CANACCORD Genuity

FIRST QUARTER

Fiscal 2017 Report to Shareholders

To us there are no foreign markets.™

Canaccord Genuity Group Inc. Reports First Quarter Fiscal 2017 Results

Excluding significant items, first quarter earnings per common share of $0.05[1]

Return to profitability driven by performance of Canadian and Australian capital markets business and wealth management operations in the UK & Europe

(All dollar amounts are stated in Canadian dollars unless otherwise indicated)

TORONTO, August 3, 2016 – During the first quarter of fiscal 2017, the quarter ended June 30, 2016, Canaccord Genuity Group Inc. (Canaccord Genuity, the Company, TSX: CF) generated $206.2 million in revenue. Excluding significant items[1], the Company recorded net income of $8.1 million or net income of $4.3 million attributable to common shareholders[2] (earnings per common share of $0.05). Including all significant items, on an IFRS basis, the Company recorded net income of $7.5 million or net income attributable to common shareholders[2] of $3.7 million (earnings per common share of $0.04).

"During the quarter we made strong progress to achieve most of our cost reduction initiatives and we delivered on our commitment to strengthen our alignment with our shareholders through the completion of our employee private placement," said Dan Daviau, President & CEO of Canaccord Genuity Group Inc. "While we are encouraged by improving activity levels in Canada, Australia and the U.S., we expect continuing challenges for our UK and Europe capital markets operations given the uncertainty in that region. In addition, the continued stability of our wealth business in the UK and Europe and the return to profitability of our Canadian wealth business provide added confidence in our outlook."

First Quarter of Fiscal 2017 vs. First Quarter of Fiscal 2016

- Excluding significant items, revenue of $205.0 million, a decrease of 4.4% or $9.5 million from $214.5 million[1]
- Excluding significant items, expenses of $193.9 million, a decrease of 2.6% or $5.2 million from $199.1 million[1]
- Revenue of $206.2 million, a decrease of 3.9% or $8.3 from $214.5 million
- Expenses of $196.2 million, a decrease of 2.9% or $5.8 million from $202.0 million
- Excluding significant items, earnings per common share of $0.05 compared to earnings per common share of $0.10[1]
- Excluding significant items, net income of $8.1 million compared to net income of $13.3 million[1]
- Net income of $7.5 million compared to net income of $11.0 million
- Earnings per common share of $0.04 compared to earnings per common share of $0.08

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First Quarter of Fiscal 2017 vs Fourth Quarter of Fiscal 2016

- Excluding significant items, revenue of $205.0 million, an increase of 2.0% or $4.1 million from $200.9 million(1)
- Excluding significant items, expenses of $193.9 million, a decrease of 5.1% or $10.4 million from $204.3 million(1)
- Revenue of $206.2 million, an increase of 2.6% or $5.3 million from $200.9 million
- Expenses of $196.2 million, a decrease of 14.0% or $32.0 million from $228.2 million
- Excluding significant items, earnings per common share of $0.05 compared to a loss per common share of $0.06(1)
- Excluding significant items, net income of $8.1 million compared to a net loss of $2.1 million(1)
- Net income of $7.5 million compared to a net loss of $22.7 million
- Earnings per common share of $0.04 compared to a loss per common share of $0.29

Financial Condition at End of First Quarter Fiscal 2017 vs. Fourth Quarter Fiscal 2016

- Cash and cash equivalents balance of $282.2 million, a decrease of $146.1 million from $428.3 million
- Working capital of $385.7 million, an increase of $4.4 million from $381.3 million
- Total shareholders' equity of $735.7 million, a decrease of $14.2 million from $749.9 million
- Book value per diluted common share of $4.75, a decrease of $0.24 from $4.99(3)
- On August 3, 2016, the Board of Directors considered the Company's dividend policy in the context of the market environment and the Company's business activity and approved a continued suspension of the quarterly common dividend. This suspension will be reviewed quarterly and a determination will be made on the basis of business conditions and profitability.
- On August 3, 2016, the Board of Directors approved a cash dividend of $0.34375 per Series A Preferred Share payable on September 30, 2016 with a record date of September 16, 2016, and a cash dividend of $0.359375 per Series C Preferred Share payable on September 30, 2016 to Series C Preferred shareholders of record as at September 16, 2016.

Summary of Operations

CORPORATE

- On June 6, 2016 Canaccord Genuity Group Inc. announced a non-brokered private placement ("Private Placement") to employees of the Company at a purchase price of C$4.17 per Unit, with each Unit consisting of one common share of the Company and one-half of one Common Share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of $4.99 for a period of six months following the third anniversary of closing. Proceeds of the Private Placement were used to fund the Company's employee benefits trusts, established under its long term incentive plan, which will purchase common shares in the market to cover grants of restricted share units to those employees who have participated in the Private Placement
- The Company issued an aggregate of 6,876,824 Units at a price of C$4.17 per Unit in connection with the Private Placement (6,730,561 Units were issued prior to June 30, 2016 with the balance issued after June 30, 2016)
- On June 30, 2016, the Company completed its sale of Canaccord Genuity Singapore Pte Ltd. to SAC Capital Private Limited.

CAPITAL MARKETS

- Canaccord Genuity participated in 86 investment banking transactions globally, raising total proceeds of C$10.3 billion(4) during fiscal Q1/17
- Canaccord Genuity led or co-led 34 transactions globally, raising total proceeds of C$1.1 billion(4) during fiscal Q1/17
- Significant investment banking transactions for Canaccord Genuity during fiscal Q1/17 include:
  - AUD$20.0 million for Airxpanders Inc. on the ASX
  - AUD$60.5 million for TFS Corporation Limited on the ASX
  - AUD$50.0 million for NetComm Wireless Limited on the ASX
  - AUD$39.8 million for Redbubble Limited on the ASX
  - AUD$10 million for Oklo Resources Limited on the ASX
  - AUD$32.0 million for Yowie Group Limited on the ASX
  - AUD$20.0 million for Altura Mining Limited on the ASX
  - £19.1 million for Tyman Plc on the LSE
  - £16.8 million for Goals Soccer Centres Plc on the LSE
  - £27.2 million for Mortgage Advice Bureau (Holdings) plc on the LSE
  - £40.0 million for Vernalis Plc on the LSE
  - £30.3 million for The Renewables Infrastructure Group on the LSE
  - £100 million bond issue for Burford Capital on LSE
  - US$28.8 million for Abraxas Petroleum Corp on NASDAQ
  - US$22.5 million for SCYNEXIS, Inc. on NASDAQ
  - US$70.0 million Initial Public Offering for Selecta Biosciences, Inc. on NASDAQ
  - US$152.0 million for Renewable Energy Group, Inc. on NASDAQ
  - US$172.5 million Initial Public Offering for Twilio, Inc. on NYSE
  - C$65.0 million for DHX Media Ltd. on the TSX

- C$60.1 million for ProMetic Life Sciences Inc. on the TSX
  - C$32.3 million for Sabina Gold & Silver Corp. on the TSX
  - US$109.3 million for Mainstreet Health Investments Inc. on the TSX
  - C$49.1 million for Rye Patch Gold Corp. on the TSXV
  - C$150.0 million for NYX Gaming Group on the TSXV
  - C$20.7 million for Seabridge Gold Inc. on the TSX
- In Canada, Canaccord Genuity participated in raising $275.4 million for government and corporate bond issuances during fiscal Q1/17
- Canaccord Genuity generated advisory revenues of $39.1 million during fiscal Q1/17, an increase of $17.4 million or 80.3% compared to the same quarter last year
- During fiscal Q1/17, significant M&A and advisory transactions included:
  - NYX in connection with its acquisition of OpenBet for £270 million
  - Tahoe Resources Inc. on its C$945.0 million acquisition of Lake Shore Gold Corp.
  - Reservoir Minerals on its merger with Nevsun Resources for total consideration of US$440.0 million, and exercise of its rights of first offer related to Reservoir's Timok Copper Project for total consideration of US$262.5 million.
  - Plug Power Inc. on its US$40.0 million loan facility
  - GuestLogix on the US$38.5 million sale of its OpenJaw Business to TravelSky Technology Ltd.
  - Claude Resources Inc. on its C$337.0 million sale to Silver Standard Resources Inc.
  - MeetMe on its US$54.6 million acquisition of Skout
  - Blacksmith Applications, Inc. on its sale to Strattam Capital
  - Seabridge Gold Inc. on its acquisition of SnipGold Inc.
  - Maxwell Technologies, Inc. on the US$21.0 million sale of its Microelectronics product line to Data Device Corporation
  - DLH Holdings in connection with its US$38.8 million acquisition of Danya International
  - The Luminaires Group on its recapitalization by Sentinel Capital Partners
  - Daintree Networks, Inc. on its sale to Current, a subsidiary of General Electric
  - Lyceum Capital Partners on the £50.0 million acquisition of Sabio Limited

CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $63.9 million in revenue in Q1/17
- Assets under administration in Canada and assets under management in the UK & Europe and Australia were $33.0 billion at the end of Q1/17[(3)]

CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $29.5 million in revenue and, after intersegment allocations and before taxes, recorded a net income of $0.4 million in Q1/17
- Assets under administration in Canada were $9.8 billion as at June 30, 2016 an increase of 6.8% from $9.2 billion at the end of the previous quarter and a decrease of 7.8% from $10.6 billion at the end of fiscal Q1/16[(3)]
- Assets under management in Canada (discretionary) were $1.27 billion as at June 30, 2016, an increase of 0.9% from $1.26 billion at the end of the previous quarter and a decrease of 10.6% from $1.4 billion at the end of fiscal Q1/16[(3)]
- Canaccord Genuity Wealth Management had 138 Advisory Teams[(5)] at the end of fiscal Q1/17, a decrease of one Advisory Team from March 31, 2016 and a decrease of nine from June 30, 2015

CANACCORD GENUITY WEALTH MANAGEMENT (UK & EUROPE)

- Wealth management operations in the UK & Europe generated $33.2 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of $6.4 million before taxes in Q1/17[(1)]
- Assets under management (discretionary and non-discretionary) were $22.4 billion (£12.9 billion) as at June 30, 2016, a decrease of 1.8% from $22.8 billion (£12.2 billion) at the end of the previous quarter and a decrease of 1.8% from $22.8 billion (£11.6 billion) at June 30, 2015[(3)]. In local currency (GBP), assets under management at June 30, 2016 increased by 5.7% compared to March 31, 2016 and 11.2% compared to Q1/16.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS measures on pages 4 and 8.
(2) Net income attributable to common shareholders is calculated as the net income adjusted for non-controlling interests and preferred share dividends.
(3) See Non-IFRS Measures on pages 4 and 8.
(4) Transactions over $1.5 million. Internally sourced information.
(5) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book of business.

NON-IFRS MEASURES

The non-International Financial Reporting Standards (IFRS) measures presented include assets under administration, assets under management, book value per diluted common share and figures that exclude significant items. Significant items include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, as well as gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations. Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options and warrants, as applicable, and, commencing in Q1/14, adjusted for shares purchased under the NCIB and not yet cancelled and estimated forfeitures in respect of unvested share awards under share-based payment plans.

Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of the Company's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of the Company's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting effects of these items do in fact reflect the underlying financial results of the Company's business; thus, these effects should not be ignored in evaluating and analyzing the Company's financial results. Therefore, management believes that the Company's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

	Three months ended June 30		
(C$ thousands, except per share and % amounts)	**2016**	2015	Quarter-over-quarter change
Total revenue per IFRS	**$ 206,180**	$ 214,454	(3.9)%
Total expenses per IFRS	**196,169**	202,007	(2.9)%
Significant items recorded in Canaccord Genuity			
Amortization of intangible assets (expenses)	**818**	1,410	(42.0)%
Net gain realized on business disposal (revenue)	**(1,193)**	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management			
Amortization of intangible assets (expenses)	**1,405**	1,467	(4.3)%
Total significant items	**1,030**	2,877	(64.2)%
Total revenue excluding significant items	**204,987**	214,454	(4.4)%
Total expenses excluding significant items	**193,946**	199,130	(2.6)%
Net income before taxes – adjusted	**$ 11,041**	$ 15,324	(27.9)%
Income taxes – adjusted	**2,902**	2,005	44.7%
Net income – adjusted	**$ 8,139**	$ 13,319	(38.9)%
Earnings per common share – basic, adjusted	**$ 0.05**	$ 0.10	(50.0)%
Earnings per common share – diluted, adjusted	**$ 0.05**	$ 0.10	(50.0)%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8.
n.m.: mot meaningful

Fellow Shareholders:

Our first fiscal quarter was again characterized by heightened volatility across global markets. Following the UK referendum vote to leave the European Union in late June (“Brexit”), global stock markets initially sold off before staging a partial recovery during the last week of the quarter. Despite the excessive volatility throughout the period, the S&P/TSX Composite finished the quarter 5.1% higher on a total return basis, primarily owing to a safe haven gold rally and continued oil price appreciation. The less resource-centric S&P 500 posted more modest gains of 2.5% for the quarter, while the MSCI EAFE index declined 1.2% on the back of weak European performance related to the UK referendum.

Delivering on our commitment to reduce operating expenses and drive profitability

Despite industry headwinds and the environment of persistent uncertainty leading up to the Brexit referendum, I am pleased to report that we have returned our business to profitability during the first fiscal quarter of 2017. We achieved this improved result by managing our business more effectively across our platform, while maintaining a strong client focus in an improving, but still challenging environment.

Excluding significant items and incentive compensation, in the first fiscal quarter we have reduced our firm wide operating expenses by 6.8% compared to the same period last year and our general and administrative costs by 11.8% on a year-over-year basis. Since we began our restructuring initiatives six months ago, we have achieved most of our cost reduction objectives, with an additional benefit from the fluctuation in foreign exchange rates towards the end of our first fiscal quarter. We continue to explore additional expense reduction measures and we are well on track to deliver our targeted $30 million reduction.

Improving fundamentals in Canadian and Australian capital markets

During the first quarter of fiscal 2017, Canaccord Genuity participated in 86 transactions globally, to raise total proceeds of $10.3 billion for growth companies. Our global capital markets operations generated revenues of $140.6 million during the quarter, an increase of 1.4% compared to the previous fiscal quarter. The strongest contributions came from our Canadian and Australian capital markets businesses, which recorded sequential revenue increases of 25% and 15.4% respectively. This performance was offset by a small loss in our US capital markets operation, and more substantially by losses in our UK & Europe capital markets business, which was the most impacted by general uncertainty leading up to the recent Brexit referendum.

Total financing activity in our key markets was lower compared to the same period last year, a result of ongoing broad market volatility. With the exception of our Australian investment banking operation, all regions recorded a decline in investment banking revenue on a year-over-year basis. However, I am pleased to report that investment banking revenue increased by 117.9% when compared to our most recent fiscal quarter, and we are encouraged by the improving activity levels in our core focus sectors and specifically in the natural resource sectors, a historic area of strength for our business.

Revenue generated from advisory fees during our first quarter increased by 80.3% on a year-over-year basis. Our Canadian capital markets operation reported the highest increase in advisory fees revenue of 362%, mainly due to the completion of Reservoir Minerals Inc., NYX Gaming Group and Luminaires Group transactions during the quarter. The competitive environment for independent investment banks in Canada is changing rapidly, and the strength of our local team in combination with our differentiated global platform leaves Canaccord Genuity very well positioned for long term success in this market. Our US operations also reported an increase of $7.3 million in advisory fees revenue compared to the first quarter of last year, further strengthening the diversity of our revenue streams in the region. Offsetting these increases was a decline of $8.0 million in our UK & Europe operations compared to the same period last year.

Volatile market conditions helped our trading operations deliver strong results. On a year-over-year basis, revenues generated through principal trading activities increased by 22.1%, to $27.5 million. Our US capital markets business was the primary contributor to this result, which recorded an increase of 12.3%, driven by strong performance by our International Equities Group, in addition to stronger fixed income and options activity. In an environment of continued pressure on traditional equity commissions, this business has successfully shifted its revenue mix into areas of near-term growth.

In recent months we have undertaken important initiatives to streamline our UK & Europe capital markets business that we expect will help this business to better withstand challenging market conditions. We anticipate that the ongoing uncertainty related to the Brexit referendum result will continue to put pressure on near- to medium-term capital raising activities in the region. However, our efforts to better align our investment banking, advisory and sales & trading teams across regions ensures that clients in this geography can benefit from the perspectives and resources available across our global platform, at a time when they need us most.

In any operating environment, we continue to focus on driving profitable growth with a heightened emphasis on improving efficiencies across our operation in a client-centric manner. We are pleased to see activity levels improving, and we expect that our ongoing efforts to realign our businesses will improve our long term profitability.

Stable contribution from UK & Europe Wealth Management

Our global wealth management operations generated revenue of $63.9 million during our first fiscal quarter.

Our wealth management operations in the UK & Europe have continued to increase assets under management during the quarter in local currency terms, a testament to the world class product offering and commitment to clients demonstrated by our asset management, portfolio management and wealth planning teams in the region. At the end of the fiscal quarter, assets under management measured in local currency increased by 11.2%, to £12.9 billion compared to the first quarter of the last fiscal year. With the benefit of our recently upgraded platform and a commitment to exceptional client service, I am also pleased to say that our teams successfully managed the elevated trading volumes following the news of the Brexit referendum outcome. This strong franchise continues to deliver stable, recurring revenues and net income for our firm.

I am also pleased to report that our Canadian wealth management business has returned to profitability for the first time since the second quarter of fiscal 2012. While assets under administration and management in our Canadian wealth management operations were negatively impacted by lower market values and a reduced number of advisory teams when compared to the same period a year ago, income before income taxes for the first fiscal quarter of 2017 was $0.4 million, up from a loss of the same amount during the same period last year. This result was largely driven by our ongoing expense reduction initiatives.

Looking ahead, we will continue to focus on improving recurring revenue growth across our wealth management operations, to help offset the inherent volatility of our global capital markets businesses.

Strengthening alignment with our shareholders and changes to our Board of Directors

A key priority for our organization is ensuring that employees and senior managers are directly aligned with the best interests of our shareholders. We implemented a program to increase share ownership by our most senior, revenue producing employees during the quarter. To accomplish this we initiated and closed a private placement of common shares and warrants to employees which was fully subscribed. I am pleased to report that employees now own approximately 40% of common shares on a fully diluted basis.

We made the decision to reduce the size of our board and consequently Dennis Miller and Bill Eeuwes have decided not to stand for re-election to the Board of Directors at our upcoming Annual General Meeting. I would like to thank both Dennis and Bill for their wise counsel and valuable contributions.

Looking ahead

Broad market fundamentals indicate that we should be entering an improving environment for our business and there are signs of improving activity levels across core focus sectors.

As the world reacts to the impact of the recent outcome of the Brexit referendum, I assure you that our commitment to our businesses and our clients across our capital markets and wealth management operations in the UK & Europe has not changed. While the long term outcome of this development is uncertain, we remain focused on the opportunities we can create for our clients and our business.

We remain committed to delivering our strategic priorities for our clients and our shareholders and I thank you for your ongoing support.

DAN DAVIAU
President & CEO
Canaccord Genuity Group Inc.

Management's Discussion and Analysis

First quarter fiscal 2017 for the three months ended June 30, 2016 — this document is dated August 3, 2016

The following discussion of the financial condition and results of operations for Canaccord Genuity Group Inc. is provided to enable the reader to assess material changes in our financial condition and to assess results for the three month period ended June 30, 2016 compared to the corresponding period in the preceding fiscal year. The three-month period ended June 30, 2016 is also referred to as first quarter 2017 and Q1/17. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Genuity Group Inc. and "Canaccord Genuity Group" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the investment banking and capital markets segment of the Company. This discussion should be read in conjunction with: the unaudited interim condensed consolidated financial statements for the three month period ended June 30, 2016, beginning on page 27 of this report; our Annual Information Form (AIF) dated June 24, 2016; and the 2016 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2016 (Audited Annual Consolidated Financial Statements) in the Company's annual report dated June 1, 2016 (the 2016 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2016 except as disclosed in this MD&A. The Company's financial information is expressed in Canadian dollars unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Information

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim condensed and annual consolidated financial statements and in its 2016 Annual Report and AIF filed on www.sedar.com as well as the factors discussed in the section entitled "Risks" in this MD&A, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2017 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and annual consolidated financial statements and in its 2016 Annual Report and AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is also not exhaustive.

Although the forward-looking information contained in this document is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this document and should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Certain statements included in this document may be considered "financial outlook" for purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this document. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, further developments or otherwise.

Presentation of Financial Information and Non-IFRS Measures

This MD&A is based on the unaudited interim condensed consolidated financial statements for the three month periods ended June 30, 2016 (First quarter 2017 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The first quarter 2017 Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), and using accounting policies consistent with those applied in preparing the Company's Audited Annual Consolidated Financial Statements for the year ended March 31, 2016.

NON-IFRS MEASURES

Certain non-IFRS measures are utilized by the Company as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures presented include assets under administration, assets under management, book value per diluted common share, return on common equity and figures that exclude significant items.

The Company's capital is represented by common and preferred shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share, which is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options and warrants, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

Assets under administration (AUA) and assets under management (AUM) are non-IFRS measures of client assets that are common to the wealth management business. AUA — Canada, AUM — Australia and AUM — UK & Europe are the market value of client assets managed and administered by the Company from which the Company earns commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. AUM — Canada includes all assets managed on a discretionary basis under programs that are generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program.* Services provided include the selection of investments and the provision of investment advice. The Company's method of calculating AUA — Canada, AUM — Canada, AUM — Australia and AUM — UK & Europe may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess operational performance of the Canaccord Genuity Wealth Management business segment. AUM — Canada is also administered by the Company and is included in AUA — Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, as well as gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations. See the Selected Financial Information Excluding Significant Items table on page 12.

Management believes that these non-IFRS measures allow for a better evaluation of the operating performance of the Company's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of the Company's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting effects of these items do in fact reflect the underlying financial results of the Company's business; thus, these effects should not be ignored in evaluating and analyzing the Company's financial results. Therefore, management believes that the Company's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

Business Overview

Through its principal subsidiaries, Canaccord Genuity Group Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets. Since its establishment in 1950, the Company has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord Genuity Group has offices in 10 countries worldwide, including wealth management offices located in Canada, Australia, the UK, Guernsey, Jersey, and the Isle of Man. Canaccord Genuity, the Company's international capital markets division, has operations in Canada, the US, the UK, France, Ireland, Hong Kong, China, Australia and Dubai.

Canaccord Genuity Group Inc. is publicly traded under the symbol CF on the TSX. Canaccord Genuity Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. Canaccord Genuity Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

Our business is affected by the overall condition of the worldwide equity and debt markets.

BUSINESS ENVIRONMENT

During the first quarter of fiscal 2017, US economic activity showed positive signs of re-acceleration from the previous quarter. The ISM manufacturing and service indices recovered and personal consumption expenditures remained robust over the quarter, while US employment rebounded in June after a marked slowdown. Meanwhile, despite firm oil prices, headline and core inflation did not accelerate and remained flat over the quarter, around 1.1% and 2.2% respectively. As such, the US Federal Reserve remained on the sidelines citing the uncertainty regarding its inflation and growth outlook as well as heightened global risks. On the topic of risks, the unexpected "leave" outcome of the UK referendum in late June temporarily disrupted equity and currency markets. Stocks recovered quickly as central banks appeared determined to protect growth by prolonging easy monetary policies. Moreover, the European Central Bank began buying corporate bonds in June. Many emerging market (EM) central banks cut rates over the quarter, as the US$ index (DXY) stayed weak and the threat of EM inflation receded. Economic green shoots have become visible among EMs with upticks in industrial production and retail sales. China's economy still faces headwinds from industrial overcapacity and an overleveraged corporate sector. However, infrastructure spending and housing market activity picked up and acted as an offset to a still-weak manufacturing sector.

The MSCI World equity index returned 0.3% and the S&P 500 rose by 1.9% during the first quarter of fiscal 2017. Meanwhile, the S&P/TSX advanced by 4.2%, helped by rising commodity prices. Crude oil advanced 25.8% and gold prices rose 7.0%. Supply disruptions in Nigeria and Fort McMurray (wildfires) helped to rebalance oil markets. The combination of strong gasoline demand and faltering supply growth strengthened oil prices. The Canadian dollar benefitted slightly from higher commodity prices and increased 0.6% during the quarter. Admittedly, persistent current account deficits seem to be capping the Canadian dollar at purchasing power parity around 0.80 cents compared to the US dollar. Meanwhile, the British pound and the Euro depreciated markedly following the UK referendum result. Otherwise, bond yields have plunged and traded on the expensive side of their historical valuation band despite core inflation remaining sticky around 2%. US 10-year Treasuries dipped below 1.5% during the quarter while corporate bonds ended the quarter at 4.4%. These developments supported high-dividend yielders in Canada over the course of the three month period. That said, the Canadian market benefitted mostly from resource stocks owing to higher commodity prices.

Looking ahead, we believe that the latest bout of depreciation for the British pound sterling and the Euro is a positive shock absorber for Europe while the coincident US dollar appreciation could possibly sideline the Fed for the balance of the year. Should global funding risks escalate, the Bank of England, ECB and Federal Reserve appear willing to provide liquidity backstops. Developing market (DM) and EM central bank actions could support risk assets such as corporate and EM debt, commodities and equities. This positive backdrop for equities is unlikely to disappear, notably regarding resource stocks as the supply/demand balance for most commodities is improving. Otherwise, the recent set of OECD leading economic indicators suggests that EMs' economic momentum is likely to surpass that of DMs as global reflation filters through world economies. As a result, we believe investors are likely to continue favouring inflation and commodity-sensitive assets, such as resource cyclicals. This environment should also fuel capital markets activities, as companies use higher public market valuations to raise capital.

MARKET DATA

Total financing values on each of the TSX, TSX Venture Exchange, and NASDAQ experienced decreases compared to the same period last year, but showed improvements compared to the previous quarter.

TOTAL FINANCING VALUE BY EXCHANGE

	April 2016	May 2016	June 2016	Fiscal Q1/17	Change from fiscal Q1/16	Change from fiscal Q4/16
TSX and TSX Venture (C$ billions)	9.1	3.5	7.8	20.4	(3.8)%	55.7%
AIM (£ billions)	0.2	0.5	0.5	1.2	(36.8)%	50.0%
NASDAQ (US$ billions)	2.6	8.5	5.2	16.3	(49.7)%	63.0%

Source: TSX Statistics, LSE AIM Statistics, Dealogic and Placement Tracker

ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS

Canaccord Genuity Group Inc.'s operations are divided into two business segments: Canaccord Genuity (investment banking and capital markets operations) and Canaccord Genuity Wealth Management. Together, these operations offer a wide range of complementary investment banking services, investment products and brokerage services to the Company's institutional, corporate and private clients. The Company's administrative segment is referred to as Corporate and Other.

Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the UK, Europe, the US, China, Hong Kong, Australia and Dubai.

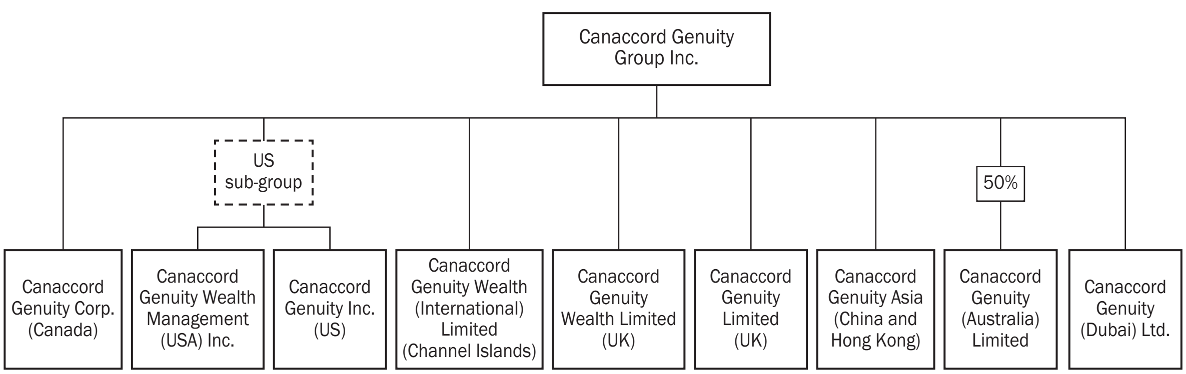
Canaccord Genuity Wealth Management

Canaccord Genuity Wealth Management operations provide comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries through a full suite of services tailored to the needs of clients in each of its markets. The Company's wealth management division now has Investment Advisors (IAs) and professionals in Canada, Australia, the UK, the Channel Islands and the Isle of Man.

Corporate and Other

Canaccord Genuity Group's administrative segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest, foreign exchange gains and losses, and activities not specifically allocable to either the Canaccord Genuity or Canaccord Genuity Wealth Management divisions. Also included in this segment are the Company's operations and support services, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, legal, finance, and all administrative functions of Canaccord Genuity Group Inc.

Corporate structure



The chart shows principal operating companies of the Canaccord Genuity group.

The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd. and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of June 30, 2016 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd. [March 31, 2016 — 58%].

Consolidated Operating Results

FIRST QUARTER FISCAL 2017 SUMMARY DATA[1][2]

(C$ thousands, except per share and % amounts, and number of employees)	Three months ended June 30 2016	2015	2014	Q1/17 vs. Q1/16
Canaccord Genuity Group Inc. (CGGI)				
Revenue				
Commissions and fees	$ 92,872	$ 94,706	$ 94,826	(1.9)%
Investment banking	37,413	65,413	87,372	(42.8)%
Advisory fees	39,306	21,665	32,694	81.4%
Principal trading	27,546	22,566	20,276	22.1%
Interest	3,608	5,074	6,304	(28.9)%
Other	5,435	5,030	4,084	8.1%
Total revenue	206,180	214,454	245,556	(3.9)%
Expenses				
Incentive compensation	107,575	106,500	122,337	1.0%
Salaries and benefits	21,909	22,564	22,533	(2.9)%
Other overhead expenses[3]	66,685	72,943	75,015	(8.6)%
Restructuring costs[4]	—	—	2,383	—
Total expenses	196,169	202,007	222,268	(2.9)%
Income before income taxes	10,011	12,447	23,288	19.6%
Net income	7,455	$ 10,961	$ 18,869	32.0%
Net income attributable to:				
CGGI shareholders	6,682	$ 10,414	$ 18,081	35.8%
Non-controlling interests	773	$ 547	$ 788	41.3%
Earnings per common share – diluted	$ 0.04	$ 0.08	$ 0.15	(50.0)%
Return on common equity (ROE)	2.8%	3.2%	6.4%	(0.5)%
Dividends per common share	—	$ 0.05	$ 0.05	(100.0)%
Book value per diluted common share[5]	$ 4.75	$ 8.34	$ 8.70	(43.0)%
Total assets	$ 4,083,107	$ 4,428,413	$ 4,371,138	(7.8)%
Total liabilities	$ 3,337,537	$ 3,288,860	$ 3,232,024	1.5%
Non-controlling interests	9,892	$ 11,584	$ 15,821	(14.6)%
Total shareholders' equity	$ 735,678	$ 1,127,969	$ 1,123,293	(34.8)%
Number of employees	1,742	1,902	2,011	(8.4)%
Excluding significant items[6]				
Total revenue	$ 204,987	$ 214,454	$ 245,556	(4.4)%
Total expenses	193,946	$ 199,130	$ 215,904	(2.6)%
Income before income taxes	11,041	15,324	29,652	(27.9)%
Net income	8,139	13,319	24,017	(38.9)%
Net income attributable to:				
CGGI shareholders	7,299	12,529	22,962	(41.7)%
Non-controlling interests	840	790	1,055	6.3%
Earnings per common share – diluted	$ 0.05	0.10	0.20	(50.0)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 8.
(2) The operating results of the Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized for the three months ended June 30, 2016 [three months ended June 30, 2015 — 40% and three months ended June 30, 2014 — 50%.].
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Restructuring costs for the three months ended June 30, 2014 were incurred in connection with certain executive changes in our Corporate and Other segment and the closure of the Geneva office in our UK & European wealth management operations.
(5) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.
(6) Net income and earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

	Three months ended June 30		
(C$ thousands, except per share and % amounts)	**2016**	2015	Quarter-over-quarter change
Total revenue per IFRS	**$ 206,180**	$ 214,454	(3.9)%
Total expenses per IFRS	**196,169**	202,007	(2.9)%
Significant items recorded in Canaccord Genuity			
Amortization of intangible assets (expenses)	**818**	1,410	(42.0)%
Net gain realized on business disposal (revenue)	**(1,193)**	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management			
Amortization of intangible assets (expenses)	**1,405**	1,467	(4.3)%
Total significant items	**1,030**	2,877	(64.2)%
Total revenue excluding significant items	**204,987**	214,454	(4.4)%
Total expenses excluding significant items	**193,946**	199,130	(2.6)%
Net income before taxes – adjusted	**$ 11,041**	$ 15,324	(27.9)%
Income taxes – adjusted	**2,902**	2,005	44.7%
Net income – adjusted	**$ 8,139**	$ 13,319	(38.9)%
Earnings per common share – basic, adjusted	**$ 0.05**	$ 0.10	(50.0)%
Earnings per common share – diluted, adjusted	**$ 0.05**	$ 0.10	(50.0)%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8.
n.m.: not meaningful

Foreign exchange

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling depreciated against the Canadian dollar by approximately 4.3% in Q1/17 when compared to Q1/16, while the US dollar appreciated against the Canadian dollar by approximately 4.3%. This change in foreign exchange contributed to certain changes in revenue and expense items in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity and Canaccord Genuity Wealth Management UK & Europe.

Goodwill

During the quarter the Company performed an interim impairment test of goodwill and other assets. In determining whether to perform an impairment test, the Company considers factors such as its market capitalization, market conditions generally and overall economic conditions as well as market conditions in the key sectors in which the Company operates and the impact that such conditions are expected to have on the Company's operations.

Utilizing management's preliminary estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models the Company determined that there was no impairment in the goodwill and indefinite life intangible assets associated with any of its wealth management business units in the UK & Europe or its remaining goodwill recorded in Canaccord Genuity Canada. Notwithstanding this determination as of June 30, 2016, the continuing uncertainty in the economic environment may cause this determination to change. If the business climate remains uncertain and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the remaining goodwill recorded in Canaccord Genuity Canada. Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

Revenue

First quarter 2017 vs. first quarter 2016
On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other.

Revenue for the three months ended June 30, 2016 was $206.2 million, a decrease of 3.9% or $8.3 million compared to the same period a year ago. The Canaccord Genuity segment experienced a decrease of $4.4 million in Q1/17 compared to the same quarter in the prior year, mainly due to lower investment banking revenue partially offset by higher advisory fees revenue. The Canaccord Genuity Wealth Management segment generated revenue of $62.7 million during the three months ended June 30, 2016, a decrease of $2.6 million over Q1/16, mainly due to lower commissions and fees revenue.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees decreased by $1.8 million, to $92.9 million in Q1/17, compared to the same period a year ago. Commissions and fees revenue earned in connection with the Canaccord Genuity Wealth Management segment was $54.8 million, a decrease of $1.5 million over Q1/16. The Canaccord Genuity segment experienced a slight decline of $0.3 million in commission and fees revenue compared to the same quarter in the prior year.

Investment banking revenue decreased by $28.0 million or 42.8% compared to the same period a year ago, to $37.4 million in Q1/17. All of our operating regions recorded a decline in investment banking revenue compared to Q1/16, except for our Other Foreign Locations operations, which generated an increase of $1.5 million with increased activity in our Australian operations. The largest declines in investment banking revenue in Q1/17 were in the UK & Europe ($15.0 million) and the US ($12.3 million).

Advisory fees revenue was $39.3 million, an increase of $17.6 million or 81.4% from the same quarter a year ago.

Our Canadian capital market operations reported the highest increase in advisory fees revenue of $18.2 million, mainly due to the completion of Reservoir Minerals Inc., NYX Gaming Group and Luminaires Group transactions during the quarter. Our US operations also reported an increase of $7.3 million in advisory fees revenue compared to Q1/16. Offsetting these increases was a decline of $8.0 million in advisory fees revenue in our UK & Europe operations compared to the same period last year.

Principal trading revenue was $27.5 million in Q1/17, representing a $5.0 million increase compared to Q1/16. Our Canadian, US and UK & Europe capital market operations all experienced an increase in principal trading revenue compared to the same quarter in the prior year.

Interest revenue was $3.6 million for the three months ended June 30, 2016, representing a decrease of $1.5 million from Q1/16, mostly attributable to our Canadian capital markets and wealth management operations. Other revenue was $5.4 million for Q1/17, a slight increase of $0.4 million from the same period a year ago.

Expenses

Expenses for the three months ended June 30, 2016 were $196.2 million, a decrease of 2.9% or $5.8 million from Q1/16. With the decrease in revenue during the quarter and the non-variable nature of certain infrastructure and overhead costs, total expenses as a percentage of revenue increased by 0.9 percentage points compared to the three months ended June 30, 2015.

EXPENSES AS A PERCENTAGE OF REVENUE

	Three months ended June 30		
	2016	2015	Quarter-over-quarter change
Incentive compensation	**52.2%**	49.7%	2.5 p.p
Salaries and benefits	**10.6%**	10.5%	0.1 p.p
Other overhead expenses[1]	**32.3%**	34.0%	(1.7) p.p
Total	**95.1%**	94.2%	0.9 p.p

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
p.p.: percentage points

Compensation expense

First quarter 2017 vs. first quarter 2016

Incentive compensation expense was $107.6 million, an increase of 1.0% compared to Q1/16. Incentive compensation expense as a percentage of revenue was 52.2%, an increase of 2.5 percentage points from the same period last year. As a result of headcount reduction, salaries and benefits expense in the current quarter decreased by $0.7 million or 2.9% from Q1/16. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue increased from 60.2% in Q1/16 to 62.8% in Q1/17 primarily due to the weak revenue levels achieved in the UK & Europe and the fixed nature of its compensation at those low revenue levels.

OTHER OVERHEAD EXPENSES

	Three months ended June 30		
(C$ thousands, except % amounts)	**2016**	2015	Quarter-over-quarter change
Trading costs	**$ 14,136**	$ 13,810	2.4%
Premises and equipment	**9,748**	9,886	(1.4)%
Communication and technology	**12,334**	13,603	(9.3)%
Interest	**3,442**	3,291	4.6%
General and administrative	**19,548**	22,168	(11.8)%
Amortization(1)	**5,385**	6,133	(12.2)%
Development costs	**2,092**	4,052	(48.4)%
Total other overhead expenses	**$ 66,685**	$ 72,943	(8.6)%

(1) Includes amortization of intangible assets. See the Selected Financial Information Excluding Significant Items table on page 12.

First quarter 2017 vs. first quarter 2016

Other overhead expenses were $66.7 million, or 8.6% lower in Q1/17 compared to Q1/16. As a percentage of revenue, other overhead expenses decreased by 1.7 percentage points compared to Q1/16. The overall decline in other overhead expenses was mainly driven by a focused cost reduction program leading to decreases in development costs, general and administrative expense and communication and technology expenses, offset by slight increases in trading costs and interest.

Development costs decreased by $2.0 million compared to the three months ended June 30, 2015, mainly due to lower hiring incentives and lower system development costs across all our operations.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, was down $2.6 million, largely due to lower expenses associated with professional fees and promotion and travel expense across most operating segments.

Communication and technology expense decreased by $1.3 million or 9.3% from Q1/16 to $12.3 million for the first quarter of fiscal 2017, primarily due to lower costs in our UK & Europe operations.

Amortization expense was $5.4 million for the three months ended June 30, 2016, a decrease of $0.7 million from the same quarter in the prior year.

Net income

First quarter 2017 vs. first quarter 2016

Net income for Q1/17 was $7.5 million compared to net income of $11.0 million in the same period a year ago. Earnings per common share were $0.04 in Q1/17 compared to earnings per common share of $0.08 in Q1/16.

Excluding significant items [1], which include amortization of intangible assets, gains or losses related to business disposals and recognition of realized translation gains on foreign operations, net income for Q1/17 was $8.1 million compared to a net income of $13.3 million in Q1/16. Earnings per common share, excluding significant items[1], were $0.05 in Q1/17 compared to earnings per common share, excluding significant items[1] of $0.10 in Q1/16.

The effective tax rate for Q1/17 was 25.5% compared to an effective tax rate of 11.9% in the same quarter last year. The increase in the effective tax rate was mainly due to the non-recognition of certain deferred tax assets in our foreign operations.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8.

Results of Operations by Business Segment

CANACCORD GENUITY[1][2]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2016	2015	Quarter-over-quarter change
Revenue	$ 140,598	$ 145,035	(3.1)%
Expenses			
Incentive compensation	78,692	76,617	2.7%
Salaries and benefits	6,518	6,371	2.3%
Other overhead expenses	44,416	48,758	(8.9)%
Total expenses	129,626	131,746	(1.6)%
Intersegment allocations[3]	3,620	3,989	(9.3)%
Income before income taxes[3]	7,352	$ 9,300	(20.9)%
Number of employees	813	901	(9.8)%
Excluding significant items[4]			
Total expenses	$ 128,808	$ 130,336	(1.2)%
Intersegment allocations[3]	3,620	3,989	(9.3)%
Income before income taxes[3]	6,977	10,710	(34.9)%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.
(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity business segment for the three months ended June 30, 2016 [three months ended June 30, 2015 — 40%].
(3) Income before income taxes includes intersegment allocated costs. See the Intersegment Allocated Costs section on page 21.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 12.

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients and it conducts principal trading activities in Canada, the US, the UK & Europe, and the Asia-Pacific region. Canaccord Genuity has offices in 19 cities in 9 countries worldwide.

Revenue from Canaccord Genuity is generated from commissions and advisory fees earned in connection with investment banking and advisory transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord Genuity's principal and international trading operations.

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	Three months ended June 30 2016	2015	Quarter-over-quarter change
Revenue generated in:			
Canada	34.8%	23.7%	11.1 p.p.
UK & Europe	17.4%	31.1%	(13.7) p.p.
US	38.2%	37.8%	0.4 p.p.
Other Foreign Locations	9.6%	7.4%	2.2 p.p.
	100.0%	100.0%	

p.p.: percentage points

First quarter 2017 vs. first quarter 2016

Revenue

Canaccord Genuity generated revenue of $140.6 million in Q1/17, a decline of 3.1% or $4.4 million from the same quarter a year ago primarily as a result of lower market activity in the UK & Europe. Our UK & Europe capital market operations reported a decrease of $20.7 million in revenue compared to Q1/16. Our US capital markets operations revenue also decreased by $1.1 million compared to same period last year. Our Canadian and Other Foreign Locations capital market operations both reported higher revenue compared to Q1/16, most notably in Canada, where revenue increased by $14.6 million or 42.4% as a result of the completion of certain large advisory transactions during the quarter.

Expenses

Expenses for Q1/17 were $129.6 million, a decrease of 1.6% or $2.1 million compared to Q1/16. Excluding significant items[1], total expenses as a percentage of revenue increased by 2.5 percentage points compared to the same quarter in the prior year primarily as a result of the reduced revenue in the UK & Europe and the fixed nature of its incentive compensation expense at those reduced revenue levels.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8

Incentive compensation and salaries and benefits

Incentive compensation expense for Q1/17 increased by $2.1 million or 2.7% compared to Q1/16. Incentive compensation expense as a percentage of revenue was 56.0%, an increase of 3.1 percentage points from Q1/16. Total compensation expense as a percentage of revenue was 60.6%, 3.4 percentage points higher than in Q1/16 primarily as a result of our UK & Europe operations as described above and below.

In Canada total compensation as a percentage of revenue increased by 3.1 percentage points compared to Q1/16 due to a change in the estimate for deferred compensation. Our US operations experienced an increase of 6.8 percentage points due to lower revenue as well as higher share-based incentive compensation expense that resulted from an increase in amortization expense of stock-based compensation from restricted stock awards made during fiscal 2016. As a result of the significant decrease in revenue, total compensation as a percentage of revenue in our UK & Europe operations increased by 16.5 percentage points due to insufficient pool-based revenue relative to fixed staff costs. Our Other Foreign Locations operations experienced a decrease of 13.1 percentage points in its total compensation ratio partially due to the increase in revenue and reductions in fixed staff costs.

CANACCORD GENUITY TOTAL COMPENSATION EXPENSE AS A PERCENTAGE OF REVENUE BY GEOGRAPHY

	Three months ended June 30		
	2016	2015	Quarter-over-quarter change
Canada	**51.4%**	48.3%	3.1 p.p.
UK & Europe	**81.8%**	65.3%	16.5 p.p.
US	**60.9%**	54.2%	6.8 p.p.
Other Foreign Locations	**54.3%**	67.4%	(13.1) p.p.
Canaccord Genuity (total)	**60.6%**	57.2%	3.4 p.p.

p.p.: percentage points

Other overhead expenses

Total other overhead expenses excluding significant items(1) for Q1/17 were $43.6 million, a decrease of 7.8% compared to Q1/16. As a result of cost reduction efforts, there was a decline in all overhead expenses except for a slight increase in interest expense which reflects the increase in principal trading activity.

General and administrative expense in Q1/17 was $12.2 million, a decrease of $1.0 million or 7.8% over Q1/16, as a result of reduced expenditures across the different geographic regions.

Development costs decreased by $1.2 million or 66.4% in Q1/17 compared to the same period in the prior year, as a result of lower hiring incentives in our US and UK & Europe operations. Communication and technology expense decreased by $0.8 million or 9.0% to $8.4 million in Q1/17, most notably in our UK & Europe operations. Premises and equipment expense also decreased by $0.6 million compared to Q1/16 to $5.9 million in Q1/17.

Income before income taxes

Income before income taxes, including allocated overhead expenses, was $7.4 million in Q1/17 compared to net income of $9.3 million in the same quarter a year ago. Excluding significant items(1), income before income taxes, including allocated overhead expenses, decreased from $10.7 million in Q1/16 to income of $7.0 million in Q1/17. The decline in income before income taxes is mostly attributable to lower revenue earned during Q1/17.

CANACCORD GENUITY WEALTH MANAGEMENT

Revenue from Canaccord Genuity Wealth Management is generated through traditional commission-based brokerage services, the sale of fee-related products and services, margin interest, and commissions and fees earned from investment banking and venture capital transactions by private clients.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8

CANACCORD GENUITY WEALTH MANAGEMENT NORTH AMERICA(1)

(C$ thousands, except AUM and AUA (in C$ millions), number of employees, Advisory Teams and % amounts)	Three months ended June 30 2016	2015	Quarter-over-quarter change
Revenue	$ 29,473	$ 30,916	(4.7)%
Expenses			
Incentive compensation	14,697	15,808	(7.0)%
Salaries and benefits	3,065	2,922	4.9%
Other overhead expenses	8,093	8,054	0.5%
Total expenses	25,855	26,784	(3.5)%
Intersegment allocations(2)	3,263	4,522	(27.8)%
Income (loss) before income taxes(2)	$ 355	$ (390)	191.0%
AUM – Canada (discretionary)(3)	1,268	1,419	(10.6)%
AUA – Canada(4)	9,817	10,648	(7.8)%
Number of Advisory Teams – Canada	138	147	(6.1)%
Number of employees	342	377	(9.3)%
Excluding significant items(5)			
Total expenses	$ 25,855	$ 26,784	(3.5)%
Intersegment allocations(2)	3,263	4,522	(27.8)%
Income (loss) before income taxes(2)	355	(390)	191.0%

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 8.
(2) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 21.
(3) AUM in Canada are assets managed on a discretionary basis under our programs generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program*.
(4) AUA in Canada is the market value of client assets administered by the Company, from which the Company earns commissions and fees and includes AUM.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 12.

First quarter 2017 vs. first quarter 2016

Revenue from Canaccord Genuity Wealth Management North America was $29.5 million, a decrease of $1.4 million or 4.7% compared to the three months ended June 30, 2015, as a result of reduced AUA and reduced client and corporate finance activities.

AUA in Canada decreased by 7.8% to $9.8 billion at June 30, 2016 compared to $10.6 billion at June 30, 2015, partially attributable to lower market values at the end of Q1/17 as well as a reduced number of investment advisory teams. AUM in Canada also decreased by 10.6% compared to Q1/16. There were 138 Advisory Teams in Canada, a decrease of 9 from a year ago. With the reduction in AUM, fee-related revenue in our North American operations as a percentage of total revenue decreased by 1.3 percentage points compared to Q1/16 and accounted for 37.6% of the wealth management revenue in Canada during the first quarter of fiscal 2017.

As a result of our cost reduction initiatives, expenses for Q1/17 decreased by 3.5% or $0.9 million from Q1/16.

Incentive compensation expense decreased by $1.1 million compared to Q1/16, consistent with the decline in incentive-based revenue. Total compensation expense as a percentage of revenue decreased by 0.3 percentage points compared to Q1/16, as a result of lower fixed compensation levels.

Total non-compensation expenses remained relatively unchanged compared to Q1/16 at $8.1 million. The most significant fluctuations in expenses were the $0.6 million increase in trading costs and the $0.3 million increase in premises and equipment expense, offset by the $0.4 million decrease in communication and technology expense and the $0.2 million decrease in general and administrative expense.

Income before income taxes was $0.4 million in Q1/17 compared to a loss of $0.4 million in Q1/16, primarily as a result of lower expenses compared to the same period a year ago.

CANACCORD GENUITY WEALTH MANAGEMENT UK & EUROPE[1]

(C$ thousands, except AUM (in C$ millions), number of employees, investment professionals and fund managers, and % amounts)	Three months ended June 30 2016	2015	Quarter-over-quarter change
Revenue	$ 33,247	$ 34,367	(3.3)%
Expenses			
Incentive compensation	12,573	12,366	1.7%
Salaries and benefits	5,481	5,542	(1.1)%
Other overhead expenses	9,924	10,919	(9.1)%
Total expenses	27,978	28,827	(2.9)%
Intersegment allocations[2]	320	597	(46.4)%
Income before income taxes[2]	$ 4,949	$ 4,943	0.1%
AUM – UK & Europe[3]	22,410	22,813	(1.8)%
Number of investment professionals and fund managers – UK & Europe	117	111	5.4%
Number of employees	310	305	1.6%
Excluding significant items[4]			
Total expenses	$ 26,573	$ 27,360	(2.9)%
Intersegment allocations[2]	320	597	(46.4)%
Income before income taxes[2]	6,354	6,410	(0.9)%

(1) Data is in accordance with IFRS except for AUM, number of investment professionals and fund managers and number of employees. See Non-IFRS Measures on page 8.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 21.
(3) AUM in the UK & Europe is the market value of client assets managed and administered by the Company, from which the Company earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 12.

First quarter 2017 vs. first quarter 2016

Revenue generated by our Canaccord Genuity Wealth Management UK & Europe operation is largely produced through fee-related accounts and portfolio management activities and, as such, is less sensitive to changes in market conditions. Revenue for Q1/17 was $33.2 million, a decrease of 3.3% compared to Q1/16.

AUM in the UK & Europe as of June 30, 2016 was $22.4 billion, a decrease of 1.8% compared to $22.8 billion as of June 30, 2015. Measured in local currency (GBP), AUM increased by 11.2% when compared to June 30, 2015 from £11.6 billion at June 30, 2015 to £12.9 billion at June 30, 2016. The fee-related revenue in our UK & European wealth management operations accounted for 68.5% of total revenue in this geography in Q1/17. As discussed above, this business has a higher proportion of fee-related revenue and managed accounts compared to our Canadian wealth management business.

Incentive compensation expense was $12.6 million, a $0.2 million increase from $12.4 million in Q1/16. Salaries and benefits expense decreased by 1.1% compared to Q1/16 to $5.5 million in Q1/17. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue increased by 2.2 percentage points from 52.1% in Q1/16 to 54.3% in Q1/17.

Other overhead expenses for the three months ended June 30, 2016 decreased by $1.0 million from Q1/16. The most significant decrease was development costs which declined by $0.7 million compared to Q1/16, largely related to lower system development costs.

Income before income taxes was $4.9 million, unchanged from Q1/16. Excluding significant items[1], which include amortization of intangible assets acquired in connection with a business combination, net income before income taxes was $6.4 million, also unchanged from the same quarter in the prior year.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8.

CORPORATE AND OTHER[1]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2016	2015	Quarter-over-quarter change
Revenue	$ 2,862	$ 4,136	(30.8)%
Expenses			
Incentive compensation	1,613	1,709	(5.6)%
Salaries and benefits	6,845	7,729	(11.4)%
Other overhead expenses	4,252	5,212	(18.4)%
Restructuring costs	—	—	—
Total expenses	12,710	14,650	(13.2)%
Intersegment allocations[2]	(7,203)	(9,108)	20.9%
Loss before income taxes[2]	(2,645)	(1,406)	(88.1)%
Number of employees	277	319	(13.2)%
Excluding significant items[3]			
Total expenses	$ 12,710	$ 14,650	(13.2)%
Intersegment allocations[2]	(7,203)	(9,108)	20.9%
Loss before income taxes[2]	(2,645)	(1,406)	(88.1)%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 8.
(2) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 21.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 12.

This segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest, foreign exchange gains and losses, and expenses not specifically allocable to either the Canaccord Genuity or Canaccord Genuity Wealth Management divisions. Also included in this segment are the Company's Canadian operations and support services, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, finance, and all administrative functions.

First quarter 2017 vs. first quarter 2016

Revenue in the Corporate and Other segment for the three months ended June 30, 2016 was $2.9 million, a decrease of $1.3 million from the same quarter a year ago. The change was mainly related to lower foreign exchange gains recognized in Q1/17.

Expenses for Q1/17 decreased by $1.9 million or 13.2%, to $12.7 million compared to the three months ended June 30, 2015. Incentive compensation expense decreased slightly by $0.1 million compared to Q1/16 and salaries and benefits decreased by $0.9 million compared to Q1/16 as a result of headcount reduction. Other operating expenses decreased by $1.0 million compared to Q1/16 mainly due to the $1.1 million decrease in general and administrative expense as a result of cost reduction efforts.

Overall, loss before income taxes was $2.6 million in Q1/17 compared to a loss before income taxes of $1.4 million in the same period a year ago.

Quarterly Results

Our quarterly results are generally not significantly affected by seasonal factors. However, the Company's revenue and income can experience considerable variations from quarter to quarter and year to year due to factors beyond the Company's control. The business is affected by the overall condition of the global capital markets. The Company's revenue from an underwriting transaction is recorded only when the transaction has been substantially completed. Consequently, the timing of revenue recognition can materially affect Canaccord Genuity Group Inc.'s quarterly results.

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended on or before June 30, 2016. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as indications of future performance.

(C$ thousands, except per share amounts)	Fiscal 2017	Fiscal 2016				Fiscal 2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Canaccord Genuity	**$ 140,598**	$ 138,579	$ 122,145	$ 126,511	$ 145,035	$ 159,379	$ 103,866	$ 170,615
Canaccord Genuity Wealth Management:								
North America	**$ 29,473**	25,521	25,616	26,155	30,916	33,079	28,267	31,637
UK & Europe	**$ 33,247**	34,913	35,040	34,039	34,367	35,672	29,965	29,786
Corporate and Other	**2,862**	1,899	(964)	3,897	4,136	4,335	4,373	4,233
Total revenue	**206,180**	200,912	181,837	$ 190,602	$ 214,454	$ 232,465	$ 166,471	$ 236,271
Net income (loss)	**7,455**	(22,709)	(346,388)	(431)	10,961	(26,322)	(21,479)	17,614
Earnings (loss) per common share – basic	**$ 0.04**	$ (0.29)	$ (3.91)	$ (0.03)	$ 0.08	$ (0.33)	$ (0.27)	$ 0.16
Earnings (loss) per common share – diluted	**$ 0.04**	$ (0.29)	$ (3.91)	$ (0.03)	$ 0.08	$ (0.33)	$ (0.27)	$ 0.14

On a consolidated basis, revenue in Q1/17 was $206.2 million, a stronger performance compared to each of the last three quarters of fiscal 2016 and a 3.9% decline compared to Q1/16. The Canaccord Genuity division reported revenue of $140.6 million in Q1/7. Revenue in our Canadian capital markets operations increased compared to each of the quarter in fiscal 2016, mostly due to higher advisory fees earned as a result of the completion of certain large transactions. Our US operations reported a slight decline in revenue of $1.1 million compared to Q1/16 however, pre-tax income was negatively impacted by a higher compensation ratio. Decreased market activity in the UK & Europe negatively impacted our capital markets operations in that region as revenue decreased by $20.7 million from Q1/16 to $24.5 million in Q1/17, the lowest revenue reported by this operating segment in the eight most recent quarters. Other Foreign Locations recorded revenue of $13.5 million in Q1/17, an increase of 26.2% compared to Q1/16 due to a strong performance by our Australian operations.

Our Canaccord Genuity Wealth Management North America operations have also been negatively impacted by the weakened market conditions, with a 4.7% decline in revenue during Q1/17 compared to the same period a year ago. Assets under management also decreased by 10.6% compared to Q1/16, to $9.8 billion as a result of lower market values and a reduced number of investment advisory teams. The operations have maintained their effort at cost containment as expenses have decreased by 3.5% since Q1/16. This operating segment also generated a small pre-tax profit of $0.4 million, compared to operating losses in the previous eight quarters.

Revenue in our Canaccord Genuity Wealth Management UK & Europe operations decreased by $1.1 million from Q1/16 to $33.2 million this quarter. At the end of Q1/17, fee-related revenue was at 68.5%, a 0.2 percentage point decrease from Q1/16. Assets under management for this group have also decreased by 1.8% compared to Q1/16, due to the depreciation of pound sterling to the Canadian dollar during the period.

The movement in revenue in the Corporate and Other division was mainly due to foreign exchange gains or losses resulting from fluctuations in the Canadian dollar.

Intersegment Allocated Costs

Included in the Corporate and Other segment are certain support services and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Genuity Wealth Management segments in Canada. Certain trading, clearing and settlement charges are included as a trading cost in the applicable business units and as a trading cost recovery in Corporate and Other. In addition, certain overhead costs are charged by Canaccord Genuity UK & Europe to Canaccord Genuity Wealth Management UK & Europe and included in intersegment allocated costs for these business units.

Financial Condition

Below are specific changes in selected items on the unaudited interim condensed consolidated statement of financial position as compared to the Audited Annual Consolidated Financial Statements.

ASSETS

Cash and cash equivalents were $282.2 million on June 30, 2016 compared to $428.3 million on March 31, 2016. Refer to the Liquidity and Capital Resources section on page 22 for more details.

Securities owned were $726.9 million on June 30, 2016 compared to $564.7 million on March 31, 2016 due to an increase in corporate and government debt and equities owned as of June 30, 2016.

Accounts receivable were $2.7 billion at June 30, 2016 compared to $2.0 billion at March 31, 2016, mainly due to an increase in receivables with brokers and investment dealers and clients.

Goodwill was $196.5 million and intangible assets were $113.7 million at June 30, 2016. At March 31, 2016, goodwill was $203.7 million and intangible assets were $120.2 million, representing the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc, and the wealth management business of Eden Financial Ltd.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $59.7 million at June 30, 2016 compared to $66.4 million at March 31, 2016, mainly due to a decrease in the net book value of equipment and leasehold improvements and a decrease in income taxes receivable.

LIABILITIES

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. At June 30, 2016, the Company had available credit facilities with banks in Canada and the UK in the aggregate amount of $681.0 million [March 31, 2016 – $697.3 million]. These credit facilities, consisting of call loans, subordinated debt, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On June 30, 2016, there was $89.9 million in bank indebtedness, compared to $14.9 million on March 31, 2016. The increase in bank indebtedness relates mostly to our UK & Europe operations.

Securities sold short were $580.7 million at June 30, 2016 compared to $427.4 million at March 31, 2016, mostly due to an increase in short positions in corporate and government debt.

Accounts payable and accrued liabilities, including provisions, were $2.7 billion at June 30, 2016, an increase from $2.2 billion at March 31, 2016, mainly due to an increase in payables to brokers and investment dealers.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were $11.9 million at June 30, 2016, a decrease from $19.7 million at March 31, 2016. The decline is mostly due to repayment of $7.5 million of subordinated debt.

Non-controlling interests were $9.9 million at June 30, 2016, an increase of $1.2 million from March 31, 2016.

Off-Balance Sheet Arrangements

As of June 30, 2016, a subsidiary of the Company had an irrevocable secured standby letter of credit from a financial institution totalling $2.6 million (US$2.0 million) [March 31, 2016 – $2.6 million (US$2.0 million)] as a rent guarantee for its leased premises in Boston and New York.

Liquidity and Capital Resources

The Company has a capital structure comprised of preferred shares, common shares, warrants, contributed surplus, retained earnings (deficit) and accumulated other comprehensive income. On June 30, 2016, cash and cash equivalents were $282.2 million, a decrease of $146.2 million from $428.3 million as of March 31, 2016. During the three months ended June 30, 2016, financing activities provided cash in the amount of $54.6 million, mainly due to an increase in bank indebtedness, proceeds from the Private Placement, offset by cash dividends paid, repayment of subordinated debt and purchases of common shares for the long-term incentive plan (LTIP). Investing activities used cash in the amount of $1.5 million mainly for the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $196.1 million, which was largely due to changes in non-cash working capital. A decrease in cash of $3.2 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the three months ended June 30, 2015, cash provided by financing activities increased by $108.7 million, primarily due to an increase in bank indebtedness and proceeds from the Private Placement. Cash used in investing activities decreased by $1.9 million during the three months ended June 30, 2016 compared to the same period last year, mainly due to lower additions of intangible assets during the three months ended June 30, 2016. Changes in non-cash working capital balances led to a decrease in cash generated by operating activities of $352.9 million. In addition, due to the depreciation of the pound sterling against the Canadian dollar, the effect of foreign exchange on cash balances decreased by $6.1 million. Overall, cash and cash equivalents decreased by $142.4 million from $424.6 million at June 30, 2015 to $282.2 million at June 30, 2016.

The Company's business requires capital for operating and regulatory purposes. The majority of current assets reflected on the Company's unaudited interim condensed consolidated statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable, and all are recorded at their fair value. Securities sold short are highly liquid securities. The fair value of these securities fluctuates daily as factors such as changes in market conditions, economic conditions and investor outlook affect market prices. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectability. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts.

As discussed above, subsidiaries of the Company also have other credit facilities, such as call loans, letters of credit and overdraft facilities, with banks in Canada and the UK. The aggregate amount of other credit facilities available to the Company was $681.0 million as of June 30, 2016.

During the three months ended June 30, 2016, the Company repaid $7.5 million of its subordinated debt. The remaining balance of the subordinated debt was $7.5 million at the end of Q1/17.

In the normal course of business, the Company enters into contracts that give rise to commitments of future minimum payments that affect its liquidity.

The following table summarizes the Company's long term contractual obligations on June 30, 2016:

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2018	Fiscal 2019–Fiscal 2020	Fiscal 2021–Fiscal 2022	Thereafter
Premises and equipment operating leases	$ 144,689	$ 27,121	$ 43,609	$ 29,622	$ 44,337

Outstanding Share Data

	Outstanding shares as of June 30	
	2016	2015
Preferred shares		
Series A – issued shares outstanding	**4,540,000**	4,540,000
Series C – issued shares outstanding	**4,000,000**	4,000,000
Common shares		
Issued shares excluding unvested shares(1)	**96,656,703**	92,587,927
Issued shares outstanding(2)	**111,601,300**	103,267,682
Issued shares outstanding – diluted(3)	**115,166,823**	110,644,689
Average shares outstanding – basic	**89,786,284**	92,297,306
Average shares outstanding – diluted	**92,849,200**	96,766,487

(1) Excludes 13,189,514 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 1,755,083 unvested shares purchased by employee benefit trusts for the LTIP.
(2) Includes 13,189,514 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 1,755,083 unvested shares purchased by employee benefit trusts for the LTIP.
(3) Includes 3,565,523 share issuance commitments net of forfeitures.

On August 4, 2015, the Company filed a notice to renew the normal-course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,163,737 of its common shares during the period from August 13, 2015 to August 12, 2016 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. Shareholders may obtain a copy of the notice, without charge, by contacting the Company. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. A total of 624,350 shares were purchased at a weighted average price per share of $5.4980 and cancelled through the NCIB between April 1, 2015 and March 31, 2016. There were no shares purchased and cancelled under the terms of the NCIB from April 1, 2016 to June 30, 2016.

The Company has entered into a predefined plan with a designated broker to allow for the repurchase of its common shares under this NCIB. The Company's broker may repurchase the common shares under the plan on any trading day during the NCIB, including at any time during the Company's internal trading blackout periods. The plan has been reviewed by the TSX and will terminate on the earlier of the termination of the plan by the Company in accordance with its terms and the expiry of the NCIB.

Purchases under the current NCIB commenced on August 13, 2015, and will continue for one year (to August 12, 2016) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX and the conditions for trading under the EU Buy-back and Stabilisation Regulation applicable at the time that the NCIB commenced, the daily purchases were limited to 41,767 common shares of the Company (which is the lesser of (a) 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2015 to July 2015 and (b) 25% of the average daily trading volume of common shares of the Company on the TSX in the month of July 2015. To fulfill its regulatory reporting requirements in Canada, the Company will issue a press release no later than the end of the seventh daily market session following the date of execution of the purchases.

As of July 31, 2016, the Company has 111,747,563 common shares issued and outstanding.

Share-based Payment Plans

There have been no updates to the share-based payment plans discussed in the 2016 Annual Report.

International Financial Centre

Canaccord Genuity Group is a member of the AdvantageBC International Business Centre Society (formerly known as the International Financial Centre British Columbia Society) and the Montréal International Financial Centre, both of which provide certain tax and financial benefits pursuant to the *International Business Activity Act* of British Columbia and the *Act Respecting International Financial Centres* of Québec. Accordingly, the Company's overall income tax rate is less than the rate that would otherwise be applicable.

Financial Instruments

FOREIGN EXCHANGE

The Company manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On June 30, 2016, there were no forward contracts outstanding to sell US dollars, a decrease of US$2.5 million compared to June 30, 2015. Forward contracts outstanding to buy US dollars had a notional amount of US$13.0 million, an increase of US$10.5 million from June 30, 2015. The fair value of these contracts was nominal. Some of the Company's operations in the US, the UK & Europe, Australia, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

These contracts were entered into in an attempt to mitigate foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity.

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default.

FUTURES

The Company's Canadian operations are involved in trading various futures contracts, in an attempt to mitigate market risk, interest rate risk, yield curve risk and liquidity risk. Futures contracts are agreements to buy or sell a standardized amount of an underlying asset, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations have traditionally engaged in the trading of Canadian & US Government bond futures contracts to mitigate its risk. In Q1/17, the Company's Canadian operations began trading other types of futures contracts, including but not limited to, index futures and commodity futures.

At June 30, 2016, the notional amount of the Canadian bond futures contracts outstanding was long $8.8 million [March 31, 2016 – long $1.6 million], and the notional amount of US Treasury futures contracts outstanding held in a short position was $16.0 million (US$12.4 million) [March 31, 2016 – $nil]. The notional amount of other futures contracts outstanding held in a long position at June 30, 2016 was $0.1 million [March 31, 2016 – $nil].

The fair value of all of the above futures contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income (loss) during the reporting period.

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by the Company, and (b) key management personnel, who are comprised of the directors of the Company, as well as executives involved in strategic decision-making for the Company. A list of the Company's principal trading subsidiaries and principal intermediate holding companies is disclosed in Note 19 of the March 31, 2016 Audited Annual Consolidated Financial Statements.

Security trades executed for employees, officers and directors of the Company are transacted in accordance with terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Company.

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan, the CSH Inducement Plan and share options. Directors have also been granted share options and have the right to acquire deferred share units (DSUs).

Accounts receivable and accounts payable and accrued liabilities include the following balances with key management personnel:

(C$ thousands)	**June 30, 2016 $**	March 31, 2016 $
Accounts receivable	**59**	61
Accounts payable and accrued liabilities	**212**	4,035

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2016 have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB).

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying note disclosures, and the disclosure of contingent liabilities at the reporting date. Therefore, actual results may differ from those estimates and assumptions. The significant judgments, estimates and assumptions include consolidation, revenue recognition, share-based payments, income taxes, valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of intangible assets related to software costs and provisions.

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires management's best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all applicable cash-generating units (CGUs) as of June 30, 2016.

In accordance with IAS 36, "*Impairment of Assets*" (IAS 36), the recoverable amounts of the CGUs' net assets is determined using fair value less costs to sell (FVLCS) calculations, which are based on cash flow assumptions which are considered to be appropriate for the purposes of such calculations. In accordance with IFRS 13 fair value represents an estimate of the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants as at the end of the reporting period under market conditions as at that date (an exit price as at the measurement date). There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company's capital markets and wealth management activities.

The FVLCS calculations are based on assumptions made in connection with future cash flows, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which continued to record goodwill in there carrying value as of June 30, 2016 were Canaccord Genuity Canada and Canaccord Genuity Wealth Management UK & Europe. The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2016 – 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions and utilized five-year compound annual revenue growth rates of 5% [March 31, 2016 – 4.8% – 5.0%] as well as estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity Canada and Canaccord Genuity Wealth Management UK & Europe was 2.5% [March 31, 2016 – 2.5%].

Refer to Note 7 of the unaudited interim condensed consolidated financial statements for the three months ended June 30, 2016 for further information regarding the key assumptions used in connection with the June 30, 2016 interim impairment tests of goodwill and other assets.

Significant accounting policies used and policies requiring management's judgment and estimates have not changed during the first quarter of fiscal 2017 and are discussed under "Critical Accounting Policies and Estimates" in our 2016 Annual Report.

Changes in Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the 2016 Audited Annual Consolidated Financial Statements, during the three months ended June 30, 2016.

Future Changes in Accounting Policies and Estimates

There have been no updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2016 Annual Report, during the three months ended June 30, 2016.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2016, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President, Chief Financial & Risk Officer, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President, Chief Financial & Risk Officer concluded that our disclosure controls and procedures were effective as at June 30, 2016.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes made in our internal control over financial reporting that occurred during the quarter ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Dividend Policy

Although dividends are expected to be declared and paid quarterly, the Board of Directors, in its sole discretion, will determine the amount and timing of any dividends. All dividend payments will depend on general business conditions, the Company's financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

Dividend Declaration

On August 3, 2016, the Board of Directors considered the Company's dividend policy in the context of the market environment and the Company's business activity and agreed to a continued suspension of the quarterly dividend on common shares. The suspension will be reviewed quarterly and a determination will be made on the basis of business conditions and profitability.

On August 3, 2016 the Board of Directors approved the following cash dividends: $0.34375 per Series A Preferred Share payable on September 30, 2016 with a record date of September 16, 2016; and $0.359375 per Series C Preferred Share payable on September 30, 2016 with a record date of September 16, 2016.

Risks

The Company's ability to maintain and successfully execute its business strategy depends upon the personal reputation, judgment, business generation capabilities and project execution skills of its senior professionals. Any management disruption could result in a loss of clients and customers, or revenues from clients and customers, and could significantly affect the Company's business and results of operations.

The securities industry and the Company's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on the Company's profitability. An investment in the common or preferred shares of the Company involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in the Company's business. The Company is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to interest rate risk and credit spread risk as a result of its principal trading in fixed income securities. Canaccord Genuity Wealth Management revenue is dependent on both trading volumes and asset values and, as such, is dependent on the level of market activity, investor confidence and the level of market prices. Canaccord Genuity's revenue is dependent on financing activity by corporate issuers, participation in advisory engagements, the success of its market making and principal trading, as well as the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations, changes in business conditions and the level of the Company's market activity and the impact that these factors have on the Company's operating results and financial position.

The financial services business is subject to extensive regulation in Canada, the US, the UK & Europe, Hong Kong, Australia and elsewhere. Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on the Company's business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the Company's regulated subsidiaries' target ratios as set out by the respective regulators, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that govern the Company's subsidiaries' use of regulatory capital are listed in Note 21 of the Company's 2016 Audited Annual Consolidated Financial Statements.

Further discussion regarding risks can be found in our Annual Information Form.

Additional Information

A comprehensive discussion of the Company's business, strategies, objectives and risks is available in our Annual Information Form and in the Management's Discussion and Analysis and Audited Annual Consolidated Financial Statements included in our 2016 Annual Report, which are available on our website at *www.canaccordgenuitygroup.com/EN/IR/FinReports/Pages/default.aspx* and on SEDAR at *www.sedar.com*.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	June 30, 2016	March 31, 2016
ASSETS			
Current			
Cash and cash equivalents		$ 282,170	$ 428,329
Securities owned	4	726,857	564,746
Accounts receivable	6, 15	2,704,228	2,041,150
Income taxes receivable		9,870	12,537
Total current assets		3,723,125	3,046,762
Deferred tax assets		9,790	11,221
Investments		5,330	5,578
Equipment and leasehold improvements		34,728	37,049
Intangible assets	7	113,665	120,204
Goodwill	7	196,469	203,732
		$ 4,083,107	$ 3,424,546
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank Indebtedness		$ 89,878	$ 14,910
Securities sold short	4	580,665	427,435
Accounts payable and accrued liabilities	6, 15	2,643,718	2,185,047
Provisions	17	11,375	18,811
Income taxes payable		4,324	4,242
Subordinated debt	10	7,500	15,000
Total current liabilities		3,337,460	2,665,445
Deferred tax liabilities		77	450
		3,337,537	2,665,895
Shareholders' equity			
Preferred shares	11	205,641	205,641
Common shares	12	632,793	617,756
Warrants	12	1,975	—
Contributed surplus		71,258	86,235
Retained earnings (deficit)		(290,903)	(294,586)
Accumulated other comprehensive income		114,914	134,883
Total shareholders' equity		735,678	749,929
Non-controlling interests		9,892	8,722
Total equity		745,570	758,651
		$ 4,083,107	$ 3,424,546

See accompanying notes

On behalf of the Board:

"Daniel Daviau"

DANIEL DAVIAU
Director

"Terrence A. Lyons"

TERRENCE A. LYONS
Director

Unaudited Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)	Notes	For the three months ended June 30, 2016	June 30, 2015
REVENUE			
Commissions and fees		$ 92,872	$ 94,706
Investment banking		37,413	65,413
Advisory fees		39,306	21,665
Principal trading		27,546	22,566
Interest		3,608	5,074
Other		5,435	5,030
		206,180	214,454
EXPENSES			
Incentive compensation		107,575	106,500
Salaries and benefits		21,909	22,564
Trading costs		14,136	13,810
Premises and equipment		9,748	9,886
Communication and technology		12,334	13,603
Interest		3,442	3,291
General and administrative		19,548	22,168
Amortization		5,385	6,133
Development costs		2,092	4,052
		$ 196,169	202,007
Income before income taxes		10,011	12,447
Income taxes (recovery)			
Current		1,762	(3,202)
Deferred		794	4,688
	9	2,556	1,486
Net income for the period		$ 7,455	10,961
Net income attributable to:			
CGGI shareholders		$ 6,682	$ 10,414
Non-controlling interests		$ 773	$ 547
Weighted average number of common shares outstanding (thousands)			
Basic		89,786	92,297
Diluted		92,849	96,766
Net income per common share			
Basic	12iii	$ 0.04	0.08
Diluted	12iii	$ 0.04	0.08
Dividend per common share	13	—	$ 0.05
Dividend per Series A Preferred Share	13	$ 0.34	$ 0.34
Dividend per Series C Preferred Share	13	$ 0.36	$ 0.36

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

(in thousands of Canadian dollars)	For the three months ended June 30, 2016	June 30, 2015
Net income for the period	**$ 7,455**	$ 10,961
Other comprehensive (loss) income		
Realized translation gains related to foreign operation disposed of during the period	**(1,560)**	—
Net change in unrealized gains (losses) on translation of foreign operations	**(17,437)**	24,061
Comprehensive (loss) income for the period	**$ (11,542)**	$ 35,022
Comprehensive (loss) income attributable to:		
CGGI shareholders	**$ (13,287)**	$ 33,637
Non-controlling interests	**$ 1,745**	$ 1,385

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three months ended (in thousands of Canadian dollars)	Notes	June 30, 2016	June 30, 2015
Preferred shares, opening and closing	11	$ 205,641	$ 205,641
Common shares, opening		617,756	620,858
Shares issued in connection with share-based payments		6,737	4,580
Acquisition of common shares for long-term incentive plan (LTIP)		(38,270)	(25,275)
Release of vested common shares from employee benefit trust		16,280	20,794
Shares issued in connection with private placement		26,346	—
Shares cancelled		—	(384)
Net unvested share purchase loans		3,944	12,350
Common shares, closing	12	632,793	632,923
Warrants, opening		—	—
Warrants issued in connection with private placement		1,975	—
Warrants, closing	12	1,975	—
Contributed surplus, opening		86,235	85,597
Share-based payments		(13,944)	(16,432)
Shares cancelled		—	384
Unvested share purchase loans		(1,033)	(10,678)
Contributed surplus, closing		71,258	58,871
Retained earnings (deficit), opening		(294,586)	92,815
Net income attributable to CGGI shareholders		6,682	10,414
Preferred shares dividends	13	(2,999)	(2,999)
Common shares dividends	13	—	(5,550)
Retained earnings (deficit), closing		(290,903)	94,680
Accumulated other comprehensive income, opening		134,883	112,631
Other comprehensive (loss) income attributable to CGGI shareholders		(19,969)	23,223
Accumulated other comprehensive income, closing		114,914	135,854
Total shareholders' equity		735,678	1,127,969
Non-controlling interests, opening		8,722	10,275
Foreign exchange on non-controlling interests		(575)	(76)
Comprehensive income attributable to non-controlling interests		1,745	1,385
Non-controlling interests, closing		9,892	11,584
Total equity		$ 745,570	$ 1,139,553

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three months ended (in thousands of Canadian dollars)	Notes	June 30, 2016	June 30, 2015
OPERATING ACTIVITIES			
Net income for the period		$ 7,455	$ 10,961
Items not affecting cash			
Amortization		5,385	6,133
Deferred income tax expense		794	4,688
Share-based compensation expense	14(ii)	9,390	12,783
Changes in non-cash working capital			
Increase in securities owned		(162,264)	(24,211)
(Increase) decrease in accounts receivable		(669,559)	98,351
Increase (decrease) in net income taxes payable		4,752	(8,136)
Increase (decrease) in securities sold short		153,230	(23,616)
Increase in accounts payable, accrued liabilities and provisions		454,723	79,841
Cash (used in) provided by operating activities		(196,094)	156,794
FINANCING ACTIVITIES			
Bank indebtedness		74,968	(20,264)
Proceeds from Private Placement		28,321	—
Acquisition of common shares for long-term incentive plan		(38,270)	(25,275)
Repayment of subordinated debt		(7,500)	—
Cash dividends paid on common shares		—	(5,550)
Cash dividends paid on preferred shares		(2,999)	(2,999)
Proceeds from business disposition		96	—
Cash provided by (used in) financing activities		54,616	(54,088)
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(1,468)	(1,234)
Purchase of intangible assets (software under development)		—	(2,136)
Cash used in investing activities		(1,468)	(3,370)
Effect of foreign exchange on cash balances		(3,213)	2,898
(Decrease) increase in cash position		(146,159)	102,234
Cash position, beginning of period		428,329	322,324
Cash position, end of period		$ 282,170	424,558
Supplemental cash flow information			
Interest received		$ 2,384	$ 8,469
Interest paid		$ 2,845	$ 2,934
Income taxes paid		$ 1,406	$ 4,403

See accompanying notes

Notes to Unaudited Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

NOTE 01 Corporate Information

Through its principal subsidiaries, Canaccord Genuity Group Inc. (the Company) is a leading independent, full-service investment dealer with capital markets operations in Canada, the United Kingdom (UK) & Europe, the United States of America (US), Australia, China and Dubai. The Company also has wealth management operations in Canada, the UK & Europe, and Australia. The Company has operations in each of the two principal segments of the securities industry: capital markets and wealth management. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's private, institutional and corporate clients.

Canaccord Genuity Group Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the *Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

The Company's common shares are publicly traded under the symbol CF on the Toronto Stock Exchange (TSX). The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. The Company's Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

The Company's business experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond the Company's control. The Company's business is affected by the overall condition of the worldwide equity and debt markets.

NOTE 02 Basis of Preparation

STATEMENT OF COMPLIANCE

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB).

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended March 31, 2016 (March 31, 2016 consolidated financial statements) filed on SEDAR on June 1, 2016. All defined terms used herein are consistent with those terms defined in the March 31, 2016 consolidated financial statements.

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis except for investments, securities owned and securities sold short, which have been measured at fair value as set out in the relevant accounting policies.

The unaudited interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except when otherwise indicated.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 3, 2016.

USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying note disclosures, and the disclosure of contingent liabilities at the reporting date. Therefore, actual results may differ from those estimates and assumptions. The significant judgments, estimates and assumptions include consolidation, revenue recognition, share-based payments, income taxes, valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of intangible assets related to software costs and provisions, which are more fully described in Note 2 of the March 31, 2016 consolidated financial statements.

FUTURE ACCOUNTING DEVELOPMENTS

There have been no further updates to the future accounting developments disclosed in Note 4 of the March 31, 2016 consolidated financial statements, during the three months ended June 30, 2016.

NOTE 03 Summary of Significant Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the March 31, 2016 consolidated financial statements, during the three months ended June 30, 2016.

NOTE 04 Securities Owned and Securities Sold Short

	June 30, 2016		March 31, 2016	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 533,284	$ 495,199	$ 402,779	$ 341,264
Equities and convertible debentures	193,573	85,466	161,967	86,171
	$ 726,857	$ 580,665	$ 564,746	$ 427,435

As at June 30, 2016, corporate and government debt maturities range from 2016 to 2037 [March 31, 2016 – 2016 to 2097] and bear interest ranging from 0.0% to 15.0% [March 31, 2016 – 0.0% to 15.0%].

NOTE 05 Financial Instruments

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at June 30, 2016 and March 31, 2016 are as follows:

	Held for trading		Available for sale		Loans and receivables		Loans and borrowings		Total	
	June 30, 2016	March 31, 2016	June 30, 2016	March 31, 2016	June 30, 2016	March 31, 2016	June 30, 2016	March 31, 2016	June 30, 2016	March 31, 2016
Financial assets										
Securities owned	$ 726,857	$564,746	$ —	$ —	$ —	$ —	$ —	$ —	$ 726,857	$ 564,746
Accounts receivable from brokers and investment dealers	—	—	—	—	$ 1,902,864	1,303,222	—	—	$ 1,902,864	1,303,222
Accounts receivable from clients	—	—	—	—	448,366	365,272	—	—	448,366	365,272
RRSP cash balances held in trust	—	—	—	—	266,797	298,839	—	—	266,797	298,839
Other accounts receivable	—	—	—	—	86,201	73,817	—	—	86,201	73,817
Investments	—	—	5,330	5,578	—	—	—	—	5,330	5,578
Total financial assets	$ 726,857	$564,746	$ 5,330	$ 5,578	$ 2,704,228	$2,041,150	$ —	$ —	$ 3,436,415	$2,611,474
Financial liabilities										
Securities sold short	$ 580,665	$427,435	$ —	$ —	$ —	$ —	$ —	$ —	$ 580,665	$ 427,435
Accounts payable to brokers and investment dealers	—	—	—	—	—	—	1,493,210	986,993	1,493,210	986,993
Accounts payable to clients	—	—	—	—	—	—	980,228	992,661	980,228	992,661
Other accounts payable and accrued liabilities	—	—	—	—	—	—	170,280	205,393	170,280	205,393
Subordinated debt	—	—	—	—	—	—	7,500	15,000	7,500	15,000
Total financial liabilities	$ 580,665	$427,435	$ —	$ —	$ —	$ —	$ 2,651,218	$2,200,047	$ 3,231,883	$2,627,482

The Company has not designated any financial instruments as fair value through profit or loss upon initial recognition.

FAIR VALUE HIERARCHY

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at June 30, 2016, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value June 30, 2016		
	June 30, 2016	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 13,921	$ —	$ 13,921	$ —
Government debt	519,363	275,342	244,021	—
Corporate and government debt	533,284	275,342	257,942	—
Equities	191,136	152,243	38,745	148
Convertible debentures	2,437	—	2,437	—
Equities and convertible debentures	193,573	152,243	41,182	148
Available for sale investments	5,330	—	2,940	2,390
	732,187	427,585	302,064	2,538
Securities sold short				
Corporate debt	(9,666)	—	(9,666)	—
Government debt	(485,533)	(301,603)	(183,930)	—
Corporate and government debt	(495,199)	(301,603)	(193,596)	—
Equities	(85,466)	(62,322)	(23,144)	—
	(580,665)	(363,925)	(216,740)	—

As at March 31, 2016, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value March 31, 2016		
	March 31, 2016	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 39,392	$ —	$ 39,392	$ —
Government debt	363,387	186,126	177,261	—
Corporate and government debt	402,779	186,126	216,653	—
Equities	160,177	130,758	29,266	153
Convertible debentures	1,790	—	1,790	—
Equities and convertible debentures	161,967	130,758	31,056	153
Available for sale investments	5,578	—	3,138	2,440
	570,324	316,884	250,847	2,593
Securities sold short				
Corporate debt	(14,498)	—	(14,498)	—
Government debt	(326,766)	(200,324)	(126,442)	—
Corporate and government debt	(341,264)	(200,324)	(140,940)	—
Equities	(86,171)	(67,923)	(18,248)	—
	(427,435)	(268,247)	(159,188)	—

Movement in net Level 3 financial assets

Balance, March 31, 2016	$	2,593
Other		(55)
Balance, June 30, 2016	**$**	**2,538**

FAIR VALUE ESTIMATION

i. Level 2 financial instruments

Level 2 financial instruments include the Company's investment in certain corporate and government debt convertible debt, and over-the-counter equities. The fair values of corporate and government debt, and convertible debt classified as Level 2 are determined using the quoted market prices of identical assets or liabilities in markets that do not have transactions which take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company regularly reviews the transaction frequency and volume of trading in these instruments to determine the accuracy of pricing information.

Level 2 financial instruments also include the Company's equity investment in Euroclear, which has an estimated fair value of $2.9 million as at June 30, 2016 [March 31, 2016 – $3.1 million]. The current fair value is determined using a market-based approach based on recent share buyback transactions.

ii. Level 3 financial instruments

a. Available for sale investments

Available for sale investment include the Company's investment of $2.4 million in Sphere Exchange Traded Investments Ltd (Sphere). The investment in Sphere was measured at historical cost basis in the absence of any market indicators.

b. Held for trading

The fair value for level 3 investments classified as held for trading is determined by the Company using a market-based approach with information that the Company has determined to be reliable, and represents the best estimate of fair value readily available. Prices for held for trading investments are determined based on the last trade price or offer price, or, if these prices are considered stale, the Company obtains information based on certain inquiries, recent trades or pending new issues. The fair value of the held for trading investments as at June 30, 2016 was $0.2 million [March 31, 2016 – $0.2 million].

The fair value measurements determined as described above may not be indicative of net realizable value or reflective of future values. Furthermore, the Company believes its valuation methods are appropriate and consistent with those which would be utilized by a market participant.

Foreign exchange forward contracts

The Company uses derivative financial instruments in an attempt to mitigate foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income during the reporting period.

Forward contracts outstanding at June 30, 2016:

	Notional amount (millions)		Average price	Maturity		Fair value
To buy US dollars	**USD$**	**13.0**	**$1.295 (CAD/USD)**	**July 5, 2016**	**$**	**0.1**

Forward contracts outstanding at March 31, 2016:

	Notional amount (millions)		Average price	Maturity		Fair value
To sell US dollars	USD$	2.6	$1.29 (CAD/USD)	April 1, 2016	$	(3)
To buy US dollars	USD$	1.9	$1.29 (CAD/USD)	April 1, 2016		3

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the Euro. The weighted average term to maturity is 87 days as at June 30, 2016 [March 31, 2016 – 69 days]. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at June 30, 2016 and March 31, 2016, respectively. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	June 30, 2016			March 31, 2016		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	$ 6,914	$ 6,672	$ 262,529	$ 5,682	$ 5,441	$ 294,162

Futures

The Company's Canadian operations are involved in trading various futures contracts, in an attempt to mitigate market risk, interest rate risk, yield curve risk and liquidity risk. Futures contracts are agreements to buy or sell a standardized amount of an underlying asset, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations have traditionally engaged in the trading of Canadian & US Government bond futures contracts to mitigate its risk. In Q1/17, the Company's Canadian operations began trading other types of futures contracts, including but not limited to, index futures and commodity futures.

At June 30, 2016, the notional amount of the Canadian bond futures contracts outstanding was long $8.8 million [March 31, 2016 – long $1.6 million], and the notional amount of US Treasury futures contracts outstanding held in a short position was $16.0 million (US$12.4 million) [March 31, 2016 – $nil]. The notional amount of other futures contracts outstanding held in a long position at June 30, 2016 was $0.1 million [March 31, 2016 – $nil].

The fair value of all of the above futures contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income during the reporting period.

SECURITIES LENDING AND BORROWING

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
June 30, 2016	**119,599**	**43,234**	**42,852**	**136,876**
March 31, 2016	118,897	26,586	27,347	159,616

Securities lending and borrowing are included in the accounts receivable and accounts payable and accrued liabilities balances on the statements of financial position.

NOTE 06 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	June 30, 2016	March 31, 2016
Brokers and investment dealers	$ 1,902,864	$ 1,303,222
Clients	448,366	365,272
RRSP cash balances held in trust	266,797	298,839
Other	86,201	73,817
	$ 2,704,228	$ 2,041,150

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2016	March 31, 2016
Brokers and investment dealers	$ 1,493,210	$ 986,993
Clients	980,228	992,661
Other	170,280	205,393
	$ 2,643,718	$ 2,185,047

Amounts due from and to brokers and investment dealers include balances from resale and repurchase agreements, securities loaned and borrowed, as well as brokers' and dealers' counterparty balances.

Client security purchases are entered into on either a cash or a margin basis. In the case of a margin account, the Company extends a loan to a client for the purchase of securities, using securities purchased and/or other securities in the client's account as collateral. Amounts loaned to any client are limited by the margin regulations of the regulatory authorities and are subject to the Company's credit review and daily monitoring procedures.

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client's account. Interest on margin loans and on amounts due to clients is based on a floating rate [June 30, 2016 – 5.70% to 6.50% and 0.00% to 0.05%, respectively; March 31, 2016 – 5.70% to 6.50% and 0.00% to 0.05%, respectively].

As at June 30, 2016, the allowance for doubtful accounts was $7.2 million [March 31, 2016 – $10.8 million].

NOTE 07 Impairment Testing of Goodwill and Other Assets

The carrying amounts of goodwill and indefinite life intangible assets acquired through business combinations have been allocated to the cash-generating units (CGUs) as follows:

	Intangible assets with indefinite lives		Goodwill		Total	
	June 30, 2016	March 31, 2016	**June 30, 2016**	March 31, 2016	**June 30, 2016**	March 31, 2016
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 92,074**	$ 92,074	**$ 137,004**	$ 137,004
Canaccord Genuity Wealth Management						
UK and Europe (Channel Islands)	**—**	—	**94,043**	100,585	**94,043**	100,585
UK and Europe	**—**	—	**10,352**	11,073	**10,352**	11,073
	$ 44,930	$ 44,930	**$ 196,469**	$ 203,732	**$ 241,399**	$ 248,662

The Genuity brand name is considered to have an indefinite life as the Company has no plans to cease its use in the future.

Goodwill and intangible assets with indefinite lives are tested for impairment annually at March 31, and when circumstances indicate the carrying value may potentially be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the CGU to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the CGUs and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Consequently, interim goodwill and other assets impairment testing was carried out for all applicable CGUs at June 30, 2016.

In accordance with IAS 36, "Impairment of Assets" (IAS 36), the recoverable amounts of the CGUs' net assets have been determined using fair value less costs to sell (FVLCS) calculations, which are based on future cash flow assumptions considered to be appropriate for the purposes of such calculations. In accordance with IFRS 13 fair value represents an estimate of the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants as at the end of the reporting period under market conditions as at that date (an exit price as at the measurement date). There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company's capital markets and wealth management activities. These valuations are categorized as Level 3 in the fair value hierarchy.

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, relief of royalties with respect to the brand name indefinite life intangible asset, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which record goodwill in their carrying value as of June 30, 2016 were Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands) and UK. The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2106 – 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions as described above and utilized a five year compound annual revenue growth rate of 5.0% [March 31, 2016 – 4.8% to 5.0%] as well as estimates in respect of operating margins. The compound annual revenue growth rates utilized were: (a) Canaccord Genuity Canada – 5.0% and (b) Canaccord Genuity Wealth Management, UK & Europe (Channel Islands) and UK – 5.0%. The terminal growth rate used for each of Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands) and UK was 2.5% [March 31, 2016 – 2.5%].

Sensitivity testing was conducted as part of the impairment test of goodwill and indefinite life intangible assets for the Canaccord Genuity – Canada CGU. The sensitivity testing includes assessing the impact that reasonably possible declines in revenue estimates for the 12-month period ending on June 30, 2017 and declines in growth rates after that period and increases in the discount rates would have on the recoverable amounts of the CGUs, with other assumptions being held constant. An increase of the discount rate of 5.0 percentage points, a decrease in the estimated revenue for the 12-month period ending June 30, 2017 of $26.0 million or a decrease in the five year compound annual growth of 12.0 percentage points may result in the estimate of the recoverable amount declining below the carrying value with the result that an impairment charge may be required. Any such impairment charge would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

NOTE 08 Business Disposition

The Company sold 100% of the ordinary shares of Canaccord Genuity Singapore Pte Ltd. to SAC Capital Private Limited. The sale was completed on June 30, 2016. The Company received upfront cash consideration on closing of $0.1 million and may receive further payments based on the value of net tangible assets at the completion date and deferred consideration calculated with reference to future profits arising from the existing business over the next two years.

For the three months ended June 30, 2016, the Company recorded net income of $0.01 million attributable to the Singapore operation prior to its disposal.

The Company recognized a loss of $0.4 million on the disposal, as well as realized translation gain of $1.6 million which was previously included in accumulated other comprehensive income. The net gain of $1.2 million is included in other revenue in the statement of operations for the three months ended June 30, 2016.

NOTE 09 Income Taxes

The Company's income tax expense differs from the amount that would be computed by applying the combined federal and provincial/state income tax rates as a result of the following:

	For the three months ended	
	June 30, 2016	June 30, 2015
Income taxes at the statutory rate (F2017: 26.0%; F2016: 26.0%)	**$ 2,593**	$ 3,236
Difference in tax rates in foreign jurisdictions	**(11)**	(61)
Non-deductible items affecting the determination of taxable income	**415**	(7)
Share based payments	**(1,683)**	(3)
Change in accounting and tax base estimate	**32**	(724)
Tax rate differential	**(1048)**	31
Addition (Utilization) of tax losses, previously not recognized	**2,258**	(986)
Income tax expense – current and deferred	**$ 2,556**	$ 1,486

NOTE 10 Subordinated Debt

	June 30, 2016	March 31, 2016
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	**$ 7,500**	$ 15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at June 30, 2016 and March 31, 2016, the interest rates for the subordinated debt were 6.7% and 6.7%, respectively. The carrying value of subordinated debt approximates its fair value due to the short term nature of this liability.

During the three months ended June 30, 2016, the Company repaid $7.5 million of the subordinated debt.

NOTE 11 Preferred Shares

	June 30, 2016		March 31, 2016	
	Amount	**Number of shares**	Amount	Number of shares
Series A Preferred Shares issued and outstanding	**$ 110,818**	**4,540,000**	$ 110,818	4,540,000
Series C Preferred Shares issued and outstanding	**97,450**	**4,000,000**	97,450	4,000,000
Series C Preferred Shares held in treasury	**(2,627)**	**(106,794)**	(2,627)	(106,794)
	94,823	**3,893,206**	94,823	3,893,206
	$ 205,641	**8,433,206**	$ 205,641	8,433,206

Terms of the Series A and C Preferred Shares are disclosed in Note 15 of the March 31, 2016 consolidated financial statements.

NOTE 12 Common Shares and Warrants

	June 30, 2016		March 31, 2016	
Common shares	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$ 762,585	111,601,300	$ 729,502	103,812,814
Unvested share purchase loans	(11,153)	(1,755,083)	(15,099)	(2,557,568)
Held for long-term incentive plan (LTIP)	(118,639)	(13,189,514)	(96,647)	(12,171,624)
	$ 632,793	96,656,703	$ 617,756	89,083,622

(in thousands of Canadian dollars, except per share amounts)

Warrants	June 30, 2016		March 31, 2016	
	Amount	Number of warrants	Amount	Number of warrants
Warrants issued in connection with Private Placement	$1,975	3,365,281	$—	

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2016	103,812,814	$ 729,502
Shares issued in connection with share-based payment plans	1,031,101	6,495
Shares issued in connection with replacement plans	26,824	242
Shares issued in connection with private placement	6,730,561	26,346
Balance, June 30, 2016	**111,601,300**	**$ 762,585**

On August 4, 2015, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,163,737 of its common shares during the period from August 13, 2015 to August 12, 2016 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. There were no shares purchased and cancelled through the NCIB between April 1, 2016 and June 30, 2016.

On June 17, 2016, the Company completed the first closing of a non-brokered private placement ("Private Placement) to employees of the Company, and on June 24, 2017, it completed a second closing. In the first and second closings, the Company issued a total of 6,730,561 units (each, a "Unit") at a price of $4.17 per Unit for aggregate proceeds to the Company of $28.3 million. Each Unit consists of one common share ("Common Share") of the Company and one-half of one Common Share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of $4.99 for the period from June 17, 2019 to December 17, 2019. Warrants are not listed and are not be transferable.

An additional 146,263 Units were issued in the third closing after June 30, 2016. In aggregate, the Company issued 6,876,824 Units at a price of $4.17 per Unit [note 18].

The Private Placement shares are subject to a hold period, with one-third of the common shares issued to each purchaser becoming freely tradeable on each anniversary of the first closing date of the Private Placement.

The Warrants are classified as an equity instrument. The fair value of the Warrants, calculated using an option pricing model, was determined to be $1.9 million. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is based on historical trend of the share prices of the Company. Changes in the subjective assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Warrants.

[iii] EARNINGS PER COMMON SHARE

	For the three months ended	
	June 30, 2016	June 30, 2015
Basic earnings per common share		
Net income attributable to CGGI shareholders	**$ 6,682**	$ 10,414
Preferred shares dividends	**(2,999)**	(2,998)
Net income available to common shareholders	**3,683**	7,416
Weighted average number of common shares (number)	**89,786,284**	92,297,306
Basic earnings per share	**$ 0.04**	$ 0.08
Diluted earnings per common share		
Net income available to common shareholders	**3,683**	7,416
Weighted average number of common shares (number)	**89,786,284**	92,297,306
Dilutive effect in connection with LTIP (number)	**2,759,574**	3,397,342
Dilutive effect in connection with other share-based payment plans (number)	**303,342**	1,071,839
Adjusted weighted average number of common shares (number)	**92,849,200**	96,766,487
Diluted earnings per common share	**$ 0.04**	$ 0.08

NOTE 13 Dividends

COMMON SHARES DIVIDENDS

The Board of Directors has continued the suspension of the quarterly dividend on common shares and as such there were no common shares dividends declared during the three months ended June 30, 2016.

PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the three months ended June 30, 2016:

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 17, 2016	June 30, 2016	$ 0.34375	$ 0.359375	$ 2,998

On August 3, 2016, the Board approved a cash dividend of $0.34375 per Series A Preferred Share payable on September 30, 2016 to Series A Preferred shareholders of record as at September 16, 2016 [Note 18].

On August 3, 2016, the Board approved a cash dividend of $0.359375 per Series C Preferred Share payable on September 30, 2016 to Series C Preferred shareholders of record as at September 16, 2016 [Note 18].

NOTE 14 Share-Based Payment Plans

i. LONG-TERM INCENTIVE PLAN

Under the long-term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which generally vest over three years. Employee benefit trusts (the Trusts) have also been established in Canada, the United States and the United Kingdom. The Company or certain of its subsidiaries, as the case may be, fund the Trusts with cash which is used by the trustees to purchase common shares on the open market that will be held in the Trusts until the RSUs vest.

The fair value of the RSUs at the measurement date is based on the purchase price of the shares by the Trusts on the open market and is amortized on a graded or straight-line basis over the vesting period of generally three years. Employees who participated in the Private Placement were granted RSUs during the three months ended June 30, 2016 which were similar to other grants made under the LTIP plan.

Total number of RSUs granted during the period were 10,820,868. The weighted average fair value of RSUs granted during the three month period ended June 30, 2016 was $4.79 [June 30, 2015 – $7.20].

	Number
Awards outstanding, March 31, 2016	11,962,855
Grants	10,820,868
Vested	(3,151,173)
Forfeited	(176,622)
Awards outstanding, June 30, 2016	**19,455,928**

	Number
Common shares held by the Trusts, March 31, 2016	12,171,624
Acquired	3,081,550
Released on vesting	(2,063,660)
Common shares held by the Trusts, June 30, 2016	**13,189,514**

ii. SHARE-BASED COMPENSATION EXPENSE

	For the three months ended	
	June 30, 2016	June 30, 2015
Long-term incentive plan	**$ 8,987**	$ 10,283
Forgivable common share purchase loans	**209**	1,521
CSH Inducement Plan	**491**	1,186
Deferred share units (cash-settled)	**(420)**	83
Other	**123**	(290)
Total share-based compensation expense	**$ 9,390**	$ 12,783

NOTE 15 Related Party Transactions

Security trades executed by the Company for officers and directors are transacted in accordance with the terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Company.

Accounts receivable and accounts payable and accrued liabilities include the following balances with key management personnel:

	June 30, 2016	March 31, 2016
Accounts receivable	**$ 59**	$ 61
Accounts payable and accrued liabilities	**$ 212**	$ 4,035

NOTE 16 Segmented Information

The Company operates in two industry segments as follows:

Canaccord Genuity – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and Europe and the US. Operations located in Other Foreign Locations under Canaccord Genuity (Dubai) Ltd., Canaccord Genuity Asia and the 50% interest in Canaccord Genuity Australia are also included in Canaccord Genuity.

Canaccord Genuity Wealth Management – provides brokerage services and investment advice to retail or institutional clients in Canada, the US, and the UK and Europe.

Corporate and Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Genuity or Canaccord Genuity Wealth Management.

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on operating results, without regard to non-controlling interests.

The Company does not allocate total assets, liabilities or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on the square footage occupied. Amortization of identifiable intangible assets is allocated to the Canaccord Genuity segment, as it relates to the acquisitions of Genuity and the 50% interest in Canaccord Genuity Australia. Amortization of the identifiable intangible assets acquired through the purchase of Collins Stewart Hawkpoint plc (CSHP) is allocated to Canaccord Genuity and Canaccord Genuity Wealth Management segments in the UK and Europe (Channel Islands). Amortization of identifiable intangible assets acquired through the acquisition of Eden Financial Ltd. is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Eden Financial Ltd.). There are no significant intersegment revenues. Income taxes are managed on a Company basis and are not allocated to operating segments. All revenue and operating profit is derived from external customers. The Company also does not allocate cash flows by reportable segments.

	For the three months ended							
	June 30, 2016				June 30, 2015			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	$ 140,156	$ 60,566	$ 1,850	$ 202,572	$ 143,796	$ 62,542	$ 3,042	$ 209,380
Interest revenue	442	2,154	1,012	3,608	1,239	2,741	1,094	5,074
Expenses, excluding undernoted	123,262	50,222	11,766	185,250	123,771	51,079	13,681	188,531
Amortization	2,740	2,394	251	5,385	3,375	2,480	278	6,133
Development costs	582	1,167	343	2,092	1,733	1,985	334	4,052
Interest expense	3,042	50	350	3,442	2,867	67	357	3,291
Income (loss) before intersegment allocations and income taxes	10,972	8,887	(9,848)	10,011	13,289	9,672	(10,514)	12,447
Intersegment allocations	3,620	3,583	(7,203)	—	3,989	5,119	(9,108)	—
Income (loss) before income taxes	$ 7,352	$ 5,304	$ (2,645)	$ 10,011	$ 9,300	$ 4,553	$ (1,406)	$ 12,447

For geographic reporting purposes, the Company's business operations are grouped into Canada, the US, the UK and Europe, and Other Foreign Locations. The following table presents the revenue of the Company by geographic location (revenue is attributed to geographic areas on the basis of location of the underlying corporate operating results):

	For the three months ended	
	June 30, 2016	June 30, 2015
Canada	$ 80,629	$ 69,007
UK & Europe	57,765	79,600
United States	54,297	55,156
Other Foreign Locations	13,489	10,691
	$ 206,180	$ 214,454

NOTE 17 Provisions and Contingencies

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the three months ended June 30, 2016:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2016	$ 3,600	$ 15,211	$ 18,811
Additions	5	—	5
Utilized	(1,700)	(5,741)	(7,441)
Balance, June 30, 2016	1,905	9,470	11,375

The restructuring provisions at June 30, 2016 relate primarily to termination benefits incurred as part of the Company's reorganization.

Commitments, litigation proceedings and contingent liabilities

During the period ended June 30, 2016, there were no material changes to the Company's commitments or contingencies from those described in Notes 23 and 24 of the March 31, 2016 consolidated financial statements.

In the normal course of business, the Company is involved in litigation, and as of June 30, 2016, it was a defendant in various legal actions. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of June 30, 2016, have not resulted in the commencement of legal actions. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company has recorded a provision.

NOTE 18 Subsequent Events

(i) DIVIDENDS

On August 3, 2016 the Board of Directors considered the Company's dividend policy in the context of the market environment and business activity and agreed a continued suspension of the quarterly dividend on common shares. This suspension will be reviewed quarterly and a determination made on the basis of business conditions and profitability.

On August 3, 2016 the Board of Directors approved the following cash dividends: $0.34375 per Series A Preferred Share payable on September 30, 2016 with a record date of September 16, 2016; and $0.359375 per Series C Preferred Share payable on September 30, 2016 with a record date of September 16, 2016.

(ii) PRIVATE PLACEMENT

On July 15, 2016 Canaccord Genuity Group Inc. announced that it had completed the final closing for 146,263 Units in respect of its previously announced Private Placement. The Company issued an aggregate of 6,876,824 units at a price of C$4.17 per Unit in a series of three closings.

Shareholder Information

Corporate Headquarters

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Preferred shares:
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Series C (TSX): CF.PR.C.

Corporate Website

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The Canaccord Genuity Group Inc. 2016 Annual Report is available on our website at www.canaccordgenuitygroup.com. For a printed copy, please contact the Investor Relations department.

Expected Dividend(1) and Earnings Release Dates for the Next Four Quarters

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q2/17	November 2, 2016	December 23, 2016	January 3, 2017	December 2, 2016	December 15, 2016
Q3/17	February 9, 2017	March 17, 2017	March 31, 2017	February 24, 2017	March 10, 2017
Q4/17	June 1, 2017	June 16, 2017	June 30, 2017	June 16, 2017	July 3, 2017
Q1/18	August 2, 2017	September 15, 2017	October 2, 2017	September 1, 2017	September 15, 2017

(1) Dividends are subject to Board of Directors approval. All dividend payments will depend on general business conditions and the Company's financial conditions, results of operations, capital requirements and such other factors as the Board determines to be relevant.

Shareholder Administration

For information about stock transfers, address changes, dividends, lost stock certificates, tax forms and estate transfers, contact:

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Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

Financial Information

For present and archived financial information, please visit www.canaccordgenuitygroup.com

Auditor

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