

MANAGEMENT
DISCUSSION
AND ANALYSIS

2019

WITH US
IT'S
PERSONAL

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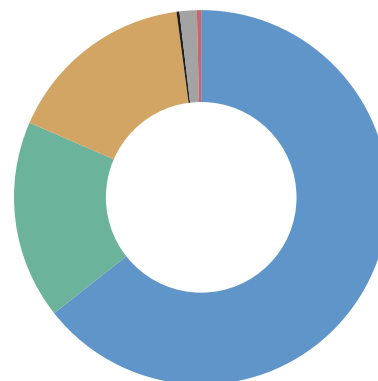
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FINANCIAL HIGHLIGHTS

Results from continuing operations for the year ended December 31, 2019, when compared to continuing operations for the year ended December 31, 2018.

- Total net earnings and comprehensive income decreased 6% to \$9.33 million from \$9.90 million.
- Total revenue decreased 2% to \$49.08 million from \$50.03 million mainly due to a decrease in spot trade volume and transaction sizes in the Foreign Exchange division.
- Service revenue decreased 8% to \$35.58 million from \$38.60 million mainly due to a decrease in Foreign Exchange spot trade volume and transaction sizes.
- Other gains and losses, net, amounted to \$3.10 million for the year ended December 31, 2019, compared to (\$1.43) million, mainly due to Olympia Trust's Foreign Exchange division recording a \$2.23 million unrealized foreign exchange forward contract gain stemming from an increase in the number and sizes of forward exchange contracts. This compares to a (\$1.38) million foreign exchange forward contract loss in the prior year. In addition, Olympia also recognized an insurance settlement of \$0.84 million from the cyber incident claim.
- Olympia's interest revenue and trust income is subject to fluctuations depending on account balances and changes in the Canadian prime rate. Interest revenue and trust income increased 18% to \$13.50 million from \$11.43 million, mainly due to the average Canadian prime rate for the year being higher at 3.95% compared to an average of 3.58% in 2018.
- Direct and administrative expenses (excluding depreciation and amortization) increased 10% to \$37.79 million from \$34.26 million, mainly due to increases in salaries and wages, enhanced cyber security measures, computer consultant fees and computer maintenance fees.
- Income tax expense is recognized based on the estimated average annual income tax rate for the full financial year. A change in the Alberta corporate tax rate resulted in a rate of 26.5% being used for the year ended December 31, 2019. The rate used as at December 31, 2018 was 27%.
- Earnings before income tax decreased 5% to \$12.86 million from \$13.59 million.
- Basic and diluted earnings per share attributable to shareholders of Olympia decreased 5% to \$3.92 per share from \$4.14 per share.

TOTAL REVENUE BY
DIVISION (%)



	2019	2018
• Registered Plans	64.4%	61%
• Private Health Services	17.1%	17%
• Foreign Exchange	16.4%	20%
• Corporate Shareholder Services	0.4%	0%
• Exempt Edge	1.5%	1%
• Other	0.2%	1%

PRESIDENT'S MESSAGE

Last year I noted that Olympia's pre-tax earnings had increased by 40% and that was after a 20% increase in pre-tax earnings the previous year. Obviously, we would have all liked that trend to continue but to have earnings similar to last year is an achievement. Much of our increase in earnings in the two previous years was attributable to increases in the prime interest rate and there were no increases in the prime interest rate this past year. Shareholders did very well in 2019. The share price at the beginning of the year was \$38.50 and closed out the year at \$51.27. Those shareholders who owned shares at the beginning of 2019 earned a 7% dividend and had share appreciation of 33%.

It is always easy to look at the bottom line of an income statement to compare one year with another. What I find interesting is that this simple assessment does not usually provide a measure of financial performance. For example, a simple look at Olympia's pre-tax earnings for the year would indicate that we are down around \$700,000. What should be noted is that included in this \$700,000 of lower earnings is \$1,800,000 of losses in our two newest divisions (Corporate and Shareholder Services and Exempt Edge) This \$1,800,000 in losses could easily be described as investments. You may recall that in 2013 we sold our Shareholder Services Division for \$43 million and just restarted the Division after the expiry of a 5 year non-compete contract. We planned to lose a \$1,000,000 in 2019 to start the new division. Exempt Edge was started with the goal of providing the exempt market (non- prospectus security offerings) with a digital back office. It now has a substantial presence in that market and by midyear should have its systems fully integrated with Olympia Trust Company. When the integration is completed, Exempt Edge will be in a position to reduce its development expenditures and move toward profitability.

Olympia started out the year with a fabulous January only to be hit with a major cyber-attack in early February. Our entire computer system was frozen. Our efforts to protect us from a major cyber-attack had failed. What we did learn is that our employees in our IT department will work 24/7 when the chips are down. They were fantastic!!! What we did learn is that the work we had done planning for a cyber-attack helped us reduce the impact and we also learned that the good insurance work done by our Finance Department had us adequately covered for our losses. There was no loss of customer information and all of our Divisions did a great job in meeting our customer's expectations and needs even though they had to learn how to go back to writing cheques and using paper.

As a consequence of the cyber-attack, the Board of Directors was joined by Tony Balasubramanian who is an expert in computer science. Tony is an active Director who meets regularly with IT senior management. We also hired a specialist well versed in the newest developments in cyber security to keep our IT systems

as safe as possible. While it is possible that we may be impacted again, the processes and technology in place will help to greatly reduce the impact and also provide much earlier detection. Yes, it costs us more money, but we are already experiencing benefits from our new system.

Olympia's Registered Plans Division continues to be the company's major income earner. The Division has spent a considerable amount of money developing a new phone and computer application that allows customers to perform many of the tasks that previously required the assistance of one of our employees. Customers can now open accounts, transfer funds, make contributions, check their accounts and purchase exempt securities using their phone or personal computer. Now that the app has been completed we do expect to see some administrative cost savings while providing a better service experience to our customers.

Olympia Benefits continued growing its business in 2019 and introduced two new products. Telemedicine can now be added to an employee health plan at a very affordable cost of \$8 per month. This product virtually gives you a doctor in your pocket. You can call and get medical advice no matter where you are in the world or what time of day it is. It is a great service for all of us who carry our cell phones and hate line ups. The second product is a wellness product. The customer decides the dollar amount of the benefit and specifically what items are covered but generally the emphasis is on supporting your employee's good health and wellness by having the company pay for green fees, lift tickets for skiing, gym memberships, etc. Olympia Benefits manages the program for employers. This Division has tremendous potential. They have spent years developing their presence online and are enjoying very good success even with a very low conversion rate. They are now focusing on improving the conversion rate.

Foreign Exchange had an excellent year with its earnings for the year up 50%. While not trying to be too negative about the prospects of the Division repeating the results in 2020, Shareholders should be aware that some of these earnings were attributable to the excitement in the Cannabis and Agriculture sectors which have significantly slowed down. Earnings in this Division are very dependent on what is happening in the local economy. Neil McCullagh, who has been with Olympia Foreign Exchange for 10 years, became Vice President of this Division at midyear. Neil is very excited about the opportunity to develop this Division.

We are very excited to be back in the shareholder services and corporate trustee business. Much of our old team have rejoined Olympia and we now have offices in Vancouver and Calgary. As previously stated, we did plan to lose (invest) around \$1,000,000 this first year in business but hope to be profitable on a monthly

basis by late 2020. There continues to be a great need for personal professional service in this area and we are very able to provide that.

Exempt Edge had a great year. It ended the year by getting commitments from two major companies. The Division has exceeded our expectations and once it has completed its integration with Olympia Trust Company it will provide the exempt market with a truly revolutionary service. It has done a great job of getting most of the Independent Exempt Market Dealers many major issuers as customers. The entire industry benefits from using Issuers Edge and Dealer's Edge. If any of the dealers see a need to change the system, chances are they would all like the change and instead of having to each have their own expensive proprietary system, they all save time and money by using the Exempt Edge System.

In 2019 Craig Skauge, President of Olympia Trust Company and Exempt Edge was named one of Canada's Top 40 Under 40. This prestigious Award has been won by many very recognizable "who's who" in the Canadian business community and I, as his father am very proud of him as well. Craig has shown his leadership skills in a number of ways. He is the founder of the Western Exempt Market Association which later changed its name to the National Exempt Market Association and then with the help of Craig's stick handling merged with the eastern Canadian counterpart The Private Capital Markets Association of which he is currently Vice-Chair. Craig was previously a member of the Ontario Securities Commission Exempt Market Advisory Committee, the Ontario Securities Commission Small and Medium Enterprises Committee and is currently a member of the Alberta Securities Exempt Market Dealer Advisory Committee. Craig is also the President of Olympia Charitable Foundation and has organized our Charity Golf Tournament for the past 15 years. Well connected, often quoted in Canada's top business newspapers, we are fortunate to have him lead Olympia Trust Company. An instant success after 16 years of being with Olympia.

Olympia Charitable Foundation was created to have our giving be more personal than just signing a cheque. Our employees are involved in contributing money that is matched by Olympia and they are also involved in picking the Charities we donate to. Many of the charities we donate to are small and really appreciate the \$5,000 we give them. We have been so successful at raising money that we now have several charities that we give \$25,000 or more per year. Our most supported charities are Dreams Take Flight and Stephen's Backpack Society. In 2019 we raised \$67,000 from the golf tournament and \$221,000 from employee matched contributions for a total of \$288,000. We are proud of the contributions our employees make to the community.

Success has to be defined by more than just the bottom line. One of the awards I most like to earn is being named one of the Top 70 Employer for the Province of Alberta. We did it again in 2019 which was the seventh year in a row that we have won this award. What it says is Olympia is a good place to work. We care about our people. With us "it's personal!!"



CRAIG SKAUGE AND RICK SKAUGE
Congratulations Craig on being one of Canada's Top 40 Under 40

There are two main areas we would like to get Canadians to focus on in the next few years. We currently administer about 20,000 registered accounts where the registered plan invests in mortgages. The default rate is low for most of the mortgages and the plan holder is earning a very good interest rate. Our goal is to further educate the general public that this is another option in which they can invest their cash and retirement savings. In order to make mortgage investing easier, Olympia has created a mortgage administration company that will look after all the dirty work of investing in mortgages. We will chase down the bounced cheques, make sure the insurance is in force, make sure the taxes have been paid, and if need be foreclose on a delinquent borrower. We believe that by taking care of these things that many more individuals and mortgage brokers will participate in this market space.

The other idea we would like to share with Canada's business owners is that if they are looking to raise money from private sources, one of the first places they should look for cash is from individual's registered plans. Tax and securities laws in Canada allow for many private companies to issue securities such as preferred shares to a registered plan but it's a fairly well-kept secret. We intend to share that secret with entrepreneurs across the country in multiple different ways.

We look forward to another good year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the financial position and results of operations of Olympia Financial Group Inc. ("Olympia") for the year ended December 31, 2019.

This MD&A should be read in conjunction with Olympia's audited consolidated financial statements ("consolidated financial statements") for the year ended December 31, 2019, as well as the MD&A found in Olympia's 2018 Annual Report, together with the audited consolidated financial statements and accompanying notes found therein. Olympia's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Amounts are presented in Canadian dollars, Olympia's functional currency. All references to \$ are to Canadian dollars and references to US\$ are to United States dollars.

This report, and the information provided herein, is dated as at February 27, 2020. Additional information about Olympia, including quarterly and annual reports, is available on Olympia's website at www.olympiafinancial.com and on SEDAR at www.sedar.com.

Cautionary note regarding forward-looking statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or Olympia's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "plan," "continue," "estimate," "expect," "may," "will," "project," "predict," "propose," "potential," "targeting," "intend," "could," "might," "should," "believe," and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Olympia believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Any forward-looking statements included in this MD&A should not be unduly relied upon by investors, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements contained herein, Olympia has made assumptions regarding, among other things:

- general business and economic conditions in Canada;
- fluctuations in interest rates and currency values;
- changes in monetary policy;
- changes in economic and political conditions;
- legislative and regulatory developments;
- results from legal proceedings and disputes;
- the level of competition in Olympia's markets;
- the occurrence of weather related and other natural catastrophes;
- changes in accounting standards and policies;
- the accuracy and completeness of information Olympia receives about customers and counterparties;
- the ability to attract and retain key personnel;
- changes in tax laws;
- technological developments;
- cyber security risks;
- costs related to operations remaining consistent with historical experiences;
- management's ability to anticipate and manage risks associated with these factors; and
- insurance claim payouts.

Olympia's actual results could differ materially from those anticipated in the forward-looking statements contained herein as a result of the risk factors set forth herein.

Although Olympia's management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results to not be as anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and Olympia disclaims any obligation to update any forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.



SARA KING, JOHN HORTON, KALIE COX AND PIERRE WHALEN
Olympians taking part in the 2019 Corporate Challenge

Olympia's business

Olympia was formed under the *Business Corporations Act* (Alberta) and is headquartered in Calgary, Alberta. Olympia is a reporting issuer in British Columbia, Alberta, and Ontario and its common shares are listed on the Toronto Stock Exchange ("TSX"). The majority of Olympia's business is conducted through its wholly owned subsidiary Olympia Trust Company ("Olympia Trust"), a non-deposit taking trust corporation.

Olympia Trust received its letters patent on September 6, 1995, authorizing the formation of a trust corporation to be registered under the *Loan and Trust Corporations Act* (Alberta). Olympia Trust is licensed to conduct trust activities in Alberta, British Columbia, Saskatchewan, Manitoba, Québec, Newfoundland and Labrador, Prince Edward Island, New Brunswick, and Nova Scotia. The Registered Plans division, Foreign Exchange division, and Corporate and Shareholder Services division conduct business under Olympia Trust.

The Private Health Services Plan division conducts business under Olympia Benefits Inc. ("OBI"), a wholly owned subsidiary of Olympia. Olympia Benefits Inc. was incorporated on May 4, 2006, under the *Business Corporations Act* (Alberta).

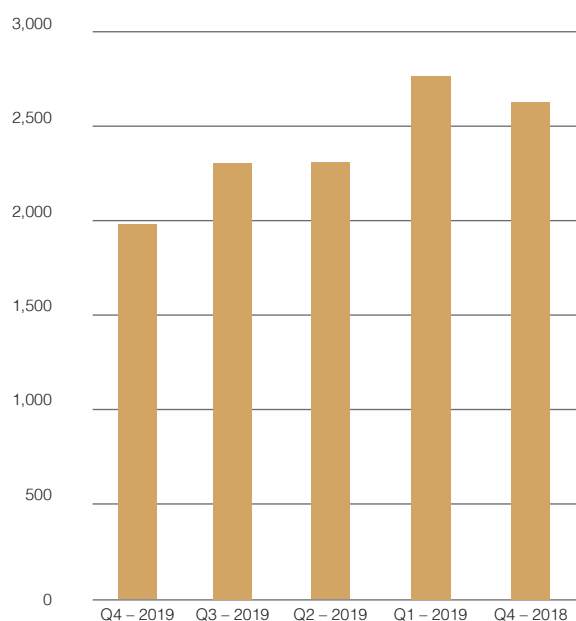
The Exempt Edge division ("EEI") conducts business under Exempt Edge Inc. Exempt Edge Inc. was incorporated under the *Business Corporations Act* (Alberta) on November 28, 2016. Olympia holds an 80% controlling interest in Exempt Edge Inc. and a third party holds a non-controlling interest of 20%. The non-controlling interest is presented separately in the statements of net earnings and comprehensive income and within equity in the balance sheets, but separately from Olympia's equity.

Summary of financial results

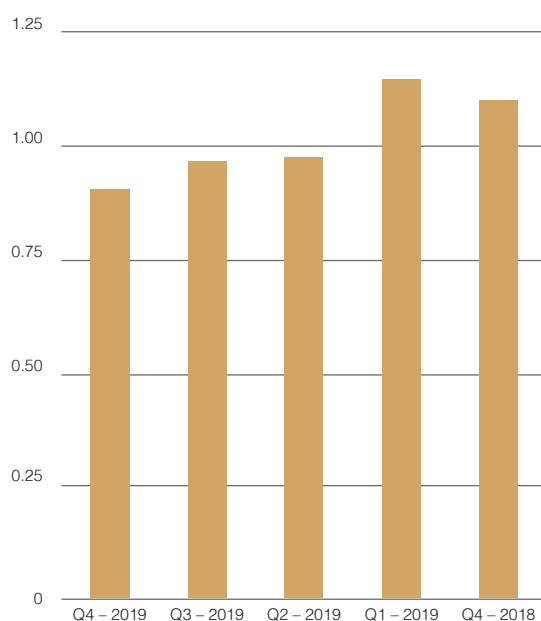
Overview and financial highlights from continuing operations for the year ended December 31, 2019, when compared to the year ended December 31, 2018.

- Total net earnings and comprehensive income decreased 6% to \$9.33 million from \$9.90 million.
- Total revenue decreased 2% to \$49.08 million from \$50.03 million mainly due to a decrease in spot trade volume and transaction sizes in the Foreign Exchange division.
- Service revenue decreased 8% to \$35.58 million from \$38.60 million mainly due to a decrease in Foreign Exchange spot trade volume and transaction sizes.
- Other gains and losses, net, amounted to \$3.10 million from (\$1.43) million, mainly due to Olympia Trust's Foreign Exchange division recording a \$2.23 million unrealized foreign exchange forward contract gain stemming from an increase in the number and sizes of forward exchange contracts. This compares to a (\$1.38) million foreign exchange forward contract loss in the prior year. In addition, Olympia also recognized an insurance settlement of \$0.84 million from the cyber incident claim.
- Olympia's interest revenue and trust income is subject to fluctuations depending on account balances and changes in the Canadian prime rate. Interest revenue and trust income increased 18% to \$13.50 million from \$11.43 million, mainly due to the average Canadian prime rate for the year being higher at 3.95% compared to an average of 3.58% in 2018.
- Direct and administrative expenses (excluding depreciation and amortization) increased 10% to \$37.79 million from \$34.26 million, mainly due to increases in salaries and wages, enhanced cyber security measures, computer consultant fees and computer maintenance fees.
- Income tax expense is recognized based on the estimated average annual income tax rate for the full financial year. A change in the Alberta corporate tax rate resulted in a rate of 26.5% being used for the year ended December 31, 2019. The rate used as at December 31, 2018 was 27%.
- Earnings before income tax decreased 5% to \$12.86 million from \$13.59 million.
- Basic and diluted earnings per share attributable to shareholders of Olympia decreased 5% to \$3.92 per share from \$4.14 per share.

COMBINED NET EARNINGS
PER QUARTER (\$ '000)



EPS PER QUARTER (\$)



SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of Olympia's quarterly results for each of the last eight quarters. The quarterly results have been derived from financial information prepared in accordance with IFRS.

Quarterly Summary

(\$ thousands)	Dec. 31 2019	Sep. 30 2019	Jun. 30 2019	Mar. 31 2019	Dec. 31 2018	Sep. 30 2018	Jun. 30 2018	Mar. 31 2018
Service revenue	9,192	8,670	9,188	8,530*	9,738	9,452	10,308	9,099
Interest revenue and trust income	3,589	3,424	3,441	3,048	2,966	2,963	2,874	2,630
Expenses	(10,066)	(9,315)	(9,556)	(10,393)	(8,831)	(8,584)	(9,268)	(8,327)
Other gains/(losses), net	85	489	(74)	2,604*	(310)	(809)	(189)	(122)
Earnings before income taxes	2,800	3,268	2,999	3,789	3,563	3,022	3,725	3,280
Earnings from continuing operations	1,998	2,294	2,295	2,739	2,591	2,200	2,725	2,386
Earnings/(loss) from discontinued operations	-	-	-	-	30	25	(199)	(244)
Net earnings	1,998	2,294	2,295	2,739	2,621	2,225	2,526	2,142
Per share attributable to shareholders of Olympia from continuing operations – basic and diluted (\$)	0.85	0.96	0.97	1.14	1.09	0.92	1.14	0.99
Per share attributable to discontinued operations – basic and diluted (\$)	-	-	-	-	0.01	0.01	(0.08)	(0.09)
Dividends per share (\$)	0.69	0.69	0.69	0.63	0.60	0.6	0.54	0.51

*Presentation of Q1 2019 has been adjusted for the reclassification of the insurance settlement to align with the Q4 2019 presentation.

Quarterly results in 2019

Olympia's total quarterly revenue for 2019 was, on average, 1% lower than Olympia's quarterly revenue for 2018. This decrease is largely due to a decrease in service revenue, but is partially offset by an increase in interest revenue and trust income earned. Service revenue had the largest year-over-year decreases in the second and third quarters of 2019 when compared to 2018. This was mainly due to a decrease in spot trade volume and transaction sizes in the Foreign Exchange division. Increases in quarterly interest and trust income are attributable to the Canadian prime rate being at 3.95% throughout 2019, whereas in 2018 the average rate was 3.58%.

Quarterly direct and administrative expenses (including depreciation and amortization) increased by an average of 10%, mainly due to an increase in enhanced cyber security measures, computer consultant fees and salaries and wages.

Fourth quarter results

Service revenue in the fourth quarter was \$9.19 million, down from \$9.74 million in the fourth quarter of 2018, mainly due to a decrease in spot trade volume and transaction sizes in the Foreign Exchange division. Interest revenue and trust income was \$3.59 million, up from \$2.97 million in the fourth quarter of 2018, due to interest being earned at a higher rate.

Total revenue in the fourth quarter for the Private Health Services Plan division increased 4% to \$2.29 million from \$2.21 million when compared to the fourth quarter of 2018. Total expenses and depreciation remained the same at \$1.39 million when compared to the fourth quarter of 2018.



LISA CHIANG, JONATHAN LAWRENCE, SAMANTHA JOHNSON, KALIE COX AND GERHARD BARNARD
Olympians taking part in the 2019 Corporate Challenge 10km run

Total revenue for the Registered Plans division increased 5% to \$8.28 million from \$7.87 million when compared to the fourth quarter of 2018. Total expenses and depreciation increased 14% to \$5.77 million from \$5.06 million when compared to the fourth quarter of 2018. The increase in expenses is primarily due to an increase in bonus expense as a result of higher revenue, as well as an increase in allowance for bad debts.

The Foreign Exchange division's total revenue decreased by 10% to \$1.91 million from \$2.13 million when compared to the fourth quarter of 2018. Expenses, commissions, depreciation and amortization increased by 7% to \$1.91 million from \$1.78 million when compared to the fourth quarter of 2018, due to an increase in enhanced cyber security, bank charges and an accrual for a Canada Revenue Agency ("CRA") employee tax assessment.

The Exempt Edge division's total revenue increased by 13% to \$0.17 million from \$0.15 million when compared to the fourth quarter of 2018. Total expenses, including depreciation, increased to \$0.49 million from \$0.30 million when compared to the fourth quarter of 2018, due to an increase in computer maintenance costs and development expenses as the Exempt Edge division continues development of its software services.

The Corporate and Shareholder Services division's total revenue was \$0.10 million for the fourth quarter of 2019. Total expense, including depreciation was \$0.37 million. These costs relate to salaries and wages and startup cost.

Objectives for 2020

Management has set the following major objectives for 2020:

- Grow the Corporate and Shareholder Services division;
- Continue to invest in Olympia's online presence;
- Implement operational changes to the Foreign Exchange division;
- Transition from cost reduction to revenue expansion in the Health Services Plan division;
- Continue to grow the Exempt Edge division; and
- Further develop the Registered Plans division's app and online platform.

Grow the Corporate and Shareholder Services division

In 2020, the Corporate and Shareholder Services division will continue to promote its transfer agent and corporate trust services across Western Canada, with specific focus on growing its market presence in Vancouver. The corporate and shareholder division will also work on the integration of its transfer agency services with the Issuer's Edge platform developed by the Exempt Edge division.

Continue to invest in Olympia's online presence

Olympia continues to enhance its online platforms to better serve its customers with performance and usability improvements. Olympia has devoted specialized resources to application development for the purpose of enhancing its online presence. Olympia continues to invest in its cyber security initiatives to ensure the safety and security of client information and prevent malicious activity.

Implement operational changes to the Foreign Exchange division

The focus for the Foreign Exchange division (to be renamed "Currency & Global Payments" in 2020) is to improve operational efficiency to increase client experience and retention. This will include a focus on introducing new currency hedging and risk mitigation products, as well as increasing available settlement and payment options. As part of the strategy for 2020, Olympia wants to optimize the PayFX online trading platform to allow clients to self-serve their currency transactions and payments. Account managers will continue to work with clients to develop customized currency and global payments solutions that fit their business needs.

Transition from cost reduction to revenue expansion in the Health Service Plan division

Olympia's Private Health Services Plan division has three strategic objectives for 2020 and beyond – increase sales, strengthen the customer base, and advance technology infrastructure.

2019 saw an increase of more than 100% in website traffic and lead generation. Understanding the customer journey and the conversion of leads is a top priority for improving sales. A new website and an extension of current marketing endeavors is anticipated to increase lead generation.

Customer success is crucial given the division's transition to a subscription model. The division will deepen its understanding of the customer experience. A new customer model will be developed to encourage customers not only renew their plan, but purchase additional products such as the Wellness Spending Account and Telemedicine.

Finally, to keep pace with the competitive market, the division will place an emphasis on advancing its core technology infrastructure. The customer platform "My Olympia," database system, and mobile App will be refined to provide a sturdy and flexible foundation for future growth.

Continue to grow the Exempt Edge division

The Exempt Edge division ended the 2019 fiscal year strongly with the adoption of its Dealer's Edge platform by one of the largest exempt market dealers in Canada. In 2020, the Exempt Edge division will continue to promote the adoption of its Issuer's Edge and Dealer's Edge platforms and encourage the conduct of transaction of exempt market securities through the Edgelink ecosystem. Development efforts in 2020 will be focused on the integration of the Dealer's Edge and Issuer's Edge platforms with the trust services provided by the Registered Plan division and the transfer agency services provided by the Corporate and Shareholders Services division.

Further develop the Registered Plans division's app and online platform

The Registered Plans division has deployed and is marketing version three of its app. Management believes this product enhances the customer experience for those who prefer online banking. In 2020, Olympia will continue to implement technological integrations of the Registered Plans division's online platform and app, in addition to the integration of the primary back office system with certain platforms of the Exempt Edge division. This will create efficiencies for both end user and Olympia entities.

Outlook for 2020

Olympia is confident that its current operations will be able to generate sufficient amounts of cash and cash equivalents in the short and long term to maintain and meet Olympia's planned growth and development activities. Olympia is well diversified, with its Registered Plans, Private Health Services Plan, Foreign Exchange, Exempt Edge, and Corporate and Shareholder Services divisions.

FINANCIAL ANALYSIS

Consolidated Balance Sheets as at

(\$)	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash & cash equivalents	\$ 13,754,089	\$ 12,834,906
Trade & other receivables	3,105,766	2,272,037
Inventory	56,518	49,127
Prepaid expenses	1,270,284	783,370
Derivative financial instruments	2,177,020	406,082
Total current assets	20,363,677	16,345,522
Non-current assets		
Restricted cash & investments	2,500,000	707,000
Equipment & other	1,120,955	1,239,533
Intangible assets	2,748,214	2,508,262
Right-of-use assets	1,073,064	-
Financial asset at fair value through other comprehensive income	38,574	43,714
Long-term lease receivable	55,156	-
Promissory note receivable	1,400,000	1,428,539
Derivative financial instruments	1,840,389	-
Deferred tax assets	786,200	1,243,256
Total non-current assets	11,562,552	7,170,304
Total assets	\$ 31,926,229	\$ 23,515,826
LIABILITIES		
Current liabilities		
Trade & other payables	\$ 1,456,166	\$ 1,341,892
Deferred revenue	486,655	399,820
Other liabilities & charges	1,732,886	1,528,078
Revolving credit facility	6,655,347	4,207,347
Lease liabilities	907,066	-
Derivative financial instruments	657,259	160,480
Current tax liability	176,795	5,637
Total current liabilities	12,072,174	7,643,254
Other liabilities	-	791,705
Lease liabilities	1,038,286	-
Derivative financial instruments	887,020	-
Total liabilities	\$ 13,997,480	\$ 8,434,959
EQUITY		
Share capital	\$ 7,886,989	\$ 7,886,989
Contributed surplus	86,373	86,373
Retained earnings	10,164,595	7,214,540
Equity attributable to owners of Olympia	18,137,957	15,187,902
Non-controlling interests	(209,208)	(107,035)
Total equity	17,928,749	15,080,867
Total equity & liabilities	\$ 31,926,229	\$ 23,515,826

Cash, cash equivalents and restricted cash and investments

Olympia continues to generate cash from its core businesses. As at December 31, 2019, cash reserves increased by 7% to \$13.75 million (December 31, 2018 – \$12.83 million). This increase is mainly due to Olympia having a higher interest receivable balance than the prior year due to the average interest rate being higher than 2018.

Restricted cash and investments as at December 31, 2019, of \$2.50 million (December 31, 2018 – \$0.71 million), consist of cash held by a financial institution as collateral for the performance of Olympia's foreign exchange trading platform obligations. Restricted cash and investments are not readily accessible for use in operations and are reported separately from cash and cash equivalents on the balance sheet. Olympia used its revolving credit facility to fund the increased collateral requirements.

Olympia's cash is placed with a Canadian financial institution where it generates interest. Cash and cash equivalents comprise 67% of the total current assets of Olympia at December 31, 2019, compared to 79% at December 31, 2018.

Trade and other receivables

Trade and other receivables are comprised largely of receivables from the Registered Plans division's clients. The increase in trade receivables is mainly due to annual administration fees charged by the Registered Plans division, which were billed on January 1, 2019.

Olympia has made allowances for doubtful accounts of \$0.98 million, compared to \$0.57 million as at December 31, 2018. Management is committed to a policy of closely monitoring risk and exposure in this area and is actively pursuing past due accounts through its internal collection process.

Included within receivables is the current portion of a lease receivable of \$0.04 million recognized based on the present value of sublet property as required by the newly adopted IFRS 16.

Promissory note receivable

On June 5, 2018, Olympia announced the sale to Tarman ATM Inc. ("Tarman") of the ATM business operated by Olympia ATM Inc., as a going concern, for an amount equal to then current net book value of all assets used in the ATM business less all assumed liabilities; an amount estimated to be \$1.4 million.

The sale of the ATM business to Tarman, a corporation owned and controlled by Rick Skauge, was a related party transaction, as defined in Multilateral Instrument 61-101 – [Protection of Minority Security Holders in Special Transactions], but was exempted from Olympia obtaining disinterested shareholder approval and a formal valuation as the fair market value of the proposed transaction was less than 25% of Olympia's market capitalization.

An ad hoc committee composed solely of the independent members of Olympia's Board of Directors was constituted to consider and approve the sale of the ATM business to Tarman. As part of its deliberations, the ad hoc committee of the Board of Directors noted the continuing losses of approximately \$120,000 per month in the ATM business and acknowledged that while the ATM business still had the potential to grow and expand, it was unlikely to become profitable in the near future. Given the immediate financial benefits that the sale of the ATM business would have for Olympia and the uncertain timelines to profitability, the ad hoc committee believed the sale of the ATM business to be in the best interest of Olympia. The ad hoc committee of the Board of Directors obtained a fairness comfort letter stating that the proposed transaction was fair to the disinterested shareholders of Olympia. In addition, following the public disclosure of the transaction, Olympia received an unsolicited expression of interest in the ATM business from a third-party. Olympia permitted the third-party to conduct a due diligence review and valuation of the ATM business and received an offer to purchase the ATM business from the third-party that was economically comparable to the offer made by Tarman.

In conjunction with the sale of substantially all the assets of Olympia ATM Inc. to a related party in 2018, the purchase price was paid by the delivery of a secured demand promissory note (the "promissory note") for \$1.40 million by Tarman. The outstanding principal amount of the promissory note bears interest at prime plus 0.25%. Subject to Canadian Western Bank's ("CWB") consent (as discussed below), all interest accrued under the promissory note shall be paid on an annual basis on or before the 30th day of June of each calendar year and, commencing June 30, 2020, Tarman is required to repay the outstanding principal amount of the promissory note in annual installments of \$140,000 on or before the 30th day of June of each calendar year, with the outstanding balance of the principal amount to be repaid in full on or before June 30, 2023. As at December 31, 2019, all interest has been fully paid. Interest earned for the year ended December 31, 2019 was \$58,800.

In connection with the financing of the vault cash used by Tarman, Olympia agreed to postpone to CWB the receipt of all amounts owed to it by Tarman and is required to obtain CWB's consent prior to accepting any amounts from Tarman. Olympia has obtained the required consent. Olympia also agreed to subordinate to CWB all security interests granted to Olympia by Tarman.

Olympia has assessed the expected credit loss as it relates to the promissory note and has determined it to be nominal.

Forward foreign exchange contracts

Olympia purchases forward exchange contracts when its Foreign Exchange division enters into a transaction to buy or sell foreign currency in the future. These contracts are both short term and long term in nature, are in the normal course of

business, and are used to manage foreign exchange exposure. Forward foreign exchange contracts are not designated as hedges and they are recorded at fair market value through profit and loss.

Forward foreign exchange contracts are recorded on Olympia's balance sheet as either an asset or liability, with changes in fair value included in net earnings. This accounting treatment resulted in the recognition of a forward foreign exchange contract asset of \$4.02 million as at December 31, 2019, compared to \$0.41 million as at December 31, 2018, and a forward foreign exchange contract liability of \$1.54 million as at December 31, 2019, compared to \$0.16 million as at December 31, 2018. The movement in the derivative financial instruments asset and liability is mainly due to the fluctuation of the Canadian and United States dollar exchange rates, as the vast majority of the Foreign Exchange division's trades are in Canadian and United States dollars. The number and size of outstanding forward foreign exchange contracts largely impacts the movement in the derivative financial instrument assets and liabilities, with the resultant change to fair value being recorded in the statement of earnings and comprehensive income.

Intangible assets

The capital additions of \$0.78 million relates to the continued development and enhancement of the Issuer's Edge, Dealer's Edge and Edgelink systems by the Exempt Edge division and the continued development of the Registered Plans division's mobile application.

Current liabilities

The breakdown of Olympia's trade and other payables consists of trade and other payables (57%), government taxes (21%), amounts due to agents, clients and commission payable (13%) and amounts due to related parties (9%).

Other liabilities and charges consists of bonus accruals, deferred commissions and bonuses, professional fees payable, and employee benefits payable.

Deferred revenue

At December 31, 2019, deferred revenue totaled \$0.49 million compared to \$0.40 million as at December 31, 2018. This is comprised of annual fees received by the Private Health Service Plan division, the Corporate and Shareholder Services division and the Registered Plans division. The unearned portion

of these annual fees is recognized as deferred revenue at the time of billing and revenue is recognized on a straight-line basis in relation to Olympia rendering these services.

Employee Share Ownership Plan (ESOP)

Olympia has established an Employee Share Ownership Plan ("ESOP"). Under this plan, Olympia contributes \$1 for each \$1 contributed by an employee up to a maximum that is based on the employee's earnings and years of service. The employee and Olympia's contributions are used to purchase common shares of Olympia through the facilities of the TSX. Olympia's contribution is included as an administrative expense in the statements of net earnings and comprehensive income and amounted to \$0.28 million for the year ended December 31, 2019 (December 31, 2018 – \$0.24 million).

Contingencies

Olympia is not a money lender, nor does it guarantee or participate in loans or mortgages of any type, except in its capacity as trustee of mortgages held on behalf of its clients.

Olympia is a defendant and plaintiff in a number of legal actions that arise in the normal course of business, the losses or gains from which, if any, are not anticipated to have a material effect on the consolidated financial statements.

Related party transactions

Olympia's president and CEO owns and controls 29.28% of Olympia's shares. During the year, Olympia entered into transactions with the following related parties:

- Companies and businesses controlled by the president and CEO of Olympia;
- Companies and businesses associated with the directors of Olympia;
- Companies and businesses controlled by management of Olympia;
- Family members of the president, management and directors; and
- Key management and directors.

The following transactions with related parties were measured at the exchange amount, which is the amount of consideration agreed to by the parties:

Service revenue	December 31, 2019	December 31, 2018
Companies and businesses controlled by the president and CEO	\$ 34,330	\$ 11,639
	\$ 34,330	\$ 11,639

Revenue from associated entities totaled \$34,330 for the year ended December 31, 2019 (December 31, 2018 – \$11,639). This mainly consisted of revenue from legal services provided by Olympia's in-house general counsel to Tarman ATM Inc. ("Tarman"), a company controlled by the president and CEO, as well as sublease income (\$24,000) from Exempt Experts Inc., a company controlled by the president and CEO.

Interest revenue	December 31, 2019	December 31, 2018
Companies and businesses controlled by the president and CEO	\$ 58,800	\$ 37,335
	\$ 58,800	\$ 37,335

Interest revenue from associated entities totaled \$58,800 for the year ended December 31, 2019, (December 31, 2018 – \$37,335), and consists of interest earned from the promissory note receivable.

Administrative expenses	December 31, 2019	December 31, 2018
Companies and businesses controlled by the president and CEO (management fee)	\$ 3,734,826	\$ 3,594,972
Olympia Charitable Foundation	68,155	98,432
Companies and businesses controlled by the president and CEO	38,379	-
	\$ 3,841,360	\$ 3,693,404

Administrative expenses paid to associated entities totaled \$3.84 million for the year ended December 31, 2019 (December 31, 2018 – \$3.69 million), and consisted of the following:

- The Olympia Charitable Foundation is funded by Olympia and the employees of Olympia. Olympia's matched donation totaled \$68,155 for the year ended December 31, 2019 (December 31, 2018 – \$98,432).
- Management fees are paid to Tarman based on a percentage of pre-tax profits of Olympia's divisions, except for the Private

Health Services Plan division, where the management fee is based on a percentage of health claims administered. These fees are for services provided as president and CEO of Olympia. For the year ended December 31, 2019, this amounted to \$3.73 million (December 31, 2018 – \$3.59 million).

Fees paid to Olympia ATM Ltd., a company owned and controlled by Olympia's president and CEO, of \$38,379 relate to maintenance services provided with respect to the Foreign Exchange ATMs.

Trade and other receivables include amounts receivable from related parties	December 31, 2019	December 31, 2018
Companies and businesses controlled by the president and CEO (current)	\$ 49,966	\$ 57,522
Companies and businesses controlled by the president and CEO (non-current)	1,400,000	1,428,539
	\$ 1,449,966	\$ 1,486,061

Receivables from associated entities totaled \$1.45 million for the year ended December 31, 2019 (December 31, 2018 – \$1.49 million) and consisted mainly of the following:

- A receivable in the amount of \$34,421 (December 31, 2018 – \$57,488) from Tarman, a company controlled by Olympia's president and CEO, reflects legal services provided and cost recoveries relating to accounting and other administration services provided.
- A receivable in the amount of \$15,545 (December 31, 2018 – \$nil) from Olympia ATM Ltd., a company controlled by the president and CEO of Olympia, for expense recoveries relating to accounting and other administration services provided.

- On June 5, 2018, Olympia announced the sale to Tarman ATM Inc. ("Tarman") of the ATM business operated by Olympia ATM Inc., as a going concern, for an amount equal to then current net book value of all assets used in the ATM business less all assumed liabilities; an amount estimated to be \$1.4 million.

The sale of the ATM business to Tarman, a corporation owned and controlled by Rick Skaug, was a related party transaction, as defined in Multilateral Instrument 61-101 – [Protection of Minority Security Holders in Special Transactions], but was exempted from Olympia obtaining disinterested shareholder approval and a formal valuation as the fair market value of the proposed transaction was less than 25% of Olympia's market capitalization.

An ad hoc committee composed solely of the independent members of Olympia's Board of Directors was constituted to consider and approve the sale of the ATM business to Tarman. As part of its deliberations, the ad hoc committee of the Board of Directors noted the continuing losses of approximately \$120,000 per month in the ATM Business and acknowledged that while the ATM business still had the potential to grow and expand, it was unlikely to become profitable in the near future. Given the immediate financial benefits that the sale of the ATM business would have for Olympia and the uncertain timelines to profitability, the ad hoc committee believed the sale of the ATM business to be in the best interest of Olympia. The ad hoc committee of the Board of Directors obtained a fairness comfort letter stating that the proposed transaction was fair to the disinterested shareholders of Olympia. In addition, following the public disclosure of the transaction, Olympia received an unsolicited expression of interest in the ATM business from a third-party. Olympia permitted the third-party to conduct a due diligence review and valuation of the ATM business and received an offer to purchase the ATM business from the third-party that was economically comparable to the offer made by Tarman.

In conjunction with the sale of substantially all assets of Olympia ATM Inc. in 2018, the purchase price paid by Tarman was equal to the aggregate net book value of the assets used by the ATM division. The assets' book value at June 5, 2018, was estimated to be \$1.40 million. The purchase price was paid by the delivery of a secured demand promissory note (the "promissory note") for \$1.40 million by Tarman. The outstanding principal amount of the promissory note bears interest at prime plus 0.25%. All interest accrued under the promissory note shall be paid on an annual basis on or before the 30th day of June of each calendar year. Subject to Canadian Western Bank's consent, which Olympia has obtained, commencing June 30, 2020, Tarman is required to repay the outstanding principal amount of the promissory note in annual installments of \$140,000 on or before the 30th day of June of each calendar year, with the outstanding balance of the principal amount to be repaid in full on or before June 30, 2023. As at December 31, 2019, all interest has been fully paid. Interest earned for the year ended December 31, 2019 was \$58,800.

Olympia has assessed the expected credit loss as it relates to the promissory note and has determined it to be nominal.

Trade and other payables and provision for other liabilities and charges include amounts payable to related parties	December 31, 2019	December 31, 2018
Companies and businesses controlled by the president and CEO	\$ 151,939	\$ 153,502
Directors' fees	83,291	69,776
	\$ 235,230	\$ 223,278

Payables to associated entities totaled \$235,230 for the year ended December 31, 2019 (December 31, 2018 – \$223,278), and consisted mainly of the following:

- A payable in the amount of \$39,994 (December 31, 2018 – \$37,070) to Tarman, a company controlled by the past president and CEO of Olympia, for commissions related to the sale of health plans offered by OBI.
- A payable in the amount of \$3,095 (December 31, 2018 – \$nil) to Olympia ATM Ltd, a company controlled by the president

and CEO of Olympia, for services provided to maintain Foreign Exchange ATMs.

- A management fee payable in the amount of \$108,850 (December 31, 2018 – \$115,739) to Tarman, a company controlled by the president and CEO of Olympia, based on a percentage of pre-tax profits of Olympia's divisions.
- A payable for directors' fees of \$83,291 (December 31, 2018 – \$69,776).

These payables are all current.

Key management compensation

Compensation paid to key management is included in notes 22 and 32 of the consolidated financial statements. Key management includes the Board of Directors and executive team members from OBI, Olympia Trust, Exempt Edge Inc., and Olympia. Olympia uses management or employment

contracts as a means to incent certain executives to maximize the profitability of their applicable business units and the profitability of Olympia as a whole. The compensation paid or payable to key management is shown in the following table:

	December 31, 2019	December 31, 2018
Salaries, bonuses and profit sharing	\$ 5,322,684	\$ 4,583,106
Management fees	3,734,826	3,594,972
Directors' fees	285,001	262,163
Short-term employee benefits	250,978	233,604
	\$ 9,593,489	\$ 8,673,845

The increase in salaries, bonuses and profit sharing and management fees in the current year is attributable to an increase in divisional earnings, resulting in higher management profit sharing entitlements to executive management.

Shareholders' equity

As at December 31, 2019, Olympia had 2,406,336 outstanding shares (December 31, 2018 – 2,406,352), with a carrying value of \$7.89 million. In April 2019, Olympia repurchased fractional shares from former shareholders at \$50 per share. The repurchase was allocated to retained earnings.

Income taxes

Deferred income tax assets are recognized for loss carry-forward and other deductible temporary differences to the extent that the realization of the related tax benefit is probable through future taxable profits or other tax planning opportunities. The average corporate rate used for the year ended December 31, 2019, was 26.5% (December 31, 2018 – 27%). On May 28, 2019, the Alberta government introduced Bill 3, reducing the corporate income tax rate to 11% (from 12%) effective July 1, 2019.

ANALYSIS OF RESULTS BY SEGMENT

Registered Plans Division

Summary of divisional results for the year ended December 31

(\$ thousands)	2019	2018	Variation
Service revenue	18,784	20,004	-6%
Interest revenue and trust income	12,812	10,694	20%
Direct expenses	(51)	(36)	42%
	31,545	30,662	3%
Administrative expenses	(20,814)	(19,951)	4%
Depreciation and amortization	(982)	(514)	91%
Other gains/(losses), net	95	(54)	>100%
Earnings before income tax	9,844	10,143	-3%
Income taxes	(2,627)	(2,695)	-2%
Net earnings	7,217	7,448	-3%

The Registered Plans division ("RRSP") specializes in the administration of registered plan accounts, including RRSPs, RRIAs, LIRAs, LIFs and TFSAs. In contrast to traditional registered plan account administrators, Olympia's focus is on exempt market securities and arm's length mortgages. The holder of a registered plan account with Olympia will typically hold multiple exempt market securities or mortgages in their Olympia registered plan account.

RRSP's service revenue decreased 6% to \$18.78 million from \$20.00 million when compared to the year ended December 31, 2018. The decrease is a result of a decrease in the number of account transactions due to a prior year one-time fee charged in connection with the restructuring of a large exempt market issuer.

Interest revenue and trust income increased 20% to \$12.81 million from \$10.69 million when compared to the year ended December 31, 2018, reflecting the average Canadian prime rate of 3.95% for the year compared to an average rate of 3.58% in 2018.

Direct, administrative, depreciation and amortization expenses increased 7% to \$21.85 million from \$20.50 million when compared to the year ended December 31, 2018. This increase is due to an increase in operating expenses, such as enhanced cyber security measures and computer maintenance. The increase in depreciation relates to the adoption of IFRS 16, and the recognition of right-of-use assets. This increase is offset by a decrease in rent expense.

Earnings before income tax decreased 3% to \$9.84 million from \$10.14 million in 2018.

RRSP net earnings decreased 3% to \$7.22 million from \$7.45 million when compared to the year ended December 31, 2018. RRSP is responsible for 64% of Olympia's total revenue (including interest), an increase from 61% when compared to the year ended December 31, 2018.

Service revenue decreased to \$18.78 million from \$20.00 million

6% ▼

Interest revenue and trust income increased to \$12.81 million from \$10.69 million

20% ▲

Direct, administrative, depreciation and amortization expenses increased to \$21.85 million from \$20.50 million

7% ▲

Earnings before income tax decreased to \$9.84 million from \$10.14 million

3% ▼

RRSP's net earnings decreased to \$7.22 million from \$7.45 million

3% ▼

ANALYSIS OF RESULTS BY SEGMENT

Private Health Services Plan Division

Summary of divisional results for the year ended December 31

(\$ thousands)	2019	2018	Variation
Service revenue	8,079	7,959	2%
Interest revenue and trust income	335	234	43%
Direct expenses	(1,708)	(1,801)	-5%
	6,706	6,392	5%
Administrative expenses	(3,745)	(3,745)	0%
Depreciation and amortization	(153)	(75)	>100%
Other gains/(losses), net	13	(2)	>100%
Earnings before income tax	2,821	2,570	10%
Income taxes	(748)	(658)	14%
Net earnings	2,073	1,912	8%

The Private Health Services Plan division ("Health") markets, sells and administers health and wellness benefits to business owners through OBI, a wholly owned subsidiary of Olympia. Health's current objectives are to improve sales, increase the value of their customer base, and advance technology infrastructure. While the business model shift from 2014 to 2019 focused on cost reduction and streamlining operations, the next period will emphasize growth through revenue expansion. The division is continuing to deepen its understanding of the digital consumer and marketplace. The division is well positioned to compete, with new digital assets, streamlined and reorganized operations, and two exciting new products.

Health's service revenue increased 2% to \$8.08 million from \$7.96 million when compared to the year ended December 31, 2018.

Direct, administrative, depreciation and amortization expenses remained unchanged at \$5.61 million. Included in the current year are expenses for cyber security enhancement and computer maintenance.

Earnings before income tax increased 10% to \$2.82 million from \$2.57 million when compared to the year ended December 31, 2018.

Health's net earnings increased 8% to \$2.07 million from \$1.91 million when compared to the year ended December 31, 2018.

Health is responsible for 17% of Olympia's total revenue (including interest), an increase from 16% when compared to the year ended December 31, 2018.

Service revenue increased to \$8.08 million from \$7.96 million

2% ▲

Direct, administrative, depreciation and amortization expenses remained unchanged \$5.61 million.

0% —

Earnings before income tax increased to \$2.82 million from \$2.57 million

10% ▲

Health's net earnings increased to \$2.07 million from \$1.91 million

8% ▲

ANALYSIS OF RESULTS BY SEGMENT

Foreign Exchange Division

Summary of divisional results for the year ended December 31

(\$ thousands)	2019	2018	Variation
Service revenue	7,779	9,922	-22%
Interest revenue and trust income	253	207	22%
Direct expenses	(1,376)	(1,109)	24%
	6,656	9,020	-26%
Administrative expenses	(7,308)	(6,177)	18%
Depreciation and amortization	(286)	(80)	>100%
Other gains/(losses), net	2,999	(1,384)	>100%
Earnings before income tax	2,061	1,379	49%
Income taxes	(542)	(366)	48%
Net earnings	1,519	1,013	50%

The Foreign Exchange division ("FX") allows corporations and private clients to buy and sell foreign currencies at competitive rates. The division offers its clients same-day transactions, as well as long-term forward contracts. With offices in Vancouver, Calgary, Edmonton and Winnipeg, the FX division is well situated to service Western Canada.

FX's service revenue decreased 22% to \$7.78 million from \$9.92 million when compared to the year ended December 31, 2018. The decrease is largely due to a decrease in spot trade volume and transaction sizes. Other gains/(losses), net, increased more than 100% to \$3.00 million from (\$1.38) million, mainly due to the recording of unrealized foreign exchange forward contract gains arising from an increase in the number and sizes of forward exchange contracts.

The increase is also attributable to a settlement amount received relating to an insurance claim. The insurance claim stems from the cyber incident disclosed in the press release on February 2, 2019.

Direct, administrative, depreciation and amortization expenses increased 22% to \$8.97 million from \$7.37 million when compared to the year ended December 31, 2018. The increase is mainly due to increases in cyber security enhancements and computer maintenance.

Earnings before income tax increased 49% to \$2.06 million from \$1.38 million when compared to the year ended December 31, 2018.

FX's net earnings increased 50% to \$1.52 million from \$1.01 million when compared to the year ended December 31, 2018.

FX is responsible for 16% of Olympia's total revenue (including interest), a decrease from 20% when compared to the year ended December 31, 2018.

Service revenue decreased to \$7.78 million from \$9.92 million

22% ▼

Direct, administrative, depreciation and amortization expenses increased to \$8.97 million from \$7.37 million

22% ▲

Earnings before income tax increased to \$2.06 million from \$1.38 million

49% ▲

FX's net earnings increased to \$1.52 million from \$1.01 million

50% ▲

ANALYSIS OF RESULTS BY SEGMENT

Exempt Edge Division

Summary of divisional results for the year ended December 31

(\$ thousands)	2019	2018	Variation
Service revenue	731	518	41%
Interest revenue and trust income	1	1	0%
Direct expenses	(51)	(166)	-69%
	681	353	93%
Administrative expenses	(1,297)	(743)	75%
Depreciation and amortization	(82)	(75)	9%
Other gains, net	3	-	100%
Loss before income tax	(695)	(465)	49%
Income taxes	183	136	35%
Net loss	(512)	(329)	56%
Non-controlling interest	102	66	55%
Loss attributable to shareholders of Olympia	(410)	(263)	56%

The Exempt Edge division ("EEI") focuses on the provision of information technology services to exempt market dealers, registrants and issuers.

Service revenue increased 41% to \$0.73 million from \$0.52 million when compared to the year ended December 31, 2018. This increase is largely due to growth in EEI's client base.

Direct, administrative, depreciation and amortization expenses increased 46% to \$1.43 million from \$0.98 million when compared to the year ended December 31, 2018. This increase is mainly due to an increase in operating expenses such as salaries, computer consultants fees, and promotion costs to facilitate the growth in clients.

Loss before income tax for the year ended December 31, 2019, increased 49% to (\$0.70) million from (\$0.47) million when compared to the year ended December 31, 2018.

EEI's net loss attributable to shareholders of Olympia increased 56% to (\$0.41) million from (\$0.26) million when compared to the year ended December 31, 2018.

Service revenue increased to \$0.73 million from \$0.52 million

41% ▲

Direct, administrative, depreciation and amortization expenses increased to \$1.43 million from \$0.98 million

46% ▲

Loss before income tax increased to (\$0.70) million from (\$0.47) million

49% ▲

EEI's net loss attributable to shareholders increased to (\$0.41) million from (\$0.26) million

56% ▲

ANALYSIS OF RESULTS BY SEGMENT

Corporate and Shareholder Services Division

Summary of divisional results for the year ended December 31

(\$ thousands)	2019	2018	Variation
Service revenue	180	-	100%
Interest revenue and trust income	3	-	100%
Direct expenses	(3)	-	100%
	180	-	100%
Administrative expenses	(1,265)	(257)	>100%
Depreciation and amortization	(33)	(1)	>100%
Loss before income tax	(1,118)	(258)	>100%
Income taxes	294	69	>100%
Net loss	(824)	(189)	>100%

The Corporate and Shareholder Services division ("CSS") provides transfer agent and registrar services to public and private issuers across Canada. CSS is positioned as an alternative to the large trust companies that are principally focused on Eastern Canada. The services provided by CSS include administering dividend reinvestment, acting as depository and disbursing agent for corporate reorganizations, assisting with shareholder solicitations, and scrutineering shareholder meetings. The CSS management team comprises highly respected and experienced individuals with a track record of success in the provision of transfer agency and corporate trust services.

Service revenue was \$0.18 million, which relates to client set-up charges and the monthly portion of annual retainer fees.

Direct, administrative, depreciation and amortization expenses were \$1.30 million. These relate mainly to employee salaries, computer maintenance, consulting fees and depreciation and amortization.

Loss before income tax for the year ended December 31, 2019 was (\$1.12) million.

CSS's net loss was (\$0.82) million for the year ended December 31, 2019.



SARAH FOX, MATTHEW KELLY AND DEAN NAUGLER

ANALYSIS OF RESULTS BY SEGMENT

Corporate Division

Summary of divisional results for the year ended December 31

(\$ thousands)	2019	2018	Variation
Service revenue	27	194	-86%
Interest revenue and trust income	98	296	-67%
	125	490	-74%
Administrative expenses	(175)	(278)	-37%
Depreciation and amortization	-	(2)	-100%
Other (losses)/gains, net	(6)	10	>100%
(Loss)/earnings before income tax	(56)	220	>100%
Income taxes	(91)	(173)	-47%
Net (loss)/earnings	(147)	47	>100%

The Corporate division carries out support functions in the areas of accounting, information technology, legal services, human resources, payroll and internal audit. Support function remuneration is allocated, based on usage, to the various divisions.

Total revenue earned is incidental to Olympia's activities. The decrease in service revenue is due to the Corporate division receiving indemnification payments in the prior year from customers involved in the previously reported Canadian Revenue Agency dispute.

Interest revenue decreased from the prior year because the interest earned on Olympia's loan to its discontinued ATM division in the prior year was not eliminated.

Administrative, depreciation and amortization expenses for the year ended December 31, 2019, decreased 36% to \$0.18 million from \$0.28 million when compared to the year ended December 31, 2018.

The Corporate division's net loss was (\$0.15) million for the year ended December 31, 2019.

Off-balance sheet arrangements

During the normal course of operations, Olympia administers client assets that are not reported on its balance sheet. The cash

component of these off-balance sheet arrangements represents the cash and cash equivalents held in trust.

Off-balance sheet arrangements under administration

	December 31, 2019		December 31, 2018	
(\$ thousands)	Cash & public securities at estimated fair value	Private securities, mortgages and mutual funds at cost	Cash & public securities at estimated fair value	Private securities, mortgages and mutual funds at cost
Registered Plans	\$ 599,171*	\$ 4,380,533	\$ 530,238	\$ 4,139,064
Private Health Services Plan	11,462	-	11,018	-
Corporate and Shareholder Services	15,228	-	-	-
Foreign Exchange	15,727	-	6,281	-
	\$ 641,588	\$ 4,380,533	\$ 547,537	\$ 4,139,064

*The cash portion included in Registered Plans is \$569.60 million.

Registered Plans division ("RRSP")

At December 31, 2019, RRSP administered self-directed registered plans consisting of private company securities and mortgages with a cost value of \$4.38 billion (December 31, 2018 – \$4.14 billion) plus cash, public securities, term deposits and outstanding cheques with an estimated fair value of \$599.17 million (December 31, 2018 – \$530.24 million). These assets are the property of the account holders and Olympia Trust does not maintain effective control over the assets. Therefore, the assets are not reflected in the consolidated financial statements. Olympia earned trust income from the cash portion of the assets held in trust of \$12.16 million for the year ended December 31, 2019 (December 31, 2018 – \$10.28 million).

Private Health Services Plan division ("Health")

At December 31, 2019, Health held funds in trust of \$11.46 million (December 31, 2018 – \$11.02 million) on behalf of its self-insured private health clients. These assets are the property of the plan holders and OBI does not maintain effective control over the assets. Therefore, the assets are not reflected in the consolidated financial statements.

Foreign Exchange division ("FX")

At December 31, 2019, FX held funds in trust of \$3.69 million (December 31, 2018 – \$1.22 million) for clients who have paid margin requirements on forward foreign exchange contracts, and \$12.04 million (December 31, 2018 – \$5.06 million) of

outstanding payments. These assets are the property of the contract holders and Olympia Trust does not maintain effective control over the assets. Therefore, the assets are not reflected in the consolidated financial statements.

Corporate and Shareholder Services division ("CSS")

At December 31, 2019, CSS held funds in trust and outstanding cheques of approximately \$15.23 million (December 31, 2018 – \$nil) for clients who have hired Olympia Trust to provide trustee services. These assets are the property of the trust clients and Olympia Trust does not maintain effective control over the assets. Therefore, the assets are not reflected in the consolidated financial statements.

Management of capital resources

Olympia includes shareholders' equity, which comprises share capital, contributed surplus, non-controlling interest and retained earnings, in the definition of capital. Olympia's main objectives when managing its capital structure are to:

- Maintain sufficient cash and cash equivalents over the short and medium term in order to finance its growth and development, including capital expenditures;
- Maintain investor and creditor confidence to sustain future development of the business;
- Maintain regulatory capital for Olympia Trust as required by the *Loan and Trust Corporations Act* (Alberta) (\$2 million). Similar



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regulatory capital is required by legislation in Nova Scotia (\$5 million) and Saskatchewan (\$5 million). Regulatory capital is defined as share capital and retained earnings. Olympia Trust has maintained these minimum capital requirements throughout the year ended December 31, 2019; and

- Maintain compliance with financial covenants, which includes maintaining a minimum equity of \$12 million. The financial covenants are reviewed, and controls are in place to maintain compliance with the covenants. Olympia complied with its financial covenants for the year ended December 31, 2018, and for the year ended December 31, 2019.

In managing capital, Olympia estimates its future dividend payments and capital expenditures, which are compared to planned business growth for purposes of sustainability. The capital structure of Olympia is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure, adjustments may be made to the amount of dividends (if any) to shareholders, in addition to the number of new common shares issued or common shares repurchased. Management reviews the financial position of Olympia on a monthly and cumulative basis.

Financing decisions are set based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining capital and the amount of operational cash required are weighed against the costs associated with excess

cash, its terms and availability, whether to issue equity and the creation of value for the shareholders. Olympia works towards managing its capital objectives to the extent possible while facing the challenges of market conditions and the public's assessment of Olympia's risk profile.

Olympia maintains a strong capital base to maintain investor and creditor confidence and to sustain future development of the business.

Olympia has committed capital resources to its 2020 Objectives (set out previously) and has sufficient capital through internally generated cash flows and its credit facility to meet these spending objectives.

Completing and fulfilling its 2020 Objectives will help Olympia meet its growth and development activities. No other significant expenditure is required to maintain growth and development activities.

Olympia's FX division maintains various foreign currency bank accounts of which Canadian dollar and United States dollar bank accounts are the most significant. It is Olympia Trust's policy to limit the amount of foreign currencies on hand to \$1.50 million to reduce exposure to foreign currency risk.

Olympia's capital management objectives have remained substantially unchanged over the years presented.

Liquidity

Liquidity risk is the risk that Olympia will encounter difficulties in meeting its financial obligations. Olympia manages its liquidity risk by keeping surplus cash with a highly rated financial institution. This allows Olympia to earn interest on surplus cash while having access to it within a short time. Olympia seeks to ensure the security and liquidity of these investments.

Olympia has a current ratio (current assets: current liabilities) of 1.70:1 as at December 31, 2019, compared to 2.14:1 as at December 31, 2018. The ratio indicates that Olympia should not have difficulty in meeting working capital requirements.

There are no legal or practical restrictions on the ability of subsidiaries to transfer cash to Olympia.

Cash flows

Operating activities

The movement in cash flow from operating activities for the year ended December 31, 2019, is mainly attributable to the movement in foreign exchange (gain)/loss when compared to 2018.

Investing activities

The movement in cash used in investing activities during the year ended December 31, 2019, is mainly attributable to additional collateral requirements for the FX division and capital asset expenditure in the RRSP and EEL divisions when compared to 2018.

Financing activities

Cash used in financing activities during the year ended December 31, 2019, increased, mainly due to the discontinued operation cash outflow in the previous year.

Cash

Cash is placed with a Canadian financial institution where it generates interest. Cash and cash equivalents comprise 67% of the total current assets of Olympia, compared to 79% as at December 31, 2018.

One factor that affects Olympia's profitability is effective interest rates. Although Olympia Trust is a non-deposit taking trust corporation, it does earn trust income on cash held in trust. Cash held in trust generated trust income of \$12.16 million, an 18% increase from \$10.28 million when compared to the year ended December 31, 2018, due to the average Canadian prime rate being higher in 2019 than in 2018. The Canadian prime rate was 3.95% on December 31, 2019, and December 31, 2018.

Olympia, through its operational cash flow and line of credit, has sufficient funds to meet its Objectives for 2020.

Liquidity risks associated with financial instruments are addressed in the notes to the accompanying consolidated

financial statements. Management understands that currency markets are volatile and therefore subject to higher risk. Olympia's FX division mitigates currency risk through its policy of limiting the amount of foreign currencies on hand to \$1.50 million.

Commitments

Olympia leases various offices under lease agreements. The initial lease terms are between twelve months and fifty months and the majority of lease agreements are renewable at market rates when the lease period ends.

Future aggregate contractual minimum lease payments are listed in the table below:

	December 31, 2019
2020	\$ 1,013,885
2021	923,397
2022	147,932
	\$ 2,085,214

Credit facility

As at December 31, 2019, Olympia has drawn \$6.66 million on its credit facility, compared to \$4.21 million as at December 31, 2018. On March 15, 2019, Olympia increased the credit facility amount from \$8.50 million to \$15 million. Amounts drawn in the current year have been used to facilitate the additional trading collateral requirements for the FX division and to finance the growth of the Exempt Edge division. The credit facility provides a maximum of \$15 million and bears interest at the Canadian prime rate plus 0.25%. The Canadian prime rate at December 31, 2019 and December 31, 2018, was 3.95%. The credit facility is subject to review at any time.

The credit facility contains a number of affirmative covenants, including maintaining specific security, maintaining a specific financial ratio, and maintaining a total equity of \$12 million. The financial ratio is a quarterly cash flow coverage ratio of not less than 1.50:1. At December 31, 2019, Olympia's cash flow coverage ratio under the terms of the credit facility was calculated to be 1.99:1 (December 31, 2018 – 3.23:1). Total equity as at December 31, 2019 was \$17.93 million, compared to total equity of \$15.08 million at December 31, 2018.

The cash flow coverage calculation is based on Olympia's previous four quarters' revolving Earnings Before Interest, Tax, and Depreciation and Amortization ("EBITDA") less cash taxes paid. This revolving EBITDA for the year ended December 31, 2019, has been calculated at \$11.47 million (December 31, 2018 – \$10.79 million) after adjusting for finance expenses of \$0.34 million (December 31, 2018 – \$0.15 million). The coverage required is based on an annualized average of the scheduled facility principal of \$15 million and interest payments calculated at 5.13% (December 31, 2018 – 5.99%) over a period of 36

months. As at December 31, 2019, this was calculated to be \$5.77 million (December 31, 2018 – \$3.34 million). Should the covenants and other limitations be breached, it could cause a default, which might result in a requirement for immediate repayment of all amounts outstanding.

Security for the credit facility includes a general security agreement providing a first security charge over all present and after acquired property.

Subsequent to year end, the credit facility was amended to divide the facility between Olympia and Olympia Trust. The new agreements provides Olympia with a \$9 million facility and

Olympia Trust with a \$6 million facility.

On May 16, 2016, Olympia Trust entered into a contingent credit facility to be used only by the FX division. The contingent credit facility had a maximum of \$5 million, which was only to be used to enter into spot, forward or foreign exchange transactions with the issuing financial institution. For the year ended December 31, 2019, the agreement has been replaced with a new demand credit facility with a US\$6 million limit.

As as December 31, 2019, no amounts have been drawn on this facility.

Credit facility	December 31, 2019	December 31, 2018
Available balance at January 1	\$ 15,000,000	\$ 8,500,000
Drawn	(6,655,347)	(4,207,347)
Available at the end of the year	\$ 8,344,653	\$ 4,292,653

Risk framework

Olympia is exposed to various types of risks owing to the nature of the commercial activities it pursues. Management has identified the following risks:

Liquidity risk

Liquidity risk is the risk that Olympia will encounter difficulties in meeting its financial obligations. Olympia manages its liquidity risk by keeping surplus cash in liquid investments with a highly rated financial institution. This allows Olympia to earn interest on surplus cash while having access to it within a very short time.

Liquidity risk is associated with Olympia's credit facility. The credit facility is available to finance day-to-day operations to a maximum principal amount of \$15 million (December 31, 2018 – \$8.50 million) and bears interest at the Canadian prime rate plus 0.25%. For the year ended December 31, 2019, a balance of \$6.66 million is outstanding (December 31, 2018 – \$4.21 million). Olympia has determined the principal and interest to be current.

Security for the credit facility includes a general security agreement providing a first security interest in all present and subsequently acquired property.

The timing of cash outflows is outlined in the following tables:

At December 31, 2019	Current	31 to 60 days	61 to 90 days	Over 90 days	Total
Trade and other payables	\$ 1,388,733	\$ 67,433	\$ -	\$ -	\$ 1,456,166
Other liabilities and charges	1,732,886	-	-	-	1,732,886
Lease liabilities	73,616	73,984	74,353	685,113	907,066
Total	\$ 3,195,235	\$ 141,417	\$ 74,353	\$ 685,113	\$ 4,096,118
At December 31, 2018					
Trade and other payables	\$ 1,341,291	\$ -	\$ -	\$ 601	\$ 1,341,892
Other liabilities and charges	1,259,435	-	-	-	1,259,435
Total	\$ 2,600,726	\$ -	\$ -	\$ 601	\$ 2,601,327

At December 31, 2019, trade and other payables totaled \$1.46 million (December 31, 2018 – \$1.34 million). Olympia continues to meet all of the obligations associated with its financial liabilities. Other liabilities and charges with a cash outflow are identified in Note 19 of the consolidated financial statements, except for leasehold inducement, straight-line rent and onerous contract obligations in the prior year.

Olympia continues to meet all of the obligations associated with its financial liabilities.

The aging of the undiscounted lease payments is outlined in the following table:

At December 31, 2019	Less than one year	One to two years	Two to three years	More than three years	Total undiscounted lease payments
Lease payments	\$ 1,013,885	\$ 923,397	\$ 147,932	\$ -	\$ 2,085,214
	\$ 1,013,885	\$ 923,397	\$ 147,932	\$ -	\$ 2,085,214

The liquidity risk relating to derivative financial instruments payable is outlined in the following table:

	December 31, 2019	December 31, 2018
Current	\$ 7,766	\$ 15,210
31 to 60 days	32,175	19,473
61 to 90 days	11,733	16,849
Over 90 days	605,585	108,948
	\$ 657,259	\$ 160,480
Non-current (1–3 years)	\$ 887,020	\$ -

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, following variations in the parameters underlying their evaluation, such as interest rates, exchange rates or quoted stock market prices, and is comprised of foreign currency exchange risk, interest rate risk, management's assessment and operational risks.

Foreign currency exchange risk

Olympia is exposed to changes in foreign exchange rates when, and if, revenues or financial instruments fluctuate because of changing rates. Transactions in the applicable financial market are executed consistent with established risk management policies. Olympia purchases forward contracts whenever it enters into a transaction to buy or sell foreign currency in the future. These contracts are both short term and long term in nature and are in the normal course of business. Management understands that the currency markets are volatile and therefore subject to higher risk.

Olympia applies the following policy to mitigate the currency risk:

- For forward contracts, a margin of 5% is payable on signature of the contract;
- Olympia sets up a corresponding position with its currency supplier; and
- If market rates vary by 4% or more, the client is required to adjust their margin to match the variance by the end of the trading day.

Olympia's FX division maintains various foreign currency bank accounts of which Canadian dollar and United States dollar bank accounts are the most significant. It is Olympia Trust's policy to limit the amount of foreign currencies on hand to \$1.50 million to reduce exposure to foreign currency risk.

If the United States dollar to Canadian dollar exchange rate at December 31, 2019, were to have increased by \$0.10, it is estimated that Olympia's after-tax earnings for the year ended December 31, 2019, based on amounts shown in Notes 11 and 13 of the consolidated financial statements, would have decreased by approximately \$232,876 (December 31, 2018 – \$91,464). A \$0.10 decrease in the United States dollar to Canadian dollar exchange rate would have had an equal but opposite effect. The vast majority of Olympia's Foreign Exchange division's trades are Canadian dollars traded for United States dollars and vice versa, although it trades in various other currencies. This sensitivity analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Olympia is exposed to interest rate risk as the cash flows generated from Olympia's own cash (\$13.75 million) and the cash portion of the off-balance sheet arrangements (\$569.60 million), from which Olympia Trust earns trust income, are held in interest bearing instruments that fluctuate in response to changes in market interest rates.

If the interest rates were to have increased by 1%, it is estimated that Olympia's after-tax earnings for the year ended December 31, 2019, would have increased by approximately

\$4.14 million (December 31, 2018 – \$3.76 million). A 1% decrease in interest rates would have had an equal but opposite effect. This sensitivity analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in Olympia incurring a financial loss. Before transactions begin with a new customer or counterparty, the counterparty's creditworthiness is assessed by the FX division. The assessment practice considers both quantitative and qualitative factors. Olympia constantly monitors the exposure to any single customer or counterparty along with the financial position of the customer or counterparty. If it is deemed that a customer or counterparty has become materially weaker, Olympia will work to reduce the credit exposure and lower the credit limit allocated. Olympia is exposed to credit risk on its cash and cash equivalents, restricted cash and investments,

trade and other receivables and derivative financial instruments receivable. The maximum exposure to credit risk of Olympia at the end of the year is the carrying value of cash and cash equivalents, restricted cash and investments, trade and other receivables and derivative financial instruments receivable.

Cash and cash equivalents

Olympia mitigates its exposure to credit risk by maintaining its bank accounts with a highly rated financial institution.

Trade and other receivables

Olympia has policies and procedures in place to govern the credit risk it will assume. Trade receivables over 90 days are considered past due. As of December 31, 2019, net trade receivables of \$2.83 million (December 31, 2018 – \$2.04 million) were past due but deemed not impaired. The aging of trade and other receivables is as follows:

	December 31, 2019	December 31, 2018
Current	\$ 247,890	\$ 196,911
31 to 60 days	19,093	12,657
61 to 90 days	7,337	24,234
Over 90 days	3,813,030	2,609,598
Allowance for doubtful accounts	(981,584)	(571,363)
	\$ 3,105,766	\$ 2,272,037

The allowance for doubtful accounts is based on an account portfolio analysis. Movements on Olympia's provision for impairment of trade receivables are as follows:

	December 31, 2019	December 31, 2018
At January 1	\$ 571,363	\$ 613,822
Increase in provision	478,930	269,437
Receivables written off	(68,709)	(311,896)
Allowance for doubtful accounts	\$ 981,584	\$ 571,363

Included within receivables is the current portion of a lease receivable of \$0.04 million recognized based on the present value of sublet property, as required by the newly adopted IFRS 16.

The balance relates to a number of independent clients which Olympia is actively pursuing through its internal collection process. As a result, management considers the outstanding amounts to be recoverable.

The provision for impaired receivables has been included in administrative expenses in the consolidated statements of net earnings and comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Capital risk management

Olympia's objectives when managing capital are to safeguard Olympia's ability to continue as a going concern in order to provide returns and benefits to shareholders and to maintain an optimal capital structure to reduce the cost of capital and to meet minimum regulatory capital requirements. In order to maintain or adjust the capital structure, Olympia may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase shares, sell assets or make further use of its credit facility.

Olympia includes shareholders' equity of \$17.93 million (December 31, 2018 – \$15.08 million) in the definition of capital. Shareholders' equity comprises share capital, contributed surplus, non-controlling interest and retained earnings.

Olympia's main objectives when managing its capital structure are to:

- Maintain sufficient cash and cash equivalents over the short and medium term in order to finance its growth and development, including capital expenditures;
- Maintain investor and creditor confidence to sustain future development of the business. Olympia's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations. In managing capital, Olympia estimates its future dividend payments and capital expenditures, which is compared to planned business growth for purposes of sustainability;
- Maintain regulatory capital for Olympia Trust as required by the *Loan and Trust Corporations Act* (Alberta) (\$2 million). Similar regulatory capital is required by legislation in Nova Scotia (\$5 million) and Saskatchewan (\$5 million). Regulatory capital is defined as share capital and retained earnings. Olympia Trust has maintained these minimum capital requirements throughout the year ended December 31, 2019; and
- Maintain compliance with financial covenants, which includes maintaining a minimum equity of \$12 million. The financial covenants are reviewed quarterly, and controls are in place to maintain compliance with the covenants. Olympia complied with its financial covenants for the year ended December 31, 2019.

The capital structure of Olympia is managed and adjusted to reflect changes in economic conditions. Capital structure adjustments could include adjusting the level of dividends and/or issuance or repurchase of common shares. In support thereof, management reviews the financial position of Olympia on a monthly and cumulative basis. Financing decisions are set based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining capital and the amount of operational cash requirements are weighed against the costs associated with excess cash, its terms and availability and whether to issue equity. Olympia works towards managing its capital objectives to the extent possible while facing the challenges of market conditions and the public's assessment of Olympia's risk profile. Olympia's capital management objectives have remained substantively unchanged over the periods presented.

Operational risks

Management has identified the following major operational risks which could negatively affect Olympia's future strategies and objectives:

- The risk of fluctuations in interest rates and currency values negatively affecting Olympia's business;
- Legal developments and changes in tax laws;

- The occurrence of weather related and other natural catastrophes;
- The risk that the regulatory environment in which Olympia carries out commercial activities may change;
- The level of competition in Olympia's markets;
- The risk that new markets may fail to produce estimated revenues;
- The risk of changes in accounting standards and policies;
- The risk that negative stakeholder impressions about Olympia's business practices, actions or inaction, whether true or not, could cause deterioration in Olympia's value, brand, liquidity, or customer base;
- The risk that general economic conditions could deteriorate and any significant downturn in capital markets or the general economy could negatively affect financial results;
- The cybersecurity risk that failure of computer hardware, data processing systems, network access and software could interrupt operations or materially impact Olympia's ability to deliver its services; and
- The accuracy and completeness of information Olympia receives about customers and counterparties.

Olympia's corporate insurance program further mitigates certain operational risk exposures. Olympia looks to industry benchmarks as well as legal, regulatory and contractual requirements when deciding on types of coverage and limits. Coverage is placed at limits considered appropriate for Olympia's size, structure and type of operations. Olympia reviews the insurance program annually to ensure it remains well suited and compliant with regulations and requirements.

Accounting policies

The financial information contained in the accompanying financial statements and this MD&A is prepared in accordance with IFRS as issued by the IASB. The accounting policies adopted are consistent with those in the prior years except as noted below. In addition, some accounting policies, due to their nature, require further explanation.

A new amended standard became applicable for the current reporting year and Olympia had to change its accounting policies as a result of adopting the following standards:

- IFRS 16 "Leases"

The impact of the adoption of this standard and the new accounting policy is disclosed as follows.

IFRS 16 "Leases" – impact of adoption

Effective January 1, 2019, Olympia adopted IFRS 16, "Leases" ("IFRS 16"). Olympia has applied the new standard using the modified retrospective approach. The modified retrospective

approach does not require restatement of prior year financial information, as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, comparative information in the consolidated balance sheets, consolidated statements of net earnings and comprehensive income and statements of cash flows has not been restated.

On adoption, management elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;

- Account for leases with a remaining term of less than twelve months as at January 1, 2019, as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a low dollar value (less than \$8,000); and
- Use Olympia's previous assessment under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37") for onerous contracts instead of reassessing the right-of-use assets for impairment on January 1, 2019.

Impacts of the adoption of IFRS 16	Notes	As reported at December 31, 2018	Adjustments	Balance on adoption as at January 1, 2019
Assets				
Trade and other receivables	i	2,272,037	41,741	2,313,778
Right-of-use assets, net	ii	-	2,680,497	
	iii	-	(73,635)	
	iv	-	(999,876)	1,606,986
Long-term lease receivable	i	-	99,467	99,467
Liabilities and shareholders' equity				
Current portion of lease liabilities	v	-	(855,387)	(855,387)
Non-current lease liabilities	v	-	(1,946,341)	(1,946,341)
Other liabilities	iv	(1,528,078)	281,806	(1,246,272)
Non-current other liabilities	iv	(791,705)	791,705	-
Retained earnings	ii	(7,214,540)	(19,977)	(7,234,517)
		(7,262,286)	-	(7,262,286)

Notes:

i. Sublease contract

On transition, Olympia reassessed the classification of its sublease contracts previously classified as operating leases under IAS 17. Olympia concluded that its sublease is a finance lease under IFRS 16, and as a result, \$0.14 million net investment in finance lease was recognized on adoption of IFRS 16.

ii. Right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability on January 1, 2019, less any amount previously recognized under IAS 37 for onerous contract provisions, less previously recognized lease inducement liabilities. This resulted in a \$19,977 adjustment to retained earnings.

iii. Onerous contract provisions

On initial adoption, management applied the practical expedient to use Olympia's previous assessment under IAS 37 for onerous contracts. This resulted in a reduction of \$0.07 million to other liabilities and charges.

iv. Other liabilities

On transition, Olympia applied the remaining balance of the previously recognized lease inducements provision and straight-line rent liability against the right-of-use assets. This resulted in a reduction of \$0.28 million in other liabilities and charges, and an adjustment of \$0.79 million to non-current other liabilities.

v. Lease liabilities

On adoption of IFRS 16, Olympia recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17, "Leases"

("IAS 17"). Under the principles of the new standard, these leases have been measured at the present value of the remaining lease payments, discounted using Olympia's incremental borrowing rate at January 1, 2019. The incremental borrowing rate as at January 1, 2019 was 5.99%. Leases with a remaining term of less than twelve months and low-value leases were excluded. Total lease liabilities of \$2.8 million were recorded as at January 1, 2019.

Reconciliation of commitments to lease liability

The following table provides a reconciliation of the commitments as at December 31, 2018, to Olympia's lease liabilities as at January 1, 2019:

Reconciliation of lease liabilities	Total
Office space	\$ 3,105,795
Less: Short-term leases	(44,440)
Lease liabilities commitments as at December 31, 2018	3,061,355
Impact of discounting	(259,627)
Lease liabilities as at January 1, 2019	\$ 2,801,728

Update to significant accounting policies

Leases

Olympia applied IFRS 16 using the modified retrospective approach; therefore, the comparative information provided continues to be accounted for in accordance with Olympia's previous accounting policy found in the annual consolidated financial statements for the year ended December 31, 2018.

The following accounting policy is applicable from January 1, 2019:

Olympia assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

As lessee

Leases are recognized as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by Olympia. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using Olympia's incremental borrowing rate when the rate implicit in the lease is not readily available. Olympia uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or an adjustment is recorded in the consolidated statement of earnings if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred, less any lease payments made at or before the commencement date.

The right-of-use asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The right-of-use asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the statements of net earnings and comprehensive income on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, Olympia will, at the effective date of the lease modification, remeasure the lease liability. Olympia will use its incremental borrowing rate when the rate implicit to the lease is not readily available, and will make a corresponding adjustment to the right-of-use asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the right-of-use asset and recognizing a gain or loss in net earnings that reflects the proportionate decrease in scope.

As lessor

As a lessor, Olympia assesses at inception whether a lease is a finance or operating lease. Leases where Olympia transfers substantially all of the risk and rewards incidental to ownership of the underlying asset are classified as financing leases. Under a finance lease, Olympia recognizes a receivable at an amount equal to the net investment in the lease, which is the present value of the aggregate of lease payments receivable by the lessor. If substantially all the risks and rewards of ownership of an asset are not transferred, the lease is classified as an operating lease. Olympia recognizes lease payments received under operating leases as other income on a straight-line basis over the lease term.

When Olympia is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset from the head lease, not with reference to the underlying assets. If the head lease is a short-term lease to which Olympia applies the exemption for lease accounting, the sublease is classified as an operating lease.

Impacts on financial statement

Impacts for the year

In relation to leases under IFRS 16, Olympia has recognized depreciation and interest costs instead of recognizing an operating lease expense. During the year ended December 31, 2019, Olympia recognized \$0.53 million of depreciation charge related to the right-of-use assets and \$0.14 million in interest costs related to the lease liabilities from these leases.

Critical accounting judgments and estimate uncertainty

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Critical accounting estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying Olympia's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Discontinued operations

Olympia presents discontinued operations on a separate line in the consolidated statements of net earnings and comprehensive income if a major line of business has been disposed of or is classified as held for sale.

Net loss from discontinued operations includes the net total of operating profit and loss before tax. Net loss includes, net gain or loss on sale before tax or measurement to fair value, less costs to sell and tax expense. A major line of business comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of Olympia's operations and cash flows. If a major line of business is classified as a discontinued operation, Olympia restates prior periods in the consolidated statements of net earnings. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. These measurement provisions do not apply to deferred tax assets and liabilities, or financial assets. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets. Management must be committed to the sale and must actively market the business for sale at a price that is reasonable in relation to the current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(ii) Allowance for doubtful accounts (Note 7)

Olympia regularly performs a review of outstanding accounts receivable balances to determine eventual collectability. A provision for bad debt is recorded based on historical information or if an account is deemed uncollectable. Olympia analyzes the bad debt provision regularly to determine if any of the accounts provided for should be written off. Those accounts which are deemed uncollectable could materially change as a result of changes in a customer's financial situation. This includes risks associated with the gross receivable position on foreign exchange forward contracts, which are all assessed regularly for impairment.

(iii) Depreciation and amortization methods (Notes 14 and 15)

Olympia estimates the useful lives of property, plant and equipment and intangible assets, based on the period over which the assets are expected to be available for use.

The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives is based on internal technical evaluation, current facts and past experience with similar assets, and takes into consideration the anticipated expected life of the asset, existing long-term agreements and contracts, current and forecasted demand and the potential for technological obsolescence. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about in turn by changes in the factors mentioned above. The amounts and timing of recorded

expenses for any period would also be affected by changes in these factors and circumstances.

(iv) Impairments (Note 15)

Olympia performs impairment tests of assets when indications of impairment exist. Application of judgment is required in determining whether an impairment test is warranted. Impairment exists when the carrying value of an asset or Cash-Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of (a) its fair value less costs of disposal and (b) its value in use. The fair value less costs of disposal calculation is estimated using valuation techniques such as a discounted cash flow model adjusted to reflect the considerations of any prospective third-party buyer. The value in use calculation is based on the present value of expected cash flows. The cash flows are derived from internal budgets and do not include restructuring activities that Olympia is not yet committed to or significant future investments that will enhance the asset's performance or the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the present value of expected cash flows. It is also sensitive to expected transaction volumes, future operating costs, tax rates, margins and the growth rate used for extrapolation purposes. There is a certain amount of subjectivity and judgment in the determination of the recoverable amount calculation. Judgments and assumptions, described in notes 7, 14 and 15, are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.

When indicators support that the asset is no longer impaired, Olympia will reverse impairment losses. Similar to the impairment, application of judgment is required to determine whether a reversal should be considered.

(v) Income taxes (Note 21)

Olympia calculates an income tax provision in each of the jurisdictions in which it operates. Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before the deductions expire. The assessment is based on existing tax laws and estimates of future taxable income. Further, there are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Olympia reviews the adequacy of these provisions at each reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(vi) Revenue

Olympia applies judgment to determine whether fee revenue should be recognized on a gross basis or net of fees paid to the merchant or insurer for providing, processing, and maintaining the service to a customer. Pursuant to the guidance in IFRS 15, Olympia has assessed whether to record such payments as a reduction of associated service revenues or as a direct expense. Olympia determines whether the nature of its promise to customers is a performance obligation to provide the service itself or to arrange for that service to be provided by another party. Specific factors considered are, whether Olympia acts as the principal and is the primary obligor in performance obligations, provides the processing for the performance obligations, has significant influence over pricing and has the risks and rewards of ownership, including a variable earnings component and the risk of loss for collection. Olympia has full discretion over the price of the services and therefore has no unfulfilled obligations that could affect clients acceptance of the service. Olympia recognizes insurance fees on a net basis. As a result, for agreements under which Olympia acts as the principal, Olympia records the total amounts earned from the underlying performance obligations as service revenues and records the related merchant expense as a direct expense of operating revenues. However, for those agreements in which Olympia does not meet the criteria to qualify as the principal in a performance obligation, Olympia does not record the related fee revenue, as the rights associated with this revenue stream are attributable to the benefit of the merchant. Olympia records fee revenue under these arrangements on a net basis.

Whether Olympia is considered to be the principal or an agent in a performance obligation depends on analysis by management of both the legal form and substance of the agreement between Olympia and the merchant. Such judgments impact the amount of reported revenue and expenses, but do not impact reported assets, liabilities or cash flows.

(vii) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Future accounting pronouncements

There are no new or amended accounting standards issued during the year ended December 31, 2019, that are applicable to Olympia in future periods.

Evaluation of disclosure controls and procedures and internal control over financial reporting

The President and Chief Executive Officer (“CEO”) and Vice President, Finance and Chief Financial Officer (“CFO”) of Olympia are responsible for establishing and maintaining Disclosure Controls and Procedures (“DC&P”) and Internal Control over Financial Reporting (“ICFR”) for Olympia.

DC&P are designed to provide reasonable assurance that material information relating to Olympia is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to Olympia’s management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 “Certification of Disclosures in Issuer’s Annual and Interim Filings,” an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2019. Based on this evaluation, the CEO and CFO have concluded that, Olympia’s DC&P and ICFR are effective and operating as intended.

Olympia’s management, including the CEO and CFO, does not expect that Olympia’s DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within Olympia have been detected.

There was no change to Olympia’s ICFR during the most recent annual period that has materially affected, or is reasonably likely to materially affect, Olympia’s ICFR.

Outstanding share data

As at February 27, 2020, Olympia has an aggregate of 2,406,336 common shares issued and outstanding.

Additional information

Further information regarding Olympia can be accessed under Olympia’s public filings found at www.sedar.com.

Shareholders seeking to contact Olympia’s independent directors may do so by calling Rick Skauge, Olympia’s President and CEO, at 403-261-7501 or by email at ricks@olympiafinancial.com.



CORPORATE INFORMATION

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Craig Skauge
Brenda Eprile²
Brian Newman^{1 2 3 4}
Diana Wolfe^{1 2 3 4}
Gerard Janssen^{1 2 3 4}
Tony Balasubramanian
Tony Lanzl

Board Committees

¹ Audit Committee
² Corporate Governance Committee
³ Executive Compensation Committee
⁴ Investment Committee

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THE EXECUTIVE TEAM



RICK SKAUGE

President and Chief Executive Officer



CRAIG SKAUGE

Executive Vice President and President, Olympia Trust Company
President, Exempt Edge Inc.



GERHARD BARNARD

Chief Financial Officer and Vice President, Finance



ROBIN FRY

Chief Executive Officer,
Olympia Benefits Inc.



KEN FRY

President, Olympia Benefits Inc.



NEIL MCCULLAGH

Vice President, Foreign Exchange



ANDREA GILLIS

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Registered Plans



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