. The DSUs were issued at a grant price of $11.68, based on the weighted average closing price of the Company's common shares on the TSX for the five consecutive trading days immediately prior to the grant date and had a value of $232. The fair value of the DSUs at June 30, 2023 is $190 and is included in Accounts payable and accrued liabilities.

Note 7 – Net Income (Loss) Per Common Share

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

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	2023	2022	2023	2022
Net income/(loss) from continuing operations	(1,425)	58	(6,756)	(3,089)
Less: dividends on preferred shares	(1,073)	(1,073)	(2,146)	(2,146)
Net income/(loss) attributable to common shareholders from continuing operations	(2,498)	(1,015)	(8,902)	(5,235)
Net income/(loss) from discontinued operations	(2,064)	—	(2,064)	—
Net income/(loss) attributable to common shareholders	(4,562)	(1,015)	(10,966)	(5,235)
Weighted-average number of common shares outstanding (in thousands):				
Basic				
Common shares	15,773	15,869	15,781	15,870
Common shares held by the SIP Trust[1]	(230)	(231)	(231)	(231)
Contingently returnable common shares held in escrow	(3,094)	(6,036)	(3,095)	(6,036)
	12,449	9,602	12,455	9,603
Diluted				
Dilutive effect of shares held by the SIP Trust[1]	230	231	231	231
Dilutive effect of contingently returnable common shares held in escrow	3,094	6,036	3,095	6,036
	15,773	15,869	15,781	15,870
Net income/(loss) per common share - Basic				
Continuing operations	(0.20)	(0.11)	(0.71)	(0.55)
Discontinued operations	(0.17)	—	(0.17)	—
Total	(0.37)	(0.11)	(0.88)	(0.55)
Net income/(loss) per common share - Diluted[2]				
Continuing operations	(0.20)	(0.06)	(0.71)	(0.33)
Discontinued operations	(0.17)	—	(0.17)	—
Total	(0.37)	(0.06)	(0.88)	(0.33)

[1]The 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.

[2]In the case of a net loss, the impact of the shares pledged and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share is not considered to be dilutive for accounting purposes, therefore basic and diluted net loss per common share are the same.

Note 8 – 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, with changes in fair value recorded through the Statement of Income (FVTPL) or through other comprehensive income (FVOCI). Other non-trading assets and liabilities are carried 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.

($ Thousands, except share and per share amounts)

Financial Instruments – Measurement

The categories of measurement of financial instruments, excluding cash and cash equivalents held by the Company at June 30, 2023 and December 31, 2022 are as follows:

As at June 30, 2023	FVTPL	FVOCI	Amortized cost	Total
Financial assets				
Securities owned	1,323	—	—	1,323
Receivable from clients	—	—	299,241	299,241
Receivable from brokers	—	—	646,185	646,185
Employee and other loans receivable	—	—	39,599	39,599
Other assets	—	—	30,468	30,468
Total financial assets	1,323	—	1,015,493	1,016,816
Financial liabilities				
Payable to clients	—	—	888,515	888,515
Payable to brokers	—	—	204	204
Payable to issuers			2,298	2,298
Accounts payable and accrual liabilities			54,128	54,128
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,056,067	1,056,067

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
Payable to issuers	—	—	—	—
Accounts payable and accrual liabilities	—	—	50,966	50,966
Debt	—	—	110,922	110,922
Total financial liabilities	—	—	1,221,346	1,221,346

($ Thousands, except share and per share amounts)

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 that are carried at fair value:

As at June 30, 2023	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Equity securities	1,051	—	—	1,051
Derivative financial assets	—	—	272	272
Financial assets carried at fair value	1,051	—	272	1,323

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

($ Thousands, except share and per share amounts)

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy for the years ended June 30, 2023 and December 31, 2022.

	Level 3 fair value
As at December 31, 2021	347
Net unrealized gain (loss) before income taxes	(326)
Proceeds from disposition	3
As at December 31, 2022	24
Net unrealized gain (loss) before income taxes	248
As at June 30, 2023	272

There were no transfers to or from all levels for the six months ended June 30, 2023 or the year ended December 31, 2022.

Note 9 – Debt and Capital Management

The following table presents a breakdown of the Company's debt obligations as at June 30, 2023 and December 31, 2022.

	2023	2022
Revolving credit facility	80,500	80,500
Preferred shares	30,422	30,422
	110,922	110,922

Revolving Credit Facility

The Facility contains clauses whereby the Company is required to meet certain financial covenants. As at June 30, 2023, the Company was compliant with the covenants associated with the Facility. As at December 31, 2022 the Company had met three covenants but did not meet the fourth, its fixed charge coverage ratio. The loan syndicate agreed, subsequent to December 31, 2022, to waive the fixed charge coverage ratio covenant until March 30, 2023. On March 15, 2023, the Company amended the credit agreement with the syndicate to exclude certain capital expenditures in connection with the Company's new head office for the purpose of calculating its fixed charge coverage ratio.

On May 4th, 2023, the Company amended the credit facility to extend the maturity date to May 4th, 2025. The Facility will bear interest at a spread over prescribed benchmark rates, with the spread depending on our leverage at the time that the Company draws on the Facility.

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 $118.1 million at June 30, 2023, compared to $389.6 million at December 31, 2022. 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 June 30, 2023 and December 31, 2022. During 2023, the Company closed various credit facilities related to its carry broker business. (See note 12)

($ Thousands, except share and per share amounts)

Note 10 - Provisions

The following table presents a breakdown of the Company's provisions as at June 30, 2023 and December 31, 2022.

Balance, December 31, 2021	27,323
Additions	575
Payments[1]	(2,314)
Recoveries	(850)
As at December 31, 2022	24,734
Additions	3,091
Payments[1]	(4,791)
Recoveries	(400)
As at June 30, 2023	22,634

[1]Includes $400 and $1,200 relating to key management personnel in June 30, 2023 and December 31, 2022 respectively.

Note 11 – Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items for the three and six month periods ending June 30, 2023 and 2022.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Securities owned	22	63	(650)	5,482
Receivable from clients and brokers	128,645	180,040	(507,126)	86,367
Client funds held in trust	—	7,609	367,316	(55,666)
Employee and other loans receivable	573	(6,020)	(2,274)	(7,872)
Other assets	981	(3,680)	4,427	(2,667)
Lease inducement allowance	1,910	—	1,910	—
Obligations related to securities sold short	—	9,679	—	9,280
Payable to clients, brokers and issuers	(117,966)	5,635	(168,441)	220,682
Accounts payable and accrued liabilities	1,281	8,050	3,941	(3,924)
Provisions	1,134	(347)	(2,100)	(1,714)
	16,580	201,029	(302,997)	249,968

Note 12 – Change in Operations

On January 1, 2023, the Company outsourced its carrying broker operations, which led to a change in the composition of its balance sheet. Client cash held in unregistered accounts that was previously reported as Cash and Cash equivalents on the Company's balance sheet is now reported as a Receivable from Brokers. Similarly, client cash held in registered accounts that was previously reported as Client Funds Held in Trust on the Company's balance sheet is now reported as a Receivable from Brokers. This change also impacted the Statement of Cash Flows as it caused the Company to report a reduction in its Cash and Cash equivalents and non-cash operating items. It did not affect the Company's Statement of Income.

Note 13 – Cessation of CDOR

On May 16, 2022, Refinitiv Benchmark Services Limited (RBSL) published a Canadian Dollar Offered Rate (CDOR) cessation notice stating that the calculation and publication for all tenors of CDOR will cease following a final publication on June 28, 2024. Canadian Alternative Reference Rate Working Group (CARR) has recommended retiring CDOR over two phases through 2023 and 2024, and expects that CDOR-based contracts will be transitioned to the Canadian Overnight Repo Rate Average (CORRA). RWL has determined that this would affect the discounting of the Company's leases and debt. As the effects of the change will not be reflected until 2024, RWL will continue to use the CDOR rate until the end of the 2023 fiscal year.

Note 14 – Discontinued Operations

On December 6, 2019, the Company completed the sale of substantially all of its capital markets business in an all-cash transaction to Stifel Nicolaus Canada Inc.. In the second quarter of 2023, the Company recorded a $2,064 increase in legal provisions associated with this discontinued operation. The provision relates to a legacy employment litigation matter.