CANACCORD Genuity

FIRST QUARTER

Fiscal 2019 Report to Shareholders

To us there are no foreign markets.™

Canaccord Genuity Group Inc. Reports First Quarter Fiscal 2019 Results

Excluding significant items, first quarter earnings per common share of \$0.19(1)

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

TORONTO, August 1, 2018 – During the first quarter of fiscal 2019, the quarter ended June 30, 2018, Canaccord Genuity Group Inc. (Canaccord Genuity, the Company, TSX: CF) generated \$274.1 million in revenue. Excluding significant items(1), the Company recorded net income(3) of \$25.0 million or net income of \$21.7 million attributable to common shareholders(2) (earnings per common share of \$0.19). Including all significant items, on an IFRS basis, the Company recorded net income(3) of \$18.6 million or net income attributable to common shareholders(2) of \$15.3 million (earnings per common share of \$0.14).

"Fiscal 2019 is off to a strong start and we continued to strengthen our business mix and increase scale in our wealth management operations, while our capital markets business benefited from a continued positive backdrop for growth stocks," said Dan Daviau, President & CEO of Canaccord Genuity Group Inc. "We are confident in our market position and we are increasingly demonstrating that our business is advantageously positioned to navigate changes in the market environment, while we stay focused on driving stability for our business and our shareholders."

First Quarter of Fiscal 2019 vs. First Quarter of Fiscal 2018

- Revenue of \$274.1 million, an increase of 37.2% or \$74.3 million from \$199.8 million
- Excluding significant items, expenses of \$244.8 million, an increase of 24.2% or \$47.8 million from \$197.0 million(1)
- Expenses of \$252.2 million, an increase of 25.1% or \$50.6 million from \$201.6 million
- Excluding significant items, diluted earnings per common share (EPS) of \$0.19 compared to a loss per common share of \$0.01(1)
- Excluding significant items, net income(3) of \$25.0 million compared to net income(3) of \$1.6 million(1)
- Net income(3) of \$18.6 million compared to a net loss(3) of \$2.6 million
- Diluted EPS of \$0.14 compared to a loss per common share of \$0.05

First Quarter of Fiscal 2019 vs Fourth Quarter of Fiscal 2018

- Revenue of \$274.1 million, a decrease of 14.9% or \$48.0 million from \$322.1 million
- Excluding significant items, expenses of \$244.8 million, a decrease of 9.3% or \$25.1 million from \$269.9 million(1)
- Expenses of \$252.2 million, a decrease of 22.2% or \$72.2 million from \$324.4 million
- Excluding significant items, diluted EPS of \$0.19 compared to diluted EPS of 0.28(1)
- Excluding significant items, net income(3) of \$25.0 million compared to net income(3) of \$37.3 million(1)
- Net income(3) of \$18.6 million compared to a net loss(3) of \$9.7 million
- Diluted EPS of \$0.14 compared to a loss per common share of \$0.15

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Financial Condition at End of First Quarter Fiscal 2019 vs. Fourth Quarter Fiscal 2018

- Cash and cash equivalents balance of $739.3 million, a decrease of $123.5 million from $862.8 million
- Working capital of $563.6 million, a decrease of $12.0 million from $575.6 million
- Total shareholders' equity of $819.6 million, a decrease of $21.8 million from $841.4 million
- Book value per diluted common share of $5.52, a decrease of $0.19 from $5.71(4)
- On August 1, 2018, the Board of Directors approved a cash dividend of $0.01 per common share payable on September 10, 2018 with a record date of August 31, 2018.
- On August 1, 2018, the Board of Directors approved a cash dividend of $0.24281 per Series A Preferred Share payable on October 1, 2018 with a record date of September 14, 2018, and a cash dividend of $0.31206 per Series C Preferred Share payable on October 1, 2018 with a record date of September 14, 2018.

Summary of Operations

CORPORATE

- On June 6, 2018, the Company announced that it had entered into a non-binding letter of intent to acquire an additional 30% of the shares in its Australian capital markets and wealth management business, Canaccord Genuity (Australia) Limited. The transaction will increase the company's ownership in Canaccord Genuity (Australia) from 50% to 80%. The consideration for the purchase will be A$36.0 million comprised of A$15.0 million cash, a A$6.0 million note payable and the issuance of approximately 2.3 million shares of the Company with a value of A$15.0 million. The shares will be subject to a three-year escrow arrangement with annual releases. Closing is subject to finalizing definitive documentation, customary closing conditions and regulatory approval including the TSX approval (which has been obtained).
- On June 6, 2018, the Company completed its previously announced acquisition of Jitneytrade Inc. and Finlogik Inc. (collectively referred to as "Jitneytrade") directly and through the purchase of Finlogik Capital Inc. Jitneytrade Inc. is a direct access broker and an active trader in futures and equity options in Canada. Finlogik Inc. is in the business of delivering value-added fintech solutions in the Canadian market.
- On June 1, 2018, the Company created a performance share option ("PSO") plan subject to shareholder approval at the Annual General Meeting on August 2, 2018. On June 14, 2018, the Company granted 6,220,000 options under the PSO plan; this grant is subject to shareholder ratification at the Annual General Meeting. The options have an exercise price of $6.73 per share, based on the fair market value of the common shares on the grant date. The PSOs have a term of five years and will time-vest ratably over four years (with one third vesting on each of the second, third and fourth anniversaries of the date of the grant). The PSOs will also be subject to market (stock price) performance vesting conditions, as well as have a three times exercise price cap on payout value.
- On June 11, 2018, Canaccord Genuity Acquisition Corp. (CGAC), a special purpose acquisition corporation sponsored by a wholly-owned subsidiary of the Company (the Sponsor) announced its proposed merger with Spark Power Corp. The merger will constitute CGAC's qualifying transaction and is subject to the satisfaction of certain conditions, including regulatory and CGAC shareholder approvals.

CANACCORD GENUITY (CAPITAL MARKETS)

- Canaccord Genuity generated revenue of $156.2 million, and after intersegment allocations and excluding significant items, recorded net income before taxes of $13.2 million(1)
- Canaccord Genuity participated in 92 investment banking transactions globally, raising total proceeds of C$11.2 billion(5) during fiscal Q1/19
- Canaccord Genuity led or co-led 41 transactions globally, raising total proceeds of C$1.75 billion(5) during fiscal Q1/19
- Significant investment banking transactions for Canaccord Genuity during fiscal Q1/19 include:
  - C$143.0 million for MedMen Enterprises Inc. on CSE
  - C$132.3 million initial public offering for The Green Organic Dutchman on TSX
  - US$115.0 million for Sientra Inc. on Nasdaq
  - C$100.4 million for CannTrust Holdings Inc. on TSX
  - C$83.3 million for Green Thumb Industries on CSE
  - US$52.6 million for T2 Biosystems Inc. on Nasdaq
  - US$50.3 million for Asure Software on Nasdaq
  - A$70.0 million initial public offering for Marley Spoon AG on ASX
  - US$46.0 million for Sesen Bio Inc. on Nasdaq
  - £20.4 million for Pacific Industrial & Logistics (now Urban Logistics REIT) on AIM
  - US$29.7 million for ORBCOMM on Nasdaq
  - C$25.0 million for The Green Organic Dutchman on TSX
  - C$34.5 million for Vogogo Inc. on CSE
  - C$34.0 million private placement for UrtheCast Corp.
  - C$30.0 million for Globalive Technology Partners (on TSXV)
  - A$25.0 million Placement for Alliance Mineral Assets Ltd on SGX
  - C$17.3 million for CannaRoyalty Corp. on TSXV

  - A$20.0 million for Tawana Resources Limited on ASX
  - A$15.0 million for Oklo Resources Limited on ASX
- In Canada, Canaccord Genuity participated in raising $301.0 million for government and corporate bond issuances during fiscal Q1/19
- Canaccord Genuity generated advisory revenues of $24.6 million during fiscal Q1/19, an increase of $5.7 million or 30.4% compared to the same quarter last year
- During fiscal Q1/19, significant M&A and advisory transactions included:
  - CDQP on its acquisition of a leading minority stake in Fives Group alongside Investissements PSP and Ardian valued at €1.5 billion
  - Spinal Kinetics, Inc. on its sale to Orthofix International N.V.
  - DZETA Conseil on its sale of Outilacier to IPH/Brammer
  - Reeher LLC on its sale to Blackbaud Inc.
  - Ketra Inc. on its acquisition by Lutron Electronics Inc.
  - Aveda Transportation & Energy Services on its C$126.0 million sale to Daseke Inc.
  - REACH Health, Inc. on its sale to InTouch Health, Inc.
  - Acasta Enterprises Inc. on the sale of JemPak Corporation to Henkel AG & Co. for C$118 million
  - Kratos Defense & Security Solutions on the sale of its Public Safety and Security division to Securitas
  - etc. venues on its partnership with Benchmark
  - Acolyte Group on its sale to General LED Holdings
  - Tiger Optics LLC on its acquisition by Union Park Capital LLC
  - Tessi on its acquisition and financing of Owliance
  - LBO France on the refinancing of FH Ortopedics
  - First Cobalt Corp. on its $98 million acquisition of US Cobalt Inc.

CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $112.6 million in revenue in Q1/19
- Assets under administration in Canada and assets under management in the UK & Europe and Australia were $66.2 billion at the end of Q1/19(4), an increase of 8.0% from $61.3 billion at the end of Q4/18 and an increase of 68.5% from $39.3 billion at the end of Q1/18

CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $46.8 million in revenue and, after intersegment allocations and before taxes, recorded net income of $5.2 million in Q1/19
- Assets under administration in Canada were $18.9 billion as at June 30, 2018 an increase of 21.5% from $15.6 billion at the end of the previous quarter and an increase of 49.3% from $12.7 billion at the end of Q1/18(4)
- Assets under management in Canada (discretionary) were $3.7 billion as at June 30, 2018, an increase of 32.2% from $2.8 billion at the end of the previous quarter and an increase of 40.6% from $2.6 billion at the end of Q1/18(4)
- Canaccord Genuity Wealth Management had 148 Advisory Teams(6) at the end of fiscal Q1/19, an increase of 6 Advisory Teams from March 31, 2018 and an increase of 13 from June 30, 2017

CANACCORD GENUITY WEALTH MANAGEMENT (UK & EUROPE)

- Wealth management operations in the UK & Europe generated $65.8 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of $13.5 million before taxes in Q1/19(1)
- Assets under management (discretionary and non-discretionary) were $46.4 billion (£26.9 billion) as at June 30, 2018, an increase of 3.5% from $44.9 billion (£24.8 billion) at the end of the previous quarter and an increase of 80.3% from $25.8 billion (£15.3 billion) at June 30, 2017(4). In local currency (GBP), assets under management at June 30, 2018 increased by 8.5% compared to March 31, 2018 and 75.8% compared to June 30, 2017(4).

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS measures on page 4.
(2) Net income (loss) attributable to common shareholders is calculated as the net income (loss) adjusted for non-controlling interests and preferred share dividends.
(3) Before non-controlling interests and preferred share dividends.
(4) See Non-IFRS Measures on pages 4 and 9.
(5) Transactions over $1.5 million. Internally sourced information.
(6) 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 and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, certain accounting charges related to the change in the Company's long-term incentive plan as recorded with effect on March 31, 2018, certain incentive-based costs related to the acquisition of Hargreave Hale, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants and convertible debentures, and, commencing in Q1/14, adjusted for shares purchased under the Company's normal course issuer bid (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)	2018	2017	Quarter-over-quarter change
Total revenue per IFRS	$ 274,123	$ 199,808	37.2%
Total expenses per IFRS	$ 252,241	$ 201,580	25.1%
Revenue			
Significant items recorded in Canaccord Genuity	—	—	—
Total revenue excluding significant items	$ 274,123	$ 199,808	37.2%
Expenses			
Significant items recorded in Canaccord Genuity			
Amortization of intangible assets	579	580	(0.2)%
Restructuring costs[2]	1,316	448	193.8%
Acquisition-related costs	1,173	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management			
Amortization of intangible assets	2,856	1,324	115.7%
Acquisition-related costs	—	2,184	(100.0)%
Incentive based costs related to acquisition[3]	1,543	—	n.m
Total significant items	7,467	4,536	64.6%
Total revenue excluding significant items	274,123	199,808	37.2%
Total expenses excluding significant items	244,774	197,044	24.2%
Net income before taxes – adjusted	$ 29,349	$ 2,764	n.m.
Income taxes – adjusted	4,314	1,149	275.5%
Net income – adjusted	$ 25,035	$ 1,615	n.m.
Net income (loss) attributable to common shareholders, adjusted	$ 21,651	$ (627)	n.m.
Earnings (loss) per common share – basic, adjusted	$ 0.23	$ (0.01)	n.m.
Earnings (loss) per common share – diluted, adjusted	$ 0.19	$ (0.01)	n.m.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4.
(2) Restructuring costs for the three months ended June 30, 2018 were incurred in connection with our UK capital markets operations.
(3) Incentive-based costs related to the acquisition of Hargreave Hale determined with reference to financial targets and other performance criteria.
n.m.: not meaningful

BUSINESS SEGMENT RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2018

(C$ thousands, except per share amounts)	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	*Excluding significant items[(A)]* Total	*IFRS* Total
Revenue	$ 156,172	$ 112,576	$ 5,375	$ 274,123	$ 274,123
Expenses	(141,771)	(94,923)	(15,547)	(252,241)	(252,241)
Inter-segment allocations	(4,305)	(3,347)	7,652	—	—
Income (loss) before income taxes and significant items	$ 10,096	$ 14,306	$ (2,520)	$ 21,882	$ 21,882
Significant items[(A)]					
Amortization of intangible assets	579	2,856	—	3,435	—
Restructuring costs	1,316	—	—	1,316	—
Acquisition-related costs	1,173	—	—	1,173	—
Incentive-based costs related to acquisition	—	1,543	—	1,543	—
Total significant items	3,068	4,399		7,467	—
Income (loss) before income taxes	$ 13,164	$ 18,705	$ (2,520)	$ 29,349	$ 21,882
Income (taxes) recovery[(B)]	(2,337)	(2,805)	828	(4,314)	(3,233)
Non-controlling interests	(1,033)	—	—	(1,033)	(1,033)
Preferred share dividends[(C)]	(1,366)	(985)	—	(2,351)	(2,351)
Corporate and other[(C)]	(983)	(709)	1,692		
Net income attributable to common shareholders	7,445	14,206	—	21,651	15,265
Dilutive EPS factors					
Interest on convertible debentures, net of tax[(C)]	491	353	—	844	844
	7,936	14,559	—	22,495	16,109
Average diluted number of shares[(D)]	117,541	117,541		117,541	117,541
Diluted earnings per share, excluding significant items[(A)]	**$ 0.07**	**$ 0.12**	—	**$ 0.19**	—
Diluted earnings per share on an IFRS basis	—	—	—	—	**$ 0.14**

(A) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4.
(B) Allocation of consolidated tax provision based on management estimates by region and by business unit.
(C) Allocation to capital markets and wealth management segments based on revenue.
(D) This is the diluted share number used to calculate diluted EPS.

Fellow Shareholders:

Our results for the first quarter of fiscal 2019 reflect the stability in the fundamentals for our business, both on the income and the expense side. For the three-month period, Canaccord Genuity Group Inc. earned record first quarter revenue of $274.1 million, an improvement of 37.2% from the same period a year ago.

The impact of political uncertainties and trade tensions during the period was offset by healthy earnings growth in most of our key markets, fueled by strength in the U.S. economy, tight labor markets in North America and stronger commodity prices — all factors which contributed to increased activity and client participation during a traditionally slow quarter. The revenue growth we achieved over the three-month period was relatively broad based across our capital markets and wealth management businesses, which earned revenues of $156.2 million and $112.6 million respectively.

Excluding significant items(1) we incurred higher expenses compared to the first quarter of last year, to support stronger activity levels in our capital markets operations and business growth in our UK and Canadian wealth management operations. Despite this increase, our firmwide expense ratio decreased by 9.3 percentage points year-over-year, a testament to our continued focus on cost containment across our businesses.

Net income excluding significant items(1) for the three-month period amounted to $25.0 million, a significant improvement from $1.6 million a year ago. This translated into diluted earnings per common share excluding significant items(1) of $0.19 for the three-month period, and we estimate that 63% – or $0.12 – of this amount was contributed by our expanded global wealth management operations.

Expanded wealth management operations delivering growing contributions to our profitability

At the end of the three-month period, total client assets increased to $66.2 billion, a marked improvement of 68.5% compared to a year ago.

With the addition of Hargreave Hale in September 2017, our expanded UK & Europe wealth management operation achieved year-over-year revenue growth of 73.0% for the three-month period. When measured in local currency, client assets in this business increased by 75.8% over the year and by 8.5% sequentially, to £26.9 billion. We continue to make steady progress with our integration of Hargreave Hale and we anticipate further organic growth and margin improvement in this business as our teams in the region leverage their complementary strengths with a collective focus on delivering strong investment performance, an enhanced client experience and employee commitment and dedication.

Total client assets in our Canadian wealth management business increased by 49.3% year-over-year and by 21.5% sequentially, to $18.9 billion. Revenue in this segment increased by 26.7% compared to the first quarter of last year, to $46.8 million. During the quarter we welcomed additional new advisory teams and additional client assets in Vancouver, Winnipeg, Edmonton and Toronto and the revenue and net income contributions from these additions will be more wholly reflected in future reporting periods.

Recruiting activity in Canada continues to be robust as established Investment Advisors increasingly embrace the advantages and opportunities that an independent platform with broad global expertise and opportunities can provide for their business and their clients. The average book size per Investment Advisory team in this business has increased by over 80% in just two years.

In all our wealth management businesses, we have continued to invest in strengthening our back-office expertise and the implementation of technological solutions to enhance our process efficiencies, so that we can seamlessly integrate new investment professionals and clients as we increase scale and asset growth for this segment.

Delivering stronger outcomes for capital markets clients and improving our competitive position.

Canaccord Genuity participated in 92 transactions to raise $11.2 billion for global growth companies in the first quarter of fiscal 2019.

Revenue earned by our global capital markets business increased by 28.3% year-over-year to $156.2 million, primarily attributable to higher banking and advisory activity levels in our US, Canadian and Australian businesses during a typically slow quarter.

For the three-month period, revenue earned through advisory and underwriting activities grew by 30.4% and 75.8% respectively compared to a year ago. We continue to experience a general trend of larger deal size across our advisory business, reflective of growing demand for independent advice that is free from conflict. Principal trading revenue for the period increased by 19.4% year-over-year, primarily attributable to higher market activity in our US and UK operations.

The strongest contribution to our quarterly result was from our US operation, which earned record quarterly revenue of $76.2 million. Revenue generated through investment banking and advisory activities during the three-month period increased by 262.9% and 29.0% respectively on a year-over-year basis and our institutional equities group delivered another strong performance during the quarter. Excluding significant items, this business delivered a pre-tax profit margin of 10.0%, a significant improvement from a loss of 4.1% in the same period last year.

Our Canadian capital markets division also delivered a solid quarterly result. This business maintained its lead as the dominant independent investment bank in Canada during the three-month period, having raised close to 70% more capital than our closest independent competitor.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on Page 4.

Trading volumes in this business were lower due to reduced volatility and seasonality but Canaccord Genuity and Jitneytrade remained the top two independents for block trading volumes in Canada for the three-month period. Following the closing of our Jitneytrade acquisition late in the fiscal quarter, we expect the increased contributions from this business to be reflected in future reporting periods.

Our Australian capital markets business has experienced strong momentum across all sectors and has maintained its position as a leading investment bank for small cap equities in the region. This business is an increasingly stronger contributor to our global platform and its contribution to our total global capital markets revenue improved by 123% year-over-year.

The first quarter result for our UK, Europe & Dubai operations was influenced by the timing of transaction closings in the region. With a strong advisory component, timing of revenue in this business can be uneven on a quarter-to-quarter basis. During the period we also took additional steps to adjust our staffing mix in this region, to further improve alignment with the global platform.

We have continued in our efforts to create a unified global network of investment banking, sales, trading and research professionals, an important differentiator for our firm in all the regions where we operate. For the three-month period, revenue per employee in our global capital markets business increased by 25.3% compared to a year ago, and we continue to focus on capturing greater efficiencies and strengthening our execution capabilities.

Steadfast execution on our strategy to drive stronger long-term success

As we enter our second fiscal quarter, market fundamentals remain broadly favorable and the elements that drive a healthy market environment for growth stocks are still in place and supportive of strategic M&A and capital raising activities.

While our industry is facing several uncertainties that have the potential to impact investor sentiment, we are increasingly demonstrating that our business is advantageously positioned to navigate periodic bouts of volatility while we stay focused on achieving our medium and longer-term targets.

With signs that the economic backdrop could become more challenging for growth stocks, we anticipate that rising commodity prices will drive increased activities in the natural resource sectors, a historic area of strength for our firm. We also anticipate growing interest in non-traditional sectors where Canaccord Genuity has established a strong market position, such as cannabis and digital assets.

I am confident that the increased contributions from our wealth management business will allow us to better manage through periods of lower new issue and advisory activity and that our capital markets business is appropriately scaled to deliver consistent service levels for clients in all our markets. Additionally, our expanded trading platform in Canada will allow us to capture a greater share of trading activity during periods of increased volumes.

Our Company continues to be well capitalized for investment in our strategic priorities with $563.6 million in working capital.

Regardless of the market backdrop, we will continue to execute on our strategy of increasing long-term stability and delivering more predictable returns for our shareholders. We have a talented group of professionals who are committed to providing differentiated opportunities and exceptional services for clients and a diversified revenue mix that positions us to be opportunistic in any market environment

Kind regards,

Dan Daviau
President & CEO
Canaccord Genuity Group Inc.

Management's Discussion and Analysis

First quarter fiscal 2019 for the three months ended June 30, 2018 — this document is dated August 1, 2018

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, 2018 compared to the corresponding period in the preceding fiscal year. The three-month period ended June 30, 2018 is also referred to as first quarter 2019 and Q1/19. 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, 2018, beginning on page 33 of this report; our Annual Information Form (AIF) dated June 25, 2018; and the 2018 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2018 (Audited Annual Consolidated Financial Statements) in the Company's annual report dated June 6, 2018 (the 2018 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2018 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, 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 unaudited interim condensed and Audited Annual Consolidated Financial Statements and in its 2018 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, cyber 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 2019 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and Audited Annual Consolidated Financial Statements and in its 2018 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 period ended June 30, 2018 (First Quarter 2019 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The First Quarter 2019 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, 2018.

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 and conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, 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 include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, certain accounting charges related to the change in the Company's long-term incentive plan as recorded with effect on March 31, 2018, certain incentive-based costs related to the acquisition of Hargreave Hale, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. See the Selected Financial Information Excluding Significant Items table on page 14.

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 wealth management offices located in Canada, the UK, Guernsey, Jersey, the Isle of Man and Australia. Canaccord Genuity, the Company's international capital markets division, operates in North America, the UK & Europe, Asia, Australia and the Middle East. To us there are no foreign markets™.

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.

Market Environment During Q1 Fiscal 2019

Economic backdrop:

During the three-month period ended June 30, 2018, the S&P 500 (+3.4%) and the S&P/TSX (+6.8%) posted positive returns. However, world equities (+0.8%) came out flat owing to the poor showing of Emerging Market (EM) equities (-3.3%) which are vulnerable to heightened trade tensions. Over the course of our first fiscal quarter, inflation accelerated, the Federal Reserve raised short term rates by 25 basis points and the European Central Bank (ECB) announced that it would end its bond purchasing program in December while keeping interest rates unchanged for another year. In the meantime, trade tensions escalated and global economic growth downshifted as Europe and Japan economic statistics softened. Against this backdrop, the US 10Y-2Y bond-yield curve flattened while EM currencies (-5.4%), the Euro (-5.1%) and the Canadian dollar (-1.9%) weakened versus the US dollar. In EMs, some central banks increased short-term rates to stabilize their currencies but most adopted a wait-and-see attitude. Looking at commodities, industrial metals weakened but tight supply conditions allowed crude oil prices to end the quarter on a strong note, up 14.3% quarter-over-quarter.

In summary, although the equity bull market is maturing, earnings growth remains healthy, world central banks remain accommodative and leading economic indicators do not yet indicate an end to the current business cycle.

Investment banking and advisory

Capital raising and advisory activity in our core focus areas slowed down when compared to the most recent quarter but improved markedly year-over-year. As indicated in the table below, the continued strong performance of small cap equities over the past year remains an encouraging sign for capital raising and advisory activities in our business.

Index Value at End	Q1/18		Q2/18		Q3/18		Q4/18		Q1/19		
of Fiscal Quarter	30-Jun-17	(Y/Y)	29-Sep-17	(Y/Y)	29-Dec-17	(Y/Y)	30-Mar-18	(Y/Y)	29-Jun-18	(Y/Y)	(Q/Q)
S&P IFCI Global Small Cap	256.4	16.5%	278.5	18.4%	301.8	34.5%	306.1	21.7%	277.6	8.3%	-9.3%
S&P IFCI Global Large Cap	226.1	22.7%	241.3	20.5%	258.6	34.6%	261.1	22.1%	239.1	5.8%	-8.4%

Source: Thomson Reuters Datastream, Canaccord Genuity estimates

Our capital raising and advisory activities are primarily focused on small- and mid-capitalization companies in specific growth sectors of the global economy. These sectors may experience growth or downturns independent of broader economic and market conditions, and government regulation can also have a more profound impact on capital formation for smaller companies. Volatility in the business environment for these industries or in the market for securities of companies within these industries in the regions where we operate could adversely affect our financial results and ultimately, the market value of our shares. Advisory revenues are primarily dependent on the successful completion of merger, acquisition or restructuring mandates. Weak economic and global financial market conditions can result in a challenging business environment for small and mid-market M&A activity, but may provide opportunities for our restructuring business.

Trading

Although trading volumes in Canada and Europe were lower when compared to the same period a year ago, the marked improvement in US trading volumes along with the positive returns from small and mid-cap equities during fiscal Q1/19 along with increased market volatility helped to stimulate our agency trading activities. This development is positive considering the implementation of MiFID II rules (Markets in Financial Instruments Directive) in some of our regions. This new regulation by itself is expected to restrain trading activity by fund managers in the medium to long term. Healthy new issue activity in small- and mid-cap equities translated into somewhat stronger trading activity during the quarter.

Average Value During	Q1/18		Q2/18		Q3/18		Q4/18		Q1/19		
Fiscal Quarter/Year	30-Jun-17	(Y/Y)	29-Sep-17	(Y/Y)	29-Dec-17	(Y/Y)	29-Mar-18	(Y/Y)	29-Jun-18	(Y/Y)	(Q/Q)
Russell 2000	1390.4	22.7%	1416.1	15.8%	1511.5	17.4%	1554.4	13.1%	1607.0	15.6%	3.4%
S&P 400 Mid Cap	1729.7	17.8%	1745.6	12.8%	1853.4	16.5%	1914.6	12.2%	1931.8	11.7%	0.9%
FTSE 100	7388.2	19.1%	7380.7	9.1%	7480.4	8.0%	7359.4	1.2%	7537.4	2.0%	2.4%
MSCI EU Mid Cap	1067.4	18.3%	1071.5	15.5%	1107.9	18.0%	1105.0	10.1%	1115.1	4.5%	0.9%
S&P/TSX	15472.3	11.7%	15181.4	4.1%	15982.8	7.0%	15752.1	1.3%	15864.4	2.5%	0.7%

Source: Thomson Reuters Datastream, Canaccord Genuity estimates

Global wealth management

During the first quarter of fiscal 2019, market values of US (+3.4%) and Canadian equities (+6.8%) rebounded from the weakness observed at the end of fiscal 2018. Strong earnings results fuelled by US tax reform, tight labour markets in North America and higher commodity prices (+8.0% QoQ) helped to offset the impact of political uncertainties and trade tensions. However, weakened performance from EM equities (-3.3%) constrained the performance of the MSCI world index (+0.8%).

Total Return (excl. currencies)	Q1/18 Change (Q/Q)	Q2/18 Change (Q/Q)	Q3/18 Change (Q/Q)	Q4/18 Change (Q/Q)	Q1/19 Change (Q/Q)	Fiscal 2018 Change (Y/Y)
S&P 500	3.1%	4.5%	6.6%	-0.8%	3.4%	17.9%
S&P/TSX	-1.6%	3.7%	4.5%	-4.5%	6.8%	8.6%
MSCI EMERGING MARKETS	6.7%	7.7%	5.7%	0.6%	-3.3%	18.3%
MSCI WORLD	4.5%	5.3%	5.8%	-0.9%	0.8%	16.3%
S&P GS COMMODITY INDEX	-5.5%	7.2%	9.9%	2.2%	8.0%	22.9%
US 10-YEAR T-BONDS	0.9%	0.6%	-0.2%	-2.5%	-0.6%	-1.7%
CAD/USD	2.7%	4.0%	-0.9%	-2.4%	-1.9%	1.4%
CAD/EUR	-4.3%	0.6%	-2.4%	-4.8%	3.3%	-7.6%

Outlook

Global leading economic indicators suggest that while the ongoing economic cycle and bull market appears to be maturing, it has not reached its end. That said, there are signs that the economic backdrop could become more challenging for growth stocks. The Federal Reserve seems committed to increasing short term rates gradually, owing to rising inflation pressures and a closing output gap. We expect that the combined impact of rising bond yields, US dollar strength, and firming oil prices will take a toll on economic activity but we believe recession risks remain moderate over the next year. In Canada, elevated consumer and corporate debt, mortgage lending curbs and NAFTA uncertainties are expected to constrain growth around the 2% level. Elsewhere in developing markets ("DMs"), we expect that accommodative monetary policies should remain at the ECB and Bank of Japan, owing to recent disappointing economic statistics. In Emerging Markets despite concerns regarding increasingly protectionist rhetoric from the US administration, leading economic indicators continue to point to improving growth. The key factor to watch going forward is whether central banks overreact to depreciating currencies by raising rates abruptly. Moreover, if a global trade war sets into motion, higher short-term rates along with tariffs could eventually choke global economic growth. For now, monetary policies remain highly accommodative worldwide. Also, we believe that the weakening in world currencies should help alleviate higher tariffs and redistribute growth outside the US.

Looking ahead, the financial environment remains favourable for M&A and new-issue activities. History shows that M&A volumes and total dollar value tend to accelerate within a maturing bull market environment. As such, we expect financing activities to broaden outside of growth sectors, notably among resource companies which have enjoyed rising commodity and stock prices so far this year. Otherwise, we foresee continued growth in financing and advisory activity within non-traditional sectors such as cannabis and blockchain. Aside from financing and advisory activity, we expect that outperformance from commodity-related and inflation-sensitive groups will drive trading volumes. For our wealth management operations, we expect that positive equity market returns in the near-term, notably from mid and small-cap equities, should continue to drive growth in assets under management.

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 is the global capital markets division of Canaccord Genuity Group Inc. (TSX: CF), offering institutional and corporate clients idea-driven investment banking, merger and acquisition, research, sales and trading services with capabilities in North America, the UK & Europe, Asia, Australia and the Middle East. We are committed to providing valued services to our clients throughout the entire lifecycle of their business and operating as a gold standard independent investment bank — expansive in resources and reach, but targeted in industry expertise, market focus and individual client attention.

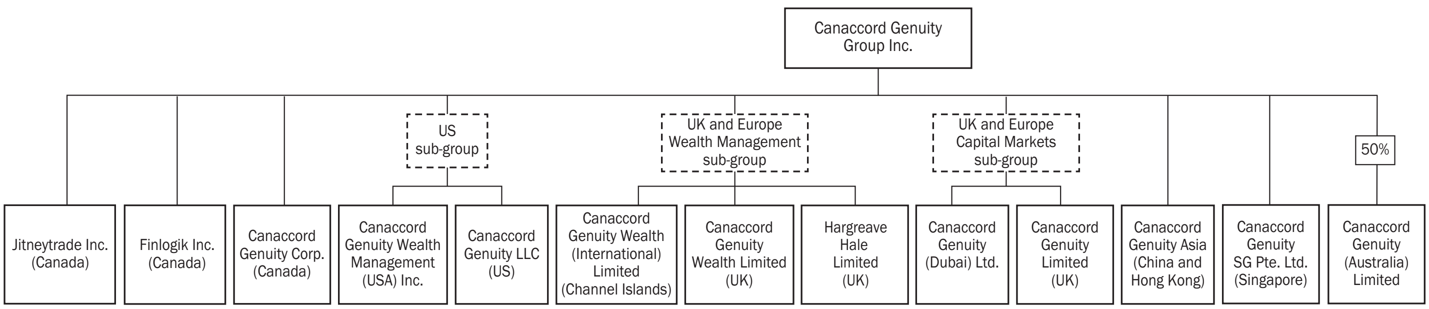
Canaccord Genuity Wealth Management

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, the UK, Jersey, Guernsey, the Isle of Man and Australia.

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 other 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, 2018 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, 2018 — 58%]. On June 6, 2018, the Company announced that it had entered into a non-binding letter of intent to acquire an additional 30% of the shares of Canaccord Genuity (Australia) Limited to increase its ownership to 80%. Upon closing, because of the shares held in the trust, for accounting purposes the Company will be considered to have an 85% interest.

Consolidated Operating Results

FIRST QUARTER FISCAL 2019 SUMMARY DATA(1)(2)(7)

(C$ thousands, except per share and % amounts, and number of employees)	Three months ended June 30 2018	2017	2016	Q1/19 vs. Q1/18
Canaccord Genuity Group Inc. (CGGI)				
Revenue				
Commissions and fees	$ 136,380	$ 104,955	$ 92,872	29.9%
Investment banking	67,521	40,696	37,125	65.9%
Advisory fees	24,914	18,896	39,594	31.8%
Principal trading	30,908	25,887	27,546	19.4%
Interest	9,246	5,176	3,608	78.6%
Other	5,154	4,198	5,435	22.7%
Total revenue	274,123	199,808	206,180	37.2%
Expenses				
Incentive compensation	137,746	106,304	107,575	29.6%
Salaries and benefits	28,587	22,407	21,909	27.6%
Other overhead expenses(3)	83,408	70,237	66,685	18.8%
Acquisition-related costs	1,173	2,184	—	(46.3)%
Restructuring costs(4)	1,316	448	—	193.8%
Share of loss of an associate	11	—	—	n.m.
Total expenses	252,241	201,580	196,169	25.1%
Income (loss) before income taxes	21,882	(1,772)	10,011	n.m.
Net income (loss)	$ 18,649	$ (2,560)	$ 7,455	n.m.
Net income (loss) attributable to:				
CGGI shareholders	$ 17,616	$ (2,262)	$ 6,682	n.m.
Non-controlling interests	$ 1,033	$ (298)	$ 773	n.m.
Earnings (loss) per common share – diluted	$ 0.14	$ (0.05)	$ 0.04	n.m.
Return on common equity (ROE)	9.8%	(3.5)%	2.8%	13.3p.p.
Dividends per common share	$ 0.01	$ 0.01	—	—
Book value per diluted common share(5)	$ 5.52	$ 4.91	$ 4.75	12.5%
Total assets	$ 4,221,836	$ 3,623,250	$ 4,083,107	16.5%
Total liabilities	$ 3,387,010	$ 2,868,892	$ 3,337,537	18.1%
Non-controlling interests	$ 15,259	$ 12,481	$ 9,892	22.3%
Total shareholders' equity	$ 819,567	$ 741,877	$ 735,678	10.5%
Number of employees	2,038	1,697	1,737	20.1%
Excluding significant items(6)				
Total revenue	$ 274,123	$ 199,808	$ 204,987	37.2%
Total expenses	244,774	197,044	193,946	24.2%
Income before income taxes	29,349	2,764	11,041	n.m.
Net income	25,035	1,615	8,139	n.m.
Net income attributable to:				
CGGI shareholders	24,002	1,913	7,299	n.m.
Non-controlling interests	1,033	(298)	840	n.m.
Earnings (loss) per common share – diluted	$ 0.19	$ (0.01)	$ 0.05	n.m.

(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 4.
(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, 2018 [three months ended June 30, 2017 — 42% and three months ended June 30, 2016 — 42%.].
(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, 2018 were incurred in connection with our UK capital markets operations. Restructuring costs for the three months ended June 30, 2017 were related to the closing of certain trading operations in Dublin which formed part of our UK capital markets operations.
(5) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and the conversion of convertible debentures, divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, 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 (loss) and earnings (loss) 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.
(7) Data includes the operating results of Hargreave Hale Limited since September 18, 2017 and the operating results of Jitneytrade Inc. and Finlogik Inc. since June 6, 2018.
n.m.: not meaningful
p.p.: percentage points

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

(C$ thousands, except per share and % amounts)	Three months ended June 30 2018	2017	Quarter-over-quarter change
Total revenue per IFRS	$ 274,123	$ 199,808	37.2%
Total expenses per IFRS	$ 252,241	$ 201,580	25.1%
Revenue			
Significant items recorded in Canaccord Genuity	—	—	—
Total revenue excluding significant items	274,123	199,808	37.2%
Expenses			
Significant items recorded in Canaccord Genuity			
Amortization of intangible assets	579	580	(0.2)%
Restructuring costs[2]	1,316	448	193.8%
Acquisition-related costs	1,173	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management			
Amortization of intangible assets	2,856	1,324	115.7%
Acquisition-related costs	—	2,184	(100.0)%
Incentive based costs related to acquisition[3]	1,543	—	n.m
Total significant items	7,467	4,536	64.6%
Total revenue excluding significant items	274,123	199,808	37.2%
Total expenses excluding significant items	244,774	197,044	24.2%
Net income before taxes – adjusted	$ 29,349	$ 2,764	n.m.
Income taxes – adjusted	4,314	1,149	275.5%
Net income – adjusted	$ 25,035	$ 1,615	n.m.
Net income (loss) attributable to common shareholders, adjusted	21,651	(627)	n.m.
Earnings (loss) per common share – basic, adjusted	$ 0.23	$ (0.01)	n.m.
Earnings (loss) per common share – diluted, adjusted	$ 0.19	$ (0.01)	n.m.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4
(2) Restructuring costs for the three months ended June 30, 2018 were incurred in connection with our UK capital markets operations.
(3) Incentive-based costs related to the acquisition of Hargreave Hale determined with reference to financial targets and other performance criteria.
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 appreciated against the Canadian dollar by approximately 2.0% in Q1/19 when compared to Q1/18, while the US dollar depreciated against the Canadian dollar by approximately 4.1%. 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.

Geographies

Commencing in Q3/17, the operating results of our Australian operations were disclosed as a separate geography. Prior to Q3/17 Australia was included as part of Other Foreign Locations. Also, commencing in Q3/17, our Dubai operation, which was previously included in Other Foreign Locations, was included as part of Canaccord Genuity UK & Europe. The Other Foreign Locations geographic segment is now comprised of our Asian based operations, including Singapore, China and Hong Kong and prior to their sale or closure also included our former operations in Singapore and Barbados. These reclassifications reflect the growing contributions from Australia and the working associations between the UK and Dubai. For purposes of the discussion provided herein the Canaccord Genuity operations in the UK, Europe and Dubai are referred to as the "UK".

Operating results of Hargreave Hale Limited ("Hargreave Hale") are included since the closing date of September 18, 2017 as part of Canaccord Genuity Wealth Management UK & Europe. Operating results of Jitneytrade Inc. and Finlogik Inc. (collectively referred to as "Jitneytrade") are included as part of Canaccord Genuity Canada since the closing date of June 6, 2018.

Goodwill

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. At June 30, 2018, no indicators of impairment were identified.

Notwithstanding this determination as of June 30, 2018, changes or uncertainty in the economic environment may cause this determination to change. If the business climate changes 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. In addition, notwithstanding that there may be no change in the performance estimates used by the Company for purposes of determining whether there has been any impairment in its indefinite life intangible asset related to the Genuity brand name, in the event that the Company changes the way in which it uses that asset the Company may be required to record an impairment charge.

Revenue

First quarter 2019 vs. first quarter 2018

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, 2018 was $274.1 million, an increase of 37.2% or $74.3 million compared to the same period a year ago. The Canaccord Genuity segment experienced an increase of $34.4 million or 28.2% in Q1/19 compared to the same quarter in the prior year, mainly due to higher investment banking and advisory fees revenue generated in our Canadian, US and our Australian operations. Further contributing to the overall increase in consolidated revenue was an increase of $37.6 million of revenue generated in our Canaccord Genuity Wealth Management segment compared to Q1/18 primarily due to the addition of Hargreave Hale in late Q2/18 and increases in commission-based revenue in our Canadian wealth management business.

As a result of an improvement in capital raising activity in our core focus areas, revenue in our Canaccord Genuity segment increased by $34.4 million or 28.2% compared to Q1/18. Our US operations experienced the most significant increase compared to Q1/18, with revenue increasing by $21.1 million or 38.4%, largely driven by an increase in investment banking and advisory fees revenue. Our Canadian operations continued to participate in numerous transactions in the cannabis sector contributing to higher investment banking revenue recorded in Q1/18 compared to the same period last year. Overall, our Canadian operations generated $45.9 million of revenue in Q1/19, an increase of $11.5 million or 33.4% over Q1/18. In Australia, revenue increased by $6.8 million over Q1/18, largely due to an increase in investment banking revenue. Offsetting these increases was a decrease of $5.0 million or 18.6% in our UK operations, largely due to reduced investment banking activity during the current quarter.

Consistent with our strategic focus to strengthen contributions from our global wealth management operations, revenue from our wealth management business increased by $37.6 million or 50.2% compared to Q1/18. Revenue in our UK & Europe wealth management operations increased by $27.8 million or 73.0% compared to Q1/18, largely due to revenue generated from Hargreave Hale acquired at the end of Q2/18. Measured in local currency (GBP), revenue increased by £15.4 million or 70% compared to the same period last year. Revenue from our North America wealth management operations also increased by $9.9 million or 26.7% compared to the three months ended June 30, 2017, driven by both an increase in commissions and fees revenue, interest income related to client margin accounts and higher investment banking revenue resulting from increased private client participation in new issue activity in our Canadian operations.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by $31.4 million to $136.4 million in Q1/19 or 29.9% compared to Q1/18. As discussed above, the expansion of our wealth management operations through the acquisition of Hargreave Hale as well as increased activity in our Canadian wealth management operations was the primary reason for the increase in commissions and fees revenue in Q1/19 compared to Q1/18. Offsetting the increase in our wealth management operations was a small decrease of $1.7 million or 4.4% in commissions and fees revenue from our capital markets operations, mainly due to lower revenue earned from our institutional customers in our US and UK operations.

Investment banking revenue increased by $26.8 million to $67.5 million in Q1/19 or 65.9% compared to the same period a year ago, as a result of an improved market environment which led to increased equity capital markets activities. All of our core operating regions experienced increases in investment banking revenue except for UK, which generated $0.5 million of investment banking revenue in Q1/19, down from $5.3 million in Q1/18. Our capital markets operations in Canada, the US and Australia reported increases of $5.4 million, $17.1 million and $6.9 million, respectively.

Advisory fee revenue was $24.9 million, an increase of $6.0 million or 31.8% from the same quarter a year ago. Our Canadian and US capital markets operations reported increases of $5.2 million and $2.1 million, respectively, in advisory fee revenue compared to Q1/18 due to an increase in the number of completed advisory mandates during the current quarter. Partially offsetting these increases were lower advisory fees revenue generated in our UK and Australian operations of $0.8 million each.

Principal trading revenue was $30.9 million in Q1/19, representing a $5.0 million or 19.4% increase compared to Q1/18, mainly as a result of higher revenue generated in our US and UK operations resulting from increased market activity compared to the same period in the prior year which created additional opportunities for trading gains.

Interest revenue was $9.2 million for the three months ended June 30, 2018, representing an increase of $4.1 million from Q1/18, mostly attributable to our Canadian wealth management and Corporate and Other operations resulting from higher margin balances in client accounts and increased cash balances held during the period as well as an increase in interest rates compared to Q1/18. Other revenue was $5.1 million for Q1/19, an increase of $1.0 million from the same period a year ago partially as a result of an increase in revenue from our correspondent brokerage services business.

Expenses

Expenses for the three months ended June 30, 2018 were $252.2 million, an increase of 25.1% or $50.7 million from Q1/18. With the increase in revenue during the quarter and the non-variable nature of certain infrastructure and overhead costs as well as certain components of incentive compensation, total expenses excluding significant items[(1)] as a percentage of revenue decreased by 9.3 percentage points compared to the three months ended June 30, 2017.

EXPENSES AS A PERCENTAGE OF REVENUE

	Three months ended June 30		
	2018	2017	Quarter-over-quarter change
Incentive compensation	**50.2%**	53.2%	(3.0) p.p
Salaries and benefits	**10.5%**	11.2%	(0.7) p.p
Other overhead expenses[(1)]	**30.4%**	35.2%	(4.8) p.p
Restructuring costs	**0.5%**	0.2%	0.3 p.p.
Acquisition-related costs	**0.4%**	1.1%	(0.7) p.p.
Total	**92.0%**	100.9%	(8.9) 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 2019 vs. first quarter 2018

Incentive compensation expense was $137.7 million, an increase of $31.4 million or 29.6% compared to Q1/18. Incentive compensation expense as a percentage of revenue was 50.2%, a decrease of 3.0 percentage points from the same period last year. This decrease largely reflects the fact that the incentive compensation expense in Q1/18 included amortization of share-based awards made under the Company's long-term incentive plan (the "LTIP" or the "Plan") in Q1/18 as well as awards made in prior periods. As discussed in our Annual Report for the year ended March 31, 2018, effective March 31, 2018, due to the modification of certain employment-related conditions for the vesting of share awards (the "RSUs") for RSU awards made as part of the normal course incentive payment cycle, for accounting purposes, the RSUs granted as part of the normal course incentive payment cycle are expensed in the period in which those awards are deemed to be earned, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year. As such, the incentive compensation expense for Q1/19 only include the cost of any RSU awards earned during the current quarter, as well as amortization of any new hire or retention awards which continue to be amortized over the vesting period. Salaries and benefits expense related to infrastructure and support groups in the current quarter increased by $6.2 million or 27.6% from Q1/18. The increase was largely due to additional costs resulting from our expansion in the UK & Europe wealth management operations including the acquisition of Hargreave Hale in Q2/18. Despite this increase in fixed staff costs, total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased from 64.4% in Q1/18 to 60.7% in Q1/19.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4

OTHER OVERHEAD EXPENSES

(C$ thousands, except % amounts)	Three months ended June 30 2018	2017	Quarter-over-quarter change
Trading costs	$ 18,500	$ 17,252	7.2%
Premises and equipment	9,947	10,109	(1.6)%
Communication and technology	15,186	12,658	20.0%
Interest	5,594	4,445	25.8%
General and administrative	23,684	19,300	22.7%
Amortization(1)	6,638	4,994	32.9%
Development costs	3,859	1,479	160.9%
Total other overhead expenses	$ 83,408	$ 70,237	18.8%

(1) Includes amortization of intangible assets. See the Selected Financial Information Excluding Significant Items table on page 4.

First quarter 2019 vs. first quarter 2018

Other overhead expenses were $83.4 million, an increase of 18.8% in Q1/19 compared to Q1/18. As a percentage of revenue, other overhead expenses were 30.4% in Q1/19 compared to 35.2% in Q1/18, a decrease of 4.8%, reflecting the increase in revenue and the fixed nature of some of our overhead expenses. All of our other overhead expenses except for premises and equipment increased as a result of business growth during Q1/19 compared to the same period in the prior year.

In order to support the higher headcount, increased capital markets activity and expansion of our wealth management business with the Hargreave Hale acquisition and growth in Canada, all our overhead expenses experienced increases compared to the three months ended June 30, 2017, with the exception of a small decrease of $0.2 million in premises and equipment expense. The expanded operations have contributed to an increase in our communication and technology expense of $2.5 million or 20.0% compared to the same period in the prior year as a result of the increased headcount. In addition, amortization expense increased by $1.6 million or 32.9% compared to the same period in the prior year largely as a result of the amortization of intangible assets related to the acquisition of Hargreave Hale in Q2/18. Development costs also increased by $2.4 million compared to the three months ended June 30, 2017, mainly due to the incentive-based costs related to the Hargreave Hale acquisition recorded during this quarter, as well as new hire incentive-based costs recorded by our Canadian wealth management business unit.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, was up by $4.4 million or 22.7% compared to Q1/18. Our Canadian wealth management operations experienced an increase of $2.7 million compared to Q1/18, largely due to higher costs associated with conferences and higher transfer fees related to new client accounts brought on by our new investment advisors during the quarter. In addition, our Canadian capital markets operations also experienced an increase of $1.0 million compared to the prior year as a result of additional costs such as professional fees and promotion and travel expenses required to support the increased level of activity and headcount in this region during Q1/19. Offsetting these increases was a decrease of $0.9 million in our US operations as a result of lower promotion and travel expense. In our UK & Europe wealth management operations, despite the higher costs to support the increased headcount from Hargreave Hale, general and administrative expense remained consistent with Q1/18 at $4.0 million for the three months ended June 30, 2018, mainly as a result of lower professional fees incurred this quarter.

Interest expense increased by $1.1 million compared to Q1/18 partially as a result of interest recorded on the bank loan entered into by the Company in connection with the acquisition of Hargreave Hale in Q2/18. Interest expense in our Canadian wealth management operations also increased by $0.7 million compared to Q1/18 as a result of higher client cash balances as well as increased interest rates.

Higher trading costs in our US operations were the primary reason for the $1.2 million increase in trading costs in Q1/19 compared to Q1/18. Trading costs in the US are impacted by the costs of American Depositary Receipt (ADR) conversions and international settling and clearing costs which do not necessarily vary with revenue.

In Q1/19, $1.3 million were reported as restructuring costs in connection with our UK capital markets operations. There were $0.5 million of restructuring costs recorded during the same period last year in connection with the closing of certain trading operations in Dublin which formed part of our UK capital markets operations.

In connection with the acquisition of Jitneytrade Inc. and Finlogik Inc., the Company incurred $1.2 million of acquisition-related costs during Q1/19. The acquisition-related costs included professional and employment costs incurred during the period.

Net income (loss)

First quarter 2019 vs. first quarter 2018

Net income for Q1/19 was $18.6 million compared to a net loss of $2.6 million in the same period a year ago. Earnings per common share were $0.14 in Q1/19 compared to a loss per common share of $0.05 in Q1/18.

Excluding significant items[(1)], which include amortization of certain intangible assets, acquisition-related costs, certain incentive-based costs related to the acquisition of Hargreave Hale, restructuring expense and before non-controlling interests and preferred shares dividends, net income for Q1/19 was $25.0 million compared to net income of $1.6 million in Q1/18. Earnings per common share, excluding significant items[(1)], were $0.19 in Q1/19 compared to a loss per common share excluding significant items[(1)] of $0.01 in Q1/18.

The effective tax rate for Q1/19 was 14.8% compared to an effective tax rate of (44.5)% in the same quarter last year. The change in the effective tax rate was mainly due to the non-recognition of certain deferred tax assets in our foreign operations.

Results of Operations by Business Segment

CANACCORD GENUITY[(1)(2)(6)]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2018	2017	Quarter-over-quarter change
Revenue	$ 156,172	$ 121,786	28.2%
Expenses			
Incentive compensation	85,984	72,789	18.1%
Salaries and benefits	5,856	6,571	(10.9)%
Restructuring expense[(3)]	1,316	448	193.8%
Acquisition-related costs	1,173	—	n.m.
Other overhead expenses	47,442	45,054	5.3%
Total expenses	141,771	124,862	13.5%
Intersegment allocations[(4)]	4,305	4,314	(0.2)%
Income (loss) before income taxes[(4)]	$ 10,096	$ (7,390)	236.6%
Number of employees	776	758	2.4%
Excluding significant items[(5)]			
Total expenses	$ 138,703	$ 123,834	12.0%
Intersegment allocations[(4)]	4,305	4,314	(0.2)%
Income (loss) before income taxes[(4)]	$ 13,164	$ (6,362)	n.m.

(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, 2018 [three months ended June 30, 2017 – 42%].
(3) Restructuring costs for the three months ended June 30, 2018 were incurred in connection with our UK capital markets operations.
(4) Income (loss) before income taxes includes intersegment allocated costs. See the Intersegment Allocated Costs section on page 25.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 4.
(6) Operating results for Jitneytrade Inc. and Finlogik Inc. are included beginning June 6, 2018.
n.m.: not meaningful

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients and it conducts principal trading activities in North America, the UK & Europe, Asia, Australia and the Middle East. Canaccord Genuity has offices in 20 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.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4.

The operating results of Jitneytrade Inc. and Finlogik Inc. (collectively referred to as "Jitneytrade") beginning June 6, 2018 are included in the discussions below.

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	Three months ended June 30		
	2018	2017	Quarter-over-quarter change
Revenue generated in:			
Canada	**29.3%**	28.3%	1.0 p.p.
UK	**14.0%**	22.0%	(8.0) p.p.
US	**48.8%**	45.2%	3.6 p.p.
Australia	**7.9%**	4.5%	3.4 p.p.
Other Foreign Locations	**n.m.**	n.m.	n.m.
	100.0%	100.0%	

p.p.: percentage points
n.m.: not meaningful

First quarter 2019 vs. first quarter 2018

Revenue

Canaccord Genuity generated revenue of $156.2 million in Q1/19, an increase of 28.2% or $34.4 million from the same quarter a year ago. Revenue increased most notably in our US operations, where revenue increased by $21.1 million or 38.4% compared to Q1/18, largely due to increased investment banking activity as well as continued strong performance by our International Equities Group. Our Canadian capital markets operations reported an increase of $11.5 million or 33.4% in revenue compared to the three months ended June 30,2017, as we continued to be active in numerous transactions in the cannabis and blockchain sectors. Revenue in our Australian capital markets operations increased by $6.8 million compared to the same period last year due to stronger activity levels for small cap equities in our focus sectors. Partially offsetting these increases was a decrease in revenue of $5.0 million or 18.6% in our UK operations compared to Q1/18, largely due to slower investment banking activity during the quarter.

Expenses

Expenses for Q1/19 were $141.8 million, an increase of 13.5% or $16.9 million compared to Q1/18. Excluding significant items(1), total expenses as a percentage of revenue decreased by 12.9 percentage points compared to the same quarter in the prior year, primarily as a result of the increased revenue and the fixed nature of certain overhead costs and certain components of incentive compensation expense.

Incentive compensation and salaries and benefits

Incentive compensation expense for Q1/19 increased by $13.2 million or 18.1% compared to Q1/18 as a result of the increase in incentive-based revenue. Incentive compensation expense as a percentage of revenue was 55.1%, a decrease of 4.7 percentage points from Q1/18. Total compensation expense as a percentage of revenue was 58.8%, 6.4 percentage points lower than in Q1/18. As discussed previously, the decrease in total compensation ratio was largely due to lower share-based incentive compensation expense resulting from a change in accounting treatment of our long-term incentive plan amortization expense. Prior to Q4/18, the incentive compensation expense included amortization of share-based awards made under the LTIP Plan awarded in both the current and prior periods. Effective March 31, 2018, due to the modification of certain employment-related conditions for the vesting of share awards (the "RSUs") for RSU awards made as part of the normal course incentive payment cycle, for accounting purposes, the RSUs granted as part of the normal course incentive payment cycle are expensed in the period in which those awards are deemed to be earned, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year. As such, the incentive compensation expense for Q1/19 only included the costs of any RSU awards earned during the current quarter, as well as amortization of any new hire or retention awards which continue to be amortized over the vesting period.

In Canada, total compensation as a percentage of revenue decreased by 4.0 percentage points compared to Q1/18 largely due to a lower fixed component of incentive compensation expense which does not vary with revenue resulting from the change in accounting for share-based compensation awards described above. Our US operations experienced a decrease of 2.7 percentage points compared to the same period last year, resulting from a combination of higher revenue as well as a lower fixed component of incentive compensation expense. Total compensation as a percentage of revenue in our UK operations decreased by 5.2 percentage points due to a decrease in fixed staff costs. Total compensation expense as a percentage of revenue in our Australian operations was 58.2% for Q1/19, a decrease of 29.5 percentage points from Q1/18 due to the increase in revenue in Q1/19 and the non-variable nature of certain fixed staff costs which negatively impacted the compensation rates in Q1/18.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4.

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

	Three months ended June 30		
	2018	2017	Quarter-over-quarter change
Canada	**52.5%**	56.5%	(4.0) p.p.
UK	**74.5%**	79.7%	(5.2) p.p.
US	**58.0%**	60.7%	(2.7) p.p.
Australia	**58.2%**	87.7%	(29.5) p.p.
Other Foreign Locations	**n.m.**	n.m.	n.m.
Canaccord Genuity (total)	**58.8%**	65.2%	(6.4) p.p.

p.p.: percentage points
n.m.: not meaningful

Other overhead expenses

Total other overhead expenses excluding significant items[1] for Q1/19 increased by 5.4% to $46.9 million compared to Q1/18. However, as a percentage of revenue these expenses were 30.0% in Q1/19, a decrease of 6.5 percentage points compared to the same period in the prior year, largely due to higher revenue and the non-variable nature of many expense items, offset by increases in trading costs and general and administrative expense.

Trading costs increased by $1.9 million or 13.7% in Q1/19 compared to Q1/18. The most significant increase was in our US operations, which recorded an increase of $1.0 million or 10.8% as a result of the international trading activity and associated ADR conversion costs and international settlement costs.

General and administrative expense in Q1/19 was $12.0 million, an increase of $0.9 million or 8.0% over Q1/18, partially as a result of additional professional and promotion and travel expense incurred to support the growth in business activity and higher headcount in our Canadian operations.

Restructuring costs of $1.3 million for the three months ended June 30, 2018 were incurred in connection with our UK capital markets operations. There were $0.5 million of restructuring costs recorded during the same period last year as a result of the closing of certain trading operations in Dublin which formed part of our UK capital markets operations.

During the three months ended June 30, 2018, the Company completed its acquisition of Jitneytrade and incurred acquisition related costs of $1.2 million for the three months ended June 30, 2018. The acquisition related costs consist primarily of employment costs and professional fees in relation to the acquisition.

Income (loss) before income taxes

Income (loss) before income taxes, including allocated overhead expenses, was $10.1 million in Q1/19 compared to a net loss of $7.4 million in the same quarter a year ago. Excluding significant items[1], income before income taxes, including allocated overhead expenses, was $13.2 million in Q1/19, compared to a loss before income taxes of $6.4 million in Q1/18. The increase in income before income taxes was mostly attributable to higher revenue earned in our Canadian and US operations during Q1/19 combined with a reduction in overhead expenses.

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 4

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 2018	2017	Quarter-over-quarter change
Revenue	$ 46,789	$ 36,918	26.7%
Expenses			
Incentive compensation	23,380	18,276	27.9%
Salaries and benefits	3,227	2,795	15.5%
Other overhead expenses	11,981	8,458	41.7%
Total expenses	$ 38,588	$ 29,529	30.7%
Intersegment allocations[2]	3,043	4,225	(28.0)%
Income before income taxes[2]	$ 5,158	$ 3,164	63.0%
AUM – Canada (discretionary)[3]	3,721	2,647	40.6%
AUA – Canada[4]	18,921	12,669	49.3%
Number of Advisory Teams – Canada	148	135	9.6%
Number of employees	412	351	17.4%
Excluding significant items[5]			
Total expenses	$ 38,588	$ 29,529	30.7%
Intersegment allocations[2]	3,043	4,225	(28.0)%
Income before income taxes[2]	$ 5,158	$ 3,164	63.0%

(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 4.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 25.
(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 4.
n.m.: not meaningful

First quarter 2019 vs. first quarter 2018

Revenue from Canaccord Genuity Wealth Management North America was $46.8 million, an increase of $9.9 million or 26.7% compared to the three months ended June 30, 2017. The increase was driven by increases in commissions, private client corporate finance activity and by increased interest revenues on margin accounts.

AUA in Canada increased by 49.3% to $18.9 billion at June 30, 2018, compared to $12.7 billion at June 30, 2017. AUM in Canada also increased by 40.6% compared to Q1/18 due to new assets acquired during Q1/19 as a result of our recruitment activity. There were 148 Advisory Teams in Canada, an increase of 13 from a year ago. Fee-related revenue in our North American operations as a percentage of total revenue decreased by 4.9 percentage points compared to Q1/18 and accounted for 33.5% of the wealth management revenue in Canada during the first quarter of fiscal 2019. The decrease in fee-based revenue as a percentage of revenue was primarily a result of strong transaction-based revenue recorded during the quarter.

Total expenses for Q1/19 were $38.6 million, an increase of $9.1 million or 30.7% compared to Q1/18. Compensation costs increased by $5.5 million, consistent with the increased revenue during the quarter, and non-compensation costs increased by $3.5 million. As a result of these higher overhead costs incurred to support the continued growth in this operating unit, total expenses as a percentage of revenue increased by 2.5 percentage points compared to Q1/18.

Incentive compensation expense increased by $5.1 million or 27.9% compared to Q1/18, in line with the increase in incentive-based revenue. Total compensation expense as a percentage of revenue decreased slightly by 0.2 percentage points to 56.9% in Q1/19 compared to Q1/18.

Total non-compensation expenses increased from $8.5 million in Q1/18 to $12.0 million in Q1/19. The most notable increase was in general and administrative expense, which increased by $2.7 million compared to Q1/18 as a result of higher costs related to conferences and transfer fees associated with new client accounts. Development costs also increased by $0.7 million compared to the same quarter in the prior year as a result of increased amortization costs related to new-hire incentive payments. There was also an increase of $0.7 million in interest expense due to higher interest paid on client accounts resulting from higher interest rates and client cash and margin account balances in Q1/19 compared to the same period last year.

Income before income taxes was $5.2 million in Q1/19 compared to income before taxes of $3.2 million in Q1/18 primarily due to the net increase in revenue after variable costs and lower allocated costs.

CANACCORD GENUITY WEALTH MANAGEMENT UK & EUROPE(1)(5)

(C$ thousands, except AUM (in C$ millions), number of employees, investment professionals and fund managers, and % amounts)	Three months ended June 30 2018	2017	Quarter-over-quarter change
Revenue	$ 65,787	$ 38,033	73.0%
Expenses			
Incentive compensation	25,895	12,596	105.6%
Salaries and benefits	12,047	6,379	88.9%
Other overhead expenses	18,393	13,790	33.3%
Total expenses	56,335	32,765	71.9%
Intersegment allocations(2)	304	316	(3.8)%
Income before income taxes(2)	$ 9,148	$ 4,952	84.7%
AUM – UK & Europe(3)	46,434	25,755	80.3%
Number of investment professionals and fund managers – UK & Europe	190	119	59.7%
Number of employees	559	314	78.0%
Excluding significant items(4)			
Total expenses	$ 51,936	$ 29,257	77.5%
Intersegment allocations(2)	304	316	(3.8)%
Income before income taxes(2)	13,547	8,460	60.1%

(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 4.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 25.
(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 4.
(5) Includes the operating results of Hargreave Hale since the closing date of September 18, 2017.

First quarter 2019 vs. first quarter 2018

Operating results of Hargreave Hale are included since the closing date of September 18, 2017.

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 levels of trading activity. Revenue for Q1/19 was $65.8 million, an increase of 73.0% compared to Q1/18. Measured in local currency (GBP), revenue was £37.5 million in Q1/19 compared to £22.1 million in Q1/18, an increase of 70.0% compared to the same quarter last year, mostly related to revenue contributed by Hargreave Hale which was acquired in Q2/18.

AUM in the UK & Europe as of June 30, 2018 was $46.4 billion, an increase of 80.3% compared to $25.8 billion as of June 30, 2017. Measured in local currency (GBP), AUM increased by 75.8% from £15.3 billion at June 30, 2017 to £26.9 billion at June 30, 2018. The addition of Hargreave Hale in Q2/18 contributed to the increase in AUM from Q1/18 to Q1/19. Fee-related revenue in our UK & European wealth management operations accounted for 70.2% of total revenue in Q1/19, an increase of 3.9 percentage points. The proportion of fee-related revenue and managed fee-based accounts is higher in the UK & Europe compared to our Canadian wealth management business.

Incentive compensation expense was $25.9 million, an increase of $13.3 million from Q1/18 as a result of the increase in incentive-based revenue. Salaries and benefits expense increased by $5.7 million compared to the same period in the prior year to $12.0 million primarily as a result of a larger team required to support the growth in the existing UK & Europe wealth management business as well as the addition of Hargreave Hale. Total compensation expense (incentive compensation expense plus salaries and benefits) as a percentage of revenue increased by 7.8 percentage points from 49.9% in Q1/18 to 57.7% in Q1/19 mainly due to the increase in fixed staff costs as discussed above.

Excluding significant items[1], other overhead expenses for the three months ended June 30, 2018 was $14.0 million for Q1/19 compared to $10.3 million in Q1/18, an increase of 35.9% largely driven by higher overhead costs resulting from the acquisition of Hargreave Hale in Q2/18. Communications and technology expenses increased by $1.9 million compared to Q1/18 as a result of higher headcount and our expanded operations in Q1/19 compared to the three months ended June 30, 2017. Amortization expense for Q1/19 also increased by $1.9 million mainly as a result of the intangible assets amortization in connection with the acquisition of Hargreave Hale. The increase in development costs of $1.8 million over Q1/18 was largely related to incentive-based costs related to the acquisition of Hargreave Hale.

Income before income taxes was $9.1 million compared to $5.0 million in Q1/18. Excluding significant items[1], which include acquisition-related costs, amortization of certain intangible assets as well as certain incentive-based costs related to the acquisition of Hargreave Hale, net income before income taxes was $13.5 million, representing a $5.1 million increase from the same period last year, reflecting the positive net contribution of our expansion in this business unit.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4.

CORPORATE AND OTHER[1]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2018	2017	Quarter-over-quarter change
Revenue	$ 5,375	$ 3,071	75.0%
Expenses			
Incentive compensation	2,487	2,643	(5.9)%
Salaries and benefits	7,457	6,662	11.9%
Other overhead expenses	5,592	5,119	9.2%
Restructuring costs	11	—	n.m.
Total expenses	15,547	14,424	7.8%
Intersegment allocations[2]	(7,652)	(8,855)	13.6%
Loss before income taxes[2]	$ (2,520)	$ (2,498)	(0.9)%
Number of employees	291	274	6.2%
Excluding significant items[3]			
Total expenses	$ 15,547	$ 14,424	7.8%
Intersegment allocations[2]	(7,652)	(8,855)	13.6%
Loss before income taxes[2]	(2,520)	(2,498)	(0.9)%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 4.
(2) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 25.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 4.

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 2019 vs. first quarter 2018

Revenue in the Corporate and Other segment for the three months ended June 30, 2018 was $5.4 million, an increase of $2.3 million from the same quarter a year ago mainly due to higher interest revenue earned from increased interest rates and higher cash balances during Q1/19 compared to Q1/18.

Expenses for Q1/19 increased by $1.1 million or 7.8%, to $15.5 million compared to the three months ended June 30, 2017, largely due to an increase in salaries and benefits expense and general and administrative expenses incurred in Q1/19 resulting from a higher headcount to support the growth of the Canadian operations.

Overall, the loss before income taxes was $2.5 million in Q1/19, unchanged from 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, 2018. 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,	Fiscal 2019	Fiscal 2018				Fiscal 2017		
except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Canaccord Genuity	**156,172**	200,687	$ 196,203	$ 118,880	$ 121,786	$ 193,520	$ 137,268	$ 127,005
Canaccord Genuity Wealth Management:								
North America	**46,789**	51,455	48,428	32,081	36,918	40,268	32,819	29,732
UK & Europe	**65,787**	64,923	60,945	37,482	38,033	33,065	34,549	33,958
Corporate and Other	**5,375**	5,015	3,866	3,104	3,071	4,803	3,472	2,907
Total revenue	**274,123**	322,080	309,442	191,547	199,808	271,656	208,108	193,602
Net income (loss)	**$ 18,649**	$ (9,703)	$ 36,598	$ (7,258)	$ (2,560)	$ 30,987	$ 4,544	$ 200
Earnings (loss) per common share – basic	**$ 0.16**	$ (0.15)	$ 0.35	$ (0.11)	$ (0.05)	$ 0.29	$ 0.01	$ (0.05)
Earnings (loss) per common share – diluted	**$ 0.14**	$ (0.15)	$ 0.29	$ (0.11)	$ (0.05)	$ 0.26	$ 0.01	$ (0.05)
Net Income (loss), excluding significant items(1)	**$ 25,035**	$ 37,312	$ 39,182	$ 3,548	$ 1,615	$ 32,740	$ 6,309	$ 2,008
Earnings (loss) per common share, excluding significant items(1) – basic	**$ 0.23**	$ 0.36	$ 0.38	$ 0.01	$ (0.01)	$ 0.31	$ 0.03	$ (0.03)
Earnings (loss) per common share, excluding significant items(1) – diluted	**$ 0.19**	$ 0.28	$ 0.31	$ 0.01	$ (0.01)	$ 0.27	$ 0.03	$ (0.03)

With the increase in capital raising and advisory activity in our core focus areas over the recent quarters and with a higher contribution from our global wealth management operations, revenue and net income excluding significant items(1) have seen improvements over the past three quarters. Revenue for Q1/19 was $274.1 million, a decrease of 14.9% compared to our record quarter in Q4/18 but an increase of 37.2% compared to Q1/18.

The Canaccord Genuity division, which had been positively impacted by the increased market activity during the recent quarters, experienced an increase in revenue of 28.2% compared to Q1/18, largely due to higher investment banking and advisory fees revenue recorded in our Canadian and US operations. Compared to our exceptionally strong quarters in Q4/18 and Q3/18 driven by higher investment banking activity, revenue in Q1/19 decreased by 22.2% and 20.4%, respectively. Revenue in our Canadian capital markets operations have benefitted in recent quarters from our participation in numerous transactions in the cannabis and blockchain sectors, particularly in the latter part of fiscal 2018, and to a lesser extent, in Q1/19. The increase in investment banking revenue also reflects gains in our warrant and inventory positions earned from transactions in the current and prior periods. As a result of the increase in revenue, our ongoing commitment to our cost containment efforts and the fixed nature of certain expenses, overhead expenses as a percentage of revenue excluding significant items(1) have decreased in recent quarters, leading to a pre-tax margin excluding significant items(1) of 18.6% in Q1/19.

Revenue in our US capital markets operations was $76.2 million, an increase of 38.4% compared to Q1/18 and 11.8% compared to Q4/18, and the highest revenue in this operating segment over the past eight quarters. This increase in revenue was driven by increased investment banking and advisory activity offset by a small reduction in principal trading revenue. Profitability in our US operations has strengthened over recent quarters from our efforts in the first half of fiscal 2018 to realign and strengthen our core capabilities in this region. Excluding significant items(1), pre-tax income for this region was $7.6 million in Q1/19 compared to $6.8 million in Q4/18 and a loss of $2.2 million in Q1/18.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4.

Our UK capital markets operations have been negatively impacted by slower investment banking activity in Q1/19, with revenue decreasing by 18.6% or $5.0 million compared to Q1/18, and $13.0 million or 37.3% compared to Q4/18. In an effort to adapt to the current market environment and reduce overhead costs, our UK operations incurred a restructuring charge of $1.3 million in Q1/19. Excluding significant items[(1)], the pre-tax loss for this region was $5.5 million in Q1/19 compared to pre-tax income of $1.9 million in Q4/18 largely due to the decline in revenue.

Our Australian operations have recovered from weakened market conditions in that region in the first half of fiscal 2018, with revenue reaching $22.1 million and $20.1 million in Q3/18 and Q4/18, respectively. Although revenue decreased by $7.8 million or 38.7% in Q1/19 compared to Q4/18, investment banking revenue still showed a marked improvement of $6.9 million over the same period a year ago. Contributing to the increase in revenue in this region, particularly in Q4/18 and Q3/18, were profits and gains recorded in certain inventory and warrant positions earned in respect of investment banking activity in the current and prior periods.

Our Canaccord Genuity Wealth Management North America operations have grown as we continue to invest in that division, with an increase in revenue of $9.9 million or 26.7% in Q1/19 compared to the same period a year ago. In addition to an increase in commissions and fees revenue, revenue attributable to investment banking activity in this segment also increased significantly over the past three quarters, reflecting the increased private client participation in new issue activity in our Canadian operations because of the increased activity in companies in new and developing industry sectors such as cannabis. Excluding significant items[(1)], pre-tax income for Q1/19 was $5.2 million, a decrease of 39% compared to the record quarter in Q4/18 as a result of lower revenue as well as higher general and administrative expense to support the growth in this region. Assets under management[(2)] increased in Q1/19 by 32.2% compared to Q4/18 as a result of additional client assets with the hiring of new investment advisors. Our fee-related revenue continued to grow, reaching 33.5% for Q1/19, an increase of 5.0 percentage points compared to Q4/18.

The Canaccord Genuity Wealth Management UK & Europe operations were expanded during fiscal 2018 with the completion of the acquisition of Hargreave Hale at the end of Q2/18. Revenue generated in this region increased from $38.0 million in Q1/18 and $64.9 million in Q4/18 to $65.8 million in Q1/19, reflecting the immediate contribution of Hargreave Hale to our operating results. Although this region incurred higher operating expenses resulting from our expanded operations and increased headcounts, profit margins continued to be strong at 20.6% for Q1/19 on an excluding significant items basis[(1)]. At the end of Q1/19, fee-related revenue was at 70.2%, an increase of 3.9 percentage points from Q1/18. Assets under management[(2)] for this group increased by $20.7 billion reaching $46.4 billion as of the end of Q1/19, compared to $25.8 billion at the end of Q1/18. While a significant portion of this growth is attributable to the addition of Hargreave Hale, net new assets and market gains also contributed to the overall increase in AUM.[(2)]

The movement in revenue in the Corporate and Other division was mainly due to interest revenue, 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 Q1/19 unaudited interim condensed consolidated statement of financial position as compared to the Audited Annual Consolidated Financial Statements.

ASSETS

Cash and cash equivalents were $739.3 million on June 30, 2018 compared to $862.8 million on March 31, 2018. Refer to the Liquidity and Capital Resources section on page 27 for more details.

Securities owned were $625.8 million on June 30, 2018 compared to $469.2 million on March 31, 2018 due to increases in both corporate and government debt and equities and convertible debentures owned as of June 30, 2018.

Accounts receivable were $2.4 billion at June 30, 2018 compared to $2.2 billion at March 31, 2018, mainly due to increases in receivables with brokers and investment dealers and clients.

Goodwill was $260.0 million and intangible assets were $153.7 million at June 30, 2018. At March 31, 2018, goodwill was $258.0 million and intangible assets were $160.8 million, representing the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc, and the wealth management businesses of Eden Financial Ltd. and Hargreave Hale, and as of June 6, 2018, Jitneytrade.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 4.
(2) See Non-IFRS Measures on page 4.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $54.2 million at June 30, 2018 compared to $54.1 million at March 31, 2018.

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, 2018, the Company had available credit facilities with banks in Canada and the UK in the aggregate amount of $672.9 million [March 31, 2018 — $669.2 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. As of June 30, 2018, and March 31, 2018, there was no bank indebtedness outstanding.

Securities sold short were $418.1 million at June 30, 2018 compared to $301.0 million at March 31, 2018, 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, 2018, an increase from $2.6 billion at March 31, 2018, mainly due to increases in payables to brokers and investment dealers and clients.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were $24.7 million at June 30, 2018, a decrease from $29.1 million at March 31, 2018. The increase was mostly due to the decrease in income taxes payable.

In connection with our acquisition of Hargreave Hale through a subsidiary of the Company, that subsidiary obtained a £40.0 million (C$69.2 million as of June 30, 2018 and C$72.5 million as of March 31, 2018) bank loan to finance a portion of the cash consideration. The loan is repayable in instalments of principal and interest over a period of 4 years. The interest rate on this loan is LIBOR plus 2.125% per annum for Q1/19. Also, in connection with the acquisition of Hargreave Hale, there were also deferred and contingent considerations of $9.4 million and $47.6 million, respectively, recorded as of June 30, 2018 (March 31, 2018 — $10.0 million and $49.8 million, respectively). Refer to Note 12 of the Audited Annual Consolidated Financial Statements for further information on the purchase consideration for Hargreave Hale. In addition, in connection with the acquisition of Jitneytrade, a contingent consideration of $4.0 million and deferred consideration of $0.7 million were recorded as of June 30, 2018. Refer to Note 8 of the interim condensed consolidated financial statements for the three months ended June 30, 2018 for further information on the purchase consideration for Jitneytrade.

Off-Balance Sheet Arrangements

As of June 30, 2018, a subsidiary of the Company had an irrevocable secured standby letter of credit from a financial institution totalling $2.7 million (US$2.0 million) [March 31, 2018 — $2.7 million (US$2.0 million)] as a rent guarantee for its leased premises in Boston and New York.

Bank Indebtedness and Other Credit Facilities

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As of June 30, 2018, and March 31, 2018, the Company had $nil bank indebtedness outstanding.

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 $672.9 million as of June 30, 2018 [March 31, 2018 — $669.2 million]. As of June 30, 2018, there were no balances outstanding under these other credit facilities.

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, 2018:

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2020	Fiscal 2021 – Fiscal 2022	Fiscal 2023 – Fiscal 2024	Thereafter
Premises and equipment operating leases	$ 141,146	$ 30,242	$ 54,343	$ 35,367	$ 21,194
Bank loan[1]	59,930	9,233	50,697	—	—
Convertible debentures[2]	71,700	3,900	67,800	—	—
Total contractual obligations	272,776	43,375	172,840	35,367	21,194

(1) Bank loan consists of £40,000,000 credit facility obtained to finance a portion of the cash consideration for the acquisition of Hargreave Hale. The bank loan bears interest at LIBOR plus 2.125% [March 31, 2018 - 3.375%] per annum and is repayable in instalments of principal and interest over 4 years and matures in September of 2021.
(2) Convertible debentures consist of the unsecured senior subordinated convertible debentures (the "Debentures") issued in Q3/17. The Debentures bear interest at a rate of 6.50% per annum and mature on December 31, 2021. The Company, under certain circumstances, may redeem the Debentures on or after December 31, 2019.

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, 2018, cash and cash equivalents were $739.3 million, a decrease of $123.5 million from $862.8 million as of March 31, 2018. During the three months ended June 30, 2018, financing activities used cash in the amount of $18.1 million, mainly due to purchases of common shares for the long-term incentive plan (LTIP) and cash dividends paid on common and preferred shares, partially offset by an increase in bank indebtedness. Investing activities used cash in the amount of $7.9 million mainly for the acquisition of Jitneytrade. Operating activities used cash in the amount of $91.1 million, which was largely due to changes in non-cash working capital. A decrease in cash of $6.4 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the three months ended June 30, 2017, cash used in financing activities decreased by $39.9 million primarily due to an increase in bank indebtedness in the same period last year. Cash used in investing activities increased by $6.2 million during the three months ended June 30, 2018 compared to the same period last year, mainly due to the acquisition of Jitneytrade. Changes in non-cash working capital balances led to a decrease in cash used by operating activities of $5.8 million. In addition, cash balances decreased by $6.9 million from the effects of foreign exchange translation on cash balances in Q1/19 compared to Q1/18. Overall, cash and cash equivalents increased by $217.6 million from $521.7 million at June 30, 2017 to $739.3 million at June 30, 2018.

The Company's business requires capital for operating and regulatory purposes. The majority of current assets reflected on the Company's audited 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 (as of September 30, 2017, the North American markets moved to a two-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.

Convertible Debentures

In fiscal 2017, the Company issued convertible unsecured senior subordinated debentures ("Debentures") in the aggregate principal amount of $60.0 million. The Debentures bear interest at a rate of 6.50% per annum. The Debentures are convertible at the holder's option into common shares of the Company at a conversion price of $6.50 per share. The Debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.

Outstanding Share Data

	Outstanding shares as of June 30	
	2018	2017
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)	**96,502,248**	92,903,711
Issued shares outstanding(2)	**113,548,507**	113,511,468
Issued shares outstanding – diluted(3)	**124,645,638**	124,280,823
Average shares outstanding – basic	**94,363,223**	93,068,914
Average shares outstanding – diluted(4)	**117,540,585**	n/a

(1) Excludes 136,483 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 16,909,776 unvested shares purchased by employee benefit trusts for the LTIP.
(2) Includes 136,483 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 16,909,776 unvested shares purchased by employee benefit trusts for the LTIP.
(3) Includes 11,097,131 share issuance commitments net of forfeitures.
(4) This is the diluted share number used to calculate diluted EPS. For periods with net losses attributable to common shareholders, all instruments involving potential common shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

On August 11, 2017, 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 5,675,573 of its common shares during the period from August 15, 2017 to August 14, 2018 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, 2018 and June 30, 2018.

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.

The ability to make purchases under the current NCIB commenced on August 15, 2017, and will continue for one year (to August 14, 2018) 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, the daily purchases are limited to 54,968 common shares of the Company (which is 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2017 to July 2017.)

As of July 31, 2018, the Company has 113,551,789 common shares issued and outstanding.

Share-Based Payment Plans

There have been no updates to the share-based payment plans discussed in the 2018 Annual Report except as follows:

PERFORMANCE STOCK OPTIONS

On June 1, 2018, the Company created a performance share option ("PSO") plan subject to shareholder approval at the Annual General Meeting on August 2, 2018. On June 14, 2018, the Company granted 6,220,000 options under the PSO plan; this grant is subject to shareholder ratification at the Annual General Meeting. The options have an exercise price of $6.73 per share, based on the fair market value of the common shares on the grant date. The PSOs have a term of five years and will time-vest ratably over four years (with one third vesting on each of the second, third and fourth anniversaries of the date of the grant). The PSOs will also be subject to market (stock price) performance vesting conditions, as well as have a three times exercise price cap on payout value.

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, 2018, forward contracts outstanding to sell US dollars had a notional amount of US$38.7 million, an increase of US $31.8 million compared to June 30, 2017. Forward contracts outstanding to buy US dollars had a notional amount of US $1.4 million, a decrease of US $9.4 million from June 30, 2017. 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. The Company's Canadian operations also began trading other types of futures contracts, including but not limited to, index futures and commodity futures.

At June 30, 2018, the notional amount of the Canadian bond futures contracts outstanding was short $6.3 million [March 31, 2018 – long $0.1 million].

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 22 of 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, and a PSO plan that is subject to shareholder approval. Directors 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, 2018**	March 31, 2018
Accounts receivable	**$ 658**	$ 969
Accounts payable and accrued liabilities	**978**	1,527

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2018 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. Amendments may be made to estimates relating to net assets acquired in an acquisition as well as the allocation of identifiable intangible assets between indefinite life and finite lives. Judgments, estimates and assumptions were also utilized in connection with the valuation of goodwill and intangible assets acquired in connection with the acquisitions of Hargreave Hale and Jitneytrade.

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. 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. At June 30, 2018 no indicators of impairment were identified.

Significant accounting policies used and policies requiring management's judgment and estimates have not changed during the first quarter of fiscal 2019 and are discussed under "Critical Accounting Policies and Estimates" in our 2018 Annual Report.

Changes in Accounting Policies

The accounting policies applied in the preparation of the Q1/19 unaudited interim condensed consolidated financial statements are consistent with those discussed in Note 5 of the Audited Annual Consolidated Financial Statements except for the following new accounting standards adopted as of April 1, 2018:

IFRS 9, "Financial Instruments" ("IFRS 9")

On April 1, 2018, the Company adopted IFRS 9 which replaces IAS 39 — Financial Instruments: Recognition and Measurement. The Company adopted the standard using the modified retrospective approach. The adoption of IFRS 9 did not have a significant effect on the Company's measurement of financial assets and liabilities.

The following summarizes the impact of IFRS 9 on the unaudited interim condensed consolidated financial statements for the three months ended June 30, 2018:

<u>Classification — financial assets and liabilities</u>

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

On initial recognition, financial assets are classified as instruments measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification is based on two criteria: the Company's business approach for managing the financial assets; and whether the instruments' contractual cash flows result in cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion). The business approach considers whether the Company's objective is to receive cash flows from holding the financial assets, from selling the assets or a combination of both.

- Amortized costs – A financial asset is measured at amortized cost if it is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and the contractual terms of the financial asset result in cash flows that meet the SPPI criteria. Items included in this category include cash and cash equivalents and accounts receivable.

– FVOCI – A financial asset is classified as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset result in cash flows that are SPPI. Included in the FVOCI category is our investment in Euroclear, which was previously classified as available for sale under IAS 39. There are no other financial assets classified as FVOCI.

– All other financial assets are measured at FVTPL and consist of marketable securities owned and sold short.

<u>Impairment — financial assets</u>

The adoption of IFRS 9 changed the Company's accounting for impairment loss for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach ("ECL)". Under the ECL model, the Company has to record an allowance for ECL either based on a 12-month ECL or on a lifetime ECL. ECL are recognized on the following basis:

– A maximum 12 month allowance for ECL is recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.

– A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments' initial recognition, reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.

– A lifetime ECL is recognized for credit impaired financial instruments.

IFRS 9 also provide a simplified approach to ECLs for trade receivables that is based on a provision matrix concept which utilizes an entity's historic loss experience by age banding, adjusted for forward looking estimates as applicable.

The Company's accounts receivable is classified as financial assets measured at amortized costs, and is subject to the new ECL model. Accounts receivable include trade receivables from clients and brokers and dealers. All our corporate finance and client receivables have a maturity of less than 12 months from initial recognition, therefore the allowance is limited to 12-month ECLs. The Company established a provision matrix that is based on its historical credit loss experience adjusted for forward-looking factors as appropriate. The impact of the provision is not considered to have a significant impact to our interim consolidated financial statements for the three months ended June 30, 2018.

<u>Hedge accounting requirement</u>

IFRS 9 offers greater flexibility to the types of transactions eligible for hedge accounting. As the Company does not apply hedge accounting under IAS 39 and IFRS 9, the adoption of IFRS 9 does not have any material impact on our unaudited interim condensed consolidated financial statements for the three months ended June 30, 2018.

IFRS 15, "Revenue from Contracts with Customers"

On April 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach. IFRS 15 replaces IAS 18 "Revenue" and establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Under IFRS 15, the initial steps in revenue recognition are to identify the appropriate contracts with customers and define the performance obligations in the contracts. Revenue is recognized when the performance obligations are satisfied - when "control" of goods or services transfers to the customers. IFRS 15 also requires the transaction price to be allocated to each separate performance obligation in proportion to stand-alone selling prices. In addition, variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The impact on adoption of IFRS 15 on the Company's standard revenue contracts are as follows:

– Commissions and fees – Commission and fees revenue consists of revenue generated through commission-based brokerage services and the sale of fee-based products and services. As discussed above, IFRS 15 requires entities to recognize revenue when "control" of goods or services transfers to the customers whereas IAS 18 required entities to recognize revenue when the "risk and rewards" of the goods or services are transferred to the customers. The performance obligation for the recognition of commission and fees revenue is satisfied through the settlement of trades for clients. There is no material change in the amount or timing of revenue recognized under IFRS 15 compared to IAS 18 as the point of transfer of risk and reward for services and transfer of control occur at the same time.

- Investment banking – Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. There is no material impact on the recognition of investment banking revenue under IFRS 15 compared to IAS 18. Under IAS 18, revenue was recognized upon closing of the underwriting mandate, which also represents completion of the performance obligation under IFRS 15.

- Advisory fees – Advisory fees consist of management and advisory fees, including fees from mergers and acquisition activities. The performance obligation for recognition of the advisory fees revenue is met when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. In certain cases, some fees are collected based on progress and do not correspond to the satisfaction of any discrete performance obligation. Under IFRS 15, such payments may need to be deferred or recognized on an amortized basis until the performance obligation is satisfied. The impact of this change on the opening retained earnings as of April 1, 2018 and for the three months ended June 30, 2018 is insignificant.

The following revenue types are excluded from the scope of IFRS 15: Principal trading revenue which consists of revenue earned in connection with principal trading operations, interest revenue, as well as other revenue consisting of foreign exchange gains or losses and revenue earned from our correspondent brokerage services.

Future Changes in Accounting Policies and Estimates

There have been no updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2018 Annual Report, during the three months ended June 30, 2018 except for the adoption of IFRS 15 and IFRS 9 as of April 1, 2018 as discussed above.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2018, 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 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 Officer concluded that our disclosure controls and procedures were effective as at June 30, 2018.

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, 2018, 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 1, 2018, the Board of Directors approved a dividend of $0.01 per common share, payable on September 10, 2018, with a record date of August 31, 2018.

On August 1, 2018, the Board of Directors approved a cash dividend of $0.24281 per Series A Preferred Share payable on October 1, 2018 to Series A Preferred shareholders of record as at September 14, 2018.

On August 1, 2018, the Board of Directors approved a cash dividend of $0.31206 per Series C Preferred Share payable on October 1, 2018 to Series C Preferred shareholders of record as at September 14, 2018.

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, cyber 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. In addition, the Company's operations in the UK are exposed to market risk and volatility risk associated with the UK's decision to depart from the EU, referred to as "Brexit". 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 24 of the Company's 2018 Audited Annual Consolidated Financial Statements.

The Company and its affiliates provide financial advisory, underwriting and other services to, and trade the securities of issuers that are involved with new and emerging industries, including the US cannabis industry. Activities within such industries, including the US cannabis industry, typically have not had the benefit of a history of successful operating results. In addition to the economic uncertainties associated with new industries, new activities and new issuers, the laws applicable to such industries or activities, particularly the US cannabis industry and the activities of issuers in that industry, and the effect or enforcement of such laws are undetermined, conflicting and uncertain. With respect to the US cannabis industry, cannabis continues to be a controlled substance under the United States Controlled Substances Act and as such, there is a risk that certain issuers, while in compliance with applicable state law, may be prosecuted under federal law. Accordingly, the Company has adopted policies and procedures reasonably designed to ensure compliance with the United States Currency and Foreign Transactions Reporting Act of 1970 (the "Bank Secrecy Act") and the guidance issued by the United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-G001 (the "FinCEN Guidance") relating to providing financial services to marijuana related businesses in the United States (as that term is used in the FinCEN Guidance). While the Company takes steps to identify the risks associated with emerging industries, including the US cannabis industry, and only provides services to those issuers where it determines that there is no material risk to the Company or where any risk is unlikely to result in a material adverse consequence to the Company, there is a risk that the Company could be the subject of third party proceedings which may have a material adverse effect on the Company business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

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 2018 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, 2018	March 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 739,311	$ 862,838
Securities owned	4	625,799	469,217
Accounts receivable	6,18	2,388,761	2,215,837
Income taxes receivable		5,362	1,170
Total current assets		3,759,233	3,549,062
Deferred tax assets		18,200	19,941
Investments	7	2,191	2,035
Equipment and leasehold improvements		28,467	30,967
Intangible assets	9	153,747	160,757
Goodwill	9	259,998	257,974
		$ 4,221,836	$ 4,020,736
LIABILITIES AND EQUITY			
Current			
Bank indebtedness	5	$ 14,526	$ —
Securities sold short	4	418,081	301,006
Accounts payable and accrued liabilities	6,18	2,734,782	2,638,954
Provisions	20	7,789	8,428
Income taxes payable		3,739	7,851
Subordinated debt	11	7,500	7,500
Current portion of bank loan	12	9,233	9,679
Total current liabilities		3,195,650	2,973,418
Deferred tax liabilities		13,435	13,715
Convertible debentures	13	57,249	57,081
Deferred consideration	5	10,117	9,997
Contingent consideration	5,8	51,550	49,844
Bank loan	12	59,009	61,758
		3,387,010	3,165,813
Equity			
Preferred shares	14	205,641	205,641
Common shares	15	663,665	649,846
Equity portion of convertible debentures	13	2,604	2,604
Warrants	15	1,975	1,975
Contributed surplus		121,523	145,426
Retained deficit		(275,326)	(277,472)
Accumulated other comprehensive income		99,485	113,332
Total shareholders' equity		819,567	841,352
Non-controlling interests		15,259	13,571
Total equity		834,826	854,923
		$ 4,221,836	$ 4,020,736

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, 2018	June 30, 2017
REVENUE			
Commissions and fees		$ 136,380	$ 104,955
Investment banking		67,521	40,696
Advisory fees		24,914	18,896
Principal trading		30,908	25,887
Interest		9,246	5,176
Other		5,154	4,198
		274,123	199,808
EXPENSES			
Incentive compensation		137,746	106,304
Salaries and benefits		28,587	22,407
Trading costs		18,500	17,252
Premises and equipment		9,947	10,109
Communication and technology		15,186	12,658
Interest		5,594	4,445
General and administrative		23,684	19,300
Amortization		6,638	4,994
Development costs		3,859	1,479
Restructuring costs	20	1,316	448
Acquisition-related costs		1,173	2,184
Share of loss of an associate	7	11	—
		$ 252,241	$ 201,580
Income (loss) before income taxes		21,882	(1,772)
Income tax expense (recovery)			
Current		2,484	1,478
Deferred		749	(690)
	10	3,233	788
Net income (loss) for the period		$ 18,649	$ (2,560)
Net income (loss) attributable to:			
CGGI shareholders		$ 17,616	$ (2,262)
Non-controlling interests		$ 1,033	$ (298)
Weighted average number of common shares outstanding (thousands)			
Basic	15	94,363	93,069
Diluted	15	117,541	n/a
Net income (loss) per common share			
Basic	15	$ 0.16	$ (0.05)
Diluted	15	$ 0.14	$ (0.05)
Dividend per Series A Preferred Share	16	$ 0.24	$ 0.24
Dividend per Series C Preferred Share	16	$ 0.31	$ 0.31
Dividend per common share	16	$ 0.01	$ 0.01

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	For the three months ended June 30, 2018		June 30, 2017	
Net income (loss) for the period	$	**18,649**	$	(2,560)
Other comprehensive income				
Net change in unrealized (losses) gains on translation of foreign operations, net of tax		**(12,892)**		305
Comprehensive income (loss) for the year	$	**5,757**	$	(2,255)
Comprehensive income (loss) attributable to:				
CGGI shareholders	$	**3,769**	$	(2,488)
Non-controlling interests	$	**1,988**	$	233

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, 2018	June 30, 2017
Preferred shares, opening and closing	14	$ 205,641	$ 205,641
Common shares, opening		649,846	641,449
Shares issued in connection with share-based payments		233	—
Acquisition of common shares for long-term incentive plan (LTIP)		(17,160)	(18,788)
Release of vested common shares from employee benefit trusts		30,475	23,956
Net unvested share purchase loans		271	(121)
Common shares, closing	15	663,665	646,496
Warrants, opening and closing		1,975	1,975
Convertible debentures – equity, opening and closing	13	2,604	2,604
Contributed surplus, opening		145,426	85,405
Share-based payments		(23,879)	(11,987)
Change in deferred tax asset relating to share based payments		73	—
Unvested share purchase loans		(97)	411
Contributed surplus, closing		121,523	73,829
Retained deficit, opening		(277,472)	(267,559)
Net income (loss) attributable to CGGI shareholders		17,616	(2,262)
Common share dividends	16	(13,119)	(11,351)
Preferred share dividends	16	(2,351)	(2,540)
Retained deficit, closing		(275,326)	(283,712)
Accumulated other comprehensive income, opening		113,332	95,270
Other comprehensive loss attributable to CGGI shareholders		(13,847)	(226)
Accumulated other comprehensive income, closing		99,485	95,044
Total shareholders' equity		819,567	741,877
Non-controlling interests, opening		13,571	11,858
Foreign exchange on non-controlling interests		(300)	390
Comprehensive income attributable to non-controlling interests		1,988	233
Non-controlling interests, closing		15,259	12,481
Total equity		$ 834,826	$ 754,358

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	For the three months ended June 30, 2018	June 30, 2017
OPERATING ACTIVITIES			
Net income (loss) for the period		$ 18,649	$ (2,560)
Items not affecting cash			
Amortization		6,638	4,994
Deferred income tax expense (recovery)		749	(690)
Share-based compensation expense	17	7,890	12,564
Share of loss of associate	7	11	—
Changes in non-cash working capital			
(Increase) decrease in securities owned		(156,582)	198,831
(Increase) decrease in accounts receivable		(178,950)	1,209,169
(Increase) decrease in income taxes receivable, net		(7,591)	286
Increase (decrease) in securities sold short		117,075	(235,440)
Increase (decrease) in accounts payable, accrued liabilities, and provisions		100,986	(1,284,115)
Cash used in operating activities		(91,125)	(96,961)
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness		14,526	(25,280)
Acquisition of common shares for long-term incentive plan		(17,160)	(18,788)
Cash dividends paid on common shares		(13,119)	(11,351)
Cash dividends paid on preferred shares		(2,351)	(2,540)
Cash used in financing activities		(18,104)	(57,959)
INVESTING ACTIVITIES			
Acquisition of Jitneytrade Inc. and Finlogik Inc., net of cash acquired		(7,547)	—
Purchase of equipment and leasehold improvements		(362)	(1,681)
Cash used in investing activities		(7,909)	(1,681)
Effect of foreign exchange on cash balances		(6,389)	557
Decrease in cash position		(123,527)	(156,044)
Cash position, beginning of year		862,838	677,769
Cash position, end of year		$ 739,311	$ 521,725
Supplemental cash flow information			
Interest received		$ 10,711	$ 5,111
Interest paid		$ 5,120	$ 2,921
Income taxes paid		$ 10,515	$ 2,083

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 or CGGI) 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 400 — 725 Granville Street, Vancouver, British Columbia, V7Y 1G5.

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, 2018 (March 31, 2018 consolidated financial statements) filed on SEDAR on June 6, 2018. All defined terms used herein are consistent with those terms defined in the March 31, 2018 consolidated financial statements.

These 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.

These 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 1, 2018.

USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these 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 and valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, expected credit provision, fair value of financial instruments, capitalization of intangible assets related to software costs, and provisions. Amendments may be made to estimates relating to net assets acquired in an acquisition as well as the allocation of identifiable intangible assets between indefinite life and finite lives. Judgments, estimates and assumptions were also utilized in connection with the valuation of goodwill and intangible assets acquired in connection with the acquisitions of Hargreave Hale and Jitneytrade Inc. and Finlogik Inc. [Note 8].

NOTE 03 Adoption of New and Revised Standards

The accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those discussed in Note 5 of the March 31, 2018 consolidated financial statements except the Company adopted the following new accounting standards as of April 1, 2018:

IFRS 9, "Financial Instruments" ("IFRS 9")

On April 1, 2018, the Company adopted IFRS 9 which replaces IAS 39 — Financial Instruments: Recognition and Measurement. The Company adopted the standard using the modified retrospective approach. The adoption of IFRS 9 did not have a significant effect on the Company's measurement of financial assets and liabilities.

The following summarizes the impact of IFRS 9 on the unaudited interim condensed consolidated financial statements for the three months ended June 30, 2018:

Classification — financial assets and liabilities

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

On initial recognition, financial assets are classified as instruments measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification is based on two criteria: the Company's business approach for managing the financial assets; and whether the instruments' contractual cash flows result in cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion). The business approach considers whether the Company's objective is to receive cash flows from holding the financial assets, from selling the assets or a combination of both.

- Amortized costs – A financial asset is measured at amortized cost if it is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and the contractual terms of the financial asset result in cash flows that meet the SPPI criteria. Items included in this category include cash and cash equivalents and accounts receivable.

- FVOCI – A financial asset is classified as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset result in cash flows that are SPPI. Included in the FVOCI category is our investment in Euroclear, which was previously classified as available for sale under IAS 39. There are no other financial assets classified as FVOCI.

- All other financial assets are measured at FVTPL and consist of marketable securities owned and sold short.

The Company reclassifies financial assets only when its business approach for managing those assets changes.

Impairment — financial assets

The adoption of IFRS 9 changed the Company's accounting for impairment loss for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach ("ECL"). Under the ECL model, the Company has to record an allowance for ECL either based on a 12-month ECL or on a lifetime ECL. ECL are recognized on the following basis:

- A maximum 12 month allowance for ECL is recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.

- A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments' initial recognition, reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.

- A lifetime ECL allowance is recognized for credit impaired financial instruments.

IFRS 9 also provide a simplified approach to ECLs for trade receivables that is based on a provision matrix concept which utilizes an entity's historic loss experience by age banding, adjusted for forward looking estimates as applicable.

The Company's accounts receivable is classified as financial assets measured at amortized costs, and is subject to the new ECL model. Accounts receivable includes trade receivables from clients and brokers and dealers. All our corporate finance and client receivables have a maturity of less than 12 months from initial recognition, therefore the allowance is limited to 12-month ECLs. The Company established a provision matrix that is based on its historical credit loss experience adjusted for forward-looking factors as appropriate. The impact of the provision is not considered to have a significant impact to our interim consolidated financial statements for the three months ended June 30, 2018.

Hedge accounting

IFRS 9 offers greater flexibility to the types of transactions eligible for hedge accounting. As the Company does not apply hedge accounting under IAS 39 and IFRS 9, the adoption of IFRS 9 does not have any material impact on our unaudited interim condensed consolidated financial statements for the three months ended June 30, 2018.

IFRS 15, "Revenue from Contracts with Customers"

On April 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach. IFRS 15 replaces IAS 18 "Revenue" and establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Under IFRS 15, the initial steps in revenue recognition are to identify the appropriate contracts with customers and define the performance obligations in the contracts. Revenue is recognized when the performance obligations are satisfied — when "control" of goods or services transfers to the customers. IFRS 15 also requires the transaction price to be allocated to each separate performance obligation in proportion to stand-alone selling prices. In addition, variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The impact on adoption of IFRS 15 on the Company's standard revenue contracts are as follows:

- Commissions and fees – Commission and fees revenue consists of revenue generated through commission-based brokerage services and the sale of fee-based products and services. As discussed above, IFRS 15 requires entities to recognize revenue when "control" of goods or services transfers to the customers whereas IAS 18 required entities to recognize revenue when the "risk and rewards" of the goods or services are transferred to the customers. The performance obligation for the recognition of commission and fees revenue is satisfied through the settlement of trades for clients. There is no material change in the amount or timing of revenue recognized under IFRS 15 compared to IAS 18 as the point of transfer of risk and reward for services and transfer of control occur at the same time.

- Investment banking – Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. There is no material impact on the recognition of investment banking revenue under IFRS 15 compared to IAS 18. Under IAS 18, revenue was recognized upon closing of the underwriting mandate, which also represents completion of the performance obligation under IFRS 15.

- Advisory fees – Advisory fees consist of management and advisory fees, including fees from mergers and acquisition activities. The performance obligation for the recognition of advisory fees revenue is met when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. In certain cases, some fees are collected based on progress and do not correspond to the satisfaction of any discrete performance obligation. Under IFRS 15, such payments may need to be deferred or recognized on an amortized basis until the performance obligation is satisfied. The impact of this change on the opening retained earnings as of April 1, 2018 and for the three months ended June 30, 2018 is insignificant.

- The following revenue types are excluded from the scope of IFRS 15: Principal trading revenue which consists of revenue earned in connection with principal trading operations, interest revenue, as well as other revenue consisting of foreign exchange gains or losses and revenue earned from our correspondent brokerage services.

NOTE 04 Securities Owned and Securities Sold Short

	June 30, 2018		March 31, 2018	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 351,368	$ 306,822	$ 254,671	$ 220,792
Equities and convertible debentures	274,431	111,259	214,546	80,214
	$ 625,799	$ 418,081	$ 469,217	$ 301,006

As at June 30, 2018, corporate and government debt maturities range from 2018 to 2098 [March 31, 2018 – 2018 to 2098] and bear interest ranging from 0.00% to 14.00% [March 31, 2018 – 0.00% to 14.00%].

NOTE 05 Financial Instruments

CATEGORIES OF FINANCIAL INSTRUMENTS

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at June 30, 2018 and March 31, 2018 are as follows:

	Fair value through profit and loss		Fair value through other comprehensive income		Amortized costs		Total	
	June 30, 2018	March 31, 2018	June 30, 2018	March 31, 2018	June 30, 2018	March 31, 2018	June 30, 2018	March 31, 2018
Financial assets								
Securities owned	**$ 625,799**	$ 469,217	$ —	$ —	$ —	$ —	**$ 625,799**	$ 469,217
Accounts receivable from brokers and investment dealers	—	—	—	—	**1,493,760**	1,405,380	**1,493,760**	1,405,380
Accounts receivable from clients	—	—	—	—	**352,647**	333,434	**352,647**	333,434
RRSP cash balances held in trust	—	—	—	—	**319,844**	330,369	**319,844**	330,369
Other accounts receivable	—	—	—	—	**222,510**	146,654	**222,510**	146,654
Total financial assets	**$ 625,799**	$ 469,217	$ —	$ —	**$ 2,388,761**	$ 2,215,837	**$ 3,014,560**	$ 2,685,054
Financial liabilities								
Securities sold short	**$ 418,081**	$ 301,006	$ —	$ —	$ —	$ —	**$ 418,081**	$ 301,006
Accounts payable to brokers and investment dealers	—	—	—	—	**1,144,615**	1,051,546	**1,144,615**	1,051,546
Accounts payable to clients	—	—	—	—	**1,329,760**	1,228,201	**1,329,760**	1,228,201
Other accounts payable and accrued liabilities	—	—	—	—	**260,407**	359,207	**260,407**	359,207
Subordinated debt	—	—	—	—	**7,500**	7,500	**7,500**	7,500
Convertible debentures	—	—	—	—	**57,249**	57,081	**57,249**	57,081
Deferred consideration	—	—	—	—	**10,117**	9,997	**10,117**	9,997
Contingent consideration	—	—	—	—	**51,550**	49,844	**51,550**	49,844
Bank loan	—	—	—	—	**68,242**	71,437	**68,242**	71,437
Total financial liabilities	**$ 418,081**	$ 301,006	$ —	$ —	**$ 2,929,440**	$ 2,834,813	**$ 3,347,521**	$ 3,135,819

FAIR VALUE HIERARCHY

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy, described as follows, and 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, 2018 and March 31, 2018, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value June 30, 2018		
	June 30, 2018	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 12,759	$ —	$ 12,759	$ —
Government debt	338,609	58,277	280,332	—
Corporate and government debt	351,368	58,277	293,091	—
Equities	272,819	214,282	58,401	136
Convertible debentures	1,612	—	1,612	—
Equities and convertible debentures	274,431	214,282	60,013	136
	625,799	272,559	353,104	136
Securities sold short				
Corporate debt	(2,340)	—	(2,340)	—
Government debt	(304,482)	(51,589)	(252,893)	—
Corporate and government debt	(306,822)	(51,589)	(255,233)	—
Equities	(111,259)	(99,153)	(12,106)	—
Convertible debentures	—	—	—	—
Equities and convertible debentures	(111,259)	(99,153)	(12,106)	—
	(418,081)	(150,742)	(267,339)	—
Deferred considerations	(10,117)	—	—	(10,117)
Contingent considerations	(51,550)	—	—	(51,550)
	(479,748)	(150,742)	(267,339)	(61,667)

		Estimated fair value March 31, 2018		
	March 31, 2018	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 13,794	$ —	$ 13,794	$ —
Government debt	240,877	30,593	210,284	—
Corporate and government debt	254,671	30,593	224,078	—
Equities	214,086	165,546	48,404	136
Convertible debentures	460	—	460	—
Equities and convertible debentures	214,546	165,546	48,864	136
	469,217	196,139	272,942	136
Securities sold short				
Corporate debt	(4,836)	—	(4,836)	—
Government debt	(215,956)	(34,388)	(181,568)	—
Corporate and government debt	(220,792)	(34,388)	(186,404)	—
Equities	(79,011)	(66,714)	(12,297)	—
Convertible debentures	(1,203)	—	(1,203)	—
Equities and convertible debentures	(80,214)	(66,714)	(13,500)	—
	(301,006)	(101,102)	(199,904)	—
Deferred considerations	(9,997)	—	—	(9,997)
Contingent consideration	(49,844)	—	—	(49,844)
	(360,847)	(101,102)	(199,904)	(59,841)

Movement in net Level 3 financial liabilities

Balance, March 31, 2018	$ (59,705)
Addition of contingent consideration	**(4,000)**
Addition of deferred consideration	**(744)**
Foreign exchange revaluation of deferred and contingent consideration	**2,918**
Balance, June 30, 2018	**$ (61,531)**

In addition to the $56.9 million of deferred and contingent consideration in connection with the acquisition of Hargreave Hale during the year ended March 31, 2018 included as level 3 financial liabilities, there was $4.7 million of contingent and deferred considerations included as part of the total purchase consideration for the acquisition of Jitneytrade Inc. and Finlogik Inc. [Note 8]. The contingent and deferred considerations are settled in cash with any subsequent gains or losses recognized in earnings.

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 investment in Euroclear, which has an estimated fair value of $6.2 million (€4.1 million) as at June 30, 2018 [March 31, 2018 – $6.4 million (€4.1 million)]. The current fair value is determined using a market-based approach based on recent share buyback transactions. This investment is classified as a financial asset measured at fair value through other comprehensive income.

ii. Level 3 financial instruments

The fair value for level 3 investments classified as financial instruments measured at fair value through profit and loss ("FVTPL") 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 FVTPL financial instruments 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 FVTPL investments as at June 30, 2018 was $0.1 million [March 31, 2018 – $0.1 million].

Level 3 financial liabilities also include the deferred and contingent considerations included as part of the total purchase consideration for the acquisitions of Hargreave Hale and Jitneytrade (Note 8). The fair value for these financial liabilities approximate their carrying value as of June 30, 2018.

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 to manage 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 the consolidated statements of operations during the reporting period.

Forward contracts outstanding at June 30, 2018:

	Notional amount (millions)		Average price	Maturity	Fair value	
To sell US dollars	USD$	38.7	$1.31 (CAD/USD)	July 3, 2018	$	(106)
To buy US dollars	USD$	1.4	$1.32 (CAD/USD)	July 3, 2018	$	(5)

Forward contracts outstanding at March 31, 2018:

	Notional amount (millions)		Average price	Maturity	Fair value	
To sell US dollars	USD$	17.7	$1.28 (CAD/USD)	April 2, 2018	$	(240)
To buy US dollars	USD$	2.1	$1.29 (CAD/USD)	April 2, 2018	$	3

The Company's Canaccord Genuity Wealth Management segment in the UK and 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 57 days as at June 30, 2018 [March 31, 2018 – 85 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, 2018. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	June 30, 2018						March 31, 2018					
	Assets		Liabilities		Notional amount		Assets		Liabilities		Notional amount	
Foreign exchange forward contracts	$	3,117	$	3,007	$	161,750	$	847	$	747	$	141,662

FUTURES

The Company's Canadian operations are involved in trading bond futures contracts, which are agreements to buy or sell a standardized amount of an underlying Government of Canada bond, 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 trade in bond futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At June 30, 2018, the notional amount of the bond futures contracts outstanding was short $6.3 million [March 31, 2018 – long $0.1 million].

The fair value of all of the above futures contracts is nominal due to their short term to maturity and are included in accounts receivable and accounts payable and accrued liabilities. Realized and unrealized gains and losses related to these contracts are recognized in the statement of operations during the reporting period.

SECURITIES LENDING AND BORROWING

The Company employs securities lending and borrowing primarily to facilitate the securities settlement process. These arrangements are typically short term in nature, with interest being received when cash is delivered, and interest being paid when cash is received. These transactions are fully collateralized and are subject to daily margin calls for any deficiency between the market value of the security given and the amount of collateral received. These transactions are collateralized by either cash or securities, including government treasury bills and government bonds, and are reflected within accounts receivable and accounts payable. Interest earned on cash collateral is based on a floating rate.

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
June 30, 2018	**$ 222,569**	**$ 39,128**	**$ 61,867**	**$ 343,172**
March 31, 2018	$ 185,042	$ 36,359	$ 52,685	$ 227,677

BANK INDEBTEDNESS

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As at June 30, 2018, the Company had $14.5 million of bank indebtedness outstanding [March 31, 2018 – $nil].

OTHER CREDIT FACILITIES

Subsidiaries of the Company have credit facilities with banks in Canada and the UK for an aggregate amount of $672.9 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of June 30, 2018 and 2017, there were no balances outstanding under these other credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totaling $2.7 million (US$2.0 million) [March 31, 2018 — $2.7 million (US$2.0 million)] as rent guarantees for its leased premises in New York. As of June 30, 2018 and March 31, 2018, there were no outstanding balances under these standby letters of credit.

NOTE 06 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	June 30, 2018	March 31, 2018
Brokers and investment dealers	**$ 1,493,760**	$ 1,405,380
Clients	**352,647**	333,434
RRSP cash balances held in trust	**319,844**	330,369
Other	**222,510**	146,654
	$ 2,388,761	$ 2,215,837

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2018	March 31, 2018
Brokers and investment dealers	$ 1,144,615	$ 1,051,546
Clients	1,329,760	1,228,201
Other	260,407	359,207
	$ 2,734,782	$ 2,638,954

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 Investment Industry Regulatory Organization of Canada (IIROC) and other 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 clients' accounts. Interest on margin loans and on amounts due to clients is based on a floating rate [June 30, 2018 – 6.45% to 8.00% and 0.00% to 0.45%, respectively; March 31, 2018 – 6.45% to 7.50% and 0.00% to 0.45%, respectively].

As at June 30, 2018, the allowance for doubtful accounts was $4.7 million [March 31, 2018 – $3.4 million].

NOTE 07 Investments

	June 30, 2018	March 31, 2018
Investment	$ 2,191	$ 2,035

The Company, through a wholly-owned subsidiary, invested $2.5 million for 833,333 Class B Units, at $3.00 per unit, in Canaccord Genuity Acquisition Corp. ("CGAC"). CGAC is a special purpose acquisition corporation formed to effect an acquisition of one or more businesses. Each Class B Unit consists of one Class B Share and one warrant.

The Company holds a 31.4% interest in CGAC and is considered to exert significant influence over the operations of CGAC. Accordingly, the investment in CGAC is accounted for using the equity method.

The Company's equity portion of the net loss of CGAC for the three months ended June 30, 2018 was $0.01 million.

On June 11, 2018, CGAC announced its proposed merger with Spark Power Corp. The merger will constitute CGAC's qualifying transaction and is subject to the satisfaction of certain conditions, including regulatory and CGAC shareholder approvals.

NOTE 08 Business Combination

On April 25, 2018, the Company announced that it has entered into an agreement to acquire Jitneytrade Inc. and Finlogik Inc. directly and indirectly through the purchase of Finlogik Capital Inc. (collectively referred to as "Jitneytrade"). Jitneytrade Inc. is a direct access broker and an active trader in futures and equity options in Canada. Finlogik Inc. is in the business of delivering value-added fintech solutions in the Canadian market. The acquisition closed on June 6, 2018. This acquisition serves to support the Company's mid-market growth strategy by enhancing its market share of equities trading and providing access to new areas of growth through accelerating its development of an enhanced fintech product offering. Total purchase consideration was $14.8 million, of which $10.1 million was paid on closing with an additional $0.7 million of deferred consideration payable on June 8, 2020. There is also an estimated $4.0 million of contingent consideration payable over a period of up to five years, based on certain performance measures. Of the total cash consideration, $1.3 million is being held in escrow to be released over a period of up to June 8, 2020.

The preliminary purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

CONSIDERATION PAID	
Cash	$10,058
Deferred consideration	744
Contingent consideration	4,000
	$14,802
NET ASSETS ACQUIRED	
Cash	$ 2,511
Accounts receivable	4,896
Other tangible assets	3,114
Liabilities	(6,790)
Identifiable intangible assets	1,922
Deferred tax liability related to identifiable intangible assets	(509)
Goodwill	9,658
	$14,802

Identifiable intangible assets of $1.9 million were recognized and relate to customer relationships. The goodwill of $9.7 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

Management has estimated the fair value of the contingent consideration related to this acquisition to be up to $4.0 million as of the acquisition date and will be payable over a period of up to five years. The contingent consideration must be settled in cash and meets the definition of a financial liability, and subsequent changes to the fair value of the contingent consideration will be recognized in the statement of operations. The determination of the fair value is based upon discounted cash flows, and the key assumption affecting the fair value is the probability that the performance measures will be met.

The above amounts including the fair value of the net assets acquired from Jitneytrade are estimates, which were made by management at the time of the preparation of these interim unaudited consolidated financial statements based on available information. Amendments may be made to these amounts as well as the allocation of identifiable intangible assets between indefinite life and finite lives. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

The aggregate acquisition-related expenses incurred by the Company in connection with the acquisition of Jitneytrade are $1.2 million. These expenses are mainly comprised of professional and employment costs.

Contributions to revenue and net loss by Jitneytrade, including acquisition-related costs, were $0.9 million and $0.5 million respectively since the acquisition date.

Had Jitneytrade been consolidated from April 1, 2018, as part of the consolidated statement of operations, the consolidated revenue and net income would have been approximately $275.0 million and $18.1 million, respectively, for the three months ended June 30, 2018. These figures represent historical results and are not necessarily indicative of future performance.

The preliminary purchase price allocation for the acquisition of Hargreave Hale Limited completed on September 18, 2017 will be finalized during the six months ending September 30, 2018.

NOTE 09 Goodwill and Other Intangible Assets

		Identifiable intangible assets						
	Goodwill	Brand names	Customer relationships	Technology	Non-competition	Trading licenses	Fund management	Total
Gross amount								
Balance, March 31, 2018	$ 580,606	$ 44,930	$ 123,174	$ 35,401	$ 14,153	$ 196	$ 40,238	$ 258,092
Additions	9,658	—	1,922	—	—	—	—	1,922
Transfer between categories	—	—	—		—	—	—	—
Foreign exchange	(7,634)	—	(4,106)	(1,409)	—	—	(1,852)	(7,367)
Balance, June 30, 2018	582,630	44,930	120,990	33,992	14,153	196	38,386	252,647
Accumulated amortization and impairment								
Balance, March 31, 2018	(322,632)	—	(61,778)	(19,373)	(14,153)	(196)	(1,835)	(97,335)
Transfer between categories	—	—	—	—	—	—	—	—
Amortization	—	—	(2,850)	(604)	—	—	(592)	(4,046)
Foreign exchange	—	—	1,624	763	—	—	94	2,481
Balance, June 30, 2018	(322,632)	—	(63,004)	(19,214)	(14,153)	(196)	(2,333)	(98,900)
Net book value								
March 31, 2018	257,974	44,930	61,396	16,028	—	—	38,403	160,757
June 30, 2018	$ 259,998	$ 44,930	$ 57,986	$ 14,778	$ —	$ —	$ 36,053	$ 153,747

Identifiable intangible assets purchased through the acquisitions of Genuity Capital Markets (Genuity), the 50% interest in Canaccord Genuity (Australia) Limited (Canaccord Genuity Australia), Collins Stewart Hawkpoint plc (CSHP), Eden Financial, Hargreave Hale and Jitneytrade are customer relationships, non-competition agreements, trading licenses, fund management contract and technology, which have finite lives and are amortized on a straight-line basis over their estimated useful lives. Branding acquired through the acquisition of Genuity is considered to have an indefinite life, as it will provide benefit to the Company over a continuous period.

As a result of the acquisition of Jitneytrade, the Company recognized goodwill of $9.7 million and identifiable intangible assets of $1.9 million relating to customer relationships as of the acquisition date, which is being amortized over 8 years. [Note 8].

IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS

The carrying amounts of goodwill and indefinite life intangible assets acquired through business combinations are as follows:

	Intangible assets with indefinite lives		Goodwill		Total	
	June 30, 2018	March 31, 2018	**June 30, 2018**	March 31, 2018	**June 30, 2018**	March 31, 2018
Canaccord Genuity CGUs						
Canada (Genuity)	$ 44,930	$ 44,930	$ 92,074	$ 92,074	$ 137,004	$ 137,004
Canada (Jitneytrade)	—	—	9,658	—	9,658	—
Canaccord Genuity Wealth Management CGUs						
UK and Europe (Channel Islands)	—	—	93,256	97,754	93,256	97,754
UK and Europe (Eden Financial Ltd.) ("Eden")	—	—	10,266	10,761	10,266	10,761
UK and Europe (Hargreave Hale)	—	—	54,744	57,385	54,744	57,385
	$ 44,930	$ 44,930	$ 259,998	$ 257,974	$ 304,928	$ 302,904

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. At June 30, 2018 no indicators of impairment were identified.

NOTE 10 Income Taxes

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

	June 30, 2018	June 30, 2017
Income tax expense at the statutory rate of 27.0% (F2018: 26.0%)	$ 5,908	$ (461)
Difference in tax rates in foreign jurisdictions	(419)	(837)
Non-deductible items affecting the determination of taxable income	522	652
Change in accounting and tax base estimate	(464)	145
Other	(201)	40
(Utilization of tax losses not previously not recognized) tax losses and other temporary differences not recognized	(1,236)	1,609
Share based payments	(877)	(360)
Income tax expense reported in the statements of operations	$ 3,233	$ 788

NOTE 11 Subordinated Debt

	June 30, 2018	March 31, 2018
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	$ 7,500	$ 7,500

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at June 30, 2018 and March 31, 2018, the interest rates for the subordinated debt were 7.45% and 7.45%, respectively. The carrying value of subordinated debt approximates its fair value due to the short-term nature of this liability.

NOTE 12 Bank Loan

	June 30, 2018	March 31, 2018
Loan	$ 69,164	$ 72,500
Less: Unamortized financing fees	(922)	(1,063)
	68,242	71,437
Current portion	9,233	9,679
Long term portion	59,009	61,758

In connection with the acquisition of Hargreave Hale, a subsidiary of the Company entered into a senior credit facility in the amount of £40.0 million (C$69.2 million as of June 30, 2018) to finance a portion of the cash consideration. The balance outstanding as of June 30, 2018 net of unamortized financing fees was $68.2 million. The loan is repayable in instalments of principal and interest over a period of 4 years. The interest rate on this loan is LIBOR plus 2.125% per annum [March 31, 2018 — 3.375% per annum].

NOTE 13 Convertible Debentures

	June 30, 2018		March 31, 2018	
	Liability	Equity	Liability	Equity
Convertible debentures	$ 57,249	$ 2,604	$ 57,081	$ 2,604

Terms of the convertible debentures as disclosed in Note 17 of the March 31, 2018 consolidated financial statements.

NOTE 14 Preferred Shares

	June 30, 2018		March 31, 2018	
	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 18 of the March 31, 2018 consolidated financial statements.

NOTE 15 Common Shares and Warrants

	June 30, 2018		March 31, 2018	
	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$ 772,979	113,548,507	$ 772,746	113,522,629
Unvested share purchase loans	(4,826)	(136,483)	(5,098)	(654,322)
Held for the LTIP	(104,488)	(16,909,776)	(117,802)	(19,814,432)
	$ 663,665	96,502,248	$ 649,846	93,053,875

	June 30, 2018		March 31, 2018	
Warrants	Amount	Number of warrants	Amount	Number of warrants
Warrants issued in connection with Private Placement	$ 1,975	3,438,412	$ 1,975	3,438,412

[i] AUTHORIZED

Unlimited common shares without par value.

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2018	113,522,629	$ 772,746
Shares issued in connection with share-based payment plans (Note 17)	25,878	233
Balance, June 30, 2018	**113,548,507**	**$ 772,979**

On August 11, 2017, 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 5,675,573 of its common shares during the period from August 15, 2017 to August 14, 2018 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 through this and the previous NCIB between April 1, 2018 and June 30, 2018.

[iii] EARNINGS (LOSS) PER COMMON SHARE

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
Basic earnings (loss) per common share		
Net income (loss) attributable to CGGI shareholders	$ 17,616	$ (2,262)
Preferred shares dividends	(2,351)	(2,540)
Net income (loss) attributable to common shareholders	15,265	(4,802)
Weighted average number of common shares (number)	94,363,223	93,068,914
Basic earnings (loss) per share	$ 0.16	$ (0.05)
Diluted earnings (loss) per common share		
Net income (loss) attributable to common shareholders	15,265	(4,802)
Weighted average number of common shares (number)	94,363,223	n/a
Dilutive effect in connection with LTIP (number)	13,116,029	n/a
Dilutive effect in connection with other share-based payment plans (number)	28,309	n/a
Dilutive effect in connection with warrants (number)	802,255	n/a
Dilutive effect in connection with convertible debentures (number)	9,230,769	n/a
Adjusted weighted average number of common shares (number)	117,540,585	n/a
Diluted earnings (loss) per common share	$ 0.14	$ (0.05)

The shares issuable upon conversion of the convertible debentures were included in the diluted earnings per share calculation for the three months ended June 30, 2018. Accordingly, the net earnings available to common shareholders were adjusted by the after tax interest expense related to the convertible debentures recorded during the period. The adjusted weighted average number of common shares also included the dilutive effect in connection with the conversion of the convertible debentures.

For periods with net losses attributable to common shareholders, all instruments involving potential common shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

NOTE 16 Dividends

COMMON SHARE DIVIDENDS

The Company declared the following common share dividend during the three months ended June 30, 2018:

Record date	Payment date	Cash dividend per common share	Total common dividend amount
June 22, 2018	July 3, 2018	$ 0.12	$ 13,626

On August 1, 2018, the Board of Directors approved a dividend of $0.01 per common share, payable on September 10, 2018, with a record date of August 31, 2018 [Note 21].

PREFERRED SHARE DIVIDENDS

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 22, 2018	July 3, 2018	$ 0.24281	$ 0.31206	$ 2,351

On August 1, 2018, the Board of Directors approved a cash dividend of $0.24281 per Series A Preferred Share payable on October 1, 2018 to Series A Preferred shareholders of record as at September 14, 2018 [Note 21].

On August 1, 2018, the Board of Directors approved a cash dividend of $0.31206 per Series C Preferred Share payable on October 1, 2018 to Series C Preferred shareholders of record as at September 14, 2018 [Note 21].

NOTE 17 Share-based Payment Plans

[i] LONG-TERM INCENTIVE PLAN

Under the long-term incentive plan (LTIP) or the “Plan”, eligible participants are awarded restricted share units (RSUs), which generally vest over three years. All awards under the Plan are settled by transfer of shares from employee benefit trusts (“Trusts”) which are funded by the Company, or certain of its subsidiaries, as the case may be, 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. No further shares may be issued from treasury under the LTIP.

Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, the Company determined that the awards do not meet the criteria for an in-substance service condition, as defined by IFRS 2 “Share based payments”. Accordingly, RSUs granted as part of the normal course incentive compensation payment cycle are expensed in the period in which those awards are deemed to be earned with a corresponding increase in contributed surplus, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year.

For certain awards, typically new hire awards or retention awards, vesting is subject to continued employment and therefore these awards are subject to a continuing service requirement. Accordingly, the Company recognizes the cost of such awards as an expense on a graded basis over the applicable vesting period with a corresponding increase in contributed surplus.

There were 4,068,842 RSUs granted in lieu of cash compensation to employees during the period ended June 30, 2018 [June 30, 2017 – 5,925,867 RSUs]. The Trusts purchased 2,175,707 common shares during the three months ended June 30, 2018 [June 30, 2017 – 3,502,787 common shares].

The fair value of the RSUs at the measurement date is based on the fair value on grant date. The weighted average fair value of RSUs granted during the three months ended June 30, 2018 was $7.10 [June 30, 2017 – $5.00].

	Number
Awards outstanding, March 31, 2018	20,130,388
Grants	4,068,842
Vested	(5,084,408)
Forfeited	(35,673)
Awards outstanding, June 30, 2018	**19,079,149**

	Number
Common shares held by the Trusts, March 31, 2018	19,814,432
Acquired	2,175,707
Released on vesting	(5,080,363)
Common shares held by the Trusts, June 30, 2018	**16,909,776**

[ii] PERFORMANCE SHARE UNITS

The Company adopted a performance share unit ("PSU") plan for certain senior executives during the year ended March 31, 2018. The PSUs are a notional equity-based instrument linked to the value of the Company's common shares. At the end of a 3-year vesting period, the number of PSUs which vest is determined upon performance against certain pre-determined metrics. The PSUs cliff vest on the 3rd anniversary of the date of the grant. The PSUs are settled in cash, based on the average share price of the Company's shares at the time of vesting.

The PSUs are measured at fair value on grant date. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations. The carrying amount of the liability relating to PSUs at June 30, 2018 was $6.1 million [March 31, 2018 – $6.1 million].

[iii] PERFORMANCE STOCK OPTIONS

On June 1, 2018, the Company created a performance share option ("PSO") plan subject to shareholder approval at the Annual General Meeting on August 2, 2018. On June 14, 2018, the Company granted 6,220,000 options under the PSO plan; this grant is subject to shareholder ratification at the Annual General Meeting. The options have an exercise price of $6.73 per share, based on the fair market value of the common shares on the grant date. The PSOs have a term of five years and will time-vest ratably over four years (with one third vesting on each of the second, third and fourth anniversaries of the date of the grant). The PSOs will also be subject to market (stock price) performance vesting conditions, as well as have a three times exercise price cap on payout value.

The Company will begin recording an expense in association with these PSOs in August 2018 subject to shareholder approval on August 2, 2018.

[iv] SHARE-BASED COMPENSATION EXPENSE

	For the three months ended	
	June 30, 2018	June 30, 2017
Long-term incentive plan	**$ 8,173**	$ 11,969
Forgivable common share purchase loans	**35**	253
Deferred share units (cash-settled)	**(318)**	342
Share-based incentive compensation expense	**$ 7,890**	$ 12,564

NOTE 18 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, 2018	March 31, 2018
Accounts receivable	$ 658	$ 969
Accounts payable and accrued liabilities	978	1,527

NOTE 19 Segmented Information

The Company operates in two industry segments as follows:

Canaccord Genuity — includes investment banking, advisory, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK, Europe and Dubai, Australia and the US. Operations located in Other Foreign Locations under Canaccord Genuity Asia 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, Jitneytrade 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.). Amortization of identifiable intangible assets acquired through the acquisition of Hargreave Hale is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Hargreave Hale). 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, 2018				June 30, 2017			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Commissions and fees	$ 40,107	$ 96,273	$ —	$ 136,380	$ 41,773	$ 63,180	$ 2	$ 104,955
Investment banking	56,992	10,529	—	67,521	32,421	8,275	—	40,696
Advisory fees	24,641	273	—	24,914	18,896	—	—	18,896
Principal trading	30,894	14	—	30,908	25,832	52	3	25,887
Interest	2,201	4,688	2,357	9,246	1,999	2,431	746	5,176
Other	1,337	799	3,018	5,154	865	1,013	2,320	4,198
Expenses, excluding undernoted	134,461	85,409	13,780	233,650	119,276	56,420	12,334	188,030
Amortization	2,063	4,252	323	6,638	2,418	2,315	261	4,994
Development costs	54	3,768	37	3,859	129	1,279	71	1,479
Interest expense	2,704	1,494	1,396	5,594	2,591	96	1,758	4,445
Restructuring costs	1,316	—	—	1,316	448	—	—	448
Acquisition-related costs	1,173	—	—	1,173	—	2,184	—	2,184
Share of loss of an associate	—	—	11	11	—	—	—	—
Income (loss) before income taxes and intersegment allocations	14,401	17,653	(10,172)	21,882	(3,076)	12,657	(11,353)	(1,772)
Less: Intersegment allocations	4,305	3,347	(7,652)	—	4,314	4,541	(8,855)	—
Income (loss) before income taxes	$ 10,096	$ 14,306	$ (2,520)	$ 21,882	$ (7,390)	$ 8,116	$ (2,498)	$ (1,772)

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

	For the three months ended	
	June 30, 2018	June 30, 2017
Canada	$ 97,388	$ 73,706
UK & Europe (including Dubai)	87,578	64,804
United States	76,848	55,736
Australia	12,331	5,534
Other Foreign Locations	(22)	28
	$ 274,123	$ 199,808

NOTE 20 Provisions and Contingencies

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when 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, 2018:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2018	$ 3,253	$ 5,175	$ 8,428
Additions	118	1,316	1,434
Utilized	(557)	(1,516)	(2,073)
Balance, June 30, 2018	$ 2,814	$ 4,975	$ 7,789

The restructuring provision recorded during the period ended June 30, 2018 related to termination benefits incurred as a result of the restructuring in our UK and Europe capital markets operations.

COMMITMENTS, LITIGATION PROCEEDINGS AND CONTINGENT LIABILITIES

In the normal course of business, the Company is involved in litigation, and as of June 30, 2018, 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, 2018, 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.

In addition to the Company's commitments or contingencies described in Notes 26 and 27 of the March 31, 2018 consolidated financial statements, the amounts claimed in respect of the following actions, or which could potentially be claimed, are material and, accordingly, are described below.

Certain claims have been asserted against the Company in respect of the sale of certain conventional wealth management tax advantaged film partnership products in the UK by a predecessor which could be material if such claims are advanced, additional claims are made and the Company's assumptions used to evaluate the matter as neither probable nor estimable change in future periods. Although the Company intends to vigorously defend itself in the event that claims are advanced, and believes that such claims would be without merit, the Company may be required to record a provision for an adverse outcome which could have a material adverse effect on the Company's financial position. The aggregate investment by the Company's clients in respect of these products is estimated to be $15.2 million (£8.8 million). The aggregate initial tax deferral realized by the Company's clients in respect of these products when they were purchased by those clients during the period from 2006 to 2009 is estimated to be $22.7 million (£13.1 million). Enforcement in accordance with announcements from the UK taxation authority, the outcome of certain litigation proceedings in respect of the taxation of other similar products sold by other financial advisors and certain settlements reached with the UK taxation authority by some investors may result in tax liabilities to the purchasers of those products in excess of the initial tax deferral amount. As at the date of these interim condensed consolidated financial statements two pre-action protocols have been issued to the Company by certain clients, which have been rebutted by the Company. The potential tax liability for those clients engaged in such pre-action protocols which is in excess of the initial tax deferral amount, is approximately $15.6 million (£9.0 million) excluding other costs. The probable outcome of the enforcement actions by the UK taxation authority in respect of this matter and the likelihood of a loss or the amount of any such loss to the Company in connection with any claims asserted against the Company, or which may be asserted against the Company, are not determinable at the date of these interim condensed consolidated financial statements.

NOTE 21 Subsequent Events

DIVIDENDS

On August 1, 2018, the Board of Directors approved a dividend of $0.01 per common share, payable on September 10, 2018, with a record date of August 31, 2018. [Note 16].

On August 1, 2018, the Board of Directors approved a cash dividend of $0.24281 per Series A Preferred Share payable on October 1, 2018 to Series A Preferred shareholders of record as at September 14, 2018 [Note 16].

On August 1, 2018, the Board of Directors approved a cash dividend of $0.31206 per Series C Preferred Share payable on October 1, 2018 to Series C Preferred shareholders of record as at September 14, 2018 [Note 16].

Shareholder Information

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

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The Canaccord Genuity Group Inc. 2018 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
Q2/19	November 13, 2018	December 14, 2018	December 31, 2018	November 30, 2018	December 10, 2018
Q3/19	February 7, 2019	March 15, 2019	April 1, 2019	March 1, 2019	March 15, 2019
Q4/19	June 5, 2019	June 21, 2019	July 2, 2019	June 21, 2019	July 2, 2019
Q1/20	August 7, 2019	September 13, 2019	September 30, 2019	August 30 2019	September 10, 2019

(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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Chartered Professional Accountants
Vancouver, BC